

Royal London Governed Retirement Income Portfolios

Due diligence report



Welcome

Choosing the right investments for your clients can help add value both to them and your business.

What's inside

In this document, we'll tell you about our investment philosophy for the Governed Retirement Income Portfolios and the benefits of this approach.

We'll also tell you about our commitment to responsible investment and how it's governed. And we'll provide information about the risk management and control processes we have in place to safeguard your clients' investments.

If you have any questions or need support with the Governed Retirement Income Portfolios or selecting the right investments, speak to your usual Royal London contact.

This is for financial adviser use only and shouldn't be relied upon by any other person.

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About Royal London

Our history and ownership

Founded in 1861, initially as a Friendly Society, Royal London became a mutual life insurance company in 1908. Being a mutual society, it's owned by its customers. As a member-owned organisation, Royal London is fully committed to achieving long-term value for its members – including providing excellent products, customer service and value for money. The Board has expressed a long-term commitment to mutuality.

The Royal London Group (the Group) is the largest* mutual life, pensions and investment company in the UK, and includes the Royal London Mutual Insurance Society (RLMIS), which offers protection, long-term savings and retirement solutions, and Royal London Asset Management. The Governed Retirement Income Portfolios are actively managed by the Multi Asset team at Royal London Asset Management.

Royal London Asset Management was established in 1988 and is a fundamental part of the Royal London Group. It manages Group assets in addition to successfully providing investment management services to a wide range of external clients, notably corporate pension schemes, local authorities, insurance companies, charities, endowments, universities, private banks, family offices, wealth managers and other financial intermediaries.

Royal London Asset Management offers a broad range of investment strategies across a range of asset classes, including, but not limited to, cash, equities, fixed income, property and absolute returns. Within its broad range of equity and fixed income strategies, it also offers funds managed using an ethical or sustainable approach.

Royal London Asset Management manages over 95% of Royal London's investments in line with Royal London's beliefs. It has £181 billion of assets under management (as at June 2025).

*Based on total 2022 premium income. ICMIF Global 500, 2024.

Investment philosophy, process and approach

Investment philosophy and approach

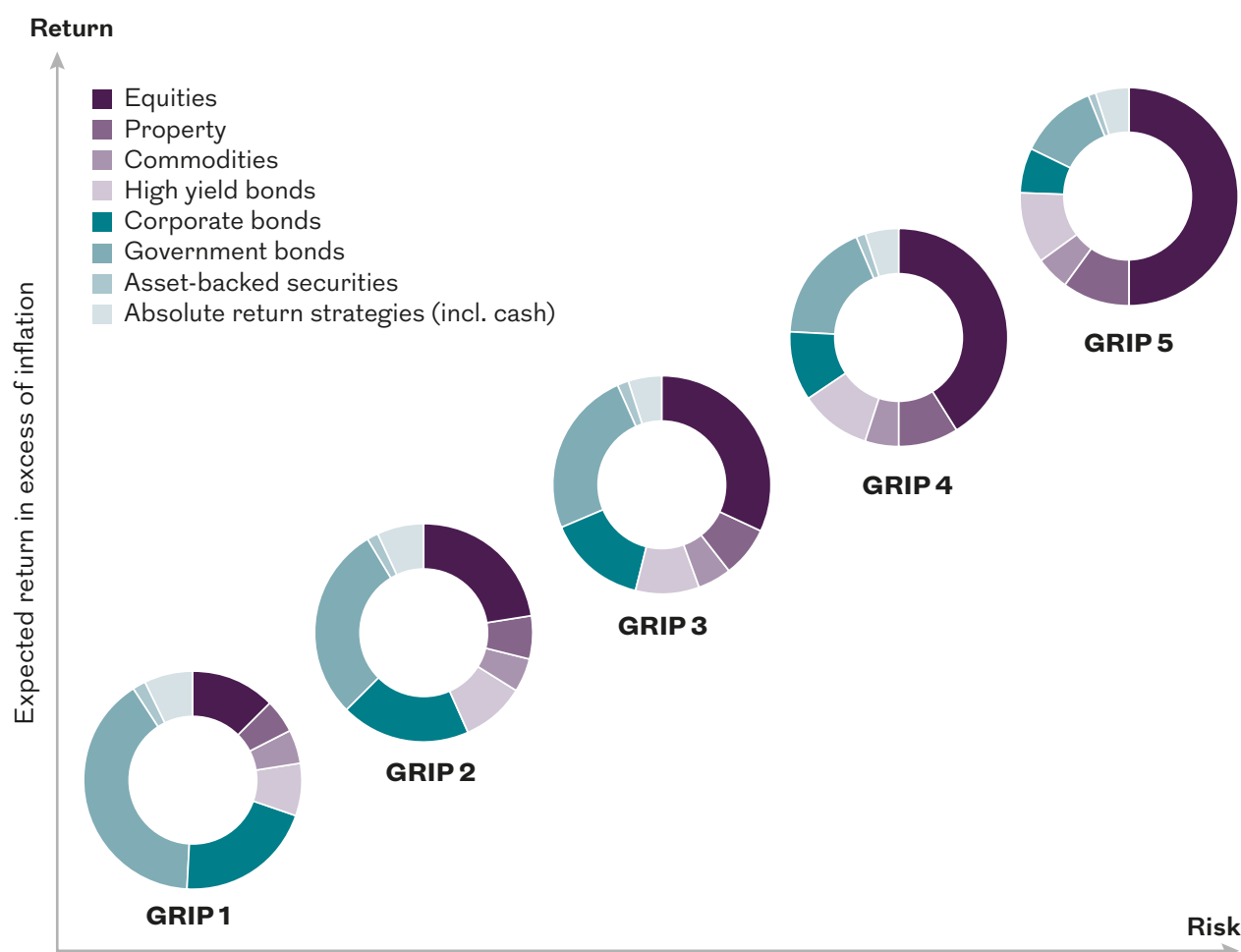
Royal London's approach to managing the Governed Range looks to offer diversified investments intended to deliver above-inflation growth and perform over the longer term through changing economic conditions.

Each risk-graded portfolio is designed to suit investors who will retire into the UK economy, and comes with active management, impartial governance and a responsible investment approach.

The Investment Advisory Committee (IAC) oversees the design of the Governed Range and reviews this on an ongoing basis, to make sure each portfolio continues to meet

its objectives. Headed up by an independent chair, the IAC consists of five industry experts, who meet quarterly to review and monitor the strategic asset allocation and tactical positioning of each risk-graded portfolio. This ongoing governance is supported by active management from the Royal London Asset Management Multi Asset team, environmental, social and governance (ESG) insights from Royal London Asset Management's dedicated Responsible Investment team, and in-depth analysis from Moody's Analytics and Morningstar Investment Management.

The Governed Retirement Income Portfolios (GRIPs) are five actively managed, risk-graded portfolios, as illustrated below, each designed to maximise income sustainability within their level of risk.



Source: Royal London. For illustrative purposes only. Investment returns may fluctuate and aren't guaranteed. It shows a broad trend and is not an accurate representation of the risks and expected returns of the GRIPs. Weights in pie charts relate to each fund's strategic asset allocation and these weights will vary according to tactical asset allocation. Effective from 17 July 2025.

Investment process

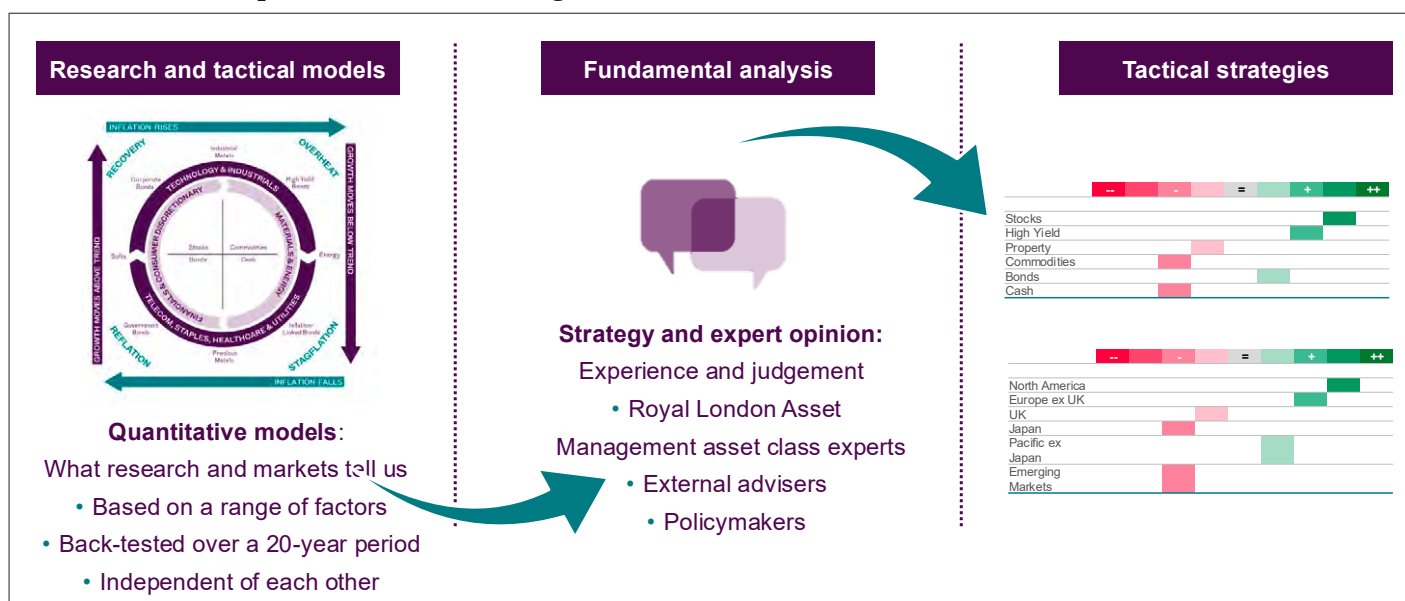
The GRIPs adopt a clearly defined approach to both portfolio construction and investment decision-making. They only include asset classes with a long-term track record in producing returns and/or reducing risk over several market cycles. This makes sure that there's a thorough understanding of how each asset behaves both alone and in combination with other assets, especially in times of market turbulence. It also ensures that there's a high conviction on expected risk premia (the relationship between risk and return) and volatility assumptions, backed by long-term empirical data, as well as economic and fundamental analysis.

Cost-effective asset class exposure and full visibility of holdings are achieved by populating the strategic mix predominantly with internally managed Royal London Asset Management asset class building blocks, supplemented by commodity index swaps and exchange-traded funds. As new funds and asset class capabilities become accessible, they'll be considered for inclusion in the portfolios.

The investment process for constructing the GRIPs combines:

- 1 Strategic asset allocation** – looking to capture market upside.
- 2 Tactical asset allocation** – looking to take advantage of opportunities, regardless of what's happening in markets.

The TAA investment process itself has three stages:



Source: Royal London Asset Management. For illustrative purposes only.

Strategic asset allocation broadly diversified for greater resilience

Royal London Asset Management constructs the portfolios from a broad range of asset classes with different economic drivers and correlations. It keeps the strategic mix under regular review to ensure risk levels and asset class weightings remain appropriate as the investment backdrop changes.

Royal London Asset Management builds resilience by diversifying broadly, with real assets like property, inflation hedges like commodities and by holding less in long duration fixed income when yields are low. Each GRIP has its own strategic asset allocation, which we model every quarter against a wide range of market scenarios, to help us understand expected risk and return metrics, and make sure that each portfolio takes an appropriate level of risk.

This looks to deliver portfolios that are broadly diversified, resilient in a wide range of scenarios and offer a better risk/return trade-off over the medium to long term.

Tactical asset allocation

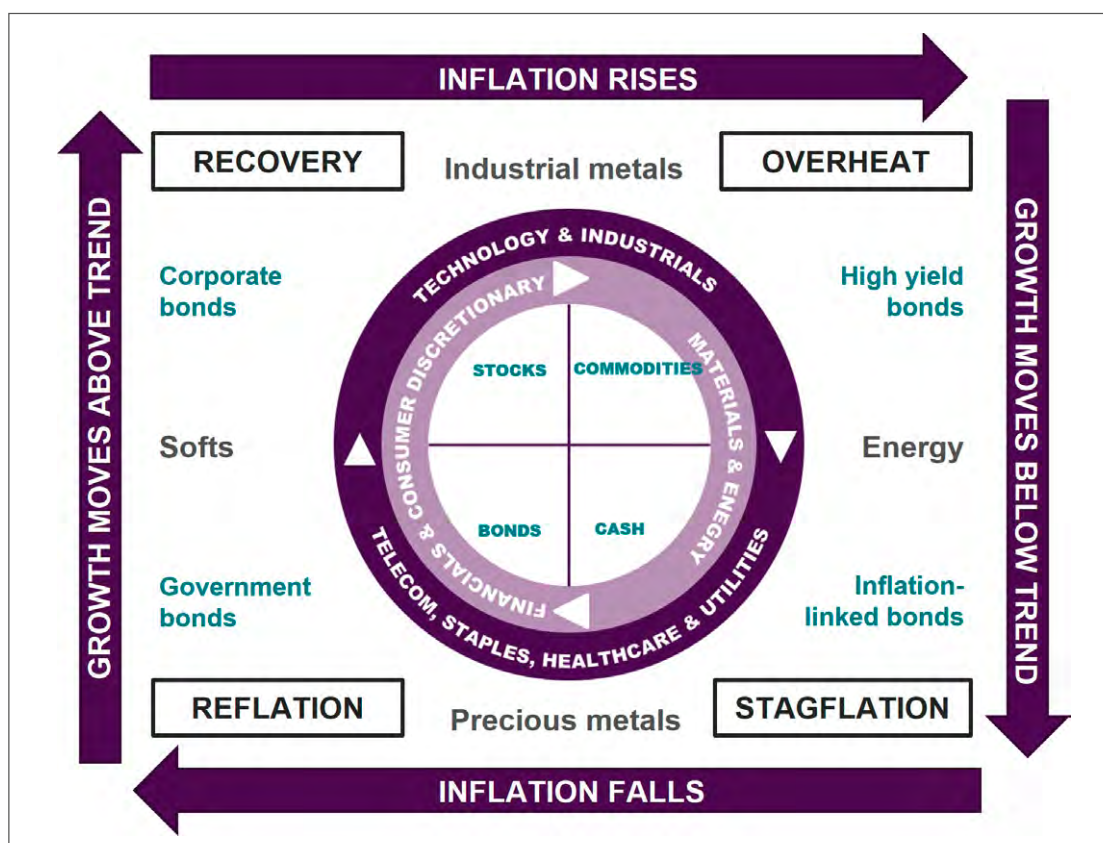
The aim of managing active tactical asset allocation (TAA) is to add incremental value over time as market opportunities arise. Royal London Asset Management's long-standing TAA process ensures that the GRIPs are responsive to evolving market conditions by deviating from the strategic asset allocation. TAA positions are generated using a robust and established model-based framework, implemented in a timely and efficient way using low-cost futures and foreign exchange forwards.

Investment Clock approach

The Investment Clock is a prominent model as one of the tactical models used by Royal London Asset Management as it captures the interaction between the global business cycle and relative asset class returns. The concept of using a clock to illustrate the cyclical nature of the economy and the performance of various investments can be traced back many decades. But Royal London Asset Management's approach to 'telling the time' using growth and inflation indicators traces back to research started in the late 1990s by Trevor Greetham.

The premise of the Clock is that the economy follows periods of expansion and contraction, overheating then cooling off, with inflation picking up and then falling away after growth slows. These economic cycles are driven by the natural ebb and flow of business confidence, along with action taken by central banks to ease or tighten monetary policy in their attempts to stabilise activity within the economy. Each of the four phases of the cycle favours a particular asset class, according to in-depth analysis of real-life economic cycles from the 1970s onwards.

The Investment Clock diagram below shows which asset classes and sectors tend to do best at each stage of the global economic cycle.



Source: Royal London Asset Management. For illustrative purposes only. The Clock's horizontal axis, left to right, measures inflation, while its vertical axis indicates economic growth. Tracking the clockwise movement through each of the Clock's four quadrants – Reflation, Recovery, Overheat and Stagflation – can help to guide the appropriate rotation across assets and sectors to help maximise returns and limit losses.

To use the Investment Clock, you need a way to tell the time. This is dependent on an accurate reading and interpretation of economic data.

The Multi Asset team undertakes a rigorous analysis of the data used to 'set' the Clock. In addition to global economic growth trends and inflation figures, its macro-economic research encompasses many different indicators, including earnings, housing, money supply, survey, employment and wage data, along with an analysis of the outlook for fiscal and monetary policy.

How ESG is incorporated into investment decisions

Our Governed Retirement Income Portfolios have exposure to a wide range of asset classes including equity markets, commodities and property. Having a highly diversified proposition means we don't adopt a 'one-size-fits-all' approach for ESG integration across the different asset classes and strategies. Instead, we adopt slightly different approaches for integrating ESG factors into the decision-making processes.

Royal London refers to ESG integration as the systematic, explicit and transparent integration of material environmental, social and governance (ESG) considerations into the processes for investment research, analysis and decision-making.

Royal London Asset Management's Responsible Investment team helps support fund managers and analysts to embed ESG risks across equity, fixed income and property investment processes.

It uses a mix of internal and external ESG research to inform investment decisions. By overlaying third-party research with its bespoke in-house expertise, it can evaluate and monitor principal adverse ESG risks relevant to a specific asset class or fund.

Much of its in-house research activity has been centred on providing the means to empower and enable fund management teams to integrate ESG into their processes.

Royal London Asset Management has its own bespoke ESG Dashboard and fund analytics tools. This gives it the ability to undertake deep-dive climate data analytics, view and track fund and company performance on climate metrics over time, and monitor engagement reporting.

Why invest in the GRIPs?

You may want to consider recommending the Governed Retirement Income Portfolios to your clients for the following reasons:

Risk-based construction – the GRIPs are designed with the aim of maximising sustainable income within their level of risk. As such, risk-based construction is inherent in the way tactical asset allocation positions are sized and overseen to ensure the portfolios always remain appropriate.

Broad diversification – each Governed Retirement Income Portfolio offers in-built diversification, with investments spread across a broad range of holdings within and across asset classes, aiming to smooth returns and provide resilience to shocks.

Proven tactical asset allocation – the GRIPs incorporate tactical asset allocation using a model-based process, with a proven track record, from an experienced team of multi asset specialists.

Cost-effective solution – the GRIPs offer a cost-effective solution by blending actively managed in-house fixed income, property and absolute return strategies, alongside tilt funds and other instruments.

The investment professionals managing the GRIPs

The Multi Asset team

The Royal London GRIPs are managed by Royal London Asset Management's Multi Asset team, headed up by Trevor Greetham, Head of Multi Asset. Trevor is supported by a team of investment professionals, including senior fund managers, investment directors, an economist, an asset allocation specialist and quantitative analysts. The average investment experience across the team is approximately 18 years.

In addition to the Multi Asset team, the GRIPs benefit from insights across the broad range of Royal London Asset Management's investment capabilities.

Trevor Greetham – Head of Multi Asset

Trevor Greetham is an investment strategist and fund manager with over 28 years of experience. Before joining Royal London in 2015, Trevor was Asset Allocation Director for Fidelity Worldwide Investment, where he was responsible for implementing tactical investment decisions across a wide range of institutional and retail funds. From 1995 to 2005, Trevor was Director of Asset Allocation for Merrill Lynch, advising fund manager clients on their multi asset investment strategy. Trevor qualified as an actuary with UK life insurer Provident Mutual and has a Master of Arts in Mathematics from Cambridge University.

The Multi Asset team is supported by Royal London Asset Management's broader portfolio management capabilities, spread across fixed income, equities and property strategies.

Compensation and retention of investment professionals within Royal London and Royal London Asset Management

The Group has an incentive framework designed to help colleagues focus on activities that support Royal London's Purpose and that contribute to delivering long-term value for our stakeholders. This framework includes a Short-Term Incentive Plan, which applies to the majority of colleagues, and a Long-Term Incentive Plan, which applies to the most senior colleagues. Both are based on a scorecard that's approved annually and monitored by the Remuneration

Committee. These incentive plans include targets and metrics that track delivery of key outcomes, including climate commitments. For example, in 2024 there was a measure in the Long-Term Incentive Plan to demonstrate progress against a basket of priority initiatives, including assessment of progress to reduce carbon emissions and of just transition-related engagement.

Royal London Asset Management aims to attract and retain talented people to deliver sustainably high levels of performance for clients and to ensure the ongoing success of the business. This needs an appropriate balance between providing competitive remuneration and motivational incentives to drive performance, while also maintaining the proper management of risk.

Responsible investment and remuneration in Royal London Asset Management

Progress on responsible investment is tracked through the Royal London Asset Management Business Scorecard. This has a direct link to the calculation of discretionary bonuses for all staff, dependent on year-end outcomes. People's performance is evaluated on both 'what' they deliver as well as 'how' they deliver it – paying particular focus to how they deliver good customer outcomes and demonstrate the Royal London values.

Investment professionals within Royal London Asset Management have a specific performance goal relating to responsible investment and integrating ESG considerations into the investment process. The impact of ESG on investment risk should be considered and documented for all investment decisions. In addition, ESG and the sustainability impacts of investment decisions should be understood with a view to minimising and/or mitigating those impacts in accordance with fund/portfolio objectives.

Royal London's responsible investment approach

Driven by its Purpose, Royal London looks to act and invest responsibly. Royal London's Responsible Investment and Stewardship Policy defines its responsible investment approach and sets out the standards that apply across the Group in relation to responsible investment and stewardship. It's reviewed every year. You can find information on how RLMIS and Royal London Asset Management implement this policy on the Royal London and Royal London Asset Management websites.

Royal London's approach to investing responsibly includes the following four areas:

Engagement

Taking money out of or excluding companies that don't meet certain criteria around ESG issues may seem simple. However, this would mean Royal London would be unable to take action to influence change. Royal London believes in engaging with companies it invests in to support them in improving their corporate behaviour and encourage change.

Voting

Royal London uses its voting rights on a range of issues. This includes voting on matters such as how companies are run (often referred to as governance), including climate change, board appointments, changes to a company's structure, pay and compensation, and mergers and acquisitions.

ESG integration

Royal London expects all asset managers who manage customers' investments to consider ESG factors in their investment decision-making process.

Collaboration

Royal London collaborates with policymakers, the companies it invests in, industry groups and other stakeholders on key issues such as climate change to support meaningful regulatory and industry change.

Engagement priorities

Royal London Group's engagement activities cover engagement with the companies it invests in, policymakers, suppliers and its social impact work. Following a review in 2025, Royal London has two focus areas for engagement for 2026-28: climate and nature; and social and financial inclusion. These focus areas were chosen by considering Royal London's Purpose, customer and client research, its Responsible Investment and Stewardship Policy, and insights from Royal London Asset Management.

In addition, Royal London Asset Management has its own themes on which it prioritises engagement activity. For 2026-28, these are: climate; nature; people; and governance. These align with the Group themes, as well as the needs of Royal London Asset Management's other clients. Each refresh considers the wider Royal London Group engagement themes, reviews emerging trends and involves extensive consultation with internal investment teams, responsible investment analysts, clients and other stakeholders.

Both the Group-wide engagement focus areas and Royal London Asset Management's engagement themes are reviewed every two years.

Approach to proxy voting

Royal London's Voting Policy forms part of the Responsible Investment and Stewardship Policy.

The Voting Policy sets the parameters for Royal London as an asset owner (RLMIS), including expectations for how external managers vote on its behalf, and for Royal London Asset Management as an asset manager. This policy incorporates the [Royal London Voting Principles](#) and [Royal London Asset Management Voting Guidelines](#).

Integrating ESG analysis

Royal London Asset Management's goal is to ensure that all fund managers and analysts across asset classes are empowered and enabled to integrate ESG analysis into their investment processes to support both investment outcomes and client propositions.

Its Responsible Investment team is integral to this approach. It works collaboratively with fund managers and analysts and serves as a dedicated resource to facilitate bespoke ESG analysis, proxy voting and engagement. This in-house expertise from a team of 20 responsible investment professionals is harnessed through regular interactions with investment teams. Insights from the Responsible Investment team's activity is also shared with all front office staff via a proprietary ESG dashboard.

Industry collaboration

Royal London collaborates with external groups and other stakeholders on key issues such as climate change to support regulatory and industry change. This includes industry collaboration with initiatives such as the Association of British Insurers, the Investment Association, the Institutional Investors Group on Climate Change and the UK Sustainable Investment and Finance Association.

UN Principles for Responsible Investment (PRI)

The UN PRI scores outline how signatories' implementation of responsible investment compares year-on-year across asset classes, and with peers at local and global level.

Royal London Asset Management has been a signatory to the UN PRI since June 2008, while the Royal London Group has been a signatory since January 2020 and insists on signatory status for external fund managers. You can find the latest UN PRI assessment report on Royal London Asset Management here: [UN PRI Assessment Report](#).

UK Stewardship Code 2020

Royal London has been recognised as a signatory to the UK Stewardship Code 2020, which was maintained in 2024. Royal London Asset Management has held signatory status since 2021, which it maintained in 2024. You can find updates on stewardship activities, in line with the UK Stewardship Code 2020, in the annual [RLMIS](#) and [Royal London Asset Management](#) Stewardship Reports.

Approach to exclusions

In accordance with the RLMIS Exclusions Policy, no fund held as an asset by RLMIS will knowingly invest in corporate equity and/or debt of a company or group involved in the manufacture and sale of cluster munitions, anti-personnel landmines, or biological and chemical weapons. RLMIS continues to monitor its customers' preferences and keeps its Exclusions Policy under review.

Royal London Asset Management has also implemented a firm-wide exclusion of controversial weapons across all its funds. You can read more about Royal London Asset Management's controversial weapons policy here: [RLAM Controversial Weapons Policy](#).

For more information on Royal London's investment approach to fossil fuels, see its [Fossil Fuel Investment Position](#).

Climate commitments

Climate considerations are integrated into Royal London's Purpose and strategy, recognising climate risk as a global and strategic imperative.

Royal London believes that the best future for its customers is one where the goals of the Paris Agreement are achieved collectively. This helps define the actions that Royal London is committed to:

- **Reducing emissions from its investment portfolio** by 50% by 2030 from a baseline of 2020, and to achieving net zero by 2050. It also aims to achieve net zero emissions in its property assets managed by Royal London Asset Management by 2030, and indirectly managed by 2040.
- **Achieving net zero direct operational emissions** by 2030, and net zero in its non-investment value chain by 2050 from a 2019 baseline.

In addition, Royal London has a commitment to the following:

- **Developing climate-aware investment solutions** that will enable its customers to invest in the low-carbon transition.
- **Engaging with policymakers, the companies it invests in, its peers and other stakeholders** to play its part in enabling the fair transition to a sustainable world.

Royal London's commitments are based on the expectation that governments and policymakers will deliver on their commitments to achieve the goals of the Paris Agreement, and that the required actions do not contravene its legal and regulatory obligations to its members and customers.

Royal London's largest exposure to climate change risks is the impact they may have on the assets it looks after for customers and members. To help manage these risks, Royal London has embedded climate risk evaluation into its strategic asset allocation process.

Royal London has taken steps to develop its understanding of the possible impacts of climate risks by carrying out climate scenario analyses to assess the impact of these risks on its funds, including the GRIPs. As property is an important asset class within the GRIPs, Royal London Asset Management carries out flood risk assessment across all property assets.

In 2021, Royal London Asset Management transitioned the passive index-tracking equity funds to tilted funds which incorporate ESG and climate-related criteria in the investment process. Holdings are adjusted (tilted) to be deliberately overweight or underweight in selected assets to help the funds meet their objectives. The tilted funds aim to deliver returns in line with their benchmarks while looking to reduce carbon intensity compared to the index.

Royal London Asset Management's climate risk policy is available on request.

Governance and oversight

Teams responsible for sustainability strategy oversight and delivery

Royal London Group

The Royal London Group Board is responsible for promoting the long-term success of Royal London in a manner that seeks to generate value for its members, while taking account of the interests of its stakeholders, the impact it has on the environment, and its contribution to wider society.

The Royal London Group Executive Committee (GEC) reports to the Group CEO and is supported by the Group Sustainability Oversight Committee (GSOC), which provides oversight on delivery of Royal London's sustainability and stewardship strategy. The GSOC comprises the Head of Group Sustainability and Stewardship and the GEC members, with attendees from across the senior leadership team. Input to the GSOC is provided by the Sustainability and Stewardship Delivery Group, whose members hold key responsibilities to deliver the strategy. The Group Sustainability and Stewardship function is accountable for Royal London-wide sustainability and stewardship strategy.

The RLMIS Investment Committee supports the Board in managing investments in a manner that's consistent with Royal London's Investment Philosophy and Beliefs. The committee is responsible for assessing whether assets remain appropriately invested to meet the needs of Royal London's members and policyholders, as well as for monitoring Royal London's investment strategy and investment performance. It also reviews the approach to investment in both existing and new investment asset classes, having considered the interests of policyholders and members, and any material ESG matters including climate change. In addition, on an annual basis, the committee recommends Royal London's Investment Philosophy and Beliefs for approval by the Board.

Royal London has other committees working independently to the Board, bringing robust governance and independent challenge. These include:

- The Independent Governance Committee, which assesses the ongoing value for money provided by Royal London to its Workplace Pension and Investment Pathway customers.

- The Investment Advisory Committee, which provides a forum for independent challenge, focusing on the proposition design and performance of the Governed Range, including Investment Pathways.

Royal London Asset Management Board

Royal London Asset Management's Board has ultimate responsibility for setting its risk appetite and reviewing its strategic risks. Additionally, it approves the annual Royal London Asset Management Stewardship and Responsible Investment Report.

Royal London Asset Management's Chief Investment Officer, a regulated Senior Management Function, is accountable for the Royal London Asset Management Responsible Investment function. This role is a member of the Royal London Asset Management Executive Committee and chairs – and is supported by – the Royal London Asset Management Investment Committee that oversees investment issues and annually reviews the proxy voting guidelines. This role is also responsible for ensuring responsible investment, stewardship and climate change risk management are embedded in Royal London Asset Management's investment strategies and capabilities.

Royal London Asset Management's Head of Responsible Investment is a member of the Royal London Asset Management Investment Committee, contributing papers for discussion, and regularly attending the Customer and Product Committee.

For further information on governance activities, see the annual RLMIS and Royal London Asset Management Stewardship Reports.

Responsible investment oversight

The RLMIS Investment Office monitors and assesses asset managers' responsible investing activity and performance against an Asset Manager Oversight Framework.

As part of the Asset Manager Oversight Framework, the Responsible Investment and Climate Change (RICC) Oversight Framework provides structured oversight of asset managers' adherence to the Responsible Investment and Stewardship Policy and alignment with RLMIS Investment Philosophy and Beliefs.

Depending on the type of investment and the level of assets under management with each asset manager, the RICC Oversight Framework standards and monitoring activities include:

- Biannual stewardship meetings with asset managers to discuss their ESG data, as well as their engagement activities, regulatory changes and new areas of focus.
- Requiring asset managers to complete a due diligence questionnaire covering a range of ESG topics, including monitoring progress towards net zero commitments.
- Establishing that ESG integration activities are in line with the Royal London Responsible Investment and Stewardship Policy.
- Confirming that the stewardship activities undertaken by asset managers on RLMIS's behalf are documented and reviewed for consistency with RLMIS policies.

Risk oversight

Independent portfolio risk management is carried out by Royal London Asset Management's Portfolio Risk Management team. Each portfolio is run through a portfolio risk measurement system daily, with a typical desk reporting frequency of monthly. Summary reports are delivered to the relevant desk for both investment risk and liquidity risk, along with more detailed assessments of concentration risk for core funds.

Royal London Asset Management's Investment Committee gets a monthly portfolio risk report, with coverage of all asset classes for investment risk and liquidity risk in accordance with the system of internal limits policies. The Portfolio Risk team is able to analyse model portfolios or portfolios undergoing structural changes on an ad hoc basis.

Conflicts of interest

Royal London is committed to meeting the highest standards of personal and corporate ethics across all its activities, ensuring it does what is right for members, customers and wider society. Royal London recognises that conflicts of interest may arise between itself, asset managers and respective customers and clients. Any conflict of interest must be identified, managed and disclosed in accordance with the Royal London's Conflicts of Interest Policy and Procurement and Third-Party Management Policy, including potential conflicts of interest with Royal London Asset Management.

The Royal London Asset Management Conflicts of Interest Policy covers the potential conflicts of interest arising in the course of investment business between Royal London Asset Management, its employees and its clients which could significantly impact the interests of Royal London Asset Management's clients in the absence of adequate controls. A copy of this policy is available on request.

For further detail on Royal London's activities to manage conflicts of interests, see the annual [RLMIS Stewardship Report](#), which is available on the Royal London website.

**If you have any questions speak
to your usual Royal London contact.**



Royal London
royallondon.com

**We're happy to provide your documents in a different format, such as braille,
large print or audio, just ask us when you get in touch.**

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