

Investment Advisory Committee (IAC)
Quarterly Meeting

26 February 2025

Name	Organisation	Role	Present
Candia Kingston (CK)	Independent	Chair	Y
JB Beckett (JB)	Independent	Non-Exec member	Y
Ewan Smith (ES)	RLMIS	CEO Office Director	N
Vidur Bahree (VB)	RLMIS	Group Investment Director	Y
Piers Hillier (PH)	RLAM	RLAM Chief Investment Officer	Y

Others in attendance

Name	Organisation	Role
Catherine Hughes (CH)	RLMIS	Assistant Company Secretary
Karen Burgess	RLMIS	Board Support Coordinator
Iain McLeod (IM)	RLMIS	Director of Investment Propositions
Euan Craig (EC)	RLMIS	Senior Proposition Manager, Investment Solutions
Raymala Navaratnam (RN)	RLMIS	Senior Investment Actuary
Trevor Greetham (TG)	RLAM	Head of Multi-Asset
Phil Beamish (PB)	RLMIS	Head of Oversight (Investment Office)
Ruth Bryson (RB)	RLMIS	Senior Sustainability & Stewardship Manager
Joanna Walker (JW)	RLMIS	Head of Group Sustainability & Stewardship
Jamie Jenkins (JJ)	RLMIS	Policy & Communications Director
Mark Evans (ME)	RLAM	Head of Property and Commercial Development
Will Nicoll (WN)	RLAM	Head of Fixed income and Private Assets
Robert Dundas (RD)	RLMIS	Investment Strategy Director
Stuart Waldron (SW)	RLMIS	Investment Oversight Manager (Investment Office)
Daniel Blamont (DB)	RLMIS	Group Investment Operations Director
Michael Clarkson (MC)	RLAM	Fund of Funds Manager

This note presents a summary of the discussion from the Investment Advisory Committee in February 2025.

Alongside standing items to review performance and strategic management information, the Committee discussed:

- Responsible Investment and Stewardship Policy
- Pensions Review
- Property Update
- Private Assets

RLP Global Managed

The allocation mechanism and decision-making process for RLP Global Managed and its UK equity allocation was discussed. The Committee had previously questioned the rationale behind the core / satellite approaches, including derivative overlays, and asked for comfort that the active funds had been selected strategically rather than for an operational purpose. Responding, RLAM explained that various factors, including derivative overlays and currency forwards, influenced allocation decisions. The fund adhered to a conservative Derivatives Policy, requiring enough cash for daily margin calls. This policy was stress-tested during the Covid-19 market falls. The outcome was favorable, demonstrating that the cautious approach ensured liquidity and stability in volatile markets. RLAM advised that the fund was actively and holistically managed, and incorporated carbon tilt overlays. The tracking error from stock selection was maintained at an appropriate level. Each sub-fund within the overall fund structure served a distinct architectural purpose, with varying degrees of concentration. From a risk-adjusted return perspective, each fund selection was deemed suitable. In recent years, the active UK exposure had reduced in favour of Global Diversified. The Committee noted the rationale and requested that the approach was articulated in writing to allow for a deeper conversation.

Responsible Investment & Stewardship Policy

The Sustainability and Stewardship team presented Royal London's engagement approach with confidence. Industry-wide limitations on capital intensity data (WACI and index tilting) and various industry approaches to climate measures were noted. Discussions on external coverage / data were ongoing internally. Whilst measures may have been different over time, the Committee was informed that customer outcomes had improved. Royal London favored engagement with investee companies rather than an exclusionary approach which was not always successfully represented by certain external measures. Communication efforts had been enhanced to explain the firm's climate plans and to demonstrate how voting decisions had made a difference. Efforts had been made to support IFAs with customer 'ESG' discussions, especially after some 2022 losses had caused uncertainty. The 'governance' aspect of ESG was not entirely clear for some investors, but it continued to be an important consideration in stewardship decisions made on behalf of customers. The 'environmental' aspect was easier to convey. 'Social' was more conceptual for some customers but was of significant importance in understanding the objectives and values of investee companies. The requirement for (publicly available) Implementation Statements for Defined Benefit (DB) Schemes was endorsed.

Pensions Review

Jamie Jenkins, Director of Policy and Public Affairs and Policy Development, addressed the Committee about his role in influencing policy makers' views on policy and pension regulation, and provided an update on current issues. Royal London had a strong voice with policy makers and time had been spent

with politicians, ministers responsible for change, trade bodies, and regulators. Recently, Royal London expanded its presence in the Defined Benefit (DB) market by adding bulk annuity policies to their service offering following successful in-house buy-ins. Royal London hoped that pension reforms would drive sustainable economic growth and offer customers increased value for money. The Committee observed that DB schemes appeared to prefer fixed income over equities, and that many had underutilised surpluses. The preference for gilts and the fact that two-thirds of ISA investments were in cash provided context on the Productive Finance initiative's complexities.

Property Update

The Committee received a property update for RLAM's holdings and noted plans to increase average lot sizes and move towards sectors like healthcare, residential, and natural capital, which were in alignment with Royal London's purpose driven approach. The strategy for the UK living sector was to purchase mid-market, affordable residential properties, for retirement and key worker accommodation. In UK life sciences, the property team were keen to double their exposure. In tandem with selective, larger, best in class purchases, the team was also tactically selling off smaller, less attractive assets. All 3 property funds had outperformed over 1, 3, 5 and 10 years on their respective benchmarks which had enabled further opportunities with 3rd parties and joint venture partners. The cash asset allocation was partially attributable to the fact that some opportunities had not yet completed.

Private Assets

The Private Assets capability had been developed and purposely geared to complement the mid-size nature of the asset management business and to offer an appropriate level of leverage for internal and external needs. Initial capabilities had supported Royal London's entrance into the bulk annuity market. Income producing real estate capabilities would also be utilised to support the Matching Adjustment book, together with Multi Asset (Private Credit) strategies that could invest across asset classes.

Fund Reporting

Absolute returns in the Governed Range had been broadly positive during Q4 2024, mainly driven by rising equity markets, with commodities and property also contributing. TAA and stock selection decisions had supported the overall good performance. The Committee received an update on RLP Global Managed and noted that the fund had been underperforming for two consecutive quarters with sub-benchmark performance. This resulted in the fund being put on watch and under enhanced monitoring. Despite benchmark relative underperformance, from a customer perspective, it was recognised that the overall total returns for this fund had remained strong. The Committee asked to continue to receive updates on the fund's performance.

Strategic Pack

The Committee noted that LEAF assumptions had been reinstated after previously challenging Moody's suitability. The Strategic Pack summarised LEAF assumptions as of Q3 2024 and included rationale for adjustments versus Moody's and how any anomalies were to be addressed through the SAA review. The Committee debated how Royal London's proposition was aligned to rating agencies risk buckets and acknowledged that there were both propositional challenges and advantages to rating agencies' pre-determined risk buckets.

Work had commenced on strengthening the Governed Range and increasing the risk level for customers more than 15 years away from retirement. Following completion of the changes, there would be a focus on decumulation glidepaths and overall consideration to refreshing the approach to achieve streamlined

solutions. These enhancements reflected longer working patterns and later retirements for many customers. The Committee welcomed the improvements.