



CONFIDENTIAL

**AKG REVIEW OF ROYAL LONDON'S
GOVERNED PORTFOLIO PROPOSITION**

PREPARED FOR ROYAL LONDON | JULY 2025

Analysis by AKG Financial Analytics Ltd
Accessible • Comparative • Independent

AKG

Contents

1. Introduction.....	1
1.1 Project Background.....	1
1.2 AKG's Assignment	1
1.3 The View from the IAC	1
1.4 Information Sources	1
1.5 Reliances and Limitations	2
1.6 Confidentiality.....	2
2. Governance Under the Microscope	3
2.1 What Does AKG Mean by Governance?.....	3
3. AKG Observations	4
3.1 Governance Characteristics in Practice.....	4
3.2 Adviser Responsibilities.....	5
4. Background & Market Positioning	6
4.1 Regulatory Backdrop	6
4.2 Governed Range Size and Flows	7
4.3 Key GP Characteristics.....	7
4.4 GP Investment Objectives	8
4.5 GP Access.....	8
4.6 GP Charging Framework	8
4.7 Risk Mapping.....	9
5. Investment Process & Responsibilities	10
5.1 Key Entities Involved in Management and Delivery	10
5.2 Investment Process and Management Responsibilities	11
5.3 Strategic Asset Allocation Responsibility	11
5.4 Risk Framework and Risk Management Responsibility	12
5.5 Tactical Asset Allocation Responsibility	12
5.6 Investment Performance Responsibility	13
5.7 Individual Fund Responsibility	13
5.8 Investment Operations Responsibility	13
6. Investment Advisory Committee	14
6.1 Role and Purpose	14
6.2 Scope of Oversight.....	14
6.3 Key Duties.....	15
6.4 Meeting Frequency and Minutes	15
6.5 IAC Chairperson	15
6.6 IAC Membership	15
6.7 Meeting Attendance	16
6.8 IAC Viewpoint	16
7. Key Activities and Developments	18
7.1 GP Restructuring	18
7.2 SAA Review.....	20
7.3 Risk Mapping Update	21
8. The Future.....	22
8.1 Responsible Investment.....	22
8.2 Future Plans – The View from the Chair	24
App. A Additional Reference Material	25

App. A 1	High Level Fund Mix for GP Growth	25
App. A 2	Detailed Breakdown of Fund Holdings for GP Growth	26
App. A 3	Asset Class Positioning for GP Growth	26
App. A 4	Performance Benchmark Composition for GP Growth	27
App. A 5	GP Growth Portfolio Performance Against Benchmark for Past 5 Years.....	27
App. A 6	Target Volatility Range Changes	28

1. Introduction

1.1 PROJECT BACKGROUND

Royal London Mutual Insurance Society Ltd (the Client/Royal London) has commissioned AKG Financial Analytics Ltd (AKG) to carry out an independent review of the investment management approach, governance structure and processes which underpin the ongoing delivery of Royal London's Governed Portfolio (GP) proposition. One of the key threads of this review is to explore how governance works in practice and how it helps to respond and deal with change.

The underpinning role of Royal London's Investment Advisory Committee (IAC) is explored here, and the involvement of both Royal London Mutual Insurance Society Ltd (RLMIS) and Royal London Asset Management Ltd in the operation and management of the GP proposition is also considered.

1.2 AKG'S ASSIGNMENT

AKG's assignment can be broadly summarised as carrying out an independent review of Royal London's GP proposition, considering the following key themes:

- Governance under the microscope
- AKG observations
- Market backdrop and operating environment
- Key GP facts and market positioning
- Key GP roles and responsibilities
- Structure, role and processes of Royal London's IAC
- Examples of proposition evolution and managing/delivering changes

1.3 THE VIEW FROM THE IAC

Beyond its formal Terms of Reference (ToR) and its stated purpose and duties (details of which are covered in this review), AKG felt it would be useful to try to bring the involvement and work of the IAC to life for advisers through the eyes of someone with first-hand experience. Whilst to some extent its activities are summarised and documented via the recorded quarterly IAC meeting minutes, AKG sought to provide additional colour to IAC involvement here.

Furthermore, we wanted this perspective to come from independent representatives sitting on the IAC. Therefore, as part of its review work AKG posed some contextual questions to independent IAC Chairperson Candia Kingston and independent IAC member JB Beckett in May 2025. Responses to these questions are showcased in this review.

1.4 INFORMATION SOURCES

Key documents

AKG had access to a range of GP information made available in the public domain by Royal London – via adviser and customer facing webpages - to support the delivery of this review, including for example, GP brochureware, data sheets and fact sheets, as well as IAC material and Royal London Asset Management collateral.

There is a lot of material to be maintained by Royal London and updated where changes occur. Advisers need to stay abreast of latest pertinent documents.

Access to key personnel

AKG also had access to members of the Investment Proposition team at Royal London during the compilation of this review.

1.5 RELIANCES AND LIMITATIONS

Much of the information upon which AKG's review and comments are based has been supplied directly by the Client. AKG has made every effort to ensure the accuracy of the content of this review and to ensure that the information contained is as current as possible at the date of issue, but AKG (inclusive of its directors, officers, staff and shareholders and any affiliated third parties) cannot accept any liability to any party in respect of, or resulting from, errors or omissions. AKG personnel are available to expand upon the comments in this review, if required.

Whilst many aspects underlying AKG's comments are likely to change only slowly, the financial services industry is a competitive and dynamic marketplace, with product/fund developments being announced regularly. As a result, AKG cannot guarantee that any particular comment will remain appropriate at any future date and future developments in the market could have significant impact upon the comments.

AKG information, comments and opinion, as expressed in the form of its analysis, commentary and ratings, are for use by advisers but do not establish or seek to establish suitability for a client in any individual regard and AKG does not provide, explicitly or implicitly, through this review and its content, or any other assessment, rating or commentary, any form of financial advice, investment advice or fiduciary service.

1.6 CONFIDENTIALITY

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2. Governance Under the Microscope

2.1 WHAT DOES AKG MEAN BY GOVERNANCE?

It can be challenging to find a ‘one-size-fits-all’ definition of what constitutes ‘good governance’. AKG has therefore prepared the following overarching paragraph to set the scene and support this work, having reviewed various sources from a range of different spheres of business and governmental activity.

In general terms, governance can be regarded as the combination of competent processes and structures within an organisation that ensures it meets its objectives in a legal, ethical and honest way. Most importantly, governance must be transparent. An organisation is accountable for its governance and must be able to demonstrate this.

This overarching definition then needs to be interpreted further in the context of financial services in general, the specific role that the governance function in question is seeking to play and the associated roles of key market participants, including advisers, providers and asset managers.

In doing so, there are several key terms which consistently spring to mind when considering what good governance in financial services might stand for and incorporate, including:

Key terms relating to the concept of governance		
<i>Accountability</i>	<i>Responsibility</i>	<i>Duty of care</i>
<i>Inquisitive</i>	<i>Challenging</i>	<i>Assessment</i>
<i>Demonstrable</i>	<i>Effective</i>	<i>Adaptable</i>
<i>Structure</i>	<i>Framework</i>	<i>Process</i>
<i>Connectivity</i>	<i>Communication</i>	<i>Recordable</i>
<i>Responsive</i>	<i>Participatory</i>	<i>Achievable</i>
<i>Transparent</i>	<i>Auditable</i>	<i>Independent</i>
<i>Requirement for customers to be treated fairly and for good customer outcomes to be achieved</i>		

When assessing governance functions and structures the reviewer should therefore keep these key terms in mind, specifically the end customer requirements, and seek to monitor and appraise financial services governance functions against these key characteristics, competencies and objectives.

AKG’s review of Royal London’s governance approach and associated observations therefore seek to consider its role and progress against some of these key characteristics, competencies and objectives.

3. AKG Observations

The financial services industry as a whole, and the pensions, retirement and investment markets more specifically, have experienced a period of great change and challenge in recent years and this is evidently set to continue in the remainder of 2025 and during 2026 given the current backdrop.

Royal London continues to provide a good example of governance in practice through its ongoing development and management of the GP proposition, the contributory and advisory role played by the IAC, and the collateral produced for advisers to support the communication of the proposition and its evolution.

3.1 GOVERNANCE CHARACTERISTICS IN PRACTICE

'Duty of care' – RL's stated overarching purpose outcomes are to "help build financial resilience" (for its customers); and to "move fairly to a sustainable world". And then from a specific GP perspective, they are targeting positive pension saving (and consolidation) outcomes for individual and workplace pension customers.

'Accountability' - Ultimate responsibility for the success or failure of the GP proposition resides with the Board of Royal London Group (RLG) with operational duties discharged via Royal London Group Commercial.

But there are a range of entities involved in the delivery, management and governance of Royal London's GPs, including the advisory role of the IAC, and so it is important for advisers to understand the roles played by each of these entities, the responsibilities taken on by each and the interaction between them.

'Responsibility' – Similar to accountability, responsibility for the operational delivery and investment management outcomes of the GPs reside squarely with Royal London Group and Royal London Asset Management. But despite this, it is very important for advisers to acknowledge that despite outsourcing many elements they remain responsible for carrying out a range of activities/duties when it comes to advising and servicing their client (as outlined in section 3.2).

'Independent' - Royal London ensures there is an independent voice on the IAC with two independent members currently in position on this advisory committee, one of which is the Chairperson. It is important for this independent presence to be felt, ensuring where necessary the IAC is seen to challenge Royal London/Royal London Asset Management on matters relating to the design, governance and performance of the GPs, and also to ensure optimal pension outcomes are always being targeted for customers. It is also positive to see that in more recent times interaction between the IAC and IGC has been encouraged and has subsequently become a standing item in IAC meetings.

'Structure' / 'Framework' – The GP proposition is very structured with multiple processes and frameworks in place to underpin its delivery, including economic assumption overlay, SAA framework, risk framework and performance benchmarks. This enables the IAC and other key stakeholders to have systems where items can be quickly spotted when seen to be out of kilter and brought into formal IAC meeting agenda discussion points for progression and remediation.

'Auditable' / 'Recordable' – The IAC ToR is formally recorded and available to view on Royal London's adviser website so that advisers can see the scope and purpose of this advisory committee and understand its role in the governance of GPs.

The minutes of each IAC quarterly meeting are formally recorded and include reference to participants and an overview of the range of items and issues represented and discussed. These meeting minutes are subsequently published on the Royal London adviser website to enable adviser access and therefore provide a transparent audit trail of IAC meeting activity.

At the time of writing, an update in the availability of IAC minutes from meetings held in 2025 was required on the website.

'Adaptable' / 'Responsive' – Royal London has recently changed the framework of the GP proposition via the rationalisation of the range and adjustment to a linear risk scale. One of the key reasons given for the change is that confusion had arisen amongst users about the make-up and overlap of some of the GPs, including SAA profile proximity in some cases.

Royal London has therefore responded to this feedback from advisers and sought to accommodate required changes via the adaptation of the GP range. Royal London stated that the period from Governance approval of the changes to their implementation was a period of around 3 months.

'Inquisitive' / 'Challenging' – Independent members of the IAC can be seen, via recorded IAC meeting minutes and via AKG's questions posed as part of this review, to drive discussion items, query rationale behind proposed changes to investment approach within the GPs, and to challenge and support decision making processes around proposition developments.

The IAC is seen to assess, and where necessary query, the ongoing performance of the GPs at each IAC meeting, across a range of reporting periods.

'Connectivity' – Whilst some interaction between the IAC and Royal London's Independent Governance Committee (IGC) has been seen in the past, via recorded IAC meeting minutes, it is very positive to hear that this liaison is being further encouraged. IGC representatives are now regular attendees at IAC quarterly meetings and given the pensions-based focus of the GP proposition this progressive connectivity is welcomed for the benefit of the proposition.

'Participatory' – From the IAC meeting minutes and the list of attendees, discussions can be seen to be participatory in their nature, bringing into play representations from RLG, Royal London Asset Management, the IAC, the IGC and of course members of the investment propositions team. Plus, the inputs supplied into the investment process by Moody's Analytics and Morningstar bring external participation and perspective.

'Transparent' - Royal London strives to be as transparent as possible in terms of how the GPs are run and in how the operation and management of the portfolios are displayed and communicated to advisers. An example of this transparency is in the publication and availability of IAC quarterly meeting minutes on RL's adviser website.

Inevitably there will be some circumstances where information is commercially sensitive and hence not made available to external audiences.

'Communication' – From a review of the different types of external facing collateral produced for advisers, Royal London seems to do a good job of communicating the proposition to its user base. Specifically, from an investment management perspective this is seen via a series of regular multi-media updates provided by Trevor Greetham and his team at Royal London Asset Management about investment markets and TAA updates.

The recent changes to the GP proposition have also required a focused approach to communication and education.

3.2 ADVISER RESPONSIBILITIES

When engaging with Royal London's GPs, and hence outsourcing many of the key elements of investment management, it is important for advisers to acknowledge they remain responsible for carrying out the following activities/duties:

- Discussing the customer's pension requirements
- Establishing the customer's pension/investment timeframe
- Gauging the customer's attitude to investment risk and capacity for loss
 - And ensuring that this is reviewed on an ongoing basis
- Matching the customer to the relevant GP
 - Ensuring that customer fit to this portfolio/profile remains relevant on an ongoing basis
- Keeping the customer abreast of pertinent changes to proposition and investments
- Monitoring portfolio investment performance versus agreed/defined personal objectives, goals and timeframe
- Research and due diligence on GPs and their positioning within the market of CIP solutions – initially and ongoing

4. Background & Market Positioning

Royal London's GPs – now a series of seven multi-asset investment portfolios - were launched in January 2009 and hence celebrated their sixteenth anniversary in January 2025.

The GPs are an investment proposition designed with a specific focus on use in pension accumulation (and consolidation) strategies.

4.1 REGULATORY BACKDROP

Over the past few years there has been a range of important regulatory initiatives and challenges from FCA, including Consumer Duty, Vulnerable Customers, Fair Value and the review of the Retirement Income market. And for good measure, add in the Value for Money (VFM) framework and Sustainability Disclosure Requirements (SDR).

As a provider of an investment proposition specifically targeted at individual and workplace pension customers, the teams at Royal London and Royal London Asset Management have had a responsibility to absorb the detail of these areas of regulatory change and ensure the GP proposition is addressing issues and adapting where necessary.

You can see that these items are treated respectfully and diligently by Royal London's leadership team and throughout the business.

4.1.1 IAC independent chairperson perspective – Regulatory considerations

AKG Q - Representing the interests of GP investors when it comes to key regulatory initiatives (such as Consumer Duty, Value for Money); how does the IAC ensure the interests of GP investors remain a priority and RL/Royal London Asset Management is held accountable for meeting key regulatory requirements?

While regulatory compliance does not fall directly within the IAC terms of reference, we are wholly focused on the interests of GP investors, and the presence of two independent committee members reflects the desire of the insurance company to maintain this.

*We do watch over some Consumer Duty work, for example legacy customers being moved - wherever possible - within the Governed Range. It is fair to say that, while the moves always represent an improvement for the customer, there has been some frustration here from IAC, in that the legislation requires customers to be moved into the closest match to their previous investment, even where IAC feel that the choice may not be best for the investor currently. For example, investors in old lifestyle funds targeting the purchase of an annuity at retirement get moved into a Governed Range equivalent, even where it is a very small minority of investors now purchasing an annuity at retirement. The IAC has been vocal in their disagreement with this at times. **Candia Kingston, May 2025***

4.1.1 IAC independent member perspective – Regulatory considerations

AKG Q - Representing the interests of GP investors when it comes to key regulatory initiatives (such as Consumer Duty, Value for Money); how does the IAC ensure the interests of GP investors remain a priority and RL/Royal London Asset Management is held accountable for meeting key regulatory requirements?

*Supporting member outcomes and the proposition are clear high-level goals for IAC. However, the IAC is not responsible for RL meeting specific compliance requirements per se and is advisory. However, IAC supports the proposition (and other committees such as IGC) in meeting these requirements through governance. With this in mind I would like to refer you back to my answer to Q1 as to how IAC supports the proposition, as they relate to consumer duty and VFM, as they then fall upon RL Solutions and IGC. IAC engages regularly with IGC and this has increased since the last AKG review. **JB Beckett, May 2025***

4.2 GOVERNED RANGE SIZE AND FLOWS

The table below illustrates the growth in assets under management and flow history for the Governed Range (including GPs and Governed Retirement Income Portfolios) over the past 10 years.

Year	Total AuM in Governed Range (Year End)	Governed Range (Estimated Net New Money across year)	Total Policies (Year End)	Net New Policies (Across year)
2014	£7,020,095,625	£1,992,476,688	321,628	147,026
2015	£10,440,691,835	£2,749,752,620	524,166	202,538
2016	£15,565,460,461	£3,293,048,715	738,228	214,062
2017	£22,804,505,214	£5,667,521,153	987,092	248,864
2018	£28,016,437,957	£5,776,298,613	1,185,743	198,651
2019	£40,810,634,181	£8,870,119,417	1,390,815	205,072
2020	£44,789,472,039	£3,325,159,097	1,524,329	133,514
2021	£53,499,234,242	£3,132,461,885	1,725,173	200,844
2022	£54,481,675,252	£3,825,734,633	1,944,097	218,924
2023	£61,453,889,305	£3,183,679,071	2,123,475	179,378
2024	£72,184,291,604	£3,199,719,194	2,241,889	127,513

Source: Royal London

4.3 KEY GP CHARACTERISTICS

It is vital for advisers to understand the investment solution which is being utilised. Here are some high-level details about Royal London's GP proposition which should be supportive of this requirement:

- Positioned as a set of risk-graded multi asset portfolios – GPs offer a choice of different investment risk levels
- Each GP is actively managed by Royal London Asset Management
- GPs are rebalanced monthly (RL states its belief that if a portfolio is not rebalanced regularly, the asset mix can drift significantly over time, changing the suitability of the portfolio)
- Described as an end-to-end outsourced investment solution for advisers; hence GPs should be considered and compared against other forms of outsourced solution from a research and due diligence perspective
- Marketed as a form of Centralised Investment Proposition (CIP) – and hence advisers need to consider the CIP fit within their own business, proposition and processes, as well as with client base - with a strong emphasis on investment governance
- As an overarching investment objective, GPs state an aim to deliver above inflation growth in the value of the fund at retirement, whilst taking a level of risk consistent with a defined risk attitude
- GPs are invested in Royal London Pension (RLP) funds managed by Royal London Asset Management and each GP Factsheet confirms the portfolio mix
 - For example, the GP Growth Factsheet's breakdown of RLP funds in the portfolio is shown in Appendix, A1.
 - However, advisers can replace the Global Managed pension fund component in the respective GP, with an alternative equity fund or funds from the RLP fund range, should they wish
- Royal London Asset Management portfolio managers can also invest in other RLP funds to take advantage of short-term market conditions, and this is controlled through the tactical change process
- Royal London Asset Management's individual fund managers have responsibility for managing the underlying RLP funds included in the GP proposition.
 - An example spread of portfolio holdings for GP Growth can be seen in Appendix, A2

4.4 GP INVESTMENT OBJECTIVES

Overarching investment objectives are stated in each of the GP Factsheets. Using the GP Growth for illustrative purposes, the Factsheet quotes the overarching investment objectives as follows:

“This portfolio aims to deliver above inflation growth, whilst taking a medium level of investment risk relative to the other portfolios in the Governed Portfolio range. Investment risk is a measure of the expected volatility. On a scale rating the investment risk of Governed Portfolios from 1 to 7, with 1 being the lowest, this portfolio is a 4. The portfolio invests in a range of asset classes, that can include, but is not limited to equities, fixed interest, cash, property and commodities.”

Source: Royal London

4.5 GP ACCESS

An investment solution designed specifically for operation within a long-term savings framework; GPs are available exclusively through the following Royal London pension and ISA products and hence are marketed to both individual and group/workplace clients:

- **Personal Pension** – Royal London’s Pension Portfolio product, combining personal pension and drawdown elements
 - The homepage for Pension Portfolio is [Pension Portfolio - Royal London for advisers](#)
- **Workplace Pension** – Royal London’s group/workplace pension proposition
- **Stocks and Shares ISA** – Royal London’s ISA product (understood this is due to be launched in 2025)

GPs can be accessed as standalone portfolios or as part of a lifestyle investment strategy, the latter option mostly used for workplace pension schemes.

GPs are also available as standalone funds allowing advisers to have the flexibility to mix them with other funds – perhaps particularly relevant for those who might have different objectives for different pots of money.

4.6 GP CHARGING FRAMEWORK

Some key charging facts for advisers to understand relating to the operation of the GPs are outlined below:

- The basic management charge for accessing GPs through **Pension Portfolio** is listed as 1% a year and this cost includes administration and investment management
 - **Pension Portfolio**’s management charge is tiered. As the value of the customer’s ‘Core Investments’ grow, so the overall management charge reduces. This is applied through a monthly management charge discount which can range from 0.25% to 0.65%
 - On **Workplace Pension**, each scheme is individually priced depending on size, contributions, etc. Royal London states that no scheme is priced higher than the 0.75% charge cap for AE schemes
- GPs are a collection of insured unit-linked funds which then invest in other funds, such as open-ended investment companies (OEICs), managed by Royal London Asset Management, rather than directly into stocks and shares. Royal London Asset Management reimburses the Royal London Pension (RLP) fund with the ongoing charge figure (OCF) which includes any additional expenses incurred
- The 1% charge is allowed for in the unit price of each unit-linked fund
- Royal London now references annual management charge (AMC), investment expenses, total expense ratio (TER) and transaction costs within each GP Datasheet for additional clarity on charges
- Royal London has confirmed that investment expenses and TER are included within the headline 1% figure
- Transaction costs are shown separately and cover tax/stamp duty, commission payments and slippage costs in line with FCA recommendation

4.7 RISK MAPPING

Acknowledging the importance of giving due consideration to a client's attitude to risk when advisers are helping them to make investment choices, Royal London has arranged for the GP range to be assessed/rated by six different providers of risk profiling tools. Those being:

- Defaqto
- Dynamic Planner
- EV
- FinaMetrica
- Synaptic
- Oxford Risk

The ratings given to each GP by these external sources are confirmed in the Data Sheets under Risk Ratings and listed in section 7.1 of this review. Further information can also be found on the Royal London website.

Royal London also offers access to its own risk profiling tool which asks how strongly a client agrees with 12 statements about their current financial situation, feelings and attitude towards risk. The statements are based on the A2 Risk Attitude to Risk Profile Questionnaire. Answers given by the client are then converted into a score and mapped to one of Royal London's seven risk attitude categories – ranging from very cautious, to very adventurous.

5. Investment Process & Responsibilities

The Board of Royal London Group has ultimate responsibility for the running of the pension assets, including GPs, for its customers, but it delegates operational delivery to Royal London Group Commercial.

5.1 KEY ENTITIES INVOLVED IN MANAGEMENT AND DELIVERY

It is important for advisers to recognise there are a range of entities involved in the operational delivery, management and governance of Royal London's GPs, listed as follows:

- **Royal London Group Commercial** – Royal London's pensions business with responsibility for the delivery of the GPs. Group Commercial's CCO, Julie Scott, reports directly into Royal London's Group Chief Executive, Barry O'Dwyer.
- **Royal London IAC** – an advisory committee which oversees the governance processes for GPs
- **Royal London Asset Management** – responsible for setting and modifying/rebalancing the Tactical Asset Allocation (TAA) framework and for the investment management of GPs and component in-house RLP funds
- **Moody's Analytics** – supports economic scenario modelling within the Strategic Asset Allocation (SAA) framework
- **Morningstar** – provides qualitative input and analysis to the IAC in relation to the performance of externally managed funds (analysis of component in-house RLP fund and GP performance is conducted by Royal London).

Advisers should understand the roles played by these entities, the responsibilities taken on by each and the interaction between them, as these are crucial for the successful delivery of the GPs and their investment outcomes for clients.

Royal London needs to continue to ensure that these entities collaborate effectively for the benefit of the GP proposition and its customers.

Process flow of inputs into the IAC - This diagram illustrates how input and components from Moody's Analytics, Royal London Asset Management and Morningstar feeds into the IAC.



Source: Royal London

5.2 INVESTMENT PROCESS AND MANAGEMENT RESPONSIBILITIES

Royal London is responsible for the following activities and so ultimately the governance process and structure should seek to ensure that these duties are being fulfilled in the best interests of those customers invested in GPs:

- Setting the SAA framework
- Setting the risk and volatility framework
- Selecting relevant benchmarks against which GP performance can be assessed
- Ensuring that investment risk categorisation for each GP is adequately described
- Ensuring that investment risk categorisation for each GP stays relevant to described parameters
- Managing TAA positions within the SAA and risk/volatility framework
- Selecting funds to fill the asset class slots within each GP
- Monitoring SAA and TAA assumptions and positioning on an ongoing basis
- Assessing portfolio and fund performance against relative benchmarks and mandates on an ongoing basis
- Taking corrective action where ongoing assessment indicates that change is required
- Embedding Royal London Group's Responsible Investment principles
- Communicating progress and change to advisers
- Ensuring the GPs meet Consumer Duty requirements

5.3 STRATEGIC ASSET ALLOCATION RESPONSIBILITY

The SAA framework represents Royal London's long-term view of what it believes to be an efficient asset mix for each GP.

Royal London and the IAC are responsible for setting and monitoring SAA within the GP proposition. The SAA framework for the GPs was established by Royal London Group in collaboration with Moody's Analytics and Royal London's Long Term Economic Assumptions Forum.

The IAC monitors how the GPs are delivering against their risk objectives every quarter, with Royal London carrying out a more detailed review every 12 months and a formal review every three years. The formal review ensures that portfolios remain appropriate for their long-term objectives, which are designed to optimise returns within their risk framework.

Quarterly review	Annual review	Triennial review
Looks at the efficiency of each portfolio and considers how the current SAA positions are going to meet their risk and return objectives.	Looks at the overall asset allocation, regional split and bond duration of the portfolio, as well as any new funds which can be added to existing strategies.	Ensures that portfolios remain appropriate for their long-term objectives which are designed to optimise returns within their risk framework.

Consideration of these strategic analysis updates plays a key role in IAC meetings. Each set of IAC meeting minutes typically provides an SAA update and states whether any SAA changes have been recommended for the GPs.

SAA changes are communicated to advisers via updates on the Royal London website.

SAA objective and approach - Each portfolio has real return objectives designed around a risk target framework, and risk metrics are based on those objectives. The objective of the reviews is to improve long-term outcomes for clients. The IAC reviews expected risk, return and correlations for each asset class in order to identify the most efficient long-term mix.

SAA process - The long-term expected return, volatility and correlation assumptions used by Royal London are based on Moody's Analytics capital market assumptions. These are then overlaid with a Royal London house view.

Each asset class has a set of assumptions that reflect Royal London's expectations of risk, return and how they move in relation to one another. These assumptions determine the risk/return trade-off for each asset class.

The next stage of the process is to review and test the current SAAs against hundreds of potential other combinations of portfolios, over thousands of different future scenarios, working with the assumptions Moody's Analytics has provided.

This helps Royal London identify which asset allocation offers the best potential performance for the level of risk taken in each portfolio, and the best risk/return trade-off.

5.4 RISK FRAMEWORK AND RISK MANAGEMENT RESPONSIBILITY

Overarching responsibility for the risk framework sits with Royal London. Any tactical changes therefore need to be approved first by Royal London's Investment Actuaries to ensure they are within their risk budget.

Risk-targeted funds are forward-looking and typically seek to maximise returns to investors while remaining within a given risk profile and maintaining certain levels of volatility. So, if a risk-targeted fund is labelled as 'balanced', its manager will try to keep its volatility at defined levels which are deemed suitable for 'balanced' investors.

Moody's Analytics uses its stochastic modelling expertise to estimate the annual volatility of each of the GPs in current market conditions and then feeds the results of this modelling exercise into the IAC's quarterly review work.

If a portfolio's volatility is outwith its target range, the IAC would review the SAA to bring it back within the target volatility range.

5.5 TACTICAL ASSET ALLOCATION RESPONSIBILITY

The TAA of each of the GPs is delegated to Royal London Asset Management by the IAC. Trevor Greetham, Head of Multi-Asset at Royal London, and his team therefore have responsibility for the TAA approach and tactical decisions within the GP proposition.

Royal London Asset Management's approach and philosophy is underpinned by their '*Investment Clock*' principles. In order to help advisers understand this approach and philosophy an online resource is available containing a range of information and views including insights, videos and webinars - [Investment Clock position](#) | [Intermediaries](#) | [RLAM](#)

Tactical analysis updates also play a key role in IAC meetings. The short term-tactical views, including positioning, market background, TAA performance and market outlook, of the Chief Investment Officer are discussed at each meeting.

Subsequently each set of IAC meeting minutes typically provides an update on whether any tactical changes have been made to the GPs and confirms the current tactical positioning of the portfolios.

TAA changes are also communicated to advisers via regular updates on the Royal London website. See Appendix, A3 for positioning.

5.6 INVESTMENT PERFORMANCE RESPONSIBILITY

GP investment performance is overseen by the IAC. Each GP has a stated benchmark, and this benchmark is a target against which portfolio performance should be measured. Assessment of the performance of the GPs, and wider RLP fund range, is discussed at each IAC meeting and associated notes recorded in the meeting minutes.

Ultimately the performance of each GP should be assessed against their respective objectives and timelines. Generally, these are longer term in their nature but inevitably, with the pace of change and challenge in the markets, short-term behaviours should also be monitored. Advisers will ultimately need to judge whether the portfolio is performing in line with expectations for the client.

Performance statistics are provided in each of the GP Data Sheets, showing portfolio performance over certain timeframes against pertinent benchmark and ABI sector proxy for illustrative purposes.

Royal London also provides advisers with access to performance information for its range of funds, portfolios and lifestyle strategies at the link below.

<https://adviser.royallondon.com/pensions/investment/fund-information/fund-performance/>

5.7 INDIVIDUAL FUND RESPONSIBILITY

Royal London Asset Management's individual fund managers have responsibility for managing the underlying RLP funds included in each of the GPs.

5.8 INVESTMENT OPERATIONS RESPONSIBILITY

Investment operations are overseen by Royal London's Investment Office function which manages and assesses the operational risk, performance and effectiveness of fund managers and investment administration providers.

6. Investment Advisory Committee

The IAC is formed under the authority of Royal London Group's Chief Commercial Officer and has a close involvement with the design and governance of the GPs. Advisers can view the IAC ToR, last updated in March 2025, at the link below:

<https://www.royallondon.com/globalassets/docs/shared/investment-governance/terms-of-reference-investment-advisory-committee.pdf>

The terms of reference will be reviewed at least annually to ensure that they remain relevant and fit for purpose.

The Committee will review its effectiveness at least triennially and assess whether it is fulfilling its obligations under these Terms of Reference. A more frequent review should be considered in the event of any significant change in membership or terms of reference.

6.1 ROLE AND PURPOSE

The IAC provides a forum within which Royal London's unit-linked investment solutions are given independent challenge.

RL's stated overarching purpose outcomes are to *"help build financial resilience"* (for its customers); and to *"move fairly to a sustainable world"*.

The RL Investment Solutions team's stated purpose is to *"design and promote market-leading propositions"*. The IAC is described as a key enabler of this, providing independent challenge during the proposition design phase. The IAC's role is to apply its market knowledge and expert judgement to challenge whether the proposition design and performance management framework are aligned to this purpose and to achieving good customer outcomes.

RL has an investment framework within which the Investment Solutions team operates. This framework is defined by a series of policies, key to which are RL's Investment Philosophy and Beliefs, and the Investment Risk Framework. The IAC should have an awareness of these policies but is not responsible for defining or reviewing them.

The IAC acts as an advisory committee to the Investment Solutions team within the UK Product division and operates under the delegated authority of the Group's Chief Commercial Officer. The IAC's primary business representative is the Head of Investment Solutions. The IAC does not hold any delegated authorities: they provide advice and guidance on investment elements only and do not have responsibility to provide independent challenge to the wider RL propositions.

6.2 SCOPE OF OVERSIGHT

The IAC's scope of oversight is defined as those investments which are both open to new business and RL takes some level of responsibility for. Specifically, this includes:

- The Governed Range and all lifestyles that use it, since RL takes responsibility for design (and, for the workplace default, suitability)
- The individually selectable funds managed by Royal London Asset Management – including, but not limited to those used in the Governed Range portfolios
- Investment Pathways, since RL is responsible for mapping these customers to appropriate investment solutions
- The RL Matrix Range, since RL is responsible for selecting asset managers

For clarity, the committee does not provide oversight over:

- The investments supporting RL legacy products, other than where these investments are mapped to the Governed Range
- The open range of externally managed funds available on RL's individual or workplace pensions.
- With-profits Funds

6.3 KEY DUTIES

The Committee's principal responsibilities are to provide advice, guidance and support. This includes the following key areas:

- The breadth and segmentation of investments available to meet the range of objectives appropriate for the customers the proposition is targeted at
- SAAs to ensure they remain suitable for their objectives and that these objectives are suitable for the intended customers
- Any new asset classes or investment capabilities being employed and how inclusion in the SAAs delivers customer benefits
- Tactical positions to ensure they are within acceptable risk levels and review and challenge the performance
- The way in which ESG themes are considered and integrated into solutions, including any potential trade-offs between performance, risk, and ESG
- The performance and risk relative to benchmark and to how the investments have been described to customers
- Recommendations to replace any underlying manager. This may be as a result of a fund breaching its risk targets; underperformance - or future underperformance expectations - relative to benchmark and/or peer group; or a failure to meet the requirements of RL's Investment Philosophy and Beliefs. The committee would also consider whether any replacement managers are better placed to deliver on these outcomes and therefore offer good value for money to customers

The Committee may also be asked to review any matters referred to it by any other RL Group Committee. For example, the Board Investment Committee and the Independent Governance Committee. The Committee is under no obligation to accept referrals and shall only do so provided that the Chairperson reasonably believes this to be consistent with the purpose of the Committee.

Interaction between the IAC and the IGC has been seen in the past via IAC meeting minutes and given the pensions-based focus of GPs this seems logical and should be further encouraged where key items for consideration overlap.

6.4 MEETING FREQUENCY AND MINUTES

The Committee meets at least four times a year and each of the quarterly meeting minutes are recorded and written up by the Secretary. These high-level meeting summaries are then made available on the intermediary website so that advisers can keep abreast of the items and topic discussed. This serves to provide an audit trail for key items discussed and decisions made and ensures an element of transparency in that advisers can subsequently view each of the meeting summaries.

<https://adviser.royallondon.com/pensions/investment/investment-governance/meeting-summaries/>

AKG notes that, at the time of writing, meeting summaries up to and including November 2024 were available on the website. On querying the status with Royal London AKG understands further summaries for IAC meetings held so far in 2025 are being signed off and will be added to the website in due course.

6.5 IAC CHAIRPERSON

The current chairperson of the IAC is Candia Kingston. Candia initially joined the IAC as an independent member in December 2018 and subsequently replaced Julius Pursail in March 2020, following his departure from the role.

6.6 IAC MEMBERSHIP

The IAC is comprised of five pensions and investment experts, with current representation as follows:

- Candia Kingston, Independent Chairperson
- Jon Beckett - Independent Member
- Ewan Smith, RL CEO Office Director
- Piers Hillier, Chief Investment Officer, Royal London Asset Management
- Vidur Bahree, Group Investment Director, RLG

The ToR states that the IAC should have at least two independent members, one of whom shall be appointed Chairperson, and that the Committee should comprise of not less than three members.

Whilst all members of the Committee should have sufficient knowledge of RL's business and of the industry to bring independent and objective challenge.

Membership of the Committee will be reviewed annually. This review and any appointment of new members will be carried out by the Director of Investment Propositions under the authority of the Group Chief Commercial Officer.

AKG believes that the make-up of IAC membership should continue to be reviewed on an ongoing basis to ensure that a sensible balance and blend is achieved between independent representatives and staff members.

6.7 MEETING ATTENDANCE

The IAC ToR states the following requirements around meeting attendance, displaying the range of additional perspectives sought in meetings beyond IAC members:

- Alongside Committee members, members of the RL Investment Solutions team will attend meetings as appropriate to the subjects being discussed
- The Chair of the RL Independent Governance Committee (IGC) will be a standing invitee
- The Head of Multi-Asset at Royal London Asset Management will also be a standing invitee, though there may be occasion where conflicts mean they are asked to step out of the meeting
- The Committee may invite external advisers and other attendees to attend (parts of) meetings where it considers this to be appropriate

- The Committee shall receive secretarial support from the Company Secretarial team

6.8 IAC VIEWPOINT

6.8.1 IAC independent chairperson perspective – Independent scrutiny

AKG Q – Given GP is an investment proposition from RL/Royal London Asset Management, how does the IAC ensure it has 'teeth' in terms of bringing through governance/scrutiny requirements? And how does the IAC go about 'keeping RL/ Royal London Asset Management on their toes' when it comes to the ongoing governance of the GP proposition?

The IAC is an advisory committee rather than an executive one. There are two key aspects to our role: advisory on the future direction of the proposition, and governance of the current proposition.

Future direction - *A key focus for us is to ensure we are brought in early to the conversation on any proposed future change, and to drive change ourselves in aspects we feel would be beneficial. For example, IAC has been vocal about the need for pension investors to take more risk early on in their careers when they can best afford it, which is being considered in the current Lifestyling review.*

Governance - *Governance is through the monitoring of performance, risk-taking and the governance of the underlying managers. Governance of performance and risk has a well-developed framework that we work to.*

A recent area of focus has been Royal London Asset Management Global Managed, the principal equity fund used in the Governed Range. The IAC has been diving more deeply into the core-satellite allocations used in different markets and the allocations within satellite to different actively managed funds, and has been pressing the fund manager to articulate his process more clearly for us to examine whether there is any operational element to the allocation, or whether it is entirely strategic.

Another recent example occurred within the Matrix component where RLI brought the IAC a number of suggested replacements for current funds which were rejected by IAC. We did not have confidence that the proposed replacements would replace an improvement over the current offering. **Candia Kingston, May 2025**

6.8.1 IAC member perspective – Independent scrutiny

AKG Q – Given GP is an investment proposition from RL/ Royal London Asset Management, how does the IAC ensure it has ‘teeth’ in terms of bringing through governance/scrutiny requirements? And how does the IAC go about ‘keeping RL/ Royal London Asset Management on their toes’ when it comes to the ongoing governance of the GP proposition?

The question re ‘teeth’ is pertinent, given the advisory nature of IAC, and is achieved with consent and expectation from key stakeholders and advisers. RL has outwardly described the IAC as the ‘cornerstone’ of its investment governance. Recalling then the purpose of the IAC is communicated on the website and notes ‘all our investment options have a formal review process and are monitored by the Investment Advisory Committee (IAC).’

This allows IAC to explore and review, both laterally and in some depth, a variety of investment issues to support the proposition and other RL committees, as part of the overall governance framework. As independents on the IAC, Candia and I share our own non-Group views from respective areas of expertise. The increased Investment Office support and presence at IAC only adds to the rigour and independence of the performance and risk reporting at IAC.

It is with that expectation, from stakeholders, that enables IAC to apply oversight (‘teeth’) including:

- *Monitoring the actual versus expected performance of the portfolios, risk adjusted returns, relative return and income sustainability on a marginal and inflation adjusted basis*
- *Scrutinising the effectiveness of Royal London Asset Management’s TAA component and reviewing drivers of return and contribution to overall outcomes, as it is applied by Royal London Asset Management distinctly to the SAA on an active basis*
- *Inputting on the RL SAA calibration and inputting on benchmarks, modelling and risk measures used and assumptions*
- *Identifying underperforming funds/sleeves and supporting the proposition with review and replacement*
- *Debating the merits of new asset classes and funds proposed by Royal London Asset Management and asking the pertinent questions such as how would they add value to members, how does it make the portfolios more efficient and drilling into manager capability*
- *Challenging the efficiency of the portfolios and funds such as Global Managed and Property fund in how they are structured and managed*
- *Examining the ESG and sustainability aspects of new proposals and the overall proposition (including WACI reduction but also relative return from that reduction)*
- *Understanding the cost implications of existing and new strategies as they help inform value for money*
- *Sharing views and engaging with IGC as it informs their value for money reporting*
- *Other issues flagged by Investment Office or requested by another committee*

JB Beckett, May 2025

7. Key Activities and Developments

7.1 GP RESTRUCTURING

In November 2024, Royal London announced some key changes to the GP proposition framework, responding directly to adviser feedback that overlapping mandates and non-sequential risk labels had created due diligence friction. These developments included the merger of some portfolios where they had similar objectives and portfolio make-up, as well as the same risk profiles, whilst the GP names were also changed to better reflect their respective level of investment risk.

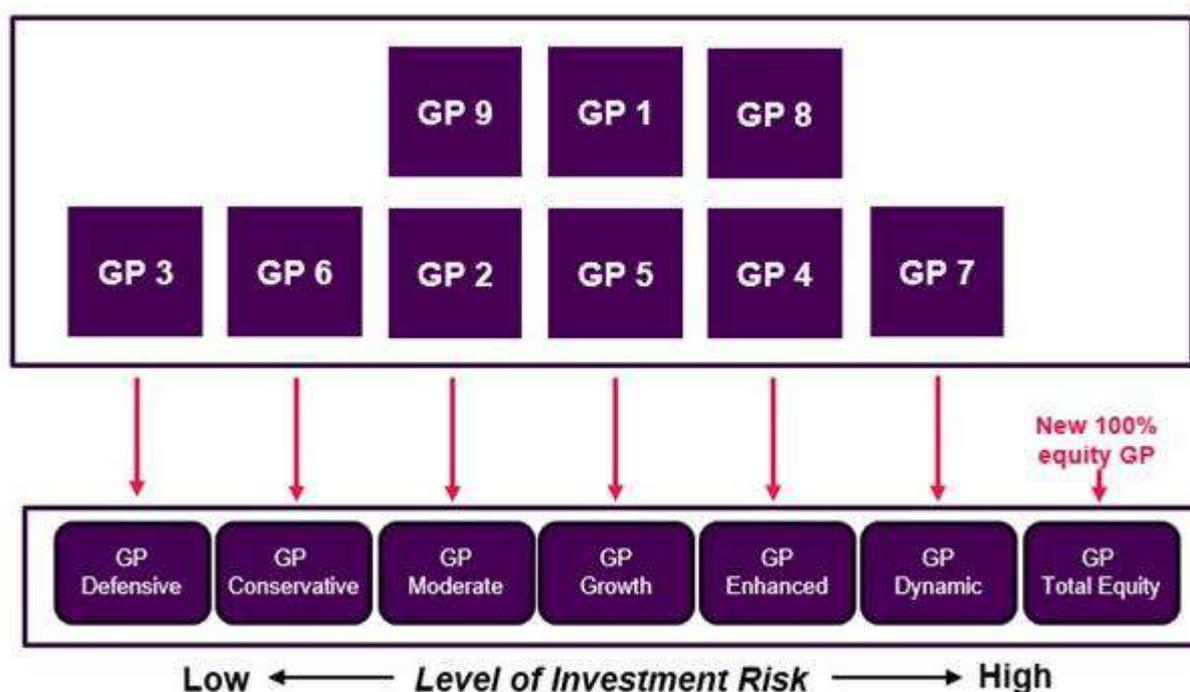
Appointed to his role in October 2024, Iain McLeod, Director of Investment Proposition at Royal London, commented:

"The Governed Range has £66bn of assets under management, and since launch has proven to be a cost-effective, strongly performing proposition for Royal London customers and an alternative to packaged portfolio solutions. We've listened to feedback which has helped us evolve the design of the range, making it easier for customers to understand and easier for advisers to explain - ensuring we are offering a modern investment solution firmly aligned to individual future goals and objectives."

The changes made are summarised as follows:

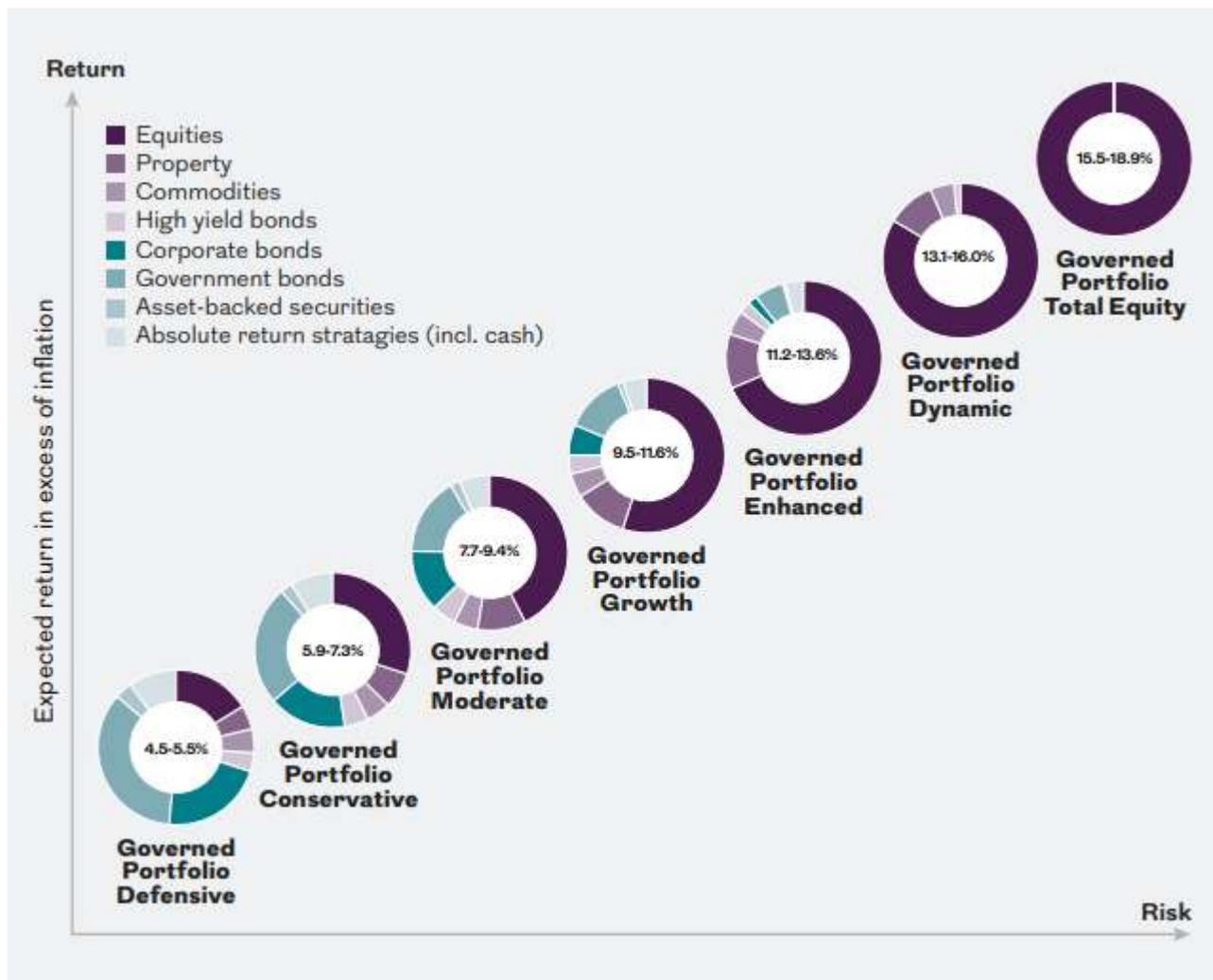
- GP 3 renamed as GP Defensive
- GP 6 renamed as GP Conservative
- GP 9 and GP 2 merged and renamed as GP Moderate
- GP 1 and GP 5 merged and renamed as GP Growth
- GP 8 and GP 4 merged and renamed as GP Enhanced
- GP 7 renamed as GP Dynamic
- The addition of a new 100% equity portfolio – GP Total Equity

The reduced number of GPs, renamed to reflect their level of investment risk, are shown in the diagram below. This also illustrates which of the original portfolios mapped across to one of the new portfolio names.



Source: Royal London

This further diagram illustrates the risk and return profile and key asset class mix of the newly configured GP range .



Source: Royal London

7.1.1 IAC independent chairperson perspective – GP restructuring

AKG Q – November 2024 simplification of GP range represented a major propositional change; how would you summarise the role of IAC in bringing about and communicating the changes to the market? And what are the benefits in your eyes?

The IAC believe that the new linear method of describing risk within the GP range is more straightforward for both customers and advisers to follow and use. The addition of a 100% equity GP fund is also an important development, allowing investors to target higher risk levels at earlier stages in their careers when they can best afford risk - something the IAC has been pushing for, for some time. Candia Kingston, May 2025

7.1.2 IAC member perspective – GP restructuring

AKG Q – November 2024 simplification of GP range represented a major propositional change; how would you summarise the role of IAC in bringing about and communicating the changes to the market? And what are the benefits in your eyes?

This was a noteworthy change and IAC were consulted early-on for views. I would classify this change as predominantly propositional, rather than investment-based in nature, with further investment considerations longer term.

To this end IAC was used to sense-check against market expectations and likely adviser/member reaction. IAC discussed the need for clear communication, to members and advisers, and to check that there were no allocation changes on day 1 that could change the expected outcome for members.

What then are the Benefits? We can observe that, industry-wide, portfolios are relatively spaced to fit into industry sector, peer groups and third-party risk classifications. Over time IAC could observe that the portfolio spacing, and presentation had become less intuitive for advisers and members, and more complex to fit into industry groupings

We have also seen a government policy and industry trend towards consolidation of default funds and this change to the governed portfolios should help future proof and make any further changes easier

The immediate benefit is communication, as the new naming conventions should be more intuitive, given any underlying changes in allocations on day one should prove relatively minor. RL notes "There is no change to underlying investments or how the Governed Portfolios are managed

However, it is reasonable to assume these changes may have some bearing on the relative positioning of the portfolios over time, as they further rebalance and calibrate. This is further complicated by any changes to risk budgets across the portfolios, with a general trend towards increasing risk by adding more equity and credit, particularly for accumulation members and longer into lifestyling. Despite which I expect this change will make reviewing risk-adjusted outcomes over time simpler and more intuitive for IAC and all stakeholders to engage with. **JB Beckett, May 2025**

7.2 SAA REVIEW

The changes made to the GP proposition necessitated a review of the SAA framework and, as a result of the latest SAA review, the proposal made was to broadly maintain existing SAAs but with four incremental improvements:

1. Initial introduction of Asset Backed Securities (ABS) strategies
2. Small increase to duration
3. Revised property and global high yield allocations
4. Equity weight changes to meet propositional targets

The table below shows the new SAA for each GP.

	Defensive	Conservative	Moderate	Growth	Enhanced	Dynamic	Total Equity
Equities	16.25%	30.00%	42.50%	55.00%	68.75%	83.75%	100.00%
Property	5.00%	7.50%	10.00%	11.25%	11.25%	10.00%	-
Commodities	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	-
High Yield Bonds	3.75%	5.00%	5.00%	3.75%	2.50%	1.25%	-
Corporate Bonds	21.50%	16.25%	13.00%	6.50%	2.00%	-	-
Index Linked Government Bonds	10.00%	8.75%	5.00%	5.00%	2.50%	-	-
Government Bonds	25.00%	16.25%	11.25%	7.50%	3.75%	-	-
Asset Backed Securities	3.50%	2.50%	2.00%	1.00%	0.50%	-	-
Absolute Return Strategies (incl. Cash)	10.00%	8.75%	6.25%	5.00%	3.75%	-	-

Source: Royal London - SAA effective from August 2025

7.2.1 Introduction of ABS

ABS are a type of bond that are typically issued by a bank or other lender. ABS investments are created by pooling together loans of a similar type, such as commercial and residential mortgages, credit card debt and car loans. Lenders will sell pieces of these pooled loans to investors, who, in turn, will get money back as the loans are repaid, with interest.

Within the GPs, the type of asset-backed securities used is mainly 'floating-rate bonds'. With floating-rate bonds, the interest investors get moves in line with interest rate changes. This means that these bonds are less volatile in uncertain interest rate environment than traditional bonds.

As an initial step, Royal London is adding a small allocation representing around £550m of assets, focussed on lower risk portfolios. ABS allocation can now be seen in SAA asset framework (see section 7.2).

7.3 RISK MAPPING UPDATE

The revised GP framework has necessitated a risk mapping revisit by each of the third parties which rate the GPs and so advisers should ensure they are up to speed with these changes.

The image below illustrates the new range of risk profiling ratings.

Portfolio	Defaqto	Dynamic Planner	EV	FinaMetrica	Synaptic	Oxford Risk
Governed Portfolio Defensive (replacing Governed Portfolio 3)	2	3	3	31-44	3	2
Governed Portfolio Conservative (replacing Governed Portfolio 6)	3	4	5	46-57	4	3
Governed Portfolio Moderate (replacing Governed Portfolio 2 & 9)	4	5	6	53-64	5	4
Governed Portfolio Growth (replacing Governed Portfolio 1 & 5)	5	5	8	62-74	6	4
Governed Portfolio Enhanced (replacing Governed Portfolio 4 & 8)	6	6	9	71-89	7	5
Governed Portfolio Dynamic (replacing Governed Portfolio 7)	8	7	9	79-100	8	6
Governed Portfolio Total Equity	9	7	10	80 - 100	9	6

Source: Royal London

8. The Future

8.1 RESPONSIBLE INVESTMENT

AKG can see that RI/ESG is important at a corporate level for Royal London in terms of overarching commitments made to its members as a mutual insurer, whilst RI/ESG is also being discussed more regularly in IAC meetings since the independent members pushed for its inclusion as a standing agenda item.

Responsible investment and the Governed Range

Positive change – Royal London states that its investment philosophy is based on actively engaging with the companies in which it invests, to help influence the behaviour of these companies. Royal London's focus is on optimising long-term, risk-adjusted investment returns in a responsible way, recognising that its customers will live in the society that Royal London mutually helps to create.

Making an impact - Some of Royal London's investments are in companies with large carbon footprints. Royal London states that it actively supports initiatives encouraging the reduction of carbon emissions and transition to a sustainable world, in a way that considers the impact of the necessary changes on society. However, an active management approach also means that Royal London can disinvest from companies that cannot or will not change.

Clear targets – Royal London is a signatory to positive climate initiatives, and has declared a commitment to achieving net zero by 2050 across its investment portfolio. And, by 2030, Royal London is aiming to reduce carbon-equivalent emissions by 50%.

Royal London's targets are based on the expectation that governments and policymakers will deliver on the commitments to achieve the goals of the Paris Agreement and that the actions Royal London needs to take don't go against its duty to act in the best interests of its members, customers and clients.

Royal London is also committed to:

- Reaching net zero in direct operational emissions by 2030
- Reaching net zero in indirect emissions from its non-investment value chain by 2050, with an interim target of a 50% reduction by 2030 from a 2019 baseline
- Buying 100% renewable energy for its operations by 2025

Royal London is also part of the Institutional Investors Group on Climate Change (IIGCC) which supports the investment community on driving progress towards net zero - <https://www.iigcc.org/>

ESG integration

To support its investment teams, Royal London Asset Management has an in-house team of professionals dedicated to responsible investment and ESG subject matter expertise. This team helps support fund managers and analysts to embed ESG risks and opportunities across equity, fixed income and property investment processes.

Royal London Asset Management uses a mix of internal and external ESG research to inform investment decisions. By overlaying third-party research with 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 developed a bespoke ESG Dashboard and analytical tools to enhance fund managers' ability to make active investment decisions. These tools collate and summarise ESG information at company level, including voting and engagement data, basic ESG scoring and trends, and detailed carbon performance data and analytics.

8.1.1 IAC independent Chairperson perspective – ESG principles

AKG Q – Across the market there seems to have been some acknowledgement that ESG has been de-prioritised given other global political and economic priorities; What is the IAC doing to encourage further focus on ESG principles within the GP proposition for the benefit of investors?

RL's core mission is to maximise risk-adjusted returns to meet customers' needs, in a responsible way that protects the world customers will live in in the future. Responsible investment is at the heart of the insurance company's strategy, so at high level IAC has no concerns here.

*We feel there is always room for improvement and are currently pushing on two principal factors: first an articulation of whether if engagement with investee companies fails, divestment should ultimately follow; and second, the degree to which our external fund managers should follow RL's ESG principles. **Candia Kingston, May 2025***

8.1.2 IAC independent member perspective – ESG principles

AKG Q – Across the market there seems to have been some acknowledgement that ESG has been de-prioritised given other global political and economic priorities; What is the IAC doing to encourage further focus on ESG principles within the GP proposition for the benefit of investors?

That is indeed a very topical and useful question being as a vocal and critical proponent of ESG, given my past experience in developing similar policies and frameworks. IAC's role then as it relates to ESG is set out by the ToR, within which an ESG component was added since the last AKG review.

It is pertinent to note that IAC is not responsible for driving RL's Responsible Investment policy but rather advising and supporting the effective and efficient implementation of the RI policy into the Governed range and Matrix funds.

Examples of which being the emissions/WACI (weighted average climate intensity) reduction of the governed portfolios and requesting attribution to aid analysing any investment enhancement or detriment caused by the pursuance of RL's Net Zero goals.

Another is the appropriate application of the group's stock exclusions policy and how that can be effectively applied to third party managers in the Matrix range as well regular discussions around the 'divest versus engage' topic as it relates to the group's stewardship activities.

*However again worth recapping the IAC's role is not to change or influence the group's RI strategy, which is covered by other committees. **JB Beckett, May 2025***

8.2 FUTURE PLANS – THE VIEW FROM THE CHAIR

AKG Q – Future outlook; Given challenging investment backdrop at present, how would you describe key investment activities/priorities for the IAC and the GP proposition in the second half of 2025 and in 2026? What will be the role of IAC to ensure challenges met head on?

*There is no change to our fundamental approach which is to maximise returns in a risk-controlled manner. The IAC supports the insurance company's investment principles, which places value in active management, and we believe it may be appropriate in the current environment to tilt further towards active management allowing a more robust approach to risk in the current uncertain environment. **Candia Kingston, May 2025***

AKG Q – Future outlook; Given challenging investment backdrop at present, how would you describe key investment activities/priorities for the IAC and the GP proposition in the second half of 2025 and in 2026? What will be the role of IAC to ensure challenges met head on?

Markets have to some extent been upended since 2021, as inflation increased and interest rates and assets normalised after a prolonged disinflationary period post GFC. We appear to have crossed an apex both politically and economically. The IAC will continue to serve as an independent forum to allow issues to be discussed openly at senior level; both exec and Indy, unshackled by the rigidity that other RL committees must adhere, as well as offering overwatch (oversight) on performance of the governed proposition.

*Adaptability of agenda is key for IAC. As notes from the IAC meetings are shared publicly then this allows advisers and stakeholders to in turn have some transparency to the issues and views arising. From which, the proposition and other committees can also consider IAC views into their own decision-making. Cutting through market 'noise' to help develop a long-term view is another key aspect for the IAC. **JB Beckett, May 2025***

App. A Additional Reference Material

All reference data and material shared in this appendix is sourced from Royal London unless otherwise stated.

APP. A 1 HIGH LEVEL FUND MIX FOR GP GROWTH

The mix RLP funds comprising GP Growth as at 19th June 2025 is shown below.

Governed Portfolio Growth	
RLP Global Mezzanine ABS Fund	0.13%
RLP Global Senior ABS Fund	0.37%
RLP UK Corporate Bond	3.50%
RLP Global Corporate Bond	2.00%
RLP Short Duration UK Corporate Bond	2.45%
RLP UK Government Bond	5.69%
RLP Global Government Bond	1.60%
RLP Property	10.35%
RLP UK Index Linked	2.60%
RLP Deposit	4.82%
RLP Global High Yield Bond	3.86%
RLP Short Duration Global High Yield	0.94%
RLP Commodity	5.75%
RLP Global Managed	55.94%

The Global Managed fund invests in UK, Global and Emerging Market equities. The current benchmark split is 20% UK Equities, 70% Global Equities and 10% Emerging Market Equities. You can replace the Global Managed pension fund with an alternative equity fund or funds from the Royal London Pensions fund range.

APP. A 2 DETAILED BREAKDOWN OF FUND HOLDINGS FOR GP GROWTH

The detailed breakdown of fund holdings as at 31 May 2025.

Holdings data

Total Equity	57.9%
UK Equities	12.1%
Royal London UK Core Equity Tilt	7.6%
Royal London UK Equity	0.9%
Royal London UK Mid Cap Growth	0.4%
Royal London UK Dividend Growth	1.5%
RLP UK Mid Cap	0.0%
Royal London UK Smaller Companies	0.3%
Royal London UK Opportunities	0.0%
Royal London UK Broad Equity Tilt	1.2%
ICF FTSE 100 Index Future	0.3%
US Equities	18.8%
Royal London US Equity Tilt TTF	16.8%
CME S&P EMI Future	2.0%
European Equities	2.5%
Royal London European Growth	2.7%
Royal London Europe ex UK Equity Tilt	1.4%
EUX EUR STO 50	-1.5%
Asia Pacific Equities	4.3%
Royal London Asia Pacific ex Japan Equity Tilt	1.9%
Royal London Japan Equity Tilt TTF	1.9%
HKG HAN SEN Index Future	0.5%
Global Equities	12.3%
Royal London Global Equity Diversified	6.9%
Royal London Global Equity Enhanced	4.5%
MSE S&P TSX 60 Future	0.8%
OSE TOP Index Future	0.2%
Emerging Markets Equities	7.3%
Royal London Emerging Markets Equity Tilt	6.4%
NYF MSC EMG	1.0%
Other	0.6%
Cash Holdings	0.6%

Total Commodities	5.5%
RLP Commodity	5.5%

Total Property	9.8%
RLP Property	9.8%

Total High Yield	5.5%
RLP Global High Yield Bond	4.4%
RLP Short Duration Global High Yield	1.1%

Total Corporate	8.1%
RLP Global Corporate Bond	2.0%
RLP Short Duration UK Corporate Bond	2.7%
RLP UK Corporate Bond	3.5%

Total Index Linked	2.0%
RLP UK Index Linked	2.0%

Total Government Bonds	6.1%
RLP Global Government Bond	1.1%
RLP UK Government Bond	5.1%

Total Absolute Return (inc. cash)	5.1%
RLP Deposit	5.1%

The allocations shown are derived by using the latest tactical allocation as at 15.05.2025 and latest fund holdings data as at 31.05.2025. These figures should therefore not be relied upon as being exact. Negative allocations reflect the use of derivatives to decrease regional equity exposure. Allocations may not always total 100% due to rounding.

APP. A 3 ASSET CLASS POSITIONING FOR GP GROWTH

Tactical asset class positioning for GP Growth as at 31 May 2025.

Latest positioning Asset class	Benchmark	Tactical	+/-	Positioning
Equity	57.50%	57.88%	0.38%	Overweight
UK	11.50%	12.26%	0.76%	Overweight
Global	40.25%	38.24%	-2.01%	Underweight
Emerging Markets	5.75%	7.39%	1.64%	Overweight
Government Bonds	7.50%	6.14%	-1.36%	Underweight
Corporate Bonds	7.50%	8.10%	0.60%	Overweight
Index Linked Bonds	2.50%	1.95%	-0.55%	Underweight
Property	10.00%	9.80%	-0.20%	Underweight
Absolute Return Strategies (inc. Cash)	5.00%	5.13%	0.13%	Overweight
High Yield Bonds	5.00%	5.50%	0.50%	Overweight
Commodities	5.00%	5.50%	0.50%	Overweight

Latest tactical positions as at 15.05.2025

Weightings may not total 100% due to rounding and cash holdings.

APP. A 4 PERFORMANCE BENCHMARK COMPOSITION FOR GP GROWTH

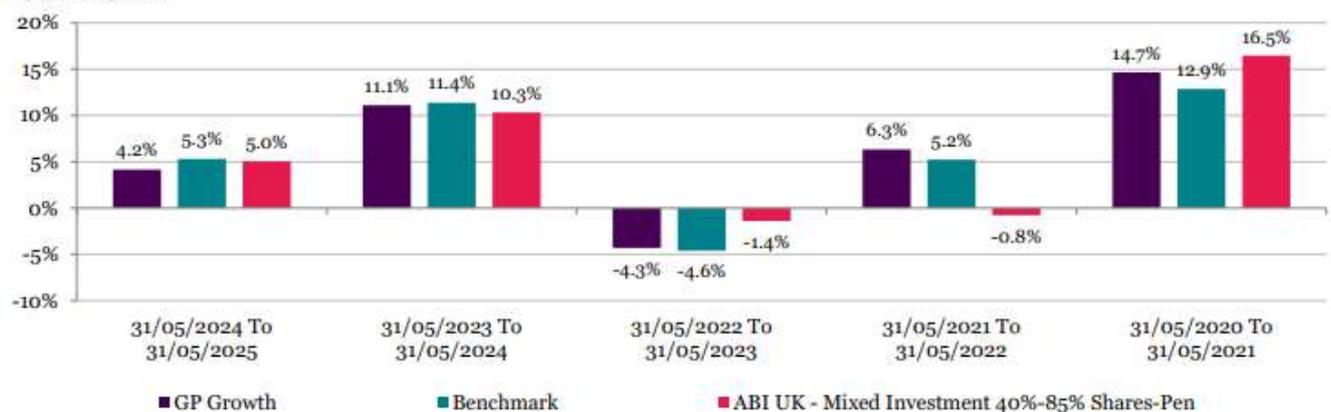
The performance benchmark for GP Growth is a composite of indices as shown below:

FTSE World Index	40.25%
FTSE All Share Index	11.50%
MSCI EM (Emerging Markets) Index	5.75%
ABI UK - UK Direct Property	10.00%
Bloomberg Commodity Index	5.00%
BofA Merrill Lynch Global HY Constrained GBP Hedged Index	5.00%
Markit iBoxx Sterling Non-Gilt Index	3.25%
Bloomberg Global Aggregate GBP Hedged Index	1.75%
ICE BofA Merrill Lynch 1-5 Year Sterling Non-Gilt Index	2.50%
FTSE Actuaries UK Index Linked Gilts (All Stocks) Index	2.50%
FTSE Actuaries UK Conventional Gilts (All Stocks) Index	5.75%
JPMorgan Global GBI Hedged Index	1.75%
Sterling Overnight Index Average (SONIA)	5.00%

APP. A 5 GP GROWTH PORTFOLIO PERFORMANCE AGAINST BENCHMARK FOR PAST 5 YEARS

Portfolio performance against benchmark

The past 5 years:



Source: Lipper, bid to bid, as at 31.05.2025, Royal London, as at 31.05.2025. All performance figures, including the figures shown for the growth in the benchmarks, have been calculated net of the Fund Management Charge. Past performance is not a guide to the future. Prices can fall as well as rise meaning you may not get back the value of your original investment. Investment returns may fluctuate and are not guaranteed.

APP. A 6 TARGET VOLATILITY RANGE CHANGES

The removal of 5-, 10- and 15-year time horizons has meant that all forward-looking volatility targets for GPs are now calculated over 10 years, this means small changes to the portfolios previously using 5- and 15-year time horizons.

Old Volatility Ranges

Portfolio	Volatility Range
GP Defensive	4.1 - 5.0
GP Conservative	5.9 - 7.2
GP Moderate	7.7 - 9.4
GP Growth	9.5 - 11.6
GP Enhanced	11.3 - 13.8
GP Dynamic	13.1 - 16.0
GP Total Equity	15.3 - 18.7

New Volatility Ranges

Portfolio	Volatility Range
GP Defensive	4.5 - 5.5
GP Conservative	5.9 - 7.3
GP Moderate	7.7 - 9.4
GP Growth	9.5 - 11.6
GP Enhanced	11.2 - 13.6
GP Dynamic	13.1 - 16.0
GP Total Equity	15.5 - 18.9



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AKG is an independent organisation
specialising in the provision of assessment,
ratings, information and consultancy to the
financial services industry

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