# Royal Liver Assurance Limited Superannuation Fund (ROI)

## Statement of Investment Policy Principles – December 2025

### 1. Introduction

This document constitutes the Statement of Investment Policy Principles (the "Statement") of the Royal Liver Assurance Limited Superannuation Fund (ROI) (the "Fund") prepared by RL Pensions Trustees (ROI) CLG (the "Trustee"). The Statement has been adopted by the Trustee in order to fulfil the requirements of the Occupational Pension Schemes (Investment) Regulations 2006, which stipulate that such a Statement is put in place.

The Statement is intended to affirm the investment principles that govern decisions about the Fund's investments.

In preparing this Statement, the Trustee has consulted the Principal Employer, Royal Liver Trustee Services Ireland CLG ("the Company") and has also consulted The Royal London Mutual Insurance Society as the ultimate parent of the Principal Employer. The Trustee has also obtained and considered professional advice from its investment consultant, Mercer.

The investment responsibilities of the Trustee are governed by the Fund's Trust Deed and Rules (a copy of which is available for inspection on request) and relevant legislation. According to the law, the Trustee has ultimate power and responsibility for the Fund's investment arrangements.

### 2. Process For Choosing Investments

The process for choosing investments is as follows:

- Identify appropriate investment objectives
- Consider the broad level of risk consistent with meeting the objectives set
- Construct a portfolio of investments that is expected to maximise the return (net of all costs) given the Trustee's risk tolerance

In considering the appropriate investments for the Fund, the Trustee has taken advice from Mercer. Where matters described in this Statement may affect the Fund's funding policy, input has also been sought from the Fund's Actuary.

### 3. Investment Objectives

The Trustee's objective is to invest the Fund's assets in the best interest of the members and beneficiaries and in the case of a potential conflict of interest in the sole interest of the members and beneficiaries. Within this framework the Trustee has agreed a number of key objectives to help guide it in its strategic management of the assets and control of the various risks to which the Fund is exposed.

The Trustee's primary objectives are as follows:

- To ensure the Fund has sufficient and appropriate assets to pay members' benefits as they fall due.

- To maximise long-term return subject to the appropriate management of the risks associated with pension funding.

- To limit the risk of the assets failing to meet the liabilities in relation to the Minimum Funding Standard ("MFS").

The Trustee is aware that some of these objectives may conflict and realises that a balance must be attained which is consistent with its attitude to risk and desire to maximise long term investment returns.

The Trustee pays due regard to the Company's views with respect to the potential size and incidence of contribution payments, and the degree to which the Company accepts variation in the fund's surplus or deficit as a consequence of the investment policy adopted.

## 4. Investment Risk Management and Measurement

The key risk in the context of investment is that the Fund's funding level may deteriorate as a result of the investment strategy being pursued which would in turn increase the costs of funding and may threaten the future sustainability of the Fund.

There are various investment related risks to which any pension plan is exposed. The Trustee's policy on risk management with regard to the investment arrangements of the Fund's main assets is as follows:

- The primary risk upon which the Trustee focuses is that arising through a mismatch between the Fund's assets and liabilities. The Fund's assets should share similar characteristics with its liabilities, in terms of duration and nature.

- The risk associated with the non-euro denominated assets fluctuating in value due to currency movements.

- While the risk introduced through investing a proportion of the Fund's assets in growth asset classes could lead to volatility in the funding level disclosed at a subsequent actuarial valuation, it is felt that this risk is acceptable in view of the potential benefits of the expected extra returns. Meanwhile, the extra returns should work through ultimately to greater security for members of the Fund and lower costs falling on the Company.

  The Trustee recognises the risks that may arise from the lack of diversification of investments. Subject to managing the risk from a mismatch of assets and liabilities, the Trustee aims to ensure that the asset allocation and manager structure policies in place result in an adequately diversified portfolio.

- The Trustee's willingness to take investment risk is dependent on the continuing financial strength of the Company and its ability to contribute appropriately to the Fund. It is further supported by the unconditional guarantee provided by The Royal

London Mutual Insurance Society. The financial strength of the Company and its perceived commitment to the Fund is monitored and the Trustee will reduce investment risk relative to the liabilities should either of these deteriorate.

- The documents governing the Investment Manager appointments include a number of guidelines which, among other things, are designed to ensure that only suitable investments are held by the Fund. The Investment Managers are prevented from investing in asset classes outside of their mandate without the Trustee's prior consent.

- Within the Liability-Driven Investment ("LDI") assets, the Trustee recognises the risks associated with counterparty credit risk and is satisfied with the guidelines adopted by the LDI manager. The Trustee has sought to minimise credit risk by investing the majority of the LDI assets in high quality Eurozone government bonds and by setting a minimum average credit rating target of A- for the Euro corporate bond component of the LDI assets. In addition, the Trustee understands the risks associated with needing to generate EURIBOR to support derivative instruments as may be needed from time to time within the LDI assets to closely hedge the liabilities.

- The Trustee recognises that the LDI assets will not provide a perfect match to the target liability value. Furthermore, there are different measures of the liability that will not be perfectly matched by the LDI assets.

- The Trustee is also conscious of certain additional liability risks such as inflation risk and longevity risk and will keep these risks under review to determine what mitigating action, if any, might need to be taken. The Trustees implemented a 100% inflation hedge using EURO HICP to help partially (and imperfectly) hedge Irish inflation risk within the Fund associated with deferred revaluation, no specific inflation hedging has currently been put in place in relation to discretionary pension increases or UK inflation pension increases.

- The Trustee recognises the risks of underperformance introduced by the use of active managers but believes that active management, through the careful selection of suitable managers, can add value. Arrangements are in place to monitor the continuing suitability of the current investments. The Trustee regularly reviews the continuing suitability of the Fund's investments including the appointed managers and the balance between active and passive management. Performance is independently measured and the Trustee receives regular reports from the Investment Managers and the Fund's Accountant (using data provided by the Fund's Custodian). It also receives an annual report on performance from its appointed investment consultant.

- The safe custody of the Fund's assets is delegated to a professional custodian either directly or via pooled vehicles. The custodian is responsible for the prompt reclaim of withholding taxes and other taxes on income due to the Fund.

The Trustee has considered the following as part of its periodic investment risk analysis:

- Value at Risk
  Value at risk is an assessment of the potential fall in funding level (on a long term measure of the liabilities) over a 1 – year period at a given level of probability. The Trustee has considered the Value at Risk metrics for a number of investment strategies to attribute the key drivers of risks and how they might be mitigated.

- Duration of the liabilities

Duration is an assessment of sensitivity to changes in interest rates. Duration of the liabilities can differ significantly, depending on the liability valuation measure under consideration.

- Hedge ratios
  Hedge ratios assess the extent to which the liability matching portfolio behaves in line with the liabilities. The funding level and duration of the liabilities and the extent and duration of bond investment are key components to this calculation. It is important to consider hedge ratios on both short term (Funding Standard) and long term measures of the liability.

- Qualitative risk assessment
  The Trustee has consulted with asset class experts as part of the investment strategy review process. This is necessary as many of the quantitative assessments of risk above are based on long term assumptions and cannot accommodate important inputs into a given asset class' success in a strategy such as prevailing market conditions or investment manager skill.

Actual experience will differ from the assumptions (perhaps significantly) and consequently, the Trustee will regularly review the investment strategy.

## 5. Portfolio Construction

The Trustee has adopted the following control framework in structuring the Fund's investments;

- The Trustee, together with the Fund's administrators, will ensure there is sufficient cash to meet the likely benefit outgoings. The Trustee's policy is that there should be sufficient investments in liquid or easily realisable assets to meet unexpected cashflow requirements in the majority of foreseeable circumstances so that realisation of assets will not disrupt the Fund's overall investment policy where possible.

- The Trustee ensures that the majority of the assets are invested in regulated markets and that any allocation to unregulated markets is maintained at a prudent level.

- The Trustee and Investment Managers (who have delegated discretion) exercise their powers in a manner calculated to ensure the security, quality, liquidity and profitability of the Fund. The Trustee invests the assets in a manner it believes to be appropriate to the nature and duration of the expected future retirement benefits payable under the Fund.

- The Trustee may use, or permit the Investment Managers to use, derivative instruments if they contribute to a reduction of risk or facilitate efficient portfolio management. This includes the Trustee, after taking advice, directing the Investment Manager(s) to use interest rate swaps, and inflation swaps and total return swaps to reduce risk in the Fund by reducing the interest rate and inflation mismatch between the assets and the liabilities.

- The Trustee does not permit direct investment in:

  a. Securities issued by the Employer
  b. Property leased to the Employer

## 6. Investment Strategy

The Trustee recognises that it is not necessarily possible, or even desirable, to select investments that exactly match the characteristics of the Fund's liabilities. Given the on-going commitment of the Company to the Fund, a degree of mismatching risk can be accepted on the basis that it is also acceptable to the Company.

Subsequent to a strategy review completed by the Trustee and its advisers in 2025, the strategic asset allocation of the Trustee's investment strategy is as shown below:

| Asset Class | Central Benchmark Allocation (%) | Control Ranges (%) | Benchmark |
|---|---|---|---|
| Infrastructure Equity | 6 | 4 – 8 | Target return of 8% p.a. net of fees |
| **Return Seeking Assets** | **6** | **4 - 8** | |
| Corporate Bonds | 44 | 40 - 48 | ICE BofAML 7-10 Year Euro Non-Sovereign Index (EX04) |
| Liability Driven Investments | 50 | 45 - 55 | Bespoke LDI Benchmark |
| Cash | 0 | 0 – 5 | |
| **Liability Matching Assets** | **94** | **92 - 96** | |
| **Total** | **100.0** | | |

The strategy has the following characteristics in relation to core Fund benefits:

- The strategy has an expected return of 3.2% p.a. and an expected volatility of 4.7% based on Mercer's 20 year return assumptions as at 31 December 2024.
- As at 31 December 2024, the Value at Risk measure at a 5% probability level was assessed as €10.5m. The Trustee understands this to mean that there is a relatively low probability of the funding level falling by more than €10.5m in a given one year period.
- The duration of the LDI bond portfolio was estimated to be 19 years and the duration of the corporate bond portfolio 7.4 years as at 31st December 2024.
- The Trustee considers the hedge ratios by discounting the core benefit liability cashflows of the Fund using a 50% Germany / 50% France Government Bond Yield Curve
    - The target interest rate hedge ratio of the strategy is 115% and is implemented through a portfolio of high quality euro Government bonds, euro corporate bonds and swaps. The hedge ratio is above 100% given the aim of the Trustee to provide discretionary pension increases and the desire to protect the Fund's ability to deliver those increases.
    - The target Irish inflation hedge ratio of the strategy is 100% and is implemented through Euro inflation swaps.

The currency of the Fund, and of the benchmark, is the Euro. The composite performance benchmark above is calculated on a quarterly basis.

**Rebalancing**
The Trustee recognises that even though the Fund's investments are subject to short-term volatility, it is critical that a long-term investment focus be maintained. The Trustee intends to avoid ad-hoc revisions to its philosophy and policies in reaction to either speculation or short-term market fluctuations and thus has agreed a rebalancing policy under which the asset allocation will be restored to the strategic allocation, unless there is reason not to, such as liquidity of assets or a highly volatile market environment.

The control ranges show the maximum variation from the central position that will be accepted by the Trustee. The Trustee monitors the asset allocation as at each calendar quarter end, using Investment Performance Reports prepared by the Fund's Investment Consultant. If the control ranges have been exceeded, rebalancing action may be taken. Rebalancing is also considered as part of the regular Trustee meeting schedule.

The Trustee has also instructed RLAM to target a ratio of 53%/47% between LDI and Corporate Bond assets. This ratio will be monitored and reviewed on a quarterly basis. In the event the ratio moves beyond a tolerance of 2.5% (for the avoidance of doubt, below 44.5% or above 49.5%), then RLAM will inform the Trustee and take corrective action to return to the target.

**De-risking**
The strategic asset allocation may evolve over time to reflect a reduced Growth Asset exposure and an increased bond exposure according to a de-risking framework to be agreed by the Trustee.

**Fees**
The below table outlines the annual management charge (AMC) applied by each of the fund managers expressed as a percentage of total fund value.

| Investment Manager | Fund/Mandate | AMC (p.a.) |
|---|---|---|
| JP Morgan* | Infrastructure | 0.82% |
| Royal London Asset Management ("RLAM") | Corporate Bonds & Liability Driven Investments | 0.14% |

*performance related fees also apply (15% of gains over 7% net return hurdle)

## 7. Manager Structure and Performance Objectives

| Investment Manager | Fund/Mandate | Benchmark | Performance Objective |
|---|---|---|---|
| J.P. Morgan Asset Management | Infrastructure Equity | Target return of 8% p.a. net of fees | Target return of 8-10% over the long term |
| Royal London Asset Management ("RLAM") | Liability Driven Investments | Bespoke benchmark | To match 115% of the interest rate risk and 100% of Irish inflation risk of the liabilities valued using high quality Euro government bond yield curves, |

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|---|---|---|---|
| | | | net of such matching provided by the corporate bond portfolio, and Euro inflation swaps. |
| Royal London Asset Management (“RLAM”) | Corporate Bonds | ICE BofAML 7-10 Year Euro Non-Sovereign Index (EX04) | To outperform the return of the benchmark by 0.75% p.a. gross of fees over rolling 3 year periods, with an expected tracking error of up to 3% p.a. |

Performance is evaluated against the above objectives on at least an annual basis, and a thorough review is carried out every three years or following any significant change in the circumstances of the Fund.

## 8. Day–to-Day Management of the Assets

Day to day management of the assets is delegated to professional Investment Managers, who are all regulated by the Central Bank of Ireland, the Financial Services Authority or the relevant authority in the domicile country. The Investment Managers have full discretion to buy and sell investments on behalf of the Fund subject to agreed constraints and applicable legislation. The Trustee has taken steps to satisfy itself that the managers have the appropriate knowledge and experience for managing the Fund’s investments. Investments are managed for the Fund to specific mandates which include performance objectives, risk parameters and timescales over which performance will be measured.

## 9. Liability Driven Investment (LDI) Strategy

As noted previously in this document, the Trustee has an LDI strategy in place which may invest in derivative/leveraged instruments for risk management purposes, to support the interest rate and inflation hedge ratio positioning versus the liabilities.

RLAM has been appointed to manage the LDI strategy. While the Euro LDI capabilities of RLAM are not formally rated by Mercer manager research, the Trustee and Mercer monitor the performance of RLAM’s mandate on a regular (at least quarterly) basis and RLAM also manages LDI for other pension schemes within The Royal London Mutual Insurance Society.

The composition of the LDI portfolio is determined based on analysis of the Scheme’s projected cashflows, updated in conjunction with the triennial actuarial valuation process and more often as required. Mercer provides investment strategy advice on the composition, as the Scheme’s investment consultant; RLAM provides implementation advice, as the appointed investment manager.

The need to invest in derivative/leveraged instruments is considered in the context of the interest rate and inflation sensitivities of the liabilities, the contributions to that which can be made by other asset classes (such as physical government bonds and corporate bonds), among other factors. The Trustee aims to invest in physical (rather than derivative/leveraged) instruments where possible, which reduces operational risks or requirements to provide collateral over a short timeframe. This is subject to ensuring that the target hedge ratios remain in place (115% for interest rates / 100 % for Irish CPI inflation) and have an appropriate shape versus the liability cashflows.

The hedge ratio positioning is monitored by the Trustee as part of their quarterly meetings. As part of this monitoring, a collateral heatmap is considered in detail to understand the

LDI portfolio's ability to withstand changes to the interest rate and inflation environment. Given the Trustee's preference of investing in physical instruments, the latest estimate (at 31 December 2024) showed that the LDI portfolio had more than sufficient assets available to withstand a 500 basis point move in both interest rates and inflation expectations. The Trustee sees this as a prudent approach.

The LDI portfolio is incorporated into the Fund's rebalancing policy (see Section 6 above) which is applied at overall Fund level. The Trustee also has a Euro Credit portfolio managed by RLAM with a rebalancing policy between the Euro Credit and LDI portfolios. This is monitored quarterly and helps to ensure that there are additional assets readily available if the LDI portfolio was to fall sharply in value. The LDI portfolio is daily dealing.

It should be noted that while volatility can be seen in the LDI (and Credit) portfolios, due to the interest rate and inflation sensitivities, the expectation is that this volatility corresponds with similar moves by the Fund's liabilities.

**JPMorgan Unlisted Infrastructure**

The Fund's asset allocation includes an investment in unlisted infrastructure equity managed by JPMorgan. This allocation was implemented in January 2022 as a medium to long-term investment and aims to harvest an illiquidity premium for the Fund. The allocation also provides diversification, volatility dampening and income generation within the overall portfolio. The allocation is less liquid than other asset classes held but does offer liquidity half-yearly after a "soft lock" period of 4 years from the date of investment (January 2022). The Trustee considers the less liquid nature of the fund as part of the overall tolerance for the illiquidity of the Fund and as part of their regular reviews of investment strategy.

## 10. Expected Return

Given the investment strategy adopted, the Trustee expects to generate a return, over the long term above the nominal swap curve adopted for triennial valuation purposes. It is recognised that over the short term, performance may deviate significantly from the long term target and there are no guarantees that such a return will be achieved.

The actuarial valuation at 31 December 2024 was based on a target return of 0.76% p.a. in excess of the nominal swap curve and does not anticipate any further de-risking. The yield curve margin will be updated at each triennial valuation to reflect market conditions at that date and also any changes in the asset allocation.

## 11. Additional Assets

The Trustee has established an Additional Voluntary Contributions ("AVCs") arrangement, in which members' AVCs are invested to enhance their benefits at retirement.

The Trustee reviews the investment performance of the chosen AVC provider on a regular basis and takes advice as to the providers' continued suitability.

## 12. Realisation of Investments

The Investment Managers have discretion in the timing of realisation of investments and in considerations relating to the liquidity of those investments within parameters stipulated in the relevant appointment documentation.

## 13. Environmental, Social and Corporate Governance

This Policy outlines the Fund's Environmental, Social and Corporate Governance ("ESG") approach which incorporates the Trustees' beliefs along with details of how this Policy will be implemented.

There is a growing urgency and focus on long-term sustainability issues and ESG. This Policy is focused on high-level principles in line with the Fund's position as an asset owner.

The Trustee believes that ESG factors may have a material impact on investment risk and return outcomes and that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration. However, the Trustee has a de-risked investment strategy with a focus on liability matching so this may have less relevance for the specific investment strategy of the Fund.

**ESG Investment Implementation**

The Trustee considers the following areas to ensure that their beliefs are incorporated into the Fund's investment arrangements.

1. **Integration**: The Trustee considers Mercer's ESG ratings (where available) for each of their strategies. The area of climate change will be considered by monitoring the emissions of the Fund's investment holdings, where possible. The Trustee expects to see reductions in carbon emissions over time.

2. **Stewardship**: Having fully redeemed its equity investments, the Trustee no longer holds voting rights as equity holders of listed companies. RLAM have provided details to the Trustee around how they engage with the companies they invest in. The Trustee may look to analyse and review stewardship reporting from its investment managers as part of their monitoring process.

3. **Investment**: The JPM Infrastructure Fund is classified as Article 8 under the EU's Sustainable Finance Disclosure Regulation (SFDR). All other funds are Article 6. The Trustee has not set any restrictions in relation to particular fund classifications.

4. **Screening**: As an overarching principle, the Fund prefers an integration and engagement-based approach rather than an exclusionary approach in investment portfolios. The Trustee has not set any investment restrictions on the appointed investment managers in relation to particular products or activities, but may consider this in future.

<u>Shareholders' Rights Regulations</u>

With respect to the European Union (Shareholders' Rights) Regulations 2020, the Trustee has not developed a standalone engagement policy. The Fund is no longer invested in listed equity assets following the full redemption of its equity fund in July 2025.

<u>Sustainable Finance Disclosure Regulations</u>

The Trustee acknowledges that under Article 4 of the Disclosure Regulations there is a requirement to publish and maintain on a website whether principal adverse impacts of investment decisions on sustainability factors are considered. The Trustee is awaiting guidance from the Pensions Authority prior to making a further statement in relation to the regulations.

With respect to the AVCs, these assets are currently invested in a Cash Fund with the appointed investment manager. The Trustee expects the appointed investment manager to align with all required legislation in relation to ESG as well as any wider investment-related regulations.

This policy may be made publicly available in the future but is currently included within the SIPP of the Fund as this is available to members each year through the Trustee Annual Report.

## 14. Compliance with and Review of this Statement

The Trustee monitors compliance with this Statement annually and will review this Statement at least once every three years and without delay after any significant change in investment policy. Any change to this Statement will be made in consultation with the Company and only after having obtained and considered written advice of someone whom the Trustee reasonably believes to be qualified by their ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of pension fund investments.

**Effective Date of this Statement: December 2025**

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