



## STAKEHOLDER PENSION STATEMENT OF INVESTMENT PRINCIPLES

### **Broad principles of investment policy**

The basic aim of the investment policy is to maximise the return on the investments, balanced with an acceptable level of risk. Different levels of risk will apply to different funds.

### **Objectives of the funds**

**Royal London FTSE® All-Share Index Tracker Pension Fund** – aims to provide capital growth by tracking the Financial Times Stock Exchange (FTSE®) All-Share Index. Investment management of the fund is delegated to UBS Global Asset Management (UK) Ltd.

**Royal London With-Profits Stakeholder Fund** – aims to achieve steady growth by investing in a wide range of assets, such as UK and overseas equities, government and other sterling bonds.

The investment profits (or losses) made on the underlying funds are ‘smoothed’ before being credited to investors through changes in the unit price. Further details of the smoothing process, which is aimed at delivering a more stable investment return than direct stock market investment, can be found in the ‘Guide to investing in the Royal London With-Profits Stakeholder Fund’. The smoothed unit price can fall as well as rise but because of smoothing, the change in the unit price will normally be less extreme than the rise or fall in the value of the fund’s assets.

A market value reduction (MVR) may be applied to this fund, further details of which can be found in the ‘Guide to investing in the Royal London With-Profits Stakeholder Fund’.

Between 50% and 70% of the fund is normally held in higher risk assets, such as company shares including a proportion of overseas shares.

At present this is achieved by direct investment and/or by investing in unit trusts from Royal London, the investment aims of which are described below. The remainder is held in interest-bearing investments such as government bonds and deposits.

**Royal London UK Growth Pension Fund** – aims to provide above average capital growth over the medium to long term, by investing in a diverse range of UK equities in any economic sector. Investment will be concentrated on strong franchise companies with excellent prospects.

**Royal London European Growth Pension Fund** – aims to provide above average capital growth over the medium to long term, by investing in a diverse range of European equities in any economic sector. Investment will be concentrated on strong franchise companies with excellent prospects. Investment management of the fund is delegated to Jupiter Asset Management Ltd.

**Royal London US Growth Pension Fund** – aims to provide above-average capital growth over the medium to long term, by investing in a diverse range of US equities in any economic sector. Investment will be concentrated on strong franchise companies with excellent prospects.

**Royal London Sustainable Leaders Pension Fund** – aims to provide capital growth by investing in a diverse range of equities, mainly in the UK, in any economic sector. Investment will be concentrated on strong franchise companies with excellent prospects. Investment is limited to companies that have a net positive benefit on society either through their products and services they offer or in the way they conduct their business. This means that certain areas of the market are not considered for investment.

**Royal London Deposit Pension Fund** – aims to provide more security by depositing the investment in a bank account with The Co-operative Bank Plc. Your application form will confirm whether this fund is available to you.

**Royal London Fixed-Interest Pension Fund** – aims to provide stability of income by investing in a range of fixed-interest securities. This fund is only available if you choose to invest in the Royal London With-Profits Stakeholder Fund with Lifestyle option.

The investments of the **Royal London UK Growth, European Growth, US Growth and Sustainable Leaders Pension Funds** comprise of units in the corresponding unit trusts from Royal London. You should note that prices of units in these funds will differ from the prices of the units in the corresponding unit trusts.

### Risk

Investments in stocks and shares are subject to a degree of risk and the values of such investments can rise or fall on a daily basis. The fund managers seek to spread the risks involved by investing in a wide range of underlying assets consistent with the investment objectives of each fund. For the **Royal London FTSE® All-Share Index Tracker Pension Fund** this is achieved by investing in the constituents of the FTSE® All-Share Index. For the **Royal London UK Growth, European Growth, US Growth and Sustainable Leaders Pension Funds** it

is achieved by investing in the corresponding unit trusts from Royal London, which themselves hold diversified portfolios of stocks and shares.

For the **Royal London With-Profits Stakeholder Fund** the risk is spread further by holding a range of different types of investments both in the UK and abroad. The investment returns achieved on this fund are smoothed in order to reduce fluctuations and produce more stable returns to investors.

The **Royal London Deposit and Fixed-Interest Pension Funds** are suitable for investors with a very low attitude to risk and/or who are close to retirement.

The **Royal London With-Profits Stakeholder, European Growth, US Growth and Sustainable Leaders Pension Funds** invest overseas and are therefore subject to currency risks.

**Royal London Sustainable Leaders Pension Fund** is a specialised fund, which concentrates on specific stocks, some of them in overseas markets and in smaller companies, and there are many areas of industry and commerce in which it does not invest. There may, therefore, be movements in prices of units that are not related to broad changes in the stock market.

Attitude to risk	
<b>Risk category 1: lowest</b>	You are looking for a clear rate of return on your savings and not looking to put them at risk. While your savings are secure you understand that they may not grow as much or as quickly as those in the other categories.
<b>Risk category 2: low/medium</b>	You are looking for a return that is higher than investing solely in cash. You understand that some of your savings may be invested in higher risk assets and the amount you save is not guaranteed, although some protection on your savings may be available within this category. The investment horizon should be at least 5 years.
<b>Risk category 3: medium</b>	Your investment has the possibility of providing a higher rate of return over the long term from a balanced mix of lower and higher risk assets. You are exposing your investment to a higher degree of risk and direct exposure to daily fluctuation in its value, although some protection on your savings may be available within this category. The investment horizon should be at least 5 years.
<b>Risk category 4: medium/high</b>	Your investment has the possibility of providing a high rate of return over the long term from investing in mainly higher risk assets. You are exposing your investment to a higher degree of risk and direct exposure to daily fluctuation in its value. The investment horizon should be at least 5 years.
<b>Risk category 5: higher</b>	Your investment has the possibility of providing a superior rate of return over the long term from predominately investing in higher risk assets. You are exposing your investment to a high degree of risk and direct exposure to daily fluctuation in its value. The investment horizon should be at least 5 years.
<b>Risk category 6: highest</b>	Your investment has the possibility of providing a very high rate of return over the long term from investing in higher risk assets. You are exposing your investment to a very high degree of risk and direct exposure to daily fluctuations in its value. The investment horizon should be at least 5 years.

Risk profiles						
	Lowest	Low/ Medium	Medium	Medium/ High	Higher	Highest
Royal London Deposit Pension Fund	✓					
Royal London Fixed-Interest Pension Fund		✓				
Royal London With-Profits Stakeholder Fund			✓			
Royal London UK Growth Pension Fund				✓		
Royal London FTSE® All-Share Index Tracker Pension Fund				✓		
Royal London European Growth Pension Fund					✓	
Royal London US Growth Pension Fund					✓	
Royal London Sustainable Leaders Pension Fund				✓		

### Royal London as Responsible Owners

In addition to the investment objectives, Royal London applies a responsible investment approach across its equity funds under management. This approach encompasses the following elements:

- An active voting policy – we exercise our voting rights at the General Meetings of our UK companies and challenge them on a range of issues. We were the first investor to publish our voting record on the web in 2002, a practice now increasingly adopted by other fund managers
- Researching the performance of companies in respect of ESG (environmental, social and governance) issues and the implications for the business
- Engagement – we engage with companies via letter, meetings and company Annual General Meetings encouraging them to adopt best practice on ESG issues including those identified in the Ethical Engagement Policy followed by Royal London such as corporate governance, environmental performance and human rights.

Ongoing examples of these elements in action:

- Repeatedly voting against re-election of members of the board of Sports Direct, because of our concerns over the lack of oversight and control at board level and bad executive remuneration practices
- Engaging with technology and consumer companies to assess whether they are taking seriously their obligations to customers and their brand when using data about them
- Engaging with oil and gas companies Exxon Mobil and Halliburton urging them to adopt high and transparent environmental and social standards in their hydraulic fracturing ('fracking') operations
- Assessing pharmaceutical companies on the efficacy of their anti-bribery and corruption policies in China.

### Realisation of investments

For the **Royal London FTSE® All-Share Index Tracker Pension Fund** assets are bought and sold to balance the portfolio in order to track their respective benchmarks as closely as possible. For the other funds, decisions to buy or sell underlying investments are based on the fund managers' views on relative future performance in order to meet the investment objectives of the fund.

**If you would like a copy of this leaflet in large print, audio or Braille,  
please call us on 0345 605 7777.**



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