A growing modern mutual

Annual Report and Accounts 2023

ROYAL LONDON

Financial performance

Operating profit before tax[1]

£249m

(2022: £210m)

Transfer to/(from) the fund for future appropriations[2]

£382m

(2022: £(162)m)

Assets under management

£162bn

(2022: £147bn)

Investor View capital cover ratio[3]

218%

(2022: 213%)

Operational performance

Total number of members

2.2m

(2022: 2.0m)

Total number of policies held

8.6m

(2022: 8.7m)

Protection claims paid out

£725m

(2022: £631m)

Percentage of financed emissions under net zero engagement[4]

52%

(2022: 51%)

Employee engagement score[5]

79%

(2022: 80%)

Total contributions to charitable and social impact initiatives[6]

£2.4m

(2022: £2.1m)

Read more about our key performance indicators (KPIs) in the 'Measuring our performance' section on pages 14 and 15, and see page 212 for further details of our alternative performance measures (APMs).

1. Operating profit before tax represents profit/(loss) before transfer to/(from) the fund for future appropriations excluding: short-term investment return variances and economic assumption changes; goodwill (charge)/credit arising from mergers and acquisitions; ProfitShare; ValueShare; tax; and one-off items of an unusual nature that are not related to the underlying trading of the Group. Profits or losses arising within the closed funds are held within the respective closed fund surplus; therefore operating profit represents the result of the Royal London Main Fund (RL Main Fund).
2. Transfer to/(from) the fund for future appropriations represents the statutory UK GAAP measure 'Transfer to/(deduction from) the fund for future appropriations' in the technical account within the Consolidated statement of comprehensive income.
3. The capital cover ratio is calculated as the Group's Own Funds, being the regulatory capital under Solvency II, divided by the Solvency Capital Requirement (SCR). The 'Investor View' equals the RL Main Fund capital position (excluding ring-fenced funds). The 'Regulatory View' solvency surplus and capital cover ratio, disclosed on pages 56 to 57, exclude the closed funds' surplus as a restriction to Own Funds. All capital figures are stated on a Group Partial Internal Model basis and the 2023 figure is estimated and unaudited.
4. Percentage of total RLAM corporate fixed income and listed equity scope 1, 2 and 3 financed emissions from companies subject to RLAM's net zero engagement programme.
5. Employee engagement score is assessed via a colleague survey with six core index questions linked to colleague loyalty, satisfaction, and belief in Royal London.
6. We donated £2.2m directly to charities and social enterprises and funded an additional £0.2m to support related social impact activities.

Proudly customer-owned since 1861.
At Royal London, being a mutual is at the heart of our Purpose:

'Protecting today, investing in tomorrow.
Together we are mutually responsible.'

We offer protection, long-term savings and asset management solutions in the UK and Ireland – and our mutuality is as relevant as when our business was first established. We remain committed to helping customers build their financial resilience and, through our investments, we aim to help build a world worth retiring into.

It's everyone's business.

Contents

The Annual Report and Accounts are those of The Royal London Mutual Insurance Society Limited (RLMIS or Company), which, together with its subsidiaries, including Royal London Asset Management Limited (RLAM) and Royal London Insurance Designated Activity Company (RLI DAC), form the Royal London Group (Royal London or Group). For further definitions, please see the Glossary.

Strengthening the mutual choice

Sharing in our success

Since 2007, we have shared the proceeds of our success with eligible customers through our ProfitShare scheme. The vast majority of our eligible customers are also members and, because we are a mutual, they directly benefit from sharing in the returns we generate.

Over £1.7bn

shared with eligible customers through ProfitShare since it was established in 2007

Read more about ProfitShare on page 15

Helping customers feel protected

As we help customers to build their financial resilience, we also want to help them protect themselves, and their families, against life shocks. This was reflected in April 2023 when we announced our acquisition of Aegon UK's individual protection business – which includes life insurance, critical illness and income protection policies.

Over 400,000

customers to be welcomed through our acquisition of Aegon UK's protection business

Read more about how we support members and customers on pages 17 to 18

At a time when the public's appetite for companies to act responsibly has rarely been greater, our mutuality helps us to define the role we play. We are passionate about the positive difference our business can make – from improving choice for consumers, to playing our part in solving some of society's biggest challenges.

Making a real-world impact

Since we were founded, we have focused on helping people who are less able to help themselves. Through our partnership with Turn2us, we have been helping people in financial crisis since 2020 – and through our new partnership with Cancer Research UK, announced in 2023, we are supporting initiatives to give people affected by cancer a fairer chance of a better outcome.

Over £2m

donated to support charities and social enterprises in the UK and Ireland during 2023

Read more about our social impact on pages 22 to 23

Championing our mutual mindset

We launched an enhanced engagement survey for our colleagues in 2023. Building a culture of openness, where we listen to colleague feedback, helps us to create the conditions in which our colleagues can thrive – and where they can engage with their role in delivering the outcomes that support our Purpose.

77%

of colleagues tell us they feel motivated by Royal London to do the best job they can (10 points above the Financial Services benchmark)

Read more about our culture on pages 19 to 20

Confident progress in an uncertain environment

> "The Board is a passionate advocate for the role that our mutuality plays in offering genuine consumer choice."

2023 was another year of significant change and uncertainty. Humanitarian and geopolitical crises continue, notably in Ukraine and the Middle East. In the UK, while we have seen a more stable political landscape than in the prior year, the rising cost of living, compounded by inadequate levels of saving, has left many people facing some difficult financial choices.

Rising mortgage costs are placing significant strain on levels of disposable income, resulting in reduced discretionary spend for many people and hard choices in prioritising necessary expenditure. Additionally, many people face being unable to achieve an adequate standard of living after retirement, and being vulnerable to the effects of a life shock such as ill health. These situations arise from insufficient levels of income protection, inadequate contributions to Workplace Pension schemes, and the need for the self-employed to source their own pension schemes.

In these uncertain times, the case for a corporate model which focuses on the long-term interests of its customers, and shares the proceeds of growth with its members, has never been stronger.

Resilience through mutuality

In 2023 we asked the Social Market Foundation, an independent think-tank, to conduct research and analysis into nurturing and maintaining successful mutual businesses. Its findings reinforced some important themes. It found that, regardless of size or scale, there is a shared focus among mutuals to use their status for the good of members and customers – without the added complexities borne by other financial services companies, most of which primarily exist to generate profits and returns for investors.

ProfitShare

We have shared our success with eligible customers through ProfitShare since 2007. I am delighted that our continued strength has enabled us to maintain our allocation rates from last year, and that, as a result of our performance in 2023, we are able to share £163m with over two million eligible customers. In April 2023 we made our first ValueShare award, with all eligible Royal London Ireland customers receiving a boost to their policy values of 0.13%.

Our real-world impact

As a proud, modern mutual, our dedication to building financial resilience is matched by our commitment to supporting the move to a more sustainable world. As champions of a 'just transition' – the transition to a low-carbon economy in a way that considers the social implications, alongside the environmental factors – we support the intent expressed at COP28 to integrate social considerations more effectively into national climate action plans. We demonstrated this during 2023 through our work with the International Labour Organization and the United Nations Environment Programme, on a just transition for the banking and insurance sectors.

Businesses alone cannot deliver the systemic transformation needed for a sustainable future. We need governments and policymakers to deliver on their commitments. However, as attention focuses on addressing other immediate crises, such as geopolitical tensions, energy security and restoring sustainable economic growth, progress has slowed. Despite the pledges at COP28, much remains to be done if global goals to limit warming are to be reached.

Through active engagement with companies in which we invest, we aim to ensure that their net zero actions also support an inclusive economy by carefully considering societal issues. This includes companies responsible for the highest greenhouse gas emissions. Rather than simply divesting, we prioritise working with them, using our voting rights and meeting with management to encourage better stakeholder outcomes.

In our own operations we are targeting net zero by 2030 in our Scope 1 and 2 emissions, and a 50% reduction by 2030 in our Scope 3 emissions – indirect emissions from our value chain – with the goal of achieving net zero by 2050. Our environmental impact was an important factor in the decision to move to our new office in London and I am very pleased that, through its 'BREEAM Excellent' rating, the premises are recognised by a globally trusted mark of sustainability for the built environment.

Through our social impact and charitable giving initiatives, we focus on the difference we can make to some of society's biggest challenges. As a business that places a great deal of importance on helping people to feel protected, we partner with organisations that are equally dedicated to helping people in times of financial crisis. Our established work with our UK flagship partner Turn2us, a UK charity helping people living in poverty, enables us to support people and their families to access funding and guidance.

We also recognise the link between health and financial resilience, and in particular the significant emotional and financial impact of serious illness. Around one in two people in the UK, for instance, is likely to experience cancer in their lifetime, and in 2023 65% of our critical and serious illness claims were for cancer. We have therefore broadened our charitable giving to initiatives that seek to prevent its onset and limit its impact. In May 2023 we extended our support for Cancer Research UK, announcing a formal partnership that aims to tackle cancer inequality and strengthen its efforts to save lives. The commitment of our colleagues to supporting this partnership has already been impressive, and we look forward to working together to give those suffering from cancer the chance of a better outcome.

Our Board

The Board is committed to building a culture that promotes integrity and openness, values diversity and ensures we listen to the views of members and wider stakeholders. Information about our oversight in these areas is included throughout this report. I was delighted to welcome members to our Annual General Meeting in London last June, both in person and online, providing an important opportunity to interact directly with our Board. We have also continued our programme of quarterly sessions for colleagues to ask questions and understand the Board's perspectives on the topics that matter to them.

As you would expect, we hold ourselves to the highest standards of corporate governance, and to having a Board that possesses a highly relevant range of skills and experience. When we choose new Board members, we focus on ensuring that they are equipped to engage in robust discussions that lead to balanced decisions supporting the Group's Purpose, strategy and values, and long-term sustainable success for stakeholders. The Nominations and Governance Committee strives to ensure that the directors understand and consider the diversity of our customer base and the society in which we live and operate.

In April 2023 we were pleased to welcome Eithne McManus to the Board. Eithne has an excellent understanding of the life and pensions industry, and her appointment strengthens the Board's actuarial and With-Profits expertise. In October 2023 Nicky Richards joined the Board. Nicky has deep investment experience having held senior investment positions at both Fidelity and Schroders. In December 2023 we also announced the appointment of Lynne Peacock to the role of Deputy Chair. Lynne is a hugely experienced non-executive director with over 25 years' senior management experience, much of which she has gained in the financial services industry.

We said farewell to Ian Dilks OBE and Sally Bridgeland, who both stepped down from the Board on 31 December 2023. Ian and Sally have been great stewards of Royal London, making a significant contribution in overseeing the transformation of our business, including chairing various committees. Ian is succeeded by Tim Tookey as Senior Independent Director, and by Nicky Richards as Chair of the Investment Committee, while Sally is succeeded by Eithne McManus as Chair of the With-Profits Committee. Pars Purewal, who joined in February of last year, succeeded Shirley Garrood as Chair of Royal London Asset Management Limited, following her retirement from the Board at our 2023 Annual General Meeting.

On behalf of the Board, I would like to thank Ian and Sally for their service and wish them the very best for the future.

Outlook

Our industry is critical to solving some of the biggest financial challenges facing our society. We are well positioned to continue to support our customers, helping them to navigate short-term challenges while also supporting them to save and invest for the future. Through our strong governance and risk culture we will continue to grow our business safely, meeting our regulatory responsibilities and delivering for all our stakeholders.

The Board is a passionate advocate for the role that mutuality plays in offering genuine consumer choice and a valuable contribution to the economy. The contribution of all of our colleagues in this is crucial. We want to enable our colleagues to thrive, and to build their belief in the important role they have in delivering our Purpose. As ever, I would like to thank them for their hard work and their ongoing commitment to championing our mutual mindset.

Kevin Parry OBE
Chairman

Purpose-driven progress against a clear strategy

"We are committed to helping our customers build their financial resilience to protect their standard of living, and that of their families."

The articulation of our Purpose – 'Protecting today, investing in tomorrow. Together we are mutually responsible' – helps us to be clear with our customers about the difference we intend to make for them. To deliver our Purpose, we have a clear strategy.

Our strategy is to be an insight-led, modern mutual, growing sustainably by deepening customer relationships. As the UK's largest mutual life insurance, pensions and investments provider, we use the information our customers share with us to help them build the financial resilience they need to retire into a sustainable world, and to protect themselves and their families along the way.

Being vigilant stewards of our capital helps to lay the foundation for sustainable growth. We invest to make sure our products and services continually meet the needs of our customers and advisers. At the same time, we aim to manage our costs carefully and share the benefits of our success with eligible customers via ProfitShare.

Through our research we know that the cost of living remains a cause of concern for a high proportion of our customers. We continue to offer dedicated guidance and resources to help them navigate the challenges, while promoting the importance of making financial advice accessible to all.

We are also committed to acting and investing responsibly, using our voice to influence positive change on behalf of our stakeholders. This includes our engagement with policymakers, urging them to deliver on their commitments to allow us to deliver on ours.

You can read about our Purpose outcomes and our progress against these on pages 10 to 11.

Our trading performance

We demonstrated the effectiveness of our long-term strategy in 2023 by delivering an increase in operating profit before tax of 19% to £249m (2022: £210m), while also increasing net flows and assets under management.

Our life and pensions new business contribution was up 13% at £184m (2022: £163m). This reflected strong growth in Workplace Pensions, as customers benefitted from our enhanced pension consolidation services. Our Individual Pensions business performed well but, with higher interest rates leading to a reduction in defined benefit transfer activity, overall new business contribution fell.

Group assets under management increased by 10% to £162bn, as we attracted increased net inflows of £4.2bn (2022: £3.7bn), while also benefitting from market movements, particularly in the second half of the year.

The active management of our Group's capital structure, and focus on controlling costs, ensured we were able to maintain a robust and stable capital position. Importantly, this has enabled us to continue investing in products and services for the benefit of our customers. At the end of December 2023, we had an estimated Solvency II Investor View capital cover ratio of 218% (31 December 2022: 213%).

Enhancing our products and services

Helping customers build their financial resilience drives our commitment to supporting financial advisers. We are constantly updating our technology to enable advisers to scale the advice, support and guidance they provide, and in September 2023 we launched our 'Adviser Value Proposition' – focused on helping advisers grow their business while making it easier for their clients to work with them.

In April 2023 we finalised an agreement to acquire Aegon UK's individual protection business, which will see us welcoming over 400,000 new customers to Royal London. It also strengthens our position in the UK protection market. Customers' policies are expected to transfer in 2024, following the completion of a court-approved process.

Within our asset management business, our diverse offer founded on a commitment to responsible investing is attracting growing international interest, with Royal London Asset Management successfully winning its first mandate from a Japanese institutional client. We registered our Dublin-domiciled funds in Sweden, Norway, Denmark and Finland, each important milestones in expanding Royal London Asset Management's presence internationally. We also registered several new funds including Sustainable Investment, Global Equity and Fixed Income strategies, reflecting our commitment to best-in-class investment solutions.

We believe that our continued success in Workplace Pensions reflects the importance that employers place on both supporting their employees' financial wellbeing, and partnering with digital-first providers who have a strong sense of purpose. We continue to invest in technology that enhances our ability to engage customers, such as our mobile app, our online financial wellbeing service, our state benefits entitlement calculator – developed in partnership with Turn2us – and our new transfer hub to make pension consolidation easier. We also launched a new retirement and lifestyle planner, a digital tool designed to help advisers add value for their clients. Although we are making progress, not all of our technology projects have delivered at the pace we would have liked, but as we enter 2024 we are releasing new pensions technology that makes it even easier to interact digitally with Royal London.

In January 2024 we completed the acquisition of the remaining stake in Responsible Group. The Responsible Group is made up of Responsible Life, a market-leading later life mortgage broker, and Responsible Lending, a later life mortgage lender. The acquisition gives us a great opportunity to broaden the solutions available to our customers to support them in retirement. Later life lending is complex by nature and requires specialist advice, but we are keen to make it a more accessible option for those who would benefit from accessing the equity in their home to support their desired standard of living.

We also announced an agreement for the sale to Bspoke Group of the general insurance and healthcare elements of the Police Mutual and Forces Mutual businesses. With its expertise in the general insurance and healthcare markets, we believe that Bspoke Group is well placed to serve the customers of those businesses. The sale was completed in February 2024.

In Ireland, we continue to improve and adapt our Protection products and services. I am pleased with our performance in 2023, following the successful launch in 2022 of the revised Royal London Ireland brand and a new individual pension proposition.

Our people and culture

We are committed to ensuring that Royal London remains a great place to work. We encourage all colleagues to join our colleague-led inclusion networks, to demonstrate their support for our inclusive culture. Through a programme of events and activities, our networks collaborate to maximise the impact they make across our business.

We have improved how we promote career opportunities and we have grown our learning and development offering, making it easier for colleagues to access the right development and support when they need it. Following a successful initiative in 2022, we welcomed more colleagues onto our Career Confidence programme, open to everyone but particularly focused on career growth for women and those from minority ethnic groups.

We aim to support our colleagues' wellbeing by helping them make the most of the benefits that working at Royal London can bring. Alongside online materials, training and services via our external healthcare provider, we introduced income protection to enhance the support colleagues have if they are unable to work due to illness or injury.

Our People Commitments provide a framework to ensure that colleagues feel supported and able to be their best at work. You can read more about these on pages 19 to 20.

Levelling the playing field

Through our sponsorships, we look to create opportunities and to accelerate positive change across society. As the first ever Principal Partner of the British & Irish Lions' Women's Lions Programme, we funded a feasibility study to ascertain whether a women's Lions rugby team could be formed. Following the successful outcome of the study, we became the Founding Partner of the team's first ever tour, in New Zealand, in 2027. We are proud that, through our investment to support player development, we are also championing women's rugby from the grassroots up, and so making a difference for this and future generations.

Awards

We believe it is vital to have a culture that empowers our colleagues to perform at their best. This helps us improve our offering for customers and financial advisers, and I am grateful that our colleagues' dedication continues to be recognised through key industry awards in the UK and Ireland. You can read more in the Business review section on pages 44 to 51.

In particular, I am proud that we were named Company of the Year 2023 at the Financial Adviser Service Awards – where we retained our five-star service rating for the 15th year running for pensions, and the 10th year running for protection. Royal London Asset Management was awarded a five-star investment provider rating for the 10th consecutive year. I am also delighted with our successes at the Brokers Ireland Excellence Survey Awards, which included the award for Service Excellence for the sixth year in a row.

Looking ahead

A key focus of mine in 2024 will be on ensuring that colleagues collaborate effectively to deliver the best possible experience for our members and customers. This will involve making progress on building easy-to-use digital journeys for key products, expanding the range of solutions we offer and continuing to run our business as efficiently as possible so that we can generate value for our members.

Our robust capital position, and our status as a purpose-driven mutual, means we are well positioned in 2024 to navigate the external environment – while helping customers do the same. By delivering our strategy and achieving our Purpose, we are committed to helping our customers build their financial resilience to protect their standard of living, and that of their families.

Barry O'Dwyer
Group Chief Executive Officer

Our market

Strength through challenging conditions

Customer and market trends

The trends that influence our members, customers, intermediaries and society help us define what is important to us as a business.

Our strategy of being an insight-led, modern mutual, growing sustainably by deepening customer relationships, reflects the world we live in and the trends that shape our customers' changing needs.

Consumer needs and expectations

Driven by the increased cost of living, consumer needs and expectations are changing. Costly and complex social care policies, combined with an ageing population holding more wealth in property, and an increased responsibility placed on citizens to save for their own retirement, are causing major challenges for individuals in later life.

94%

of UK consumers are concerned about the cost of living increase (Royal London consumer research, September 2023)

Economic challenges

Inflationary pressures continue to impact the economy, with fiscal intervention required at points to support businesses and consumers. Consumer price inflation remains above the Bank of England's target of 2%, and increased interest rates continue to provide challenges for consumers and businesses.

7.4%

average rate of Consumer Price Inflation in 2023 (Office for National Statistics)

Political environment

The political environment continues to evolve. With a UK general election set to take place in the near future, the next UK government will need to consider reforms to automatic pension enrolment, following legislation in September 2023 which paves the way for the qualifying age to be reduced to 18. More immediately, the abolition of Lifetime and Annual Allowances in 2024 will reduce restrictions on how much wealth people can build through their pension savings.

6 April 2024

Lifetime and Annual Allowances to be abolished (HMRC paper, July 2023)

Technology advances

Technology continues to play a significant role in how we live, work, and do business. Advances in artificial intelligence (AI) are empowering businesses to use data-driven insights that enable better customer outcomes, through more accurate predictions and improved decision making capabilities. AI also reduces time spent on repetitive work.

89%

of Fortune 1000 executives surveyed are increasing their investments in Generative AI (Wavestone 2024 Data and AI Leadership Survey)

Regulatory focus

The regulatory landscape plays a significant role in our strategic decisions and the agenda remains busy, with a focus on ensuring good outcomes for customers. The Consumer Duty, introduced in July 2023 for open book products, represents a major shift towards more outcome-focused regulation. It aims to improve the standard of care that firms offer to consumers and requires integration across strategy, operations, governance and people.

31 July 2024

Consumer Duty comes into effect for closed book products or services

Environment and sustainability

The environment is a top concern for many consumers, who are adopting more sustainable lifestyles. Sustainable investment solutions are becoming more common as consumers become increasingly aware of the impact of responsible investments in building a fair and sustainable world for this, and future, generations.

82%

of UK consumers are worried about climate change (Royal London consumer research, September 2023)

Our Purpose shapes everything we do

Our Purpose guides our strategy, shapes our culture and informs our long-term response to trends that influence members, customers, intermediaries and society.

Our Purpose

Our Purpose sets out the positive outcomes we want to achieve by using our mutuality for good

- Helping build financial resilience
- Moving fairly to a sustainable world
- Strengthening the mutual choice for customers

We are committed to our strategy

An insight-led, modern mutual growing sustainably by deepening customer relationships

Our activity

Helping build financial resilience

We aim to:

- ensure our customers do not have to worry about their finances in times of ill health or bereavement
- help customers to feel confident about making decisions on their long-term savings and investments
- support our customers to have sufficient savings to enjoy the retirement they planned
- maximise financial inclusion and reduce vulnerability by collaborating with partners.

Key progress in the year

- We developed our customer offering within the 'My Royal London' portal, giving more than 205,000 customers access to support at any time they require it.
- We worked with Turn2us to increase pension credit awareness. The campaign led to an additional 10,000 calculations through the benefits calculator from people of pension age, and to enabling claimants to receive £146,000.
- We announced our acquisition of the remaining stake in Responsible Group. This provides an opportunity to broaden the solutions available to our customers to support them in retirement with later life lending.

Moving fairly to a sustainable world

We aim to:

- provide opportunities for customers to use their savings and investments to make a positive impact on climate change, the environment and society
- help build a world and society that customers will look forward to retiring into
- use our influence to champion the delivery of net zero in a way that is fair and sustainable
- ensure customers and communities have the resilience to adapt and thrive as we transition to a sustainable world.

Key progress in the year

- We continued to focus our just transition engagements on three key sectors: energy utilities, social housing and banks – with 442 companies engaged by RLAM to encourage them to build a more sustainable future.
- Both RLAM and RLMIS retained signatory status of the UK Stewardship Code 2020, recognising the high stewardship standards we meet as an asset manager and asset owner.
- We have committed £150,000 to the Business in the Community Climate Fund, helping build community resilience against future economic shocks that may arise as a result of climate change.

Strengthening the mutual choice for customers

We aim to:

- invest in improving our customer offer by running a profitable and sustainable business
- be cost-efficient, so that customers receive the financial benefits of our mutuality
- offer a sustainable alternative to companies run for the benefit of shareholders
- do what is right for members, customers and for wider society.

Key progress in the year

- We achieved £249m operating profit before tax.
- We invested in our business including through the acquisition of Aegon UK's individual protection book and building our asset management capabilities, while maintaining a robust Solvency II Investor View capital cover ratio of 218%.
- ProfitShare rates were maintained for eligible customers in 2023.
- We engaged with and donated to charities that align with our Purpose – read more on pages 22 to 23.

How we create and deliver value

Through a clear strategy, underpinned by our Purpose, we create value for the benefit of our stakeholders.

Access to customers | **Our propositions**

UK[1]

Providing propositions to customers and employers, primarily through independent financial advisers

1 **Long-term savings:**
- Workplace Pensions
- Individual Pensions
- Annuities
- Later Life

2,270,000 policies

2 **Protection:**
- Life Insurance
- Illness and Income Protection
- Business Protection

1,510,000 policies

1 2 **Longstanding customers[2]:**
- Pensions
- Annuities
- Protection

4,310,000 policies

Asset management

Providing investment propositions to Royal London's life and pensions customers and to external institutional and wholesale clients, primarily through intermediaries

1 **Collective investment funds and segregated mandates:**
- Equities
- Fixed Income
- Multi asset
- Private Assets

£162.3bn AUM[3]

£105.7bn internal
£56.6bn external

Ireland

Providing propositions to customers through brokers

1 **Long-term savings:**
- Individual Pensions

2 **Protection:**
- Life Insurance
- Illness and Income Protection
- Business Protection

477,000 policies

1. Customers of Aegon UK are not included as they are yet to be integrated. Policies are expected to transfer to Royal London in the second half of 2024, subject to the completion of a court-approved Part VII transfer.
2. The products we manage for longstanding customers include those closed to new business.
3. The Group's AUM (assets under management) include external assets managed on behalf of third parties and internal assets managed on behalf of the Royal London Group.

How we generate revenue

We receive premiums and fees through two primary models:

1

Customers and clients pay fees for investing money with us

2

Customers pay insurance premiums to help protect them from life shocks

Reinvesting profits

We generate value for members, customers, and wider society, not shareholders

We use our profits to improve our propositions and services for customers and financial advisers, to maintain our financial strength and to support social impact initiatives. We also share profits with eligible customers, boosting the value of their savings.

Members, customers and employers

Our products are designed to help customers build their financial resilience – with resources and digital tools to help them engage with our services more easily.

Over

205,000

registered users of our online portal for Protection customers

Please see pages 17 to 18

Our colleagues

We are aware that our colleagues face many of the same challenges and pressures as our customers. We remain committed to supporting their financial resilience and wellbeing.

79%

engagement survey score for 2023

Please see pages 19 to 20

Financial advisers and brokers

We champion the importance of financial advice, and we work to enhance our support and resources for advisers and brokers across the UK and Ireland.

1,274

attendees at our webinar on the importance of protection advice

Please see page 21

Society and communities

As well as aiming to influence positive change in the companies where we invest our customers' money, we aim to address some of society's biggest challenges.

£2.4m

committed to social impact initiatives

Please see pages 22 to 23

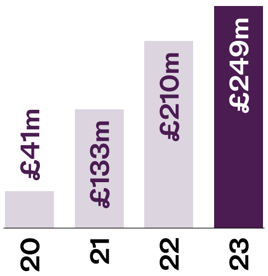
Key performance indicators

Our key performance indicators (KPIs) show how we are delivering

We use a range of financial and non-financial metrics to measure and assess our performance, including financial strength, customer sentiment and employee engagement. These include alternative performance measures (APMs), which are not set by accounting standards but give relevant insights into performance. These measures are reviewed annually to ensure they remain an appropriate method of establishing how effectively we deliver against our objectives.

Financial KPIs

Operating profit before tax[1]



Why it is important

Operating profit before tax provides a measure of the underlying trading performance of the Group.

Our performance

Operating profit before tax increased by 19% to £249m, driven by growth in new business contribution, active management of our cost base and the positive impact of higher risk-free rates.

Transfer to/(from) the fund for future appropriations[2]

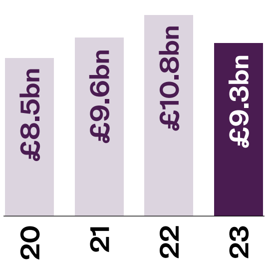
Why it is important

Transfer to/(from) the fund for future appropriations reflects our statutory result and so also includes non-operating items, such as economic movements, goodwill charges and the allocation of ProfitShare and ValueShare, and is presented after tax.

Our performance

The Group transferred £382m to the fund for future appropriations, reflecting the improvement in operating profit and higher investment returns than our long-term expectations.

Present value of new business premiums (PVNBP)[1]



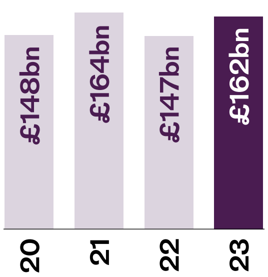
Why it is important

Life and pensions new business sales are measured on a PVNBP basis. This represents the total of new single premium sales received in the year plus the discounted value of the regular premiums we expect to receive over the term of the new contracts sold in the year. This is how we measure the future value we deliver through writing new life and pensions business.

Our performance

Higher interest rates during 2022 decreased the discounted amount of new business premiums. Individual Pensions sales also fell due to reduced defined benefit transfer volumes, despite a boost from changes to the lifetime allowance. Workplace Pensions were supported by increased pension consolidations.

Assets under management (AUM)[1,3]



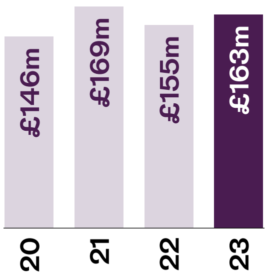
Why it is important

A higher level of AUM leads to economies of scale, and higher profitability in our asset management business, meaning Royal London can continue to offer competitive management fees to our customers.

Our performance

The Group's AUM increased to £162bn, with net inflows of £4.2bn primarily driven by net inflows of £2.7bn into our Global Equity Strategies and market growth of £10.9bn.

ProfitShare[1]



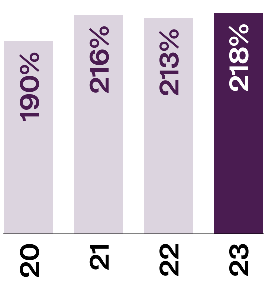
Why it is important

ProfitShare is our mechanism for rewarding our eligible customers directly. Our mutual status means that when Royal London does well, so do our eligible customers.

Our performance

The ProfitShare allocation rate was maintained, sharing £163m in line with the aggregate value of eligible policies. Maintaining the level of allocations demonstrates Royal London's resilience and our commitment to delivering value.

Investor View capital cover ratio[1,4]



Why it is important

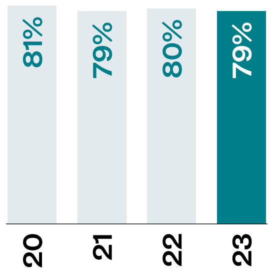
The strength of our capital base is essential to ensuring that we can fund further growth in our business and that we can meet the commitments we make to our customers.

Our performance

Our capital position remains robust with the estimated Investor View capital cover ratio increasing to 218%. This has enabled us to continue investing in products and services for the benefit of our customers.

Non-financial KPIs

Employee engagement



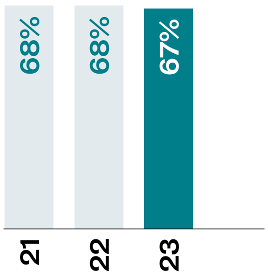
Why it is important

Monitoring colleague engagement and acting on colleague feedback ensures we maintain our unique culture. Our culture is underpinned by our values which empower everyone to do their best work so we achieve even better outcomes together for our customers and members.

Our performance

Our engagement index score has remained stable during 2023 compared to 2022 and remains above the Financial Services benchmark with 75% of colleagues participating in our most recent September survey.[5]

Customer Brand Love



Why it is important

Customer Brand Love measures customer sentiment towards our brand and is an important indicator of customer engagement. It is monitored via our internal Customer Relationship Study, which asks customers to rate how positively they feel about Royal London on a scale of 0 (hate) to 10 (love). This study was carried out for the first time in 2021 and represents our most robust source of customer feedback.

Our performance

Our Customer Brand Love score for 2023 is 67% (2022: 68%). The score is based on the percentage of customers rating Royal London as 7 or above in our study, and has remained consistent year on year. During 2023 we have taken further steps to increase online engagement with customers and launched an advertising campaign promoting the benefits of our mutuality.

1. These metrics are classed as our APMs. See page 212 for more details.
2. Transfer to/(from) the fund for future appropriations represents the statutory UK GAAP measure 'Transfer to/(deduction from) the fund for future appropriations' in the technical account within the Consolidated statement of comprehensive income.
3. AUM includes internal assets managed on behalf of the Royal London Group and external assets managed on behalf of third parties.
4. 2023 capital figures are estimated and unaudited.
5. During the year we enhanced our survey methodology to deliver even deeper, industry-leading insight. Under the new methodology we have baselined our engagement index score at 83% as we move into 2024.

Listening, engaging, understanding

During 2023 we continued our work to engage with and understand the perspectives of our stakeholders. Across the Group we completed over 130 research studies with customers, employers and adviser partners, to help ensure we put their needs first.

The research we do helps to make sure what we offer them meets their needs. A key focus during 2023 has been testing our customer communications to ensure we meet the requirements of the Consumer Duty, which remains a priority as the regulations come into effect for closed book products and services in 2024.

Our employee engagement survey also gives our colleagues the opportunity to have their say and shape the decision making process.

Members, customers and employers

To help members and customers build their financial resilience, we want to ensure our tools and services are accessible, engaging and easy to use. Improving our digital services is integral to achieving this.

Encouraging regular engagement with financial products

In 2023 we launched our 'Do More Digitally' campaign to encourage customers to use our online platforms and tools. The purpose of the campaign was to demonstrate how easy and secure it is to use our digital services, and how customers can save time and paper by going online. Our activities to encourage engagement with the campaign included emails, video content on our website, content on our social media channels and inserts in mailings – with different messages tailored to Pensions and Protection customers.

By the end of 2023, our online portal for Protection customers, 'My Royal London', had over 205,000 registered users (2022: 37,887), while our mobile app for Pensions customers had over 279,000 engaged users, defined as those who have logged in at least once in the last 12 months (2022: 207,500). The success of the campaign has meant that even more of our customers can view and amend their policies online, check their pension balance, see contributions and investments, and access useful tools and guides. According to our customer research in 2023, customers who use the app are more likely to feel supported by Royal London.

Since our acquisition of Wealth Wizards in 2021, we have continued to develop the functionality and capability of our online financial wellbeing service. Alongside behavioural questionnaires, developed with psychologists and behavioural experts to help customers understand and improve their financial confidence, users can also now check their eligibility for state benefits. The benefits calculator has captured £5.5m in annualised potential benefit eligibility, helping our customers to understand their entitlement to state benefits and further enhance their financial wellbeing.

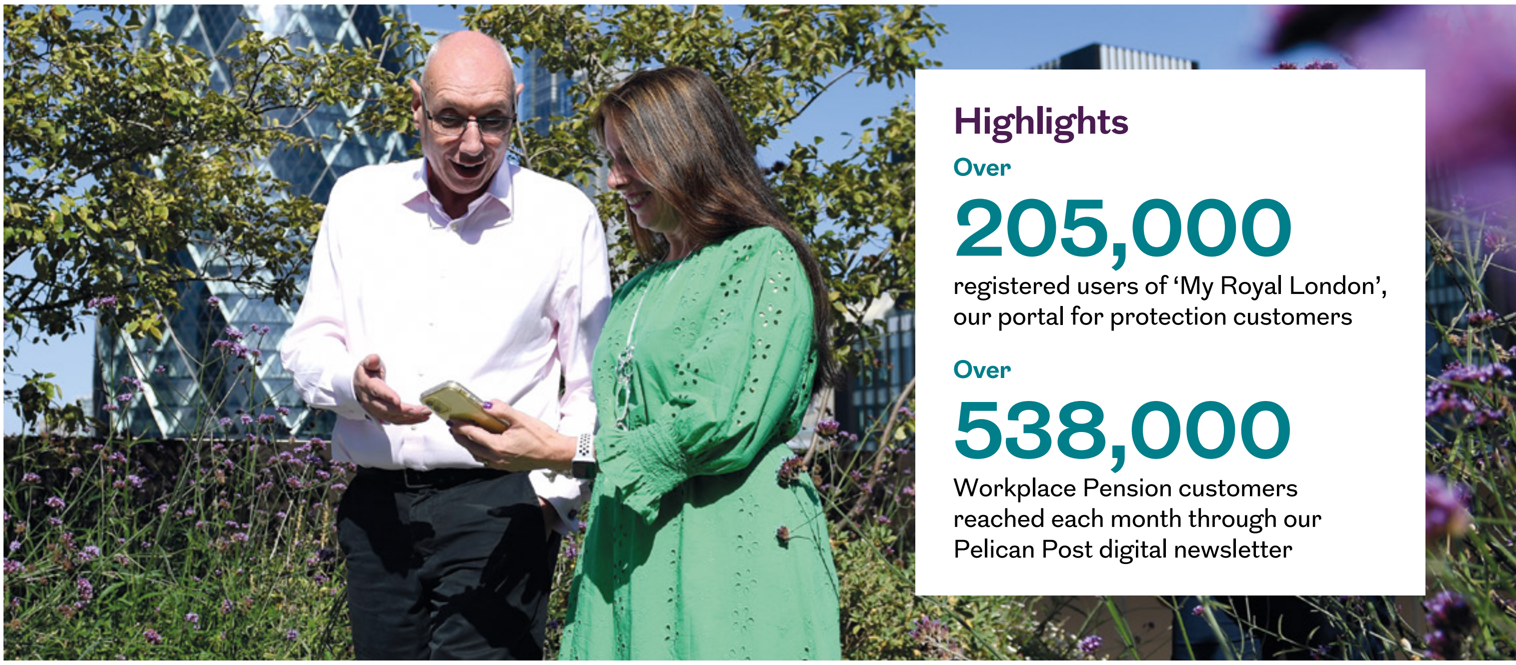
Building financial knowledge

Our Pelican Post newsletter activity continues to reach over 538,000 Workplace Pension customers each month, with articles and insights to help build our customers' financial resilience. Since the start of 2023, we have also sent a protection-focused version of Pelican Post to approximately 95,000 Protection customers. Editions have included protection-focused articles on topics such as trusts, our partnership with Cancer Research UK and themes from 'The Cost of Living Room' – our online resource providing guidance to help people manage their money in these challenging times.

On average, 47% of customers opened the protection-focused versions of Pelican Post in 2023. This is higher than our overall average of 41% for the editions of Pelican Post that include both protection and pensions content.

In 2023 we carried out two customer surveys to gain feedback on our newsletters and our brand. The feedback we gather from customers helps us to improve the content we develop.

> "According to our customer research in 2023, customers who use the app are more likely to feel supported by Royal London."



Highlights

Over
205,000
registered users of 'My Royal London', our portal for protection customers

Over
538,000
Workplace Pension customers reached each month through our Pelican Post digital newsletter

Members, customers and employers *continued*

Police Mutual and Forces Mutual

We continued to help our Police Mutual and Forces Mutual customers through tools and services to support their financial decision making. This has included an updated webinar programme helping them to understand the impact of the proposed Police Pension changes as part of the McCloud Remedy. A recording of the webinar was distributed and made available to all police forces in the UK.

We have also supported police officers and staff in the field, both locally and at national events such as the Eurovision Song Contest held in Liverpool, with face-to-face wellbeing support, including financial education as a core part of our offering to police forces across the UK.

UK employers

We work in partnership with employers to support them in running their Workplace Pension schemes effectively, with tools and resources to help employees build their financial resilience. Our Pension Matters newsletter, for example, reaches around 33,500 employers each month.

Throughout 2023, we have focused on enhancing the digital experience of our Workplace scheme members, notably by launching our new Employee Hubs with improved user experience and accessibility. These websites are offered to all schemes, providing scheme-specific information and a gateway to access all our customer-facing resources and support.

We frequently enhance our digital employer toolkit with off-the-shelf campaign materials, which employers can use to educate employees and foster a culture of financial wellbeing in their workforce. In 2023 this included new email templates to support our financial wellbeing service. In addition, we continue to offer a range of communications that can be tailored to the employer's own brand requirements.

Customers in Ireland

In April, we announced our first ValueShare award, our equivalent to ProfitShare in the UK, resulting in a policy value uplift of 0.13% for all eligible Pensions customers. We are proud to be the only provider in Ireland to offer this benefit. We also continue to innovate and enhance our product range to ensure we meet consumers' evolving needs. In October, we added improvements to our income protection policies, without any cost increase for customers.

Throughout the year, we had a strong focus on our new pension proposition, which launched in September 2022, broadening our solutions and offering more value, choice and positive product features to customers. We contributed to regular consumer finance questions in national media publications and, as a partner for September's Pension Awareness Week, our pensions and investments experts took part in webinars where participants could ask questions about how to manage their pensions effectively.

We remain committed in Ireland to the continued distribution of our valued products through financial brokers, with impartial advice key to ensuring good customer outcomes.

Setting standards to improve customer outcomes

In order to set higher and clearer standards of consumer protection across the UK financial services industry, the Financial Conduct Authority's Consumer Duty defines a series of outcomes that companies are required to achieve. We consider the Consumer Duty as more than simply a regulatory change. For our business, it represents a natural evolution in continuing to deliver positive outcomes for customers which, through our customer-centric culture, have been driven by our Purpose and aligned to our strategy for many years.

Our partnership with Plain Numbers helps us to ensure we meet the requirements of the Consumer Duty's outcomes for 'consumer understanding' and 'consumer support'.

Plain Numbers is an organisation that works with companies to enable them to improve how they communicate numbers to their customers, particularly those with vulnerabilities around numeracy. In 2023, when Plain Numbers assessed the three types of letters we send to customers falling behind in paying their premiums, all three were certified as meeting the highest possible standard.

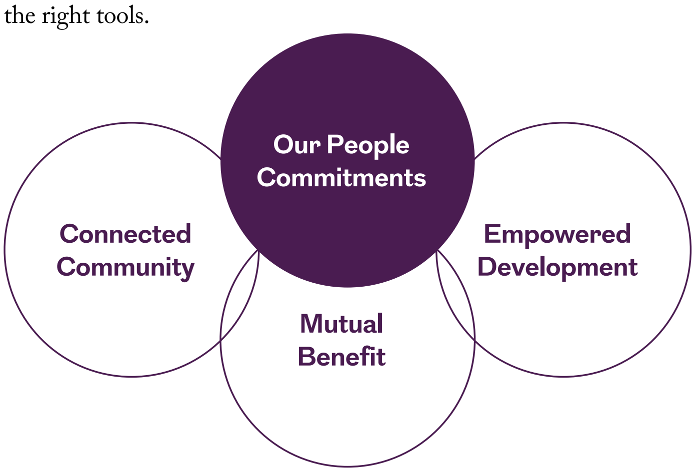
Through internal training modules, we also provide our colleagues with information on how to identify and support vulnerable customers, and factors that they should consider as part of the processes they follow in their roles.

Our colleagues

Our Group employs 4,289 colleagues. A key part of achieving our Purpose is having a culture that enables all of them to contribute to our success.

Our unique culture is underpinned by four 'Spirit of Royal London' values: We are Empowered, We are Trustworthy, We Achieve and We Collaborate. These help shape our People Promise of providing somewhere to work that is inclusive, responsible, enjoyable and fulfilling.

Each year we develop a set of People Commitments, shaped by business priorities and colleague feedback from our engagement survey, our Colleague Representative Forum (CRF) and insight from our colleague-led inclusion networks. These help provide a focus to make sure colleagues feel able to do their best and are supported by the right tools.



"Each year we develop a set of People Commitments, shaped by business priorities and colleague feedback."

Connected Community

We continue to communicate internally in an open and transparent way through a variety of channels and colleague-led communities.

In July we launched our new intranet, 'The Scoop' – a powerful news and information tool, fully integrated with Microsoft 365, through which we provide colleagues with opportunities for discussion or to ask questions. At a Group-wide level, we held 31 interactive events over the year – online and in person – where our senior leaders, Group Executive Committee and Board heard colleague questions and comments. This included quarterly business performance updates from our Group Chief Executive Officer, open to all colleagues.

Colleague representation has long been an important element of ensuring that our colleagues' views are heard. Our CRF worked throughout 2023 in constructive partnership with our business to bring insight, ideas and collaborative challenge to accelerate positive progress and represent the views of all colleagues in the decision making process.

Continuing to build a community and culture we can all be proud of remains a priority. In September we introduced a new strengthened engagement survey, 'Our Voice', to deliver even more actionable insight, so we can continue to listen and act on colleague feedback to make a positive difference. We saw a strong and stable engagement index survey score of 79% for 2023, based on answers to survey questions linked to loyalty, satisfaction and belief in Royal London.

We also enhanced our approach to colleague recognition, enabling them to celebrate achievements from across our business that demonstrate our values in action. Colleagues are able to nominate other colleagues and teams for exceptional contributions throughout the year, culminating in an annual awards event that we hold in February.

Highlights

79%
colleague engagement survey score

150
colleagues took part in our Career Confidence programme

Our colleagues *continued*

Empowered Development

We are committed to investing in colleague growth and development. We provide support to attain professional qualifications alongside a comprehensive skills and career development offer. During the year we focused on raising the profile of internal opportunities, helping empower colleagues to drive their development in line with personal aspirations. We spotlighted internal vacancies and secondment opportunities and a further 150 colleagues took part in our Career Confidence programme.

We continued to focus on inclusive talent development programmes to grow and diversify our internal pipeline, strengthen our brand as an employer of choice and build future strategic capabilities. Our revitalised Group-wide induction programme is facilitated by our senior leaders and is always attended by a Group Executive Committee member. This programme complements our retention strategy by supporting new colleagues to feel fully connected with the business and with each other.

In 2023 we expanded our early careers offer and bespoke leadership development, and we have clear Group-wide plans to grow our strategic capabilities through functional development pathways in key areas such as data and digital, actuarial and marketing. We also successfully completed a summer intern programme, with 23 students across the UK, and in September welcomed nine graduates onto a new enterprise leadership programme.

Mutual Benefit

2023 saw a focus on refreshing our people policies, to help improve colleague choice and support retention. This included new Sabbatical and Working from Abroad policies, aligned to our hybrid working approach. We want to continue to help colleagues find the right work-life balance without impacting our customers.

To support transgender colleagues who are transitioning, we launched guidance for them and their teams on our intranet. Our Menopause policy provides additional support to colleagues alongside our online guidance notes and our colleague-led Menopause Champions group. We are proud of how well we meet our Wellbeing of Women Menopause Workplace pledge, and in Ireland we were delighted to be finalists at the Menopause Workplace Excellence Awards.

We provided further health and wellbeing support for all colleagues and their families, including financial protection in the event of serious ill health. We engaged with colleagues to reinforce the importance of maximising their pensions and other benefits through a series of webinars and dedicated stalls at our all-colleague events, which were held across the UK and in Ireland in November. The webinars and market stalls provided colleagues with an overview of the options available to them, the opportunity for individual conversations, and information on how to access financial guidance calls.

Diversity, inclusion and wellbeing

We strengthened our Diversity and Inclusion Strategy in 2023 with alignment to the Association of British Insurance's D&I Blueprint. We remain focused on achieving our commitments under the HMT Women in Finance Charter and the Race at Work Charter. We have an excellent colleague diversity disclosure rate of 91% and in 2023 we extended our disclosure data to include a social mobility metric, to help shape our positive action plans.

In 2023 we also retained our 'level 2' status as a Disability Confident employer. We provide support and adjustments for disability, long-term health conditions and neurodiversity to candidates and colleagues. This includes offering first-stage interviews to candidates with declared disabilities who meet the minimum criteria for the role. It also includes ensuring colleagues with declared disabilities, long-term health conditions and neurodiverse conditions have access to the appropriate support to progress their careers while at Royal London.

We are proud of our calendar of inclusion activities and events, supported by our four colleague-led inclusion networks: DAWN (Disability AWareness Network including neurodiversity), our LGBTQ+ PRIDE network, REACH (Race, Ethnicity and Cultural Heritage) and our Women's Network. The 2023 calendar included support for colleagues to attend PRIDE events in Edinburgh and Dublin, as well as activities to celebrate Black History Month, International Men's and International Women's Day, World Mental Health Day and World Menopause Day. We also celebrated National Inclusion Week in September, with a series of events on the theme of allyship.

In addition to launching the second phase of our Career Confidence programme, we completed a first phase of our reciprocal mentoring programme for our Executive Group, matching them as mentees with mentors from our REACH network. This is to help leaders better understand lived experiences of colleagues from under-represented backgrounds to strengthen focus on inclusion and allyship.

We also ran wellbeing events and activities to promote the support available. Our volunteer Mental Health First Aiders support activity by leading on sessions focused on mental health, financial wellbeing and a healthy mind.

Financial advisers and brokers

We are driven by a passion to help advisers deliver value for their clients and grow their businesses. As a champion of financial advice, we design our services with that in mind – and to make it easy for them to do business with us.

Solutions to adviser challenges

In 2023 the Financial Conduct Authority's (FCA) Consumer Duty rules came into effect. Recognising this could present some challenges for advisers, we launched our Consumer Duty hub. This offers guidance and practical support to help advisers meet their Consumer Duty obligations plus a range of tools, guides and resources aligned to each of the four Consumer Duty outcomes.

We supported adviser conversations around tax year-end planning, reminding them about the importance of active management and diversification in times of uncertainty. We helped them with their client conversations through our range of support material and technical insight. This included looking at the importance of staying invested and the benefits of making regular contributions to smooth out volatility, which are topics they have highlighted as being crucial to help them engage with their customers.

We also launched our new adviser website. It provides more straightforward navigation and quicker ways to complete important tasks. This new site is another example of how we are continuing to evolve and strengthen our current digital offering.

Adding value to the adviser experience

We launched our retirement and lifestyle planner. This service helps customers achieve good outcomes by improving their planning and allowing them to explore the value of advice digitally to make an informed decision. It helps advisers scale up their service and reach customers they might not otherwise have had the capacity to, helping to close the advice gap.

For protection advisers, we continued to improve and promote our digital capabilities. This included expanding our online, signature-free trusts process to our Personal Menu Plan – a type of plan that allows advisers to tailor protection cover to their clients' needs. The signature-free process removes the need for an electronic or wet signature from clients.

For instances where applicants for our Protection services highlight blood pressure and cholesterol problems – both top five disclosures at application stage – we have delivered improvements to our underwriting approach, as well as increases to our non-medical life limits. These improvements have helped advisers as they enable us to offer terms to applicants more quickly.

Supporting advisers

We hosted a series of webinars throughout 2023 providing advisers with technical insight and support. Topics included tax year-end planning, cost of living, business protection and the Consumer Duty. In addition, we ran a webinar helping advisers to future-proof their advice and deliver value in uncertain times. Over 1,200 people attended this webinar, which was rated 8.8 out of 10 by attendees.

Our asset management insight

As difficult global political, economic and market conditions have continued, RLAM has worked to support advisers, providing guidance and insight from our fund managers in ways that help them to help their clients. RLAM has been doing this by creating varied and regular communications – from regular blog posts, videos and webinars, to roadshows around the country.

The roadshow programme was an important addition to existing communications, as our conversations with advisers showed that this would be useful to them as concerns over Covid-19 dissipated. During 2023, fund managers from the Multi asset team – which manages our Governed and GMAP funds – and the Sustainable team, one of the longest-established such teams in the UK, delivered more than 30 events across the UK. This gave advisers a chance to meet and question our teams, and we have plans to expand this in 2024.

Another innovation in 2023 was the inclusion of more data on factsheets around environmental, social and governance (ESG) characteristics, as well as starting to roll out sustainable outcomes reporting. This supported our existing material in this area, including our annual Stewardship and Task Force on Climate-related Financial Disclosures (TCFD) reports, to give advisers information about what we are doing in this key area alongside producing investment returns.

In 2023 we also published more than 200 articles and thought leadership pieces on RLAM's website, covering investment areas such as corporate bonds, equities, multi asset, sustainable investing, and responsible investment thinking. These pieces included topics ranging from our expectations around interest rate changes, to our insights into the use of sustainable aviation fuel to help decarbonisation.

Irish brokers

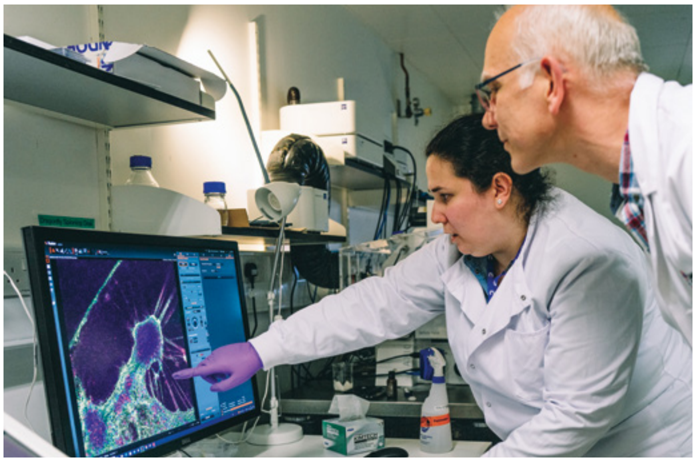
In Ireland we sell our products and services exclusively through financial brokers. We continued our focus on promoting this by encouraging people to contact a financial broker in a nationwide television and online advertising campaign.

Throughout the year, we also continued to focus on service excellence, supporting this with digital enhancements to help financial brokers and, in turn, their customers. This included a new underwriting pre-sales calculator and new targeted Private Medical Assessment reports. Our colleagues are empowered to provide a 'one and done' service for both Pensions and Protection business, which aligns dedicated case managers to the broker, further strengthening our relationships.

The broker-voted awards that we won in 2023 are testament to the strength of our reputation within the financial broker community. At the Brokers Ireland Excellence Survey Awards, there were wins in several categories: Overall Financial Services Excellence, Protection Provider Excellence, Excellence in Broker Support and, for the sixth year in a row, Service Excellence.

Society and communities

For the past three years, we are proud to have committed over 1% of our operating profits to further our social impact efforts promoting financial resilience and the fair move to a sustainable world. In 2023 we contributed £2.4m towards our social impact initiatives[1].



Turn2us

We are in the third year of our partnership with Turn2us, a national charity providing support to people facing income shocks and financial insecurity across the UK. We donated and raised another £378,000 in 2023, primarily to support the Turn2us helpline, which enables people who find it difficult to go online to call for assistance with benefits calculations and grant searches. Our funding enabled an estimated 57,000 people to access the helpline. Our campaigning work during the year, focused on helping people in later life understand how they can access the pension credits they are entitled to, also contributed to an additional 10,000 calculations through the Turn2us benefits calculator from people of pension age.

Over £1m
donated and raised since 2020

enabling an estimated
200,000
people to build financial resilience

£146,000
of unclaimed benefits unlocked following our campaigning work

Cancer Research UK

Launching our new partnership with Cancer Research UK, we have donated a further £1.2m following a £700,000 donation in 2022, to help tackle cancer inequalities and support research into hard-to-treat cancers. An additional £92,000 has been raised through colleague fundraising and company matched funding. This important partnership will help us to protect our customers, and wider society, against life shocks that impact their financial resilience.

Our donation is being invested in three key areas. Together we are:

- reducing barriers to early diagnosis and tackling regional variations in health outcomes
- helping to fund Talk Cancer, a cancer awareness training programme which equips people with the knowledge, skills and confidence to have effective conversations about cancer
- supporting research into hard-to-treat cancers.

> "We are incredibly proud of our partnership with Royal London, which is helping us continue our vital research into improving cancer outcomes for all. The support means so much to us. Together we are beating cancer."

Caro Evans
Director of Partnerships, Cancer Research UK

1. We donated £2.2m directly to charities and social enterprises and funded an additional £0.2m to support related social impact activities.

Highlights

£1.9m

donated to Cancer Research UK since 2022

with an additional

£92,000

raised through colleague fundraising and company matched funding

Changemakers

Our Changemakers programme supports social enterprises across the UK and Ireland that build financial resilience and help ensure that the move to net zero is fair and equitable. In 2023 we continued to support the 20 social enterprises on the programme by working with our partner, The School for Social Entrepreneurs, to deliver bespoke learning support to help our Changemakers to scale and grow. Since 2020, we have invested over £1m in the programme and in 2023 we committed a further £200,000 to continue to drive social innovations around some of society's biggest challenges.

In 2023, two of our partners from the Changemakers programme, Flank and Lendology, spent a day with members of our Group Executive Committee, who volunteered their time to help them develop their business strategies. Flank is an organisation that exists to help people have positive conversations about money with friends and family, and Lendology provides loans to support homeowners to improve the energy efficiency of their homes.

A fair transition to net zero

We recognise that to move fairly to a sustainable world we need to consider the people and communities that will be impacted. Through our Changemakers programme, eight of the social enterprises we have supported focus on making the move to net zero fair and equitable for all. We have also committed £150,000 to the Business in the Community Climate Fund, which aims to prevent economic shocks that may arise across society from climate change. You can read more on our focus on climate, and our support for the transition to a net zero economy, on pages 27 to 42.

Community programme

Our Community programme offers colleagues an opportunity to fundraise or volunteer for causes that are important to them. We give all colleagues two paid days a year to volunteer, and provide matched funding to support their fundraising efforts. This year colleagues have raised over £130,000 for charities close to them by taking on a variety of initiatives – from walks and cycling challenges to bake sales – including over £57,000 in matched funding.

Ireland

To echo our efforts in tackling cancer inequalities in the UK, we donated £100,000 to Breakthrough Cancer Research Ireland. We also donated £18,000 to our charity partner Family Carers Ireland, to provide support, information and training to family carers across Ireland. The support of this charity helps ensure that people are not left financially vulnerable as a result of their caring responsibilities.

Disaster relief

In response to the devastating earthquake that hit Turkey and Syria in 2023, we are proud to have donated £100,000 to the Disasters Emergency Committee to support its crucial work to rebuild lives.

A purposeful approach for a sustainable future

For us, investing is about more than generating financial returns. Our mutuality allows us to take a longer-term view, ensuring we are well placed to act and invest responsibly in the interests of our members, customers and wider society.

Being a responsible steward of the capital we manage is central not only to delivering positive outcomes for our customers, but also to supporting enduring societal change.

We take a long-term approach to investing our customers' money and, as an active asset manager, engagement is fundamental to our strategy. We engage with the companies we invest in, through our asset managers, on a spectrum of strategic ESG issues.

We also actively engage with policymakers, regulators, asset managers and other stakeholders to influence positive outcomes for our customers and society. We support this through collaboration with industry bodies, including the Association of British Insurers (ABI) and the Investment Association (IA), as well as groups focused on key stewardship issues, such as the Institutional Investors Group on Climate Change (IIGCC) and the Financing a Just Transition Alliance (FJTA).

RLAM, our asset manager, manages over 95% of the Group's assets. Although RLMIS and RLAM are both part of the Group, RLAM is managed separately and overseen by its own Board. RLAM undertakes stewardship and engagement activity on the Group's behalf, as well as on behalf of its own external customers and clients. It provides updates on its stewardship activities through an annual Stewardship and Responsible Investment Report, which can be accessed at www.rlam.com.

The Financial Reporting Council (FRC) reviews and approves Stewardship Report submissions to ensure that applicants meet the standards set out by the UK Stewardship Code 2020, which are some of the highest in the world. For 2023, RLAM and RLMIS each successfully retained signatory status.

> "As a Purpose-driven mutual, we continue to use our position to influence and effect the change needed to benefit customers and wider society."
>
> **Joanna Walker**
> Head of Group Sustainability and Stewardship

Our investment beliefs

We believe that:

- our customers want to know where their money is invested and the impact that it has on the world around them
- the best future for our customers is one where we collectively achieve the goals of the Paris Agreement
- actions taken up to 2030 will determine the shape of the century to come
- we should act as a responsible steward of the assets we invest in on behalf of our customers
- change is best driven by being an active owner and engaging with companies where there are issues to be addressed
- allocating capital based solely on market weight is not a viable investment strategy for a responsible investor committed to ESG integration.

Effecting real-world change

Asset Manager Oversight framework

We have a Stewardship and Engagement policy to ensure our customers' money is managed appropriately. We monitor and assess the performance of all our asset managers, ensuring the principles of the asset management monitoring framework are being applied and continue to meet the required standards.

Engagement

Good stewardship requires regular, ongoing engagement with our asset managers and, through them, with the companies and projects in which we invest. RLAM regularly engages with boards and senior management teams across a spectrum of ESG issues in order to have a positive influence on their corporate behaviour and performance.

Exercising our vote

We complement our engagement activities with our robust and bespoke approach to proxy voting, in which the RLAM team assesses each vote prior to submission. During 2023, the team voted at more than 3,500 company meetings.

You can read more about our approach to voting at www.rlam.com.

Our engagement themes

We focus our time and attention on those issues we feel are most material to our investments, and where we think engagement can have the biggest impact on ESG outcomes. To align with our Purpose, RLMIS has established two priority engagement themes: climate change and inclusion (focused on a just transition). We consider these priority issues in all our stewardship activities and have integrated them into our proposition and asset manager mandates.

RLAM has its own engagement themes that are refreshed every two years, following a review of trends and events, alongside extensive consultation with fund managers, responsible investment analysts, clients and other stakeholders. The latest review, conducted in 2023, resulted in the engagement themes for 2024-2026 listed below. These include an expanded focus on social and financial inclusion, which incorporates human rights and modern slavery. Our asset management business also endorsed the United Nations' Principles for Responsible Investment 'Advance' initiative, where institutional investors work together to take action on human rights and social issues.

RLAM 2024-2026 engagement themes

Climate change
- Transition to global net zero emissions
- Adaptation to climate change

Social and financial inclusion
- Just transition
- Financial inclusion
- Human rights and modern slavery

Health
- Mental health
- Health equity and community health

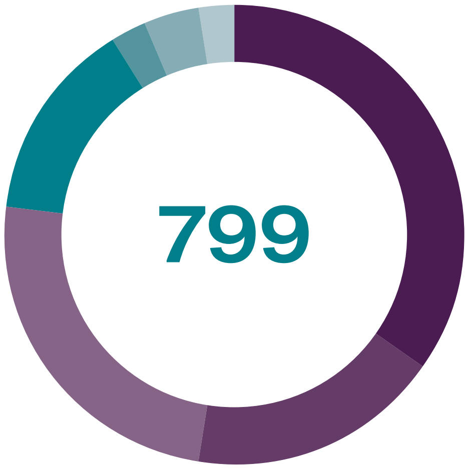
Innovation, technology and society
- Cyber security
- Technology and society

Governance and corporate culture
- Good governance, purpose and culture
- Diversity

Nature and biodiversity
- Biodiversity restoration and conservation
- Nature

RLAM 2023 engagement

Number of engagements by theme



Theme	Number
Climate change	278
Health	142
Governance	197
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Engagement spotlight: a just transition

Building on success – the social impact of climate becomes mainstream

For a number of years, we have advocated for a just transition. For Royal London, a just transition considers the social implications of moving fairly to a low-carbon economy. It is an inclusive approach which helps avoid exacerbating existing injustices or creating new ones. We believe that ensuring a just transition goes hand in hand with our decarbonisation and social inclusion aims.

The social enterprises we support through our Changemakers programme – which focuses on building financial resilience and moving fairly to a sustainable world across the UK and Ireland – demonstrate our commitment to inclusion and a just transition. You can find more information about this on page 23.

In 2023, RLAM also continued to prioritise just transition engagements, focusing on three sectors: energy utilities, social housing and banks.

Energy utilities

In collaboration with the investor-led initiative Climate Action 100+, RLAM engaged with E.ON and EDF to enhance their just transition strategies. Additionally, RLAM participated in Ceres' Just Transition Working Group, presenting our investor expectations and related research for the power utilities sector.

Social housing

In partnership with Friends Provident Foundation (FPF), RLAM engaged with eight housing associations and one finance aggregator to publish a social housing report. The paper aims to influence fund managers' investment decisions and outline how the sector can achieve a just net zero transition.

Banks

As capital providers, banks play a crucial role in supporting the transition to sustainable, low-carbon economies. Along with Borders to Coast and FPF, RLAM continued engagement with HSBC, NatWest, Barclays, and Lloyds Banking Group on the integration of a just transition into their climate transition plans.

Our focus on climate

Addressing the impact of climate change

The United Nations' Intergovernmental Panel on Climate Change (IPCC) has highlighted climate change as a threat to both human wellbeing and the health of the planet. It warns that adverse impacts from human-caused climate change will continue to intensify and that vulnerable communities will be disproportionately affected. The choices that our business makes, in the face of economic and geopolitical risks, are therefore in sharp focus.

Influencing real change

The scale of the challenge presented by climate change means we cannot tackle it alone. Collaboration across government, the financial services industry and broader society is critical. We focus on engaging and influencing others to support the move to a net zero economy, both directly and through industry bodies. We are committed to engaging with governments and policymakers, to ensure they provide clear and consistent policy frameworks to support the transition to net zero across the real economy. However, the progress needed by governments and policymakers to implement their climate commitments continues to be slowed by other immediate crises – including geopolitical tensions, the need to ensure energy security and the drive to restore global economies to sustainable growth.

In 2023, we undertook activities to influence policy and industry as outlined on page 38. This included inputs to the ABI's response to the FCA's consultation on DP23/1 Finance for Positive Sustainable Change, and issuing a joint letter to the UK government in collaboration with the UK Sustainable Investment and Finance Association (UKSIF), emphasising the need for greater policy commitment and long-term certainty around the UK's commitment to net zero. We also contributed to wider regional initiatives such as supporting the Institutional Investors Group on Climate Change in lobbying European governments for decisive action on energy security and achieving net zero emissions.

While COP28 delivered positive advancements including those related to the transition away from fossil fuels and a greater focus on a just transition, we recognise that our ability to progress our climate commitments is dependent on clear leadership from policymakers, including nations delivering on their commitments to support the goals of the Paris Agreement. As such, clear and consistent plans from governments on how they will achieve their targets is crucial in guiding businesses on how they can develop their own sustainable action plans. We will continue to advocate for progressive policy at all levels to effect real-world change that aligns with the best available climate science and the needs of our customers.

Our climate commitments

To play our part in moving fairly to a sustainable world, we are committed to exerting our influence through policy, industry and government engagement, as well as reducing our portfolio, operational and value chain emissions, and developing climate-aware investment solutions. We have committed to halve carbon dioxide equivalent emissions across Royal London's value chain and investment portfolio by 2030, and to achieve net zero by 2050. As we have limited direct control over the emissions of companies in our portfolio, we focus on engagement with these companies and our suppliers to influence emissions reduction. We have also pledged to reduce the impact of our own direct operations, targeting net zero by 2030 for our Scope 1 and 2 emissions. Additionally, Royal London is committed to developing investment solutions that will enable our customers to invest in the low-carbon transition. Progress against each of our climate commitments is introduced on page 36.

The basis and assumptions of our underlying climate targets and metrics are set out in detail on page 37.

> "Climate change is a threat to human wellbeing and planetary health. There is a rapidly closing window of opportunity to secure a liveable and sustainable future for all."

United Nations IPCC, 2023

The journey to net zero

Our key challenges and areas of focus

Engagement versus divestment	While divesting from high-emitting companies may seem like a simple solution, the assets could then move to the stewardship of less responsible owners, potentially causing more harm as a result. We believe, therefore, in engaging with high-emitting companies to encourage positive change and support real world change.
Data and methodology	As climate data quality and methodologies evolve, a data improvement plan is an essential part of our net zero pathway. As data quality and coverage improve, there will be short-term volatility in reported emissions. Read more on page 37.
Business changes	Business change activity within Royal London can impact our pathway to net zero. Our commitment to our Purpose and strategy will enable us to embed net zero and sustainability into all strategic change.
Policy	Our targets are based on the expectations that governments and policymakers will deliver on their commitments to achieve the goals of the Paris Agreement. We will continue our work with industry bodies and directly with policymakers to influence the changes needed to decarbonise the economy sustainably.
Embedding	We cannot play our part in moving fairly to a sustainable world without embedding sustainability across our entire business. We will continue to build colleague capabilities and support our Eco Champs network to bring our goals to life.

Summary of 2023 activity

Low-carbon economy

We promote the case for moving fairly to a low-carbon economy

We have engaged with policymakers and regulators both directly and through industry bodies on the need for supportive policies to enable the transition to a low-carbon economy. We have continued our direct engagement efforts to ensure that plans to support a just transition are in place within the utilities, banking and social housing sectors. More detail is on page 26.

Risk management

We manage our exposure to the financial, strategic and operational risks arising from climate change

We refined our approach to risk management through internal climate risk reporting to the Group Executive Risk Committee, to increase internal visibility of how climate risks are managed in aggregate across the business. We also continued to explore opportunities to improve our understanding of the nature of uncertainties when assessing impacts to our capital position, strategic asset allocation and longer-term business strategy. More detail is on pages 30 to 31.

Operating efficiently

We consider climate change risks and opportunities in our own operations

We continue to deliver against our operational climate pledges and are ahead of our target in the decarbonisation of our direct operations. We are also focused on our non-investment-related Scope 3 (value chain) emissions including engaging with our suppliers on their path to net zero.

Developing our approach

We refine our approach in line with customer needs and good practice

During 2023, we developed our Climate Transition Plan outlining how we will make progress towards our climate commitments, with associated timeframes, as detailed on page 36. We also updated our Stewardship and Voting Policies, and outlined an approach to prioritise our policymaker engagement on activities most likely to create a positive difference by enabling greater innovation and investor confidence.

Keeping you updated

We report on our progress in our Annual Report and Accounts and on our website.
In line with FCA rules, we will publish our 2023 entity-level and product-level TCFD reports by the end of June 2024.

www.royallondon.com

Climate risk governance

Effective governance, with the Board and its committees overseeing the work, is fundamental to delivering our Purpose and our strategy, serving our customers and growing our business safely. This includes overseeing how we manage risks that emerge, particularly as the external environment continues to change.

In setting the strategic direction for the Group, the Board is responsible for considering the interests of all our stakeholders. The Board therefore has ultimate responsibility for the way we manage our response to climate change across the Group, including our impact on the environment and contribution to wider society. The Section 172 statement, on pages 77 and 78, outlines how the Board considers the impact of its decisions on the Group's stakeholders.

Accountabilities are defined and managed in line with the Senior Managers and Certification Regime (SMCR) requirements. The Board delegates to:

- the Group Chief Executive Officer, Barry O'Dwyer, the day-to-day management of the Group to achieve its Purpose and to implement its strategy and objectives in line with its culture, values and ethical and regulatory standards
- the Group Chief Financial Officer, Daniel Cazeaux, regulatory responsibility for managing the financial risks arising from climate change
- the Group Chief Risk Officer, Dr James McCourt, the responsibility for maintaining the robustness of the Group's risk management systems.

Our committees

The committees within the Group's formal governance structure, detailed on page 69, oversee the reporting to the Board of the risks within the Group. This structure ensures that we have appropriate expertise and diverse opinions in managing and overseeing our affairs, and it facilitates efficient, effective and transparent decision making.

The Group Executive Committee supports the Group Chief Executive Officer in overseeing climate change risks and opportunities across the Group. All governance committees must demonstrate that they take ESG considerations into account, including climate-related risks and opportunities, and incorporate these in their reporting to the Board.

Read more on our committees on page 69.

The role of management

The Group Executive Committee is supported by the Group Sustainability Oversight Committee (GSOC), which is responsible for:

- supporting, overseeing and challenging the delivery of the product, investment and operational sustainability goals of our Group
- providing clear direction, ensuring alignment and transparency of delivery across our Group
- providing support, challenge and recommendations, as required, to the Group Executive Committee.

The GSOC's oversight complements how climate-related risks are assessed and managed across business units under our standard risk management processes, including the Royal London risk management framework.

The Group Sustainability and Stewardship function supports the GSOC. The team provides support, challenge and sustainability expertise with the aim of embedding sustainability throughout Royal London.

The Group Executive Committee is also supported by the Group Executive Risk Committee (GERC), which is responsible for monitoring risk at the Group level against the Group's Risk Appetite Framework, including risks relating to climate and sustainability.

Frequency of climate risk reporting

The Board receives updates at least every six months on climate-related activities. The Group Chief Risk Officer's quarterly report provides the Board with a collective assessment of risks against our 'risk appetite' – the level of risk that our business is comfortable to take while remaining aligned with our Purpose and strategy. This includes material climate-related risks where relevant, both at an overall Group level and across individual business areas and geographies. The GSOC, the Investment Committee and the Risk and Capital Committee meet at least quarterly and, in line with their terms of reference, consider and discuss relevant climate-related matters. In 2023, we set up the internal biannual Climate Risk Report, which includes input from RLMIS business areas and is presented to the GERC.

Performance management and reward

The Group has an incentive framework designed to help our colleagues focus on activities that support our Purpose, and that contribute to delivering long-term value for our stakeholders. The framework includes a Short-Term Incentive Plan (STIP), which applies to the majority of our colleagues, and a Long-Term Incentive Plan (LTIP), which applies to certain members of the Group Executive Committee. Both are based on a scorecard approved annually and monitored by the Remuneration Committee.

These scorecards include targets and metrics that track delivery of key outcomes, including our climate commitments. For example, in 2023 we included a requirement in our STIP to demonstrate progress against our sustainability ambitions as a priority initiative. The 2023 LTIP also included two climate-related measures with a combined 10% weighting designed to incentivise engagement on investees' net zero and just transition plans. More details can be found on pages 105 and 107.

A snapshot of 2023 climate-related governance activity

The RLMIS Board and its committees directly engage with and consider key climate-related activity. During 2023 this included:

- review of Royal London's climate commitments, interactions, progress and implications
- approval of the RLMIS 2022 TCFD Report
- consideration of the FRC's feedback on the 2021 Stewardship Code report, peer analysis and proposed changes for the 2022 report
- approval of the RLMIS 2022 Stewardship Report
- approval of the Royal London Voting Policy and the Royal London Stewardship and Engagement Policy
- approval of the RLMIS Investment Philosophy and Beliefs – including climate considerations – which after review remained unchanged from the prior year
- review of key updates on responsible investment and climate change.

Climate risk management

Climate risk is complex and there is significant uncertainty around the timing and severity of its potential impacts. While our Board has overall responsibility for setting the framework that enables our business to manage climate-related risks, individual business units are accountable for managing the risks that relate to their activities.

We use our risk management system alongside our capital management framework to manage climate-related risks, so that our business remains sustainable and continues to serve our customers.

An integrated approach

As climate risk can manifest itself across any of our risk categories, the reporting of climate considerations within each subsidiary and from each subsidiary to the Group has been integrated into our Group risk management system. You can read more about our risk management model on pages 59 to 61.

Climate risks are owned by, and integrated into, individual business units across our long-term savings, protection and asset management businesses in the UK and Ireland. With support from our Risk function, the management of each business unit and Group function is accountable for identifying, measuring, reporting, managing and mitigating all risks relevant to its area of business. This includes the design and operation of suitable internal controls and the allocation of risk and control responsibilities.

This integrated approach, driven by a single climate risk appetite statement and regular aggregated reporting, helps drive consistency in climate risk management activities across the business. Furthermore, it supports all areas of the business to integrate key climate-related issues into their day-to-day and strategic planning activities.

Climate risk appetite statement

Our risk appetite is approved by the Board and our climate-risk management process reflects evolving best practice. We do not actively seek to avoid exposure to these risks. Instead, we aim to manage and mitigate our exposure, undertaking risk management activities to reduce both the impact and likelihood of occurrence.

In 2023, we developed climate risk reporting to the Group Executive Committee and we also reviewed and updated our climate risk appetite statement to further support how climate risks are monitored and managed in aggregate across the business. Additionally, we continued to explore opportunities to refine our understanding of climate scenario analysis. This focused on improving our understanding of the nature of uncertainties when assessing impacts to our capital position, strategic asset allocation and longer-term business strategy.

On page 34, we identify the key climate-related risks across our business. Our actions towards meeting our portfolio, value chain and operational climate commitments are a key part of how we manage and mitigate the transition and physical risks of climate change. More details of these commitments can be found on page 36.

Internal capabilities

To identify, assess and manage climate-related risks and opportunities as effectively as possible across the Group, we have continued to focus on developing our internal capabilities over 2023.

Building on the Sustainability Learning Programme delivered in 2022 to over 140 colleagues, in 2023 we developed more targeted responsible investment and sustainability training. We piloted this with a small group of colleagues in the final quarter of 2023, and we plan to roll it out, initially across our asset management business, in 2024.

We continued to develop our internal Eco Champs colleague network which by the end of 2023 had grown to over 540 members. This voluntary network helps build a culture of sustainability across Royal London by educating and engaging colleagues. During 2023, it organised 17 events and published a range of internal articles.

While we seek to embed the consideration of climate risks and opportunities across the Group as described on page 62, a number of core functions provide specialist expertise to support this. During 2023, these included:

- the Group Sustainability and Stewardship function, as described on page 29
- the Group Actuarial team, which conducted climate scenario stress testing to assess the impact of climate change on our funds and capital position, and to address regulatory expectations
- Group Risk and Compliance specialists, who supported the embedding of climate-related risks into our risk management framework.

Our 2023 Sustainability Summit

We held a week-long Sustainability Summit at the end of November 2023 focused on how everyone in the business can play their part in moving fairly to a sustainable world. Over 370 colleagues joined webinars and Q&As across the week with internal and external speakers, covering a range of topics related to climate, nature and biodiversity. The events included presentations on the circular economy, carbon credits and the state of the UK's biodiversity, with the aim of educating and empowering colleagues to take actions to help tackle climate change.

Monitoring our asset managers

As an asset owner, we are exposed to climate risks through our asset managers – particularly 'transition' risks, which reflect market changes from the transition to a low-carbon economy, and 'strategic' risks that arise from business strategy decisions. To manage these effectively, we monitor and assess our asset managers' responsible investing activity and performance through our Asset Manager Oversight framework.

Considering ESG factors in our investment decisions, and the ESG credentials of the companies we invest in, helps us to mitigate investment risks, maximise investment opportunities and invest more sustainably on behalf of our customers. This complements our commitment to developing investment solutions that will enable our customers to invest in the low-carbon transition.

To support our climate commitments, listed on page 36, we expect our asset managers to:

- develop a Climate Transition Plan and demonstrate progress against climate commitments
- exercise their voting rights on all eligible investments, and make sure their voting takes into consideration the principles of our Voting Policy
- set clear investor engagement priorities on climate change, taking into consideration their level of influence (the size of their investments), and the materiality of climate change to company risk and performance
- demonstrate a divestment process – including the criteria they would use to trigger a divestment of holdings if a climate-related risk could no longer be justified and engagement activity has been exhausted.

These criteria are taken into account alongside a broader set of expectations and requirements when considering whether to onboard or retain asset managers, with the Investment Committee holding responsibility for final approval. We seek to validate the information provided to us by cross-checking against third-party data.

External assurance

Consistent with the approach to risk management across our business, we apply a 'three lines of defence' model to provide assurance over the completeness and accuracy of our climate-related disclosures. We complement this with external assurance as necessary. We have received public limited assurance on our operational (Scope 1 and 2) emissions and our indirect emissions from our value chain (Scope 3, excluding category 15). You can visit www.royallondon.com to read our assurance statement, which includes full details of the scope, activities, limitations and conclusions of the assurance engagement.

Climate risk assessment

Climate risks are complex and may take shape in a number of ways across a range of time horizons.
When assessing climate risks, potential impacts are typically grouped into the categories of physical and transition risks.

Climate risk category	Description	Sub-category	Sub-category description
Physical	Risks related to the physical impacts of climate change	Acute	Climate-related events, such as heatwaves, drought, storms or flooding, leading to damage to land, buildings, stock or infrastructure
		Chronic	Longer-term shifts in climate patterns with impacts such as falling crop yields, sea level rises, migration, political instability or conflict
Transition	Risks related to disorderly adjustments to markets as a result of the transition to a low-carbon economy	Policy	Including carbon pricing, emission caps and subsidies
		Market	Including the emergence of disruptive green technologies and changing consumer behaviours
		Reputation	Stakeholder expectations for organisations to address climate change

Climate pathway analysis

We perform climate change scenario modelling to identify and assess the possible impacts of physical and transition climate-related risks to our business, over a range of potential transition pathways and time horizons. This pathway analysis helps us better understand:

- our financial exposures to climate-related risks
- the challenges to our business models from these risks
- our potential responses
- the implications for our customers and members.

Our analysis of the potential impacts on our strategy and financial position, from risks that could arise across a range of climate pathways, has continued to drive forward our thinking. This includes our development of investment and business strategies to mitigate these risks while maximising opportunities.

Our 2023 climate pathways

In line with the Bank of England's 2021 Climate Biennial Exploratory Scenario (CBES) recommendations, our 2023 climate pathway analysis modelled outcomes from three possible climate pathways based on those developed by the Network for Greening the Financial System (NGFS). These pathways allow us to examine the impact of possible future climate scenarios on Royal London, while recognising that the timing and effectiveness of climate policy is not certain.

The three pathways we assessed include:

- Paris Orderly (early action) – governments take early policy action to achieve net zero carbon emissions by 2050
- Paris Disorderly (late action) – governments take late policy action to achieve net zero carbon emissions by 2050
- Failed Transition (no action) – governments fail to enact sufficient policy responses, and the pathway assumes no further advance in the level of commitments to address climate change.

In contrast to the two 2050 net zero pathways, the risks in the Failed Transition pathway would be predominantly physical and the impacts would continue to build beyond 2050. We recognise this makes it difficult to compare the effects on our business over a range of timeframes across all three pathways. Over 2024, we will review our climate scenario modelling approach to achieve a better determination of the most appropriate levels of risk exposures and outcomes.

Climate risk assessment *continued*

Climate risks at a glance

The table summarises the risks that could arise from three possible climate pathways.

	Paris Orderly Transition	Paris Disorderly Transition	Failed Transition (no action)
Global warming	Paris Agreement goals met • Average global warming stabilises at 1.5°C • CO_2 emissions ~ IPCC RCP 2.6	Paris Agreement goals met • Average global warming stabilises at 1.5°C • CO_2 emissions ~ IPCC RCP 2.6	Paris Agreement goals not met • Average global warming stabilises at 4°C • CO_2 emissions ~ IPCC RCP 6.0
Transition risks	Transition risks increase due to: • ambitious low-carbon policies • high investment in low-carbon technologies • substitution away from fossil fuels to cleaner energy sources and biofuel	Transition risks increase due to: • ambitious low-carbon policies • high investment in low-carbon technologies • substitution away from fossil fuels to cleaner energy sources and biofuel • abrupt pricing-in of transition risks and sentiment shock	No impact from transition to low-carbon economy because: • economies follow the business-as-usual track continuing current low-carbon policies and technology trends (for example, significant falls in renewable energy prices) • no additional new policy measures
Physical risks	• Moderate physical impact with regional differences • Impacts are greater than observed today	• Moderate physical impact with regional differences • Impacts are greater than observed today, but still much less than under a Failed Transition pathway	• Severe physical impacts occur, increasing over time as temperatures rise – both gradual physical changes such as agricultural and worker productivity, and more frequent and severe extreme weather events
Impact on GDP	• Global GDP lowers	• Global GDP level is slightly lower than in the Paris Orderly Transition pathway due to the sentiment shock	• Global GDP is significantly lower than the baseline in 2010
Financial market impacts	• Transition is assumed to occur as smoothly as possible • The market gradually prices in perceived transition and physical risks over 2021-2025	• Sudden repricing of assets in 2025, followed by a sudden sentiment shock to the financial system • Increased volatility in 2024-2026	• Markets price in physical risks up to 2050 by end of the decade (2026-2030) • A second repricing occurs in the period 2036-2040 as investors factor in the severe physical risks post-2050

Outcomes from our 2023 climate pathways analysis

The table on pages 34 to 35 summarises the qualitative outputs from our 2023 climate pathway analysis, describing the climate-related risks and opportunities we consider the most material to the Group. This table includes an assessment of the time periods over which we expect that the impacts of these risks will be most material.

The potential for material impacts from both transition and physical risks is likely to increase over time – especially as the level of action from policymakers continues to lag behind what the UN's IPCC considers necessary to meet the goals of the Paris Agreement. However, the table does not include detailed quantitative information on potential impacts, recognising the challenges of defining probabilities and severity of outcomes across different pathways.

Our pathway analysis supported the examination of potential impacts to the value of different asset classes up to 2060, under the three climate pathways described on page 32. The results implied a negative year-on-year impact to the value of all our asset classes across each pathway. The most significant effects were observed in the Failed Transition scenario, with increasing temperatures leading to a range of negative economic and social impacts. From this we assessed the risk to our capital position over the medium-term business planning horizon. The Failed Transition showed the most significant adverse impact on capital position though outcomes were still within the acceptable bounds of tolerance, primarily due to the dampening effects of our equity hedging strategy.

We recognise climate financial modelling is a nascent area and may underestimate the level of risk to Royal London and our customers under different climate pathways. Our analysis does not make explicit allowance for all potentially significant factors, particularly where it is not possible to reliably integrate the timing, likelihood and severity of financial impacts into the model. Examples may include the geopolitical impacts of severe climate change, such as increases in migration and conflict, which, alongside their enormous human costs, are likely to result in further economic impact. We will refresh our modelling of climate scenarios on an annual basis, keeping our chosen pathways and assumed systemic impacts under review as policy, climate science and industry thinking evolve.

Similarly, financial stress tests are not able to measure all risks facing our business, such as the risks associated with changing customer expectations, the competitive environment or the political and geopolitical landscape. These non-financial risks may indirectly lead to financial impacts including volatility in our capital requirements, shocks to the profitability of existing business, and reductions to our new business sales. We will monitor and manage these transitional forces which may be missed by climate scenario modelling alone, by using those outputs in conjunction with our qualitative risk assessment process. We will also review the impact of these factors on our pricing basis and product development, including a regular review of customer preferences.

We disclosed a detailed report on the findings from our climate pathway analysis to the Prudential Regulation Authority (PRA) as part of our 2023 ORSA.

More details on the principal risks and uncertainties facing the Group are set out on pages 62 to 66.

Climate risk assessment *continued*

Qualitative risks and opportunities assessment

The following tables show our qualitative assessment of the climate-related risks and opportunities that may impact our business. Each climate-related risk that we identify is assigned one or multiple timeframes – short (S, up to one year), medium (M, one to five years) or long term (L, over five years) – as an indicator of when we expect that risk may impact our business, recognising across different timeframes the nature of these risks may evolve. This supports our risk management response, prioritisation and mobilisation.

Risk category	Risk impact	Sub-category	Potential impact	Timeframe
Strategic	Transition	Reputation	Inability to meet customer and client requirements or expectations, regulatory commitments or own commitments, causing reputational damage to our brand, which leads to loss of new business and increased lapse rates or outflows.	S, M, L
Strategic	Transition	Reputation	Lack of consistency in the international regulatory approach to ESG and/or net zero implementation – with differing approaches to labelling and disclosure, implementation timing and expectations relating to consumer-facing materials resulting in challenges on how products are communicated, reported and distributed in both existing and new jurisdictions.	S
Strategic	Transition	Reputation	We may lose market share if we fail to either develop new propositions or modify existing ones to adapt to changing consumer or client sentiment.	M, L
Strategic	Transition	Policy	Government or regulatory policy developments designed to address the physical and transitional impacts of climate change may impact the viability of our propositions.	M, L
Strategic	Transition	Policy	Governments and policymakers do not deliver on their Paris-aligned climate commitments, impacting our ability to deliver against our own commitments and climate strategy.	M, L
Financial (Investment)	Transition	Policy	Action from regulators and government to meet the Paris Agreement targets and respond to public sentiment may lead to significant market repricing of asset values and increase the risk of counterparty default.	S, M, L
Financial (Investment)	Transition	Market	Disruptive green technologies may provide a competitive advantage to our peers if we fail to anticipate them in our funds.	M, L
Financial (Investment)	Physical	Chronic	Our portfolios with significant investments in physical assets, including property and asset-backed securities, may be directly impacted by the physical effects of climate change.	M, L
Financial (Investment)	Physical	Acute/ chronic	Indirect physical effects from climate change may impact the value of assets in our portfolio, for example due to supply chain disruption, mass migration and political instability.	M, L
Financial (Property Investment)	Transition	Regulation	There is a risk associated with the cost to comply with regulations, including the UK's current Minimum Energy Efficiency Standard (MEES) regulations.	S, M, L
Financial (Property Investment)	Physical	Acute	Extreme weather, such as flooding, poses a risk to property assets in terms of repair costs, disruption to construction and reduced asset value due to extreme weather exposure.	M, L
Financial (Insurance)	Physical	Chronic	An increase in average temperatures, resulting in more regular extreme weather and temperature fluctuations that affect our customers in the UK and Ireland, may lead to inaccuracies in our assumed rates of mortality and morbidity.	M, L
Financial (Insurance)	Physical	Chronic	Temperature changes resulting from climate change may increase the frequency of global infectious disease pandemics, in turn impacting the accuracy of our mortality and morbidity assumptions.	M, L
Financial (Insurance)	Physical	Chronic	Political instability, resource shortages and mass migration resulting from climate change may negatively impact levels of mortality, morbidity and expense inflation	M, L
Operational	Transition	Reputation	Our ability to recruit and retain talent may be negatively impacted if Royal London's response to climate change is perceived as inadequate by current and potential future colleagues.	S, M, L
Operational	Transition	Policy	Stakeholder interest has increased the potential for legal and/or regulatory challenge, exacerbated by the fast pace of regulatory change.	M, L
Operational	Physical	Acute	Weather-related business disruption may become more frequent due to climate change, as a result of direct impacts to our offices or data centres and those of our key suppliers, and/or impact travel between our offices.	M, L

Opportunity category	Opportunity impact	Sub-category	Potential impact	Timeframe
Strategic	Transition	Market	An opportunity to increase market share resulting from the successful development of new propositions or the modification of existing ones to meet the demand for products that align with or seek to aid the transition to net zero.	S,M, L
Strategic	Transition	Products and services	A growing demand from customers and clients for ESG investing and net zero-aligned investments could open opportunities for new products and services.	S
Financial (Property Investment)	Transition	Products and services	As more occupiers set net zero carbon targets, the most energy-efficient and sustainable certified buildings will become increasingly desirable. Through RLAM's net zero carbon audits, it can identify the potential interventions required to improve the property's operational performance to achieve net zero. This positions RLAM well to respond to changing occupier preferences and demand for net zero buildings.	S
Financial (Property Investment)	Transition	Resource efficiency	Through energy efficiency improvements from both operations and refurbishment, we will expect to see reduced operating costs. This opportunity is likely to be compounded by volatility and price fluctuations seen recently in the energy market.	M
Financial (Property Investment)	Transition	Energy security	To reduce reliance on the UK National Grid, there is the opportunity to install solar photovoltaics (PV) on the roofs of buildings to generate onsite renewable energy. This can then be sold to the occupier, creating a financial return. The results of a solar PV feasibility study across 120 of our assets has enabled us to identify the best opportunities to engage with the occupier and seek to install solar PV.	M

Progress against our climate commitments

Our climate commitments help define our actions. They help us play our part in moving fairly to a sustainable world, while contributing to the effective management of climate-related risks and opportunities on behalf of our customers and members.

Our commitments are listed below alongside a summary of the progress we made over 2023.

	1 Engagement	2 Portfolio emissions	3 Climate-aware investment solutions	4 Operational emissions
Our commitments	We commit to engaging with policymakers, the companies we invest in, our peers and other stakeholders to play our part in enabling the fair transition to a sustainable world.	We commit to reducing the emissions from our investment portfolio by 50% by 2030 (tCO_2e/\$m invested) as part of the transition to net zero by 2050. This is based on the expectation that governments and policymakers will deliver on the commitments to achieve the goals of the Paris Agreement and that the required actions do not contravene our fiduciary duty to our members and customers. Our commitment includes assets that are controlled by RLMIS and are managed on its behalf by RLAM and excludes segregated mandates managed by RLAM on behalf of its external clients.	As a Group we commit to developing investment solutions that will enable our customers to invest in the low-carbon transition.	We commit to achieving net zero in our direct operational emissions by 2030 (Scopes 1 and 2), and in our Scope 3 non-investment value chain by 2050. We also commit to purchasing 100% renewable energy for our operations (Scope 2) by 2025.
Progress over 2023	During 2023, we participated in a range of industry groups and initiatives, using our collective experience and expertise to advocate on climate-related issues. We also engaged with 36 investee companies representing 52% of financed emissions.	As at 31 December 2023, the carbon footprint (tCO_2e/\$m invested) from our Corporate Fixed Income and Listed Equity (CFI and LE) portfolio reduced by 10% from 2022 and 19% since baseline year.	RLAM manages £12bn as at 31 December 2023 in its sustainable investment products.	In 2023, our Scope 1 and Scope 2 location-based emissions reduced by 21% since 2022 and 64% since 2019, our baseline year. Our non-investment value chain Scope 3 emissions have reduced by 28% since 2019, despite an increase of 15% since 2022 as a result of several factors detailed on page 40.

Our Climate Transition Plan

Over 2023, we developed our Climate Transition Plan to set out how we will make progress towards our climate commitments, with associated timeframes. We recognise that our business and wider industry have more to do to support the transition to a sustainable world. We have outlined key strategy focus areas from 2024. These include developing our approach to fossil fuel investments, nature-related and biodiversity-related impacts, and climate-related risks and opportunities, among others.

Building the trust and confidence of our customers will remain a priority. To sustain and deepen our engagement with customers, we will keep asking for and listening to their feedback, adapting our strategy and areas of focus so that we remain relevant and responsive to their needs and aspirations. We want to be clear about the choices we make on their behalf and the progress we have made. To support this, we will remain transparent on the dependencies we face in delivering on our climate ambitions. Policymaker engagement and influencing continues to be a focal point as we cannot deliver our climate commitments without clear direction and consistent action from government. Over 2024, we will continue to develop our Climate Transition Plan in alignment with ongoing Transition Plan Taskforce (TPT) recommendations, including planned sector-specific guidance for asset owners and managers. We aim to publish our Climate Transition Plan in 2025, communicating how we will engage with policymakers, the companies we invest in, our peers and other stakeholders to encourage the change needed to help customers build financial resilience, as we play our part in moving fairly to a sustainable world.

The basis and assumptions underlying our climate targets and metrics

Our climate targets are based on the expectation that governments and policymakers will deliver on commitments to achieve the goals of the Paris Agreement, and that the actions we take do not contravene Royal London's fiduciary duties.

Operational and value chain emissions targets

Our operational emissions targets include emissions arising directly from operations controlled by our business (Scope 1) and indirectly via consumed energy (Scope 2). Our value chain targets include our non-investment-related emissions arising indirectly through our value chain (Scope 3). The baseline year for our operational and value chain emissions targets is 2019 and we apply an operational control boundary in line with the GHG Protocol. We disclose separately the emissions (Scope 3) from the companies in which we invest as our portfolio emissions.

Portfolio emissions targets

Our portfolio emissions targets include assets that are controlled by RLMIS and managed on its behalf by RLAM.

Across Royal London Group, our commitment includes the regulated investment funds managed by RLAM. It excludes segregated mandates managed by RLAM on behalf of its external clients, but RLAM will also support its external clients with assets in segregated mandates where those clients have made an explicit commitment to achieving net zero.

Royal London's portfolio emissions targets are measured against a 2020 baseline and are tracked using our Scope 1 and 2 financed emissions intensity metric of Corporate Fixed Income and Listed Equity (CFI and LE) (tCO_2e/\$m invested).

Our Property investments use different net zero methodologies and have distinct targets. Across our Property investments we aim to achieve net zero carbon by 2030 across our directly managed property assets and developments, and by 2040 across our indirectly managed property assets. Directly managed property assets are those of which RLAM has complete operational control, greater than 50% equity share and joint ventures where they would cover the proportionate amount of emissions. Developments are defined as any new development or major refurbishment that will come online from 2030 onwards. Indirectly managed property assets are managed wholly by the occupier.

We will expand the scope of asset classes included in our targets as net zero methodologies evolve.

The limitations of portfolio emissions data

We recognise there are significant limitations associated with calculating portfolio emissions, including availability of data, methodology gaps across different asset classes, lack of consistency across the industry, data quality and transparency. Reported emissions are the preferred basis for our metrics. However, not all companies that we invest in consistently disclose their emissions. Where disclosures are made, these are often restricted to their Scope 1 and 2 emissions.

The Partnership for Carbon Accounting Financials (PCAF) takes a holistic approach to Sovereign Debt emissions recommending that emissions from sources located within the domestic territory and emissions from imports are included. This approach goes beyond the scope of Nationally Defined Contributions (NDCs) and reported emissions of most sovereign nations, meaning data relies heavily on estimates. The recommended approach seeks to attribute Sovereign Debt emissions to investors in a way that partially reflects the methodology used to calculate financed emissions from corporations. However, the issuer entities are different and direct comparisons in emissions metrics across these asset classes should not be made and are reported separately.

In 2023, the data quality of our disclosures in CFI and LE Scope 1 and 2 emissions improved, using issuer-level reported emissions for 73% of our portfolio, compared with 61% last year. Our disclosures will continue to improve as data quality develops and we will be transparent about the quality and coverage of our emissions disclosures. MSCI, our data provider, calculates carbon emissions based on dollars ($) and this is reflected in our disclosure. You can visit www.msci.com for more details on MSCI's methodology.

1) Engagement

Using our position as the UK's largest life, pensions and investment mutual, we seek to influence the behaviour of policymakers, the companies we invest in, our peers and other stakeholders – targeting real-world positive impact for the benefit of our members, customers and wider society.

Investee engagement

As an asset owner we actively exercise the rights we gain from holding shares in companies, including our right to vote at company meetings. We also inform key asset managers, including RLAM, of the engagement themes that we want them to prioritise on our behalf and we reserve the right to decide on the exclusions that are important to our customers.

During 2023, RLAM engaged with 443 investee companies on 799 separate occasions, through which 21 ESG topics were addressed, and of which 278 of those engagements were climate related.

RLAM has also:

- engaged with 36 companies as part of the Net Zero Stewardship Programme, accounting for 52% of financed emissions
- engaged with 59 companies on just transition themes.

Progress against our climate commitments *continued*

Industry and policymaker engagement

In addition to engagement with investee companies through our asset managers, we collaborate with other institutional investors, industry bodies and policymakers, both as an asset owner and through RLAM. By actively collaborating with industry bodies on key climate-related issues, we can use our position to influence others and drive real change. Over 2023, a number of colleagues led or participated in several industry forums and initiatives focused on reducing and mitigating the effects of climate change. We also developed a plan to deliver in 2024 and beyond, to focus our engagement activities on: the development of a long-term energy infrastructure strategy for the UK to increase investor confidence; blended finance mechanisms that encourage more private sector investment; and the examination of the workplace pension cap to enable more innovation.

Organisation	Role of Royal London representative	Key activity in 2023
Association of British Insurers (ABI)	Participant in: • Climate Change Steering and Working Groups • Financial and Corporate Reporting Committee	• Fed into the ABI's response to the FCA's consultation on DP23/1 Finance for Positive Sustainable Change • Input into the ABI's Guide to Action on Nature which was published in July 2023 • Advocated for the importance of the just transition and connected the ABI with the International Labour Organization (ILO), UNEP-FI and the Financing the Just Transition Alliance (FJTA) to work together on developing guidance for insurers
Climate Financial Risk Forum (CFRF)	Data, Disclosures and Metrics Working Group participant	• Participated in industry webinars as part of the Disclosure, Data and Metrics Working Group, including on the limitations of portfolio climate data, forward-looking portfolio metrics, and climate data coverage • Supported the work of the main forum and connected it with the development of the TPT's guidelines for asset managers and asset owners
Financing a Just Transition Alliance (FJTA)	Member of the Alliance	• Contributed to a number of initiatives and publications pursued by the Alliance with a key emphasis on corporate engagement, including the FJTA's response to the Transition Plan Taskforce (TPT) Disclosure Framework and Implementation Guidance in March 2023
Institute and Faculty of Actuaries (IFoA)	Life Climate Change Working Party participant	• Delivered a talk to the Actuarial Society of South Africa on the impact of climate change on the actuarial profession • Presented to the IFoA Actuarial Life conference on climate transition planning for Life companies
Investment Association (IA)	Sustainability and Responsible Investment Committee member Participant in: • Climate Change Working Group • Impact Investing Working Group • Sustainability Disclosure Requirements (SDR) Working Group	• Reviewed a draft of SDR and provided feedback to discussion and consultation requests • Provided an update for members on the work Royal London Asset Management has done supporting the TPT asset manager working group after the publication of the TPT's guidelines in November 2023
Scottish Taskforce on Green and Sustainable Financial Services	Member of the Taskforce	• Provided information to support the Scottish Government with insights in relation to financing nature, to inform Scottish Government policies in relation to nature finance, including carbon markets and offsets
The Institutional Investors Group on Climate Change (IIGCC)	Utilities Sector Working Group (Co-chair)	• Signed up to an initiative to send letters to European energy utilities requesting they re-commit to 1.5°C pathways and lobby government for decisive action for energy security and the transition to net zero
Transition Plan Taskforce (TPT)	Member of: • Asset Manager Working Group • Asset Owner Working Group • Just Transition Working Group	• Contributed to the development of the Asset Manager, Asset Owner and Just Transition guidelines which were published in November 2023
UK Sustainable Investment and Finance Association (UKSIF)	Member of the Policy Forum	• Contributed to and signed a letter in September 2023 as both RLMIS and RLAM to the UK government, reflecting asset managers' concerns about the government's public statements and policy signals on net zero
UN Environment Programme – Finance Initiative (UNEP-FI) and International Labour Organization (ILO)	ILO and UNEP-FI advisory group member to create guidance on just transition for the banking sector	• Royal London was the only financial institution included in the advisory group and actively contributed to the development of the first roadmap for the banking and insurance sector implementing just transition, which was unveiled at COP28

2) Portfolio emissions

RLMIS portfolio GHG emissions disclosure

RLMIS assets under management (AUM) increased from £108bn to £118bn during 2023. The table below shows the emissions arising from our Corporate Fixed Income (CFI), Listed Equity (LE), Sovereign Debt and Property investments, which represented over 85% of AUM in 2023.

For our CFI and LE portfolio, financed emissions have reduced by 12% since 2020 (our baseline year), despite a 9% increase since 2022. Although the total financed emissions increased over the past year, the carbon footprint (tCO_2e/$m invested) of this portfolio decreased by 10%, which was driven by a number of factors. Investee companies reducing their own emissions represented slightly below one third of this total reduction, while – among the other impacting factors – a change in our portfolio weighting between different companies was the most significant contributor.

The Weighted Average Carbon Intensity (tCO_2e/$m revenue) – an alternative measure of intensity to carbon footprint based on revenue and therefore less sensitive to share price fluctuations – also reduced for our CFI and LE portfolio by 26% since 2020, including by 10% over the past year.

For our Sovereign Debt portfolio, financed emissions decreased by 1% since 2022. Consumption emissions intensity increased by 7% over the past year. Consumption emissions are the emissions attributed to goods and services consumed in a domestic territory. Production emissions intensity remained the same as in 2022. Production emissions are the emissions originating from sources within a domestic territory.

There continue to be material constraints in the quality, quantity and timing of data and asset class coverage. Other external factors also impact portfolio emissions calculations, such as volatility in market values and exchange rates.

	2023 value	2022 value	2020 value (baseline)	**Year-on-year change %[2]**	Change from baseline %
RLMIS AUM (£bn)[1]	**118**	108	114	**9%**	3%
CFI and LE AUM (£bn)	**82**	71	70	**14%**	16%
Scope 1 and 2					
Financed emissions ($MtCO_2e$)[3] (Restated)[4]	**4.52**	4.15	5.14	**9%**	-12%
Carbon footprint (tCO_2e[3]/$m invested)	**44**	48	54	**-10%**	-19%
Data coverage (%)[5]	**80%**	78%	67%	**3%**	19%
WACI (tCO_2e[3]/$m revenue)	**86**	96	117	**-10%**	-26%
Data coverage (%)[5]	**88%**	78%	67%	**13%**	32%
Sovereign Debt AUM (£bn)[6]	**16**	16	20	**-2%**	-20%
Sovereign Debt emissions					
Financed emissions ($MtCO_2e$)[3]	**4.56**	4.62	7.10	**-1%**	-36%
Production intensity (tCO_2e[3]/Purchasing Power Parity adj. Gross Domestic Product)	**144**	144	160	**0%**	-10%
Consumption intensity (tCO_2e[3]/capita)	**11**	10	11	**7%**	0%
Data coverage (%)[5]	**97%**	97%	98%	**0%**	-1%
Property AUM (£bn)[7]	**7**	8	8	**-6%**	-4%
Scope 1 and 2					
Financed emissions (tCO_2e)[3,8]	**8,552**	8,671	8,400	**-1%**	2%

In 2023, we evolved our methodology for calculating financed emissions ($MtCO_2e$) in our CFI and LE portfolio to help reduce underreporting in our financed emissions disclosures where there are limitations in the available data. This enables better year-on-year comparisons and analysis of trends over time, by reducing impacts from fluctuations in data coverage. We will continue to assess the most appropriate carbon emissions metrics and methodologies to ensure relevant and transparent reporting.

1. Represents the overall amount of the Group's investments excluding assets managed on behalf of third parties. The disclosure includes assets managed by external asset managers (<5% total AUM), assets of the Group's pension schemes (<2%) and assets controlled by RLI DAC (<1%).
2. Year-on-year change represents the percentage change in the year ended 2023 metric from the year ended 2022 metric.
3. tCO_2e represents the estimated amount of emissions during the year, measured in metric tonnes of carbon dioxide equivalent. $MtCO_2e$ represents one million metric tonnes of carbon dioxide equivalent.
4. Financed emissions restatement: 2020 (baseline) and 2022 financed emissions ($MtCO_2e$) have been restated. To address incomplete data coverage, we have extrapolated the available data for CFI and LE assets to calculate emissions for the whole CFI and LE portfolio. As a result, our reported figures assume assets for which we lack complete data produce a carbon intensity equal to the average of assets with complete data. We have recalculated financed emissions for CFI and LE using this methodology for 2020 (baseline year) and 2022.
5. Proportion of assets with complete data. Complete data is defined as the available issuer-level data for all data points required for calculating a metric. For all metrics, this includes data on investment value and issuer emissions. Beyond this: CFI and LE carbon footprint and financed emissions metrics also require data on issuer enterprise value including cash (EVIC); WACI requires issuer revenue; Sovereign Debt financed emissions and production intensity metrics require data on Purchasing Power Parity adj. Gross Domestic Product; and Sovereign Debt consumption intensity requires capita data.
6. Sovereign Debt AUM includes a small amount of non-sovereign investments such as supranational investments. These are among the assets for which we have no coverage (<4%).
7. Investment property reporting period is 1 October 2022 to 30 September 2023, due to the timing of data availability.
8. Property Scope 2 emissions reflect location-based emissions.

Progress against our climate commitments *continued*

Targeting net zero in our property assets

Across RLAM's investment properties we aim to achieve net zero carbon by 2030 across our directly managed property assets and developments, and by 2040 across our indirectly managed property assets.

During 2023, we focused on working towards these targets through various projects. These included:

- completing net zero carbon audits across 22 directly managed offices. These audits review the energy characteristics of the building and compare its operational performance to the 1.5°C pathway set out by the Carbon Risk Real Estate Monitor (CRREM). Interventions to decarbonise the building are then identified, along with their estimated energy and carbon savings, and likely capital expenditure requirements. The recommendations are incorporated into our asset business plans for implementation, creating a pathway to net zero carbon.
- carrying out a solar photovoltaic (PV) – energy sourced from sunlight – feasibility study across industrial assets and retail parks, totalling 120 assets. This study identified the best opportunities for onsite solar PV, which is critical in achieving the net zero pathway target for RLAM's investment properties of generating up to 9.5 GWh (equivalent to 11.2 MW of capacity) of renewable energy onsite per year by 2040. We are now engaging with occupiers across identified properties, with a view to capitalising on shared opportunities for solar PV for both parties.
- continuing to expand occupier data collection initiatives to increase utility data coverage across the property portfolio. The initiatives include installing utility loggers, Automatic Meter Reading (AMR) devices and engaging a specialist consultancy to access aggregated, anonymous energy data at the building level. This data is used to monitor our properties' operational performance and track progress towards net zero more accurately. We can also use the data to work collaboratively with occupiers to identify measures to improve the properties' energy efficiency.

3) Climate-aware investment solutions

Royal London is committed to developing investment solutions that will enable our customers to invest in the low-carbon transition.

The RLAM sustainable fund range aims to generate good returns whilst also investing in companies that make a positive contribution to our society and environment. The funds offer investors a low-carbon option by investing in companies that have already made the transition, as well as the opportunity to invest in companies which help broader society make these changes. RLAM continues to broaden the geographical exposure of these funds into countries in the early stages of their transition, such as India, Indonesia and Brazil.

The Royal London Global Equity Transitions Fund invests across global equity markets, both in companies that are transitioning their own business to a more sustainable path and in those enabling others to transition. The fund's strategy applies investor-led engagement on four key transition themes, including Climate Stability. This helps hold management to account on their willingness and ability to support sustainable outcomes.

Expanding and adapting the range of climate-aware investment solutions we offer our customers will allow them to gain exposure to companies and other assets that align with the low-carbon transition, enable others to do so, or are credibly transitioning towards alignment. We have an ambition to enable customers to directly contribute to climate-positive outcomes through their investments, moving beyond the purchase of assets from other investors on the secondary market. If such solutions also proved sufficiently popular among other investors, they could help incentivise asset issuers to adopt more climate-positive behaviours.

4) Operational

We recognise the contribution of our own operations and value chain to climate change.

In 2023, our Scope 1 and Scope 2 location-based emissions reduced by 21% since 2022 and 64% since 2019 (baseline). This is due to a combination of initiatives including energy efficiency measures and delivery of our operational estates strategy, which resulted in 2 million kilowatt hours (kWh) of energy savings in both gas and electricity across our offices since 2022 and nearly 8 million kWh since 2019.

Our non-investment value chain Scope 3 emissions have reduced by 28% since 2019 despite an increase of 15% since 2022. The biggest contributors to our value chain emissions were our supply chain, employee commuting and homeworking, and business travel.

The increase in our value chain Scope 3 reported emissions since 2022 is due to several factors. These include our increased use of supplier-specific emissions data (rather than estimated data), an increase in employee international travel, and the fit-out of our new London headquarters. For supplier-specific data, each year the availability of primary data increases, meaning that emissions may fluctuate over time as the data improves. In 2023, 41% of our Scope 3 category 1 and 2 emissions used supplier-specific emissions data, compared to 23% in 2022. Overall, business travel emissions increased in 2023, due to RLAM's international expansion and related global travel. However, emissions from domestic rail and air travel decreased by 65% compared to the baseline year, reflecting efforts made to reduce preventable business travel.

Reducing emissions as much as possible in our highest emitting categories is a priority focus for our net zero strategy and we progressed several initiatives during 2023 including:

- Paper reduction: Since our 2019 baseline, we have reduced print volumes by 66%. Our 'Do More Digitally' marketing campaign encouraged more than 169,000 customers to register for our My Royal London portal where they can access digital documents.
- New London office: We completed the fit-out of our new London headquarters at 80 Fenchurch Street, embedding sustainability from the outset. As well as the base build achieving 'BREEAM Excellent' status, we incorporated a range of sustainability initiatives from circular design principles to energy-efficient processes.
- Supply chain: By engaging with suppliers during 2023, we have been able to support and challenge them on emissions reduction initiatives and their path to net zero.
- Improving data quality and insights: Over 1,000 colleagues completed a survey on their commuting and homeworking habits.

Operational and value chain metrics

The tables below show our 2023 operational and value chain emissions, and other environmental metrics, against equivalent measurements over the previous year, 2022, and our baseline year, 2019.

Please see page 42 for footnotes.

		2023[1]	2022	2019 (baseline year)	Change against baseline year	Target
Scope 1 Direct GHG emissions (tCO_2e)[2]		**236**	343	1,262	**-81%**	60% absolute reduction by 2025 and net zero by 2030
Scope 2 Indirect GHG emissions (tCO_2e)[2]	Market-based	**837**	926	2,802	**-70%**	Purchase 100% renewable energy for electricity by 2025
	Location-based	**979**	1,201	2,089	**-53%**	
Scope 3 GHG (Value Chain) emissions (tCO_2e) consisting of the following categories:						
Category 1. Purchased goods and services[2]		**35,922**	33,014	52,845	**-32%**	
Category 2. Capital goods[2]		**3,051**	679	849	**259%**	
Category 3. Fuel and energy-related activities[2]		**360**	495	699	**-48%**	
Category 4. Upstream transportation and distribution		**5**	7	12	**-58%**	
Category 5. Waste generated in operations[4]		**9**	17	41	**-77%**	
Category 6. Business travel		**1,583**	994	2,537	**-38%**	
Category 7. Employee commuting and homeworking		**2,132**	2,385	2,552	**-16%**	
Category 13. Downstream leased assets[5]		**0**	0	253	**-100%**	
Total Scope 3 GHG (Value Chain) emissions (tCO_2e)[6]	Total	**43,062**	37,591	59,788	**-28%**	Reduction of 50% by 2030 and net zero by 2050

In 2023, we moved our reporting boundary from financial control to operational control, which has resulted in a transfer of emissions from Scope 3, category 8, to Scope 1 and 2. We also evolved our methodology for calculating emissions from our supply chain (scope 3, categories 1 and 2) to include the upstream scope 3 emissions of our suppliers. These updates have been reflected in 2022 and 2019 (our baseline year).

		2023	2022	2019 (baseline year)	Change against baseline year	Target
Paper use[7]	Total (t)	**567**	631	1,111	**-49%**	
	Internal paper per policy (g)	**1.43**	0.81	6.07	**-76%**	Reduction of 90% per policy by 2025
	External paper per policy (g)	**65**	102	192	**-66%**	Reduction of 50% per policy by 2025
Waste (t)[8]	Total	**299**	358	727	**-59%**	Reduction of 50% per FTE[3] by 2025 and continue to send zero waste to landfill
	Per FTE[3]	**0.05**	0.06	0.15	**-68%**	
Water consumption (cubic metres)[8]	Total	**13,615**	9,263	31,916	**-57%**	Reduction of 15% per FTE[3] by 2025
	Per FTE[3]	**2**	1.5	6	**-67%**	

Progress against our climate commitments *continued*

Streamlined energy and carbon reporting: operations and investment properties[9]

	2023	2022	2019 (baseline year)	% change from baseline
Scope 1 (tCO_2e)	3,744	3,655	4,228	-11%
Scope 2 (market-based) (tCO_2e)	837	926	2,802	-70%
Scope 2 (location-based) (tCO_2e)	6,178	6,691	8,211	-25%
Scopes 1 and 2 (market-based) emissions per sqm (tCO_2e)[10]	0.002	0.002	0.002	-30%
Scopes 1 and 2 energy consumption (kWh)	46,264,832	53,415,814	64,305,121	-28%

Footnotes for Operational and value chain metrics table

1. The reported GHG emissions for 1 January 2023 to 31 December 2023 shown in the Operational and value chain metrics table have been subject to Independent Limited Assurance by ERM CVS. Please visit www.royallondon.com to read a copy of the Assurance Report and Royal London's 2023 Basis of Reporting, which details how we have prepared our data. Police Mutual Assurance Society data and energy from Wealth Wizards is included from acquisition. Royal London announced the acquisition of the Responsible Group in November 2023, which completed in January 2024, therefore data for the Responsible Group has not been included in the operational and value chain metrics for 2023. The Responsible Group will be included in future reporting.
2. 2019 (baseline) and 2022 Scope 1, 2 and Scope 3, category 1, 2, 3 and 8 emissions have been restated following a review in line with the GHG Protocol guidance. We have updated our reporting boundary from financial control to operational control resulting in a transfer of emissions from Scope 3 category 8, to Scope 1 and 2. We have updated our approach to include suppliers' upstream Scope 3 emissions to Scope 3, categories 1 and 2. We have removed the well-to-tank emissions from business travel activities from Scope 3, category 3 to ensure no double counting has occurred.
3. Full-time equivalent.
4. Data excludes Wealth Wizards.
5. There were no Royal London Group downstream leased assets in 2022 and 2023 and these were therefore not included in the ERM CVS assurance.
6. Categories 8, 9, 10, 11, 12, 13 and 14 of Scope 3 are not applicable to Royal London in 2023. Category 15 (Investments) emissions data is reported on page 39.
7. Paper data is based on actual volumes from suppliers. The data excludes third-party service providers and Wealth Wizards.
8. Waste and water data is based on actual volumes where available, and otherwise on estimations and invoice data. Data excludes Wealth Wizards and offices where provision is covered by a service charge.

Footnote for Streamlined energy and carbon reporting table

9. The operational reporting period is 1 January 2023 to 31 December 2023 however the investment property reporting period is 1 October 2022 to 30 September 2023, due to the timing of data availability.
10. Floor area includes investment property tenant emissions.

Non-financial and sustainability information statement

In accordance with sections 414CA and 414CB of the Companies Act 2006, which set the requirements for non-financial reporting, the table below is intended to provide our stakeholders with the content they need to understand our development, performance, position, and the impact of our activities regarding specified non-financial matters.

Reporting requirement	Relevant policies and disclosures reference on website[1]	Annual Report and Accounts page
Environmental matters including climate-related financial disclosures	Our climate change commitments	• Chairman's statement on pages 4 to 5 • Our focus on climate on pages 27 to 42
Employees	Inclusion and diversity – Royal London Group	• Group Chief Executive Officer's review on pages 6 to 7 • Our colleagues on pages 19 to 20 • Section 172 statement on pages 77 to 78
Social matters	Our social impact commitments	• Chairman's statement on pages 4 to 5 • Our business model on pages 10 to 13 • Society and communities on pages 22 to 23
Human rights	Modern Slavery Act – Royal London	• Stewardship on pages 24 to 26 • Section 172 statement on pages 77 to 78
Anti-bribery and anti-corruption		• Risk overview on pages 59 to 61
Business model	Our business – Royal London	• Our business model on pages 10 to 13
Non-financial key performance indicators (KPIs)		• Measuring our performance on pages 14 to 15
Principal risks and uncertainties		• Principal risks and uncertainties on pages 62 to 66 • Longer-term viability statement on page 67 • Risk and Capital Committee report on pages 90 to 91

1. Policies, statements and codes are available at www.royallondon.com

UK

"We are supporting customers and their advisers to make good decisions and achieve better outcomes."

Jo Kite
Chief Customer Officer

Highlights

Operating profit:

£361m

(2022: £305m)

Present value of new business premiums:

£9,023m

(2022: £10,573m)

Acquisition of Aegon UK's closed book of individual protection business, with over

400,000

policies

UK awards

- Voted Company of the Year and retained our five-star service rating for Protection and Pensions for the 15th year in a row (2023 Financial Adviser Service Awards)
- Winner, Outstanding Business Protection (COVER Excellence Awards 2023)
- Winner, Best Insurer for Protecting Business Owners, Best Insurer for Protecting Hard to Cover Clients, Best Insurer for Rehabilitative Support Services (Protection Guru 2023 Awards)
- Best Retirement Solutions Provider (Professional Paraplanner Awards 2023)
- Five Star Service Ratings for Workplace Pensions (Corporate Adviser Awards 2023)

Market overview

Financial uncertainty and heightened geopolitical tensions continued during the year, influencing the markets in which we operate and the financial decisions made by our customers. Although many customers have seen pay increases that have compensated for increased inflation, pressures on disposable income levels remain and customers continue to adjust to a higher interest rate environment.

Over the year the Workplace contract-based Pension market continued to grow, benefitting from UK employment rates remaining relatively high and employees receiving pay increases. The Individual Pensions market also grew despite higher interest rates impacting defined benefit transfer volumes. However, the advised protection market contracted as increases in living costs put pressure on consumers' disposable income.

2023 also saw the introduction of the FCA's new Consumer Duty. The changes have been introduced with the aim of raising standards across the industry through an enhanced focus on customer outcomes. The Consumer Duty has been a big focus for the UK business operationally, while also supporting advisers to navigate the impact of the new requirements.

The pace of technological change and innovation continues to accelerate. As a result, we have continued to invest in systems to enable increased engagement with advisers and customers, alongside reducing barriers for them to access financial education, information and guidance.

Business performance

We benefitted from our ongoing focus on improving technology, enhancing a number of digital services to improve the experience and support for both customers and advisers, including through a new pension consolidation service, which delivered a significant increase in Workplace Pension transfers. The number of our digitally active customers[1] increased to over 760,000 (2022: 506,000).

The higher interest rate environment impacted the volume of defined benefit transfer activity however, we saw increased levels of regular contributions from Individual Pensions customers.

Our focus on supporting customers to understand their savings, income and protection options, along with our high standard of customer service, continued to be recognised through a number of awards. Royal London's Trustpilot score of four out of five stars also reflects the level of service provided for customers.

Pensions

Our Workplace Pensions business grew over 2023, with new business sales increasing by 4%, after adjusting for the increase in the discount rate[2]. This reflects a significant increase in pension consolidation volumes, along with more employers choosing Royal London as their pension provider. Over the year the business welcomed over 930 new Workplace Pension scheme employers with over 240,000 new scheme members. Our Pensions business continues to be supported by the relative performance from our flagship Governed Range, which attracted inflows of £3.0bn in 2023 with AUM of £60bn.

To support customers looking to consolidate their pension pots, our online pension transfer hub has been designed to help them assess whether to transfer their existing pension. In addition, enhancements to our transfer process, including automating how requests are made to other providers, have reduced turnaround times for customers, while allowing more customers to meet the criteria for fast-track applications. As a result, an increasing number of customer requests are now made digitally via our mobile app.

New business sales from Individual Pensions decreased by 17% to £4,346m, with higher interest rates impacting defined benefit transfer volumes though more customers chose to stay with Royal London as they moved into retirement. With the cost of living pressures, more customers have needed to access money from their pension, and therefore have withdrawn more from their Income Release products over the year to support their needs.

We continued to invest in the digital experience, with tools to support customers to understand better their financial position and resilience. The financial wellbeing health check was successfully launched at the end of 2022 and, at the end of 2023, had over 15,000 registered users. Our new state benefits entitlement calculator enabled customers to identify over £5.5m in annualised benefits through potential eligibility for benefits, entitlements and grants. For customers who do not use a financial adviser and who are about to access their pension to fund retirement, we have developed guidance to help them to select the right investment pathway for their needs. The new 'Later Life guidance hub' also supports customers to plan ahead for financial and care needs.

1. The number of digitally active customers represents the number of customers who have logged into our web portal plus the number of customers who have logged into our mobile app, at least once during the year.
2. Life and pensions new business sales (PVNBP) is reported using economic assumptions set at the start of the reporting period. The increase in the risk free rate over 2022 therefore significantly impacts the comparability of new business metrics between 2022 and 2023. The higher discount rate used in the calculation of PVNBP reduces the present value of the same premium amount.

Protection

Our market share of advised individual protection business increased while we saw a year on year fall in the size of the overall advised market, which was impacted by falling mortgage volumes. We have continued to write a mix of business across the Protection range through advisers and distributors. 99% of protection claims were paid out during 2023, providing £676m to approximately 71,000 customers and their families.

In April 2023 we announced the acquisition of Aegon UK's closed individual protection business. This comprises over 400,000 customers across life insurance, critical illness and income protection with the policies expected to transfer to Royal London in the second half of 2024, subject to the completion of a court-approved Part VII transfer. Aegon UK has reinsured the portfolio to Royal London for the interim period.

Delivering good customer outcomes throughout our customers' life stages remains a priority. This includes increasing access to information that helps them understand the benefits they have, from the point of sale and throughout the life of their contract. Launched in 2022, the My Royal London portal already has over 205,000 Protection customers registered. As cost of living challenges persist, the information shared via the portal has helped customers to understand their options if they are considering cancelling their policies. Alongside this, the capability to set up policies under trust digitally was introduced, helping more customers ensure their claims will be paid more quickly and to the right beneficiaries. Finally, due to an ever increasing number of customers using our customer portal and a new targeted engagement plan to increase customer awareness, we have increased the number of customers who are benefitting from wellbeing and early care medical services – with over 6,500 registered users in 2023.

Driven by customer insight, our Critical Illness definitions were broadened during the year, providing clarity and easier and quicker payments at claim. In a drive to speed up underwriting decisions for customers, a range of improvements have been introduced to allow immediate decisions to be offered as often as possible. This ensures the decision remains fair to customers and improves the ability to offer terms against more applications.

Finally, support services for advisers have also been enhanced, particularly in relation to enabling their support teams to access our adviser dashboard, helping them work more efficiently.

Annuities and Later Life

Our Annuity proposition was launched in 2021, providing access to a Royal London annuity to longstanding customers invested in the Royal London (CIS) Sub-Fund with pension policies that have guaranteed annuity rates. Total new business volumes from annuities decreased by 15% to £162m, reflecting higher bond yields which reduced the average value of customers' pots at retirement. As well as providing an option for longstanding customers to remain with Royal London, we transferred £197m, net of re-insurance, of annuities in payment into our Matching Adjustment portfolio within the Royal London Main Fund.

We have continued to build our annuity capabilities and, in November, we transacted a bulk annuity buy-in policy with the trustees of the Royal Liver UK pension scheme. This covered all the benefits of the scheme for all deferred pensioners and current pensions, removing the investment and longevity risk for the members of the scheme. We also entered into a separate policy in January 2024 with the Trustees of the Royal London Group pension scheme which partially covers the benefits of the scheme. Through these transactions we have extended our annuity capabilities in advance of an intended participation in the bulk purchase annuities market, focussed on providing a competitive solution to the trustees of defined benefit pension schemes.

The acquisition of the remaining stake in the Responsible Group in January 2024 will enable us to deliver innovative later life solutions and scale the provision of later life lending in what we believe will be a growing market. The transaction strengthens our support for advisers and customers as they look for solutions in funding later life needs. The market offers customers additional choices at retirement, especially those who have property wealth but insufficient pension savings to support their desired standard of living.

Longstanding customers

Following the completion in 2022 of our programme consolidating a number of closed With-Profits funds and creating a better experience for longstanding customers, while increasing the value of their policies, the focus through 2023 has been on the next phase of the Consumer Duty and meeting requirements for closed books of business. As a result of the improvements we have delivered in recent years, we are progressing well with implementing actions to ensure we meet Consumer Duty requirements ahead of the July 2024 deadline. Through our work so far, we have reviewed all statements and event-driven communications to ensure they adhere to the FCA's Thematic Review guidelines. Our work will continue to focus on opportunities to support good customer outcomes through ongoing engagement and communications enhancements, combined with product reviews.

Looking ahead

Customers' disposable income levels are expected to remain under pressure as living costs, particularly mortgage repayment and rental costs, continue to increase. Our focus on enhancing our digital tools and experiences, alongside continuing to invest in underlying technologies, will help customers to navigate the short-term challenges while allowing them to easily access our range of products and services, supporting their ability to improve their financial resilience and to plan for the longer term. Our belief in the value of impartial financial advice remains but we recognise it is not affordable for all and so welcome the FCA's review of the advice/guidance boundary. Our continued investment in high-quality, technology-enabled solutions underpins how we will continue to deliver good customer outcomes through well-designed guidance as well as advice.

Asset Management

"In a challenging market context our Asset Management business has performed well, increasing flows and assets under management."

Hans Georgeson
Chief Executive – Royal London Asset Management

Highlights

Operating profit:

£31m

(2022: £32m)

Net external inflows:

£3,308m

(2022: £1,709m)

Three-year actively managed fund outperformance vs benchmark:[1]

96%

(2022: 80%)

1. Investment performance has been calculated using a weighted average of active assets under management for funds with a defined external benchmark. Benchmarks differ by fund and reflect their mix of assets to ensure direct comparison. Passive funds are excluded from this calculation as, whilst they have a place as part of a balanced portfolio, Royal London believes in the long-term value added by active management.

Asset Management awards

- Investment team of the year – asset manager: RLAM Sustainable Investment Team (Insurance Asset Risk Awards)
- Equity Manager of the Year (Insurance Asset Risk Awards)
- Fixed Income Manager of the Year (up to €100bn AUM) (Money Age Wealth and Asset Management Awards)
- Asset Manager of the Year (over €100bn AUM) (Money Age Wealth and Asset Management Awards)
- Best Asset Manager 2023 (Global Business and Finance Awards)
- Best Sustainable Fund Manager 2023 – UK (Ethical Finance Awards)
- Best United Kingdom asset management company in the category 71 to 100 rated funds (FundClass – European Funds Trophy Awards)
- Highly commended – Excellence in ESG integration in Investment Management (Investment Week Sustainable investment awards)
- Sustainability initiative of the year (Money Age Awards)

Market overview

Growth, both domestically and globally, was low during 2023 with the global economy facing uncertainty due to inflationary pressures, monetary tightening, and geopolitical events.

Over 2023, equity markets were dominated by interest rates and inflation. Following the emergency support provided during Covid-19 and the ongoing war in Ukraine, the global economy has continued to see inflation, leading major central banks such as the Federal Reserve, European Central Bank and Bank of England to raise rates several times.

Equity markets have been focused on the potential end of the rate rising cycle, as well as the possible impact of these rises on global growth and therefore the health of the corporate sector. Most major stock markets produced positive returns over the period in sterling terms, including the US, UK, Europe and Japan. The main exceptions were parts of Asia, where concerns over the health of the Chinese economy meant that both Hong Kong and Chinese indices were lower over the period. Technology stocks rose strongly, led by enthusiasm over artificial intelligence, while more defensive areas such as consumer staples and utilities generally lagged.

The backdrop of rising interest rates and inflation meant that global bond yields, including gilts, increased – and therefore bond prices fell – significantly over the period. Sterling investment-grade credit markets also struggled, but outperformed gilts, as the negative impact of higher gilt yields was mitigated by the higher credit spread – the average extra yield available from non-gilt bonds compared with government debt of equal maturity – available on corporate bonds.

Within the investment management sector, the trends we identified in recent years have continued to affect investor behaviour and preferences. For example, the move into globally-focused strategies has continued, with clients moving away from more narrow UK equity and fixed income strategies. Responsible investment continues to gather momentum – partly driven by regulatory change but, more notably, due to underlying client interest. Our insight tells us that an increasing number of investors want to know and understand the impact that issues such as climate change have on their holdings.

Business performance

Operating profit was broadly flat at £31m (2022: £32m) as we continued to invest for the future growth of the business. The Group's Assets under Management grew over the year to £162.3bn (2022: £147.2bn) driven by both positive net flows and market movements. During the year we completed the implementation of the BlackRock Aladdin investment management technology platform, a transformational landmark for the business that will provide the bedrock for continuing to deliver a first-class experience for our customers.

We continued to invest for the long term, through selective strategic projects across the year. A key focus has been expanding our distribution footprint internationally through the recruitment of specialist sales resource and proposition developments, particularly in Global Equities and Global Credit strategies. We also broadened our property offering into new investment types, such as residential, and will continue to develop this asset class. A Head of Private Assets was also appointed during the year, as a first step in establishing a Private Assets strategy to drive further long-term growth.

Delivering above-benchmark investment performance is central to our ability to attract and retain clients for the long-term success of the business. Although conditions faced by investment teams in the year were challenging, our three-year performance track record remained strong across our fund range in 2023, with 96% of our actively-managed funds outperforming their benchmark[1] over the three years to 31 December 2023 (2022: 80%).

Peer rankings remain positive for key open-ended investment companies (OEICs), with 87% (2022: 85%) of funds in the top two quartiles over the three-year period and our Global Equity funds generating particularly strong performance for clients.

Flows and funds

Despite challenging market conditions, Assets under Management increased by £15.1bn over 2023. This increase was due to positive overall net flows of £4.2bn and positive market movements of £10.9bn, resulting in Assets under Management increasing to £162.3bn (2022: £147.2bn).

External net inflows increased to £3.3bn (2022: £1.7bn) driven primarily by net inflows into our Global Equity strategies and included the win of a landmark institutional mandate from a Japanese client. Our cash funds benefitted from the high-interest environment, with net inflows of £1.4bn in the year (2022: £nil).

Our wholesale business had a strong year in a tough environment, being one of the few active asset managers with net positive sales. We also registered a select number of funds in Scandinavia, positioning ourselves for future growth outside our home market. The UK government's 2022 mini-budget created instability in the liability-driven investment (LDI) market which saw clients withdraw relatively more liquid assets from RLAM to meet collateral calls at other asset managers. Although this situation has now stabilised, the trend for pension schemes to hold more assets with their LDI managers to guard against future crises has continued and therefore this has resulted in some institutional clients moving assets away from us.

Internal net inflows decreased to £0.9bn (2022: £2.0bn), primarily following an increase in regular withdrawals on policies in drawdown, with more customers accessing their pensions and an overall increase in average drawdown value.

Responsible investment

Responsible investing (RI) is a core capability, and our investment teams are supported by specialists in climate change, corporate governance and other environmental, social and governance (ESG) topics. We have improved our tools for carrying out climate and ESG analysis, producing systematic client reports at lower cost, and managing related risks. In 2023 we established our RI client services team to respond to an increasing number of client queries. Our engagement themes help ensure we stay focused on topics important to clients and to society.

As part of our net zero commitment, we have identified and engaged with 36 companies that represent 52% of RLAM's financed emissions[2], with the aim of improving the alignment of our highest-emitting companies with a net zero pathway.

Our RI credentials continue to receive external recognition. RLMIS and RLAM retained signatory status to the UK Stewardship Code with both also receiving a 5 star rating across multiple strategies from the United Nations' Principles for Responsible Investment (PRI), a leading proponent for responsible investment globally.

However, we are also aware that the market continues to evolve at a rapid rate and failure to keep pace with the expectations of our current and future clients poses commercial risks to our business. We continue to conduct client surveys, as well as hold discussions with and collaborate with clients, on a number of key ESG topics. This year we conducted a series of roundtables with clients to understand their climate commitments and strategies for achieving net zero, enabling us to steer our own net zero strategy and help clients navigate the climate transition more effectively.

Looking ahead

The economic outlook remains uncertain. We invest in the business for the longer term and will build on the progress made in the last year by continuing to seek ways to improve our capabilities, both in the investment strategies we offer and the services we provide. We remain committed to our strategic priorities, particularly in supporting growth within the property and private asset businesses to strengthen our investment capabilities and in distributing internationally.

As the market evolves rapidly, we need to keep pace with the expectations of our clients and will continue to respond to client feedback. This highlights the need for investment teams to be increasingly competent in discussing ESG issues with clients, along with more product choice for clients that have net zero requirements.

2. Percentage of total RLAM corporate fixed income and listed equity scope 1, 2 and 3 portfolio emissions from companies subject to RLAM's net zero engagement programme.

Ireland

> "Our award-winning, market-leading customer service and innovative product features have led to record levels of new business, including delivering a ValueShare uplift to pension customers."

Noel Freeley
Chief Executive – Royal London Insurance DAC

Highlights

Operating profit:

£5m

(2022: £5m)

Present value of new business premiums:

£230m

(2022: £203m)

First ValueShare award made

to eligible pension customers

Ireland awards

- Winners of Overall Financial Services Excellence, Service Excellence for the sixth year in a row, Excellence in Broker Support and Protection Provider Excellence awards (2023 Brokers Ireland Excellence Awards)
- Best Marketing Campaign of the Year (2023 Irish Pension Awards)
- Best Mortgage Protection (2023 bonkers.ie National Consumer Awards)

Market overview

The broker protection market in Ireland continued to grow in 2023 with brokers continuing to be the largest distribution channel in the Irish market.

During 2023 we saw a reduction in the mortgage market due to higher interest rates, which led to a reduction in mortgage protection products, though growth on other protection products more than offset this.

2023 saw the introduction of the Code of Practice for Underwriting Mortgage Insurance for Cancer Survivors, which promotes inclusivity and greater access to financial products for cancer survivors. Royal London Ireland played a leading part alongside the industry in developing this customer-centric solution.

Business performance

Our Ireland business had another successful year. The business delivered record new business sales of £230m, despite the reduction in the mortgage market, ensuring we retained our position as the clear market leader in the Irish broker Protection market. Our pension business, which was launched in September 2022, has grown steadily throughout 2023. We have continued to work on enhancing our pension offering too and our investment in growing this part of our Ireland business has meant that operating profit has remained at £5m (2022: £5m).

We continued a nationwide advertising campaign in Ireland throughout 2023. The campaign included advertising on television, online channels and on-demand streaming platforms, as well as paid social media promotion. The campaign conveyed our proud heritage in Ireland of providing valued products and encouraged viewers to contact their financial broker.

Protection

Sales of our Protection products grew again to £179m when the impact of the higher discount rate used to value our new business sales is removed. This continued strong performance reflects our focus on helping customers and their families to protect themselves and build their financial resilience.

We also continued to innovate our product proposition, including introducing customer-centric improvements to our Income Protection policies, without any increase in cost for customers. These included the addition of a unique new feature of immediate cover on an interim basis prior to the policy being fully underwritten, and over 150 occupation class improvements.

Throughout 2023, we maintained our focus on service excellence, including delivering digital enhancements. We introduced a new underwriting pre-sales calculator to help financial brokers and their customers, and targeted Private Medical Assessment reports to help speed up the application process.

Our culture of empowering our people and a customer-first approach is key to our service delivery, and means our colleagues provide a ‘one and done’ service by aiming to get things right for customers first time – which also helps to strengthen our strong relationships with financial brokers.

Our marketing activity in Ireland is focused on regular and consistent, multi-channel communications with financial brokers and external communications with customers. Our aim is to support brokers when it comes to our high-quality protection and pension propositions, in order to help our customers, who are advised by brokers, to have plans in place to build their financial resilience. Broker activity includes focused marketing campaigns, digital newsletters, collateral updates and educational events – on average in 2023, over 900 brokers registered to attend each of our webinars.

During 2023, we paid out over 98% of claims, £49m in total, to customers and their families across all Protection business. Over and above these financial payouts, we provided access to counselling and other services through our Helping Hand support service.

Pensions

Our position as market leader in the broker Protection market, and excellent reputation for customer service, provides a strong platform to build our Pensions offering. In September 2022, we launched our Pensions business with a Personal Retirement Bond and an Approved Retirement Fund. These products offer a range of unique product features including zero policy fees or fund switching charges, automatic portfolio rebalancing and ValueShare, Royal London Ireland’s equivalent of ProfitShare. ValueShare aims to increase savings for Irish Pension policyholders by sharing in Royal London Ireland’s success, on top of fund returns, in the years that the business does well. This feature is unique in the Irish market and demonstrates our mutual mindset.

In November 2023, we improved our competitive pricing position by offering four additional Annual Management Charge options. This provides brokers with a choice of 16 product variations, more flexibility and extends their ability to meet customers’ needs.

Pensions new business sales were £51m for the year and, in April 2023, we announced our first ValueShare award, resulting in a boost to customers’ policies with an uplift of 0.13% for all those eligible.

Looking ahead

We continue to strive to deliver the best possible outcomes for our customers through broader propositions and by championing the broker market. We will enhance customer choice, with further enhancements planned for our Pensions offering and a focus on continuing to develop our footprint in this market. We remain focused on delivering our market-leading Protection products and maintaining the high standards of service that brokers and customers have come to expect from Royal London Ireland.

Financial review

> "Operating profit before tax increased by 19% to £249m (2022: £210m) driven by growth in new business contribution, active management of our cost base and the positive impact of higher risk-free rates."

Daniel Cazeaux
Group Chief Financial Officer

Our results for the year demonstrate the progress we are making in delivering on our strategy as the investments in our business are generating sustainable returns for our members. Group operating profit before tax for the year ended 31 December 2023 increased 19% to £249m (2022: £210m).

New business contribution increased 13% to £184m driven by higher flows into our Workplace Pensions business and an improved contribution in our UK Protection business following our exit from the Over 50s market. These more than offset the impact from the reduction in defined benefit pension transfers following rises in interest rates. As a result, our new business margins have improved by a third across the year.

Our Asset Management business has continued to deliver net inflows supported by strong investment performance in our actively managed funds and the new capabilities we have built. This has allowed us to continue to invest in Royal London Asset Management while investment markets have been volatile. Assets under management have increased 10% to £162bn at the end of the year.

In our in-force books, we have managed the impact on our cost base of higher levels of inflation, with a small benefit from changes to our long-term expense assumptions arising during the year. We have also completed the final transfers into our Matching Adjustment portfolio of existing blocks of annuity business while building capability to enter the bulk annuity market through our first buy-in transaction with the Liver UK pension scheme.

ProfitShare for the year totalled £163m (2022: £155m), with underlying allocation rates maintained at prior year levels, demonstrating our consistent approach to sharing returns with eligible customers.

There was a transfer to the fund for future appropriations (FFA) of £382m (2022: transfer from FFA £162m) reflecting the improvement in operating profit and higher investment returns than our long-term expectations.

Our capital position remains robust with an estimated Solvency II Investor View capital cover ratio of 218% (31 December 2022: 213%) with our hedging programmes ensuring the stability of our capital position through periods of market volatility. The estimated Solvency II Regulatory View capital cover ratio has remained stable at 206% (31 December 2022: 206%).

In May 2023 we successfully issued a new £350m Restricted Tier 1 (RT1) contingent convertible debt instrument, demonstrating our active management of the Group's capital structure. During the year we also completed, as planned, the repurchase and cancellation of our £400m Fixed Rate Reset Callable Guaranteed Subordinated Tier 2 debt. These transactions have increased the Group's financial flexibility by establishing access to the RT1 capital markets and creating additional Tier 2 capital headroom.

Group operating profit before tax

The following table shows the Group operating profit for the year ended 31 December 2023. Further detail on the Group's segmental reporting is included on pages 128 to 129.

	2023 £m	2022 £m	Change £m
Long-term business			
New business contribution	184	163	21
Existing business contribution	236	181	55
Contribution from AUM and other businesses	84	101	(17)
Business development and other costs	(40)	(32)	(8)
Strategic development costs	(61)	(71)	10
Amortisation of intangibles	(6)	–	(6)
Result from operating segments	397	342	55
Corporate items	(63)	(57)	(6)
Financing costs	(85)	(75)	(10)
Group operating profit before tax	249	210	39

New business contribution

Overall new business contribution was up 13% at £184m (2022: £163m) reflecting the impact of improving margins in both Workplace Pensions and UK Protection in particular. The contribution from Individual Pensions reduced following lower defined benefit transfer activity due to higher interest rates.

Life and pensions new business is reported using economic assumptions set at the start of the reporting period. The increase in the risk-free rate over 2022 therefore significantly impacts the comparability of new business metrics between 2022 and 2023. The higher discount rate used in the calculation of the present value of new business premiums (PVNBP) reduces the present value of the same premium amount. This impact is most significant on longer-duration businesses which have regular cash flows, in particular Workplace Pensions and regular premium Protection business. Conversely, the higher risk-free rate improves Workplace Pensions new business contribution, primarily from the level of assumed fund growth over the life of the policies.

	New business contribution		PVNBP		New business margin	
	2023 £m	2022 £m	2023 £m	2022 £m	2023 %	2022 %
Individual Pensions	65	83	4,346	5,219	1.5	1.6
Workplace Pensions	71	43	3,753	4,114	1.9	1.0
Protection	23	11	760	1,037	3.0	1.1
Annuities and other	14	9	164	203	8.5	4.5
UK	173	146	9,023	10,573	1.9	1.4
Ireland	11	17	230	203	4.8	8.5
Total	184	163	9,253	10,776	2.0	1.5

UK

Individual Pensions new business sales fell due to a reduction in defined benefit transfers of £704m resulting from the rise in interest rates. Partially offsetting this we saw increased volumes over the tax year-end period following changes announced by the government to lifetime allowances. Underlying margin was flat at 1.5% (2022: 1.6%).

Workplace Pensions benefitted significantly from the increase in risk-free rates, with a 65% increase in new business contribution to £71m. On a comparable basis, sales grew by 4% driven by a 72% increase in pension consolidation volumes, which combined with the discount rate change and careful management of our acquisition costs, resulted in a near doubling of new business margin to 1.9% (2022: 1.0%).

Protection new business sales decreased, impacted by the interest rate increases and a one-off transfer of a funeral investment plan of c.£100m in 2022, as well as the cost of living pressures impacting market demand. Despite the decrease in sales, new business contribution increased to £23m (2022: £11m), following the actions taken at the end of 2022 to exit the Over 50s life insurance market and to manage the cost base. These actions have resulted in a significant increase in new business margin to 3.0% (2022: 1.1%).

Annuities and other new business sales declined to £164m (2022: £203m), and despite an increase in underlying volumes, the impact of higher interest rates decreased average policy sizes. New business contribution increased to £14m (2022: £9m), due to a higher discount rate used in the liability valuation of annuities in the Matching Adjustment portfolio as credit spreads widened, resulting in margins improving to 8.5% (2022: 4.5%).

Ireland

New business sales grew to £230m (2022: £203m), primarily through increased Pension sales of £51m (2022: £5m) following the successful product launch in September 2022. This was partially offset by a decline in Protection sales, which was impacted by the increases in risk-free rates. On a comparable basis, Protection sales were up 10%. New business contribution decreased by £6m to £11m and new business margin decreased to 4.8% (2022: 8.5%) reflecting the relatively higher cost of the Pensions product as we continue to grow scale.

Existing business contribution

Existing business contribution increased to £236m (2022: £181m), summarised in the table below.

	2023 £m	2022 £m	Change £m
Expected return	**194**	108	**86**
Experience variances and assumption changes	**28**	(10)	**38**
Modelling and other changes	**14**	83	**(69)**
Total	**236**	181	**55**

Expected return increased to £194m (2022: £108m) primarily as a result of the increase in risk-free rates at the start of the year.

Experience variances were relatively benign in the period. The continued growth in the in-force book combined with careful management of maintenance costs in a higher inflationary environment has resulted in a £30m benefit from a change in long-term expense assumptions.

Modelling and other changes of £14m (2022: £83m) includes a £23m gain from further transfers of a number of existing annuity portfolios into the Matching Adjustment Portfolio (2022: £31m). The gain reflects the increase in the discount rate used to value these liabilities in order to reflect the illiquidity premium relating to the backing assets. 2022 also includes the benefit of the final contribution in connection with closed fund consolidations of £31m.

Contribution from AUM and other businesses

Contribution from AUM and other businesses decreased to £84m (2022: £101m), reflecting changes in the mix of assets under management and changes in the costs of running the business as we expand our capabilities in RLAM.

Business development and other costs

Business development costs increased to £40m (2022: £32m) as we continued to strengthen our propositions in the UK business, such as the development of the pension transfer hub and enhancements to our digital portals. The higher costs also include the impact of a number of new regulatory requirements which required changes to platforms and processes, including the implementation of the new Consumer Duty in the UK.

Strategic development costs

Strategic development costs of £61m (2022: £71m) represent the costs of ongoing investment we are continuing to make across our businesses. This includes £40m of costs in our UK business (2022: £52m) incorporating continuing investment in our Pensions proposition, with the launch of new digital functionality in early 2024, and £15m (2022: £13m) in Asset Management through additional investment to enhance RLAM's core infrastructure and systems as we implemented the BlackRock Aladdin platform. Overall strategic development costs reduced following the completion of our Legacy Simplification programme at the end of 2022.

Corporate items and financing costs

The net charge for Corporate items of £63m (2022: £57m) include the costs of Group-wide regulatory change, strengthening of IT security as well as costs arising from the acquisition or disposal of businesses. They also include costs in relation to the Group's defined benefit pension schemes, which in 2023 includes a small gain resulting from the valuation of the liability arising from the bulk annuity contract issued to the Royal Liver UK pension scheme being lower than the value of the premium transferred. Financing costs of £85m (2022: £75m) represent the interest payable on the Group's subordinated debt and have increased due to the higher interest costs of the RT1 debt issued during the year as compared to the Tier 2 debt that was repaid.

Reconciliation of operating profit before tax to transfer to/(from) the FFA

The transfer to the FFA was £382m (2022: transfer from FFA £162m) with the increase in operating profit before tax also bolstered by positive economic movements.

	2023 £m	2022 £m	Change £m
Group operating profit before tax	**249**	210	**39**
Economic movements	**391**	(446)	**837**
Goodwill (charge)/credit arising from mergers and acquisitions	**(10)**	2	**(12)**
ProfitShare	**(163)**	(155)	**(8)**
Profit/(loss) before tax and before transfer to/(from) the fund for future appropriations	**467**	(389)	**856**
Tax attributable to long-term business	**(85)**	227	**(312)**
Transfer to/(from) the fund for future appropriations	**382**	(162)	**544**

Economic movements

Economic movements represent short-term investment return variances from our longer-term expected return assumptions. During 2023, economic movements were a gain of £391m (2022: charge of £446m), as investment returns were above our longer-term expected return assumptions, contrasting with the prior year loss which reflected the significant market volatility across 2022 and 2023.

Goodwill (charge)/credit arising from mergers and acquisitions

Goodwill arising from mergers and acquisitions comprises amortisation of goodwill relating to investments in our subsidiaries purchased by the Group in prior years and changes in the value of our investments in associates not held as part of our investment portfolio.

ProfitShare

ProfitShare represents an allocation of part of the Group's profits by means of a discretionary enhancement to asset shares and unit fund values of eligible policies.

ProfitShare allocation rates for 2023 were maintained, with total ProfitShare for the year increasing to £163m (2022: £155m). The enhancements to qualifying policies from ProfitShare were 1.2% for existing With-Profits policies taken out prior to 2022 and 0.3% for With-Profits policies taken out subsequently (2022: 1.2% and 0.3% respectively). Unit-linked policies received an enhancement of 0.15% (2022: 0.15%).

Balance sheet

Royal London's balance sheet position is robust. Our total investment portfolio increased in value to £113.7bn (31 December 2022: £104.4bn), as a result of net purchases and increases in fair value primarily in equity and bond asset classes. At 31 December 2023, £1,347m of assets were ring-fenced (31 December 2022: £733m) to back annuitant liabilities net of reinsurance of £1,279m (31 December 2022: £691m). The ring-fenced portfolio of assets includes a mix of corporate bonds, gilts, cash, commercial real estate loans and private placement debt.

Our financial investment portfolio remains well diversified across a number of financial instrument classes, with the majority invested in equity securities and fixed income assets.

A significant portion of our debt securities portfolio is in high-quality assets with a credit rating of 'A' or above. In our non-linked portfolio, 77% (31 December 2022: 80%) of our non-linked debt securities and 69% (31 December 2022: 68%) of our non-linked corporate bonds had a credit rating of 'A' or better at 31 December 2023. There have been no significant defaults in our corporate bond portfolio.

Assets under management

Assets under management (AUM) increased to £162bn (31 December 2022: £147bn) driven by steady levels of net inflows, combined with positive market movements.

	Gross inflows		Net inflows	
	2023 £m	2022 £m	**2023 £m**	2022 £m
External flows	**20,187**	17,104	**3,308**	1,709
Internal flows	**9,717**	9,543	**895**	2,009
Total	**29,904**	26,647	**4,203**	3,718

External net inflows of £3.3bn (2022: £1.7bn) were driven by net inflows of £2.7bn (2022: £2.6bn) into our Global Equity Strategies, including RLAM's first Japanese mandate, representing significant progress in RLAM's growth ambitions, and net inflows of £0.7bn (2022: £nil) on sterling credit and cash products as investors took advantage of increased interest rates. Partially offsetting this was a £0.8bn net outflow on Sustainable funds (2022: £0.1bn) despite strong relative performance during the year following the relatively lower investment returns sustainable funds experienced in 2022.

Internal net inflows decreased to £0.9bn (2022: £2.0bn) following an increase in regular withdrawals on policies in drawdown, with more customers accessing their pensions and an overall increase in average drawdown value.

Investment returns

Over the past 12 months, equity markets have been dominated by interest rates and inflation. Following the emergency support put in place during Covid-19, the global economy has seen a resurgence in inflation, leading major central banks such as the Federal Reserve, European Central Bank and Bank of England to raise rates numerous times.

Equity markets have been focused on the potential end of the rate rising cycle, as well as the possible impact of these rises on global growth and therefore the health of the corporate sector. Most major stock markets produced positive returns over the period in sterling terms, including the US, UK, Europe and Japan.

The backdrop of rising interest rates and inflation meant that global bond yields, including gilts, increased (and therefore prices fell) significantly for most of the period, but rebounded strongly in the final two months of 2023 as markets started to price in interest rate cuts in 2024. Government bonds such as gilts made modest gains. Sterling investment-grade credit markets similarly struggled early in 2023, but a strong final half of they year meant that these outperformed gilts, thanks to the higher yield on corporate bonds.

In this environment, while absolute returns were positive in 2023, the Royal London Main Fund produced positive returns in 2023, outperforming its benchmark, primarily due to the outperformance of our Global Equity and UK Credit asset classes.

As at 31 December 2023, 96% of actively managed funds outperformed their three-year benchmark (2022: 80%).

Pension schemes

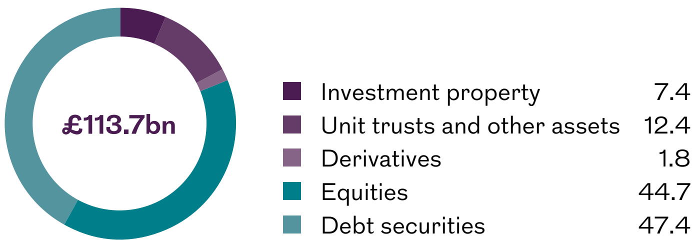
The Group operates three defined benefit pension schemes. The net surplus of the three schemes at 31 December 2023 was £177m (31 December 2022: £207m). The largest scheme, the Royal London Group Pension Scheme (RLGPS), which closed to future accrual of benefits on 31 March 2016, had a surplus of £121m as at 31 December 2023 (31 December 2022: £112m). The scheme remains well funded, with high levels of hedging within the scheme and relatively low allocations to growth assets.

The two remaining schemes operate for former Royal Liver employees. The Royal Liver UK and Royal Liver Ireland schemes had surpluses as at 31 December 2023 of £23m and £33m respectively (31 December 2022: £62m and £33m).

On 24 November 2023, the trustees of the Royal Liver UK Scheme transacted a bulk annuity buy-in policy with RLMIS. This covered all the benefits of the scheme for all deferred pensioners and current pensions (other than any GMP equalisation), removing the investment and longevity risk for these members from the scheme.

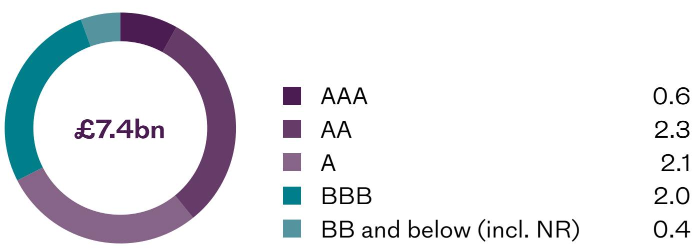
On 31 January 2024, the trustees of the RLGPS Scheme transacted a bulk annuity buy-in policy with RLMIS. This transaction covered approximately 18% of liabilities related to the scheme.

Investment portfolio: 31 December 2023 (£bn)

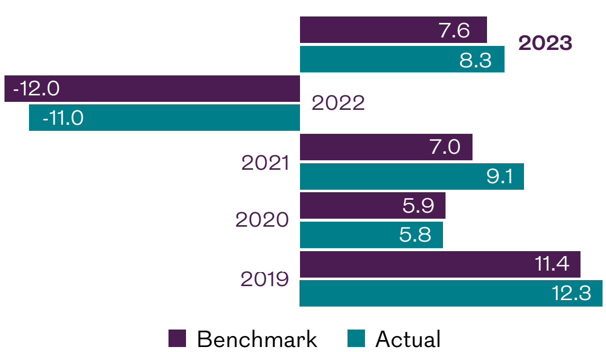


Non-linked debt security portfolio: 31 December 2023 (£bn)

Non-linked corporate bonds: 31 December 2023 (£bn)



Royal London Main Fund with-profits performance (%)



Strength of our capital base

The strength of our capital base is essential to our business, both to ensure we have the capital to fund further growth and to give peace of mind to our customers that we can meet our commitments to them.

Managing our capital base effectively is a key priority for us. In common with others in the industry, we present two views of our capital position: an Investor View for analysts and investors in our subordinated debt, and a Regulatory View where the closed funds' surplus is excluded as a restriction to Own Funds.

At 31 December 2023, the estimated Solvency II Group Investor View capital cover ratio was 218% (31 December 2022: 213%) and the estimated Solvency II Group Regulatory View capital cover ratio was 206% (31 December 2022: 206%). Estimated solvency surplus on both the Group Investor and Regulatory View was £2,880m (31 December 2022: £2,483m).

In May, we issued £350m 10.125 per cent Fixed Rate Reset Perpetual Restricted Tier 1 (RT1) Contingent Convertible Notes, the first time the Group has accessed the RT1 capital market. This issuance improved the Group's funding flexibility and created additional Tier 2 capital headroom. At the same time, we completed a tender offer of our £400m Tier 2 2043 Notes, with £302m having been successfully redeemed, with the remainder being redeemed in November. The reduction in the level of Tier 2 debt removed a regulatory capital restriction at the end of 2022. The net impact of the changes resulted in a 3 percentage point increase in both ratios.

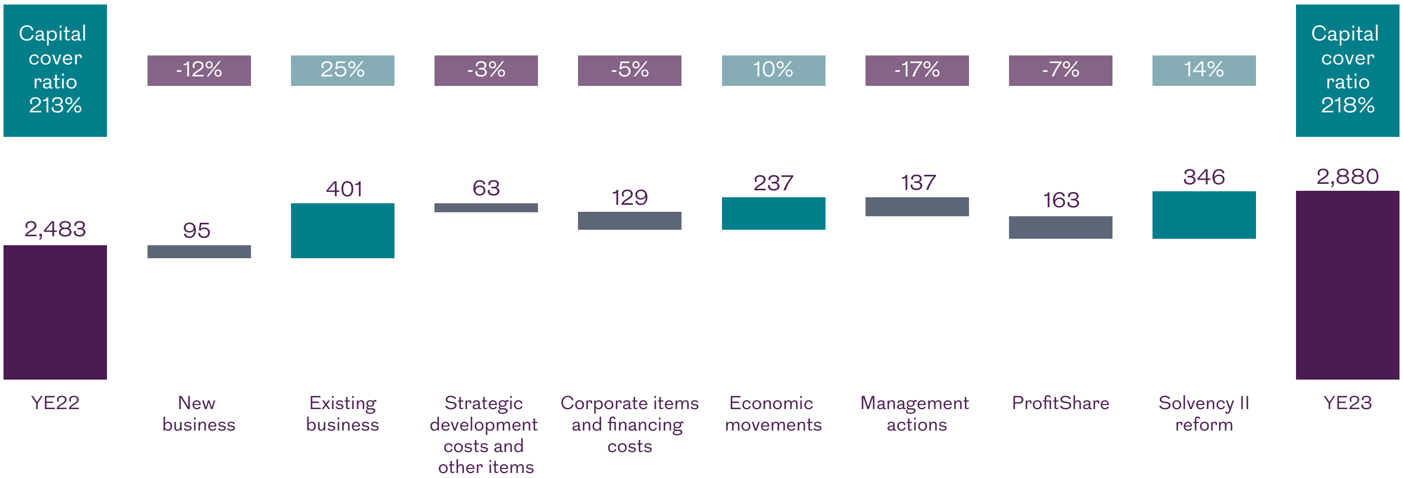
The year-end ratios also reflect a number of other changes in the year, including the benefit of the reduction in the risk margin, following recalculation of the Transitional Measure on Technical Provisions (TMTP), arising from Solvency II reforms which increased both ratios by c.14%, the acquisition of the Aegon UK protection book, and changes to the level of equity hedging within our normal capital management frameworks. The increase in the Regulatory View ratio has been dampened by increases in the capital requirements of our closed fund.

We continue to monitor closely our capital position given market volatility and wider global economic pressures. Scenario testing performed as part of our regular capital management activities has been expanded to consider further scenarios and demonstrates that our capital position continues to be robust under a number of severe but plausible market scenarios.

Capital position and key Solvency II metrics (estimated and unaudited)

Group basis	Investor View £m	Closed funds £m	Regulatory View £m
Tier 1	4,480	2,364	6,844
Tier 2	846	–	846
Tier 3	10	2	12
Total Own Funds	**5,336**	**2,366**	**7,702**
Closed funds restriction	–	(2,095)	(2,095)
Tier 3 Own Funds restriction	(6)	–	(6)
Adjusted Own Funds	**5,330**	**271**	**5,601**
SCR	2,450	271	2,721
Solvency surplus – 31 December 2023	**2,880**	**–**	**2,880**
Solvency surplus – 31 December 2022	2,483	–	2,483
Capital cover ratio – 31 December 2023	**218%**	**–**	**206%**
Capital cover ratio – 31 December 2022	213%	–	206%

Movement in Group Investor View solvency surplus (£m)



Sensitivity analysis of Group Solvency II capital position

Our capital position is sensitive to changes in economic and non-economic assumptions. The 'Solvency II Investor View sensitivities' table sets out a sensitivity analysis of the estimated capital cover ratio and solvency surplus based on possible different scenarios. The results of the sensitivity analysis show that the Group capital position is not materially impacted even in the event of significant external market volatility.

The 2023 Single Group Solvency and Financial Condition Report (SFCR) will be published on our website by April 2024 and will meet disclosure requirements for both the Group and Company.

Solvency II Investor View sensitivities

Scenario[1]	Capital cover ratio (%)	Impact on solvency surplus (£bn)
Base scenario: 31 December 2023	**218**	**2.9**
25% decrease in equity investments	5	(0.1)
15% decrease in property prices	(2)	(0.1)
100bps rise in interest rates[2]	2	–
100bps fall in interest rates[2]	(6)	–
25bps increase in government bond yields[3]	(1)	–
200bps widening in credit spreads[4]	6	–
15% fall in GBP exchange rates[5]	(1)	0.1

1. Sensitivities include movements in the Transitional Measure on Technical Provisions (TMTP), which was formally recalculated at 31 December 2023. The sensitivities do not include any subsequent rebalancing of the asset portfolio.
2. Interest rate sensitivities assume that government and other bond yields and risk-free rates all move by the same amount. Interest rates are allowed to be negative.
3. The government bond yield sensitivity assumes risk-free rates and other yields remain constant. The Matching Adjustment rate and Volatility Adjustment have been reassessed in the stressed scenario.
4. The widening in credit spreads stress assumes a widening in all ratings and an associated increase in the discount rate for the Royal London Group Pension Scheme and Royal Liver pension schemes at 25% of the asset spread stress. The Matching Adjustment rate and Volatility Adjustment have been reassessed in the stressed scenario.
5. The fall in GBP exchange rates stress assumes an increase to the value of assets held in currencies other than GBP by 15% in GBP terms.

Solvency II reform

The proposed reform to Solvency II ('Solvency UK') should allow capital to be used more effectively, while continuing to ensure that customers are protected and providing simplification to processes for insurers in key areas such as Internal Model change and reporting. The risk margin changes implemented at 31 December 2023 highlighted above are the most significant to the Group. The remaining areas of the reforms have been consulted on and we are awaiting the final proposed regulations to be published by the PRA with expected implementation over 2024. The broadening of the eligibility requirements for the Matching Adjustment ('MA') portfolio to allow the inclusion of assets with 'highly predictable' cash flows should help widen the potential range of investments used to back annuities. We do not expect any significant impact on our current MA portfolio or capital ratios from the MA changes given the size of our portfolio.

Rating agencies

Assessing the financial strength and stability of financial services companies is a complex undertaking, and rating agencies are one way of providing an independent assessment of Royal London and its financial position. Two leading agencies, Standard & Poor's (S&P) and Moody's, regularly issue ratings on us.

We carry an 'A' rating from S&P Global Ratings with a stable outlook and 'A2' rating with Moody's also with a stable outlook.

Tax

We are a major taxpayer and recognise that taxation is an essential way businesses and citizens contribute to society.

Tax contribution by Royal London (£m)

UK and Irish transaction taxes	5
UK and Irish corporation tax	2
UK and Irish employment taxes	121
UK and Irish VAT	71
UK and Irish tax deducted at source	358
Other UK and Irish taxes	3
Overseas withholding taxes	6

How Royal London is taxed

We are subject to various taxes, including corporate taxes, employment taxes on salaries and indirect taxes such as VAT. The corporation tax that the Company pays is a proxy for policyholder tax liabilities, paid on behalf of certain life assurance policyholders. For these life policies, tax is charged on taxable income, less expenses, and is largely driven by market movements. This tax is paid directly to HMRC by the Company as corporation tax on behalf of policyholders.

For pension policies, returns to the policyholder accumulate without incurring a similar corporation tax charge. This is part of the UK government's strategy of incentivising saving for retirement. Tax is paid directly by the pension policyholder when they receive their pension.

In 2023, the total tax contribution of the Group was £566m (2022: £545m).

The Group's total tax contribution is made up of the taxes borne and collected in the period. Taxes borne are the taxes incurred by the Group, in the period, that impact on our results. Taxes collected are those administered by the Group and collected from others for onward payment to HMRC and other tax authorities. In 2023, taxes of £92m (2022: £122m) were borne by the Group[1] and the Group collected £474m (2022: £423m) of taxes on behalf of the tax authorities.

1. During the period there was a net repayment of UK corporation tax driven by prior years. This repayment has been excluded from the numbers above.

Risk overview

> "We have a dynamic and adaptive approach to managing risks. This means that we can respond to increasing or new exposures, assess the threats or opportunities and adjust our approach accordingly."

Dr James McCourt
Group Chief Risk Officer

Overview

There are a range of financial, operational and conduct risks that could impact the Group. Effective identification of these exposures means we can take appropriate action to reduce their impact. This in turn helps us to deliver good outcomes to customers, grow our business and meet our regulatory obligations. Our risk management system is central to this process as it delivers the tools we need to manage our risks. I lead a second-line Group Risk and Compliance (GR&C) function which owns the organisation's risk management system and provides independent oversight and challenge of business risks.

Ultimately, the Board has overall responsibility for the Group's risk management and internal control systems. The Board sets the strategy, preferences and appetite limits for managing the risks that impact the Group. I work alongside the Board to deliver an informed and insightful risk assessment which supports decision making. We have a dynamic and adaptive approach to managing risks. This means that we can respond to increasing or new exposures, assess the threats or opportunities and adjust our approach accordingly.

The Group's formal structure of committees oversees our risk reporting to the Board. The committees offer insight and challenge on the key risks, helping the Group to manage them appropriately and ensuring that they remain within the defined limits.

Our risk management approach

Our risk management system

This is designed to help us manage our risks effectively and includes our risk appetites and policies. It is underpinned by a strong risk culture.

We define **risk appetites** to quantify the nature and level of risk we are prepared to accept to deliver our strategy. Our risk appetites are aligned to our Group Purpose and strategy and are approved by the Board.

Our **risk policies** outline the way we manage and control risks to within appetite.

Our risk culture is how we describe our shared collective values, behaviours and attitudes towards risk management. It is best demonstrated in the execution of the duties and responsibilities that are outlined in our risk policies.

Our 'three lines' model

Effective risk management in day-to-day activities and decision making is demonstrated across our 'three lines' model. The model defines the ownership of and responsibilities for risk and provides internal assurance on our risk management practices.

First line (business units and Group functions) is accountable for identifying, measuring, reporting, managing and mitigating all risks relevant to its area of business. This includes the design and operation of suitable internal controls and the allocation of risk and control responsibilities.

Second line (an independent Risk and Compliance function) provides specialist advice, oversight, challenge and assurance.

Third line (a Group-wide Internal Audit function) provides independent assurance and advice and has a reporting line independent of our executive management.

We define and manage our accountabilities for all roles in line with the SMCR requirements.

The Group's risk governance structure

Risk-related responsibilities of the Board

Board

Responsible for the Group's risk strategy, risk preferences and risk appetite statements.
It is also responsible for establishing and maintaining a framework of prudent and effective controls.

Risk responsibilities of the Board Committees

Risk and Capital Committee

Supports the Board in managing the Group's risk and capital position and in complying with prudential and conduct regulations.

Audit Committee

Supports the Board in overseeing the Group's financial and regulatory reporting, financial controls, and internal and external audit arrangements.

Remuneration Committee

Supports the Board in determining and implementing the Group's Remuneration Policy and the compensation of key senior management.

Risk responsibilities of management

Group Executive Risk Committee

Supports the members of the Group Executive Risk Committee in discharging their regulatory responsibilities in respect of financial, operational and conduct risk management. This includes monitoring strategic risks, emerging risks, and aggregate Group exposures that may impact the Group's risk appetite, and instructing action where needed.

Capital Management Committee

Supports the Group Chief Financial Officer by considering and developing proposals and recommendations in respect of the following:

- economic and regulatory landscapes
- balance sheet risk
- hedging strategies involving derivatives
- risk appetite oversight related to market, credit and liquidity risks
- Matching Adjustment portfolio
- review of policies
- new and emerging risks.

Internal Model Governance Committee

Supports the Group Chief Risk Officer by developing proposals and recommendations designed to deliver and maintain an Internal Model that accurately reflects the business structure and risk profile.

Group risk appetite framework

Our risk appetite framework is a key element of our overall risk management system and consists of three components:

1. The risk strategy

The strategy, along with risk preferences, defines the risks we aim to take or avoid in the pursuit of our business objectives. It also sets the boundaries within which our risk appetites operate.

2. Risk appetite statements

These explain how much risk we are prepared to be exposed to, and why, in relation to each risk category outlined in the risk strategy.

3. Risk metrics

The metrics help to measure the amount of risk we are exposed to against risk appetite. Each metric is designed to provide an early warning of when we are approaching our risk appetite limits.

High-level risk appetite categories

The risk appetite statements and metrics are constructed around the five high-level risk appetite categories below, which are considered core to our business:

Capital

We will maintain a robust capital position supported by good-quality assets.

Liquidity

We will maintain sufficient liquidity to retain customer and member confidence, even in foreseeable but extreme scenarios.

Insurance

We will apply strong insurance risk management disciplines for new and existing business.

Strategic

We will deliver on a strategy that is aligned with our Purpose and responds to our operating environment.

Operational

We will operate strong controls to minimise the risk of harm to our customers, damage to our reputation or adverse impacts on our capital position. We will make risk-based decisions that are aligned to our Purpose.

Anti-corruption and Anti-bribery

We are committed to the highest standards of:

- governance, personal and corporate ethics
- compliance with all laws and regulations
- integrity and honesty in dealings with employees, customers, suppliers and other stakeholders.

We have a Financial Crime policy, which sets out the framework for managing crime arising from bribery and corruption, fraud, money laundering and market abuse. A Financial Crime team operates within our GR&C function to monitor adherence to this policy.

We screen our policyholder, employee and supplier databases on a regular basis against the sanctions lists issued by the US, EU and UK governments to ensure compliance with applicable laws and regulations. We also screen the databases against relevant politically exposed persons and adverse media lists to identify higher risk situations and meet our regulatory obligations.

Internal Model

Our PRA-approved Internal Model enables us to measure the financial and operational risks to our business. This activity ensures we hold sufficient capital to cover those risks. Our integrated risk and capital management processes enable effective risk-based decisions using strong capital modelling and internal controls.

The Board's review of our system of internal control

The Board is responsible for the system of internal control as well as for reviewing its effectiveness. Throughout the year, the Board reviewed the Group's risk management system and internal control system effectiveness. This review considered matters arising up to the date of approval of this Annual Report and Accounts.

The Board's review covered material business, financial and risk management controls. It was conducted through challenge of Board, and Risk and Capital and Audit Committee reports, and those prepared during the year end process. We have made continued progress on our areas of focus, including cyber security, which remains a complex and evolving area of our risk landscape and on our resilience to operational events that may impact our ability to maintain services to customers. The Board retains specific focus on the Group's change agenda, control environment and operational resilience.

Principal risks and uncertainties

The Group's principal risks and uncertainties are set out on the following pages. The Risk and Capital Committee reviews the principal risks and uncertainties annually in advance of the publication of our Annual Report and Accounts. It also considers any material changes ahead of the publication of our interim report. This section summarises our principal risks and uncertainties, and details how we identify, manage and monitor them. It also provides an assessment of the Group's change in risk exposure since our 2022 Annual Report and Accounts.

Specifically, new and evolving external factors will change the nature of the risks we are exposed to. Recent years have seen significant new risks emerge, notably the Covid-19 pandemic, war returning to Europe as a result of the conflict in Ukraine, and the more recent conflict in the Middle East. These factors have all played a part in creating a complex economic environment which has resulted in:

- changes in consumer behaviour, reduced business volumes, and volatility in investment values and profitability across the industry
- a rise in fraudulent activities and cyber crime
- further increases in mortality and persistency, affecting funding commitments.

These specific risk themes are considered across our principal risks and uncertainties, with appropriate mitigation action in place to keep our business and customers safe.

Climate change

Climate change has the potential to affect the Group across multiple risk categories. For example, it is important that we:

- appropriately manage climate-related impacts on market risk
- develop or modify propositions in line with changing government or regulatory policy and/or market sentiment
- effectively report our response to climate change to meet evolving disclosure requirements
- effectively and transparently communicate our climate-related activities, including associated dependencies and limitations
- meet our climate commitments.

In addition to these examples, the Group is exposed to a range of other financial, strategic and operational risks relating to climate change.

Further information on the potential risks and opportunities that climate change poses to our business is included on pages 29 to 35.

Mitigation and management

Our approach to managing climate risks is outlined in detail on pages 29 to 35. In 2023, progress included:

- developing our Climate Transition Plan to set out how we will make progress towards our climate commitments and prepare for regulatory requirements
- updating the analysis of climate change scenarios in our ORSA exercise and strategic asset allocation processes
- evolving our incentive frameworks to include targets that track the delivery of key climate commitments, including engagement on investees' net zero and just transition plans
- building internal skills to identify, assess and mitigate climate-related risks, through the development of our capability plan
- enhancing our executive climate risk reporting to increase internal visibility of how climate risks are managed in aggregate across the business
- reviewing our Stewardship and Engagement and Voting policies
- developing our policymaker engagement plan to support our climate commitments.

Change

The need for collective and urgent action to mitigate climate risks remains a priority. Several factors across the external landscape are converging now to drive an increasing level of climate risk exposure.

The UN's Intergovernmental Panel on Climate Change, in its 2023 Synthesis Report, highlighted the increasing likelihood of compounding, complex and large adverse impacts:

"Every increment of global warming will intensify multiple and concurrent hazards."

In this context, scrutiny of companies' climate targets is increasing, with greater regulatory and commercial pressure for transparent transition planning.

Our ongoing activities, including the development in 2023 of our Climate Transition Plan, reflect our continued commitment to manage climate risks and help our customers and members advance towards a sustainable future.

Through our management of climate risks, we continue to be well positioned to withstand associated impacts to our capital position and strategy.

The economy and Royal London's key markets

Changes in market conditions can affect the Group's capital position, profitability and long-term investment performance. The economic environment can be influenced by:

- geopolitical conditions, including international unrest and war between nations
- government actions, including sanctions and trading restrictions
- inflationary pressures and corresponding monetary and fiscal policy
- intervention by central banks and regulators
- market and sector sentiment.

Impacts on the Group's key markets can be driven by:

- changes in the distribution landscape, such as adviser consolidation, advisers developing in-house solutions and advisers evolving back-office technology
- changing socio-economic trends, including customers wanting to deal with providers directly, make transactions using a mobile app, and heightened data security concerns
- competitor pressure applied through pricing, innovation and operational efficiency.

Economic and market movements present both opportunities and challenges to our business model.

Mitigation and management

We regularly monitor exposures by risk class and consider possible risk concentrations. We measure these with reference to counterparty exposure limits. This enables us to evaluate scenarios where we may be exposed to asset and liability values moving differently. This in turn allows us to have a good understanding of the impact these exposures may have on our risk profile.

We complete regular reviews so that we develop strategies and operational capabilities to consider:

- current and future changes in markets
- consumer and adviser behaviour.

We monitor our product range and market position regularly through analysis of policyholder experience and business volumes. This helps us to re-price and develop new products dynamically in response to changes in demand.

We also monitor changes that affect consumer behaviour through our emerging risk profile.

We evolve our strategy to differentiate our products in our chosen markets, while continuing to deliver good outcomes to our customers.

Change

Inflation is falling but remains higher than the UK government's target. In addition, the ongoing wars in Ukraine and the Middle East continue to amplify economic instability.

The Bank of England has warned consumers that elevated interest rates, relative to those prevailing for the past decade, can be expected to persist for at least the next two years. Latest forecasts note that this will dampen economic growth in the UK. This is continuing to manifest in cost of living challenges for our UK customers.

While worries about a deep recession have largely gone away, the prospects of higher interest rates compared with recent years, continued political uncertainty, including a high volume of national elections scheduled to take place around the world in 2024, and low productivity will continue.

Key

Increased risk   No change   Decreased risk

Changing political and regulatory environment

Changes to our domestic, political and regulatory environment can affect our business in several ways. These can adversely impact:

- the prospects for financial markets and the UK economy
- our ability to deliver change
- our reputational, operational, conduct and financial position if we fail to keep pace with regulatory developments
- how we develop and distribute new propositions, and administer and deal with contracts sold in the past.

The political environment may give rise to changes that alter the viability of our propositions in our chosen markets. Examples could include a broadening and/or tightening of the rules applied to workplace pensions and changes to tax-free allowances for pension contributions.

Mitigation and management

We continually evaluate the effect political and regulatory changes have on our business and the markets we operate in. This allows us to develop propositions that are compliant with regulations and continue to meet the needs of customers and distributors.

Our conduct risk framework is in place, alongside an associated proposition process designed to deliver good outcomes for our customers.

We continue to have representation on industry bodies, including senior committees of the Association of British Insurers, and respond to consultations on regulatory changes.

We undertake scenario testing of external factors that could adversely impact our business model. These include potential regulatory changes to pension charges and tax relief. We also seek to influence the course of political and legislative issues in a way that we consider to be in the best interests of our customers.

Change

The political landscape in 2023 has been more stable than the prior year. However, it is expected that a UK general election will be held in 2024. A potential change in government, and subsequent changes in policy, could adversely impact the financial services industry. Cost of living challenges persist for many. Inflation, while falling, continues to be higher than government targets and interest rates have increased rapidly over the last 18 months.

The FCA's Consumer Duty has set higher and clearer standards of consumer protection across financial services and requires firms to put their customers' needs first. Regulated firms are expecting more intrusive scrutiny as a result of these strengthened requirements.

There are also ongoing changes relating to the future regulatory framework, including those in relation to Solvency II, the structure of authorised funds, climate disclosures and the advice/guidance boundary consultations. The current pace of legislative change needs to be managed safely across the industry. We remain an active participant in industry discussions around these reforms.

Key

Increased risk **No change** **Decreased risk**

Maintaining our operational resilience

A range of events may lead to the disruption or failure of our core processes and operational capabilities. These events may cause reputational damage and/or operational loss.

Significant external change could impact the adaptability of our organisational capabilities to operational changes. These external changes could relate to our markets, or the regulatory and legislative landscapes. This could also result in future ineffective organisational delivery and potential remediation activity.

Cyber security threats present a persistent risk to the Group's data and systems. Disruptive attacks, such as ransomware, are a lucrative revenue source for criminals. There is an increasing risk from national state attacks, particularly as the war in Ukraine exacerbates geopolitical divisions.

In line with other large financial services organisations, we have several material relationships with third parties. Any issues with our third-party suppliers, for example a degradation in service, could affect our ability to deliver good customer outcomes.

Mitigation and management

The Board regularly reviews our strategic and operational plans. Specific change programme monitoring and reporting exists at a project, programme, portfolio and strategic level. We use a dashboard of measures to make appropriate risk-based decisions and prioritise and allocate resources. Our most significant strategic transformation and change programmes have multiple levels of assurance built into their internal management and governance. These programmes are also subject to independent oversight by our Group Internal Audit and Group Risk and Compliance functions. A specialist external partner further strengthens this oversight.

We continue to invest in our security systems to strengthen them beyond our core controls and reduce vulnerabilities. Our security is proactive, with advanced monitoring, prevention and testing. Cyber security awareness is a key part of our training, with exercises and testing of effective security culture. As part of this, we perform several stress test exercises and continue to review and test cyber risk developments regularly.

We have a framework for the governance and oversight of material outsourcer and supplier arrangements. This includes the requirement for Executive and Board approval prior to their engagement. We also have policies and processes to oversee third parties, and to escalate risks and issues as appropriate to the relevant risk committees. There is a dedicated Supplier Relationship Manager for all material outsourcer and supplier arrangements. This is to ensure that services are provided in line with the Group's Procurement and Third-Party Management policy. The governance arrangements for material outsourcers require that our customers do not face an increased level of risk due to an outsourced arrangement.

Change

The war in Ukraine has increased the threat of national state-sponsored cyber attacks. All industry sectors have seen a marked and persistent increase in ransomware attack activity since the war began in February 2022. As such, we continue to focus on our cyber resilience and remain on a heightened state of alert. We also regularly assess our cyber resilience posture, using intelligence from the National Cyber Security Centre and other sources.

Our change programmes continue to have appropriate governance and oversight to monitor and manage this risk. Operational resilience remains a high priority. Investment to modernise our infrastructure continues and we are also strengthening our response capability to deal with unexpected disruption.

Overall, our outsourcing risk remains stable and continues to be managed through our framework. However, increasing cyber threats are also heightening the risks to outsourcers' security. As our outsourcers represent targets for cyber criminals, we have taken steps to enhance our assessment process to evaluate outsourcers' approach to cyber threats.

Maintaining our financial strength

Failure to appropriately manage our risks could adversely impact our financial position, long-term viability and our ability to meet our ongoing financial obligations. These obligations include meeting customer liabilities and resourcing the business sufficiently to deliver our strategy and comply with regulatory requirements. The financial risks that we are exposed to include:

- an increase in our funding commitments for defined benefit pension schemes
- failure or default of one or more of our counterparties
- materially understating our reserves or our assessment of capital requirements following experience, regulatory or legislative changes
- the use of assumptions that are subsequently proven to be wrong, resulting in a significant financial correction.

Mitigation and management

We assess the ability of the business to withstand 'severe but plausible' financial scenarios as part of the longer-term viability statement on page 67.

We monitor financial risks as part of the normal course of business. Our internal Pensions team supports the trustee boards to identify, assess and implement initiatives. These initiatives aim to reduce volatility and risk in our defined benefit pension schemes.

We govern our third-party contracts with strict service-level agreements. We also report on limits in respect of investments.

We use our experience to assess and set prices for known risks and ensure that reserves are appropriate. Stress and scenario testing underpins the calculation of reserves. It also assesses the appropriateness of key assumptions to a combination of extreme events. If actual claims experience is less favourable than we envisage, our reinsurance arrangements will mitigate significantly.

Change

There is instability and uncertainty within the external market. However, the Group continues to maintain a robust capital and liquidity position. This position remains resilient under various stresses and scenarios.

We manage our financial strength through our risk management framework. We take actions where appropriate across our risk profile.

Emerging risks

We define an emerging risk as a threat or opportunity that could emerge from the external environment. The potential impact of these risks is not fully known. They can create new exposures or increase our existing exposure to known principal risks and uncertainties.

Throughout the year we review the Group's emerging risks and assess how these could affect our strategy and existing risk profile. These assessments are formed through input from strategic risk owners and subject matter experts from across the business. The profile incorporates risks that could affect our strategy now and emerging drivers that could impact on our strategy in the future. Once identified, the risks are managed in line with our emerging and strategic risk management framework and monitored at our Emerging and Strategic Risk Forum.

Our strategic and emerging risk profile is regularly reviewed by our Group Executive Risk Committee. Examples of emerging risks that are kept under close watch include:

- further expansion of the wars in Ukraine and the Middle East or areas of influence, leading to a step change in global geopolitics
- potential threats that generative artificial intelligence may pose to society, balanced against the many opportunities that it could present
- an acceleration of industry dialogue and expectations around nature and biodiversity
- intergenerational imbalances drive increasing dependencies on the working population to support an ageing, non-working population.

Key

Increased risk **No change** **Decreased risk**

Longer-term viability statement

Assessment of needs

The context for assessment

Since we were founded more than 160 years ago, our business model has focused on achieving long-term value for our members and customers. Alongside our strategy, it remains integral to assessing the Group's prospects.

Our risk appetite framework is fundamental to monitoring and maintaining our continued viability. In particular, our framework sets out that we will maintain a strong and credible capital position that is robust even in severe but plausible circumstances. This is supported by effective liquidity management that protects our customers in periods of volatility.

The assessment process

The Group's prospects are assessed primarily through its strategic and business planning process, which is led by the Group Chief Executive Officer, and involves all major functions and business units.

The Board undertakes a robust review and challenge of the strategy and assumptions, in particular through stress and scenario testing which considers the impact of economic and business-specific risks. Further details on the scenarios considered can be found in the 'Approach to stress testing section below'. Under all these scenarios, Royal London has sufficient excess assets to cover its Solvency II capital requirements, and sufficient liquidity.

The Board continues to carefully consider the impacts on the Group capital and liquidity position of wider macroeconomic factors, including the ongoing geopolitical tensions in Ukraine and the Middle East, higher interest rates and increased costs of living. Our hedging strategy has ensured that our capital position has remained robust, despite this market volatility. Increased collateral calls driven by increases in interest rates have been managed within the Group's existing liquidity and collateral arrangements and the Board continues to ensure that the management of this risk is robust. The risk surrounding the development of these and other significant external events is set out in the 'Principal risks and uncertainties' section on pages 62 to 66.

The directors have no reason to believe the Group will not be viable over a longer period, but they consider the three years up to 31 December 2026 to be the period during which they can form a reasonable expectation of the Group's longer-term viability.

Three years is considered an appropriate period because the ability to forecast for any longer period is more challenging due to uncertain future changes in the economic, technological and regulatory environment. Three years is within the period covered by the Group's business plan, which includes in-depth analysis of the Group's risk profile, liquidity, and profit and capital projections.

Approach to stress testing

As part of our business planning and ORSA processes, the directors have considered a range of qualitative economic scenarios – both adverse and favourable – as well as a series of scenarios that consider wider market, insurance and operational risk events. Each scenario is designed to be severe but plausible, and to take account of the availability and likely effectiveness of potential mitigating actions that management could carry out to avoid or reduce the impact.

These scenarios include:

- a range of sensitivity analyses and stress tests over key economic, insurance and operational risks – for example, adverse impacts from financial markets, significant counterparty failure or a significant medical science advance. As part of the scenarios, the impacts of Royal London's hedging strategy in mitigating some of the effects is considered.
- stress testing the business plan, as part of the Group's ORSA process over a number of years, for adverse scenarios impacting profitability, liquidity and/or solvency including:
  - scenarios considering the key insurance risks the Group faces, for example, persistency, longevity and expenses
  - operational risks arising from the Group's data and processes
  - regulatory changes
  - a wide range of economic scenarios (adverse and favourable), including scenarios considering the prolonged effects from the cost of living pressures and subdued financial markets. These economic scenarios incorporate a tightening of monetary policy, falls in both interest rates and inflation with significant negative returns in both equity and property markets in the short term
  - the effects of climate change on economic and insurance risks.

The scenarios are often a combination of stresses resulting in a severe aggregate outcome. In determining the final impacts of the scenario, the extent to which management actions can be taken to restore the solvency position of the firm are also considered. In considering the effectiveness of such actions, the conclusions of the Board's regular monitoring and review of risk and internal control systems are taken into account.

Reverse stress tests have also been conducted, which identify scenarios that may lead to the failure of the business model. The combinations of events required to cause failure of the model are extremely severe and consequently are so remote that they are not considered to affect the directors' expectations of the Group's longer-term viability.

Viability statement

Based on their robust assessment of the principal risks and uncertainties facing the Group and the stress testing based assessment of the Group's prospects described above, the directors confirm that they have a reasonable expectation that the Group will be able to continue in operation, and meet its liabilities as they fall due, over the period to 31 December 2026.

Going concern

The directors are satisfied that the Group has adequate resources to continue in business for at least 12 months from the date of approval of the financial statements. Therefore, the directors consider it appropriate to prepare the financial statements on a going concern basis, as explained in note 1 (a) to the financial statements on page 125.

The Strategic report on pages 2 to 67 was approved by the Board and signed on its behalf by:

Barry O'Dwyer
Group Chief Executive Officer

7 March 2024

Statement of compliance with the UK Corporate Governance Code

Given its mutual status, the Company is not required to comply with the 2018 UK Corporate Governance Code (Code). Nevertheless, during 2023, the Board continued to believe that it should use the principles and provisions of the Code, which is available at www.frc.gov.uk, as the benchmark for its corporate governance framework and governance reporting to stakeholders. Certain of the Code's provisions, specifically those linking executive remuneration to long-term shareholdings, cannot be applied by the Company as it has no share capital. However, the principle of linking reward to long-term member interests has been applied in the Group's remuneration policy. Other provisions, where the Code envisages engagement with shareholders, have been adapted to cover engagement with members.

Taking account of such areas where the Code principles and provisions cannot be directly relevant but can be applied as adjusted, the Board believes that the Company has continued to comply with the principles of the Code, as adapted to reflect the Company's mutual status. Details as to how the principles and provisions have been applied are available throughout the Annual Report and Accounts.

With respect to our approach to Provision 5, the Code suggests three methods for engagement with the workforce and allows companies to adopt alternative arrangements. The Board has opted for bespoke engagement mechanisms and considers these to be effective. All directors have taken responsibility for engagement with the workforce. This engagement is facilitated through a number of workforce forums that provide feedback and opinions that are reported to the Board during the year, and also in Board members' direct participation in live exchange forums alongside the executive. You can read about our bespoke approach on page 19.

Governance framework

The Board has established a governance framework which is closely aligned to the Group's Purpose and strategy, enabling the Board to have effective oversight of the Group.

Board

The Board oversees the effective delivery of the Matters Reserved to it in its terms of reference and is responsible for promoting the long-term sustainable success of the Group in a manner that seeks to generate value for its members while taking account of the interests of its stakeholders, the impact it has on the environment, and its contribution to the wider society.

The Board sets the Group's strategy and objectives in line with its Purpose and monitors implementation of these by the Group's executive, while overseeing the maintenance of the Group's effective systems of risk management and controls. During 2023, the Board appointed a Deputy Chair, whose role is to provide support and guidance to the Chairman and the Senior Independent Director, and to lead a Board meeting, or meet with key stakeholders, when the Chairman is not available.

Chairman

Leads the Board to ensure it functions effectively, while encouraging open debate, constructive discussion and decision making, and is the Board's principal spokesperson.

Group Chief Executive Officer

Leads the day-to-day management of the Group, within authorities delegated by the Board, to meet its Purpose and to implement the Group's strategy and objectives with an inclusive culture, strong values and in line with ethical and regulatory standards.

Non-executive directors

Participate fully in the Board's decision making and provide advice, support and challenge to the Group Chief Executive Officer and senior management as appropriate.

Senior Independent Director

Supports and acts as a sounding board for the Chairman and is available to act as an intermediary for stakeholders and other directors.

Audit Committee

Supports the Board in overseeing the Group's financial and regulatory reporting, financial controls, and internal and external audit arrangements.

Read the report on pages 81 to 85

Disclosure Committee

Supports the Board in the announcement and publication of key market and member information, and financial and regulatory information.

More details are available on page 75

Investment Committee

Supports the Board in managing financial investments held as principal in a manner that is consistent with the Company's Investment Philosophy and Beliefs.

Read the report on pages 94 to 95

Nominations and Governance Committee

Considers and recommends the appointment of members of the Board and committees, as well as certain subsidiary directors and senior executives, and ensures the Group is managed to high standards of corporate governance.

Read the report on pages 86 to 89

Remuneration Committee

Supports the Board in determining and implementing the Group's Remuneration Policy and the compensation of key senior management.

Read the report on pages 96 to 98

Risk and Capital Committee

Supports the Board in managing the Group's risk and capital position and in complying with prudential and conduct regulations.

Read the report on pages 90 to 91

Independent Governance Committee

Acts independently of the Board to assess the ongoing value for money provided by the Group to its Workplace Pension and Investment Pathway customers. The committee operates in accordance with the requirements of the FCA's Conduct of Business Sourcebook, section 19.5.

More details are available on page 75

With-Profits Committee

Advises the Board in considering the interests of policyholders with an entitlement to a share in the profits of the Group and on the achievement of fair treatment of those policyholders. The committee operates in accordance with the requirements of the FCA's Conduct of Business Sourcebook, section 20.5.

Read the report on pages 92 to 93

Group Executive Committee

Supports, in accordance with the designated SMCR roles of its members, the Group Chief Executive Officer in the day-to-day management of the Group's business and affairs.

Our Board

Kevin Parry OBE
Chairman

Skills and experience

Kevin Parry is a chartered accountant and has deep financial services experience as an executive and non-executive director encompassing life insurance, banking and asset management. His former appointments include as a non-executive director and Audit Committee Chairman at Schroders plc, and subsequently as its Chief Financial Officer, Chief Executive of Management Consulting Group plc and a managing partner at KPMG. He has also served as Chairman of Intermediate Capital Group plc, Senior Independent Director and Chairman of the Audit Committee at Standard Life Aberdeen plc and non-executive director of Knight Frank LLP.

External appointments

He is currently the Chairman of Nationwide Building Society. He is also a non-executive director of Daily Mail and General Trust plc, Chairman of its Audit and Risk Committee and member of its Investment and Finance Committee. He is master of the Worshipful Company of Chartered Accountants in England and Wales and a trustee of its associated charity. He was awarded an OBE in 2017 for services to supporting vulnerable children.

Lynne Peacock
Deputy Chair, Independent Non-Executive Director

Skills and experience

Lynne Peacock has extensive senior management experience, much of which she obtained within the financial services industry, and expertise in chairing and serving on remuneration committees. She has previously served as a non-executive director of Nationwide Building Society, Jardine Lloyd Thompson plc, Standard Life Aberdeen plc and Scottish Water. During her executive career, she was the UK Chief Executive Officer of National Australia Bank, and prior to that, she was the Chief Executive Officer of Woolwich plc on completion of its takeover by the Barclays Group in 2000.

External appointments

She is currently the Senior Independent Director on the boards of Serco plc and TSB Banking Group plc, a board member at International Distributions Services plc (formerly Royal Mail plc), and chairs the charity Learning Disability Network London Limited.

Tim Tookey
Senior Independent Director, Independent Non-Executive Director

Skills and experience

Tim Tookey is a chartered accountant with strong experience in major retail financial services organisations and has significant board experience. He was Chief Financial Officer of Quilter plc (previously known as Old Mutual Wealth Management Limited). Other former appointments include his role as Chief Financial Officer at Friends Life Group Limited, a position he held from 2012 until the sale of the business to Aviva in April 2015, Group Finance Director of Lloyds Banking Group (2008-2012) having been appointed Deputy Group Finance Director when he joined the bank in 2006, Finance Director of Prudential plc's UK business and Group Finance Director at Heath Lambert Group. He also served as a non-executive director of Nationwide Building Society, including as Chair of its Risk Committee, until his retirement from the board in July 2022.

He was appointed as our Senior Independent Director on 1 January 2024, succeeding Ian Dilks.

External appointments

None.

A	**Audit Committee**	**NG**	**Nominations and Governance Committee**	**WP**	**With-Profits Committee**
D	**Disclosure Committee**	**R**	**Remuneration Committee**	■ (teal)	**Chair of Committee**
I	**Investment Committee**	**RC**	**Risk and Capital Committee**	■ (purple)	**Member of Committee**

Barry O'Dwyer
Group Chief Executive Officer

Skills and experience

Barry O'Dwyer is an actuary with extensive financial services experience in the UK and Ireland. He began his career at Standard Life in 1988, when it was a mutual. In 2008, he moved to HBOS and shortly afterwards to Prudential UK & Europe, where he became Deputy Chief Executive Officer. He returned to Standard Life in 2013, where he became Chief Executive Officer of Standard Life's platform, pensions and savings businesses. He joined the Board of Standard Life plc in 2017. Following Standard Life plc's merger with Aberdeen Asset Management, he was the head of Standard Life Aberdeen's UK business, before joining Royal London in 2019.

External appointments

He is currently a member of the board of the Association of British Insurers and a non-executive director of Coop Exchange Limited.

Daniel Cazeaux
Group Chief Financial Officer

Skills and experience

Daniel Cazeaux is a chartered accountant. From 2008 to 2020, he was a partner at KPMG in the UK, where he led global client teams delivering audit services to UK and global insurance companies, as well as advising on finance change programmes and transactions. In his time at KPMG he also performed executive secondment roles into finance functions of large UK insurers, which enabled him to develop deep-rooted specialist and commercial expertise in the financial services industry. He currently serves as a director of Royal London Insurance Designated Activity Company, Royal London's business in Ireland.

External appointments

None.

Kal Atwal
Independent Non-Executive Director

Skills and experience

Kal Atwal is a strategy leader with international experience in start-up, scale-up, fintech and digital businesses. She began her career at Ernst & Young on placement in Madrid, after which she held a number of operational and strategic roles with Southern Derbyshire Chamber and Northcliffe Media Ltd. She joined BGL Group when the company took over Bennetts, the motorcycle insurance business, where she held the position of managing director. She then became the founding managing director of comparethemarket.com, a division of BGL. Until late 2023, she was also a non-executive director of WH Smith plc, Admiral Financial Services Limited and SimplyCook Limited.

External appointments

She is currently a non-executive director at Whitbread plc, where she is a member of the Remuneration and Nomination Committees, and OSB Group plc, where she is a member of the Group Remuneration and People Committee. She is also the Chair of FunkyPigeon.com, a subsidiary of WH Smith plc.

Baroness Ruth Davidson PC
Independent Non-Executive Director

Skills and experience

Baroness Davidson has extensive experience in the political frontline, leading the Conservative Party in Scotland and playing key roles in the referendum campaigns surrounding Brexit and Scottish independence. A regular attendee at political cabinet, she was a key adviser to two Prime Ministers on constitutional issues. She was appointed to the Privy Council in 2016 and joined the House of Lords in 2021 as Baroness Davidson of Lundin Links. She is committed to championing better environmental, social and governance practices and has worked extensively in promoting diversity across a wide range of organisations. Before entering politics, she worked in journalism, first in newspapers and then in radio and television, including with the BBC as a presenter of news and current affairs. Until early 2023, she was a trustee of the HALO Trust.

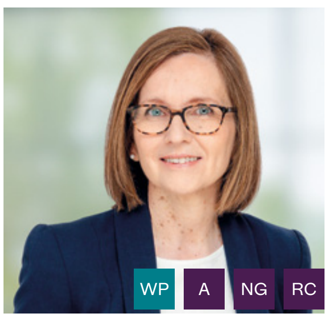
External appointments

She is currently a board member of The John Smith Centre for Public Service at the University of Glasgow, and non-executive director of Scottish Rugby Limited and the Scottish food group W.A. Baxter & Sons.

Jane Guyett CBE
Independent
Non-Executive Director

Skills and experience
Jane Guyett has significant knowledge and experience of financial markets and corporate governance in the UK and globally. She has held senior roles with Bank of America Merrill Lynch in London and New York, which included serving as Chief Operating Officer (EMEA and Asia) of the Global Markets Group and sitting on the board of Bank of America Securities. She was a non-executive director of UK Financial Investments Limited until 2018, advising the UK government on its shareholdings in FTSE financial services companies.

External appointments
She is currently an independent non-executive director of LCH Limited and Banque Centrale de Compensation SA, Paris, Chair of Connect Plus (M25) Limited, and a member of BDO LLP's Public Interest Committee and Business Oversight Committee. She was awarded a CBE in 2021 for services to the UK economy.



Eithne McManus
Independent
Non-Executive Director

Skills and experience
Eithne McManus is a Fellow of the Institute of Actuaries, a chartered enterprise risk actuary, and an experienced non-executive director in the life and pensions industry. During her executive career, she was Chief Executive of City of Westminster Assurance, having previously acted as Chief Financial Officer and as UK actuary. She has since held non-executive directorships at a number of organisations such as Countrywide Assured, LGPS Central and SCOR Ireland. She has a strong affinity with the mutuals sector, having served as a non-executive director of UIA Insurance. She has a deep understanding of With-Profits and chairs the With-Profits Committee at Countrywide Assured and was previously an independent member of the With-Profits Committee at the Prudential Assurance Company.

External appointments
She is currently a non-executive director at Countrywide Assured plc, SCOR Ireland DAC and Alban Actuarial Solutions Ltd.

Pars Purewal
Independent
Non-Executive Director

Skills and experience
Pars Purewal is the Chair of Royal London Asset Management Holdings Limited and Royal London Asset Management Limited. He is a Fellow of the Institute of Chartered Accountants in England and Wales. He retired as a senior partner of PwC after a career of over 37 years, including 10 years as PwC's UK Asset Management leader. He has deep experience of asset management gained through providing audit and advisory services at PwC. Following his retirement from PwC, he served on the boards of directors of Brewin Dolphin Holdings plc and Federated Hermes Limited until September 2022.

External appointments
He is currently an independent non-executive director of The Law Debenture Corporation plc, Chair of its Audit and Risk Committee and a member of its Nomination and Remuneration Committees. He is also an independent non-executive director of Finsbury Growth & Income plc and a member of its Audit and Risk, Nomination and Remuneration Committees. He also chairs the board of trustees of Beyond Food Foundation.

Mark Rennison
Independent
Non-Executive Director

Skills and experience
Mark Rennison is a chartered accountant with significant experience of working both with and for large financial services organisations. He was Chief Financial Officer at Nationwide Building Society for 12 years and, prior to that, worked at PwC for more than 25 years, including 12 years as a partner in its banking practice. Until 2023, he served as a non-executive director of both TSB Bank plc and TSB Banking Group plc. He is a former member of the Bank of England's Prudential Regulation Authority Practitioner Panel and a former Chair of UK Finance's Financial Risk and Policy Committee.

External appointments
He is currently a non-executive director at Homes England, where he is Chairman of the Investment Committee and Home Ownership Committee as well as serving on the Audit and Risk Committee and the Change Committee. He is also a non-executive director of NatWest Holdings Limited.

A	Audit Committee	NG	Nominations and Governance Committee	WP	With-Profits Committee
D	Disclosure Committee	R	Remuneration Committee	■	Chair of Committee
I	Investment Committee	RC	Risk and Capital Committee	■	Member of Committee

Nicky Richards
Independent
Non-Executive Director

Skills and experience
Nicky Richards has extensive experience of business and investment leadership from her executive and non-executive careers. She is the former Global Head of Equities and member of the Group Management Committee at Schroders plc, where she spent a total of 20 years of her executive career. She was also Group Chief Investment Officer at Fidelity International for four years, and Chief Executive Officer and Chief Investment Officer of MLC Asset Management for two years. Her non-executive experience includes being a non-executive director of RWC Partners Limited. While affiliated to Schroders, she chaired the RWC Partners (Redwheel) board between 2016 and 2020, and remains on the board in a non-executive capacity after stepping down as Chair.

External appointments
She is currently a non-executive director at RWC Partners Limited, and a non-executive member of the Investment Sub-Committee of King's College London.

John-Green Odada
Group
Company Secretary

Skills and experience
John-Green Odada is a chartered governance professional with 20 years' corporate legal and governance experience. He joined Royal London from BP plc, where he was Head of Board and Board Committees. His principal responsibility at BP was to promote effective board and committee governance, including compliance with relevant corporate governance codes and regulations. Prior to BP, he worked in similar corporate governance roles, partnering with boards and governance stakeholders in financial services organisations including JPMorgan Chase & Co., BlackRock and Friends Life. He began his career as a corporate lawyer in 2001 before joining Ernst & Young in 2003 to train and specialise in governance and company secretarial practice.

External appointments
He is currently a member of the Corporate Governance Committee at the Institute of Chartered Accountants in England and Wales.

Board membership and 2023 Board meeting attendance
The following table lists the directors who served during the reporting year and up to the date of signing of the Annual Report and Accounts, their respective dates of appointment and, where relevant, retirement. During 2023, the Board met both regularly and on an ad hoc basis, as required by business needs. Below is each director's attendance at the regular Board meetings, which are set up around key events during the year such as the approval of the half and full-year results, formal strategy and business planning sessions, and the AGM.

Director name	Appointed	Retired	2023 Meeting attendance
Kevin Parry OBE	19 March 2019		7/7
Lynne Peacock[1]	1 December 2023		2/2
Tim Tookey	6 April 2020		7/7
Barry O'Dwyer	8 January 2020		7/7
Daniel Cazeaux	22 September 2020		7/7
Kal Atwal	17 January 2020		7/7
Sally Bridgeland	14 January 2015	31 December 2023	7/7
Baroness Ruth Davidson PC	8 June 2021		7/7
Ian Dilks OBE	14 November 2014	31 December 2023	7/7
Shirley Garrood	10 December 2020	6 June 2023	3/3
Jane Guyett CBE	4 August 2021		7/7
Eithne McManus	1 April 2023		5/5
Pars Purewal	8 February 2023		7/7
Mark Rennison	25 September 2020		6/7
Nicky Richards	5 October 2023		2/2

1. Lynne Peacock attended one of two meetings of the Board as an observer.

Group Executive Committee

The members of the Group Executive Committee, which comprises five women (42%) and seven men (58%), include the Group Chief Executive Officer, Barry O'Dwyer, as Chair of the committee, and the Group Chief Financial Officer, Daniel Cazeaux, whose respective biographies appear on page 71, together with the members of senior management listed below. All Group Executive Committee members directly report to the Group Chief Executive Officer.

Noel Freeley
Chief Executive Officer – RLI DAC

Noel Freeley is responsible for devising and executing the Group's strategy in the Ireland business. Prior to this, he was a board member for a number of Royal London's subsidiary companies in the UK. Before joining Royal London, he headed up the pensions and protection business at Co-operative Insurance and previously performed roles for Friends Provident in the UK and Asia.

Hans Georgeson
Chief Executive Officer – RLAM

Hans Georgeson started his financial services career in 1996 as an equity analyst at BZW Investment Management, the asset management arm of Barclays, and progressed through a number of executive roles at Barclays Wealth, Gerrard Investment Management and Barclays Stockbrokers. Before joining Royal London, he was the Chief Executive Officer of Architas, AXA's open architecture asset management business.

Peter Josse
Group Chief Operating Officer

Peter Josse joined Royal London as Group Chief Operating Officer on 4 March 2024, subject to regulatory approval. Before this, he was Chief Information Officer for Barclays UK. He has over 25 years' experience in the financial services industry, and, over his career, he has established a track record of delivering great customer outcomes and colleague experience enabled by technology. He succeeds William Pritchett who will leave the Group at the end of March 2024.

Mehdi Kadhim
Group Chief Transformation Officer

Mehdi Kadhim is responsible for change, procurement and workplace. He has worked in financial services for over 20 years and joined Royal London from Santander UK where he was Chief Executive Officer of the UK's asset management business. Prior to that, he held a number of other senior roles at Santander spanning retail banking, wealth management and global markets.

Jo Kite
Chief Customer Officer

Jo Kite is an actuary and has extensive experience in financial services across Customer Service, Marketing, Proposition and Finance. She started her career at Aviva, where she held senior positions in the UK and the Netherlands. She then spent 12 years at Standard Life leading its platform and workplace businesses. Prior to joining Royal London, she was Managing Director at WTW, leading its Master Trust business and Scottish Consultancy arm.

Tracey Kneller
Group Chief People Officer

Tracey Kneller joined Royal London in 2020 and has considerable industry and technical expertise, gained across multiple sectors including technology, FMCG and financial services, working for listed and privately-owned companies. Prior to joining Royal London, she was Chief People Officer at The Co-operative Bank where, as a member of the Executive Committee, was part of the team that managed the separation from the Co-operative Group and a recapitalisation in 2017.

Susie Logan
Group Chief Marketing Officer

Prior to joining Royal London, Susie Logan was Brand and Marketing Director at Standard Life where she led a significant transformation of marketing capabilities. She has a wealth of knowledge in marketing in the financial services sector with over 25 years' experience, including positions held at Scottish Widows, Zurich Life and Bank of Ireland Mortgages.

Dr James McCourt
Group Chief Risk Officer

Dr James McCourt is responsible for defining and executing the Group's risk management strategy, leading our relationship with the regulators and managing the Internal Model. With over 20 years' experience in the financial services industry, he has held senior roles in banking, private equity, asset management, pensions and insurance. Since joining Royal London, he has held roles as Chief Risk Officer for Royal London Asset Management, Group Chief Conduct Officer and Group Investment Director.

Julie Scott
Chief Commercial Officer

Julie Scott has 30 years' experience in banking, insurance and wealth management. Prior to joining Royal London, she was Chief Executive Officer of 1825 Financial Planning & Advice. She has worked across multiple brands and geographic territories with a focus on improving customer outcomes and experience. She has held senior positions for RBS, NatWest, Citizens Bank and Standard Life Aberdeen.

Julie Whitehead
Group General Counsel

Julie Whitehead joined Royal London from AXA where she held a variety of leadership roles, including UK Group Regulatory and Compliance Director and Senior Counsel for AXA UK plc. With more than 25 years' financial services experience, she is a qualified lawyer and has held legal roles at Geest Plc and AMP UK where she was responsible for providing legal advice to AMP Group, Pearl Assurance, London Life, Henderson Investors and NPI.

Corporate governance statement

Responsibilities of the Board and delegation of authority

The Board acts in accordance with the responsibilities defined for it within the Company's Articles of Association, all relevant laws and regulations, as well as corporate governance and stewardship standards. The Board's terms of reference set out its responsibilities collectively, including those matters specifically reserved for decision by the Board.

The Board also delegates responsibilities to individual directors in the governance framework with defined role profiles and has generally delegated the day-to-day affairs of the Group to the Group Chief Executive Officer.

The separation of responsibilities between the Chairman, or Deputy Chair as appropriate, the Group Chief Executive Officer, the Senior Independent Director and the non-executive directors ensures that no single individual has unfettered decision making powers.

The Board has established committees and has delegated authority to them to consider and make recommendations to the Board on important issues of policy and governance. Each committee operates as part of the governance framework within its terms of reference, as approved by the Board on recommendation from the Nominations and Governance Committee.

The boards of the Company's subsidiaries acknowledge and operate within this governance framework and respect the duties and responsibilities and matters reserved to the Board and its committees as set out in their respective terms of reference, which are available at www.royallondon.com.

Board committees

The reports from the Audit Committee, the Nominations and Governance Committee, the Risk and Capital Committee, the With-Profits Committee, the Investment Committee and the Remuneration Committee are included on pages 81 to 98.

The Board has also established the following committees:

Independent Governance Committee

The Independent Governance Committee is an independent committee that operates in accordance with the requirements of the FCA's Conduct of Business Sourcebook, section 19.5, and has responsibilities to assess whether the Group is providing value for money for its Workplace Pension and Investment Pathway customers. In addition, the Independent Governance Committee reviews the adequacy of Royal London's policies in relation to ESG and stewardship. It held four regular meetings in 2023, as well as additional workshops and interim meetings to progress specific projects, as required. The Independent Governance Committee has four independent members, including an independent Chair, and two non-independent members. The 2022 Independent Governance Committee report is available at www.royallondon.com/IGC.

Disclosure Committee

The Disclosure Committee met ten times in 2023 to review and approve announcements and the publication of key market and member information, and financial and regulatory information. Its membership comprises the Chairman, the Group Chief Executive Officer, the Group Chief Financial Officer and the Group Chief Risk Officer.

Key matters of focus

The main focus of the Board during the year was as follows:

Strategy

- Reviewed the evolution of the Group's Purpose, strategy and values and its articulation as an insight-led, modern mutual growing sustainably by deepening customer relationships
- Oversaw the progress towards meeting the Group's climate-related commitments and approved climate-related documents and policies, as further detailed in the Strategic report
- Conducted reviews of various matters of strategic interest to Royal London, including opportunities for the Group in key business areas such as Workplace Pensions, Protection and Wealth Wizards
- Received updates on the results of the internal functions' operational reviews aimed at delivering further operational effectiveness and achieving Royal London's Purpose outcomes
- Considered and approved the extension of Royal London's business operations into the UK Bulk Annuity Market to provide competitive solutions to the trustees of defined benefit pension schemes
- Approved the acquisition of Aegon UK's individual Protection business, see page 77 for further details
- Approved the buy-in of the Royal Liver Assurance Limited Superannuation Fund (Royal Liver UK pension scheme)
- Approved the acquisition of the remaining 60% stake in Responsible Life Limited, a later life mortgage broker, and Responsible Lending Limited, a later life mortgage lender, to further its strategy in helping customers build their financial resilience
- Approved the sale of the general insurance and healthcare elements of the Police and Forces Mutual businesses (PMGI Limited and PMHC Limited) to Bspoke Group.

Members and customers

- Approved ProfitShare rates in respect of the 2022 financial year
- Received updates on the implementation plans associated with the Consumer Duty for the Company and its relevant subsidiaries
- Reviewed and approved the level of bonus that each fund should declare and approved principles for future bonus distribution
- Approved ongoing investment and operating model improvements to enhance product offerings, the customer journey and its delivery.

Performance

- Received regular updates and detailed quarterly reports from the Group Chief Executive Officer and the Group Chief Financial Officer on the performance of the Company and its subsidiaries
- Received regular reports from the Group Chief Risk Officer on the key risks in the business and regulatory interactions
- Conducted operational reviews of businesses and functions that operate within the Group.

People

- Approved appointments to the Board and its committees
- Received regular updates on the results of employee engagement surveys
- Attended regular employee 'town hall' meetings with the Group Chief Executive Officer, visited sites across the UK and attended other engagement events with colleagues across the business.

Finance and capital

- Received regular updates from the Group Chief Financial Officer on the financial position of the Company and its subsidiaries
- Reviewed and approved the interim results and the Annual Report and Accounts
- Reviewed and approved the ORSA and the Solvency and Financial Condition Report (SFCR)
- Reviewed and made recommendations to management regarding the business plan.

Key projects

- Received regular updates and reviewed and approved funding requests for strategic projects to be undertaken by the Group
- Received regular updates on the progress of a number of strategic initiatives including the implementation of Aladdin, BlackRock's comprehensive investment management technology platform, and the ongoing development of new Pensions digital functionality.

Risk management

- Received an annual review of Group's risk strategy, risk preferences and risk appetite statements.

Section 172 statement

The directors are mindful of their duties under Section 172 of the Companies Act 2006 to run the Company for the benefit of its members as a whole and, in doing so, to have regard (among other matters) to the interests of key stakeholders, which they take into consideration as part of Board discussions and decision making. The following table shows how the Board discharged its duties under Section 172, including through its delegation to its committees, and how it engaged with its largest stakeholder groups during 2023:

Section 172 factor	Annual Report and Accounts page
The likely consequences of any decision in the long term	Our market on pages 8 to 9
	Our business model on pages 10 to 13
The interests of the Company's employees	Group Chief Executive Officer's review on pages 6 to 7
	Our colleagues on pages 19 to 20
The need to foster the Company's business relationships with suppliers, customers and others	Stakeholder engagement on pages 16 to 23
The impact of the Company's operations on the community and the environment	Chairman's statement on pages 4 to 5
	Our market on pages 8 to 9
	Our business model on pages 10 to 13
	Stakeholder engagement on pages 16 to 23
	Stewardship on pages 24 to 26
	Our focus on climate on pages 27 to 42
The desirability of the Company maintaining a reputation for high standards of business conduct	Our focus on climate on pages 27 to 42
	Principal risks and uncertainties on pages 62 to 66
The need to act fairly as between members of the Company	Stakeholder engagement on pages 16 to 23

During 2023, the Board took a number of key decisions evidencing the Board's consideration of stakeholder impact with respect to the requirements of Section 172, as follows:

Acquisition of Aegon UK's individual Protection book

Following a number of Board discussions in early 2023, the directors approved the acquisition of Aegon UK's individual Protection business, which will entail the transfer of the life insurance, critical illness and income protection policies for over 400,000 customers to Royal London. With the advised nature of Aegon's individual Protection customer base, the Board considered this a strong strategic fit for Royal London as a champion of the adviser community and impartial advice. Before making the decision, the Board focused on the diligence work and spent a considerable amount of time discussing valuations, with particular focus on both cost and value for the Company.

In considering the value of this acquisition to the Company's members, the directors discussed the effect of the transaction on the business plan and the longer-term opportunities in the protection market. The Board concluded that through this acquisition Royal London would make further progress towards achieving its Purpose by pursuing a strategy to deepen customer relationships and build the financial resilience of customers. In addition, before making the decision, the Board sought advice from the Group's With-Profits Actuary and the With-Profits Committee, who confirmed that the acquisition was not expected to result in material negative impact on With-Profits policyholders.

The directors recognised the need to support advisers through this transaction, making sure that there is no disruption to their businesses or to their clients, which will be closely monitored until the client base is fully integrated into Royal London. Arrangements between Aegon UK and Atos, an outsourced service provider that maintains the mainframe policy system, including contingency plans, were discussed in detail during the decision making process. The Board noted the key areas of risk related to the transaction, some of which related to the transition of employees and migration of data, which will be monitored closely. Consideration was also given to the opportunities to improve further the service provided to those new customers.

The Board recognised the need for transparency and communication with respect to the transaction. Therefore, Royal London will provide regular updates to colleagues, customers and financial advisers as the integration progresses.

Supplier relationships

The relationship with suppliers and the resilience of the supply chain are essential to driving better value for the Group's business and ensuring that colleagues and systems can function effectively for members and customers. The Group, as required, reports on a half-yearly basis on its payment practices, policies and performance, with a continuous focus on avoiding negative impact on suppliers' cash flow and ability to trade. In addition, the Risk and Capital Committee maintains oversight of the risks associated with material outsourcing and supplier relationships and receives regular reporting in this regard to ensure that the quality of the suppliers is in line with the Group's expectations. In May 2023, the Board approved a statement for the year 2022 in accordance with Section 54 of the Modern Slavery Act 2015, setting out the steps that the Group has taken to prevent modern slavery and human trafficking in our business and supply chain. The Board will review and approve such a statement again for the year 2023 before the deadline of 30 June 2024 to evidence its continuous efforts and oversight. All published statements under the Modern Slavery Act 2015 are available at www.royallondon.com.

New London office

To further the Group's improved environmental impact ambitions, in June 2023 Royal London moved to its new London office at 80 Fenchurch Street. The building has been constructed to an EPC 'A' rating and has achieved a 'BREEAM Excellent' rating for its sustainability and green credentials. An important consideration for the relocation was the needs of colleagues, including supporting their health and wellbeing. This was achieved by providing an office space that optimises hybrid working practices to maximise productivity, collaboration and innovation and embrace flexibility, as well as inclusive design to accommodate the needs of colleagues with disabilities.

Giving to society and communities

During 2023, one of the Board's continued focus areas was considering societal and environmental issues and challenges, driven by its commitment to giving back to society and making a positive contribution to communities. The Board receives regular updates on the Group's continuous engagement with charities and wider societal stakeholders. As such, in February 2023, the Board approved a charitable contribution of £100,000 to the DEC Turkey-Syria Earthquake Appeal. Furthermore, in line with the Group's strategy, the Board saw the opportunity to create a major new charity partnership with Cancer Research UK aimed at tackling cancer inequalities. The partnership focuses on research into hard-to-treat cancers, and initiatives to improve the pathway to early diagnosis and screening, as well as support programmes that increase cancer awareness in communities.

Wealth Wizards

The Board encourages regular communication with financial advisers and frequent research into the adviser landscape and trends in order to achieve better outcomes for members and customers. As such, following its acquisition by Royal London in 2021, Wealth Wizards continues to engage regularly with financial advisers to understand the best ways to support the market in servicing the needs of customers with a view to enhancing Royal London's digitally enabled guidance and advice capabilities to provide better support for our customers and advisers. The Board receives updates on the evolution of the strategy for leveraging Wealth Wizards' capability to make a tangible difference in closing the advice and guidance gap, making advice more accessible and affordable, and promoting the objective of helping customers build financial resilience, in line with the Group's Purpose and strategy.

Operational efficiency

The Board recognises the importance of continued engagement with customers and intermediaries in order to achieve the Group's Purpose-related outcomes, such as building the financial resilience of customers and strengthening the mutual choice for customers. It receives regular updates on strategic initiatives, which the directors challenge, where appropriate, with the aim of reducing the cost of change delivery with minimal disruption, while maintaining quality and facilitating business efficiency. The Board also discusses adopting an inquisitive approach to new and emerging technology and process trends to achieve cost efficiency while also improving customer experience.

Other disclosures

Directors' conflicts of interest

In accordance with the Company's Articles of Association, the Board is authorised to approve conflicts or potential conflicts of interest in relation to directors. The Board has reviewed the interests of directors and their connected persons and has authorised any interests that conflicted or potentially conflicted with the interests of the Group. Any identified and authorised conflicts are assessed and managed on an ongoing basis.

Directors' and officers' liability insurance

In accordance with company law and the Articles of Association, the Company maintains directors' and officers' liability insurance in respect of the Company and its directors, which was in force throughout the financial year and through the date the Annual Report and Accounts were approved. The Company also maintains pension trustee liability indemnity policies (which includes third party indemnity) for the boards of trustees of pension schemes, where required.

Persons with significant control

The Company is a mutual and limited by guarantee. It has no shareholders and, therefore, no individual controls 25% or more of the Company.

Dividends

The Company is limited by guarantee without share capital and therefore no dividends are declared.

Consideration for employees

The way in which the Company has engaged with employees and details of the support and personal and professional development opportunities available to employees are described in the Our colleagues section on pages 19 to 20. In addition, the Section 172 statement on pages 77 to 78 describes some examples of the ways in which the Board has taken employees' interests into consideration during the decision making process.

Annual General Meeting (AGM)

The Company's AGM will be held at the Royal Horseguards Hotel, One Whitehall Place, 2 Whitehall Court, London, SW1A 2EJ and online at 11am (BST) on Tuesday, 11 June 2024.

The notice convening the meeting, together with supporting information on the resolutions and guidance on how to vote at the AGM, is distributed to all members.

Financial instruments

The Group makes extensive use of financial instruments in the ordinary course of its business. Details of the risk management objectives and policies of the Group in relation to its financial instruments, and information on the risk exposures arising from those instruments, are set out in note 35 to the financial statements.

Political and charitable donations

No political donations were made in 2023 (2022: £nil). Foundation grants and community donations totalled £2,248,244 (2022: £1,839,830).

Directors' report disclosures

Certain Directors' report disclosures have been made in the Strategic report to increase their prominence. These disclosures include those relating to greenhouse gas emissions, energy efficiency action, financial risks, employee involvement, the review of the Group's business during the year and future developments.

Branches

The Company and its subsidiary, Royal London Management Services Limited, have branches registered in the Republic of Ireland.

Auditor

PwC was the auditor of the Group for the year ended 31 December 2023. Following the audit tender process in 2022 to appoint a new external auditor, the Board approved the appointment of KPMG as the Group's auditor for the financial year ending 31 December 2024, subject to this being approved by the Company's members. A resolution to appoint KPMG as the Group's auditor will be proposed at the 2024 AGM.

Disclosure of information to auditor

The directors who held office at the date of approval of this Directors' report confirm that:

- so far as they are each aware, there is no relevant audit information of which the Group's and Company's auditor is unaware
- each director has taken all steps that he or she ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Group's and Company's auditor is aware of that information.

Subsequent events

The events which have occurred since the end of the financial year that require disclosure are detailed in note 39 to the financial statements on page 211.

The Directors' report on pages 68 to 79 was approved by the Board and signed on its behalf by:

Kevin Parry OBE
Chairman

7 March 2024

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and Accounts and the financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial year.

The directors have elected to prepare the Group and Company financial statements in accordance with UK Generally Accepted Accounting Practice (UK accounting standards, including Financial Reporting Standard (FRS) 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland', FRS 103, 'Insurance contracts', and applicable law). Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company, and of the profit or loss of the Group for that period.

In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- make judgements and accounting estimates that are reasonable and prudent
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

Under applicable law and regulation, the directors are responsible for:

- safeguarding the assets of the Group and Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities
- keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose, with reasonable accuracy at any time, the financial position of the Group and the Company to ensure that the financial statements comply with the Companies Act 2006
- the maintenance and integrity of the corporate and financial information included on the Group's website.

Having taken into account all matters considered by the Board and brought to its attention during the year, each of the directors whose names and functions are shown on pages 70 to 73 confirms that to the best of their knowledge:

- the Company's financial statements give a true and fair view of the assets, liabilities and financial position of the Group and Company and the Group's results
- the Strategic report and Directors' report include a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that they face
- the Board considers the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for members to assess the Group's position, performance, business model, prospects and strategy.

By order of the Board:

Kevin Parry OBE
Chairman

7 March 2024

Daniel Cazeaux
Group Chief Financial Officer

7 March 2024

Audit Committee

"The committee continued to focus on its central role of challenging and overseeing the quality of the Group's financial and regulatory reporting, and the associated financial controls."

Dear member,

I am pleased to present the Audit Committee report for the year ended 31 December 2023.

The committee continued to focus on its central role of challenging and overseeing the quality of the Group's financial and regulatory reporting, and the associated financial controls. It also continued to oversee the internal audit function, Group Internal Audit (GIA), and the external auditor, and monitor their effectiveness, objectivity and independence.

The significant matters considered by the committee during the year included:

- monitoring the transition of the external auditor from PwC to KPMG, who, subject to appointment at the 2024 AGM, will be the Group's auditor effective for the financial year ending 31 December 2024
- considering the key assumptions and judgements supporting the Group's UK GAAP and Solvency II reporting, including changes to persistency, longevity and expense-related actuarial assumptions; accounting provisions; and the accounting treatment of the significant transactions during the year, including the acquisition of the Aegon UK protection portfolio and the buy-in of the Royal Liver Assurance Limited Superannuation Fund (Royal Liver UK pension scheme)
- reviewing the Group's climate-related financial disclosures provided in the Annual Report and Accounts and the Company's entity-level TCFD Report for 2022 to ensure they provide a clear exposition of the Group's approach to managing climate-related risks and opportunities
- overseeing the Group's control environment supported by GIA, Group Risk and Compliance and the Financial Controls Framework team
- reviewing the outcomes of the GIA external quality assessment performed by Ernst & Young.

The committee also reviewed Royal London's response to the FRC's consultation on the proposed revisions to the Code and noted the final changes to the Code that were published in January 2024.

I would like to thank the members of the committee, and the executives supporting it, for their diligence and hard work throughout the year.

Tim Tookey
Chair of the Audit Committee

Committee membership

Member	Role	Year of appointment	2023 Meeting attendance
Tim Tookey	Chair	2020	6/6
Ian Dilks OBE[1]	Member	2014	6/6
Eithne McManus[2]	Member	2023	3/3
Mark Rennison	Member	2020	6/6

1. Ian Dilks retired as a member of the committee on 31 December 2023.
2. Eithne McManus was appointed as a member of the committee on 1 November 2023. She attended two of three meetings of the committee as an observer following her appointment to the Board on 1 April 2023.

Purpose and role of the committee

The committee supports the Board in overseeing the Group's financial and regulatory reporting, financial controls, and internal and external audit processes.

The committee's main responsibilities include:

- monitoring the content, integrity and quality of the Annual Report and Accounts and announcements relating to the financial performance of the Group
- reviewing and challenging accounting matters requiring the exercise of judgement, including the valuation of actuarial liabilities for statutory and regulatory reporting
- reviewing and challenging the valuation of assets
- monitoring and reviewing the effectiveness of the Group's internal controls over financial reporting
- reviewing the effectiveness of GIA and the outcomes of its assurance on an ongoing basis
- overseeing the relationship with the external auditor, including assessing its independence and objectivity, monitoring and approving non-audit services in accordance with the Group's policy, agreeing the external audit fee, and recommending to the Board the appointment of the external auditor.

The committee assists and reports to the Board on the above and other matters, identifying any issues that it considers require action or improvement, and makes recommendations to the Board for approval as required by its terms of reference, which are reviewed annually and are available at www.royallondon.com.

Committee membership

As at March 2024, the committee comprises three independent non-executive directors. The Board is satisfied that all members of the committee have recent and relevant financial experience. The Board is also satisfied that, when considered as a whole, the committee has competence relevant to the sector in which the Group operates. The qualifications and experience of each member of the committee are included in their biographies on pages 70 to 73. As Ian Dilks retired as a director and member of the committee on 31 December 2023, his biography confirming his qualifications and experience is available in the 2022 Annual Report and Accounts.

The committee members have received training during the year, in line with that provided to the Board, as set out on page 89, in order to keep their skills current and relevant.

The committee held six meetings during 2023. In addition, it held a joint meeting with the Risk and Capital Committee to review and approve the 2024 co-ordinated assurance plans of the Business Controls, Group Risk and Compliance and GIA functions, together with the 2024 risk management plan, with the business controls testing extended to include RLAM and RLI DAC. The joint meeting ensures that the two committees continue to operate effectively together on areas of adjacent responsibility. The committee meetings were attended by the Chairman, the Group Chief Financial Officer and appropriate members of senior management, including the Group Chief Audit Officer, as well as the external auditor for the financial year ended 31 December 2023, PwC. The incoming auditor for the financial year ending 31 December 2024, KPMG, also attended as observer of all meetings of the committee from 1 July 2023 onwards once it met the necessary auditor independence requirements.

The committee meets privately and separately on a regular basis with PwC, the Group Chief Audit Officer, the Group Chief Financial Officer and the Group Chief Actuary. These meetings address the level of co-operation needed and adequacy of resources, and provide an opportunity for participants to raise any concerns directly with the committee.

Areas of focus and significant matters considered by the committee

The committee has a number of standing agenda items it considers each year relating to the Group's Annual Report and Accounts, interim and full-year results, policies, financial reporting risks, internal control environment, regulatory reporting and external audit. In addition, each year the committee focuses on a number of operational matters. The following highlights significant matters considered by the committee, and the actions taken.

Review of the Group's Annual Report and Accounts and interim and full-year results

During the year, the committee reviewed and challenged the content of the Annual Report and Accounts, the Group's full-year results announcement for the year ended 31 December 2023, and the Group's interim results announcement for the six months ended 30 June 2023. Following due consideration, the committee reported to the Board that it had concluded that the Annual Report and Accounts, as well as the full-year and interim results, each taken as a whole, were fair, balanced and understandable, and recommended these to the Board for approval.

The committee believes that the Annual Report and Accounts provide the necessary information for members to assess Royal London's position, performance, business model and strategy.

Financial reporting

The committee reviewed the Group's UK GAAP accounting policies and confirmed they were appropriate to use in the financial statements.

The committee considered the climate change disclosures set out in the Annual Report and Accounts to ensure that they continued to present fairly the Group's strategy, governance arrangements and climate risk management. It also considered the metrics used to report climate change impacts, including the addition of Scope 3 portfolio emissions, metrics on sovereign debt carbon emissions and intensity and property portfolio emissions.

Going concern assumption and the longer-term viability statement

The committee reviewed and challenged the principles underpinning the longer-term viability statement for 2023. As part of the assessment, the committee considered the Group's position presented in the business plan approved by the Board and the information on the risks to the Group's liquidity and capital.

The committee concluded that Royal London and its subsidiaries will be able to continue in operation and meet their liabilities as they become due. The committee confirmed the appropriateness of a three-year assessment period for the longer-term viability statement.

Key accounting judgements

The committee reviewed the key accounting judgements supporting the Group's UK GAAP results, including those made in valuing the Group's investments, the carrying value of intangible assets, the appropriateness of accounting provisions and the valuation of the Group's defined benefit pension schemes.

Valuation of investments – the committee received information on the carrying value of all investments, including information on how those values were calculated for those investments which require more judgement. The committee satisfied itself that investments were valued appropriately.

Intangible assets – the committee considered the assessments made in relation to the carrying value of intangible assets. The committee reviewed and challenged the update from management explaining that no impairment assessment was required as at 31 December 2023 as no indicators of impairment were present. The committee was satisfied that there was no impairment of the Group's intangible assets at 31 December 2023.

Acquisition of Aegon UK portfolio – the committee considered the accounting treatment for the reinsurance agreement entered into with Aegon UK in the period up to the effective date of a future Part VII transfer. The agreement fully reinsures the element of the protection book not already reinsured to third parties. It was satisfied that this agreement should be accounted for as a reinsurance contract. The committee also reviewed the valuation assumptions including those used to estimate the costs of administering the book.

Provisions – the committee considered management's assessment of the accounting provisions required and was satisfied that the provisions were appropriate.

Pension scheme asset – the committee reviewed the actuarial assumptions which determine the pension cost and the valuation of the Group's defined benefit pension schemes and concluded that they were appropriate. It also reviewed the accounting treatment for the buy-in of benefits for all scheme members of the Royal Liver UK pension scheme that resulted in a re-measurement of the pension scheme assets on the Group balance sheet and the recognition of the buy-in policy as an insurance liability within the long-term business provision.

Long-term business liability valuations – methodology and assumptions

The committee considered the actuarial methods and assumptions for the year ended 31 December 2023 for UK GAAP and annual Solvency II reporting. The main methodology and assumption changes for 2023 for the RL Main Fund were:

- persistency assumption changes, including expectations around the assumed retirement age on both Individual and Group Pensions policies, the propensity for Group Pensions policies to stop contributing and the rate at which Individual Pensions in drawdown withdraw funds
- updates to longevity assumptions to reflect slightly lower expectations around future life expectancies, including consideration of uncertainty around the direct and indirect effects of Covid-19 and the changing macroeconomic environment
- updates to expense and expense-inflation assumptions to reflect latest experience.

In the Group's closed funds, the main changes related to guaranteed annuity option (GAO) liabilities including:

- GAO-related assumption changes such as transfers and early and late retirement rates to reflect latest experience
- updates to longevity assumptions to reflect slightly lower expectations around future life expectancies.

The committee reviewed and challenged the Group's UK GAAP long-term business actuarial liability valuation as at 31 December 2023.

The committee reviewed and challenged the Solvency II technical provisions as at 31 December 2023, including the valuation of Own Funds, the capital requirement and the recalculation of the Transitional Measure on Technical Provisions.

It noted the changes in methodology used to calculate the Risk Margin and the Transitional Measure on Technical Provisions in accordance with the Solvency UK reforms introduced by the Insurance and Reinsurance Undertakings (Prudential Requirements) (Risk Margin) Regulations 2023.

Annual Solvency II regulatory reporting

The committee reviewed the 2022 SFCR and recommended it to the Board for approval.

TCFD reporting

The committee reviewed the Company's entity-level TCFD Report for 2022 prepared in accordance with FCA PS21/24 requirements prior to its final approval by the Disclosure Committee.

Internal control

On behalf of the Board, the committee also considered and reviewed regular reports from the Financial Controls Framework team on the effectiveness of the Group's financial reporting control environment, including the assessment of any outstanding control and data deficiencies within the Financial Reporting Data and Control Framework.

Additionally, the committee reviewed quarterly reports from GIA relating to the Group's control environment, culture and risk management practices. Particular attention was paid to reports highlighting significant control weaknesses or cultural issues, their root causes and associated risk mitigation actions. Executive management responsible for impacted areas were invited to discuss their response to such issues. The committee also reviewed a summary status of internal audit opinions from the Capita internal audit function that relate to the Group's control environment. The committee approved the GIA annual plan and charter, which sets out the purpose, activities, scope and responsibilities of GIA.

The committee was presented with the results of the External Quality Assessment of GIA completed in 2023, confirming that the function 'Generally Conforms' to the Chartered Institute of Internal Auditors Standards, which is the highest rating of assessment level, with six areas assessed as 'Advanced' and three areas assessed as 'Established'. This assessment confirmed that GIA has unrestricted scope and access to the information it requires to fulfil its mandate of providing independent and objective assurance and advice to the committee and executive management. The assessment also confirmed that GIA has the right mix of skills and expertise to deliver its annual assurance plan.

External audit transition

PwC was appointed as the Company's auditor in 2000. As explained in the committee's report in the 2022 Annual Report and Accounts, the committee led an audit tender process in 2022 to appoint a new external auditor which resulted in the Board approving the appointment of KPMG as the Group's external auditor for the financial year ending 31 December 2024, subject to this being approved by the Company's members at the 2024 AGM, at which point PwC will cease to be the Group's auditor.

To ensure an orderly and efficient transition, a closely monitored plan is in place, which includes KPMG holding regular meetings with management, shadowing PwC's work and reviewing PwC's audit files. The KPMG lead audit partner has provided updates on the status of this plan at each committee meeting since KPMG met the necessary independence requirements on 1 July 2023.

External audit

Regular reports from PwC on its work were reviewed by the committee. These focused on opportunities for improvement to processes related to financial reporting and internal control identified as part of the audit process, management's response to the recommendations and progress made against those.

The committee reviewed and approved PwC's audit plan for the year ended 31 December 2023, agreeing that this was consistent with the scope of the audit engagement, and that the seniority, expertise and experience of the audit team was appropriate to fulfil the engagement. It also noted that PwC had added longevity assumptions for the UK GAAP valuation of the long-term business provision as an additional significant audit risk.

The committee reviewed and approved PwC's terms of engagement for the statutory audit and the audit fee. The Senior Statutory Auditor for the 2023 year end is Lee Clarke, who is completing his second audit as the lead audit partner.

External auditor independence and non-audit services

The Group continues to have in place a policy for the independence of the external auditor. This policy seeks to safeguard the current and incoming external auditor's independence and objectivity and sets out the non-audit services that can be provided by the auditor in accordance with the auditor independence requirements set out in the FRC's Revised Ethical Standard.

The policy regulates the appointment of former external auditor employees to senior positions in the Group and sets out the approach to be taken by the Group when selecting the auditor to perform non-audit services. The policy specifies non-audit services provided by the external auditor that are permitted or prohibited, and requires all non-audit services to be pre-approved or ratified by the committee following a detailed assessment of the nature of the service, availability of alternative suppliers and implications for auditor independence.

PwC has reviewed its own independence in line with these criteria and its own ethical guidance standards. Following the review, PwC has confirmed to the committee that it is satisfied that it has acted in accordance with relevant regulatory and professional requirements, and that its objectivity is not impaired. This confirmation included a consideration of the impact of Pars Purewal, a former PwC partner, who was appointed as a director of the Board on 8 February 2023. Having considered compliance with the Group's policy and the fees paid to PwC, the committee is satisfied as to the continued independence and objectivity of PwC.

In order to ensure the independence of KPMG as the incoming auditor for the year ending 31 December 2024, proposals for KPMG to provide new non-audit services have been, and will continue to be, monitored and assessed for appropriateness to meet ongoing independence requirements. KPMG confirmed to the committee that with effect from 1 July 2023, it has also complied with auditor independence requirements, which included the requirement not to provide any non-permitted non-audit services.

Audit and non-audit fees

In 2023, the Group paid PwC £6.03m for audit, audit-related and other assurance services (2022: £5.7m), including £0.4m (2022: £0.4m) Solvency II audit fees. In addition, PwC was paid £0.14m (2022: £0.1m) for other non-audit services, resulting in total fees to PwC of £6.17m (2022: £5.8m). Further details are provided in note 8 to the financial statements.

In line with regulations, the Group is required to cap the level of non-audit fees paid to PwC at 70% of the average audit fees paid in the previous three consecutive financial years. The ratio of non-audit fees to audit and audit-related assurance fees is 21% for the Group and 22% for the Company. The committee approved the appointment of PwC to perform these non-audit services in accordance with the Group's policy.

Effectiveness of PwC

To assess the effectiveness of PwC, the committee conducts an annual review through completion of a questionnaire by the Group´s senior management, members of its finance community and members of the committee.

The questionnaire seeks opinions on the importance of certain criteria and the performance of the auditor against those criteria. The evaluation is managed by GIA. The results of the questionnaire and the FRC's annual Audit Quality Inspection report on PwC were considered by the committee. The committee concluded that PwC continued to perform a high-quality and effective audit and provided objective and independent challenge to management.

Other matters

The committee considered financial reporting and corporate governance developments including Solvency II reform proposals, the FRC's consultation on changes to the Code and climate change reporting developments.

The committee reviewed and approved changes to the Group's Tax Policy to expand the definition of employment taxes and to reflect changes in the minimum standards for operational taxes.

Committee effectiveness

The committee reviews its remit and effectiveness each year. The 2023 review was conducted internally by issuing a questionnaire to committee members and holding meetings to discuss the responses. The key areas the committee was keen to take forward included:

- continued oversight of how the three lines of defence model is operating
- continued co-operation with the Risk and Capital Committee on internal control oversight.

The committee did not raise any material concerns regarding the above areas or its overall effectiveness. The committee concluded that it continued to fulfil its duties under its terms of reference.

Looking forward

The committee will continue to focus on its oversight of the financial reporting and internal controls of Royal London and of the final stage of the external audit transition to KPMG as they observe PwC's final audit. The committee will also continue to work with the Risk and Capital Committee to ensure that the GIA, Risk and Compliance and Business Controls functions have appropriate and co-ordinated plans in place, and will monitor their progress and implementation.

The Company holds itself to high standards of corporate governance in the broadest sense. As such, the committee will continue to follow closely relevant developments in corporate governance and financial reporting including climate change reporting developments and the recently announced changes to the Code.

Nominations and Governance Committee

"During the year, the committee maintained its focus on careful succession planning for the Board and senior management, to ensure that they remain effective to meet the anticipated opportunities and challenges that Royal London will face in the coming years."

Dear member,

I am pleased to present the Nominations and Governance Committee's report for the year ended 31 December 2023.

The committee's key role is to assist the Board in identifying and maintaining the right balance of knowledge, skills, experience, opinions and diversity of backgrounds on the Board and within senior management to ensure they are well equipped to engage in robust discussions, which lead to well-informed and balanced decisions. The committee also oversees how the Group is managed to high standards of corporate governance.

During the year, the committee maintained its focus on careful succession planning for the Board and senior management, to ensure that they remain effective to meet the anticipated opportunities and challenges that Royal London will face in the coming years.

As previously reported, Shirley Garrood stepped down from the Board in June 2023, and Pars Purewal and Eithne McManus joined the Board in February and April 2023 respectively. In addition, Nicky Richards and Lynne Peacock joined the Board in October and December 2023 respectively, while Ian Dilks and Sally Bridgeland reached the end of their nine-year tenures and have stepped down.

Furthermore, as previously reported, an external board evaluation review was conducted in respect of the 2022 year, and an internally led effectiveness review was conducted for 2023, as detailed later in this report, to identify opportunities for continuous improvement.

I would like to thank the members of the committee for their continued dedication to their work.

Kevin Parry OBE
Chair of the Nominations and Governance Committee

Committee membership

Member	Role	Year of appointment	2023 Meeting attendance
Kevin Parry OBE	Chair	2019	6/6
Kal Atwal	Member	2020	6/6
Sally Bridgeland[1]	Member	2015	6/6
Baroness Ruth Davidson PC	Member	2021	6/6
Ian Dilks OBE[2]	Member	2014	6/6
Shirley Garrood[3]	Member	2020	3/3
Jane Guyett CBE	Member	2021	6/6
Eithne McManus[4]	Member	2023	4/4
Lynne Peacock[5]	Member	2023	2/2
Pars Purewal[6]	Member	2023	5/5
Mark Rennison	Member	2020	5/6
Nicky Richards[7]	Member	2023	2/2
Tim Tookey	Member	2020	6/6

1. Sally Bridgeland retired as a member of the committee on 31 December 2023.
2. Ian Dilks retired as a member of the committee on 31 December 2023.
3. Shirley Garrood retired as a member of the committee on 6 June 2023.
4. Eithne McManus was appointed as a member of the committee on 1 April 2023.
5. Lynne Peacock was appointed as a member of the committee on 1 December 2023. She attended one of two meetings of the committee as an observer.
6. Pars Purewal was appointed as a member of the committee on 8 February 2023.
7. Nicky Richards was appointed as a member of the committee on 5 October 2023.

Purpose and role of the committee

The committee's principal function is to ensure the Board and senior management are suitably qualified, experienced, and from sufficiently diverse backgrounds to deliver on the Group's strategy and ensure long-term sustainable success for members and other stakeholders of Royal London.

The committee's main responsibilities include:

- reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board, its committees and the Group Executive Committee
- nominating for Board approval candidates to fill vacancies on the Board and its committees
- nominating candidates to fill vacancies on the boards of regulated subsidiaries
- undertaking succession planning for the Chairman of the Board, as well as executive and non-executive directors
- ensuring all directors commit sufficient time to their roles within the Group
- assessing the independence of non-executive directors
- reviewing and approving the Group's corporate governance framework.

The responsibilities of the committee are set out in its terms of reference, which are reviewed annually and are available at www.royallondon.com.

Committee membership

The committee is chaired by the Chairman of the Board, and all independent non-executive directors on the Board are members. During 2023, the committee held six meetings, which were also attended by the Group Chief Executive Officer and the Group Chief People Officer.

Areas of focus and significant matters considered by the committee

The committee has undertaken significant activity during the year, primarily focused on continuing to evolve the strength and diversity of Royal London's non-executive and executive capabilities as part of ongoing succession planning.

Independence of directors

In accordance with the Code, which states that at least half of the Board (excluding the Chairman) should be independent non-executive directors, the Board comprises the Chairman, two executive directors and nine independent non-executive directors. The Chairman was independent on his appointment and the committee considers each of the non-executive directors continued to be independent in accordance with the criteria set out in the Code.

Non-executive directors are expected to exercise independent judgement and to be free from any business or other relationship that could materially interfere with it. This independence is crucial in bringing constructive challenge to management, while providing support and guidance to promote meaningful discussion and, ultimately, informed and effective decision making. The Board, led by the Chairman, regularly reviews the independence of the non-executive directors, as advised by the Company Secretary, and takes action to identify and manage conflicts of interest. The Board has satisfied itself that each non-executive director continues to be independent in accordance with the Code.

The committee believes that independent non-executive directors should generally stay in role no longer than nine years, in line with the Code. Ian Dilks joined the Board in November 2014, and therefore reached his nine-year tenure in November 2023. In order to ensure an orderly transition of the Senior Independent Director role and the Chair of the Investment Committee role, the Board agreed that Ian Dilks' tenure should be extended by six weeks to 31 December 2023. The Board does not believe that this short extension impaired his independence.

Board and committee appointments

The success of the Group begins with a high-quality Board and senior management team. Following its annual review of the composition of the Board, the committee has satisfied itself that the current composition of the Board and its committees and succession planning arrangements remain appropriate. Further information on the skills and experience of the Board directors can be found on pages 70 to 73.

The Board appointments process is designed to identify a diverse and strong list of potential external and, where appropriate, internal candidates that will complement the skills of the Board and bring a diversity of views to the boardroom. Once the need for a successor or new appointment is identified, an external facilitator, which does not have any connection to the Group or any of the directors, is normally appointed to conduct a search and selection process.

During the year, the Board approved, on the recommendation of the committee, the appointments of Pars Purewal and Eithne McManus as directors, which were also approved by the Company's members at the 2023 AGM. Since then, the Board has also approved, on the recommendation of the committee, the following:

- the appointment of Nicky Richards as an independent non-executive director with effect from 5 October 2023. Her appointment follows an extensive search by Korn Ferry, an independent executive search firm with no connection to the Company. She brings a breadth of business leadership and investment experience which will further enhance the composition of the Board, joining this committee as a member on 5 October 2023 and becoming the Chair of the Investment Committee with effect from 1 January 2024

- the appointment of Lynne Peacock as an independent non-executive director and as Deputy Chair with effect from 1 December 2023. Her appointment followed a search process led by Korn Ferry. She is a seasoned financial services former executive and experienced non-executive director, bringing skills which will further strengthen the Board through her appointment as the Deputy Chair. She has also joined this committee as a member, and was appointed as a member of the Remuneration Committee, with effect from 1 December 2023
- the appointment of Tim Tookey as the Senior Independent Director with effect from 1 January 2024, succeeding Ian Dilks. He has significant board experience and has demonstrated a deep understanding of corporate governance principles and best practice. In addition, he has consistently exhibited strong independent judgement throughout his career and during his time as a independent non-executive director of the Company. These characteristics make him an ideal candidate to be appointed as the Senior Independent Director
- the appointment of Eithne McManus as the Chair of the With-Profits Committee with effect from 1 December 2023, taking over from Sally Bridgeland, who stepped down as the Chair of the With-Profits Committee on 30 November 2023 and retired as a member of the With-Profits Committee on 31 December 2023.

Ian Dilks and Sally Bridgeland, having reached the end of their nine-year tenures, retired from the Board on 31 December 2023. Having been appointed by the Board following the 2023 AGM, Lynne Peacock and Nicky Richards will retire and stand for reappointment by the Company's members at the 2024 AGM, together with all remaining directors of the Company as at March 2024.

The Chairman initiates regular and extensive reviews of external non-executive director candidates from a wide range of backgrounds and experience to identify potential successors and add skills, experience and diversity to the Board. The Chairman also undertakes an annual evaluation with each director to affirm their skills and to inform succession planning and ongoing development needs. Having reviewed their performances, the Board recommends that all directors are reappointed at the 2024 AGM.

Senior management changes

The committee also considered and approved the following senior management changes, which have taken effect since the last committee report:

- the appointment of Brian Peters as the new With-Profits Actuary on an interim basis, pending the appointment of a permanent successor to Brian Murray
- the appointment of Peter Josse as the new Group Chief Operating Officer as a successor to William Pritchett.

Group subsidiary board composition

The committee approves the appointment of directors of regulated subsidiaries within the Group and their respective Chairs. In this regard, during the year the committee has considered and approved a number of appointments, including Pars Purewal's appointment as Chair of Royal London Asset Management Limited and Royal London Asset Management Holdings Limited, Andy Varney's appointment as a director of Wealth Wizards Benefits Limited, and Ashley Machin's appointment as the Chair of Wealth Wizards Limited.

Succession planning

The committee regularly reviews succession planning activities and, in particular, discusses Royal London's future leadership and talent needs. It has received regular updates during the year on executive succession, including reviews of talent and succession planning of key functions within the organisation. When considering succession, the committee identifies both the talent available within the organisation and the need for external recruitment.

Diversity and inclusion

The directors are committed to having a balanced Board which recognises fully the benefits of diversity. The Board has a Diversity and Inclusion Policy which outlines the management of diversity and inclusion among the directors on the Board.

Diversity and inclusion were important considerations in the appointment processes throughout the year. All Board appointments were made on merit and relevant experience, against the criteria identified by the committee and with regard to the benefits of diversity, including gender.

As at March 2024, the Board comprises the Chairman, nine independent non-executive directors and two executive directors. The Board is made up of six men (50%) and six women (50%) (as at March 2023: men 58%, women 42%). The Board also meets the Parker Review's ethnic diversity target with two non-white directors. In addition, following the appointment of Lynne Peacock as Deputy Chair, one of the senior roles of the Board is occupied by a woman.

The committee continues to focus on increasing the number of women working for the Group. As a signatory to the Women in Finance Charter, the Company continues its efforts to meet its gender diversity targets. As disclosed in our Gender Pay Gap report for 2023, women held 37% of our senior roles as at the end of 2023, maintaining our 2022 position. More details about diversity and inclusion are available on page 20.

Inclusion is encouraged and supported through a series of networks as described in the Strategic report. Our Gender Pay Gap report, which includes more detail on diversity and inclusion, is available at www.royallondon.com.

Board evaluation

Each year, the Board completes a formal and rigorous evaluation of the performance of the Board, its committees, the Chairman and individual directors. This is an opportunity to take stock of the Board's progress and to test that the Board is well placed to respond to evolving opportunities and challenges.

Every third year, recommended practice is for the Board evaluation to be externally facilitated. As previously reported, in 2022, Christopher Saul Associates, a specialist board review firm, was appointed to conduct the 2022 review. The externally facilitated evaluation supported an overall view that the Board and its committees continue to be effective, focused and engaged, and the implementation of the improvement recommendations was overseen by the Chairman during 2023.

For 2023, the committee oversaw an internally facilitated review, led by the Chairman, and supported by the Company Secretary. The process followed was:

- questionnaires were set in consultation with the Chairman, the Senior Independent Director and the committee Chairs, as relevant
- each director was asked to complete the questionnaires and to meet with the Chairman, accompanied by the Company Secretary, to discuss the responses in detail, and at their option have a separate meeting with the Senior Independent Director
- based on the discussions and the responses, the Company Secretary drafted a summary report which, following review by the Chairman, was presented to the Board in February 2024
- the Board supported the findings and the recommendations made in the report which covered areas such as increasing the amount of peer, competitor and market information brought to the Board, continuing to streamline meeting papers to support full challenge from the independent non-executive directors rather than transfer information, and to continue to bring best practice from other boards the directors are involved with
- progress against these improvement recommendations will be reported in the 2024 Annual Report and Accounts.

A similar review and reporting process was followed for each committee and the outcomes from each review are included in the individual committee reports.

These reviews supported an overall view that the Board and its committees continue to be effective, focused and engaged.

As part of the annual Board effectiveness cycle, the Senior Independent Director led the evaluation of the Chairman's performance during 2023. The review was based on feedback given in individual interviews between the Senior Independent Director and each director of the Company, other than the Chairman. The feedback was then summarised into a themed paper which was discussed at a meeting of all directors of the Company, without the Chairman present. The directors concluded that the Chairman's business and industry experience, as well as his quality of leadership and development of the Board, continued to be of significant benefit to the Group. Following this, the Senior Independent Director met with the Chairman to pass the feedback from the review to him directly.

The Chairman also held individual meetings with each director to review and discuss their respective performance during 2023 and to identify any areas where they might be supported to develop further their skills and experience.

Director induction, learning and development

On appointment to the Board, directors are provided with a comprehensive preparation and induction programme, which is designed around their background knowledge and experience and, where appropriate, includes induction to the Board's committees.

The induction programme includes meetings with senior management and other key stakeholders to help understand Royal London's Purpose, strategy, operations, risk profile and governance structures as well as its culture and values.

The Chairman, in consultation with individual directors, continually considers any specific ongoing or additional support or training needed during the year.

The Board held a number of development sessions during the year covering topics including investment proposition, longstanding customers strategy, real estate, the Solvency II reform, Internal Model, operational resilience, remuneration matters as well as the Wealth Wizards and Responsible business areas.

Committee effectiveness

The committee reviews its remit and effectiveness each year. The 2023 review was conducted internally by issuing a questionnaire to committee members and holding meetings to discuss the responses. The key areas the committee was keen to take forward included:

- seeking further development of the talent and succession papers presented to the committee
- seeking stronger links from its discussions on talent to the wider discussions on business performance.

The committee did not raise any material concerns regarding the above areas or its overall effectiveness. The committee concluded that it continued to fulfil its duties under its terms of reference.

Looking forward

The committee will continue to maintain the Board's broad composition, replacing retirees with new appointees with diverse backgrounds and skill sets that sustain and enhance the required breadth and expertise. Statistics on gender composition and other considerations will vary as the Board evolves through succession and with new appointments. However, it is not expected that this will change structurally over the medium term.

Risk and Capital Committee

"During the year, the committee received a number of updates on progress in implementing Consumer Duty requirements; this monitoring will continue during 2024."

Dear member,

I am pleased to present the Risk and Capital Committee report for the year ended 31 December 2023.

Throughout the year, the committee maintained its focus on key risks to the organisation, and considered them against the backdrop of cost of living challenges and a complex wider economic and political environment. The Group's capital and liquidity position remains robust given the market volatility experienced in recent years, with the business growing safely and in line with our strategy.

The Consumer Duty standards closely align to the Group's Purpose and strategy, and as the Group's Consumer Duty Champion, I take the lead role on behalf of the Board in supporting management in this regard. During the year, the committee received a number of updates on progress in implementing Consumer Duty requirements; this monitoring will continue during 2024.

The ongoing cyber-related threats to financial services institutions remain an inherent risk. The committee has had close oversight of the robustness of the Group's cyber security measures and the critical services within Royal London which protect our business and customers. The threat landscape is continuously changing and we will continue to invest in our cyber security controls to maintain our defences.

In addition, the committee reviewed the measures and process refinements that management have implemented to maintain our high standards of service. These improvements are also key to support the financial resilience of our customers in the context of significant cost of living challenges.

Over the course of the year, the committee assessed and advised on a number of severe but plausible economic and operational scenarios and events which could affect the Group's financial strength. It challenged the validity and appropriateness of each scenario and the required actions to manage them.

The committee provided key oversight of significant growth activity during 2023, including the acquisition of Aegon UK's protection business. It maintained a close watch on the resilience and service standards of our key third parties. Other areas of committee oversight included the Group's material change programmes, controls in place to prevent financial crime and opportunities and threats posed by artificial intelligence.

I would like to thank my fellow committee members for their continued support during the year.

Mark Rennison
Chair of the Risk and Capital Committee

Committee membership

Member	Role	Year of appointment	2023 Meeting attendance
Mark Rennison	Chair	2020	7/7
Kal Atwal[1]	Member	2020	5/5
Sally Bridgeland[2]	Member	2021	6/7
Jane Guyett	Member	2022	7/7
Eithne McManus[3]	Member	2023	4/4
Tim Tookey	Member	2020	7/7

1. Kal Atwal retired as a member of the committee on 4 October 2023.
2. Sally Bridgeland retired as a member of the committee on 31 December 2023.
3. Eithne McManus was appointed as a member of the committee on 1 April 2023.

Purpose and role of the committee

The committee supports the Board in managing the Group's risk and capital position, and in complying with prudential and conduct regulations. It also provides advice, oversight and challenge to management on key risk matters. The committee's responsibilities are held in its terms of reference, available at www.royallondon.com.

Committee membership

As at March 2024, the committee comprises four independent non-executive directors. During 2023, we held seven meetings, with a further joint meeting with the Audit Committee. Our joint meeting enabled us to review and approve the co-ordinated assurance plans of the Group Risk and Compliance and GIA functions. Committee meetings are routinely attended by the Group Chief Risk Officer, the Group Chief Audit Officer, the Group Chief Actuary, the Chairman, the Group Chief Executive Officer and the Group Chief Financial Officer. Where appropriate, senior management and external auditors attend for all or part of our meetings.

Areas of focus and significant matters considered by the committee

Operational and conduct risk management

The Group actively manages risks that could affect its ability to serve customers and members, as well as risks which could interrupt operational stability or cause financial loss and reputational damage. Monitoring these risks is a key part of the committee's role. We do this through review of regular risk reports as well as analysis focused on specific areas.

The Consumer Duty sets higher and clearer standards of consumer protection across financial services and requires firms to put their customers' needs first. Customers have always been at the heart of the Group's strategy and the committee's focus has included assessing the appropriateness of the activities in place to meet the strengthened requirements of the Consumer Duty.

During the year, the committee considered reports that were focused on the cost of living crisis, progress on major change programmes and the Group's control environment. There has also been a strong focus on information technology risks including cyber security, the amount of 'technical debt' in the Group and our cloud computing strategy. Detailed updates were also provided to the committee on the progress to improve operational resilience including important business services, and there were reviews of the Group's material outsourced service providers.

Financial crime and whistleblowing

The committee received regular updates on compliance with the Group's Whistleblowing and Financial Crime policies and anonymised updates on investigations from the Group Money Laundering Reporting Officer. Royal London employees complete regular mandatory financial crime and whistleblowing training, which includes guidance on how to report concerns using our independent Whistleblowing Hotline. The committee is satisfied that the Group's procedures are currently operating effectively. The committee Chair is the designated Whistleblowing Champion and reports to the Board on the updates the committee receives.

Risk management framework

As part of reviewing the effectiveness of the Group's risk management system, the committee reviewed periodic risk and control self-assessment attestations from management. In addition, it appraised the assurance plans of the Group Risk and Compliance and GIA functions. The committee also approved the risk and compliance annual work programme and key risk-related policies.

Prudential risk, Solvency II and Internal Model

The Group maintains robust capital at all times to ensure it can meet the needs of customers and regulatory requirements and deliver its strategy. The committee approved the annual capital management plan and the capital management framework. It also received quarterly updates on the Group's overall capital position.

In 2023, the committee reviewed various aspects of prudential risk as required by the PRA. Examples include the design and operation of the Internal Model, the stress and scenario testing plan, the Group's liquidity position, ORSA, SFCR and Regular Supervisory Report.

Remuneration

The committee reported its view of the Group's performance against the agreed risk appetite to the Remuneration Committee, which uses this information to support its decision making on adjustments to the remuneration of key senior management.

Risk disclosures

The committee reviewed and recommended the risk statements and risk-related disclosures included in the Annual Report and Accounts to the Audit Committee. The recommendation also included the principal risks and uncertainties disclosure for the Interim Results Announcement and the Annual Report and Accounts.

Committee effectiveness

The committee reviews its remit and effectiveness each year. The 2023 review was conducted internally by issuing a questionnaire to committee members and holding meetings to discuss the responses. The key areas the committee was keen to take forward included:

- optimising the balance of time spent on risk and capital matters
- balancing the time spent discussing financial, operational and strategic risks
- seeking stronger links from its discussions on the effective delivery of the Risk Management Framework to the wider discussions on business performance.

The committee did not raise any material concerns regarding the above areas or its overall effectiveness. The committee concluded that it continued to fulfil its duties under its terms of reference.

Looking forward

The committee will continue to focus on overseeing the management of key risks facing the Group. These include risks related to sound maintenance of the Internal Model, key strategic change initiatives, cyber security, operational resilience and emerging risks. In 2024, a focus of the committee will be to monitor the impact of the changing economic and geopolitical environment, including any associated customer behaviour changes. The committee will continue overseeing the implementation of the Consumer Duty requirements and provision of good customer outcomes.

With-Profits Committee

"Throughout 2023, with the backdrop of high inflation and cost of living pressures for our customers, the committee continued to focus on its key role of ensuring the fair treatment of policyholders with an entitlement to a share in the profits of the Group."

Dear member,

I am pleased to present the With-Profits Committee report for the year ended 31 December 2023, my first as Chair of the committee.

On behalf of the committee, I would firstly like to thank Sally Bridgeland, whose tenure as a member of the committee ended on 31 December 2023 and who stepped down as the Chair of the committee on 30 November 2023, for her dedicated work and input which has been invaluable to the committee.

Throughout 2023, with the backdrop of high inflation and cost of living pressures for our customers, the committee continued to focus on its key role of ensuring the fair treatment of policyholders with an entitlement to a share in the profits of the Group. The committee focused on a number of projects during 2023, including the Royal Liver UK Pension scheme buy-in and the transfer of annuities in payment from the Royal London (CIS) Fund to the Royal London Main Fund. It also reviewed the approach to smoothing in the With-Profits funds, and the annual bonus declaration. In addition, following the successful conclusion of the Legacy Simplification programme in 2022, the number of With-Profits funds in the Company reduced from eight to two, providing policy uplifts for affected customers.

Following the resignation of the previous With-Profits Actuary, the committee welcomed Brian Peters as the new With-Profits Actuary on an interim basis in March 2023.

I would like to thank my fellow committee members for welcoming me as a committee member from 1 April 2023 and supporting me in my succession as Chair of the committee from 1 December 2023, as well as for their continued input into the business of the committee. I would also like to thank the executives who support the committee for their valuable work throughout 2023.

Eithne McManus
Chair of the With-Profits Committee

Committee membership

Member	Role	Year of appointment	2023 Meeting attendance
Sally Bridgeland[1]	Chair	2017	5/5
Eithne McManus[2]	Chair and Member	2023	4/4
Daniel Cazeaux	Member	2020	5/5
Carl Dowthwaite	Independent Member	2019	5/5
Rebecca Hall	Independent Member	2021	5/5
Alison Jones	Independent Member	2021	5/5
Emmy Labovitch	Independent Member	2020	5/5

1. Sally Bridgeland stepped down as the Chair of the committee on 30 November 2023 and retired as a member of the committee on 31 December 2023.
2. Eithne McManus was appointed as a member of the committee on 1 April 2023 and became the Chair of the committee on 1 December 2023.

Purpose and role of the committee

The committee operates in accordance with the FCA's Conduct of Business Sourcebook, section 20.5, and the FCA's Principles for Business. The committee's principal function is to support and advise the Board in managing With-Profits funds and to consider the interests of all With-Profits and unit-linked policyholders with an entitlement to a share in the profits of the Group. It also exercises judgement in advising the Board on the achievement of fair treatment of those policyholders and fulfils its obligations under court schemes.

The responsibilities and duties of the committee are set out in its terms of reference, which are reviewed annually and are available at www.royallondon.com.

Committee membership

In accordance with the requirements of the FCA's Conduct of Business Sourcebook and the committee's terms of reference, the committee has a majority of independent members. As at March 2024, the committee comprises four independent members and two non-independent members.

During 2023, the committee held five meetings, which were attended by the With-Profits Actuary and Group Chief Actuary. There was also a training session held for the committee, which covered the Group's hedging strategy, including the capital management objectives and the current portfolio overview, and a deep-dive session into regional equity investment allocations across the two long-term funds of the Group.

Areas of focus and significant matters considered by the committee

Investment

Throughout 2023, the committee reviewed the investment performance and investment strategy of the Group, which included international equity allocation and RLAM's performance, with particular focus on key activity covered by the Group's Investment Office.

The committee discussed the Group's Multi-Asset Strategy, which covers core strategic asset allocation, volatility cap and tactical asset allocation overlay, aimed at providing access to more tactical opportunities through the existing fund mechanism to benefit the Group's customers, including those invested in the With-Profits funds.

The committee received regular updates from RLAM covering its investment views, the economic outlook and asset allocation, as well as its business positioning and long-term outlook.

Longstanding customers

The longstanding customer strategy was reviewed by the committee, which noted that the current engagement approach with longstanding customers ensures compliance with regulatory requirements and monitoring of costs and charges.

Consumer Duty

The committee was informed of the progress regarding the Group's Consumer Duty programme insofar as it relates to With-Profits policyholders, including compliance with the requirements for open book products, to meet the regulatory deadline of 31 July 2023. In addition, planning for compliance with the Consumer Duty requirements for closed book products has also progressed to ensure meeting the 31 July 2024 compliance deadline.

Protection business

The committee received a presentation on the Group's Protection business, focusing on plans to ensure more customers have access to Protection products to encourage greater financial resilience.

ProfitShare

The committee discussed the development of ProfitShare and its core components, including the amount, recipients, form of benefit and sustainability of ProfitShare, and how it might develop in the future.

Bonus setting

The committee reviewed a proposed technical change to the process for smoothing investment returns as part of bonus setting. It also reviewed the regular bonus distribution proposals, and a proposal to add ProfitShare to a small block of Workplace Pensions business.

Legacy Simplification programme

Following the successful delivery of the Legacy Simplification programme, reducing the number of With-Profits funds in the Company from eight in 2021 to two in 2022, the committee oversaw the policy uplifts that were applied to eligible policy asset shares and the other implementation steps. The committee also discussed the short- and long-term options to improve the estate distribution position of the remaining funds, which will continue in 2024.

Committee effectiveness

The committee reviews its remit and effectiveness each year. The 2023 review was conducted internally by issuing a questionnaire to committee members and holding meetings to discuss the responses. The key areas the committee was keen to take forward included:

- reviewing the committee's wider duties, recognising that much of the committee's recent time had needed to be spent on specific projects
- gaining a greater understanding of any impact of the Consumer Duty requirements on the committee's role.

The committee did not raise any material concerns regarding the above areas or its overall effectiveness. The committee concluded that it continued to fulfil its duties under its terms of reference.

Looking forward

The committee will continue to focus on its key role of ensuring the fair treatment of policyholders with an entitlement to a share in the profits of the Group. Specific priorities for the committee in 2024 are expected to include the continuing focus on the Group's Consumer Duty programme and the work on longstanding customers, as well as the potential implications and opportunities for the With-Profits business. In 2024, the committee will review a planned refresh of the Royal London Principles and Practices of Financial Management (PPFM) following the fund consolidation activity in recent years. The committee will also consider options for transferring risk from the Royal London (CIS) Fund, and the implications for distributing the fund's estate.

Investment Committee

"The committee focused on the Group's investment strategy and investment activity, including the strategic asset allocations of several of the Group's portfolios, the Group's responsible investment activities and its approach to stewardship and engagement."

Dear member,

I am pleased to present the Investment Committee report for the year ended 31 December 2023, my first as Chair of the committee.

On behalf of the committee, I would firstly like to thank Ian Dilks, whose tenure as a member and Chair of the committee ended on 31 December 2023. Ian has been pivotal in the evolution and success of the Group's Investment strategy and the Company's Investment Philosophy and Beliefs, work which has been invaluable to the committee and Royal London.

During 2023, the committee focused on the Group's investment strategy and investment activity, including the strategic asset allocations of several of the Group's portfolios, the Group's responsible investment activities and its approach to stewardship and engagement.

The investment environment continues to evolve, influenced by inflation and policy actions taken to combat this. The committee has been mindful of the challenges that these sometimes conflicting influences imply for both longer-term investment strategy as well as shorter-term risk management. An increasing area of focus has been to broaden the range of asset classes in which the Group invests, where this is consistent with the Group's Purpose and can enhance the risk-adjusted returns for members and policyholders.

I would like to thank my fellow committee members for welcoming me as the Chair of the committee, as well as for their continued dedication and contribution to the committee's business.

Nicky Richards
Chair of the Investment Committee

Committee membership

Member	Role	Year of appointment	2023 Meeting attendance
Ian Dilks OBE[1]	Chair	2014	6/6
Nicky Richards[2]	Chair and Member	2023	1/1
Kal Atwal	Member	2022	6/6
Daniel Cazeaux	Member	2020	6/6
Julius Pursaill[3]	Member	2014	3/3

1. Ian Dilks stepped down as the Chair of the committee and retired as a member of the committee on 31 December 2023.
2. Nicky Richards was appointed as a member of the committee on 5 October 2023 and became the Chair of the committee on 1 January 2024.
3. Julius Pursaill retired as a member of the committee on 31 July 2023.

Purpose and role of the committee

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

The responsibilities and duties of the committee are set out in its terms of reference, which are reviewed annually and are available at www.royallondon.com.

Committee membership

As at March 2024, the committee comprises two independent non-executive directors and the Group Chief Financial Officer. Before stepping down on 31 July 2023, Julius Pursaill was a non-executive member of the committee who was not a director of the Company.

The committee held six meetings in 2023, all of which were attended by the Chairman, the Group Chief Executive Officer, the Group Investment Director, and the Group Chief Risk Officer.

Areas of focus and significant matters considered by the committee

Investment strategy

The committee reviewed and approved adjustments to strategic asset allocations across the Group's With-Profits and Governed Range portfolios. These changes reflect shifts in the longer-term outlook for risk and returns across a range of asset classes as macroeconomic and market paradigms have moved over the past year.

The committee received internal briefings and held discussions with external experts. These briefings and discussions covered macroeconomic conditions and general investment strategy matters, global equities and UK real estate markets. The committee also received continuous advice and support from the Group Investment Director and his Investment Office, alongside the Group Chief Risk Officer.

The committee also approved new asset classes for use within customer and member portfolios, notably build-to-rent residential real estate, equity release mortgages and natural capital.

Investment performance and operations

Throughout 2023, the committee was kept informed of the investment performance of the Group's funds compared to respective benchmarks and, where relevant, peers. It also received regular updates on the outlook for, and potential impact of, macro and market developments, ongoing management actions being taken to address these, and the resultant positioning of the Group's investment portfolios. In terms of investment operations, the committee considered that the overall operating environment remained stable throughout the year.

Responsible investment

ESG considerations remain a focus for the committee. The Company's investment processes and those of its key asset managers embed appropriate consideration of ESG in accordance with the Company's Investment Philosophy and Beliefs and related frameworks. In line with one of the Group's Purpose outcomes, 'moving fairly to a sustainable world', climate and sustainability remains an important area of focus for the committee, which received updates throughout the year relating to Royal London's sustainability and climate-related investment activities. The Group's progress in these areas is supported by the ability to draw on the expertise available within Royal London Asset Management.

The committee also approved the Company's 2022 Stewardship Report and recommended to the Board for approval the Royal London Stewardship and Engagement Policy and the Royal London Voting Policy, developed to support the Company as an asset owner, and RLAM as an asset manager.

Committee effectiveness

The committee reviews its remit and effectiveness each year. The 2023 review was conducted internally by issuing a questionnaire to committee members and holding meetings to discuss the responses. The key areas the committee was keen to take forward included:

- continuing to bring the consumer perspective, when relevant, to the committee's discussions to complement the investment expert perspective
- continuing to question the optimum management information the committee should receive to help fulfil its duties, such as consumer insight information
- continuing to reflect on the optimum mix of the skills and knowledge the committee should have, such as the potential benefits of specific asset class experience.

The committee did not raise any material concerns regarding the above areas or its overall effectiveness. The committee concluded that it continued to fulfil its duties under its terms of reference.

Looking forward

Looking to 2024, the committee's focus will continue to be on the Group's investment portfolios and adding value for members, with further discussions to be held with respect to investment change and potential new asset classes. In addition, the committee will continue to oversee navigation through the macroeconomic and geopolitical uncertainty.

Remuneration Committee

"Our members and customers are at the heart of our business. As a proud, modern mutual, we are committed to aligning our strategic objectives to the long-term interests of our customers and members alike, including through our remuneration policies and practices."

Dear member,

I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2023.

Our current Directors' Remuneration Policy was approved by the Group's members at the 2023 AGM. Full detail of the Directors' Remuneration Policy is set out in the 2022 Directors' Remuneration Report in the 2022 Annual Report and Accounts. The committee considers that the Directors' Remuneration Policy remains fit for purpose and no changes are proposed this year.

Our members and customers are at the heart of our business. As a proud, modern mutual, we are committed to aligning our strategic objectives to the long-term interests of our customers and members, including through our remuneration policies and practices.

We operate a Group Remuneration Philosophy to support our sense of shared purpose and link between customer, member and colleague success. Our philosophy applies to colleagues and the executive directors. The committee has oversight of any variance from the philosophy. A summary of our philosophy, and how it applies to all colleagues, including the executive directors, is set out on pages 99 to 100.

The impact of a challenging and uncertain external environment continues to create financial challenges for colleagues and members alike. The rising cost of living, compounded by inadequate levels of saving, has left many people facing some difficult financial choices. During the year we continued to help our colleagues build financial resilience to protect their standard of living, and that of their families, by offering financial planning workshops and debt counselling services. We also continued to prioritise our annual salary spend on lower paid colleagues. We were an early advocate of the Living Wage Foundation and we remain committed to continuing to pay colleagues above this standard. As a leading pension provider, it is also important for us to go further by helping our colleagues save for their future and retirement. As a result, our minimum salary for all colleagues will increase from £21,700 to £22,300 effective from April 2024. This continues to be higher than the rate set by the Living Wage Foundation.

Our annual Gender Pay Gap report for 2023 is available at www.royallondon.com. Compared to our 2022 results, the mean pay gap has narrowed by 2.2% points from 35.3% to 33.1%. Our Gender Pay Gap report is influenced by the structure of our workforce, and we have continued to make good progress in gender representation (in particular, the representation for women in senior roles) and maintained favourable pay equity across the Group.

I would like to thank my fellow committee members for their continued contribution to the effective operation of the committee during the year. I would also like to thank colleagues for their hard work and their ongoing commitment to championing our mutual mindset.

I encourage members to vote in favour of the resolution relating to the Directors' Remuneration Report for 2023 at the 2024 AGM.

Jane Guyett CBE
Chair of the Remuneration Committee

Committee membership

Member	Role	Year of appointment	2023 Meeting attendance
Jane Guyett CBE	Chair	2021	11/11
Baroness Ruth Davidson PC	Member	2021	11/11
Ian Dilks OBE[1]	Member	2020	11/11
Lynne Peacock[2]	Member	2023	3/3

1. Ian Dilks retired as a member of the committee on 31 December 2023.
2. Lynne Peacock was appointed as a member of the committee on 1 December 2023.

Purpose and role of the committee

The committee supports the Board in determining the Group Remuneration Philosophy and the remuneration of key senior management. The committee's main responsibilities include:

- designing the Group's remuneration policy consistent with the Group's values and culture so as to promote the long-term success of the Group
- determining the remuneration arrangements for the executive directors and other designated employees
- monitoring and adjusting the quantity and structure of remuneration for the executive directors and other designated employees so as to attract, retain and motivate management of the quality required to run the Group successfully while not over-paying.

The full responsibilities of the committee are set out in its terms of reference, which are reviewed annually and are available at www.royallondon.com.

Committee membership

The committee includes three independent non-executive directors. The committee held 11 meetings during 2023. Committee meetings are routinely attended by the Group Chief People Officer and other members of senior management where appropriate.

Performance context

2023 was another year of significant change and uncertainty. Humanitarian and geopolitical crises continue, notably in the Ukraine and Middle East.

Against that backdrop, we demonstrated the effectiveness of our long-term strategy in 2023 by delivering an increase in operating profit before tax of 19% to £249m, while also increasing net flows and assets under management. Strong investment performance within our asset management business, underpinned by a commitment to responsible investing, is attracting growing international interest.

In addition, we are constantly updating our technology to help customers build their financial resilience. In September 2023, we launched our 'Adviser Value Proposition' focused on helping advisers grow their business while making it easier for their clients to work with them.

Our continued strength has also enabled us to maintain our ProfitShare allocation rates from last year, and as a result we are able to share £163m with over two million eligible customers.

Further details relating to the 2023 incentive outturns and how we intend to operate the Remuneration Policy in 2024 are set out below.

2023 incentive outturns and 2024 approach to remuneration

Our incentive plans include a balance of financial and strategic performance measures aligned to our Purpose and strategy. Our plans also include gateways or minimum performance standards which must be achieved to support any outcomes for colleagues.

The outcomes under the 2023 Group Short-Term Incentive Plan (STIP) and the 2021 Long-Term Incentive Plan (LTIP) scorecards are summarised below. In determining these outcomes the committee considered whether each outcome appropriately reflected performance having regard to the economic climate. The committee also considered performance in relation to the Group's risk framework, including annual statements from the Chairs of the Audit Committee and the Risk and Capital Committee on the quality of earnings and performance within risk appetite.

Having regard to this, the committee determined there were no material factors which required an adjustment to the scorecard outcomes, and consequently no discretionary adjustments were made by the committee.

The committee will continue to assess performance against the scorecards and determine whether any positive or negative adjustments need to be applied to account for material factors not considered in the scorecards.

2023 Group Short-Term Incentive Plan (STIP)

This year's scorecard focused on ensuring that colleagues collaborate effectively to deliver the best possible outcomes for our members and customers.

The financial measures in the 2023 STIP scorecard exceeded target. Operating profit was ahead of plan, highlighting strong performance across the business as a result of both increased contributions from new business and higher underlying returns from the existing portfolio. Risk adjusted new business contribution finished the year ahead of plan which reflects new business outperformance in the UK and Ireland. Business as usual costs were ahead of plan following the careful management of our cost base.

Performance against the delivery of our people priorities exceeded target. This reflected our continued commitment to ensuring that Royal London remains a great place to work. You can read more about our people commitments on pages 19 to 20.

Although customer performance was slightly behind target for Brand Love, this still reflected the positive impact of our customer brand campaign against the challenges created by the cost of living crisis. The Group also continues to focus on the move to digital, with the number of digitally active customers well ahead of the target range.

The formulaic outcome under our 2023 Group STIP scorecard was 149.2% of target (with the maximum being 200% of target). In determining the final outcome, the committee exercised its judgement and considered a range of additional factors including progress on key strategic projects and this resulted in an overall outturn of 138.0% of salary (relative to a maximum of 200% of salary) for Barry O'Dwyer and 109.1% of salary (relative to a maximum of 150% of salary) for Daniel Cazeaux.

Further information is set out on pages 104 to 105.

2021 Long-Term Incentive Plan (LTIP)

The 2021 LTIP scorecard included both financial and non-financial measures. Performance under our LTIP scorecard is measured over three years.

Financial measures made up 80% of the scorecard, half of which related to Operating Profit which was below threshold at the end of the performance period. This was largely due to reduced new business performance driven by the lower than expected market recovery post-Covid (in light of the Ukraine war and subsequent cost of living pressures). However, Investment Performance exceeded the maximum performance targets across both funds reflecting the significant investment outperformance seen in 2021 and strong performance in 2023.

We exceeded the targets under the Diversity & Inclusion Strategy measure with disclosure of demographic data and colleague perception measured through the colleague engagement survey achieving maximum performance.

Page 106 summarises our performance under the 2021 LTIP scorecard this year.

Overall, our performance under the scorecard for the 2021 LTIP resulted in an outcome of 44.5% of the maximum award for both Barry O'Dwyer and Daniel Cazeaux.

Applying our Group Remuneration Philosophy in 2024

2024 base salary

To continue to provide support for colleagues, we focused on increasing salaries for lower paid colleagues during the most recent annual review. Our overall approach sought to balance the need to maintain competitiveness while recognising the cost of living pressures faced by colleagues, particularly those with lower levels of pay. Our spend on salary increases for lower paid staff averaged 5.1% relative to an overall Group budget of 4.75%.

Having regard to these parameters, individual performance and experience in role, the committee determined to increase Barry O'Dwyer's salary by 4.75% (from £769,860 to £806,400) and Daniel Cazeaux's salary by 4.75% (from £500,000 to £523,750) effective from 1 April 2024.

2024 Short Term Incentive Plan (STIP) and 2024 Long Term Incentive Plan (LTIP)

During the year, performance measures under the STIP scorecard were reviewed. In line with the approach taken for the 2023 LTIP scorecard last year, performance measures for the 2024 STIP have been aligned to our strategic objectives, including both financial and non-financial metrics. In line with our commitment to a more sustainable world, this includes measures relating to our real world impact, such as reducing CO_2e emissions through active engagement with companies in which we invest.

Further details on the scorecards are set out on pages 101 to 102.

There are no changes in the incentive opportunities for the executive directors in 2024. Barry O'Dwyer's target and maximum STIP opportunity will continue to be 100% and 200% respectively. Daniel Cazeaux's target and maximum STIP opportunity will continue to be 75% and 150% of salary respectively. The maximum LTIP opportunities for Barry O'Dwyer and Daniel Cazeaux will continue to be 300% and 150% of salary respectively.

Engaging with colleagues

Colleague representation is an important element of ensuring that our colleagues' views are heard. During the year, management and the Board worked in constructive partnership with our Colleague Representative Forum to bring insight, ideas and collaborative challenge to accelerate positive progress and represent the views of all colleagues in the decision-making process. This included a Board engagement session with the Colleague Representative Forum held in May. We will continue to engage with the Colleague Representative Forum in 2024.

Committee effectiveness

The committee reviews its remit and effectiveness each year. The 2023 review was conducted internally by issuing a questionnaire to committee members and holding meetings to discuss the responses. The key areas the committee was keen to take forward included:

- continued management focus to streamline and strengthen the committee papers
- continued consideration of the optimum level of managerial support for the committee.

The committee did not raise any material concerns regarding the above areas or its overall effectiveness. The committee concluded that it continued to fulfil its duties under its terms of reference.

Looking forward

During 2024, the committee will continue to ensure that there is a careful balance between providing competitive pay and incentives to drive performance while also ensuring the appropriate management of risk. Risk-taking outside of the Group's risk appetite will not be rewarded.

The committee will continue to consider the Group's remuneration arrangements in the context of market competitiveness and in support of the development of business activity including in new markets, products and services.

When assessing performance under our incentive plans, the committee will take into account not just the measures and targets in the respective scorecards, but also wider views of Group performance, quality of earnings and the sustainability of performance before finalising awards.

Group Remuneration Philosophy

Our customers, members and colleagues are at the heart of Royal London. We aim to ensure our colleagues feel able to do their best and are supported.

We operate a Group Remuneration Philosophy which applies to colleagues including the executive directors. Our Directors' Remuneration Policy is aligned to the Group Remuneration Philosophy. Our Directors' Remuneration Policy was approved by members at the 2023 AGM held on 6 June 2023. Full details of the Directors' Remuneration Policy can be found in the 2022 Directors' Report on Remuneration in the 2022 Annual Report and Accounts.

A summary of our approach to remuneration across the Group, and how this applies to colleagues and the executive directors, is provided below.

Element	Application to the Group
Base salary	Royal London takes a market-informed approach when determining salaries. Individual salaries are appropriately positioned against those of internal and external peers, and consider colleague skills, knowledge and sustained performance. Royal London applies a 'pay for performance' approach, where salary increases are prioritised for those colleagues that are demonstrating exceptional performance and progressing well in their role.
Benefits	Royal London has a strong focus on supporting colleague health and wellbeing and providing financial security for colleagues. Colleagues who meet the required service criteria are eligible to join a private medical plan which provides mental and physical care and medical treatment if needed. Financial support is provided to colleagues' dependants through life insurance which pays 8x salary in the event of a claim. A new income protection arrangement was introduced in 2023 to support colleagues who are not able to work for a prolonged period due to illness or injury. Benefits may vary by individual, location and level and may also include medical screening or a discretionary living-away-from-home allowance.
Pension	Royal London is committed to helping colleagues to save towards their future and retirement. Colleagues are encouraged to make pension contributions which Royal London doubles up to a maximum employer contribution of 14%. Colleagues who reach either the lifetime or annual pension allowance can elect to take a cash allowance in lieu of pension. The default contribution rate across the workforce is 6% (employee) and 12% (employer) of salary.

Group Remuneration Philosophy *continued*

Element	Application to the Group
Short-Term Incentive Plan (STIP)	The STIP provides an opportunity for colleagues to be rewarded for their contribution towards Royal London achieving its Purpose and strategy. Colleagues have a STIP opportunity which is appropriate for their role and comparable with their peer group. Any STIP is earned through colleagues working collectively to deliver against the performance measures in the annual scorecard. The scorecard determines the overall level of STIP funding each year. Individual STIP outcomes for colleagues are differentiated based on a colleague's personal contribution and performance, with a zero outcome being awarded to colleagues who do not meet the minimum expectations for their role. Performance under the plan is assessed using a scorecard of financial and strategic measures that are reviewed each year. The maximum opportunity for colleagues will not exceed 200% of salary, unless otherwise agreed by the committee. For individuals in key roles, a portion of the STIP is deferred (40% for executive directors) subject to continued employment, with awards under the deferred element of the STIP vesting on the first, second and third anniversaries following grant. In line with market practice, and in order to increase alignment with the underlying performance of certain business units or functions, separate STIP scorecards apply for colleagues in Royal London Ireland and control functions. A separate STIP and scorecard also applies for most colleagues in RLAM.
Long-Term Incentive Plan (LTIP)	The LTIP aims to align the interests of our most senior colleagues, which includes members of the Group Executive Committee, with the long-term interests of members and customers by incentivising the delivery of our Purpose and strategy. Participants in the LTIP have an incentive opportunity which is appropriate for their role and comparable with their peer group. Awards under the plan are differentiated based on personal contribution and performance. No awards are made to colleagues who do not meet the minimum expectations for their role. Performance under the plan is assessed using a scorecard of financial and strategic measures that are reviewed each year. Vesting of awards is based on performance over a three-year period, after which a two-year holding period applies for the executive directors. Awards are generally deferred into fund units to support alignment with customers through fund performance.

Supporting our Purpose and strategy

An overview of the scorecards under 2024 Group STIP and the 2024 LTIP is provided below. The performance measures in the scorecards support the delivery of our Purpose and strategy.

The committee is of the view that the performance targets are commercially sensitive and it would be detrimental to the Company to disclose them in advance of or during the relevant performance period. The committee will disclose these targets at the end of the relevant performance period in that year's Annual Report and Accounts, if these targets are no longer commercially sensitive.

2024 STIP scorecard

Strategy outcome	Alignment to our Purpose	Weighting	Performance measure(s)
Our continued profitability and balance sheet management ensures we are financially secure		20%	Operating profit
		15%	Risk adjusted new business contribution
Our investment performance and capabilities are recognised as best in class		15%	Investment return on Long Term Funds and Governed Range
We are clear on how we will reduce our CO_2e emissions in our operations and investments		5%	Assessment of progress and outcomes for Board approval of Climate plans, Stewardship Code accreditation and engagement on financed emissions
We offer high quality and value for money solutions that help customers achieve good outcomes		15%	Assessment of progress and outcomes for our priority initiatives including further embedding of Consumer Duty
We maximise operational efficiency without compromising on quality		5%	Group business as usual costs (UK, Ireland and RLAM)
We attract a strong inflow of new customers and clients		5%	Number of customers joining new workplace pension schemes
Customers share their data with us, and we actively use it to improve our customer offer		10%	Prioritisation of the shift to online channels and Customer Value Statement Index
We operate with modern infrastructure, capabilities and ways of working to maximise value for customers		5%	Building resilience in our infrastructure
		5%	Delivering our People Priorities for our colleagues and customers
Total		**100%**	

Our Purpose

Protecting today, investing in tomorrow. Together we are mutually responsible.

- Helping build financial resilience
- Moving fairly to a sustainable world
- Strengthening the mutual choice for customers

Group Remuneration Philosophy *continued*

2024 LTIP scorecard

Strategy outcome	Alignment to our Purpose	Weighting	Performance measure(s)
Our continued profitability and balance sheet management ensures we are financially secure		**25%**	Operating profit
We are clear on how we will reduce our CO_2e emissions in our operations and investments		**5%**	Assessment of progress and outcomes in reducing CO_2e emissions and just transition engagement
Our investment performance and capabilities are recognised as best in class		**30%**	Investment return on the Long Term Funds, Governed Range and external assets
We offer high quality and value for money solutions that help customers achieve good outcomes		**10%**	Assessment of progress against our priority initiatives
The breadth of our offering means our relationship with customers can last for the rest of their lives		**10%**	Percentage of customers using more than one solution with us
We maximise operational efficiency without compromising on quality		**10%**	Business as usual costs (UK only)
We operate with modern infrastructure, capabilities and ways of working to maximise value for customers		**10%**	Delivering our People Priorities for our colleagues and customers
Total		**100%**	

Our Purpose

Protecting today, investing in tomorrow. Together we are mutually responsible.

Helping build financial resilience

Moving fairly to a sustainable world

Strengthening the mutual choice for customers

UK Corporate Governance Code

The Board believes that the Company has continued to comply with the principles of the Code, as adapted to reflect the Company's mutual status.

The table below summarises how we have applied Provision 40 of the Code's principles into our remuneration framework.

Principle	Examples of how the principles have been applied
Clarity	• Voluntary application of the UK Corporate Governance Code • Comprehensive remuneration disclosures, in line with market practice for listed companies • Group Remuneration Philosophy (page 99)
Simplicity	• Common remuneration approach for colleagues which is well understood by colleagues
Risk	• Committee discretion (page 105 of the 2022 Annual Report and Accounts) • Malus and clawback (page 103 of the 2022 Annual Report and Accounts) • Post-employment holding requirements (page 104 of the 2022 Annual Report and Accounts)
Predictability	• Directors' Remuneration Policy scenario charts (page 108 of the 2022 Annual Report and Accounts) • Committee discretion (page 105 of the 2022 Annual Report and Accounts)
Proportionality	• Alignment to strategy • Committee discretion (page 105 of the 2022 Annual Report and Accounts)
Alignment to culture	• Group Remuneration Philosophy (page 99)

2023 Annual report on remuneration

This section of the Directors' Remuneration Report details the remuneration paid to the executive and non-executive directors for the financial year ending 31 December 2023.

Single figure of remuneration – executive directors (audited)

The table below details the single figure of remuneration for the executive directors for the financial year ended 31 December 2023.

		Fixed remuneration				Variable remuneration			
Executive director		Salary £'000	Taxable Benefits £'000	Pension £'000	Total £'000	STIP £'000	LTIP £'000	Total £'000	Total £'000
Barry O'Dwyer	**2023**	**759**	**1**	**91**	**851**	**1,062**	**526**	**1,588**	**2,439**
Barry O'Dwyer	2022	721	1	87	809	558	486	1,044	1,853
Daniel Cazeaux	**2023**	**484**	**1**	**58**	**543**	**546**	**316**	**862**	**1,405**
Daniel Cazeaux	2022	433	1	52	486	335	175	510	996

Salary

Barry O'Dwyer's annual salary from 1 April 2023 was £769,860. Daniel Cazeaux's annual salary from 1 April 2023 was £500,000.

Benefits

Benefits include private medical insurance, health screening and any relocation costs.

Pension

The executive directors receive a cash supplement in lieu of Company pension contributions of 12% of salary. This is aligned with the default contribution rate for colleagues.

STIP

Awards under the STIP include amounts due to be deferred which are subject to continued service. 40% of any STIP is deferred for up to three years. To further increase the alignment between incentive outcomes and our members and customers, deferred STIP awards are invested in the funds available to our members and customers.

LTIP

LTIP values reflect the achievement of performance measures under the 2021 LTIP at the end of the three-year performance period.

2023 Group STIP outcome (audited)

The 2023 STIP scorecard was set at the start of the financial year. The table below details actual performance against the measures and targets in the scorecard at the end of the performance period. The committee is of the view that a number of performance targets are commercially sensitive and it would be detrimental to the Company to disclose them.

	Link to strategy	Threshold (0%)	Target (100%)	Maximum (200%)	Actual	Weighted outturn
Financials (45%) 165% of target						
UK GAAP operating profit[1] £m (20.0%)		207	244	281	270	34.2%
Risk adjusted new business contribution £m (12.5%)		64	75	86	83	21.7%
Costs £m (12.5%)		589	574	560	567	18.5%

	Link to strategy	Performance achievement	
Customer (20%) 156% of target Investment performance (Governed Range) (5.0%) Investment performance (Long-Term Funds) (5.0%) Digitally active customers (5.0%) Customer Brand Love (5.0%)		Investment performance across the Long Term Funds and the Governed Range was significantly ahead of target. We increased our digitally active customer base through the launch of new features and targeted marketing campaigns. Customer Brand Love score was slightly behind target.	31.2%
People (10%) 175% of target		Strong results under our colleague engagement survey, enhancements to our early careers offering and good progress on diversity and inclusion targets.	17.5%
Assurance (10%) 187% of target Risk management		Strong performance demonstrated during the year to support ongoing effectiveness of our control environment.	18.7%
Building the future (15%) 50% of target Priority initiatives		Good progress was made in 2023 with the re-platforming of RLAM systems and delivery against our sustainability ambitions, with some pension technology delivery running behind schedule.	7.5%
+/- adjustment (Committee discretion)		No discretion has been applied in determining the STIP scorecard outcome.	0.0%
Final 2023 STIP outcome			149.2%

1. Operating profit before tax adjusted for 2023 STIP payable to colleagues over and above the 100% target level.

Performance during the year resulted in a calculated scorecard outcome of 149.2%. In addition to the scorecard outcome, the financial gateways (capital, profit and liquidity hurdles) under the plan were achieved.

The committee evaluated the calculated scorecard outcome and considered several factors including the economic climate, the Group's financial and investment performance and progress on key strategic projects.

The committee determined that the results were an accurate reflection of business performance over the performance period, and therefore chose not to apply any discretionary adjustments to the calculated outcome.

The maximum opportunity under the 2023 STIP was 200% of salary for Barry O'Dwyer and 150% for Daniel Cazeaux, with 40% of any amount earned deferred into fund units for three years. In determining the final outcome, the committee exercised its judgement and considered a range of additional factors including progress on key strategic projects. This resulted in an overall outturn of 138.0% of salary for Barry O'Dwyer and 109.1% of salary for Daniel Cazeaux.

Our Purpose

The positive outcomes we want to achieve by using our mutuality for good

- Helping build financial resilience
- Moving fairly to a sustainable world
- Strengthening the mutual choice for customers

2023 Annual Report on Remuneration *continued*

2021 LTIP outcome (audited)

The 2021 LTIP scorecard includes financial and strategic objectives aligned to the shared mutual interests of members, customers and colleagues. The plan has a three-year performance period. An additional two-year holding period applies following vesting for the executive directors.

The performance measures and targets were set at the start of the three-year performance period. The table below details actual performance against the measures and targets in the scorecard at the end of the performance period. The committee is of the view that a number of performance targets are commercially sensitive and it would be detrimental to the Company to disclose them.

	Link to strategy	Threshold (20%)	Target (45%)	Maximum (100%)	Actual	Weighted outturn
UK GAAP operating profit £m (40%) 0% of maximum		933	1,098	1,262	592	0.0%
ProfitShare £m (20%) 43% of maximum		420	494	568	487	8.5%

	Link to strategy	Performance achievement	
Investment performance (20%) 100% of maximum Performance vs benchmark on With-Profits funds Performance vs benchmark on Governed Portfolio		Investment performance for the Governed Range and With-Profits funds exceeded the maximum performance targets reflecting significant investment out-performance.	20.0%
Climate change strategy (10%) 100% of maximum		Reduction in financed emissions exceeded the maximum performance target.	10.0%
Diversity and Inclusion strategy (5%) 75% of maximum		The Diversity and Inclusion strategy was ahead of target following positive colleague engagement and improvements in diversity disclosure.	3.7%
Cyber security strategy (5%) 45% of maximum		The Cyber security strategy was on target following the delivery of all milestones and the achievement of 2023 outcomes.	2.3%
+/- adjustment (Committee discretion)		No discretion has been applied in determining the LTIP scorecard outcome.	0.0%
Final 2021 LTIP outcome			44.5%

Performance over the three-year performance period resulted in a calculated scorecard outcome of 44.5%. In addition to scorecard outcome, the financial gateways (internal capital cover and operating profit) under the plan were also achieved.

The committee has the discretion to adjust the calculated scorecard result upwards by 25% or down to zero. The committee considered several factors including the economic climate, the Group's financial and investment performance and progress on key strategic projects.

The committee determined that the results were an accurate reflection of business performance over the performance period, and therefore chose not to apply any discretionary adjustments to the calculated outcome.

This resulted in an overall outturn of 44.5% of the maximum award for Barry O'Dwyer and Daniel Cazeaux. The maximum face value of the awards at grant were £1,050,000 for Barry O'Dwyer and £630,000 for Daniel Cazeaux.

Our Purpose

The positive outcomes we want to achieve by using our mutuality for good

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2023 LTIP awards granted during the year 2023 (audited)

The committee approved an award under the 2023 LTIP of 300% of salary to Barry O'Dwyer and 150% of salary to Daniel Cazeaux in February 2023, reflecting salary levels as at 31 December 2022. Awards under the plan are invested in units in Royal London Asset Management funds. For executive directors, any payout under the plan is subject to satisfying the unit holding requirement.

The 2023 LTIP scorecard includes financial and strategic objectives. The plan has a three-year performance period. An additional two-year holding period applies following vesting for the executive directors. There is no payout for threshold performance under the plan.

The table below details the performance measures and weightings which were set at the start of the three-year performance period. Performance targets are commercially sensitive and financial targets will be disclosed after the performance period. The committee is of the view that a number of performance targets are commercially sensitive and it would be detrimental to the Company to disclose them. The bottom of the table details the awards for the executive directors.

Strategy outcome	Alignment to our Purpose	Weighting	Performance measure(s)
Our continued profitability and balance sheet management ensures we are financially secure		20%	Operating profit
Our investment performance and capabilities are recognised as best in class		20%	Investment return on Long Term Funds and Governed Range
We offer high-quality components, to deliver broader solutions which meet customers' needs		10%	Assessment of outcomes for industry recognised awards and our Trustpilot score
The breadth of our offering means our relationship with customers can last for the rest of their lives		10%	Percentage of customers using more than one solution with us
We maximise operational efficiency without compromising on quality		10%	BAU costs and FCA complaints
We attract a strong inflow of new customers and clients		10%	New workplace customers
Our active engagement with external stakeholders benefits customers and wider society		10%	Assessment of progress and outcomes in reducing CO_2 emissions and just transition engagement
We operate with modern infrastructure, capabilities and ways of working to maximise value for customers		10%	Delivering our People Priorities for our colleagues and customers

Executive director	Award (as % of salary)	Face value of award at grant (£'000)	End of the performance period	End of the holding period
Barry O'Dwyer	300	2,184	31 December 2025	31 December 2027
Daniel Cazeaux	150	655	31 December 2025	31 December 2027

2023 Annual Report on Remuneration *continued*

Outstanding awards under incentive plans (audited)

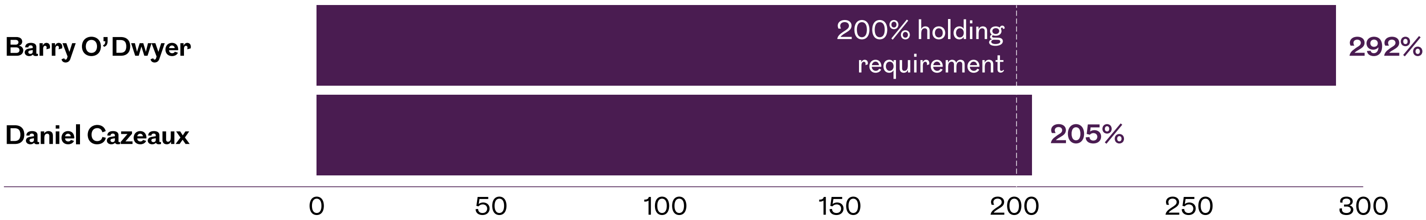
For the executive directors, the table below details outstanding deferred remuneration awards under the deferred element of the STIP and LTIP for executive directors on 31 December 2023.

In order to show a complete picture of the value of unvested deferred variable remuneration awarded in prior years, the table includes estimated figures for in-flight awards (i.e. awards that are inside the performance or vesting period on 31 December 2023).

	Non-exercisable				
2023	Unvested awards subject to time & holding requirements (£'000)	Unvested awards subject to performance and holding requirements (£'000)	Vested awards subject to holding requirements (£'000)	Exercisable awards (£'000)	Total awards (£'000)
Barry O'Dwyer	885	3,451	1,360	216	5,912
Daniel Cazeaux	481	1,347	546	–	2,374

Unit holding

The chart below shows the unit holdings of the executive directors as a percentage of their respective salaries. This includes non-exercisable unvested awards subject to time and holding requirements and non-exercisable vested awards subject to holding requirements.



From 1 January 2020, the executive directors were required to hold at least 200% of salary (based on issuance value) for two years post cessation of employment. Since their appointment, the executive directors have continued to build up deferred remuneration to meet the holding requirement. 50% of any in-flight deferred variable remuneration is withheld until the requirement is met.

CEO pay ratio

The table below details the single total figure of remuneration for the Group Chief Executive Officer role over the last six years and how it compares to the 25th, 50th (median) and 75th percentile full-time equivalent (FTE) annualised remuneration of colleagues in the UK.

Representative colleagues were identified at each percentile based on their FTE total remuneration on 31 December 2023. Method A was selected from 2020 onwards to support a more statistically robust calculation.

Group Chief Executive Officer	Year	Method	25th percentile	50th percentile (median)	75th percentile
Barry O'Dwyer	2023	A	72	43	27
Barry O'Dwyer	2022	A	61	37	23
Barry O'Dwyer	2021	A	60	36	23
Barry O'Dwyer	2020	A	42	26	17
Phil Loney/Barry O'Dwyer	2019	B	90	52	34
Phil Loney	2018	B	113	70	42

	CEO pay	25th percentile	50th percentile (median)	75th percentile
Salary	£759,000	£26,461	£42,766	£65,316
Total remuneration	£2,439,000	£33,862	£56,152	£90,924

From 2022 to 2023, the ratio between the total remuneration of the Group Chief Executive Officer and the total FTE remuneration of the employees at the upper quartile, median and the lower quartile increased. These increases are primarily driven by the long-term incentive awards which vested on 31 December 2023. The committee is satisfied that the median pay ratio for 2023 is consistent with the pay and progression policies for Group colleagues as a whole and is reflective of the workforce demographic.

For 2023, as ratios could be unduly impacted by joiners and leavers who may not participate in all remuneration arrangements in the year of joining and leaving, the calculations exclude any colleagues not employed throughout the financial year. Data is based on FTE pay for UK colleagues as at 31 December 2023. For each colleague, total remuneration is calculated in line with the single figure methodology (i.e. fixed pay accrued during the financial year and the value of performance-based incentive awards vesting in relation to the performance year). Colleagues on maternity or other extended leave are included pro-rata for their FTE salary, benefits and short-term incentives. No other calculation adjustments or assumptions have been made.

Payments to past executive directors (audited)

There were no payments to past executive directors during the financial year ended 31 December 2023.

Payments for loss of office (audited)

There were no payments for loss of office during the financial year ended 31 December 2023.

Group CEO – historic remuneration

The table below details the historic remuneration for the Group CEO role covering the single figure of remuneration, STIP and LTIP outcomes (as a percentage of the maximum opportunity under each plan).

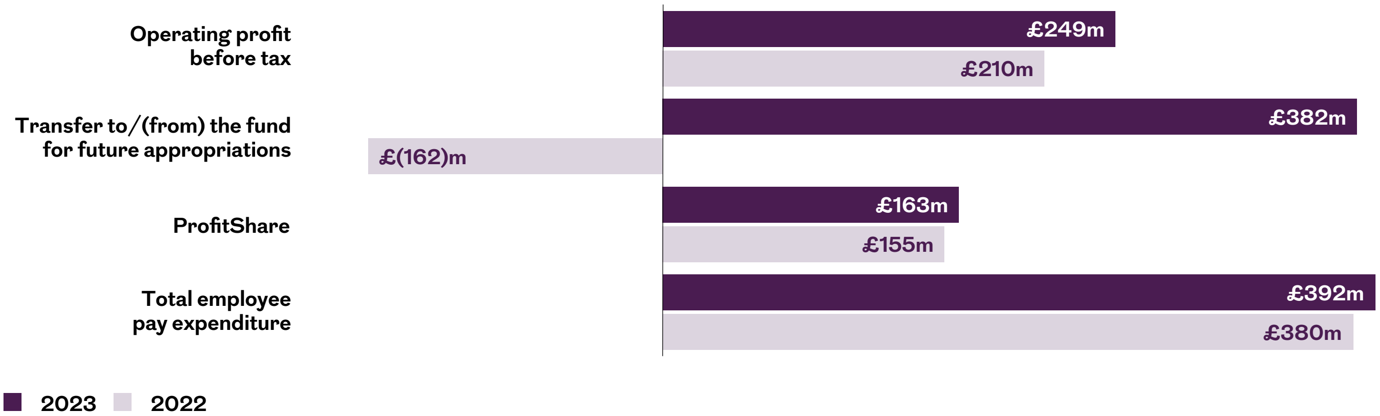
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	**2023**
Single figure of remuneration £'000										
Barry O'Dwyer	–	–	–	–	–	1,761	1,304	1,884	1,853	**2,439**
Phil Loney	2,859	3,136	3,033	3,208	2,971	1,956	–	–	–	**–**
STIP outcome (relative to the maximum opportunity)										
Barry O'Dwyer	–	–	–	–	–	–	50%	51%	51%	**69%**
Phil Loney	95%	100%	98%	82%	76%	68%	–	–	–	**–**
LTIP outcome (relative to the maximum opportunity)										
Barry O'Dwyer	–	–	–	–	–	–	–	33%	43%	**45%**
Phil Loney	39%	37%	55%	88%	62%	74%	–	–	–	**–**

2023 Annual Report on Remuneration *continued*

Relative importance of spend on pay

The chart below shows the relative importance of spend on colleague pay compared to operating profit before tax, transfer to/(from) the fund for future appropriations and ProfitShare.

ProfitShare is dependent on a number of criteria including the capital position of the Group and future economic conditions, whereas our total colleague pay expenditure is dependent on the current year's financial performance. Consequently, there is not a direct correlation between changes in the ProfitShare and total colleague pay.



Single figure of remuneration – non-executive directors (audited)

The table below details the single figure of remuneration for non-executive directors for the financial year ending 31 December 2023.

	Annual fees (£'000)		Committee chair fees (£'000)		Fees for additional responsibilities (£'000)		Total fees (£'000)	
Non-executive director	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
Kevin Parry OBE	380	361	–	–	–	–	380	361
Kal Atwal	81	77	–	–	20	20	101	97
Sally Bridgeland (retired from the Board on 31 December 2023)	81	77	27	26	11	10	119	113
Baroness Ruth Davidson PC	81	77	–	–	11	11	92	88
Ian Dilks OBE (retired from the Board on 31 December 2023)	81	77	27	26	44	41	152	144
Shirley Garrood (retired from the Board on 6 June 2023)	40	77	–	–	26	52	66	129
Jane Guyett CBE	81	77	38	30	11	3	130	110
Eithne McManus (appointed to the Board on 1 April 2023)	62	–	2	–	18	–	82	–
Lynne Peacock (appointed to the Board on 1 December 2023)	7	–	–	–	3	–	10	–
Pars Purewal (appointed to the Board on 8 February 2023)	75	–	48	–	–	–	123	–
Mark Rennison	81	77	38	36	11	11	130	124
Nicky Richards (appointed to the Board on 5 October 2023)	21	–	–	–	3	–	24	–
Tim Tookey	81	77	38	36	11	11	130	124

Non-executive director fees for 2024

The fees for non-executive directors were reviewed during the year. From 1 April 2024, the annual base fee for non-executive directors will be £86,400 and fees for membership of additional committees, excluding the Nomination and Governance Committee, will be £11,500. Additional fees payable for committee chairmanship are as follows:

- Risk and Capital Committee: £40,300
- Investment Committee: £28,800
- With-Profits Committee: £28,800
- Audit Committee: £40,300
- Remuneration Committee: £40,300
- Chair of RLAM: £54,500

The annual fee for the Chairman is £403,300, the annual fee for the Deputy Chair is £23,000 and the annual fee for the Senior Independent Director is £23,000.

Annual percentage change in remuneration for directors compared to colleagues

The table below shows the year-on-year percentage change for salary, benefits and STIP (as relevant) for directors compared with other colleagues (based on full-time equivalent total remuneration for the financial year).

For non-executive directors, the year-on-year percentage change for 2023 reflects an increase in the number of non-executive directors and changes in committee chair or memberships. Further details of the fee changes during the year are included on page 110. For colleagues, the percentage change in the STIP varies depending on the year-on-year performance against the performance measures and targets under the relevant plan that year.

		Executive directors		Non-executive directors	
Year	Pay element	Barry O'Dwyer	Daniel Cazeaux	Average	All other colleagues
	Salary/fees	5%	12%	16%	5%
	Benefits	5%	11%	–	16%
2022 to 2023	STIP	90%	63%	–	54%
	Salary/fees	4%	4%	2%	8%
	Benefits	(61%)	4%	–	(2%)
2021 to 2022	STIP	4%	(6%)	–	0%
	Salary/fees	1%	71%	15%	3%
	Benefits[1]	168%	75%	–	6%
2020 to 2021	STIP	2%	115%	–	34%
	Salary/fees	3%	–	5%	5%
	Benefits	2%	–	–	5%
2019 to 2020	STIP	(5%)	–	–	(44%)

1. In November 2021, Barry O'Dwyer was granted a one-off payment of £141,509 to support his relocation from Edinburgh to London.

Advisers to the Remuneration Committee

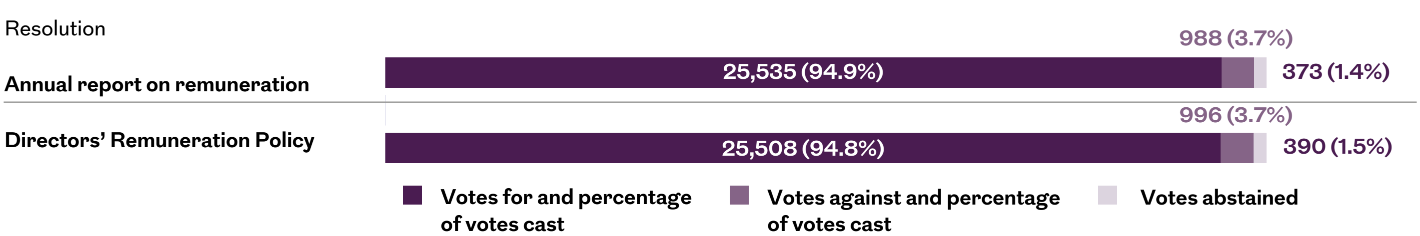
Following a review of remuneration advisers in late 2017, which consisted of a full competitive tender process, Deloitte LLP (Deloitte) was appointed by the committee as its independent adviser on remuneration with effect from 1 February 2018.

Throughout the year, the committee received advice on specific matters in relation to executive and colleague remuneration. The committee is satisfied that the advice provided was objective and independent through regular reviews. The committee is comfortable that Deloitte does not provide any additional services that may impact their independence.

Deloitte's total fees (excluding VAT) for the provision of remuneration services to the committee for the year ended 31 December 2023 were £145,300 (2022: £66,400). Fees reflect attendance at an increased number of meetings in 2023 and support on the remuneration policy in line with agreed rates.

Member views on remuneration

At the 2023 AGM on 6 June 2023, members passed the annual advisory vote on the annual report on remuneration and the Directors' Remuneration Policy. The voting results were as follows:



The Directors' Remuneration Report on pages 96 to 111 was approved by the Board and signed on its behalf by:

Jane Guyett CBE
Director, Chair of the Remuneration Committee

7 March 2024

Independent auditors' report to the members of The Royal London Mutual Insurance Society Limited

Report on the audit of the financial statements

Opinion

In our opinion, The Royal London Mutual Insurance Society Limited's Group financial statements and Company financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2023 and of the Group's result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the Group and Company balance sheets as at 31 December 2023; the Consolidated statement of comprehensive income for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in note 8 to the financial statements, we have provided no non-audit services to the Company or its controlled undertakings in the period under audit.

Our audit approach

Context

The Group is based in the UK and Ireland and writes business across four product lines, being Individual Pensions, Workplace Pensions, Protection, and Annuities and Later Life. The Group has two regulated insurance companies, Royal London Mutual Insurance Society Limited ("RLMIS") and Royal London Insurance Designated Activity Company ("RLI DAC").

In planning our audit, we met with the Audit Committee and members of management across the Group to discuss and understand business developments during the year, and to understand their perspectives on associated business risks. We used this insight and our knowledge of the Group and our industry experience when forming our own views regarding the audit risks and as part of developing our planned audit approach to address those risks. Given the activities of the Group, we have built a team with the relevant industry experience and technical expertise.

As part of our audit we have made enquiries of management to understand the extent of the potential impact of climate change risk on the Group's financial statements and the Group's preparedness for this. We have performed a risk assessment of how the impact of commitments made by the Group in respect of climate change may affect the financial statements and our audit. There was no impact of this on our key audit matters.

Overview

Audit scope

- Our audit scope has been determined to provide coverage of material financial statement line items. This allowed us to test 99% of the transfer to the fund for future appropriations ("FFA") and 99% of the total assets balance.
- Overall we concluded that this gave us the evidence we needed for our opinion on the financial statements as a whole.

Key audit matters

- Valuation of non-participating value of in-force business – persistency assumptions (Group and Company)
- Valuation of long-term business provision – longevity assumptions (Group and Company)
- Valuation of long-term business provision – expense assumptions (Group and Company)
- Valuation of directly and indirectly held investment property (Group and Company)

Materiality

- Overall Group materiality: £90m (2022: £90m) based on 2.2% (2022: 2.4%) of the FFA.
- Overall Company materiality: £85m (2022: £85m) based on 1.9% (2022: 2.3%) of the FFA.
- Performance materiality: £68m (2022: £68m) (Group) and £64m (2022: £64m) (Company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

The key audit matters below are consistent with last year, with the exception of longevity assumptions which now have a more significant impact on the value of the long-term business provision.

Key audit matter	How our audit addressed the key audit matter
Valuation of non-participating value of in-force business – persistency assumptions (Group and Company)	
Refer to page 83 of the Report of the Audit Committee and note 28 to the financial statements regarding this area. A sensitivity analysis is included in note 35. The Group has material non-participating value of in-force business totalling £2,776m (2022: £2,474m). This is the value of the projected future profits from servicing policies. When valuing the future cash flows of the value of in-force business, an assumption needs to be made regarding the proportion of existing policies that will remain in-force in future time periods. The persistency assumptions are therefore key when valuing the non-participating value of in-force business. The persistency assumptions of most significance are the paid-up rates ("PUPs") for the Workplace Pensions business and retirement rates for both workplace and individual business. These assumptions are estimated using past experience and, in particular, consideration of future changes in policyholder behaviour. These changes are difficult to predict, and therefore expert judgement is applied when setting an appropriate basis.	We focused our testing on the key areas of judgement, which are the PUPs for the Workplace Pensions business and retirement rates for both workplace and individual business. We obtained evidence as follows: • We examined whether it was appropriate that management partially brought through the 2020 to 2022 data to set the assumption, given it was thought this data would be distorted by Covid-19 experience by considering the features of the data, understanding the drivers of these features, and assessing whether they would persist in the longer term. We also tested the completeness and accuracy of the data used; • We assessed whether it was appropriate that management brought in the shape (this represents how the assumption for a policy evolves over time, and how factors are related to each other) changes but not the level (changing the level represents changing the decrement percentage at each point in time, holding the shape constant) changes from updating the Generalised Linear Model, again by considering the drivers of data features and whether they would persist in the long term. We also assessed whether the impacts were reasonable by comparing impacts to independent sensitivities; and • We tested management's controls over the input of the persistency assumptions into the valuation models. Based on the work performed and the evidence obtained, we concluded that the assumptions used were appropriate.

Key audit matter	How our audit addressed the key audit matter
Valuation of long-term business provision – longevity assumptions (Group and Company)	
Refer to page 83 of the Report of the Audit Committee and note 28 to the financial statements regarding this area. A sensitivity analysis is included in note 35. This assumption is made in determining the long-term business provision of £31,253m (2022: £31,344m). Longevity assumptions are important for the modelling of annuity liabilities as they estimate the duration over which annuity income will be paid to policyholders; the longer this duration, the higher the associated liabilities for those policies. Assumptions are required for the current rates of mortality and the rate at which mortality may improve in the future. Setting mortality improvement rates is subjective and requires management judgement. There is also a high degree of reliance on Continuous Mortality Investigations ("CMI") models, both in terms of model selection and parameterisation. There is a risk that other mortality and health data sources are not appropriately considered under the assumption setting methodology.	We focused our testing on the key areas of judgement, which are the appropriateness of the calibration of the CMI model, choice of CMI model, and the model used to set the base assumptions. We obtained evidence as follows: • We assessed the methodology of the experience analysis process, including both changes since the prior year and methodology that has remained consistent with the prior year. We also considered the appropriateness of the risk factors selected to derive mortality assumptions for various groups of policyholders and the methodology used to allocate policyholders to these various groups, including changes since the prior year; • We assessed management's justification of the choice of CMI model and the evidence presented by management to support the setting of the key CMI model parameters, including long-term rate assumption, smoothing parameter and the newly adopted factor to adjust the initial rates of improvement by considering the resulting shape of future improvements and whether this was consistent with a reasonable scenario; • We assessed any judgements made by management in relation to the impact of Covid-19 on the longevity assumption setting process, in particular the judgement on whether to include experience data from 2020 to 2022; • We assessed mortality improvement assumptions against industry data and against those adopted by peers using our independent annual benchmarking survey of assumptions (to the extent available); and • We tested management's controls over the input of the longevity assumptions into the valuation models. Based on the work performed and the evidence obtained, we concluded that the longevity assumptions used are appropriate.

Key audit matter	How our audit addressed the key audit matter
Valuation of long-term business provision – maintenance expense assumptions (Group and Company)	
Refer to page 83 of the Report of the Audit Committee and note 28 to the financial statements regarding this area. A sensitivity analysis is included in note 35. The technical provisions in the financial statements include a liability for the estimated future expenses that will be incurred to maintain the existing policies over their expected duration. This expense liability is included within the long-term business provision of £31,253m (2022: £31,344m). The expense assumptions are calculated using an activity-based costing ("ABC") model. All costs are categorised as either one-off, acquisition or maintenance. Acquisition and maintenance costs are then allocated across the different products, with only the maintenance cost element considered in the expense reserve calculation as these represent the costs expected to be incurred in fulfilling the Group's existing long-term insurance contracts. The model creates a maintenance unit cost for each policy which, along with expense inflation assumptions, the number of policies and their expected duration, is used to calculate the liability for these expenses. The significant assumptions in this model relate to: • How costs are categorised between one-off, acquisition or maintenance costs. The categorisation can be judgemental, such as the removal of certain costs where they are considered to be one-off in nature, and what methodology has been applied to split costs between the categories; • The cost allocation between products. Where the costs are not directly attributable to a single product, judgements are made in deciding an appropriate method to allocate costs. Products have different expected durations and therefore this allocation of costs impacts the total expense liability; • Whether overlays to the results from the model are required based on expected future costs. The derivation and application of these overlays is judgemental in nature; and • Derivation of the long-term expense inflation assumptions and the requirement for any short-term adjustments to reflect the current economic environment.	We obtained evidence over key inputs and assumptions as follows: • We tested the completeness of the expenses used in the calculation of the expense liabilities, through reconciling the total expenses recorded for financial reporting to the total expenses included in the ABC model for the same period; • We tested the total number of policies used in setting expense assumptions, which are required for calculating the unit cost for each policy, by corroborating the total number of policies to data extracts from the policy systems. The data within the policy systems has also been tested; • We assessed the judgements made in the allocation of costs between acquisition and maintenance and the allocation of costs to different products by understanding the rationale behind these changes through obtaining relevant audit evidence; • We assessed the appropriateness of the judgements made when setting overlays and the completeness of the overlays considering the expense analysis we have obtained from management; • We tested the accuracy of the per-policy expense calculation for a sample of products; • We tested management's controls over the allocation of project costs between recurring and non-recurring; • We compared the resulting expense assumptions to the expenses incurred over the prior 12 months and budgeted maintenance costs for 2024 in order to satisfy ourselves that the assumptions were sufficient in aggregate based on this trend analysis; • We tested management's long-term expense inflation assumptions and assessed the need for applying short-term inflation adjustment on the cost base; • We assessed the overall level of prudence in the maintenance expense reserves by considering the margins applied to expense assumptions against prior year and Royal London's framework for setting margins; and • We tested management's controls over the input of maintenance expense assumptions into the valuation models. Based on the work performed and the evidence obtained, we concluded that the expense assumptions used are appropriate.

Key audit matter	How our audit addressed the key audit matter
Valuation of directly and indirectly held investment property (Group and Company)	
Refer to page 83 of the Report of the Audit Committee and note 16 to the financial statements regarding this area. A sensitivity analysis is included in note 35. The assets held at fair value that were categorised as directly and indirectly held investment property formed part of the investments categorised as level 3 in the fair value hierarchy of £8,689m (2022: £8,803m). The valuation of directly and indirectly held investment property is complex and the value of investment property is based on limited or no observable market data. All investments are overseen by the Group's Valuation Oversight Forum. We have focused on these investments due to the significant judgement and estimation required in determining their fair value. They are also susceptible to macroeconomic factors and the turbulence of the current economic climate which increases the estimation uncertainty in valuing these assets. Investment property is held both directly on the balance sheet and indirectly through investments in units of real estate funds managed by the Group. The valuation of properties are determined by third-party valuers engaged by the Group in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation – Professional Standards. The valuers used have considerable experience of the types of properties held by the Group. The valuations take into account property-specific information (including the current tenants, rental income, and the condition and location of the properties), as well as prevailing market yields and market transactions	We performed the following testing, which includes procedures performed by our real estate valuation experts, over investment property: • We obtained valuation reports from management's valuation experts as at 31 December 2023 and assessed their objectivity and competency; • We tested the inputs into the valuation, such as rental amount and term, for a sample of tenancy agreements; • We reviewed the assumptions and methodology used by the property valuation experts to confirm that the valuation approach was in accordance with RICS standards; • We performed a property-by-property analysis comparing the investment yields and movement in capital value over 12 months to estimated ranges based on published market benchmarks; and • We considered recent transactions (both acquisitions and disposals) to compare the purchase/sale price to the market value to assess the appropriateness of the valuation. Based on the work performed and the evidence obtained, we concluded that the valuations were reasonable.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

Decisions regarding scoping require a significant degree of professional judgement based on quantitative and qualitative considerations, including the size and nature of business activities in each operating entity.

For the one financially significant component identified, being the Company, a full scope audit was performed. In addition, we performed an audit of one or more financial statement line items for five components and performed specified procedures on relevant balances for four components. For the residual components, we performed analysis at an aggregated Group level to re-examine our assessment that there were no significant risks of material misstatements

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements – Group	Financial statements – Company
Overall materiality	£90m (2022: £90m).	£85m (2022: £85m).
How we determined it	2.2% of the Fund for Future Appropriations	1.9% of the Fund for Future Appropriations
Rationale for benchmark applied	The engagement team concluded that £90m is the most appropriate amount when setting an overall materiality on the engagement. The quantum of £90m was determined by considering the various benchmarks available to us as auditors, and our experience of auditing the Group. Fund for future appropriations is the most applicable measure because we regard Fund for future appropriations as the primary measure used by the members of the Group, since it represents the amount of surplus yet to be allocated to those members of the Group and to whom our opinion is addressed.	The engagement team concluded that £85m is the most appropriate amount when setting an overall materiality on the engagement. The quantum of £85m was determined by considering the various benchmarks available to us as auditors, and our experience of auditing the Company. Fund for future appropriations is the most applicable measure because we regard Fund for future appropriations as the primary measure used by members of the Company, since it represents the amount of surplus yet to be allocated to those members of the Company and to whom our opinion is addressed.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £1.4m and £85m. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2022: 75%) of overall materiality, amounting to £67.5m (2022: £67.5m) for the Group financial statements and £63.75m (2022: £63.75m) for the Company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £4.5 million (Group audit) (2022: £4.5 million) and £4.25 million (Company audit) (2022: £4.25 million) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the Group's and the Company's ability to continue to adopt the going concern basis of accounting included:

- Reviewing the assessment of principal risks and uncertainty facing the Group and the Company and the scenarios included in the viability statement and compared it with our understanding of the risks and resources of the Group and the Company;
- Assessing the results of the Group's and Company's stress and scenarios testing and their impact on the Group and the Company, including challenging the rationale for the downside scenarios adopted and material assumptions using our knowledge of the business;
- Reviewing the current and forecast Group and Company solvency investor and regulatory ratios and the Own Risk and Solvency Assessment (ORSA), which include a number of severe but plausible scenarios;
- Reviewing regulatory correspondence;
- Confirmation of the existence of cash and cash equivalents and other financial investments to assess the availability of liquid assets; and;
- Independent challenge and assessment using our actuarial specialists over the methodology and assumptions used in the valuation of the technical provisions.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Company's ability to continue as a going concern.

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2023 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Corporate governance statement

ISAs (UK) require us to review the directors' statements in relation to going concern, longer-term viability and that part of the Corporate governance statement relating to the Company's voluntary compliance with the provisions of the UK Corporate Governance Code, which the Listing Rules of the Financial Conduct Authority specify for review by auditors of premium listed companies. Our additional responsibilities with respect to the Corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the Group's and Company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the Group was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Group and Company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the Group and Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK and European regulatory principles, such as those governed by the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA) and relevant tax laws, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate gross premiums written, investment income and other income, and management bias in accounting estimates and judgemental areas of the financial statements, such as the valuation of technical provisions, the non-participating value of in-force business and directly held investment property. The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors included:

- Discussions with the Board, management, internal audit, senior management involved in Risk and Compliance functions and the Group's and Company's Legal function, which included consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Evaluation and testing of management's internal controls designed to prevent and detect irregularities, in particular controls around disclosure of related parties and associated transactions, and risk-based monitoring of customer processes;
- Reading key correspondence with the PRA and the FCA in relation to compliance with laws and regulations;
- Meeting with the PRA supervisory team to discuss matters in relation to compliance with laws and regulations;
- Attendance at all Audit Committee and Risk and Capital Committee meetings as well as reviewing other relevant committee meeting minutes, including those of the Board, Investment Committee, Remuneration Committee and With-Profits Committee;
- Reviewing data regarding policyholder complaints, the Group's and Company's register of litigation and claims, internal audit reports and compliance reports in so far as they related to non-compliance with laws and regulations and fraud;
- Procedures relating to the valuation of the technical provisions, non-participating value of in-force business and investment property described in the related key audit matters section above;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations which meet our risk criteria; and
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing of material and immaterial financial statement line items.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the Group and Company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the members on 1 December 2000 to audit the financial statements for the year ended 31 December 2000 and subsequent financial periods. The period of total uninterrupted engagement is 24 years, covering the years ended 31 December 2000 to 31 December 2023.

Other voluntary reporting

Directors' remuneration

The Company voluntarily prepares a Directors' Remuneration Report in accordance with the provisions of the Companies Act 2006. The directors requested that we audit the part of the Directors' Remuneration Report specified by the Companies Act 2006 to be audited as if the Company were a quoted company.

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Lee Clarke (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors
London

7 March 2024

Consolidated statement of comprehensive income

for the year ended 31 December 2023

		Group	
		2023	2022
Technical account – long-term business	Notes	**£m**	£m
Gross premiums written	3 (a)	1,481	1,176
Outwards reinsurance premiums	3 (c)	(458)	320
Earned premiums, net of reinsurance		1,023	1,496
Investment income	4	6,227	1,455
Unrealised gains on investments	4	2,443	–
Other income	5	626	640
Total income		**10,319**	**3,591**
Claims paid			
Gross claims paid	6	(3,095)	(2,863)
Reinsurers' share	6	606	540
Change in provision for claims			
Gross amount	6	23	(62)
Reinsurers' share	6	(30)	29
Claims incurred, net of reinsurance		**(2,496)**	**(2,356)**
Change in long-term business provision, net of reinsurance			
Gross amount		22	9,469
Reinsurers' share		36	(1,346)
		58	**8,123**
Change in technical provision for linked liabilities, net of reinsurance		(6,383)	5,758
Change in technical provisions, net of reinsurance		**(6,325)**	**13,881**
Change in non-participating value of in-force business		**302**	**141**
Net operating expenses	7	(737)	(581)
Investment expenses and charges	10	(346)	(301)
Unrealised losses on investments	4	–	(14,475)
Other charges	11	(250)	(289)
Total operating expenses		**(1,333)**	**(15,646)**
Profit/(loss) before tax and before transfer to/(deduction from) the fund for future appropriations		**467**	**(389)**
Tax attributable to long-term business	12	(85)	227
Transfer to/(deduction from) the fund for future appropriations	25	382	(162)
Balance on technical account – long-term business		**–**	**–**
Other comprehensive income, net of tax:			
Remeasurement of defined benefit pension schemes	23 (b)	(22)	(106)
Foreign exchange rate movements on translation of Group entities		(5)	10
Deduction from the fund for future appropriations	25	(27)	(96)
Other comprehensive income for the year, net of tax		**–**	**–**
Total comprehensive income for the year		**–**	**–**

The Company has taken advantage of the exemption under section 408 of the Companies Act 2006 not to include a Company statement of comprehensive income. As a mutual company, all earnings are retained for the benefit of participating policyholders and are carried forward within the fund for future appropriations. Accordingly, the total comprehensive income for the year is always £nil after the transfer to or deduction from the fund for future appropriations.

Balance sheets

as at 31 December 2023

		Group		Company	
		2023	2022	**2023**	2022
	Notes	**£m**	£m	**£m**	£m
ASSETS					
Intangible assets					
Goodwill	13	19	21	19	21
Negative goodwill	13	(32)	(37)	(5)	(6)
		(13)	(16)	14	15
Other intangible assets	13	143	123	114	113
		130	**107**	**128**	**128**
Non-participating value of in-force business	27	**2,776**	**2,474**	**2,775**	**2,476**
Investments					
Land and buildings	14	109	122	109	122
Investments in Group undertakings	15	–	–	14,502	14,068
Other financial investments	16 (a)	33,348	33,462	19,492	19,945
		33,457	**33,584**	**34,103**	**34,135**
Assets held to cover linked liabilities	16 (c)	**80,228**	**70,857**	**80,169**	**70,851**
Reinsurers' share of technical provisions					
Long-term business provision	26 (a)	3,267	3,234	3,219	3,191
Claims outstanding		121	153	103	138
Technical provisions for linked liabilities	26 (b)	(47)	(51)	(47)	(51)
		3,341	**3,336**	**3,275**	**3,278**
Debtors					
Debtors arising out of direct insurance operations	19	50	50	47	48
Debtors arising out of reinsurance operations	19	92	62	73	46
Other debtors	20	2,341	2,231	2,128	2,099
		2,483	**2,343**	**2,248**	**2,193**
Other assets					
Deferred taxation	29	–	27	–	14
Tangible fixed assets	21	27	19	–	–
Cash at bank and in hand		490	677	273	430
		517	**723**	**273**	**444**
Prepayments and accrued income					
Deferred acquisition costs on investment contracts	22	67	87	65	87
Other prepayments and accrued income		45	37	–	–
		112	**124**	**65**	**87**
Pension scheme asset	23 (b)	**177**	**207**	**177**	**207**
Total assets		**123,221**	**113,755**	**123,213**	**113,799**

Balance sheets continued

as at 31 December 2023

		Group		Company	
		2023	2022	**2023**	2022
	Notes	**£m**	£m	**£m**	£m
LIABILITIES					
Subordinated liabilities	24	**1,283**	**1,335**	**1,283**	**1,335**
Fund for future appropriations	25	**4,106**	**3,751**	**4,432**	**3,992**
Technical provisions					
Long-term business provision	26 (a)	31,253	31,344	31,346	31,441
Claims outstanding		360	384	321	353
		31,613	**31,728**	**31,667**	**31,794**
Technical provisions for linked liabilities	26 (b)	**79,935**	**70,622**	**79,877**	**70,617**
Provisions for other risks					
Deferred taxation	29	46	–	49	–
Other provisions	30	177	187	173	181
		223	**187**	**222**	**181**
Creditors					
Creditors arising out of direct insurance operations	31 (a)	264	271	248	258
Creditors arising out of reinsurance operations	31 (b)	1,778	1,781	1,757	1,764
Amounts owed to credit institutions	31 (c)	48	52	47	52
Other creditors including taxation and social security	31 (d)	3,776	3,938	3,659	3,778
		5,866	**6,042**	**5,711**	**5,852**
Accruals and deferred income	32	**195**	**90**	**21**	**28**
Total liabilities		**123,221**	**113,755**	**123,213**	**113,799**

The financial statements on pages 122 to 212 were approved by the Board of Directors and signed on its behalf by:

Daniel Cazeaux
Group Chief Financial Officer
7 March 2024

Registered number: 99064 (England & Wales)

The Royal London Mutual Insurance Society Limited

80 Fenchurch Street, London, EC3M 4BY

Notes to the financial statements

for the year ended 31 December 2023

1. Accounting policies

This section describes the Group's significant accounting policies that relate to the financial statements and notes as a whole. If an accounting policy relates to a specific item, the applicable accounting policy is contained within the relevant note. These policies have been consistently applied to all years presented.

The Royal London Mutual Insurance Society Limited (the 'Company' or 'RLMIS') is a private company limited by guarantee, incorporated and registered in England and Wales with its registered office being 80 Fenchurch Street, London, EC3M 4BY.

(a) Basis of preparation

Reporting framework

The financial statements of the Group and the Company ('the financial statements') have been prepared in accordance with UK accounting standards, including Financial Reporting Standard (FRS) 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' and FRS 103, 'Insurance contracts'. The financial statements are also prepared in compliance with the Companies Act 2006 and under the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 ('the Regulations') relating to insurance groups, except that a true and fair override has been applied to:

- measure subsidiaries in the consolidated financial statements at fair value through profit or loss ('FVTPL') when they are not consolidated because they are held as part of an investment portfolio. As required by Section 9 of FRS 102, subsidiaries that are held as part of an investment portfolio are not consolidated and are included within the consolidated financial statements as investments within 'Other financial investments', measured at FVTPL. The inclusion of these assets at FVTPL is a departure from the requirements of paragraph 30 of Schedule 3 to the Regulations; and
- measure investments in associates that are part of an investment portfolio at FVTPL in the consolidated financial statements instead of using equity accounting. Investments in associates that are part of an investment portfolio are also included in the consolidated financial statements as investments within 'Other financial investments', measured at FVTPL in accordance with Section 14 of FRS 102. The inclusion of these assets at FVTPL is a departure from the requirements of paragraph 21 of Schedule 6 to the Regulations.

The financial statements have been prepared under the historical cost convention, as modified by the inclusion of certain assets and liabilities at fair value as permitted or required by FRS 102.

The Group and Company are exempt from the requirements of Section 7 of FRS 102 to prepare a cash flow statement, as mutual life assurance companies are excluded from compliance with that section.

Functional currency

The functional currency of the Group and Company is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates. Foreign operations are included in accordance with the policies set out in note 1(d). Unless otherwise stated, all figures in the financial statements are presented rounded to the nearest million pounds.

Going concern

The Group has an estimated Group Regulatory View solvency surplus of £2.9bn (unaudited) and capital cover ratio of 206% (unaudited) at 31 December 2023, which is after the regulatory requirement to restrict the closed fund surplus of £2.1bn (unaudited).

The Group regularly performs sensitivities and stress testing on a range of severe but plausible scenarios. Stress testing has been performed on the capital position for severe adverse economic and demographic impacts arising over the short to medium term, and on the liquidity position for severe adverse economic impacts over the short term. The most adverse scenarios contain severe but plausible assumptions including adverse economic and insurance risk impacts, prolonged effects from cost of living pressures and subdued financial markets, significant third-party failure and the effects of climate change on economic and insurance risks. There are a range of management actions, both in the RL Main Fund and the closed RL (CIS) With-Profits Fund , available to the directors in stress scenarios which could be considered if there were a deterioration in the capital and/or liquidity position of the Group, to restore the position back within risk appetite.

Sufficient liquidity is available to settle liabilities as they fall due and the capital and liquidity positions remain sufficient to cover capital requirements and liquidity requirements respectively in all scenarios tested. Further details on the Group's stress and scenario testing on the Business Plan can be found on page 67 in the Strategic report.

Having considered these matters and after making appropriate enquiries, the directors are satisfied that the Group has adequate resources to continue to operate as a going concern for a period of at least 12 months from the date of approval of the financial statements. For this reason, they consider it appropriate to continue to adopt the going concern basis in preparing the financial statements. The directors have also concluded that there are no material uncertainties over the Group's ability to adopt the going concern basis of accounting.

(b) Basis of consolidation

The Group financial statements incorporate the assets, liabilities and results of the Company and its subsidiaries, and the Group's share of the results of associates, excluding investment fund subsidiaries and associates held as part of an investment portfolio, see note 1(a).

The financial statements produced by subsidiaries for inclusion in the Group financial statements are prepared using accounting policies consistent with those adopted by the Group. Intra-group transactions, balances and unrealised gains and losses on intra-group transactions are eliminated on consolidation.

Notes to the financial statements continued

1. Accounting policies (continued)

Investments in associates that are not part of an investment portfolio are included in the consolidated financial statements using the equity method. Under this method, the cost of the investment in a given associate, together with the Group's share of that entity's post-acquisition changes to shareholders' funds, is included as an asset within 'Other financial investments' in the Group balance sheet. The Group's share of their post-acquisition profit or losses is recognised in the consolidated statement of comprehensive income within Investment income.

The accounting policies for Goodwill and for Investments in Group undertakings, including subsidiaries, associates and other significant investments are detailed in notes 13 and 15.

(c) Classification of contracts

The Group classifies its products for accounting purposes as insurance, investment, or investment with discretionary participation features. Insurance contracts are those contracts that transfer significant insurance risk. Contracts that do not transfer significant insurance risk are investment contracts.

A discretionary participation feature is a contractual right held by a policyholder to receive additional payments as a supplement to guaranteed benefits:

- that are likely to be a significant proportion of the total contractual payments; and
- whose amount or timing is contractually at the discretion of the issuer and that is contractually based on:
  - the performance of a specified pool of contracts, or a specified type of contract, or
  - realised and/or unrealised investment returns on a specified pool of assets held by the issuer, or the profit or loss of the company that issues the contracts.

Such contracts are more commonly known as 'with-profits' or as 'participating' contracts.

Hybrid contracts are those where the policyholder can invest in and switch between both unit-linked (non-participating) and unitised with-profits (participating) investment mediums at the same time. Certain hybrid contracts that are classified as investment contracts are treated as if they were wholly non-participating investment contracts when accounting for premiums, claims and other revenue. Hybrid contracts that contain significant insurance risk are classified as insurance contracts.

The Group seeks to reduce its exposure to potential losses by reinsuring certain levels of risk with reinsurance companies. Reinsurance contracts that meet the classification requirements for insurance contracts set out above are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets.

(d) Foreign currency translation

Revenue transactions and those relating to the acquisition and realisation of investments have been translated into sterling at the rates of exchange ruling at the time of the respective transactions.

Assets and liabilities denominated in foreign currencies are expressed in sterling at the exchange rate ruling on the balance sheet date. Exchange differences from the settlement of transactions and from the translation of assets and liabilities at period-end exchange rates are dealt with in the statement of comprehensive income under the same heading as the underlying transactions are reported.

The results of foreign operations are translated at average rates of exchange for the year. The assets and liabilities of foreign operations are translated into sterling at the rates of exchange ruling at the balance sheet date. All resulting exchange differences are recognised in other comprehensive income.

(e) Impairment of financial assets

Financial assets held at amortised cost are assessed for impairment using expected credit losses. Expected credit losses are calculated by using an appropriate probability of default and applying this to the estimated exposure of the Group at the point of default.

At initial recognition, allowance is made for expected credit losses resulting from default events that are possible within the next 12 months (12-month expected credit losses; referred to as stage 1). In the event of a significant increase in credit risk, allowance is made for expected credit losses resulting from all possible default events over the expected life of the financial instrument (lifetime expected credit losses; referred to as stage 2). Financial assets which have defaulted or are otherwise considered to be credit impaired are allocated to stage 3).

The loss allowance for lease receivables and trade receivables without a significant financing component is measured at an amount equal to lifetime expected credit losses, in accordance with the simplified approach in IFRS 9, as applied by the Group.

(f) Judgements

The preparation of financial statements requires management to make judgements in the process of selecting and applying appropriate accounting policies. In selecting accounting policies where FRS 102 and FRS 103 permit a choice of policy, the directors have applied judgement in determining the most appropriate policy. The judgements applied which have the most significant impact on amounts recognised in the financial statements are as follows:

Insurance contracts

The classification of contracts as insurance or investment on initial recognition, which requires an assessment of whether significant insurance risk has been transferred to the Group.

Financial assets and liabilities

The measurement basis for financial assets under IFRS 9, as applied by the Group, depends on an assessment of the Group's business model for managing the financial assets and whether the cash flows represent solely payments of principal and interest. Further detail is given in note 16. For financial liabilities, other than derivative liabilities, the measurement basis is amortised cost unless the liability is designated at FVTPL. Further detail is given in note 31.

1. Accounting policies (continued)

The Group has holdings in investment funds which are classified as subsidiaries, but which are not consolidated in the Group financial statements. Section 9 of FRS 102 requires that subsidiaries 'held with a view to subsequent resale' are not consolidated and are instead included as investments held at FVTPL. The definition of 'held with a view to subsequent resale' includes assets held as part of an investment portfolio. The funds are held within the unit-linked funds of the Group or are held to back non-linked liabilities and therefore are considered to form part of the Group's investment portfolio. As a result, these funds are not consolidated and are held as investments at FVTPL in the Group's balance sheet.

The financial liabilities for unit-linked non-participating investment contracts have been designated at FVTPL because the unit-linked liabilities are part of a group of financial assets and financial liabilities that are managed and whose performance is evaluated on a fair value basis.

The Group categorises assets and liabilities measured at fair value using a three-level hierarchy. Assets and liabilities categorised as Level 1 are valued using quoted market prices and therefore there is minimal judgement applied in determining fair value. However, the fair value of assets and liabilities categorised as Level 2 and, in particular, Level 3 is determined using valuation techniques that are subject to greater levels of management judgement as described further in note 17.

(g) Key sources of uncertainty

The preparation of financial statements also requires the use of certain critical accounting estimates and assumptions that affect the amounts reported in the balance sheet and statement of comprehensive income and the disclosure of contingent assets and liabilities at the date of the financial statements. Although these estimates are based on management's best knowledge of current circumstances and expectations of future events and actions, actual results may differ from those estimates, possibly significantly.

This is particularly relevant to the following:

Financial assets and liabilities

The valuation of the Group's assets and liabilities held at FVTPL. The fair value measurement note (note 17) explains the techniques and assumptions used in the valuation, particularly in respect of Level 3 assets and liabilities. The valuation techniques involve management judgement and estimates, the extent of which depends on the complexity of the item and the availability of market observable information. The impact on the Group's result of changes in these assumptions to reasonably possible alternative assumptions is also illustrated.

Intangible assets

Intangible assets are recognised and assessed at each reporting date for any indicators of impairment. Significant judgements about the future economic performance of the assets, representing sources of uncertainty, include estimates of forecast cash flows and market interest rates. Further information is provided in note 13.

Technical provisions

The key assumptions used in calculating the year-end insurance and investment contract liabilities are persistency assumptions regarding the proportion of existing policies that will remain in-force in future time periods, particularly paid-up rates; longevity assumptions relating to the expected duration over which annuity instalments on relevant policies will be paid; and expense assumptions relating to the estimated future expenses that will be incurred to maintain the existing policies over their expected duration. These provisions represent sources of estimation uncertainty and further details are included in note 28.

Provisions and contingent liabilities

The Group evaluates whether a provision or a contingent liability should be recognised by assessing the likelihood of a constructive or legal obligation to settle a past event and whether the amount can be reliably estimated. The amount of provision is determined based on the Group's estimate of the expenditure required to settle the obligation. Further information is shown in notes 30 and 33.

Pension schemes

Note 23 sets out the key assumptions used to calculate the pension scheme asset and the sensitivity of the schemes' liabilities to changes in those assumptions given that they are inherently uncertain.

(h) Climate risk impact on accounting judgments and estimates

In preparation of these financial statements, the Group has considered the impact of climate change. As explained in the Qualitative climate risk and opportunities assessment on pages 34-35, most of the financial effects arising from climate change will be medium or long-term in nature, and therefore have been assessed as having a limited effect on accounting judgments and estimates for the current period.

As explained in note 17(a), the majority of the Group's financial assets are required to be held at fair value using quoted market prices or observable market inputs to determine their fair value that takes into account current information of the short-term effects of climate change. For the valuation of level 3 financial instruments, there are no material unobservable inputs in relation to climate risk. Note 35(b) and 35(c) provides risk management disclosures, including sensitivities, in relation to market risks and credit risks impacting these assets.

The valuation assumptions used to determine insurance and investment contract liabilities are described in note 28. As explained in this note, the potential impact of climate change on longevity, mortality and persistency assumptions has been considered. Based on the range of likely scenarios, the impact of climate risk is not expected to affect the best estimate demographic assumptions materially and as such no specific allowance has been made as at 31 December 2023.

Further information on the wider impact of climate change risks are set out in note 35(g) and in the Strategic report, within the climate change section of Principal risks and uncertainties on page 62 and within Our focus on climate on pages 29 to 35.

Notes to the financial statements continued

2. Segment information

Accounting for segmental reporting

The operating segments reflect the level within the Group at which key strategic and resource allocation decisions are made and the way in which operating performance is reported internally to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Company's Board of Directors.

(a) Operating segments

The activities of each operating segment are described below:

UK

The UK business provides pensions and other retirement products to individuals and to workplace pension schemes and protection products to individuals in the UK.

Asset Management

The Asset Management business comprises Royal London Asset Management Holdings Limited (RLAM) and its subsidiaries. RLAM provides investment management services to the other entities within the Group and to external clients, including pension funds, local authorities, universities, and charities, as well as individuals.

Ireland

The Ireland business comprises the Group's Irish subsidiary, Royal London Insurance DAC (RLI DAC). It provides intermediated protection products and unit-linked pensions to individuals in the Republic of Ireland.

(b) Operating profit before tax

A key measure used by the Company's Board of Directors to monitor performance is operating profit before tax, which is classed as an Alternative Performance Measure (note 40). The Company's Board of Directors considers that this facilitates comparison of the Group's performance over reporting periods as it provides a measure of the underlying trading of the Group.

Operating profit before tax is the transfer to the Fund for Future Appropriations before Other Comprehensive Income excluding: short-term investment return variances and economic assumption changes; goodwill charge/credit arising from mergers and acquisitions; ProfitShare; ValueShare; tax; and one-off items of an unusual nature that are not related to the underlying trading of the Group. Profits arising within the closed funds are held within the respective closed fund surplus; therefore, operating profit before tax represents the result of the Royal London Main Fund.

Revenues, assets, and liabilities by segment are not given as this information is not provided to the Company's Board of Directors and consequently there is no reconciliation of reportable segments' revenues, assets, or liabilities to the Group totals.

2. Segment information (continued)

The operating profit before tax by segment is shown in the following table.

	Group – 2023				Group – 2022			
	UK £m	Asset Management £m	Ireland £m	Total £m	UK £m	Asset Management £m	Ireland £m	Total £m
Long-term business								
New business contribution	173	–	11	184	146	–	17	163
Existing business contribution	235	–	1	236	186	–	(5)	181
Contribution from AUM and other businesses	29	55	–	84	45	56	–	101
Business development and other costs	(31)	(8)	(1)	(40)	(20)	(11)	(1)	(32)
Strategic development costs	(40)	(15)	(6)	(61)	(52)	(13)	(6)	(71)
Amortisation of intangibles	(5)	(1)	–	(6)	–	–	–	–
Result from operating segments	**361**	**31**	**5**	**397**	**305**	**32**	**5**	**342**
Corporate items				(63)				(57)
Financing costs				(85)				(75)
Group operating profit before tax				**249**				**210**
Economic movements				391				(446)
Goodwill (charge)/credit arising from mergers and acquisitions				(10)				2
ProfitShare				(163)				(155)
Profit/(loss) before tax and before transfer to/(from) the fund for future appropriations				**467**				**(389)**
Tax attributable to long-term business				(85)				227
Transfer to/(from) the fund for future appropriations				**382**				**(162)**

From 1 January 2024 onwards, the results of RLUM Limited, a unit trust manager subsidiary, will be reported within the Asset Management segment. Up to and including the year ended 31 December 2023, the results of this subsidiary were reported within the UK segment. The update reflects changes in the operational management of this subsidiary in 2024. Had this change taken place in 2023, the result of the UK segment would have been lower, and the result of the Asset Management segment would have been higher, by £31m.

(c) Geographical analysis

The table below presents income split by geographic region in which the underlying business was written.

	Group – 2023			Group – 2022		
	UK £m	Ireland and other £m	Total £m	UK £m	Ireland and other £m	Total £m
Revenues						
Earned premiums, net of reinsurance	971	52	1,023	1,449	47	1,496
Investment income	6,226	1	6,227	1,455	–	1,455
Unrealised gains on investments	2,439	4	2,443	–	–	–
Other income	619	7	626	631	9	640
Total income	**10,255**	**64**	**10,319**	**3,535**	**56**	**3,591**

The directors consider the Group and Company's external customers to be individual policyholders and investment clients. As such, the Group and the Company are not reliant on any individual customer.

Notes to the financial statements continued

3. Premiums

Accounting for premiums

Gross premiums written and outwards reinsurance premiums relate to insurance and non-hybrid participating investment contracts. They are accounted for when due for payment except for recurring single premiums and premiums in respect of unit-linked business, which are accounted for when the related liabilities are established.

For non-participating (unit-linked) investment and certain hybrid participating investment contracts the amounts received as premiums are not included in the statement of comprehensive income but are accounted for as deposits received and are added to investment contract liabilities in the balance sheet.

(a) Gross premiums written

	Group	
	2023	2022
	£m	£m
Individual premiums	1,229	1,165
Premiums under group contracts	252	11
	1,481	**1,176**
Regular premiums	1,005	945
Single premiums	476	231
	1,481	**1,176**
Non-profit insurance contracts	1,238	909
Participating insurance contracts	134	152
Participating investment contracts	7	16
Unit-linked insurance contracts	102	99
	1,481	**1,176**

As explained more fully in note 38, during the year the Group entered into a Framework Agreement and Transitional Services Agreement and a Reinsurance Agreement with Aegon UK. Premiums received under the Reinsurance Agreement of £52m have been recognised within 'Individual premiums', 'Regular premiums' and 'Non-profit insurance contracts' in the table above.

(b) Premiums received on investment contracts

The amounts received in relation to non-participating (unit-linked) and certain hybrid participating investment contracts by the Group during the year were £9,876m (2022: £9,542m) in respect of non-participating contracts and £8m (2022: £7m) in respect of hybrid participating contracts.

(c) Outwards reinsurance premiums

Total outwards reinsurance premiums for the Group were a charge of £458m (2022: credit of £320m) and include a charge of £101m (2022: credit of £671m) relating to the fair value movement on a liability owed to a major reinsurer under a reinsurance agreement covering a proportion of the Group's obligations in respect of deferred annuities and annuities in payment of the RL (CIS) With-Profits Fund. Under the reinsurance agreement, the RL (CIS) With-Profits Fund is contracted to pay premiums in accordance with a schedule of payments covering a period up to 2066. At inception of the contract, which was before RL (CIS) was acquired by the Group, it recognised its premium obligation in full within the statement of comprehensive income by a charge representing the net present value of the contracted payments. The Group and Company continue to recognise a financial liability to the extent that the premium has yet to fall due for payment.

At inception of the contract, RL (CIS) also purchased a debt security, cash flows from which will fund the discharge of the financial liability as amounts fall due for payment. The movement in the fair value of the debt security is included within investment return and resulted in an equal and opposite credit of £101m (2022: charge of £671m), see note 4.

4. Investment return

Accounting for investment return

Investment return comprises all investment income, including property rental income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses and charges.

Investment income derived from assets held at FVTPL includes dividends and interest income. Dividends are recorded on the date on which the shares are declared ex-dividend. Dividends are recorded gross, with the related withholding tax included within the tax expense as foreign tax. Interest income is recognised on an accruals basis. Rental income from investment property, net of any lease incentives received or paid, is recognised on a straight-line basis over the term of the lease. Realised gains and losses on investments held at FVTPL are calculated as the difference between net sales proceeds and purchase price.

Movements in unrealised gains and losses on investments represent the difference between the valuation at the balance sheet date and the valuation at the last balance sheet date or their purchase price for those acquired during the period, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

	Group	
	2023	2022
	£m	£m
Investment income		
Income from financial investments held at FVTPL	2,352	2,009
Income from investment property	282	263
Net realised (losses)/gains on investment property	(2)	4
Net realised gains/(losses) on other investments held at FVTPL	3,507	(853)
Interest income from cash at bank	91	10
Net foreign exchange gain	13	24
Group's share of the results of associates accounted for using the equity method	(16)	(2)
Total investment income	**6,227**	**1,455**
Net unrealised losses on investment property	(278)	(660)
Net unrealised gains/(losses) on financial investments held at FVTPL	2,721	(13,815)
Net unrealised gains/(losses) on investments	**2,443**	**(14,475)**
Investment expenses and charges (note 10)	(346)	(301)
Total investment return	**8,324**	**(13,321)**

Investment return includes a gain of £101m (2022: loss of £671m) in respect of an unquoted debt security held in respect of a reinsurance arrangement (see note 3(c)).

Notes to the financial statements continued

5. Other income

Accounting for other income

Other income principally comprises fee income from managing investment funds and commission income where the Group acts as an introducer for certain third-party insurers.

Management fees arising from investment and fund management contracts are recorded in the statement of comprehensive income in the period in which the services are provided. Initial fees relating to the provision of future services are deferred and recognised in the statement of comprehensive income over the anticipated period in which the services will be provided. Such deferred fee income is shown as a liability within accruals and deferred income in the balance sheet.

Commission income and profit commission received on the underwriting results of third-party insurers is recognised in the statement of comprehensive income as the related services are provided.

The amortisation of negative goodwill is recognised in profit or loss as set out in note 13.

	Group	
	2023	2022
	£m	£m
Fee income from investment contracts	342	337
Fund management fee income	229	228
Change in deferred fee income	6	13
Commission income	19	10
Subscription income	13	12
Amortisation of negative goodwill (note 13)	5	7
Other	12	33
Total other income	**626**	**640**

6. Claims

Accounting for claims

Gross claims paid and the reinsurers' share of claims paid, relate to insurance contracts and non-hybrid participating investment contracts. For non-linked policies, maturity claims and annuities are accounted for when due for payment. Surrenders are accounted for when paid or, if earlier, on the date when the policy ceases to be included within the calculation of the related contract liabilities. Death claims and all other non-linked claims are accounted for when accepted. For linked policies, claims are accounted for on cancellation of the associated units.

Claims paid include related claims handling costs. The reinsurers' share of claims paid is accounted for in the same period as the related claim.

Amounts repaid as claims on non-participating (unit-linked) investment and certain hybrid participating investment contracts are not included in the statement of comprehensive income but are accounted for as deposits repaid and are deducted from investment contract liabilities.

(a) Claims incurred

	Group					
	2023			2022		
	Gross £m	**Reinsurers' share £m**	**Net £m**	Gross £m	Reinsurers' share £m	Net £m
Claims paid						
Insurance contracts	2,971	(606)	2,365	2,731	(540)	2,191
Participating investment contracts	124	–	124	132	–	132
	3,095	**(606)**	**2,489**	**2,863**	**(540)**	**2,323**
Change in provisions for claims						
Insurance contracts	(23)	30	7	60	(27)	33
Participating investment contracts	–	–	–	2	(2)	–
	(23)	**30**	**7**	**62**	**(29)**	**33**
Claims incurred						
Insurance contracts	2,948	(576)	2,372	2,791	(567)	2,224
Participating investment contracts	124	–	124	134	(2)	132
	3,072	**(576)**	**2,496**	**2,925**	**(569)**	**2,356**

As explained more fully in note 38, during the year the Group entered into a Framework Agreement and Transitional Services Agreement and a Reinsurance Agreement with Aegon UK. Claims paid of £10m under the Reinsurance Agreement have been recognised within 'Claims paid - Insurance contacts' in the table above.

Claims costs for the prior year have been represented on a consistent basis, resulting in an increase in gross insurance contract claims paid of £241m, an increase in gross insurance contract change in provisions of £5m, and therefore an increase in gross insurance contract claims incurred of £246m. Corresponding reductions in the gross balances for participating investment contract claims have been recorded, with no overall change in the claims costs reported by the Group.

(b) Deposits repaid on investment contracts

The deposits repaid by the Group during the year totalled £6,610m (2022: £5,323m) in respect of non-participating investment contracts and £75m (2022: £73m) in respect of hybrid participating investment contracts.

Notes to the financial statements continued

7. Net operating expenses

	Group	
	2023 £m	2022 £m
Staff costs (note 9)	204	225
Amortisation of deferred acquisition costs on investment contracts (note 22)	22	26
Acquisition commission	129	127
Consideration for the acquisition of Aegon's protection business and initial reinsurance commission	148	–
Renewal commission	25	34
Depreciation of tangible fixed assets (note 21)	6	6
Maintenance and rent for information systems	93	85
Property costs	18	17
Regulatory, professional and administration fees	63	76
Credit to provision for future commission (note 30)	8	(27)
Amortisation of goodwill and other intangible assets (note 13)	8	3
Other expenses	13	9
	737	**581**

As detailed in note 38, during the year the Group entered into a Framework Agreement and Transitional Services Agreement and a Reinsurance Agreement with Aegon UK in relation to the acquisition of a portfolio of protection contracts, related reinsurance contracts and net current liabilities. A charge of £148m has been recognised as 'Consideration for the acquisition of Aegon's protection business and initial reinsurance commission' in the table above, being the consideration paid and the initial recognition of certain net current liabilities.

8. Auditors' remuneration, net of VAT

	Group	
	2023	2022
	£000	£000
Fees payable to PwC for the audit of the Company and consolidated financial statements	2,894	2,862
Fees payable to PwC for other services:		
Audit of the Company's subsidiaries	1,319	1,373
Audit-related assurance services	1,065	1,028
Other assurance services	664	374
Other non-audit services	90	85
	6,032	**5,722**

The appointment of auditors to the Group's pension schemes and the fees paid in respect of those audits are agreed by the trustees of the schemes who act independently from the management of the Group.

	Group	
	2023	2022
	£000	£000
Audit fees in respect of the Royal London Group Pension Scheme	88	80
Audit fees in respect of the Royal Liver Assurance Superannuation Fund	29	20
Audit fees in respect of the Royal Liver Assurance Limited Superannuation Fund (ROI)	16	16
Audit fees in respect of Royal London Ireland Pension Plan	7	8
Audit fees in respect of the R. L. Pensions Trustees (R.O.I.) Company Limited By Guarantee	1	–
	141	**124**

In accordance with The Companies (Disclosure of Auditor Remuneration and Liability Limitation Agreements) Regulations 2008 the Company has not disclosed the fees payable to the Company's auditors for 'other services' as this information is included in the Group disclosure above.

Notes to the financial statements continued

9. Staff costs

(a) Analysis of staff costs

	Group		Company	
	2023	2022	**2023**	2022
	£m	£m	**£m**	£m
Wages and salaries	**316**	281	**296**	267
Social security contributions	**29**	30	**27**	27
Other pension costs – defined contribution arrangements (note 23)	**29**	26	**27**	25
Other pension costs – defined benefit schemes (note 23)	**5**	38	**5**	38
Termination benefits	**13**	5	**13**	5
	392	**380**	**368**	**362**

The Company pays its employees via a subsidiary company. The total staff costs of the Group of £392m (2022: £380m) are included within the consolidated statement of comprehensive income within the following lines:

	Group	
	2023	2022
	£m	£m
Net operating expenses (note 7)	**204**	225
Investment expenses and charges (note 10)	**118**	107
Other charges (note 11)	**70**	48
	392	**380**

The 2022 staff costs have been represented on a consistent basis, resulting in a £22m reduction in staff costs reported by the Group and Company. The reduction in staff costs, represented within 'Investment expenses and charges' in note 10, is offset by a corresponding increase in other costs, with no overall impact to the Group and Company.

	Group		Company	
	2023	2022	**2023**	2022
	Number	Number	**Number**	Number
The average number of persons (including executive directors) employed during the year was:				
Sales and sales support	**283**	308	**255**	290
Administration	**3,943**	4,022	**3,719**	3,816
	4,226	**4,330**	**3,974**	**4,106**

(b) Directors' emoluments

	Group and Company	
	2023	2022
	£m	£m
Total emoluments	**5**	4

Full details of the directors' emoluments are included in the Directors' Remuneration Report on pages 96 to 111. The information included therein, together with the table above, encompasses the disclosures required by the Companies Act 2006.

9. Staff costs (continued)

(c) Key management compensation payable

Key management includes the directors and members of the Group Executive Committee. Compensation payable to key management, including executive directors, is shown in the table below.

	Group and Company	
	2023	2022
	£m	£m
Salaries, short-term incentive plans and other benefits	9	9
Change in amounts payable under long-term incentive plans	4	1
	13	**10**

The total amount receivable by key management, including executive directors, under long-term incentive plans was £8m as at 31 December 2023 (2022: £5m).

10. Investment expenses and charges

	Group	
	2023	2022
	£m	£m
Property expenses	74	64
Other transaction costs	10	10
Costs of in-house investment management operations – staff costs (note 9)	118	107
Costs of in-house investment management operations – other	113	108
Other	31	12
	346	**301**

11. Other charges

Accounting for other charges

Interest payable on subordinated liabilities is calculated using the effective interest method and includes the amortisation of any discount and attributable transaction costs (see note 24).

Other project staff costs and other project costs relate to non-recurring spend and are charged to the statement of comprehensive income as they are incurred. These costs include staff costs to the extent that the staff are working on the project and the work is outside business-as-usual processes. The classification of such costs is determined by reviewing the nature and type of expenditure incurred.

	Group	
	2023	2022
	£m	£m
Interest payable on subordinated liabilities	88	77
Other project staff costs (note 9)	70	48
Other project costs	92	164
	250	**289**

Notes to the financial statements continued

12. Tax attributable to long-term business

Accounting for tax

Tax expense comprises current and deferred tax and is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in other comprehensive income, in which case it is also recognised directly in other comprehensive income. Both current and deferred tax are calculated using tax rates enacted or substantively enacted at the balance sheet date.

Current tax

Current tax is the expected tax payable on the taxable income for the year and any adjustment to tax payable in respect of previous years.

(a) Tax attributable to long-term business in the statement of comprehensive income

	Group	
	2023	2022
	£m	£m
Tax has been provided as follows:		
UK corporation tax charge		
Current year	6	14
Adjustments in respect of prior periods	(3)	(5)
ROI corporation tax charge		
Current year	1	2
	4	**11**
Foreign tax	6	7
Deferred tax charge/(credit) (note 29)	75	(245)
	85	**(227)**

(b) Reconciliation of the effective tax rate

Tax on the Group's result before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to the result of the Group as follows:

	Group	
	2023	2022
	£m	£m
Profit/(loss) before tax and before transfer to/(deduction from) the fund for future appropriations	467	(389)
Tax calculated at the applicable tax rate[1]	90	(78)
Factors affecting tax charge:		
Accounting profit/(loss) not subject to corporation tax	(106)	94
Items taxed on a different basis for life assurance companies	91	(247)
Items disallowed in tax computation	4	(3)
Foreign tax	6	7
Tax charge/(credit) for the year	**85**	**(227)**

1. Corporation tax in the consolidated statement of comprehensive income has been calculated at a rate of 20% (2022: 20%) on the taxable profits in respect of insurance business of the Company, at 12.5% (2022: 12.5%) on the taxable profits of the Irish subsidiaries of the Company, 12.5% (2022: 12.5%) on the taxable profits of the Irish branch of the Group's UK management services company and at 23.5% (2022: 19%) on the taxable profits of the UK subsidiaries of the Company.

The UK corporation tax rate increased to 25% from 1 April 2023; this change was substantively enacted on 24 May 2021 and, therefore, is recognised in the measurement of relevant deferred tax balances in these financial statements.

From 1 January 2024, the Group will be impacted by the OECD Pillar II rules designed to ensure that large multinational enterprises pay a minimum effective tax rate of 15% on the income arising in each jurisdiction where they operate. Group holdings in Ireland and Bermuda may be affected but the impact is expected to be immaterial based on current year profits. Based on our understanding of the current legislation and guidance, no top up tax is expected in the UK. We will continue to review this position as additional legislation and HMRC guidance is issued. In response to these rules the Republic of Ireland has introduced an Irish Domestic top-up tax, so that in-scope companies pay additional tax to bring their effective tax rate up to the 15% global minimal standard. This rate has been recognised in the measurement of relevant deferred tax balances in these financial statements.

13. Intangible assets

Accounting for intangible assets

Goodwill

Goodwill is the excess of the fair value of the consideration paid for a business combination plus directly attributable costs, over the fair value of the identifiable net assets acquired. It is capitalised at cost and amortised through the statement of comprehensive income on a straight-line basis over its useful economic life (the period over which the benefits of the business combination are expected to be realised). The amortisation charge is recognised within 'Net operating expenses'.

Negative goodwill is the excess of the fair value of identifiable net assets acquired in a business combination over the fair value of the consideration and directly attributable costs. It is capitalised at cost and shown as a negative asset. Subsequently, the value of negative goodwill up to the fair value of non-monetary assets acquired is recognised in 'Other income' in the periods in which those non-monetary assets are realised. Non-monetary assets are those that are not realised as cash but rather by utilisation of the asset. Any remaining value of negative goodwill in excess of the value of non-monetary assets acquired is recognised in 'Other income' in the periods expected to benefit.

The gain or loss on any subsequent disposal of a subsidiary would include any attributable remaining balance of positive or negative goodwill.

Other intangible assets

Other intangible assets include computer software. Directly attributable costs necessary to create, produce and prepare the software asset to be capable of operating in the manner intended are included in the cost of the intangible asset. Intangible assets are carried at cost less accumulated amortisation and impairment losses and are amortised on a straight-line basis over their useful lives, which range from three to ten years. The useful lives are determined by considering relevant factors such as the remaining term of agreements and the expected lives of related products. Amortisation begins when the intangible asset is available for use, in other words, when it is in the location and condition necessary for it to be useable in the manner intended by management.

Impairment of intangible assets

The carrying amounts of intangible assets, including goodwill, are reviewed whenever there is any indication of impairment or events and circumstances indicate that their carrying amount may not be recoverable, in which case an impairment test is performed. An impairment loss is recognised whenever the carrying amount exceeds the recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use.

Impairment losses are recognised in the statement of comprehensive income. With the exception of goodwill, an impairment loss is reversed if the reasons for the impairment loss have ceased to apply. An impairment loss is reversed only to the extent that after the reversal, the asset's carrying amount is no greater than the amount that would have been determined, net of amortisation, if no impairment loss had been recognised. An impairment loss in respect of goodwill is never reversed.

Notes to the financial statements continued

13. Intangible assets (continued)

The following tables show the movements in the intangible assets of the Group and the Company.

	Group – 2023			
	Goodwill £m	Negative goodwill £m	Other intangible assets £m	Total £m
Cost				
At 1 January	31	(206)	440	265
Additions	–	–	26	26
Disposals	–	–	(5)	(5)
At 31 December	**31**	**(206)**	**461**	**286**
Accumulated amortisation, impairment losses and disposals				
At 1 January	(10)	169	(317)	(158)
Amortisation	(2)	5	(6)	(3)
Disposals	–	–	5	5
At 31 December	**(12)**	**174**	**(318)**	**(156)**
Net book value				
At 1 January	21	(37)	123	107
At 31 December	**19**	**(32)**	**143**	**130**

	Company – 2023			
	Goodwill £m	Negative goodwill £m	Other intangible assets £m	Total £m
Cost				
At 1 January	29	(87)	351	293
Additions	–	–	6	6
At 31 December	**29**	**(87)**	**357**	**299**
Accumulated amortisation, impairment losses and disposals				
At 1 January	(8)	81	(238)	(165)
Amortisation	(2)	1	(5)	(6)
At 31 December	**(10)**	**82**	**(243)**	**(171)**
Net book value				
At 1 January	21	(6)	113	128
At 31 December	**19**	**(5)**	**114**	**128**

The balance of goodwill at the balance sheet date predominantly relates to the acquisition of Police Mutual. The value is being amortised on a straight-line basis over 10 years.

The balance of negative goodwill at the balance sheet date relates to the acquisitions of Royal Liver Assurance Limited (Royal Liver) in 2011 and Royal London (CIS) Limited (RL (CIS)) in 2013. For these acquisitions the value of negative goodwill is being amortised on a straight-line basis over 15 and 20 years respectively, which are the periods over which the benefits are expected to be realised.

Other intangible assets are predominantly software assets of £135m (2022: £115m) for the Group and £114m (2022: £113m) for the Company. Amortisation is charged once the software assets are considered available for use. An assessment of impairment indicators as at 31 December 2023 concluded that such indicators are not present, therefore a full impairment review was not required and no impairment charge was recorded (2022: £nil).

14. Land and buildings

	Group		Company	
	2023	2022	**2023**	2022
	£m	£m	**£m**	£m
Investment property	72	78	109	122
Owner-occupied property	37	44	–	–
Total Land and buildings	**109**	**122**	**109**	**122**

All land and buildings are held on a freehold basis, with the exception of one leasehold property valued at £20m (2022: £20m).

(a) Investment property

Accounting for investment property

Investment property is property held for rental, capital growth or both, excluding that occupied by the Group or the Company.

Investment property is initially measured at cost, which comprises the fair value of the consideration paid plus the associated transaction costs. All investment property is subsequently measured at fair value in the balance sheet. Fair value is determined by independent professional valuers, who are members of the Royal Institute of Chartered Surveyors, based on market evidence. Any gain or loss arising from a change in fair value is recognised in the statement of comprehensive income.

When the Group or the Company has given a lease incentive, the carrying value of the investment property is reduced by the value of the debtor arising from the lease incentive, which is shown separately within 'Other debtors'.

	Group		Company	
	2023	2022	**2023**	2022
	£m	£m	**£m**	£m
Investment property				
Fair value				
At 1 January	78	96	122	149
Additions	–	7	–	7
Disposals	(2)	(13)	(2)	(13)
Net loss from fair value adjustments	(4)	(12)	(11)	(21)
At 31 December	**72**	**78**	**109**	**122**

The cost of investment property above was £61m (2022: £62m) for the Group and £127m (2022: £128m) for the Company.

Investment property is revalued to fair value annually with an effective date of 31 December. The principal valuers used were CBRE Limited and Cushman & Wakefield. Fair value is determined using market comparison and income capitalisation approaches (see note 17 (a)). There has been no change to the valuation methodology during the year. The net loss from fair value adjustments shown above represents the net fair value loss on the revaluation of properties held at the balance sheet date and does not include gains or losses realised on properties disposed of during the year.

Investment properties are leased to third parties under operating leases. Under the terms of certain leases, the Group is required to repair and maintain the related properties. At the balance sheet date, the future minimum lease payments receivable under non-cancellable leases are shown in the following table. For the purposes of this table, the minimum lease period has been taken as the period to the first possible date that the lease can be terminated by the lessee.

The total future minimum lease payments receivable can be analysed as follows:

	Group		Company	
	2023	2022	**2023**	2022
	£m	£m	**£m**	£m
Not later than one year	3	3	3	3
Later than one year and not later than five years	8	9	8	9
Later than five years	3	4	3	4
	14	**16**	**14**	**16**

Notes to the financial statements continued

14. Land and buildings (continued)

(b) Owner-occupied land and buildings

Accounting for owner-occupied land and buildings

FRS 102 allows a choice between a cost or fair value measurement model for owner-occupied land and buildings, investment property rented to another Group entity and certain investment in Group entities. The Group and Company have applied a fair value model to these assets. The fair value model has been used in order to match asset valuations to the valuation of the related policyholder liabilities.

Owner-occupied land and buildings are initially measured at cost, which comprises the fair value of the consideration paid plus the associated transaction costs. Costs incurred after initial recognition are included in an asset's carrying value only to the extent that it is probable that there will be future economic benefits associated with the item and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the statement of comprehensive income during the period in which they are incurred.

All owner-occupied land and buildings are subsequently carried at fair value in the balance sheet. Fair value is determined annually by independent professional valuers, who are members of the Royal Institution of Chartered Surveyors and is based on market evidence. An increase in fair value is recognised in other comprehensive income, except to the extent that it is the reversal of a previous revaluation decrease which was recognised in profit or loss. A decrease in fair value is recognised immediately in profit or loss, except to the extent that it reverses a previous revaluation surplus recognised in other comprehensive income.

Owner-occupied land and buildings are not depreciated.

Gains and losses on disposals are included in the statement of comprehensive income and are determined by comparing proceeds with carrying amounts.

	Group	
	2023	2022
	£m	£m
Owner-occupied land and buildings		
Fair value		
At 1 January	44	53
Net loss from fair value adjustments	(7)	(9)
At 31 December	**37**	**44**

Owner-occupied land and buildings are held on a fair value basis. If the owner-occupied land and buildings were stated on a historical cost basis, the amounts would be as follows:

	Group	
	2023	2022
	£m	£m
Cost	66	66
Accumulated depreciation and impairment losses	(22)	(13)
Net book value	**44**	**53**

15. Investments in Group undertakings

Accounting for investment in Group undertakings

Subsidiaries

The Company has elected to present investments in subsidiaries in the Company balance sheet measured at FVTPL, as permitted by FRS 102 Section 9. The fair value of investments in Group undertakings which are unit trusts, OEICs and other pooled funds is the bid price quoted on the last day of the accounting period on which investments in such funds could be redeemed. Fair value for those entities which are not unit trusts, OEICs and other pooled funds is determined using the same valuation techniques as used for unquoted investments, as described in note 17(a).

Subsidiaries are those entities (including OEICs and other investment funds) over which the Group has control. The Group controls an entity when it has power to govern its financial and operating policies. The Group considers all relevant facts and circumstances when determining whether control exists and makes a re-assessment whenever those facts and circumstances change. Profits or losses of subsidiaries sold or acquired during the period are included in the consolidated results up to the date that control ceases or from the date of gaining control.

The Group invests in investment funds, which themselves invest mainly in equities, bonds, property and cash. Some of these funds are managed by Group companies. For these funds, where the Group's holding is greater than 50% it is presumed that it has the power to govern the fund's financial and operating policies; in such cases the fund is classified as a subsidiary. Where the Group's holding of internal investment funds is less than 50% it is classified as an associate, unless the Group's interest is less than 20% in which case the Group is not considered to have significant influence over the fund and the fund is accounted for within 'Other financial investments' at fair value.

The Group also invests in certain private equity funds and property unit trusts, which are managed by external third-party administrators. The structure of each fund, the terms of the relevant agreements and the Group's ownership percentage are all taken into consideration in determining whether the Group has control and therefore whether the unit trust/ fund should be classified as a subsidiary.

In accordance with Section 9 of FRS 102, subsidiaries that are held as part of an investment portfolio are not consolidated and are held on the Group balance sheet as 'Other financial investments' measured at FVTPL. The inclusion of these subsidiaries at FVTPL is a departure from the requirements of paragraph 30 to Schedule 3 of the Regulations as set out in note 1(b).

Special purpose entities (SPE)

An SPE is an entity established to achieve a specific, narrow objective. An SPE is consolidated into the Group financial statements when the Group is deemed to control the SPE. Circumstances that may indicate that the Group controls an SPE include:

- the activities of the SPE are being conducted on behalf of the Group according to its specific business needs;
- the Group has the ultimate decision-making powers over the SPE even if the day-to-day decisions have been delegated;
- the Group has rights to obtain the majority of the benefits of the SPE and therefore may be exposed to risks incidental to the activities of the SPE; and
- the Group retains the majority of the residual or ownership risks related to the SPE or its assets.

Associates

Associates are entities over which the Group has significant influence but not control or joint control, generally accompanying an ownership interest of between 20% and 50%. The Company has elected to present investments in associates in the Company balance sheet measured at FVTPL, as permitted by FRS 102 Section 9.

The Group's investments in associates which are investment funds are held as part of an investment portfolio and are measured at FVTPL, in accordance with Section 14 of FRS 102. The inclusion of these assets at FVTPL is a departure from the requirements of paragraph 21 of Schedule 6 to the Regulations, as set out in note 1(b). The Group's investments in associates which are not held as part of an investment portfolio are accounted for using the equity method as set out in note 1(b).

Joint ventures

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement, and can take the form of jointly controlled operations, jointly controlled assets, or jointly controlled entities. The Group's interests in joint ventures are all jointly controlled entities that are held as part of an investment portfolio, hence under FRS 102 Section 15 they are measured at FVTPL in both the Company and Group balance sheets.

Notes to the financial statements continued

15. Investments in Group undertakings (continued)

	Company	
	2023	2022
	£m	£m
Shares in subsidiaries	841	804
Loans to subsidiaries	2	29
Shares in associates	9	19
OEICs and other investment funds – subsidiaries	12,910	11,265
OEICs and other investment funds – associates	740	1,951
	14,502	**14,068**

The OEICs and other investment funds represent the Company's investment in funds which are managed by subsidiaries of the Group. The funds classified as subsidiaries are those over which the Group has control. The funds classified as associates are those over which the Group has significant influence but not control. The investments in Group undertakings includes £nil in respect of directly held listed investments (2022: £nil).

(a) Subsidiaries

The Company has the following subsidiaries, including OEICs and other investment funds classified as subsidiaries and held within unit-linked funds. All subsidiaries have a registered office of 80 Fenchurch Street, London EC3M 4BY, United Kingdom except where noted by a letter which corresponds to the addresses listed in the table on page 148. All operational, nominee, trustee and non-trading subsidiary undertakings are consolidated in the Group financial statements and have a financial reporting date of 31 December, unless otherwise stated.

Subsidiaries consolidated within the Group financial statements	% holding			
Name	**2023**	2022	Nature of business	Registered Office
Operational subsidiaries:				
Cambridge Research Park Management Company Limited[1]	**69.0**	69.0	Property services company	A
Hornby Road Investments Limited[2]	**100.0**	100.0	Property company	-
Mortgage Excellence Limited	**100.0**	100.0	Mortgage intermediary	-
PMGI Limited[3]	**100.0**	100.0	General insurance intermediary	-
PMHC Limited[2, 3]	**100.0**	100.0	Discretionary healthcare products	-
PM Holdings Limited[2]	**100.0**	100.0	Holding company	-
Police Housing Fund Limited[2]	**100.0**	100.0	Holding company	-
ProperTies Living Limited[4]	**100.0**	N/A	Property company	-
RL Finance Bonds No. 3 plc	**100.0**	100.0	Finance company	-
RL Finance Bonds No. 4 plc	**100.0**	100.0	Finance company	-
RL Finance Bonds No. 6 plc	**100.0**	100.0	Finance company	-
RL Wizard Holdings Limited[2]	**100.0**	100.0	Holding company	-
RLAM Living General Partner Limited[4]	**100.0**	N/A	Property company	-
RLAM Natural Capital General Partner Limited[4]	**100.0**	N/A	Property company	-
RLAM Property Holdings Limited[2, 4]	**100.0**	N/A	Property company	-
RLUM Limited	**100.0**	100.0	Unit trust management	-
Royal London (UK) Holdings Limited[2]	**100.0**	100.0	Holding company	-
Royal London Asset Management Holdings Limited	**100.0**	100.0	Holding company	-
Royal London Asset Management Limited	**100.0**	100.0	Investment management	-
Royal London Cambridge Limited[2]	**100.0**	100.0	Holding company	-
Royal London Insurance Designated Activity Company	**100.0**	100.0	Regulated insurance company	B
Royal London Management Services Limited	**100.0**	100.0	Service company	-
Royal London Marketing Limited	**100.0**	100.0	Financial services intermediary	-
Royal London Savings Limited	**100.0**	100.0	ISA management	-
Royal London Unit Trust Managers Limited	**100.0**	100.0	Fund management	-
Vision Park Management Limited[5]	**86.0**	86.0	Property services company	C
Wealth Wizards Benefits Limited[2]	**100.0**	100.0	Financial intermediary/adviser	D
Wealth Wizards Limited	**100.0**	100.0	Fintech company	D

15. Investments in Group undertakings (continued)

Subsidiaries consolidated within the Group financial statements	% holding			Registered
Name	2023	2022	Nature of business	Office
Other companies:				
RL Marketing ISA Nominees Limited	**100.0**	100.0	Nominee company	-
RLAM (Nominees) Limited	**100.0**	100.0	Nominee company	-
RLS Nominees Limited	**100.0**	100.0	Nominee company	-
R.L. Pensions Trustees Limited	**100.0**	100.0	Trustee company	-
R. L. Pensions Trustees (R.O.I.) Company Limited by Guarantee	**100.0**	100.0	Trustee company	B
RLGPS Trustee Limited	**100.0**	100.0	Trustee company	-
Royal Liver Pension Trustee Services Limited	**100.0**	100.0	Trustee company	-
Royal Liver Trustee Services Ireland Limited	**100.0**	100.0	Trustee company	B
Royal Liver Trustees Limited	**100.0**	100.0	Trustee company	-
Royal London Trustee Services Limited	**100.0**	100.0	Trustee company	-
Abacus Limited	**100.0**	100.0	Non-trading	-
Brightgrey Limited	**100.0**	100.0	Non-trading	-
Canterbury Life Assurance Company Limited	**100.0**	100.0	Non-trading	-
Capitol Way Commercial No. 1 Limited	**100.0**	100.0	Non-trading	-
Capitol Way Commercial No. 2 Limited	**100.0**	100.0	Non-trading	-
Capitol Way Estate Management Limited	**100.0**	100.0	Non-trading	-
Capitol Way Estate No. 1 Limited	**100.0**	100.0	Non-trading	-
Capitol Way Estate No. 2 Limited	**100.0**	100.0	Non-trading	-
Leyburn Developments Limited	**100.0**	100.0	Non-trading	-
PM Advisory Limited[2]	**100.0**	100.0	Non-trading	-
PM Central Services Limited[2]	**100.0**	100.0	Non-trading	-
RL Finance Bonds Limited[6]	**100.0**	100.0	Non-trading	-
RL Finance Bonds No. 2 plc	**100.0**	100.0	Non-trading	-
R L Schedule 2C Holdings Limited	**100.0**	100.0	Non-trading	-
R.A.Securities Limited	**100.0**	100.0	Non-trading	-
Refuge Assurance Limited	**100.0**	100.0	Non-trading	-
Refuge Investments Limited	**100.0**	100.0	Non-trading	-
Refuge Life Assurance Consultants Limited	**100.0**	100.0	Non-trading	-
Refuge Portfolio Managers Limited	**100.0**	100.0	Non-trading	-
RL LA Limited	**100.0**	100.0	Non-trading	E
RL Marketing (CIS) Limited[2]	**100.0**	100.0	Non-trading	-
RL NPB Services Limited	**100.0**	100.0	Non-trading	-
RLM Finance Limited[2, 6]	**100.0**	100.0	Non-trading	-
RLPPF Abingdon Limited	**100.0**	100.0	Non-trading	F
Royal Liver (IFA Holdings) Limited[6]	**100.0**	100.0	Non-trading	-
Royal London (CIS) Limited	**100.0**	100.0	Non-trading	-
Royal London Homebuy Limited	**100.0**	100.0	Non-trading	-
Royal London Pooled Pensions Company Limited	**100.0**	100.0	Non-trading	E
S.L. (Davenport Green) Limited	**100.0**	100.0	Non-trading	E
Scottish Life (Coventry) Property Limited[7]	**100.0**	100.0	Non-trading	E
The Scottish Life Assurance Company[8]	**100.0**	100.0	Non-trading	E
United Assurance Group Limited	**100.0**	100.0	Non-trading	-
United Friendly Group Limited	**100.0**	100.0	Non-trading	-
United Friendly Insurance Limited	**100.0**	100.0	Non-trading	-
United Friendly Life Assurance Limited	**100.0**	100.0	Non-trading	-
United Friendly Staff Pension Fund Limited	**100.0**	100.0	Non-trading	-
Wealth Wizards Advisers Limited	**100.0**	100.0	Non-trading	D

Notes to the financial statements continued

15. Investments in Group undertakings (continued)

Unit trusts, OEICs and other investment funds and legal entities held as part of an investment portfolio reported as subsidiaries under FRS 102 but not consolidated within the Group financial statements.

	% holding[9]				Aggregate of capital and reserves	Profit/(loss) for the period	
	2023	2022	Nature of business	Latest financial reporting date	£m	£m	Registered Office
Elli Healthcare Properties Limited	**100.0**	100.0	Property company	31-Dec-23	(4)	1	G
RHR Aldershot Limited	**100.0**	100.0	Property company	31-Dec-23	1	(1)	O
RHR Basildon Limited	**100.0**	100.0	Property company	31-Dec-23	1	(1)	O
RHR Burnley Limited	**100.0**	100.0	Property company	31-Dec-23	1	(1)	O
RHR Derby Limited	**100.0**	100.0	Property company	31-Dec-23	1	(1)	O
RHR Newark Limited	**100.0**	100.0	Property company	31-Dec-23	–	(1)	O
RHR Norwich Limited	**100.0**	100.0	Property company	31-Dec-23	1	(1)	O
RHR Swindon Limited	**100.0**	100.0	Property company	31-Dec-23	–	–	O
RHR Wesham Limited	**100.0**	100.0	Property company	31-Dec-23	1	(1)	O
RHR Milton Keynes Limited[4]	**100.0**	N/A	Property company	31-Dec-23	–	–	O
RHR Uttoxeter Limited[4]	**100.0**	N/A	Property company	N/A	N/A	N/A	O
RLAM Living MidCo Limited[4]	**100.0**	N/A	Property company	N/A	N/A	N/A	–
RLAM Living RCO Limited[4]	**100.0**	N/A	Property company	N/A	N/A	N/A	–
RLAM NC Unitholder No.2 Limited[4]	**100.0**	N/A	Property company	N/A	N/A	N/A	–
Royal London Asset Management Funds plc[10]	**99.9**	99.9	Investment manager	30-Jun-23	N/A	N/A	H
Royal London Asset Management Investment Funds ICAV[10]	**100.0**	100.0	Investment manager	30-Jun-23	N/A	N/A	H
Royal London Absolute Return Government Bond Fund	**92.0**	95.7	OEIC	30-Jun-23	1,327	66	H
Royal London Asia Pacific ex Japan Equity Tilt Fund	**94.4**	96.5	OEIC	31-Aug-23	1,357	(96)	–
Royal London Emerging Markets Corporate Bond Fund[11]	**100.0**	N/A	OEIC	30-Jun-23	25	1	H
Royal London Emerging Markets ESG Leaders Equity Tracker Fund	**94.9**	94.9	OEIC	31-Aug-23	4,445	(451)	–
Royal London Europe ex UK Equity Tilt Fund	**89.6**	92.0	OEIC	31-Aug-23	1,035	93	–
Royal London European Growth Fund	**99.6**	99.6	OEIC	31-Aug-23	2,197	235	–
Royal London European Sustainable Credit Fund	**92.7**	92.5	OEIC	30-Jun-23	90	–	H
Royal London Global Equity Diversified Fund	**88.6**	96.6	OEIC	31-Aug-23	3,803	323	–
Royal London Global Equity Diversified Fund (Irl)[12]	**N/A**	73.6	OEIC	30-Jun-23	77	13	H
Royal London Global Equity Enhanced Fund	**95.1**	100.0	OEIC	30-Jun-23	1,929	57	H
Royal London Global Equity Income Fund	**55.6**	87.1	OEIC	31-Aug-23	570	15	–
Royal London Global Equity Select Fund (Irl)[12]	**N/A**	62.9	OEIC	30-Jun-23	112	17	H
Royal London Global Equity Transitions Fund	**99.6**	100.0	OEIC	30-Jun-23	82	14	H
Royal London Global High Yield Bond Fund	**95.5**	97.6	OEIC	30-Jun-23	2,619	130	H
Royal London Global Sustainable Credit Fund	**76.6**	91.2	OEIC	30-Jun-23	362	21	H
Royal London Global Sustainable Equity Fund[12]	**N/A**	53.3	OEIC	31-Aug-23	256	25	–

15. Investments in Group undertakings (continued)

	% holding[9]		Nature of business	Latest financial reporting date	Aggregate of capital and reserves £m	Profit/ (loss) for the period £m	Registered Office
	2023	2022					
Royal London Global Sustainable Equity Fund (Irl)	**83.9**	84.8	OEIC	30-Jun-23	42	9	H
Royal London GMAP Adventurous Fund	**69.7**	78.8	OEIC	30-Jun-23	388	24	–
Royal London GMAP Balanced Fund	**67.4**	70.9	OEIC	30-Jun-23	450	7	–
Royal London GMAP Conservative Fund	**99.5**	99.4	OEIC	30-Jun-23	425	(16)	–
Royal London GMAP Dynamic Fund	**83.4**	91.6	OEIC	30-Jun-23	140	15	–
Royal London GMAP Growth Fund	**72.7**	80.5	OEIC	30-Jun-23	661	31	–
Royal London Index Linked Fund[12]	**N/A**	58.4	OEIC	31-Oct-23	420	(56)	–
Royal London Japan Equity Tilt Fund	**78.7**	96.4	OEIC	31-Aug-23	395	20	–
Royal London Japan Equity Tilt TTF[11,13]	**100.0**	N/A	ACS	31-Aug-23	1,002	23	–
Royal London Multi Asset Adventurous Fund (Irl)	**100.0**	100.0	OEIC	30-Jun-23	27	3	H
Royal London Multi Asset Balanced Fund (Irl)	**100.0**	100.0	OEIC	30-Jun-23	30	1	H
Royal London Multi Asset Credit Fund[14]	**50.3**	N/A	OEIC	30-Jun-23	813	50	H
Royal London Multi Asset Defensive Fund (Irl)	**100.0**	100.0	OEIC	30-Jun-23	27	–	H
Royal London Multi Asset Growth Fund (Irl)	**100.0**	100.0	OEIC	30-Jun-23	29	2	H
Royal London Multi Asset Strategies Fund[14]	**88.1**	N/A	OEIC	30-Jun-23	207	5	–
Royal London Short Duration Emerging Markets Corporate Bond Fund[11]	**100.0**	N/A	OEIC	30-Jun-23	25	1	H
Royal London Short Duration Plus Fund[15]	**N/A**	100.0	OEIC	30-Jun-23	–	6	H
Royal London Short Term Fixed Income Fund	**55.3**	69.4	OEIC	31-Oct-23	4,068	22	–
Royal London Sterling Liquidity Money Market Fund	**95.6**	97.8	OEIC	30-Jun-23	6,131	–	H
Royal London Sustainable Growth Fund	**97.7**	100.0	OEIC	31-Aug-23	109	4	–
Royal London Sustainable Short Duration Corporate Bond Fund	**59.1**	100.0	OEIC	31-Jul-23	110	(4)	–
Royal London UK Core Equity Tilt Fund	**98.9**	99.5	OEIC	31-Aug-23	5,789	171	–
Royal London UK Dividend Growth Fund	**94.8**	94.9	OEIC	31-Aug-23	1,014	56	–
Royal London UK Equity Fund	**93.4**	96.2	OEIC	31-Aug-23	694	25	–
Royal London UK Mid Cap Growth Fund	**91.1**	90.1	OEIC	31-Aug-23	358	(4)	–
Royal London UK Opportunities Fund	**99.8**	99.9	OEIC	31-Aug-23	353	49	–
Royal London UK Real Estate Fund[13]	**100.0**	100.0	ACS	30-Jun-23	3,259	(33)	–
Royal London UK Smaller Companies Fund	**93.8**	96.8	OEIC	31-Aug-23	270	(27)	–
Royal London US Equity Tilt Fund	**78.1**	97.8	OEIC	31-Aug-23	1,096	(94)	–
Royal London US Equity Tilt TTF[11,13]	**100.0**	N/A	ACS	31-Aug-23	8,192	547	–
Royal London US Growth Trust	**56.5**	55.3	Unit trust	30-Jun-23	290	76	–
The Royal London Property Fund	**68.1**	66.2	Property Fund	31-Dec-23	370	(1)	H
The Royal London Property Trust	**100.0**	100.0	Property Trust	31-Dec-23	252	(2)	H

Notes to the financial statements continued

15. Investments in Group undertakings (continued)

1. Company has a financial reporting date of 30 June.
2. UK subsidiaries that will take advantage of the audit exemption by virtue of section 479A of the Companies Act 2006 for the year ended 31 December 2023.
3. The Group completed the sale of this company to Bspoke Group on 29 February 2024. Further details can be found in note 38.
4. Company incorporated during the year.
5. Company has a financial reporting date of 24 December.
6. The company changed its name in December 2023 having been re-registered from a public limited company to a private limited company.
7. General Partner of The Coventry (SL) Limited Partnership.
8. Limited Partner of The Coventry (SL) Limited Partnership.
9. The percentage holdings shown include the holding of the Group's unit-linked funds which are included within assets held to cover linked liabilities.
10. These entities are collective asset management vehicles. The results for the period are not presented on the basis that the results of the individual funds are separately disclosed.
11. These funds were launched during the year.
12. The Group's holding in these funds have fallen in the year. The funds are now reported as associates as shown in note 15(c).
13. Royal London Japan Equity Tilt TTF, Royal London UK Real Estate Fund and Royal London US Equity Tilt TTF are an Authorised Contractual Scheme (ACS).
14. The Group's holding in the fund has increased in the year. The fund was previously reported as an associate.
15. Royal London Short Duration Plus Fund closed during the year.

The addresses of the registered office of those Company subsidiaries, associates and other significant holdings which have a registered office other than 80 Fenchurch Street, London EC3M 4BY, United Kingdom, are noted below by letter.

Reference	Registered address
A	107 Cheapside, London, England, EC2V 6DN, United Kingdom
B	47-49 St Stephen's Green, Dublin 2, Ireland
C	50/60 Station Road, Cambridge, England, CB1 2JH, United Kingdom
D	Wizards House, 8 Athena Court, Tachbrook Park, Leamington Spa, England, CV34 6RT, United Kingdom
E	22 Haymarket Yards, Edinburgh, EH12 5BH, United Kingdom
F	27 Esplanade, St Helier, JE1 1SG, Jersey
G	Aztec Group House, 11-15 Seaton Place, St. Helier, JE4 0QH, Jersey
H	70 Sir John Rogerson's Quay, Dublin 2, Ireland
I	155 North Wacker Drive, Suite 4400, Chicago, IL60606, United States
J	Oak House, Hirzel Street, St Peter Port, Guernsey, GY1 2NP
K	Enterprise Ventures (General Partner Rising Stars II Limited), Preston Technology Management Centre, Preston, PR1 8UQ, United Kingdom
L	9 West 57th Street, Suite 4200, New York, 10019, United States
M	120 New Cavendish Street, London, W1W 6XX, United Kingdom
N	PO Box 650, 1st Floor Royal Chambers, St Julian's Avenue, St Peter Port, Guernsey, GY1 3JX
O	Forum 4, Solent Business Park, Parkway South, Whiteley, Fareham, England, PO15 7AD

(b) Interest in special purpose entity

The Group owns 100% of the issued preference shares in the Pinkerton segregated account (within Artex SAC Limited), a reinsurance transformer platform incorporated in Bermuda. Its principal activity is reinsurance of general insurance policies. In accordance with FRS 102 Section 9 Pinkerton meets the definition of a 'special purpose entity' and in accordance with the requirements of that section, Pinkerton is consolidated within the Group financial statements.

15. Investments in Group undertakings (continued)

(c) Interests in associates

(i) Investment funds

Those of the Group's associates that are investment funds are accounted for as financial assets held at FVTPL. All associates have a registered office of 80 Fenchurch Street, London EC3M 4BY, United Kingdom except where noted by a letter which corresponds to the addresses listed in the table on page 148. At 31 December 2023, the following funds have been recognised as associates:

	Group's % holding		Registered office
	2023	2022	
Royal London Corporate Bond Monthly Income Trust	26.8	25.4	–
Royal London European Growth Trust	28.5	28.4	–
Royal London Global Bond Opportunities Fund	21.7	28.6	H
Royal London Global Equity Diversified Fund (Irl)[1]	26.6	73.6	H
Royal London Global Equity Select Fund[2]	N/A	37.2	–
Royal London Global Equity Select Fund (Irl)[1]	21.2	62.9	H
Royal London Global Index Linked Fund[2]	N/A	25.5	–
Royal London Global Sustainable Equity Fund[1]	49.0	53.3	–
Royal London GMAP Defensive Fund	34.8	34.1	–
Royal London Index Linked Fund[1]	44.6	58.4	–
Royal London International Government Bond Fund	30.6	39.8	–
Royal London Investment Grade Short Dated Credit Fund[3]	23.4	18.1	–
Royal London Multi Asset Strategies Fund[4]	N/A	48.5	–
Royal London Multi-Asset Credit Fund[4]	N/A	48.5	H
Royal London Short Duration Gilts Fund[2]	N/A	28.4	–
Royal London Short Duration Global High Yield Bond Fund	48.0	34.7	H
Royal London Short Term Fixed Income Enhanced Fund	33.9	33.4	–
Royal London Short-Term Money Market Fund	36.7	44.7	–
Royal London Sterling Extra Yield Bond Fund	26.4	30.2	H
Royal London Sustainable Diversified Trust	23.3	21.1	–
Royal London Sustainable Managed Income Trust	30.4	33.8	–
Royal London Sustainable World Trust[3]	20.6	17.5	–
Royal London UK Broad Equity Tilt Fund	43.7	41.6	–
Royal London UK Equity Income Fund	28.7	32.4	–
Royal London UK Government Bond Fund[2]	N/A	44.5	–
Royal London UK Growth Trust	24.2	24.4	–

1. The Group's holdings in these funds have fallen in the year. The funds were previously reported as subsidiaries as shown in note 15(a).
2. The Group's holdings in the fund have fallen below 20% in the year. The fund is now reported as an investment fund.
3. The Group's holdings in the fund have increased in the year. The fund was previously reported as an investment fund.
4. The Group's holdings in the fund have increased above 50% in the year. The fund is now reported as a subsidiary as shown in note 15(a).

During the year the Company received dividends from investment funds amounting to £227m (2022: £149m).

(ii) Other associates

The Group has shareholdings in other associates not held as part of an investment portfolio:

As at 31 December 2023, the Group held 40% (2022: 30%) of the shareholding in each of Responsible Life Limited and Responsible Lending Limited (together the Responsible Group), having purchased an additional 10% shareholding in each company on 31 March 2023. As explained in note 38, in November 2023 it was announced that the Group had agreed to fully acquire the Responsible Group, by purchasing all remaining shares not already owned. This transaction completed on 31 January 2024.

Both companies are incorporated in England and Wales. The registered address of Responsible Life Limited is Mills Bakery, Royal William Yard, Plymouth PL1 3GE and the registered address of Responsible Lending Limited is Princess Court, 23 Princess Street, Plymouth PL1 2EX.

Notes to the financial statements continued

15. Investments in Group undertakings (continued)

The Group has a 25% interest in The Ashford Investor Limited Partnership, which owns the Ashford Designer Outlet Centre in Kent. The arrangement entitles the Group to 25% (2022: 25%) of the net rental income from the property. The Group directly holds 25% of the shareholding in Ashford Investor (General Partner) Limited and 25% indirectly of its 100% owned subsidiary Ashford Investor (Partnership Trustco) Limited, both of which are incorporated in England and Wales. The registered address of both companies is Nations House, 3rd Floor, 103 Wigmore Street, London, W1U 1QS.

The Group's share of the results of these associates is reported in note 4.

(d) Interests in other significant holdings

The Group and Company invest in the following private equity funds, which represent an ownership interest of greater than 20%. These are all managed by external administrators and the Group and Company have no involvement in the management, operation or decision making of the funds. As such, the presumption that significant influence exists is overcome and these investments have not been recognised as associates but have been treated as unquoted equity securities within 'Other financial investments'. The registered addresses of the private equity funds are included in the table on page 148.

	% holding		Latest financial	Aggregate of capital and	Profit/(loss)	
	2023	2022	reporting date	reserves	for the period	Registered Office
Core Alpha Private Equity Partners	**29.9**	29.9	31-Dec-2023	$16.4m	($2.8m)	I
Cubera RL Nordic PE LP	**100.0**	100.0	31-Dec-2023	€47.9m	€5.0m	J
Enterprise Ventures Growth Ltd	**45.2**	45.2	31-Mar-2023	£2.4m	£2.3m	K
KKR CIS Global Investor L.P.	**100.0**	100.0	31-Dec-2023	$40.6m	($9.5m)	L
Rising Star Growth Fund II	**21.8**	21.8	31-Mar-2023	£0.3m	£nil	K
RJD Private Equity Fund III 'A' L.P.	**31.9**	31.9	31-Dec-2023	£19.3m	£1.8m	M
SPL ARL Private Finance	**99.4**	99.4	31-Mar-2023	£0.3m	£nil	N
WP Global Mezzanine Private Equity	**100.0**	100.0	31-Dec-2023	$35.3m	$9.0m	I

(e) Interests in joint ventures

The Group has an interest in a jointly controlled entity giving rise to a 7.5% (2022: 7.5%) beneficial interest in a property, the Bluewater Shopping Centre, Kent. The arrangement entitles the Group to 7.5% (2022: 7.5%) of the net rental income of the property.

RLMIS has a joint venture with RLW Estates Limited (50% holding) in relation to land at Waterbeach. RLMIS' wholly owned subsidiary, Royal London Cambridge Limited, also has a joint venture in relation to land at Waterbeach with Waterbeach Development Company LLP (41.25% holding). A convertible funding arrangement for £3m has been provided by Royal London Cambridge Limited to Waterbeach Development Company LLP.

The Group, via a Jersey unit trust, has a 50% interest in No.1 Farringdon (London) Limited Partnership giving rise to a 50% interest in a property at 1 St John's Lane, London, EC1. As part of that investment, the Group also holds a 50% shareholding in No.1 Farringdon (London) General Partner Limited and its subsidiaries, No.1 Farringdon (London) SubCo 1 Limited and No.1 Farringdon (London) SubCo 2 Limited.

16. Financial investments

Accounting for financial investments

All investment transactions are recognised at trade date, in other words, the date the Group commits to purchase the asset from, or deliver the asset to, the counterparty.

Financial investments are classified on the basis of an assessment of the Group's business model for managing the financial assets and whether the cash flows represent solely payments of principal and interest. Financial assets are classified at FVTPL where they are within a portfolio of financial assets that is managed and whose performance is evaluated on a fair value basis, or they do not meet the criteria to be measured at amortised cost.

With the exception of associates accounted for using the equity method in the Group balance sheet, all of the financial assets of the Group's non-linked funds, included on the balance sheet within 'Other financial investments', are part of a group of financial assets that are managed on a fair value basis and are classified upon initial recognition as held at FVTPL. All of the financial assets within the Group's unit-linked funds, included on the balance sheet within 'Assets held to cover linked liabilities', are also a group of financial assets that are managed on a fair value basis and are classified upon initial recognition as held at FVTPL.

Financial assets classified as FVTPL are initially recognised at the fair value of the consideration paid. They are subsequently measured at fair value with any resultant gain or loss recognised in the statement of comprehensive income.

Fair value for quoted investments in an active market is the bid price, which management believe is representative of fair value. For investments in unit trusts, OEICs and other pooled funds (including those classified as investments in Group undertakings) it is the bid price quoted on the last day of the accounting period in which investments in such funds could be redeemed. If the market for a quoted financial investment is not active or the investment is unquoted the fair value is determined using valuation techniques. For these investments, the fair value is established using quotations from independent third parties, such as brokers or pricing services, or by using internally developed pricing models. Priority is given to publicly available prices from independent sources, when available, but overall, the source of pricing and/or valuation technique is chosen with the objective of arriving at a fair value measurement which reflects the price at which an orderly transaction would take place between market participants on the measurement date. Valuation techniques include the use of recent arm's length transactions, reference to the current fair value of other instruments that are substantially the same, discounted cash flow analysis and option pricing models making maximum use of market inputs from independent sources and relying as little as possible on entity-specific inputs.

Derecognition and offset of financial assets and financial liabilities

A financial asset is derecognised when the contractual rights to receive the cash flows from the asset have expired or where they have been transferred and the Group has also transferred substantially all the risks and rewards of ownership.

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires.

Financial assets and liabilities are offset, and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously. All derivatives are accounted for on a contract-by-contract basis and are not offset in the balance sheet.

Notes to the financial statements continued

16. Financial investments (continued)

(a) Other financial investments

The carrying values of the Group and Company's other financial investments and their original cost are summarised by category below:

	Group			
	Fair value		Cost	
	2023	2022	**2023**	2022
	£m	£m	**£m**	£m
Derivative assets (note 18)	1,637	1,835	(140)	1,201
Equity securities				
Quoted	5,358	6,034	3,500	4,322
Unquoted	454	394	446	354
	5,812	**6,428**	**3,946**	**4,676**
Debt and fixed income securities				
Government bonds	3,212	3,401	3,356	3,811
Other quoted	5,634	4,888	5,879	5,573
Deposits with credit institutions	285	645	223	635
Other unquoted				
Security held in respect of a reinsurance arrangement	1,720	1,713	1,553	1,639
Private placements	64	–	59	–
Other	46	49	60	66
	10,961	**10,696**	**11,130**	**11,724**
Unit trusts and other pooled investments	14,850	14,449	14,225	14,073
Loans				
Commercial real estate loans	86	52	89	61
Loans secured by policies	2	2	2	2
	88	**54**	**91**	**63**
Total other financial investments	**33,348**	**33,462**	**29,252**	**31,737**

The cost of derivative assets represents the amount paid (or received) at the inception of the derivative contract, where applicable.

Included in the figure for Government bonds above are corporate bonds issued by companies and guaranteed by their respective governments of £110m (2022: £74m). The figure for deposits with credit institutions above includes £48m (2022: £37m) of reverse repurchase agreements. Included in the figure for unit trusts and other pooled investments above is £13,814m (2022: £13,470m) of OEICs and other investment funds that are not consolidated within the Group financial statements, as well as investments in joint ventures.

The reinsurance arrangement referred to above is explained in note 3(c).

In addition to the quoted equity securities, government bonds and quoted debt and fixed income securities disclosed above, £401m (2022: £253m) of the unit trust and other pooled investments held by the Group are quoted instruments.

16. Financial investments (continued)

	Company			
	Fair value		Cost	
	2023	2022	**2023**	2022
	£m	£m	**£m**	£m
Derivative assets (note 18)	1,637	1,835	(140)	1,201
Equity securities				
Quoted	5,358	6,034	3,500	4,322
Unquoted	445	378	418	336
	5,803	**6,412**	**3,918**	**4,658**
Debt and fixed income securities				
Government bonds	3,206	3,401	3,351	3,811
Other quoted	5,634	4,888	5,879	5,573
Deposits with credit institutions	285	645	223	635
Other unquoted				
Security held in respect of a reinsurance arrangement	1,720	1,713	1,553	1,639
Private placements	64	–	59	–
Other	46	49	60	66
	10,955	**10,696**	**11,125**	**11,724**
Unit trusts and other pooled investments	1,009	948	995	996
Loans				
Commercial real estate loans	86	52	89	61
Loans secured by policies	2	2	2	2
	88	**54**	**91**	**63**
Total other financial investments	**19,492**	**19,945**	**15,989**	**18,642**

The cost of derivative assets represents the amount paid (or received) at the inception of the derivative contract.

Included in the figure for Government bonds above are corporate bonds issued by companies and guaranteed by their respective governments of £110m (2022: £74m). The figure for deposits with credit institutions above includes £48m (2022: £37m) of reverse repurchase agreements.

The reinsurance arrangement referred to above is explained in note 3(c).

In addition to the quoted equity securities, government bonds and quoted debt and fixed income securities disclosed above, £401m (2022: £253m) of the unit trust and other pooled investments held by the Company are quoted instruments.

Notes to the financial statements continued

16. Financial investments (continued)

(b) Assets held to cover linked liabilities

The carrying values of the Group and Company's assets held to cover linked liabilities are summarised by category below:

	Group			
	Fair value		Cost	
	2023	2022	**2023**	2022
	£m	£m	**£m**	£m
Investment property	4,094	4,431	4,526	4,575
Derivative assets (note 18)	129	136	–	–
Derivative liabilities (note 18)	(162)	(140)	–	–
Equity securities	771	710	668	643
Debt and fixed income securities	18,543	15,490	18,695	17,241
Unit trusts and other pooled investments	6,760	6,356	5,857	5,720
OEICs and other investment funds - subsidiaries	43,172	38,285	37,939	32,591
OEICs and other investment funds - associates	6,083	4,924	5,563	4,765
Cash at bank	525	323	525	323
Net current assets	313	342	313	342
	80,228	**70,857**	**74,086**	**66,200**

The OEICs and other investment funds represent the Company's investment in funds which are managed by subsidiaries of the Group. The funds classified as subsidiaries are those over which the Group has control. The funds classified as associates are those over which the Group has a significant influence but not control.

The total assets held to cover linked liabilities for the Group of £80,228m (2022: £70,857m) are greater than the technical provisions for linked liabilities of £79,935m (2022: £70,622m). This difference comprises £133m relating to the value of future profits included within the technical provisions for linked liabilities (2022: £185m) and the inclusion within the assets held to cover linked liabilities of £160m of surplus units held for box management purposes (2022: £50m).

	Company			
	Fair value		Cost	
	2023	2022	**2023**	2022
	£m	£m	**£m**	£m
Investment property	4,094	4,431	4,526	4,575
Derivative assets (note 18)	129	136	–	–
Derivative liabilities (note 18)	(162)	(140)	–	–
Equity securities	771	710	668	643
Debt and fixed income securities	18,543	15,490	18,695	17,241
Unit trusts and other pooled investments	6,734	6,353	5,833	5,718
OEICs and other investment funds - subsidiaries	43,139	38,282	37,906	32,587
OEICs and other investment funds - associates	6,083	4,924	5,563	4,765
Cash at bank	525	323	525	323
Net current assets	313	342	313	342
	80,169	**70,851**	**74,029**	**66,194**

The total assets held to cover linked liabilities for the Company of £80,169m (2022: £70,851m) are greater than the technical provisions for linked liabilities of £79,877m (2022: £70,617m). This difference comprises £134m relating to the value of future profits included within the technical provisions for linked liabilities (2022: £185m) and the inclusion within the assets held to cover linked liabilities of £158m of surplus units held for box management purposes (2022: £49m).

17. Fair value measurement

(a) Fair value measurement techniques and inputs

The following table gives information about the valuation techniques and inputs used to develop the Group and the Company's fair value measurements.

Asset / liability	Valuation techniques and key inputs	Fair value hierarchy level
Derivative assets and liabilities	Mark to model technique using market inputs to pricing models. Market inputs vary by derivative type and include (i) market swap rates (interest rate swaps, total return swaps and inflation swaps); (ii) forward swap rates and interest rate volatility (interest rate swaptions); and (iii) foreign exchange rates (currency forwards). Where discounted cash flow techniques are used, estimated future cash flows are based on contractual cash flows using current market conditions, and market-calibrated discount rates and assumptions.	Level 2
Equity securities – quoted	Quoted prices in active markets	Level 1
Equity securities - unquoted	Unquoted Private equity and Property funds are valued at net asset value (NAV), reflecting the fair value of the net assets of the underlying investments	Level 3
Debt and fixed income securities – Government bonds	Quoted prices - FTSE Russell Tradeweb Third-party quoted prices	Level 1 Level 2
Debt and fixed income securities – other quoted	Third-party quoted prices Quoted prices for similar assets in an active market Mark to model	Level 2 Level 2 Level 3
Debt and fixed income securities – other unquoted (Security held in respect of a reinsurance arrangement)	Mark to model technique using contractual cash flows and a market-calibrated discount rate	Level 2
Debt and fixed income securities – other unquoted (private placements)	Net present value of future cash flows, adjusted for credit risk of underlying assets and illiquidity premium	Level 3
Debt and fixed income securities – other unquoted (other)	Net present value of future cash flows	Level 3
Unit trusts and other pooled investments – quoted	Quoted prices in active market Quoted prices (insufficient activity to confirm active market)	Level 1 Level 2
Unit trusts and other pooled investments – unquoted	Third-party price using broker quotes NAV reflecting the fair value of the net assets of the underlying investments	Level 2 Level 3
Loans - Commercial real estate loans	Net present value of future cash flows, adjusted for credit risk of underlying loans	Level 3
Loans – loans secured by policies	Net present value of future cash flows	Level 3
Owner-occupied land and buildings (Group only)	Income capitalisation and market comparison	Level 3
Investment property	Income capitalisation and market comparison	Level 3
Investment in Group undertakings – shares (Company only)	NAV plus VIF, PE multiple, agreed sale price and NAV/Carrying value	Level 3
Investment in Group undertakings – investment funds and joint ventures (Company only)	Quoted prices in an active market NAV provided by fund manager, reflecting the fair value of the net assets of the underlying investments	Level 1 Level 3
Investment in Group undertakings – associates (Company only)	Purchase contract price	Level 3

Notes to the financial statements continued

17. Fair value measurement (continued)

Asset / liability	Valuation techniques and key inputs	Fair value hierarchy level
Assets held to cover linked liabilities	Individual assets within this category are valued using the applicable technique and key inputs for the asset type as shown above	Level 1, 2 and 3
Unit-linked investment contract liability	Determined by the fair value of the net assets of the underlying unitised investment fund	Level 2
Reinsurance liability	Present value of projected future cash flows	Level 3
Provision for future commission	Present value of projected future cash flows	Level 3

The majority of the Group's financial investments are held at fair value and use quoted market prices or observable market inputs in their valuation. The use of quoted market prices and market inputs to determine fair value takes into account current expectations of the short-term effects of climate change. The longer-term effects of climate change are uncertain, however the fair values reported take into account current market expectations of the impact on investment valuations. For the valuation of Level 3 instruments, there are no material unobservable inputs in relation to climate risk. Further information on managing the related climate change risks is included in the Strategic report on page 62.

(b) Fair value hierarchy

Assets and liabilities held at fair value have been classified using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement. The position assigned to the asset or liability in the fair value hierarchy must be determined by the lowest level of any input to its valuation that is considered to be significant to the valuation of the asset or liability in its entirety. The hierarchy only reflects the methodology used to derive the assets or liabilities fair value. The three levels of the hierarchy are as follows:

Level 1 – Quoted prices in active markets

Inputs to Level 1 fair values are quoted prices (unadjusted) in active markets for identical assets or liabilities. An active market is one in which transactions occur with sufficient frequency and at sufficient volumes to provide pricing information on an ongoing basis.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable

Inputs to Level 2 fair values are those other than quoted prices included within Level 1, which are observable for the asset or liability, either directly as prices or indirectly, in other words, derived from prices. Level 2 inputs include:

- quoted prices for identical assets in markets that are not active;
- quoted prices for similar assets in active markets; and
- inputs to valuation models that are observable for the asset. For example, interest rates and yield curves observable at commonly quoted intervals, volatilities, and swap rates.

Level 3 – Inputs not based on observable data

Inputs to Level 3 fair values are unobservable inputs for the asset or liability. Unobservable inputs are typically used where observable inputs are not available.

The Group and Company's assets and liabilities classified into the three levels of the fair value hierarchy are shown in the following tables. The majority of the assets and liabilities measured at fair value are based on quoted prices in active markets or observable market data. Of the total Group assets and liabilities measured at fair value, 7.7% (2022: 8.5%) of assets and 2.2% (2022: 2.5%) of liabilities are recorded as Level 3. At the Company level, 8.4% (2022: 9.3%) of assets and 2.2% (2022: 2.5%) of liabilities are recorded as Level 3.

17. Fair value measurement (continued)

	Group – 2023					
	Fair value hierarchy					
	Level 1 £m	Level 2 £m	Level 3 £m	Sub-total Fair value £m	Non-fair value £m	Total carrying value £m
Assets						
Derivative assets	–	1,637	–	**1,637**	–	**1,637**
Equity securities						
Quoted	5,358	–	–	**5,358**	–	**5,358**
Unquoted	–	–	445	**445**	9	**454**
Debt and fixed income securities						
Government bonds	2,715	497	–	**3,212**	–	**3,212**
Other quoted	–	5,613	21	**5,634**	–	**5,634**
Deposits with credit institutions[1]	–	–	–	**285**	–	**285**
Other unquoted						
Security held in respect of a reinsurance arrangement (note 3(c))	–	1,720	–	**1,720**	–	**1,720**
Private placements	–	–	64	**64**	–	**64**
Other	–	–	46	**46**	–	**46**
Other investments						
Unit trusts and other pooled investments	11,700	–	3,150	**14,850**	–	**14,850**
Loans						
Commercial real estate loans	–	–	86	**86**	–	**86**
Loans secured by policies	–	–	2	**2**	–	**2**
Total other financial investments	**19,773**	**9,467**	**3,814**	**33,339**	**9**	**33,348**
Other assets						
Owner-occupied land and buildings (note 14)	–	–	37	**37**	–	**37**
Investment property (note 14)	–	–	72	**72**	–	**72**
Assets held to cover linked liabilities (note 16 (b))[1]	61,970	12,590	4,766	**80,228**	–	**80,228**
Total other assets	**81,743**	**22,057**	**8,689**	**113,676**	**9**	**113,685**
Other liabilities						
Unit-linked investment contract liabilities (note 26 (b))	–	(78,832)	–	**(78,832)**	–	**(78,832)**
Reinsurance liability (note 31 (b))	–	–	(1,720)	**(1,720)**	(58)	**(1,778)**
Derivative liabilities (note 31 (d))	–	(3,071)	–	**(3,071)**	–	**(3,071)**
Provision for future commission (note 30)	–	–	(117)	**(117)**	–	**(117)**
Total other liabilities	**–**	**(81,903)**	**(1,837)**	**(83,740)**	**(58)**	**(83,798)**

1. Deposits with credit institutions and £902m (2022: £665m) of net current assets within Assets held to cover linked liabilities are held as part of an investment portfolio which is managed on a fair value basis. Given their nature, these balances are not assigned a fair value hierarchy level.

Notes to the financial statements continued

17. Fair value measurement (continued)

	Group – 2022					
	Fair value hierarchy					
	Level 1	Level 2	Level 3	Sub-total Fair value	Non-fair value	Total carrying value
	£m	£m	£m	£m	£m	£m
Assets						
Derivative assets	–	1,835	–	**1,835**	–	**1,835**
Equity securities						
Quoted	6,034	–	–	**6,034**	–	**6,034**
Unquoted	–	–	378	**378**	16	**394**
Debt and fixed income securities						
Government bonds	3,040	361	–	**3,401**	–	**3,401**
Other quoted	–	4,868	20	**4,888**	–	**4,888**
Deposits with credit institutions[1]	–	–	–	**645**	–	**645**
Other unquoted						
Security held in respect of a reinsurance arrangement (note 3(c))	–	1,713	–	**1,713**	–	**1,713**
Private placements	–	–	–	**–**	–	**–**
Other	–	19	30	**49**	–	**49**
Other investments						
Unit trusts and other pooled investments	10,918	286	3,245	**14,449**	–	**14,449**
Loans						
Commercial real estate loans	–	–	52	**52**	–	**52**
Loans secured by policies	–	–	2	**2**	–	**2**
Total other financial investments	**19,992**	**9,082**	**3,727**	**33,446**	**16**	**33,462**
Other assets						
Owner-occupied land and buildings (note 14)	–	–	44	**44**	–	**44**
Investment property (note 14)	–	–	78	**78**	–	**78**
Assets held to cover linked liabilities (note 16 (b))[1]	56,711	8,527	4,954	**70,857**	–	**70,857**
Total other assets	**76,703**	**17,609**	**8,803**	**104,425**	**16**	**104,441**
Other liabilities						
Unit-linked investment contract liabilities (note 26 (b))	–	(69,486)	–	**(69,486)**	–	**(69,486)**
Reinsurance liability (note 31 (b))	–	–	(1,713)	**(1,713)**	(68)	**(1,781)**
Derivative liabilities (note 31 (d))	–	(3,049)	–	**(3,049)**	–	**(3,049)**
Provision for future commission (note 30)	–	–	(118)	**(118)**	–	**(118)**
Total other liabilities	**–**	**(72,535)**	**(1,831)**	**(74,366)**	**(68)**	**(74,434)**

17. Fair value measurement (continued)

	Company – 2023					
	Fair value hierarchy					
	Level 1	Level 2	Level 3	Sub-total Fair value	Non-fair value	Total carrying value
	£m	£m	£m	£m	£m	£m
Assets						
Derivative assets	–	1,637	–	**1,637**	–	**1,637**
Equity securities						
Quoted	5,358	–	–	**5,358**	–	**5,358**
Unquoted	–	–	445	**445**	–	**445**
Debt and fixed income securities						
Government bonds	2,715	491	–	**3,206**	–	**3,206**
Other quoted	–	5,612	22	**5,634**	–	**5,634**
Deposits with credit institutions[1]	–	–	–	**285**	–	**285**
Other unquoted						
Security held in respect of a reinsurance arrangement (note 3(c))		1,720	–	**1,720**	–	**1,720**
Private placements		–	64	**64**	–	**64**
Other		–	46	**46**	–	**46**
Other investments						
Unit trusts and other pooled investments	874	–	135	**1,009**	–	**1,009**
Loans						
Commercial real estate loans	–	–	86	**86**	–	**86**
Loans secured by policies		–	2	**2**	–	**2**
Total other financial investments	**8,947**	**9,460**	**800**	**19,492**	**–**	**19,492**
Other assets						
Investment property (note 14)	–	–	109	**109**	–	**109**
Investment in Group undertakings (note 15)	10,647	–	3,855	**14,502**	–	**14,502**
Assets held to cover linked liabilities (note 16 (b))[1]	61,910	12,590	4,766	**80,169**	–	**80,169**
Total other assets	**81,504**	**22,050**	**9,530**	**114,272**	**–**	**114,272**
Other liabilities						
Unit-linked investment contract liabilities (note 26 (b))	–	(78,774)	–	**(78,774)**	–	**(78,774)**
Reinsurance liability (note 31 (b))	–	–	(1,720)	**(1,720)**	(37)	**(1,757)**
Derivative liabilities (note 31 (d))	–	(3,071)	–	**(3,071)**	–	**(3,071)**
Provision for future commission (note 30)	–	–	(116)	**(116)**	–	**(116)**
Total other liabilities	**–**	**(81,845)**	**(1,836)**	**(83,681)**	**(37)**	**(83,718)**

1. Deposits with credit institutions and £903m (2022: £665m) of net current assets within Assets held to cover linked liabilities are held as part of an investment portfolio which is managed on a fair value basis. Given their nature, these balances are not assigned a fair value hierarchy level.

Notes to the financial statements continued

17. Fair value measurement (continued)

	Company – 2022					
	Fair value hierarchy					
	Level 1	Level 2	Level 3	Sub-total Fair value	Non-fair value	Total carrying value
	£m	£m	£m	£m	£m	£m
Assets						
Derivative assets	–	1,835	–	1,835	–	1,835
Equity securities						
Quoted	6,034	–	–	6,034	–	6,034
Unquoted	–	–	378	378	–	378
Debt and fixed income securities						
Government bonds	3,039	361	–	3,400	–	3,400
Other quoted	–	4,868	20	4,888	–	4,888
Deposits with credit institutions[1]	–	–	–	646	–	646
Other unquoted						
Security held in respect of a reinsurance arrangement (note 3(c))	–	1,713	–	1,713	–	1,713
Private placements	–	–	–	–	–	–
Other		19	30	49	–	49
Other investments						
Unit trusts and other pooled investments	815	3	130	948	–	948
Loans						
Commercial real estate loans	–	–	52	52	–	52
Loans secured by policies	–	–	2	2	–	2
Total other financial investments	**9,888**	**8,799**	**612**	**19,945**	**–**	**19,945**
Other assets						
Investment property (note 14)	–	–	122	122	–	122
Investment in Group undertakings (note 15)	9,828	286	3,954	14,068	–	14,068
Assets held to cover linked liabilities (note 16 (b))[1]	56,705	8,527	4,954	70,851	–	70,851
Total other assets	**76,421**	**17,612**	**9,642**	**104,986**	**–**	**104,986**
Other liabilities						
Unit-linked investment contract liabilities (note 26 (b))	–	(69,481)	–	(69,481)	–	(69,481)
Reinsurance liability (note 31 (b))	–	–	(1,713)	(1,713)	(51)	(1,764)
Derivative liabilities (note 31 (d))	–	(3,049)	–	(3,049)	–	(3,049)
Provision for future commission (note 30)	–	–	(118)	(118)	–	(118)
Total other liabilities	**–**	**(72,530)**	**(1,831)**	**(74,361)**	**(51)**	**(74,412)**

17. Fair value measurement (continued)

(c) Level 3 assets and liabilities

For the majority of Level 3 investments, the Group and the Company do not use internal models to value the investments but rather obtain valuations from external parties. The Group and the Company review the appropriateness of these valuations on the following basis:

- for investment and owner-occupied property, the valuations are obtained from external valuers and are assessed on an individual property basis. The principal assumptions will differ depending on the valuation technique employed and sensitivities are determined by flexing the key inputs listed in the table below using knowledge of the investment property market;
- private equity fund valuations are provided by the respective managers of the underlying funds and are assessed on an individual investment basis with an adjustment made for significant movements between the date of the valuation and the end of the reporting period. Sensitivities are determined by comparison to the private equity market;
- corporate bonds are predominantly valued using single broker indicative quotes obtained from third-party pricing sources. Sensitivities are determined by flexing the single quoted prices provided using a sensitivity to yield movements;
- private placements are valued using a discounted cash flow model which includes contractual cash flows, a discount rate derived using Government bond yields, a credit spread based on the underlying asset quality and illiquidity premium; and
- commercial real estate loans are valued using a discounted cash flow model which uses contractual cash flows, a discount rate derived using swap rates and a credit spread based on the underlying asset quality.

The change in Level 3 investment valuations from using reasonably possible alternative assumptions would have the following impact on the Royal London Group result before tax for the year. Only changes in assets held by the Royal London Main Fund would impact the Group's result before tax for the year, as changes in unit-linked and closed funds are offset by an opposite movement in investment and insurance contract liabilities and therefore are not included below:

- for Level 3 investment property, property funds and owner-occupied land and buildings a 10% increase or decrease in the value of the properties at 31 December 2023 would result in a £140.7m increase or decrease in the Group's result before tax or total assets or liabilities, and £nil impact on Group operating profit before tax;
- for Level 3 private equity investments a 10% increase or decrease in the value of the underlying funds at 31 December 2023 would result in a £56.0m increase or decrease in the Group's result before tax or total assets or liabilities;
- for Level 3 corporate bonds, an increase or decrease by 100bps in assumed yields at 31 December 2023 would result in a £3.5m decrease or increase respectively in the Group's result before tax and the fair value of the corporate bonds;
- for Level 3 private placements, an increase or decrease by 100bps in the discount rate at 31 December 2023 would result in a £5.6m decrease or £6.3m increase respectively in the Group's result before tax and the fair value of the private placements; and
- for Level 3 commercial real estate loans, an increase or decrease by 100bps in the discount rate at 31 December 2023 would result in a £4.6m decrease or £4.9m increase respectively in the Group's result before tax and the fair value of the commercial real estate loans.

The following table shows information about fair value measurements for Level 3 assets and liabilities using significant unobservable inputs.

Notes to the financial statements continued

17. Fair value measurement (continued)

Asset/liability	Valuation technique	Unobservable input	Range (weighted average)
Owner-occupied property and investment property	Income capitalisation	Equivalent yield	6.93% - 12.28% (9.2%)
		Estimated rental value per square foot	£9.01 - £33.19 (£21)
	Market comparison	Price per acre	£2.22m
Equity securities – unquoted	Adjusted net asset value	Adjustment to net asset value, based on fund manager statements and movements including subscriptions and redemptions.	n/a
Debt and fixed income securities – other quoted	Single broker quotes	Unadjusted single broker quotes	n/a
Debt and fixed income securities – other unquoted (private placements)	Present value of future projected cash flows	Contractual cash flows Discount rate reflecting the underlying loan quality, credit rating risk and illiquidity premium	n/a 4.47% - 7.32% (5.69%)
Debt and fixed income securities – other unquoted (other)	Present value of future projected cash flows	Contractual cash flows Adjusted discount rate	n/a 7.43% - 9.19% (8.31%)
Unit trusts and other pooled investments – unquoted	Adjusted net asset value	Adjustments to net asset value, for example recent sales of the underlying investments in the fund	n/a
Loans - Commercial real estate loans	Present value of projected future cash flows	Contractual cash flows Discount rate reflecting underlying loan quality and credit rating risk	n/a 4.49% - 5.91% (5.38%)
Loans - Loans secured by policies	Carrying value	Adjustment to carrying value	n/a
Investments in Group entities – shares (Company only)	Royal London (UK) Holdings Limited, holding company of RLUM Limited, based on NAV plus VIF	Per policy annual expenses:	
		Premium paying	£57.82
		Non-premium paying	£54.61
		Expense inflation	RPI +2.8%
		Rate card expenses:	
		Premium paying	£30.21
		Non-premium paying	£27.26
		Rate card expense inflation	RPI +0.9%
		Rate card fund expenses (%) pa	0.233%
		Tax	At enacted rates of corporation tax
	RL Wizard Holdings Limited, holding company of Wealth Wizards Limited, held at adjusted net asset value	Adjustment to net asset value	n/a

17. Fair value measurement (continued)

Asset/liability	Valuation technique	Unobservable input	Range (weighted average)
	Royal London Asset Management Holdings Ltd, holding company of RLAM and Royal London Unit Trust Managers, based on PE multiple applied to adjusted external profit after tax	Average PE ratio of listed peer group companies	12.0
	RLI DAC based on NAV plus VIF	VIF	n/a
	PMGI Limited based on sale agreement price	Sale agreement terms	n/a
	PMHC Limited based on sale agreement price	Sale agreement terms	n/a
Investment in Group undertakings – investment funds and joint ventures (Company only)	NAV provided by fund manager, reflecting the fair value of the net assets of the underlying investments	Net asset value based on underlying investment property valuations using unobservable inputs (equivalent yield, estimated rental value per square foot and price per acre)	n/a
Investments in Group entities – associates (Company only)	Responsible Life Limited and Responsible Lending Limited based on purchase contract price	Contract price	n/a
Reinsurance liability	Present value of projected future cash flows	Cash flows Discount rate	n/a
Provision for future commission	Present value of future projected cash flows	Future based renewal commission rated (%) p.a.	0.10%- 1.00% (0.53%)
		Investment return (%) p.a.	SII risk-free discount rate
		Surrender rate (%) p.a.	0.00% - 46.90% (2.36%)
		Value of underlying funds at 31 December 2023 (£m)	2,565

Notes to the financial statements continued

18. Derivative instruments and collateral

Accounting for derivative instruments

Derivatives are accounted for as financial investments with the related accounting policies set out in note 16.

Embedded derivatives

The Group does not separately measure embedded derivatives that meet the definition of an insurance contract or embedded options to surrender insurance contracts for a fixed amount (or a fixed amount and an interest rate). All other embedded derivatives are separated and carried at fair value if they are not closely related to the host contract, and they meet the definition of a derivative.

Collateral received and pledged

For non-cash collateral received and pledged the risks and rewards of ownership are not transferred by the transaction (unless there is a default by the counterparty). Therefore, non-cash collateral received by the Group is not recognised as an asset on the balance sheet and non-cash collateral pledged by the Group remains on the balance sheet and is not derecognised. For cash collateral received and pledged the risks and rewards of ownership are transferred. Therefore, cash collateral received is recognised as an asset with a corresponding liability to repay the collateral. For cash collateral pledged the cash asset is derecognised and an equivalent debtor for the repayment of the collateral is recognised.

The Group and the Company utilise derivative instruments to hedge market risk (see note 35 (b)) for efficient portfolio management and for the matching of liabilities to policyholders. Derivatives are either 'exchange-traded' (regulated by an exchange), which have a quoted market price, or 'over-the-counter' (individually negotiated between the parties to the contract), which are unquoted.

The Group is exposed to credit risk on the carrying value of derivatives in the same way as it is exposed to credit risk on other financial investments. To mitigate this risk, a portion of the fair value of the derivatives held by the Group at any point in time is matched by collateral and cash margin received from the counterparty to the transaction. Cash margin is collateral in the form of cash. Initial cash margin is exchanged at the outset of the contract. Variation margin is exchanged during the life of the contract in response to changes in the value of the derivative. The remaining credit risk is managed within the Group's risk management framework, which is discussed further in note 35.

The Group and Company utilise the following derivatives:

Equity warrants

Warrants are contracts under which the seller grants the buyer the right, but not the obligation, to buy or to sell a specific amount of a financial instrument at a pre-determined price, at or by a set date, or during a set period. The Group uses equity warrants to manage its exposure to fluctuations in equity markets and to back certain products which include a guaranteed investment return based on equity values. Warrants give the holder the right to purchase a particular equity at a specified price.

Futures

A futures contract is an agreement to buy or sell a given quantity of a financial instrument, at a specified future date at a pre-determined price. The Group uses futures to manage its exposure to fluctuations in equity markets.

Interest rate swaps

An interest rate swap is a contract under which interest payments at a fixed interest rate are exchanged for interest payments at a variable interest rate (or vice versa) based on an agreed principal amount. Only the net interest payments are exchanged. No exchange of principal takes place.

Swaptions

Swaptions are options to enter into an interest rate swap at a future date and are used to limit exposure to fluctuations in interest rates over the long term.

Total return swaps

A total return swap is a contract under which one party makes payments based on a set rate, fixed or variable, while the other party makes payments based on the return of an underlying item.

Swaptions, interest rate swaps and total return swaps are principally used to mitigate the interest rate risk inherent in guaranteed annuity rates granted by the Group.

18. Derivative instruments and collateral (continued)

Inflation swaps

An inflation swap is a contract under which there is an exchange of cash flows in order to transfer inflation risk. One party pays a fixed rate while the other party pays a floating rate that is linked to an inflation index.

Currency forwards

A currency forward is a contract to exchange an agreed amount of currency at a specified exchange rate and on a specified date. The Group uses currency forwards to reduce exposure to movements in exchange rates.

(a) Fair value of derivative instruments held

	Group and Company					
	2023			2022		
	Contract/ notional amount	Fair values Assets	Fair values Liabilities	Contract/ notional amount	Fair values Assets	Fair values Liabilities
	£m	£m	£m	£m	£m	£m
Interest rate swaps	18,655	957	(2,990)	19,132	1,083	(3,035)
Interest rate swaptions	4,485	488	–	4,808	478	–
Total return swaps	3,213	11	(95)	3,457	91	(11)
Inflation swaps	1,058	180	(3)	994	183	–
Currency forwards	16,818	130	(145)	11,769	136	(143)
Total derivative assets/(liabilities)	**44,229**	**1,766**	**(3,233)**	**40,160**	**1,971**	**(3,189)**
Included in the balance sheet within:						
Other financial investments (note 16 (a))		1,637	–		1,835	–
Other creditors (note (31 (d))		–	(3,071)		–	(3,049)
Assets held to cover linked liabilities (note 16 (b))		129	(162)		136	(140)
		1,766	**(3,233)**		**1,971**	**(3,189)**

The Group and Company have equity warrant contracts with a notional value of £0.3m (2022: £0.3m). In addition to the above, the Group and Company make use of futures contracts. At 31 December 2023, the Group and the Company had entered into equity futures trades giving exposure to equities with a notional value of £6,639m (2022: £6,327m). The equity futures had no market value at the balance sheet date because all variation margin on these contracts is settled on a daily basis.

The Group and the Company paid an initial cash margin of £28m (2022: £327m) in respect of these futures trades, of which £28m is included within 'Other debtors' (2022: £61m) and £nil in 'Assets held to cover linked liabilities' (2022: £266m).

The net variation margin receivable by the Group and the Company was £251m at 31 December 2023 (2022: payable £35m), being the amount due for the movement on the last business day of 2023, which was settled on the first business day of 2024.

(b) Collateral and other arrangements

(i) Collateral received

Collateral was received in respect of derivatives. Non-cash collateral was £2m for both the Group and the Company (2022: £3m). The collateral received was in the form of UK gilts that may be sold or re-pledged in the absence of default. No collateral was sold or re-pledged in the year (2022: £nil) and there were no defaults in the year (2022: none).

Cash margin received was £421m (2022: £561m) for both the Group and the Company, of which £421m is included within 'Other financial investments' and £nil (2022: £5m) is included within 'Assets held to cover linked liabilities'. The corresponding obligation to return the collateral is included within 'Other creditors including taxation and social security'.

The fair value of derivatives in respect of which collateral and cash margin were received was £433m for both the Group and the Company (2022: £583m).

Collateral of £1,713m was received for both the Group and the Company (2022: £1,723m) in respect of an unlisted debt security. The collateral received was in the form of UK and European Government bonds, other fixed income debt securities and floating rate notes.

The fair value of the debt security in respect of which the collateral was received was £1,720m (2022: £1,713m).

Notes to the financial statements continued

18. Derivative instruments and collateral (continued)

(ii) Collateral pledged

Collateral was also pledged in respect of derivatives. Non-cash collateral was £33m for both the Group and the Company (2022: £15m). The collateral pledged was primarily in the form of UK gilts that may be sold or re-pledged in the absence of default.

Cash margin pledged in respect of derivatives was £1,818m (2022: £1,858m) for both the Group and Company. A corresponding asset is included within 'Other debtors'.

The fair value of derivatives in respect of which collateral and cash margin were pledged was £1,885m for both the Group and the Company (2022: £1,790m). In addition, the Group and Company pledged £1,390m of initial stock margin (2022: £1,573m) in respect of derivatives. This was pledged primarily in the form of UK gilts.

The Company has also pledged Government and corporate bonds of £706m (2022: £659m) to its wholly owned subsidiary, Royal London Insurance DAC (RLI DAC), in respect of the internal reinsurance arrangement between the Company and RLI DAC.

(iii) Stock lending collateral arrangements

The Group and Company have entered into a number of stock lending transactions that transfer legal title to third parties, but not the exposure to the income and market value movements arising from those assets. As a result, the Group and Company retain the risks and rewards of ownership and the assets continue to be recognised in full on the Group and Company balance sheets. There are no restrictions arising from the transfers.

The assets transferred under these agreements are secured by the receipt of collateral. The level of collateral held is monitored regularly and adjusted as necessary to manage exposure to credit risk.

The collateral received was primarily in the form of UK, US, Japanese and European Government bonds and quoted equities. There were no borrower defaults in the year (2022: none).

The following table shows the assets within the Group and Company balance sheets that have been transferred under stock loan agreements and the related collateral received.

	Group and Company	
	2023	2022
	£m	£m
Stock loan agreements		
Listed equities	285	260
Corporate bonds	594	233
Government bonds	1,468	2,028
	2,347	**2,521**
Collateral received	**2,479**	**2,673**

19. Debtors arising out of direct insurance operations and reinsurance operations

Accounting for debtors arising out of direct insurance operations and reinsurance operations

Debtors arising out of direct insurance operations and debtors arising out of reinsurance operations are measured at amortised cost as they are financial assets that are held to collect contractual cash flows where those cash flows represent solely payments of principal and interest. They are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest method.

	Group		Company	
	2023	2022	**2023**	2022
	£m	£m	**£m**	£m
Debtors arising from direct insurance operations at amortised cost				
Amounts due from policyholders	46	46	45	45
Amounts due from intermediaries	4	4	2	3
	50	**50**	**47**	**48**
Debtors arising from reinsurance operations at amortised cost				
Reinsurance receivable from external insurers	92	62	73	46
	92	**62**	**73**	**46**

None of the above debtors arising out of direct insurance operations or debtors arising out of reinsurance operations are expected to be recovered more than one year after the balance sheet date (2022: £nil).

As explained more fully in note 38, during the year the Group entered into a Framework Agreement and Transitional Services Agreement and a Reinsurance Agreement with Aegon UK. A reinsurance receivable of £9m under the Reinsurance Agreement has been recognised within 'Reinsurance receivable from external insurers' in the table above.

Notes to the financial statements continued

20. Other debtors

Accounting for other debtors

Investment income receivable, amounts due from other Group entities, and all other receivables excluding current tax assets, are measured at amortised cost as they are financial assets that are held to collect contractual cash flows where those cash flows represent solely payments of principal and interest. They are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

Accounting for current tax assets

Current tax assets are measured at the amount of tax expected to be recovered using tax rates substantively enacted at the balance sheet date.

	Group		Company	
	2023	2022	**2023**	2022
	£m	£m	**£m**	£m
Investment income receivable	58	36	57	36
Cash collateral pledged	1,818	1,858	1,818	1,858
Amounts due from brokers	28	6	28	6
Amounts due from other Group entities	–	–	2	9
Management fees receivable	68	61	60	54
Other receivables	308	201	108	65
Current tax asset	61	69	55	71
	2,341	**2,231**	**2,128**	**2,099**

None of the above other debtors are expected to be recovered more than one year after the balance sheet date (2022: £nil).

21. Tangible fixed assets

Accounting for tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and impairment losses. Cost comprises the original purchase price and expenditure directly attributable to bringing the asset to its working condition for its intended use.

Depreciation on tangible fixed assets is charged to the statement of comprehensive income and is calculated so as to reduce the value of the assets to their estimated residual values on a straight-line basis over the estimated useful lives of the assets concerned, which range from three to ten years. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

The carrying amounts of tangible fixed assets are reviewed whenever there is any indication of impairment or events and circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognised whenever the carrying amount exceeds the recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. Impairment losses are recognised in the statement of comprehensive income.

Gains and losses on disposals included in the statement of comprehensive income are determined by comparing proceeds with carrying amounts.

	Group	
	2023 Computers, office equipment and vehicles £m	2022 Computers, office equipment and vehicles £m
Cost		
At 1 January	73	71
Additions	14	8
Disposals	–	(6)
At 31 December	**87**	**73**
Accumulated depreciation		
At 1 January	(54)	(53)
Depreciation charge (note 7)	(6)	(6)
Disposals	–	5
At 31 December	**(60)**	**(54)**
Net book value		
At 1 January	19	18
At 31 December	**27**	**19**

The Company did not hold any tangible fixed assets at the balance sheet date or at the previous balance sheet date.

Notes to the financial statements continued

22. Deferred Acquisition Costs on investment contracts

Accounting for deferred acquisition costs (DAC)

Incremental costs that are directly attributable to the acquisition of new non-participating investment and hybrid participating investment contracts are recognised as a DAC asset, provided those costs are considered to be recoverable. Incremental costs comprise both initial commission and an amount representing the present value of future commission payable to third parties. All other acquisition costs are expensed as incurred. The asset is amortised over the period in which we expect to receive the related investment management services fees. An impairment assessment is performed if the expected value of the related future investment management service fees is lower than the carrying value of the DAC asset.

All acquisition costs on insurance and non-hybrid participating investment contracts are recognised as an expense in the statement of comprehensive income when incurred.

	Group		Company	
	2023	2022	**2023**	2022
	£m	£m	**£m**	£m
Carrying amount at 1 January	87	113	87	113
Additions	2	–	–	–
Amortisation (note 7)	(22)	(26)	(22)	(26)
Carrying amount at 31 December	**67**	**87**	**65**	**87**

23. Pension scheme asset

Accounting for pensions

The Group operates three defined benefit schemes and two defined contribution arrangements.

(i) Defined benefit schemes

The defined benefit schemes provide benefits based on pensionable pay. The assets of the schemes are held in separate trustee-administered funds. Insurance policies are included with pension scheme assets if the policies are transferable, both legally and in substance. The position of each scheme is assessed annually by an independent qualified actuary using the projected unit credit method.

The pension scheme asset recognised in the balance sheet is the excess that is recoverable of the fair value of the plan assets in a scheme over the present value of that scheme's liabilities. The 'Administration costs' and 'Net interest (income)/cost' are included within 'Net operating expenses' on an incurred basis. 'Past service costs' arising on a plan amendment or curtailment are included immediately within 'Net operating expenses'. Remeasurements are recognised in Other Comprehensive Income in the period in which they arise.

(ii) Defined contribution arrangements

The Group operates two defined contribution arrangements for employees. The Group pays contractual contributions in respect of these arrangements, which are recognised as an expense when they fall due.

Defined contribution arrangements

The Group provides pension benefits for its employees in order to support recruitment, retention, and motivation of talented people.

All employees are eligible to join either the Royal London Group Personal Pension (RLGPP) or the Royal London Ireland Pension Plan (RLIPP) according to their employment. The RLGPP and the RLIPP are both defined contribution arrangements.

These defined contribution arrangements are benchmarked to ensure that the reward package overall is competitive. Where possible under local regulation, employees are auto-enrolled and the Group sees a correspondingly high take up across employees. The Group pays contributions in respect of these arrangements and these contributions are recognised as an expense as the related employee services are provided. The Group's expense recognised in 2023 is £29m (2022: £26m) and is reported within staff costs (note 9).

Defined benefit schemes

In addition to the above arrangements, the Group operates three legacy funded defined benefit schemes, which are established under separate trusts.

The ability of the defined benefit pension schemes to meet the projected pension payments is maintained through investments and, where applicable, contributions from the Group. Risk arises because the estimated market value of the pension fund assets might decline; or their investment returns might reduce; or the estimated value of the pension liabilities might increase. In these circumstances, the Group could be required to make additional contributions.

The largest defined benefit scheme is the Royal London Group Pension Scheme ('RLGPS'). RLGPS was closed to new entrants on 1 September 2005 and to future accrual of benefits on 31 March 2016.

As a result of the Royal Liver acquisition on 1 July 2011, the Group took responsibility for two further defined benefit pension schemes: the Royal Liver Assurance Limited Superannuation Fund ('Royal Liver UK') and the Royal Liver Assurance Limited (ROI) Superannuation Fund ('Royal Liver ROI'). Royal Liver employees in these schemes stopped earning additional defined benefit pensions on 30 June 2011.

In addition, the Group also operates a small, legacy unfunded unapproved arrangement for certain executives who joined before 1 September 2005, which provides mirroring of the RLGPS accrual benefits. The liability for this arrangement is £10m (2022: £10m) and is recorded within other provisions (see note 30).

The Group has agreed a funding framework with the RLGPS trustee, which includes an agreement on the approach to be taken in the event of a funding deficit. As at the most recent completed triennial valuation dated 31 December 2022, RLGPS had a funding level of 102% and no contributions were required to be paid. Consequently, as the scheme is closed to future accrual, the only contributions payable is, if RLGPS has insufficient surplus, in respect of costs of any augmentations including the award of discretionary pension increases.

Notes to the financial statements continued

23. Pension scheme asset (continued)

The Royal Liver schemes are supported via a guarantee from the Company to the schemes' trustees. Both the Royal Liver schemes were in surplus at the most recent triennial valuation dated 31 December 2021. As these schemes are closed to future accrual, no contributions are currently payable.

The obligation figures below include an allowance for the impact of allowing for Guaranteed Minimum Pension (GMP) equalisation, following the Lloyds Banking Group High Court ruling in October 2018. The allowance reflects the costs to cover higher future payments for affected members plus interest and arrears. Following the further judgment on 20 November 2020, an additional allowance has been included for the estimated cost of equalising GMPs for pension scheme members who have previously transferred out.

(a) Key assumptions and sensitivity analysis

The major assumptions used to calculate the pension scheme assets for both the Group and the Company are shown below.

	2023		2022	
	UK	**ROI**	UK	ROI
	%	**%**	%	%
Discount rate	**4.5**	**3.2**	4.8	3.7
Price inflation (RPI)	**3.2**	**N/A**	3.3	N/A
Price inflation (CPI)[1]	**2.6**	**2.1**	2.8	2.4

1. Figures shown for ROI are Irish CPI used for increasing deferred pensions between leaving and retirement. Pension increases for ROI pensions in payment are based on UK CPI.

The most significant non-financial assumption is the assumed rate of mortality. The table below shows the life expectancy assumptions used in the accounting assessments based on the life expectancy of a scheme pensioner aged 60 and a non-pensioner from the age of 60 who is currently aged 45.

	Group and Company					
	2023			2022		
	RLGPS	**Royal Liver UK**	**Royal Liver ROI**	RLGPS	Royal Liver UK	Royal Liver ROI
Pensioner						
Male	**25**	**26**	**27**	26	27	27
Female	**29**	**28**	**29**	29	29	29
Non-pensioner						
Male	**27**	**28**	**28**	27	28	28
Female	**30**	**29**	**30**	30	30	30

The sensitivity of the defined benefit obligations to changes in the principal assumptions is shown in the table below.

	Increase in defined benefit obligation	
	2023	2022
	£m	£m
100 basis point decrease in discount rates	**317**	323
5% proportionate decrease in mortality	**31**	39
100 basis point increase in price inflation (RPI & CPI)	**193**	200

This sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit obligation recognised within the balance sheet.

The information provided above shows the sensitivity of the schemes' liabilities to changes in the key assumptions. Due to the asset-liability matching strategies, the impact of changes in discount rates and inflation will also impact the schemes' asset values, thereby mitigating the effect of such changes on the Group.

23. Pension scheme asset (continued)

(b) Amounts recognised in the financial statements

The amounts recognised in profit and loss and other comprehensive income in respect of these defined benefit schemes are as follows:

	2023 £m	2022 £m
Costs recognised in profit and loss:		
Administration costs	(7)	(5)
Net interest income	10	6
Past service costs	(8)	(39)
Total costs recognised in profit and loss	**(5)**	**(38)**
Remeasurements recognised in other comprehensive income:		
Return on plan assets excluding amounts included in interest income	3	(1,229)
Actuarial gains and (losses):		
Changes in demographic assumptions	62	12
Changes in financial assumptions	(70)	1,147
Experience losses	(19)	(46)
Total remeasurement loss recognised in other comprehensive income	**(24)**	**(116)**
Deferred tax on remeasurements of defined benefit pension schemes (note 29 (a))	2	10
Total remeasurement loss recognised in other comprehensive income	**(22)**	**(106)**

The past service cost for 2023 includes the value of the discretionary increase that was granted to the RLGPS during 2023 plus the value of an augmentation that was granted to the Royal Liver UK scheme on 24 November 2023, whereby discretionary increases and pension increases applicable to service in respect of the period from 6 April 2005 were converted to fixed guaranteed increases of 2.5% p.a.

The past service cost for 2022 included the value of the discretionary increases that were granted to all three schemes during 2022 plus the value of all future expected discretionary pension increases to be provided to the Liver schemes.

The amounts recognised in the balance sheet for the Group and Company are shown below:

	Total		RLGPS		Royal Liver UK		Royal Liver ROI	
	2023 £m	2022 £m	2023 £m	2022 £m	2023 £m	2022 £m	2023 £m	2022 £m
Fair value of plan assets	2,422	2,435	1,981	1,965	254	285	187	185
Pension scheme obligation	(2,245)	(2,228)	(1,860)	(1,853)	(231)	(223)	(154)	(152)
Net pension scheme asset	**177**	**207**	**121**	**112**	**23**	**62**	**33**	**33**

No contributions were required to be paid to RLGPS in the year to 31 December 2023 in relation to discretionary pension increases (2022: £nil).

In accordance with the requirements of FRS 102, the value of the net pension scheme asset that can be recognised in the balance sheet is restricted to the present value of economic benefits available in the form of refunds from the scheme or reductions in future contributions. The Group believes that it has an unconditional right to a refund of surplus and thus the gross pension surplus can be recognised in full in all three schemes.

Notes to the financial statements continued

23. Pension scheme asset (continued)

(c) Reconciliation of net pension scheme asset

Movements in the present value of defined benefit obligations were as follows:

	2023 £m	2022 £m
At 1 January	(2,228)	(3,371)
Interest cost	(102)	(60)
Past service cost	(8)	(39)
Net actuarial (losses)/gains	(27)	1,113
Benefits paid	117	138
Exchange differences	3	(9)
31 December	**(2,245)**	**(2,228)**

Movements in the fair value of scheme assets were as follows:

	2023 £m	2022 £m
At 1 January	2,435	3,728
Interest income	112	66
Return on plan assets (excluding amounts included in interest income)	3	(1,229)
Administration costs	(7)	(5)
Benefits paid	(117)	(138)
Exchange differences	(4)	13
31 December	**2,422**	**2,435**

(d) Analysis of plan assets

	Total					
	2023			2022		
	Quoted £m	**Unquoted £m**	**Total £m**	Quoted £m	Unquoted £m	Total £m
Bonds	2,097	8	2,105	2,276	9	2,285
Equities	173	–	173	108	–	108
Pooled Investment Vehicles	86	412	498	106	390	496
Derivatives	–	1	1	–	–	–
Repos/reverse repos	–	(627)	(627)	–	(519)	(519)
Insurance policies	–	231	231	–	2	2
Cash	–	45	45	–	59	59
Current assets	–	1	1	–	1	1
Other investment receivables	–	18	18	–	25	25
Other investment liabilities	–	(18)	(18)	–	(18)	(18)
Current liabilities	–	(5)	(5)	–	(4)	(4)
Fair value of plan assets	**2,356**	**66**	**2,422**	**2,490**	**(55)**	**2,435**

RLGPS plan assets include a total of £469m (2022: £461m) investment in Group managed funds.

Royal Liver UK plan assets include £230m within 'Insurance policies' in the table above that relates to a bulk purchase annuity policy purchased from the Company on 24 November 2023. Further details of this transaction are set out in note 36 'Related party transactions'.

In accordance with FRS 102 Section 28, insurance policies are valued on the same basis as the pension scheme liabilities subject to the policy. At the inception of the policy, the difference between the amount of plan asset recognised and the premium paid resulted in a reduction in the pension scheme asset recognised in the Company and Group balance sheet. This reduction was recognised within 'Return on plan assets excluding amounts included in interest income' within the 'Total remeasurement loss taken to Other comprehensive income' (see note 23(b) above). Because the Royal Liver UK scheme pension scheme asset is matched by a planned enhancement liability within technical provisions, the reduction in the pension scheme asset is matched by an equivalent reduction in technical provisions which has been recognised as a gain within the 'Change in long-term business provision, net of reinsurance'.

23. Pension scheme asset (continued)

(e) Risks

All three schemes are exposed to differing levels of interest rate, inflation, credit, and market risk. The Group has agreed with the trustee boards of each pension scheme that, where appropriate, each scheme's risks will be managed in line with the Group's risk appetite. In particular, the schemes' investment strategies are designed to minimise interest rate, inflation, and market risk exposure where this is cost and capital effective.

The schemes have active liability-driven investment strategies using a combination of corporate and sovereign debt and derivative instruments, such as interest rate and inflation swaps. During the year, the trustee of the RLGPS maintained the hedge ratio at around 100% of interest rate and inflation exposure on the technical provisions through the use of various derivative instruments.

The schemes' exposure to market risk is reduced by a combination of restricting the allocation to growth assets such as equities and by diversification both within the asset classes (for example, geographically and across industry sectors) and across asset classes (for example, within RLGPS by allocations to property and to multi asset credit). Credit risk is managed via a strategy of diversification across industry, issuer, credit rating and stock selection. The schemes, and therefore the Group, are also exposed to longevity risk.

On 24 November 2023, the trustee of the Royal Liver UK scheme transacted a bulk annuity buy-in policy with RLMIS. This covered all the benefits of the scheme for all deferred pensioners and current pensioners (other than any GMP equalisation), removing from the scheme all investment and longevity risks associated with these benefits.

On 31 January 2024, the trustee of the RLGPS transacted a bulk annuity buy-in policy with RLMIS, covering approximately 18% of the scheme's liabilities. This has removed the investment and longevity risk from the scheme for those benefits covered by the insurance contract.

Further information on the schemes' risk management strategies can be found in the schemes' most recent annual reports and accounts which are available on the Group's website at: www.royallondon.com/about-us/our-performance/annual-reports.

(f) Maturity profile

The weighted average duration of the defined benefit obligation is 13 years (2022: 14 years).

Notes to the financial statements continued

24. Subordinated liabilities

Accounting for subordinated liabilities

Subordinated liabilities are recognised initially at the fair value of the proceeds received, net of any discount and less attributable transaction costs. Subsequent to initial recognition, they are stated at amortised cost. The transaction costs and discount are amortised over the period to the earliest possible redemption date on an effective interest rate basis.

The amortisation charge is included in the statement of comprehensive income within 'Interest payable on subordinated liabilities' within 'Other charges'. An equivalent amount is added to the carrying value of the liability such that at the redemption date the value of the liability equals the redemption value. Interest costs are expensed as they are incurred.

	Group and Company			
			Effective interest rate	
	2023	2022	**2023**	2022
	£m	£m	**%**	%
Fixed Rate Reset Callable Guaranteed Subordinated Notes due 2043	**–**	400	**6.20**	6.20
Guaranteed Subordinated Notes due 2028	**349**	349	**6.20**	6.20
Fixed Rate Reset Callable Guaranteed Subordinated Notes due 2049	**588**	586	**5.08**	5.08
Fixed Rate Reset Perpetual Restricted Tier 1 (RT1)	**346**	–	**10.32**	N/A
	1,283	**1,335**		

Fixed Rate Reset Callable Guaranteed Subordinated Notes due 2043

On 29 November 2013, RL Finance Bonds No. 2 plc, a wholly owned subsidiary of the Company, issued Fixed Rate Reset Callable Guaranteed Subordinated Notes due 2043 (the 2043 Notes). The issue price of the 2043 Notes was 99.316% of the principal amount of £400m. The discount of £3m and the directly related costs incurred to issue the 2043 Notes of £3m were capitalised as part of the carrying value and were amortised on an effective interest basis over the period to the first possible redemption date. Interest was payable on the 2043 Notes at a fixed rate of 6.125% per annum, payable annually in arrears on 30 November each year.

The 2043 Notes were guaranteed by the Company. The proceeds of the issue were loaned to the Company on the same interest, repayment, and subordination terms as those applicable to the 2043 Notes.

In May 2023, £302m of the outstanding 2043 Notes were repurchased and cancelled as part of a tender offer which took place concurrently with the RT1 issuance detailed below. The issuer had the option to redeem all the 2043 Notes at their principal amount on 30 November 2023 and on each interest payment date thereafter, prior to their maturity on 30 November 2043. This option was exercised such that the remaining £98m of 2043 Notes were redeemed on 30 November 2023 at their principal amount together with the accrued interest up to this date.

Guaranteed Subordinated Notes due 2028

On 13 November 2015, RL Finance Bonds No. 3 plc, a wholly owned subsidiary of the Company, issued the Guaranteed Subordinated Notes due 2028 (the 2028 Notes). The 2028 Notes were issued at par (£350m). The costs directly related to the issue of the 2028 Notes of £2m have been capitalised as part of the carrying amount and are being amortised on an effective interest basis over the period to the fixed redemption date of 13 November 2028.

The 2028 Notes are guaranteed by the Company. The proceeds of the issue were loaned to the Company on the same interest, repayment, and subordination terms as those applicable to the 2028 Notes.

The 2028 Notes mature on 13 November 2028, on which date the issuer will redeem the 2028 Notes at their principal amount. Interest is payable on the 2028 Notes at a fixed rate of 6.125% per annum payable annually in arrears on each interest payment date.

Fixed Rate Reset Callable Guaranteed Subordinated Notes due 2049

On 7 October 2019, RL Finance Bonds No. 4 plc, a wholly owned subsidiary of the Company, issued the Fixed Rate Reset Callable Guaranteed Subordinated Notes due 2049 (the 2049 Notes). The issue price of the 2049 Notes was 97.976% of the principal amount of £600m. The discount of £12m and the directly related costs incurred to issue the 2049 Notes of £4m have been capitalised as part of the carrying value and are being amortised on an effective interest basis over the period to the first possible redemption date.

The 2049 Notes are guaranteed by the Company. The proceeds of the issue were loaned to the Company on the same interest, repayment, and subordination terms as those applicable to the 2049 Notes.

24. Subordinated liabilities (continued)

The 2049 Notes mature on 7 October 2049. The issuer has the option to redeem all the 2049 Notes at their principal amount on any day falling in the period commencing on 7 April 2039 and ending on 7 October 2039 and on each interest payment date thereafter. Interest is payable on the 2049 Notes at a fixed rate of 4.875% per annum for the period to 7 October 2039, payable annually in arrears on 7 October each year. If the 2049 Notes are not redeemed on 7 October 2039, the interest rate will be reset on that date and on the fifth anniversary of that date thereafter, at a rate equal to the five-year gilt rate plus 5.10%.

Fixed Rate Reset Perpetual Restricted Tier 1 (RT1) Contingent Convertible Notes

On 25 May 2023, RL Finance Bonds No. 6 plc, a wholly owned subsidiary of the Company, issued the Fixed Rate Reset Perpetual Restricted Tier 1 Contingent Convertible Notes (the RT1 Notes). The RT1 Notes were issued at par (£350m). The RT1 Notes have been classified as a debt instrument as the Group does not have an unconditional right to avoid delivering payments to noteholders in the event that the RT1 Notes were no longer to qualify as a Restricted Tier 1 instrument. The costs directly related to the issue of the RT1 Notes of £4m have been capitalised as part of the carrying value and are being amortised on an effective interest basis over the period to the first possible redemption date.

The RT1 Notes are guaranteed by the Company. The proceeds of the issue were loaned to the Company on the same interest, repayment, and subordination terms as those applicable to the RT1 Notes.

The RT1 Notes are perpetual and have no fixed redemption date. The issuer has the option to redeem all the RT1 Notes at their principal amount on any day falling in the period commencing on 25 May 2033 and ending on 25 November 2033 and on each interest payment date thereafter. Interest is payable on the RT1 Notes at a fixed rate of 10.125% per annum for the period to 25 November 2033, payable semi-annually in arrears on 25 May and 25 November each year. If the RT1 Notes are not redeemed on 25 November 2033, the interest rate will be reset on that date and on the fifth anniversary of that date thereafter, at a rate equal to the five-year gilt rate plus 6.344%.

25. Fund for future appropriations

Accounting for the fund for future appropriations

The nature of benefits for participating contracts is such that the allocation of surplus between participating policyholders is uncertain. The amount not allocated at the balance sheet date is classified within liabilities as the fund for future appropriations (FFA).

The movement in the FFA during the year is shown in the table below.

	Group		Company	
	2023	2022	**2023**	2022
	£m	£m	**£m**	£m
At 1 January	3,751	4,009	3,992	4,329
Deduction from/(transfer to) the technical account	382	(162)	462	(231)
Transfer to other comprehensive income	(27)	(96)	(22)	(106)
At 31 December	**4,106**	**3,751**	**4,432**	**3,992**

The closing balance of FFA for the Company represents amounts attributable to the Royal London Main Fund only. The closing balance of FFA for the Group represents amounts attributable to the Royal London Main Fund and RLI DAC Open Fund. The surpluses in the closed funds are included within the participating contract liabilities because they are not available for distribution to other policyholders or for other business purposes.

The Group's closed funds as at 31 December 2023 are the RL(CIS) With-Profits Fund, the Royal Liver Ireland With-Profits Fund and the German Bond With-Profits Fund. The Company's closed fund as at 31 December 2023 is the RL(CIS) With-Profits Fund.

Notes to the financial statements continued

26. Technical provisions

Accounting for insurance contracts and participating investment contracts

Insurance and participating investment contracts are valued under FRS 103 using accounting policies consistent with those adopted prior to the application of FRS 103. Non-participating investment contracts are financial liabilities, measured in accordance with IFRS 9 as permitted by FRS 102 section 12, at amortised cost (non-linked business) or at FVTPL (unit-linked business).

The estimation techniques and assumptions used are periodically reviewed, with any changes in estimates reflected in the consolidated statement of comprehensive income as they occur.

Long-term business provision - participating insurance, non-participating insurance, and participating investment contracts

Participating insurance, non-participating insurance and participating investment contracts are measured using the requirements of the Solvency II (SII) regulatory regime, with the following adjustments:

- Remove the volatility adjustment (VA) from the discount rate so that a SII risk-free rate is used, other than for certain non-profit insurance business, for which the discount rate is the SII risk-free rate plus an illiquidity premium.
- Exclude the SII risk margin and instead include margins of prudence within demographic assumptions in a consistent way to the approach applied before the adoption of SII.
- Remove the SII transitional measure on technical provisions (TMTP).
- Include all excluded future premium payments restricted within the SII balance sheet.
- Closed fund surpluses. For the closed funds, any excess of the UK GAAP value of assets over liabilities is included in the participating contract liabilities because it is not available for distribution to other policyholders or for other business purposes.
- Increase participating liabilities by the excess of the UK GAAP FRS 102 surplus less any deferred tax liability arising on the Royal Liver UK and Royal Liver ROI defined benefit pension schemes. This surplus is only available for distribution to Royal Liver policyholders.

The participating contract liabilities include an assessment of the cost of any future options and guarantees granted to policyholders measured on a market consistent basis. The calculations also take into account bonus decisions which are consistent with the Company's Principles and Practices of Financial Management.

Non-profit insurance contracts

For non-linked, non-participating insurance contracts, the liability is calculated as the discounted value of all the cash flows expected to arise on those contracts. The discount rate is the SII risk-free rate, other than for annuity contracts within the SII Matching Adjustment portfolio, for which the discount rate is the SII risk-free rate plus an illiquidity premium. The illiquidity premium is determined from the yield on the assets in a ring-fenced portfolio, allowing for deductions for downgrade and default risk.

Long-term business provision – non-participating investment contracts

The financial liabilities for non-linked, non-participating investment contracts are measured at amortised cost. The liability is calculated as the discounted value of all the cash flows expected to arise on those contracts, using the SII risk-free discount rate.

Technical provisions for linked liabilities

The technical provisions for linked liabilities include liabilities for unit-linked insurance contracts and unit-linked investment contracts.

Unit-linked insurance contracts are measured using the requirements of the SII regulatory regime, adjusted for the items shown above for participating contracts, where applicable. The liability is calculated as the discounted value of all the cash flows expected to arise on those contracts, using the SII risk-free discount rate. The cash flows are determined on a best estimate basis plus an allowance for risk, which is made by including margins within the assumptions used, determined on a basis consistent with that applied prior to the adoption of SII.

The financial liabilities for unit-linked investment contracts are designated at inception as at FVTPL. This classification has been used because the unit-linked liabilities are part of a group of financial assets and financial liabilities that are managed and whose performance is evaluated on a fair value basis. The fair value is determined using the current unit prices, which reflect the fair values of the financial assets contained within the Group's unitised investment funds linked to the financial liability, multiplied by the number of units held by the contract holder at the balance sheet date. If the investment contract is subject to a surrender option, the fair value of the financial liability is never less than the amount payable on surrender, discounted for the required notice period, where applicable.

26. Technical provisions (continued)

Liability adequacy test

A liability adequacy test is performed on insurance liabilities to ensure that the carrying amount of liabilities (less related intangible assets) is sufficient to cover current estimates of future cash flows. When performing the liability adequacy test, all contractual cash flows are discounted and compared against the carrying value of the liability. Any shortfall is charged immediately to the statement of comprehensive income.

Claims outstanding

The claims outstanding provision represents the estimated cost of settling claims reported by the balance sheet date. The gross outstanding claims balance is subject to a valuation adjustment, based on an ageing analysis and historical settlement data, in order to calculate the claims outstanding provision.

Reinsurers' share of technical provisions

The reinsurers' share of technical provisions is dependent on the expected claims and benefits arising under the related reinsured insurance contracts. They are measured on a consistent basis to the underlying insurance contracts.

(a) Long-term business provision

(i) Summary

	Group		Company	
	2023	2022	**2023**	2022
	£m	£m	**£m**	£m
Gross				
Participating insurance contract liabilities	25,527	25,876	25,520	25,880
Participating investment contract liabilities	1,847	1,903	1,845	1,903
Non-profit insurance contract liabilities	3,879	3,565	3,981	3,658
Total long-term business provision	**31,253**	**31,344**	**31,346**	**31,441**
Reinsurers' share				
Participating insurance contract liabilities	(613)	(648)	(613)	(648)
Non-profit insurance contract liabilities	(2,654)	(2,586)	(2,606)	(2,543)
Total reinsurers' share of long-term business provision	**(3,267)**	**(3,234)**	**(3,219)**	**(3,191)**
Net of reinsurance				
Participating insurance contract liabilities	24,914	25,228	24,907	25,232
Participating investment contract liabilities	1,847	1,903	1,845	1,903
Non-profit insurance contract liabilities	1,225	979	1,375	1,115
Total long-term business provision, net of reinsurance	**27,986**	**28,110**	**28,127**	**28,250**

Notes to the financial statements continued

26. Technical provisions (continued)

(ii) Movement analysis

The movement in the long-term business provision in the year is shown in the following tables.

	Group – 2023							
	Long-term business provision, gross of reinsurance			Reinsurers' share		Long-term business provision, net of reinsurance		
	Participating insurance £m	Participating investment £m	Non-profit insurance £m	Participating insurance £m	Non-profit insurance £m	Participating insurance £m	Participating investment £m	Non-profit insurance £m
At 1 January	**25,876**	**1,903**	**3,565**	**(648)**	**(2,586)**	**25,228**	**1,903**	**979**
Expected changes during the year	(1,236)	(95)	170	86	47	(1,150)	(95)	217
Expected closing position	24,640	1,808	3,735	(562)	(2,539)	24,078	1,808	1,196
New business	–	–	25	–	(86)	–	–	(61)
Experience variations	984	60	12	(46)	30	938	60	42
Changes in assumptions	(149)	(8)	43	(5)	(58)	(154)	(8)	(15)
Acquisitions	–	–	(136)	–	–	–	–	(136)
ProfitShare and ValueShare	58	3	–	–	–	58	3	–
Other	(6)	(16)	200	–	(1)	(6)	(16)	199
At 31 December	**25,527**	**1,847**	**3,879**	**(613)**	**(2,654)**	**24,914**	**1,847**	**1,225**

	Group – 2022							
	Long-term business provision, gross of reinsurance			Reinsurers' share		Long-term business provision, net of reinsurance		
	Participating insurance £m	Participating investment £m	Non-profit insurance £m	Participating insurance £m	Non-profit insurance £m	Participating insurance £m	Participating investment £m	Non-profit insurance £m
At 1 January	**33,374**	**2,296**	**5,132**	**(1,099)**	**(3,480)**	**32,275**	**2,296**	**1,652**
Expected changes during the year	(2,481)	(193)	(42)	153	204	(2,328)	(193)	162
Expected closing position	30,893	2,103	5,090	(946)	(3,276)	29,947	2,103	1,814
New business	(1)	10	72	–	(98)	(1)	10	(26)
Experience variations	(1,542)	(324)	29	(66)	11	(1,608)	(324)	40
Changes in assumptions	(3,557)	88	(1,598)	364	773	(3,193)	88	(825)
Fund consolidation	30	22	10	–	–	30	22	10
ProfitShare and ValueShare	62	4	–	–	–	62	4	–
Other	(9)	–	(38)	–	4	(9)	–	(34)
At 31 December	**25,876**	**1,903**	**3,565**	**(648)**	**(2,586)**	**25,228**	**1,903**	**979**

26. Technical provisions (continued)

	Company – 2023							
	Long-term business provision, gross of reinsurance			Reinsurers' share		Long-term business provision, net of reinsurance		
	Participating insurance £m	Participating investment £m	Non-profit insurance £m	Participating insurance £m	Non-profit insurance £m	Participating insurance £m	Participating investment £m	Non-profit insurance £m
At 1 January	**25,880**	**1,903**	**3,658**	**(648)**	**(2,543)**	**25,232**	**1,903**	**1,115**
Expected changes during the year	(1,237)	(95)	134	86	49	(1,151)	(95)	183
Expected closing position	24,643	1,808	3,792	(562)	(2,494)	24,081	1,808	1,298
New business	–	–	74	–	(87)	–	–	(13)
Experience variations	983	60	11	(46)	29	937	60	40
Changes in assumptions	(149)	(8)	40	(5)	(53)	(154)	(8)	(13)
Acquisitions	–	–	(136)	–	–	–	–	(136)
ProfitShare	58	3	–	–	–	58	3	–
Other	(15)	(18)	200	–	(1)	(15)	(18)	199
At 31 December	**25,520**	**1,845**	**3,981**	**(613)**	**(2,606)**	**24,907**	**1,845**	**1,375**

	Company – 2022							
	Long-term business provision, gross of reinsurance			Reinsurers' share		Long-term business provision, net of reinsurance		
	Participating insurance £m	Participating investment £m	Non-profit insurance £m	Participating insurance £m	Non-profit insurance £m	Participating insurance £m	Participating investment £m	Non-profit insurance £m
At 1 January	**33,373**	**2,295**	**5,195**	**(1,099)**	**(3,430)**	**32,274**	**2,295**	**1,765**
Expected changes during the year	(2,481)	(193)	(73)	153	205	(2,328)	(193)	132
Expected closing position	30,892	2,102	5,122	(946)	(3,225)	29,946	2,102	1,897
New business	(1)	10	122	–	(91)	(1)	10	31
Experience variations	(1,534)	(321)	30	(66)	9	(1,600)	(321)	39
Changes in assumptions	(3,562)	88	(1,589)	364	759	(3,198)	88	(830)
Fund consolidation	26	22	12	–	–	26	22	12
ProfitShare	62	4	–	–	–	62	4	–
Other	(3)	(2)	(39)	–	5	(3)	(2)	(34)
At 31 December	**25,880**	**1,903**	**3,658**	**(648)**	**(2,543)**	**25,232**	**1,903**	**1,115**

As explained more fully in note 38, during the year the Group entered into a Framework Agreement, Transitional Services Agreement and Reinsurance Agreement with Aegon UK. The long-term business provision includes (negative) liabilities in accordance with the Reinsurance Agreement. The initial amount of long-term business provision recognised on entering into this agreement of £(136)m is shown within the 'Acquisitions' row in the tables above.

The increase in the long-term business provision arising from the buy-in of the Royal Liver UK scheme liabilities is included within the 'Other' row of the above tables.

Notes to the financial statements continued

26. Technical provisions (continued)

(b) Technical provisions for linked liabilities

(i) Summary

	Group		Company	
	2023	2022	**2023**	2022
	£m	£m	**£m**	£m
Gross				
Unit-linked insurance contract liabilities	1,103	1,136	1,103	1,136
Unit-linked investment contract liabilities	78,832	69,486	78,774	69,481
Total technical provisions for linked liabilities	**79,935**	**70,622**	**79,877**	**70,617**
Reinsurers' share				
Unit-linked insurance contract liabilities	47	51	47	51
Total reinsurers' share of technical provisions for linked liabilities	**47**	**51**	**47**	**51**
Net of reinsurance				
Unit-linked insurance contract liabilities	1,150	1,187	1,150	1,187
Unit-linked investment contract liabilities	78,832	69,486	78,774	69,481
Total technical provisions for linked liabilities, net of reinsurance	**79,982**	**70,673**	**79,924**	**70,668**

(ii) Movement analysis

The movement in the technical provisions for linked liabilities in the year is shown in the following tables.

	Group – 2023				
	Technical provisions for linked liabilities, gross of reinsurance		Reinsurers' share	Technical provisions for linked liabilities, net of reinsurance	
	Unit-linked insurance £m	Unit-linked investment £m	Unit-linked insurance £m	Unit-linked insurance £m	Unit-linked investment £m
At 1 January	**1,136**	**69,486**	**51**	**1,187**	**69,486**
Allocation of 2022 ProfitShare and ValueShare to policies	–	89	–	–	89
Expected changes during the year	(61)	(731)	(3)	(64)	(731)
Expected closing position	1,075	68,844	48	1,123	68,844
New business	1	5,721	–	1	5,721
Experience variations	76	4,174	(1)	75	4,174
Changes in assumptions	(49)	93	–	(49)	93
At 31 December	**1,103**	**78,832**	**47**	**1,150**	**78,832**

26. Technical provisions (continued)

	Group – 2022				
	Technical provisions for linked liabilities, gross of reinsurance		Reinsurers' share	Technical provisions for linked liabilities, net of reinsurance	
	Unit-linked insurance £m	Unit-linked investment £m	Unit-linked insurance £m	Unit-linked insurance £m	Unit-linked investment £m
At 1 January	**1,314**	**71,185**	**53**	**1,367**	**71,185**
Allocation of 2021 ProfitShare to policies	–	90	–	–	90
Expected changes during the year	(154)	(3,486)	(4)	(158)	(3,486)
Expected closing position	1,160	67,789	49	1,209	67,789
New business	122	5,781	–	122	5,781
Experience variations	(108)	(4,083)	6	(102)	(4,083)
Changes in assumptions	(38)	(1)	–	(38)	(1)
Other movements	–	–	(4)	(4)	–
At 31 December	**1,136**	**69,486**	**51**	**1,187**	**69,486**

	Company – 2023				
	Technical provisions for linked liabilities, gross of reinsurance		**Reinsurers' share**	**Technical provisions for linked liabilities, net of reinsurance**	
	Unit-linked insurance £m	**Unit-linked investment £m**	**Unit-linked insurance £m**	**Unit-linked insurance £m**	**Unit-linked investment £m**
At 1 January	**1,136**	**69,481**	**51**	**1,187**	**69,481**
Allocation of 2022 ProfitShare to policies	–	89	–	–	89
Expected changes during the year	(61)	(730)	(3)	(64)	(730)
Expected closing position	1,075	68,840	48	1,123	68,840
New business	1	5,678	–	1	5,678
Experience variations	76	4,164	(1)	75	4,164
Changes in assumptions	(49)	92	–	(49)	92
At 31 December	**1,103**	**78,774**	**47**	**1,150**	**78,774**

Notes to the financial statements continued

26. Technical provisions (continued)

	Company – 2022				
	Technical provisions for linked liabilities, gross of reinsurance		Reinsurers' share	Technical provisions for linked liabilities, net of reinsurance	
	Unit-linked insurance £m	Unit-linked investment £m	Unit-linked insurance £m	Unit-linked insurance £m	Unit-linked investment £m
At 1 January	**1,314**	**71,185**	**53**	**1,367**	**71,185**
Allocation of 2021 ProfitShare to policies	–	90	–	–	90
Expected changes during the year	(154)	(3,486)	(4)	(158)	(3,486)
Expected closing position	1,160	67,789	49	1,209	67,789
New business	122	5,776	–	122	5,776
Experience variations	(108)	(4,083)	6	(102)	(4,083)
Changes in assumptions	(38)	(1)	–	(38)	(1)
Other movements	–	–	(4)	(4)	–
At 31 December	**1,136**	**69,481**	**51**	**1,187**	**69,481**

(c) ProfitShare and ValueShare

The Group has allocated ProfitShare and ValueShare of £163m (2022: £155m) in the year. The Company has allocated ProfitShare of £163m (2022: £155m) in the year. These allocations are shown in the movement analysis in the notes referenced in the table below.

	Group and Company	
	2023 **£m**	2022 £m
Participating insurance contracts (note 26(a)(ii))	58	62
Participating investment contracts (note 26(a)(ii))	3	4
Unit-linked contracts (note 27)	102	89
	163	**155**

2023 ProfitShare of £163m will be allocated to eligible policies on 1 April 2024. The £155m included in the table above relates to the allocation of the 2022 ProfitShare on 1 April 2023.

27. Non-participating value of in-force business

Present value of future profits on non-participating investment contracts and With-profits fund transfers

The present value of future profits on non-participating investment contracts are accounted for as part of the calculation of the participating contract liabilities. However, these values cannot be allocated to particular participating liabilities and so, in accordance with FRS 103, they are shown as a separate asset on the face of the balance sheet, the 'Non-participating value of in-force business'.

The movement in the non-participating value of in-force business in the year is shown in the table below.

	Group		Company	
	2023	2022	**2023**	2022
	£m	£m	**£m**	£m
At 1 January				
Non-participating value of in-force business	2,474	2,333	2,476	2,333
Deferred acquisition costs arising on investment contracts (note 22)	87	113	87	113
Provision for future commission (note 30)	(118)	(145)	(118)	(145)
Deferred fee income on investment contracts (note 32)	(27)	(41)	(27)	(41)
Total value of in-force business at 1 January	**2,416**	**2,260**	**2,418**	**2,260**
Allocation of ProfitShare and ValueShare	89	90	89	90
Expected changes during the year	(69)	(189)	(69)	(189)
Expected closing position	**2,436**	**2,161**	**2,438**	**2,161**
New business	160	156	159	156
Experience variations	166	(177)	165	(177)
Changes in assumptions	52	351	51	353
ProfitShare and ValueShare	(102)	(89)	(102)	(89)
Other movements	(7)	14	(8)	14
At 31 December	**2,705**	**2,416**	**2,703**	**2,418**
At 31 December				
Non-participating value of in-force business	2,776	2,474	2,775	2,476
Deferred acquisition costs arising on investment contracts (note 22)	67	87	65	87
Provision for future commission (note 30)	(117)	(118)	(116)	(118)
Deferred fee income on investment contracts (note 32)	(21)	(27)	(21)	(27)
Total value of in-force business at 31 December	**2,705**	**2,416**	**2,703**	**2,418**

2023 ProfitShare of £102m will be allocated to eligible policies on 1 April 2024. The £89m included in the table above relates to the allocation of the 2022 ProfitShare on 1 April 2023.

Notes to the financial statements continued

28. Technical provisions and reinsurance assets - valuation assumptions

(a) Assumptions

The assumptions used to determine insurance and investment contract liabilities are approved by the Audit Committee based on advice given by the Group Chief Actuary. These assumptions are updated at least at each reporting date to reflect latest estimates. The potential impact of climate change on the valuation assumptions has been considered including the effects of both physical risks and transition risks. In particular, the possible impact on longevity, mortality and persistency assumptions has been taken into consideration although the starting data available is limited. Based on the range of likely scenarios, the impact of climate risk is not expected to affect the best estimate demographic assumptions materially and as such no specific allowance has been made as at 31 December 2023.

The assumptions used can be summarised as follows:

(i) Demographic

Mortality and morbidity
Mortality and morbidity risks are inherent in most lines of business. For protection business an increase in mortality and morbidity rates leads to increased claim levels and hence an increase in liabilities. For annuity business the risk is that policyholders live longer than expected. Reinsurance arrangements have been put in place to mitigate mortality and morbidity risks.

The rates of mortality and morbidity are set in line with recent Group experience, where it is available in sufficient volume to provide reliable results. Where Group experience is not considered sufficient, bases have been set by reference to either industry experience or the terms on which the business is reinsured.

A margin is included to provide for potential adverse variations in experience. The margins are typically 2% for mortality risks, 4.8% for morbidity risks with reviewable premiums and 8.9% for morbidity business with guaranteed premiums.

Class of business	2023	2022
Ordinary long-term assurances		
RL Legacy (Royal London Mutual (RLM) and Ex-United Assurance Group (UAG)) non-linked	AMC00/AFC00 adjusted	AMC00/AFC00 adjusted
RL Intermediary Pensions	AMC00/AFC00 adjusted	AMC00/AFC00 adjusted
RL Legacy (Ex-Royal Liver UK) and RLI	AMC00/AFC00 adjusted	AMC00/AFC00 adjusted
RL Legacy (Ex-RL (CIS))	AMC00 adjusted	AMC00 adjusted
RL Legacy non-linked term assurances (level benefits)	TM08/TF08 adjusted	TM08/TF08 adjusted
RL Intermediary UK Protection term assurances (level benefits)	TM08/TF08 adjusted	TM08/TF08 adjusted
RL Intermediary UK Protection critical illness (guaranteed premiums)	ACM08/ACF08 adjusted	ACM08/ACF08 adjusted
RL Intermediary UK Protection unit-linked term assurances	TM08/TF08 adjusted	TM08/TF08 adjusted
Pensions – in deferment	AM00/AF00 or PPMD00/PPFD00 adjusted	AM00/AF00 or PPMD00/PPFD00 adjusted

28. Technical provisions and reinsurance assets - valuation assumptions (continued)

The principal mortality assumptions are shown in the following table.

Class of business	2023	2022
Pensions – immediate annuities and deferred annuities in payment		
RL Legacy (Royal London Mutual and Ex-UAG) non-linked	PML08/PFL08 adjusted or bespoke mortality tables Improvements based on CMI (2019) Advanced [1] S_k=7, 1.5% p.a.	PML08/PFL08 adjusted Improvements based on CMI (2019) Advanced[1] S_k=7, A= -0.25% 1.5% p.a.
RL Intermediary Pensions	PML08/PFL08 adjusted Improvements based on CMI (2019) Advanced[1] S_k=7, 1.5% p.a.	PML08/PFL08 adjusted Improvements based on CMI (2019) Advanced[1] S_k=7, A= 0.1% 1.5% p.a.
RL Legacy (Ex-RL (CIS)) immediate annuities in payment	Bespoke mortality tables for immediate annuities in payment Improvements based on CMI (2019) Advanced[1] S_k=7, 1.5% p.a.	Bespoke mortality tables for immediate annuities in payment Improvements based on CMI (2019) Advanced[1] S_k=7, A=-0.25% 1.5% p.a.
Pensions buy-in	Bespoke mortality tables for deferred and annuities in payment Improvements based on CMI (2019) Advanced[1] S_k=7, 1.5% p.a.	N/A
RL Legacy (Ex-RL (CIS)) deferred annuities in payment	Bespoke mortality tables for deferred annuities in payment Improvements based on CMI (2019) Advanced[1] S_k=7, 1.5% p.a.	Bespoke mortality tables for deferred annuities in payment Improvements based on CMI (2019) Advanced[1] S_k=7, A= -0.25% 1.5% p.a.
Industrial assurance	ELT17 (males) adjusted	ELT17 (males) adjusted

1. The model parameters used within CMI (2019) allow for a bespoke in-house calibration.

Persistency

Persistency is the extent to which policies remain in force and are not for any reason lapsed, made paid-up, surrendered, or transferred prior to maturity or expiry. The rates of persistency are set in line with recent internal experience. Where appropriate these rates are adjusted to allow for expected future experience being different from past experience, including consideration of the expected short-term impact of the Covid-19 pandemic and recent economic conditions. The rates vary by product line, sales channel, duration in force and, for some products, by fund size. A margin is included to provide for potential adverse variations in experience. The margin is typically 5%.

For individual pensions business the rate at which relevant policyholders take drawdown is assessed using the same high-level approach as for the other persistency assumptions.

(ii) Expenses

For the main classes of business, maintenance expenses are set in accordance with management service agreements and, for business transferred to the Company, in accordance with the appropriate scheme of transfer. Expenses for those classes of business not covered by either a management service agreement or a scheme of transfer are based on the actual expenses incurred.

A check is carried out that the projected valuation expenses sufficiently cover the projected business plan expenses.

A margin is included to provide for potential adverse variations in experience. The margin is typically 2%. For RL (CIS) a margin of 0.7% is applied during the guaranteed period of the rate card (up to 30 July 2033).

Notes to the financial statements continued

28. Technical provisions and reinsurance assets - valuation assumptions (continued)

Expense inflation assumptions are generally set relative to the domestic measure of inflation for the country in which the business is derived unless the business is subject to a rate card agreement that specifies the inflation assumption to apply. UK inflation is based on the UK Retail Price Index (UK RPI) and Republic of Ireland (ROI) inflation is based on the ROI Consumer Price Index (ROI CPI). These inflation assumptions, which vary by duration, are set by fitting a curve to market-implied inflation based on sterling-denominated inflation linked swaps for UK RPI and euro-denominated inflation-linked swaps for ROI CPI.

Expenses for open books of business are assumed to inflate in line with the change in UK RPI plus 0.5% (2022: UK RPI +0.5%) for UK business and ROI CPI plus 0.86% (2022: ROI CPI +1.05%) for Irish business.

Higher rates of expense inflation are assumed for closed books of business:

- For RL (CIS) business, the costs arising under the rate card are assumed to increase in line with the change in the UK RPI +0.9% (2022: UK RPI +0.9%) except for post-vesting Guaranteed Annuity Option (GAO) expenses which are assumed to increase at UK RPI +0.5% (2022: UK RPI +0.5%). The actual expenses incurred from servicing this business are assumed to increase in line with the change in the UK RPI +0.5% (2022: UK RPI +0.5%) for post-vesting GAO business and UK RPI +2.8% (2022: UK RPI +2.8%) for other business.
- For Liver fund business, the costs are assumed to increase at UK RPI +4% (2022: UK RPI +4%) for UK business and ROI CPI +5.21% (2022: ROI CPI +5.66%) for Irish business.
- For other closed books, the assumptions are UK RPI +2% for PLAL business (2022: UK RPI +2%), UK RPI +2% for Scottish Provident business (2022: UK RPI +2%), and UK RPI +4% for legacy business within the Royal London Main Fund (2022: UK RPI +4%).

The per policy expense assumptions for core pension and non-profit protection products open to new business range from £20.13 p.a. to £92.14 p.a. (2022: £19.96 p.a. to £84.64 p.a.).

(b) Economic

- **Non-participating liabilities:** The non-participating liabilities have been calculated on a market-consistent basis. Future investment returns and discount rates are set by reference to a risk-free rate from the forward swap curve adjusted for risk of default. A reduction in interest rates will increase the liabilities.
- For annuity business within the SII Matching Adjustment portfolio, an illiquidity premium is applied as a flat increase to the above discount rate. The illiquidity premium is determined by calculating how much of the credit spread above the risk-free rate is attributed to the cost of downgrade and default risk with the remainder being attributed to other risks such as illiquidity.
- **Participating liabilities:** The majority of the participating liabilities are calculated as the aggregate asset share for the business in force. This is a retrospective calculation based on actual experience. The values of financial options (including premium rate guarantees and guaranteed annuity options) and future deductions from asset shares are calculated using market-consistent techniques. Market consistency is achieved by running a large number of economically credible scenarios through a stochastic valuation model. Each scenario is discounted at a rate consistent with the individual simulation. The economic scenarios achieve market consistency by:
  - deriving the underlying risk-free rate from the forward swap curve adjusted for risk of default; and
  - calibrating equity and interest rate volatility to observed market data by duration and price, subject to interpolation/extrapolation where traded security prices do not exist.
- **Non-participating value of in-force business:** The non-participating value of in-force business has been calculated on a market-consistent basis. Future investment returns and discount rates are set by reference to risk-free yields.

29. Deferred taxation

Accounting for deferred taxation

Deferred tax is provided based on timing differences that arise from the inclusion of income and expenses in tax assessments in different periods from those in which they are recognised in the financial statements. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities. The following timing differences are not provided for:

- the initial recognition of goodwill not deductible for tax purposes; and
- timing differences arising on investments in subsidiaries where the Group controls the timing of the reversal of the timing difference and it is probable that the timing difference will not reverse in the foreseeable future.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

(a) Net deferred tax balance

The tables below show the movement in the net deferred tax balance in the year. The deferred tax assets and liabilities are considered to be non-current.

	Group – 2023			
	At 1 January 2023 £m	**Recognised in the technical account – long-term business £m**	**Recognised in other comprehensive income £m**	**At 31 December 2023 £m**
Deferred acquisition expenses	**(3)**	**1**	**–**	**(2)**
Excess management expenses carried forward	**(152)**	**48**	**–**	**(104)**
Revaluation of investments	**136**	**12**	**–**	**148**
Defined benefit pension schemes	**10**	**–**	**(2)**	**8**
Other short-term timing differences	**(18)**	**14**	**–**	**(4)**
Net deferred tax (asset)/liability	**(27)**	**75**	**(2)**	**46**

	Group – 2022			
	At 1 January 2022 £m	Recognised in the technical account – long-term business £m	Recognised in other comprehensive income £m	At 31 December 2022 £m
Deferred acquisition expenses	(7)	4	–	(3)
Excess management expenses carried forward	–	(152)	–	(152)
Revaluation of investments	234	(98)	–	136
Defined benefit pension schemes	20	–	(10)	10
Other short-term timing differences	(19)	1	–	(18)
Net deferred tax liability/(asset)	**228**	**(245)**	**(10)**	**(27)**

Notes to the financial statements continued

29. Deferred taxation (continued)

	Company – 2023			
	At 1 January 2023 £m	Recognised in the technical account – long-term business £m	Recognised in other comprehensive income £m	At 31 December 2023 £m
Deferred acquisition expenses	(3)	1	–	(2)
Excess management expenses carried forward	(152)	50	–	(102)
Revaluation of investments	137	11	–	148
Defined benefit pension schemes	10	–	(1)	9
Other short-term timing differences	(6)	2	–	(4)
Net deferred tax (asset)/liability	**(14)**	**64**	**(1)**	**49**

	Company – 2022			
	At 1 January 2022 £m	Recognised in the technical account – long-term business £m	Recognised in other comprehensive income £m	At 31 December 2022 £m
Deferred acquisition expenses	(7)	4	–	(3)
Excess management expenses carried forward	–	(152)	–	(152)
Revaluation of investments	235	(98)	–	137
Defined benefit pension schemes	20	–	(10)	10
Other short-term timing differences	(7)	1	–	(6)
Net deferred tax liability/(asset)	**241**	**(245)**	**(10)**	**(14)**

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets against current tax liabilities and where the deferred taxes relate to the same fiscal authority.

In the next 12 months it is expected there will be a reversal in net deferred tax assets and deferred tax liabilities of £12m (2022: £7m) for the Group of which £12m (2022: £10m) relates to the Company. The £12m (2022: £10m) for the Company is due to the spreading over seven years of specific gains and deferred expenses.

(b) Unrecognised deferred tax balances

(i) Unrecognised deferred tax assets

Deferred tax assets arising from certain capital losses, excess management expenses, surplus trading losses and capital allowances are recognised to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred tax assets of £30m (2022: £38m), of which £nil (2022: £nil) related to the Company. These unused losses and allowances can be carried forward and utilised as long as the company in which they arose is active or trading.

30. Other provisions

Accounting for provisions

The provision for future commission relates to payments that the Group is contractually committed to make in future periods for investment contracts sold as at the balance sheet date. These payments are contingent on the related policies remaining in force. They are classified as financial liabilities and recognised at fair value through profit and loss.

A provision is recognised in the balance sheet when there is a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future losses. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognised when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

	Group		Company	
	2023	2022	**2023**	2022
	£m	£m	**£m**	£m
Provision for future commission	117	118	116	118
Other provisions	60	69	57	63
	177	**187**	**173**	**181**

Other provisions include:

- Rectifications of £37m (2022: £36m) which are the expected costs of addressing past sales practices and other servicing issues. The provision is estimated by multiplying the population of issues by the forecast costs to resolve each issue. The provision is expected to be utilised across 2024 and 2025;
- Long-term incentive schemes of £10m (2022: £9m). The Group provides certain executives with cash-settled long-term incentive schemes. Amounts payable are dependent on a basket of individual performance measures, with performance assessed using a balanced scorecard of three-year performance measures. The amount provided is expected to be paid between 2024 and 2026;
- A provision of £10m (2022: £10m) relating to the unfunded unapproved retirement benefits schemes for certain executives who joined before 1 September 2005. The provision is expected to be utilised across the retirement period of the members. Further information is disclosed in note 23; and
- Other provisions of £2m (2022: £10m).

The provision for future commission is expected to be utilised over the remaining life of the impacted policies.

The movement in provisions during the year is shown in the following table.

	Group		Company	
	Provision for future commission £m	**Other provisions £m**	**Provision for future commission £m**	**Other provisions £m**
At 1 January	118	69	118	63
Additions in the year	1	15	–	15
Releases for the year	–	(5)	–	(4)
Experience variations	8	–	8	–
Utilised during the year	(10)	(19)	(10)	(17)
At 31 December	**117**	**60**	**116**	**57**

Notes to the financial statements continued

31. Creditors

Accounting for creditors

Creditors are measured at amortised cost with the exception of derivative liabilities and a reinsurance liability designated at FVTPL.

The creditors measured at amortised cost are initially measured at fair value, being consideration received plus any directly attributable transaction costs. Subsequently they are measured at amortised cost using the effective interest method.

Derivative liabilities are classified at FVTPL in accordance with IFRS 9 as permitted by FRS 102 section 12. Movements in the fair value of the liabilities are recognised within unrealised gains/losses on investments.

The Group has a financial creditor in respect of a reinsurance arrangement and holds an unquoted debt security which has cash flows exactly matching those of the reinsurance liability. Consequently, the reinsurance liability is designated at FVTPL in order to avoid a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch'). Movements in the fair value of the liability are recognised in the statement of comprehensive income within outwards reinsurance premiums. The matching movement in the fair value of the debt security is shown in the statement of comprehensive income within unrealised gains/losses on investments.

(a) Creditors arising out of direct insurance operations at amortised cost

	Group		Company	
	2023	2022	**2023**	2022
	£m	£m	**£m**	£m
Amounts due to customers	**264**	**271**	**248**	**258**

(b) Creditors arising out of reinsurance operations

	Group		Company	
	2023	2022	**2023**	2022
	£m	£m	**£m**	£m
Creditors arising out of reinsurance operations with external insurers at FVTPL	1,720	1,713	1,720	1,713
Creditors arising out of reinsurance operations with external insurers at amortised cost	58	68	37	50
Creditors arising out of reinsurance operations with other Group entities at amortised cost	–	–	–	1
	1,778	**1,781**	**1,757**	**1,764**

The creditors arising out of reinsurance operations which are valued at FVTPL relate to a liability that is owed to a major reinsurer under a reinsurance agreement, see note 3(c) for further details.

(c) Amounts owed to credit institutions

	Group		Company	
	2023	2022	**2023**	2022
	£m	£m	**£m**	£m
Bank overdrafts	**48**	**52**	**47**	**52**

The bank overdrafts are repayable on demand.

On 18 December 2023, the Company signed a £500m multi-currency revolving credit facility agreement with eight banks for an initial term of five years. No amounts had been drawn down on this facility as at 31 December 2023 and nothing has been charged to the 2023 Statement of Comprehensive Income.

31. Creditors (continued)

(d) Other creditors including taxation and social security

	Group		Company	
	2023	2022	**2023**	2022
	£m	£m	**£m**	£m
Cash collateral received	421	556	421	556
Derivative liabilities	3,071	3,049	3,071	3,049
Amounts due to brokers	31	46	–	9
Amounts due to other Group entities	–	–	74	64
Other	253	287	93	100
	3,776	**3,938**	**3,659**	**3,778**

The ageing of derivative liabilities is included in note 35(d). Cash collateral received is considered payable within one year after the balance sheet date due to settlements that may be required in the event of valuation changes in the associated derivative asset position. All of the other creditors are expected to be repaid in less than one year after the balance sheet date (2022: £nil).

32. Accruals and deferred income

	Group		Company	
	2023	2022	**2023**	2022
	£m	£m	**£m**	£m
Accrued expenses	174	63	–	1
Deferred fee income on investment contracts (note 27)	21	27	21	27
	195	**90**	**21**	**28**

Deferred fee income refers to front-end fees received from investment contract holders as a prepayment for investment management and related services. These amounts are non-refundable and are released to income as the services are rendered.

33. Contingent assets and liabilities

Accounting for contingent assets and liabilities

Contingent liabilities are disclosed if:

- there is a possible obligation as a result of a past event; or
- there is a present obligation as a result of a past event, but a liability is not recognised either because a payment is not probable, or the amount cannot be reliably estimated.

Contingent assets are disclosed when an inflow of economic benefit is considered probable.

During the year, the Group and the Company continued to address issues from past selling practices, taxation, and other regulatory matters. Potential liabilities are influenced by several factors including the actions and requirements of the external bodies including regulators and tax authorities as well as Financial Ombudsman Service rulings, industry compensation schemes and court judgments.

In the course of conducting business, the Group companies receive liability claims, and become involved in actual or threatened related litigation. In the opinion of the directors, adequate provisions have been established for such claims and no material losses will arise in this respect.

In addition, in line with standard business practice, the Company has given guarantees, indemnities and warranties in connection with the disposal of entities previously owned by the Group. In the opinion of the directors, no material unprovisioned loss will arise in respect of these guarantees, indemnities, and warranties.

Notes to the financial statements continued

34. Commitments

(a) Capital expenditure

The Group and Company have the following commitments to make capital purchases as at the balance sheet date.

	Group		Company	
	2023	2022	**2023**	2022
	£m	£m	**£m**	£m
Investment property	9	44	9	44

(b) Investments in private equity funds

The Group and Company have a portfolio of investments in private equity funds. The structure of these funds is such that the commitment is drawn down during the life of the fund to make investments and to pay approved costs of the fund. The total amount committed but undrawn at the balance sheet date for the Group and Company is £340m (2022: £349m).

(c) Operating lease commitments

Accounting for operating lease payments

Leases, where a significant portion of the risks and rewards of ownership is retained by the lessor, are classified as operating leases. Payments under operating leases, net of lease incentives received, are recognised as an expense in the statement of comprehensive income on a straight-line basis over the term of the lease.

Operating lease payments represent rentals payable by the Group for land and buildings. The total lease payments recognised as an expense in the year were £7m (2022: £5m). The total future minimum lease payments due under these arrangements, net of any related sub-lease receipts, are shown in the following table.

	Group		Company	
	2023	2022	**2023**	2022
	£m	£m	**£m**	£m
Total future minimum lease payments under non-cancellable leases:				
Not later than one year	8	4	2	4
Later than one year and not later than five years	26	16	7	2
Later than five years	35	23	–	–
	69	**43**	**9**	**6**

35. Risk management

As a financial services provider, the Group's business is the managed acceptance of risk. The Group has a set of risk preferences for the types of risk the Group is exposed to. These preferences form a core part of the Group's risk management system and control techniques. The Group aims to manage its risk exposures within acceptable tolerances agreed by the Board. This is carried out through its risk management system. The risk management system established within the Group is designed to manage, rather than eliminate, the risk of failure to meet business objectives as well as to ensure that the Group is well capitalised. The Strategic report section of this Annual Report and Accounts includes a summary of the Group's risk management approach on page 59. The key control techniques for the major categories of risk exposure are summarised in the following sections.

(a) Insurance risk

Insurance Risk is defined as the risk that arises from the uncertainty in the occurrence, amount and timing of asset and liability cash flows resulting from factors such as:

- changes in the health circumstances of policyholders and members of the Royal London Staff Pension Schemes;
- the choices made by Royal London policyholders and pension scheme members with respect to their policy options and ability to surrender their policy with Royal London.

The Group has an appetite to write long-term insurance business that includes insurance risk to deliver value for our customers and create a balanced, diversified insurance risk profile. The exposure of the Group depends to a significant extent on the value of claims to be paid in the future, relative to the assets accumulated to the date of claim. The amount of such future obligations is assessed by reference to assumptions regarding future experience, in particular mortality or (if applicable) morbidity rates, persistency rates, expenses, investment returns, interest rates and tax rates.

The main insurance risks can be summarised as follows:

- **mortality** – the risk that policyholders die sooner than expected. Mortality risk only applies to liabilities which increase under these circumstances;
- **morbidity** – the risk that policyholders make morbidity-related claims more frequently or for a longer period of time than expected;
- **persistency** – the risk that the rate of policy lapses, terminations, renewals, partial withdrawals, income drawdown, retirements and surrenders, or the number of policies converting to paid-up status, is different from that expected, resulting in an increase in liabilities;
- **longevity** – the risk that policyholders live longer than expected resulting in higher payments under annuity or similar obligations and so an increase in liabilities;
- **expense** – the risk that the expense associated with investing in assets, or of administering pensions, insurance or reinsurance contracts held within the Group is higher than expected. The impact of long-term inflation on expenses is part of this risk; and
- **option take-up** – the risk that the take-up rate of options, in particular guaranteed annuity options, provided to policyholders is different from expected, resulting in an increase in benefit payments and therefore liabilities.

Insurance risk is largely mitigated, monitored, and managed by the various business units/divisions within the Group. Insurance risks are managed through the following mechanisms:

- The use of the Group's Insurance Risk Policy to provide Group-wide guidelines around the identification, assessment, mitigation, monitoring, reporting and control of insurance risks;
- Regular monitoring of actual exposures compared to agreed limits to ensure that the insurance risk accepted remains within risk appetite;
- Members of the Group's Insurance Risk Committee are responsible for considering matters arising concerning all aspects of the identification, assessment, management and reporting of insurance risk;
- Members of the Group's Technical Review Committee are responsible for reviewing and approving all key demographic and expense assumption changes;
- The use of reinsurance to mitigate exposures in excess of risk appetite, to limit the Group's exposure to large single claims and catastrophes and to alleviate the impact of new business strain;
- The diversification of business over several classes of insurance and over large numbers of individual risks to reduce variability in loss experience; and

Notes to the financial statements continued

35. Risk management (continued)

- Control over product development and pricing: members of the Product Pricing Approval Committee are responsible for assessing the pricing of new products and the repricing of existing products manufactured by the Group.

These techniques are supported using actuarial models to calculate premiums, monitor claims patterns and calculate liabilities. The derivation of the assumptions uses industry-standard actuarial and statistical methods based on up-to-date and credible information.

The primary responsibility for ongoing oversight and effectiveness of the management of insurance risk falls to the Insurance Risk Committee.

Another process for monitoring the continued effectiveness of these risk-mitigation techniques is the requirement within the Group's Insurance Risk Policy for an annual review of the policy by the policy content owner. The policy provides Group-wide guidelines around the identification, assessment, mitigation, monitoring, reporting and control of insurance risks. The policy content owner makes sure that the policy is implemented appropriately within the Group. The Insurance Risk Committee is also responsible for reviewing the policy on an annual basis.

Risk relating to the Group's final salary pension schemes is managed separately by a specialist area in the Group, supported by external advisers.

(i) Concentration risk

The Group and Company write a diverse mix of business across a broad customer base. The most material concentration of insurance risk relates to persistency risk in respect of unit-linked pension business. As the Group has written substantially all of its business in the UK, results are also sensitive to demographic and economic changes arising in the UK. The Group seeks to mitigate the risk of excessive concentrations of risk through portfolio analysis and limits on retained risk (including limits on individual lives).

The Group's diverse portfolio of business helps mitigate concentration risk across sectors (pensions, protection, intermediated, direct), but there is some concentration risk within sectors. In particular, there is a risk associated with legislative changes affecting pension business, which could result in a marked worsening in persistency. However, although the Group's portfolio of employer-sponsored pension schemes includes some large schemes, there are no schemes that represent an excessive percentage of the relevant portfolio. The Group's recent acquisition of the Aegon Protection business does not represent an excessive percentage of the Group's insurance risk exposure. Due to the nature of the UK market, another potential area of concentration is the reliance of the Group on new business from key IFA networks but exposure to any single IFA is not considered to be material.

(ii) Sensitivity analysis

The following table shows the impact on the Group fund for future appropriations from changes in key demographic assumptions. Each sensitivity is performed with all other variables held constant. The sensitivity scenarios used are as follows:

- **Mortality and morbidity**
  5% proportionate decrease and increase in base mortality and morbidity rates. This sensitivity demonstrates the effect of a decrease and increase in the rate of deaths and serious illness. The impact of such a change on the fund for future appropriations varies depending on the type of business written. In the case of a reduction in mortality rates:

  – for life assurance business, a decrease in mortality rates will typically increase the fund for future appropriations as there will be fewer payouts for early death resulting in lower liabilities;

  – for annuities in payment, the defined benefit pension schemes or policies which contain a guaranteed annuity option, the fund for future appropriations decreases as the length of time over which the annuity will be paid is longer, increasing liabilities.

  An increase in mortality rates will have the opposite effect.

35. Risk management (continued)

- **Persistency**
  10% proportionate decrease and increase in rates of lapse, conversion to paid-up and, for pensions business, retirement, partial withdrawal and income drawdown. In the case of the proportionate decrease, the sensitivity reflects a single, downward movement in these lapse rates resulting in fewer policies being surrendered or terminated early, with the result that more policies are assumed to remain in force. An increase in rates of lapse will have the opposite effect.

- **Expenses**
  10% decrease and increase in maintenance expenses – the ongoing cost of administering contracts. This sensitivity is applied to the projected level of expenses. There is no change to the assumed rate of future expense inflation. A reduction in expenses will increase the fund for future appropriations for most classes of business. For some unit-linked contracts where future charges cover expenses, however, the liability may be unaffected. An increase in expenses will have the opposite effect.

	Group	
	2023	2022
Impact after tax on the fund for future appropriations	**£m**	£m
Mortality/morbidity rates +5%	**26**	28
Mortality/morbidity rates -5%	**(30)**	(35)
Lapse/paid-up/retirement rates +10%	**(237)**	(219)
Lapse/paid-up/retirement rates -10%	**282**	261
Expenses +10%	**(219)**	(212)
Expenses -10%	**218**	212

Limitations of sensitivity analysis
The above table demonstrates the effect of a change in a key assumption while other assumptions remain unchanged. In practice, there may be dependencies between the underlying risks. It should be noted that the impact on the fund for future appropriations from changes in these assumptions may not be linear as implied by these results. Larger or smaller impacts should not be interpolated or extrapolated from these results.

(b) Market risk

Market risk is where fluctuations in values of assets (including income) or financial variables (including interest rates, exchange rates or inflation) cause a mismatch between the value of the Group's assets and liabilities.

The Group manages market risk within the risk management system outlined above and in accordance with the relevant regulatory requirements. The principal techniques employed are the establishment of asset allocation and performance benchmarks consistent with the Group's risk appetite and asset-liability matching. This balances the risks relating to the liabilities under the Group's insurance and investment contracts against the risks inherent in its assets and the capital available. The Group has established approaches for matching assets and liabilities, including hedging customer options and, where cost effective, unrewarded risks. Where appropriate matching cannot be achieved, management actions are in place to manage the market risk resulting from the mismatch. The Group's Investment Strategy Committee and Capital Management Committee provide regular monitoring of these processes.

The Group is not materially exposed to market risk in respect of assets held to cover unit-linked liabilities as these risks are borne by the holders of the contracts concerned, except to the extent that income from the fund-based management charges levied on these contracts varies directly with the value of the underlying assets. Such assets are managed to meet customers' risk and reward expectations and comprise diversified portfolios of assets. In addition, regulatory requirements constrain the type and quality of assets that can be held to support these liabilities.

The Group's exposure to market risk arises principally from equity risk and property risk, interest rate risk, inflation risk, credit spread risk and currency risk.

Notes to the financial statements continued

35. Risk management (continued)

(i) Equity risk and property risk

Equity risk and property risk are the risks that the fair value or future cash flows of an asset or liability will fluctuate because of changes in market prices of equities or investment properties, other than those arising from interest rate or currency risks. Those changes may be caused by factors specific to the asset or liability, or its issuer, or by factors affecting all similar assets or liabilities.

The Board sets the Group's investment policy and strategy. Day-to-day responsibility for implementation is principally given to the Group's asset management subsidiary, RLAM, as the main asset manager for the Group, as well as third parties and external asset managers involved in delivering the investment strategy with monitoring procedures in place.

The investment management agreement in place between the Company and RLAM specifies the limits for holdings in certain asset categories. Asset allocation and performance benchmarks are set, which ensure that each fund has an appropriate mix of assets and is not over or under-exposed to a particular asset category or specific investment. The Investment Strategy Committee and Capital Management Committee along with the Group's Investment Committee monitor the actual asset allocation and performance against benchmark. The Group hedges some of its equity risk arising from investment guarantees and unit-linked charges using equity derivatives.

A sensitivity analysis to changes in the market prices of equities and property is included in section (vi). Note 16 provides an analysis of assets by class.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or cash flows of a financial instrument will vary as market rates of interest vary. For the Group, interest rate risk arises from holding assets and liabilities with different maturity or re-pricing dates, creating exposure to changes in the level of interest rates, whether real or nominal. It mainly arises from the Group's investments in debt and fixed income securities, which are exposed to changes in interest rates. It also arises in certain products sold by the Group, which include guarantees as they can lead to claim values being higher than the value of the backing assets where interest rates change.

Exposure to interest rate risk is monitored using scenario testing, stress testing, Value-at-Risk analysis and asset and liability duration control.

The Group manages interest rate risk using performance benchmarks with appropriate durations and, in some instances, using derivatives to achieve a closer cash flow match. The Company uses interest rate swaps to provide interest rate sensitivity matching.

A sensitivity analysis to interest rate risk is included in section (vi).

(iii) Inflation risk

Inflation risk is the risk that inflation results in the value of the Group's liabilities increasing by more than the value of its assets. It arises principally in the Group's defined benefit pension schemes, where higher inflation would result in higher increases in deferred pensions and would be expected to be associated with higher increases in pensions in payment. The risk associated with expense inflation is treated as an insurance risk.

The Group mitigates some inflation risk with inflation swaps. Inflation exposures are monitored monthly and reported to the Group's Capital Management Committee. The Group's Capital Management Framework, Capital Plans and regular capital reporting also assist in the Group's management of inflation risk.

(iv) Credit spread risk

Credit spread risk is the risk that the difference between the yields on non-sovereign investment bonds and the yields on interest rate swaps increase from current levels, causing the value of the Group's holdings of non-sovereign bonds to reduce by more than the value of the associated liabilities. The Group manages its exposures to spread risks through its hedging strategy and regular review of its hedging arrangements.

(v) Currency risk

Currency risk is defined as the risk that the fair value or future cash flows of an asset or liability will change because of a change in foreign exchange rates. As the Group operates principally in the UK its assets and liabilities are mainly denominated in sterling. For investment assets, the Group's investment management policies and procedures allow for some exposure to overseas markets, via both equities and fixed interest securities. The resulting currency risk is managed using exposure limits, currency derivatives as hedging instruments, and authorisation controls operated within the Group's risk management system.

The following tables demonstrate the extent to which the assets and liabilities of the Group and the Company are exposed to currency risk. Linked assets are not subject to currency risk as this risk is borne by the customers concerned. A sensitivity analysis of the Group and Company's exposure to currency risk is included in section (vi).

35. Risk management (continued)

	Group		Company	
	2023	2022	**2023**	2022
	£m	£m	**£m**	£m
Non-linked assets denominated in GBP	38,566	38,941	38,636	39,024
Non-linked assets denominated in non-GBP	4,427	3,957	4,408	3,924
	42,993	**42,898**	**43,044**	**42,948**
Assets held to cover linked liabilities, not subject to currency risk	80,228	70,857	80,169	70,851
	123,221	**113,755**	**123,213**	**113,799**
Non-linked liabilities denominated in GBP	42,818	42,576	42,775	42,528
Non-linked liabilities denominated in non-GBP	468	557	561	654
	43,286	**43,133**	**43,336**	**43,182**
Technical provisions for linked liabilities, not subject to currency risk	79,935	70,622	79,877	70,617
	123,221	**113,755**	**123,213**	**113,799**

At 31 December 2023, the Group and Company held currency forwards with a sterling notional value of £377m (2022: Group and Company £407m) in respect of the non-linked assets denominated in currencies other than sterling. These are included in the table above.

The Group monitors its foreign currency exposure arising from its investment in operations in Ireland. This exposure does not currently have a material impact on the Group and so is not actively hedged.

(vi) Market risk sensitivity analysis

The following table shows the impact, on the Group fund for future appropriations (after tax), from changes in key market variables. Each sensitivity is performed with all other variables held constant. The sensitivity scenarios used are as follows.

Interest rates

100 basis point per annum reduction and increase in market interest rates. For example, if current market rates are 4%, the impact of an immediate change to 3% and 5%. A reduction in interest rates increases the current market value of fixed interest assets but reduces future reinvestment rates. The value of liabilities increases when interest rates fall as the discount rate used in their calculation will be reduced. An increase in rates will have the opposite effect.

Currency rates

10% increase and decrease in the rates of exchange between sterling and the overseas currencies to which the Group is exposed. An increase in the value of sterling relative to another currency will reduce the sterling value of assets and liabilities denominated in that currency. The value of liabilities will decrease when asset values fall, but other than for unit-linked business, the decrease will be less than the fall in asset values because of the presence of financial guarantees and options in the underlying contracts. For unit-linked business, the decrease in liabilities will be less than the fall in asset values due to a reduction in the value of future charge income. As the Group holds relatively few liabilities in overseas currencies, an increase in the value of sterling will reduce the fund for future appropriations.

Equity/property capital values

10% increase and decrease in equity and property capital values at the valuation date, without a corresponding fall or rise in dividend or rental yield. This sensitivity shows the impact of a sudden change in the market value of assets in these separate asset classes. The value of liabilities will decrease when asset values fall but, other than for unit-linked business, the decrease will be less than the fall in asset values because of the presence of financial guarantees and options in the underlying contracts. For unit-linked business, the decrease in liabilities will be less than the fall in asset values due to a reduction in the value of future charge income. Consequently, the fund for future appropriations will be reduced by a fall in asset values.

Notes to the financial statements continued

35. Risk management (continued)

Impact after tax on the fund for future appropriations	Group 2023 £m	Group 2022 £m
Interest rates +100bp	**(39)**	(73)
Interest rates -100bp	**21**	65
10% increase in non-GBP exchange rate	**(102)**	(79)
10% decrease in non-GBP exchange rate	**98**	82
Equity prices +10%	**149**	105
Equity prices -10%	**(152)**	(124)
Property prices +10%	**53**	65
Property prices -10%	**(53)**	(64)

The table has been restated for 2022 to show the impact of separate equity and property sensitivities in place of the combined sensitivities.

Limitations of sensitivity analysis
The table above demonstrates the effect of a change in a key assumption while other assumptions remain unchanged. In practice, there may be dependencies between the underlying risks.

The Group's assets and liabilities are actively managed. For example, the Group's financial risk management strategy aims to manage the exposure to market fluctuations. As investment market conditions change, management actions could include selling investments, changing investment portfolio allocation, adjusting bonuses credited to with-profits policyholders and taking other protective action.

It should also be noted that the impact on the fund for future appropriations from changes in these assumptions may not be linear as implied by these results. Larger or smaller impacts should not be interpolated or extrapolated from these results.

(c) Credit counterparty risk

Counterparty risk is the likelihood or probability that one of the parties in a transaction defaults on its contractual obligation. Counterparty risk can exist in investments or bilateral transactions and contractual relationships with financial or non-financial counterparties.

The Group's exposure to credit counterparty risk arises principally from its investment portfolio, from its holdings in bonds, commercial real estate loans, derivatives, from cash and from reinsurance arrangements. The Market risk policy sets out various high-level requirements relating to the identification, measurement, modelling, management, monitoring, reporting and documentation of credit risk. The Market risk policy also sets out other specific requirements relating to legal, collateral, and valuation arrangements. Where possible, significant counterparty exposures, particularly in respect of stock lending and derivatives, are mitigated using collateral.

A comprehensive system of limits is in place to control exposure to this risk. While ratings provided by external agencies such as Standard & Poor's and Moody's and expert investment advice are considered when setting limits to individual counterparties, there are separate limits for exposures in respect of cash and deposits and for corporate bond and sovereign debt exposures defined by asset class and in aggregate. The one exception is exposure to the UK Government – investment in Government debt is a key part of the Group's investment and asset liability management strategies and it has been decided that no limit should be set. If the UK's credit standing were to deteriorate significantly, however, this decision would be reviewed.

Exposures to individual counterparties are monitored against the agreed limits set in the Concentration Risk Framework, which is reviewed by the Group's Investment Strategy Committee. For bond holdings, exposures are also monitored by industry sector and by credit rating.

The Group is also exposed to credit risk in respect of its reinsurance arrangements. The credit exposures for reinsurance contracts are monitored by the Group's Capital Management and Insurance Risk Committees.

The Group's Matching Adjustment Committee, reporting to the Group's Capital Management Committee, provides oversight of the operation of the Matching Adjustment portfolio and compliance with the Matching Adjustment requirements. It also acts as a forum in reviewing and approving or rejecting Commercial Real Estate Loan and Private Placement investment opportunities as and when they arise.

35. Risk management (continued)

The following tables show an analysis of the credit quality of those assets of the Group that are subject to credit counterparty risk, using credit ratings issued by companies such as Standard & Poor's, where these are available. The credit risk in respect of linked assets is borne by the holders of the contracts concerned, except where investment is made in the funds of other life companies via reinsurance contracts and the linked assets are therefore excluded from the table. The Company has a similar risk profile to that shown for the Group and therefore it has not been analysed separately.

AAA is the highest rating possible for assets exposed to credit risk. The credit ratings in respect of derivative financial investments are those of the counterparties to the derivative contracts. The debt and fixed income securities which have not been rated by an external agency are subject to internal analysis to provide an internal rating, which at 31 December 2023 was predominantly AA or A (2022: either AA or A).

The internal rating process used by the Group is to assess credit risk within the context of the bond issuer's financial position, the bond's covenants and structure and the likely recovery should default occur. Three major sectors that are significant issuers of sterling-denominated unrated bonds, namely social housing, investment trusts and property, are each asset rich. For these sectors, documented specific credit analysis is undertaken, which assesses the individual risks of bonds in the sector and relates the risk of loss to that implied by the rating bands of the rating agencies. The internal ratings produced are compared for consistency with formally rated, broadly equivalent stocks in the same sector and for consistency with the market pricing of the underlying bond. For stocks in other sectors, the background of the issuer and the bond characteristics are assessed within a framework similar, where possible, to credit rating agency methodology. The Company's credit risk profile is aligned to the Group. To minimise its exposure to credit risk, the Group and Company invest primarily in higher-graded assets, rated BBB or above. The Group and Company also make use of collateral arrangements in respect of their derivative exposures and stock lending activity, wherever possible. Further details of the collateral held are shown in note 18.

	Group – 2023						
	AAA £m	AA £m	A £m	BBB £m	BB or lower £m	Not rated £m	Total £m
Stage 1 assets at amortised cost							
Cash at bank	–	254	206	5	25	–	**490**
Loss allowance	–	–	–	–	–	–	**–**
Exposure to credit risk	**–**	**254**	**206**	**5**	**25**	**–**	**490**
Simplified approach assets held at amortised cost							
Debtors arising out of direct insurance operations	–	–	–	–	–	50	**50**
Debtors arising out of reinsurance operations	–	–	–	–	–	92	**92**
Other debtors	–	1,791	–	–	–	559	**2,350**
Loss allowance	–	–	–	–	–	(9)	**(9)**
Exposure to credit risk	**–**	**1,791**	**–**	**–**	**–**	**692**	**2,483**
Assets at FVTPL							
Other financial investments:							
Derivative assets	–	1,232	405	–	–	–	**1,637**
Debt and fixed income securities	860	5,231	2,398	1,971	166	335	**10,961**
Commercial real estate loans	–	–	–	–	–	86	**86**
Loans secured by policies	–	–	–	–	–	2	**2**
Other							
Reinsurers' share of insurance liabilities	–	2,871	396	–	–	–	**3,267**
	860	**11,379**	**3,405**	**1,976**	**191**	**1,115**	**18,926**

Notes to the financial statements continued

35. Risk management (continued)

	Group – 2022						
	AAA £m	AA £m	A £m	BBB £m	BB or lower £m	Not rated £m	Total £m
Stage 1 assets at amortised cost							
Cash at bank	443	204	30	–	–	–	**677**
Loss allowance	–	–	–	–	–	–	**–**
Exposure to credit risk	**443**	**204**	**30**	**–**	**–**	**–**	**677**
Simplified approach assets held at amortised cost							
Debtors arising out of direct insurance operations	–	–	–	–	–	53	**53**
Debtors arising out of reinsurance operations	–	–	–	–	–	62	**62**
Other debtors	–	1,797	–	–	–	435	**2,232**
Loss allowance	–	–	–	–	–	(4)	**(4)**
Exposure to credit risk	**–**	**1,797**	**–**	**–**	**–**	**546**	**2,343**
Assets at FVTPL							
Other financial investments:							
Derivative assets	–	1,423	412	–	–	–	**1,835**
Debt and fixed income securities	2,920	3,805	1,818	1,736	151	268	**10,698**
Commercial real estate loans	–	–	–	–	–	52	**52**
Other							
Reinsurers' share of insurance liabilities	–	3,180	54	–	–	–	**3,234**
	3,363	**10,409**	**2,314**	**1,736**	**151**	**866**	**18,839**

Allowance is made for expected credit losses for Stage 1 assets based on default events that are possible within the next 12 months. Expected credit losses are calculated using three key input parameters: the probability of default, the expected loss given default and the exposure at default. The probability of default is estimated using quoted credit default swap spreads and the loss given default is taken to be to be 100%.

Debtor balances are assessed using the simplified method, which means that the not-rated assets default to Stage 2 and a lifetime expected credit loss is calculated. Expected credit losses are measured for these assets based on the ageing of the balances and historical payment experience or by the use of discounted cash flow techniques.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for these financial assets.

(d) Liquidity risk

Liquidity risk is the risk that a firm, though solvent, either does not have sufficient financial resources available to enable it to meet its obligations as they fall due or can secure them only at excessive cost. Liquidity risk can emerge over a number of timeframes, this includes both fast-moving scenarios as well as more sustained scenarios where the liquidity position deteriorates slowly.

Liquidity risk management strategy sets out the Group's overall approach for managing liquidity risk, covering both day-to-day and longer-term management of liquidity risk. All material sources of liquidity risk have been identified to ensure adherence to the liquidity appetite as approved by the Board. The Group recognises that extreme liquidity issues could have a severe impact on the Group and manages its liquidity risk through ensuring sufficient availability of liquid assets ('liquidity buffer'). The Group's liquidity management process includes:

- monitoring of liquidity risk limits, primarily through Liquidity Coverage Ratios (LCRs). The metric is the ratio of the sources of liquidity (the liquidity buffer) over the uses of liquidity under stressed conditions. The Group's use of liquidity arises principally from its insurance, reinsurance, derivative and investment contracts. Projected cash flows and stressed liquidity reserves are incorporated in the LCR, and are calculated in line with the liquidity risk appetite;

35. Risk management (continued)

- holding an appropriate liquidity buffer. The composition includes assets that are unencumbered, and of high credit quality, readily marketable and have a proven record as a reliable source of liquidity during stressed conditions to enable meeting short-term obligations as they fall due;
- setting minimum amounts of cash balances in each of its long-term funds. These are set by reference to recent and expected cash outflows and include a margin above reasonably expected amounts to reduce risk;
- maintaining a contingency funding plan that includes a clear management action plan providing an analysis of available financing options, regular and alternative sources of liquidity and an evaluation of a range of possible adverse scenarios;
- maintaining a diversified pool of short-term funding / liquidity available to the Group. As part of this, on 18 December 2023 the Company entered into a £500m revolving credit facility for a period of five years, with an option for two further one-year extensions. The facility was fully undrawn as at 31 December 2023;
- maintaining a recovery plan that identifies triggers for action, a clear management action plan providing an analysis of available financing options, regular and alternative sources of liquidity and an evaluation of a range of possible adverse scenarios; and
- appropriate matching of the maturities of assets and liabilities. The Group's market risk policy covers asset liability management to ensure the duration of liabilities is matched by assets.

These processes are regularly reviewed and updated to ensure their continued effectiveness.

The Group's exposure to liquidity risk principally arises from insurance and investment contracts and the use of derivatives. The following tables show a maturity analysis for the Group's insurance and investment contract liabilities. As permitted by FRS 103, for insurance and participating investment contracts, this has been presented as the expected future cash outflows arising from the liabilities. The analysis for the unit-linked investment contracts has been shown on the same basis for consistency. Had the analysis for these liabilities been presented on the basis of the earliest contractual maturity date (as required by FRS 102 Section 34) then the whole balance would have been included in the '0–5 years' column, as customers can exercise surrender options at their discretion. In such a scenario the liability may be reduced by the application of surrender penalties (if applicable). The tables also show a maturity analysis for the Group's derivative liabilities and the reinsurance liabilities presented on a contractual cash flow basis. The maturity analysis for cash collateral has not been disclosed as it is due on demand because it is dependent on fluctuations in the value of the collateralised derivatives.

The longer-term matching of assets and liabilities is covered within market risk, note 35(b). As a result of the policies and procedures in place for managing its exposure to liquidity risk, the Group considers the residual long-term liquidity risk arising from its activities to be immaterial. Therefore, an analysis of the Group's asset cash flows by contractual maturity is not considered necessary to evaluate the nature and extent of the Group's liquidity risk. The Company has a similar liquidity risk profile to that of the Group and therefore it has not been analysed separately.

	Group 2023						
		Cash flows (undiscounted)					
	Balance sheet carrying value £m	0–5 years £m	5–10 years £m	10–15 years £m	15–20 years £m	20+ years £m	Total £m
Participating insurance contract liabilities	**(25,527)**	(11,147)	(10,365)	(7,189)	(2,680)	(2,337)	**(33,718)**
Participating investment contract liabilities	**(1,847)**	(768)	(602)	(395)	(565)	(403)	**(2,733)**
Non-profit insurance contract liabilities	**(3,879)**	(893)	(1,258)	(1,262)	(1,086)	(2,193)	**(6,692)**
Unit-linked insurance contract liabilities	**(1,103)**	(508)	(479)	(210)	(108)	(109)	**(1,414)**
Unit-linked investment contract liabilities	**(78,832)**	(26,716)	(24,439)	(20,525)	(16,227)	(32,198)	**(120,105)**
Derivative liabilities	**(3,071)**	(1,628)	(1,695)	(1,620)	(1,467)	(3,376)	**(9,786)**
Reinsurance liabilities	**(1,778)**	(611)	(558)	(488)	(390)	(651)	**(2,698)**

Notes to the financial statements continued

35. Risk management (continued)

	Group 2022						
		Cash flows (undiscounted)					
	Balance sheet carrying value £m	0–5 years £m	5–10 years £m	10–15 years £m	15–20 years £m	20+ years £m	Total £m
Participating insurance contract liabilities	**(25,876)**	(11,601)	(10,635)	(7,757)	(2,879)	(2,645)	**(35,517)**
Participating investment contract liabilities	**(1,903)**	(762)	(626)	(456)	(584)	(385)	**(2,813)**
Non-profit insurance contract liabilities	**(3,565)**	(799)	(1,141)	(1,139)	(970)	(1,682)	**(5,731)**
Unit-linked insurance contract liabilities	**(1,136)**	(557)	(516)	(230)	(116)	(98)	**(1,517)**
Unit-linked investment contract liabilities	**(69,486)**	(23,577)	(22,813)	(18,351)	(14,430)	(27,086)	**(106,257)**
Derivative liabilities	**(3,049)**	(1,006)	(938)	(840)	(714)	(1,496)	**(4,994)**
Reinsurance liabilities	**(1,781)**	(614)	(568)	(508)	(413)	(728)	**(2,831)**

(e) Pension scheme risk

The Group maintains three defined benefit pension schemes for past and current employees. The ability of the pension schemes to meet the projected pension payments is maintained through investments and, when required, regular contributions from the Group. Risk arises because the estimated market value of the pension fund assets might decline; or their investment returns might reduce; or the estimated value of the pension liabilities might increase. In these circumstances, the Group could be required to make additional contributions. On 24 November 2023, the trustee of the Royal Liver UK scheme transacted a bulk annuity buy-in policy with RLMIS. This covered all the benefits of the scheme for all deferred pensioners and current pensioners (other than any GMP equalisation), removing all investment and longevity risks associated with these benefits. This means that for this scheme, the ability to meet projected pension payments is also directly linked to RLMIS. Management of the assets of the pension schemes is the responsibility of each scheme's trustees, who also appoint the Scheme Actuaries to perform triennial valuations to assess the level of funding required to meet the schemes' liabilities. The schemes' main exposures are to equity, interest rate, inflation, and longevity risk. For further information on pension scheme assets and liabilities, see note 23. The Group monitors its pension schemes' exposure using a variety of metrics which are regularly reviewed by the Group's Capital Management Committee and are used in discussions with the trustees, through whom any risk management activity must be conducted.

(f) Operational risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people, and systems, or from external events. Operational risks include, but are not limited to, information technology, information security, people, change management, legal and regulatory, financial crime, customer outcomes and processing. Senior management has primary responsibility for the management of operational risks through developing policies, procedures and controls across the different products, activities, processes, and systems under their control.

Details of risks on inherent (before controls) and residual (after controls) bases are maintained on risk registers, with each part of the business being responsible for identifying, assessing, managing, and reporting on its operational risks and for implementing and maintaining controls in accordance with the Group's risk management system. In performing these assessments, account is taken of the Group's risk appetite with greater significance being placed on those risks that fall outside these parameters. This is used as a basis for review and challenge by senior management, risk committees, and the Board of Directors. Management attention is focused upon those controls identified as not working as effectively as desired and upon action plans which are put in place when any weakness is identified. In addition, the Group conducts a series of operational risk scenarios. These scenarios allow the Group to consider how effective controls would be should an extreme event occur and to make improvements where necessary. The scenarios also provide data that is used to calculate the capital held by the Group for operational risk. Within the Group's management of operational risks significant consideration is given to conduct risk and the risk of unfair outcomes to our customers and members.

35. Risk management (continued)

(g) Climate change risks

Climate change has the potential to affect the Group across multiple risk categories. For example, it is important that we:

- appropriately manage climate-related impacts on market risk;
- develop or modify propositions in line with changing Government or regulatory policy and/or market sentiment;
- effectively report our response to climate change to meet evolving disclosure requirements;
- effectively and transparently communicate our climate-related activities, including associated dependencies and limitations; and
- meet our climate commitments.

In addition to these examples, the Group is exposed to a range of other financial, strategic and operational risks arising from climate change.

The Group's approach to climate risk recognises the breadth of risks faced by the Group that arise from climate change. As part of this, the climate risk appetite statement references the embedding of these risks into risk management disciplines across the Group. In 2023, we established an internal biannual climate risk report to help refine climate risk management across the business. The report currently incorporates input from RLMIS business areas and is being expanded to adopt findings from across the Group, in accordance with the Group Climate Risk Appetite Statement.

Further information on the potential risks and opportunities that climate change poses to our business is included on page 62. Our approach to managing climate risks is outlined in detail on pages 29 to 35.

(h) Emerging risk

All insurers may be impacted by risks that are potentially significant but are currently only just beginning to emerge. The Group has defined emerging risks as newly developing or changing risks that are difficult to quantify and which may have a major impact on the Group. Typically, these risks will arise from the external environment and will be as a of changes that are technological, economic, environmental or geopolitical in their nature.

Emerging risks are considered by the Emerging and Strategic Risk Forum ("ESRF") on a bi-annual basis. The Forum comprises members from across the Group who determine the appropriateness of the evaluation of these risks and associated activity in place to monitor and manage these risk exposures going forward. Where an emerging risk is relevant and has an impact on the Group, the ESRF will recommend that it is moved from the Group's Emerging Risk Profile and should be reported as per other significant risks. When a previously reported emerging risk has already occurred or is no longer deemed relevant and is not going to have an impact on the Group, the ESRF will recommend that it is removed from the Group's Emerging Risk Profile. The findings from the ESRF are presented to the Group Executive Risk Committee (GERC) for review.

(i) Risk governance

An independent Risk and Compliance function provides challenge to the business on the effectiveness of the risk management practices being followed on the risks identified, the strength of the controls in place, and any actions being progressed. The independent function provides advice and guidance on the impact of regulatory change and undertakes risk-based compliance monitoring reviews to assess the quality of business processes and controls, reporting the results of its findings to management and to the Board monthly.

Notes to the financial statements continued

35. Risk management (continued)

(j) Stress and scenario testing

The Group conducts a range of sensitivity analysis and stress and scenario testing activity in order to help it understand its risk profile and assess and manage its risks. This is a key element of the Group's risk management system, as well as being a regulatory requirement.

Stress and scenario testing in various forms is carried out on a regular basis as part of business as usual and in response to specific regulatory initiatives and can involve either:

- straightforward stress tests/sensitivity analysis: analyses of the sensitivity of financial and operational metrics and the risk profile to discrete changes in market values or demographic experience; or
- scenarios that involve a combination of changes in economic parameters or that concentrate on specific operational, non-market and/or market risks.

The following regular outputs are produced and include results from one or both of the tests described above:

- Capital Monitoring Reports, produced monthly for the Capital Management Committee;
- Reports on the capital requirements of the Company, produced annually;
- Own Risk and Solvency Assessment (ORSA) analysis, produced annually;
- Recovery and Resolution Plans, produced annually;
- Internal Capital and Risk Assessment (ICARA) results for regulated non-insurance firms (where applicable), produced annually; and
- Business Plans, produced annually.

The stress testing performed includes changes in market risk, credit risk, insurance risks and operational risks, as well as combinations of these risk types. Key assumptions are varied from their best estimate assumption and the outcome provides detail of the sensitivity of these assumptions and the resultant impact on various financial metrics. This informs the business of the key risks that need to be managed and monitored.

Operational risk stresses and scenarios are completed to calculate the capital required for this risk. The stresses allow an assessment of the extreme impacts arising from a given risk by way of assessment of the frequency of occurrence and the distribution of the value of impacts. A top-down approach is used for determining the Company's capital requirements which involves the analysis of single, but potentially catastrophic, events/risks which cover all risks used for modelling the capital requirement.

Various broad-based scenarios and reverse stress tests have been considered in the Group over the year, as well as business model analysis activity. These scenarios provide a top-down analysis of events that would affect the Group in a significant way. These events could be in relation to issues such as the markets in which the Group operates, financial strength, long-term strategy, and liquidity. The outcome of these scenarios informs the Group of any areas of potential weakness, so appropriate controls and mitigating actions can be put in place. Reverse stress tests are specifically used to identify the high-impact stress events which may cause a firm's business model to fail.

Business continuity planning workshops take place to consider where the Group's ability to carry out its business activities would be severely impacted. Participants include senior managers and key contacts from relevant business areas. The lessons learned in these workshops lead to improved business continuity plans and ensure the Group is better equipped to handle possible future events.

36. Related party transactions

Accounting for related party transactions

The Company is the ultimate parent undertaking of the Group. The Group and Company have taken advantage of the exemption in FRS 102 Section 33 not to disclose related party transactions between two or more members of the Group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

The Group and Company have carried out the following transactions with related parties not covered by the disclosure exemption in FRS 102 Section 33:

(a) Related party transactions of the Group and Company

Transactions between Group entities are eliminated on consolidation. The following are those transactions carried out by Group entities with those related parties that are outside the Group.

(i) Transactions with Group pension schemes

During the year, the Company completed a bulk annuity buy-in transaction with the Royal Liver Assurance Limited Superannuation Fund (the Royal Liver UK Scheme), which is a related party of the Group and the Company. On the transaction date, a premium of £246m was paid by the Royal Liver UK scheme to the Company in return for the Company issuing to the scheme a transferable bulk purchase annuity insurance policy. This premium has been recorded within 'Premiums under group contracts' in note 3, within Gross premiums written.

Following this transaction, the bulk annuity purchase insurance policy has been recognised within the Company and Group net pension scheme asset as a transferable plan asset of the Royal Liver UK Scheme (see note 23(d)) and as an insurance liability within the Company and Group long-term business provision (see note 26(a)(ii)).

Our Group asset management company, RLAM, manages the assets held by the Group's pension schemes (RLGPS, Royal Liver UK, and Royal Liver ROI), for which it charges fees based on the level of funds under management. The total fees for the year are £3m (2022: £3m).

RLGPS holds investments in Group-managed funds, as explained in note 23(d).

(ii) Transactions with OEICs and other investment funds

The Group markets a portfolio of OEICs and other investment funds. A number of these funds are classified as subsidiaries and associates for the purposes of financial reporting. However, as set out in note 15 the funds that are subsidiaries and associates are not consolidated in the Group financial statements as the funds are held as part of an investment portfolio. These funds are therefore all related parties of the Group and Company.

For those funds which are subsidiaries (excluding wholly owned) or associates and are not consolidated within the Group, the transactions during the year were as follows:

	2023	2022
	£m	£m
Management fees earned during the year	115	114

Notes to the financial statements continued

36. Related party transactions (continued)

There were no amounts outstanding between the Group or Company and the funds at the year end (2022: £nil). The total value of units held by the Company at 31 December 2023 in the funds that are subsidiaries (excluding wholly owned) or associates was £49,161m (2022: £52,495m). The acquisition and sale of units in the funds during the year were as follows:

	2023 £m	2022 £m
Acquisition of funds	23,446	21,602
Proceeds from sale of funds	31,860	11,398

(iii) Other income received from subsidiaries that are not wholly owned

	Group and Company	
	2023 £m	2022 £m
OEIC distributions	1,315	954

OEIC distributions are those received from all OEIC investment holdings which are subsidiaries (excluding wholly owned) and associates for financial reporting purposes.

(b) Related party transactions of the Company

(i) Outstanding balances with Group entities at the year end

The subsidiaries of the Company are shown in note 15. As set out above, the Company has taken advantage of the exemption in FRS 102 Section 33 not to disclose transactions with its wholly owned subsidiaries. At the year end, the following balances were outstanding with those Group undertakings that are not wholly owned subsidiaries:

	Company	
	2023 £m	2022 £m
Loans	2	2

These loans are repayable on demand and are not secured.

(ii) Transactions with key management personnel

No director or key management personnel had transactions or arrangements with the Group that require disclosure, other than those given in the Directors' Remuneration Report or for key management remuneration disclosed in note 9(c).

37. Capital management

(a) Capital management policies and objectives

The Group's capital management objectives are:

- to protect the Group's financial strength, providing security to policyholders;
- to ensure that the Group's capital position is sufficient to enable it to invest in the development of the business in order to fulfil its stated core strategic objectives as determined by the Board; and
- to comply with SII's capital requirements.

The Group's capital position is monitored on a regular basis and reviewed formally by the Board. The Group's capital requirements are forecast on a regular basis and those forecasts are compared against the available capital.

(b) Regulatory capital (unaudited)

(i) Regulatory capital framework

Royal London is an insurance Group under SII rules, that operates in both the UK and Ireland. Consequently, regulatory capital of RLMIS is reported to the Prudential Regulatory Authority (PRA) and, for RLI DAC, to the Central Bank of Ireland (CBI). Group regulatory capital is reported to both the PRA and the CBI.

Under SII, the Group and Company are required to hold sufficient capital to withstand adverse outcomes from their key risks, for example, that equity markets fall. This 'Solvency Capital Requirement' (SCR) is calibrated so that it is broadly equal to the adverse experience likely to occur once in every 200 years.

The PRA has approved the use of a Partial Internal Model to calculate the capital requirements of the Group and the Company. The capital assessment of RLI DAC is on a Standard Formula basis.

(ii) Regulatory capital position

The table below sets out the Group and Company's eligible Own Funds, SCR, solvency surplus and capital cover ratio on an Investor View basis and a Regulatory View basis[1].

	Group		Company	
	2023[2]	2022	**2023[2]**	2022
Investor View (£m)[1]				
Eligible Own Funds (A)	5,330	4,683	5,356	4,717
Solvency capital requirement (SCR) (B)	2,450	2,200	2,279	2,024
Solvency surplus	2,880	2,483	3,077	2,693
Capital cover ratio (A/B)[3]	218%	213%	235%	233%
Regulatory View (£m)[1]				
Eligible Own Funds (A)	5,601	4,828	5,620	4,853
Solvency capital requirement (SCR) (B)	2,721	2,345	2,543	2,160
Solvency surplus	2,880	2,483	3,077	2,693
Capital cover ratio (A/B)[3]	206%	206%	221%	225%

1. In common with others in the industry, we present two views of our capital position: an Investor View for analysts and investors in our subordinated debt, and a Regulatory View where the closed funds' surplus is excluded as a restriction to Own Funds.
2. The 2023 figures are estimated. The final figures will be presented in the 2023 Single Group SFCR, which will be published on the Group's website by April 2024. This SFCR meets the SII disclosure requirements of the Group and the Company and removes the requirement to produce a separate SFCR for the Company.
3. Figures presented in this table are rounded and the capital cover ratio is calculated based on exact figures.

The Financial review provides an explanation of the change in the Group Investor View and Group Regulatory View capital ratios in 2023 (see pages 52 to 58).

Notes to the financial statements continued

37. Capital management (continued)

(iii) Reconciliation of Group UK GAAP fund for future appropriations to regulatory capital eligible Own Funds

The SII eligible Own Funds are determined by aggregating assets and liabilities recognised and measured on a SII basis. A reconciliation of the UK GAAP fund for future appropriations (FFA) attributable to members on a UK GAAP basis to estimated SII eligible Own Funds is set out in the table below.

	Group		Company	
	2023	2022	**2023**	2022
	£m	£m	**£m**	£m
UK GAAP Fund for future appropriations	4,106	3,751	4,432	3,992
Adjustments to a SII basis:				
Adjustment to the value of technical provisions and reinsurance assets[1]	523	316	508	303
Goodwill, other intangible assets and deferred acquisition costs[2]	(166)	(184)	(193)	(215)
Other valuation differences[3]	118	199	(156)	33
Inclusion of closed funds surplus classified as a UK GAAP liability[4]	1,900	2,419	1,900	2,419
Excess of assets over liabilities in SII balance sheet	**6,481**	**6,501**	**6,491**	**6,532**
Subordinated liabilities[5]	1,221	1,210	1,221	1,210
Subordinated liabilities adjustment[6]	–	(107)	–	(130)
Deferred tax adjustment[7]	(6)	(36)	–	(22)
Ring-fenced fund adjustment[8]	(2,095)	(2,740)	(2,092)	(2,737)
SII eligible Own Funds (Regulatory View) - estimate	**5,601**	**4,828**	**5,620**	**4,853**
Remove closed funds restricted Own Funds	(271)	(145)	(264)	(136)
SII eligible Own Funds (Investor View) – estimate	**5,330**	**4,683**	**5,356**	**4,717**

1. The adjustment to the value of technical provisions and reinsurance assets results from the recalculation of these balances using SII requirements. This includes the removal of the margins of prudence included in the UK GAAP values (so that assumptions are all best estimates), the inclusion of the SII risk margin, the use of the SII yield curve including the volatility adjustment for appropriate lines of business, the adoption of SII contract boundary definitions (mainly affecting unit-linked business), the benefit from the SII transitional provisions and also the removal of a UK GAAP-only liability to offset the surplus arising in the two Liver pension schemes.
2. Goodwill, other intangible assets and deferred acquisition costs are recognised in the UK GAAP balance sheet. Under the SII valuation rules, these assets are valued at £nil.
3. Other valuation differences relate principally to the value of participations, renewal commission liabilities and subordinated liabilities. In the UK GAAP balance sheet participations are valued at fair value, and for SII the valuation equates to the value of net assets on a SII basis. A renewal commission liability is recognised in the UK GAAP balance sheet but not on a SII basis. Subordinated liabilities are held at amortised cost for UK GAAP and at fair value for SII.
4. For UK GAAP any excess of assets over liabilities within the closed funds is included within liabilities, so the FFA includes amounts relating to the Royal London Main Fund only. For SII, the excess within the closed funds is included within total eligible Own Funds, but only up to the value of the solvency capital requirement (SCR) of the closed funds.
5. Subordinated liabilities (see note 24) are included within eligible Own Funds on a SII basis, whereas UK GAAP treats subordinated debt as a liability.
6. In accordance with SII requirements, a restriction is applied so that the value of Tier 2 subordinated liabilities (see note 24) does not exceed 50% SCR. This restriction applied at 31 December 2022 but does not apply at 31 December 2023.
7. The Group and Company has deferred tax assets that can be restricted under the SII rules and an element of which will not be recognised as SII eligible Own Funds.
8. The ring-fenced fund adjustment is where the closed funds' surplus in excess of the SCR is excluded from total eligible Own Funds and treated as a liability.

38. Corporate transactions

On 4 April 2023, the Group entered into a Framework Agreement and Transitional Services Agreement with Aegon UK for a portfolio of protection contracts, related reinsurance contracts and net current liabilities via a Scheme of transfer under Part VII of the Financial Services and Markets Act ('Part VII transfer'). In the period up to the effective date of the Part VII transfer, which is expected to take place in the second half of 2024, Royal London also entered into a Reinsurance Agreement with Aegon UK to 100% reinsure the element of the book not already reinsured with third parties. In 2023, a charge of £148m has been recognised within 'Net operating expenses' (see note 7), being the consideration paid and the initial recognition of certain net current liabilities. An offsetting credit of £148m has been recognised in 'Change in long-term business provision, net of reinsurance'. There was no gain or loss recognised at the date of the transaction. All amounts received under the reinsurance agreement have been recognised within 'Gross premiums written' (see note 3(a)) and 'Claims paid' (see note 6(a)), with changes in our reinsurance liabilities recognised in 'Change in long-term business provision, net of reinsurance' accordingly (see note 26(a)).

In November 2023, the Group reached agreement with Bspoke Group for the sale of the general insurance and healthcare elements of the Police and Forces Mutual businesses (PMGI Limited and PMHC Limited). The transaction completed on 29 February 2024. PMGI Limited and PMHC Limited therefore continued to be part of the Group as at 31 December 2023.

The Group purchased an additional 10% shareholding in Responsible Life Limited and Responsible Lending Limited (together the 'Responsible Group') on 31 March 2023, bringing the total shareholding as at 31 December 2023 to 40%. In November 2023, the Group agreed to acquire the remaining 60% stake in the Responsible Group, and completed the acquisition in January 2024. The consideration payable for the transaction was an initial £12m, plus up to an additional £11m based on subsequent business performance.

39. Subsequent events

On 31 January 2024, the Group completed its acquisition of the remaining 60% stake in the businesses of Responsible Life Limited and Responsible Lending Limited. See note 38 for further details.

On 31 January 2024, the trustees of the Royal London Group Pension Scheme (RLGPS) purchased a bulk annuity policy from RLMIS. This transaction covered approximately 18% of the Scheme's liabilities. The premium paid by the scheme to RLMIS was £348m. The resulting changes in RLMIS's pension scheme asset and technical provisions will be recognised from 2024. See note 23 for further details.

On 29 February 2024, the Group completed its sale of the general insurance and healthcare elements of the Police and Forces Mutual businesses (PMGI Limited and PMHC Limited) to Bspoke Group. See note 38 for further details.

Notes to the financial statements continued

40. Alternative performance measures

The Group assesses its financial performance based on a number of measures, some of which are not defined or specified in accordance with relevant financial reporting frameworks such as UK GAAP or Solvency II. These measures are known as alternative performance measures (APMs).

APMs are disclosed to provide further information on the performance of the Group and should be viewed as complementary to, rather than a substitute for, the measures determined according to UK GAAP and Solvency II requirements. Accordingly, these APMs may not be comparable with similarly titled measures and disclosures by other companies.

Operating profit before tax

Operating profit before tax excludes short-term investment return variances and economic assumption changes; goodwill (charge)/credit arising from mergers and acquisitions; ProfitShare; ValueShare; tax; and one-off items of an unusual nature that are not related to the underlying trading of the Group. Profits arising within the closed funds are held within the respective closed fund surplus, therefore operating profit before tax represents the result of the Royal London Main Fund. A reconciliation to the UK GAAP transfer to/(from) the fund for future appropriations is included on page 54.

ProfitShare

ProfitShare is an allocation of part of the Group's operating profits by means of a discretionary enhancement to asset shares and unit fund values of eligible policies. Further detail on how the ProfitShare allocation is presented within the UK GAAP results is provided in note 26(c).

Assets under management

The total of assets managed by, or on behalf of, the Group, including funds managed on behalf of third parties. This includes assets where the beneficial ownership interest resides with third parties (and which are therefore not recognised in the UK GAAP balance sheet) but on which the Group earns fee revenue.

Group Solvency II capital cover ratio (Investor View)

The capital cover ratio is a good indicator of our ability to withstand tough economic conditions, with higher numbers indicating more capital over and above our requirements. Further details of the Group's capital position and its calculation are included in the Financial review on pages 56 to 58.

New business sales

New business sales are expressed on the present value of new business premiums (PVNBP) basis. PVNBP is calculated as a total of new single premium sales received in the year plus the discounted value, at the point of sale, of the regular premiums we expect to receive over the term of the new contracts sold in the year. The discounted value of regular premiums is calculated using the same methodology as on a Solvency II basis.

Other information

2024 financial calendar

Date	Event
8 March 2024	Financial Results for 2023 and conference call
24 May 2024	RL Finance Bonds No. 6 plc subordinated debt interest payment date
11 June 2024	Annual General Meeting
2 August 2024	Interim Financial Results for 2024 and conference call
7 October 2024	RL Finance Bonds No. 4 plc subordinated debt interest payment date
13 November 2024	RL Finance Bonds No. 3 plc subordinated debt interest payment date
25 November 2024	RL Finance Bonds No. 6 plc subordinated debt interest payment date

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Forward-looking statements

Royal London may make verbal or written 'forward-looking statements' within this document, with respect to certain plans, its current goals and expectations relating to its future financial condition, performance, results, operating environment, strategy and objectives. Statements that are not historical facts, including statements about Royal London's beliefs and expectations and including, without limitation, statements containing the words 'may', 'will', 'should', 'continue', 'aims', 'estimates', 'projects', 'believes', 'intends', 'expects', 'plans', 'seeks' and 'anticipates', and words of similar meaning, are forward-looking statements. The statements are based on plans, estimates and projections as at the time they are made and involve unknown risks and uncertainties. These forward-looking statements are therefore not guarantees of future performance and undue reliance should not be placed on them.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances, some of which will be beyond Royal London's control. Royal London believes factors could cause actual financial condition, performance or other indicated results to differ materially from those indicated in forward-looking statements in the report. Potential factors include but are not limited to: geopolitical conditions; UK and Ireland economic and business conditions; future market-related risks such as high interest rates; sustained high levels of inflation and the performance of financial markets generally; the policies and actions of governmental and regulatory authorities (for example new government initiatives); the impact of competition; the effect on Royal London's business and results from, in particular, mortality and morbidity trends, lapse rates and policy renewal rates; and the timing, impact and other uncertainties of future mergers or combinations within relevant industries. These and other important factors may, for example, result in changes to assumptions used for determining results of operations or re-estimations of reserves for future policy benefits.

As a result, Royal London's future financial condition, performance and results may differ materially from the plans, estimates and projections set forth in Royal London's forward-looking statements. Royal London undertakes no obligation to update the forward-looking statements in this document or any other forward-looking statements Royal London may make. Forward-looking statements in this document are current only at the date on which such statements are made. This report has been prepared for the members of Royal London and no one else. None of Royal London, its advisers or its employees accept or assume responsibility to any other person and any such responsibility or liability is expressly disclaimed to the extent not prohibited by law.

Glossary

A

Acquisition costs
The costs of acquiring and processing new business, including a share of overheads.

Alternative performance measure (APM)
A financial measure of performance not defined or specified by accounting standards.

Annual allowance
The maximum amount of pension savings that an individual can contribute to in a tax year without facing a tax charge.

Annual General Meeting (AGM)
Provides an important opportunity for members to receive an overview of Royal London's financial and business performance, and to vote on resolutions proposed by the Board.

Annuity
An insurance policy that provides a regular income in exchange for a lump-sum payment.

Asset Management segment
Comprises Royal London Asset Management Holdings Limited and its subsidiaries. Royal London Asset Management provides investment management services to the other entities within the Group and to external clients, including pension funds, local authorities, universities and charities, as well as individuals.

Asset manager
A financial institution that is responsible for managing financial investments on behalf of asset owners.

Asset owner
An institution (or individual) that owns assets but entrusts day-to-day investment decisions to asset managers, typically supported by detailed mandates and policies.

Asset share
A policy's asset share is calculated by accumulating the premiums paid, deducting all applicable expenses and tax, and adding its share of the investment returns achieved by the with-profits fund over the policy's lifetime.

Assets under management (AUM)
The total of internal assets managed on behalf of the Royal London Group, plus external assets managed on behalf of third parties.

Association of British Insurers (ABI)
A trade association which represents the collective interests of the UK's insurance industry.

Automatic enrolment
A system that requires employers to enrol their eligible workers into a workplace pension scheme.

B

Board
The Board of directors of The Royal London Mutual Insurance Society Limited.

Building Research Establishment Environmental Assessment Method (BREEAM)
A leading, science-based suite of validation and certification systems for a sustainable built environment. It uses performance measures set against established benchmarks to evaluate the sustainability of a building's specification, design, construction and use.

Business plan
An internal forecast, which is approved by the Board annually. This sets out Royal London's forecast and targets over a planning horizon.

Business unit
A sub-division of the Group that focuses on a specific product offering, market or function. A business unit may be a statutory entity or part of one or more separate statutory entities.

C

Capital Cover Ratio
Own Funds divided by Solvency Capital Requirement.

Carbon emissions/CO_2 equivalent emissions
The release of Greenhouse Gases (GHGs) into the atmosphere using the universal unit of measurement to indicate the global warming potential (GWP) of each of the seven greenhouse gases, expressed in terms of the GWP of one unit of carbon dioxide (Source: GHG Protocol).

CIS
Co-operative Insurance Society Limited which was purchased by the Group on 31 July 2013. On 1 August 2013 it was renamed Royal London (CIS) Limited.

Climate Transition Plan
The Transition Plan Taskforce (TPT) defines a transition plan as follows: A transition plan is integral to an entity's overall strategy, setting out its plan to contribute to and prepare for a rapid global transition towards a low GHG-emissions economy in a manner that is consistent with its constitutional documents and the duties of its directors and senior managers.

Closed funds
Our funds that are now closed to new business. Also known as Ring-fenced funds. See Ring-fenced fund (RFF) for further details.

Company
The Royal London Mutual Insurance Society Limited.

Consumer Duty
A duty introduced by the FCA for financial services firms to act in the best interests of consumers and provide them with good outcomes.

Consumer Price Index (CPI)
A measure of changes in the price level of a basket of consumer goods and services purchased by households.

Contract boundary
The point where the insurer can unilaterally terminate the contract, refuse to accept a premium, or amend the benefit or premium without limit.

Critical illness cover

Cover that pays a lump sum if the insured person is diagnosed with a serious illness that meets the cover's definition.

D

Deferred acquisition costs (DAC)

A method of accounting whereby certain acquisition costs on long-term business are deferred and therefore appear as an asset. This leads to a smoothed recognition of acquisition costs instead of recognising the full amount in the year of acquisition.

Deferred fee income

A method of accounting whereby up-front policy charges are deferred and therefore appear as a liability. This leads to a smoothed recognition of these charges instead of recognising the full amount in the year of acquisition.

Defined benefit scheme

A type of occupational pension scheme where the benefits are based on the employee's salary and service.

Discounting

The process of expressing a future cash transaction in terms of its present value using a discount rate that reflects the time value of money.

Drawdown

A flexible way of using your savings. With a defined contribution scheme, once you reach age 55, you can draw down some or all of your savings at any time as cash lump sums, income or a combination of both.

E

Economic assumptions

Assumptions of future amounts of various economic parameters, such as interest rates, investment returns, inflation and tax rates. The impact of variances in these assumptions is treated as non-operating profit or loss.

Employee engagement index

A widely used measure of employee satisfaction.

Environmental, social and governance (ESG)

Financially material environmental, social and governance risks and opportunities being embedded into investment and operational decisions.

Equity release

A way of unlocking some of the value of your home without having to move out, by either taking out a loan secured against your property or selling a share of it to a provider.

Experience variances

The impact of actual mortality, morbidity, persistency and expense experience being different to that expected at the start of the period.

F

Fair value

The amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's-length transaction.

Fair value through profit or loss (FVTPL)

Where for assets and liabilities measured at fair value, a movement in that fair value is taken directly to the statement of comprehensive income.

Final salary scheme

A defined benefit pension scheme that provides a pension based on salary at retirement.

Financial Conduct Authority (FCA)

An independent conduct of business regulator, which ensures that business is conducted in such a way that advances the interests of all users of, and participants in, the UK financial sector.

Financial options and guarantees

For Royal London business, 'financial options' refers principally to guaranteed annuity options. 'Guarantees' refers to with-profits business where there are guarantees that parts of the benefits will not reduce in value, or are subject to a minimum value.

Financial Reporting Council (FRC)

The UK's independent regulator responsible for promoting high-quality corporate governance and reporting to foster investment.

Financial Reporting Data and Control Framework (FRDCF)

The framework of internal control established by Royal London to ensure that it is able to effectively mitigate the risk of material misstatement in its internal and external financial reporting.

Fund for Future Appropriations (FFA)

The amount of surplus that has not been allocated to policyholders at the balance sheet date.

G

GHG Protocol

Establishes comprehensive global standardised frameworks to measure and manage GHG emissions from private and public sector operations, value chains and mitigation actions. Building on a 20-year partnership between the World Resources Institute and the World Business Council for Sustainable Development, the GHG Protocol works with governments, industry associations, NGOs, businesses and other organisations.

GMAP fund

The Royal London GMAPs or 'Global Multi Asset Portfolios' are Royal London Asset Management's range of six actively managed, multi asset funds. The funds cover a broad range of asset types and are designed to offer investors diversified exposure to these in line with their investment objectives and appetite for risk. The funds primarily invest in Royal London Asset Management funds, with exposure to other schemes managed by third parties.

Governed Range

Our flagship offering, these are ready-made investment options designed to suit customer needs, in which investments are automatically balanced dependent on the customer's risk appetite and length of time to retirement.

Greenhouse gas (GHG)

The seven gases included in the United Nations Framework Convention on Climate Change as drivers of climate change: carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF_6) and nitrogen trifluoride (NF_3).

Gross inflows

Incorporate flows into RLAM from external clients (external flows) and those generated from RLMIS (internal flows). External client gross inflows include cash mandates. Internal gross inflows from RLMIS represent the combined premiums and deposits received (net of reinsurance). Given its nature, non-linked Protection business is not included.

Group

The Royal London Mutual Insurance Society Limited and its subsidiaries.

Group Executive Committee (GEC)

A committee that supports the Group CEO in the day-to-day management of the Group's business and affairs.

Group Internal Audit (GIA)

The internal audit function of the Royal London Group.

Guaranteed Annuity Option (GAO) or Guaranteed Annuity Rate (GAR)

These primarily arise in connection with pension business as either a guaranteed income rate specified in the policy, or guaranteed terms (option) for converting the pension fund of a policy into an income for life at the policy's pension date.

I

Income protection

A type of insurance that pays you a regular income if you are unable to work due to illness or injury.

Independent financial adviser (IFA)

An individual authorised by the FCA, qualified by experience and examination to provide financial advice, who is not working for any single product provider company.

Individual pension

A pension plan for an individual policyholder.

International Financial Reporting Standards (IFRS)

Financial reporting standards issued by the International Accounting Standards Board (IASB).

Investor View

In common with the rest of the industry, we present two views of our Solvency II capital position: an Investor View for analysts and investors in our subordinated debt (which equals the RL Main Fund and excludes the capital position of the ring-fenced closed funds), and a Regulatory View where the closed funds' surplus is excluded as a restriction to Own Funds.

Ireland segment

The Ireland business comprises the Group's Irish subsidiary, Royal London Insurance Designated Authority Company (RLI DAC). It provides intermediated protection and pension products to individuals in the Republic of Ireland.

J

Just transition

A just transition considers the social implications of moving fairly to a low-carbon economy. It is an inclusive approach which helps avoid exacerbating existing injustices or creating new ones.

K

Key performance indicator (KPI)

An indicator used by a business to measure its development, performance or position.

L

Life and pensions new business sales

The present value of new business premiums (PVNBP), for life and pensions business only. It excludes Asset Management, other lines of business and the bulk annuity buy-in transacted with the Royal Liver UK pension scheme.

Life insurance

A type of insurance that pays out a lump sum or a regular income to your beneficiaries if you die during the term of the policy.

Lifetime allowance

The maximum amount of pension savings that an individual can build up over their lifetime without facing a tax charge.

Longstanding customers

Customers from our legacy businesses, including those who have longstanding protection, life and pension policies, along with annuities and tax-efficient savings plans including ISAs.

M

Maintenance expenses

Expenses related to the servicing of the in-force book of business, including investment and termination expenses and a share of overheads.

Market-consistent basis

A basis of valuation in which assets and liabilities are valued in line with market prices and consistently with each other. In principle, each cash flow is valued using a discount rate consistent with that applied to such a cash flow in the capital markets.

Matching Adjustment
An adjustment made to the risk-free interest rate for Solvency II purposes when the insurer sets aside a portfolio of assets to back a predictable portion of their liabilities.

Mutual
A company owned by its member customers rather than shareholders. A member of a mutual company can vote at its Annual General Meeting.

N

Net asset value (NAV)
This is equal to a company's total assets less its total liabilities.

Net inflows
Represent the net position of gross inflows and outflows in the period. This comprises net flows from external clients into RLAM (external net flows) and those generated from RLMIS (internal net flows). Internal outflows include claims and redemptions paid (net of reinsurance). Given its nature, non-linked Protection business is not included.

Net zero
Net zero is achieved when an organisation reduces the majority of its greenhouse gas (GHG) emissions in line with latest climate science, and offsets the remaining hard-to-abate residual emissions using carbon removal credits.

New business contribution
The expected present value on the UK GAAP basis of reporting of all cash flows arising from new business.

New business margin
The new business contribution as a percentage of the present value of new business premiums.

Non-profit policy
Long-term savings and insurance products other than with-profits policies.

O

Open-ended investment company (OEIC)
An Investment fund that pools together investors' money and invests this in a broad range of shares and other assets. They are similar to unit trusts.

Operating profit
The profit, on a UK GAAP basis, resulting from our primary business operations, defined as the transfer to the Fund for Future Appropriations before other comprehensive income, excluding the following: short-term investment return variances and economic assumption changes; goodwill charges arising from mergers and acquisitions; ProfitShare; ValueShare; tax; and one-off items of an unusual nature that are not related to the underlying trading of the Group.

Operational emissions
Our direct Scope 1 and Scope 2 operational greenhouse gas (GHG) emissions.

Own Funds
Regulatory capital under Solvency II. Broadly it is the excess of assets over liabilities (plus subordinated debt and less the ring-fenced fund restriction), as measured by the PRA's regulatory reporting requirements under Solvency II.

Own Risk and Solvency Assessment (ORSA)
The processes and procedures employed to identify, assess, monitor, manage and report the risks the Group faces or may face over the business planning period, and to determine the Own Funds necessary to ensure that its overall solvency needs are met at all times over that period.

P

Paris Agreement
The United Nations Framework Convention on Climate Change's Paris Agreement was signed in December 2015. Nearly 200 governments agreed to strengthen the global response to the threat of climate change by "holding the increase in the global average temperature to well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5°C". (Source: TCFD)

Partial Internal Model
The processes, systems and calculations that together allow the Group to control the risks that it faces and quantify the capital needed to support those risks under the Solvency II regime. It includes a calculation engine to quantify capital requirements, the Group's risk management framework and its system of governance. Our Partial Internal Model, approved by the PRA with effect from 1 October 2019, for reporting purposes, is also used for internal capital management purposes. Also referred to in this document as the Internal Model.

Participating contracts
Contracts that are with-profits in type.

Pension
A means of providing income in retirement for an individual and possibly their dependants. Our pension products include Individual and Workplace Pensions, Stakeholder Pensions and Income Drawdown.

Pension buy-in
An insurance policy bought by the trustees of a pension scheme to remove some or all of the risks of the scheme. The insurance policy is held as an asset by the scheme and may cover all or a proportion of its liabilities.

Pension date
The date at which income can be taken from a pension either through a cash lump sum or investment in an annuity.

Personal pension
A pension plan for an individual policyholder.

Physical risks
Risks directly or indirectly related to the physical impacts of climate change.

Police Mutual
The Police Mutual Assurance Society Limited (PMAS) and its subsidiaries, which includes Police Mutual and Forces Mutual. The business was transferred into Royal London on 1 October 2020.

Portfolio emissions
Emissions from the companies in which we invest i.e., Scope 1, Scope 2 and Scope 3 emissions of the investee companies represented within our asset portfolio. We share influence over these companies through equity and corporate debt instruments and are therefore accountable for a portion of their total emissions.

Present value of new business premiums (PVNBP)
The total of new single premium sales received in the year plus the discounted value, at the point of sale, of the regular premiums we expect to receive over the term of the new contracts sold in the year.

Principles and Practices of Financial Management (PPFM)
A document detailing how we manage our with-profits funds. We have a separate PPFM for each with-profits fund.

ProfitShare
An allocation of part of the Group's operating profits by means of a discretionary enhancement to asset shares and unit fund values of eligible policies.

Protection policy
A policy providing a cash sum or income on the death or critical illness of the life assured.

Prudential Regulation Authority (PRA)
The part of the Bank of England that is responsible for the authorisation, regulation and day-to-day supervision of all insurance firms that are subject to prudential regulation.

R

Rating agencies
A rating agency (also called a credit rating agency) is a company that assigns credit ratings, which rate a debtor's ability to pay back debt by making timely interest payments, and indicate the likelihood of default.

Regular premiums
A series of payments for an insurance contract, typically monthly or annually.

Regulatory View
In common with the rest of the industry, we present two views of our capital position: an Investor View for analysts and investors in our subordinated debt (which equals the RL Main Fund and excludes the capital position of the ring-fenced closed funds), and a Regulatory View where the closed funds' surplus is excluded as a restriction to Own Funds.

Responsible investment
Responsible investment involves considering environmental, social and governance issues when making investment decisions and influencing companies or assets (known as active ownership or stewardship).

Restricted Tier 1 (capital)
High-quality capital items that form part of total Tier 1 Own Funds. A Restricted Tier 1 (RT1) instrument must meet additional eligibility requirements in relation to its ability to absorb losses and any potential redemption date.

Retail Price Index (RPI)
A measure of inflation published monthly by the Office for National Statistics. It measures the change in the cost of a representative sample of retail goods and services.

Reverse stress test
Valuation simulations carried out to assess the impact of a range of scenarios that start with a business failure outcome, in order to identify potential business vulnerabilities.

Ring-fenced fund (RFF)
As of 31 December 2023, RLMIS contains one ring-fenced fund (RL (CIS)). RLI DAC contains two ring-fenced funds (Liver Ireland Fund and German Bond Fund). The ring-fenced funds are closed to new business and were established when business from various acquisitions was transferred to Royal London. They are in run-off, with surpluses to be distributed to policyholders in line with the PPFM for each fund.

Risk-free rate
The theoretical rate of return of an investment with no risk of financial loss.

Risk management system
Provides assurance that the risks to which the Group may be exposed are being appropriately identified and managed within risk appetite, and that risks that may result in significant financial loss or reputational damage are being minimised.

Risk margin
Forms part of the calculation of technical provisions under Solvency II requirements and represents the amount of money needed, should all surplus and capital be used up, to transfer all obligations to another insurer. The risk margin is sensitive to interest rate changes.

Royal London
The Royal London Mutual Insurance Society Limited and its subsidiaries.

Royal London Asset Management (RLAM)
Royal London Asset Management Holdings Limited and its subsidiaries. It is responsible for managing the Group's financial assets as well as funds for external clients, including multi-managers, pension funds, local authorities, universities, charities and individuals.

Royal London Group
The Royal London Mutual Insurance Society Limited and its subsidiaries.

Royal London Insurance Designated Activity Company (RLI DAC)
Royal London's regulated Irish insurance subsidiary. The company was incorporated on 11 July 2018 with regulatory permissions effective from 1 January 2019. It is 100% owned by RLMIS.

Royal London Long-Term Fund
The long-term business fund of Royal London, comprising the Royal London Main Fund and a number of closed sub-funds from businesses acquired in the past.

Royal London Main Fund
The part of the Royal London Long-Term Fund into which all of the Group's new pensions and insurance business is written. Also referred to in this document as the RL Main Fund or the Main Fund.

S

Scope 1 emissions
Greenhouse gas (GHG) emissions directly resulting from our business activities, for example from company cars and direct emissions from air conditioning units.

Scope 2 emissions
Indirect greenhouse gas (GHG) emissions through our energy consumption, for example resulting from fossil fuels burned to produce the electricity used to provide heat, light and power technology within our offices.

Scope 3 emissions
All other greenhouse gas (GHG) emissions indirectly produced as a result of our business activities. This category includes emissions from our value chain and the entirety of our portfolio emissions.

Section 172
Section 172 of the Companies Act 2006. This sets out the matters that a director of a company must consider when fulfilling their duty to promote the success of the company for the benefit of its members.

Senior Managers and Certification Regime (SMCR)
A regime introduced by the FCA and PRA which is designed to make individuals at financial firms more accountable.

Single premium
A single payment for an insurance contract.

Solvency II (SII)
A European Union directive that became fully applicable to European and UK insurers and reinsurers on 1 January 2016. It covers three main areas: capital requirements, risk management and supervisory rules.

Solvency and Financial Condition Report (SFCR)
A report required under Pillar III of the Solvency II directive. Life insurers in the UK are required to disclose this report publicly and to report it to the PRA on an annual basis. The SFCR includes both qualitative and quantitative information.

Solvency Capital Requirement (SCR)
The amount of capital that the PRA requires a UK life insurer to hold. It is calculated using Solvency II requirements. It can be calculated using either the Standard Formula or Internal Model methods.

Solvency surplus
The excess of Own Funds over the Solvency Capital Requirement.

Standard Formula
A prescribed method for calculating the Solvency Capital Requirement that aims under Solvency II to capture the material quantifiable risks that a life insurer is exposed to. If the Standard Formula is not appropriate for the risk profile of the business, a capital add-on may also be applied after agreement with the PRA.

Stewardship
The responsible allocation, management and oversight of our customers' and clients' money to create long-term value, supporting more sustainable benefits for the economy, the environment and society.

Subordinated debt
In the event of bankruptcy, dissolution or winding-up, the payments arising from this debt rank after the claims of other creditors.

T

Task Force on Climate-related Financial Disclosures (TCFD)
Provides information to investors about what companies are doing to mitigate the risks of climate change, as well as being transparent about the way in which they are governed.

Technical provisions
The amount the Group requires to fulfil its insurance obligations and settle all expected commitments to policyholders and other beneficiaries arising over the lifetime of the portfolio of insurance contracts.

The Royal London Mutual Insurance Society Limited (RLMIS)
The Royal London Mutual Insurance Society Limited is authorised by the Prudential Regulation Authority and regulated by the FCA and the PRA. The firm is on the Financial Services Register, registration number 117672. The company is registered in England and Wales as company number 99064.

Three lines of defence model
A model that can be used as the primary means to demonstrate and structure roles, responsibilities and accountability for decision making, risk and control to achieve effective governance, risk management and assurance.

Tier (of capital)
There are three tiers of capital defined by Solvency II. The higher the quality, the more likely it will be available in the event that it is needed, for example to be able to pay out claims. Tier 1 capital primarily represents high-quality capital which is generally more secure and capable of absorbing losses; Tier 2 capital is of a lower quality; and Tier 3 capital is the lowest quality of capital.

Tilt fund
An adjusted tracker fund that allows fund managers to deviate from the underlying index, by giving greater weight to securities according to a chosen measure (for example, ESG and climate practices).

Transfer to/(from) the fund for future appropriations
The statutory UK GAAP measure 'transfer to/(deduction from) the fund for future appropriations' in the technical account within the Consolidated statement of comprehensive income.

Transition risks
Risks related to market adjustments resulting from the transition to a low-carbon economy.

Transitional Measure on Technical Provisions (TMTP)

A measure that smooths the transition from the previous Solvency I regime to the Solvency II regime, and spreads the capital impact over 16 years. Once approved by the PRA, this is included within the valuation of technical provisions.

U

UK Corporate Governance Code (the Code)

Guidance issued by the FRC in the form of principles and provisions on how companies should be directed and controlled to follow good governance practice.

UK Generally Accepted Accounting Practice (UK GAAP)

The body of accounting standards published by the FRC. Royal London's financial statements are prepared in accordance with these standards.

UK Stewardship Code

The Financial Reporting Council's UK Stewardship Code focuses on sustainable and responsible investment and stewardship, and sets standards for asset owners and asset managers.

Unit-linked policy

A policy for which the premiums buy units in a chosen investment fund.

UK segment

The UK business provides pensions and other retirement products to individuals and to employer pension schemes and protection products to individuals in the UK.

Unit trust

A collective investment which invests in a range of assets such as equities, fixed interest investments and cash. A unit trust might be a general fund or specialise in a particular type of asset or in a particular geographical area.

Unitised with-profits policy

A policy for which the premiums buy units in a with-profits fund.

V

Value chain emissions

Our non-investment related Scope 3 value chain greenhouse gas (GHG) emissions.

Value of in-force business (VIF)

The present value of the projected future profits after tax arising from the business in-force at the valuation date.

ValueShare

A discretionary enhancement applied to unit fund values of eligible RLI DAC policies, by means of an allocation of part of RLI DAC's operating profits.

Volatility Adjustment (VA)

An adjustment made to the risk-free interest rate for Solvency II purposes. It is designed to protect insurers with long-term liabilities from the impact of volatility on the insurers' solvency position.

W

With-profits fund

A fund that may invest in companies, both in the UK and overseas, government stocks, property, and other types of assets. Instead of receiving direct investment returns, for example dividends, rents, interest and capital appreciation, policyholders of the fund receive bonuses.

With-profits policy

A policy that participates in the profits of a with-profits fund. This participation may be in the form of one or more of a cash bonus, an annual bonus or a bonus paid on the exit of the policy.

Women in Finance Charter

This is a pledge for gender balance across financial services. This is a commitment by HM Treasury and signatory firms to work together to build a more balanced and fair industry. The Charter reflects the government's aspiration to see gender balance at all levels across financial services firms.

Workplace pension

A pension plan that is arranged by an individual's employer.

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