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We are here to assess the *Value for Money* Royal London provides to certain groups of customers. *Value for Money* is about more than just the cost to you - it is also important to consider what you get in return for these charges. We therefore take account of factors such as investment returns and customer service. We look to make a balanced assessment taking account of all relevant information.

Our *Value for Money* assessment this IGC year covers both Royal London's *Workplace Pensions* and *Investment Pathways* customers (we provide more detail on these later in the report).

We also provide an independent review of investment performance and processes, including Royal London's policies on *Environmental, Social and Governance (ESG)* issues, customer views, and *Stewardship for Workplace Pensions* and *Investment Pathways* customers.

Throughout each year, we monitor how well Royal London is doing in key areas. To assess *Value for Money* we have a set of principles, which are described in full in [Appendix 1](#). To consider *ESG* matters we have a separate set of principles we measure against. We ask Royal London to give us information to help us reach an informed view

about how well it is doing against each of these principles. We have been given all the information we have requested.

Additional work has been carried out for *Workplace Pensions* this year to compare Royal London's *Value for Money* with several other providers (the *Comparison Study*). Our assessment of *Value for Money* takes account of the findings of the *Comparison Study*.

We can confirm that Royal London has made the changes we described in last year's report to further improve the *Value for Money* to certain groups of customers by either reducing charges or by changing the way customer money is invested.

We set out in the following tables our summary assessment of how Royal London has performed against our *Value for Money* and *ESG* principles. This year we have introduced a *Value for Money* summary table for *Investment Pathways* in addition to the one for *Workplace Pensions* customers. There is a lot more detail provided in the following sections of this report if you want to read more.

Value for Money Summary Assessment

Having carried out our assessment across all *Workplace Pension* and *Investment Pathway* customers, taking account of the costs and charges, investment performance and service quality, along with market comparison information, overall we are satisfied with the *Value for Money* that Royal London provides. We believe Royal London runs its operations well and focuses on your best interests. The *Value for Money* summaries below illustrate that there are no issues we have identified that are of significant concern. There are, as expected in a complex business, areas for improvement, however we are satisfied that we have a good alignment with Royal London on the improvements to be prioritised and actions to be progressed. The remainder of this report details the key insight and evidence we have considered in arriving at our *Value for Money* summary conclusions.

Workplace Pensions - Value for Money Summary Assessment

	Principle	Key points	2020	2021
Costs and charges	Appropriate ongoing charges	We are satisfied the charges levied are fair for the significant majority of customers compared to the benefits being provided and compared with similar schemes from other providers. Royal London has made the charge reductions we described in our report last year. We are seeking more detail on charging for a small number of <i>Longstanding Customers</i> where it is more difficult to assess and compare <i>Value for Money</i> because these older arrangements have additional features and benefits making the <i>Value for Money</i> assessment more complex. The outcome of this additional investigation may influence our rating in next year's report.	●	●
	Balanced Charging	Overall we are satisfied that the charging structures used by Royal London are fair and the actions carried out this year to simplify and reduce charges has improved the position for customers. For the many customers who benefit from <i>ProfitShare</i> this effectively offsets a portion of charges further enhancing <i>Value for Money</i> .	●	●
	Fair exit charges	Work continues around exit charges for a very small number of <i>Longstanding Customers</i> . Royal London has provided additional analysis in respect of its exit charges and follow up work has been agreed for the coming year.	●	●

Workplace Pensions continues on the next page

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- We have provided a material challenge to Royal London (via the Board) and have been unable to agree a way forward.

	Principle	Key points	2020	2021
Investment performance	Investment strategy	The strategy for Royal London's modern funds remains appropriate and ranked well in the <i>Comparison Study</i> . The changes agreed as part of a review of <i>Longstanding Default Funds</i> have been implemented effectively. We believe the <i>Default Funds</i> used by most Royal London <i>Workplace Pensions</i> are well positioned in light of current market conditions and the high inflation environment. We are reviewing the <i>Default Funds</i> for a very small number of <i>Longstanding Customer</i> products where risk does not reduce in the same way as for modern <i>Default Fund</i> investment strategies. We are also continuing our review of <i>Adviser Default</i> arrangements.	●	●
	Appropriate investment returns	Overall Royal London has provided good returns relative to the level of risk. At the start of 2021 Royal London implemented an updated <i>Strategic Asset Allocation</i> , which maintained the focus on diversification through asset classes like commodities and property. This has supported effective and resilient returns.	●	●
Service	Clear communication	Royal London continues to invest and evolve its capabilities to communicate with customers helping to support better engagement and outcomes. The <i>Comparison Study</i> found that Royal London compared well in a number of areas. There is however work to be done to allow more effective comparisons to be drawn between providers. We continue to encourage Royal London to prioritise areas of communications that have the greatest impact on improving customer outcomes.	●	●
	Effective service	Taking account of both the regular data we receive and the findings of the <i>Comparison Study</i> we have concluded that the service delivered to Royal London <i>Workplace Pension</i> customers is good and continues to improve overall. Further work is required by Royal London and the other providers in the <i>Comparison Study</i> to help ensure information related to service is genuinely comparable.	●	●
	Regular reviews	Royal London's product review governance processes are robust and provide us with confidence that any significant issues arising with <i>Workplace Pension</i> customers' plans will be identified. We will continue to monitor this work to ensure issues identified are appropriately resolved.	●	●



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Investment Pathways - Value for Money Summary Assessment (new for 2021 report)

	Principle	Key points	2021
Costs and charges	Appropriate ongoing charges	We have reviewed information about the ongoing charges applying to the four <i>Investment Pathways</i> . These compare reasonably with those from other providers. While charges are on average higher for <i>Investment Pathway 4</i> customers this seems fair based on the size of funds held by customers selecting this option and the level of service provided. We will continue to review Royal London's charges on an ongoing basis as further market data becomes available for these relatively new options. We have rated this aspect amber given the limited market data currently available.	●
	Balanced charging	We are satisfied the charging structure used by Royal London is fair. All <i>Investment Pathways</i> customers benefit from <i>ProfitShare</i> which effectively offsets a portion of charges, further enhancing <i>Value for Money</i> .	●
	Fair exit charges	There are no exit charges or additional charges applied to <i>Investment Pathways</i> customers for withdrawing money, transferring or closing their plan.	●
Investment performance	Strategy, policy and governance	Royal London analysed the most appropriate mix of assets for each <i>Investment Pathway</i> based on the objective of each. This went through Royal London's internal governance framework and we also independently assessed the analysis and the mix of assets as being appropriate. Royal London is monitoring the actions of customers who selected each <i>Investment Pathway</i> to see how well they align with their originally stated intentions.	●
	Investment returns	We are comfortable with the investment performance both relative to benchmark and in comparison to peers. Royal London's active management and diversified approach have contributed to these strong returns in 2021. It is important to note that pensions are a medium/long term investment and annual returns should be considered in the context of long term investment performance and strategy.	●

Investment Pathways continues on the next page

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	Principle	Key points	2021
Service	Clear communication	We have reviewed Royal London's communications with <i>Investment Pathway</i> customers and compared these with publicly available information from market competitors. While these compare reasonably well, we are in discussion with Royal London around where there may be opportunities to improve the communication and service experience to <i>Investment Pathways</i> customers. We will provide an update on these enhancements in our next report.	●
	Effective service	We have concluded, from the information available to us, that the service Royal London provides to customers is satisfactory. We have not specifically compared the service provided to <i>Investment Pathways</i> customers with competitors at this stage, but expect to be in a position to participate in a relevant <i>Comparison Study</i> for reporting in next year's report.	●
	Regular reviews	Data on how customers are using their money shows that customers using <i>Investment Pathways</i> appear to be selecting the correct investment choice based on their needs and objectives. We note however that more customers than expected are remaining in their current investment and not changing to an <i>Investment Pathway</i> option. We are working with Royal London to understand more about how best to introduce <i>Investment Pathways</i> conversations as customers plan their retirement.	●



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Environmental, Social and Governance - Summary Assessment (ratings new for 2021 report)

Royal London's ESG policies are robust, and we see that they are incorporated in the management of customer funds. We continue to monitor this rapidly developing area.

Principle		2021
Strategy and policy	Royal London has made further progress in ESG strategy and policies. In respect of investments held, new policies have been developed and implemented on <i>Voting</i> , <i>Engagement</i> and <i>Exclusions</i> . We believe the policies are appropriate and have been properly integrated into the firm's governance structures.	
Balanced costs	Changes have been made to <i>Default Funds</i> to incorporate ESG factors in the investment process. These changes involved some cost to customers derived from the initial cost of changing assets and the ongoing cost of managing funds with additional ESG objectives. We reviewed these changes and regarded the focus placed on minimising cost to customers as appropriate. The governance and oversight process is now well established and operating effectively.	
Integration & implementation	A sustainability team was established by Royal London to ensure appropriate emphasis is placed on <i>Responsible Investment</i> . A framework for monitoring fund managers was designed and formal due diligence questionnaires are now in use. These results are yet to be reported to us. Royal London also holds quarterly Stewardship meetings with key Asset Managers.	
Communication	Royal London has continued to perform well in this area, driven by research and understanding of customer priorities. Royal London has developed authentic thought leadership on the topic of <i>Responsible Investment</i> . Further development is planned, including ESG communications through the mobile app to engage customers.	
Customer views	Royal London has performed relatively well in this area. It has commissioned regular surveys to capture customers' views on <i>Responsible Investment</i> and has taken this research into account when considering its investment priorities and communications strategy. We would like to see new ways of engaging with customers and more evidence of this feedback informing Royal London's <i>Responsible Investment</i> activities.	

Environmental, Social and Governance continues on the next page

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Principle		2021
Impact on default and self-select funds	Royal London has made significant progress in this area having delivered on its commitment to incorporate <i>ESG</i> in the <i>Passively Managed Equity</i> component of the <i>Default Fund</i> . This change was carried out with low one-off <i>Transaction Costs</i> . The impact on investment performance will only be measurable over the long term. There are plans to incorporate further <i>ESG</i> related factors in future. Options for self-select funds will also be widened to include solutions with more focussed <i>ESG</i> objectives.	●
Internal policy and delivery on ESG	In our view, Royal London is well aware of its role as a responsible business and employer. It is mindful of its own carbon footprint, provides support for employee wellbeing and has significant community involvement. Royal London has an ambition to reach <i>Net Zero</i> in its investment portfolio by 2050 and reduce carbon emissions by 50% by 2030.	●
External disclosure and reporting	Like most organisations Royal London is early in its journey towards greater external reporting on <i>ESG</i> matters. Royal London is expected to make its first report under <i>TCFD</i> (Task Force on Climate-Related Financial Disclosures) in respect of 2022 and is also preparing to become a signatory to the <i>UK Stewardship Code</i> . This area has been given additional resource and priority and we will update on progress in our next report.	●



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