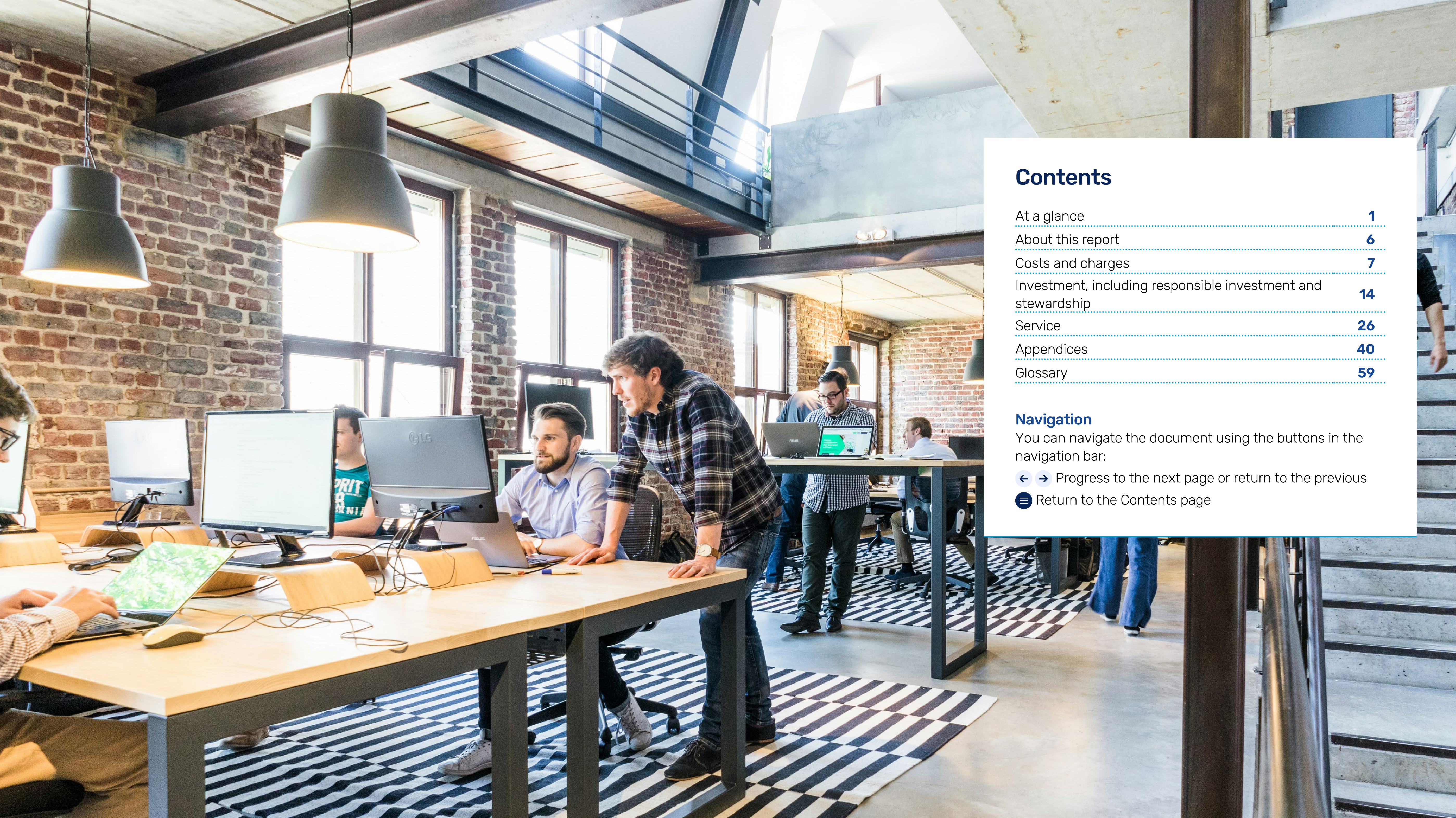
Royal London

Independent Governance Committee

Annual Report 2023



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At a glance

As Chair of the Royal London Independent Governance Committee (IGC) I am pleased to present our 2023 report. This 'At a glance' section summarises our assessment of how Royal London performed against our value for money principles (contained in Appendix 1). We also assess Royal London's environmental, social and governance (ESG) policies, referred to by Royal London as 'responsible investment and stewardship' policies – for further information please see page 18.

If the IGC has significant concerns around the value for money being delivered, we can raise these with the Royal London Board. Should the IGC be dissatisfied with the response, there are several escalation options available, including reporting issues to the Financial Conduct Authority (FCA) or contacting customers or employers directly. No material concerns requiring escalation were identified in 2023.

We will continue to monitor the value being provided to all Workplace Pension and Investment Pathways customers and follow up on the commitments which Royal London has made to review and improve value, where appropriate.

Value for money

The IGC independently assesses the value for money that Royal London provides to its Workplace Pension and Investment Pathways customers. We receive regular reporting from Royal London and consider how Royal London is performing relative to other providers via a Comparison Study. Our value for money assessment focuses on three core factors:

Costs and charges
See page 7

Investment performance
See page 14

Customer service
See page 26

We also assess Royal London's policies on responsible investment and stewardship.

Taking these factors into account, I can report that:

- the IGC is satisfied Royal London is providing value for money to Workplace Pension customers who are in its modern pension product, known as Retirement Solutions. This covers nearly 98% of all Workplace Pension customers.
- it is less clear cut whether value is being provided to some longstanding Workplace Pension customers. Charges for these customers tend to be higher with more limited investment and service options available compared with Retirement Solutions. However, some contracts have valuable additional benefits and the lower charge products seen in the market may not be accessible by these schemes due to their small size. Royal London has now upgraded a number of these contracts to Retirement Solutions, and the upgrade project continues.
- the Investment Pathways proposition offers value for money to customers overall when we consider charges, investment and the quality of the service being provided. It may however be possible for customers with smaller pots to obtain a lower charge elsewhere in the market.
- the IGC is satisfied with Royal London's policies on responsible investment and stewardship.

Peter Dorward
Chair of the Royal London Independent Governance Committee

Costs and charges

Workplace Pensions	2022	2023
Value for money principle		
Appropriate ongoing charges	Green	Green
Balanced charging	Green	Green
Fair exit charges	Amber	Amber

Investment Pathways	2022	2023
Value for money principle		
Appropriate ongoing charges	Green	Amber
Balanced charging	Green	Green
Fair exit charges	Green	Green

The IGC rates Royal London against our value for money principles using the following criteria:

- Green: Measures which have been delivered within an agreed range, where our expectations in terms of quality and delivery have been met in key areas.
- Amber: Delivery against our agreed measures is not as anticipated or the expected quality has not been achieved in some key areas. We have agreed with Royal London the actions and timelines to achieve a green rating (or future performance is expected to achieve a green rating).
- Red: Areas in which we have provided a material challenge to Royal London (via its Board) and have been unable to agree a way forward.

- When we assess the overall value for money of charges, we take Royal London's ProfitShare scheme into account, as this can be considered as offsetting a portion of the charges. Overall, Royal London's charges are broadly in line with those of competitors featured in the Comparison Study.
- The charges on Royal London's Retirement Solutions contracts for Workplace Pension customers continue to be fair and appropriate considering the benefits provided. Royal London's charging information is readily accessible and available.
- The charges for Investment Pathways customers with smaller pots are at the higher end of those in the market. In response to our challenge on this point, Royal London has been reviewing the appropriateness of charges for customers across different pot sizes. While its initial review concluded that the charges are fair, it has been agreed to consider this further and we expect to receive an update in 2024.

- We found that Royal London's charges are appropriate when the costs of administering contracts are considered. We believe charges fall fairly between customer cohorts.
- As noted in previous reports, we believe some longstanding customers with Workplace Pensions may be able to achieve lower charges in certain circumstances. However, Royal London has started the process of upgrading some of these customers to its most modern pension contract, Retirement Solutions, and further migration will continue into 2024. We are receiving regular updates on the progress of this work.
- Exit charges were still applied to a small number of Workplace Pension products in 2023. As noted in our previous report, we have been discussing how to address these charges and can confirm that Royal London has agreed that all exit charges will be waived, effective from 1 April 2024. At the time of writing, we can confirm that this change has been implemented effectively.

Full details of our assessment of costs and charges are available here.

Investment

Workplace Pensions	2022	2023
Value for money principle		
Investment strategy	🟢	🟢
Appropriate investment returns	🟢	🟢

Investment Pathways	2022	2023
Value for money principle		
Investment strategy	🟢	🟢
Appropriate investment returns	🟢	🟢

- We focus primarily on the fund range in which the majority of Workplace Pension customers are invested. We believe the default strategy for this range is designed with clearly set aims and objectives and executed in the interests of customers.
- When assessing Royal London's investment strategy, we consider the types of funds it invests in, how those funds combine to create an appropriate level of risk and how that risk is managed for customers as they approach retirement. In our view the investment strategies adopted are appropriate for Royal London's Workplace Pension and Investment Pathways customers.
- We closely monitor the returns on investment for customers, considering the suitability of these returns in relation to the risk taken, and comparing them against benchmarks and competitor performance. We also consider Royal London's communication to customers in relation to investment matters. We believe that Royal London's investment proposition to Workplace Pension and Investment Pathways customers continues to deliver appropriate value.
- Every quarter, Royal London's Investment Advisory Committee reviews the investment proposition and shares its findings with us. This, as well as our regular engagement with the Chair of the Investment Committee, supports us in our independent assessment of the appropriateness and value of Royal London's investment proposition, as it relates to customers within the IGC's remit. We believe that the governance Royal London provides across its investment proposition is very good and compares favourably with peers (as confirmed by the Comparison Study).

Full details of our assessment of investment performance are available here.

Responsible investment and stewardship

Environmental, social and governance (ESG)	2022
Principle	
Strategy and policy	🟢
Balanced costs	🟢
Integration and implementation	🟠
Communication	🟢
Customer views	🟢
Impact on default and self-select funds	🟢
Internal policy and delivery on ESG	🟢
External disclosure and reporting	🟠

🟢	Expectations met across key areas and best practice being implemented
🟠	Expectations met and best practice being implemented across many aspects but further work is required in some key areas
🔴	Material action required to meet expectations and for best practice to be implemented

Environmental, social and governance (ESG)	2023
Principle	
Internal policy	🟢
Investment strategy	🟢
Investment solutions	🟠
Value for money	🟢
Communication and reporting	🟢

- We have undertaken a review of the principles used to assess Royal London's responsible investment and stewardship policies and refined the criteria for assessment. The principles have now been updated to consider the evolution of Royal London's approach to its policies and allow for better assessment and reporting.
- In our view, Royal London is performing well in respect of ESG as an integral part of its approach to responsible investment and stewardship.
- Our review of Royal London's investment philosophy and beliefs supports the view that responsible investment is seen as a high priority, and that its investment framework takes responsible investment into account. We have therefore rated both internal policy and investment strategy as green.
- We have rated investment solutions as amber. This principle covers the strength and suitability of investments used. In our view, this area is still a work in progress as the investment proposition evolves, and we are aware that Royal London intends to introduce more responsible investment factors to the asset selection process in future.
- We consider the costs and charges involved in delivering responsible investment for customers to be fair, and therefore have rated value for money as green.
- External reporting improved in 2023 and we now consider this to be generally strong. However, we will carefully monitor the evolving regulatory landscape concerning issues such as greenwashing, and their potential impact on communications with customers and other stakeholders. We have rated our assessment of communications and reporting as green this year.

Full details of our assessment of responsible investment and stewardship are available here.

Royal London Independent Governance Committee – Annual Report 2023

Service

Workplace Pensions	2022	2023
Value for money principle		
Clear communication	🟠	🟠
Effective service	🟢	🟢
Regular reviews	🟢	🟢

Investment Pathways	2022	2023
Value for money principle		
Clear communication	🟢	🟢
Effective service	🟠	🟠
Regular reviews	🟢	🟢

- We found Royal London's communication and service delivery for Workplace Pension customers to be effective and appropriate. When compared with peers as part of the Comparison Study, Royal London demonstrated a strong responsiveness to customer enquiries and good levels of automation relative to other providers. The response time for processing manual transactions generally matched those of its peers.
- Across all key communications sent to Workplace Pension and Investment Pathways customers, the reading ease of Royal London's communications continues to be ranked amongst the best in the Comparison Study.
- The main area of communication that the IGC is keen to see more improvement in continues to be Royal London's ability to reach its Workplace Pension customers. This includes increasing the number of email addresses held and boosting registrations for its mobile app and online services. Digital engagement has improved over this last year and Royal London continues to work on refining the data management, automation, flexibility, targeting and relevance of its customer communications.
- We also consider the insight and management information available to assess the impact of Royal London's activities on improving customer outcomes. There is good evidence of intervention and improved outcomes for Investment Pathways customers – for example, through ensuring they remain in the right investment pathway and maintain a sustainable income for the future. There is less evidence available for Workplace Pension customers, and we will continue to monitor progress in this area.
- The overall service experience for Investment Pathways customers is comparatively good, however there have been periods of inconsistency when resources were under pressure. While Royal London took prompt actions to improve resources, its capacity could be increased through more digital adoption. This is important to meet customer demand for more digital services and can improve operational efficiency. In 2023, Royal London was more reliant than some of its competitors on paper-based processes for customers approaching retirement. Some improvements were made to digital capabilities during the year and more developments are expected to be delivered in 2024.
- Following actions taken by Royal London to improve the execution of its vulnerable customers policy, we acknowledge that the focus is on the right interventions for these customers. We have seen some progress in the number of vulnerable customers identified and supported. However, it is difficult to assess the effectiveness of these improvements given the preliminary nature of the data. We will monitor this closely in the year ahead.

Full details of our assessment of service are available here.

Looking forward

In addition to the aspects mentioned on the previous pages, the following are specific areas of focus for the IGC that we expect to provide further details on in our 2024 annual report:

Consumer Duty

The FCA's Consumer Duty requires firms, including Royal London, to be more proactive in the pursuit of good customer outcomes. Open products and services were required to comply with the new requirements by the end of July 2023 and you can find commentary on this throughout this report, particularly in the Service section. The deadline for closed books of business was the end of July 2024. The IGC has been kept up to date with action plans for longstanding customers in Royal London's closed book of business and we will be able to provide further updates in our 2024 annual report.

Guidance and support for customers

At the beginning of 2024, the FCA closed a consultation period where it had invited feedback on proposals aimed at examining the regulatory boundary between financial advice and other forms of support for customers (known as the 'Advice Guidance Boundary Review'). Unlike most other firms, Royal London does not offer financial advice to customers, either directly or through a partner, but does continue to promote and signpost the benefits of independent financial advice. Royal London's focus is on developing its digital capabilities and financial wellbeing service to provide financial guidance to customers at scale. The IGC will continue to monitor how Royal London's support for customers evolves in light of the regulatory changes expected to follow from the Advice Guidance Boundary Review.

Digital developments

As well as the development of online support for customers, the IGC will continue to monitor the enhancement of Royal London's digital capabilities - for strengthening internal operations and improving choice for customers in how they can receive their service. With the growth of digital options, including the use of artificial intelligence, the IGC recognises the need to balance the opportunities to improve operational efficiency through automation with the need to manage associated risks. The IGC will also continue to focus on the controls in place to protect Royal London customers and their data from the threat of cyber attacks.

Updates to value for money assessments

The FCA has been consulting on changes to the way in which IGCs conduct value for money assessments, including proposals to standardise metrics for measuring value for money and conducting comparison assessments. At the time of writing, a further consultation has been issued by the FCA. We will continue to work constructively with Royal London, regulators and with other IGCs and trustees where appropriate to ensure the new rules work in the best interests of customers.

Details of all IGC members can be found in Appendix 10. I would like to thank my fellow IGC members and everyone involved with the IGC for their continued contribution and support to ensure the IGC is able to perform its important role effectively.

Peter Dorward
Chair of the Royal London
Independent Governance Committee

We are always looking to improve our reporting and welcome any feedback you have. You can contact us at RoyalLondonIGC@royallondon.com.

If you have a specific question about a product you have with Royal London, visit the Royal London website.

About this report

The Comparison Study – how we assessed Royal London against other providers

As part of assessing the value for money Royal London provides, we receive a significant amount of data and information from Royal London directly. In addition to this, we compare the value for money delivered with that of other providers offering similar products. In order to obtain comparison information, a group of providers (including Royal London) pools data and shares results, referred to in the report as the Comparison Study. More information on the Comparison Study can be found in Appendix 2. The Comparison Study allows us to better understand the wider market and challenge Royal London on its proposition where appropriate.

How to use this document

- We recommend that you either read this document online or download using Adobe PDF Reader.
- Where you see this icon and underlined text, these will take you to either an appropriate reference point in this document, or they will link to an external web page.
- If you are unfamiliar with any key terms in this report, please refer to the Glossary section at the end of this document.

Costs and charges

Costs and charges

The charges that apply to Royal London's Workplace Pension and Investment Pathways customers are an important element in assessing the value for money these contracts provide.

We receive regular data from Royal London so that we can monitor the range of charges paid for different types of Workplace Pension schemes. We also compare Royal London's charges with those for similar products via the Comparison Study.

We consider the charges in the context of the quality of services provided.

Our value for money principles relating to charges are:

- Ongoing charges that are fair and appropriate for the benefits provided
- Fair exit charges (in the few cases where such a charge is made)
- Balanced charges that sustainably cover the costs of providing and administering the contracts which fall fairly between policyholders.

We look at all costs and charges that can affect these plans, including administration charges and transaction costs. Transaction costs are considered in more detail in the Investment section of this report as they are specific to each fund. The investment performance of the funds is shown after allowing for these costs.

Ongoing charges

Workplace Pension customers pay charges for the service they receive. There are several ways that pension providers look to charge customers to cover the cost of their service. The annual management charge (AMC) is the most common ongoing charge that customers pay. For Royal London's Workplace Pension customers, when all exit charges are waived from April 2024, the AMC will be the only charge levied.

Relevant IGC principle being assessed:

Appropriate ongoing charges

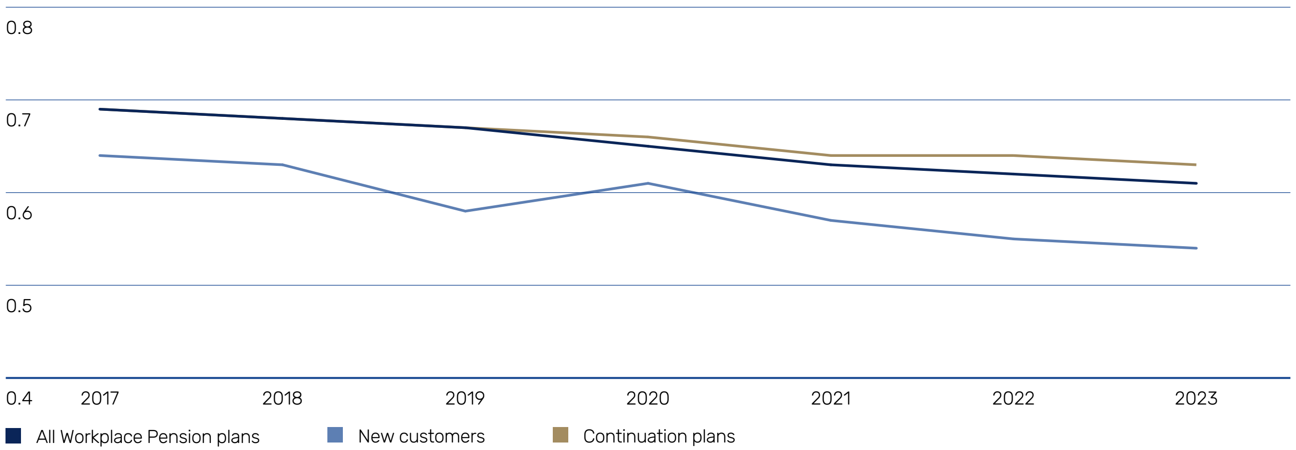
Royal London's ongoing charges are fair and appropriate and offer value for money compared to the benefits provided by the product and service. This assessment includes a comparison against similar market alternatives.

Timely and accurate information is published by Royal London in relation to the costs and charges of each employer's scheme, improving cost transparency and making it easier for customers to access such information.

Ongoing charges – Workplace Pension plans

Given that the AMC is a charge that applies to all customers, we have monitored the movement in this charge across appropriate customer groups since 2015. The following table shows the average AMC applied to these funds over the last seven years.

Average AMC*



* This is shown for all plans at the end of each year, as well as separately for new customers joining in the year and for those who had left their employer but kept their funds with Royal London in their own plan (known as continuation plans).

The average charge for new customers continues to fall and reflects the mix of schemes that are being placed with Royal London throughout the year. Over time, we expect these reductions to lead to a fall in the average charge for all Workplace Pension plans. Charges for continuation plans reflect the rates that applied to their previous employer's scheme and are typically higher than for new customers.

The following table shows the range of charges* which apply to Workplace Pension customers and the number of scheme categories within each charge band. The number of scheme categories in higher charging bands has continued to reduce as older schemes with higher charges leave or the members transfer out. The number of schemes in lower charging bands (below 0.60%) has increased, which mainly reflects new schemes being written on the Retirement Solutions product.

AMC on plan value

	Number of scheme categories 2022** total	Number of scheme categories 2023** total
1.26% or greater	71	71
1.06% to 1.25%	130	125
1.01% to 1.05%	41	41
0.96% to 1.00%	3,943	3,866
0.86% to 0.95%	940	910
0.76% to 0.85%	1,198	1,176
0.60% to 0.75%	20,407	19,997
0.50% to 0.59%	4,024	4,180
0.40% to 0.49%	3,077	3,288
0.30% to 0.39%	1,352	1,675
0.29% or lower	223	321

* The figures shown are just examples and are not guaranteed. The administration charges individual members pay could be different. The actual charges each member will pay are shown on the annual statement they receive from Royal London.

** Some Workplace Pension schemes have different categories. This can mean there are different contribution levels, default investments and costs and charges within an individual employer's scheme. As charges can differ across the membership of some schemes, we have shown the range of charges by number of scheme categories – which is higher than the total number of employers' schemes.

The table below shows the average AMC for each of the Workplace Pension plans that Royal London manages, together with the number of customers for each type of plan:

Product type	Number of customers at year end		Percentage of total customers	Change in customers over year	Average AMC for customers at year end	
	2022	2023			2022	2023
Retirement Solutions Group Personal Pension*	1,620,536	**1,785,461**	92.9%	▲	0.61%	**0.60%**
Retirement Solutions Group Stakeholder*	85,280	**89,402**	4.7%	▲	0.56%	**0.55%**
Royal London Talisman Group Personal Scheme*	24,375	**22,843**	1.2%	▼	0.97%	**0.97%**
Royal London Talisman Group Personal Pension	1,055	**961**	0.1%	▼	1.00%	**1.00%**
CIS Group Stakeholder Pension	7,327	**7,007**	0.4%	▼	0.92%	**0.92%**
Phoenix Life Group Stakeholder Pension	14,656	**14,163**	0.7%	▼	0.56%	**0.56%**
Phoenix Life Group Flexible Pension	60	**54**	0.0%	▼	0.99%	**0.98%**
Royal Liver Group Stakeholder Pension	990	**922**	0.0%	▼	0.90%	**0.90%**
Royal London Group Stakeholder Pension**	29	**0**	0.0%	▼	1.00%	**N/A**
Police Mutual Staff Group Personal Pension**	687	**643**	0.0%	▼	0.60%	**0.60%**

* Includes continuation plans.

** Royal London Group Stakeholder Pension was moved to the Retirement Solutions Group Stakeholder product. More products are expected to be moved to the Retirement Solutions Group Personal Pension product as detailed on page 11.

Most of Royal London's Workplace Pension customers are in the two Retirement Solutions products shown in the table. Customer numbers in these products are expected to increase each year as they are actively marketed by Royal London.

Non-Retirement Solutions products are largely made up from business that Royal London has acquired from other companies, and, in this report, customers in these plans are referred to as longstanding customers. Longstanding customers represent 2.4% of Royal London's Workplace Pension customers. This percentage is down from 2.8% in 2022. Although longstanding customers represent a small proportion of Royal London's customer base, it remains important that we carry out a full review of the value for money that they receive. We consider each of these products separately, as the terms and conditions, product features and services differ.

There are instances where Royal London's Workplace Pension customers are charged above 1% p.a. The number of customers affected remains low, at 0.06% of total Workplace Pension customers in 2023. Three reasons could lead to a customer experiencing higher fees:

- The customers chose to increase the value of a transfer payment into the scheme to maintain the death benefits provided by their previous scheme. This is known as the Transfer Value Enhancement Option (TVEO).
- The customer specifically asked for charges to be deducted from the plan to pay for advice.
- The customer made a personal choice to invest in funds with additional management charges.

In last year's report, we announced that Royal London had agreed to cap the TVEO charge to ensure the difference between the scheme and customer's TVEO charges did not exceed 0.25%. This change was made to better align the charges incurred by each customer with the individual benefit they receive from their TVEO. We can confirm that this improvement was made in 2023. In total, 471 customers had their charge reduced following the implementation of the cap.

When considering the ongoing charges paid by all Workplace Pension customers, we do not consider any as excessive. In addition to cases with charges above 1% p.a. described above, a small proportion of customers are charged an AMC at or close to 1%. These higher-charge plans are typically associated with schemes that weren't subject to the charge cap or moved to a continuation plan prior to the charge cap being effective. Customers may be able to receive a lower charge under alternative pension products across the market, but this will be dependent on individual circumstances.

Average charges for customers in Retirement Solutions plans continue to fall and, in our view, as covered later in this report, these products offer good features, investment propositions, digital capability, communications and customer service.

Comparing Workplace Pension plan ongoing charges to other providers

We participated in the Comparison Study for Retirement Solutions contracts. This followed the same approach as the previous year, in relation to the collection of data and comparison of charges on default investments, across the range of pension providers who took part in the Comparison Study. The charges were analysed by comparing different sizes of schemes in terms of customer count, unlike previous years where the analysis also considered the amount of money in the schemes. We note that there has been no significant change in the level of charging compared to previous Comparison Studies.

Royal London's charges are broadly in line with its peer group for schemes of a similar size and only diverge when being assessed at a total level. The cost of managing schemes with a larger number of members and assets is generally lower due to administration costs being spread over a larger base. This will tend to result in lower charges per member. We noted that Royal London's schemes tend to have fewer members than other providers, leading to higher average charges. When assessing the more detailed breakdown of charges for schemes of a similar size to those of Royal London, the Comparison Study shows that charges remain in line with competitors.

Royal London's Workplace Pension customers also benefit from ProfitShare, which is not considered in the Comparison Study. This feature is specific to Royal London and we recognise that, when assessing a pension arrangement's value for money, it is appropriate that ProfitShare is acknowledged as being akin to a reduction in charges. ProfitShare has been distributed to Royal London's Workplace Pension customers each year since 2017 and over the past four years this has added 0.15% to the value of the relevant customer's pot. This can be seen as reducing the impact of charges which customers pay. In our view this further enhances the value for money that eligible Royal London customers receive.

We have once more chosen not to participate in the Comparison Study for longstanding customer products. Our conclusions following the work in 2021 remain valid, and we are continuing to assess the value for money for customers that remain in these products. As we have noted previously, many of these schemes are small, making it difficult to assess whether longstanding customers could actually access lower charges with other providers. Employers and scheme members thinking of moving should consider any additional benefits and guarantees provided in their current scheme, as well as their investment options and the service provided. Royal London has confirmed that it would be unlikely to offer equivalent terms for these schemes if they were offered to market today. More details of the charges for longstanding customers are given in Appendix 3.

Longstanding customers upgrade

As part of the continued assessment of value for money for longstanding customers, we concluded that some groups of customers could potentially receive better value for money if they were to move, or be moved, to an alternative product. Royal London also recognised this and set up a project to consider how overall value could be improved for these customers, including the potential to upgrade them to its most modern pension contract. However, moving customers between contracts is not always straightforward due to legal and contractual factors. Care also needs to be taken to ensure that there are no valuable customer benefits lost if changes are made.

We agreed that a pilot exercise would take place to assess the legal, contractual and practical issues in upgrading three groups of customers. While this pilot highlighted a number of obstacles to overcome, the exercise resulted in all 28 customers in the Royal London Group Stakeholder Pension being upgraded to the Retirement Solutions Group Stakeholder product in December 2023.

These customers are now eligible for the following benefits:

- Access to a broader range of investment options should the customer wish to use these and enhanced investment governance.
- Superior technology, product and service features – for example access to Royal London's mobile app and financial wellbeing service.
- While upgraded customers will pay the same AMC as before, they are now entitled to ProfitShare which effectively reduces this charge, as described on page 12.

Further migration exercises are taking place in 2024, after which customers in the Royal Liver Group Stakeholder Pension and the Police Mutual Staff Group Personal Pension are also expected to be upgraded to the Retirement Solutions Group Stakeholder product. We receive regular updates on the progress of this work and, although these exercises are complex, the aim is to deliver improved outcomes for groups of Royal London's longstanding customers. We are working with Royal London at the time of writing on the possibility of expanding the work to other longstanding customer groups.

Ongoing charges – Investment Pathways

Since the launch of Investment Pathways in 2021 we have closely monitored the nature of their charging structure and impact on customers. Investment Pathways customers have one charging structure, regardless of which of the four available Investment Pathway options they choose.

The AMC for Investment Pathways depends on the value of the pension. The standard AMC of 1% p.a. is reduced by a rebate which increases with the value of the investment, as shown in the table below:

Value of investments*	Base AMC	Rebate	Net AMC
£0 – £44,900	1%	0.10%	0.90%
£44,900 – £89,900	1%	0.50%	0.50%
£89,900 – £269,000	1%	0.55%	0.45%
£269,000 – £899,000	1%	0.60%	0.40%
£899,000 +	1%	0.65%	0.35%

* These ranges are applicable from 6 April 2024 and increase each year on 6 April in line with the Retail Price Index.

Retirement Solutions Workplace Pension customers who choose to invest in an Investment Pathway with Royal London have their charges capped at their previous charge level. This means that these customers get the lower of the net AMC shown in the table or the previous charge that was applied to their Retirement Solutions Workplace Pension.

Comparing Investment Pathways ongoing charges to other providers

Royal London's charges for Investment Pathways customers were compared with 12 other providers via the Comparison Study, an increase from nine other providers in last year's report. The results showed that Royal London charges appeared to be relatively high for small pension pots and tended to become more competitive as pot sizes increased to over £50,000. This can be seen in Table 1 which shows the ranking of Royal London's charges as one of 13 participants.

Table 1 — Royal London rank – excluding ProfitShare

	Value of investments			
Royal London rank – excluding ProfitShare	£0 to £24,999	£25,000 to £49,999	£50,000 to £99,999	£100,000 +
1. Investing for growth	12	13	5	5
2. Annuity purchase	12	12	3	3
3. Investing for income	12	13	5	5
4. Withdraw all	11	12	7	7

We believe that it is important to note that Royal London's Investment Pathways customers also benefit from ProfitShare which effectively reduces the impact of charges, currently by 0.15%. We have therefore also provided the ranking after allowance for ProfitShare below. More information on ProfitShare is provided on page 13. The effect of ProfitShare was not considered in the charge comparison within the Comparison Study.

Table 2 — Royal London rank – including ProfitShare

Royal London rank – including ProfitShare	Value of investments £0 to £24,999	£25,000 to £49,999	£50,000 to £99,999	£100,000 +
1. Investing for growth	10	11	3	1
2. Annuity purchase	10	9	2	1
3. Investing for income	8	8	2	1
4. Withdraw all	9	9	4	1

When ProfitShare is taken into account, Royal London's charges become more competitive — as shown in Table 2. Although this allowance does move Royal London's charges closer to market averages for smaller pot sizes, comparatively they are still high amongst providers. This is consistent with the previous year's Comparison Study and the details shared in our 2022 annual report, with Royal London continuing to be less competitive for smaller pot sizes. In comparison, for larger pot sizes (over £100,000), Royal London's charges are the best of all the providers participating in the Comparison Study. We note that the majority of Royal London's customers have pots falling in the lower two size bands, and so are incurring higher than market average charges.

The charges for Investment Pathways customers with smaller pots are at the higher end of those in the market. In response to our challenge on this point, Royal London has been reviewing the appropriateness of charges for customers across different pot sizes. While its initial review concluded that the charges were fair, Royal London has agreed to consider this further and we expect to receive an update in 2024.

Exit charges

Prior to the introduction of automatic enrolment, exit charges were a common feature of certain types of pension product. An exit charge is a deduction that may be made from the value transferred should a customer choose to move their pension to another provider. It is typically made to recoup the costs incurred by the product provider in setting up the pension scheme and paying those who introduced the business. Royal London has very few policies where an exit charge can apply.

Relevant IGC principle being assessed:

Fair exit charges

Any deduction made by Royal London from the value of a pension on exit will:

a. not exceed the legal cap on exit charges for customers to which that cap applies (currently over 55s); and
b. where the cap does not apply, any charge must be fair; in line with the contract terms; and designed to recoup no more than any unrecovered costs incurred by Royal London.

Exit charges – Workplace Pension plans

Exit charges for Workplace Pension plans have become less common and we have been rating Royal London as amber against this principle while pressing for progress to reduce or stop these charges.

We are pleased to report that it was agreed in 2023 that all exit charges would be waived effective from 1 April 2024. Although Royal London retains the right to apply contractual exit charges, these are no longer expected to be enforced from that date. From 1 April 2024, the agreed approach improves outcomes for customers by removing barriers which may limit their ability or inclination to move to more suitable arrangements that could provide better value for money. We will report on the implementation of this change in next year's report.

In 2023 exit charges were only applied to 148 plans. Where exit charges did apply, the average charge was 1.9% of the value of the fund.

The number of customers attracting an exit charge was very low because such charges are only levied on Retirement Solutions plans where a transfer value into the plan was enhanced to provide additional death benefits, defined earlier in the report as 'TVEO' and on some Talisman Workplace Pension Plans. These customers also have additional ongoing charges to pay for this enhancement.

Comparing Workplace Pension plan exit charges to other providers

The Comparison Study revealed that two other providers still have exit charges on their Workplace Pension plans, meaning that Royal London was not unique in applying these. However, with the decision to waive exit charges for customers in 2024, Royal London will be aligned to the majority of the market.

How Workplace Pension plan charges and Investment Pathways charges are disclosed to customers

The costs and charges information on the Royal London website (link below), as required by the FCA, is specifically in respect of 2023 and the figures published for previous or future years may be different.

Visit www.royallondon.com/workplacecostsandcharges

We encourage customers to look at this information to understand more about the costs and charges provided by their Workplace Pension scheme. We will continue to closely monitor the charges and the value for money provided by Royal London's Workplace Pensions.

Workplace Pension and Investment Pathways customers can find the charges that are relevant to their plan in their annual statement and through online services. All Investment Pathways customers and customers with a Retirement Solutions plan can also view their plan charges on Royal London's mobile app.

Royal London publishes the range of administration charges and transaction costs for each default investment strategy used for each Workplace Pension plan – as well as projection tables that show the impact these costs and charges could have over time.

Royal London also includes information on transaction costs in customers' annual statements. For further information see the Investment returns and transaction costs section starting on page 21.

We encourage customers to look at this information to understand more about the costs and charges they pay in return for the service and support received from Royal London. We will continue to monitor the charges and value for money provided by Royal London's Investment Pathways.

Exit charges – Investment Pathways

Royal London does not have exit charges on Investment Pathways plans.

ProfitShare

ProfitShare is unique to Royal London and can be provided due to its status as a mutual. Adding a share of its profits to eligible customers' retirement savings each year helps Royal London maintain a balanced level of charging. We see ProfitShare as adding value to all customers who are eligible to receive it. However, it is important to note that, while a significant majority of Royal London's pension customers are eligible, not all are.

Relevant IGC principle being assessed: **Balanced charging**	Charges made by Royal London should sustainably cover the costs of providing and administering the contracts. Such charges should fall fairly between policyholders.

All customers with unit-linked policies sold since 1 July 2001 are eligible for ProfitShare. Customers invested in with-profits funds receive enhanced rates. For Workplace Pensions, ProfitShare benefits most Retirement Solutions and a few Talisman schemes. All Investment Pathways customers benefit from ProfitShare.

ProfitShare was introduced in 2016, with the 2023 award being made on 1 April 2024. Royal London has a strong track record for awarding ProfitShare and, for unit-linked policies, the rate has remained steady for the past four years which has the effect of reducing charges.

ProfitShare effectively offsets a portion of charges and although not guaranteed, we believe it should be considered when comparing benefits and charges with different providers.

Visit www.royallondon.com/profitshare

Investment

including responsible investment and stewardship

Investment

Royal London's investment strategy and the investment return it generates for customers is an important part of the value for money that customers get from their pension plan. Our value for money principles cover two main areas related to investment:

- Investment strategy: how funds are invested and how decisions are taken
- The performance of those investments over time.

Investment strategy

Under this section of the report, we consider:

- How the investments Royal London makes available in its Workplace Pension and Investment Pathways products are designed to deliver appropriate outcomes for its customers
- How the costs of implementing and administering these investments are managed
- How responsible investment and stewardship principles are taken into account in how Royal London manages these investments.

We receive regular updates on these aspects of the investment strategy and discuss any material changes with Royal London, assessing any potential impact on customers.

Relevant IGC principle being assessed:

Investment strategy

Royal London's long-term investment strategy should be designed to deliver appropriate returns within an agreed level of risk and volatility. This should be achieved in a measured and efficient manner and clearly communicated to customers.

Royal London should have appropriate policies and governance in place to ensure that returns are delivered cost-effectively, including management and oversight of execution and transaction costs.

Royal London should have appropriate policies around responsible investment and effective stewardship, so that ESG investment risks and opportunities are managed appropriately.

Investment strategy — Workplace Pensions

Investment strategy is the approach taken to invest customers' money. These investments are made in a fund or set of funds (a portfolio). We assess Royal London's Workplace Pension investment strategy by considering:

- the type of funds it will invest in, the types of assets held in these funds and how responsible investment and stewardship considerations are taken into account
- how those funds are combined to create investments that have a level of risk appropriate for the expected customer base
- the way it manages that level of risk for customers as they approach retirement.

The purpose of an investment strategy is to optimise the expected performance of a portfolio, while taking an amount of risk appropriate for the customers it has been designed for. Royal London uses a series of lifestyle strategies for its core workplace customer default investments. These are built from portfolios, which in turn are built from individual funds. We explain what the funds, portfolios and lifestyle strategies are in Appendix 4.

While we look at investment approaches across this range, it is important that we give particular attention to the default investment lifestyle strategy where over 90% of Royal London's Workplace Pension customers are invested. The default investment is where a customer's money will be invested if neither the employer nor the employee actively select an alternative fund. It is designed to meet the needs of the average customer.

In this section we provide an update on the investment strategy for the Governed Range. Further details on this can be found in Appendix 4. Royal London's small number of longstanding Workplace Pension customers are invested in a number of different ways and details of these are included in Appendix 8.

We can confirm that the investment strategy is designed and executed in the interests of relevant customers, with clear statements of aims and objectives.

Royal London also allows customers in its Retirement Solutions product to individually select an investment in its range of funds, portfolios or lifestyle strategies. Longstanding customers have less choice available to them due to the nature of these products.

The Comparison Study concluded that the governance Royal London provides across its investment proposition is very good and compares favourably with peers. Alongside the oversight provided by the IGC, Royal London has an Investment Advisory Committee which includes two independent members. The Investment Advisory Committee provides specific oversight on the design and continued suitability of the Governed Range. Royal London achieved the highest score for Governance from ratings provider MSCI across the peer group in this survey.

Changes to long-term asset allocation

It is important that the asset allocation of the investment strategies is regularly reviewed. It is also important that an investment strategy for Workplace Pension customers looks to balance risk and reward in the medium to long term. Through what is known as 'diversification' of assets, portfolios include a wide range of investments which are expected to behave differently in different market conditions. This helps to smooth the overall investment performance experienced by customers.

In April 2023, Royal London made changes to the asset allocation across the Governed Range, including the default investment. Implementation of these changes had originally been scheduled for late 2022, as discussed briefly in our 2022 report. These changes were postponed, initially as a result of challenging trading conditions immediately after the September 2022 UK mini-budget, and then to allow time to review the proposal when it became clear that the future outlook for some asset classes, particularly fixed income, had dramatically changed.

The key themes of this review were:

- to look at the blend of investments providing exposure to different economies
- to structure the investments to ensure Royal London's asset managers could be more agile in their daily management.

This review introduced global fixed income into portfolios where holdings had previously been exclusively UK-based. It also reduced the amount of UK equity held in the portfolios from 35% to 25%. Finally, there was a modest reduction in property investment, which is exclusively UK-based. Different global stock markets are dominated by different industries, and this change was made to improve diversification.

The reduction in property investment also adds to the ability for Royal London Asset Management to manage funds in a more agile way. Property is an asset class which Royal London believes offers long-term diversification benefits, however it cannot be quickly bought or sold which reduces the tactical flexibility available. Royal London also introduced more flexibility in the management of fixed income allocations held in its portfolios. As interest rates rise and fall, the prices of bonds with different time horizons move differently from each other. Greater flexibility enables asset managers to respond more quickly to varying market conditions.

We have reviewed and challenged these changes and are satisfied that they are appropriate and in the best interests of Royal London's Workplace Pension customers who invest in the relevant default investments. We also reviewed the implementation of these changes and were satisfied they were carried out at a modest and proportionate cost to customers.

Customer communications

Royal London continues to communicate with customers about their investments and investment returns in their annual statements. It also communicates to customers nearing retirement to help ensure they are invested appropriately for their individual circumstances. Royal London's mobile app offers on-demand access to investment performance and information on how customers' money is invested. This is available to 98% of Royal London Workplace Pension customers, although only a minority are using it at present.

Market conditions in recent years have been challenging. Events such as the Covid pandemic, wars in Ukraine and the Middle East together with the September 2022 UK mini-budget have caused increased market volatility. For customers, high inflation has led to real returns turning negative in the short term. These challenges, coupled with the cost of living crisis, persisted through 2023. We have therefore sought to understand what support is being provided to customers, particularly through appropriate communications. Royal London has continued to review and update its support materials to customers, including articles on the Royal London website and in its newsletters. We believe it is important that any such information is timely, informative and engaging.

Royal London communicates with customers about its approach to responsible investment. We cover this separately on page 21.

What funds and strategies are used by customers?

Most of Royal London's Workplace Pension schemes invest in Royal London's Balanced Lifestyle Strategy (drawdown) as the default investment arrangement, with the next most common strategy being one of the other Governed Range lifestyle strategies. In total, around 95% of customers are invested in one of the investment lifestyle strategies.

Employers can choose different strategies as the default investment for their employees, and customers also have the option of making their own choice from the wide range of funds offered by Royal London.

In a small number of cases, employers do not use a Royal London default investment strategy and instead design their own, with the support of an adviser. We describe these schemes as using an adviser default. When this happens, Royal London makes suitable checks and enquiries to prompt the employers and their advisers to act appropriately and in the best interests of pensions savers. In 2021, Royal London wrote to employers and advisers to remind them of their duty to review the Workplace Pension default investment they have selected. In 2023, Royal London re-engaged all advisers and employers who use adviser defaults to ensure they understood their responsibilities. As a result of this communication, a small number of advisers have made changes to their investments.

We have scrutinised reports from Royal London on these adviser defaults, considering issues such as investment performance, fund mix, use of lifestyling and naming conventions. We have agreed on some additional analysis that we would like to review in more detail and we will provide an update on this in our next report. We will continue to monitor the value these adviser defaults are providing to customers and will work with Royal London to ensure appropriate challenge is provided.

For further information on how Royal London's Governed Range default investments are allocated between different assets, refer to Appendix 5.

Longstanding customers do not have access to the Governed Range of funds. We previously agreed with Royal London that these customers could benefit from a move to Retirement Solutions products, which would allow access to the Governed Range of funds and enhance the service and communications available to such customers. A project is underway which intends to upgrade as many customers as appropriate to Royal London's latest pension product. We discuss how this project is progressing on page 11 of the report.

Investment strategy — Investment Pathways

Three of the four Investment Pathways invest in Governed Range portfolios as described in Appendix 4, with the established oversight and governance arrangements already detailed. The fourth Investment Pathway invests in an annuity fund which, although not part of the Governed Range, is subject to very similar governance and oversight.

We apply the same value for money principles when assessing Investment Pathways funds as we do when assessing investments for Workplace Pension customers.

In 2023, there was a review of the ongoing appropriateness of the investments underpinning each Investment Pathway to ensure they still aligned to how customers were accessing their savings. This was important because of the high levels of inflation putting pressure on customers' finances, which can lead to a change in customer behaviour, for example more customers withdrawing money from their fund than anticipated. As the investment strategy which sits behind each pathway is calibrated to when and how customers anticipate using their money, changes of behaviour could mean a change to the investment strategy is needed. However, the review concluded that the current pathway investments remain appropriate. Based on the evidence provided, we were supportive of this conclusion, but will continue to monitor customer behaviour closely.

It is also important to ensure that, if customers start to use their money in a way that they did not intend when they chose their Investment Pathway, they consider whether changing pathways would be appropriate. We have reviewed what support and communications Royal London provides customers to help keep their Investment Pathway under review, and this is covered in more detail on page 29.

Responsible investment and stewardship

We also have a duty to ensure that Royal London considers the impact of running its business and investing its customers' money on the environment and wider society. These are commonly known as ESG factors. In 2023 Royal London continued to operate in line with its commitments and we believe that responsible investment considerations are well embedded across the business. We independently monitor Royal London's work with a particular focus on customer outcomes. We receive quarterly updates on the actions taken via an ESG dashboard, which we developed to monitor progress.

Our conclusion is that Royal London performed well in areas related to ESG and responsible investment in 2023. We are satisfied that the appropriate focus is being given to this area and that responsible investment — which includes ESG, customer concerns and stewardship — is seen as a priority at the highest level within Royal London.

Assessing Royal London's approach to responsible investment

We measure Royal London's ESG policies and execution against a set of principles. Similarly to our value for money assessment, this allows us to check that Royal London can provide progress reports and evidence for each of the principles we believe are important in relation to Workplace Pension and Investment Pathways customers. The principles we had put in place in 2021 were recently updated to consider the evolution of Royal London's approach, and in order to allow better assessment and reporting. Our five new principles are as follows:

- Internal policy, which considers whether Royal London's Purpose – 'Protecting today, investing in tomorrow. Together we are mutually responsible' – and beliefs enable responsible investment activities.
- Investment strategy, which considers the investment policy framework within which Royal London develops solutions.
- Investment solution design, which considers the strength and suitability of the investments themselves.
- Value for money, which considers the fairness of costs and charges incurred by customers.
- Communications and reporting, which considers how Royal London communicates with customers and other stakeholders about its responsible investment activities.

Our assessment as at the end of 2023 is as follows:

Internal policy

Here we look at whether Royal London's ambitions include sustainability, and whether Royal London Group's Purpose, strategy and culture are set up to enable delivery of responsible investment outcomes for customers. We have worked closely with Royal London to understand what has already been put into place as well as its plans and aspirations. Royal London aspires to be a purpose-driven business focused on achieving three key outcomes:

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

Embedding responsible investment in meaningful ways within the business has become a part of achieving Royal London's overall Purpose. We have reviewed its relevant internal policies, internal governance showing accountability for these issues, and disclosure of the measurement and management of issues such as emissions footprint and net zero targets, workforce demographics and pay gaps. Overall, we believe that these issues are given high priority in the business, underlined by the establishment of the Royal London Group Sustainability Oversight Committee which reports to the Royal London Group Executive Committee as well as by significant Board-level involvement in sustainability discussions.

Here are some examples:

- The Royal London Board is responsible for promoting the long-term sustainable success of the Royal London 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 wider society. Its Investment Committee recommends the firm's Investment Philosophy and Beliefs to the Board and is responsible for considering any material ESG matters. The Board and its committees directly engage with and consider key climate-related activity. Alongside strong internal governance, Royal London's conduct of ESG and responsible investment matters is overseen by the Investment Advisory Committee, which includes independent members alongside senior members of the executive team. The IGC is specifically responsible for oversight of topics related to Workplace Pensions and Investment Pathways.
- Royal London has an incentive framework designed to help employees focus on activities that support its Purpose, and that contribute to delivering long-term value for members. Incentives are judged against targets and metrics that track delivery of key outcomes, including climate commitments. For example, in 2023 Royal London included a requirement in its short-term incentive plan to demonstrate progress against its sustainability ambitions. The longer-term incentive plan also included two climate-related measures designed to incentivise engagement on investee companies' net zero and just transition plans.
- Royal London has published targets for reductions in its operational emissions. Evidence of its focus on this area includes the move to a new more energy-efficient London office in mid-2023. Further details can be found in the metrics and targets section of **the Royal London Group's 2023 Climate Report** published in accordance with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) framework. Royal London has also worked to embed sustainability across its business through its Eco Champions network.
- Royal London continues to work on its Climate Transition Plan (CTP) which will be published externally during the first half of 2025. An internal CTP was drafted in 2023 and, over 2024, Royal London intends to develop it in alignment with ongoing Transition Plan Taskforce recommendations. The CTP will outline the steps it intends to take toward decarbonising its investment portfolios, and the data and metrics required to enable that, while continuing to deliver good financial returns for its customers. We will provide an update on this in our next report.
- Royal London has been an active steward of its members' pensions savings, engaging with the companies it invests customers' money in with its two priority themes of climate change and inclusion. It has also collaborated with peers and industry groups to push for progress in key areas including working with the Association of British Insurers, the Investment Association and the Institutional Investors' Group on Climate Change for a just transition.
- Royal London carries out a range of social impact work to help drive change for wider society. In 2023 it contributed £2.4m to social impact initiatives including charities Turn2us and Cancer Research UK, as well as to the Business in the Community Climate Fund with a goal of building community resilience against future economic shocks from climate change.
- Royal London publishes a Gender Pay Gap Report and has signalled its commitment to reduce the current gap. The report shows the gaps across the business, outlines why they exist and sets out what it is doing to address them.

Investment strategy

Royal London aims to achieve outcomes for its customers through strong financial returns, while also delivering real-world impact. Its investment approach has a critical role to play in achieving these goals. We examined whether its investment policies and risk frameworks are integrated across the firm and have paid due regard to sustainability. We believe that Royal London's ESG strategy and policies are well developed and embedded across the business. Its policies on voting, stewardship, engagement and exclusions have been properly integrated into its governance and are influencing the way pensions are invested and managed. Royal London has also implemented a Reserved Voting Forum, which is where significant or sensitive issues are debated before votes are cast by Royal London Asset Management, its asset management business.

Over the last three years, Royal London has focused on ensuring that both its internally and externally managed funds reflect the growing emphasis that it places on responsible investment. A framework was implemented in 2021 to allow regular monitoring of external fund managers with a specific focus on their approach to responsible investment. This involved the introduction of six-monthly due diligence questionnaires and regular stewardship meetings to further analyse and challenge their approaches. Discussions with managers include analysing their voting and engagement records and ensuring they align with Royal London's Purpose and investment beliefs. This framework already had a strong focus on customer outcomes but it is currently being refined to incorporate evolving regulations, in particular the Consumer Duty and the FCA's regulatory sustainable finance agenda.

Royal London is a signatory to the United Nations Principles for Responsible Investment. This initiative assesses firms' responsible investment credentials against a range of criteria. The Comparison Study highlights that Royal London's net zero target of 2050, with a 50% reduction by 2030 in investment portfolio emissions and in Scope 3 emissions, is comparable with the majority of its peers. Royal London confirmed that, as at the end of 2023, the carbon footprint (Scope 1 and 2 tCO_2e/$m invested) from its corporate fixed income and listed equity portfolio had reduced by 19% since the baseline year of 2020. Royal London's climate targets are based on the expectation that governments and policymakers will deliver on their commitments to achieve the goals of the Paris Agreement, and that the actions Royal London takes do not contravene its fiduciary duties.

Investment solution design

We have reviewed whether Royal London's investment solutions are designed to deliver on Royal London's Purpose. We assessed whether Royal London's investment solutions provide appropriate, sustainable outcomes for its customers and we also considered whether default investment strategies are appropriate for its typical customers and whether choice is available for those that seek it.

The funds in Royal London's default investment strategies use a broad set of asset classes, almost all of which integrate ESG factors. For example, in equities, Royal London's dominant holdings were moved from passive holding to tilted funds in 2021. These funds hold more in companies with positive environmental and governance characteristics, using continually updated information gathered from external sources as well as internal research. All fixed income funds are actively managed, with ESG considerations factored into each purchase. Royal London also operates its own property fund, which the default fund invests into. Properties held in this fund are all managed to strict ESG standards. Royal London Asset Management has committed to reaching net zero by 2030 on all directly managed property assets, and by 2040 on all indirectly managed assets. Each time Royal London undertakes a review of its strategic asset allocation, climate-related risks and other ESG factors are taken into consideration.

Royal London's ambition is that further ESG-related factors will be incorporated in the future. We note that Royal London is undertaking a broad review of the range of self-select funds it offers customers and we expect to receive updates on any proposed changes. We believe it is important to take customers' views on this topic into account when designing investment solutions and therefore asked Royal London for details on how it is doing this. Royal London has commissioned surveys to capture customers' views on ESG themes and has used this research when considering its investment priorities and communications strategy. Royal London has also surveyed the adviser community on ESG. This research has been regularly reported to us.

An example of this is an online survey Royal London carried out in early 2023 with a sample of around 200 Workplace Pension customers. The survey was designed to understand customers' priorities before prompting them further on the topic of investing responsibly. Customers' understanding of responsible investment varies, with 54% stating that they were familiar with the concept. It was clear however that Workplace Pension customers look to Royal London to take a lead on climate change and social issues.

Value for money

We consider whether the costs of responsible investment integration and associated work are appropriate, and whether the impact on customer charges and outcomes is effectively controlled.

We conclude that Royal London is performing appropriately in this regard. We note, for example, that the Governed Range has been enhanced to take account of responsible investment over recent years and Royal London has continued to offer it to its customers at the same cost, both in the AMC that customers pay explicitly, as well as in the implicit costs of the funds. For example, transaction costs in the core growth portfolio have been stable and consistently below 0.15% p.a. over the last five years.

Alongside the default investment strategy, Royal London makes a range of other strategies and funds available to customers who wish to choose their own. The default investment strategy reflects Royal

London's own views on responsible investment but, for customers who have specific preferences, Royal London Asset Management's Sustainable range of funds are available at no additional cost.

The tilted equity funds have performed in line with benchmark since they were introduced in 2021 and were slightly ahead over 2023. Transaction costs have remained relatively static over the period, and in line with the overall turnover of the funds.

Communications and external reporting

We reviewed whether Royal London made information available on its approach to sustainability to customers, employers and advisers, and whether it provides regular updates and thought leadership on responsible investment. In our opinion, Royal London communicates effectively with customers and advisers in relation to its approach to responsible investment. We have seen evidence of this through the communication of investment strategy changes, engagement case studies and broader support and educational material aimed at advisers, employers and members. Royal London has a focus on providing articles and webinars designed to help customers understand how their pensions are invested, including important aspects of responsible investment. Information is also available via the Royal London mobile app for Retirement Solutions customers, which features a breakdown of each customer's investments.

Both the Regulator and consumers are rightly concerned about businesses giving a false impression or misleading information about the environmental credentials of their propositions (greenwashing). The FCA released Sustainability Disclosure Requirements with the anti-greenwashing element coming into effect from 31 May 2024. This will apply to all communications where 'responsible' claims are made by the provider and will now have to be backed up with evidence. In June 2023, the Royal London Group published its first TCFD report detailing how it takes climate-related risks and opportunities into account in managing and administering investments on behalf of customers. The Group's most recent report published to align with the TCFD recommendations is its **2023 Climate Report**. Alongside this main report, TCFD recommendations also require product-level reports to be published, and these are available for each individual fund that Royal London customers can invest in. These include a baseline set of consistent, comparable disclosures on the carbon emissions associated with the investments in the fund.

Royal London achieved signatory status of the Stewardship Code in March 2023 and published its report on its website. Stewardship is the responsible allocation, management and oversight of customers' money to create long-term value for those customers while also delivering sustainable benefits for the economy, the environment and society. In the UK, the Financial Reporting Council (FRC) sets out a Stewardship Code which defines high stewardship standards for those investing money on behalf of UK savers and pensioners. To become a signatory of this Code, companies have to evidence the work they are doing to the FRC.

Royal London also published reports on the climate-related risks which its investments are exposed to. These reports are aligned with the requirements from the Task Force on Climate-Related Financial Disclosures and offer investors deeper insight about the impact that Royal London investments are having on the climate. While these reports are technical in nature and will not resonate with all customers, the transparency that they provide is important. The Comparison Study analysed key climate metrics of Royal London's investments relative to other providers in the market and found these were comparable.

In our view Royal London is performing well in respect of responsible investment and has ambitions to become recognised as a leader in the field. Appropriate policies and frameworks have been implemented, while new reporting measures have either been put in place or are being developed. Royal London has the foundations in place to further evolve and enhance its responsible investment credentials.

Investment returns and transaction costs

Investment performance, particularly that of the Retirement Solutions default investment strategy, is an important part of the value for money provided to customers. This is because investment returns add to the value of the pot and can build up significantly over time. We therefore monitor the returns provided to customers closely. Transaction costs are expenses associated with managing and dealing in investments. It is important that these are also effectively managed and monitored.

Overall, we believe that investment performance for Workplace Pension customers was satisfactory in 2023 and that transaction costs were well-controlled.

Relevant IGC principle being assessed:

Appropriate investment returns

Actual investment returns should be appropriate relative to the risk that a customer has taken. In particular Royal London should:

a. effectively communicate the investment returns and potential risks of their investment to customers;
b. set realistic expectations of future returns and measure actual returns against these expectations;
c. identify where returns fall below appropriate benchmarks and competitor returns; and
d. ensure efficient trading execution.

Investment returns and transaction costs – Workplace Pensions

The performance of the component portfolios which make up the Royal London Workplace Pension default investment strategy is shown in the table on this page. Governed Portfolio 4 is the main growth element of the default investment strategy and is designed for those with 15 years or more to retirement. At this point, members will gradually switch into Governed Portfolio 5, then to Governed Portfolio 6 as they get closer to their nominated retirement date, finishing up in Governed Retirement Income Portfolio 3 which is designed for taking a regular income.

Portfolio name	Percentage change					Compound annual growth rate (%)	
	31/12/2022 31/12/2023	31/12/2021 31/12/2022	31/12/2020 31/12/2021	31/12/2019 31/12/2020	31/12/2018 31/12/2019	31/12/2020 31/12/2023	31/12/2018 31/12/2023
	%Chg	%Chg	%Chg	%Chg	%Chg	3 years	5 years
Governed Portfolio 4	**9.23**	**-5.14**	**17.90**	**0.72**	**16.67**	**6.90**	**7.49**
Composite benchmark	8.82	-4.74	15.50	1.31	14.62	6.18	6.81
Difference	0.41	-0.40	2.40	-0.59	2.05	0.72	0.68
Governed Portfolio 5 Annuity / Drawdown	**8.68**	**-7.06**	**14.69**	**1.53**	**15.42**	**5.02**	**6.30**
Composite benchmark	8.21	-7.01	12.63	2.33	13.30	4.26	5.61
Difference	0.47	-0.05	2.06	-0.80	2.12	0.76	0.69
Governed Portfolio 6 Annuity / Drawdown	**7.28**	**-9.60**	**9.54**	**3.17**	**12.01**	**2.03**	**4.18**
Composite benchmark	6.72	-10.50	7.79	3.70	10.30	0.97	3.32
Difference	0.56	0.90	1.75	-0.53	1.71	1.06	0.86
Governed Retirement Income Portfolio 3	**7.28**	**-7.29**	**9.57**	**2.75**	**11.51**	**2.91**	**4.54**
Composite benchmark	6.82	-8.58	7.19	3.53	9.99	1.53	3.57
Difference	0.46	1.29	2.38	-0.78	1.52	1.38	0.97

* These figures are presented gross of the AMC that customers pay. The charge customers pay varies from scheme to scheme and is never more than 0.75% for automatic enrolment schemes. Customers can see their true performance, net of the actual charges they incur, on their annual statements and most customers are also able to access this information on Royal London's mobile app. The figures do not include the benefit of any ProfitShare.

After a challenging 2022 when political uncertainty, the war in Ukraine and rising inflation all impacted investment returns, 2023 was more positive as inflation began to fall and equities outperformed other asset classes. Global equities were the strongest performer, delivering 16% over the year, while government bonds produced small positive returns as interest rate hikes slowed. Commodities and property were the only negative performing asset classes held, with property only just falling into negative territory.

Royal London made decisions that meant it held more, or was 'overweight', in asset classes such as equities and high yield bonds throughout 2023, which performed well for most of the year. Underweight positions in property and commodities also supported performance against benchmark, meaning all Governed Portfolios were ahead of their respective benchmarks over one, three and five years.

We received analysis via the Comparison Study which confirmed that Royal London's Workplace Pension default investments were performing in line with defaults from other providers on a risk/return basis.

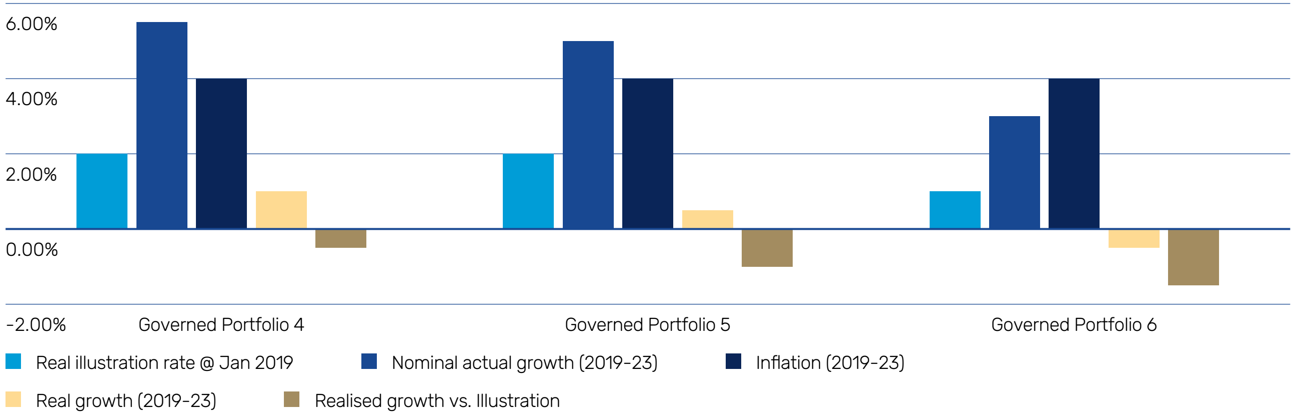
Royal London Independent Governance Committee – Annual Report 2023

One item of concern was highlighted in the Comparison Study. Unlike some other providers, Royal London does not systematically emphasise risk warnings to customers who, by delaying their retirement date, are moved back into riskier assets. We asked Royal London to provide evidence of what it offers to customers making this change and are satisfied that the customer is informed that such a change would alter their position in the investment strategy. We think that more can be done in this space to educate customers on the potential investment risks and Royal London has advised that work is planned to address this in 2024. We can confirm that Royal London regularly reviews investment strategies to ensure alignment with the interests of customers and takes action to make changes where necessary. We receive formal updates on these reviews to ensure that we understand what is being taken into account and can challenge appropriately.

Performance against expectations set in Royal London's illustrations

We think it is important that Royal London monitors its actual investment performance against expectations set in customer illustrations. We recognise that these illustrations are governed by the rules set by the Regulator. However, they can influence customers' views of expected investment returns and can play a key part in how customers view the value for money delivered by their Workplace Pension. The chart below compares the performance of the portfolios used in the default investment strategy over the last five years against the real growth rate shown on customers' illustrations five years ago. While the longer-term portfolios (Governed Portfolio 4 and Governed Portfolio 5) have delivered positive real returns, all portfolios have been slightly behind the illustration rate. This has been caused by the high inflation the UK has experienced relative to the assumed rate of 2.5% in the illustration.

Five-year real and nominal performance vs. illustration rates



Every quarter, Royal London's Investment Advisory Committee reviews performance of the Governed Range portfolios against growth rates provided to customers in illustrations and shares this information with us. We use it to review the default investments (which the majority of Workplace Pension customers are invested in) and to see how they are performing relative to the expectations set with customers. The table below shows the position as at 31 December 2023 and reflects the returns delivered during 2023. It also shows the illustration growth rates for each portfolio as at 31 December 2023.

Investment	Illustration rate[1]	Annual compound real return[2]		
		1 year	3 years	Since launch
>15 years from retirement: Governed Portfolio 4	1.5%	4.0%	-0.7%	4.7%
10 years from retirement: Governed Portfolio 5 Annuity / Drawdown	1.5%	3.5%	-2.0%	4.1%
5 years from retirement: Governed Portfolio 6 Annuity / Drawdown	1.3%	2.2%	-3.2%	2.4%
At retirement: Governed Retirement Income Portfolio 3	1.4%	2.1%	-4.4%	2.1%

1. Illustration rate is the expected growth rate detailed on customers' annual statements.
2. Annual compound real return is the gross return achieved in excess of actual inflation (CPI) over the same period.

Actual real returns since launch, shown in the table, are all ahead of illustration rates. Strong performance in 2023 provided a positive outcome for members, although higher than expected inflation in 2022 had a major impact on three-year figures. We have been working with Royal London to understand the implications this has for customers' investments and the value of customers' pensions. Nevertheless, we consider the inflation-adjusted rates of return achieved since launch to be strong, which contributes positively to the value for money received by customers.

Comparisons against other providers

We compare the performance of Royal London's Governed Range portfolios against broadly similar funds from major competitors. This is important to us as we want to ensure that the performance remains good in comparative terms too. We do this in two main ways: firstly, through the Comparison Study and secondly through what is known as capaDATA. Royal London provides data on risk and return performance to a company called Corporate Adviser who use this to produce the capaDATA report which compares its performance with a range of other Workplace Pension providers. This is useful as it incorporates performance from providers who do not take part in the Comparison Study. This report on default investment strategies compares both performance and the measure of the amount of risk taken to achieve that return. Details of the results are shown in Appendix 6.

The information in the comparison tables demonstrates that Royal London's performance is below average for the longer-term portfolios while taking less risk than most. Royal London has less equity exposure than the competitors listed. Royal London's view is that customers will benefit from this greater diversification over the longer term. As part of its ongoing strategic asset allocation, Royal London considers the amount of risk taken at each stage of the default investment strategy.

Transaction costs

Transaction costs are the expenses associated with managing and dealing in investments in a fund. These costs are not new or additional costs – they are already included within the investment returns we have shown on page 22.

Transaction costs are split into three main categories: explicit costs, implicit costs and other costs:

- Explicit costs can be directly tracked to a single trade and include broker commission, transaction taxes and legal fees associated with property purchases.
- Implicit costs are effectively the timing impact between the value of a trade when it is placed and the value when the trade is executed. The difference between these two prices is referred to as an implicit cost.
- Other costs include anti-dilution levies which are the result of trades that occur due to large flows in or out of a fund. These are paid by the investor entering or exiting and rolled back into the fund to ensure all other investors are not negatively impacted by additional trades.

Transaction costs information is also important for investment firms to help them make sure they get the best value for the trades they make and that they are processed efficiently. We cover this under the Best execution section on this page.

We have included graphs showing more information on the make-up of transaction costs in Appendix 7.

Overall, transaction costs were lower in 2023 than they were in 2022. This is primarily down to a reduction in property purchases in 2023 compared to 2022 which has led to a reduction in legal fees and tax costs. Increased turnover in the RLP Global Managed fund, which is the equity building block of the portfolios, led to an increase in commission payments for brokers undertaking the trading on behalf of Royal London Asset Management. Although these costs were higher in 2023, this is still lower than it was in 2021 and preceding years and we have no concerns over trading efficiency. Lower implicit costs also caused an overall reduction in transaction costs for 2023.

The reason for this was that implicit costs were ordinarily high in 2022 due to increased market volatility caused by the Ukraine war and rising interest rates, which led to market pricing moving around more frequently and causing larger movements between the point a trade was placed and finally actioned.

Guidance from the Regulator stated that stock lending fees should now be included in the total expense ratio rather than calculated as a transaction cost, meaning these will be removed moving forward.

The Comparison Study highlighted that Royal London has slightly higher transaction costs than some other providers. We are comfortable with this as it is a reflection of its more active management style, and we believe that the performance it is achieving, after allowing for these costs, is delivering good value for customers.

> We believe that both investment returns relative to risk and the level of transaction costs have been at acceptable levels for customers in 2023.

Best execution

It is important for us to ensure that Royal London buys and sells investments for its Workplace Pension customers in the most efficient way with minimal costs. This is known as best execution. Royal London operates a Dealing Management Committee which oversees the effectiveness of its execution process and drives improvements to the execution process.

The Dealing Management Committee has replaced the Best Execution Review Group as the vehicle to provide oversight and challenge on this topic. It has an expanded membership and is broader in scope to include looking at all dealing-related activity. It now reviews any breaches or errors made in the dealing space and looks at wider issues and trends in the market that may impact execution or require the firm to respond in any way.

The Dealing Management Committee regularly assesses Royal London's trading arrangements to ensure that they comply with best execution obligations and that trading is carried out efficiently. This includes ensuring use of the most effective brokers who can trade at the scale and in the timescales required at an appropriate cost.

The Dealing Management Committee meets bi-monthly and provides us with annual updates. Royal London recognises that its processes will continue to evolve to meet developing industry practices, to ensure it continues to deliver the best possible results when executing customer requests. We will continue to monitor activity in this area.

Investment returns and transaction costs – Investment Pathways

Investments underpinning each Investment Pathway are described in Appendix 4. The investment performance of each strategy is shown in the table below:

Investment Pathways performance

	Name	Percentage growth (cumulative) 31/12/2022 to 31/12/2023 Value 1 year	01/02/2021 to 31/12/2023 Value since launch
Investment Pathway 1 (investing for growth)	Governed Portfolio 6 Annuity / Drawdown	6.21	3.38
	Governed Portfolio 6 Annuity / Drawdown Benchmark	5.66	0.11
	Difference	0.55	3.27
Investment Pathway 2 (annuity purchase)	RLP Annuity	4.72	-9.23
	RLP Annuity Benchmark	4.92	-12.96
	Difference	-0.19	3.73
Investment Pathway 3 (investing for income)	Governed Retirement Income Portfolio 3	6.22	5.78
	Governed Retirement Income Portfolio 3 Benchmark	5.76	1.62
	Difference	0.46	4.16
Pathway 4 (withdraw all)	Governed Portfolio 3	5.48	4.38
	Governed Portfolio 3 Benchmark	4.85	1.83
	Difference	0.64	2.55

* Benchmark is the target investment return based on the returns from market indices representing the asset mix of each pathway fund.

Each Investment Pathway has performed above its benchmark since being launched in February 2021, although Investment Pathway 2 had a slight underperformance against benchmark during 2023. We note however that the strategy for this pathway has performed as intended in preserving the amount of annuity that could be purchased given the corresponding change in annuity rates over the period.

In Appendix 9 we can see how each Investment Pathway has performed compared to others in the market. Please note this information is only available for the period from February 2021 (when Royal London launched Investment Pathways) to year end 2023. Performance since launch and over the 2023 calendar year are shown in the table above.

Royal London's Investment Pathways have performed in a similar way to how the Governed Range has performed against peers in that most portfolios are sitting third quartile based purely on performance due to the lower risk profile compared to peers and the higher allocation to UK equities over Global, with Global Equities outperforming over the period.

> Overall, Royal London has performed strongly across each of the Investment Pathways options relative to benchmark. This is due to the performance of the Governed Range which underpins all of these, with equities and high yield bonds all offering strong returns in 2023.

Investment Pathways transaction costs

Transaction costs for Investment Pathways are calculated in the same manner as they are for all other funds including the Governed Range. You can read a full explanation on page 24 and a table showing the transaction costs for each Investment Pathway in Appendix 7.

Service

Service

Assessing service quality is important as the support a customer receives can have a significant impact on their level of engagement and the value of their pension pot, as well as how it is used.

We therefore take time to ensure we understand the quality and timeliness of service and how well Royal London engages and communicates with its customers. Service is a key part of the overall value for money assessment and we have set out principles against which we hold Royal London to account.

Clear communication and good customer engagement

To monitor the effectiveness of Royal London's customer engagement, we receive reports as well as regular data on key aspects related to customer engagement activities, and review key customer journeys and communications.

Relevant IGC principle being assessed: **Clear communication**	Royal London should communicate with customers in a clear and timely manner and ensure customers are aware of product features, terms and conditions at relevant points in order to make informed decisions. Royal London should also communicate the value of any guarantees or other benefits to customers clearly and communicate the implication of actions that would result in the loss of these benefits.

Before focusing on specific activities for distinct customer groups later on in this section, it is useful to consider activities and resources that are accessible to all, or the significant majority of, Royal London customers.

For non-digital communications, the Comparison Study showed that the annual statements and other core written communications for Workplace Pension and Investment Pathways customers were clear and easy to read, consistently scoring higher than other providers year on year.

These core communications are typically sent by post which enables Royal London to gain important insight on whether customer address data remains up to date. The number of customers Royal London has lost contact with is similar to levels seen for other providers. We continue to work with Royal London to understand if more can be done to trace customers' postal addresses at an appropriate cost. We encourage all customers to advise Royal London (and any of their financial service providers) when they move address.

Royal London's customer engagement strategy for 2023 focused on improving the breadth and reach of its communications, with a particular focus on 'doing more digitally' to help drive better customer outcomes. We have therefore considered the wider engagement activity undertaken by Royal London, and whilst the Comparison Study observed that Royal London appeared to use fewer campaigns than its competitors, Royal London was one of the only providers to cover all of the topics mentioned in the study. We have considered the range of activities undertaken including Pension Awareness Week, the Pension Attention industry campaign, the range of regular webinars covering many different subjects and the monthly Pelican Post newsletter that reaches in excess of 600,000 customers by email every month. We consider the range and content of these campaigns to be good.

There were also improvements in content and capability online, for example to support pension transfers, tax year-end planning, promoting sign up to the financial wellbeing service, encouraging more digital adoption via the mobile app (resulting in 60,000 additional registrations) and a pension prize wheel which created record logins. Further, the online toolkit for employers has been enhanced to help them run their scheme and to assist in the engagement and support of their employees.

A key challenge that Royal London faces is not the quality, frequency or range of its communications, but how far its communications can reach. Work continues to improve the data, contact information and marketing permissions for customers and Royal London is also investing in new marketing capabilities which will improve data management, automation, flexibility, speed and the targeting and relevance of its customer communications. We will continue to monitor progress in this important area and include an update in our next report.

Based on the above activities and evidence we have concluded that Royal London strives to communicate well and prioritises good engagement to help improve customer outcomes. The main area for improvement is its ability to reach customers.

Workplace Pension schemes

Digital innovation and engagement

A key strategic ambition for Royal London is to improve the financial resilience of its customers, and there are some key capabilities directed at Workplace Pension customers to support that goal. Royal London has continued to build on its financial wellbeing service which now offers new features such as the state benefits entitlement calculator. More than 15,260 financial health checks were completed by customers in 2023 and the calculator made customers aware of more than £6.8m in potential annual state benefit eligibility, helping them understand their entitlement to state benefits and potentially enhancing their financial wellbeing.

As we covered in our 2022 annual report, while we believe that Royal London's people-based support is good for customers nearing retirement, we believe there is an opportunity for Royal London to support its customers who may prefer to engage digitally. It is clear that Royal London has focused its efforts on innovating and reaching more customers through digital means. However, as highlighted in the Comparison Study, as customers approach and move into retirement, Royal London has been more reliant on paper-based applications, whereas the majority of its peers offer more digital capabilities to customers at this important life stage. Royal London has work under way to improve its capabilities, some of which is covered later in this report, relating to Investment Pathways customers.

We are seeing that some digital improvements are changing customer behaviour. For example, customers can nominate a beneficiary via the mobile app. The Comparison Study shows that Royal London had one of the lowest instances of Workplace Pension customers nominating a beneficiary (17%) but had one of the highest increases from the previous year, which again illustrates the focus on improving digital engagement.

Last year we highlighted a pilot launched by Royal London to test how Workplace Pension customers engaged with personalised video-based annual statements. This pilot resulted in good engagement with customers and, throughout 2023, Royal London has been building the design to ensure that all its Retirement Solutions Workplace Pension customers will receive a video annual statement if an email address is held for them – this will be rolled out in 2024. Royal London believes that this development could be a gateway to help reach many more customers and develop greater digital adoption.

Royal London has more digital improvements on the horizon, including a 'My Royal London' online portal for Workplace Pension customers. We welcome this progress and have requested that Royal London keeps us up to date on the impact of these changes and the level of digital engagement. We will provide further updates in our next report.

Employer support

It is important for Royal London to reach and communicate effectively with employers. Royal London's Pension Matters email newsletter reaches around 31,500 employers and provides articles and resources to support them in the day-to-day running of their scheme, to help meet their employer duties and to better engage with their employees.

During 2023 Royal London evolved its employer campaign toolkit. The toolkit contains a range of multi-channel marketing templates and resources that employers can use to communicate with their employees on several different topics. The additions for 2023 included email, poster and leaflet templates to help employers promote tools and features of both the mobile app and financial wellbeing service to their employees. These include the financial health check, state benefits calculator and retirement lifestyle planner.

Royal London is reviewing how it can better support employers in managing their scheme effectively on their employees' behalf and provide better communications support to help build the financial resilience of their workforce.

Longstanding Workplace Pension schemes

Core communications

Plans to upgrade some longstanding customers to Retirement Solutions products started in December 2023 and we look forward to those customers having access to wider communication channels and capabilities as those upgrades continue over 2024. We still believe the communications sent to Royal London's remaining longstanding customers are clear and easy to read and we will continue to review communications for these customers.

Digital innovation and engagement

Royal London's longstanding customers who have provided their email address receive the monthly Pelican Post newsletter, invitations to webinars and financial wellbeing service communications. We recognise, however, that there is little digital communication and capability available to longstanding customers and continue to encourage Royal London to provide more to these customers. It is important to note there has been a key development in digital engagement for these customers when approaching retirement, as covered below in the Investment Pathways section.

Investment Pathways customers

Financial planning tools and effective content are very important for those customers approaching retirement. We take a keen interest in Royal London's approach to supporting its Investment Pathways customers through their retirement journey.

Digital innovation and engagement

At Royal London, the transition for customers up to and into retirement is predominantly still a people and paper-reliant process. However, there have been key developments on two important parts of the customer journey.

- Longstanding customers who just want to access their 25% tax-free cash can now complete the majority of that process digitally. There are plans to roll this capability out further across all Workplace Pension customers.
- Additionally, an online process has been designed to help educate relevant customers that are approaching retirement and allow them to select an appropriate Investment Pathway. This has helped streamline the telephone process by completing part of the application process digitally. Since implementation there has been more adoption of Investment Pathways solutions by non-advised customers, resulting in two thirds of these customers choosing to invest in an Investment Pathway. This compares favourably to Royal London's peers in the Comparison Study.
- Further, the Comparison Study highlighted that Royal London has one of the highest rates of Investment Pathways customers to have completed a death benefit nomination (97%). This is mainly because the customer onboarding process has been updated to capture good customer data and include clear instructions.

Whilst the process to move into retirement needs further digital improvements, there is a good range of capability to allow customers to view and manage their pension pots once they have moved into an Investment Pathway. Within the mobile app customers can consider the sustainability of future income from their pension plan. The online tools section also includes a 'State Pension calculator' and a 'pension planning calculator'. Royal London has advised that there are plans to further improve capability and communication for this customer group throughout 2024 which will include a later life planning tool within the financial wellbeing service. All of this should support Investment Pathways customers by giving them a more complete picture of their retirement finances.

Last year we advised that we had challenged Royal London to improve its reach to customers and digital adoption. There is still more progress to be made, but it is clear that Royal London's strategic intent is now translating to tangible activities. We will continue to monitor this important area.

Customer insight

To better understand customer needs, Royal London regularly engages with customers through its UK Customer Insight function. Royal London assesses customer needs and preferences using tools like the Financial Resilience Model and Customer Value Statements (CVS), which are integral to the Customer Relationship Study (CRS).

Royal London aims to help build customer financial resilience. Introduced to the CRS in 2022, the Financial Resilience Model measures customer resilience against three core outcomes shown below.

Overall resilience

Outcome 1
Customers have enough money for the retirement they planned

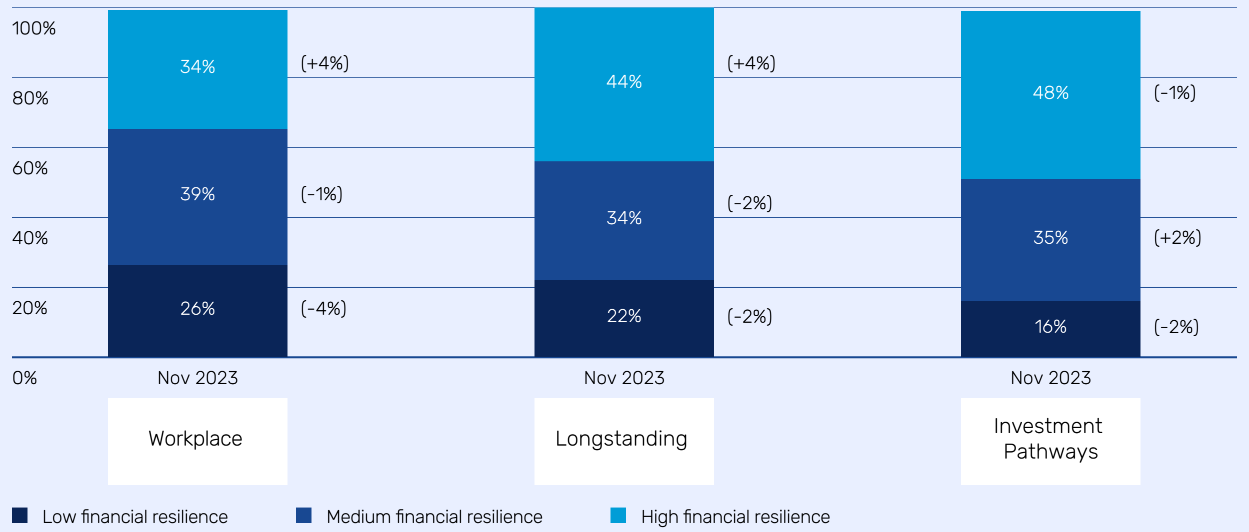
Outcome 2
Customers feel confident in making decisions about their long-term savings and investments

Outcome 3
In times of ill health or bereavement, customers and their family don't have to worry about money

Each survey participant is given a resilience score per outcome, summarised as high, medium or low, based on their average score. Participant scores are then aggregated to give one overall financial resilience rating.

Financial resilience across the three customer groups – November 2022 vs November 2023*

The following results are from the customer insight activity conducted in November 2023 and focus on the three customer groups that fall within the remit of the IGC: Royal London's Workplace Pension, longstanding Workplace and Investment Pathways customers. The figures in brackets show the difference compared to November 2022.



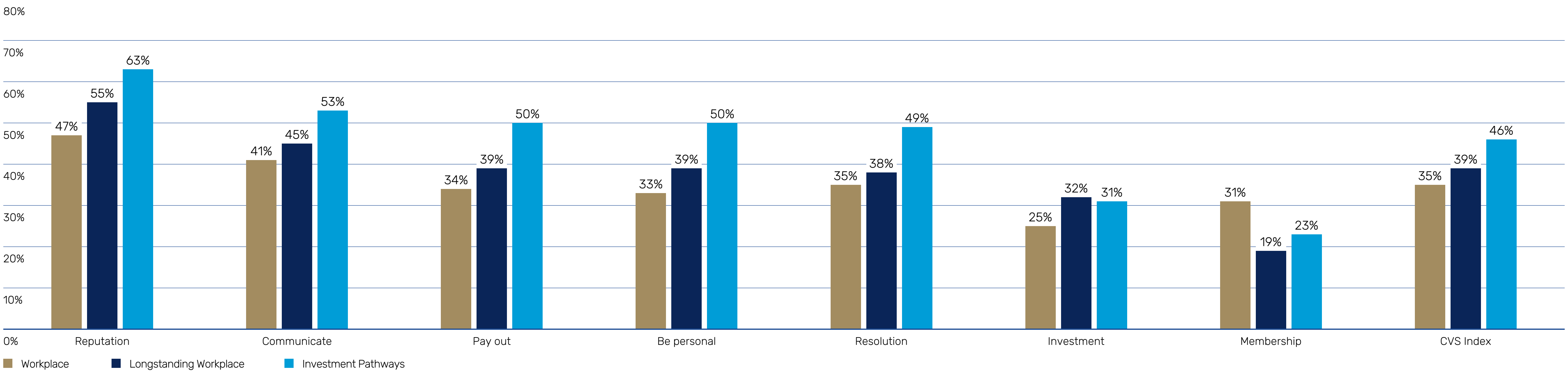
* The Financial Resilience Model was used for the first time with Investment Pathways customers in November 2022. Values rounded for display – actual total is 100%.

Customer Value Statements (CVS) model

The CVS is a model which tracks seven key pillars of influence designed to determine the extent to which customers trust and recommend Royal London.

CVS metrics and Index across customer groups – 2023*

The following chart illustrates the views of the three groups of customers in 2023. The figures shown are the percentage of customers who agree (9-10 out of 10) with the statements aligned to the pillars:



* The data for Investment Pathways customers is for November 2023 only. The average score (June and November 2023) is presented for Workplace Pension and longstanding Workplace customers.

Conclusions and actions from customer insight

The impact of the cost of living crisis appears to be reducing. This is likely due to customers accepting and adapting, rather than their financial situations improving. Of Royal London's customer groups, Workplace Pension customers remain the least financially resilient. Royal London continues to provide cost of living support content and communications with the aim of helping these customers.

Despite challenging times, Workplace Pension customers have improved levels of engagement with Royal London. Developments in the financial wellbeing service, servicing team structure and digital improvements continue to play a role in driving increased engagement.

The CVS Index score for longstanding customers has also increased in 2023. Royal London has continued to improve some digital access and content for its longstanding customers.

Investment Pathways customers continue to demonstrate higher financial resilience than the other customer groups, while also consistently demonstrating higher levels of engagement and satisfaction with Royal London. However, compared to the earlier period, there has been a decline in the CVS Index for Investment Pathways customers, which may be driven by a perception of poor investment performance. Enhancing communications about investment performance is necessary to manage expectations and is something Royal London is looking to improve in 2024.

Effective service

To monitor and assess the effectiveness of services offered by Royal London, we receive regular reports and evidence from Royal London's service teams, as well as receiving the results of the Comparison Study. During 2023 we visited Royal London's office at Alderley Park to better understand the work undertaken by the teams supporting Investment Pathways customers. This allowed us to meet the senior management team and to gain additional insight into how Royal London's staff members are trained and supervised.

Relevant IGC principle being assessed:
Effective service

Royal London should provide a service that makes it easy for customers to manage their pension and engage with Royal London effectively when they need help.

In particular, key scheme and member transactions should be carried out promptly and accurately.

We commented in our last annual report that the Comparison Study had highlighted that Royal London does not offer access to financial advice, whereas other providers in the Comparison Study offered advice themselves or through an organisation they partnered with, at a cost to the customer. This continues to be the position for Royal London as it is focused on developing its digital capabilities, particularly for the non-advised drawdown process and the financial wellbeing service, to provide financial guidance at scale for customers who do not have access to advice.

Royal London is the only provider in the Comparison Study not to charge commission for its in-house annuity broking service provided to its non-advised customers should they choose to have annuity income in retirement. This should result in a positive increase in the annuity rate for customers as the charge of a commission would generally reduce the rate available. We will continue to monitor developments in this area of advice and guidance and Royal London's ability to support customers.

Service for Retirement Solutions Workplace Pension customers

Monitoring of customer service

To ensure that we can monitor the quality of the customer service that is provided to Royal London's Workplace Pension customers, we meet regularly with the Royal London managers and senior leaders who are responsible for this. We also receive quarterly data covering key aspects of service. These include:

- Timely issue of annual pension statements
- The responsiveness and quality of customer transaction processing
- How promptly customer calls are answered
- The level and nature of complaints including trends.

The provision of data provided to the Comparison Study also has an important role to play in evaluating and comparing effective service. Royal London has worked collaboratively with others to ensure that the service data provided and the reporting we receive can help us accurately compare Royal London's service quality against others in the market.

Overall, the information we receive from Royal London shows that it provided a good, consistent quality of service to its Workplace Pension customers.

Timely issue of annual pension statements

We are pleased to report that the position for 2023 has remained stable and effective with Royal London continuing to issue annual pension statements in a timely manner. This has largely been due to the provision of effective education and support to employers.

Responsiveness and quality of processing customer requests

Automation is an important consideration when measuring the responsiveness and quality of processing customer requests. Automation brings many benefits for the customer, notably in terms of speed and accuracy. The Comparison Study highlighted that Royal London evidenced high levels of automation compared to other providers in the study. There was one key exception being fund switches which we have previously reported on. Royal London continues to pursue improvements to the level of automation for fund switches and we have asked it to review its overall process. We do not have any immediate concerns relating to the fund switch process and the impact on customer outcomes.

For remaining transactions which require manual processing, Royal London's processing times, in the main, were on par with other providers and we therefore have no concerns on the timely processing of key customer transactions.

In 2023, 12% of Royal London customers transferred another pension pot into their Workplace Pension plan. This was amongst the highest when compared with other providers who took part in the Comparison Study and was no doubt helped by the improvements Royal London has made to automation and its pension transfer hub.

While timeliness is important, it is equally important to measure the quality of the work carried out on a customer's behalf. In our 2022 annual report, the Comparison Study indicated that Royal London could enhance its quality assurance work to better align with other organisations and provide more useful insights for its service teams. Royal London is in the process of rolling out a new methodology to ensure that its quality assurance checks now separate process errors and staff training errors from errors that could have a direct impact on customer outcomes.

Royal London has a dual approach to quality assurance. The central Quality Assurance team carry out thematic reviews independently of the operational areas. These reviews include processes that may carry a greater risk of customer detriment, where attention has been required historically, FCA high risk reportable processes or where the operational management team believe focus is needed. This team now operates on the new methodology which separates process errors more clearly from errors that could have actual or potential customer detriment. In the operational teams quality assurance is carried out via in-house checks by senior staff members and they too will move to the new methodology in 2024. We have reviewed the data from both types of quality checking and met with management for the Quality Assurance and operational teams to discuss the results and follow up action. Our findings lead us to conclude that the majority of customer transactions and processes executed are unlikely to give rise to customer detriment. As more data and insight emerge from the application of the new methodology we have asked for further updates to monitor this going forwards.

Service resilience is also a key consideration for us and, through engagement with the operational management team this year, we have been further assured by Royal London's development efforts in this area. We recognise that ever-changing legislative and regulatory requirements, coupled with evolving customer expectations, can place strain on an organisation's ability to maintain high standards. It is evident that Royal London has invested in robotics and technology to create more capacity to absorb increasing and complex demand.

In 2024 we intend to examine the change capability of Royal London to ensure it can deliver its operational and strategic ambitions.

How promptly customer calls are answered

Call volumes from Workplace Pension customers increased by 17% in 2023 and this had a slight impact on the rate of calls abandoned by Royal London's customers. The Comparison Study has shown that Royal London's call abandonment rate was around average when compared to other providers, with a similar result for the average call wait time. Whilst this is a deterioration from the strong call handling results in 2022, we still consider call handling responsiveness to be good, particularly given the significant increase in the number of calls received.

The level and nature of complaints

We receive complaint data from Royal London each quarter showing overall levels and trends to help identify areas of concern or highlight opportunities for improvement. We see customer complaints as a valuable source of information regarding the quality of service being provided and how Royal London learns from customer feedback. We also compare Royal London's complaints data with other providers via the Comparison Study. Royal London's complaints increased in 2023, a trend that was also observed amongst other providers included in the Comparison Study. Royal London maintains an average position in the Comparison Study regarding complaint levels, and we have not found any trends of concern in the complaint data for 2023.

Although the volume of complaints has increased in 2023, Royal London has improved the average time for handling complaints, with 93% of complaints being resolved within eight weeks. In the Comparison Study, Royal London's complaint handling times were among the fastest compared to other providers.

> Overall, Royal London has maintained a consistent and favourable standing relative to other providers in the Comparison Study, demonstrating strong responsiveness to customer complaints despite an increased volume compared to 2022.

Service for longstanding customers

Longstanding customers represent a small part of Royal London's total Workplace Pension customers with around 41,871 customers in this group. Some of these customers are serviced by Royal London and some are serviced through an outsourced service arrangement.

We receive regular information on the service provided by Royal London and through its outsourced service partner.

We are satisfied that service levels during 2023 were delivered at a similar level to the broader Workplace Pension book. At times there were some pressure points, again due to volumes of demand, and where the service was provided by an outsourced partner there was collaboration to ensure service levels returned to the required standard quickly. We therefore consider that good levels of service were delivered to longstanding customers.

Service for Investment Pathways customers

Monitoring of customer service

The cost of living challenges encountered by customers nearing or in retirement have led to a rising number of customers seeking access to their pension pots. This resulted in Royal London's retirement call handling team experiencing an increase in calls (+16%), which impacted service levels during 2023. The issue was addressed quickly through additional recruitment and training, but this temporarily reduced the rate at which calls could be answered. Nonetheless, the Comparison Study shows that call wait times were still lower than most other providers included in the study.

The implementation of digital improvements for tax-free cash access and for selecting an Investment Pathway certainly helped to lessen the impact on phone lines. As previously mentioned, Royal London is still more reliant on paper-based processes for customers nearing retirement, and has a below-average rate of digital service adoption compared to other providers in the Comparison Study. As Royal London continues with its 'do more digitally' commitment, we will monitor the implementation and, importantly, the customer impact going forward.

Royal London has a centre of excellence for customers accessing their pension monies, whereby customer retirement conversations, transaction processing and wider support are delivered within the same area, under the responsibility of one management team. We believe this approach enhances the overall customer experience and helps to maintain consistent service standards for those in Investment Pathways.

Service quality

It is important that we monitor the quality of service provided to Investment Pathways customers and those who are nearing the point of retirement, as supporting customers at these times can have a critical impact on their finances and wellbeing. We noted last year that, while Royal London does provide a good quality of service to these customers, the methods used to record quality metrics were not conducive to comparison with other firms. Royal London has since revamped its recording of quality check results, and can now measure the impact of any failure, more easily identify training needs and improve customer outcomes or processes.

Royal London applies the same dual approach used for quality assurance with Workplace Pension customers to its Investment Pathways customers, as described earlier in this report. While the operational teams adapt to the application of the new methodology, we will continue to receive updates on their progress for Workplace Pension and Investment Pathways customers.

In the course of observing the customer journey for those choosing income drawdown, we communicated to Royal London that there is an opportunity to further educate customers about the possibility of finding better value elsewhere by comparing options in the market. Royal London has acknowledged this feedback and plans to update the onboarding process in 2024 accordingly.

Complaints from drawdown and Investment Pathways customers

Royal London is satisfied that the level of complaints from non-advised drawdown customers remains at a low level. Complaints for this group account for less than 1% of all complaints, with the uphold rate at 31%, which is low when compared with other providers in the Comparison Study.

As with last year, the primary trend in complaints centres on customer dissatisfaction with processes taking longer than expected. The commitment to 'do more digitally' and recent digital improvements should help to reduce these complaint levels in the future, and we will continue to monitor this.

Product reviews

Regular product reviews ensure that Royal London's products continue to meet the needs of its customers. We receive regular reports from the relevant areas across Royal London to help us assess performance against this principle.

Relevant IGC principle being assessed:

Regular reviews

Royal London's Workplace Pension and Investment Pathways solutions should be regularly reviewed to ensure they remain relevant to the needs of customers. Reviews should:

a. take account of the changing market environment;
b. ensure products continue to provide good customer outcomes;
c. ensure the products remain fair relative to the original terms and conditions;
d. take account of any inappropriate outcomes for customers; and
e. make appropriate recommendations and track their implementation.

In 2023 Royal London revised its approach to proposition governance and review to meet its obligations under the Consumer Duty standards. This was achieved by introducing the Royal London Customer Outcomes Framework, a holistic assessment that looks at all the benefits a product and/or service provides and compares that to the costs over the lifetime of the product and/or service. This approach was established for the Retirement Solutions proposition as part of the Fair Value Assessments in April 2023 and is being refined and improved for the assessment of Royal London's longstanding customers.

Our 2022 annual report identified two areas where increased monitoring and understanding of customer behaviours were necessary to ensure that the products and services being used remained appropriate.

The first area related to pension scheme opt-out volumes, aiming to understand why customers choose to leave, as this insight could improve products or services, or prevent customer harm. The insight gleaned to date gives us no cause for concern. Royal London continues to deepen its understanding of why customers leave and is exploring ways to improve its products and processes, particularly for customers who appear to be switching to similar, yet more costly products.

The second area of focus related to Investment Pathways customers. In our 2022 annual report, we observed some discrepancies between these customers' declared future intent for their funds and the initial Investment Pathway they selected and were still invested in. To address this, the following activities have been undertaken:

- Call scripts and training have been improved to ensure that customers have a good understanding of the Investment Pathway that they have selected and that they recognise the need to choose a different Investment Pathway should their circumstances change.
- A small number of customers in Investment Pathway 1 (those with no plans to use their funds) were exhibiting an unexpected withdrawal behaviour. They were offered guidance on the different types of Investment Pathway options and encouraged to update their pathway if they felt that their current one was not the right fit. Further insight and communication activity is continuing into 2024 and we will be kept up to date with the progress.

These activities demonstrate the detailed work undertaken by Royal London in reviewing the ongoing suitability of its products and services for customers, showing that Royal London's product review and governance processes are effective and appropriate.

Consumer Duty

We are satisfied that Royal London is taking an appropriate approach to ensure that it complies with the new Consumer Duty standards. A programme of work has been implemented to oversee the necessary enhancements that ensure adherence to the new rules and focus on good customer outcomes. These improvements were delivered in the first half of 2023 for Retirement Solutions and Investment Pathways customers. The programme will remain in place to deliver similar improvements for longstanding customers, which are expected to be completed by the third quarter of 2024.

Royal London's product governance and preparation ensures that it complies with its obligations under the Consumer Duty. A programme of work has been established to identify and address any improvements required to ensure adherence to the new rules and good customer outcomes. We will be providing more on how this programme delivers for customers in our next report.

Vulnerable customers

Consumer Duty places a particular expectation on companies to deliver good outcomes for vulnerable customers. The Consumer Duty is consistent with, and built on, the previous FCA guidance on vulnerable customers.

In 2022, Royal London made several commitments to improve gaps in its existing Vulnerable Customer Policy, which were identified in light of the new Consumer Duty standards. Additionally, the Comparison Study revealed that Royal London reported a considerably lower percentage of its customers as potentially vulnerable than its competitors. This was also noted in contrast with findings from the FCA's Financial Lives Survey 2022, which highlighted that 47% of UK adults showed characteristics of one or more vulnerability.

These improvements led to a marked increase in awareness, discussion and ownership of vulnerable customers across Royal London and included:

- Process improvements which resulted in a 400% increase in the monthly volumes of vulnerable customer needs being identified and recorded. However, the Comparison Study still shows that Royal London has an overall low level of recording of customer vulnerability. Royal London has committed to further enhancing how and what information is recorded, to improve how it supports customers who may need additional support. We have asked for more information on the actions Royal London is taking and will provide a progress update in our next report.
- Within Royal London's customer-facing teams, all colleagues received refresher vulnerable customer training. This was complemented by doubling the number of vulnerable customer champions to around 80 people. Their roles are to directly support colleagues when identifying and dealing with vulnerable customers.
- Improving understanding of vulnerable customers' needs through external specialists such as charities and experts who have lived through aspects of vulnerability themselves.
- Widening knowledge, improving processes and 'bringing the outside in' by engaging with external forums. For example, Royal London has joined 'The Collaboration Network', which will enable learning and peer-to-peer sharing of best practice to improve vulnerable customer outcomes and help avoid customer harm.

Given the improvements and additional training provided, we do not expect that vulnerable customers receive poorer outcomes than other customers. Royal London acknowledges however that it does not currently have the data to sufficiently evidence this. We therefore consider that improvements are required to ensure that vulnerable customer data is robust and that it provides clear visibility of the outcomes customers are receiving at each stage of the product life cycle.

Cyber security

To protect Royal London customers, over the last three years Royal London has invested over £20m in upgrading its cyber security capabilities. Royal London's Cyber Security team has doubled in size and modern security technology platforms have been implemented. The improvements delivered to date have allowed Royal London to improve business resilience and successfully defend against an increasing number of attempted cyber attacks. Royal London's current focus is on further optimising its capabilities to address the challenges posed by ever-changing threats and a rapidly evolving technology landscape.

In 2023, the Royal London Cyber Security team transitioned to a threat-led approach. Every quarter, the team assessed external threat intelligence from a variety of sources and identified the top ten cyber threats facing Royal London. The strength of the countermeasure security controls was assessed relative to those risks and the areas requiring strengthened or new controls were highlighted. The current top three cyber risks identified by Royal London are:

Risk	Definition
Cyber extortion	Holding companies to ransom through data exfiltration or data encryption.
Supply chain attack	A third-party hardware, software supply chain or supplier incident which results in negative impact to Royal London.
Information stealing	The theft of Royal London data which results in negative impact or facilitates further targeting of the Royal London Group.

In response to these risks, Royal London is progressing a series of activities in 2024 to further strengthen its cyber security controls. Additionally, Royal London continues to focus on improving supplier resilience following a significant rise in incidents within its supply chain during 2023, most notably the cyber attack against one of its outsourced service providers. While Royal London was able to successfully manage the attack without business or customer impact, the need for increased focus in this area has been reinforced. We will continue to monitor progress in this important area.

Appendix 1

Value for money principles

We monitor how well Royal London performs across a number of key areas, for both Workplace Pension and Investment Pathways investors. We call these the value for money principles.

Costs and charges

Appropriate ongoing charges

Royal London's ongoing charges are fair and appropriate and offer value for money compared to the benefits provided by the product and service. This assessment includes a comparison against similar market alternatives.

Timely and accurate information is published by Royal London in relation to the costs and charges of each employer's scheme, improving cost transparency and making it easier for members to access such information.

Fair exit charges

Any deduction made by Royal London from the value of a pension on exit will:

a. not exceed the legal cap on exit charges for members to which that cap applies (currently over 55s); and
b. where the cap does not apply, any charge must be fair; in line with the contract terms; and designed to recoup no more than any unrecovered costs incurred by Royal London.

Balanced charging

Charges made by Royal London should sustainably cover the costs of providing and administering the contracts. Such charges should fall fairly between policyholders.

Investment performance

Investment strategy

Royal London's long-term investment strategy should be designed to deliver appropriate returns within an agreed level of risk and volatility. This should be achieved in a measured and efficient manner and be clearly communicated to customers.

Royal London should have appropriate policies and governance in place to ensure returns are delivered cost effectively, including management and oversight of execution and transaction costs.

Royal London should have appropriate policies around responsible investment and effective stewardship, so that ESG investment risks and opportunities are managed appropriately.

Appropriate investment returns

Actual investment returns should be appropriate relative to the risk that a customer has taken. In particular, Royal London should:

a. effectively communicate the investment returns and potential risks of their investment to customers;
b. set realistic expectations of future returns and measure actual returns against these expectations;
c. identify where returns fall below appropriate benchmarks and competitor returns; and
d. ensure efficient trading execution.

Service

Clear communication	Royal London should communicate with customers in a clear and timely manner and ensure customers are aware of product features, terms and conditions at relevant points in order to make informed decisions. Royal London should also communicate the value of any guarantees or other benefits to customers clearly and communicate the implication of actions which would result in the loss of these benefits.
Effective service	Royal London should provide a service that makes it easy for customers to manage their pension and engage with Royal London effectively when they need help. In particular, key scheme and member transactions should be carried out promptly and accurately.
Regular reviews	Royal London's Workplace Pension and Investment Pathways solutions should be regularly reviewed to ensure they remain relevant to the needs of customers. Reviews should: a. take account of the changing market environment; b. ensure products continue to provide good customer outcomes; c. ensure the products remain fair relative to the original terms and conditions; d. take account of any inappropriate outcomes for customers; and e. make appropriate recommendations and track their implementation.

Appendix 2

How we have carried out our comparative assessments

FCA rules now specifically require a comparative value for money assessment.

A pension provider's IGC must use its judgement to consider how best to compare its arrangements against others. There are two main ways to do this:

- Individual basis: where each individual employer's scheme (including each individual category) or Investment Pathways contract is considered separately and compared with a sufficiently similar arrangement.
- Aggregate basis: where cohorts of sufficiently similar employer pension arrangements or Investment Pathways contracts from a provider are compared with similar cohorts from other providers to enable a provider's IGC to produce an assessment.

IGCs can also decide to use a combination of both methods.

We have used the aggregate basis for the initial assessment. We consider this an appropriate and proportionate approach aligned with the interests of customers. Given that Royal London has 35,650 individual categories across its employer schemes and 11,730 Investment Pathways contracts it would not be possible to assess every scheme or contract separately. This position is the same as many other providers that make up the vast majority of the contract-based pension market.

Therefore, we have worked with other providers and their IGCs to conduct the Comparison Study outlined on page 6.

This year we have repeated the Comparison Study for active Workplace Pension customers and Investment Pathways customers. For Investment Pathways, we have compared Royal London's offering to 12 similar propositions which cover the majority of such customers in the market. For 2023 the active Workplace Pension Comparison Study allowed us to compare data on value for money from eight of the main contract-based providers covering £273.2bn of assets, and around 150,000 schemes for over 13 million customers. The Investment Pathways Comparison Study compared the data for the seven largest providers of these investments covering 13 different products. This encompasses over £6bn of investments for over 114,000 pathways investors.

We consider that the cohorts of arrangements included in the Comparison Study provide an appropriate comparison, given their similarity to the arrangements offered by Royal London. Alternatives from market competitors could potentially offer better value for money taking account of the costs and charges, investment returns and service. The providers contributed data on their costs and charges, investment returns and service to enable the comparisons to take place. The data on costs and charges was analysed in different bands (cohorts) which took account of factors which tend to influence price, such as the number of members in the Workplace Pension scheme and the amount of invested assets held in Investment Pathways contracts. When we identified any outliers – where the costs, services or investment returns appeared to be out of line with other comparable data – we sought further information from Royal London on why this may be the case. We have, where possible, reported on our findings following this challenge. In some cases, our discussions and assessments are ongoing.

We have considered whether any of the market comparators offer better value for money for customers. At this stage, and based on the information available, we cannot be certain that this would be the case for any cohort. While some schemes and Investment Pathways customers are paying higher charges than others, it is not clear that lower charge options would actually be attainable in the market, given the varied nature of schemes and Investment Pathways customers. Equally, we have not found clear evidence within any group of customers that the other elements of value for money compare poorly to the degree that the overall value for money is compromised.

Appendix 3

Longstanding customer product charges

In addition to its actively marketed Retirement Solutions plan for Workplace Pensions, Royal London has several longstanding customer plans. The level of charges and what is offered varies across these plans.

The number of members in these products across a range of charge bands is shown in the table below. Customers can find the actual charges for their pension in their annual statement or by visiting www.royallondon.com/workplacecostsandcharges

Members

Product name	up to 0.3%	Greater than 0.3% up to 0.4%	Greater than 0.4% up to 0.5%	Greater than 0.5% up to 0.6%	Greater than 0.6% up to 0.7%	Greater than 0.7% up to 0.8%	Greater than 0.8% up to 0.9%	Greater than 0.9% up to 1%	Above 1%	Total
CIS Group Stakeholder Pension	0	179	529	35	0	682	140	5,442	0	7,007
Phoenix Life Group Flexible Pension	0	0	1	0	0	2	0	51	0	54
Phoenix Life Group Stakeholder Pension	0	0	11,768	0	0	1,905	0	490	0	14,163
Police Mutual Staff Group Personal Pension	0	0	0	643	0	0	0	0	0	643
Royal Liver Group Stakeholder Pension	0	0	0	0	0	0	922	0	0	922
Royal London Talisman Group Personal Scheme	63	37	313	270	254	638	631	19,927	710	22,843
Royal London Talisman Group Personal Pension	0	0	0	0	0	0	0	961	0	961
Total	**63**	**216**	**12,611**	**948**	**254**	**3,227**	**1,693**	**26,871**	**710**	**46,593**

Schemes

Product name	up to 0.3%	Greater than 0.3% up to 0.4%	Greater than 0.4% up to 0.5%	Greater than 0.5% up to 0.6%	Greater than 0.6% up to 0.7%	Greater than 0.7% up to 0.8%	Greater than 0.8% up to 0.9%	Greater than 0.9% up to 1%	Above 1%	Total
CIS Group Stakeholder Pension	0	2	13	1	0	34	1	1,350	0	1,401
Phoenix Life Group Flexible Pension	0	0	1	0	0	1	0	16	0	18
Phoenix Life Group Stakeholder Pension	0	0	3	0	0	548	0	5	0	556
Police Mutual Staff Group Personal Pension	0	0	0	1	0	0	0	0	0	1
Royal Liver Group Stakeholder Pension	0	0	0	0	0	0	429	0	0	429
Royal London Talisman Group Personal Scheme	0	2	8	16	28	38	47	1,325	125	1,589
Royal London Talisman Group Personal Pension	0	0	0	0	0	0	0	270	0	270
Total	**0**	**4**	**25**	**18**	**28**	**621**	**477**	**2,966**	**125**	**4,264**

Appendix 4

Royal London's Governed Range funds and strategy

Royal London's investment strategy is designed and managed at both the Governed Portfolio and the lifestyle level. These are created across a hierarchy, with lifestyles being created from Governed Portfolios, and portfolios, in turn, being created by blending a range of funds managed by Royal London Asset Management. Alongside these funds there are additional funds managed by other asset managers available, but these are not used in the Governed Range portfolios or lifestyles. This hierarchy is explained in the diagram below.

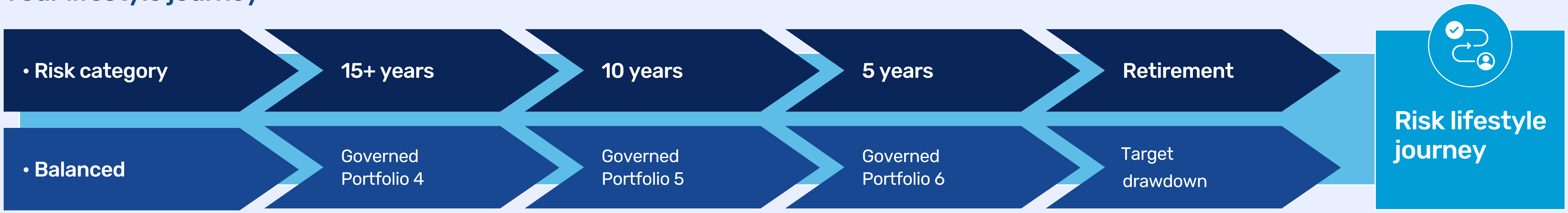
	What?	Other information
Funds ...are used by...	Funds are the core building block, which typically hold investments of a specific type: for example equities or bonds.	ESG factors are considered at fund level, and are different for different asset classes. For example, unlike other assets, equities come with voting rights which can be used to influence the companies Royal London invests in.
Portfolios ...are used by...	Portfolios are built from a combination of funds. Funds of different asset classes allow Royal London to build portfolios with different risk characteristics.	Royal London's main portfolio range is called the Governed Range. The mix of funds here is known as the asset allocation.
Lifestyles	Lifestyle strategies are built from portfolios. Over time, they move customers through different portfolios as customers near retirement.	This is how most Workplace Pension customers invest, including all customers in Royal London's default – the Balanced Lifestyle Strategy (drawdown).

The Governed Range (Governed Portfolios and Governed Retirement Income Portfolios) are the second tier. These are managed against forward-looking risk measures, with the strategic allocations being reviewed annually using stochastic modelling which considers thousands of different potential future investment outcomes. The models are updated every quarter so that future expectations are based on a combination of current market conditions, past performance and expected future performance. A specialist external consultancy, Moody's Analytics, is used to provide these models and the simulations.

Each Governed Portfolio is then reviewed against its stated risk targets. They are monitored each quarter and reviewed by Royal London's Investment Advisory Committee and the outcome of each review is shared with us. If the results are outside target range, this is discussed at the Investment Advisory Committee, potentially prompting changes to the strategic asset allocation.

Workplace Pension customers typically invest in lifestyle strategies, which are the third tier. The lifestyle strategies are built up from the Governed Portfolios. Lifestyles work around the idea that when a customer is younger, with a longer period until retirement, it is appropriate to have more money invested in assets with a higher potential for growth than when they are older and closer to retirement. When a customer has a longer period to retirement, there is more time to endure any dips in the market. As a customer gets closer to retirement, the lifestyle strategy gradually moves their investments towards assets that are less exposed to the peaks and troughs of the market.

Your lifestyle journey



The diagram above shows how the mix of assets within the Balanced Lifestyle Strategy (drawdown) changes as a customer nears retirement.

This is the default investment strategy used for around 85% of Workplace Pension customers.

Investment Pathways customers invest directly in an investment solution which has been selected to match their expectations of how they are going to access their money. Customers not looking to access their money in the next five years are invested in a portfolio that retains more risk than those who are planning to take income. Customers planning to buy an annuity invest in a fund which aims to track the cost of such a purchase.

The table below shows which fund/portfolio is used for each Investment Pathway.

Pathway	Investment Portfolio
1 – Investing for growth	Governed Portfolio 6 Annuity / Drawdown
2 – Annuity purchase	RLP Annuity
3 – Investing for income	Governed Retirement Income Portfolio 3
4 – Withdraw all	Governed Portfolio 3

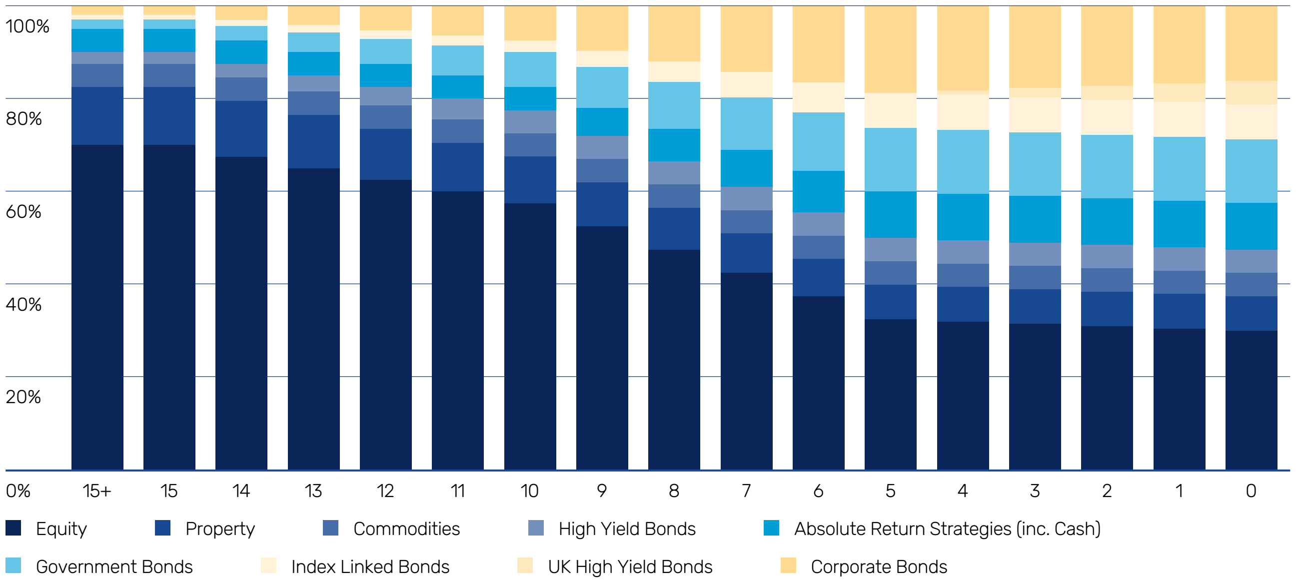
As with last year, we have found the aims and objectives of each of the portfolios and strategies to be clear. Each strategy aims to give above-inflation growth in the value of the pension pot, taking into account the level of risk taken. When investment risk is considered, variations in returns under different market conditions are assessed. We received data to satisfy us that the investment risk was appropriate. Page 25 of this report gives information on the actual performance of these strategies.

Appendix 5

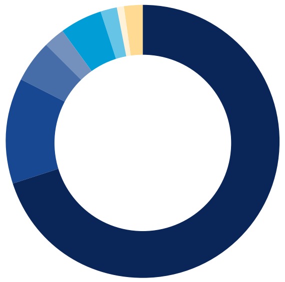
Governed Portfolio asset allocations

This appendix shows the asset allocations for Retirement Solutions and Talisman schemes for each of the portfolios used in the Workplace Pension default investment strategy. Governed Portfolio 4 is the growth phase of the lifestyle, which customers are fully invested in until they are 15 years away from retirement. This fund has higher allocations to riskier assets, which help generate better returns at a time when short-term volatility is less important. As customers get closer to retirement, they move through Governed Portfolio 5 and 6 and eventually into Governed Retirement Income Portfolio 3. The transition between different portfolios achieves a gradual reduction in risk. This transition is illustrated in the following chart.

Balanced Lifestyle Strategy (Target Drawdown)



Governed Portfolio 4



Equities	70.00%	Government Bonds	2.00%
Property	12.50%	Index Linked Bonds	1.00%
Commodities	5.00%	UK High Yield Bonds	0.00%
High Yield Bonds	2.50%	Corporate Bonds	2.00%
Absolute Return Strategies (inc. Cash)	5.00%		

Governed Portfolio 5

Equities	57.50%	Government Bonds	7.50%
Property	10.00%	Index Linked Bonds	2.50%
Commodities	5.00%	UK High Yield Bonds	0.00%
High Yield Bonds	5.00%	Corporate Bonds	7.50%
Absolute Return Strategies (inc. Cash)	5.00%		

Governed Portfolio 6

Equities	32.50%	Government Bonds	13.75%
Property	7.50%	Index Linked Bonds	7.50%
Commodities	5.00%	UK High Yield Bonds	0.00%
High Yield Bonds	5.00%	Corporate Bonds	18.75%
Absolute Return Strategies (inc. Cash)	10.00%		

Governed Retirement Income Portfolio 3

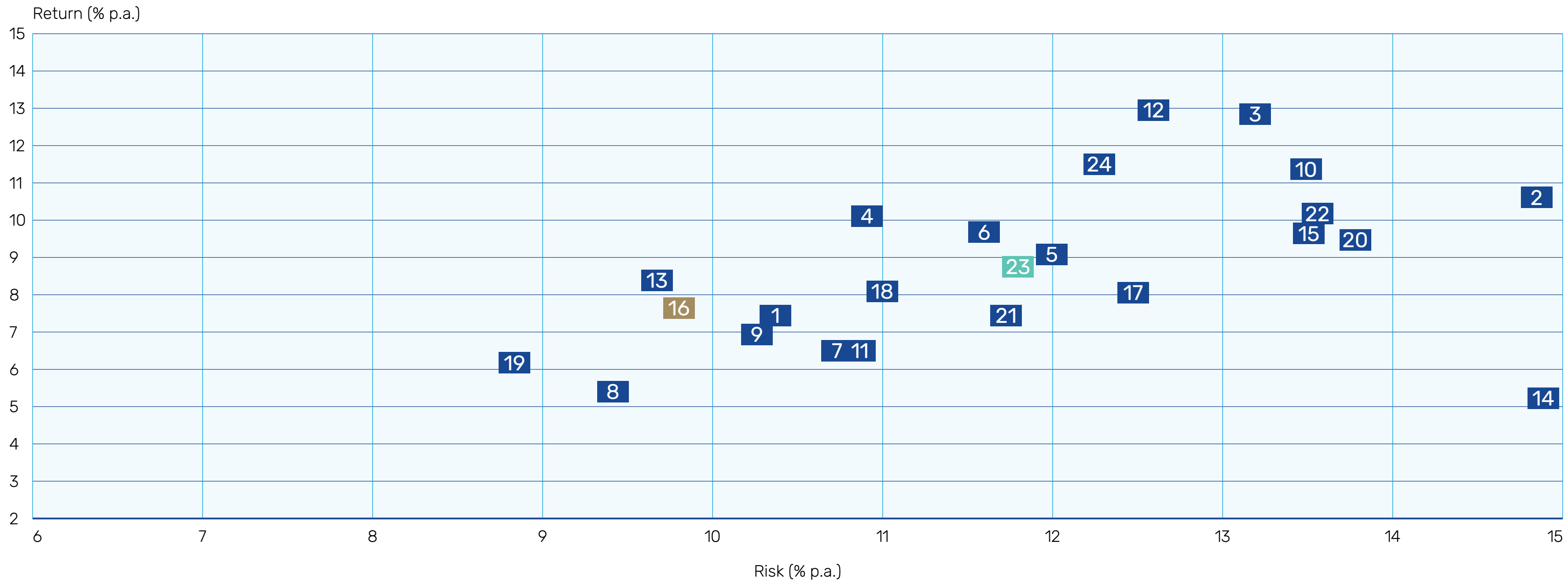
Equities	30.00%	Government Bonds	13.75%
Property	7.50%	Index Linked Bonds	7.50%
Commodities	5.00%	UK High Yield Bonds	5.00%
High Yield Bonds	5.00%	Corporate Bonds	16.25%
Absolute Return Strategies (inc. Cash)	10.00%		

Appendix 6

Corporate Adviser Pensions Average investment returns data

These charts present actual returns and risk (measured by how much the returns go up and down) of the default investment strategy (Balanced Lifestyle Strategy) for customers in Retirement Solutions and Talisman schemes and compared to competitors. Around 85% of all Royal London Workplace Pension customers are invested in this strategy. Each chart shows the position for the investments at different points in a customer's lifetime. Historically, investors who take more risk can expect higher returns than more cautious investors if held for the long term, but returns will fluctuate more over the short term. We look to ensure that, for the amount of risk taken, an efficient level of return is being generated.

Risk/return – younger saver, 30 years from retirement*



Key

1. Aegon Workplace Default (ARC) & associated retirement years (GPP)
2. Aegon Master Trust - BlackRock Lifepath Flexi (BLK)
3. Aon MasterTrust - Managed Core Retirement Pathways
4. Aviva Master Trust & GPP - My Future Universal strategy
5. Cheviot Trust
6. Fidelity
7. Hargreaves Lansdown - HL Growth Fund (Prior to 15/12/21 lifestyling was to phase into 100% cash over 5 years)
8. LGIM - Multi Asset Fund (GPP)
9. LGIM - TDF (Master Trust)
10. LifeSight - Medium Risk Drawdown
11. Mercer Master Trust
12. National Pension Trust - Life Stage Strategy - Income Target
13. Nest
14. Now: Pensions
15. Options Workplace Pensions Trust
16. Royal London - Balanced Lifestyle Strategy (Drawdown) (GPP)
17. Scottish Widows - PIA Balanced (Targeting Flexible Access) (MT&GPP)
18. Smart Pension Master Trust
19. Standard Life Sustainable Multi Asset (AP)
20. TLWPT (The Lewis Workplace Pension Trust)
21. The People's Pension - Balanced Profile
22. TPT DC Master Trust
23. Corporate Adviser Pensions Average (CAPA)
24. SEI Master Trust

* 5-year annualised - capaDATA (capa-data.com).

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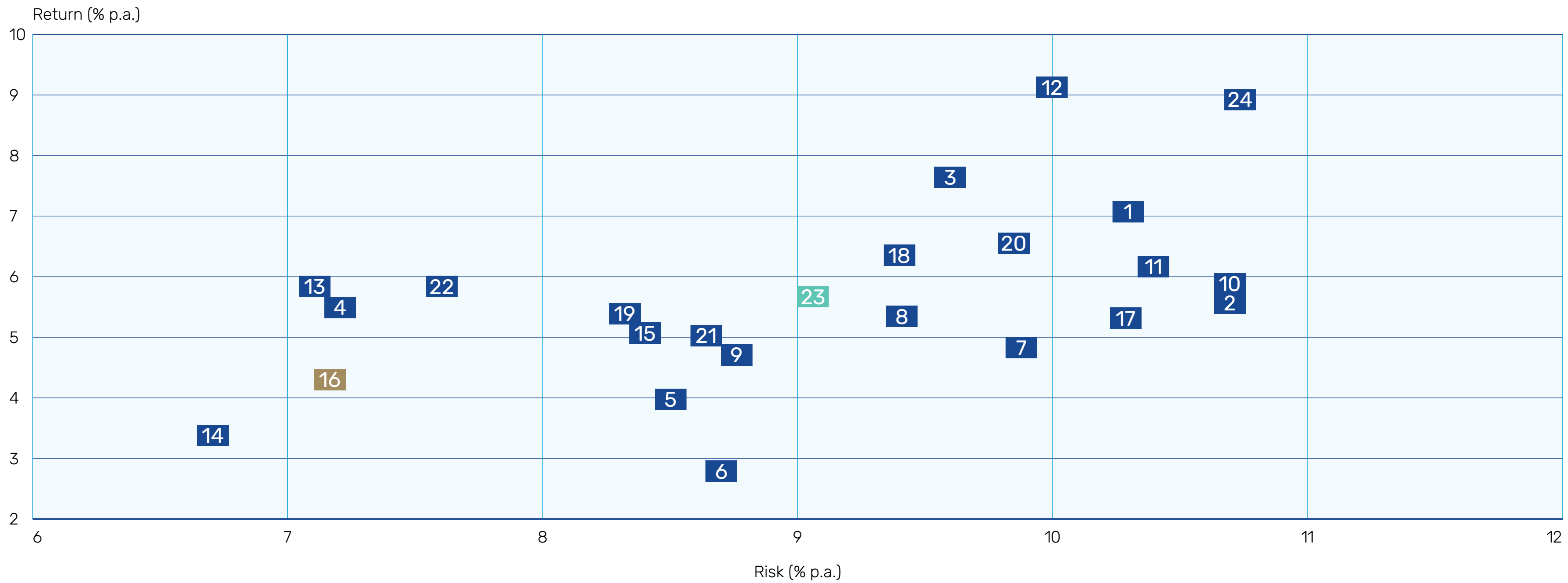
Risk/return – older saver, 5 years from retirement*



Key

1 Aegon Workplace Default (ARC) & associated retirement years (GPP)
2 Aegon Master Trust - BlackRock Lifepath Flexi (BLK)
3 Aon MasterTrust - Managed Core Retirement Pathways
4 Aviva Master Trust & GPP - My Future Universal strategy
5 Cheviot Trust
6 Fidelity
7 Hargreaves Lansdown - HL Growth Fund (Prior to 15/12/21 lifestyling was to phase into 100% cash over 5 years)
8 LGIM - Multi Asset Fund (GPP)
9 LGIM - TDF (Master Trust)
10 LifeSight - Medium Risk Drawdown
11 Mercer Master Trust
12 National Pension Trust - Life Stage Strategy - Income Target
13 Nest
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15 Options Workplace Pensions Trust
16 Royal London - Balanced Lifestyle Strategy (Drawdown) (GPP)
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18 Smart Pension Master Trust
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20 TLWPT (The Lewis Workplace Pension Trust)
21 The People's Pension - Balanced Profile
22 TPT DC Master Trust
23 Corporate Adviser Pensions Average (CAPA)
24 SEI Master Trust

* 5-year annualised - capaDATA (capa-data.com).

capaDATA – annualised % investment returns as at 31 December 2023

	Investor 30 years from State Pension age			Investor 5 years from State Pension age			Investor 1 day before State Pension age		
Provider	**1 year**	**3 years**	**5 years**	**1 year**	**3 years**	**5 years**	**1 year**	**3 years**	**5 years**
Aegon Master Trust – BlackRock Lifepath Flexi (BLK)	17.17%	7.26%	10.54%	10.88%	1.29%	5.63%	8.90%	-0.63%	4.15%
Aegon Workplace Default (ARC) & associated retirement years (GPP)	9.97%	4.78%	7.28%	9.21%	4.38%	7.03%	9.21%	3.33%	5.82%
Aon MasterTrust – Managed Core Retirement Pathways	15.50%	9.50%	12.80%	12.50%	3.60%	7.60%	11.40%	2.70%	6.70%
Aviva Master Trust & GPP – My Future Universal strategy	14.24%	7.19%	10.03%	10.24%	3.04%	5.43%	8.25%	0.97%	3.13%
Cheviot Trust	15.9%	5.5%	9.0%	10.9%	0.3%	3.9%	9.4%	0.8%	2.7%
Cushon	12.81%	5.56%	11.80%	3.17%	9.25%	-0.11%			
Fidelity	15.7%	7.0%	9.6%	14.4%	-0.1%	2.7%	12.3%	-0.5%	2.5%
Hargreaves Lansdown – HL Growth Fund (Prior to 15/12/21 lifestyling was to phase into 100% cash over 5 years)	12.55%	4.01%	6.38%	8.66%	1.37%	4.76%	5.12%	1.05%	0.66%
LGIM – Multi Asset Fund (GPP)	8.36%	1.84%	5.28%	8.36%	1.84%	5.28%	8.36%	1.84%	5.28%
LGIM – Lifetime Fund (MT)	10.61%	4.35%	6.83%	8.28%	1.05%	4.64%	7.60%	0.99%	3.84%
LifeSight – Medium Risk Drawdown	17.0%	8.1%	11.3%	10.5%	2.8%	5.7%	8.9%	2.7%	4.6%
Mercer Master Trust	7.70%	3.23%	6.39%	7.49%	2.95%	6.11%	6.69%	2.28%	4.79%
National Pension Trust – Life Stage Strategy – Income Target	17.4%	9.7%	12.9%	13.8%	5.1%	9.1%	12.9%	4.3%	8.6%
Nest	12.41%	5.37%	8.29%	10.53%	3.40%	5.78%	8.72%	1.40%	3.23%
Now: Pensions	13.0%	1.9%	5.1%	8.6%	2.2%	3.3%	4.5%	1.8%	1.2%
Options Workplace Pensions Trust	16.04%	7.36%	9.81%	9.86%	2.19%	5.05%	9.15%	1.74%	4.19%
Penfold	12.55%	11.37%	9.41%						
Royal London – Balanced Lifestyle Strategy (drawdown) (GPP)	**9.23%**	**6.90%**	**7.54%**	**7.28%**	**2.04%**	**4.23%**	**7.34%**	**2.91%**	**4.58%**
Scottish Widows – PIA Balanced (Targeting Flexible Access) (MT&GPP)	14.28%	5.82%	7.96%	10.72%	1.84%	5.25%	9.13%	0.76%	4.24%
SEI Master Trust – Flexi default (drawdown)	12.56%	10.85%	9.83%	7.63%	7.47%	5.54%			
Smart Pension Master Trust	13.20%	6.70%	8.00%	11.80%	4.00%	6.30%	9.60%	0.00%	3.50%
Standard Life Sustainable Multi Asset (AP)	12.34%	4.33%	6.06%	10.91%	3.11%	5.13%	9.27%	2.25%	3.73%
The People's Pension – Balanced Profile 11.54%	4.21%	7.34%	8.69%	1.44%	4.96%	6.97%	-0.36%	3.25%	
TLWPT (The Lewis Workplace Pension Trust)	11.43%	8.66%	9.39%	9.91%	7.25%	6.50%	4.74%	2.31%	1.64%
TPT DC Master Trust	16.42%	7.37%	9.85%	9.94%	4.12%	5.78%	9.64%	3.70%	4.87%
Corporate Adviser Pensions Average (CAPA)	**13.20%**	**6.14%**	**8.53%**	**10.26%**	**2.92%**	**5.46%**	**8.57%**	**1.74%**	**3.96%**

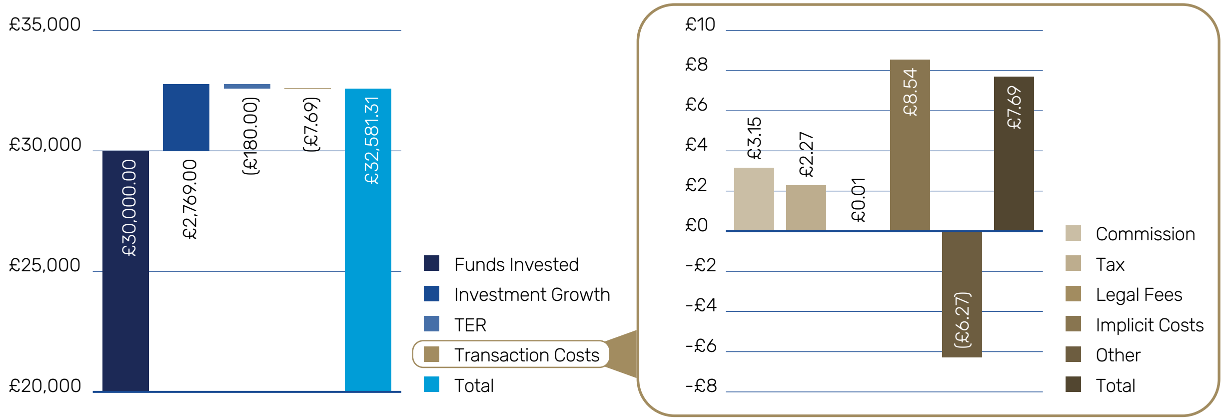
Appendix 7

Transaction costs

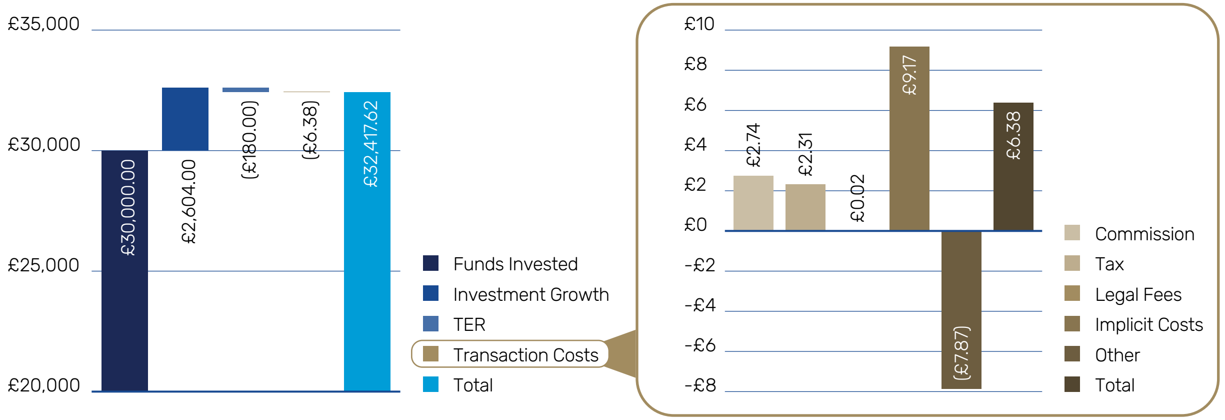
These charts show the relative scale of the impact of transaction costs on total performance, as well as breaking down the transaction costs into the constituent elements. This is shown for each of the portfolios used in the Workplace Pensions default investment strategy available to the Retirement Solutions and Talisman schemes. The figures are for the year ending 31 December 2023.

References to 'TER' in the charts on this page are to 'total expense ratio'. This is the total charge on a fund/ portfolio including management, product and custodian fees.

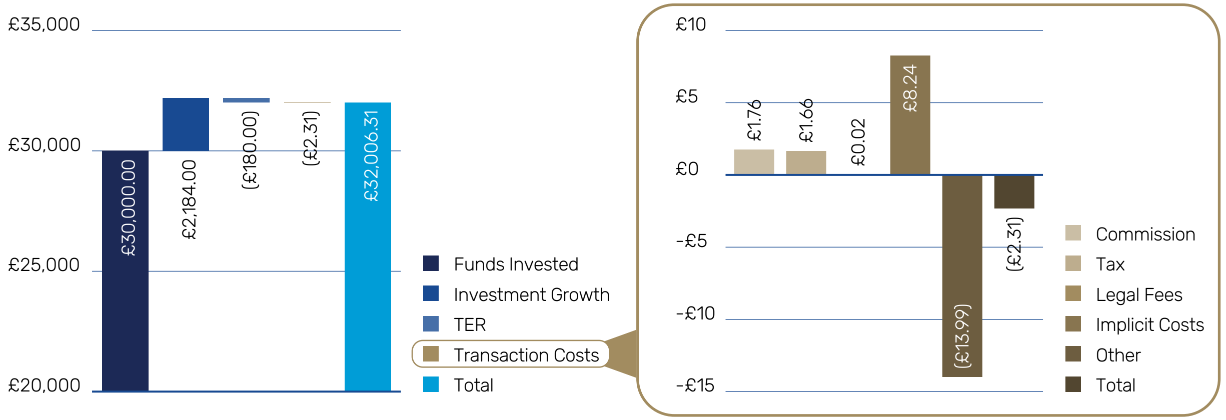
Governed Portfolio 4



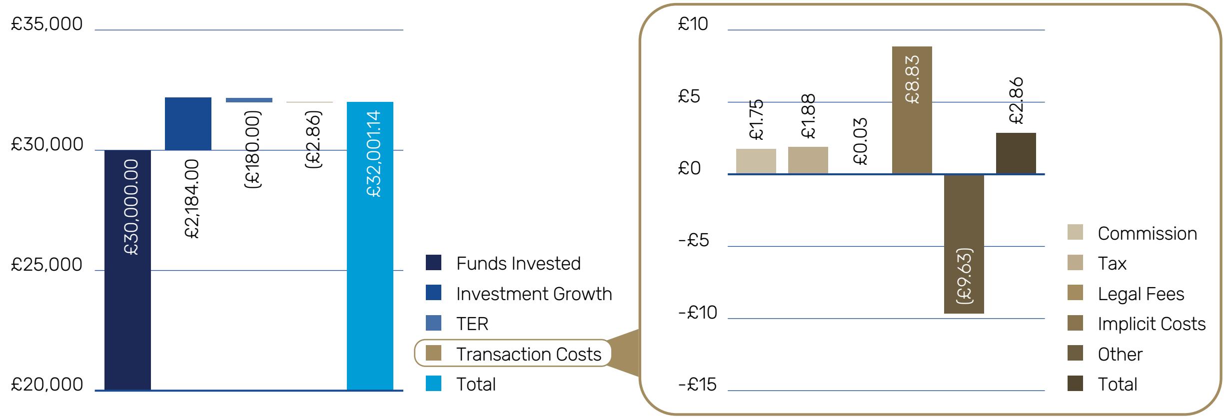
Governed Portfolio 5



Governed Portfolio 6



Governed Retirement Income Portfolio 3



The transaction costs for each Investment Pathway are shown below:

Pathway	Portfolio	Transaction costs
Investment Pathway 1	Governed Portfolio 6 Annuity / Drawdown	-0.008%
Investment Pathway 2	RLP Annuity	0.070%
Investment Pathway 3	Governed Retirement Income Portfolio 3	0.010%
Investment Pathway 4	Governed Portfolio 3 (cash)	-0.023%

These costs are modest relative to the investment returns that should be achieved over time. We are comfortable with the level of these costs and acknowledge that they are in part a reflection of the more active management style that Royal London employs.

Appendix 8

Longstanding scheme investment defaults

Royal London is currently undertaking a programme to upgrade some longstanding customer products to Retirement Solutions. Customers affected will be mapped across to the same investment strategy (or closest matching investment strategy if this is not available) and will also have access to the full self-select range of funds and strategies that is available to new Workplace Pension customers. The Royal Liver and Police Mutual upgrade projects are expected to be completed in 2024. As the upgrade projects for the remainder of the contracts will not be completed in 2024, we have asked Royal London to review the investment performance for the default funds which the majority of the longstanding customers are in.

Entity	Product	Default fund	Number / % of members in the default fund
Police Mutual	Staff Group Personal Pension	Royal London Long Term Fund	643 / 100%
Royal Liver	Royal Liver Group Stakeholder Pension	Royal Liver Stakeholder Managed Pension Fund	922 / 100%
CIS	RLCIS Group Stakeholder Pension	Royal London With-Profits Stakeholder Fund	3680 / 52.5%
Phoenix Life	Group Flexible Pension	Royal London ANL Managed Pension Fund	41 / 75.9%
Phoenix Life	Group Stakeholder Pension	Royal London Stakeholder Managed Fund	5914 / 42.8%
Royal London	Talisman	Lifestyle Retirement Investment Strategy	10,295 / 46%

Royal London has recently upgraded the investment solution of the Royal London Talisman Group Pension Scheme by moving its default strategy to the Governed Range lifestyle strategies, which include a more diverse investment experience and provide stronger governance for these customers. The investment performance of these strategies is very similar to that of relevant Governed Portfolios on page 22 and therefore we see this as appropriate.

Both Phoenix Life default strategies use the same underlying fund mix - meaning that investment returns are the same and that, over one, three and five years, they returned 10.0%, 4.0% and 6.3% p.a. respectively. This compares favourably with Royal London's Governed Portfolio 5 which a recent review has concluded is an appropriate comparator. While we acknowledge that Governed Portfolio 5 may have a better outlook for returns and additional governance, we see the investment performance as delivering appropriate value in this reporting period. The CIS fund returns 2.1%, 3.5% and 4.2% p.a. over one, three and five years respectively. The performance of this fund includes a with-profits adjustment where returns are smoothed, reducing volatility. This can lead to reduced investment returns during strong periods in markets but can protect against market downturn. There is no similar comparator of performance for this fund as Royal London's main with-profit fund operates in a different way to the CIS fund.

Appendix 9

Investment Pathways comparative performance

Investment Pathway 1

Provider	Investment Pathway 1 – Investing for growth	Performance period 01/01/2023 to 31/12/2023	Annual charge (%)	TER (%)
Aegon	Aegon/Scottish Equitable plc Aegon Growth Pathway (ARC) Pn GTR in GB	6.94	0.05	0.06
Aviva	Aviva Insured Investment Pathway 1 Pn S14 GTR in GB	7.23	0.15	0.15
Fidelity	Fidelity Diversified Markets Investment Pathway 1 Acc in GB*	11.04	0.25	0.25
L&G	L&G Multi-Index 5 I Acc in GB	9.18	0.31	0.31
Prudential	Pru PruFund Risk Managed 3 Pn Ser E GTR in GB	3.94	0.76	1.02
Royal London	**Governed Portfolio 6 Annuity / Drawdown**	**6.21**	**1.00**	**1.00**
Scottish Widows	Scottish Widows Pension Portfolio Four Pension Series 4 GTR in GB	10.33	0.10	0.10
Standard Life	Stan Life Series B Investment Pathway Option 1 Pn GTR in GB	8.76	0.17	0.17
True Potential	True Potential Investments True Potential Growth-Aligned Balanced Acc in GB	7.32	0.60	0.60
Quilter	Vanguard LifeStrategy 60% Equity A Shares Acc in GB	10.14	0.22	0.22

* The history of this unit/share class has been extended, at FE fundinfo's discretion, to give a sense of a longer track record of the fund as a whole.

Investment Pathway 2

Provider	Investment Pathway 2 – Annuity purchase	Performance period 01/01/2023 to 31/12/2023	Annual charge (%)	TER (%)
Aegon	Aegon/Scottish Equitable plc Aegon Annuity Pathway (ARC) Pn GTR in GB	1.96	0.05	0.06
Aviva	Aviva Insured Investment Pathway 2 Pn S14 GTR in GB	7.79	0.15	0.15
Fidelity	Fidelity Pre-Retirement Bond Investment Pathway 2 Acc in GB*	6.14	0.25	0.25
L&G	L&G Sterling Corporate Bond Index I Acc in GB	7.31	0.14	0.14
Prudential (68%)	Pru Corporate Bond Pn Ser A GTR in GB	9.82	1.00	1.00
Prudential (22%)	Pru M&G Gilt and Fixed Interest Income Pn Ser A GTR in GB	3.42	1.00	1.00
Prudential (10%)	Pru International Pn Ser A GTR in GB	9.37	1.00	1.00
Royal London	**RLP Annuity**	**4.72**	**1.00**	**1.00**
Scottish Widows	Scottish Widows Pension Protector Pension Series 4 GTR in GB	11.29	0.20	0.20
Standard Life	Standard Life Series B Investment Pathway Option 2 Pn GTR in GB	4.60	0.13	0.13
True Potential	True Potential Investments True Potential Growth-Aligned Cautious Acc in GB	6.15	0.60	0.60
Quilter	Vanguard UK Government Bond Index Acc GBP in GB	3.35	0.12	0.12

* The history of this unit/share class has been extended, at FE fundinfo's discretion, to give a sense of a longer track record of the fund as a whole.

Investment Pathway 3

Provider	Investment Pathway 3 – Investing for income	Performance period 01/01/2023 to 31/12/2023	Annual charge (%)	TER (%)
Aegon	Aegon/Scottish Equitable plc Aegon Flexible Income Pathway (ARC) Pn GTR in GB	6.94	0.05	0.06
Aviva	Aviva Insured Investment Pathway 3 Pn S14 GTR in GB	7.72	0.15	0.15
Fidelity	Fidelity Multi Asset Balanced Income Investment Pathway 3 Acc TR in GB*	3.49	0.40	0.40
L&G	L&G Multi-Index 4 I Acc in GB	7.05	0.31	0.31
Prudential	Pru PruFund Risk Managed 2 Pn Ser E GTR in GB	1.70	0.76	1.00
Royal London	**Governed Retirement Income Portfolio 3**	**6.22**	**1.00**	**1.00**
Scottish Widows	Scottish Widows Pension Portfolio Four Pension Series 4 GTR in GB	10.33	0.10	0.10
Standard Life	Standard Life Series B Investment Pathway Option 3 Pn GTR in GB	8.22	0.17	0.17
True Potential	True Potential Investments True Potential Growth-Aligned Balanced Acc in GB	7.32	0.60	0.60
Quilter	Vanguard LifeStrategy 40% Equity A Shares Acc in GB	8.45	0.22	0.22

* The history of this unit/share class has been extended, at FE fundinfo's discretion, to give a sense of a longer track record of the fund as a whole.

Investment Pathway 4

Provider	Investment Pathway 4 – Withdraw all	Performance period 01/01/2023 to 31/12/2023	Annual charge (%)	TER (%)
Aegon	Aegon/Scottish Equitable plc Aegon Cash Pathway (ARC) Pn GTR in GB	4.81	0.05	0.06
Aviva	Aviva Insured Investment Pathway 4 Pn S14 GTR in GB	5.22	0.15	0.15
Fidelity	Fidelity Cash Investment Pathway 4 Acc in GB*	4.62	0.15	0.15
L&G	L&G Short Dated Sterling Corporate Bond Index I Acc in GB	8.00	0.14	0.14
Prudential (33%)	Pru PruFund Risk Managed 1 Pn Ser E GTR in GB	2.11	0.76	0.98
Prudential (67%)	L&G Cash Trust I Acc in GB*	4.68	0.15	0.15
Royal London	**Governed Portfolio 3**	**5.48**	**1.00**	**1.00**
Scottish Widows	Scottish Widows Pension Portfolio C Pension Series 4 GTR in GB	9.54	0.10	0.10
Standard Life	Standard Life Series B Investment Pathway Option 4 Pn GTR in GB	5.40	0.12	0.12
TruePotential	True Potential Investments True Potential Growth-Aligned Defensive Acc in GB	4.95	0.60	0.60
Quilter	Royal London Short Term Fixed Income Y Acc TR in GB*	5.14	0.15	0.15

* The history of this unit/share class has been extended, at FE fundinfo's discretion, to give a sense of a longer track record of the fund as a whole.

Appendix 10

Membership

Peter Dorward
Independent Chair

Peter has over 40 years' experience in investment management and the broader financial services industry, both in the UK and overseas. For the last 25 years, he has held senior management and executive positions in investment management firms. Since 2014, Peter has been Managing Director of IC Select, part of Independent Governance Group, specialising in the provision of investment governance support, and the evaluation and oversight of investment service providers to UK pension funds.

Peter holds an MBA from Edinburgh Business School, Heriot-Watt University, an FT Non-Executive Director Diploma and has completed executive education programmes at Henley Management College and Harvard Business School.

Louise Eldred
Independent Member

Louise is an actuary with over 30 years' experience in the mutual sector. As Equitable Life's With-Profits Actuary she advised management and the Board on the fair treatment of with-profits policyholders, playing a key role in designing and implementing the transformation of Equitable Life's business in 2019 that distributed the Society's surplus assets to with-profits policyholders. She is currently an independent member of the With-Profits Committee of Scottish Widows, responsible for advising the Board on the Scottish Widows and Clerical Medical With-Profits Funds.

Louise has worked in positions subject to significant regulatory oversight, requiring technical aptitude and commercial awareness. Throughout her career Louise has focused on prioritising the needs of customers, with a particular interest in ensuring the complexities of policies and investments are explained in a clear and understandable way.

Rosie Bichard
Independent Member

Rosie has worked in financial services since 1990, principally as a global equity investor and analyst at several blue-chip fund management firms with a focus on the consumer sector. Her roles have involved considerable engagement with senior management and boards of investee companies over many years. She now holds various board positions including as a Non-Executive Director of UBS Asset Management Funds Ltd and is Audit Chair for the UBS Asset Management UK business. Rosie is a Chartered Financial Analyst and has completed executive education programmes at London Business School and Harvard Business School. She completed the Competent Boards ESG Certificate Program in 2021 and is a Qualified Risk Director®.

Ewan Smith
CEO Office Director, Royal London

Ewan is an actuary with over 38 years' experience in financial services. He is currently the CEO Office Director and joined the Royal London Group in 2001 when Scottish Life became part of Royal London. Ewan has filled several senior leadership roles in Royal London focusing on proposition strategy across both pensions and protection. Ewan is also a member of Royal London's Investment Advisory Committee, a director of Royal London Asset Management and a Trustee of the Royal London Group Pension Scheme.

Julie Russell
Independent Member

Julie is a Chartered Insurer with over 39 years' experience in financial services. She retired from abrdn in 2020 where she held several senior leadership and board-level roles, latterly as Executive Director Advice, 1825 financial planning and advice. During her career she has developed a breadth of knowledge and experience delivering services to and supporting customers. Key responsibilities and experience have included strategy, business and commercial planning, omni-channel customer and workplace member guidance, advice and service delivery, proposition design and delivery, firm acquisition and integration, as well as holding key positions on various boards and committees.

Jo Kite
Chief Customer Officer, Royal London

Jo Kite is Royal London's Chief Customer Officer. She is a member of the Royal London Group's Executive Committee and is responsible for UK customers' outcomes.

Jo has extensive experience in financial services having started her career at Aviva in 1993, where she trained and qualified as an actuary and held a number of senior management positions in both the UK and Europe. Prior to joining Royal London she was Managing Director at Willis Towers Watson, leading their Master Trust business and Scottish Pensions Consulting practice. Jo spent 12 years at Standard Life where she led Marketing, Proposition, Operations and Finance functions at executive levels across wealth, platforms and workplace.

Glossary

Adviser default
A bespoke default investment designed for a particular employer by their advisers.

Annual management charge (AMC)
The ongoing charge that customers pay to cover the cost of running and administering their pension.

Annuity
A contract under which a fixed sum of money is paid to a customer each year, typically for the rest of their life.

Benchmark
A standard that investment performance is measured against to analyse how a portfolio has performed compared to the market. The Governed Portfolio benchmarks are made up of market indices which match the strategic asset allocation of each portfolio to ensure a fair comparison.

Best execution
The way in which practical steps are pursued in order to achieve the best possible outcome for each investment transaction undertaken on behalf of customers.

Climate Transition Plan
A Climate 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.

(Source: Transition Plan Taskforce)

Comparison Study
Analysis carried out to compare Royal London's value for money with other providers, as required by the FCA. Further details are included in Appendix 2.

Consumer Duty
A set of rules developed by the FCA for businesses, such as Royal London, with the intention of creating a higher standard of consumer protection.

Continuation plans
Workplace Pension products held by customers who have left their employer but kept their pension savings with Royal London in their individual plan.

Customer Relationship Study
A twice annual survey of c. 2,500 Royal London customers across various books of business.

Default investment
The investment fund into which contributions are invested for customers who do not select other specific investment funds from the full range of funds available.

Default investment strategy
The investment fund into which contributions are invested for customers who do not select other specific investment funds from the full range of funds available. This is sometimes referred to as a default investment.

Drawdown
The process of withdrawing money from a pension while leaving the remaining funds invested and able to grow.

Environmental, social and governance (ESG)
Non-financial factors considered to ensure investments are managed responsibly on behalf of customers, with the aim of mitigating and proactively managing risks such as climate change.

Exclusions
Where Royal London actively chooses to avoid investment in specific companies or industries due to the activities which they take part in.

Fair Value Assessments
Financial firms are required to carry out Fair Value Assessments to assess if their products meet the needs of their target markets while helping to deliver good outcomes. They also ensure that customers pay a reasonable price for a product, compared to the benefits they receive from it.

Financial Conduct Authority (FCA)
Financial Regulator with oversight of the financial services industry and IGCs.

Fixed income
One of the major asset classes included when building a multi-asset portfolio.

Governed Range
A range of investment portfolios to suit customers with different risk preferences and at different stages in their life. These portfolios form the basis of Royal London’s Balanced Lifestyle Strategy (drawdown), which is the default investment for most Workplace Pension schemes and three of the four Investment Pathways.

Greenwashing
When firms make exaggerated or misleading claims about the environmental credentials of their investment products.

Implicit costs
When a fund manager is instructed to carry out a transaction it is important to do this at the best price possible. The available price may vary with the size of the sale or purchase, and it may also be possible to get different prices from various buyers/sellers. The actual price can vary between the time the order was made and when the transaction is actually carried out. The implicit costs we have shown in this report seek to capture the impact of all of these features.

Investment Advisory Committee
A committee that reviews the core investment proposition open to Royal London’s UK investment customers and provides scrutiny on the design of Royal London’s investment proposition.

Investment Pathways
Investment solutions, designed for customers entering drawdown. Royal London offers a choice of four Investment Pathways, based on what customers intend to do with their pension savings. Each Investment Pathway is invested in a mix of funds and asset classes and aims to meet different retirement needs.

Just transition
A just transition seeks to ensure that a transition to a more sustainable economy is done in such a way as to share the benefits widely across society, and in particular to support those who stand to lose economically.

Lifestyle strategies
A lifestyle strategy is an investment that gradually moves customers from investments that are suitable for saving to those more suited to their retirement needs over time. Typically, this means moving to lower-risk investments as customers approach their retirement age.

Longstanding customer
A customer with a pension product that is no longer actively marketed by Royal London. The only products actively marketed by Royal London are its Retirement Solutions products.

Net zero
A target of completely negating the amount of greenhouse gases produced by human activity, to be achieved by reducing emissions and implementing methods of absorbing carbon dioxide from the atmosphere.

Non-advised customers
Customers who do not seek the support of a regulated financial adviser.

Outsourced service arrangement
An arrangement where a service provider performs a process, service or activity on behalf of a company, which the company would otherwise carry out itself.

Portfolios
A group of investment funds, often of different types like fixed income, equities or property, that are blended together to meet a specific objective.

ProfitShare
As a mutual, Royal London is owned by its customers. ProfitShare is a mechanism through which Royal London aims to boost eligible customers’ retirement savings by adding a share of its profits to their plan each year.

Purpose
Royal London’s Purpose is ‘Protecting today, investing in tomorrow. Together we are mutually responsible’. This statement of purpose is designed to reflect why Royal London exists as an organisation.

Reading ease
A measurement of how easy text is to read. The Flesch Reading Ease formula gives a text a score based on word and sentence length. The higher the score, the easier the text is to read.

Reserved Voting Forum
A cross-business forum between Royal London’s pensions business and Royal London Asset Management, the subsidiary that manages the majority of Royal London’s assets. This allows Royal London to discuss, challenge and agree how to vote on important company issues, relating to stocks that it invests in on behalf of its customers.

Responsible investment
A strategy and practice of investing for a more sustainable future by incorporating ESG factors into investment decisions and active ownership.

Retirement Solutions
Most of Royal London's Workplace Pension customers have a Retirement Solutions product, and this proportion is growing year on year. This modern plan is the only one which is actively marketed by Royal London.

Royal London Asset Management
A fully-owned subsidiary of The Royal London Mutual Insurance Society Limited and a part of the Royal London Group.

Royal London Group
The Royal London Mutual Insurance Society Limited and its subsidiaries.

Strategic asset allocation
The setting-out of a long-term portfolio strategy and mix of assets to meet specific long-term investment goals and objectives.

Stewardship
Stewardship is to use the access Royal London has to the companies in which it invests to manage material ESG risks and create a positive outcome for customers and the wider community. The aim of effective stewardship is to build trust and influence long-term positive change.

Sustainability Disclosure Requirements
A package of measures aimed at clamping down on greenwashing. This includes sustainable investment labels, disclosure requirements and restrictions on the use of sustainability-related terms in product naming and marketing.

Task Force on Climate-Related Financial Disclosures (TCFD)
Established in 2015 by the G20 to provide information to investors about what companies are doing to mitigate the risk of climate change. Royal London made climate-related financial disclosures for the first time in 2022.

tCO_2e/\$m invested
Tonnes of carbon dioxide per million dollars invested. This is the standard measure for carbon emissions intensity.

Total expense ratio (TER)
The total costs associated with managing and operating a fund, which are charged to the fund's assets and, therefore, impact the returns that investors receive. These costs typically include the fund manager's fee, custodial charges and other administrative expenses. The TER is expressed as a percentage of the fund's average net assets over a year.

Transaction costs
The costs incurred in buying, selling and holding investments in financial securities.

UK Stewardship Code
A voluntary code for asset managers, asset owners and service providers with the aim of encouraging active and engaged monitoring and investing.

Unit-linked policies
A policy where contributions paid in are used to buy units in one or more investment funds. The value of these units changes over time depending on the value of the assets the funds invest in.

United Nations Principles for Responsible Investment
The world's leading proponent of responsible investment. It works to understand the investment implications of ESG factors, and to support its international network of investor signatories in incorporating these factors into their investment and ownership decisions.

Value for money
The FCA requires us to assess and report on the value for money delivered by Royal London to its Workplace Pension and Investment Pathways customers through assessing costs and charges, investment performance and quality of service.

Voting
Where Royal London owns shares in a company, it has the right to vote at that company's annual general meeting (AGM). It can use this right as a way to have a positive influence on the companies it invests in on behalf of its customers.

Vulnerable customer
An individual who, due to their personal circumstances, is especially susceptible to detriment, particularly when a company is not acting with appropriate levels of care.

Workplace Pension
Pension arrangements provided by businesses, such as Royal London, that receive contributions from employers and employees.

Royal London

Independent Governance Committee