Royal London

Independent Governance Committee

Annual Report 2024

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At a glance

I am delighted to present the 2024 report of the Royal London Independent Governance Committee (IGC).

The report contains the IGC's assessment of the value for money that Royal London provides to its Workplace Pension and Investment Pathways customers, alongside a review of Royal London's approach to responsible investment and stewardship. This introductory section includes a short summary of our findings. Our value for money principles are detailed in Appendix 1.

If we have significant concerns about the value for money being provided, we can raise these with the Royal London Board. If we are not satisfied with the response, several escalation options are available to us, including contacting the Financial Conduct Authority (FCA) or directly contacting customers or employers. I am pleased to report that no material concerns requiring escalation were identified during 2024.

Value for money

The IGC acts solely in the interests of Workplace Pension and Investment Pathways customers in assessing value for money. We undertake this assessment based on information provided by Royal London, and through participation in a Comparison Study evaluating Royal London against its peers. Our value for money assessment concentrates on three core areas:

- Costs and charges See page 8
- Investment performance See page 15
- Customer service See page 28

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

Taking these factors into account, I can report that:

- The IGC has concluded that Royal London is providing value for money to its Workplace Pension customers who are in its modern pension product, Retirement Solutions. This represents over 98% (c20m) of Royal London's Workplace Pension customers.
- Royal London has been upgrading most customers to Retirement Solutions, with the project expected to complete in 2025. There are two product groups, totalling around 28,000 customers, that Royal London has concluded are not appropriate for transfer to Retirement Solutions. We will undertake more work to see whether the value for money being provided to these customers can be improved. In particular, we believe that further work is needed in relation to a cohort of around 6,000 CIS Group Stakeholder Plan customers. While customer charges are not in excess of 1% p.a., certain features such as ProfitShare, the range of broader fund choices and digital functionality within Retirement Solutions are not available. More information on this can be found in the relevant sections of the report.
- Data related to costs, charges and quality of service was not part of the Comparison Study for Investment Pathways customers this year. However, we have received regular reporting to assist in our value for money assessment. We anticipate that participants in the Comparison Study will want to review Investment Pathways in greater detail for 2025.
- As noted in last year's report, charges for some Investment Pathways customers with smaller pots may be higher than those available elsewhere in the market. Royal London has reviewed these charges and agreed to reduce them for new customers from April 2025. We provide more information on these charges in this report.
- There were significant changes in responsible investment and stewardship during 2024, driven by an evolving political landscape and maturing reporting environment. The IGC has received regular reports from Royal London, and we are satisfied with the development and prioritisation of its responsible investment and stewardship policies.

Peter Dorward

Chair of the Royal London Independent Governance Committee

Costs and charges

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

- 🟢 Measures which have been delivered within an agreed range, where our expectations in terms of quality and delivery have been met in key areas.
- 🟠 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).
- 🔴 Areas in which we have provided a material challenge to Royal London (via its Board) and have been unable to agree a way forward.

Workplace Pensions	2023	2024
Value for money principle		
Appropriate ongoing charges	🟢	🟢
Balanced charging	🟢	🟢
Fair exit charges	🟠	🟢

Investment Pathways	2023	2024
Value for money principle		
Appropriate ongoing charges	🟠	🟠
Balanced charging	🟢	🟢
Fair exit charges	🟢	🟢

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

- When evaluating value for money, we consider the charges levied by Royal London on its contracts. We then make an allowance for ProfitShare, as ProfitShare can be regarded as offsetting a portion of the charges.
- We assess that the charges on Royal London's Retirement Solutions contracts, held by over 98% of all Workplace Pension customers, are fair and appropriate given the benefits provided, even before ProfitShare is considered, and confirm that charging information is easily accessible.
- These charges are broadly in line with other propositions in the Comparison Study after allowing for differences in the types of schemes written and before allowing for ProfitShare.
- Charges for Investment Pathways customers with smaller pots can be higher than those available elsewhere in the market. Royal London has reviewed these charges and agreed to reduce them for lower-value contracts written from April 2025. This removes the dependence on ProfitShare to achieve value for money for new business. Discussions are ongoing on the charges for existing customers with small pot values. Further information is detailed in the Costs and charges section of this report.
- Royal London has upgraded longstanding customers with some types of Workplace Pension contracts to its latest pension contract, Retirement Solutions, with more to be upgraded in the coming year. However, Royal London has decided that some of these older contract types will remain. We will undertake more work to establish if the value for money being provided to these customers can be improved.
- As noted in our previous report, Royal London agreed that all exit charges would be waived from 1 April 2024. We can confirm this has been completed. Our 'Fair exit charges' principle is therefore rated as green for 2024.

Investment

Workplace Pensions	2023	2024
Value for money principle		
Investment strategy	●	●
Appropriate investment returns	●	●

Investment Pathways	2023	2024
Value for money principle		
Investment strategy	●	●
Appropriate investment returns	●	●

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

- When considering investment performance, our greatest focus as a committee is on the value for money provided by Royal London's default funds, for two reasons. Firstly, these funds are where customer money is invested when customers do not make an active investment choice. Secondly, default funds represent the bulk of Royal London's Workplace Pension customers' savings, with over 90% of these customers invested in default lifestyle strategies. After careful consideration, we have concluded that the default strategy is designed with clearly set aims and objectives, and is executed in the interests of customers.
- We also monitor the investment arrangements for customers who are not invested in the core default funds. As noted in our report, a project is underway to upgrade certain longstanding customers to the Retirement Solutions product, allowing greater investment choice and improved governance. The IGC continues to challenge Royal London regarding investment arrangements for the remaining longstanding customers.
- When assessing Royal London's investment strategy, we consider the types of funds it invests in, how the funds are combined to generate an appropriate level of risk-adjusted returns, and how risk is managed for customers as they approach retirement. In our view, the investment strategies adopted by Royal London are appropriate for its Workplace Pension and Investment Pathways customers.
- We actively monitor investment returns to assess their suitability relative to the level of risk taken. This includes benchmarking performance and comparing outcomes with competitors. We also evaluate how effectively Royal London communicates investment-related information to its customers. Based on these assessments, we consider Royal London's investment proposition for Workplace Pension and Investment Pathways customers to offer appropriate value.
- Royal London's Investment Advisory Committee conducts quarterly reviews of the investment proposition and shares its findings with us. These reviews, alongside regular engagement with the Chair of the Investment Committee, play a key role in supporting our independent assessment of the strategy's appropriateness and value for customers within our remit. We consider the governance Royal London applies across its investment proposition to be of a high standard.

Responsible investment and stewardship

🟢	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	2024
Principle		
Internal policy	🟢	🟢
Investment strategy	🟢	🟢
Investment solutions	🟠	🟠
Value for money	🟢	🟢
Communication and reporting	🟢	🟢

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

- In our view, Royal London continued to perform well in respect of responsible investment over 2024. The policies and internal frameworks implemented, alongside the adoption of new reporting measures and the allocation of additional resources during the year, have set the foundation to enhance its responsible investment credentials.
- Our review of Royal London's relevant internal policies, governance and disclosures supports the view that responsible investment is integrated within the business and into longer-term investment decision making. We have therefore continued to rate both internal policy and investment strategy as green.
- Having reviewed Royal London's investment solutions, we find that they align with Royal London's Purpose and provide appropriate and sustainable outcomes for its customers. However, we have rated this area as amber for 2024. We recognise that the integration of responsible investment remains a work in progress as the investment proposition evolves, and that challenges remain in bringing customer perspectives into solution design. We are aware that Royal London intends to assign more resource over 2025 to support the integration of responsible investment into its investment solutions.
- We consider the costs and charges involved in delivering responsible investment for customers to be fair and therefore continue to rate value for money as green.
- We rate Royal London's responsible investment communications and reporting as green for 2024, recognising Royal London's effective communication of its responsible investment approach to customers and advisers.

Service

Workplace Pensions	2023	2024
Value for money principle		
Clear communication	🟠	🟠
Effective service	🟢	🟠
Regular reviews	🟢	🟢

Investment Pathways	2023	2024
Value for money principle		
Clear communication	🟢	🟢
Effective service	🟠	🟢
Regular reviews	🟢	🟢

Full details of our assessment of service are available here.

- Royal London has made positive developments in communication and engagement, with the introduction of new content, tools and guides to support financial wellbeing.
- Over the last three years, there has been a clear change in behaviour among Workplace Pension customers, with increased digital adoption driven by improvements in the data held by Royal London to reach and engage customers. This work continues to be a key focus for Royal London, alongside efforts to gather insight on the outcomes being delivered to customers. Whilst there has been good progress, we maintain our amber rating until more customers can be reached and engaged digitally, and when there is clearer evidence of improving outcomes.
- Royal London, as shown in the Comparison Study, has one of the highest levels of automated transactions in the market for Workplace Pension customers, meaning most transactions are processed quickly and efficiently. Work continues to further improve automation levels through the 'do more digitally' focus and the use of robotics more broadly.
- Although most transactions are automated, more complex transactions still require manual intervention. We observed that service levels for manual transactions and telephony support were below the standards previously achieved by Royal London and also when compared to some competitors. This was due to a significant but temporary increase in demand. Recent data indicates that management action is returning the service to expected standards.
- Improvements have been made to digital capabilities during the year. In particular, new digital services were launched to support customers who are nearing retirement or looking to access funds from their pension pot. These developments are helping customers make better decisions and are improving service levels for Investment Pathways customers.
- The service for longstanding customers remained stable. We continue to challenge Royal London to provide these customers with access to the digital capabilities, richer content and guidance currently available to Retirement Solutions customers.
- There is still a lack of maturity to the data being gathered for vulnerable customers. However, we are satisfied that appropriate processes are in place to identify and support vulnerable customers when they interact with Royal London.

Key themes and future developments

Throughout 2024 and into 2025, we have seen increasing market volatility, driven by escalating geopolitical tensions and significant political change across the world. Closer to home, regulatory changes and government budget speculation have also impacted Royal London customers. These factors have led to increased customer activity for Royal London, resulting in longer call wait times for Workplace Pensions customers in 2024 compared to 2023. However, complaint numbers did not increase during this period.

The prospect of trade tariffs will inevitably have been unsettling for Royal London's pension customers, as these can impact investment returns. In response, Royal London provided expert insights through articles and videos, highlighting the importance of maintaining a long-term perspective on pension investments. Effective communication with customers is crucial during periods of economic uncertainty and remains a focus for the IGC.

In addition to the above, the following are ongoing areas of focus for the IGC. We expect to report on these further in our 2025 annual report:

Update to the Value for Money Framework

The FCA has been consulting on updates to how IGCs and trustees should carry out value for money assessments. Proposals include standardised metrics to assess value for money, changes to the way in which comparative assessments are carried out and consequences of failing to provide value for money. In October 2024, the IGC submitted a response (separate from Royal London) to the FCA consultation, aiming to support the FCA in realising the objectives of its proposals. At the time of writing, the FCA is reviewing feedback and working with the Department for Work and Pensions and HM Treasury on the next steps. We anticipate a further consultation on these measures from the regulator later this year.

Guidance and support for customers

In our 2023 annual report, we noted that the FCA had initiated a consultation inviting feedback on proposals to examine the regulatory boundary between financial advice and other types of financial support for customers. In December 2024, the FCA launched a follow-up consultation outlining targeted support measures for pension savers, with the objective of establishing a regulatory framework that enables accessible, trustworthy and affordable support. Royal London is participating in a related trial. The Pensions Bill 2025 also introduced measures to support customers through default guidance. This aims to ensure savers who do not seek advice still get a safe, good value retirement option, by automatically supporting them to access their pension. We will provide an update on these developments and how Royal London is responding to them in our next report.

Digital developments

The IGC will continue to track digital enhancements at Royal London to ensure customers have more options for how they engage with Royal London and how they receive its services. Royal London is focused on the evolving use of AI and other technology to increase efficiency for colleagues and customers, while working to expand its digital reach to customers. The IGC is mindful of the need to manage risks associated with the expanding use of technology and continues to monitor progress in areas such as cyber security.

Investment Pathways – charges

Through engagement with Royal London, the IGC is pleased to confirm that the highest charge provided to new Investment Pathways customers has reduced from 0.90% to 0.75% (as at 1 April 2025). The IGC continues to monitor the charges applicable to existing Investment Pathways customers.

IGC membership changes

In January 2025, I was delighted to welcome Colin Stewart to the Royal London IGC. Colin has joined us as a Chair Designate and will move from being an Independent Committee Member to Independent Chair from 1 October 2025, when my tenure comes to an end. Further details on Colin can be found within the Membership section of this report, in Appendix 10.

I joined the Royal London IGC at its inception in March 2015. During my tenure, I have seen the remit and reach of IGCs evolve significantly, particularly with the expansion to include Investment Pathways and ESG considerations. The success of Automatic Enrolment has also seen a significant and welcome increase in the number of people saving in workplace pensions. It has been good to see Royal London, as a customer-owned organisation, grow to meet the evolving needs of its customers over this time.

I would like to sincerely thank my fellow IGC members (both current and past), and everyone who has been involved in the IGC, for their support over the years. I am proud of the role that the Royal London IGC has undertaken during my tenure and I am sure that the IGC will continue to effectively carry out its responsibilities under Colin's leadership.

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

Royal London shares a substantial amount of information and data to help us assess the value for money it provides, and we compare this with similar products offered by peers. We refer to this process in the report as the Comparison Study. By pooling data and sharing results, we can understand the market and challenge Royal London where appropriate.

More information on the Comparison Study can be found in Appendix 2.

How to use this document

- We recommend that you access this document online or download it for viewing with Adobe Acrobat Reader.
- Wherever the ➔ and underlined text appear, these links will either direct you to the relevant section in this report, or to an external web page.
- Definitions of key terms are provided in the Glossary section at the end of this report.

Costs and charges

Costs and charges

The charges associated with Royal London's Workplace Pension and Investment Pathways customers play a crucial role in evaluating the value for money that these contracts offer.

We regularly receive data from Royal London, which enables us to monitor the range of charges applicable to these customers and assess them in relation to the quality of services provided. Additionally, we benchmark Royal London's charges against those of similar products from other providers using the Comparison Study.

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 examine all costs and charges impacting these plans, including administration charges and transaction costs. Transaction costs are considered in greater 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 transaction costs.

Ongoing charges

The annual management charge (AMC) is an ongoing charge that customers pay for the service they receive. The AMC is the only ongoing charge for Royal London's Investment Pathways customers and, following the waiving of exit charges in April 2024, this is now also true for Royal London's Workplace Pension customers.

Relevant IGC principle being assessed:
Appropriate ongoing charges

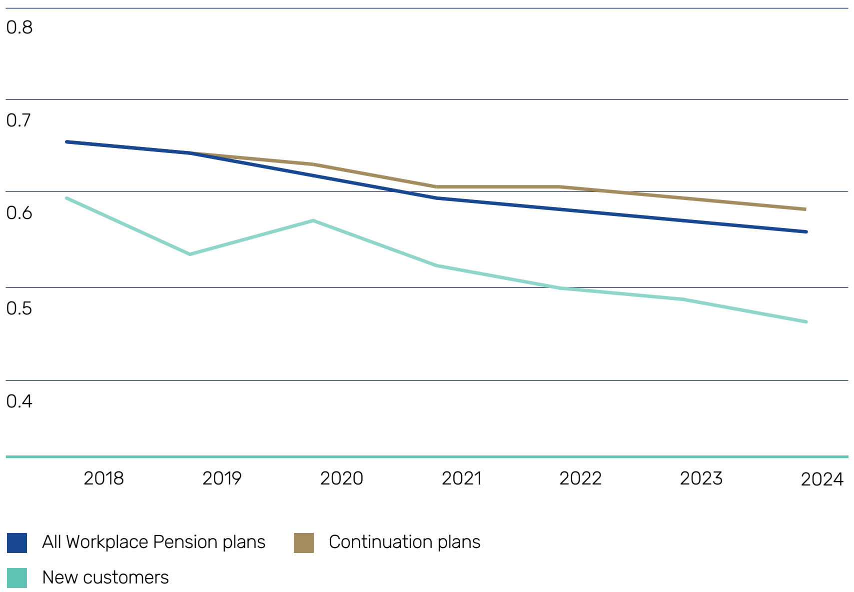
Royal London's ongoing charges are fair and appropriate and offer value for money compared to the benefits provided by the product and service. This assessment includes a comparison against similar market alternatives.

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

We monitor the AMC for appropriate customer groups across Royal London's Workplace Pension plans and have done so since the Royal London IGC was established in 2015. The following chart shows the average AMC for a high-level grouping 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 have seen these reductions 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 table below outlines the range of charges applicable to Workplace Pension customers, along with the number of scheme categories in each charge bracket. Over the past year, the number of schemes in higher charging bands (over 1% p.a.) has continued to decline. The proportion of schemes in lower charging bands (below 0.60% p.a.) has increased, reflecting the introduction of new schemes offered through the Retirement Solutions product. The 2024 data set for these figures has been enhanced this year to include commission adjustments at individual member level, which impacts scheme band categorisation compared to 2023. This excludes plans for customers who previously left their employers scheme.

AMC on plan value

	Number of scheme categories 2023* total	Number of scheme categories 2024* total
1.26% or greater	71	**45**
1.06% to 1.25%	125	**17**
1.01% to 1.05%	41	**7**
0.96% to 1.00%	3,866	**4,663**
0.86% to 0.95%	910	**285**
0.76% to 0.85%	1,176	**954**
0.60% to 0.75%	19,997	**19,324**
0.50% to 0.59%	4,180	**4,212**
0.40% to 0.49%	3,288	**3,600**
0.30% to 0.39%	1,675	**2,018**
0.29% or lower	321	**518**

* 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 2023	Number of customers at year end 2024	Percentage of total customers	Change in customers over year	Average AMC for customers at year end 2023	Average AMC for customers at year end 2024
Retirement Solutions Group Personal Pension*	1,785,461	**1,941,106**	93.6%	▲	0.60%	**0.59%**
Retirement Solutions Group Stakeholder*	89,402	**91,171**	4.4%	▲	0.55%	**0.55%**
Royal London Talisman Group Pension Scheme*	22,843	**21,133**	1.0%	▼	0.97%	**0.97%**
Royal London Talisman Group Personal Pension	961	**853**	0.0%	▼	1.00%	**1.00%**
CIS Group Stakeholder Pension	7,007	**6,614**	0.3%	▼	0.92%	**0.92%**
Phoenix Life Group Stakeholder Pension**	14,163	**13,484**	0.7%	▼	0.56%	**0.56%**
Phoenix Life Group Flexible Pension**	54	**50**	0.0%	▼	0.98%	**0.98%**
Royal Liver Group Stakeholder Pension***	922	**0**	0.0%	▼	0.90%	**N/A**
Police Mutual Staff Group Personal Pension***	643	**0**	0.0%	▼	0.60%	**N/A**

* Includes continuation plans.
** These products are being moved to the Retirement Solutions Group Personal Pension product in 2025 as detailed on page 12.
*** These products were moved to the Retirement Solutions Group Personal Pension product in 2024 as detailed on page 12.

The majority of Royal London's Workplace Pension customers are in the two Retirement Solutions products, as shown in the table. As expected, the number of customers in these products has continued to rise due to being actively marketed by Royal London.

Only 2% of Workplace Pension customers are in products other than Retirement Solutions, down from 2.4% in 2023. Throughout this report, we refer to these customers as longstanding customers. Although longstanding customers represent a small proportion of Royal London's customer base, it is important that we continue to 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. Royal London is in the process of upgrading some of its longstanding customers' pensions to the Retirement Solutions product, as described on page 12.

Almost all (99.9%) of Royal London's Workplace Pension plans have AMCs of 1% p.a. or lower. The only reasons that charges can be above this level are:

- The customer 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.
- 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.

Having looked at 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. In our view, the charges are reasonable for the quality of the features, investment proposition and the service provided.

Comparative value for money

As well as considering the information we receive from Royal London, we also look at information from other Workplace Pension providers to help us assess whether Royal London is providing value for money to its customers. Similarly to previous years, we participated in a Comparison Study which allowed us to compare Retirement Solutions contracts with other major competitors in the market. This included a comparison of charges on default investments, as well as investment and service information. We note that the overall level of charging shows a slight decrease compared to previous Comparison Studies, and the proportion of schemes with charges below 0.30% has increased for several providers, including Royal London.

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.

The majority of Royal London's Retirement Solutions Workplace Pension customers also benefit from ProfitShare, a unique feature that is not accounted for in the Comparison Study. When we evaluate value for money, we recognise ProfitShare as being akin to a reduction in charges. Since 2017, ProfitShare has been distributed annually to qualifying Workplace Pension customers. For each of the last five years, this has added 0.15% to the value of the relevant customer's pot. This effectively reduces the impact of charges customers pay, further enhancing the value for money that they receive. More information on ProfitShare is provided on page 14.

There is no current Comparison Study in respect of longstanding customers available. Instead, we base our value for money assessment for these customers on the regular data and reports we receive from Royal London. Our longstanding customers' assessment for investment and service can be found in the relevant sections of this report. We are satisfied that the AMCs for the remaining longstanding customers are within the range of market comparators. Although lower charges are typically seen for open products, most longstanding customer schemes are small, making it difficult to assess whether these customers could access lower charges with other providers. While some longstanding customers might be able to achieve better value for money in alternative arrangements, employers and scheme members should consider the benefits, guarantees, investment options and the service provided in their current scheme before moving. 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

In last year's report, we noted that some groups of customers could potentially receive better value for money if they were moved to an alternative product, and that Royal London had started a project to consider upgrading customers' pensions to its most modern pension product, Retirement Solutions. This upgrade would not change the AMC charged to customers, but would make customers eligible for the following benefits:

- ProfitShare
- Access to a broader range of investment options should the customer wish to use these, and enhanced investment governance
- Superior product and service features – for example, access to Royal London's mobile app and Financial Wellbeing service
- A wider range of retirement options when accessing their pension savings.

We are pleased to note that during 2024, Royal London successfully upgraded customers from the Royal Liver Group Stakeholder Pension and the Police Mutual Staff Group Personal Pension to the Retirement Solutions Group Stakeholder Pension and Retirement Solutions Group Personal Pension, respectively. Further upgrades are taking place in 2025 with the Phoenix Life Group Flexible Pension and Phoenix Life Group Stakeholder Pension being upgraded to the equivalent Retirement Solutions product.

There are two product groups, which total around 28,000 customers, that Royal London has concluded would be inappropriate to transfer to Retirement Solutions. Initial findings show that the proposition available to Talisman customers is similar to Retirement Solutions customers in terms of investment options, and there is also some ProfitShare eligibility. A number of these customers receive valuable additional benefits such as guaranteed annuity rates or loyalty bonuses. In relation to CIS Group Stakeholder Plan customers, while charges are not in excess of 1% p.a., certain features such as ProfitShare and the range of broader fund choices offered within Retirement Solutions are not available. We have asked Royal London to conduct further work on the value for money these customers receive in their existing products.

Ongoing charges – Investment Pathways

Investment Pathways customers have one charging structure, regardless of which of the four available Investment Pathway options they choose. The AMC depends on the value of the pension, with the standard AMC of 1% p.a. being reduced by a rebate which increases with the value of a customer's investment.

In last year's report, we highlighted that Royal London was reviewing the appropriateness of charges for customers with smaller pots. This was in response to our challenge that these customers are typically charged towards the higher end of the market. Royal London concluded this review in 2024 and proposed to reduce the highest charge applicable to new Investment Pathways customers from 0.90% to 0.75%. This change was implemented in April 2025. We will provide an update in next year's annual report on what this means for existing Investment Pathways customers and the charges they pay.

Value of investments*	Base AMC	Rebate	Net AMC
£0 – £46,600	1%	0.10%**	0.90%**
£46,600 – £93,200	1%	0.50%	0.50%
£93,200 – £279,000	1%	0.55%	0.45%
£279,000 – £932,000	1%	0.60%	0.40%
£932,000 +	1%	0.65%	0.35%

* These ranges are applicable from 6 April 2025 and increase each year on 6 April in line with the Retail Price Index.
** Rebate increased to 0.25%, so net AMC reduced to 0.75% for contracts written after April 2025.

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. Customers will receive the lower of the charge that applied to their Retirement Solutions Workplace Pension, or the net AMC shown in the table above.

Comparing Investment Pathways ongoing charges to other providers

No Comparison Study for Investment Pathways charges was available for 2024. The conclusions reached from previous years' studies have consistently highlighted that customers with smaller pots had relatively higher charges compared to the market. Royal London's charges become more competitive for pots over £50,000.

Royal London's Investment Pathways customers also benefit from ProfitShare which effectively reduces the impact of charges, currently by 0.15%. The resulting charges were assessed in 2023 as being close to market averages for smaller pot sizes, and amongst the lowest available for pot sizes in excess of £50,000.

We regularly review whether Investment Pathways customers are receiving value for money. The reduction in charges for new Investment Pathways customers with smaller pots is welcome and, for these new customers, addresses the concerns identified in our previous report. When we take ProfitShare into account, the change from April 2025 will bring charges for new customers to below the typical market rate for smaller pots. This adjustment reduces the reliance on ProfitShare and ensures Royal London's Investment Pathways offer value for money for new customers with lower pot sizes.

Exit charges

An exit charge is a deduction from the transferred value when a customer opts to move their pension to another provider. The charge is generally imposed to recover the costs incurred by the product provider in establishing the pension scheme and compensating those who introduced the business. Exit charges were commonly associated with certain pension products before automatic enrolment was introduced in 2012.

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

Following agreement in 2023 that all exit charges would be waived effective from 1 April 2024, Royal London has implemented this change and no longer applies exit charges to any Workplace Pension plans. While Royal London retains the right to apply contractual exit charges, these are no longer intended to be enforced. This approach enhances customer outcomes by removing barriers that might deter them from transferring to more suitable arrangements offering better value for money.

The decision to waive exit charges aligns Royal London with the majority of the market and, as these charges are no longer being applied to any products within the scope of the IGC, we will not include any commentary on the value of exit charges in next year's report.

How Workplace Pension and Investment Pathways charges are disclosed to customers

Most Workplace Pension and Investment Pathways customers can find the charges that are relevant to their plan in their annual statement and through online services. Additionally, all Investment Pathways customers and those with a Retirement Solutions plan can 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 in Workplace Pension plans, along with projection tables showing the potential impact of these costs over time.

The costs and charges information on the Royal London website, as required by the FCA, is specific to 2024. Figures for previous years may differ.

Visit www.royallondon.com/workplacecostsandcharges

We encourage customers to review this information to better understand the costs and charges associated with their Workplace Pension scheme. We will continue to closely monitor the charges and the value for money provided by Royal London's Workplace Pensions.

ProfitShare

Mutual organisations are owned by their members, meaning that profits can be allocated back to eligible members rather than external shareholders. ProfitShare is a benefit unique to Royal London, enabled by its mutual status, which helps to maintain a balanced level of charging. However, it is important to note that, while a significant majority of Royal London's 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 by Royal London since 1 July 2001 are eligible for ProfitShare. Customers owning with-profits policies eligible for ProfitShare receive enhanced bonus 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 and the 2024 award was made on 1 April 2025. Royal London has a strong track record for awarding ProfitShare and, for unit-linked policies, the rate has remained steady at 0.15% of the fund value for each of the past five years.

ProfitShare effectively reduces 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

The level of returns generated from investing pension funds is a critical part of the value for money that customers get from Royal London. There are two important parts to this:

- How the money is invested and the quality of investment decisions taken on behalf of customers. This is known as the investment strategy.
- The performance of those investments over time.

Investment strategy

While investment performance is fundamental, we also monitor the investment strategy and quality of decision making. This is necessary because most customers invest in a default fund strategy which allows Royal London to make investment decisions on their behalf. We want to be reassured that the strategy is likely to produce appropriate returns for customers, both now and in the future.

In this section of the report, we consider:

- Whether the investments are designed to deliver appropriate outcomes for Workplace Pension and Investment Pathways customers
- How the costs of implementing and administering investments are managed
- Whether Royal London's policies in relation to responsible investment and stewardship are appropriate and considered when Royal London manages investments for customers.

To help us do this, we regularly receive factual information and presentations from Royal London's senior investment managers.

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

The investment strategy is the approach which Royal London takes to invest customers' money.

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 Pension 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.

We assess Royal London's Workplace Pension investment strategy by considering:

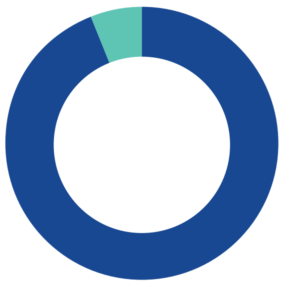
- The type of funds it will invest in, the types of assets held in these funds and how responsible investment and stewardship considerations are taken into account
- How those funds are combined to create investments that have a level of risk appropriate for the expected customer base
- The way it manages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

Default funds

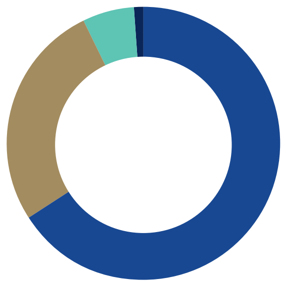
Workplace Pension customers have access to a range of different investment options, including individual self-selected funds. Depending on the contract, the options may vary, but over 90% of Royal London's Workplace Pension customers are invested in a default fund. The default investment is where a customer's money will be invested if neither the employer nor the employee actively selects an alternative fund. Royal London has several default lifestyle strategies which employers, in association with their advisers, can select as the default fund for their scheme. In a small number of cases, employers use advisers to develop a tailored investment default that meets their specific needs and those of their employees. We look at the actions Royal London has taken to oversee these solutions and consider the value for money and outcomes they are seeking to deliver for customers.

In this section, we provide an update on the investment strategy for Royal London's Governed Range, which serves as the foundation for the primary Workplace Pension default investment. Further details on this can be found in Appendix 4.

Retirement Solutions – Default investors



Retirement Solutions - Default investment choice



Royal London also allows customers in its Retirement Solutions product to individually select an investment from its range of funds, portfolios or lifestyle strategies – details of these are included in Appendix 4. Longstanding customers have less choice available to them due to the nature of these products. We discuss the actions being taken to improve what is offered to longstanding customers and the related challenges in the relevant sections of the report.

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

Changes to long-term asset allocation for the Royal London Workplace Pension default

Royal London regularly reviews the asset allocation of its investment strategies. It is also important to carefully consider the balance of risk and reward within these strategies over 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 June 2024, Royal London conducted a strategic asset allocation review to examine the blend of investments providing exposure to different geographical regions and types of holdings, considering the medium-term outlook. The analysis looked at the expected performance across a range of different scenarios and showed that investments within the Governed Range were well positioned. As such, the asset allocations were maintained, with the exception of two changes:

- A change in the regional equity mix, reducing UK equities by 5% in favour of other developed market equities. This enabled the portfolios to benefit from greater exposure to quality growth-oriented sectors.
- A reduction in property allocations by 1.25% in certain portfolios in favour of greater equity allocation. This was to smooth allocations, creating more uniform changes across the portfolio risk scale.

We discussed these changes with Royal London and agreed that they were appropriate for Workplace Pension customers within the relevant default investments. We also monitored their implementation to ensure they were delivered in a cost-effective manner.

Changes to investment options for longstanding customers

Royal London's small number of longstanding Workplace Pension customers are invested in several different ways, detailed in Appendix 8.

Longstanding customers do not have access to the Governed Range funds. We agreed with Royal London that these customers could benefit from a move to the Retirement Solutions product, which would allow access to these funds and enhance the service and communications they receive. A project is underway to move as many customers as appropriate to Royal London's latest pension product.

Royal London upgraded the investment used by the Royal London Talisman Group Pension Scheme in 2021 by moving its default strategy to the Governed Range lifestyle strategies, which include broader investment holdings and provide stronger governance for customers. The investment performance of these strategies is very similar to that of the relevant Governed Portfolios and is therefore considered appropriate.

In 2024, both the Royal Liver Group Stakeholder Pension Scheme and the Police Mutual Staff Group Personal Pension successfully moved to Royal London's Retirement Solutions product. As part of this transition, the default investment strategy for the Royal Liver Scheme was updated to the Royal London Governed Portfolio Enhanced Fund, aligning it with the broader strategic approach focused on diversification and governance. The Police Mutual default investment, the Royal London With Profits Fund, was maintained as part of the contract move. However, customers now benefit from access to the wider Royal London Governed Range and the services provided through the Retirement Solutions contract.

The Phoenix Life Group Stakeholder Pension, which is scheduled to upgrade to Royal London's Retirement Solutions platform throughout 2025, currently uses the Royal London Stakeholder Managed Fund as its default strategy. Following the migration, customers will be invested in the Royal London Governed Portfolio Growth Fund, which provides broader investment holdings and a more robust governance framework. Similarly, the Phoenix Life Group Flexible Pension is also migrating to the Royal London Governed Portfolio Growth Fund in 2025.

This change means that both Phoenix Life Assurance Limited (PLAL) contracts will now utilise the same modern investment strategy, ensuring consistency and improved oversight, and will have access to the full Royal London Governed Range.

The majority of the Royal London CIS Group Stakeholder Pension customers are invested in the Royal London With-Profits Stakeholder Fund. The performance of this fund is in line with a suitable comparator fund from the Royal London Governed Range. We actively review performance of this fund against the Governed Range and relevant benchmarks to ensure it remains suitable for customers. Further details are in Appendix 8.

These updates are designed to provide customers with greater certainty in retirement outcomes, improved governance and access to investment options that are diversified and include risk-managed lifestyle strategies and portfolios.

Further details on how this project is progressing can be found on page 18 of the report.

Customer communications

Royal London continues to communicate with its customers about their investments and investment returns through annual statements. It also communicates to its 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. It is available to 98% of Royal London Workplace Pension customers, but only around 23% of customers are currently using the app and Royal London's online service.

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

What funds and strategies do customers use?

Over 95% of Royal London's Workplace Pension customers are invested in one of the investment lifestyle strategies. The most common default investment is the Balanced Lifestyle Strategy (drawdown) which is designed for customers who intend to use their pension pot to draw down their money over time, rather than purchasing an annuity. Employers can choose different strategies as the default investment for their scheme, as best suits the needs of their employees. This is often done in association with their advisers. Customers also have the option of making their own choice from the wide range of funds offered by Royal London.

For a minority of cases (less than 1% of total Workplace Pension schemes), 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. In 2024, Royal London provided information on the setup of adviser defaults, to ensure they comply with internal policies and requirements. Further analysis identified areas of potential risk to good outcomes such as high fund charges and underperforming funds. Royal London has addressed some of these areas through initiatives to close funds and drive improvements via its internal Enhanced Monitoring Framework, where underperforming funds are scrutinised, challenged and assigned improvement plans. We continue to work with Royal London on assessing the value that adviser defaults provide.

In August 2024, the FCA consulted on proposals for developing the value for money Framework. The framework will provide a consistent process which the IGC can use to assess value for money within adviser defaults.

Investment strategy – Investment Pathways

We apply the same value for money principles when assessing Investment Pathways funds as we do when assessing investments for Workplace Pension customers. It is particularly important that the right type of investment is used for each pathway, designed to meet the specific customer needs. The investments for each pathway are described in Appendix 4.

All four Investment Pathways invest in Governed Range portfolios, as described in Appendix 4. Regular reviews of the appropriateness of these investments are essential. In 2024, Royal London reviewed the investments underpinning each Investment Pathway to ensure they aligned with how customers were accessing their savings. Royal London monitors customer behaviour around how money within the Investment Pathways is being used. This data helps the investment team make decisions about how best to design the portfolios to meet any changing customer needs. In this review, Royal London found that customer behaviour is largely in line with expectations for Investment Pathways 1, 3 and 4. This meant that no changes were made to the investment strategy for these pathways.

For Investment Pathway 2 (designed for customers who intend to buy an annuity), it was found that customers have typically taken all their tax-free cash before entering the pathway. However, the RLP annuity fund which is used for this pathway has a strategic weighting of 25% cash to match the objective of the fund. As such, there is a heightened risk that falling interest rates would have a negative impact on Investment Pathway 2 customers due to the high cash exposure of the fund. Based on modelling and customer behaviour analysis, Royal London has changed the investment strategy for Investment Pathway 2 to Governed Retirement Income Portfolio (GRIP) 1, which has a lower allocation to cash and invests across a more diversified mix of assets, to better manage the risk of falling interest rates negatively impacting customers. Based on the evidence provided, we were supportive of this conclusion and 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 Pathways under review, and this is covered in more detail on page 38.

Responsible investment and stewardship

It is our duty to ensure that Royal London considers the impact of running its business and investing its customers' money on both the environment and society as a whole. These considerations are what we refer to as responsible investment. We independently monitor Royal London's work in this area and receive regular updates on the actions taken.

Our conclusion is that Royal London continued to perform well in responsible investment in 2024, despite market changes, and aims to be a leader in this field. Royal London has the foundations to enhance its responsible investment credentials, with policies and frameworks being implemented, new reporting measures being developed and additional resources allocated during the year. Some milestones will only be completed in 2025, and we will update you in next year's report.

We measure Royal London's responsible investment approach, policies and execution against a set of principles which were updated in 2024. Just as we do with the overall value for money assessment, we review the reports and evidence for each of the principles relating to responsible investment that we consider to be important for Workplace Pension and Investment Pathways customers.

Our five principles relating to responsible investment are:

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

Our assessment as at the end of 2024 is as follows:

1. Internal policy

It is important that we look at Royal London's ambitions in relation to sustainability. In particular, we consider whether Royal London's Purpose, strategy and culture are set up to deliver responsible investment outcomes for customers. We have worked closely with Royal London over several years and we understand what has already been put into place, as well as future goals. Royal London aspires to be a purpose-driven business focused on achieving three key outcomes:

- Helping build financial resilience
- Playing its part in moving fairly to a sustainable world
- Strengthening the mutual choice for customers.

Embedding responsible investment in a meaningful way within the business is an important part of achieving Royal London's overall Purpose.

We have reviewed Royal London's relevant internal policies, internal governance showing accountability for these issues, and disclosure of the measurement of topics such as emissions footprint and net zero targets, workforce demographics and pay gaps. Overall, we believe that these issues are given high priority within the business. To assess Royal London's responsible investment policies, we consulted with the senior leaders overseeing this area. They provided updates on last year's discussions and shared further examples of how Royal London continues to embed these policies into its operations.

In addition to developing and implementing appropriate responsible investment policies, Royal London demonstrates strong governance in this area.

The Royal London Board is responsible for promoting the long-term sustainable success of Royal London 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. The Board and its committees directly engage with, and consider, key climate-related activity. For example, the Investment Committee recommends the Investment Philosophy and Beliefs to the Board and is responsible for considering any material ESG matters, and the Royal London Group Sustainability Oversight Committee reports to the Royal London Group Executive Committee.

2. Investment strategy

Royal London aims to play its part in moving fairly to a sustainable world, while also delivering strong financial returns. Its investment approach has a critical role to play in achieving this.

To support this, Royal London operates a Responsible Investment and Stewardship Policy, which covers all responsible investment and stewardship activities carried out by asset owners and asset managers in the Royal London Group (including voting and exclusions). This policy was enhanced in 2024, acting as an umbrella for other responsible investment and stewardship-related policies and frameworks, including Royal London's Voting Policy. It replaces the previous Stewardship and Engagement Policy. A key area of focus for 2025 is to clearly establish the processes and controls that deliver the standards set out in the policy.

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. In 2021, Royal London implemented a Responsible Investment and Climate Change Asset Manager Oversight Framework to allow regular monitoring of external fund managers, with a specific focus on the approach to responsible investment. This oversight framework was refined in 2024 to reflect how regulations, industry practice and activities within Royal London have evolved since the last review.

Royal London is a signatory to the United Nations Principles for Responsible Investment, which assesses firms' responsible investment credentials against a range of criteria. Royal London confirmed that, as at the end of 2024, the carbon footprint (Scope 1 and 2 tCO_2e/\$m invested) from its corporate fixed income and listed equity portfolio had reduced by 35% 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. Going forward, Royal London recognises that without consistent action from policymakers and governments, it will be unable to achieve its climate commitments. Royal London is clear in its intent to remain robust in encouraging policymakers to take the actions necessary for transitioning to net zero.

In addition to looking at the governance and actions Royal London has taken, we also consider whether investment policies and risk frameworks are properly integrated across the firm, and have paid due regard to sustainability. We believe that Royal London's responsible investment 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.

3. Investment solution design

The funds in Royal London's default investment strategies use a broad set of asset classes, almost all of which integrate responsible investment factors. In equities, Royal London's dominant holdings were moved from traditional passive investments to tilted funds in 2021, which hold more in companies with positive environmental and governance characteristics, using information gathered from external sources as well as internal research.

This was expanded in 2024 to include holdings in its Emerging Markets equity fund. All fixed income funds are actively managed, with responsible investment considerations factored into each purchase. Royal London also operates its own property fund, which is invested in by the default fund and where properties held are managed to strict standards. Royal London Asset Management (RLAM) has committed to reaching net zero by 2030 on all directly managed property assets, and by 2040 on all indirectly managed assets. In its private markets business, it holds investment in life sciences property funds as well as UK farmland. We note that RLAM's farmland holdings are not currently included within the Governed Range. Each time Royal London undertakes a review of its strategic asset allocation, climate-related risks and other responsible investment factors are taken into consideration. Royal London's ambition is that further ESG-related factors will be incorporated in the future, and it continues to develop climate-aware investment solutions.

We believe it is important to consider customers' views on ESG-related factors 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 responsible investment themes, and has used this research when considering its investment priorities and communications strategy. Royal London has also surveyed the adviser community on responsible investment, and this research has been regularly reported to us.

Two Customer Relationship Studies were carried out in 2024, each with a sample of around 2,800 customers. It was clear that customers trust their pension provider to manage its scheme responsibly, and over a third of customers trust Royal London to have a positive impact on the environment.

Customers show a preference for achieving a positive impact on society and the environment, relative to achieving the best financial returns from their investments (although data indicates that this should not be at the expense of returns). For those looking to have a positive impact on society, climate change was the most important single theme. We also found that younger customers (those aged between 18 and 34) are the most likely to prioritise social and environmental themes.

The survey canvassed customers' views on a number of controversial investment topics. Around 70% of customers did not want their money to be invested in tobacco or companies linked to breaches of human rights. The picture on fossil fuels is more mixed, with customers split between those who would prefer not to invest in these activities and those who were willing to invest, if companies have plans to either improve practices or stop these activities. Royal London will continue to garner customer views and take them into account when designing investment solutions.

Having reviewed Royal London's investment solutions, we find that they align with Royal London's Purpose and that the investment solutions provide appropriate and sustainable outcomes for its customers.

4. Value for money

This considers 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 AMCs and other costs of the funds. For example, transaction costs in the portfolio used for those members in the growth stage of the default, over 15 years to retirement, have been stable and consistently below 0.15% p.a. over the last five years.

Alongside the default investment strategy, Royal London offers a range of other strategies and funds to customers who wish to choose their own. The default investment strategy reflects Royal London's views on responsible investment but, for customers who have specific preferences, funds from RLAM's sustainable range are available at no additional cost.

Transaction costs have remained relatively static over the past five years, and in line with the overall turnover – how frequently a fund's assets are bought and sold – for most of the funds. The US Equity Tilt fund has seen an increase in transaction costs of 0.15% which is attributable to implicit costs incurred due to increased market volatility.

Since launch, the tilted funds have, on average, reduced their weighted average carbon intensity by approximately 24% and all are comfortably within the tracking error of +/-1%.

Transaction costs have increased slightly for 2024 but the costs for Governed Portfolio (GP) Enhanced which is the main growth element of the default investment strategy remain below the 0.15% figure mentioned above.

5. Communications and reporting

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

Both regulators and consumers are rightly concerned about businesses providing inaccurate 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. Any communications that refer to the sustainability characteristics of a product or service (including responsible investment) must be 'fair, clear and not misleading' and must be backed up with evidence. Royal London completed an internal review to understand any potential implications of the requirements, and updated all key external communications impacted before the rules came into force on 31 May 2024. It has also strengthened its processes for reviewing ESG, climate and responsible investment communications.

In May 2024, Royal London published its second Climate Report aligned with the requirements of the Task Force on Climate-Related Financial Disclosures, detailing how it takes climate-related risks and opportunities into account in managing and administering investments on behalf of customers. Alongside this main report, TCFD recommendations also require product-level reports to be published, which are available for each individual fund. These include a set of consistent, comparable disclosures on the carbon emissions associated with the investments in each fund.

In 2024, both the Royal London Mutual Insurance Society Limited and RLAM retained their signatory status of the UK Stewardship Code. This requires high stewardship standards for those investing money on behalf of UK savers and pensioners. During 2024, the Financial Reporting Council consulted industry stakeholders, including Royal London, on a series of potential revisions to the Code.

Investment returns and transaction costs

Investment performance is an important part of the value for money provided to customers. This is because investment returns add to the value of the customer's pot and can build up significantly over time. We therefore monitor investment returns 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 and Investment Pathways customers was satisfactory, relative to risk, in 2024 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:

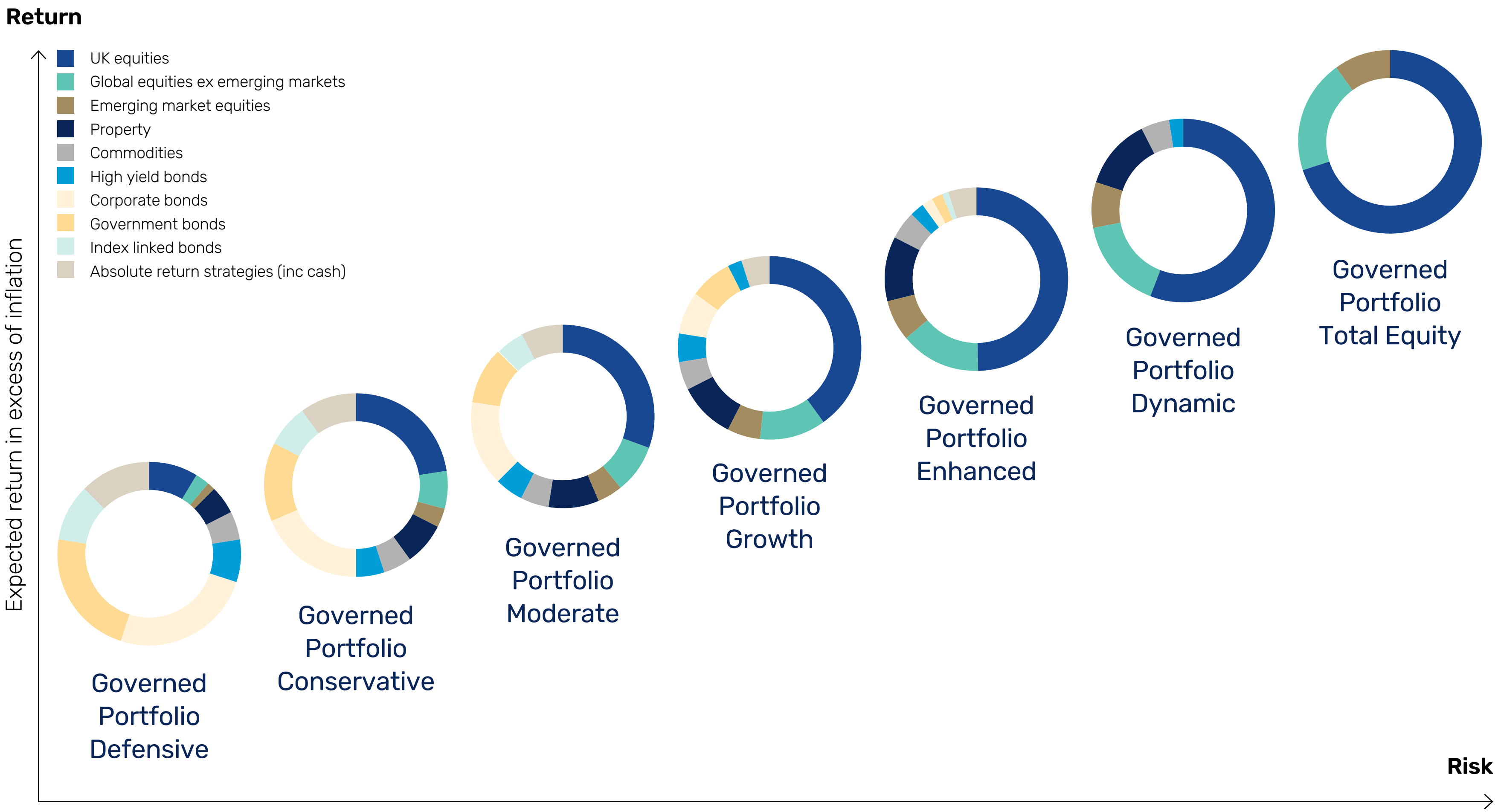
a. effectively communicate the investment returns and potential risks of their investment to customers;
b. set realistic expectations of future returns and measure actual returns against these expectations;
c. identify where returns fall below appropriate benchmarks and competitor returns; and
d. ensure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

Changes to the Royal London Governed Portfolio

In September 2024, Royal London changed the structure of its Governed Portfolio range, reducing it from nine portfolios to seven. The changes included the launch of a new, higher-risk 100% equity portfolio and a shift from numerical names to descriptive titles reflecting the level of risk involved.

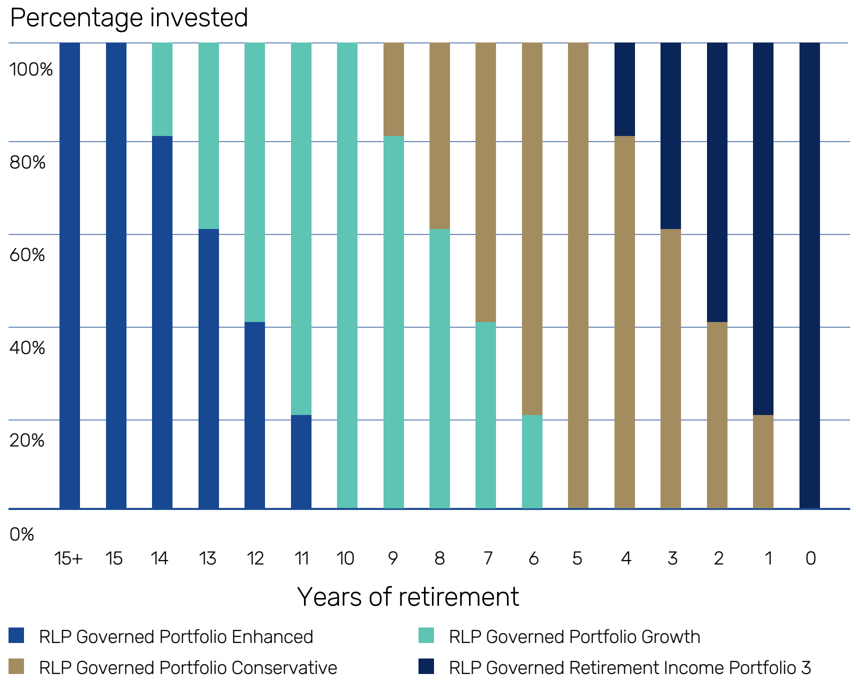
Several enhancements were also made to portfolio factsheets to improve customer understanding of the associated risks.

Royal London's simplified Governed Portfolio range now includes the following:



Royal London Workplace Pension default investment strategy

Most Workplace Pension customers use the Balanced Lifestyle Strategy (drawdown) which invests in three of the Governed Portfolios until nearing retirement age. Governed Portfolio Enhanced aims to provide higher growth within the default investment strategy, albeit with higher risk, and is designed for those with 15 years or more to retirement. At this point, members will gradually switch into Governed Portfolio Growth, then to Governed Portfolio Conservative 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.



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.

Portfolio name	Percentage change					Compound annual growth rate (%)	
	31/12/23 31/12/24	31/12/22 31/12/23	31/12/21 31/12/22	31/12/20 31/12/21	31/12/19 31/12/20	31/12/21 31/12/24	31/12/19 31/12/24
	%Chg	%Chg	%Chg	%Chg	%Chg	3 years	5 years
Governed Portfolio Enhanced	**12.09**	**8.15**	**-6.08**	**16.74**	**-0.28**	**4.42**	**5.79**
Composite benchmark	12.09	7.74	-5.69	14.35	0.30	4.43	5.48
Difference	0.00	0.41	-0.39	2.39	-0.58	-0.01	0.31
Governed Portfolio Growth Annuity/Drawdown	**10.04**	**7.59**	**-6.92**	**13.77**	**0.24**	**3.29**	**4.67**
Composite benchmark	9.91	7.14	-6.69	11.67	0.91	3.19	4.36
Difference	0.13	0.45	-0.23	2.10	-0.67	0.10	0.31
Governed Portfolio Conservative Annuity/Drawdown	**6.80**	**6.32**	**-5.30**	**9.09**	**0.24**	**2.45**	**3.29**
Composite benchmark	6.39	5.75	-5.45	7.39	0.80	2.08	2.86
Difference	0.41	0.57	0.15	1.70	-0.56	0.37	0.43
Governed Retirement Income Portfolio 3	**6.23**	**6.22**	**-8.21**	**8.48**	**1.73**	**1.18**	**2.71**
Composite benchmark	5.44	5.76	-9.49	6.13	2.50	0.31	1.88
Difference	0.79	0.46	1.28	2.35	-0.77	0.87	0.83

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.

Benchmark is the target investment return based on the returns from market indices representing the asset of each Investment Pathway fund.

Equity markets continued their advance over 2024, ending the year close to all-time highs following consecutive years of double-digit returns. The S&P 500 index gained over 25% on the year, after rising over 26% in 2023, marking the best two-year performance for the index since the late 1990s. The year also proved to be positive for commodities and UK property.

RLAM made tactical decisions that meant it held more, or was 'overweight', in asset classes such as equities, particularly US equities, and high yield bonds throughout 2024, which performed well for most of the year. Underweight positions in government bonds, commodities and cash also supported performance against benchmarks, meaning all Governed Portfolios were ahead of their respective benchmarks over five years.

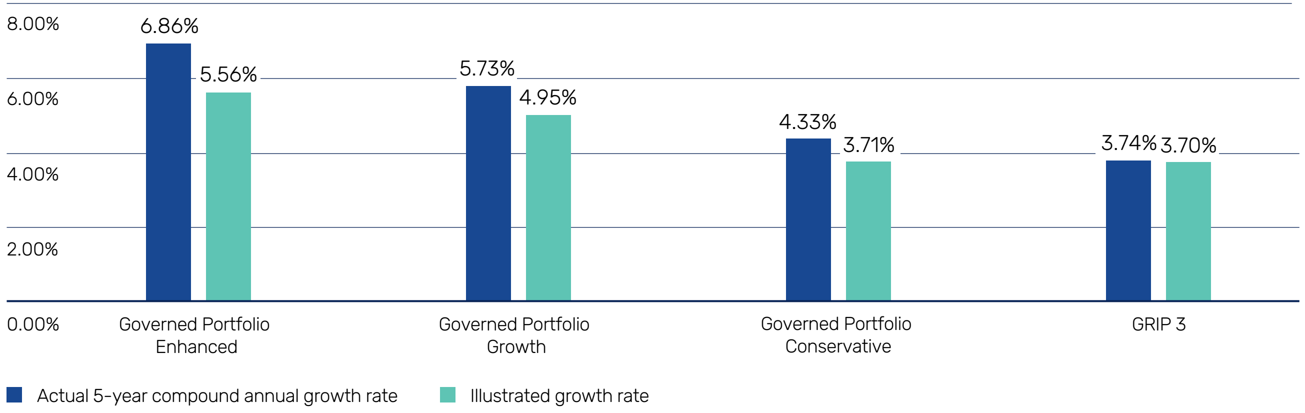
We received analysis via the Comparison Study which confirmed that Royal London's Workplace Pension default investments in the growth stage were performing in line with defaults from other providers, but with significantly lower volatility. Royal London was one of only two providers able to share 10- and 15-year performance data. Performance at retirement stage was noted as strong compared to peers with similar levels of volatility.

In our previous report, we noted a concern that Royal London does not systematically emphasise risk warnings to customers who are moved back into riskier assets by delaying their retirement date. We suggested that more could be done to educate customers about the potential investment risks. Royal London has informed us that initiatives are currently underway to address this issue, with planned changes set to be implemented in 2025.

Performance against expectations set in Royal London's annual statements

We think it is important that Royal London monitors its actual investment performance against expectations set on customers' annual statements. We recognise that these illustrations are governed by the rules set by the Financial Reporting Council. 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 following chart compares the performance of the Governed Portfolios and GRIP used in the Workplace Pension default over the last five years against the real growth rate shown on customers' annual statements five years ago.

Actual versus annual statement illustrated performance



All portfolios have performed ahead of the illustration rate that would have been used in customers' annual statements as at 31 December 2019.

Real performance versus current illustration rates

Every quarter, Royal London's Investment Advisory Committee reviews performance of the Governed Range portfolios against growth rates provided to customers in new 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 currently being set with customers. The following table shows the position as at 31 December 2024 and reflects the returns delivered during 2024 and over a three- and five-year period. It also shows the illustration growth rates for each portfolio in the default investment strategy as at 31 December 2024.

Investment	Illustration rate[1]	Annual compound real return[2]			
		1 year	3 years	5 years	Since launch
>15 years from retirement: Governed Portfolio Enhanced	1.5%	9.4%	-1.1%	-1.2%	5.0%
10 years from retirement: Governed Portfolio Growth Annuity/ Drawdown	1.5%	7.4%	-2.2%	0.1%	3.5%
5 years from retirement: Governed Portfolio Conservative Annuity/Drawdown	1.3%	4.2%	-3.0%	-1.2%	2.5%
At retirement: Governed Retirement Income Portfolio 3	1.4%	3.6%	-4.2%	-1.8%	2.2%

1. Illustration rate is the expected growth rate (FCA capped rates) detailed on illustrations sent to customers on 31 December 2024.
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 2024 provided a positive outcome for members. However, higher-than-expected inflation over recent years, combined with continued geopolitical risks, have had a significant impact on three-year figures. Despite these challenges, we consider the inflation-adjusted rates of return achieved since launch to be strong, contributing positively to the value for money received by customers.

Comparisons against other providers

We regularly assess the performance of Royal London's Governed Range portfolios by comparing them with broadly similar funds offered by major competitors. This benchmarking is important to ensure the portfolios continue to deliver strong performance in relative terms.

We use two main approaches for this comparison:

1. **The Comparison Study** – a structured analysis that evaluates Royal London's portfolios against a defined peer group.
2. **Provider comparisons** – analysis using risk and return data provided by Royal London. This offers a broad market view focusing on the growth stage of default investment strategies from other providers, and compares both performance and the level of risk taken to achieve that performance. This dual perspective helps ensure a balanced and meaningful comparison. Further details and results are provided in Appendix 6.

The information in the comparison tables demonstrates that Royal London's performance is close to the median for the longer-term portfolios while taking the least risk among peers. 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 23.

Transaction cost information is also important for investment firms to help them ensure 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 the following page.

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

Overall, transaction costs were higher in 2024 than they were in 2023. This is primarily due to the following reasons:

- **Increase in property purchases in 2024** – This is the primary reason for the increase when compared to 2023 and has led to a significant increase in legal fees and tax costs in 2024. Total property transaction costs were over £32m in 2024 compared to only £2m in 2023, which is due to an increase in property spend of over £700m to fund the new Healthcare and Residential positions in the fund. With costs of each property purchase around 5% of the principal investment, we should expect to see approximately £20m of transaction costs come from property each year.
- **Increase in implicit costs due to Q4 market volatility** – There was increased market volatility in December in light of the tariff narrative from the US. This resulted in larger, more frequent price swings which led to increased implicit costs at the time of trading.
- **Increased turnover** – Average turnover in the funds held in the Governed Range increased by roughly 10% from 2023 due to the changing market environment and the fund managers seeing more opportunities in 2024. Portfolio turnover is never static and is dependent on where the fund managers see opportunities.

The Comparison Study highlighted that Royal London has higher transaction costs than some other providers. We are comfortable with this as it reflects its more active management style as well as its direct property holdings, 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 2024.

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.

In October 2023, RLAM implemented new portfolio management technology. This has improved the risk and control framework, and has allowed traders to execute trades faster and respond to market changes more efficiently.

Over the course of 2024, RLAM successfully integrated additional tools leading to significant reductions in implicit trading costs.

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 practice and 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:

Pathway	Name	Percentage growth (cumulative)		
		31/12/2023 to 31/12/2024 Value 1 year	31/12/2021 to 31/12/2024 Value 3 years	01/02/2021 to 31/12/2024 Value since launch
Investment Pathways 1 (investing for growth)	Governed Portfolio Conservative Annuity/ Drawdown	6.80	1.53	10.41
	Governed Portfolio Conservative Annuity/ Drawdown Benchmark	6.39	-0.38	6.51
	Difference	0.41	1.91	3.90
Investment Pathways 2 (annuity purchase)	RLP Annuity	0.68	-8.7	-8.62
	RLP Annuity Benchmark	0.32	-11.74	-12.68
	Difference	0.36	3.04	4.06
Investment Pathways 3 (investing for income)	Governed Retirement Income Portfolio 3	6.23	3.58	12.38
	Governed Retirement Income Portfolio 3 Benchmark	5.44	0.93	7.14
	Difference	0.79	2.65	5.24
Pathway 4 (withdraw all)	Governed Portfolio Defensive	4.12	3.42	8.68
	Governed Portfolio Defensive Benchmark	3.56	1.78	5.46
	Difference	0.56	1.64	3.22

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

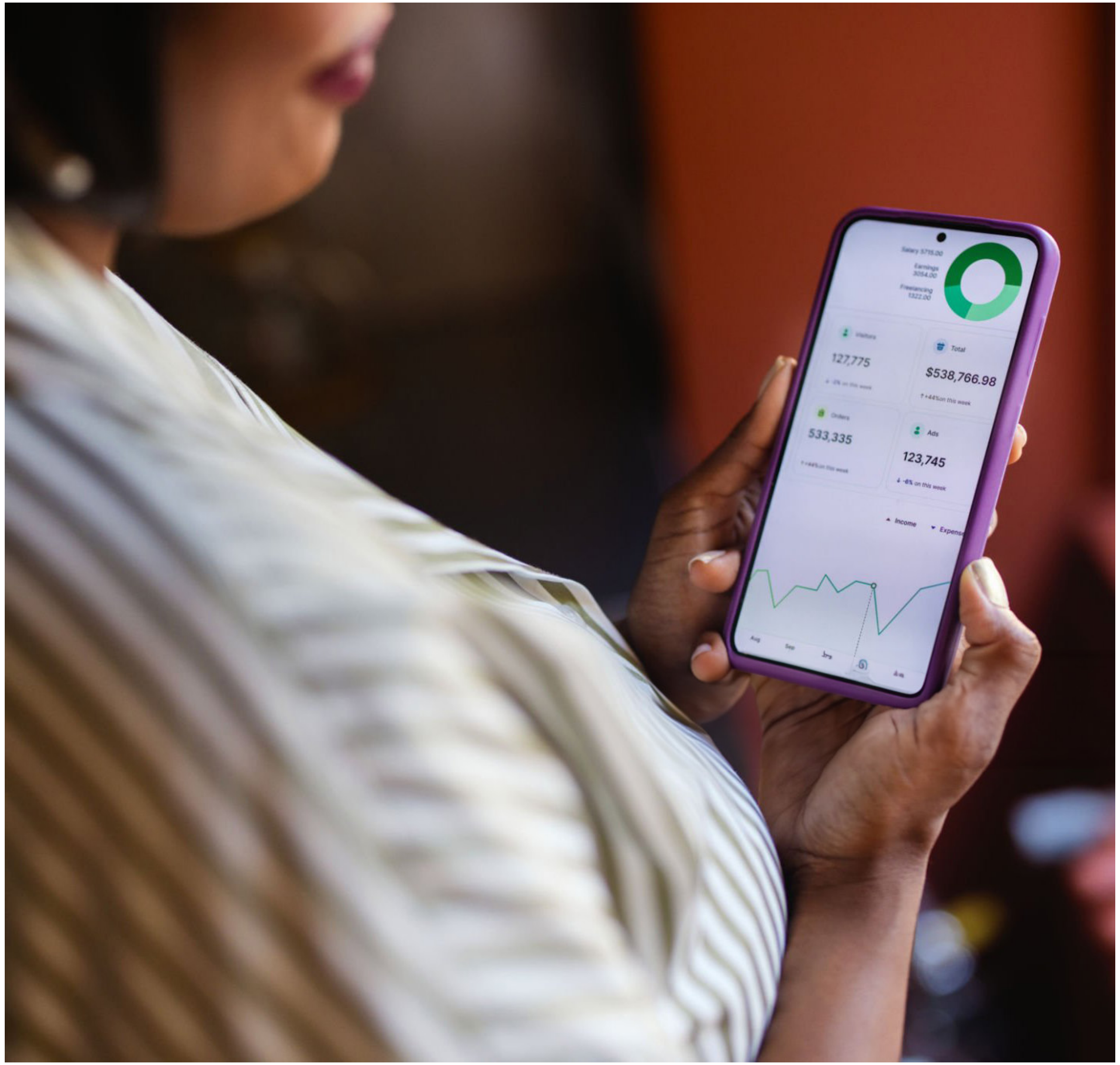
All Investment Pathways have outperformed their respective benchmarks since launch in February 2021. Only Investment Pathway 2 has experienced a negative return since launch due to continued volatile market conditions and increasing yields. We note however that the strategy for this pathway has performed 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 2024. Performance since launch, over three years and over the 2024 calendar year are shown in the table above.

> 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 in particular offering strong returns in 2024.

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 25 and a table showing the transaction costs for each Investment Pathway in Appendix 7.



Service

Service

In this section, we consider the quality of service Royal London provides to its customers, including the way it communicates with them.

Evaluating service quality is crucial as the support provided can influence customer engagement and outcomes. Therefore, service quality forms an integral part of our overall value for money assessment.

Clear communication and customer engagement

Royal London provides regular reports and data on key aspects related to customer engagement activities, helping us monitor their effectiveness.

We also spent time with the Royal London team to review key communications and other support provided to customers. Royal London described and demonstrated some key customer touchpoints, giving us a clearer understanding of the service experience.

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 covering activities tailored to specific customer groups later on in this section, we first outline those available to most Royal London customers.

Royal London's customer engagement strategy for 2024 focused on activities to help drive digital adoption, improve the reach of communications and drive better customer outcomes. To help us assess Royal London's performance in this area we have reviewed a range of activities undertaken. This includes customer communications, other engagement initiatives and key digital development milestones,

Royal London improved its methods for tracking customer behaviour and experience. This helped provide the business with a clearer understanding of what customers find confusing, frustrating or helpful. As a result, Royal London can focus on improving the customer experience in the areas that matter most.

In its standard communication activity, Royal London covered a wide range of topics in 2024 to help its customers build financial resilience, including being a key partner of Pension Awareness Week. During this week, Royal London hosted webinars which were attended by more than 9,500 customers, and covered topics including pension transfers, retirement planning and the gender pension gap. Royal London also issued its monthly newsletter – the Pelican Post – which reached more than 700,000 customers with each edition.

Enhancements continue to be made in terms of online capabilities, including the pension transfer hub and the Financial Wellbeing pension service. New retirement guidance tools have been launched to help customers make more informed decisions when considering their retirement options.

Royal London has also increased its addressable audience by enhancing its Workplace Pension onboarding process to capture workplace and personal email addresses. In addition, a dedicated project team has been established to focus on improving the digital onboarding process, which should help increase customer reach and further improve the customer experience.

Based on the above activities and evidence, we have concluded that Royal London strives to communicate well with its customers and prioritises good engagement to help improve customer outcomes. The main area for improvement is still its ability to reach customers and track whether engagement activities are improving outcomes. Some progress is clear and we will continue to monitor this.

Workplace Pension schemes

Digital innovation and engagement

Royal London has continued to evolve its strategic ambition to 'do more digitally'. More than 150,000 customers downloaded the mobile app in 2024. By the end of the year, Royal London had achieved more than 390,000 active users, a 39% increase from 2023.

A key part of Royal London's digital developments is the suite of digital tools available to customers. Around 14,000 financial health checks were completed in 2024. The state benefits calculator remains a key part of the Financial Wellbeing service and has helped more than 8,600 customers understand if they could be entitled to state benefits, resulting in more than £16.4m in potential annual state benefit eligibility being identified.

New online content and tools were launched, helping customers understand the benefits of contributing to a pension and build a retirement plan. Around 7,500 members used the pension contribution tool and it was found that 90% should be saving more into their Workplace Pension.

Last year, we commented positively on the trial of video pension statements which are now issued as standard for active Workplace Pension customers with email addresses. By 31 May 2025, over 352,000 customers had received an email link to their personalised video pension statement, and 93.5% of videos played were watched to the end. This evidences good engagement on an important issue.

The above information demonstrates the improvements being made to support customers, with evidence of increased engagement levels, particularly through digital channels. Moving forward, a key area of focus should be to evaluate the impact of these improvements on customer outcomes.

Royal London continues to work in this area and we have asked for regular updates on new developments, engagement levels and improved customer outcomes. We will provide further updates in our next report.

Employer support

As well as supporting customers, Royal London helps employers manage their Workplace Pension scheme and effectively engage with their employees. This support was strengthened in 2024 with the introduction of new roles to support communications and strengthen relationships with employers.

Royal London's updated employer website offers quick, self-service support, a toolkit with ready-made resources, and complements the access employers have to the telephony support teams.

Royal London continued to send its monthly employer newsletter – Pension Matters – providing hints and tips, updates, research findings and important regulatory information. This newsletter reached around 35,000 employers each month and demonstrated good engagement with a 36% open rate.

Longstanding Workplace Pension schemes

Core communications

Longstanding customers in two Workplace Pension products were upgraded to Retirement Solutions products throughout 2024. These customers now have access to a wider range of communication channels and capabilities such as video pension statements. We have historically assessed the communications sent to Royal London's remaining longstanding Workplace Pension customers as appropriate. More recently, they have also been assessed as appropriate by Royal London against the Consumer Duty requirements. We believe they are clear and aid customer understanding.

Digital innovation and engagement

Longstanding customers who have provided their email address receive the monthly Pelican Post newsletter, invitations to webinars and Financial Wellbeing service communications. Royal London has highlighted that the level of digital engagement remains a challenge for longstanding customers, and is actively working to address the issue. Initiatives to increase digital engagement include a push to capture customers' email addresses and establishing a new, non-marketing 'support' category of communications which broadens reach by removing the need for marketing permissions where the content is clearly educational and supportive of good outcomes.

Investment Pathways customers

Financial planning tools and informative content are crucial for customers nearing retirement. We therefore assess Royal London's support for its Investment Pathways customers to ensure they receive all the help they need.

Digital innovation and engagement

In February 2024, Royal London launched its lump sum calculator. This tool is aimed at customers who are considering withdrawing their first lump sum from their pension.

The calculator asks customers a few simple questions to show the impact that their choices will have on their estimated tax position, remaining pension value and projected retirement income. It aims to help customers make informed decisions and achieve positive outcomes, which we welcome.

We have been providing feedback to Royal London on how additional support may be provided by Royal London in certain circumstances e.g. where customers may be increasing their tax burden. Royal London is continually evolving its digital guidance and considering future enhancements, taking on board our feedback.

Royal London's new retirement planning tool helps customers by giving them tailored guidance and providing a clear picture of their potential retirement income from pensions, property and other savings. Over 8,000 customers are already using this service.

Further developments are planned such as a retirement guidance hub on Royal London's customer website, providing essential information in one place, and the introduction of digital communications for customers aged 49 and above, to encourage them to plan for their retirement by using all the new tools.

These improvements to support customers nearing retirement are welcomed and it is clear that Royal London is making tangible progress. We will continue to monitor this important area, including Royal London's digital reach to these customers, and will provide updates in our next report.

Customer insight

Royal London assesses customer needs and preferences by gathering insights through a bi-annual Customer Relationship Study (CRS). This study includes the Customer Value Statements (CVS) and Financial Resilience models, which are essential for measuring customer sentiment and the extent to which Royal London is supporting customers towards a positive financial future. Below is a reminder of how these models work.

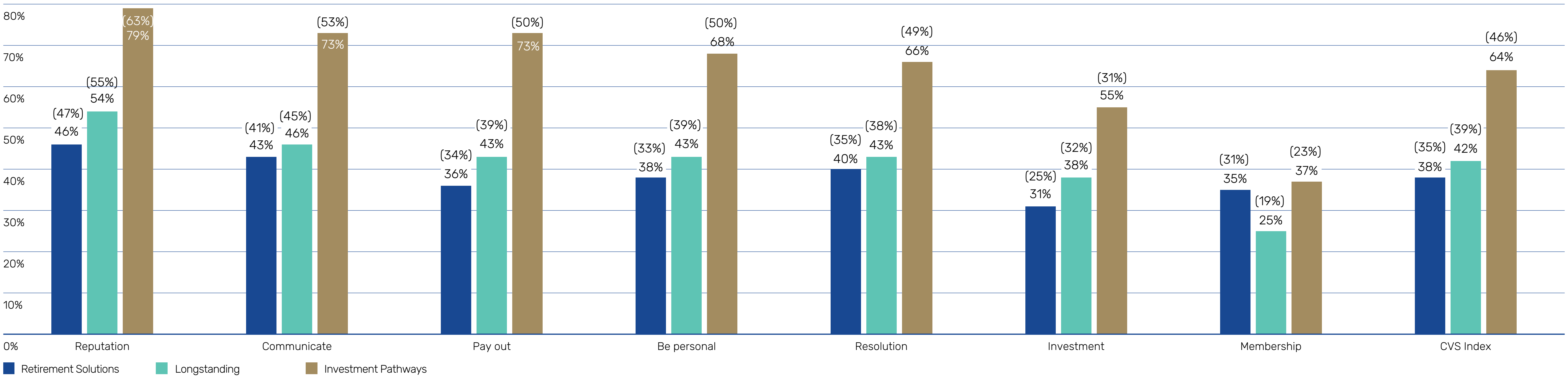
Customer Value Statements model

The CVS model measures customer sentiment by tracking seven key pillars of influence designed to determine the extent to which customers trust and recommend Royal London.

- Reputation – Be fair and represent my interests
- Communicate – Listen and talk my language
- Pay out – Pay me what I expect
- Be personal – Understand me and meet my needs
- Resolution – Take ownership and resolve my queries
- Investment – Provide good investment returns
- Membership – Involve and reward me

CVS metrics and Index across customer groups – 2024*
(2023 results are in brackets)

The following chart illustrates the views of Retirement Solutions Workplace Pension, longstanding and Investment Pathways customers. Figures shown are the percentage of customers who score Royal London as nine or 10 out of 10 for each statement. The scores are aggregated into one overall composite score of all seven statements, the CVS Index:



* The data for Investment Pathways customers is for November 2024 only. The average score (June and November 2024) is presented for Retirement Solutions and longstanding customers.

Financial Resilience model

As part of its Purpose, Royal London aims to support customers to build financial resilience. Royal London's Financial Resilience model focuses on the areas that Royal London can influence by measuring awareness, confidence and behaviour across the following three outcomes:

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.

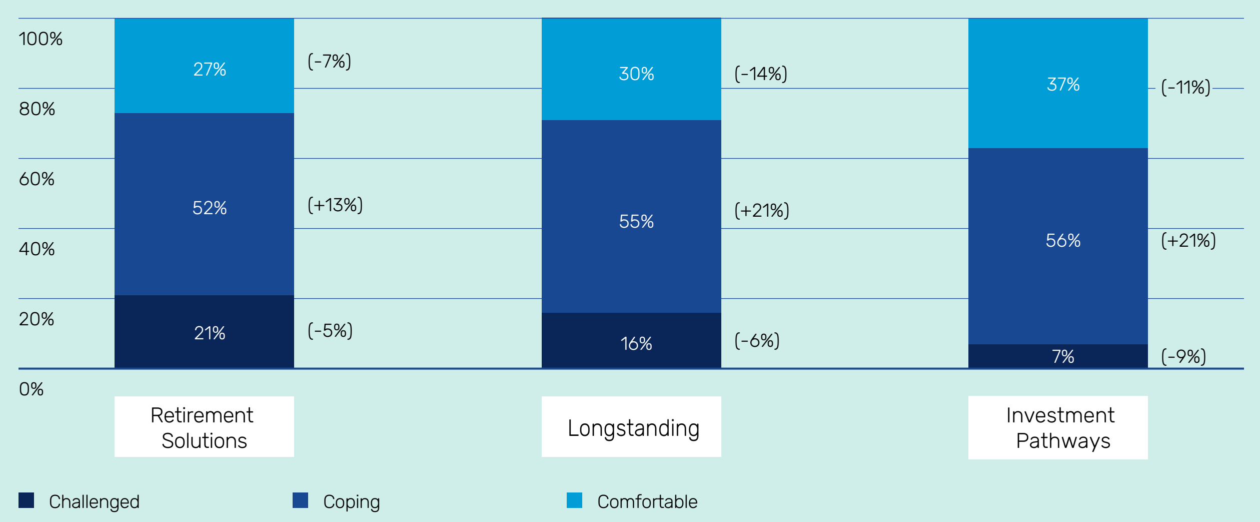
Outcome 3

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

Research participants score themselves on a series of key metrics which determine the extent of their resilience for each specific outcome. Those with high resilience are classed as comfortable; those with medium resilience, coping; and those with low resilience, challenged. The scores are then aggregated to provide an overall view of participants' financial resilience.

Financial resilience across the three customer groups – November 2024 versus November 2023 (difference versus November 2023 is shown in brackets)

The following chart shows the November 2024 results for the three customer groups that fall within the remit of the IGC.



Values rounded for display – actual total is 100%.

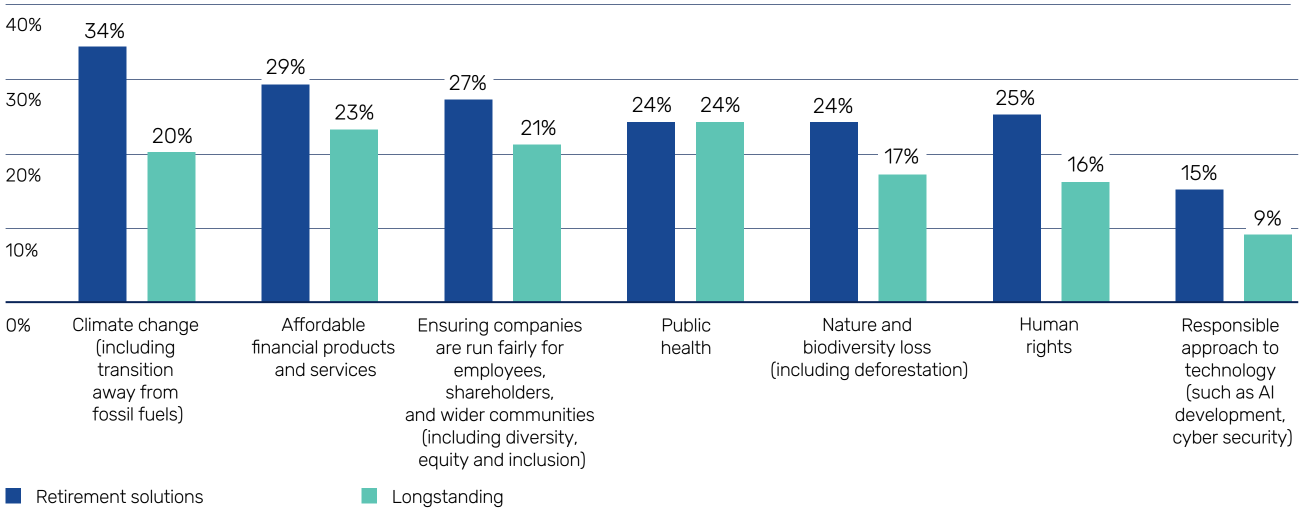
Key considerations from this customer insight:

- When compared to 2023, the CVS Index for Workplace Pension and longstanding customers is broadly similar. There was a reduction in the scoring for 'Reputation', attributed to the service deterioration covered later in this report. Some elements of the CVS Index scored higher for these customer groups, and insight suggests that improved investment communications have had a positive impact.
- Digital improvements have also impacted both Retirement Solutions and Investment Pathways customers positively.
- It is also clear that Investment Pathways customers are the most engaged, and scores are up significantly across all metrics compared to 2023, attributed mainly to the many digital and process improvements for this group of customers.
- In terms of financial resilience, while the impact of the cost of living is diminishing, economic uncertainty and changing pensions policy are affecting customer confidence.

Investing responsibly (ESG)

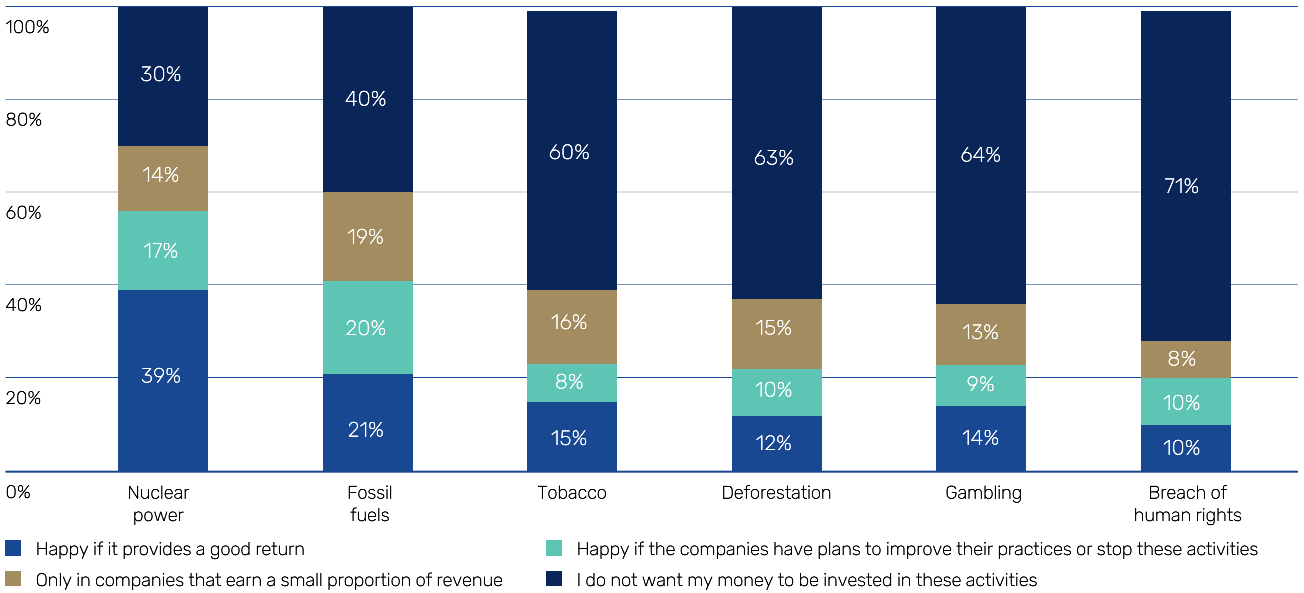
In 2024, Royal London sought to understand whether its Retirement Solutions and longstanding customers aim to have a positive impact on society and the environment through their investments. Findings indicated that Retirement Solutions customers are more likely to prioritise climate change, while longstanding customers tend to focus on public health and affordable financial products and services.

If looking to help achieve a positive impact on society and/or the environment with your investments, which themes are most important to you?



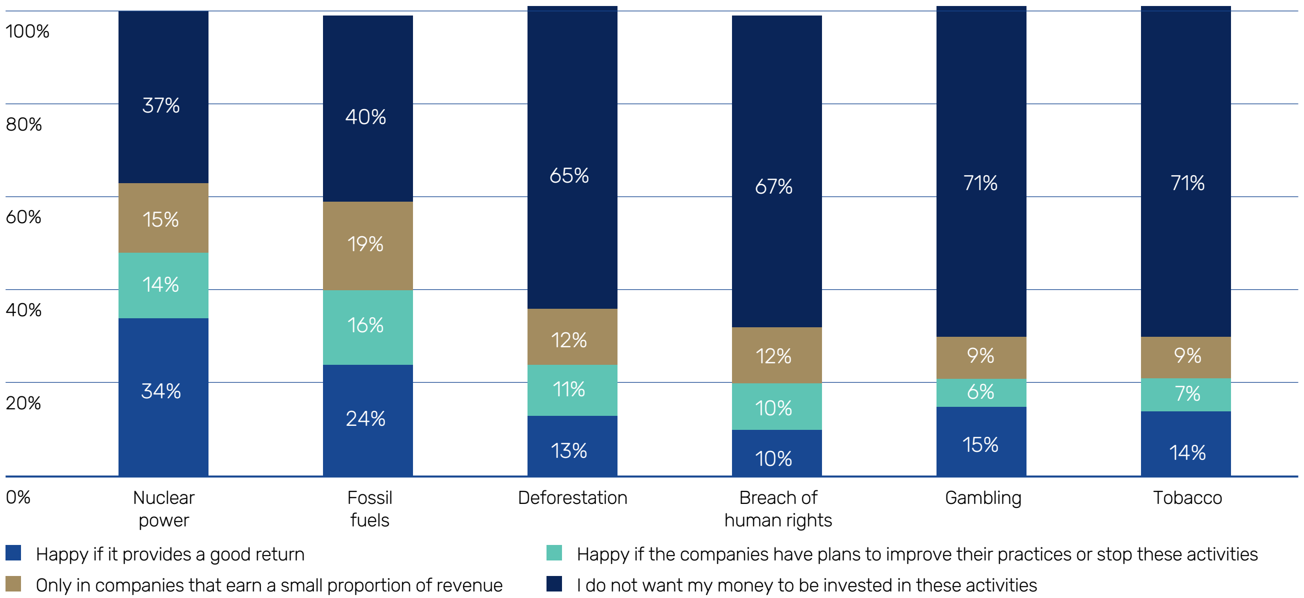
Regarding exclusions, fewer than four in 10 prioritise returns above all else, with results varying by stock type. Most Retirement Solutions customers prefer not to invest in activities that breach human rights, and most longstanding customers would rather avoid investments in tobacco and gambling.

Retirement Solutions – How do you feel about your money being invested in companies that earn revenue from the following activities:



Values rounded for display – actual total is 100%.

Longstanding customers – How do you feel about your money being invested in companies that earn revenue from the following activities:



Values rounded for display – actual total is 100%.

With respect to ESG investing, Royal London employs an engagement strategy, whereby change is sought through influence in corporate governance, rather than simply selling specific asset classes. Research showed that less than a fifth of customers are interested in responsible investment. This lack of interest is influenced by a lack of understanding, as previous consumer research indicated that four out of 10 (43%) UK investors do not believe they can influence companies to change for the better through their investments. However, three in 10 (37%) customers trust Royal London to have a positive impact on the environment, rising to four in 10 (40%) among longstanding customers, reflecting an expectation of responsible investment practices.

Conclusions and actions from customer insight

Despite ongoing consumer uncertainty, customer sentiment towards Royal London has improved since 2023, demonstrating increased customer engagement.

Royal London's research indicates that customers who engage with their services and tools are more likely to be financially resilient. To promote more engagement and action, Royal London has communicated more directly with customers, encouraging them to consolidate their pensions, and has improved the support offered when customers transfer pension pots to Royal London. The focus for 2025 will be to make communications more relevant, personal and actionable. Royal London also believes that effective communication about default investment strategies could improve customer engagement and outcomes.

Effective service

To monitor and evaluate the effectiveness of Royal London's services, we regularly receive reports and evidence from its service teams, and reviewed results from the Comparison Study. In addition, we visited Royal London's offices at Alderley Park and Edinburgh to gain a better understanding of the work carried out by the teams supporting Investment Pathways and Direct Offer customers. These visits provided an opportunity to meet both customer-facing colleagues and the senior management team to gain further insights on the training and development of Royal London's colleagues and how they endeavour to serve customers well.

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 included in the 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 although it does promote financial advice through its website.

Visit www.royallondon.com/find-a-financial-adviser

However, Royal London is focused on developing its digital guidance capabilities to help non-advised customers make informed decisions and achieve better outcomes. With developments emerging following the Advice Guidance Boundary Review and Royal London's participation in the trial of targeted support, we will continue to monitor developments in this area.

Service for Retirement Solutions Workplace Pension customers

Monitoring of customer service

As noted above, we receive quarterly data covering key aspects of service throughout the year. These quarterly data packs offer insights into critical service metrics, including:

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

The provision of data from the Comparison Study also has an important role to play in evaluating and comparing effective service.

Timely issue of annual pension statements

This aspect of service delivery has remained stable and effective, with Royal London continuing to issue annual pension statements in a timely manner. This is largely attributed to the support and education provided to employers, along with good reporting and tracking. In addition, personalised video statements have now become standard. This should enhance customer understanding of their pension savings and therefore aims to improve customer outcomes.

Responsiveness, quality and timeliness of customer transaction processing

Royal London continues to invest heavily in automating key processes. Automation has a key impact on improving the experience of a customer by increasing the speed and accuracy of dealing with their request. The Comparison Study highlighted that Royal London evidenced high levels of automation compared to other providers in the study. As a result, a significant majority of customer transactions are processed in a timely and accurately fashion. Where manual intervention was required on more complex processes, Royal London took longer than its competitors to complete such transactions. Given Royal London's historically strong performance in this area, we have discussed this issue with senior management, and we are confident that measures are in place to return to stronger service delivery going forward.

Overall, we were satisfied that management actions taken should improve service levels, and note that despite some pressure on service delivery, complaint volumes remain amongst the lowest when compared to competitors.

Royal London maintained its dual approach to quality assurance in 2024 with senior members in the operational teams conducting in-house checks and an independent Quality Assurance team carrying out thematic reviews. These reviews covered a broad range of processes, with a focus on those that pose a higher risk of customer detriment, or where Royal London has identified a need for improvement.

As noted in our last report, Royal London moved to a new quality assurance assessment methodology, which has enabled it to distinguish between errors impacting customers and more general process failures. Royal London reported low levels of customer impact from errors and, where identified, issues are rectified with process improvements made as appropriate.

Last year, a new approach to delivering technology and change had been adopted, and we reported our intention to examine Royal London's change capability. We have met with senior management to discuss this, and gained confidence that Royal London is setting itself up appropriately to be able to manage its operational requirements and deliver the changes required to keep pace with evolving customer, market and regulatory expectations.

How promptly customer calls are answered

Call volumes from Workplace Pension customers increased in 2024, primarily driven by regulatory requirements, resulting in an increase in the complexity and length of calls. This impacted call wait times and call abandonment rates. Call wait times more than doubled and call abandonment rates compared poorly to competitors. As mentioned earlier in this report, there have been a series of management interventions aimed at restoring the previously strong levels of service.

The level and nature of complaints

Customer complaints are a valuable source of information, providing useful insights into the service that Royal London delivers to its customers. This feedback is essential for assessing service quality and enables Royal London to make data-driven decisions to continuously enhance and meet customer expectations.

Complaints levels for Royal London are amongst the lowest in the market. Royal London also has low rates of escalation of complaints to The Pensions Ombudsman. This is despite the increased time taken to answer calls and deal with manual transactions during the year. We believe some reasons for the lower levels of complaints relate to the higher levels of automation within Royal London's key processes, resulting in timely and accurate transactions for many customers, and an endeavour to resolve complaints on the telephone at first point of contact.

We have not found any trends of concern in the complaints data for 2024.

Service for longstanding customers

Longstanding customers represent a small part of Royal London's total Workplace Pension customers, with around 42,000 customers. Some of these customers are serviced by Royal London and some are serviced through an outsourced service arrangement.

We receive regular updates on the service provided by both Royal London itself and its outsourced partner, noting that accountability remains with Royal London. In 2024, service levels were consistent with, or better than, that of the broader Workplace Pension customer base. The outsourcer's service remained stable and maintained good service delivery during periods of industrial action. Swift action was taken during high-demand periods to restore normal service levels. We believe longstanding customers received good service throughout 2024.

Service for Investment Pathways customers

Monitoring of customer service

In our 2023 annual report, we reflected that many aspects of the process experienced by customers nearing retirement lacked automation and relied heavily on telephony support, at times putting service under pressure. Royal London made some significant improvements to automation and digital customer journeys in 2024.

An example of how this improved the experience and outcomes for customers was an increase in the number of customers choosing an Investment Pathway when moving into income drawdown. The new digital experience helped better educate customers on the Investment Pathway options and made choosing one easier.

Due to market speculation, Royal London saw an increase in customer demand between September and October 2024 based on how the UK government's budget proposals might affect customer access to tax-free cash. We are satisfied that the increased demand was handled effectively by Royal London, largely thanks to the introduction of a new digital tax-free cash application process. Further enhancements were also made to tools and content to help customers plan confidently for their retirement and monitor progress.

We have discussed with Royal London whether 'knee-jerk' customer behaviour caused by matters such as budget speculation might give rise to poorer customer outcomes. Royal London plans to gain insight and monitor outcomes for this cohort of customers and will keep us updated.

Service quality

Royal London has enhanced its recording of quality check results, aligned with the process outlined above for Workplace Pensions, enabling more effective measurement of customer impact. As a result, opportunities were identified to improve call scripts and communicate more clearly with customers on certain aspects. Additionally, the improved digital content adds more depth to the customer information and support available.

We previously advised Royal London on the importance of further educating customers to 'shop around' to seek better value by comparing options in the market before entering into income drawdown with Royal London. We are pleased to note that Royal London has now updated call scripts and online content to better promote this option.

Complaints from drawdown and Investment Pathways customers

Royal London is satisfied that the level of complaints from non-advised drawdown customers remains low. Volumes have increased in 2024 which simply correlates with the higher numbers of Royal London customers opting to apply for non-advised drawdown plans. As with last year, the primary reason for customer dissatisfaction is processes taking longer than expected. The commitment to 'do more digitally' and other recent digital improvements should help to reduce these complaint levels in the future. However, we also recognise that taking money from their pension is an important life event for many customers, and a focus on speed of process may not result in good outcomes. Processes at this key point need to balance speed and ease with ensuring there is enough time and support built in for customers to understand and consider their options, and ultimately make good decisions. We will continue to monitor customer behaviour, outcomes and complaints in this area.

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.

Royal London approaches proposition governance and its obligations under the Consumer Duty through its Customer Outcomes Framework, which defines the desired customer outcomes and the customer harm to be prevented. Reviews, ongoing monitoring and assessments are performed using the outcomes defined in the framework. We discuss with Royal London its conclusions from its Fair Value Assessments when considering our own value for money assessment.

From our discussions, it is clear that Royal London reviews the ongoing suitability of its products and services for customers, and has demonstrated that its product review and governance processes are effective and appropriate.

There have been some improvements on previously identified actions:

- Improvements in digital capabilities for Investment Pathways customers, helping ensure customers choose and remain in the correct Investment Pathway.
- Tools to help customers assess their retirement needs and keep on track, helping the sustainability of their retirement income.
- Royal London's ambition to be digitally led has meant that over the last three years there is an upward trend in online registrations, email addresses held and death benefit nomination activity. Whilst this will take time to build, good progress is being made and this will help improve engagement and customer outcomes.
- There has been investment in mapping out customer journeys and identifying areas that could risk harm or opportunities to improve customer outcomes.

We continue to recommend improvements or request additional information in several key areas:

- Implementation of service improvements, returning to previous strong service standards.
- Work to accelerate the digital reach to customers.
- Stronger evidence demonstrating improved customer outcomes, particularly for Workplace Pension customers. We see clearer evidence of this for Investment Pathways customers, with good insights on customer behaviour and various interventions undertaken by Royal London to prevent harm and improve outcomes.
- We have asked Royal London to consider the outcomes for customers who may have panicked at the prospect of losing part of their Pension Commencement Lump Sum (tax-free cash) ahead of the UK government budget, and accessed their pension pot earlier than intended. We await Royal London's conclusions.
- As Investment Pathways are at a five-year milestone since introduction, customers who initially selected a particular Investment Pathway for the five years ahead may need to reappraise the decisions they made. Royal London is considering how best to engage customers on this issue.
- Royal London has repriced Investment Pathways for new customers joining through the newer, more digitalised capability which is more efficient to service. We have asked for clarity as to whether existing customers will be repriced over time.
- The next steps Royal London plans to take for adviser default solutions, to help ensure customers receive good value and appropriate outcomes.

Consumer Duty

We are satisfied that Royal London is taking an appropriate approach to ensure that it complies with the FCA's Consumer Duty standards. A programme of work has been established to identify and address any improvements required to ensure adherence to the new rules and deliver good customer outcomes. Through comparing Royal London's Fair Value Assessment to our own value for money assessment, it is reassuring that there is broad alignment in our conclusions.

Vulnerable customers

Royal London has continued to improve its position against the FCA's guidance on the fair treatment of vulnerable customers.

To meet the FCA's requirements, Royal London has focused on improving its systems and ways of working to better identify, support and understand vulnerable customers. These improvements included:

- Enhancements to the centralised system for capturing customer needs, to allow for more detailed recording of customer preferences and support requirements.
- Research aimed at understanding barriers to vulnerability disclosure and promote transparent, empathetic communication.
- External expertise, leveraged through Royal London's Collaboration Network, which provided staff with access to events and forums on various topics, including supporting vulnerable customers.

These developments have led to an increase in the volume of recorded vulnerable customers, improved data and enhanced external networks, which in turn has strengthened Royal London's insight into vulnerable customers and developed the skills of customer-facing colleagues.

However, there is a lack of maturity to the data being gathered and it may take some time before Royal London achieves comprehensive insight. This is because assessments are only currently made when interacting with customers and not all do interact (which may be an indicator of vulnerability in itself). Royal London is considering this further. Establishing a robust process to identify and support vulnerable customers, whether by phone or online, remains essential, and improvements have been implemented in this area.

To further assess its approach to vulnerable customers, Royal London engaged an external firm to undertake an independent evaluation of its vulnerable customer policy and application. The subsequent report highlighted strengths in Royal London's vulnerable customer training material and its escalation process for specific customer situations. The report also recommended that Royal London should undertake further activity to embed these materials, with additional learning and awareness sessions already underway.

Royal London has assured us that it is committed to enhancing the benefits, products and services available to vulnerable customers, whilst acknowledging that further work is needed to continually improve and address the identified gaps against the FCA's guidance and best practice.

Cyber security

To safeguard its customers, Royal London has made substantial investments in enhancing its cyber security capabilities over the past three years. The Cyber Security team has expanded, and modern security technology platforms have been bolstered by robust governance and a well-defined cyber security strategy. These improvements have enhanced Royal London's business resilience and enabled the successful defence against an increasing number of cyber attacks. The current focus is on further optimising capabilities to address the challenges posed by ever-evolving threats and a rapidly changing technology landscape.

Throughout 2024, Royal London's Cyber Security team adopted a threat-led approach. Each quarter, the team assessed external threat intelligence from various sources to identify the top ten cyber threats facing Royal London. The effectiveness of countermeasure security controls was evaluated against these risks, and areas requiring strengthened or new controls were identified. This remains an ongoing, iterative process.

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 Royal London.

In response to these risks, Royal London has made progress in enhancing its cyber control measures and is advancing a series of strategic and regulatory initiatives in 2025 to further strengthen its cyber security controls. Royal London continues to focus on improving supplier resilience following a notable increase in incidents within its supply chain during 2024. The most notable of these was the IT incident caused by a software update from CrowdStrike, which affected a very large number of organisations globally. Royal London's early warning alert system detected the issue promptly, and its Incident Management structure was activated. Critical services were prioritised, and customer impact was minimised. We continue to monitor progress in this vital area.

Appendices

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 customers. 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. 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 7.

This year we have repeated the Comparison Study for active Workplace Pension customers, which allowed us to compare data on value for money from seven of the main contract-based providers covering around 150,000 schemes, over £345bn of assets and over 15.7 million customers. For Investment Pathways, we have compared Royal London's investment performance to six similar propositions.

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 when considering costs and charges, investment returns and service. The providers contributed data on these factors to enable the comparisons to take place. The data on costs and charges was analysed in different bands (cohorts) which took account of factors that tend to influence price, such as the number of members in the Workplace Pension scheme. 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 might 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 Workplace Pension 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, investment and service 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 and schemes in these products across a range of charge bands is shown in the two tables 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	173	489	29	0	634	135	5,154	0	6,614
Phoenix Life Group Flexible Pension	0	0	1	0	0	2	0	47	0	50
Phoenix Life Group Stakeholder Pension	0	0	11,259	0	0	1,795	0	430	0	13,484
Royal London Talisman Group Pension Scheme	59	35	289	255	234	591	588	18,448	634	21,133
Royal London Talisman Group Personal Pension	0	0	0	0	0	0	0	961	0	853
Total	**59**	**208**	**12,038**	**284**	**234**	**3,022**	**723**	**24,932**	**634**	**42,134**

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	1,311	0	1,362
Phoenix Life Group Flexible Pension	0	0	1	0	0	1	0	15	0	17
Phoenix Life Group Stakeholder Pension	0	0	2	0	0	530	0	4	0	536
Royal London Talisman Group Pension Scheme	0	2	8	15	27	37	47	1,312	118	1,566
Royal London Talisman Group Personal Pension	0	0	0	0	0	0	0	252	0	252
Total	**0**	**4**	**24**	**16**	**27**	**602**	**48**	**2,894**	**118**	**3,733**

Appendix 4

Royal London's Governed Range funds and strategy

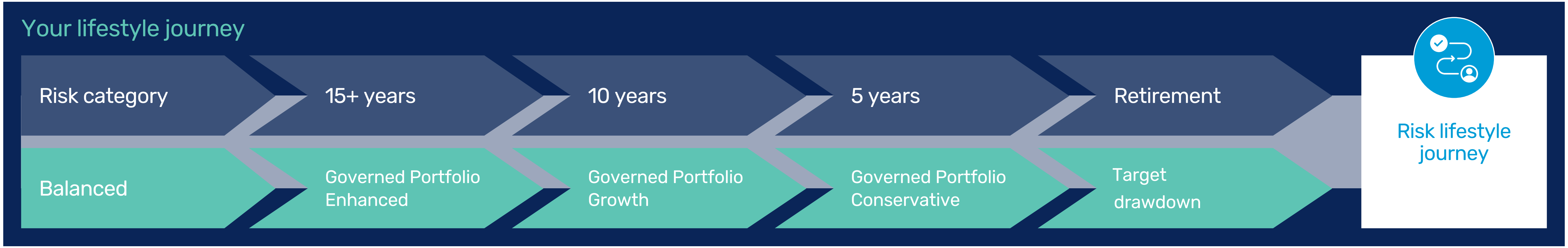
Royal London's investment strategy is designed and managed at both the Governed Portfolio and the lifestyle level. These are created across a hierarchy, with lifestyles being created from Governed Portfolios, and portfolios, in turn, being created by blending a range of funds managed by RLAM. Alongside 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	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 vary 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.
…are used by…		
Portfolios	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.
…are used by…		
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.



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 Conservative
2 – Annuity purchase	Governed Retirement Income Portfolio 1*
3 – Investing for income	Governed Retirement Income Portfolio 3
4 – Withdraw all	Governed Portfolio

* Following an annual review of the Investment Pathways, the underlying investment strategy of Investment Pathway 2 was changed from RLP Annuity to RLP Governed Retirement Income Portfolio 1, effective from 12 July 2024. Royal London believes, given the future economic outlook, that RLP Governed Retirement Income Portfolio 1 better meets customer needs to maintain annuity purchasing power whilst in drawdown for a short period of time.

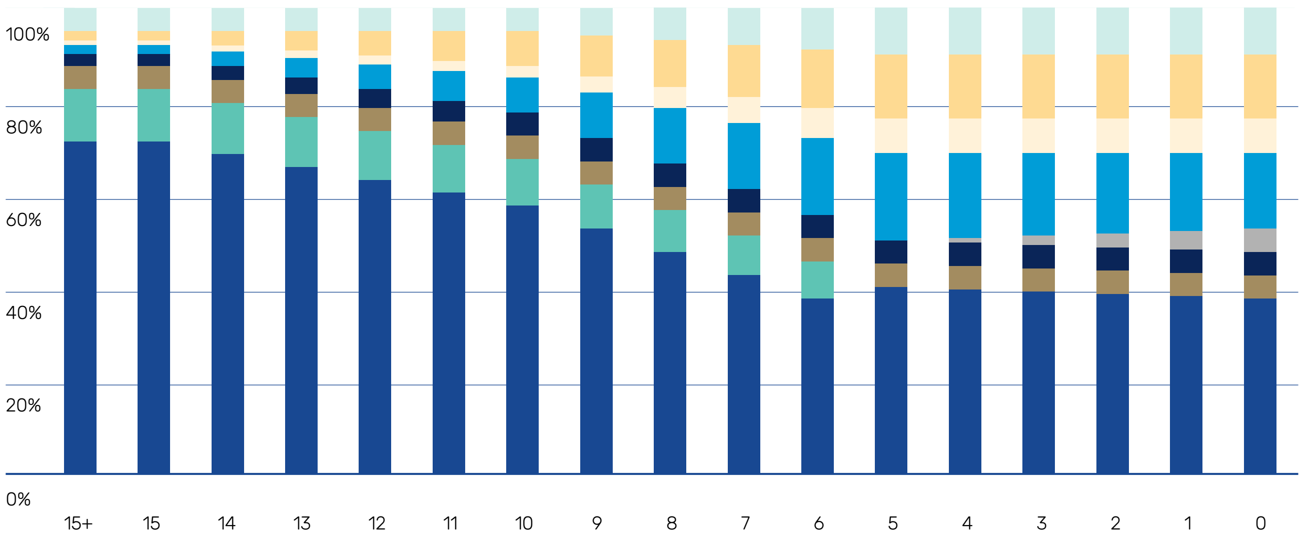
As with last year, we have found the aims and objectives of each of the portfolios and strategies to be clear. Each strategy aims to give above-inflation growth in the value of the pension pot, taking into account the level of risk taken. When investment risk is considered, variations in returns under different market conditions are assessed. We received data to satisfy us that the investment risk was appropriate. Page 26 of this report gives information on the actual performance of these strategies.

Appendix 5

Governed Portfolio asset allocations

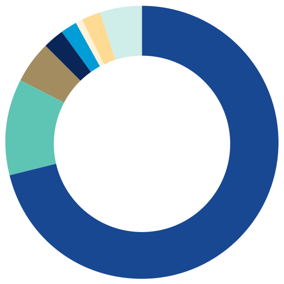
This appendix shows the asset allocations for Retirement Solutions and Talisman schemes for each of the portfolios used in the Workplace Pension default investment strategy. Governed Portfolio Enhanced is the growth phase of the lifestyle, which customers are fully invested in until they are 15 years 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 Growth and Conservative, 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)



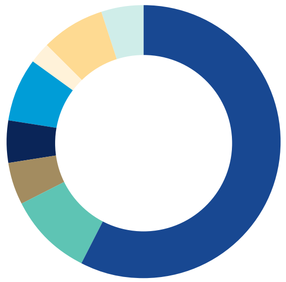
Equity | Property | Commodities | Global High Yield Bond | UK High Yield Bonds
Corporate Bonds | Index Linked Bonds | Government Bonds | Absolute Return Strategies (inc. Cash)

Governed Portfolio Enhanced



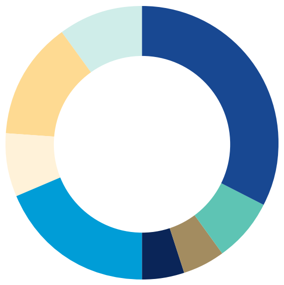
Equities	71.25%	Corporate Bonds	2.00%
Property	11.25%	Index Linked Bonds	1.00%
Commodities	5.00%	Government Bonds	2.00%
Global High Yield Bond	2.50%	Absolute Return Strategies (inc. Cash)	5.00%
UK High Yield Bonds	0.00%		

Governed Portfolio Growth



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

Governed Portfolio Conservative



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

Governed Retirement Income Portfolio 3

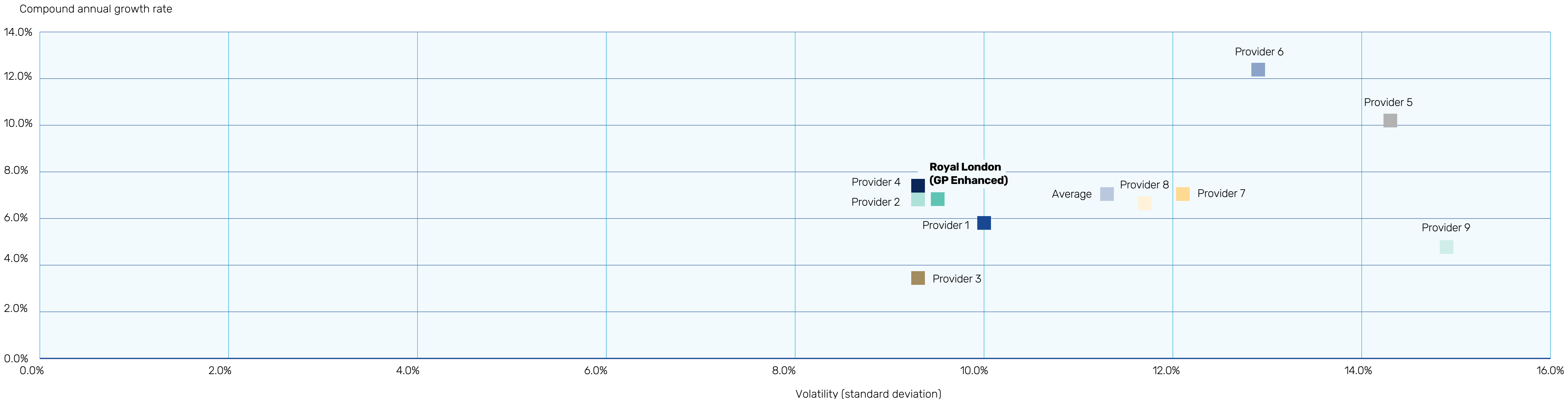
Equities	30.00%	Corporate Bonds	16.25%
Property	7.50%	Index Linked Bonds	7.50%
Commodities	5.00%	Government Bonds	13.75%
Global High Yield Bond	5.00%	Absolute Return Strategies (inc. Cash)	10.00%
UK High Yield Bonds	5.00%		

Appendix 6

Provider investment returns data

The chart shows the actual returns and risk (measured by volatility) of the growth phase (GP Enhanced) within the Balanced Lifestyle Strategy, the default investment option for members of the Retirement Solutions and Talisman schemes. These results are shown against other provider offerings. While higher risk can lead to higher long-term returns, it also brings greater short-term fluctuations. The strategy aims to ensure that, for the level of risk taken, an efficient and competitive return is being delivered.

Risk/return – growth stage, over 5 years to end of December 2024



Source: FinXL, Royal London. All performance figures are shown gross of charges. Five-year compound annual growth rate versus standard deviation to 31 December 2024.

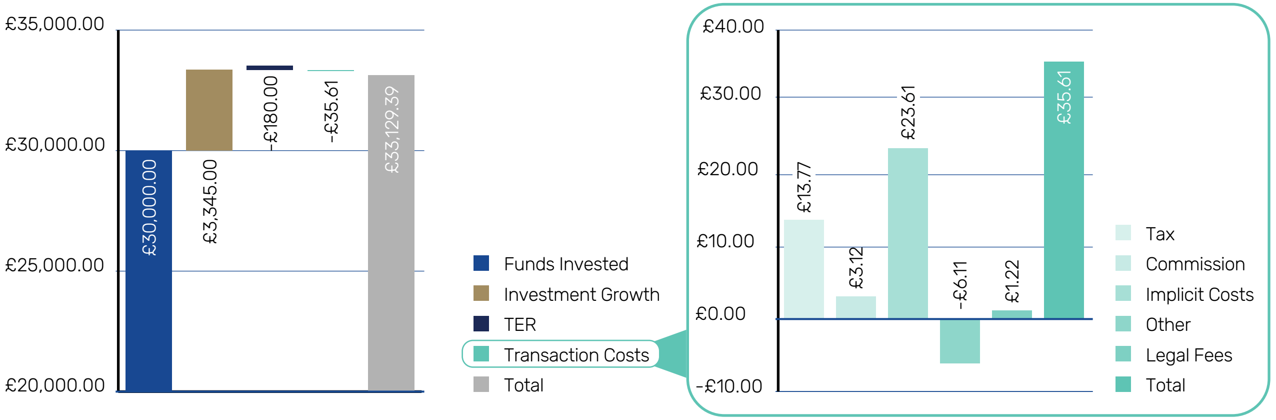
Appendix 7

Transaction costs

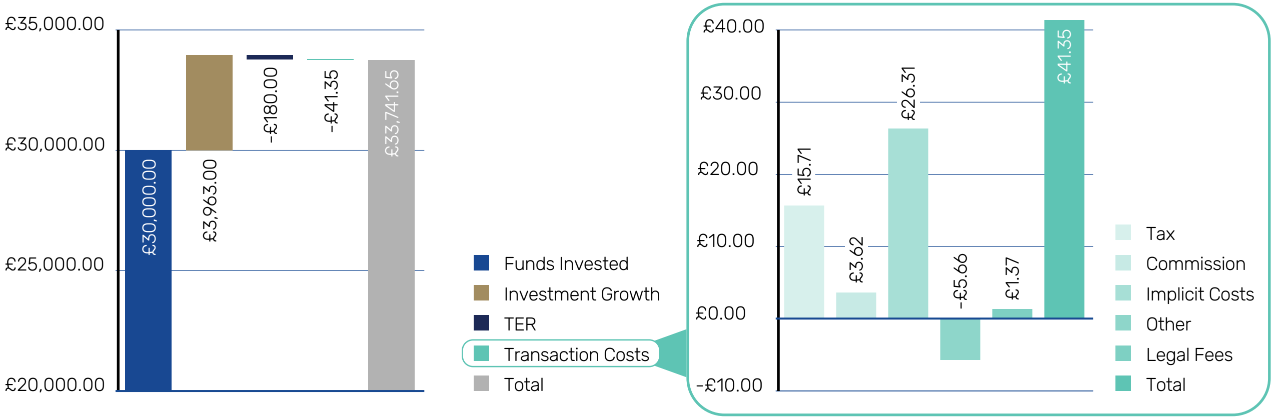
These charts show the relative scale of the impact of transaction costs on total performance, as well as breaking down the transaction costs into the constituent elements. This is shown for each of the portfolios used in the Workplace Pensions default investment strategy available to the Retirement Solutions and Talisman schemes. The figures are for the year ending 31 December 2024.

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.

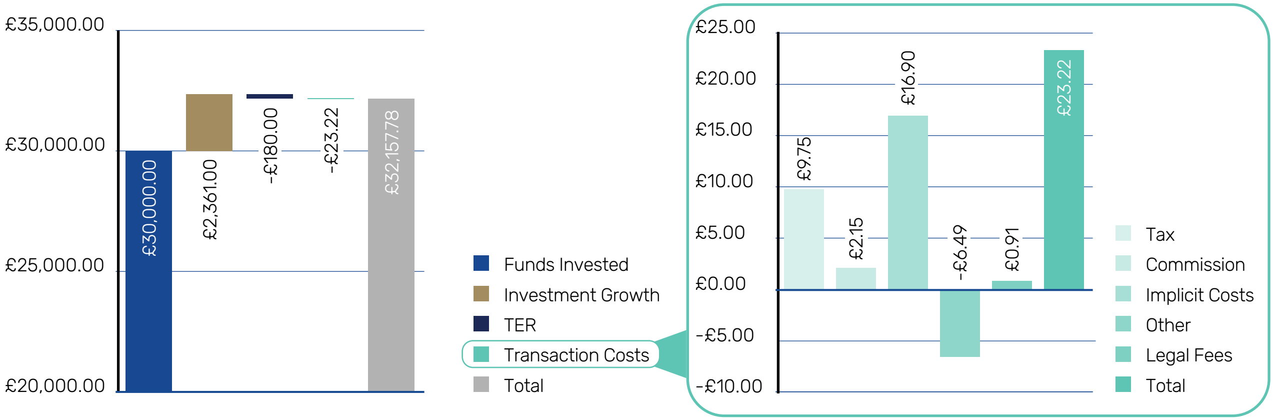
Governed Portfolio Growth



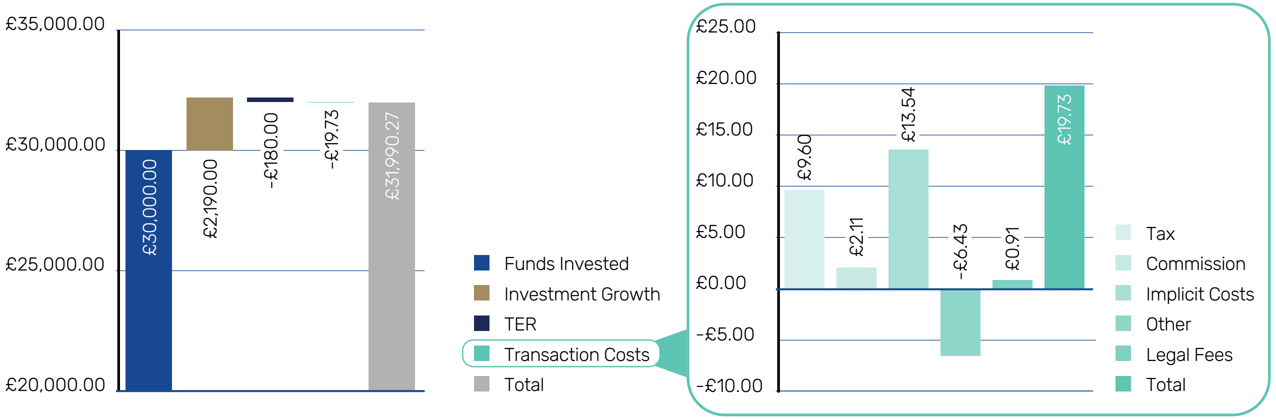
Governed Portfolio Enhanced



Governed Portfolio Conservative



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 were completed in 2024. The upgrade for both Phoenix Life products is to be completed in 2025.

Entity	Product	Default fund	Number / % of members in the default fund
CIS	RLCIS Group Stakeholder Pension	Royal London With-Profits Stakeholder Fund	3,469 / 52.4%
Phoenix Life	Group Flexible Pension	Royal London ANL Managed Fund	30 / 60.0%
Phoenix Life	Group Stakeholder Pension	Royal London Stakeholder Managed Fund	5,572 / 41.3%
Royal London	Talisman	Lifestyle Retirement Investment Strategy	9,008 / 43.2%

Royal London has 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 23 and therefore we see this as appropriate.

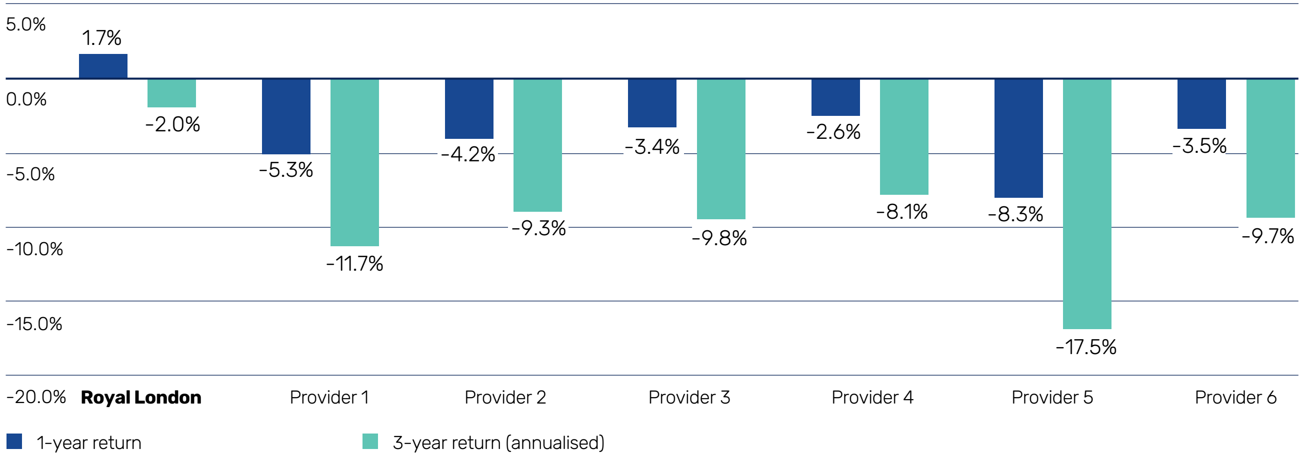
Both Phoenix Life default strategies use the same underlying fund mix - meaning that investment returns are the same and that, over one, three and five years, they returned 8.1%, 2.7% and 5.0% p.a. respectively. This compares favourably with Royal London's Governed Portfolio Growth which a recent review has concluded is an appropriate comparator. While we acknowledge that Governed Portfolio Growth 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 10.2%, 2.2% and 4.7% 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 from the CIS fund.

Appendix 9

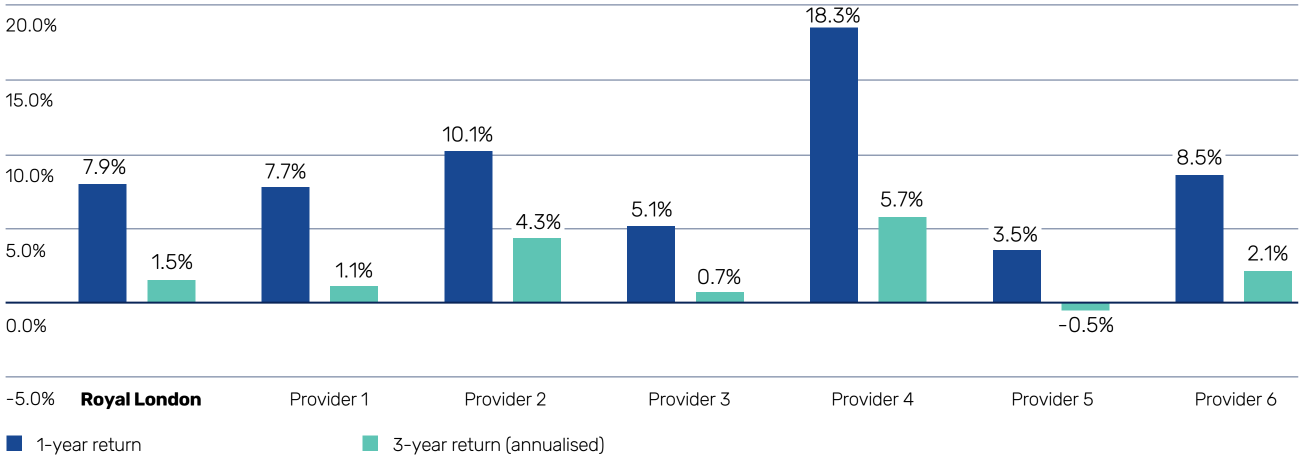
Investment Pathways comparative performance

Royal London's core asset allocation in Pathway 1 is like many peers and its performance is close to the median over both one and three years. In 2024, Royal London changed its Pathway 2 fund, making it the only provider to invest in equities in Pathway 2, resulting in higher performance than peers over both time periods. Pathway 3, like Pathway 1, has a similar core asset allocation to many peers, with performance close to the median in 2024 but higher over the last three years. Pathway 4 includes growth-oriented assets, such as equities, and while its performance was close to the median in 2024, it was below the median over three years, trailing behind the top performers who invest 100% in cash/money market assets.

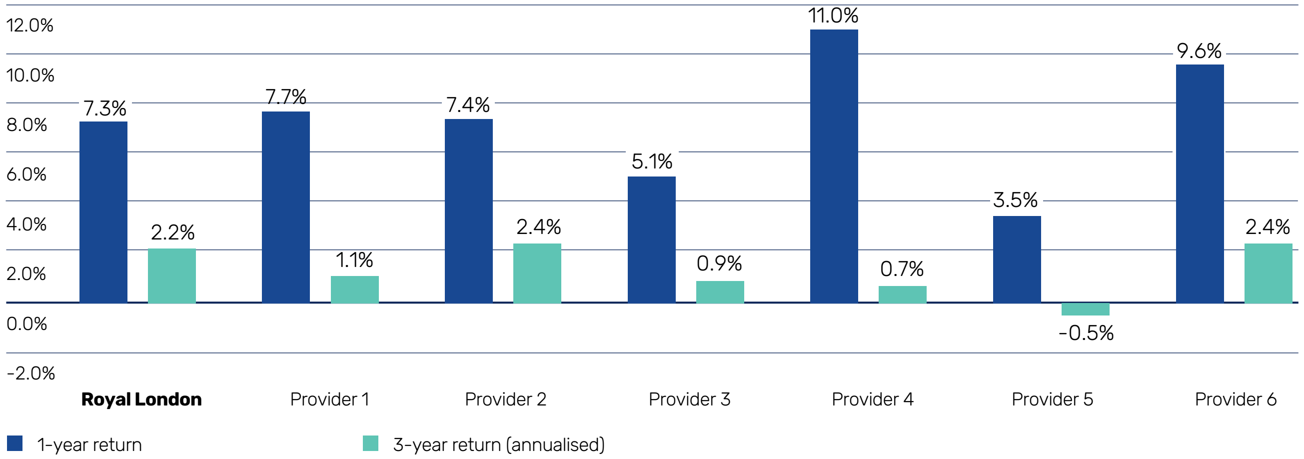
Investment Pathway 2



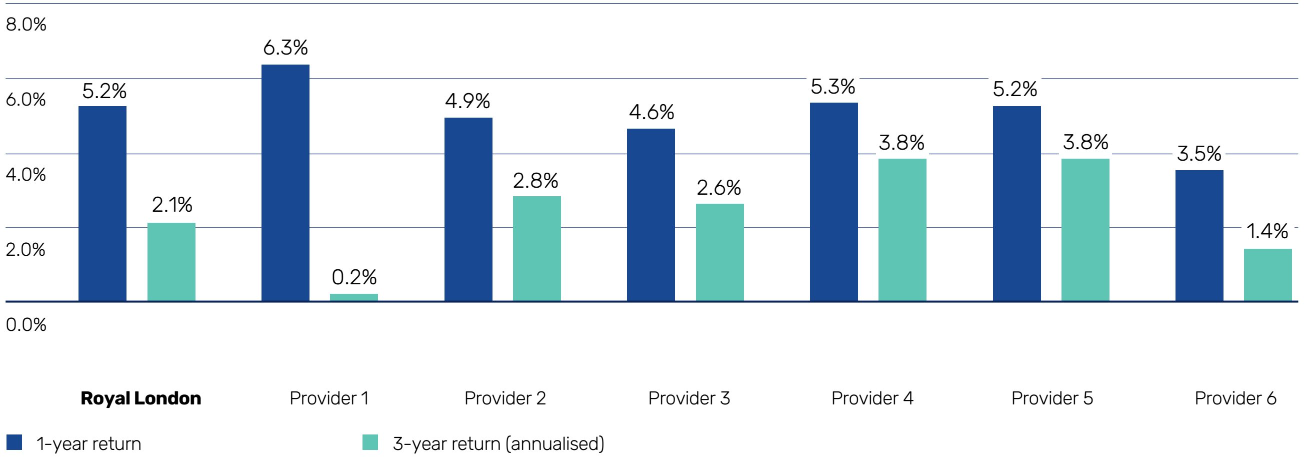
Investment Pathway 1



Investment Pathway 3



Investment Pathway 4



Source: Redington IGC Comparative Data Study
Performance figures are shown gross of charges, with all returns calculated to 31 December 2024.

Appendix 10

Membership

Peter Dorward

Independent Chair

Peter Dorward brings over 40 years' experience in investment management and the wider financial services industry, both in the UK and internationally. For the past 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 the Independent Governance Group, where he specialises in 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 at Henley Management College and Harvard Business School.

Colin Stewart

Independent Member

Colin Stewart is an experienced non-executive director, chair and former managing director, with a 35-year career at Citi in investment banking, capital markets, foreign exchange, derivatives, risk management and securities services. He has worked extensively in pensions, insurance and asset management, chairing Citi's UK Pension Plans and serving on advisory boards for the Bank of England, Scottish Government and Adam Smith Business School.

Colin holds an MA in Economics from the University of Glasgow and is a member of the Chartered Institute of Securities & Investments and the Pensions Management Institute, bringing deep expertise in governance, risk oversight and institutional finance.

Rosie Bichard

Independent Member

Rosie has worked in financial services since 1990, mainly as a global equity investor and analyst with a focus on the consumer sector at several leading fund management firms. Her roles have involved extensive engagement with senior management and investee company boards. Rosie holds board positions including as a non-executive director of UBS Asset Management Funds Ltd. and is Audit Chair for UBS Asset Management UK. She is a Chartered Financial Analyst and has completed executive education at London Business School and Harvard Business School, as well as the Competent Boards ESG Certificate Program in 2021. Rosie is also a Qualified Risk Director®.

Louise Eldred

Independent Member

Louise is an actuary with more than 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 and played a key role in implementing the 2019 business transformation that distributed the Society's surplus assets to policyholders. Currently, she is an independent member of the With-Profits Committee of Scottish Widows, advising the Board on the Scottish Widows and Clerical Medical With-Profits Funds.

Louise has worked in highly regulated positions requiring technical aptitude and commercial awareness, always prioritising customer needs and clear communication of complex policies and investments.

Julie Russell

Independent Member

Julie Russell is a Chartered Insurer with over 43 years' financial services experience. She retired from Aberdeen in 2020, having held several senior leadership and board-level roles, most recently as Executive Director Advice for 1825 financial planning and advice. Julie has developed broad expertise in strategy, business and commercial planning, omni-channel guidance, advice and service delivery, proposition design, firm acquisition and integration, and has held key positions on various boards and committees throughout her career.

Jo Kite

Chief Customer Officer, Royal London

Jo Kite is Royal London's Chief Customer Officer and serves on the Group's Executive Committee, responsible for UK customer outcomes. She began her career at Aviva in 1993, training and qualifying as an actuary, and subsequently held senior management roles in the UK and Europe. Before joining Royal London, Jo was Managing Director at Willis Towers Watson, leading their Master Trust business and Scottish Pensions Consulting. She also spent 12 years at Standard Life, leading executive-level Marketing, Proposition, Operations, and Finance functions across wealth, platforms and workplace.

Ewan Smith

CEO Office Director, Royal London

Ewan Smith is an actuary with over 38 years' experience in financial services. He currently serves as CEO Office Director, overseeing the Group Strategy and Group Sustainability and Stewardship teams. Ewan joined Royal London in 2001 when Scottish Life merged with Royal London, and has held several senior leadership roles, initially focusing on asset management and actuarial modelling. For the last 20 years, he has led proposition strategy across pensions and protection. Ewan is a member of Royal London's Investment Advisory Committee, a director of RLAM, a Trustee of the Royal London Group Pension Scheme and a member of the Independent Governance Committee.

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.

Bonds
In simple terms, a bond is a loan to a company or government that needs to raise money. Investment in a bond is usually for a fixed period of time with money being returned at the end of the period. Regular fixed interest payments are also received, which is why bonds are also referred to as 'fixed interest' or 'fixed income' investments.

Commodities
Commodities are goods, such as wheat, coffee, sugar, metals and oil. They often perform strongly in periods of high inflation but can be more volatile than other types of investments. There are several ways to invest in commodities. One is to physically buy them. Another way is to track the performance of commodity indices. The latter means that the portfolios can benefit when commodity prices are rising but avoid the high costs of owning, storing and transporting the physical commodities. This is how commodities are invested in within the Governed Portfolios.

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 bi-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.

Direct Offer customers
A Workplace Pension transfer service, available when first switching an employer pension scheme to Royal London. Employees can be given the option to move their existing pension savings into their Royal London Workplace Pension plan.

Diversification
This is a process of investing across a range of investments. The aim is to smooth out the ups and downs of investment growth, because not all investments may perform well at the same time. If one investment performs poorly, better performance from other investments helps to reduce the risk of loss.

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.

Equities
Companies sell shares to raise money and may also pay you a share of their profits as 'dividends'. Investors buy and sell shares on stock markets. The price goes up or down based on how well the company is doing, or what its prospects are. It's also worth bearing in mind that some overseas stock markets are more volatile than UK markets, and currency exchange rates can affect them too.

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
Exaggerated or misleading claims made by firms 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.

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 drawdown 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.

Passive investment

Passive investing is a simple, low-cost way to grow your money by following the market rather than trying to beat it. Instead of picking individual stocks or timing the market, your money is invested in a broad range of companies, often through a fund that tracks a market index like the FTSE 100. This approach aims to match the market's performance over time.

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.

Property

Within the Governed Portfolios, property investment is in high-quality commercial and industrial property such as industrial estates, office buildings and high street retail units. The returns received are linked to the valuation of these properties and the rental income received. Royal London Asset Management, the investment company which manages the properties, makes a significant effort to redevelop them to help improve their appeal and generate increased rental income.

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.

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 (RLAM)

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.

Tilted funds

A tilted fund is an investment fund that mostly follows a broad market index but gives extra weight to companies that perform better on environmental, social, and governance (ESG) factors. Royal London's tilted funds place particular emphasis on reducing the carbon intensity of investments, meaning they favour companies that produce less carbon for the value they create. This approach helps you invest in a way that supports a lower-carbon future, while still aiming for long-term growth and keeping costs low.

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.

Tracking error

Tracking error is a way to see how closely an investment fund follows the performance of the market index it is meant to follow. If the fund's returns are very similar to the index, the tracking error is low, which is good. If the fund's returns are often quite different, the tracking error is higher, meaning it is not sticking as closely to the index.

Transaction costs

The costs incurred in buying, selling and holding investments in financial securities. 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 are rolled back into the fund to ensure all other investors are not negatively impacted by additional trades.

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.

Weighted average carbon intensity (WACI)

WACI is a metric used to measure the carbon exposure of an investment portfolio. The metric is recommended by the Task Force on Climate-related Financial Disclosures (TCFD) for asset owners and managers to report to clients. The calculation is straightforward and allows for portfolio decomposition and attribution analysis, making it a useful tool for investors to communicate and manage the carbon footprint of their investments.

Workplace Pension

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

Royal London

Independent Governance Committee