Royal London
Independent
Governance
Committee

Annual Report 2024 At a glance







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 'At a glance' section includes a short summary of our findings.

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



Investment performance



Customer service

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.

- 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.
- 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	•	•

- 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 lowervalue 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.
- 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.





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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	•	•

- 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 investmentrelated 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 guarterly 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	•	•

- 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.





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	•	•

- 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.

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.