Royal London

INDEPENDENT GOVERNANCE COMMITTEE

Annual Report 2025

At a glance

Royal London
INDEPENDENT GOVERNANCE COMMITTEE

An introduction from the Chair

Colin Stewart

Chair of the Royal London Independent Governance Committee

Welcome to the 2025 Royal London Independent Governance Committee (IGC) Annual Report.

In the report, the IGC explains how we have acted in your interests, as a Royal London Workplace Pension or Investment Pathways customer, to assess the value for money you have received during 2025. This 'At a glance' version provides a summary of our key findings.

Your IGC believes Royal London provided value for money to its Workplace Pension and Investment Pathways customers in 2025.

This is my first Annual Report as Chair of the IGC, following my appointment on 1 October 2025, when I took over from Peter Dorward. Peter served the Committee for 10 years and I would like to thank him for his leadership and valued contribution.

I joined the IGC as an Independent Member on 1 January 2025 and worked closely with Peter during a full handover. This means I have served throughout the period covered by this report, helping to oversee the matters described that affect you and your pension.

Value for money

The IGC assesses whether Royal London is providing you with value for money. It does this by reviewing information provided by Royal London, comparing its performance with other providers and discussing key topics with Royal London's leadership.

Our value for money assessment focuses on three areas:

- **Costs and charges**
- **Investment**
- **Service**

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

Taking all of this into account, I am pleased to report the IGC has concluded that Royal London is providing value for money to its Workplace Pension customers invested in Retirement Solutions, its modern pension product.

Retirement Solutions holds over 98% (circa 2 million) of Royal London's Workplace Pension customers. The remaining Workplace Pension customers, who are invested in other Royal London products, account for only 1.4% of the total Workplace Pension customer base, down from 2% in 2024. This group is known as Royal London's longstanding customers.

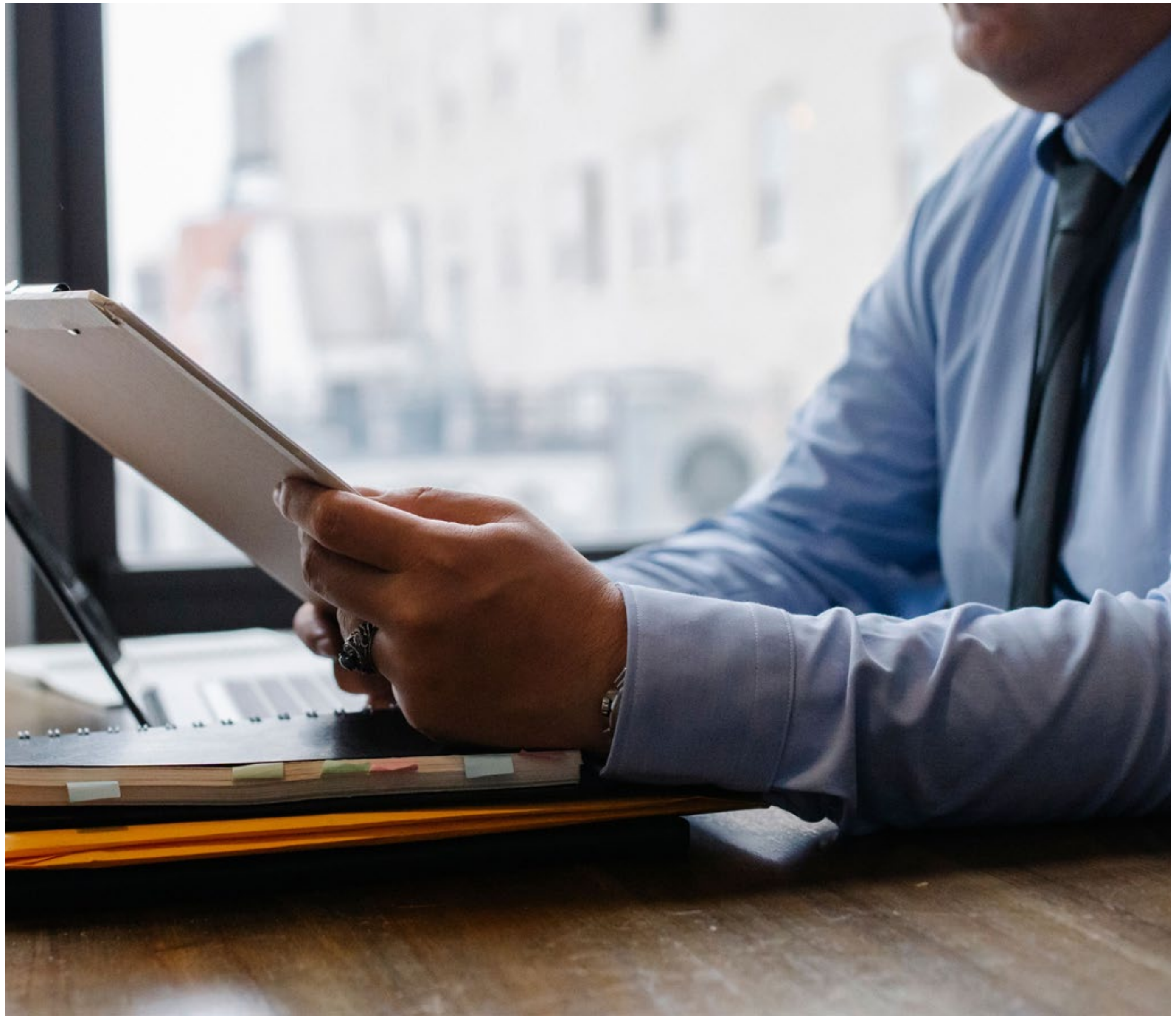
As confirmed in our 2024 report, Royal London upgraded longstanding customers' pensions to its Retirement Solutions product where appropriate. Royal London completed the planned upgrade project in 2025, with a small number of longstanding customers remaining.

An introduction from the Chair

In our 2024 report, we also explained that there are two groups of longstanding customers that Royal London concluded were not appropriate for transfer to Retirement Solutions. We committed to undertaking more work to determine whether the value for money provided to these customers could be improved.

In last year's report, we stated that Royal London had committed to reducing charges for some Investment Pathways customers with smaller pots. I am pleased to confirm that the maximum charge for new Investment Pathways customers with smaller pots was reduced in April 2025, from 0.90% to 0.75%. I can also report that a review is underway to consider the appropriateness of charges for smaller pots where plans had started before April 2025. We expect the outcome of this in 2026 and will provide you with an update in our next report.

During 2025, responsible investment continued to evolve against a changing political and regulatory backdrop, with a small number of global firms diluting their climate commitments. Despite this, it is clear from the regular updates we receive from Royal London that it has remained committed to developing its responsible investment and stewardship policies and continues to place importance on them.



Costs and charges

Workplace Pensions	2024	2025
Value for money principle		
Appropriate ongoing charges	🟢	🟢
Balanced charging	🟢	🟢

Investment Pathways	2024	2025
Value for money principle		
Appropriate ongoing charges	🟠	🟠
Balanced charging	🟢	🟢

When we assess value for money, we consider the charges Royal London applies and the benefits, service and investment options you receive in return. We also take ProfitShare into account where customers are eligible, as it effectively reduces the impact of charges.

- For Workplace Pension customers, average charges continued to reduce in 2025. The average charge across Workplace Pension plans fell to 0.58%, with new customers paying an average of 0.51%. Almost all Workplace Pension plans have charges of 1% p.a. or lower, and we do not consider any Workplace Pension charges to be excessive.
- Most Workplace Pension customers are now in Royal London's Retirement Solutions products. Charges for these products remain broadly in line with comparable schemes in the market, especially schemes of a similar size. Many Retirement Solutions customers also benefit from ProfitShare, which has increased eligible unit-linked pension pots by 0.15% in each of the past seven years.
- In 2025, Royal London completed its planned upgrade programme for certain longstanding customers. The project moved five products, 14,700 plans and £134m of funds under management to Retirement Solutions or equivalent arrangements. This has given many customers access to broader investment choices, enhanced governance, modern digital features and, in some cases, lower charges. A small group of longstanding customers remains outside Retirement Solutions. We will continue to assess the value for money these customers receive and challenge Royal London to improve value where appropriate.
- From April 2025, Royal London reduced the maximum charge for new Investment Pathways customers with smaller pots from 0.90% to 0.75%. This is a positive change, meaning new customers with smaller pension pots are less reliant on ProfitShare to receive value for money, even if their pot value places them in the highest charging tier. For policies established before April 2025, charges on smaller pots remain slightly above market levels so we have assigned an amber rating for 2025. We will keep the position under review and monitor the number of customers falling over the 0.75% charge band as part of our ongoing value for money assessment.
- Royal London no longer applies exit charges to any pension products within the scope of the IGC's work. This is positive as it keeps the charging structure simple and easier to explain. We also remain satisfied that charges are disclosed clearly through annual statements, online services, the mobile app where available, and the published costs and charges information on Royal London's website.

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

- 🟢 Measures that 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 on the actions and timelines to achieve a green rating (or that 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.

Investment

Workplace Pensions	2024	2025
Value for money principle		
Investment strategy	●	●
Appropriate investment returns	●	●

Investment Pathways	2024	2025
Value for money principle		
Investment strategy	●	●
Appropriate investment returns	●	●

Investment performance is a key part of the value you receive from your pension. We therefore assess how Royal London invests your money and whether the investment returns achieved are appropriate for the level of risk taken.

- For Workplace Pension customers, we focus mainly on default investment strategies. In 2025, approximately 93% of Retirement Solutions Workplace Pension customers were invested in default investment strategies. We are satisfied that Royal London's default investment strategies continue to be designed and managed with customers' interests in mind, with clear objectives and ongoing oversight.
- In 2025, Royal London made some changes to how customers' pensions are invested. The portfolio used in the growth stage of the default changed so that customers with more than 10 years to retirement now have a greater share of their pension invested in assets with higher expected long-term growth. These investments may be more volatile in the short term, but customers at this stage generally have more time to ride out market movements. As customers move closer to retirement, Royal London gradually reduces investment risk. This helps protect customers' pension savings as they get nearer to accessing them. Having reviewed Royal London's reasons for making the change, we agree it is appropriate.
- The planned upgrade programme for certain longstanding customers was completed in 2025, giving more customers access to modern, diversified investment options and stronger governance. We continue to monitor the CIS Group Stakeholder default investment, where outcomes have remained broadly in line with Royal London's medium-growth default strategy over relevant periods, despite a different investment design.
- For Investment Pathways, Royal London reviewed each pathway to confirm it remained suitable for customers' intended retirement choices. It identified that Investment Pathway 2 should move to a long corporate bond fund to better support customers who plan to buy a guaranteed income, such as an annuity. We agreed with the rationale and will monitor the change and its impact on customers once introduced.
- Royal London also reviewed the investment mix across its Governed Range, adding new investment types and checking the balance between growth assets and lower-risk options. This is intended to keep customers' pensions diversified across different types of investments and markets. Royal London also signed the Mansion House Accord, supporting the industry's aim of investing more pension savings in productive assets such as real assets, infrastructure, private equity and private credit, where this could improve long-term customer outcomes.
- Overall, investment performance in 2025 was satisfactory for the level of risk taken. Returns were positive across all portfolios and reflected the benefits of Royal London's diversified investment approach. While performance relative to benchmark was mixed across the range during the year, longer-term performance remained broadly in line with, or ahead of, benchmark and aligned with the objectives of the strategies. Transaction costs were lower than in 2024 and we are satisfied that they were managed appropriately.

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

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

INTRODUCTION
COSTS AND CHARGES
INVESTMENT
RESPONSIBLE INVESTMENT AND STEWARDSHIP
SERVICE
OVERALL ASSESSMENT

Responsible investment and stewardship

Environmental, social and governance (ESG)	2024	2025
Principle		
Internal policy	🟢	🟢
Investment strategy	🟢	🟢
Investment solutions	🟠	🟢
Value for money	🟢	🟢
Communication and reporting	🟢	🟢

Royal London's approach to responsible investment, including stewardship, is central to our value for money framework. This includes an assessment of how Royal London approaches environmental, social and governance issues when it designs investments, manages policies and communicates with customers.

- During 2025, Royal London strengthened its responsible investment approach. It updated its policy framework, introduced an Exclusions Policy to be applied consistently across Royal London and added a new exclusion to investing in companies heavily involved in thermal coal. Royal London also reported a 32% reduction in the carbon footprint of its corporate bond and listed equity portfolios compared with 2020.
- Customers also gained access to a wider range of investment options during the year. Royal London broadened its Sustainable Fund Range to nine funds, including options available to Workplace Pension and Investment Pathways customers. It also completed the acquisition of Dalmore Capital, supporting its aim to give customers access to a broader range of investments, including infrastructure and private assets.
- Royal London published its first Climate Transition Plan, its annual Climate Report and fund-level climate information. The Royal London Mutual Insurance Society Limited (RLMIS) and Royal London Asset Management (RLAM) both remained signatories to the UK Stewardship Code.
- Overall, we believe Royal London made good progress in 2025. Responsible investment is increasingly embedded in how it designs and manages investments for customers. Nevertheless, this is a dynamic area and we will continue to monitor further work planned for 2026 to ensure progress matches Royal London's stated ambitions.

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

🟢 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.

Service

Workplace Pensions	2024	2025
Value for money principle		
Clear communication	🟠	🟠
Effective service	🟠	🟢
Regular reviews	🟢	🟢

Investment Pathways	2024	2025
Value for money principle		
Clear communication	🟢	🟢
Effective service	🟢	🟢
Regular reviews	🟢	🟢

Service is an important part of value for money. Customers need clear communications, accessible support and reliable administration to help understand and manage their pension.

- In 2025, email coverage for active Workplace Pension customers increased from 59% to around 78%. This means that more than 700,000 active customers can now be reached more easily with useful information and support.
- Digital engagement also improved. Mobile app registrations increased from 505,000 to more than 683,000, and more than 500,000 active Workplace Pension customers have received personalised video pension statements since launch.
- Royal London also continued to provide newsletters, webinars and pension awareness activity, helping customers understand their options and take action. It has also improved digital routes for customers who want to bring pensions together, with transfer activity more than tripling between 2022 and 2025.
- We welcome this progress, but further work is needed to reach some customer groups digitally, particularly customers who have left their employer but kept their pension with Royal London, and longstanding customers. Royal London is taking action to improve the email data it holds and to send more helpful, educational communications.
- Service levels improved during 2025, and complaint volumes continued to compare favourably with other providers. Royal London also strengthened support for customers in vulnerable circumstances.
- Overall, we have seen good progress. However, we want further improvements in digital reach and clearer evidence that communications and tools are helping customers understand their pensions, take action and achieve better outcomes.

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🔴 Areas in which we have provided a material challenge to Royal London (via its Board) and have been unable to agree a way forward.

Overall assessment

Having considered the costs and charges, investment and services Royal London provides to you, we conclude that it provides value for money overall. This does not mean Royal London cannot improve the value and services provided in certain areas.

If we have serious concerns about the value for money you are receiving, we can raise these with the Royal London Board. If we are not satisfied with the response, we have several ways to escalate the issue, including contacting the Financial Conduct Authority (FCA) or contacting customers or employers directly.

I am pleased to advise you that we did not identify any material concerns in 2025 that required escalation.

Key themes and looking ahead

During 2025, investment markets experienced intermittent volatility, driven by global events, including geopolitical developments and changing economic conditions. In the first half of 2026, volatility became more pronounced, reflecting uncertainty over interest rates alongside ongoing geopolitical and economic pressures. In response, Royal London has continued to offer guidance and support to customers, including information explaining the impact of market volatility on investments. Ensuring customers receive clear and timely communication during uncertain times remains an important area of focus for us as an IGC.

In 2025, changes announced in the UK Autumn Budget included a cap on the National Insurance advantages associated with salary sacrifice arrangements for pension contributions. From April 2029, only the first £2,000 of pension contributions made through salary sacrifice will be exempt from National Insurance contributions. Royal London is preparing to support Workplace Pension customers and employers in understanding and responding to this change.

During 2025, the government also progressed changes to the inheritance tax (IHT) treatment of pensions, confirming that, from April 2027, most unused pension savings may be included when calculating the value of a person's estate. This change may influence how customers choose to use their pension savings and plan for the future. Again, Royal London is preparing to support its customers and employers ahead of implementation through clear communications and guidance to help them understand the changes and consider any actions they may need to take.

We are encouraged by the service-level improvements made across 2025 and will continue to monitor servicing performance throughout 2026, seeking assurance that recent pressures are being effectively managed and that service levels remain sustainable over the longer term.

We will continue to work with Royal London to ensure that customers are well supported on these issues in the coming year.

Update to the Value for Money Framework

As we explained in our 2024 report, the FCA has been consulting on changes to how IGCs and trustees assess value for money. Proposals include using common metrics to assess value for money, changes to how comparative assessments are undertaken and clearer consequences where schemes fail to demonstrate value for money.

In March 2026, we responded to the FCA's follow-up consultation, published in January 2026. In our response, we supported its aim of helping pension savers achieve good long-term outcomes. We also shared our views on areas such as service, customer engagement and the future role of IGCs.

During 2025 and into 2026, we engaged with other IGCs and pension providers, government and regulators to consider various aspects of the proposed changes to the Value for Money Framework. The ultimate aim of this work is to discuss our findings and recommendations with the FCA. We hope this engagement will support the FCA's objective of improving outcomes for pension savers and contribute to the effective implementation of the new framework.

Pension Schemes Act 2026

The Pension Schemes Act 2026 was introduced to Parliament in June 2025 and became law in April 2026.

The Act introduces a wide range of changes to the UK pensions system, aimed at improving outcomes for pension savers and strengthening the focus on value for money.

Key measures are designed to make pensions easier to manage and help more customers benefit from well-governed, better-value arrangements. These include enabling the consolidation of smaller or underperforming schemes into larger arrangements, automatically bringing together small pension pots, and simplifying the process for transferring members between schemes where it is in their best interests.

The Act also supports a broader approach to investment, which may lead to a greater proportion of pension savings being invested in a wider range of assets, including infrastructure and private markets. The aim is to improve long-term returns for members, while also supporting investment in the UK economy.

Royal London became a signatory to the Mansion House Accord in May 2025, reflecting its support for the direction of travel across the industry. As Royal London develops its investment approach and overall proposition, we will continue to monitor and challenge proposals to ensure it maintains appropriate levels of risk and diversification, and remains focused on delivering the best outcomes for you.

Overall assessment

Guidance and support for customers

We are committed to ensuring that you receive value for money from Royal London. As a mutual, Royal London is focused on supporting your long-term financial resilience, while giving you access to the service and support you need when making important decisions – whether online or by speaking to Royal London's customer service team.

In our 2024 report, we provided an update on the FCA consultation outlining Targeted Support measures to help pension savers receive affordable, accessible and trustworthy support. In 2025, the FCA published its policy statement on Targeted Support and introduced the new framework. Royal London worked closely with the regulator to develop the policy and support its effective implementation.

In 2026, Royal London launched its first Targeted Support service for its ISA customers. We will continue to monitor the progress of this important service and provide an update in our next report.

The Pensions Act 2026 mentioned above also introduced changes to help people make more confident decisions about how to use their pension savings in retirement. This includes a requirement that providers offer guided retirement solutions to help people choose the retirement option that best meets their needs. We will keep you updated on these developments in our next report.

Digital developments

We continually receive updates on the digital enhancements that Royal London is making to improve your customer experience. Royal London's digital strategy is focused on providing customers with a range of ways to interact with the business, while embedding AI to automate routine tasks and enable Royal London colleagues to work more efficiently for you.

We welcome the progress Royal London has made in preparing for pensions dashboards (a new service that will help you find and view all your pension savings in one place) and recognise the potential this has to help you locate and engage with your pension savings more effectively. We will continue to monitor developments and the benefits delivered as pensions dashboards are introduced.

We regularly review progress in these areas, consider any associated risks and monitor progress in cyber security.

Membership changes to the IGC

I would like to update you on some changes to the membership of the IGC.

Jo Kite left Royal London on 31 December 2025 and, as a result, ceased to be a member of the IGC. I would like to thank Jo for her valued service to the IGC during her tenure with us. In Jo's place, we are pleased to welcome Val Rogerson, Customer Outcome and Insight Director, who joined the IGC as a Company Member on 6 May 2026.

Ewan Smith also left Royal London on 31 December 2025 but has continued to serve on the IGC as a Non-Independent Member. I greatly value his contribution and am pleased that he remains a member of the Committee.

Finally, I would like to thank my fellow IGC members for their continued support and contribution. Their commitment and expertise enable the IGC to effectively carry out its important role and look after your interests as a Workplace Pension or Investment Pathways customer.

Colin Stewart
Chair of the Royal London
Independent Governance Committee

Thank you for taking the time to read this report. We are always looking to improve our reporting and welcome any feedback you have. You can contact us at → RoyalLondonIGC@royallondon.com.

For more information about the IGC's work - including video content and previous reports - visit the IGC's dedicated webpage on the → Royal London website.

For specific questions about a product you have with Royal London, you can also visit the → Royal London website.