



**PRINCIPLES AND PRACTICES OF
FINANCIAL MANAGEMENT**

**ROYAL LONDON (CIS) SUB-FUND
(‘THE CLOSED FUNDS’)**

**REPORT TO WITH PROFITS
POLICYHOLDERS
ON COMPLIANCE FOR 2025**

MAY 2026

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1. INTRODUCTION

On 31 July 2013 The Royal London Mutual Insurance Society Limited ('Royal London') completed the acquisition of The Co-operative Insurance Society Limited ('CIS'). CIS was originally held as a direct subsidiary of Royal London, and renamed Royal London (CIS) Limited ('RLCIS'). On 30 December 2014, the life insurance business of RLCIS was transferred to Royal London. The transfer was structured in such a way that the business of RLCIS was placed into a newly created sub-fund within the Royal London Long Term Fund, the Royal London (CIS) Sub-Fund ('the Fund'), and this was closed to new business at the same time.

On 30 December 2014 Royal London published three Principles and Practices of Financial Management ('PPFM') documents covering the Fund as follows:

- a PPFM for the RLCIS OB & IB Fund
- a PPFM for the RLCIS With-Profits Stakeholder Fund
- a PPFM for the RLCIS With-Profits Pension Fund

The versions applicable during 2025 were published on 1 January 2025. A small number of minor wording changes were made to the Practices to refine our bonus setting methodology and to improve clarity.

The Directors must provide a report each year to with profits policyholders giving information on compliance with the PPFMs. The Directors have reviewed the operation of the Fund for 2025 and in their opinion the PPFMs have been complied with in all material respects. It is also their opinion that the exercise of discretion over the period was appropriate and that any issues involving competing or conflicting rights, interests and expectations of policyholders were resolved fairly.

In coming to this view the Directors have taken account of internal and external professional advice provided during the year, including advice from the With Profits Actuary, the With Profits Committee and the Chief Actuary. This report sets out the main reasons for the Directors' opinion and the following sections consider, in turn, governance, the exercise of discretion, competing and conflicting issues, and compliance with the PPFM.

2. GOVERNANCE

Appropriate governance arrangements to monitor compliance with the PPFMs have operated throughout the period in question.

The Directors seek opinions as appropriate from the With Profits Actuary, from the Chief Actuary and from the With Profits Committee which was established by the Directors to provide independent advice on the way the Fund is managed, to provide an independent view when the Directors are considering the interests of with profits policyholders and to monitor compliance with the PPFMs.

A short report to policyholders from the With Profits Actuary confirming their view is attached.

3. EXERCISE OF DISCRETION

The main areas in which discretion is exercised in the operation of with profits business are setting bonus rates, investment strategy, setting surrender values, setting smoothed unit prices, allocation of expenses and the management of the estate.

SETTING BONUS RATES

For all accumulating and traditional with profits contracts, annual and final bonus rates for 2025 were set in line with the PPFM.

During 2025 we updated the PPFM Practices to reflect changes in the way we group policies together to set final bonus rates for Table P policies. New bonus rates were implemented on 1 April 2025.

In making these declarations, the Directors took account of advice from the With Profits Actuary, the Chief Actuary and followed the requirements of the PPFM. The Directors also took account of advice from the With Profits Committee.

INVESTMENT STRATEGY

The investment strategy aims to optimise the long-term return for with profits policyholders and maintain the Estate at the target size. This is done making sure that guarantees and other commitments to policyholders are met.

A common statistic used to categorise the level of investment risk within a fund is the proportion of the Fund's assets that are invested in shares and property. The overall proportion backing the different categories of with profits business at the end of 2025 is set out below:

RLCIS OB & IB Fund	AWP business	67%
	TWP business excl. Table P & Option 32	53%
	TWP Table P business	52%
	TWP Option 32 business	0%
RLCIS With-Profits Pension Fund	All WP business	70%
RLCIS With-Profits Stakeholder Fund	All WP business	70%

These proportions show a reduction since the end of 2024 for some business in the RLCIS OB & IB Fund.

SETTING OF SURRENDER VALUES

The regular reviews of market value reduction (MVR) factors were carried out over the course of 2025 although no changes were required to these factors over the year.

During 2025, there have been no changes implemented to surrender value methods.

SETTING OF SMOOTHED UNIT PRICES

Policies in the With-Profits Pension Fund and With-Profits Stakeholder Fund have their benefits calculated using smoothed unit prices. The methods used to smooth the prices were not changed during 2025.

Checks were performed regularly to monitor the level of the smoothing reserve. During 2025 the reserve remained comfortably within the 12% limit specified in the PPFMs so the Funds continued to operate on a smoothed unit price basis.

ALLOCATION OF EXPENSES

Over the course of 2025 the expenses allocated to with profits policies were in line with the Scheme of Transfer. Throughout 2025 the allocation of expenses to policies has been in line with the PPFMs.

Charges for policies covered by the RLCIS With-Profits Stakeholder Fund PPFM were no more than the maximum permitted under the Stakeholder regulations.

MANAGEMENT OF THE ESTATE

There were no material changes to the methods of monitoring and managing the estate during 2025 as they continue to operate effectively.

In 2025, the Directors continued to distribute the estate in order to meet the aims set out in the PPFM. This was achieved by targeting payouts at 110% of the smoothed asset share.

MANAGEMENT OF RISK

Royal London continuously seeks to obtain independent assurance that its systems of risk management and internal controls are operating effectively. In addition, Royal London obtains independent opinions on the effectiveness of the key systems and controls throughout the organisation. This includes evaluating the effectiveness of, and the adequacy of, the risk management processes and ensuring compliance with policies and procedure. The effectiveness of internal controls and the risk management infrastructure is also specifically considered by external auditors in the context of their review of Royal London's financial statements.

Royal London has previously developed a number of actions to mitigate the business risks that are run within the Fund including exposures to investment, expense, mortality, morbidity and lapse risks.

CHANGES TO PPFM

A new version of the RLCIS PPFM was published on 1 January 2025 with minor updates to the Practices to refine our bonus setting methodology and to improve clarity.

4. COMPETING OR CONFLICTING RIGHTS, INTERESTS AND EXPECTATIONS

In any with profits fund, different groups of policyholders could have competing or conflicting interests. For example, holders of:

- policies of different types (such as life or pension policies or regular or single premium)
- policies of different sizes or different policy terms
- policies which started in different years or mature in different years

or policyholders:

- of different ages
- claiming for different reasons (for example maturity, death, surrender)
- exercising different policy options

could receive different benefits relative to each other depending on how discretion is exercised.

Any conflicts which have arisen have been appropriately and fairly resolved, in the Directors' opinion, after taking expert advice, where necessary. This expert advice has been provided by the With Profits Actuary, the Chief Actuary and the With Profits Committee as appropriate.

5. COMPLIANCE WITH PPFM

MANAGEMENT OF THE ESTATE

During 2025, the Directors were provided with information and actuarial reports on a regular basis regarding the current and projected financial position of the Fund.

In 2025, the Directors continued to distribute the estate in order to meet the aims set out in the PPFM. This was achieved by uplifting claim values by a further 10% during 2025. In addition, an enhancement of 5% was applied to asset shares during 2025.

INVESTMENT STRATEGY

During 2025 the Investment Strategy Committee met 10 times. Technical papers on investment strategy were presented during the year and advice from the With Profits Actuary and the Chief Actuary was obtained where appropriate.

The performance of the investment manager was monitored by the Investment Strategy Committee, the Investment Committee and the Directors. Changes to benchmarks were approved by the Directors.

INVESTING RESPONSIBLY

Driven by our Purpose, we look to act and invest responsibly. Visit royallondon.com/responsiblebusiness to find out more about our approach to investing responsibly, as well as our climate commitments, and our stewardship and sustainability reporting.

POLICY BENEFITS PAYABLE

The methodology used to set bonuses and policy benefits followed the approach set out in the PPFMs and complied with the terms of the Scheme of Transfer. The bonus rates declared differed between product types and classes.

An exercise to review compliance with the target ranges for maturity and surrender payouts published in the PPFM was carried out. This demonstrated that more than 90% of maturity claims were within target range, excluding the explicit estate distribution element.

The explicit estate distribution element ensured a fair distribution of the estate for those claiming. This was supported by our run-off plan and our Excess Surplus test.

The following shows the combined maturity and surrender claim information for 2025, excluding the explicit estate distribution element.

Group of Policies	No. of claims included in investigation	Proportion of claims		
		Below Target Range	Within Target Range	Above Target Range
Conventional with profits	22,660	3%	95%	2%
Unitised with profits	665	5%	83%	12%

6. CONCLUSION

In the opinion of the Directors the management of the with profits business in the Fund over this period has complied with the PPFMs in all material respects. It is also their opinion that the exercise of discretion over the period was appropriate and that any issues involving competing or conflicting rights, interests and expectations of policyholders were resolved fairly.

B O'Dwyer

Group Chief Executive

May 2026

REPORT FROM THE WITH PROFITS ACTUARY

To the With Profits Policyholders of the Royal London (CIS) Sub-Fund.

In my opinion the discretion exercised by the Directors in respect of the period covered by their report has taken policyholders' interests into account in a reasonable and proportionate manner. It is also my opinion that the Directors have complied with the requirements of the Principles and Practices of Financial Management (PPFMs) of the Royal London (CIS) Sub-fund in all material respects.

I have based these opinions on the information and explanations provided to me by the Directors and management of Royal London and on my own knowledge and investigations. In doing so I have taken into account the relevant rules and guidance of the Financial Conduct Authority, the Prudential Regulation Authority, the Financial Reporting Council and the Actuarial Profession regarding the management of with profits business.

Separate reports confirm compliance in respect of the Royal London Long Term Fund (excluding the Closed Funds)

N Welling

With Profits Actuary

May 2026