

OUR SOCIAL RESPONSIBILITY



At Royal London, being a responsible business and having a positive social impact is a top priority, which is why in 2017 we focused on creating the right culture for employees, while increasing our engagement with local communities and supporting society through our investment philosophy

Our vision

We aspire to be rated by our customers as the most trusted and most recommended provider in our chosen markets.

Our purpose

Royal London exists to create the best customer outcomes and the best customer experiences in its chosen markets.

This reflects the fact that we are a member-owned business and so our focus is creating value for customers and members.

In contrast, our competitors exist to create shareholder value.

Our social responsibility



Cover image: With thanks to the teachers and children at Murrayburn Primary School, Edinburgh

At Royal London it is not just about doing business but doing it the right way. As the largest mutual life insurance and pensions company in the UK, we are owned by our members. Being a responsible business means ensuring we have a robust governance structure in place, and a prudent strategy to ensure continued long-term growth and success. It is also about creating the right culture to support our people to achieve the best outcomes and experiences for our customers and members, and strengthening our local communities and the environments we are in. This includes taking a customer-centric approach when developing our products and services to meet our overall goal of customer satisfaction. It also means that we use our thought leadership and campaigning work to bring fresh ideas to enable consumers to understand the complex and jargon-filled world of financial services, and have trialled products for groups that were underserved by our industry. We take being a responsible business very seriously, and we will continue to invest in understanding our impact further in 2018.

Taking a customer-centric approach

Understanding our customers

At Royal London we want to deliver outcomes and experiences that are driven by putting the customer at the heart of everything we do: from understanding wants and needs to ensuring that we create the right products and offer support at the right times and in the right way.

To achieve this, we continue to use our customer value statements. They

represent the seven outcomes that matter most and we measure our progress against these to ensure we keep improving in the right areas.

During 2017, we also focused on helping everyone at Royal London understand the range of personal circumstances that can make it challenging for people to deal with us, and what we can do to make it easier. This focused on a variety of topics, including bereavement, ageing and financial difficulties.

We're working hard in customer services to support the different needs of our customers, including:

- referring cases where customers have additional support needs to a panel of experts so we can set up appropriate and consistent support for them; and
- starting to connect foreign language speakers at Royal London with customers who don't speak English as a first language.

Feedback from customers

We're seeing positive results from this work. In 2017, over 78,000 customers left feedback on their experience. Alongside this, our Net Promoter Score (NPS), which measures customers' willingness to recommend us, increased by 4.5 points. On our annual employee survey, the feedback was that our focus on customers is continuing to increase. We are proud that our hard work was recognised by Investor in Customers (IIC) when we received their highest accreditation for outstanding customer experience for a second year running.

Developing customer-centric products and services

We launched the streamlined mortgage protection product, which can be applied for as part of a mortgage process. This gives more customers the opportunity to access life – and in 2018 critical illness – cover easily by removing the need for a separate, time-consuming application. This will enable more advisers to talk about protection with their clients during the mortgage sale process.

We have reduced the time it takes to make claims by simplifying our processes and ensuring more claims can

Recommended by customers – our NPS score

We've been measuring our Net Promoter Score (NPS) since 2015. We transfer customers who have called us to a survey and it's the data from this survey that helps us calculate the score. We ask customers how likely they are to recommend Royal London on a scale of 0 to 10 where 10 is most likely. The score is then calculated using a challenging methodology where we count any scores of 9 and 10 and deduct any scores of 0 to 6.

Since 2015, our NPS average score for the year has increased from 47 to 58.8. Over this period we have significantly increased the number of departments who participate and the overall number of surveys we carry out. The survey sample size increased from an average of 3,600 surveys per month in 2016 to an average of 8,100 per month in Q4 2017.

We work with ORC International, a leading Business Intelligence firm, on our Customer Voice Transactional Survey. According to ORC, the overall financial services NPS benchmark is 35. Royal London's score of 58.8 is therefore a fantastic result, and one we want to continuously improve.

Our social responsibility continued



Over 50s Life Cover – rated 5* by Fairer Finance

We're proud that Royal London Over 50s Life Cover has been awarded a 5* rating from the consumer group Fairer Finance. Not only that, we are the only provider to secure this top category rating for our product. The intention of these ratings is to provide customers with a true indicator of product fairness and, as such, the scoring criteria is incredibly stringent. This is a true endorsement of the quality of the product and the value that we offer to our customers.

be submitted over the telephone. Over 75% of our Over 50s Life Cover claims are now paid on the same day and the product has been rated 5* by Defaqto.

Being off work because of illness or injury is one of the biggest risks individuals face. In 2017, we updated our Income Protection cover by adding new benefits, such as fracture cover, as standard to help our customers and their families get the support they need – whenever they need it.

We've made improvements to help us deliver fairer and more inclusive products. For example, we introduced the pioneering Diabetes Life Cover, which is more cost-effective and tailored to the type of diabetes that a person has. We designed our Over 50s Life Cover to be fairer too. With us, if you need to stop paying, your loved ones could still get some money when you pass away.

Helping Hand is a support service that's included in all our protection products. It's available from the day a customer starts their plan, they don't need to pay anything extra to use it, and their partner and children can use it too. Helping Hand is our way of going above and beyond, providing financial help with emotional and practical support including legal and career helplines too. Over 70% of our customers who claim use Helping Hand; in addition, more people use the service long after a claim has been paid or even where there hasn't

been a claim at all. We are proud to be involved with Helping Hand.

Working for members

As a mutual, our 1.2 million members own our business, so ensuring they are able to actively engage with us and feel valued is very important. We have listened to what our members have said, and over the course of 2017 we launched a number of initiatives that benefit them and their communities. This includes the relaunch of the Royal London Foundation (more in the communities section) and the Insight into Work programme.

Insight into Work

The Insight into Work programme opens the doors of Royal London to members and their direct families. The work placements allow members to nominate themselves or a direct family member for a one to two-week voluntary experience or four-week paid work experience. It is aimed at those leaving school or university, and anyone considering a career change or wanting to return to work after a long break. In 2017, there were 10 successful placements across various teams within Royal London. In 2018, we are aiming to host 24 placements across a wide range of teams, including within our Consumer division, Group Operations, Finance and HR teams.

ProfitShare

Members qualify for our ProfitShare scheme. This is where, when we do well,

Insight: working with Maggie's in Manchester



We regularly involve consumers in the design and testing of our products. During the year, we sought insight and understanding from people who have been diagnosed with illnesses to help shape our products and services. We worked closely with cancer support charity Maggie's, consulting with visitors to their Manchester Centre to help us better understand the financial impact of a cancer diagnosis and their experiences with access to/approach to life and critical illness cover. From this we gained a

huge amount of insight from consumers and customers who had actually experienced serious illness, and could articulate their needs and wants as they progressed through treatment and recovery. Three prototypes of potential developments and many smaller actions emerged and we hope that we will be able to commence work on some of these from early 2018.

Additionally, we will be launching a new simplified direct-to-consumer critical illness proposition in Q1 2018, based on these insights.



We've made improvements to help us deliver fairer and more inclusive products... we've introduced the pioneering Diabetes Life Cover that's more cost-effective and tailored to the type of diabetes someone has



75%

The percentage of Over 50s Life Cover claims paid on the same day

£792m

Amount allocated since 2007 in ProfitShare. When we do well, so do you

Our social responsibility continued

Media campaigning

We regularly use the national media to highlight and raise awareness of areas where people are not claiming the help they may be entitled to. This year, we highlighted that married couples are missing out on unclaimed tax allowances and that grandparents looking after their grandchildren and military wives may be unaware that they could be entitled to valuable National Insurance credits to help them build up a state pension. The fourth Royal London *National Funeral Cost Index* revealed funeral debt has reached an all-time high and we are campaigning for the level of social fund funeral grants to bear more relation to the actual costs of funerals.

We use our voice to campaign for social issues and we have had a powerful reach. There were more than 400 million 'opportunities to see' these campaigning stories in national, regional and broadcast press.

so do you. We allocate a discretionary part of the Group's profits annually to eligible policies. This is paid into your savings products, boosting the value of your savings. You can read more about this in our Group Chief Executive's statement. We're proud that we have allocated £792m since 2007.

The online Member Update is a hub of useful information, helping members to get the most out of their membership and their Royal London products. It features a range of content, from useful articles to engaging videos and animations.

Supporting you to navigate your money

We know that the world of money can be baffling and bewildering for many people. Our aim is to build financial capability by using the expertise of specialists across the business to help our customers and members navigate the world of personal finance with confidence and manage their own money effectively.

One way we seek to do this is through our *Good with Your Money* guides, which we publish on our website. In 2017 we published three new editions to help people:

- understand their tax code and what it means to them;
- appreciate the financial implications of living together in later life; and
- spot the warning signs if a family member is at risk of a financial 'scam'.

We also produced a guide for parents thinking about helping their children get on the property ladder.



Our Director of Policy, Sir Steve Webb, acts as the pensions 'agony aunt' for the *This is Money* website, writing a weekly column in response to reader questions. We also make sure that our regular emails to members include articles to help them better understand their finances

Our social responsibility continued



Supporting customers

A growing area of work for Royal London is helping people improve their financial capability. This is to help people manage their money better so that they can make good financial choices on a day-to-day basis, as well as preparing for significant life events and managing periods of financial difficulty. At the start of 2017, we published the results of a study of 800 of our customers looking at whether using various budgeting tools could help them manage their money better.

The team also carried out in-depth interviews with some of our bereaved customers to understand the financial issues they faced in the weeks and months after the death of their loved one and what help they would have found useful. We are using the findings from this research to try out new ways of supporting customers in 2018. This will include piloting two new guides: one with useful sources of help and support when someone dies, and another aimed at encouraging people to plan ahead for death.

Being a responsible investor

One of the biggest ways the Group can have a positive impact on society is through our investment philosophy. When our policyholders choose a pension or life insurance product, their payments are re-invested on their behalf in stocks, bonds and commercial property. We use the profits from these investments to pay out insurance claims and pensions to our members. This is a large responsibility, and that's why we make sure we are investing that money in a responsible way that will contribute to an overall positive impact on society and our members, as well as generating good returns.

The majority of our assets are invested with Royal London Asset Management (RLAM), an investment management subsidiary of Royal London Group. RLAM manages £114bn globally. As well as managing assets for Royal London life and pension policyholders, RLAM manages assets for a range of clients including charities, local authorities and universities. Investing money responsibly is part of everyday business for us. In undertaking our responsibilities, we vote at company annual meetings, engage with management and boards of directors to improve corporate practices, and we advocate for strong corporate governance.

On PRI*, we were rated

A or A+

*UN-supported Principles for Responsible Investment (PRI)

Number of companies we spoke to in 2017

191

individual companies

251

engagements

Number of meetings voted

887

How we voted overall

91%

for

7%

against

2%

abstained**

Number of resolutions voted

12,576

Executive pay, how we voted

64%

for

27%

against

9%

abstained**

**We abstain for two reasons: (1) we have concerns about the issue but not enough to warrant a vote against; and (2) we use it to flag a concern to a company in the first instance (first year or first offence). If nothing changes the following year, we usually escalate to vote against.

Our social responsibility continued



We invest in a responsible way that contributes to an overall positive impact on society and our members as well as generating good returns



£114bn

The amount managed globally

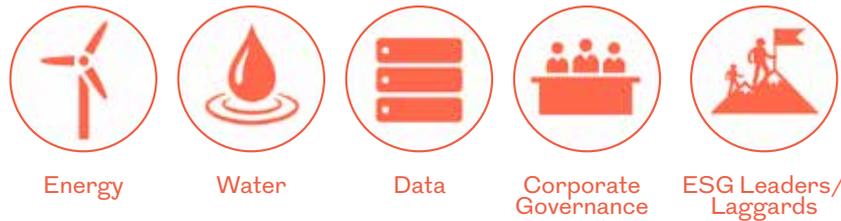
16

The number of awards won this year, highlighting how sustainability can be a driver of great investment performance

Governance and advocacy	Ethical and ESG funds
We advocate for strong corporate governance practices across all companies we invest in. For example, this year we have expressed our concern about the potential erosion of governance standards to facilitate the London listing of Saudi Aramco, the world's largest oil company. We have also supported changes to executive pay at BP and Shire this year, and have opposed large increases to executive pay at house-builder Persimmon.	We have an Ethical Bond Fund that does not invest in tobacco or arms companies, as well as those that have poor records on human rights and the environment. We have two Global Equity Funds that consider environmental, social and governance (ESG) issues when evaluating companies for investment. We also launched an ESG emerging markets tracker fund in 2017, and our Cash Funds do not invest in tobacco and arms. Overall, we have £11.36bn in assets under management across eight funds.

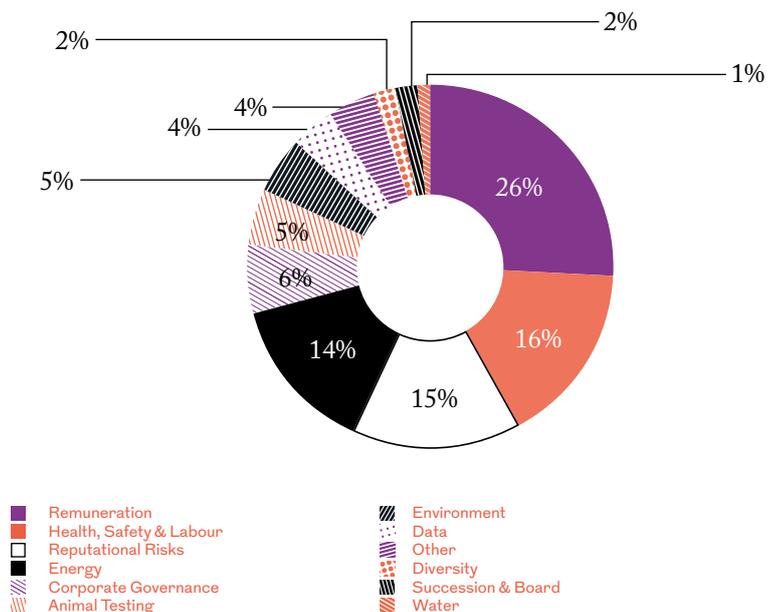
2017-2019 engagement plan

Our focus on engagement throughout 2017 has been, and will continue to be until 2019, on these five areas:



2017 company engagement topics

Throughout 2017 we spoke to 191 different companies a total of 251 times on topics such as remuneration, climate change, diversity and animal testing. The breakdown of topics covered is as follows.



Our social responsibility continued

Social impact of investments

We have a specialist team dedicated to looking at issues such as the 'social impact' of our investments. This team is responsible for monitoring and engaging with companies on environmental, social and corporate governance issues across all of our investments.

RLAM's tangible social impact



Social housing

We currently lend £3bn to the UK social housing sector, investing in bonds issued by charities whose main mission is to provide housing to those in need. The funding we provide helps to support housing associations in building new affordable homes, as well as maintaining its existing stock, filling a gap in funding due to lower support from government and reduced lending by banks.



Green infrastructure

We support 'green infrastructure' projects such as offshore wind farms, biomass plants and sanitation services. One example of this, the Thames Tideway super sewer, will divert tens of millions of tonnes of sewage from the river Thames and our investment will help fulfil a key component of HM Treasury's National Infrastructure Plan. Our financing for offshore wind farms and biomass is helping the UK to reduce its carbon emissions and to build a more sustainable energy infrastructure. RLAM's total investment in these projects is £274m.



Sustainable Funds

We have five Sustainable Funds that currently have over £1.7bn in assets under management, and the mandate is to invest in companies that provide a 'net benefit to society' or are leaders in managing ESG issues. The Sustainable Funds invest in companies that are working towards making the world a better place, such as sustainable agriculture, healthcare, cloud computing and electric vehicles. These funds have won 16 awards this year, highlighting how sustainability can be a driver of great investment performance.

3,500+

The number of acts recognised by colleagues for positive behaviours and actions under the *In the Spirit* recognition scheme

3,500+

The number of delegates places being taken through internal training workshops

40%

Having signed up for the HM Treasury Women in Finance Charter in 2016, we aim for 40% of our most senior grade to be female by 2020. Thereafter, we will set new targets to achieve a level of female participation that fully reflects their representation in the UK workforce



Our social responsibility continued

Creating a great place to work

We believe that creating the right culture will support our people to achieve the best outcomes and experiences for our customers and members, and we are firmly on that journey.

During our 2017 Employee Roadshows we launched our People Commitments. Based upon our people's feedback, we designed a set of promises that will make Royal London an even better place to work. The focus was on career development, reward and leadership. This builds on our existing, internal culture programme, which aims to engage our employees through embedding our values and behaviours. Feedback from our employees through our annual employee engagement survey also indicates that our desired culture is increasingly defining the way we work.

Improving employee engagement at Royal London is a priority. Research conducted within the group indicates that engaged employees deliver better customer outcomes. We also believe that providing a great working experience for our people is important, particularly because, as a mutual, our employees are also members and customers.

We invite our employees to share their experience of Royal London through our Employee Engagement survey and we are proud to report positive gains in our Employee Engagement Index results over the last four years (2014-2017).

Our values



In 2017, 90% of our employees participated in the survey and we achieved a favourable Employee Engagement index score of 80%, a result that exceeds the Financial Services norm.

Our recognition scheme *In the Spirit* had its first anniversary in July 2017. More than 3,500 acts were recognised by colleagues as positive behaviours and actions.

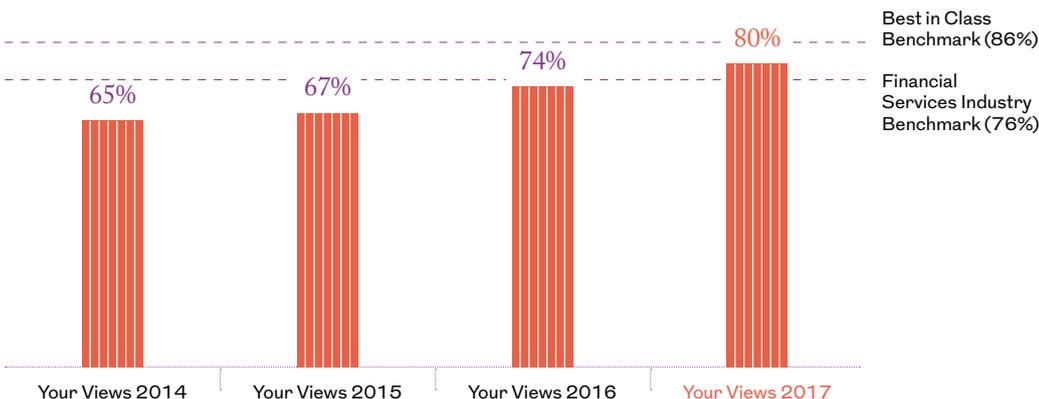
We believe that rewarding our staff fairly is critical and so in 2017 we benchmarked the salaries of all our employees to bring their wages within the range of 90-110% of the market salary. We are proud that in March we became accredited as a Living Wage Employer. Also in 2017, we started work with our partners Elixir, and were supported by Mencap, to create new employment opportunities supporting people with a learning disability. We will share more on this in 2018.

We take the development of our employees seriously and continue to encourage learning across the group, with over 3,500 delegate places being taken through internal training workshops, including seven delegates from staff at East London Business Alliance, our London volunteering partner.

We believe our culture and people are fundamental to our success, and recognise the importance of a diverse workforce. Having signed up to the HM Treasury Women in Finance Charter (WiFC) in 2016, our initial target is for our most senior grade to be 40% female by the end of 2020. We will then set a new target to achieve a level of female participation that fully reflects their representation in the UK workforce. When we signed up our most senior grade it was 32.6% and at the end of September 2017 it was 33.7%. The Group Executive Committee is committed to contributing to our Diversity agenda and, in particular, the achievement of our WiFC target. We publish how we're doing against the targets every year on our website.

Our employee engagement journey

80% of our people are engaged (emotionally connected to Royal London)



Our social responsibility continued

Making a difference in our local communities

In 2017, we launched the Royal London Community programme, with six local charity partners chosen by our people to support those with a chronic or long-term condition. This aligns with our business model as a life and pensions provider. We also relaunched the Royal London Foundation to help members make a difference in their local communities. Both of these initiatives focus on smaller, local organisations, ensuring that the impact of our activity meets the needs of local groups and people. Our internal Community Engagement programme is led by over 70 social responsibility champions across all our offices.

81%

Proportion of people who feel encouraged to take part in community activities

As a result of our investment in our community activity, 81% of our people say they are encouraged to take part in community activities, a 24% increase on 2016.

6,500

Number of people our team challenge programme has supported

In partnership with Business in the Community our team challenge programme has supported 6,500 people.

£144,000

Amount donated overall to charity

We match a portion of our people's fundraising efforts. In 2017, we and our people donated a total of £144,000 to charity.

3

Number of Volunteer of the Month awards

We are proud that three of our London staff were chosen as Volunteer of the Month by our partners East London Business Alliance, in 2017.

3,281

Hours volunteered by staff in 2017

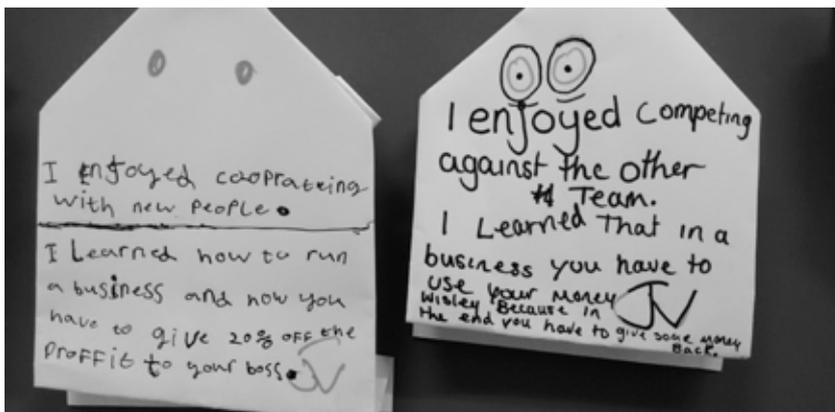
Our Employee Volunteer programme gives our people two days annually to volunteer in their local community.

£185,000

Amount given in grants from the Royal London Foundation in its relaunch year

We paid out £185,000 to 37 not-for-profit organisations nominated by members across the UK in 2017.

As one of our Premier Members, Royal London Group makes a significant contribution to support the Prince's Responsible Business movement. We recognise them for their commitment to improving the impact of their business and for demonstrating that shared value can be created by pursuing the responsible business agenda. **Business in the Community** The Prince's Responsible Business Network



Working with local schoolchildren through our team challenge partners Business in the Community

Our social responsibility continued

Managing our environmental impact

We take the environmental impacts of our business and operations seriously. By monitoring our actions, we are able to gauge the effectiveness of our operations and equipment, and can design upgrade programmes to reduce our impact.

Sustainable approach to investment properties

Royal London takes a strong, sustainable approach to both existing properties and development sites, and we have a Sustainability Policy in place that guides our approach. We set annual targets to reduce energy consumption, all energy consumed is from renewable sources and we seek to ensure that less than 1% of waste is sent to landfill. Our Sustainability Policy can be found on our RLAM Property pages.

Our offices

In 2017 we reduced our CO₂ emissions by 1,081 tonnes against 2016, and we are committed to improving this further. With our energy procured from green sources, and reducing generation of CO₂ emissions, we are on course to achieve our objective for minimal environmental impact.

The upgrading of our premises is seen as a strategic development within the business, and we have spent time in 2017 working on the key priorities for our new Wilmslow office. We really wanted to ensure that we had minimal impact on our people, the local community and the environment. Our new office is currently being designed with the aim of achieving a minimum Building Research Establishment Environmental Assessment Method 'Very Good' rating (an industry-recognised standard).

Within our existing buildings we have been working on a number of initiatives, including:

- › upgrading our lighting to ensure we only light spaces when occupied;
- › upgrading our toilet facilities in Edinburgh to make them more water-efficient;

- › assessing our consumables across our catering contract to reduce the amount of waste, including the use of fully recyclable packaging where possible; and
- › trialling a new cleaning system to use ionized water instead of chemicals to clean our offices, which will be rolled out this year to the rest of our operational properties throughout 2018.

We are also proud that none of our waste in our offices goes to landfill.

In 2017, we began a review across our properties, with our partners Business in the Community, to understand our environmental impact and clarify our environment policy and commitments. We will publish the outcomes on our website in 2018.

Respect for human rights

In 2016, the Group introduced a Modern Slavery Act statement which sets out the steps we are taking to ensure that neither modern slavery nor human trafficking is taking place within our businesses or supply chain. We ask all suppliers and contractors to provide their Modern Slavery Statements and confirm compliance with the Modern Slavery Act 2015, to ensure they have their own processes and policies in place to deal with slavery and human trafficking.

Looking forward to 2018

In 2018, we are continuing on our journey towards understanding the social impact of our activities. We will increase our staff engagement in our local communities through our Community programme, report on our outcomes from the Environment review, and continue to collaborate across our business and with our partners to ensure we get maximum benefit for society from our activities.

Visit our social responsibility pages to find out more about how we support customers and members, our people and our work in local communities: royallondon.com/about/social-responsibility



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