PRINCIPLES AND PRACTICES OF FINANCIAL MANAGEMENT (PPFM)

Long Term Fund
Excluding 'The Closed Funds'

December 2021

Principles and Practices of Financial Management
Royal London Long Term Fund excluding 'The Closed Funds'

The term The Closed Funds' means: The PLAL With-Profits Sub-fund, the Royal Liver Sub-Fund and the Royal London (CIS) Sub-Fund.

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1 INTRODUCTION

1.1 About Royal London

Royal London consists of The Royal London Mutual Insurance Society Limited and its subsidiaries. **Royal London** is the UK's largest mutual life insurer. The Group's businesses offer pensions, life assurance, savings and investment products and provide investment management. Products are distributed direct to policyholders and through independent financial advisers.

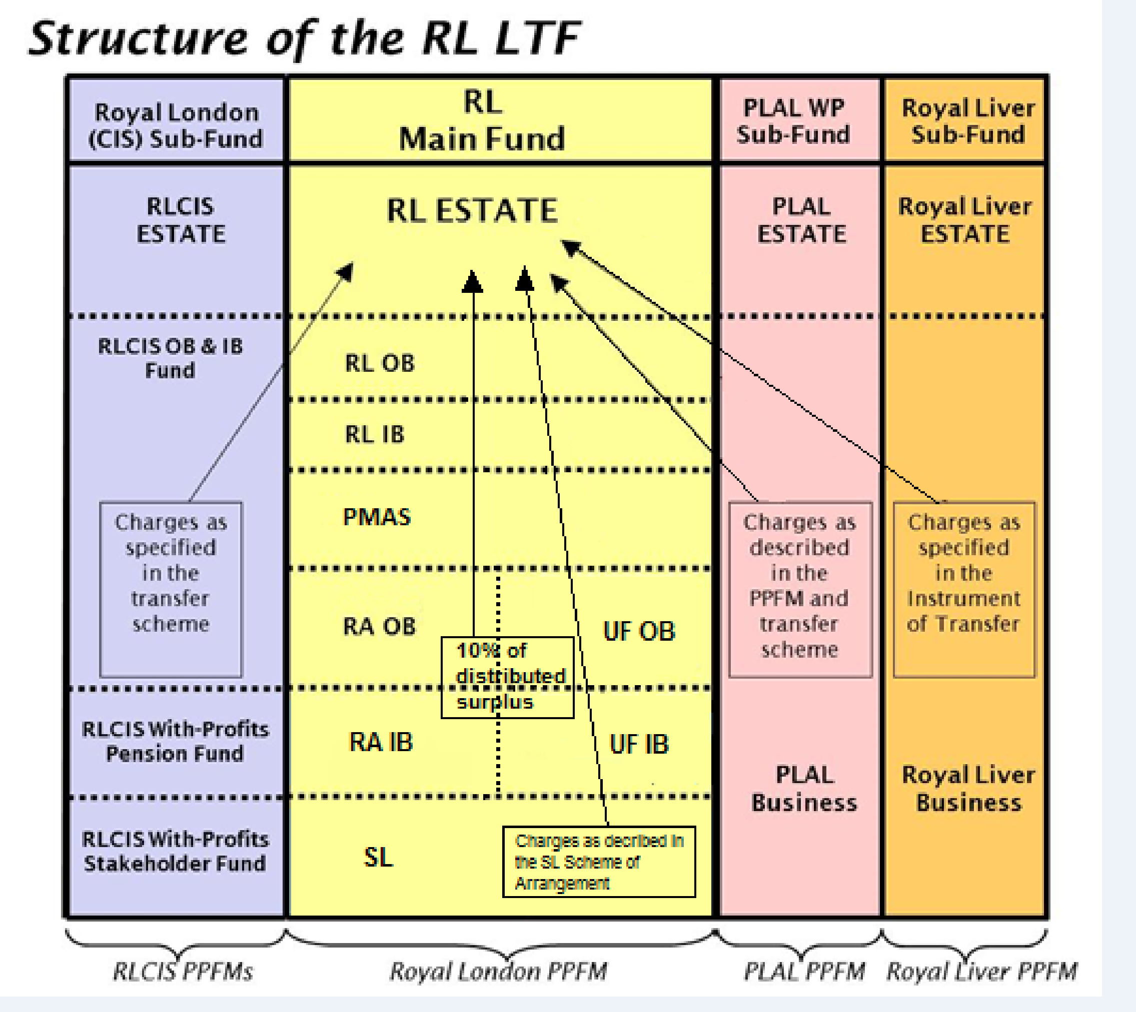
1.2 What does this document include?

This document sets out the Principles and Practices by which certain with profits business within the Royal London Long Term Fund (**RL LTF**) will be managed. Although this document has been written in straightforward language it contains some technical language and terms. These have been included in a glossary and these defined terms can be identified by a **bold typeface**. The aim of this document is to explain and promote understanding of how the **fund** is managed and of the potential risks and rewards from effecting a with profits policy with **Royal London**. It covers those issues which **Royal London** reasonably foresees may have a significant impact on the management of the **fund**. These issues include for example the mutual status of **Royal London**, the management of the **estate**, the exposure to various types of business risk, the investment strategy of the **fund**, how we set the amount payable under a with profits policy and the **fair** treatment of with profits policyholders.

The **RL LTF** consists of the **RL Main Fund,** the **PLAL With-Profits Sub-Fund**, the **Royal Liver Sub-Fund** and the **Royal London (CIS) Sub-Fund**. This document covers the operation of the **RL Main Fund**. The operations of the **PLAL With-Profits Sub-Fund**, the **Royal Liver Sub-Fund** and the **Royal London (CIS) Sub-Fund**, collectively known as **The Closed Funds,** are described in separate documents.

1.3 Structure of the Royal London Long Term Fund

The structure of the **RL LTF** is shown in outline below. Appendix 1 contains further information on the acquisitions made by **Royal London.**



1.4 Types of with profits and deposit administration contracts

1.4.1 General description

This section provides a general description of the main types of with profits and **deposit administration** policies and how they are structured. For any individual contract the policy terms and conditions and any schedules attaching will determine the operation of that contract. The main classes of business are **conventional** with profits policies, **unitised** with profits policies, **unit-linked with profits** policies and **deposit administration** policies.

Conventional with profits policies are contracts which provide a guaranteed sum assured or a guaranteed pension to which bonuses are added. The guaranteed sum assured is payable at the maturity date or on earlier death provided all premium payments due under the policy are made. The guaranteed pension is normally payable from the maturity date. A form of conventional with profits, **accumulating with profits**, is one where a notional fund provides the guaranteed benefit. The notional fund is increased as premiums are paid and as regular bonuses are added.

Unitised with profits policies are contracts under which premiums paid purchase units in a with profits fund. Units are allocated to policies as premiums are paid, and depending on the policy type units may be cancelled to meet expense charges, the cost of life cover or other benefits.

Unit-linked with profits policies are contracts under which premiums paid purchase units in one or more unit-linked funds. These policies differ from non-profit **unit-linked** policies in that they are entitled to participate in the profits of **Royal London** through the application of bonuses. Units are allocated to policies as premiums are paid and units may be cancelled to meet expense charges, the cost of life cover or other benefits. These policies are quite different to **conventional** and **unitised** with profits policies in that the policyholder chooses which funds to invest in and the **asset share** concept used to guide payouts on **conventional** and **unitised** with profits policies does not apply. There is no smoothing applied to payouts and there are no guaranteed maturity benefits as the policy value is determined by the value and number of unit-linked units allocated to the policy.

Some policies may contain a mixture of **conventional, unitised** and **unit-linked with profits** benefits. The PPFM wording applies to the relevant part of each policy as if they were separate contracts.

Bonuses are additions to the benefits payable on with profits policies and usually take two forms: regular bonuses which are added through the policy term; and final bonuses which, if payable, are only added at the date of a claim.

Deposit administration policies are similar to **accumulating with profits** policies. The investment returns achieved on the assets backing **deposit administration** policies are distributed by way of bonus or interest additions each year. Depending on the policy type the **deposit administration** fund for a policy may be reduced to reflect explicit expense charges, the cost of life cover or other benefits. These may alternatively be reflected in a reduced amount of annual bonus or interest. No final bonus is payable on **deposit administration** policies.

1.4.2 Regular bonuses

For **conventional** with profits policies and **deposit administration** policies, regular bonuses are declared as percentages of the guaranteed sum assured or guaranteed pension and in some cases as percentages of the attaching regular bonuses, and are added yearly. For some classes of **unitised** with profits policies, regular bonuses are declared in the form of increases in the price of units held in the **fund**. For other classes of **unitised** with profits policies regular bonuses are declared in the form of extra units being added to the policy yearly. Regular bonus additions increase the level of guaranteed amounts payable on specified events such as death, maturity, or retirement.

For **unit-linked with profits** policies regular bonuses are declared in the form of extra units in the chosen **unit-linked** funds being added to the policy yearly. Once added these units are treated in the same way as units derived from contributions.

A further type of bonus, interim bonus, may also be added at the date of claim. Interim bonus is a way of allowing for some regular bonus between bonus declaration dates for **conventional** and **unitised** with profits policies.

1.4.3 Final bonuses

Final bonuses may be added to the benefits when a claim is paid, depending on the policy type. Any final bonus payable will be determined at the date the claim arises. Final bonus for **conventional** with profits policies is usually expressed as a percentage of the sum assured, notional fund or guaranteed pension benefit. For some policy types final bonus may also be expressed as a percentage of regular bonus added at the date of claim. Normally specific rates of final bonus apply to all policies entering within the same calendar year. Final bonus is not normally paid on the surrender of a **conventional** with profits policy, although the surrender value paid may make some allowance for final bonus.

Final bonus rates for **unitised** with profits policies are usually expressed as a percentage of the unit value. Specific rates usually apply to units purchased in each calendar year or quarter depending on the policy type.

Deposit administration policies do not receive any final bonus.

1.4.4 Amounts payable

The amount payable at maturity or at the contractual retirement date in respect of most classes of **conventional** with profits policies will be the sum of any guaranteed amount (including regular bonuses added during the term of the contract) and any interim and final bonus added at the date of claim. The amount payable at maturity or at the contractual retirement date in respect of most classes of **unitised** with profits policies will generally be the value of the units at the quoted bid price together with any final bonus added at the date of claim. The amount payable at maturity or at the contractual retirement date in respect of **deposit administration** policies is the face value of the account.

Some with profits policies do not have a maturity date and the benefits are payable only on death or surrender. Amounts payable on death depend on the policy type but will generally be the guaranteed benefits and attaching regular bonuses, or the value of with profits units, and may also include interim and final bonus. Some policies pay only a minimal death benefit, for example a return of premiums paid. The structure of the death benefit of any policy can be determined from the policy document.

Amounts payable on surrender are not generally guaranteed in advance of an application to surrender. For **unitised** policies a market value reduction (**MVR)** may be applied to reduce the value of units available to policyholders who choose to surrender their units. For **deposit administration** policies an **MVR** may be applied to reduce the value of benefits available to policyholders who choose to surrender their benefits. An **MVR** would apply only where allowable, according to the policy terms and conditions.

1.5 With profits contracts included in this PPFM

For the purposes of this document, and to make finding a way around the information contained in it as straightforward as possible, each policy has been assigned to a particular group (as explained below). This document covers the PPFM for:

- Group A: **Conventional** with profits policies issued by **RL** before 1 January 2001. This covers **IB** and **OB** life business and **OB accumulating with profits** pension business.

- Group B: **Unitised** with profits policies issued by **RL.** This covers life and pension business issued after 31 December 2000, all with profits ISA business and **Royal London DAC German Bonds**[1] reinsured by **Royal London** under the **German Bond Reinsurance Agreement**.

- Group C: Royal London Funeral Investment Plan issued after 31 December 2014 and with profits benefits of **Royal London Intermediary** policies issued after 30 June 2001, and with profits increments made after 30 June 2001 on Group I policies.

- Group D: **Conventional OB** and **IB** with profits policies issued by **UF** and **conventional IB** with profits policies issued by **RA**.

- Group E: **Unitised** with profits policies issued by **RA** before 1 January 2001. This covers single premium bonds issued before 1 January 2001 and the Personal Pension Plan issued between 1 October 1999 and 31 December 2000.

- Group F: **Conventional** with profits policies issued by **RA** before 1 January 2001. This covers **OB** life and pension business.

- Group G: **Unit-linked with profits** policies issued by **RL** after 30 June 2001.

- Group H: **Conventional** and **Unitised** with profits policies issued by **PMAS**.

- Group I: **Conventional** and **Unitised** with profits policies and **deposit administration** policies issued by **SL** before 1 July 2001.

A summary of the main products and policy types contained in each group is given in Appendix 2.

1.6 What are Principles and Practices?

The Principles are high level statements of the standards **Royal London** will follow in the management of the **fund**. These set out how **Royal London** intends to manage the **fund** over the longer term and how **Royal London** expects to respond to longer term changes in the business, regulatory and economic environment. The Principles

[1] The **Royal London DAC German Bonds** are policies of **Royal London DAC** which is a subsidiary of **Royal London** that are reinsured by **Royal London** under the **German Bond Reinsurance Agreement**. Appendix 2 provides more detail about how the Principles and Practices apply to these policies.

are not expected to change often. However, changes may be made to the Principles and three months' advance written notice will usually be given to affected with profits policyholders unless otherwise agreed with the **Regulator.** The advance notice of changes to the Principles may be contained in annual statements we send to policyholders. The Principles are identified in the text by ***this typeface*.**

The Practices describe **Royal London's** approach to managing the **fund** and to responding to shorter term changes in the business, regulatory and economic environment. In other words, the Practices describe how **Royal London** intends to follow the Principles in the day-to-day management of the **fund**. Any of the Practices may be changed and affected policyholders will be notified within a reasonable timescale unless otherwise agreed with the **Regulator**. Such notice may be contained in annual statements we send to policyholders and may also be published on the website. The Practices are identified in the text by *this typeface.*

In order to enable a reader to understand this document it is necessary to include certain background material which forms part of neither the Principles nor the Practices. This text is shown by the same typeface as in this paragraph.

The **Directors** are ultimately responsible for all aspects of the management of the with profits and **deposit administration** business. The **Directors** have established a With Profits Committee to provide independent advice on the way the **fund** is managed, to provide an independent view when they are considering the interests of with profits and **deposit administration** policyholders and to monitor compliance with the PPFM. Before making any changes to the Principles or the Practices the **Directors** will obtain **Actuarial Advice.**

The Principles and the Practices will continue to evolve over time in response to changing circumstances and changes in the business environment.

Management of the business is not a mechanistic process carried out strictly on the basis of compliance with a detailed set of pre-determined criteria. Rather, many judgements need to be made about the actions to take in aiming to meet the objectives which are described in the Principles and Practices set out in the PPFM. Those judgements are made with a view to achieving what the **Directors** believe is a fair balance between the different interests of individual policyholders and groups of policyholders, and furthering the interests of policyholders as a whole.

A report to policyholders from the **Directors** on compliance with the PPFM is published each year on the Royal London group website. The report for any year is usually available at the end of June of the following year.

As the PPFM is a technical document a series of policyholder friendly Guides to how we manage our with profits fund is available on the Royal London group website.

2 PRINCIPLES AND PRACTICES OF FINANCIAL MANAGEMENT

2.1 Mutuality

Royal London is a mutual insurance company and has no shareholders. In common with other mutual organisations **Royal London** is owned by its members. Because the members are policyholders of the business, there is often a greater common purpose between owners and policyholders than is found in other organisations.

For a mutual company the primary source of capital to operate and develop its business for the benefit of its members is the **estate**, although other sources are available. Other sources of capital used by **Royal London** include reassurance and subordinated debt.

This use of the **estate** by a mutual company to provide the capital requirements of the business means that all the profits and losses remain in the business for the benefit of policyholders and members rather than a share of the profits being paid out to shareholders in the form of dividends.

Royal London remains committed to mutuality, which has served the company and its policyholders well over the years. Only some policyholders are members however, and the rules determining membership are set out in **Royal London**'s Articles of Association as amended from time to time.

There are certain categories of with profits policy which do not confer membership and these include, among others, policies taken out originally with **RA, UF, SL, PLAL, Royal Liver, CIS** or **PMAS.**

Generally, where a policy is taken out by Trustees any membership is conferred on the Trustees who purchase the policy. The trust beneficiaries do not gain membership and if the original Trustees change their membership may be lost. The exceptions to this are personal pension and free-standing additional voluntary contribution policies written under the trusts of The Royal London Personal Pension Scheme (No 2) and The Royal London Free-Standing AVC Scheme (No 2). In these cases Counsel has advised that membership is conferred on the individual for whom the policy is taken out.

Membership may lapse if changes in a policy which confers membership are made, for example failing to maintain premium payments on a regular premium policy, or the assignment of a policy.

2.2 Guiding Principles

Royal London applies some overall guiding principles when managing the **fund** under the Principles and Practices set out in this document. Where there is conflict between one or more Principles or Practices or between any of these and the overall guiding principles, the **fund** will be managed so that the guiding principles are applied.

Guiding Principles

Royal London ***will manage the*** **fund** ***in accordance with the legal and regulatory requirements that apply to it from time to time. This will include maintaining sufficient assets to satisfy ongoing*** **Regulatory Capital Resource Requirements** ***applicable from time to time.***

Royal London ***will manage the*** **fund** ***in compliance with the provisions of any scheme of transfer of business into the*** **fund and any scheme of arrangement that relates to policies in the fund.** ***If a conflict with a principle or practice in this document arises then the provisions of the relevant scheme of transfer or scheme of arrangement will take precedence.***

Royal London ***will conduct its business in a sound and prudent manner with due regard to the interests of its policyholders and with a view to treating policyholders*** **fairly.**

Royal London ***will aim to manage the*** **fund** ***in order to ensure that all guaranteed benefits can be paid as they fall due. This will include observing all contractual terms set out in policy terms and conditions.***

2.3 Management of the Estate

The term '**Estate**' in this document means the excess of the market value of assets and value of in force business attributed to the **fund** over the value of the total of technical provisions for business of the **fund**. Technical provisions comprise **aggregate asset shares** and additional costs in respect of contractual guarantees, options and smoothing. This approach is consistent with the **Regulator's** methodology for determining **Capital Resources** within the **Regulatory Returns** and the assessment of the **Regulatory Capital Resource Requirements**.

The capital required to support the business activities of **Royal London**, such as writing new long term business and developing the business in other ways for the benefit of members, is provided by the **RL Estate**.

When the size of the **PLAL With-Profits Sub-fund** falls below a preset amount the **PLAL Scheme of Transfer** permits it to be transferred as a whole to the **RL Main Fund**. At the point the assets are transferred the residual **PLAL Estate** will be allocated to the remaining **PLAL** with profits policyholders.

When the size of the **Royal Liver Sub-Fund** falls below a preset amount the **Royal Liver Instrument of Transfer** permits it to be transferred as a whole to the **RL Main Fund**. The residual **Royal Liver Estate** will be allocated as enhancements to the remaining **Royal Liver** with profits policyholders as set out in the **Royal Liver Instrument of Transfer**.

When the size of the **Royal London (CIS) Sub-Fund** falls below a preset amount the **RLCIS Scheme of Transfer** permits it to be transferred as a whole to the **RL Main Fund**. At the point the assets are transferred the residual **RL(CIS) Estate** will be allocated to the remaining qualifying **Royal London (CIS) Sub-Fund** with profits policyholders.

PRINCIPLES - Management of the Estate

The fund will be managed to ensure that it will be maintained at an appropriate size in relation to the with profits liabilities calculated on a realistic basis and having regard to the fair treatment of with profits

policyholders. The target size of the RL Estate *will be determined by the* Directors *upon receiving* Actuarial Advice.

The RL Estate *will be used to provide capital to write new* non-participating *and with profits policies and to support other business activities of* Royal London. *In return it will receive profits or losses from writing the new business and from the business activities.*

If, in the view of the Directors, *the* RL Estate *is sufficiently in excess of its target size and/or any amount required for the future management of the business, then it may be reduced by distribution to appropriate policyholders, subject to approval from the* Directors *upon receiving* Actuarial Advice *and after taking into account any constraints imposed by schemes of transfer of business into the* fund and *schemes of arrangement relating to policies in the* fund.

If the level of the RL Estate *falls below the target level determined by the* Directors *the amounts which may be distributed (if any) from the* RL Estate *to policyholders may be reduced and appropriate charges to* asset shares *may be introduced or increased from time to time.*

The RL Estate *may be used to meet exceptional costs which the* Directors, *upon receiving* Actuarial Advice, *consider would not be appropriate to be charged to with profits policyholders.*

The RL Estate *may be required to support* The Closed Funds. *Any shortfall covered by a payment from the* RL Estate *into* The Closed Funds *will be refunded to the* RL Estate, *once the support is no longer required, subject to any constraint from any scheme of transfer or scheme of arrangement. Similarly, the* Estates *of* The Closed Funds *may, in extreme circumstances, be required to support the* fund, *subject to any constraint from any scheme of transfer or scheme of arrangement. Any shortfall covered by a payment from their* Estate *into the* fund *will be refunded to them as soon as possible.*

The* RL Estate *is managed in the expectation that no* re-attribution exercise *will be undertaken.

PRACTICES - Management of the Estate

As a mutual **RL** *uses its* **Estate** *to enable it to*

- *meet the reasonable benefit expectations of existing policyholders*
- *invest in a mix of assets designed to optimise long term returns to the* **fund** *whilst ensuring solvency*
- *write new with profits and* **non-participating** *business*
- *operate the smoothing and distribution policy*
- *develop the business of* **RL**
- *meet its* **Regulatory Capital Resource Requirements** *in all reasonably foreseeable circumstances.*

The target level of the **RL Estate** *is determined as a multiple of the* **Regulatory Capital Requirements** *taking into account the uses of the* **RL Estate** *and the* **Directors'** *attitude to the risk of failing to meet its* **Regulatory Capital Resource Requirements.**

The level of the **RL Estate** *is assessed and managed appropriately with the aim of maintaining it, where possible, within an agreed range around the target level determined by the* **Directors**.

A single pool of profits arising from **Royal London's** *activities is determined by the* **Directors** *as being available for distribution each year. The size of the pool is at the* **Directors'** *discretion and may be zero. This pool is distributed to different types of policy in different ways. For* **conventional** *and* **unitised** *with profits business distributions are normally applied as enhancements to* **asset shares** *as set out in section 2.7.2. For* **unit-linked with profits** *policies distributions are normally applied as a regular bonus of additional units as set out in section 2.7.5.*

The rate of enhancement for **conventional** *and* **unitised** *with profits business written prior to 31 December 2021 is expected to be around 8 times the rate applied to* **unit-linked with profits** *policies. The* **Directors** *have discretion to vary this multiple to reflect circumstances at the time following* **Actuarial Advice**. *However, should the proposed multiple be lower than 6 or higher than 10 then the* **Directors** *must obtain* **Independent Actuarial Advice** *that supports such a change. The* **Regulators** *would be informed in advance of any proposed change to the long-term expected rate of 8 times on business written prior to 31 December 2021. For business written on or after 31 December 2021, including switches into with profits on or after 31 December 2021, the* **Directors** *will have complete discretion to set multiples having received* **Actuarial Advice.**

The target level of the **RL Estate** *will be reviewed by the* **Directors**, *normally annually, and may be changed following* **Actuarial Advice** *to reflect for example changes in economic conditions, changes in regulatory requirements or expectations and changes in the* **Directors'** *risk appetite.*

Regular reports, normally monthly, are provided to the **Capital and Investment Management Committees** *and the* **Directors** *to enable them to monitor the level of the* **RL Estate** *in relation to the target level, the range around the target and the likelihood of the level of the* **RL Estate** *moving outside its range.*

As a result of the information provided in the regular reports the **Capital and Investment Management Committees** *makes recommendations to the* **Directors**, *with the agreement of the Group Chief Executive Officer, on any investment-related action required to steer the level of the* **RL Estate** *towards the agreed target.*

The level of the **RL Estate** *is managed appropriately by the* **Directors** *upon receiving* **Actuarial Advice.** *If the size of the* **RL Estate** *is outside the range around the target level they may authorise an increase or reduction in the level of the* **RL Estate** *by changing as necessary the investment strategy, bonus strategy, payout strategy or smoothing strategy as described in the later sections in this document in order to maintain fair treatment of policyholders. Any action which the* **Directors** *may decide to take will depend on factors including the reasons for and extent to which the* **RL Estate** *is above or below the target level, whether the situation is expected to be temporary or longer lasting, and an assessment of the impact of a range of appropriate actions. The* **Directors** *will obtain* **Actuarial Advice** *when assessing the range of potential actions.*

In assessing the appropriate level of the **RL Estate** *for the purpose of determining whether there is any* **excess surplus** *which should be distributed, the* **Directors** *will take into account that as a mutual the* **RL Estate** *is the primary source of capital to support the business and their desire to provide sufficient investment flexibility in order to maintain the investment strategy in line with expectations of existing policyholders.*

The **RL Estate** *is meeting or being credited with the differences between*

- *the expenses of administering with profits,* ***deposit administration*** *and* **non-participating** *policies and the administration charges passed on to such policies*
- *the cost of risk benefits and the charges for risk benefits passed on to with profits,* ***deposit administration*** *and* **non-participating** *policies*
- *the cost of guarantees on with profits,* ***deposit administration*** *and* **non-participating** *policies and the charges made for those guarantees*
- *the cost of smoothing for with profits and* ***deposit administration*** *policies and charges made to with profits and* ***deposit administration*** *policies for the smoothing*

The **RL Estate** *is being used to meet*

- *the expenses of management of certain classes of with profits policy where the expense levels are higher than those charged to policyholders.*
- *the cost of those annuity guarantees which are not charged to policyholders*
- *the cost of redress or guarantees on mortgage endowment policies*

The **RL Estate** *is being used to provide capital to write new with profits and* **non-participating** *business.*

The **RL Estate** *is being credited with one-ninth of distributed surplus each year on certain transferred with profits policies from* **UAG**. *This transfer is the same transfer that was previously made to shareholders of* **UAG.** *The right to this transfer was purchased by* **Royal London** *when it acquired the shares of* **UAG** *and was set out in the* **UAG Scheme of Transfer**.

The **RL Estate** *may be used to meet any shortfall arising out of transferred business in* **The Closed Funds**. *The* **UF OB policies transferred from UAG are** *entitled* *to receive distributions of* **miscellaneous surplus** *from the* **RL Estate** *in accordance with the terms of the* **UAG Scheme of Transfer**. *Currently there are no shortfalls requiring support.*

Within the **RL Estate** *the* **Notional Account** *is held in relation to* **PMAS** *policies. The* **Notional Account** *tracks the movements in the value of* **PMAS** *assets and liabilities not attributable to day-to-day operations, as set out in the* **PMAS Instrument of Transfer**.

If the absolute value of the **Notional Account** *exceeds £5m then actions will be taken to reduce the absolute value of the* **Notional Account to £5m.** *The value of the* **Notional Account** *and the associated actions taken will be reviewed at least annually and may be reviewed more frequently if needed.*

The actions taken may include one or more of the following:

- *changes to guarantee charges applied to* **PMAS** *asset shares*
- *changes to the asset mix of* **PMAS** *asset shares*
- *one-off charges to reduce* **PMAS** *asset shares*
- *one-off enhancements to increase* **PMAS** *asset shares*

During the **PMAS initial period** *the value of any change in the* **Notional Account** *as a result of these actions will be split between* **PMAS asset shares** *and the* **RL Estate** *as specified in the* **PMAS Instrument of Transfer.**

The investment strategy of the **RL Estate** *is generally different from that of the rest of the* **fund**. *The* **RL Estate** *contains strategic investments which are identified in the later section in this document under* **Investment Strategy**.

2.4 Business Activities

PRINCIPLES - Business Activities

Any business activities entered into by the* fund *must be approved by the* Directors*, upon receiving suitable professional advice where appropriate and in accordance with agreed guidelines on the level and type of risk that may be undertaken.

***The underlying objective of entering into any activity with an associated business risk would be to provide long term value to with profits policyholders who share in the* RL Estate*. This does not preclude the possibility that losses may occur. In such circumstances any losses or compensation costs would initially be borne by the* RL Estate.**

***The* Directors *will take action to mitigate and manage any new business risks that are taken on and will aim to control the level of exposure to all existing business risks within the* fund.**

PRACTICES – Business Activities

Royal London *operates a risk framework for the identification, prioritisation, management and reporting through the year of the key risks by business area.* **Royal London***'s risk framework has three key interlinked elements, which are the Governance Structure, the Risk Appetite and a range of risk policies. This framework is reviewed regularly by the* **Directors** *and amended accordingly.*

Local Executive and senior management are responsible for risk management throughout their areas and for ensuring all staff understand their responsibilities with respect to risk management. They are also responsible for ensuring that their business structures, processes, systems and controls are adequate to manage risk in line with the group risk policies.

Royal London *continuously seeks to obtain independent assurance through Group Risk & Compliance and Group Internal Audit that its systems of risk management and internal control are operating effectively. In addition Group Internal Audit provides an independent opinion 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 control and the risk management infrastructure is also specifically considered by our external auditors in the context of their review of our financial statements.*

Examples of some business risks in relation to the **fund** *are set out below, along with mitigating actions that may apply.*

Risk

Exposures arising from guarantees associated with with profits policies including guaranteed annuity rates or other contractual guarantees.

Mitigation

Limits made to the exposure of the **fund** *to guarantees by adoption of asset/ liability matching, hedging or other techniques as deemed appropriate.*

Risk

Variances in the profitability of **non-participating** *business within the* **fund***, in particular as a result of the exposure to investment, expense, mortality, morbidity, lapse and other risks associated with this business.*

Mitigation

Processes and limits are applied for product pricing and underwriting, and reinsurance and asset/liability matching techniques are used as appropriate.

Risk

Breach of regulatory requirements.

Mitigation

Continual close monitoring of regulatory requirements, ensuring appropriate action is taken as required.

Risk

Exposure to risks arising from the development of new business units such as our 'Direct to Consumer' business.

Mitigation

Detailed financial planning, budgeting and monitoring processes are maintained.

Risk

For some classes of business an implicit allowance is made for additional expenses through the charges that are applied to the product. The risk is that these charges are insufficient to meet the actual additional expenses incurred.

Mitigation

Reviews of charges taken versus expenses incurred and monitoring the effect on the **RL Estate**. *Appropriate action is taken when required.*

Risk

The fees negotiated between **Royal London** *and the service company responsible for administering the policies may be inadequate to cover the actual expenses incurred by the service company. Any losses in any service company within* **Royal London** *are ultimately borne by the* **RL Estate** *as the owner of the service company and may therefore affect policy benefits payable.*

Mitigation

Annual reviews of charges taken versus expenses incurred and monitoring the effect on the **RL Estate**.

Risk

Transactional risks for example process risks relating to incorrect investment pricing, or policy administration transactions.

Mitigation

These are controlled using laid down procedures that seek to minimise the risk of error and fraud.

Risk

Financial support may be required to meet any shortfalls in any of **The Closed Funds**. *This may reduce any distribution from the* **RL Estate** *which could otherwise have been made to* **asset shares**.

Mitigation

Monitoring the size of and managing **The Closed Funds** *to minimise the risk of a shortfall arising.*

Other risks, for example those associated with investment, expenses and taxation, are mitigated by monitoring processes.

Monitoring processes and actions undertaken in relation to the risks associated with acquiring and maintaining new with profits and **non-participating** *policies are covered in the section below on New Business Volumes, along with limits imposed on the volume of new business.*

Limits in relation to other business risks that may be borne by the **fund** *will be determined in accordance with the risk framework.*

The rewards or losses from business risks are credited or charged to the **RL Estate***, and there is no specific limit on the amount that is credited or charged. There is no direct impact on policy benefits payable however:*

- *Policies in Groups A, B, C, E, F, G and* **UF OB** *policies in Group D may benefit from these rewards or losses credited to the* **RL Estate** *as a result of distribution from the* **RL Estate** *or the need to increase the level of the* **RL Estate**.

- **IB** *Policies in Group D do not participate in the rewards or losses credited to the* **RL Estate** *as they instead participated in the distribution of their relevant* **Additional Account** *including a one-off final distribution when their* **Additional Account** *was distributed fully and the policies were consolidated into the* **RL Main Fund**.

- *Policies in Group H may only participate in rewards or losses arising in the* **Notional Account** during the **PMAS initial period**. *They do not participate in the rewards or losses credited to the wider* **RL Estate**.

- *With Profits Policies in Group I may participate in the rewards or losses credited to the* **RL Estate** *from 1 January 2022. Prior to this they participated in the distribution of the* **SL Estate** *including a one-off final distribution when the* **SL Estate** *was distributed fully and the policies were consolidated into the* **RL Main Fund.**

No business risk should arise from the issue of capital instruments by **Royal London** *or its subsidiaries which have the benefit of a subordinated guarantee from* **Royal London** *provided, as is intended, the* **fund** *is managed (and such capital instruments are structured) so that discretionary benefits under with profits contracts are calculated and paid disregarding (insofar as it is necessary for policyholders to be treated* **fairly***) any liability the firm may have to make payments under the capital instruments.*

2.5 New Business volumes

PRINCIPLES - New Business Volumes

Royal London** expects to remain open to new business. If it is decided that the **fund** should be closed to new with profits business then appropriate changes to the principles would be notified to policyholders as part of a wide-ranging process. If the fund is closed to new with profits business part of the **RL Estate** would need to be retained to write new **non participating** business. If the **fund** is closed to all new business one possibility is that the **fund** would be run off over the future lifetime of the business in force at the date of closure to new business, with an appropriate distribution of the **RL Estate.

There is no specific limit to the volume of new with profits business and new **non participating** business allowed to be written in the **fund.** However, the volume of business written will be such that it is unlikely to threaten the benefit expectations of policyholders.

In the event of closure to significant amounts of new business, **Royal London** would review its investment policy, smoothing practices and management of the **RL Estate** in an appropriate manner, so as to ensure the continuing **fair** treatment of remaining with profits policyholders.

PRACTICES - New Business Volumes

The volume of new business written in the **fund** *may be constrained to ensure that the level of the* **RL Estate** *does not fall below the minimum required to satisfy* **Regulatory Capital Resource Requirements**.

Royal London *operates a comprehensive business planning process from which the* **Directors** *receive regular reports and financial projections.*

A business plan is produced annually, setting out the planned volumes of new business for each policy class for the following year. The planned new business volume is set following assessment of the impact on the level of the **RL Estate** *after modelling different levels of new business and mix of policy classes and taking into account the risks associated with writing the different policy types. The planned new business volume and mix is arrived at such that it does not materially affect the appropriate size of the* **RL Estate.** *The business plan will take into account the* *results of any financial modelling carried out during the year including for example different economic scenarios, or the assessment of any capital requirements.*

The planned new business volume is then approved by the **Directors***, upon receiving* **Actuarial Advice** *and after taking into account all aspects of the proposal that may affect policyholders. The principal areas the* **Directors** *consider are the level of capital required to write the planned new business volume, the risks associated with the planned new business volume (assessed in accordance with the risk framework) and any requirements that the previous schemes of transfer may impose on* **RL** *in respect of existing business.*

A formal mechanism for the review and approval of the pricing of proposed new products is in place to ensure that minimum profitability criteria agreed from time to time by the **Directors** *are likely to be achieved. A* **Product Pricing and Approval Committee** *currently carries out this function for products manufactured by* **Royal London***.*

2.6 Investment Strategy

PRINCIPLES - Investment Strategy

The aim of the investment strategy is to optimise the long term return on investments for with profits and **deposit administration** ***policyholders whilst recognising the need for the*** **fund** ***to meet its guaranteed liabilities and commitments to policyholders and maintaining the*** **RL Estate** ***at the target size.***

The **Directors** ***upon receiving*** **Actuarial Advice** ***may group the liabilities of the*** **fund** ***into separate pools and the investment strategy for each such pool may be determined separately.***

The **fund** ***invests in a wide range of assets. In determining the mix of assets between different asset classes, the investment strategy will take into account the size of the*** **RL Estate***, **the*** **fund's** ***ability to meet its ongoing*** **Regulatory Capital Resource Requirements** ***in all reasonably foreseeable circumstances, the long term expected return available from each asset***

category and the observed and expected market volatility of each asset class.

The **non-participating** *business in the* **fund** *is backed either by cash and fixed interest holdings of an appropriate term or (in the case of* **unit linked** *business) by appropriate matching linked assets.* **Royal London** *aims to invest a significant portion of the rest of the* **fund** *in equities and property but the proportions held in fixed interest and deposits will be varied to protect the* **RL Estate** and *maintain it at the target size.*

In considering the range of assets in which to invest, derivatives and other financial instruments may be used within the limits determined from time to time by the **Directors** *for efficient portfolio management or for hedging purposes to protect the* **RL Estate**. *In order to reduce the risk of loss resulting from the failure of a third party the* **Directors** *set limits for exposure to various counterparties, taking into account their credit rating and any other contracts* **Royal London** *has with them.*

There are no restrictions on the **fund** *holding assets that are not normally traded provided that the* **fund** *also holds sufficient liquid assets to meet its requirements. Such assets might include for example, the office buildings occupied by* **Royal London** *employees or investments in* **Royal London** *companies. Any such holdings are reviewed on a regular basis to ensure that they continue to be required to support the operation of the business and that they form an appropriate portion of the* **fund**.

The **fund** *may invest in non-quoted* **Royal London** *companies provided that there is a realistic prospect of a reasonable return on the amount invested.*

In determining the investment strategy of the **fund** *no reliance is placed on assets held within* **The Closed Funds**. *As a mutual there are no other assets held outside the* **fund**.

Until late 2009 the **fund** *was managed as one pool of assets. From 1 January 2010 the* **fund** *was managed as four hypothecated pools of assets backing four liability pools (***UF IB***,* **RA IB, UF OB** *and the remainder of the business in the* **fund***), each of which may have had a different investment strategy appropriate for the business in that pool as described below. On 30 June 2021* **RA IB** *policies were consolidated into the* **RL Main Fund** *and now shares its investment strategy***.** *On 31 December 2021* **UF IB***,* **UF OB** *and* **SL** *policies were consolidated into the* **RL Main Fund** *and now share its investment strategy***.** *Currently the* **fund** *is managed as one pool of assets designed to optimise the returns to the* **fund** *subject to the mix of policies and after taking into account the size of the* **RL Estate** *:*

The unit linked business (including **unit-linked with profits** *business) is backed by appropriate matching linked assets. Other* **non-participating** *business and the* **asset shares** *of specified classes of with profits policies with significant guarantees are backed solely by cash and fixed interest assets of appropriate term. The asset mix underlying the* **asset shares** *of the remaining with profits policies is set with reference to the type of policies within the* **fund***. The asset mix for the* **RL Estate** *is determined after consideration of the value of the* **RL Estate** *relative to its target size and to the* **Regulatory Capital Resource Requirements***.*

The **Directors** *set benchmarks for the asset allocations within the* **fund***. Currently the strategy and the asset mix are reviewed quarterly by the* **Directors** *but these may be changed more frequently or at any time in order to reflect changes in circumstances. The investment mix is monitored by the* **Capital and Investment Management Committees***, which normally meets every month or more frequently if market conditions dictate. Changes to the benchmark asset allocations are recommended to the Group Chief Executive Officer by the* **Capital and Investment Management Committees** *upon receiving* **Actuarial Advice***. Significant changes to the benchmark allocations require approval by the* **Directors** *upon receiving* **Actuarial Advice***.*

The **Directors** *set guidelines for the proportion of assets that may be invested in particular asset classes or in individual securities or companies. Investment may be made only in permitted asset classes. Details of permitted counterparties and limitations on exposure and minimum credit quality for investments are maintained.*

Investment in any new asset class is only permitted after following the approval processes in force. The investment management agreement is revised as appropriate to include such new investments.

The **fund** *currently holds assets which would not normally be traded including its principal administration offices, investments in* **Royal London** *undertakings and the* **Present Value of In Force long term business** *resulting from the acquisitions of* **UAG**, **SL** *and other businesses. Such holdings are monitored to ensure that they form an appropriate part of the* **fund** *and do not constrain the investment freedom of the* **fund.**

The **fund** *currently holds certain quoted investments which are regarded by the* **Directors** *as strategic and may not be traded by* **RLAM** *without obtaining the consent of the Group Chief Executive Officer.*

The ***fund*** *may invest in commodities, infrastructure financing or insurance related investments to provide credit diversification within the* ***fund***. *Investment in any of these classes is only permitted after following the approval process in force.*

The **fund** *may invest in a range of unit trusts and* **OEICS** *managed by* **RLAM** *within guidelines issued by the* **Capital and Investment Management Committees**.

The **fund** *may hold derivative instruments, including options and interest rate swaps and swaptions to provide a close match with the guaranteed annuity option liabilities within the* **fund** *and to provide backing for other guaranteed benefits and for efficient portfolio management.*

The **Directors** *set performance benchmarks against which the returns achieved on the individual asset categories are measured. The performance benchmarks for those assets invested in bonds are set such that the durations of the benchmarks are consistent with the duration of policy benefits and expenses which the bonds are to meet by comparing the expected future contributions and cash flows from bonds held to support non-participating and with profits business, after adjustments for the risk of default with the expected amounts payable in respect of policy benefits and expenses year by year.*

The **fund** *is managed by a wholly owned subsidiary,* **RLAM**, *which invests the assets within guidelines set out in an investment management agreement. The* **Directors** *meet quarterly to monitor the performance achieved by* **RLAM** *against the agreed asset allocation benchmarks, to monitor the performance achieved by* **RLAM** *of the investments in each asset category against agreed performance benchmarks and to monitor adherence to the investment management agreement.*

Royal London *publishes the asset mix at 31 December each year in respect of* **conventional** *and* **unitised** *with profits business in the* **fund**. *Such information may be provided in the annual report and accounts or it may be published on the website. Such information is also provided to policyholders by other means, for example in literature accompanying annual statements or bonus notices. Information on the approximate asset mix is also normally available quarterly.*

Each **unit-linked** *fund has its own investment aim and benchmark.*

2.7 Policy Benefits Payable

This section describes how **Royal London** determines the benefits payable to with profits and **deposit administration** policyholders. The first two parts describe the general Principles and Practices **Royal London** uses to determine the policy benefits payable and explain in detail the calculation of **asset shares** in this process. The final parts describe the smoothing policy adopted by the **fund,** how final bonus and market value reduction (**MVR**) scales are determined and how regular (or annual) bonuses are set.

The benefits payable on **unit-linked with profits** policies are determined by the number and value of unit-linked units allocated to the policies. The concept of **asset share** does not apply to these policies, nor does smoothing.

2.7.1 General Principles and Practices

PRINCIPLES - Policy Benefits Payable

***When determining the amounts payable* Royal London *will aim to meet the reasonable benefit expectations of all policyholders, treating different classes and generations of policyholders* fairly.**

One aspect of* fairness *is the need to ensure that the interests of remaining policyholders are safeguarded against the impact of policyholders voluntarily exiting the* fund. *Voluntary exits are those arising where

policyholders do not complete the full terms and conditions of their policies. This might be for example by ceasing to pay premiums, by altering the policy or by surrendering benefits. Royal London aims to meet the reasonable expectations of these policyholders, but will also seek to ensure that the appropriate credit is made to the RL Estate in order to safeguard the benefits of continuing policyholders.

For conventional and deposit administration business Royal London aims to smooth payouts in order to ensure that on average over the longer term the amount paid on maturity and death claims is the asset share subject to a minimum of the guaranteed benefit. For unitised business Royal London aims to ensure that on average over the longer term the amount paid on maturity and death claims is the asset share of the policy subject to smoothing. For both types of business maturity payouts and death claims will be calculated by adding a final bonus, which may be zero or positive, to guaranteed benefits. In order to meet reasonable benefit expectations of certain classes of existing policyholder Royal London may pay greater than asset share.

For unit-linked with profits business claim values reflect the number and value of units held in each policy. The number of units will include those bonus units added to provide a share of the profits earned in the RL Main Fund.

Payments on voluntary exit may reflect a charge for any unrecouped expenses and other charges, including a charge for the use of capital. In addition, for unitised business, payments on surrender or part surrender will reflect the application of a market value reduction (MVR) as appropriate.

The method of determining payouts may be changed in the future but in the event of any such change a formal process will be followed requiring the decision of the Directors upon receiving Actuarial Advice.

The fees to be charged against with profits and deposit administration policies in the calculation of benefits are agreed annually through

negotiation with the service company responsible for administering the policies and are determined on bases which are judged to be appropriate to all policyholders taking into account the expenses incurred for each category of business.

Historical assumptions or parameters may not be changed unless the **Directors** ***upon receiving*** **Actuarial Advice** ***consider changes are required to correct errors, to reflect new information or to maintain*** **fairness** ***between policyholders and the effect of the change on*** **asset shares** ***would be material.***

Some approximations in calculating payouts are made, including adoption of a common bonus series for altered and unaltered policies, for endowment and whole life policies in some policy classes and for policies of different sizes. For classes of policy where **asset shares** ***are not calculated the payout may be determined by methods which provide an approximation to*** **asset share**. ***All methods used, assumptions made and parameters used lead to approximations in calculating payouts as a result of pooling of experience over the fund and over policy classes.***

PRACTICES - Policy Benefits Payable

The benefits payable on ***unit-linked with profits*** *policies depend on the number and value of units held and the concept of* ***asset share*** *does not apply. The maturity amounts payable under* ***conventional*** *and* ***unitised*** *with profits policies are currently determined by the use of* **asset shares** *as a guide to setting payout levels.*

Documentation setting out the methods, procedures and assumptions used in the calculation of policy values is maintained.

The **asset shares** *used when determining maturity payouts may be* **bare asset shares**, **enhanced asset shares** *or* **smoothed asset shares** *depending on the type of business being considered. Further details on the enhancements applied are included in the section below on* **asset shares**.

Target maturity payouts are 100% of **enhanced asset share** *for policies in the following Groups*

*A (**conventional** with profits policies issued by **RL** before 1 January 2001)*
*C (Royal London Funeral Investment Plan issued after 31 December 2014 and with profits benefits of **Royal London Intermediary** policies issued after 30 June 2001)*
*D (**conventional OB** and **IB** policies issued by **UF** and **conventional IB** policies issued by **RA**)*
*F (**conventional** with profits policies issued by **RA** before 1 January 2001)*
*H (**conventional** and **unitised** with profit policies issued by **PMAS**)*
*I (**conventional** and **unitised** with profit policies and **deposit administration** policies issued by **SL**)*

*Target maturity payouts are 100% of **enhanced asset share** for policies in Group B (**unitised** with profits policies issued by **RL**) and Group E (**unitised** with profits policies issued by **RA** before 1 January 2001) other than the Personal Pension Plan for which the target is 100% of **bare asset share**.*

For some groups of business asset shares are calculated using individual policies. For other groups of business asset shares are calculated using specimen average contracts representative of policies expected to mature or becoming claims in the period under consideration. The average premium and the average age at entry are calculated for representative years of entry to determine the specimen average contract for that year.

*We aim to set bonus rates so that the maturity payout, expressed as a percentage of **bare asset share** or **enhanced asset share** (as appropriate), falls within 80% to 130% for **conventional** business, excluding policies issued by **SL**, and 75% to 125% for **unitised** business for most policies and all with profits business issued by **SL**.*

*To determine maturity payouts **asset shares** are calculated for contracts expected to mature in the period under consideration. The method of calculation of **asset shares** is described below.*

*The methods for calculating the **asset shares** and the parameters that are used in the calculations are documented and any material changes are approved by the **Directors**, upon receiving **Actuarial Advice**. Historical assumptions or parameters derived from the experience or actions of **RL** may be changed, upon receiving **Actuarial Advice**. For example we may change previously applied* *investment returns, expense assumptions, or other charges or parameters. We normally only do this if more accurate information becomes available or to correct an error and where the effect on the* **asset share** *calculation is significant.*

For **conventional** *business, benefits payable on voluntary exit are determined using a formulaic approach. The intention is to allow for the period during which the policy has been in force and for recovery of expenses and other charges. Regular bonuses allocated are adjusted as required to allow for adjustment to benefits and the early payment. A final bonus may be added but this may be at a reduced rate and may be adjusted to ensure* **fairness** *of treatment.*

The methods for calculating payments on voluntary exit of **conventional** *business and the parameters that are used in the calculations are documented and any changes are approved by the* **Directors** *upon receiving* **Actuarial Advice**. *Although the formulae and parameters were not historically changed frequently they are now being reviewed more regularly.*

For these policies **asset share** *type techniques are used to test the appropriateness of the surrender formulae from time to time. These tests use representative assumptions of policy expenses, mortality, tax and estimated long term investment returns.*

We aim to set voluntary exit payments for **conventional business** *so that the payout, expressed as a percentage of* **bare asset share** *or* **enhanced asset share** *(as appropriate), is the same as maturities in the longer term subject to the requirement to protect the interests of remaining policyholders. For most* **conventional** *business the voluntary exit payout falls within 80% to 130%.*

For **unitised** *business (excl. PMAS policies), benefits payable on surrender or part surrender are determined by reference to the guaranteed benefits of the policy, to which a final bonus may be added. The claim amount is adjusted for recovery of expenses and other charges and may be modified by application of an* **MVR**.
For **unitised PMAS** *business, benefits payable on surrender or part surrender are determined by the* ***enhanced asset share,*** **smoothed asset share** *and (where no* **MVR** *is applicable) the guaranteed benefits***.**

We aim to set voluntary exit payments for **unitised** *business amd* **deposit administration** *business so that the payout, expressed as a percentage of* **bare asset share** *or* **enhanced**

***asset share** (as appropriate), is the same as maturities in the longer term subject to the requirement to protect the interests of remaining policyholders. For most unitised business the payout falls between 75% and 125%.*

The maturity and voluntary exit ranges will be reviewed periodically, usually annually. The ranges are targets and it is not guaranteed that payments will fall within the specified ranges. For some groups of business individual policies are used when determining consistency of payouts with the target ranges and for others specimen policies are used. Sufficient numbers of specimen policies are used to ensure that there is no material effect of this approach compared to assessment using individual policies.

In particular the target ranges do not apply in the following circumstances:

- *Where the effect of policy guarantees leads to a higher figure;*
- *Some minor classes of business where **asset shares** are not calculated;*
- *Where the **asset share** does not represent a **fair** guide to the payout, for example altered (including paid-up) policies, certain conventional whole of life policies and policies with very small (or negative) **asset shares**.*
- *In extreme investment conditions or after an extended period of favourable or adverse investment conditions.*
- *In exceptional circumstances, for example when the **fund** is expected to be unable to continue to meet its **Regulatory Capital Resources Requirement**.*

*For classes of business where **asset shares** are not calculated, or where **asset shares** do not represent a **fair** guide to payouts, claim values are determined using other methods. These methods aim to arrive at amounts consistent with those calculated for other policies in order to ensure **fairness** between the different policy types.*

Final bonus rates and hence payouts for paid-up policies are generally based on unaltered premium paying policies.

2.7.2 Calculation of Asset Shares

The table below covers the calculation of **asset shares.** Where there aredifferences in the calculation of **asset shares** for the various groups of business described in this document, a separate section for each group of business (A to I) is given in each section of the table as applicable. For details of the policies contained in each group please refer to Appendix 2.

PRACTICES - Calculation of Asset Shares

CALCULATION	
Asset shares *other than for the Personal Pension Plan are calculated by accumulating the premiums paid at the rate of return earned on the assets backing the policies after allowing for charges. These charges may include the expenses incurred (for example, set up costs, commission payments, administrative fees and investment management costs), the cost of risk benefits, the cost of guarantees, the cost of smoothing, the cost of capital and the cost of tax. Some of these are described in more detail below.*	
GROUPS B, E	***Asset shares*** *for the Personal Pension Plan are calculated by accumulating the premiums paid at the rate of return earned on the assets backing the policies after allowing for the explicit policy charges.*
GROUPS D, E, F	*Charges for policies in these groups also include a transfer to the* **RL Estate**.
ENHANCEMENTS	
Asset shares *may be increased by way of enhancements from time to time. These enhancements may be temporary or permanent additions to* ***asset share*** *and form part of the* ***enhanced asset share*** *on which payouts are targeted.*	
GROUPS A,B,C,E,F	***Asset shares*** *of policies (excluding the Personal Pension Plan) can benefit from future enhancements by way of participation in the distribution of* ***miscellaneous surpluses*** *arising in the fund plus any distribution of the* **RL Estate** *where appropriate***.** *From 2007* ***asset shares*** *(other than those for the Personal Pension Plan) may be enhanced by way of participation in any distribution of* ***miscellaneous surpluses***.
GROUP A	*When determining the* ***asset shares*** *for policies in this group an uplift was applied to investment returns in certain calendar years before 2007 to provide an additional return to policyholders. This uplift met the reasonable expectations of policyholders who effected their policies with* **RL** *before January 2001 and who were receiving*

	a share of the ***RL Estate*** *(or* ***miscellaneous surpluses*** *that have been credited to the* ***RL Estate****).*
GROUPS B, C	*Prior to 2007 the* ***asset shares*** *of policies in these groups were not enhanced.*
GROUP D	*Asset shares of policies in this group have historically been enhanced through participation in the distribution of their* ***Additional Account*** *including enhancement on closure and consolidation into the* ***RL Main Fund.*** *Asset shares of* ***UF OB*** *policies may be enhanced by way of participation in any distribution of* ***miscellaneous surplus*** *from the* ***RL Estate.***
GROUPS E, F	***Asset shares*** *of* ***RA OB*** *policies (excluding the personal pension) have historically been enhanced through participation in the distribution of their* ***Additional Account*** *including any enhancement on closure and consolidation into the* ***RL Main Fund****.*
GROUP H	***Asset Shares*** *of* ***PMAS*** *policies may be enhanced through participation in the* ***Notional Account.*** *They do not participate in distributions of the* ***RL Estate****.*
GROUP I	*Asset shares of policies in this group have historically been enhanced through participation in the distribution of the* ***SL Estate*** *including enhancement on closure and consolidation into the* ***RL Main Fund.*** *They may be enhanced by way of participation in any distribution of* ***miscellaneous surplus*** *from the* ***RL Estate*** *from 1 January 2022****.***
INVESTMENT RETURNS	
The investment return allocated to ***asset shares*** *for each policy group is based on the asset mix assumed to back the* ***asset shares*** *of the with profits policies in each investment group.* *In the past we have used different approaches to allocate investment returns to* ***asset shares*** *but all with the same overall aim.*	
GROUP A	*The investment return allocated to* ***asset shares*** *is the actual return for each calendar year or, where it is not yet available, an estimate.*

	Some historic investment returns have been estimated where detailed records are not available.
GROUPS B, E, H	*The investment return allocated to* **asset shares** *is the actual return on the relevant investment within the* **RL fund.**
GROUP C	*In order to calculate final bonuses and* **MVR** *scales, unsmoothed investment returns are used in the* **asset share** *calculation.* *The investment return allocated to* **asset shares** *is the actual return for each calendar year or, where it is not yet available, an estimate.*
GROUPS D, F	*Regular premium pension policies issued before 1 October 1992 and single premium pension policies and certain* **UF OB** *pension policies are deemed to be invested wholly in fixed interest securities and cash from 2010 onwards.* *The investment return allocated to* **asset shares** *from 2001 is the actual return for each calendar year or, where it is not yet available, an estimate. The investment returns allocated for earlier years are the actual returns on the* **RA** *or* **UF** *fund assets as appropriate. Some historic investment returns have been estimated where detailed records are not available.*
GROUP I	*The investment return allocated to* **asset shares** *is the actual return on the relevant investments within the* **RL fund.** *For group with profits business and for* **deposit administration** *policies the same asset allocation is assumed for all policies within each class. The asset allocation for with profits policies is set separately from* **deposit administration** *policies.*
TAX	
The investment returns after tax are currently calculated by applying the appropriate tax rates to the components of the return. For example different assumed tax rates are used for income and gains, and for equities and other investments. Expenses on taxable products are also reduced to allow for tax relief. This broad approach gives an appropriate allowance for tax within the **asset share** *calculation.*	

Actual tax paid is calculated separately using a much more detailed approach and the difference between the actual tax paid and the notional tax assumed in the ***asset share*** *calculation is charged/credited to the* **RL Estate**.	
EXPENSES	
Expenses broadly cover set up costs, administration fees, commission expenses (if applicable) and investment management expenses. Generally, the greatest expense is incurred at the time the policy is set up and ongoing administration and investment management fees tend to be much smaller. *Expense levels are affected by the type and nature of the policy. The expenses charged may be a flat amount per policy, or related to the size of the premium, fund or sum assured, or some combination of these.* *All expenses that are not charged to* ***asset shares*** *will be met from the* **RL Estate**.	
GROUPS A, B	*Since January 2001 the expenses for acquisition and maintenance of with profits policies (other than the Personal Pension Plan and the* ***Royal London DAC German Bonds****) taken into account when calculating* ***asset shares*** *are the fees set out in the agreement between* ***Royal London*** *and the service company responsible for administering the policies. The agreement defines how these fees will be calculated and the fees are agreed each year.*
GROUPS B, E	*For the Personal Pension Plan no explicit allowance for expenses is made in the calculation of* ***asset shares****, with the exception of an annual management charge and other explicit policy charges.*
GROUP B	*For the* ***Royal London DAC German Bonds*** *the expenses for maintenance taken into account when calculating* ***asset shares*** *are the fees set out in the agreement between* ***Royal London DAC*** *and the service company responsible for administering the policies.*
GROUPS D, E, F	*Since January 2001 the expenses for acquisition and maintenance of with profits policies (other than the Personal Pension Plan) taken into account when calculating* ***asset shares*** *are the fees set out in the agreement between* ***Royal London*** *and the service company responsible for administering the policies. These fees are set each year in accordance with the terms of the* ***UAG Scheme of***

	Transfer. *The expenses charged to* **asset share** *from August 1997 until December 2000 were those set out in agreements between a service company and* **RA** *and* **UF.** *Expenses charged to* **asset share** *before August 1997 were calculated using expense analyses by allocating the overall office expenses between product groups and between initial and maintenance costs using standard actuarial techniques.* *All expenses for* **UF IB, UF OB** *and* **RA IB** *policies are charged to* **asset shares.** *Asset shares for* **UF IB, UF OB** *and* **RA IB** *policies may be charged for exceptional costs which the Directors, upon receiving Actuarial Advice, consider would not be appropriate to be charged fully to the* **RL Estate**.
GROUP H	*Since 1st October 2020 expenses for maintenance of* **conventional** *with profits policies taken into account when calculating asset shares are the fees set out in the agreement between Royal London and the service company responsible for administering the policies. The agreement defines how these fees will be calculated and the fees are agreed each year.* *For* **Unitised** *with profit business no explicit allowance for expenses is made in the calculation of* **asset shares**, *with the exception of an annual management charge.* *Exceptional expenses arising within the* **Notional Account** *during the* **PMAS initial period** *may be charged to the* **asset shares** *of* **PMAS** *policies in line with the* **PMAS Instrument of Transfer.** *No deductions are made for the cost of capital. The initial* ***Notional Account*** *calculation allowed for the cost of capital on Group H policies.*

GROUPS A, B, D, E, F, H	*The charges for investment management, including investments in collective investment schemes, are determined under the terms of the investment management agreement described in the section on* **Investment Strategy**. Explicit investment management charges are not applied to **Unitised** *with profit business in Group H.*
GROUP C	*No explicit allowance for expenses is made in the calculation of* **asset shares**, *with the exception of an annual management charge equivalent to that levied on unit linked funds.*
GROUP A	*Expenses charged to* **asset share** *before 2001 were calculated using expense analyses by allocating the overall office expenses between product groups and between initial and maintenance costs using standard actuarial techniques.*
GROUP I	*Expenses prior to 1 July 2001 were assessed by allocating the overall office expenses between product groups and between initial and maintenance costs using standard actuarial techniques.* *From 1 July 2001 for ten years the expenses incurred were as set out in section 25 and Schedule 5 of* **The SL Transfer Scheme.** *Since the expiry of this ten year period, the scheme limits the level of increase in expenses to at most those chargeable by third party competitor companies, limiting the need for the* **Directors** *to review this arrangement. Where expenses are allowed for explicitly in the calculation of* **asset shares** *they follow those set out in the terms of* **The SL Transfer Scheme.** *The allowance for expenses is made implicitly for some classes of business and for these classes the expenses allowed for match the charges applied to the policy. In each case the amount applied represents a* **fair** *proportion of the total expenses incurred in administering all policies, using accepted actuarial techniques***.** *The difference between implicit and explicit allowance is an established practice and constraints are imposed on changes to this approach to allocating expenses by* **The SL Transfer Scheme**.
COST OF RISK BENEFITS	

The charge for life cover and other risk benefits in the calculation of ***asset shares*** *is approximated by using standard mortality tables, morbidity tables or other appropriate tables, adjusted to reflect the experience of* ***the Fund****.*	
GUARANTEES	
At the discretion of the ***Directors*** *upon receiving* ***Actuarial Advice****,* ***asset shares*** *may be charged with a guarantee charge to cover the average expected cost in the medium term of guaranteed benefits. A guaranteed benefit might be, for example, the sum assured by a life policy or a guaranteed annuity conversion rate applicable to a pension policy. This cost is determined by the excess of benefits payable over the* ***asset share****.*	
GROUPS B, E	*No charges to* ***asset share*** *in respect of guarantees will be applied to the Personal Pension Plan.* *A single charge will be applied at outset to* ***asset share*** *for any surrender value guarantee provided on any With Profits Bond Plus policy issued with such a guarantee. Examples of factors which may be taken into account when determining the level of charge for any surrender guarantee include the period over which the guarantee is applicable, the asset mix of the* ***fund****, the market cost of derivative contracts of an appropriate type and expectations of future returns on bonds.* *For all other contracts, no charges are taken from* ***asset shares*** *in respect of any benefits payable other than death benefits, which are referred to above in the section of the table headed 'cost of risk benefits'.*
GROUP H	*A charge for the cost of guarantees is currently applied to the* ***asset shares*** *of policies issued by* ***PMAS****.*
GROUPS A, C, D, F, I	*No charges are taken from* ***asset shares*** *in respect of any benefits payable other than death benefits, which are referred to above in the section of the table headed 'cost of risk benefits'.*
TRANSFER TO THE ESTATE	
GROUPS A, B, C, H, I	*No transfer from distributed surplus is made to the* ***RL Estate.***
GROUPS D, E, F	*This transfer is the same transfer that was previously made to shareholders of* ***UAG****. The right to this transfer was purchased by*

	***Royal London** when it acquired **UAG** and was set out in the **UAG Scheme of Transfer**. The amount of the transfer is one-ninth of distributed surplus each year on all policies in these groups other than the Personal Pension Plan.*

***Group G Unit-linked with profits** policies issued by **RL** after 30 June 2001)*

***Asset shares** do not apply to this business. Instead policy benefits are determined by the number and value of **unit-linked** units allocated to the policy. The number of units will include those bonus units added to provide a share of the profits earned in the **RL Main Fund**.*

2.7.3 Smoothing

Smoothing is an important feature of **conventional and unitised** with profits and **deposit administration** investments and is the means by which the impact on policyholders of fluctuations in the value of the underlying assets is reduced. Smoothing can be seen in the way in which the payout levels change from time to time for policyholders, where the changes may be more or less than the movements in the underlying assets. Changes are controlled carefully to ensure that all policyholders are treated **fairly**. Smoothing does not apply to **unit-linked with profits** business.

For with profits business; a final bonus may be payable in addition to the guaranteed benefits when the policy benefits are taken. **Deposit administration** policies do not receive a final bonus. Payment of any final bonus is not guaranteed however and **Royal London** aims to pay out the accumulated value, if any, of policy benefits above the guaranteed benefits and any annual bonus already attaching to a policy.

PRINCIPLES - Smoothing

RL aims to smooth payouts of conventional and unitised with profits policies and deposit administration policies at maturity to limit the amount of change between payouts on similar policies from one period to another. The aim is to reduce the effect of volatility in the underlying assets but the amount of any smoothing may be varied to ensure that policyholders are treated fairly and to protect the remaining policyholders. A consistent approach will be applied between different

***classes and generations of policyholder.* RL *may vary its approach to smoothing upon receiving* Actuarial Advice.**

Any adjustments for smoothing may be positive or negative and any amounts withheld or advanced as a consequence of smoothing will be calculated so that policyholders are treated* fairly. *There is no explicit maximum cost or excess from smoothing in the shorter term. Overall the effect of smoothing is intended to be neutral over the longer term after allowing for the effect of any enhancements.

Unit-linked with profits *business does not have any smoothing applied.*

PRACTICES - Smoothing

The amounts by which maturity payouts on similar **conventional** *and* **unitised** *with profits policies with a similar term to maturity vary from one year to the next are smoothed. Each year the* **Directors** *consider the cost of the bonus addition and the need to maintain the* **RL Estate** *at an appropriate size in determining whether to limit the percentage change in payouts. The* **Directors** *take into account the size of the* **RL Estate** *and the expected future contributions to or from these in determining the percentage changes to payouts.*

Our approach to setting payouts on **conventional** *and* **unitised** *with profits policies at maturity is to start by looking at both recent payout levels and* **asset shares**. *We use a formula to help guide us in determining the maturity payout, which depends upon how payouts relate to* **asset shares**, *the strength of the fund and how much capital we have at the time. The formula acts as a guide and the parameters in the formula can change over time, dependent upon factors such as the size of the* **RL Estate** *and the need to balance the respective interests of continuing policyholders against those of holders of maturing policies.*

Where the size of the **RL Estate** *has reduced and the payout had been above* **asset share** *a reduction in payout is likely to be applied. Similarly, where the size of the* **RL Estate** *has increased and the payout had been below* **asset share** *an increase in payout may be appropriate. Where the payout is significantly above or below* **asset share** *then the reduction or increase in payout would be larger than if payouts and* **asset shares** *were more closely aligned.*

There is no explicit maximum accumulated cost or excess from smoothing. However a balance is struck between the reasonable benefit expectations of policyholders exiting the **fund** *and those who remain part of it. A consistent approach is applied between different classes and generations of policyholder.*

There is also no explicit maximum limit set by the **Directors** *on the change in level of payout at maturity between one period and another although in recent years there have been occasions when the* **Directors** *have exercised their discretion to limit the highest change in payout levels between periods.*

For **unitised** *with profits policies in Group H (Policies issued by PMAS) a different smoothing approach is applied. A* **smoothed asset share** *is calculated (allowing for enhancements) and used as a basis for claims except in the following scenarios:*

- *Where Platinum Bond or TUPP policies are subject to an MVR the* **enhanced asset share** *is used.*
- *In certain circumstances* the **enhanced asset share** *may be used as a basis for claims (rather than the* **smoothed asset share**). *This applies to all* **unitised** *with profits policies and is used to ensure fairness between policies remaining in the* **Fund** *and those exiting during the affected period.*

Currently for **conventional** *with profits policies (Groups A, D, F, H and I) the amounts payable on surrender (including transfer of a pension policy) are not generally smoothed other than as a result of applying the appropriate surrender formula to determine the amount payable where this formula includes an element of final bonus in the claim value. In some cases smoothing may be applied to ensure payment on voluntary exit expressed as a percentage of* **bare asset share** *or* **enhanced asset share** *(as appropriate) is similar to maturities in the longer term.*

2.7.4 Final Bonus and MVR Scales

For payouts at maturity on **conventional** and **unitised** with profits policies final bonus scales are set to reflect broadly the amounts to be paid out in excess of the guaranteed benefits including attaching regular bonuses, subject to smoothing. For **unitised** with profits and **deposit administration** policies **MVR** scales are normally set to reflect broadly the amounts by which the value of guaranteed benefits plus final bonus (if applicable) are to be reduced towards **asset share**, subject to smoothing. Adverse market conditions may reduce the **asset share** for a policy to a point below the level of guaranteed benefits plus final bonus (if applicable). In such circumstances an **MVR** will be applied. As final bonus rates are smoothed over time the **MVR** may still be required some time after the initial adverse market movements while the **asset share** remains below the level of guaranteed benefits plus final bonus (if applicable).

PRINCIPLES - Final Bonus and MVR Scales
Final bonuses and* MVR *scales will be set having regard to the principles for determining payouts and for smoothing. However changes may be made at any time in order to maintain the target level of the* RL Estate *and to ensure policyholders are treated* fairly. *There are no explicit constraints on the size of the change in final bonus rates,* MVR *scales or surrender or transfer bases from one declaration to the next. Final bonuses may be reduced to zero and* MVR *scales may be introduced or increased.
MVR*s will be applied or surrender or transfer bases will be altered where necessary to reduce the level of smoothing applied to voluntary exits and to bring payouts closer to underlying* asset shares.

For **Unitised** *with profits policies in group H (policies issued by* **PMAS**) the *final bonus and* ***MVR*** *amounts payable are set on an individual policy basis and using a prescribed formula. All other final bonus and* **MVR** *scales are reviewed on occasions during the course of the year (usually monthly for* **unitised** *policies), particularly following relatively significant movements in stockmarkets. Although in years before 2009 final bonus rates for* **conventional** *policies changed only once during a year, more frequent changes have been made since and may be made in the future to ensure* **fairness** *is maintained between classes and generations of policyholder.*

Changes to *final bonuses and* **MVR***s on* **unitised** *with profits policies in group H are derived using a formula and do not require the formal approval of the With Profits Actuary. Any changes to the approach used for calculating final bonus and* **MVR***s on these policies would be subject to the formal approval of the* **Directors** *upon receiving* **Actuarial Advice.**

Routine changes to bonus rates for **unitised** *with profits policies where rates are reviewed monthly are subject to the formal approval of the With Profits Actuary. Other changes to final bonus and* **MVR** *scales are determined subject to the formal approval of the* **Directors** *upon receiving* **Actuarial Advice** *and may be made at any time. Final bonus is only added to a claim if the* **Directors** *are satisfied that the* **fund** *will be able to continue to meet its* **Regulatory Capital Resource Requirements** *in all reasonably foreseeable circumstances.*

Conventional *policies - policies in Groups A (***Conventional** *with profits policies issued by* **RL** *before 1 January 2001), D (***Conventional OB** *life policies and* **conventional IB** *policies issued by* **UF** *and* **conventional IB** *policies issued by* **RA)**, *F* **(Conventional OB** *with profits policies issued by* **RA** *before 1 January 2001) and* **Conventional** *policies in Group H (Policies issued by* **PMAS***):*

Final bonuses are added to the guaranteed benefits to provide the required total payouts as determined using total **asset shares** *and after applying the appropriate smoothing.*

A final bonus scale is determined for each policy term after any smoothing required to avoid anomalies. The final bonus scale is determined by the **Directors** *upon receiving* **Actuarial Advice**.

For Groups A, D and F, it is current practice on surrender or transfer of a policy to include an amount of final bonus. The amount, which may be zero, generally depends on the original term of the policy and the length of time a policy has been in force. Currently the final bonus allocated on surrender or transfer is usually based on the scale in use for death and maturity claims.

For **Conventional** *pension policies in Group D issued by* **UF***:*

Final bonuses are added to the guaranteed benefits to provide the required total payouts as determined using total **asset shares** *and after applying the appropriate smoothing.*

A final bonus is determined for each policy after any smoothing required to avoid anomalies.

For ***Conventional*** *Business in Group H no explicit final bonuses are calculated on surrender or transfer of a policy.*

Annual and final bonus rates are normally set from January at levels that take into account expected future accrual of benefits during the following year.

*Policies in Groups B (***Unitised*** *with profits policies issued by* **RL)** *and E* **(Unitised** *with profits policies issued by* **RA** *before 1 January 2001):*

The investment returns used in the **asset share** *calculation to set final bonus and* **MVR** *scales are the actual investment returns achieved in each month up to the date of review. To set the* **MVR** *and final bonus scales policies are assumed to surrender immediately and unsmoothed investment returns are used. Reduction factors applied to final bonus scales on surrender claims during the early years of the contract are set so as to ensure that payouts on surrender are broadly consistent with* **asset shares***. The final value of a policy is calculated using the same methods and assumptions regardless of any partial payments made without* **MVR** *during the policy term. No additional charge is levied purely as a result of a prior* **MVR***-free withdrawal.*

Unitised *with profits policies in Group H (Policies issued by* **PMAS***)*

Smoothed asset shares *are usually used to set final bonus and* **MVR** *scales, which allow for a smoothed investment return up to the date of review. In some instances the* **enhanced asset share** *may be used instead which uses actual returns to up to the date of review.*

A final bonus or MVR is set for each individual policy based on their **smoothed** *or* **enhanced asset share** *and a prescribed formula.*

Policies in Group C and I (Royal London Funeral Investment Plan issued after 31 December 2014 and with profits benefits of **Royal London Intermediary** *policies:*

Current practice is to calculate specimen **asset shares** *for policies due to mature in the following year using the method set out in the section describing the amounts payable (above). A final bonus scale is determined using the following method.*

Unsmoothed rates of final bonus are determined at least once every year. They are calculated as the difference (positive or negative) between guaranteed benefits of sample policies and their underlying **asset shares.** *These rates are then subject to a smoothing process.*

The maximum change from one review to the next is not explicitly set.

Final bonus rates are applied to all claims irrespective of the type of claim. However, voluntary claims (such as transfers or surrenders) are calculated by applying final bonus rates for the expired term and, normally during depressed markets, may be subject to an **MVR** *that will bring payouts down towards* **asset share**.

Where appropriate **MVR** *factors are calculated to reflect the term in force and the duration left to run on a year by year basis. When units are cancelled the factor corresponding to the term in force and duration left to run is applied.*

The final value of a policy is calculated using the same methods and assumptions regardless of any partial payments made without **MVR** *during the policy term. No additional charge is levied purely as a result of a prior* **MVR***-free withdrawal.*

Annual and final bonus rates are normally set from January at levels that take into account expected future accrual of benefits during the following year.

Unit-linked with profits *policies in Groups G:*

Final bonuses are not currently applied to **Unit-linked with profits** policies.

2.7.5 Regular (or Annual) Bonus

Conventional with profits and **deposit administration** policies receive annual bonuses whereas **unitised** policies receive regular or annual bonuses and **unit-linked with profits** policies receive regular bonuses. Throughout the rest of this section ‘regular bonus’ will be referred to for all policies.

A regular bonus increases the value of a policy gradually over time. Once added to **conventional** and **unitised** with profits policies it becomes part of the guaranteed benefits and cannot be taken away. However the guaranteed benefits, including regular bonus, are payable at face value only in the circumstances defined in the contract. For example this might be at the end of the policy term or on earlier death for an endowment policy. For **unit-linked with profits** policies a regular bonus increases the number of **unit-linked** units allocated to the policy.

PRINCIPLES - Regular Bonus

In determining the bonus rates, the objective of the Directors is to meet the reasonable benefit expectations of policyholders, treating classes and generations of with profits policyholders fairly. The aim in setting regular bonus rates on conventional and unitised with profits policies and deposit administration policies is to increase guaranteed policy values over time at rates which it is expected can be maintained over the longer term, taking into account economic conditions and the economic outlook at the time.

Regular bonus rates on unit-linked with profits policies are set with the aim of distributing to them a fair proportion of the profits from Royal London's activities.

Regular bonuses will be set at rates which are affordable and which will not prejudice the RL Estate. If the economic outlook is poor or regular bonus is not affordable within the fund the Directors may be constrained to declare no regular bonus.

Separate regular bonus rates may be set for different classes of policy in order to treat policyholders fairly. Separate bonus rates may be set for life policies and pension policies for example or for classes of business which have different levels of guaranteed benefits.

The bonus policy will be regularly reviewed by the Directors to ensure it remains appropriate. A new class of bonus will be introduced if this becomes necessary to preserve fairness between different policy classes and generations of policyholder or to maintain the RL Estate at the target size determined by the Directors.

PRACTICES - Regular Bonus

The regular bonus rates are normally set and declared once a year. The aim of setting regular bonus rates for **conventional** *and* **unitised** *with profits business is to build up the guaranteed bonus gradually over the term of a policy whilst permitting sufficient surplus to emerge at maturity to support a final bonus.*

For some **unitised** *policies the regular bonus is included in the unit price. Changes in regular bonus may be made more frequently than annually depending on economic conditions. Once declared, the regular bonus continues at the same rate until a change is declared, which may be at any time.*

For **unit-linked with profits** *policies the regular bonus is normally declared once a year and reflects a fair distribution to such policies of profits from* **Royal London's** *activities. Distributions of profits from* **Royal London's** *activities to* **conventional** *and* **unitised** *with profits policies are applied as enhancements to* **asset share** and are *primarily reflected through increased final bonus.*

An **additional regular bonus** *will be added to eligible* **conventional** *and* **unitised** *with profits policies at the same rate as the* **regular bonus** *awarded to* ***unit-linked with profits*** policies. *This will be applied at the same time as the normal* **regular bonus** *for those policies.*

In deciding the rates of regular bonus investigations are carried out. Investigations which may be carried out include for example those to assess the future financial condition of the **fund**, *the expected long term returns on the assets underlying the* **fund** *and the amounts by which the guaranteed benefits can be increased whilst leaving sufficient margin for a final bonus to emerge at maturity. The supportability of proposed regular bonus rates over the long term is assessed together with the ability of the* **fund** *to pay such bonuses. The results of other investigations to assess realistic solvency including scenario testing to assess the impact of variations in current and future economic and investment conditions are also taken into consideration when setting regular bonuses.*

The levels of regular bonus declared on **conventional** *and* **unitised** *with profits policies and* **deposit** *administration policies are determined by projecting asset share as described in the section "Policy Benefits Payable" over the expected lifetime of the policies. The projections are based on assumptions consistent with the current regulatory framework. Guaranteed benefits are projected forward assuming* *different levels of annual bonus in the future, starting with the current annual bonus rates. The projected asset shares and guaranteed benefits are compared to assess whether asset shares are expected to exceed guaranteed benefits by sufficient margin to leave a reasonable level of final bonus.*

Regular bonuses are only declared if the **Directors** *are satisfied that the* **RL Estate** *will not be adversely affected over the short or long term. Regular bonus is only added to with profit policies if the* **Directors** *are satisfied that immediately after the declaration of such regular bonuses,* **Royal London** *will have sufficient assets to be able to meet its* **Regulatory Capital Resource Requirements** *and that the declaration of such regular bonuses is not expected to prejudice* **Royal London***'s ability to meet its* **Regulatory Capital Resource Requirements** *in the reasonably foreseeable future. Changes in the regular bonus rate are normally made gradually but there is no maximum to the level of change from one declaration to the next and regular bonuses may fall to zero in some market conditions.*

Interim bonuses are also added for some classes of policy and the interim bonus rates are normally set using the same approach to that used to determine regular bonuses.

RA IB

Certain policies have cash payments made every five or ten years. For policies in Tables 30 & 32 a special discretionary bonus is paid on the five-yearly cash payment. Currently the practice is to increase the cash payment by 20% pa but this increase is not guaranteed and may change in future. For Cash Back Saver policies the five-yearly payments are not eligible for bonus. Policies in Tables 38 and 39 receive normal annual bonuses on the ten-yearly and five-yearly cash payments respectively. Annual bonuses are not declared on whole life contracts which became paid up for the full sum assured before April 1988.

UF IB

For policies in Tables 5 and 25 a regular cash payment is made to the policyholder and a bonus is awarded on the cash payment. This bonus is not guaranteed and may be changed in future. Policies in Table 5 contain an option for deferment of payment of the recurring cash payments. The amount of bonus awarded varies according to the length of the period of deferment.

UF OB

Endowment and whole life contracts written before September 1986 have a minimum guaranteed annual bonus rate of 1% for endowments and 1.5% for whole life contracts. These contracts therefore always have a declared regular bonus rate of at least these amounts. No shareholder transfer to the **RL Estate** *is made in respect of these guaranteed regular bonus rates.*

RL IB

Some classes of policy have guaranteed cash bonuses.

GLOSSARY

'accumulating with profits'	Refers to a with profits policy that has a notional fund to which bonuses are added.
'Actuarial Advice'	Advice provided by the Actuary responsible for advising the **Directors** on discretionary or technical aspects of the management of the with profits business. Under current regulatory rules this is the With Profits Actuary or the Head of Actuarial Function.
'Additional Accounts'	The **estates** of each of the businesses transferred into the **fund**. Prior to [1 January 2022] a separate account was maintained for each of the **estates** of **RA IB**, **UF IB** and **UF OB** in accordance with the **UAG Scheme of Transfer**. Following the consolidation of **RA IB policies on 30June 2021 and the UF IB** and **UF OB** policies into the **RL Main Fund** on 31 December 2021, the **RA IB, UF IB** and **UF OB Additional Accounts** ceased to exist.
'additional regular bonus'	This term refers to a regular bonus addition over and above the normal regular bonus in any year.
'aggregate asset shares'	This term refers to the total sum of all **asset shares** for a particular fund or class of business.
'asset share(s)'	The share in the assets of a with profits fund that a with profits policy is deemed to have. The **asset share** is calculated by accumulating the premiums paid less all applicable expenses and charges with the investment return credited to with profits or as appropriate **deposit administration** business over the lifetime of the policy. Where the general term **asset share** is used it means **bare asset share** or **enhanced asset share** according to the context.
'bare asset shares'	**Asset shares** with no enhancements.
'Capital and Investment	The Capital Management Committee and the Investment Strategy Committee, two committees put in place by **Royal London** to manage the processes required to ensure that **Royal London**'s capital position

Management Committees'	is maintained within its target range, is sufficient to enable fulfilment of stated core strategic objectives and to ensure that **Royal London**'s investment strategy supports those objectives as determined by the **Directors** from time to time or such replacement committees as may carry out the same functions.
'Capital Resources'	The name given to the **Estate** in Regulatory Returns.
'CIS'	Co-operative Insurance Society Limited
'CL'	Canterbury Life Assurance Company Limited
Closed Funds	See 'The Closed Funds' below.
'conventional'	Refers to a with profits policy that has a guaranteed amount of cash or pension to which bonuses are added.
'deposit administration'	A benefit type that acts like a bank account where interest additions are made from time to time. The level of these additions is at the discretion of the **Directors**.
'Directors'	The **Directors** of The Royal London Mutual Insurance Society Limited from time to time. For practical purposes the Directors may agree to delegate certain decisions to a sub-set of their number.
'enhanced asset shares'	**Asset shares** with either temporary or permanent enhancements including any enhancements on consolidation into the **RL Main Fund**.
'estate' or 'Estate'	General term used to describe the excess of the assets realistically required to meet the current expectations of policyholders and to settle other liabilities relating to each class of business to which it relates. The **RL Estate** may be used to provide support to sub funds where necessary and where allowable under the terms of relevant schemes of transfer. It is also used to fund new business.

'excess surplus'	A measure of surplus defined and calculated as set out in the **PRA**'s and **FCA**'s handbooks.
'fair', 'fairly', 'fairness'	References to and use of the concept of fair, fairness or treating policyholders fairly in this document relates to the obligation created by Principle 6 of the **Regulator**'s Principles for Businesses to, amongst other things, treat customers fairly.
'FCA'	Financial Conduct Authority
'fund'	Refers to the **RL Main Fund**
German Bond Reinsurance Agreement	The reinsurance agreement between **Royal London** and **Royal London DAC** in respect of the **Royal London DAC German Bonds** that comes into force when the transfer under the **Royal London DAC Scheme** is completed.
'IB'	Industrial Branch Business.
'Independent Actuarial Advice'	Actuarial Advice provided by an actuary independent from Royal London and approved by our Regulators.
'miscellaneous surplus(es)'	Surplus arising that is not related to investment surplus, e.g. on expenses.
'MVR'	A market value reduction which may be applied on claims under certain **unitised** policies in certain circumstances. An MVR reduces the value of guaranteed benefits plus final bonus (if applicable) and effectively acts like a negative final bonus. An MVR is only applied if the value of the investments underlying a policy has fallen sufficiently below the value of the guaranteed benefits plus final bonus (if applicable) cashed. This ensures fairness between those policyholders who cash in benefits and those who remain. An MVR will not usually be applied on death or on certain pre-defined circumstances as laid out in the policy conditions.
'non participating'	Refers to a policy which does not participate in profits, including a non-profit unit linked policy.

'Notional Account'	The **Notional Account** tracks the movements in the value of **PMAS** assets and liabilities not attributable to day-to-day operations, as set out in the **PMAS Instrument of Transfer.**
'OB'	Ordinary Branch Business.
'OEIC'	Open ended investment company
'PLAL'	Phoenix Life Assurance Limited
'PLAL Scheme of Transfer'	Refers to the scheme of transfer under which the liabilities of **PLAL** were transferred to the **RL LTF** which took effect on 29 December 2008.
'PLAL With-Profits Sub-fund'	The fund into which certain assets and liabilities of **PLAL** were transferred with effect from 29 December 2008, a separate closed sub-fund of the **RL LTF**.
'PMAS'	Police Mutual Assurance Society Limited
'PMAS initial period'	The ten year period following the effective date of the **PMAS** acquisition during which **Notional Account** costs and benefits are split
'PMAS Instrument of Transfer'	Refers to the Instrument of transfer between **PMAS** and **RL** which took effect on 1 October 2020.
'PRA'	Prudential Regulation Authority
'Present Value of In-Force long term business'	This is the present value of the acquired in-force business and is calculated as the net present value of **Royal London**'s interest in the expected after-tax cash flows (including the charges for smoothing and guarantees) of the in-force business. The amount is assessed annually and is amortised over the expected lifetime of the acquired business.
'Product Pricing and Approval Committee'	A committee set up to ensure that the pricing and profitability of all new products manufactured by **Royal London** (including enhancements to, special offers on and repricing of any existing products) through all channels meet criteria laid down by **Royal London** or such replacement committee which may carry out the same function.

'RA'	Refuge Assurance plc.
'RA IB'	**IB** business originally issued by **RA**.
'RA IB Sub-Fund'	The **RA IB With-Profits Sub-Fund** which held the **IB** with profit liabilities of **RA** and the **RA IB Additional Account**. The assets and liabilities of the fund were consolidated into the **RL Main Fund** on 30 June 2021 whereupon the sub-fund ceased to exist.
'RA OB'	**OB** business originally issued by **RA**.
'RA OB Fund'	The **RA OB** with profit sub fund into which the **OB** with profit liabilities of **RA** were transferred with effect from 1 January 2001. The assets and liabilities of the fund were transferred into the **RL Main Fund** on 31 December 2006 whereupon the fund ceased to exist.
're-attribution exercise'	An exercise to alter the balance of interests of with-profits policyholders and members.
'Regulator'	The **FCA**, **PRA** or any other regulatory body as defined in accordance with the provisions of the UK Financial Services and Markets Act 2000 (or any such legislation that supersedes it).
'Regulatory Capital Resource Requirements'	The capital resources that **Royal London** must hold in accordance with regulatory requirements from time to time.
'Regulatory Returns'	The statutory returns detailing the company's solvency position that must be submitted to the **Regulator** on an annual basis (or at such times as the **Regulator** requires).
'RIL'	Refuge Investments Limited.
'RL'	The Royal London Mutual Insurance Society Limited.

'RL Estate'	The excess of the assets realistically required to meet the current expectations of policyholders and to settle other liabilities relating to **RL** business. It may be used to provide support to sub funds where necessary and where allowable under the terms of relevant schemes of transfer. It is also used to fund new business.
'RL IB'	**IB** business originally issued by **RL**.
'RL LTF'	The Royal London Long Term Fund which consists of the **RL Main Fund,** the **PLAL With-Profits Sub-Fund,** the **Royal Liver Sub-Fund** and the **CIS Fund**.
'RL Main Fund'	**Royal London** main fund which includes **IB** and **OB** business originally issued by **RL**, **UF** and **RA**. The assets and liabilities of the **RA OB Fund** were transferred into this fund on 31 December 2006. The assets and liabilities of the **RA IB Sub-Fund** were consolidated into this fund on [30 June 2020]. The assets and liabilities of the **UF IB Sub-Fund** were consolidated into this fund on [31 December 2021].
'RLAM'	Royal London Asset Management Limited.
'RLCIS'	Royal London (CIS) Limited – the name given to **CIS** following its acquisition by **Royal London**.
'RL(CIS) Estate'	That part of the **Royal London (CIS) Sub-Fund** not required to satisfy the reasonable expectations of policyholders i.e. the **estate** associated with **RLCIS** business in the **Royal London (CIS) Sub-Fund**.
'RLCIS Scheme of Transfer'	Refers to the scheme of transfer under which the liabilities of **RLCIS** were transferred to the **RL LTF** which took effect on 30 December 2014.
'Royal Liver'	The Royal Liver Assurance Limited.
'Royal Liver Estate'	That part of the **Royal Liver Sub-Fund** not required to satisfy the reasonable expectations of policyholders in that sub-fund.

'Royal Liver Instrument of Transfer'	Refers to the Instrument of Transfer under which the liabilities of **Royal Liver** were transferred to the **RL LTF** on 1 July 2011.
'Royal Liver Sub-Fund'	The fund into which certain assets and liabilities of **Royal Liver** (except certain infrastructure assets) were transferred with effect from 1 July 2011, a separate closed sub-fund of the **RL LTF**.
'Royal London'	We use the term '**Royal London**' in this document to refer to The Royal London Mutual Insurance Society Limited and (where the context so requires) its subsidiaries. **Royal London** is a brand name.
'Royal London DAC'	Royal London Insurance Designated Activity Company, a subsidiary of **Royal London** registered in Ireland.
'Royal London DAC 'German Bonds'	The European With Profits Bond and With Profits Bond Plus business of **Royal London DAC** that was sold in Germany and is reinsured by **Royal London** under the **German Bond Reinsurance Agreement**.
'Royal London DAC Scheme'	The legal document governing the transfer of business (including the **Royal London DAC German Bonds**) from Royal London to **Royal London DAC** on 7 February 2019.
'Royal London Intermediary'	The business unit within **Royal London** that distributes policies through intermediaries. From 1 July 2001 to 23 November 2014 the brand name 'Scottish Life' was used. From 24 November 2014 this business was rebranded to use the main **Royal London** brand.
'Royal London (CIS) Sub-Fund'	The fund into which certain assets and liabilities of **RLCIS** were transferred with effect from 30 December 2014, a separate closed sub-fund of the **RL LTF**.
'Scottish Life'	A division of **Royal London** manufacturing and distributing products under the **Scottish Life** brand from 1 July 2001 to 23 November 2014.
'SL'	The Scottish Life Assurance Company.

'SL Estate'	That part of the **SL Closed Fund** not required to satisfy reasonable expectations of policyholders i.e. the **estate** associated with **SL** business retained within the **SL Closed Fund**.
'SL Closed Fund'	The fund into which certain assets and liabilities of **SL** were transferred with effect from 1 July 2001, a separate closed sub-fund of the **RL LTF**.
'SL Scheme of Arrangement'	Refers to the scheme of arrangement under which the **Estate** of the **SL Closed Fund** was fully distributed and the **SL Closed Fund** ceased to exist which took effect on 31 December 2021.
'SL Scheme of Transfer'	Refers to the scheme of transfer under which the liabilities of **SL** were transferred to the **RL LTF** which took effect on 1 July 2001.
'Smoothed asset share'	This is the **enhanced asset share** with a smoothed investment return applied instead of actual investment returns.
The Closed Funds	The **PLAL With-Profits Sub-Fund**, the **Royal Liver With Profits Sub-Fund** and the **Royal London (CIS) Sub-Fund**. Although some of these funds continue to write small volumes of new business or accept alterations/conversions/continuations of existing policies they are all essentially in long-term run-off as if they were formally closed to all new business.
'UAG'	United Assurance Group, which consisted of **RA, UF** and other companies writing non profit business and/or other non life assurance business.
'UAG Scheme of Transfer'	Refers to the scheme of transfer between **RA, UF** and other **UAG** companies and **RL** which took effect on 1 January 2001.
'UF'	United Friendly Insurance plc.
'UF IB'	**IB** business originally issued by **UF**.

'UF IB Scheme of Arrangement'	Refers to the scheme of arrangement under which the **Additional Account** of the **UF IB Sub-Fund** was fully distributed and the **UF IB Sub-Fund** ceased to exist which took effect on [31 December 2021].
'UF IB Sub-Fund'	The **UF IB With-Profits Sub-Fund** which held the **IB** with profit liabilities of **UF** and **UF IB Additional Account**. The assets and liabilities of the fund were consolidated into the **RL Main Fund** on [31 December 2021] whereupon the sub-fund ceased to exist.
'UFLA'	United Friendly Life Assurance Limited
'UF OB'	**OB** business originally issued by **UF**.
'UF OB Scheme of Arrangement'	Refers to the scheme of arrangement under which the **Additional Account** of the **UF OB Sub-Fund** was fully distributed and the **UF OB Sub-Fund** ceased to exist which took effect on [31 December 2021].
'UF OB Sub-Fund'	The **UF OB With-Profits Sub-Fund** which held the **OB** with profit liabilities of **UF** and **UF OB Additional Account**. The assets and liabilities of the fund were consolidated into the **RL Main Fund** on [31 December 2021] whereupon the sub-fund ceased to exist.
'unitised'	Refers to a with profits policy where premiums have been used to purchase with profits units, rather than unit-linked units.
'unit-linked'	Refers to a policy whose value depends on the number and value of units held in one or more linked funds.
'unit-linked with profits'	Refers to a **unit-linked policy** which participates in the profits of RL through receiving bonuses from time to time.

APPENDIX 1

Acquisitions of Royal London

In April 2000, **Royal London** purchased **UAG**, which included **UF** and **RA**, both of which wrote with profits business; **RIL**, **UFLA** and **CL**, which wrote **non-participating** business only, and other non life companies. The assets backing the long term business of the **UAG** life companies and the associated liabilities were transferred into the **RL LTF** with effect from 1 January 2001. The **OB** with profits liabilities of **RA** were transferred into a separate sub-fund the **RA OB Fund** and all other with profits liabilities were transferred into the **RL Main Fund**.

On 1 July 2001 **Royal London** purchased **SL** and its subsidiaries, which included Scottish Life International and other companies. The assets backing the with profits policies (and certain other minor classes of policy) of **SL** and the associated liabilities were transferred into the **SL Closed Fund**, a separate sub-fund of the **RL LTF**. The assets backing the other policies and the associated liabilities were transferred to either the **RL Main Fund** or **RA OB Fund** as appropriate.

The **UAG Scheme of Transfer** provided for the **RA OB Fund** to merge into the **RL Main Fund** after a certain period and after certain requirements had been met. Accordingly the assets and liabilities of the **RA OB Fund** were transferred into the **RL Main Fund** on 31 December 2006 and thereafter the **RA OB Fund** ceased to exist.

On 3 June 2008 **Royal London** purchased Scottish Provident International Life Assurance Limited.

On 1 August 2008 **Royal London** purchased **PLAL**. On 29 December 2008 the assets backing the with profits policies of **PLAL** and the associated liabilities were transferred into the **PLAL With-Profits Sub-Fund**, a separate sub-fund of the **RL LTF**. The assets backing the **non participating** policies and the associated liabilities were transferred to the **RL Main Fund**. The hybrid policies were allocated to the **RL Main Fund** with the assets and liabilities backing the with profits benefits being transferred to the **PLAL With-Profits Sub-Fund** and the assets and liabilities related to the investment linked benefits being transferred to the **RL Main Fund**. The **PLAL With-Profits Sub-Fund** is closed to new business other than increments or switches from investment linked funds.

Royal London purchased certain protection business written by Scottish Provident Limited and Scottish Mutual Assurance Limited and on 29 December 2008 the assets backing these protection policies and the associated liabilities were transferred to the **RL Main Fund.**

On 1 July 2011 **Royal London** acquired **Royal Liver** and its subsidiaries. All of the assets and liabilities of **Royal Liver** (except some of the infrastructure assets) were transferred into the **Royal Liver Sub-Fund**, a separate sub-fund of the **RL LTF**. The **Royal Liver Sub-Fund Fund** is closed to new business.

On 31 July 2013, **Royal London** acquired Co-operative Insurance Society (**CIS**) and The Co-operative Asset Management business from the Co-operative Banking Group. **CIS** was originally held as a subsidiary of **Royal London** and renamed **RLCIS.** On 30 December 2014 the business of **RLCIS** was transferred into the **Royal London (CIS) Sub-Fund**.

On 1 January 2019 **Royal London DAC** was registered as a subsidiary of **Royal London**. On 7 February 2019 certain business originally sold in Ireland and Germany was transferred from **Royal London** to **Royal London DAC** under the **Royal London DAC Scheme**.

On 1 October 2020 **Royal London** acquired **PMAS** which was transferred into the **RL Main Fund** under the **PMAS Instrument of Transfer**.

On 30 June 2021 the **RA IB Sub-Fund** was consolidated into the **RL Main Fund** following an amendment under the **UAG Scheme of Transfer**. Accordingly the assets and liabilities of the **RA IB Sub-Fund** were consolidated into the **RL Main Fund** and thereafter the **RA IB Sub-Fund** ceased to exist.

On 31 December 2021 the **UF IB Sub-Fund** was consolidated into the **RL Main Fund** under the **UF IB Scheme of Arrangement**. Accordingly the assets and liabilities of the **UF IB Sub-Fund** were consolidated into the **RL Main Fund** and thereafter the **UF IB Sub-Fund** also ceased to exist.

On 31 December 2021 the **UF OB Sub-Fund** was consolidated into the **RL Main Fund** under the **UF OB Scheme of Arrangement**. Accordingly the assets and liabilities of the **UF OB Sub-Fund** were consolidated into the **RL Main Fund** and thereafter the **UF OB Sub-Fund** also ceased to exist.

On 31 December 2021 the **SL Closed Fund** was consolidated into the **RL Main Fund** under the **SL Scheme of Arrangement**. Accordingly the assets and liabilities of the **SL Closed Fund** were consolidated into the **RL Main Fund** and thereafter the **SL Closed Fund** also ceased to exist.

APPENDIX 2

Policies included in this PPFM document

Group A: **Conventional** with profits policies issued by **RL** before 1 January 2001. It covers **OB** pension business and **IB** and **OB** life business.

Examples of policies include:

OB pension

Adaptable Personal Pension
Personal Pension
Group Personal Pension
Free Standing Additional Voluntary

OB life

Peace of mind
Profitmaker
Endowment Economy Plus
Endowment low start
Endowment Plus
Cornerstone with profits
Whole Life
Orchid

IB life

Peace of mind
Cashplan 5
Endowment with profits
Option 5
Family care
Whole Life

Group B: **Unitised** with profits policies issued by **Royal London**. It covers the following products (at 31 July 2007):

Investment Plan - With Profit Bond
With Profits Bond
European With Profits Bond (only available in Germany)
With Profits Bond Plus (only available in Germany)
Savings Plan
With Profits ISA (only open for top-ups to existing plans)
Personal Pension Plan (closed to new business in April 2001).

The European With Profits Bond and With Profits Bond Plus, together the **Royal London DAC German Bonds**, were transferred from **Royal London** to **Royal London DAC** with effect from 7 February 2019. The legal terms of this transfer are set out in the **Royal London DAC Scheme**. Upon the transfer they were immediately reinsured back to **Royal London** under the **German Bond Reinsurance Agreement.**

The Principles and Practices in this document apply to the **Royal London DAC German Bonds** in relation to the role of **Royal London** as reinsurer. Their inclusion shall not in any way operate or be interpreted as affecting the role, responsibility and discretion of the **Royal London DAC** Board or the **Royal London DAC** Head of Actuarial Function in respect of the reinsured policies.

The Principles and Practices will not apply to the **Royal London DAC German Bonds** if the **German Bond Reinsurance Agreement** terminates.

Group C: Royal London Funeral Investment Plan taken out after 31 December 2014 and With profit benefits of **Royal London Intermediary** policies issued after 30 June 2001. These include increments made on with profits policies that were held within the **SL Closed Fund** before the **SL Closed Fund** was consolidated into the **RL Main Fund** under the **SL Scheme of Arrangement** on 31 December 2021

It covers the following **Royal London Intermediary** products (at 31 December 2008):

OB pension business:

Crest Growth Final Salary (With Profits)
Crest Growth Money Purchase (With Profits)
Retirement Solutions Group Personal Pension Plan
Retirement Solutions Company Pension Scheme
Individual Executive Pension Plan
Individual Pension Portfolio
Individual S32 Buyout Bond
Talisman Continuation Pension Plan (Versions 1 to 6)
Talisman Group Pension Plan (Versions 1 to 6)
Talisman 98 Executive Pension Plan (Versions 1 and 2)
Talisman 98 Free Standing AVC Plan (Versions 1 and 2)
Talisman 98 Personal Pension (Versions 1 and 2)
Talisman 98 S32 Buyout Bond
Talisman Executive Pension Plan
Talisman Free Standing AVC Plan
Talisman Group Personal Pension Plan
Talisman Phased Retirement Contract
Talisman Personal Pension
Crest Secure Final Salary
Crest Secure Money Purchase

OB life business:

Budget Plan (top ups)

Profitbuilder All Purpose Financial Plan
Profitbuilder House Purchase Plan
Profitbuilder Savings Plan
Funeral Plan

<u>**Group D**</u>: **Conventional** with profits policies issued by **UAG** i.e. with profits policies written by **RA** and **UF**. It covers **OB** pension business and **IB** and **OB** life business.

OB pension business originally written by **UF** and issued before 1 August 1997.
With profits personal pension
With profits Freestanding AVC
With Profits APP

OB life business originally written by **UF** and issued before 1 August 1997.
Endowment with profits
Whole life with profits
Low cost endowment

IB business originally written by **RA** under the Refuge brand and issued before 1 August 1997 and under the United friendly brand and issued from 1 August 1997.

Endowment assurance
Flying start saver plan
Cash Back Saver
Solid growth saver plan
Shield Plus Protection
Life Plus Protection
Whole life plan
Whole life with 5 yearly cash payments (Tables 30, 32, 39)
Whole life with 10 yearly cash payments (Table 38)

IB business originally written by **UF**: and issued before 1 August 1997.

Whole life
Endowment
Whole life with 5 yearly cash payments (Tables 5, 25)

<u>**Group E**</u>: **Unitised** with profits policies issued by **RA** before 1 January 2001.

Capital Investment Bond issued under the Refuge brand before 1 August 1997
Capital Investment Bond issued under the United Friendly brand from 1 August 1997
Investment Plan - With Profit Bond issued under the United Friendly brand before 1 January 2001
Personal Pension Plan issued under the United Friendly brand between 1 October 1999 and 31 December 2000.

Group F: **Conventional** with profits policies issued by **RA** before 1 January 2001**.** It covers **OB** life and pension business.

Policies under the Refuge brand - these were all issued before 1 August 1997.

Policies under the United Friendly brand – these were issued after 31 July 1997 and before 1 January 2001.

Examples of policies include

OB life

Child savings plan
Bonus savings plan
Endowment assurance
Capital bonus savings plan
Homesaver
Homestarter
Low cost endowment
Mortgage endowment plan
Moneybuilder
Whole life assurance
Totalife Plus plan

OB pension

Personal pension
Free standing Additional Voluntary Contributions plan
With Profit Personal Pension Plan
With Profit Freestanding AVC Plan

Group G: Unit-linked benefits of **Royal London Intermediary** pension policies taken out after 30 June 2001. It covers the following products (at 31 December 2014):

Crest Growth Final Salary
Crest Growth Money Purchase
Retirement Solutions Group Personal Pension Plan
Retirement Solutions Company Pension Scheme
Income Drawdown
Income Release
Individual Executive Pension Plan
Individual Pension Portfolio
Individual S32 Buyout Bond
Stakeholder Pensions
Group Stakeholder Pensions
Talisman Continuation Pension Plan (Versions 1 to 6)
Talisman Group Pension Plan (Versions 1 to 6)
Talisman 98 Executive Pension Plan (Versions 1 and 2)
Talisman 98 Free Standing AVC Plan (Versions 1 and 2)
Talisman 98 Personal Pension (Versions 1 and 2)
Talisman 98 S32 Buyout Bond
Talisman Executive Pension Plan
Talisman Free Standing AVC Plan

Talisman Group Personal Pension Plan
Talisman Phased Retirement Contract
Talisman Personal Pension

Group H: **Conventional** and **Unitised** with profits policies issued by **PMAS** prior to 1 October 2020.

Conventional with profits:

Regular Savings Plan
Low Cost Endowment
Minimum Low Cost Endowment
Children's Bond

Unitised with profits:

Platinum Bond
Guaranteed Investment Bond
Guaranteed ISA
Protected Growth Options ISA
Non-Guaranteed Options ISA
Top Up Pension Plan
Group Personal Pension

Group I: **Conventional** and **unitised** with profits benefits, and **deposit administration** benefits issued by **SL** before 1 July 2001.

OB pension business:

Crest Growth Final Salary (With Profits)
Crest Growth Money Purchase (With Profits)
Crest Secure Final Salary
Crest Secure Money Purchase
Deferred Annuity Policy (With Profits)
Group Buy Out Bond and Policy
Group Endowment Plan (With Profit)
Group Health Plan (Crest Secure)
Group With Profits Plan
Hallmark Executive Pension Plan
Individual Pension Arrangement Deferred Annuity
IPA Sovereign Plan
Personal Pension Bond (with profit)
Personal Pension Deferred Annuity
Personal Pension Policy
Personal Pension Sovereign Plan
Protected Growth Plan
(Group Policy)
Retirement Solutions Company Pension Scheme
Retirement Solutions Group Personal Pension Plan
Scheme F
Scheme H
Talisman 98 Executive Pension Plan (Versions 1 and 2)
Talisman 98 Free Standing AVC Plan (Versions 1 and 2)
Talisman 98 Personal Pension (Versions 1 and 2)

Talisman 98 S32 Buyout Bond
Talisman Buyout Bond
Talisman Continuation Pension Plan (Versions 1 to 6)
Talisman Executive Pension Plan
Talisman Free Standing AVC Plan
Talisman Group Pension Plan (Versions 1 to 6)
Talisman Group Personal Pension Plan
Talisman Personal Pension (post 30 June 1988)
Talisman Personal Pension Plan (pre 1 July 1988)
Talisman Phased Retirement Contract
Versatile Retirements Benefits Plan

OB life business:

Bonus House Purchase Plan (with profits)
Budget Plan (top ups)
Budget Plan (with profits)
Capital Plan (With Profits)
Capital Plan deluxe (With Profits)
Economic Low Cost Mortgage
Endowment Pension (With Profit)
Low Cost Mortgage
Profitbuilder All Purpose Financial Plan
Profitbuilder House Purchase Plan
Profitbuilder Savings Plan
Stockholders Endowment Assurance Plan
The Reinforced Policy
Whole Life With Profit with Limited Premiums
Whole Life With Profits
With Profit Endowment