ROYAL LONDON

A STRONG PERFORMANCE

Strategic Report with Supplementary Information 2017

Royal London is the largest mutual life insurance and pensions company in the UK

Our vision

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

Our purpose

Royal London exists to create the best customer outcomes and the best customer experiences in its chosen markets. This reflects the fact that we are a member-owned business and so our focus is creating value for customers and members. In contrast, our competitors exist to create shareholder value.

We're concentrating on our customers and members

As a mutual, profits that we do not share immediately with our members are reinvested to help us improve products and services for the long term.

8.8m

The Group has 8.8 million policies across our offerings, ranging from insurance to investments, pensions and other savings products

1.2m

Royal London is a mutual with more than 1.2 million members who share in our success

£792m

Since 2007 we have allocated £792m to our members and qualifying customers, ensuring that they benefit from our strong performance

£12bn

We wrote £12bn of new life and pensions business in 2017, calculated on the present value of new business premiums (PVNBP), an increase of 38% on the previous year

£114bn

We are the largest life and pensions mutual in the UK, with £114bn funds under management

38%

Increase in our life and pensions new business on the previous year, calculated on the present value of new business premiums basis

£142m

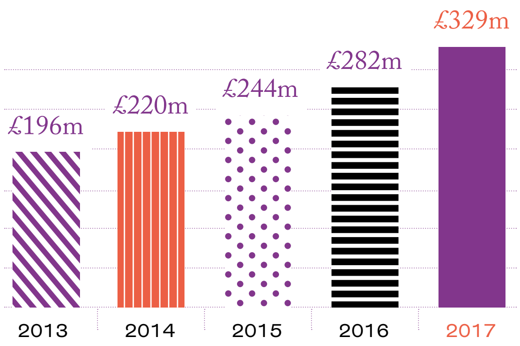
ProfitShare allocation for 2017 after tax

£434m

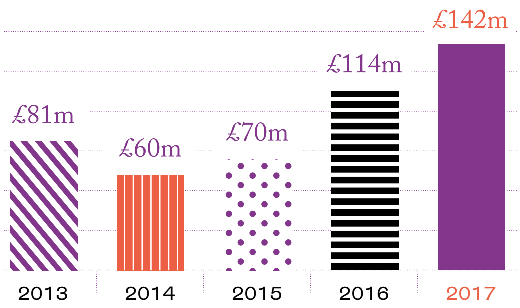
IFRS total transfer to unallocated divisible surplus

Performance at a glance

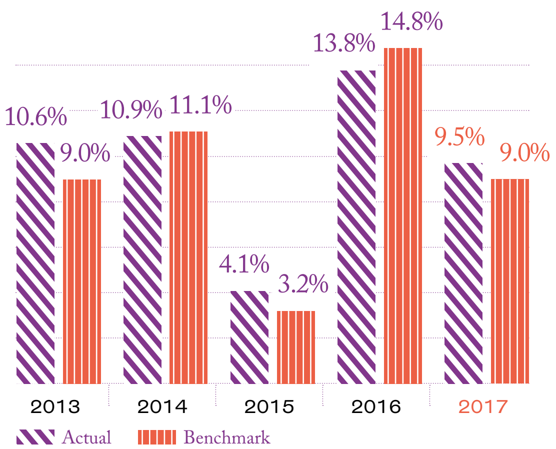
EEV operating profit before tax and exceptional items



ProfitShare (after tax)



Royal London open fund with-profits performance



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OUR BUSINESS STRATEGY

Our divisions

Consumer
The Consumer division creates, markets and sells products directly to customers or through partnerships on a non-advised basis. It is also home to our legacy books of business, administering over 6.5 million policies.

Intermediary
We work with independent financial advisers to bring our protection and pensions products to their clients in the UK and the Republic of Ireland.

Wealth
The Wealth division is home to our asset management and platform businesses. Royal London Asset Management (RLAM) manages £114bn in funds for Royal London policyholders and external clients. Royal London Platform Services (RLPS) trades under the Ascentric brand and provides an online 'wrap platform'.

How we grow the business

We grow our business by building value-for-money propositions that are shaped by customer and adviser needs, and are designed to deliver the best customer outcomes and experiences in the market at compelling prices. We achieve this through…

› Our people
We recognise the critical role of our people in delivering our vision; we strive to provide a great experience for them so that they in turn can deliver a great experience for our customers.

› Customer focus
Our focus is on the needs of customers and advisers, not on the needs of shareholders. This drives our thinking and decision-making.

› A distinctive brand
Our strong reputation and position as the UK's largest mutual life insurance and pensions company allows us to take a different perspective from the competition, and to reward our members.

› Service excellence
We are proud of our outstanding service reputation, but we know that customer and adviser needs change over time, and we will continue to respond to that.

› A hard-to-copy business model
Our mutual status and customer-first approach allow us to build propositions that offer added value to customers and protect their interests over the long term.

› Efficient operations
We want to offer great value to our customers, so we strive to be as efficient as possible, which allows us to keep our costs down and our prices competitive.

How do we generate long-term value for our members?

We create long-term value through effective use of our resources and relationships. We approach business in a responsible way and have embedded our core values and culture in everything we do.

Our business model is focused on achieving long-term value for our members. We do this by growing business in the pensions, protection and wealth management markets in the UK and Ireland, and also by managing our assets and capital in order to deliver long-term growth and stability of income. See below for more specific detail on how we generate long-term value (in purple) and some of the outcomes of that work (orange).

Increasing profits by maximising efficiencies

Investment in core capabilities and focus on cost management.

To continue to improve our service and product development we must invest in the underlying technology. This enables us to streamline our operations to ensure we deliver good value for money.

- EEV operating profit before tax
- IFRS total transfer to unallocated divisible surplus

ProfitShare

When Royal London does well, so do our members. We allocate a discretionary part of the Group's profits annually to eligible with-profits and unit-linked pension policies.

We do this because we expect it to result in a larger and more successful Royal London that will, in time, produce more profit for sharing.

- ProfitShare allocation

Capital management

Effective capital management strategies ensure we have a strong capital base to safeguard our financial commitments to our customers and fund future profitable growth.

- Solvency II capital cover ratio

Fair returns from responsible investment

Our Wealth division continues to provide scale and to manage assets to deliver long-term growth and stability of income.

- Royal London pensions and with-profits performance
- Funds under management (FUM)

2017 performance on these outcomes can be found on page 1 and page 11

CHAIRMAN'S STATEMENT

We have had another good year with EEV operating profit and new business delivering strong returns; however, these achievements only remind us not to become complacent amid a challenging market

Rupert Pennant-Rea
Chairman

Whether our focus is on customers, members or regulators, the aim is the same: to make Royal London the most trusted and valued provider of a range of financial services

£142m

ProfitShare for our members, up from £114m in 2016

Chairman's statement

I am pleased to report on another good year for Royal London. The financial results were strong, the IT systems are starting to benefit from heavy investment, and the Group's public profile has become more prominent. All these achievements should alert us to beware of complacency, because the markets in which we operate are getting more competitive and the regulatory pressures more demanding. To survive and prosper, your 157-year-old Mutual Society has to keep on its toes.

The financial headlines are encouraging. In 2017 the Group's European Embedded Value (EEV) operating profit was £329m, up 17% on the previous year. The Present Value of New Business Premiums (PVNBP) for life and pensions business also grew strongly, by 38%. The main driver behind both these figures was the Intermediary pensions business, but there was also heartening growth in the Intermediary protection business and Consumer division. As for fund management, Royal London Asset Management (RLAM) had another impressive year, with net inflows of £2.8bn and funds under management rising to £114bn. Our Platform business also made progress this year, and has growth strategies in place to improve its returns for your Group. More detail on the Group's financial performance starts on page 36 of this report.

To some degree, the various successes reflect the continuing flux in the wider financial world. Pension freedoms and auto-enrolment are still creating opportunities for your Group, and strong stock markets have helped all fund managers. But it would be misleading to give the impression that Royal London has found the secret to producing double-digit growth year after year. The reality is that we live in a single-digit world, and our financial results are at some stage bound to reflect that.

The Board has therefore taken a suitably prudent approach to ProfitShare. It is proposing to raise ProfitShare for 2017 to £142m, up from £114m in 2016, and the relevant amount will be added to qualifying policies: a boost of 1.4% in the case of with-profits policyholders and 0.18% for unit-linked pension policies, both consistent with the percentage allocations made for 2016. The increase in monetary terms is due to our expanding membership. In all, more than one million policyholders are now benefiting from ProfitShare.

Because we are a mutual, all 1.2 million members are both owners and customers. For Royal London, it is a matter of cultural principle to aim for the highest standards of customer satisfaction. The policies we offer should be straightforward, easy to understand and meet the needs of each customer. The way in which they are sold, serviced and redeemed should live up to every customer's expectations. In 2017, we won an encouraging number of awards for customer approval and our staff regard these as a spur to doing even better.

The goal of customer satisfaction complements our strategic imperative of capital strength: our owner-customers benefit on both counts. Just as important, happy customers plus a strong balance sheet are the combination we seek in order to satisfy our two regulators, the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA). In 2017 our relations with both of them were open and co-operative. One part of the Group – our business in Ireland – reports to a third regulatory body, the Central Bank of Ireland, and with the UK's decision to leave the European Union in mind, we will be extending that relationship in the year ahead as we look to open a subsidiary in Ireland.

Whether our focus is on customers, members or regulators, the aim is the same: to make Royal London the most trusted and valued provider of a range of financial services. This theme is echoed in our continuing programme to develop the purple pelican brand. We have invested heavily to advertise on TV and extended our sponsorship of one-day cricket for a further two years. Although we are not yet as well-known as some of our bigger competitors, we are closing the gap on them.

During 2017, the Board changed slightly, with the retirement of Duncan Ferguson and the arrival of Olivia Dickson. I am grateful to all the directors for their hard work and sound judgement, and I know they join me in thanking Royal London's staff for their many achievements last year.

GROUP CHIEF EXECUTIVE'S **STATEMENT**

We have grown at a dramatic pace, securing record levels of new business and profitability in 2017, while continuing to differentiate ourselves from our biggest competitors and offering some of the best products in the market with exceptional service

Group Chief Executive's statement

For Royal London, 2017 was a year of record new business and profitability. By offering our customers well-designed, value-for-money products and excellent service, we generated sales for life and pensions new business of £12bn, on a present value of new business premiums (PVNBP) basis. That in turn enabled us to deliver a 17% rise in EEV operating profit before tax to £329m, a record for the Group.

Five years ago, we implemented our strategy with the aim of differentiating ourselves by offering customers some of the best products in the market at competitive prices, delivered with excellent service. Our progress has been remarkable. Since 2012, our funds under management increased from £50bn to £114bn. Total sales over the five-year period, expressed on a PVNBP basis, have risen from £3.2bn to £12bn, and in most of our markets we have improved our market position to be one of the leading providers. We now exert a much bigger competitive influence over our markets than in the past. We have grown at a dramatic pace over recent years, with our propositions well-placed to take advantage of some big changes affecting our industry such as auto-enrolment and pension freedoms. We are still seeing markets grow but expect this, and consequently our growth, to slow going forward.

All this has been achieved while maintaining a strong capital position, as Tim Harris, our Deputy Group Chief Executive & Group Finance Director, outlines in more detail on page 41.

Group pensions and individual pensions were both highlights of the year, with total sales of pensions increasing by 39% to £10.8bn (31 December 2016: £7.7bn). Our Intermediary protection business maintained its recent success as a leading player in its market. Our asset management business (RLAM) continued to attract net inflows at a time when many of our competitors have experienced outflows. Crucially, RLAM also delivered another year of impressive investment performance, helped by rising stock markets, which reached new highs during the year despite a backdrop of political upheaval. The Consumer division, still a relatively new business area for us in its third full year of operations since it was set up, has expanded significantly and grown strongly, both in direct business and through partnerships. With a growing share in our key chosen market segments, we expect to make further enhancements to profitability during 2018 from our new range of life assurance and funeral plan products. Our wrap platform business, trading as Ascentric, has experienced solid growth in assets under administration, attracting new customers with a simplified low-cost charging structure.

We are particularly proud to have been recognised with an Outstanding Achievement Award by the Financial Adviser Awards in November 2017, for consistently delivering excellent service across all our business areas.

Membership and ProfitShare

We welcomed more than 200,000 new members to Royal London in 2017, taking the total to 1.2 million. This shows a dramatic increase over time – in 2012 at the start of our new strategy, membership totalled 530,000. ProfitShare increased to £142m from £114m in 2016. The increased allocation reflects the expanded membership base while maintaining contribution levels to existing members.

Each year's ProfitShare may not seem a large amount taken in isolation, but the combined effect of multiple payments over the years, and any investment growth on those ProfitShare payments, can make a meaningful difference to a final pension pot or the value of your savings. Royal London started to share its profits with members in 2007 and over the years we have added £792m to the value of the savings enjoyed by our members.

The allocation of a ProfitShare each year is at the discretion of the Board. The decision on how much, if anything, to distribute depends on the Board's view on matters such as the financial performance of Royal London, our capital position, the risks and volatility of the financial markets and the outlook of your mutual for the period ahead.

The benefits of membership continued to expand in 2017. Having listened to

Phil Loney
Group Chief Executive

2017 AWARDS

Financial Adviser Service Awards

WINNER
Outstanding achievement award

FIVE STARS
Pensions service
Protection service
RLAM service
RLPS service

FTadviser and Innovation Awards

WINNER
Company of the year

FIVE STARS
Online service – pension
Online service – protection

Money Marketing Financial Services Awards

WINNER
Best Pension Provider

Brokers Ireland Excellence Awards

WINNER
Service Excellence

our members, we launched the Insight into Work Programme in 2017, which opened the doors of Royal London to members and their direct families. The work placements allowed members to nominate themselves or a family member for a two-weeks of shadowing or four-weeks of work experience. This was specifically aimed at those leaving school or university, and anyone considering a career change or wanting to return to work after a long break. We had 10 successful placements in 2017, with many more planned for 2018.

We also relaunched the Royal London Foundation to help make a difference in the communities that matter to our members. The first two rounds of grants have benefited local not-for-profit organisations that help change lives in their local communities. All nominations are made by our members.

During the year, we worked hard to engage members more effectively, including using digital channels to provide quarterly communications. Having up-to-date email addresses and contact details for members is key to this, and enables members to hear from the people who are managing their money on how their fund is performing. They can also view information on Royal London's performance and access our rich range of financial education articles in the online members area. If you would like to receive our quarterly updates in future please register your email address at members@royallondon.com

Pensions sold by financial advisers

Strong sales growth was the predominant theme in our pensions business. In workplace pensions, 2017 was the final full year of auto-enrolment roll-out, the scheme under which employers are required to provide a workplace pension scheme and employees are automatically enrolled unless they opt out.

For the past few years, we have been one of the leading providers of new insurance-based, auto-enrolment pension schemes. Inevitably, now that the roll-out is complete, we expect to see this market return to lower, normalised levels. Our focus will therefore be on providing service and value for the 585,600 individual pension members we have in workplace schemes. In 2017, we have benefited from new members joining existing workplace schemes and some consolidating their pension arrangements with us. Although the market for new schemes will reduce, we expect to continue to benefit from new members joining the schemes we have won, particularly over the past few years. The pension freedoms introduced by the Government in 2015 have led to rapid growth in individual pensions over the past few years. Drawdown, in which a pension pot remains invested and funds can be drawn down over time, has now become the retirement vehicle of choice in the UK, overtaking annuities, which have been less attractive during this period of low interest rates. We have been a net beneficiary of this trend because of the strong proposition and value for money we offer. We have also benefited from the FCA's cap on exit charges, which has enabled people to move their pension pots without unfair penalties. In total, individual pensions including drawdown sales rose by 68% during the year to £6.3bn.

Life assurance sold by financial advisers

We have become one of the leading providers in the intermediated retail life assurance market, growing our market share since rebranding as Royal London in 2015. Our focus has been on making it easier for customers to buy insurance, and making the products more accessible to groups of customers who have been historically underserved by the insurance industry. An example of this is the trial of a new life assurance application service called 'Streamlined Mortgage Protection', which has been developed alongside mortgage brokers London & Country Mortgages to simplify the application process for mortgage customers and provide an online, immediate decision using existing mortgage application questions.

It has been an outstanding year for our Intermediary protection business in Ireland, with new business contribution exceeding the prior year by 24%. Market share reached 17%, driven by a market-leading and customer-centric proposition and a good service experience to customers and advisers. We won first place for service excellence in the 2017 Brokers Ireland Excellence Awards. This is the first time Royal London has achieved the top spot.

Direct to Consumer

2017 was a successful year for our Consumer business, which sells life assurance and funeral plans to the public directly, and through partnerships with like-minded companies. Sales increased by £107m to £408m. Sales of Over 50s life and term assurance grew strongly, boosted by an increased television advertising presence. We believe our Over 50s product gives more cover per pound than most of the competitors in the market, as well as being fairer in its payout policies.

Our existing partnerships with Co-operative Funeral Services and Ecclesiastical Insurance both continued to flourish, and our partnership with the Post Office had a successful first year in 2017. We have also recently announced a new partnership with the Clydesdale Bank and Yorkshire Bank brands, which will offer our Over 50s Life and term assurance products to their customers.

We have continued to oversee our 6.5 million policies in our legacy books, belonging to our long-standing customers, regularly reviewing these propositions to ensure we deliver fair outcomes and returns, while ensuring these customers have access to any new propositions where appropriate.

Asset management

Our asset management business expanded in both the institutional market (with clients such as pension schemes and local authorities) and in the wholesale market, where we reach customers through financial advisers and wealth managers. RLAM generated net new external client inflows of £2.8bn, up 21% from £2.3bn in 2016. We launched one of the largest ever UK property funds, which has a portfolio of over £2.7bn, a Multi- Asset Credit Fund and the Royal London Emerging Market Equity Tracker Fund, which tracks the performance of an index of emerging market companies with high environmental, social and governance performance relative to their peers.

Group Chief Executive's statement continued

£500m

The amount invested in new technology and transformation projects since 2014

£6.3bn

Total sales of individual pensions including drawdown, an increase of 68% on the previous year

£408m

Sales in our Consumer business, up from £301m in 2016

Wrap platform

Our wrap platform business has experienced solid growth, with assets under administration increasing 17% to £14.4bn in 2017 (2016: £12.3bn), primarily resulting from pensions freedoms and in particular an increase in Self-Invested Personal Pension (SIPP) business. The business trades under the Ascentric brand and through providing white label platform services to chosen partners. The simplified pricing structure introduced for Ascentric in May 2017, which involves charging a single 'all-in' charge that is unique in the platform market, has been successful in attracting new business in 2017.

Investing your money

Producing excellent investment returns is critical for our customers' futures and for our own commercial success, but good returns are only part of our role. In 2017, we continued to be vocal in issues affecting the corporate governance of companies, for example, in voting against poor company governance and against high executive pay that does not result from high company performance.

We are one of the largest environmental, social and governance (ESG) or 'sustainable' investment managers in the UK. Sustainable investment is about focusing on companies that are good for the environment and good for a sustainable economy, and investors are increasingly attracted to this area.

Royal London also worked towards reducing our carbon footprint in 2017, focusing on lowering our energy consumption and paper usage, and ensuring our offices maximise recycling opportunities. We are also pushing the companies in which we invest to consider their impact on the environment.

Brand

The profile of the Royal London brand remained strong during the year, helped by extensive advertising campaigns including the promotion of ProfitShare and our Helping Hand product. Our cricket sponsorship increased awareness of our brand and our products, and we have recently renewed this for another two years. Prompted brand awareness has increased by 23 percentage points since our rebrand four years ago.

We have also run a series of campaigns to help people manage their money better. Royal London published a number of *Good with Your Money* guides on a range of topical issues such as the 'bank of mum and dad' and the pros and cons of transferring out of defined benefit pension schemes. Sir Steve Webb, our Director of Policy and External Communications and a former pensions minister, is a regular contributor to the public debate on pensions and personal finance issues. Helping to educate the public on the importance of planning for the future and providing useful information on managing their money remains an important part of our vision.

Investing in the business

Our strong performance has allowed us to invest more than £500m since 2014 in new technology and transformation projects. This investment was essential to ensure our business remains competitive and makes the most of the opportunities available in an increasingly digital world. New technology for our wrap platform is making good progress, with testing under way, and we expect it to go live during 2018. Our #thinkbeyond programme, which will transform our pensions business to compete effectively and deliver for our customers in a digital age, has completed its planning phase. The investment has been approved by the Board and will be implemented over the next four years. We also plan to move our capital management to an internal model basis in 2019.

Customer service

For the first time ever, all our UK frontline business areas have scooped five stars for service at the Financial Adviser Service Awards. I'm particularly proud to be able to add that Royal London has also received an Outstanding Achievement Award. We've been recognised by the Financial Adviser Service Awards because of the quality of service we have delivered across multiple businesses over so many years.

Being recognised this way is a tremendous achievement for Royal London and follows on from a number of other awards we've won this year at both the Money Marketing Financial Services Awards and the FT Adviser Online Innovation and Service Awards.

Going forward, we will continue to focus our investment on providing great customer service. We have a number of activities ongoing in our operations team with a focus on areas that will provide the greatest customer benefit. For example, our Pathways programme is designed to strengthen our operational capabilities with investment into our telephony platform, speech analytics, capacity planning, robotics and customer data management. Our ongoing investment in improving systems and processes is helping us to redesign our customer journeys to improve the overall experience.

Supporting our people

Bringing together the different parts of the organisation to create a single Royal London started in 2013. The legal part of the process is now complete, with all our businesses (with the exception of Ascentric) trading under the Royal London name. In 2017, we concentrated on a single Royal London being in the 'hearts and minds' of our people. We are now much more one Royal London than ever before. For example, our remuneration systems, recruitment, induction and career development processes are now the same across the Group. In addition, our employee engagement increased for the third consecutive year, increasing from 67% in 2015 to 80% in 2017. We continue to believe that more engaged employees deliver better service to customers.

Our people also spent time giving back to their communities – 14% of our people became volunteers for local community organisations and many raised money for local charities. We then match the money they raise so, in total, Royal London and our staff gave £144,000 in 2017 to local causes based around supporting people with a chronic or long-term condition – a theme that was chosen by our staff.

Looking ahead

The initial impacts of pension freedoms and auto-enrolment are coming to an end. Over the past five years we have become a significantly bigger player in our markets, so we are now attracting greater competition from the largest providers in the industry. These factors mean that while we still see scope for growth in many areas of our business over the coming year, we expect our growth from 2018 onwards to return to more normal levels.

We remain optimistic about the outlook for 2018 and beyond, and expect to continue growing key areas of our business by focusing on providing high-quality products and service at competitive prices. We will harness our investment in new technology to ensure that our cost base remains competitive, so that we can continue to offer our customers value-for-money products and excellent customer service. We will also focus on how we can make it harder for our competitors to copy some of our innovations.

Our success in 2018 and beyond will come from building on our mutual heritage by continuing to innovate and provide better products and services than our competitors, always at an attractive price. We remain committed to building a business that creates growing value for its customers and members, offers a stimulating place to work and has a positive impact on some of the very real problems facing our society.

> Our employee engagement increased for the third consecutive year, increasing from 67% in 2015 to 80% in 2017. We believe that more engaged employees deliver better service to customers

Group performance

Measuring our performance

Our internal balanced scorecards are aligned with our strategic deliverables. They ensure we monitor our ability to deliver improved customer service and satisfaction, increased market share and fair investment returns, as well as new business growth and profitability. Elements of these confidential, internal-facing scorecards are reflected in our externally published key performance indicators (KPIs) as presented on this page.

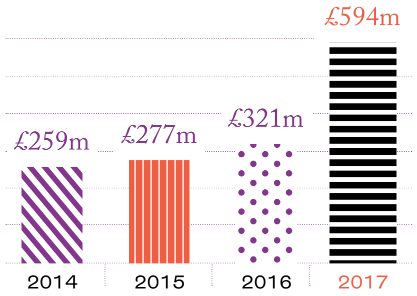
All but one of the KPIs we use are alternative performance measures (APMs), which are not defined or specified under the requirements of International Financial Reporting Standards. We believe these APMs provide readers with important additional information on our business. The terms are described in our glossary in the 2017 Annual Report and Accounts on pages 217 to 220.

When it comes to measuring our financial performance, EEV is the basis by which we manage the business. Why? We believe it provides a more realistic view of the value of the business than the snapshot view provided by IFRS and is therefore a more meaningful basis. A reconciliation between our EEV profit and IFRS transfer to unallocated divisible surplus is provided on page 214 in the 2017 Annual Report and Accounts.

Performance description | **Historic performance**

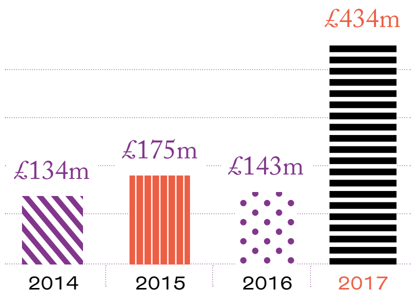
Profitability

EEV profit before tax and ProfitShare[1,2]



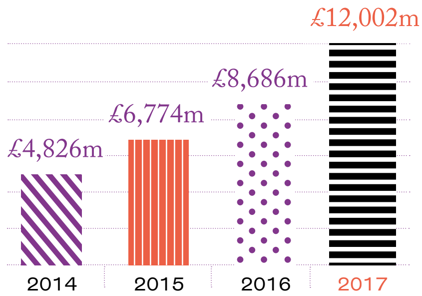
Profitability

IFRS result (total transfer to unallocated divisible surplus)[1,3]



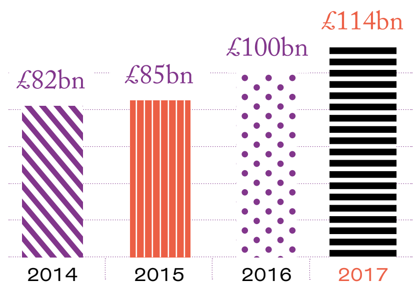
New business

Present value of new life and pensions business premiums



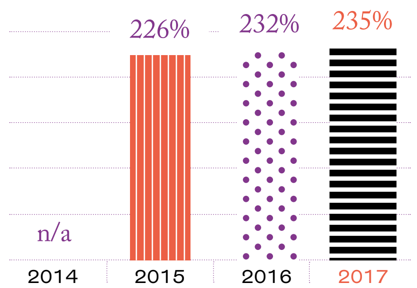
Funds

Funds under management



Capital

Solvency II capital cover ratio[4]



1 2014 includes an exceptional item being the £61m charge relating to the pensions charge cap.
2 2016 result is before the change in basis for Solvency II of £182m.
3 2016 IFRS result is before the impact of the change in basis for Solvency II of £165m.
4 The Solvency II capital cover ratio is the total Own Funds of the Royal London Open Fund and Royal London Closed Funds divided by the Solvency Capital Requirement. It is before the restriction of the surplus in the Closed Funds. We call this the 'investor view'.

Risk management and internal control

The Board is **responsible for the Group's system of risk management and internal control,** as well as for reviewing its effectiveness.

The system is designed to manage and mitigate the risks of failure to achieve business objectives, and provides reasonable assurance against material misstatement or loss. The system has been in place throughout the period under review and accords with the UK Corporate Governance Code 2016: An Annotated Version for Mutual Insurers (the 'Code'). The Board is very conscious of the importance of the Group's internal controls and attaches high priority to developing them in line with good practice. The Board is aware that from time to time, due to the size and scale of the Group, issues could arise that impact the reputation of the Group and its operations. In the event of such risk materialising, the Board ensures that necessary actions are taken to address them.

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Group. The management of each business unit and support function is responsible for identifying, evaluating, rating (in terms of probability of occurrence and likely impact), assigning responsibility for, reporting, managing and mitigating all risks relevant to its area of business. This includes the design and operation of suitable internal controls.

Our system of governance comprises risk management, risk appetite, risk policies, internal control and monitoring activities, and the internal environment including the Group's philosophy, culture and behaviours.

Taken together these elements are designed to:

- facilitate the effective and efficient operation of the Group by enabling us to respond appropriately to significant strategic, business, operational, financial, regulatory and other risks that could impact upon the delivery of our objectives;
- promote a clear understanding of the risks faced to allow the Group to balance risk, capital and return effectively, enhancing our decision-making capacity;
- promote the preparation of reliable published financial statements and selected financial data; and
- facilitate compliance with applicable laws, regulations and internal policies.

We have a formal governance structure of committees to manage risk, which reports to the Board. Accountability has been further strengthened through implementation of the Senior Insurance Managers Regime (SIMR) in 2016. Risk management is an integral part of our corporate agenda and employees at all levels have risk management responsibilities. Our primary objective in undertaking risk management is to ensure that the achievement of the Group's performance and objectives is not undermined by unexpected events and that sufficient capital is maintained. During 2017, the risk management system, in conjunction with the Solvency Capital Requirement (SCR), the Internal Model, our risk register and the Own Risk and Solvency Assessment (ORSA), has been used to help identify, mitigate, monitor and quantify significant risks to which we are exposed.

This approach enables the early identification of risks and, through an assessment of likelihood and impact, we seek to understand fully the dimensions of the exposures the Group faces. In response to unacceptable exposures, targeted action plans are put in place. Regular reporting on risks and mitigating actions is undertaken by individual business units through the Executive Risk Committee to the Board Risk Committee.

We have made a considerable effort to ensure that there is a strong risk management culture in all important decision-making processes and that the risk management system is well embedded across all business areas. During 2017, we continued to strengthen our approach to risk management with further enhancements to the design of our processes and risk management software, used by all areas of the Group to manage all the elements of the risk management system on one platform. We have also established a programme of activities to focus on further strengthening our internal control system, standards and processes. These will continue to deliver a range of enhanced controls across the Group during 2018.

The Board reviewed the effectiveness of the Group's Risk Management System and Internal Control System during the year ended 31 December 2017. This took into account matters arising up to the date of approval of the 2017 Annual Report and Accounts. It covers all material controls across business, financial, compliance and risk management processes. It was conducted on an ongoing basis, via reports submitted to the Board, the Board Risk Committee and the Audit Committee, and also by reports prepared as part of the year-end process. In the event of any significant weaknesses being identified, the Board ensures that necessary actions are taken to address them.

Three lines of defence

Our governance structures for risk management are based on the 'three lines of defence' model. Primary responsibility for risk management lies with the business units and specialist operational process functions. A second line of defence is provided by specialist functions that undertake monitoring, challenge and policy setting, such as the Group's independent Risk and Compliance function. The third line of defence is provided by Group Internal Audit, which provides independent assurance.

In practice, executive management has been delegated the day-to-day responsibility for establishing and implementing appropriate systems and controls and for managing the risks which impact upon their respective areas of responsibility. Business unit managers identify, assess and record material risks, including information on their likelihood and severity, and the mitigating controls or actions planned.

This risk management system allows us to assess our overall risk exposure and to create a map of major risk exposures, along with associated actions. This map is continually monitored and refreshed, and evidence of control effectiveness is regularly reported.

These processes are supported by the Group Risk and Compliance function, which is independent of the business and reports to the Group Chief Executive via the Chief Risk Officer. Group Risk and Compliance provides specialist knowledge, review, challenge and quality assurance, as well as the co-ordination of reporting to appropriate committees and the Board.

Group risk appetite framework

Our risk appetite framework consists of three components:

- the risk strategy, together with risk preferences, defines the types of risks we aim to take or avoid in the pursuit of our business objectives and sets the boundaries within which our risk appetite will operate;
- the risk appetite statements explain how much risk we are prepared to be exposed to in relation to each risk category outlined in the risk strategy and why; and
- the risk metrics help to measure the amount of risk we are exposed to against risk appetite. Each metric has inbuilt threshold limits designed to provide an early warning of when we are approaching our risk appetite limits.

The risk appetite statements and metrics have been constructed around the following five high-level risk categories that are considered core to the Group's business:

Capital

We will maintain a strong and credible capital position with good quality assets. Maintaining a strong and credible capital position, even in extreme but foreseeable circumstances, is a key target for our sustainability. Policyholders may be wary of placing or keeping their business with a company whose strength is materially out of line with the market or who appears to have poor quality assets backing its capital strength.

Liquidity

We will be sufficiently liquid to retain customer and member confidence even in extreme but foreseeable circumstances. Maintaining enough liquid assets even in these circumstances is a key target for the Group's sustainability.

Performance

We will deliver quality earnings and attractive growth with well-managed volatility. We have a number of principles, which relate to long-term returns to customers and policyholders, and meeting their reasonable expectations. This covers not only shorter-term volatility, but also volatility around expected longer-term value and returns.

Insurance risk

We will apply strong insurance risk management disciplines for new and existing business. This can be done in a variety of ways, such as only taking on risks where we feel that we have sufficient expertise to manage them and taking on specific types of insurance risk in order to improve our overall financial position.

Operational

We operate strong controls over our business environment, with a robust risk management approach designed to ensure we do not expose the Group or our customers and members to inappropriate operational risks or inappropriate risk taking. By doing this, we aim to deliver better customer and member outcomes than our peers. We aim to provide a positive customer and member experience in everything that we do. In addition, we seek to have good relationships with our regulators and also with law enforcers.

Group risk policies

Our risk policies are the high-level standards and requirements that determine the way in which risks are to be managed and controlled. The Board ensures that policies are regularly reviewed to reflect the changing commercial and regulatory environment, as well as the Group's organisational structure.

Anti-corruption and anti-bribery

The Group is committed to the highest standards of governance, personal and corporate ethics, compliance with all laws and regulations, integrity and honesty in dealings with employees, customers, suppliers and other stakeholders. The Group has a financial crime policy, which sets out the framework for managing financial crime arising from bribery and corruption, as well as fraud, money laundering and market abuse. A separate Financial Crime unit operates within our Compliance team to monitor adherence to this policy.

Solvency II

The EU-wide Solvency II regime, which is intended to strengthen the integration of risk and capital management, allows insurers to use a standard formula or an Internal Model. We are planning to seek approval from the PRA to use an Internal Model for determining our regulatory capital requirements. The use of a model enables us to make more effective decisions by fully integrating risk and capital management, building on our existing strong capital modelling and control capabilities. The Solvency II standard formula approach has been used since 1 January 2016 as we develop our Internal Model. It is our intention to continue using our own current model to assist in the management of our capital position until approval of our regulated Internal Model in 2019 is achieved.

Principal risks and uncertainties

Managing risk is fundamental to our activities in order to generate returns for our customers and members. We have processes in place to identify and manage risks, which include assessing scenarios and reverse stress tests. Our approach to risk management is set out earlier in this statement. The Board believes the principal risks and uncertainties facing the Group are as set out on pages 15 to 18, with the actions taken to manage and mitigate them.

The Group's risk governance structures

Risk responsibilities of the Board

Board

The Board approves and has oversight of the plans and structures in place to ensure Royal London achieves its strategic objectives within the risk appetite framework.

Board Risk Committee

The role of the committee is to ensure that the interests of members and customers of Royal London are properly protected through the application of effective risk and capital management systems. This includes overseeing conduct for fairer customer outcomes.

Audit Committee

The role of the committee is to assist the Board by monitoring the performance and objectivity of external and internal auditors, and reviewing the effectiveness of the company's financial controls.

Risk responsibilities of management

Executive Risk Committee

The role of the committee is to support the Group Chief Executive by giving consideration to and developing proposals and recommendations in respect to areas within the risk management system.

Capital Management Committee

The role of the committee is to support the Group Finance Director by giving consideration to and developing proposals and recommendations, in respect of economic and regulatory requirements, investment strategies and decisions, balance sheet risk, derivatives, and risk appetite related to market, credit and liquidity risks, policies and reporting.

Customer Standards Committee

The role of the Committee is to support the Group Chief Executive in overseeing customer outcomes in relation to our customer strategy. It provides challenge over business practices relevant to our strategic customer objectives and conduct regulatory requirements.

Internal Model Steering Committee

The committee is responsible for embedding the internal model within the business. This includes reporting and escalation to the Group Executive Committee as appropriate, and ensuring compliance with other business-as-usual processes and committees.

Internal Model Governance Committee

The role of the Committee is to support the Group Chief Executive by giving consideration to and developing proposals and recommendations that ensure the Internal Model accurately reflects the structure and risk profile of the business.

Principal risks and uncertainties

Managing risk is fundamental to the Group's activities in order to generate returns for policyholders. We have a system in place to identify, manage, monitor and report risks, supported by risk tools and processes such as contingency planning, escalation of events, assessing scenarios and reverse stress tests.

The Board confirms the principal risks and uncertainties facing the Group are as set out on the following pages, along with the actions taken to mitigate and manage them. The Board monitors principal risks and uncertainties on a quarterly basis, and undertakes a full review annually. Our approach to risk management, including the process of assessing and reviewing these risks, is set out below and on the following three pages.

Our risk profile is stable and generally changes only gradually from year to year. Although most of the principal risks and uncertainties set out last year are still relevant, we recognise that these continue to evolve due to the events and developments that continue into 2018. Progress has been made on a number of activities to manage and reduce certain risks. We also recognised the importance of cyber security as a principal risk in 2017.

The economy and Royal London's key markets

Principal risk and uncertainty	Risk mitigation and management
The economic environment continues to be uncertain **Like other insurance groups, our business is subject to inherent risks arising from general and sector-specific economic conditions in the markets in which we operate, particularly in the UK, where our earnings are predominantly generated.** **Low or negative interest rates continue to have a significant impact on the insurance sector.** **Also, fluctuations in the value of both assets and liabilities can arise from volatility in the global capital markets, the economy of the UK, the stability of European markets such as the future of European bonds and the global economy generally. This may have a materially adverse effect on the Group where such a market change impacts differently on the value of assets and liabilities.**	Our forward-looking risk profile, with regular monitoring of exposures by risk class, including consideration of possible risk concentrations, allows us to evaluate scenarios where we may be exposed to asset and liability values moving differently, and allows us to have a good understanding of the impact this may have on our risk profile. Through regular monitoring and discussion at executive and Board level, decisions are made to mitigate risks where these do not align to our business strategy and/or risk preferences. Mitigation is also undertaken by hedging to offset adverse risk.
A change in economic trends and consumer behaviours can affect performance **Volatility in the economy and investment markets, and the continuing prospects for low growth rates in the UK can affect consumers' disposable incomes and appetite for our products and services.** **Changing socio-economic trends (such as customers wanting to deal direct, transactions through mobile applications and data security) present opportunities and challenges to our business model.**	We undertake regular reviews to ensure we are developing strategies and operational capabilities to take account of current and future changes in markets and consumer behaviours. We monitor our product range and market position regularly through analysis of policyholder experience and business volumes. This helps us to re-price products dynamically and develop new ones in response to changes in demand.

Changing political and regulatory environment

The referendum outcome in favour of the UK leaving the European Union (EU) is the key development reflected in the political and regulatory environment principal risks and uncertainties.

Principal risk and uncertainty	Risk mitigation and management
The arrangements for the UK's exit from the EU continue to create uncertainty over the prospects for financial markets and the UK economy, together with future regulation and legislation **The impact on financial markets is likely to be a marked rise in uncertainty resulting in a further impact on economic confidence, sterling, the UK credit rating and increased inflation.** **Uncertainty over the outcome of negotiations with the EU and the transition leads to a lack of clarity over future regulation and legislation for the insurance and investment markets.**	The UK's exit from the EU is not expected to have a materially detrimental impact on Royal London's strategy and business, due to our focus on the UK. However, we recognise the potential impact on our business in Ireland and any potential implications with regard to Scotland's possible independence. In preparation, we are planning arrangements including Part VII transfers to a new Irish subsidiary to protect and enhance our existing market position in Ireland. Risks related to financial markets will be mitigated through our normal market risk monitoring and capital management activity. Given the Group's UK-focused business, we are less exposed than many of our peers to the risk of failing to access the single European market. We will continue to maintain a watching brief on developments relating to UK exit as they occur, particularly in relation to regulation and legislation, and will prepare appropriate responses.

Principal risks and uncertainties continued

Principal risk and uncertainty	Risk mitigation and management
Uncertainty over the Solvency II Internal Model Application Process (IMAP) **We intend to use a Solvency II Internal Model, subject to approval of an Internal Model application.** **Until such time as an application is approved, we remain exposed to the risk that our capital position will be subject to capital add-ons which may misstate our true capital position, leading to potential reputational damage and product uncompetitiveness.** **Whilst the high level regulations and process are understood, important elements of the details around the design of our Internal Model and the application process itself are still to be agreed with the regulator.** **There is a risk that we will have insufficient time to respond to feedback from the regulator, which increases the risk of significant re-work later in the application process or failure in achieving approval of our Internal Model.**	In line with PRA recommendations, we have continued to enhance our Internal Model and our risk and capital management systems, monitoring closely the potential impacts on capital requirements and ProfitShare. Our ongoing engagement with the PRA, which will lead to the submission of our Internal Model application, aims to identify any design issues to be addressed in advance of the application and increases the likelihood of a successful outcome in the Internal Model being approved.
Changes in the legislative and regulatory landscape may alter the design and marketing of propositions **Unprecedented levels of change in legislation and heightened regulatory activity could adversely impact our ability to implement and deliver changes, as well as our reputational, operational and financial position. The conduct and prudential environment is still developing, and this could impact how we develop and distribute new propositions, as well as how we administer and deal with contracts sold in the past. It is possible that regulatory, thematic, industry-wide reviews from the regulators may have a significant impact on the Group.**	Meeting the expectations of customers and our regulators is at the forefront of everything we do. To that end, we actively engage with regulators on an ongoing basis. We continue to monitor the impact of developments and, where necessary, enhance our processes to meet any new requirements. During 2017 we were preparing for the General Data Protection Regulation, the fourth Money Laundering Directive and the Markets in Financial Instruments Directive (MiFID) on our investment operations. Our conduct risk framework is in place, together with an associated proposition development and review process designed with the aim to achieve fair outcomes and experiences for our customers. We continue to be represented on several industry bodies including Association of British Insurers (ABI) senior committees.
Changes to financial services markets may arise from the political environment **The political environment may give rise to changes that alter the viability of our propositions in the markets in which we operate. This could include a broadening and/or tightening of the application of the pensions dashboard on workplace pensions, and a focus on asset management fees.**	As the political environment changes, we continually evaluate how our markets are evolving and look to develop propositions to meet the needs of customers and distributors. For example the FCA's proposals from the Asset Management Market Study will be reflected in our proposition development. To support this we undertake regular monitoring of our performance, and the political and regulatory environment. The Group is one of the 17 product providers who have supported the pensions dashboard prototype produced by the Association of British Insurers following the recent outcome of the government's charge caps review. We continue to monitor potential outcomes in future that may follow. We also undertake scenario testing of external factors that could detrimentally impact our business model. In addition, we undertake a role in lobbying on political and legislative issues in the best interest of our customers.

Maintaining our financial strength

In 2017, elements of risk exposure have reduced in relation to counterparties and managing our funding commitment.

Principal risk and uncertainty	Risk mitigation and management
An increase in our funding commitments for defined benefit pension schemes may impact on our financial position **Our main risks in managing our defined benefit pension schemes arise from their exposure to inflation, interest rates and longevity, and from risks associated with the funds' investment strategies. Any adverse movements in these factors could increase future funding costs and could impact our financial position.**	Overall, the schemes are reasonably well funded; however, the Board recognises this position could change and continues to closely monitor funding levels and work with the Trustee Boards to assess opportunities to reduce volatility and risk. The Royal London Group Pension Scheme (RLGPS), the main Group defined benefit scheme closed to future accrual from 31 March 2016, reducing the current funding commitment to that scheme. During 2017, the RLGPS increased its hedging of interest rates and inflation to 90% of its ongoing liabilities.
We are exposed to the risk of failure or default of one or more of our counterparties **As part of our business, we invest in debt securities and other assets in order to meet our obligations to policyholders. As a result of this activity, exposures can arise to issuers of debt and other financial instruments. Our day-to-day activities also mean we have exposures to banking, insurance and reinsurance counterparties, as well as third-party providers of IT and administration services.**	We seek to manage exposure to any one counter-party or third party. We actively monitor and report against limits in respect of investments. Contracts with third parties and suppliers are governed by strict service level agreements, which are monitored and discussed at regular account management meetings. The Capital Management Committee reviews large exposures that approach or exceed risk appetite, and reviews the actions being taken to manage the exposures. Our counter-party exposure has reduced in 2017.
If our assumptions are subsequently proven to be wrong then adjustments may impact on our financial position **Our business involves the underwriting of risks where the ultimate liability is dependent on long-term trends in factors such as mortality, lapse rates, interest rates and counter-party defaults.** **We take a prudent approach when calculating capital requirements. However, extreme movements can take place. Such events could arise from, for example, medical science advances and movements in financial markets, or in the broader economic environment. It may be necessary to review assumptions if this did happen, potentially impacting our financial position.**	In the event that actual claims experience is less favourable than envisaged, our reinsurance arrangements will provide significant mitigation. Additionally, we use our experience to assess and set prices for known risks, and to ensure that reserves are appropriate. The calculation of reserves is underpinned by stress and scenario testing, which assesses the appropriateness of key assumptions to a combination of extreme events, including financial and economic conditions, investment performance and product-specific matters.

Core processes and organisational delivery

We continue to monitor change as a principal risk, recognising that the amount of internal changes across our systems and processes could also affect our ability to deliver. We also recognised the importance of cyber security as a principal risk in 2017.

Principal risk and uncertainty	Risk mitigation and management
Organisational capabilities may be impaired by the high level of change across the Group **The Group has grown in recent years and we have completed change programmes in line with this growth in order to continually improve our capabilities and the experience of our customers. Two of our largest programmes will significantly enhance the IT infrastructure supporting the current and future propositions in our chosen markets. There is a risk that the continued growth plans and changes to our operational systems and processes, combined with the significant amount of external change in markets, regulation and legislation, result in possible future inefficient or ineffective organisational delivery, with consequential operational loss and/or reputational damage.** **This includes, for example, the ongoing actuarial system enhancement programme, which if not delivered effectively could give rise to a material financial reporting error.**	Our strategic and operational plans are regularly reviewed by the Board. These take account of our resources and the scale and diversity of change currently underway, and planned for the future. Specific change programme monitoring and reporting takes place at project, programme, portfolio and strategic execution level, utilising a dashboard of measures to ensure appropriate risk-based decisions are made and that resources are allocated in an efficient and sustainable manner. The portfolio is also constructed to take account of the anticipated level of resourcing available. Our most significant change programmes, covering our core pensions administration system and a new wrap platform in RLPS, have quality assurance processes built into our internal management and governance. These are also subject to independent oversight by our Internal Audit and Risk and Compliance functions. Additionally, the risk of financial reporting errors arising during and after the actuarial enhancement programme is mitigated by thorough testing of the systems before, during and after implementation, and ongoing control monitoring through the control framework for financial reporting data.

Principal risks and uncertainties continued

Principal risk and uncertainty	Risk mitigation and management
Cyber Security **There is a risk that third parties and other unauthorised users may attempt to gain access to our systems for misuse of customer and company data, or disrupt the business using malware and viruses. This could lead to corrupted or lost data, business interruption, compliance breaches, regulatory fines and reputational damage.**	We continue to invest in our security systems, strengthening beyond our core controls and reducing vulnerabilities. Our security is now proactive with advanced monitoring, prevention and testing. Cyber security awareness is a key part of our training, with social engineering exercises and other testing of security awareness. Where new threats are identified, awareness training and communications are immediately sourced. As we recognise this as a key business risk, we carried out a stress testing analysis on a cyber-attack scenario in 2017, and continue to regularly review and test cyber risk developments.

Material outsourcers and supplier relationships

Principal risk and uncertainty	Risk mitigation and management
Outsourced services may not meet regulatory or service requirements **In line with other large financial services organisations, we have a number of material relationships with outsourcers and service providers. Whilst processing or specialist work is undertaken by these organisations, we remain fully responsible for the oversight, management and performance of the outsourced activity. There is a risk that we would be unable to meet our regulatory obligations following the failure of, or a significant degradation in, service received from a material outsourcer or service provider.**	We have a framework for the governance and oversight of material outsourcer and supplier arrangements. It includes the requirement for executive approval prior to commencing material outsourcer and supplier arrangements, together with policies and processes for the oversight and escalation of risks and issues to the attention of the appropriate risk committees. The business closely manages outsourcer and supplier relationships, and the governance arrangements for material outsourcers require that our customers do not face an increased level of risk due to an outsourced arrangement.

Legacy products

We have made progress to reduce the risk on legacy products through our programme of activities during 2017.

Principal risk and uncertainty	Risk mitigation and management
Legacy remediation **We have a large number of legacy products in which policyholders are still invested.** **There is a risk of historic remediation required within these books as there are a large number of legacy systems and propositions involved, and often manual and/or complex processes which can lead to historic issues being found.**	Significant focus has been placed on managing this risk, including a dedicated proposition team overseeing legacy customer outcomes within a robust control framework. Within this, we are delivering activities related to our proposition reviews, Longstanding Customer Thematic Review programme and Remediation programme. We have reviewed the majority of propositions within the legacy book with any remaining lower-risk propositions to be completed in 2018 and all propositions will continue on a regular review schedule. We have made good progress on our Longstanding Customer Thematic Review programme, including making significant changes to our communications to the relevant annual statements and event driven communications with positive customer research. We have also been implementing a Remediation unit and making good progress on our Remediation programme. We continue to provide regular updates to the FCA on both the Longstanding Customer Thematic Review and Remediation programmes.

Longer-Term Viability Statement

Assessment of prospects

The context for the assessment

The Group's business model is long term; indeed, we were founded more than 150 years ago. Our business model and strategy are integral to understanding the Group's prospects, with risk appetite and framework fundamental to continued viability. Further detail can be found on pages 2 to 3. Overarching this risk appetite framework is the Board's strategy, which is subject to the ongoing monitoring and development described on this page. The principal risks and uncertainties that the Group is exposed to underpin this strategic planning process and are outlined in further detail on pages 15 to 18.

The Group's current strategy, detailed on page 2, has been in place for several years and remains at the core of everything we do. The Board continues to take a conservative approach to the Group's strategy and the focus is on building trust with our customers, raising awareness of our brand and delivering value to our members, while meeting the expectation of regulators and other stakeholders.

Decisions relating to major new projects and investments – for example, developing our IT infrastructure – are made with a low risk appetite and are subject to escalating approval levels. The focus placed on developing our IT infrastructure takes advantage of opportunities to bring an enhanced digital experience for customers, lower our operating cost base and at the same time respond to regulatory changes.

The assessment process

The Group's prospects are assessed primarily through its strategic planning process, which is led by the Group Chief Executive and involves all relevant functions. The Board fully participates in this process and undertakes a robust review and challenge of the strategy and assumptions, in particular, through the use of stress and scenario testing, as well as receiving regular updates from relevant functions and committees. There are a number of scenarios tested that are updated annually, with the current scenarios being summarised in the table below.

As part of the prudent management of the long-term business of the Group, management carries out and assesses various long-term financial projections. However, there is inherent uncertainty involved in these projections, which increases as the term of the projections increases.

While the directors have no reason to believe that the Group will not be viable over a longer period, the period over which the directors consider it possible to form a reasonable expectation as to the Group's longer-term viability is the five-year period to December 2022.

This period has been selected because the Group's medium-term business planning process sets out its strategy and assumptions on a five-year time horizon. The latest business plans, which include in-depth analysis of the Group's risk profile, liquidity, and profit and capital projections, cover the period to December 2022.

Assessment of viability

Although the strategic plan reflects the directors' best estimate of the future prospects of the business, they have also tested the potential impact of a number of scenarios over and above those included in the plan, which represent 'severe but plausible' scenarios that the Group could experience. These scenarios encompass:

- a range of sensitivity analyses and stress tests over key economic, insurance and operational risks – for example, a 1 in 200 adverse impact from financial markets, counter-party failure or a significant medical science advance; and
- stress testing the business plan as part of the Group's Own Risk and Solvency Assessment (ORSA) process for adverse scenarios impacting profitability, liquidity and/or solvency, including:
  - margin compression from competitor, regulatory or legislative developments;
  - vertical integration amongst competitors leads to 'lock out' from some of our markets;
  - adverse regulatory or legislation changes affecting the Group's products or distribution;
  - technological advances allowing more competitors to enter markets and adversely impacting product pricing; and
  - cyber-attack on the Group's systems and data.

Each scenario is designed to be severe but plausible, and take account of the availability and likely effectiveness of potential mitigating actions management could take to avoid or reduce the impact in the circumstances. In considering the effectiveness of such actions, the conclusions of the Board's regular monitoring and review of risk and internal control systems, discussed on pages 12 and 13, are taken into account.

Reverse stress tests have also been conducted which identify scenarios which may lead to the failure of the business model; the combinations of events required to cause failure of the model are so extremely severe and remote that they are not considered to affect the directors' expectations of the Group's longer-term viability.

Base scenario	UK economic growth remains constrained in 2018 driven by continued uncertainty about UK trading arrangements, before moving closer to trend. An EU Free Trade Agreement is signed which includes a post-Brexit implementation phase.
Adverse scenario	EU negotiations end without agreement, including UK passporting rights ceasing and tariffs payable on imports. UK recession with increases to unemployment and inflation, weak Sterling and reduced UK growth. The world economy is weaker than the base scenario with slowdown in global growth.
Favourable scenario	Brexit impact is limited with a UK-EU trade deal agreed quickly. Sterling recovers which eases inflation and real wage pressure. Strong global growth rates, particularly in the US and China.

Viability statement

Based on their robust assessment of the principal risks and uncertainties facing the Group, and the stress-testing-based assessment of the Group's prospects described above, the directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to December 2022.

Going concern

The directors also considered it appropriate to prepare the financial statements on a going concern basis.

Intermediary

Our intermediary division had an excellent year, generating new business and becoming one of the leading providers of auto-enrolment pensions schemes

2017 was another highly successful year for our Intermediary business, defined by our unwavering commitment to financial advisers and our belief that the needs of our customers are best served through a combination of value-for-money propositions and professional, impartial advice.

New business growth was strong in both pensions and protection. Although the two markets remain very different, both our pensions and protection products are underpinned by award-winning technology, great service and clear communications. This all adds up to a market-leading proposition, which makes it easy for advisers to do business with us – and deliver the right products, with the right outcomes for our customers and members.

Of course, what makes us truly different is our mutual status. While our protection customers and advisers aren't members, we apply our mutual values in different ways:

- **We share our profits** – when we do well, we'll aim to boost our pension customers' retirement savings by adding a share of our profits to their plan each year; and
- **We support our customers** – our Helping Hand service provides protection customers experiencing serious illness, injury or bereavement with the additional support they might need beyond a financial payout.

We aim to bring some much needed innovation to the Protection market. We strongly believe there's an opportunity to offer affordable protection products that provide value for money to customers and their families. In 2017, we set out to break down barriers that are stopping some customers from accessing protection products. Our long-term ambition is to widen our customer base to include more individuals who struggle to get cover due to a managed health condition.

The Intermediary Pensions business has gone through a sustained period of high performance, with new business volumes more than trebling over the past five years. Despite increased demand, we were awarded an outstanding achievement award and five stars for service at the 2017 Financial Adviser Service Awards. This has been achieved by having a clear focus on delivering value-for-money propositions for advisers, underpinned by great service and investment governance. Now is the right time for us to capitalise on this success and the momentum we have in our chosen markets – we're looking to transform our business to meet the needs of the digital age.

Our customers are looking for greater transparency, fairness and choice and as a mutual we have a great opportunity to connect with customers and support them in making well informed decisions about their savings and protection needs. As customers seek to have greater control over all aspects of their financial lives, we're setting out to build an engagement model that will make us relevant to our customers in a truly digital world that's always on, characterised by rapid response, personalisation and self-service.

In 2017, we launched our Review Service, designed to save advisers time and money by providing their Royal London pensions clients in one place. 2017 was also the last year of auto-enrolment. Although this provided additional sales growth in group pensions, we expect this to return to more normal levels in the future. In personal pensions, people continued to take advantage of the pension freedoms, which gives them more flexibility in how and when they can access their retirement savings.

Low interest rates boosted transfer values in defined benefit pension schemes, resulting in an increase in people transferring out of final salary pension schemes.

Workplace pensions

We continued to play an active role in the final phase of auto-enrolment, and in 2017 we were one of the leading providers of insurance-based new auto-enrolment pensions schemes. We supported over 5,500 employers through auto-enrolment in 2017. We inevitably saw a slowdown in the second half of the year as auto-enrolment drew to a close. Despite this, our new business sales rose by 12% to £4,346m (2016: £3,872m). We have also benefited from our members increasing their contributions to existing schemes.

In 2018 we expect to see further increases in member contributions as by law, under automatic enrolment minimum pension contributions are set to increase.

Our success in auto-enrolment has transformed our market position in group pensions and we remain a significant player. We aim to stay one step ahead of our competitors by setting out to understand what really matters to advisers, employers and employees and we stay firmly focused on delivering the best customer outcomes.

For many people, joining their employer's workplace pension is the first interaction they'll have with financial services. There's a huge opportunity for us to build relationships with these customers, by helping them understand the true value of their pension. Throughout 2017, we continued to work hard to ensure customers have a positive experience every time they interact with us and this remains a key area of focus in 2018.

Individual pensions

Since pension freedoms, we've seen huge changes in how people are using their retirement savings. Over the past two years, we've experienced a surge in customers looking to access some or all of their savings, which has created a greater demand for our award-winning income drawdown product, Income Release. As a result, sales of personal pensions (including drawdown) rose by 68% to £6,339m (2016: £3,778m).

Intermediary continued

We paved the way by offering an income drawdown product eight years before pension freedoms were introduced. Having an established product under our belt allowed us to focus on developing tools and support – such as our review service and drawdown governance service – that will make life easier for advisers and help them deliver what really matters to their clients and their business.

Also underpinning the popularity of Income Release is our Governed Retirement Income Portfolios (GRIPs). GRIPs are a range of five investment portfolios, designed exclusively for customers looking to enjoy flexible access to their savings.

The five portfolios are based on sensible risk targets, which take account of the level of risk required to achieve a particular level of income.

They fall under our Governed Range, which means they benefit from regular reviews, hands-on supervision and ongoing fine-tuning to help make sure they meet their objectives.

During the year, we introduced our flexible access proposition for existing customers who insist, despite our prompts, that they're comfortable making their own retirement choices. Whilst we continue to champion the value of impartial advice, we believe we have a responsibility to support these customers and make sure they can access the retirement outcome they want. Although we won't actively promote this option, we'll now offer them a simplified version of our Income Release product.

We continued to support the Association of British Insurers (ABI) in its government-led initiative to create a Pensions Dashboard (PD). We believe this has the potential to boost competition in the UK pensions market. It's an important project designed to give customers a comprehensive view of their retirement savings and entitlements all in one place – to determine their retirement income. The PD could also help those customers looking for better value for money by consolidating a number of small pension pots.

Protection

Despite increased competition we've maintained our market position, leveraging our improved proposition through our focus on adviser relationships and customer service. As a result, new business sales rose by 25% to £807m (2016: £647m).

In addition, we trialled new propositions that we believe will provide future sales growth.

According to Diabetes UK, over four million people in the UK are living with diabetes. In April 2017, we started an important trial of our new Diabetes Life Cover plan, using a real-time underwriting process. This made it easier for advisers to secure life cover for their customers at point of sale and reduced the time taken to accept an application from weeks to less than an hour.

Further, in June 2017 a new life insurance application service moved into pilot called 'Streamlined Mortgage Protection', which uses advanced machine learning to simplify the underwriting journey and provide an online, immediate decision to mortgage customers without the need for additional underwriting questions and medical evidence.

At the heart of everything we do is a clear vision of the role we can play in protecting people's (and their loved ones') lives. Our strategy remains to deliver excellent value for money by focusing on creating the best customer outcomes and best customer experiences at really competitive prices. This philosophy is rooted in our status as a mutual. In the protection market we seek to include the underinsured people in our community, growing the market by increasing access to protection products. We want to make it easy for advisers to do business with us. We'll focus on building and maintaining good relationships and streamlining our processes to improve the customer experience – especially critical moments of truth such as the underwriting process and the customer claim.

Intermediary relationships

We're proud to champion the value of impartial advice. We believe it brings customers closer to the products that are right for them. It's a key step towards delivering better outcomes. And it builds trust for our products and services.

That's why we design our products and services to complement the role of the adviser - giving them the freedom to tailor solutions to suit their clients' needs.

We use our voice in the market to lobby on behalf of advisers. We actively promote the value of their expertise and we do all we can to help them keep on top of the ever-changing legislation and regulation.

We believe customers should have access to high quality and affordable financial advice. Our tools and technology aim to help advisers make their businesses more efficient, so they can spend more time doing what matters most – providing quality advice to their clients.

While we'll always invest in technology and tools to help deliver more efficient services, we absolutely believe it's the quality of our *people* that really makes the difference. It's this approach that's seen us awarded five stars for service at the Financial Adviser Service Awards for nine consecutive years. Maintaining a high standard of service whilst dealing with unprecedented volumes of business is testament to the quality, expertise and attitude of our people.

We've also put a great focus on the skills and development of our people. We've set the bar high for our sales force, with many of our consultants now having the same level of qualifications as the financial advisers they regularly deal with.

Consumer

Our business continued to form new partnerships, while also increasing the share of digital sales by providing customers with an easy-to-use platform and swift application process

The Consumer division continued to grow during the year, building direct sales and creating new partnerships with like-minded companies.

The division was established to offer our products direct to consumers or through partnerships. It is also home to Royal London customers who deal with us directly, rather than through a financial adviser.

Total sales, on a PVNBP basis, grew by 36% across the division to £408m, up from £301m in 2016. By delivering well-designed products that offer excellent value for money, we have graduated from a little-known, new entrant to a real force in our chosen markets.

Our Over 50s life product grew both market share and volume during the year. We are now one of the largest players in this market, a significant achievement considering the Over 50s product was launched just over three years ago. We sold more than 30,000 policies in 2017, up from 20,000 the previous year and 10,000 in 2015.

We used a wide range of media to alert customers to our products, including advertising on television, radio, direct mail and the press. We also invested significantly in digital advertising during the year, becoming one of the first in our field to recognise the changing behaviour of consumers and adapt our strategies as a result. Targeted advertising on search engines, for example, enabled us to identify customers who are looking for the products we offer. Although we will continue to use a range of media to attract customers, digital advertising has become a key part of our acquisition mix.

Almost 30% of sales now come to us digitally, using online applications either on mobile phones, tablets or computers. This has been achieved by ensuring our digital offering is easy to use and applications can be completed relatively swiftly.

Our success so far has been predicated on creating products that serve customers well and offering benefits not available from other providers.

In November 2017, the Consumer division won a gold award for digital – Best Use of Search at the DMA awards. We were recognised for improving our search engine participation, which resulted in year-on-year branded cost per clicks reducing by 35%, sales increasing by 47% and cost per acquisition lowering by 53%.

Growth in our Consumer division comes partly from increasing our visibility to customers, but also by offering good value products with benefits that our customers can't easily find elsewhere. In 2018, we will launch our own-branded Funeral Plan, which will expand the range of products we offer directly to customers to meet funeral planning needs. The Royal London Funeral Plan will give consumers the option to protect themselves against rising funeral costs, offering a solution that is transparent, fair and good value for money.

Partners

This was the first year of our partnership with the Post Office and we have been delighted with its success. Our Over 50s product is now available through all Post Office outlets and online. Feedback from Post Office customers has been very positive, and sales exceeded 14,000 policies in the first year of operation.

Our partnerships with Co-operative Funeral Services and Ecclesiastical Insurance continued to flourish, producing strong sales performances of £290m.

We also reached an agreement to form a new partnership with CYBG plc, owner of Clydesdale Bank and Yorkshire Bank, to offer Over 50s and term assurance products to their customers. The partnership was agreed towards the end of 2017 and we look forward to developing the relationship in 2018.

We have further partnership proposals in the pipeline for the coming year.

Existing customers

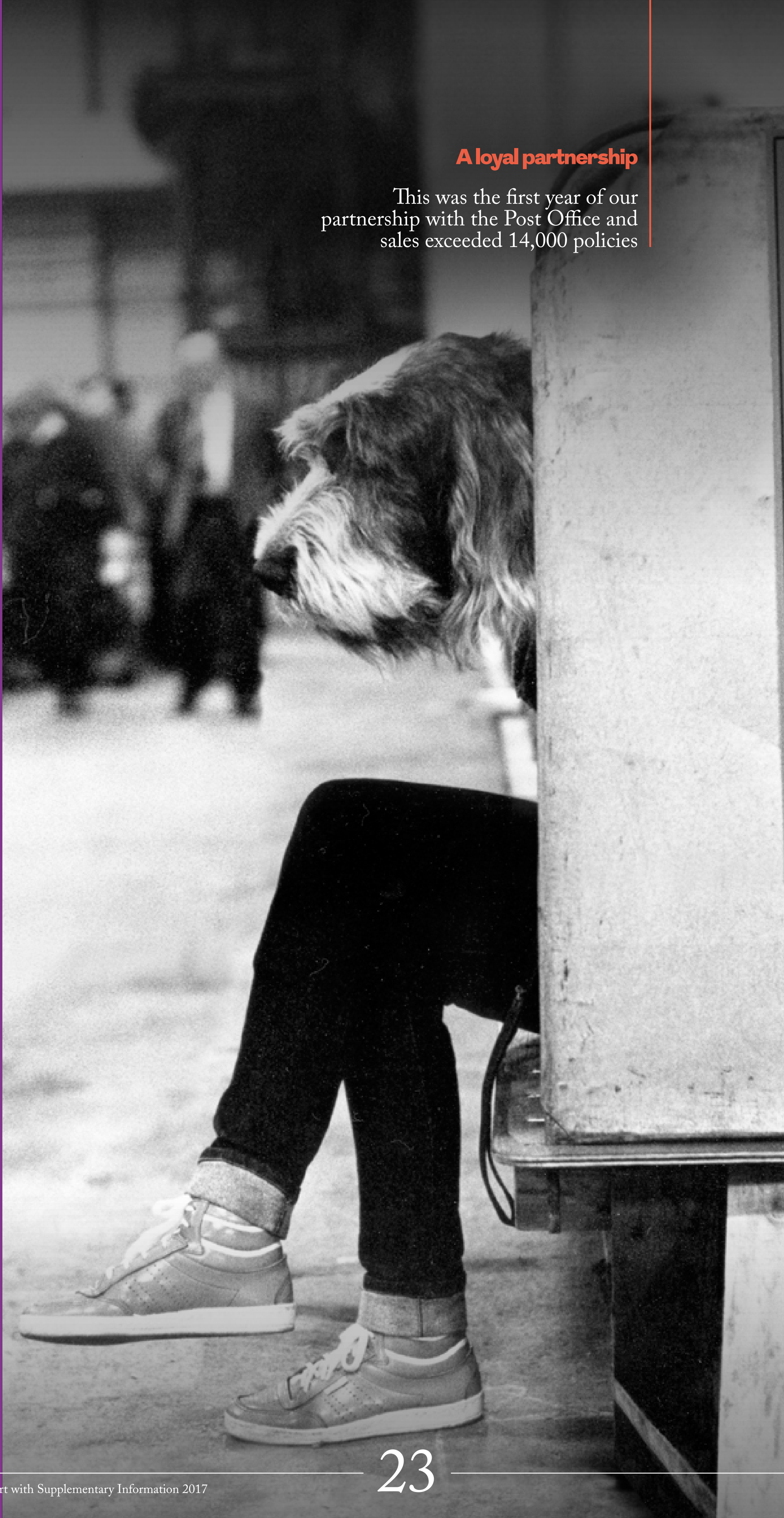
Our legacy business remains very important. We continued to oversee our long-standing customers' outcomes through our dedicated legacy team, delivering our extensive proposition review schedule to ensure that all our customers receive great customer outcomes and experience from their products, in line with our Group strategy. We have driven continuous improvements in our customer experience including our 'Moments of Truth' projects, which have significantly improved payout times, so the majority of claims are fast-tracked and paid a few days rather than weeks after notification. Our Net Promoter Scores remain very strong from customers who have transacted with us.

We have ensured that our long-standing customers have access to our new propositions where appropriate. For example, with regard to enabling access to pension freedoms, our Retirement Account enables people to access their cash more flexibly at retirement, while our Individual Savings Account (ISA) offers tax efficiency. Our Annuity Bureau ensures policyholders can find an annuity that offers good value, taking into account their specific circumstances.

We invested significantly in digital advertising, becoming one of the first in our field to recognise the changing behaviour of consumers and adapt our strategies as a result

30,000+

The number of Over 50s Life Cover policies sold in 2017



A loyal partnership

This was the first year of our partnership with the Post Office and sales exceeded 14,000 policies

Wealth

Once again, our Wealth business stood firm despite political and economic instability, delivering desirable investment returns and continuing to grow funds under management

Our Wealth division delivered an excellent performance in 2017. Investment returns were impressive, both in absolute and in relative terms, benefiting our existing customers and showcasing our abilities to new customers. Across the Wealth division, our businesses attracted new funds and customers, and improved service and efficiency. In 2016 we broke through the £100bn barrier in funds under management. In 2017 funds under management increased by £14bn to £114bn. At the end of the year, the assets of Royal London policyholders and members represented 61% of RLAM's total funds under management.

Royal London's Wealth division is made up of two businesses. The larger is Royal London Asset Management (RLAM), which manages investments both for Royal London members and customers, and for external customers. The second is Royal London Platform Services (RLPS), which trades as Ascentric. RLPS is a wrap platform that offers financial advisers access to a range of investments in different wrappers to manage their clients' savings.

RLAM

RLAM's sales performance in 2017 was exceptional. Our aim is always to grow our asset base so we can generate higher profits and economies of scale, allowing us to deliver the best possible range of investment solutions and outcomes for our clients. We found many ways of achieving that goal during the year.

Many asset managers saw outflows of money during 2017, but RLAM was one of the few to avoid the trend. We generated inflows of £2.8bn in 2017, up from £2.3bn in 2016 and £0.5bn in 2015. It was pleasing to see significant flows from both the institutional and wholesale sides of our business. Institutional clients such as pension schemes and local authorities, and wholesale clients such as wealth managers and IFAs, continued to buy our fixed income and cash funds, with our Sustainable range also gaining popularity.

We also made good progress in building the business. We recruited a highly-regarded global equity team, launching two new global equity funds. We also completed one of the largest ever launches of a UK property fund, with a portfolio of over £2.7bn, and launched both a multi-asset credit fund, in response to client demand for greater diversification of credit in a low-yield environment, and the Royal London Emerging Market Equity Tracker Fund, which looks to track the performance of an index of emerging market companies.

Our investment managers delivered excellent returns in 2017, but in our business it is the long term, rather than a single year's success, that counts. Our fixed-income team has an almost unsurpassed record over the past 20 years, and in UK Equity Income we are also highly regarded. Recent hires have added strength to our mid-cap and small-cap investment teams, which both saw good inflows. Our Sustainable investment team was a star performer, delivering excellent investment performance and generating net inflows of £200m during the year.

Working with the Royal London Intermediary division and other parts of the Group, we continued to refresh the range of products used in the highly successful Governed range of products. These are increasingly used by those wishing to take advantage of the greater flexibility now available within pensions.

How we invest your money

Our highly successful Sustainable investment team joined us as part of our acquisition of the Co-operative Asset Management in 2013, and has become an important part of our investment offering, reflecting both increased investor appetite and our team's successful track record. The Sustainable team invests in companies that provide a net benefit to society, through environmental, social and governance (ESG) leadership and socially positive products and services. This approach is more flexible and positive than many traditional ethical investment vehicles, and endeavours to showcase the best of sustainable capitalism.

Responsible investing and stewardship

We are shareholders in thousands of companies on behalf of our customers and we are committed to being a responsible investor.

We believe good management of ESG issues translates into a better-run company, protects the welfare of employees and ultimately generates better shareholder returns, benefiting our clients and members.

In 2017, we voted on 12,576 resolutions at 887 company meetings, the vast majority of which are UK-listed companies.

Overall, we voted in favour of 91% of the proposals and against 7%, abstaining on 2%. Remuneration is the area where we most regularly vote against the resolution proposed by the Board.

Across 1,465 remuneration votes in 2017, we voted 'For' 64%, 'Against' 27% and 'Abstained' on 9%. We wrote to companies held in our actively managed funds to explain our reasons for voting against or abstaining on a proposal.

Over the course of the year we spoke to 191 companies on issues such as executive pay, succession planning, workforce, culture, climate change, the energy transition, diversity and cyber security.

In cases where voting and engagement have not led to meaningful improvements, we spoke out publicly to draw attention to our concerns. For example, we raised concerns about Burberry's pay and corporate governance, and questioned Sky's governance in light of the takeover proposal from Fox. We also engaged with advertising giant WPP's board about the succession planning for Sir Martin Sorrell.

Wealth continued

We publish details of all Company votes on the RLAM website, along with details of our policies and a regular newsletter called *Responsibility Matters*.

Regulation

Financial regulators paid close attention to the asset management industry during 2017. MiFID II, the second part of the EU's financial instruments regulation, comes into force from 2018, and we have concentrated on ensuring that our systems and processes are ready to comply with the new regime. MiFID II will involve greater reporting requirements for asset managers, but we are well prepared to implement the necessary changes.

MiFID II has highlighted the issue of investment research costs, with managers either having to absorb the costs themselves or add this as an explicit cost to funds managed. We are pleased to confirm that RLAM will bear all research costs, across all asset classes. This is a natural solution for Royal London, a mutual company, and fits perfectly with our emphasis on delivering value to our clients.

Our commitment throughout the change period is to ensure we remain as transparent as possible about what fees and commissions we pay, and that we put our customers first in all cases.

Awards

We received numerous industry awards during the year, but receiving the Financial Times (FT) Adviser Five-Star Service Award for the third consecutive year was a particular highlight. Another was the FT Pension Investment and Provider award for High Yield Bonds, which we won for the third time in four years. Our Sustainable team, which includes our Corporate Governance team, received a gratifying amount of recognition and a number of awards for its efforts.

RLPS (Ascentric)

A new, industry-leading charging structure helped RLPS, Royal London's wrap platform, to deliver record inflows into the business in 2017. RLPS, which trades as Ascentric, enables financial advisers to manage their clients' long-term savings directly, to highlight its independent approach. During the year, assets under administration increased by 17% to £14.4bn (2016: £12.3bn), with 9,458 new client accounts opened.

In May, RLPS revamped its charging structure to create a single, all-in customer charge of 0.3% with no additional or hidden charges. It is a unique structure in the platform market, developed in response to customer demand and meeting with regulators' preference for transparent, simple charges.

The new pricing has freed up advisers to give advice based entirely on customer need, without having to consider ancillary costs. As a result, we have seen a significant increase in trading volume on the platform. It enabled us to deliver more value to our target customers for the platform and this trend will also result in a favourable commercial impact on the business. Our Self-Invested Personal Pension (SIPP) business grew, helped both by the pricing structure and the buoyant market in transferring out of defined benefit pension schemes.

In the first half of 2017, we implemented a new service model, which gives advisers a much improved experience, including delivering same-day payments in 89% of all transactions. We were delighted to receive a five-star service award for the first time at the Financial Adviser Service Awards, and another for Most Improved Provider in the investment category.

We invested in projects that will deliver future growth. We prepared the business for the introduction of MiFID II, focusing on helping advisers manage the change. Development of our new back-office system, which will offer a much-improved customer experience also made good progress.

2017 AWARDS

Financial Adviser Service Awards

FIVE STARS
Investments – RLAM
Investments – RLPS

MOST IMPROVED PROVIDER
Investments – RLPS

FT Adviser 100 Club Awards

WINNER
Sterling Strategic Bond – RL Sterling Extra Yield Bond

Global Investor Awards

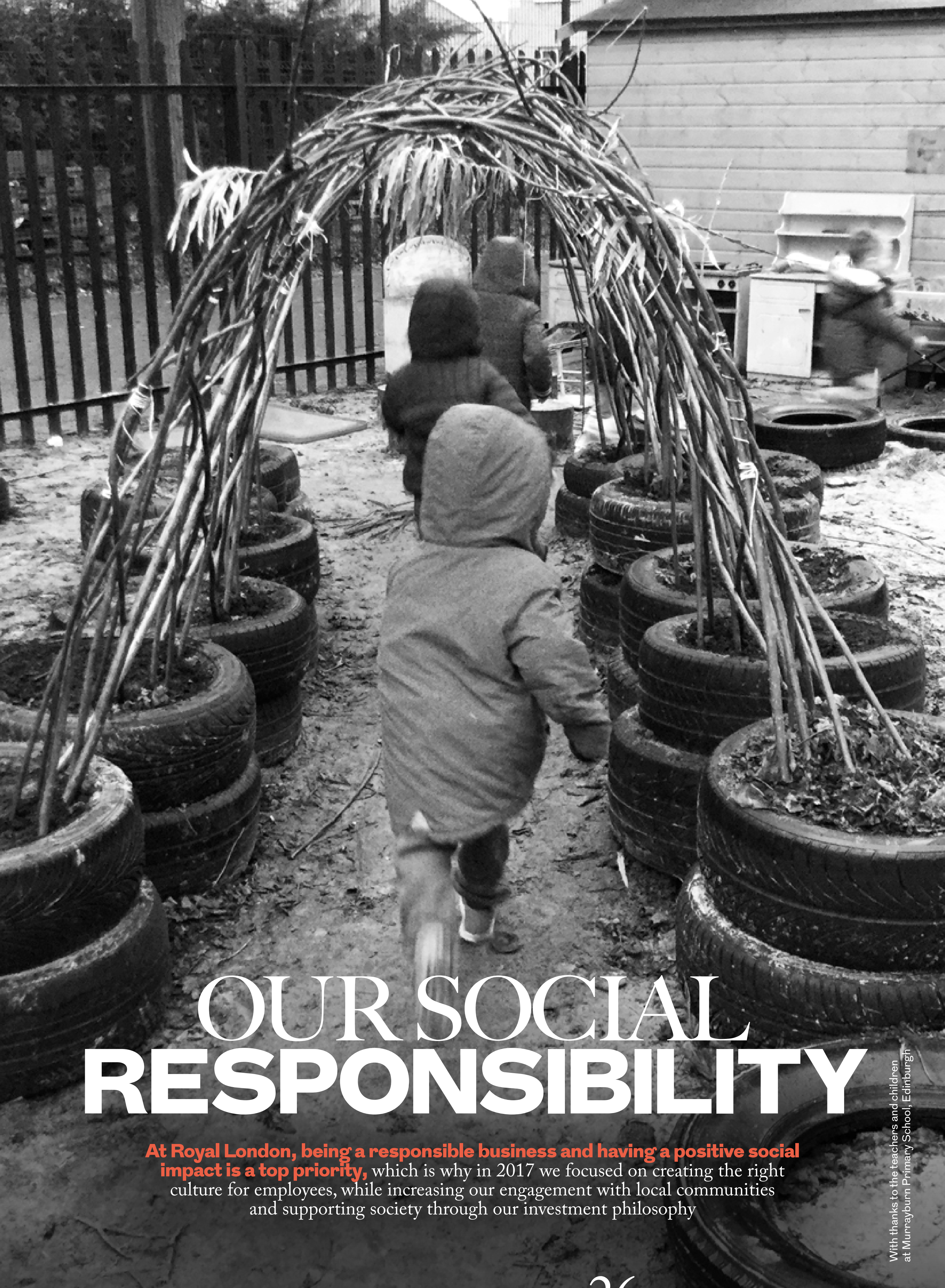
WINNER
Fixed Income Manager of the Year – RLAM

Insurance Asset Management Awards

WINNER
ESG Manager of the Year – RLAM

£14.4bn

The amount of RLPS assets under administration as at 31 December 2017, an increase of 17% from 2016



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

OUR SOCIAL RESPONSIBILITY

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

Our social responsibility

Our vision

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

Our purpose

Royal London exists to create the best customer outcomes and the best customer experiences in its chosen markets. This reflects the fact that we are a member-owned business and so our focus is creating value for customers and members. In contrast, our competitors exist to create shareholder value.

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

Taking a customer-centric approach

Understanding our customers

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

To achieve this, we continue to use our customer value statements. They represent the seven outcomes that matter most and we measure our progress against these to ensure we keep improving in the right areas.

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

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

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

Feedback from customers

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

Developing customer-centric products and services

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

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

Recommended by customers – our NPS score

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

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

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

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

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

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

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

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

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

Working for members

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

Insight into Work

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

ProfitShare

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

Insight: working with Maggie's in Manchester

We regularly involve consumers in the design and testing of our products. During the year, we sought insight and understanding from people who have been diagnosed with illnesses to help shape our products and services. We worked closely with cancer support charity Maggie's, consulting with visitors to their Manchester Centre to help us better understand the financial impact of a cancer diagnosis and their experiences with access to/approach to life and critical illness cover. From this we gained a huge amount of insight from consumers and customers who had actually experienced serious illness, and could articulate their needs and wants as they progressed through treatment and recovery. Three prototypes of potential developments and many smaller actions emerged and we hope that we will be able to commence work on some of these from early 2018.

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

Our social responsibility continued

Media campaigning

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

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

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

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

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

Supporting you to navigate your money

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

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

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

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

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

75%

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

£792m

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

Our social responsibility continued

Supporting customers

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

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

Being a responsible investor

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

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

On PRI*, we were rated

A or A+

*UN-supported Principles for Responsible Investment (PRI)

Number of companies we spoke to in 2017

191 individual companies

251 engagements

Number of meetings voted

887

How we voted overall

91% for

7% against

2% abstained**

Number of resolutions voted

12,576

Executive pay, how we voted

64% for

27% against

9% abstained**

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

Our social responsibility continued

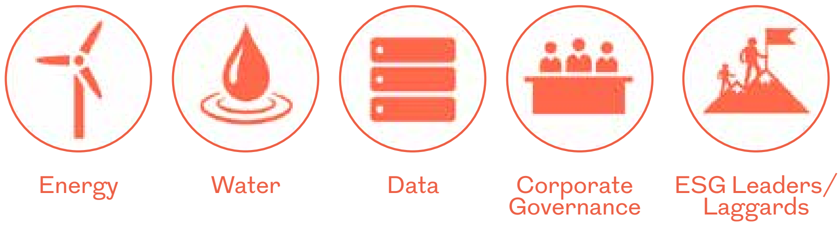
We invest in a responsible way that contributes to an overall positive impact on society and our members as well as generating good returns

£114bn

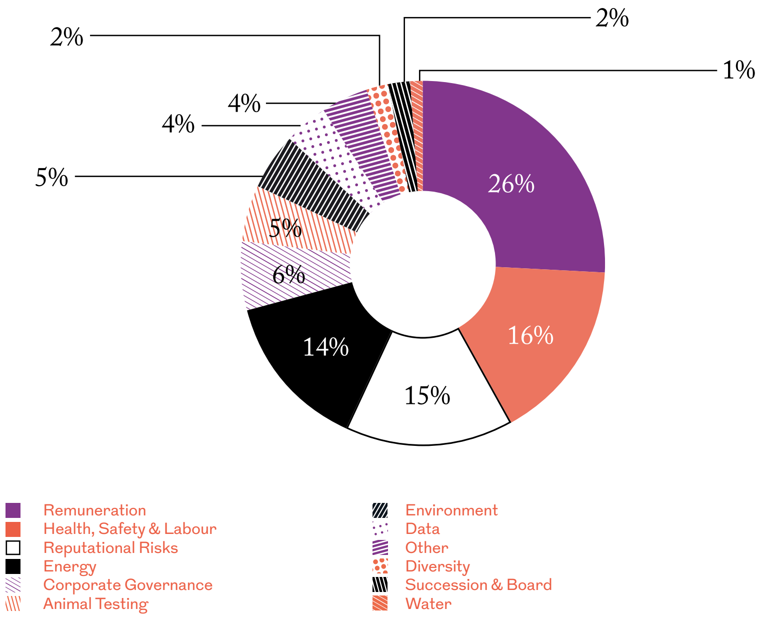
The amount managed globally

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

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



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



16

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

Our social responsibility continued

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

RLAM's tangible social impact

Social housing

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

Green infrastructure

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

Sustainable Funds

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

3,500+

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

3,500+

The number of delegates places being taken through internal training workshops

40%

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

Our social responsibility continued

Creating a great place to work

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

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

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

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

Our values

We are empowered

We are trustworthy

We collaborate

We achieve

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

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

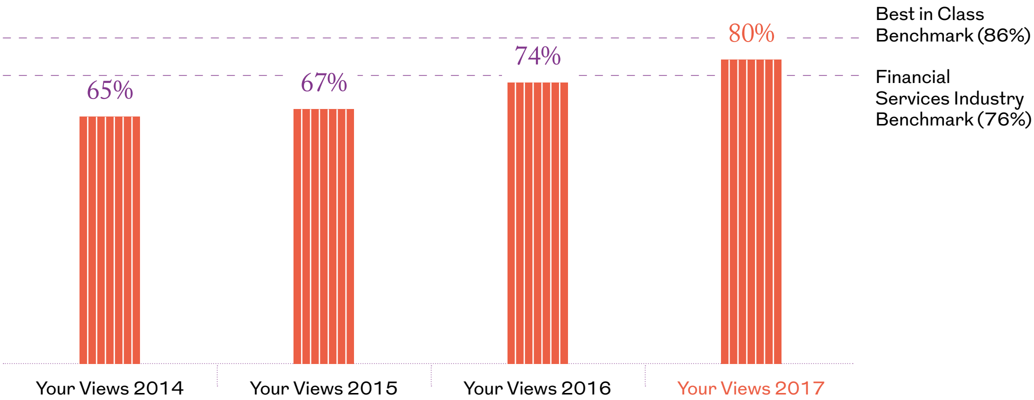
We believe that rewarding our staff fairly is critical and so in 2017 we benchmarked the salaries of all our employees to bring their wages within the range of 90-110% of the market salary. We are proud that in March we became accredited as a Living Wage Employer. Also in 2017, we started work with our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

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

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

Our employee engagement journey

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



Our social responsibility continued

Making a difference in our local communities

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

81%

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

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

6,500

Number of people our team challenge programme has supported

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

£144,000

Amount donated overall to charity

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

3

Number of Volunteer of the Month awards

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

3,281

Hours volunteered by staff in 2017

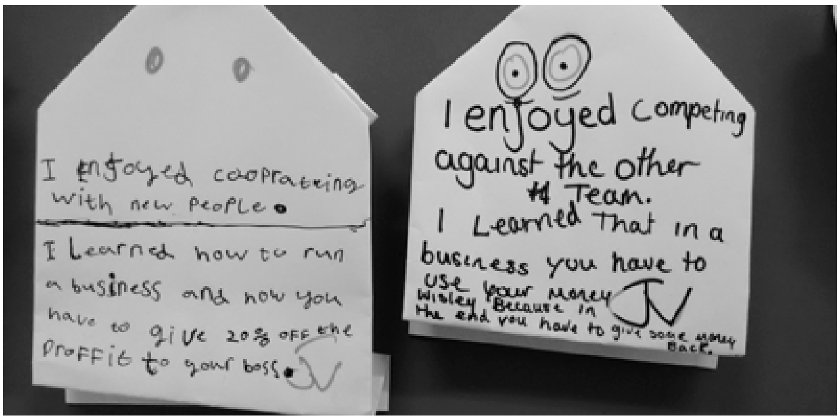
Our Employee Volunteer programme gives our people two days annually to volunteer in their local community.

£185,000

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

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

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



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

Our social responsibility continued

Managing our environmental impact

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

Sustainable approach to investment properties

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

Our offices

In 2017 we reduced our CO_2 emissions by 1,081 tonnes against 2016, and we are committed to improving this further. With our energy procured from green sources, and reducing generation of CO_2 emissions, we are on course to achieve our objective for minimal environmental impact.

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

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

- upgrading our lighting to ensure we only light spaces when occupied;
- upgrading our toilet facilities in Edinburgh to make them more water-efficient;
- assessing our consumables across our catering contract to reduce the amount of waste, including the use of fully recyclable packaging where possible; and
- trialling a new cleaning system to use ionized water instead of chemicals to clean our offices, which will be rolled out this year to the rest of our operational properties throughout 2018.

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

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

Respect for human rights

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

Looking forward to 2018

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

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

> We will increase staff engagement in local communities through our Community programme, report on our outcomes from the Environment review, and continue to collaborate across our business, and with partners, to ensure we get maximum benefit for society from our activities

GROUP FINANCE DIRECTOR'S REVIEW

The inflow of new business has been remarkable this year. As a result, we have been able to translate that growth into a significant increase in EEV operating profit, positioning us comfortably to face the future

Group Finance Director’s review

Tim Harris
Deputy Group Chief Executive & Group Finance Director

We remained true to our commitment of always putting our members’ and customers’ interests first. This commitment is a key ingredient in ensuring our prosperity over the long term

£329m

Our EEV operating profit before tax compared with £282m in 2016

Royal London delivered another good performance in 2017, taking advantage of the opportunities in our markets to grow our new business significantly.

We generated strong new business sales during 2017 and translated that growth into a 17% increase in European Embedded Value (EEV) operating profit. We took the opportunity to ensure the business is well positioned to face the future, while also maintaining the level of ProfitShare allocation per member, which has increased in total from £114m to £142m, taking into account the increasing number of members eligible to receive it.

Throughout the year, we remained true to our commitment of always putting our members’ and customers’ interests first. This commitment, we believe, is both the right thing to do and a key ingredient in ensuring our prosperity over the long term.

We continued to be a leader in the provision of workplace pension schemes in the final full year of auto-enrolment, enabling thousands of people to become members of a scheme for the first time, and members of Royal London. We were active participants in helping customers and advisers navigate the pension freedoms, and we gained further momentum in our direct and intermediated protection businesses. Our asset management business performed particularly well, attracting new funds and delivering strong investment performance for our own members and policyholders and for external customers.

In both workplace and personal pensions, we have benefited from significant changes to the industry over recent years. That phase of very high growth is now over, particularly in group pensions, and is returning to more sustainable levels, which will likely result in lower EEV new business profits going forwards.

We also know from experience that our industry is frequently subject to regulatory or political changes and it is imperative for us to be in good shape to face the future.

In this review, I will explain the main factors that drove our financial performance during the year. Given the complex nature of accounting and regulation in our industry, it is not always easy to make these explanations simple, but our aim is always to be as clear as possible. A glossary of financial jargon on page 217 to 220 of the 2017 Annual Report and Accounts will help explain some of the terminology.

Financial summary

Profit from sales of our new business rose by 31% to £292m during 2017 (31 December 2016: £223m). Operating profit before tax grew by 17% to £329m (31 December 2016: £282m). These are calculated using the EEV method, which we believe is still the most meaningful basis on which to manage our business. In 2016 we took steps to align, where possible, our EEV methodology to our regulatory basis, Solvency II.

EEV profit before tax and ProfitShare was £594m, compared with £321m in 2016. The 2016 EEV profit before tax and ProfitShare is stated before an accounting charge of £182m arising on the alignment of our EEV methodology to Solvency II requirements. The increase was driven by a strong operating performance as a direct result of excellent new business sales, strong investment performance, changes to our future operating assumptions and also includes a £30m benefit arising from release of a counter-party default reserve, following a change to the reinsurance agreement with BlackRock. This was partially offset by higher strategic development costs from the investments being made in the business and an impairment charge of £31m. The Royal London Group Pension Scheme (RLGPS), which is now closed to future accrual, benefited from improved economic conditions and saw an increase in its IAS 19 funding level of £73m in 2017 (2016: decrease of £118m).

The International Financial Reporting Standard (IFRS) total transfer to unallocated divisible surplus for the year ended 31 December 2017 was £434m (2016: £143m before change in accounting estimate for Solvency II). As with EEV, our IFRS result benefits from the strong trading performance of the Group and continues to be affected by the low interest rate environment.

Our capital position under Solvency II remains strong. Our capital cover ratio on a Solvency II basis at 31 December 2017 is 226% (31 December 2016: 209%) for the Royal London Open Fund and 235% (31 December 2016: 232%) for the Total Company (Investor view)*.

ProfitShare increased by 25% to £142m (£150m gross of tax). This increase takes into account the larger number of people receiving ProfitShare – 1.2 million in 2017 compared with 1 million in 2016 – but the amount for each individual remains at a similar level to last year.

Key developments

Investment in the business remained a key focus in 2017. We recognised one-off costs of £23m (2016: £16m) for investment in people, systems and capacity to ensure our businesses have up-to-date technology and are well-placed to deal with changing markets and regulations. This takes the total investment in our systems and transformation programmes since 2014 to more than £500m.

We are transforming our systems, successfully launching some of them, while others are still a work in progress. A number of our new financial and actuarial systems are now in use and we continue to develop the remaining technology to meet the accelerating reporting deadlines of the Solvency II regime.

Our new back-office system for our platform business, RLPS (Ascentric), has made good progress and we expect it to begin roll-out in the first half of 2018. RLPS also invested in systems and support for the introduction of MiFID II, focusing on helping financial advisers cope with the new regulatory regime.

Work on transforming our pensions business, known as #thinkbeyond, is well underway and development on our pensions platform has commenced. The new platform will replace IT systems, but the vision and purpose of the programme is much more. We believe it will deliver better outcomes and experiences for our customers as well as delivering a new digital proposition.

We continue to work hard on cost control and our Operational Efficiency programme, launched in 2014, is used to identify and realise cost savings with the emphasis on sustainable cost reductions. During the year, the programme identified a further £16m of savings for 2018.

Savings have been achieved through a variety of initiatives, from the deployment of continuous improvement end-to-end process reviews to procurement opportunities and optimising cost growth against a backdrop of growing new business volumes. During 2018, we will continue to explore further ways to streamline our business model and strive to remove more waste and complexity from our current processes and structures.

We continue to monitor the implications of the UK leaving the EU, but expect to continue to trade as normal. We are in the process of setting up a regulated insurance subsidiary in Ireland to enable our business in the Republic of Ireland to continue to trade, and to mitigate any uncertainty for Royal London and policyholders.

New business results

Sales of life and pensions new business on a PVNBP basis were strong in 2017, increasing by 38% to £12,002m. Intermediary saw total sales rise by 38% to £11,594m, Consumer by 36% to £408m. In Wealth net inflows were £2,802m (2016: £2,321m), taking total funds under management to £114bn (2016: £100bn). All three business areas delivered impressive performances, while also maintaining control of costs. Margins remained broadly in line with the previous year at 1.8% (2016: 1.9%).

Intermediary

We remained a significant player in the provision of workplace pensions through auto-enrolment, and new business sales of workplace pensions increased by 12% in 2017 to £4,346m. We won significant new business in individual pensions, up 68% from 2016, where pension freedoms

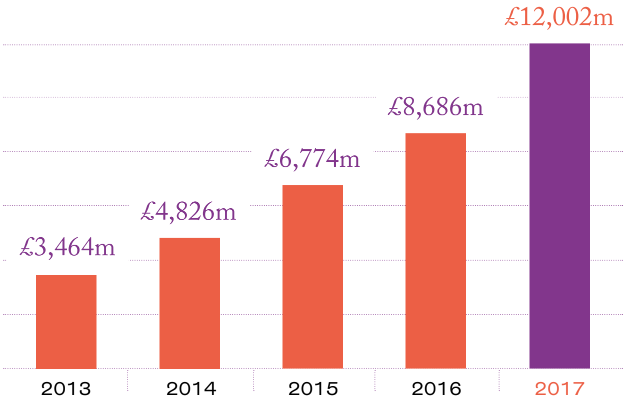
*Total Company is The Royal London Mutual Insurance Society Limited, which comprises the Royal London Open Fund, into which all new business is written, and seven closed, ring-fenced funds from previous acquisition activity. The Investor View includes the surplus from the closed funds.

New business results[1]	New business contribution		PVNBP		New business margin	
	2017 £m	2016 £m	2017 £m	2016 £m	2017 %	2016 %
Intermediary						
Pensions	**241.6**	170.6	**10,787**	7,738	**2.2**	2.2
Protection	**49.8**	42.8	**807**	647	**6.2**	6.6
Consumer	**(5.3)**	4.3	**408**	301	**(1.3)**	1.4
Life and pensions business	**286.1**	217.7	**12,002**	8,686	**2.4**	2.5
Wealth[2]	**46.8**	37.7	**6,906**	5,065	**0.7**	0.7
Total	**332.9**	255.4	**18,908**	13,751	**1.8**	1.9

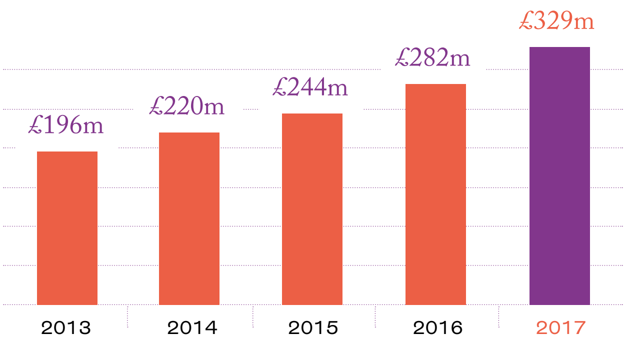
1 New business contribution in the table above has been grossed up for tax at 19% (2016: 20%). We have done this to help compare our results with the results of shareholder-owned life insurance companies, which typically pay tax at 19% (2016: 20%).
2 PVNBP for Wealth relates to gross sales inflows in the period, excluding external cash mandates which are treated as uncovered business and not valued on an EEV basis. The 2016 PVNBP and new business margin comparitives have been updated to exclude cash mandates.

Group Finance Director's review continued

New life and pensions business premiums PVNBP



EEV operating profit before tax and exceptional items



continued to drive volumes and low interest rates made transfers from defined benefit pension schemes more attractive. Intermediary protection continued to build momentum, with new business sales up 25% to £807m.

Consumer
Total sales on a PVNBP basis increased by 36% to £ 408m, up from £301m in 2016. Our Over 50s life product grew both market share and volume during the year. Pre-paid funeral plans through partnerships with the Co-operative Funeral Services and Ecclesiastical Insurance produced strong sales of £290m (2016: £245m), and the partnership with the Post Office entered into in January 2017 to sell life cover products performed well. The negative new business contribution in 2017 was due to the business still being relatively new and being impacted by the low-yield environment. With a growing share in our key chosen market segments, we expect to make further enhancements to profitability metrics during 2018 from our new range of life assurance and funeral plan products.

Wealth
RLAM's consistently impressive investment performance attracted increased attention from both wholesale and institutional customers, resulting in net fund inflows of £2.8bn in 2017, while many rivals were seeing outflows. The Ascentric wrap platform saw assets under administration increase by 17% to £14.4bn (31 December 2016: £12.3bn). Ascentric launched a new flat-rate pricing structure in May 2017, which has helped increase volume of accounts set up on the platform, including a significant increase in Self-Invested Personal Pension (SIPP) accounts.

Financial review

EEV operating profit
EEV operating profit before tax rose by 17% to £ 329m (2016: £282m), mainly driven by the new business sales, particularly in pensions.

Profit contribution from new business was £292m, up 31% from the previous year, reflecting the quality of the new business we are writing. In particular, the contribution from the sale of new pensions business increased £71m, driven by pension freedoms and auto-enrolment, which is expected to return to normalised levels of growth in future.

Profits from managing our existing book of business increased by £93m to £278m. This mainly consists of a £33m increase in experience variances and an increase of £61m (122%) from changing our operating assumptions. The key change in assumptions is an update to longevity assumptions, reflecting latest forecasts that future life expectancy will not improve by as much as previously predicted. Other assumptions have been brought in line with latest experience, and positive changes have been seen, particularly in our protection business. These changes have more than offset the impact of updating our Group Pensions persistency assumptions to reflect latest experience. We also changed our assumptions to reflect our expectation of lower unit costs, following the successful growth in new business sales. We continued to make further provision for developing our Pensions platform, a change that we believe will enable us to deliver a market-leading digital proposition and deliver better outcomes and experiences for our customers.

Our uncovered business generated an overall loss of £33m (2016: £44m) mainly due to significant cost being incurred in 2017 relating to the development of new back office software in Ascentric. We have recognised an impairment of £31m in the year (2016: £44m) reflecting the expected increase in costs relating to the sophistication of the new system and complying with MiFID II regulations.

Strategic development costs and other items increased to £208m (2016: £82m), which related primarily to providing for future change such as IFRS 17 and MiFID II and upgrading of our premises. Other items include provisions relating to the costs of servicing historic remediation and expected costs associated with setting up a new legal entity in Ireland following Brexit. These costs are offset by a one-off £30m benefit from the restructure of an arrangement with BlackRock, resulting in the release of a counter-party default reserve.

EEV profit before tax and ProfitShare
EEV profit before tax and ProfitShare in 2017 was £594m (2016: £321m, before change in accounting estimate for Solvency II). The increase on the previous year is due to our strong operating performance, investment return being better than expected at the start of the year and positive changes to economic assumptions, and the Royal London Group Pension Scheme (RLGPS) moving from a deficit to a surplus.

IFRS results
Alongside EEV, Royal London prepares its statutory accounts under International Financial Reporting Standards (IFRS). While the two methods broadly follow each other, there are key differences outlined in notes (i) and (j) to the financial statements on pages 213 and 214 of the Annual Report and Accounts that contribute to the differences in respective results. As a mutual, the transfer to the unallocated divisible surplus (UDS) is a key measure of accumulation of funds available for us to share with our with-profits customers.

Transfer to UDS
Our total transfer to UDS was £434m (2016: before the change in accounting estimate for Solvency II was £143m), an increase of 204%. This reflected the than-expected investment returns. The 2016 IFRS results included a £165m charge for a change in accounting estimate for Solvency II.

Our 2017 operating profit (IFRS basis) was £296m (2016: £281m). On an IFRS basis, operating profit differs from EEV in that it recognises the amortisation of certain intangible assets. However, IFRS does not recognise the embedded value profits of our asset management business (these are included in the EEV profit). The table below reconciles our operating profit to the IFRS total transfer to/deduction from UDS. The most notable items are:

- investment return variances and assumption changes of £352m representing the impact of the movement in the market value of assets and offset by the movement in economic experience and assumptions used in calculating actuarial liabilities;
- a tax charge of £103m. The majority of our tax charge represents policyholder tax, most of which has arisen due to gains on equities and income and gains on fixed-interest securities; and
- ProfitShare of £142m, reflecting amount allocated to qualifying members in 2017, consistent with treatment in EEV.

Our capital position is robust, reflecting the strength of our underlying business and effective capital management strategies

£2.4bn
The Royal London Open Fund Solvency Surplus

Reconciliation of operating profit to IFRS total transfer to/deduction from UDS	2017 £m	2016 £m
Operating profit (on IFRS basis)	296	281
Adjusting for the following items:		
Investment return variances and economic assumption changes	352	373
Pension schemes costs recognised in profit	(4)	(3)
Finance costs	(47)	(47)
ProfitShare[1]	(142)	(114)
Change in basis for Solvency II	–	(165)
IFRS result before tax and before transfer to unallocated divisible surplus	455	325
Tax charge	103	249
Other comprehensive income	82	98
Total transfer to/(deduction from) to unallocated divisible surplus	434	(22)

1 ProfitShare is not reported on the face of the IFRS Income Statement, instead it forms part of the movement in insurance contract liabilities and movement in non-participating value of in-force business.

IFRS balance sheet
Our balance sheet remains robust. Our total investment portfolio, including investment property, grew by 12% to £89.4bn. Our financial investment portfolio remains well balanced across a number of financial instruments, with the majority (84%) in equity securities and fixed income assets.

Staff pension schemes
The RLGPS was closed to future accrual of benefits in March 2016, which was an important step in managing our costs and capital requirements. All employees are now encouraged to join the Royal London Group Personal Pension or the Ascentric Group Personal Pension, both of which are consistent with the products we offer to our customers through our pensions business. Around 96% of employees are now members of one of these arrangements.

The RLGPS has moved to a surplus of £47m in 2017 (2016: £26m deficit), benefiting from positive investment performance, and an increase in corporate bond yields, but offset by increasing inflation expectations. During the year, the Trustee of the RLGPS increased the interest rate and inflation hedge so that it now covers approximately 90% of ongoing funding liabilities.

We also operate two schemes for former Royal Liver employees. The surplus from these schemes is included as part of the valuation of the closed Royal Liver Sub-Fund and, therefore, does not count towards the position of the Royal London Open Fund. The combined Royal Liver schemes surplus as at 31 December 2017 was £139m (2016: £131m surplus).

We continue to work closely with the Trustee Boards of all our schemes to assess options for reducing the schemes' exposure to market volatility and other risks.

Capital strength
A strong capital base is an essential requirement for our business, both to ensure we have the capital to fund further growth and to safeguard the peace of mind of our members that we can meet our financial commitments to them.

Maintaining this strong capital position and managing it effectively is a key priority for us.

Solvency II capital position on a Standard Formula basis
Our capital position is robust, reflecting the strength of our underlying business and effective capital management strategies. The Royal London Open Fund had a solvency surplus of £2.4bn (2016: £1.9bn) and a capital cover ratio of 226% at 31 December 2017 (2016: 209%). The closed funds are also well capitalised with a Solvency Surplus of £3.1bn (2016: £2.6bn) and a Capital Cover Ratio of 243% (2016: 254%).

In common with the rest of the industry, we present two cover ratios: an 'Investor View' for analysts and investors in our subordinated debt (which does not restrict the surplus in the closed funds), and a 'Regulatory View' where the closed funds' surplus is treated as a liability. The Investor View Capital Cover Ratio for the Total Company is 235% including surplus in the closed funds (2016: 232%).

The table overleaf illustrates the movements in our Solvency II Surplus and Capital Cover Ratio (Investor View). The estimated cover ratio of 232% (published in the 2016 Annual Report and Accounts) reduced to a final cover ratio of 202% (including post balance sheet events and published in our 2016 Solvency and Financial Condition Report [SFCR]). This was due to an increase in the capital add on agreed with the PRA and the step down in Transitional Measure on Technical Provisions (TMTP) on 1 January 2017. The capital add-on increase was mainly as a result of the

Solvency II capital position on a Standard Formula basis

31 December 2017

	Royal London Open Fund (£bn)	Royal London Closed Funds (£bn)	Total Company (Investor View) (£bn)	Closed Funds Restriction	Total Company (Regulatory View) (£bn)
Own Funds:					
Tier 1	3.4	5.3	8.7	–	8.7
Tier 2	0.9	–	0.9	–	0.9
Total Own Funds	**4.3**	**5.3**	**9.6**	**–**	**9.6**
Closed Funds restriction	–	–	–	(3.1)	(3.1)
Adjusted Own Funds (A)	**4.3**	**5.3**	**9.6**	**(3.1)**	**6.5**
Solvency Capital Requirement (B)	**1.9**	**2.2**	**4.1**	**–**	**4.1**
Surplus	**2.4**	**3.1**	**5.5**	**(3.1)**	**2.4**
Capital cover ratio (A/B)	**226%**	**243%**	**235%**	**n/a**	**159%**
31 December 2016 Capital cover ratio (A/B)	**209%**	**254%**	**232%**	**n/a**	**155%**

1 The 31 December 2017 figures are estimated and are unaudited. The final figures will be presented in the 2017 SFCR to be published on our website on 4 May 2018.
2 Figures presented in the table are rounded and the capital cover ratio is calculated based on exact figures.
3 The 31 December 2016 Solvency II surplus and capital cover ratios are as presented in Royal London's 2016 Annual Report and Accounts. These figures were estimates and final figures were disclosed in the SFCR in May 2017; being a capital cover ratio of 227% and £4.4bn surplus (Investor View), and capital cover ratio of 153% and £1.8bn surplus (Regulatory View) before post balance sheet events.

lower risk-free curve applicable at 31 December 2016. The TMTP smooths the transition from the old Solvency I regime to the Solvency II regime, with the key difference being in the valuation of technical provisions, which is recalculated every two years.

Accordingly, on a like for like basis, Capital Cover has increased from the final 2016 ratio of 202% to an estimated 235% at the end of 2017, largely as a result of the 2 year recalculation in TMTP.

The 2017 SFCR is expected to be published on 4 May 2018 and will contain further information about our solvency and capital position. Further detail on our capital can also be seen in note 41 to the IFRS Financial Statements on pages 197 to 199 of the 2017 Annual Report and Accounts.

Ratings agencies
Assessing the financial strength and stability of financial services companies is a complex undertaking, and ratings agencies are one way of providing an independent assessment of the Group and its financial position. Both Standard & Poor's and Moody's, two of the leading agencies, regularly issue ratings on Royal London.

In June 2017, Moody's affirmed our existing A2 insurance financial strength rating and revised its outlook for Royal London from negative to stable. Moody's announcement stated its expectation that the impact on Royal London of the UK's decision to leave the EU will be moderate over the next 12 to 18 months, and for Royal London to maintain strong capitalisation and profitability.

In July 2017, Standard & Poor's reaffirmed Royal London's counter-party credit rating of A, with a stable outlook.

Returning value to our members and policyholders

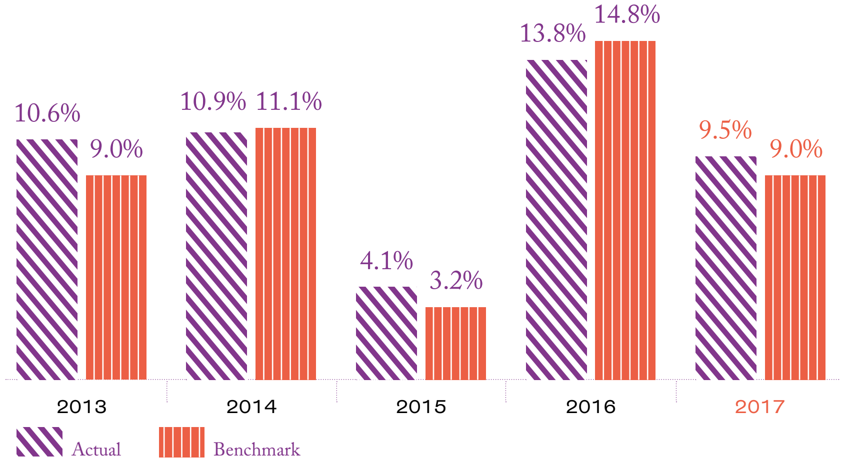
Our members saw good returns in 2017 from:

- positive investment returns on their policies, helped by rising stock markets and despite low interest rates;
- ProfitShare of £142m, up from £114m in 2016; and

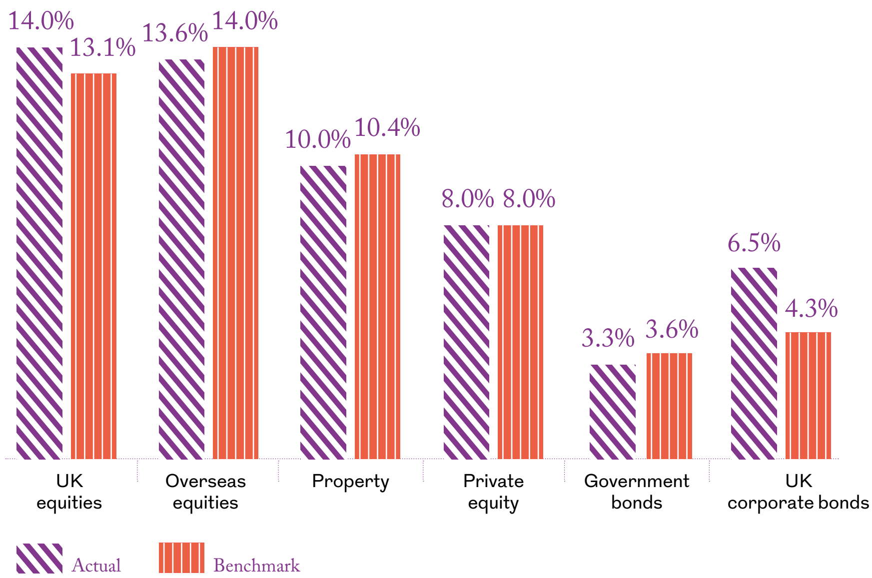
Solvency II Solvency Surplus and Capital Cover Ratio (Investor View)

	Solvency Surplus (£bn)	Capital Cover Ratio (%)
31 December 2016 (published in 2016 ARA)	**4.5**	**232**
Post balance sheet events and estimation differences	**(0.6)**	**(30)**
1 January 2017 (published in 2016 SFCR)	**3.9**	**202**
Operating experience and assumption changes	-	(6)
Economic experience and assumption changes	0.5	13
Recalculation of TMTP at 31 December 2017	1.3	32
ProfitShare	(0.1)	(3)
Other	(0.1)	(3)
31 December 2017 (estimated)	**5.5**	**235**

Royal London with-profits performance



Royal London with-profits performance by asset class in 2017



- payouts to maturing with-profit policies during the year, which compare well with our industry.

Investment returns

Investment returns for Royal London policyholders were strong, both in absolute terms and in relation to benchmarks. Performance was boosted by buoyant stock markets, which reached new highs during the year, and continued positive performance from corporate bonds and property.

Political events created an uncertain backdrop for investment markets, but the prospect of positive economic growth helped further gains in equity markets, while continued low interest rates kept bond yields low. This backdrop meant that demand by institutions for fixed-income solutions remained strong.

Our investment performance is measured both in absolute terms and against benchmarks that look at returns from different types of assets, such as property, equities and bonds. Each of our funds has different benchmarks to reflect their mix of assets and to ensure we are comparing like with like.

With-profit investment returns

During the year, our investments backing the asset shares of the Royal London Open Fund, our largest fund, achieved a return of 9.5%, ahead of the benchmark of 9.0%. The second chart on page 42 illustrates the performance of the different types of investment in asset classes that underpin the fund. During 2017, performance was broadly in line with benchmark across all asset categories. Returns across key asset classes such as government bonds were significantly lower than the high returns seen in 2016 and equity returns were good despite being lower than those seen in 2016.

Unit-linked investment returns

The Governed Portfolios range delivered extremely strong gains over the course of 2017, which was characterised by robust returns for equities against a backdrop of very low interest rates, which encouraged continued investor appetite for risk and positive price momentum. Where permitted, we generally had a bias towards equities, notably Japan and emerging markets, which helped performance. Within bonds, we generally had a preference for corporate bonds and high yield bonds, which also helped, as these outperformed government debt. Over a cumulative three-year performance period the portfolios have outperformed their benchmark by 0.21% on average.

With-profits policyholder bonuses

Although investment returns have been strong over 2017, interest rates remained at historic lows and despite the 0.25% rise in UK interest rates observed in late 2017, they remain at very low levels. We expect market volatility as the impacts of Brexit become clearer but, despite this, we have been able to maintain our annual bonus rates at the same level as 2016. Positive investment returns mean we have been able to increase payouts for some of our traditional with-profits policyholders. However, one of the main features of with-profits policies is smoothing. We held back some of the particularly strong investment returns in 2016 and 2017 to top up with-profits payouts in future years, if investment returns are poorer than expected.

We continue to manage our closed with-profits funds in line with our Principles and Practices of Financial Management, treating all our policyholders fairly. In particular, we aim to maximise the long-term returns for our with-profits policyholders, while ensuring we can pay all the amounts guaranteed to our policyholders.

ProfitShare

Over recent years we have expanded the reach of ProfitShare to include thousands more of our members, and in 2017 another 200,000 new members qualified to receive ProfitShare. We said in 2016 that we hoped to maintain the allocation to each member in 2017 and we have achieved that goal with an enhancement of 1.4% to qualifying with-profits members and a 0.18% enhancement for eligible unit-linked pension policies. As a result of maintaining the level of ProfitShare across our increased membership base, the total amount allocated in ProfitShare has increased from £114m to £142m in 2017.

We hope to award a similar level of ProfitShare per member next year and our business plan supports that. However, the level of ProfitShare is determined by the performance of markets, of our business and other external risk factors.

> Our investments backing the asset shares of the Royal London Open Fund, our largest fund, achieved a return of 9.5%, ahead of a benchmark of 9%

£142m

The total ProfitShare award, up from £114m the previous year

1.4%

The proportion by which we have been able to enhance our traditional with-profits customers' ProfitShare return

200,000

The number of new members that qualified to receive ProfitShare in 2017

We strive to do all that we can to maintain ProfitShare at an attractive level.

Tax strategy

We take our responsibilities as a tax payer seriously and manage our tax affairs in accordance with our tax strategy, which is now available on our website.

We strive to pay the right amount of tax, in the right place, at the right time and a fair amount of tax, striking a balance between all our stakeholders and ensuring that our policyholders are being treated fairly.

We are open and transparent in our approach to taxation at all times, and behave responsibly and proactively in our dealings with relevant tax authorities.

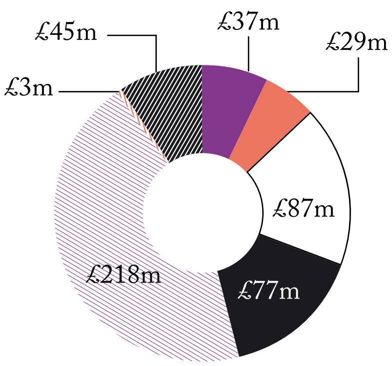
How Royal London is taxed

We are subject to various taxes, including corporate taxes, employment taxes on salaries and indirect taxes such as VAT. The corporation tax that the Company pays is a proxy for policyholder tax liabilities, paid on behalf of certain life assurance policyholders. For these life policies, tax is charged on taxable income, less expenses and is largely driven by market movements. This tax is paid directly to HMRC and the Irish Revenue by the Company as corporation tax on behalf of policyholders.

For pension policies, the returns to the policyholder accumulate without suffering a similar corporation tax charge. This is part of the UK and Irish Governments' strategy of incentivising saving for retirement. The tax is paid directly by the pension policyholder when they receive their pension.

In 2017, the total tax contribution of the Group was £496m (2016: £493m) and a summary chart of the total contribution of the Group for 2017 is shown below.

The Group's total tax contribution is made up of the taxes borne and collected by the Group in the period. Taxes borne are the taxes suffered by the Group in the period which impact on the results of the Group. Taxes collected are those administered by the Group on behalf of government and collected from others for onward payment to HMRC and other tax authorities. In 2017, taxes of £185m (2016: £192m) were borne by the Group and the Group collected £311m (2016: £301m) of taxes on behalf of the tax authorities.



Tax paid of £74m (as per the statements of cash flows on page 101 of the 2017 Annual Report and Accounts) is the sum of the corporation tax of £29m and overseas withholding taxes of £45m.

Summary and outlook

Royal London has consistently demonstrated that it is a robust business that can produce impressive new business sales and profitability. Our strategic goal to become the most trusted and recommended provider of life insurance and investment products in the eyes of our customers is coming to fruition. This focus is driving sales as customers and financial advisers recognise the quality of our innovative value-for-money products and excellent customer experience.

In 2018, we will enter a new phase as the group and personal pensions market start returning to more sustainable levels of growth after a period of huge change driven by pension freedoms and the auto-enrolment of workers into company pension schemes. We have made the most of the opportunity from our strong performance to invest in our business for the future and improve the experience for customers and advisers. We have new products and partnerships in the pipeline for 2018 that will help to drive continued growth, at a more sustainable pace.

Tim Harris
Deputy Group Chief Executive & Group Finance Director

Forward-looking statements

This Strategic Report contains forward-looking statements with respect to certain Royal London plans, its current goals and expectations relating to its future financial position. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances that are beyond our control. These include:

- UK economic and business conditions;
- market-related risks, such as fluctuations in interest rates;
- the policies and actions of governmental and regulatory authorities;
- the impact of competition; and
- the timing, impact and other uncertainties of future mergers or combinations within relevant industries.

As a result, Royal London's actual future financial condition, performance and results may differ materially from the plans, goals and expectations set out in our forward-looking statements. We undertake no obligation to update the forward-looking statements contained in this document or any other forward-looking statement it may make.

Strategic report

The 2017 Strategic report, from pages 2 to 45 in the 2017 Annual Report and Accounts, was approved by the Board of Directors on 28 March 2018.

By order of the Board

Fergus Speight
Company Secretary
For and on behalf of
Royal London Management Services Limited
28 March 2018

Balancing act

In 2017 we delivered an exceptional performance, while remaining true to our commitment of always putting our members' and customers' interests first

YOU MATTER
TO US

As a mutual, we're owned by our members, not outside shareholders, but that doesn't mean we're not committed to following corporate governance rules – in fact, it's a way of keeping the Board and the management up to the mark

Our leadership

Rupert Pennant-Rea Chairman

Appointed: 13 December 2012.

Skills and experience: Rupert was appointed Chairman after the AGM in 2013. He has extensive financial services experience. He was chairman of Henderson Group for eight years and stepped down at its AGM in May 2013. He was deputy governor of the Bank of England from 1993 to 1995, prior to which he spent 16 years with *The Economist*, where he was editor from 1986 to 1993.

Committee memberships: Nomination Committee (Chair) and attends all other committees.

External appointments: Non-executive chairman of the Economist Group and PGI Group Limited, Independent National Director of Times Newspapers Holdings Limited.

Phil Loney Group Chief Executive

Appointed: 1 October 2011.

Skills and experience: Prior to joining the Group, Phil spent eight years working in the Insurance Division of Lloyds Banking Group, most recently as managing director of the Life, Pensions and Investments business. Before joining Lloyds Banking Group, Phil held senior leadership positions with AXA, Norwich Union, CGU and Lloyds Abbey Life among others. Phil's experience has been across both long-term savings and general insurance.

Committee memberships: Disclosure Committee (Chair).

External appointments: Association of British Insurers (Senior Independent Director).

Tim Harris Deputy Group Chief Executive & Group Finance Director

Appointed: 19 May 2014.

Skills and experience: Tim joined Royal London as the Group Finance Director and in January his role changed to Deputy Group Chief Executive & Group Finance Director. Prior to joining Royal London, Tim was group chief finance officer for Torus Insurance and held a number of senior executive positions at Aviva Plc, most recently deputy group chief financial officer, and served on the boards of Aviva Ireland and Aviva France. He was also a partner in the Global Capital Markets practice at PricewaterhouseCoopers LLP. Tim is a Fellow of the Institute of Chartered Accountants (ICAEW) and a Chartered Insurance Practitioner, and serves on the Insurance Committee of the Financial Services faculty of the ICAEW.

Committee memberships: Disclosure, Investment and With-Profits Committees.

External appointments: ABI Prudential Regulation, Financial Reporting & Tax Committee (Chair) and ABI (Director). Tim is a member of the PRA Practitioners Committee.

Jon Macdonald Chief Risk Officer

Appointed: 14 December 2012.

Skills and experience: Jon joined the Group in November 2012 as Chief Risk Officer. He was previously group chief risk officer for RSA and Prudential and has held a number of senior risk and capital management roles at Prudential, PricewaterhouseCoopers LLP, Aviva Plc, Fox-Pitt Kelton, Swiss Re and Zurich and is a Fellow of the Institute of Actuaries.

Committee memberships: Disclosure, Independent Governance and Investment Committees.

Andrew Palmer Independent Non-Executive Director

Appointed: 1 April 2011.

Skills and experience: Andrew was group finance director of Legal & General Group plc, where he also held a number of financial and operational roles in the asset management, insurance and international businesses.

Committee memberships: Audit Committee (Chair), Board Risk and Nomination Committees.

Subsidiary appointment: Royal London Asset Management Limited (Chair).

External appointments: Non-executive director of Direct Line Insurance Group, a trustee and honorary treasurer of Cancer Research UK. Member of Financial Reporting Review Panel of the Financial Reporting Council. Chairman of The Royal School of Needlework.

Our leadership continued

Sally Bridgeland Independent Non-Executive Director

Appointed: 14 January 2015.

Skills and experience: Sally spent 20 years at Aon Hewitt, followed by seven years as chief executive officer of the BP Pension Fund. Sally is a Fellow of the Institute of Actuaries and the Board benefits from her extensive knowledge of asset liability modelling, along with investment strategy design and implementation.

Committee memberships: With-Profits Committee (Chair), Investment, Nomination and Remuneration Committees.

External appointments: Independent trustee for Lloyds Banking Group Pension Trustee Limited, Nuclear Liabilities Fund Limited and NEST Corporation and a member of the Trust Investment Committee at innovation charity Nesta. Non-executive director of Impax Asset Management Group plc and Local Pensions Partnership Limited. Former Master of the Worshipful Company of Actuaries.

Olivia Dickson Independent Non-Executive Director

Appointed: 15 June 2017.

Skills and experience: Olivia held a number of roles as managing director with J.P. Morgan and was a senior adviser to the Financial Services Authority on a range of strategic projects. Previously, Olivia was a non-executive director of Canada Life, Virgin Money, Investec, Aon and the London International Financial Futures Exchange.

Committee memberships: Investment, Nomination and Remuneration Committees.

External appointments: Non-executive director of The Financial Reporting Council Limited where she chairs the Actuarial Council, non-executive adviser to Travers Smith and a member of the Government's Advisory Group on Social Impact Investing.

Ian Dilks Independent Non-Executive Director

Appointed: 14 November 2014.

Skills and experience: Ian spent his entire career at PricewaterhouseCoopers LLP, joining the firm (which was then Coopers & Lybrand) in 1974, becoming a partner in 1986. He rose to become a member of the global financial services leadership team and global insurance leader. From 2010 to 2013 he had responsibility for the public policy and regulatory affairs of the PwC global network.

Committee memberships: Investment (Chair), Nomination and Audit Committees.

External appointments: NHS Resolution (Chair) (formerly NHS Litigation Authority); Expert Adviser, House of Commons Treasury Committee.

Tracey Graham Independent Non-Executive Director

Appointed: 10 March 2013.

Skills and experience: Tracey was chief executive of Talaris Limited, an international cash management business, from 2005 to 2010 and led the management buyout of that business from De La Rue. Prior to that, she was president of Sequoia Voting Systems and customer services director at AXA, and held a number of senior positions at HSBC.

Committee memberships: Remuneration Committee (Chair), Board Risk and Nomination Committees.

Subsidiary appointment: Investment Funds Direct Limited (Chair).

External appointments: Non-executive director of Link Scheme Limited, Ibstock plc and Acal plc.

David Weymouth Independent Non-Executive Director

Appointed: 1 July 2012.

Skills and experience: David's 27-year career at Barclays, including five years as a member of the Group Executive Committee, gave him a wide experience and insight across Operations, Technology, Transformational Change and Risk Management in a global organisation. During seven years as a member of the Executive Committee at RSA Insurance, he extended his skills across another sector of Financial Services. He has, in addition, consulted to a number of blue chip and Government organisations and served as a non-executive director on several Boards both in the UK and overseas.

Committee memberships: Board Risk Committee (Chair), Nomination and Audit Committees.

External appointments: Chairman of Mizuho International Holdings plc, Chairman of One Savings Bank plc and non-executive director of Fidelity International Holdings (UK) plc.

Fergus Speight General Counsel and Company Secretary

Appointed: 13 April 2011.

Skills and experience: Fergus is a solicitor and the General Counsel and Company Secretary. He joined the Group in 2011 from Resolution, having previously held senior positions in Legal and Company Secretarial at Nomura and Aviva. Before becoming a solicitor, Fergus was an insurance underwriter with Sun Alliance. His legal career began in 1994 at Standard Life, which was then mutual. Fergus is a member of the Law Society of Scotland.

Other directors who served during the year: Duncan Ferguson, Senior Independent Non-Executive Director, resigned as a member of the Board of Directors on 14 June 2017.

2017 Directors' summary remuneration report

Annual statement from the Remuneration Committee Chair

Dear member,

On behalf of the Board, I am pleased to present the Remuneration Committee report for 2017. As last year, the remuneration report is split into three parts:

- a summary of the directors' remuneration policy, which sets out how the Group will remunerate its directors over the period 2017 to 2019. The policy was voted on and approved by members at the 2017 Annual General Meeting (AGM);
- the directors' proposed remuneration for 2018, showing how the policy will impact remuneration in 2018 and going forwards; and
- the 2017 annual report on remuneration, which explains the link between executive remuneration and Group performance, detailing what payments and awards have been made to directors during the year. As last year, this section will be put to a members' advisory vote at the 2018 AGM. Details can be found in the 2017 Annual Report and Accounts on pages 78 to 85.

The remuneration policy has the same four aims that were published in our 2016 annual report. They continue to be relevant and are as follows:

- to help align executives' interests with those of our members and policyholders;
- to support the delivery of the Group's strategy, while ensuring adherence to the Group's risk appetite;
- to ensure remuneration is competitive and helps the Group attract and retain talent;
- to ensure fair outcomes for our people, members and policyholders.

The Group is committed to being transparent with its members. Our remuneration disclosures continue to be in line with listed company remuneration reporting requirements, to the extent they enhance members' understanding of how our remuneration strategy supports the Group's strategy and members' interests.

Remuneration policy in 2018

Remuneration within financial services is subject to significant amounts of regulation and Royal London has to comply with many different codes. The Committee has worked closely with regulators to ensure our remuneration complies with all the relevant requirements. This year, the focus of the Committee has been on ensuring our policy is also compliant with the remuneration requirements of the second Markets in Financial Instruments Directive (MiFID II), which became effective on 3 January 2018, as well as all other regulations.

The Committee conducted a review of Executive Remuneration during 2016 and the members voted in favour of approval of the recommended changes at the 2017 AGM. Having conducted further work during 2017, the Committee proposes to make changes to the structure of the Long-Term Incentive Scheme (LTIS) to ensure it reflects the approach taken for schemes in other organisations. For 2018 onwards, it is proposed to have a scheme where a proportion of the award vests once a threshold level of performance is met.

The overall structure of the Royal London reward package will be unchanged and continues to be a salary, a Short-Term Incentive Plan (STIP) linked to the achievement of the annual business plan, an LTIS linked to the achievement of the five-year business plan and market-related pension and benefit provision. For participants in the Group STIP who are subject to Deferral, 40% of their award is deferred for up to three years and pays out in three equal tranches. This policy will apply until the 2020 AGM.

It is the intention of the Committee to introduce risk-adjusted profit measures to the STIP and LTIS in line with Solvency II during 2018. This will help broaden the risk data points available to the Committee for consideration.

Remuneration in 2017

The Board's assessment of Group performance is based on the scorecards that capture one-year and three-year financial and strategic performance. These are detailed further in the 2017 Annual Report and Accounts on pages 79 to 81. I am pleased to report that the Group has made strong progress during 2017, performing well despite another unpredictable year in politics and markets. Royal London's operating profit has continued to grow despite the low interest rate regime and our performance has translated into an increase in total ProfitShare for 2017. The Committee has sought input and sign-off from the Audit Committee regarding the quality of the Group's earnings, and assurance from the Board Risk Committee that the Group's performance has been achieved within its stated Risk Appetite.

As a result, the Committee agreed a final award under the 2017 STIP of 124% of salary for the Group Chief Executive, 92% for the Group Deputy Chief Executive & Group Finance Director and 61% for the Chief Risk Officer. This corresponds to a final scorecard result of 132% out of 200% and takes into account personal performance, which for the executive directors ranged from Good to Strong.

The three-year LTIS awarded in 2015 resulted in awards of 164% of salary for the Group Chief Executive (out of 187.5%), 164% of salary for the Group Deputy Chief Executive & Group Finance Director (out of 187.5%) and 110% of salary for the Chief Risk Officer (out of 125%).

Remuneration in 2018

The Committee determined to increase the salaries of the Group

Chief Executive, Group Deputy Chief Executive & Group Finance Director and Chief Risk Officer by 3.5%, 5.0% and 2.5%, effective from 1 April 2018, which is in line with increases for other Group employees with the same performance ratings.

The executive directors will be eligible for 2018 STIP and LTIS awards, subject to members' advisory approval of up to 150% of salary for the STIP and up to 187.5% of salary for the LTIS.

Consideration of the wider workforce

We value the contribution of every colleague at Royal London and we recognise that our people make a difference to our customers and members. So, it's important that we treat them fairly and ensure they feel valued. At our employee roadshows in 2017, the Group made three People Commitments to enhance the employee experience of being an employee of Royal London Group:

- **Pay and Reward** – ensuring all our people are paid fairly compared to other people doing similar roles in other organisations. This resulted in the Group becoming accredited by the Living Wage Foundation as a Living Wage Employer;
- **Leadership Consistency** – ensuring our people had a consistent leadership experience from their People Manager; and
- **Personal Development and Career Progression** – creating opportunities for everyone in Royal London to develop and grow.

I am delighted to say that each of the People Commitments was delivered in 2017, and have made a positive impact on employee engagement and how individuals feel about working for Royal London.

We believe that rewarding our staff fairly is critical and in 2017 we undertook salary benchmarking for all our staff, committing to bring wages within the market range of between 90-100% of the market salary for all those performing at a Good or above level. In September 2016, the Group became a signatory of the Women in Finance Charter and set ourselves a target of increasing our female management population internally graded at RL1 (or equivalent), which is our most senior grade, from 32.6% to 40% by the end of 2020. The achievement of this target is a key objective for all our executives. In September 2017, one year on from becoming a signatory, we were pleased to report that the proportion of women has increased to 33.7%, an increase of 1.1%.

Details of other activities undertaken by the Committee during 2017 are provided in the 2017 Annual Report and Accounts on page 86.

Conclusion

The Group has been pursuing its current strategy for approximately six years and over that period Funds Under Management (FUM) have increased by 138% and our life and pensions sales by 280%. New life and pensions sales grew by 38% in 2017 and the Group delivered £329m operating profit, an increase of 17%.

The Committee is satisfied the reward structure continues to attract and retain the talent the Group needs to deliver good outcomes for members and customers, and continue the long-term success of the Group, a position which is further strengthened by the proposed change to LTIS.

The Committee and the Board recommend that you vote for both the resolutions on the remuneration policy and the annual report on remuneration.

Tracey Graham
Chair of the Remuneration Committee

> The Group is committed to being transparent with its members. Our remuneration disclosures continue to be in line with listed company remuneration reporting requirements

2017 Directors' summary remuneration report continued

Directors' remuneration policy

The policy applicable for 2017-2019 was voted on and approved by 94% of members at the 2017 AGM. It can be found in the 2016 Annual Report and Accounts available at: **royallondon.com/about/annual-reports/annualreport**

Key principles of remuneration policy

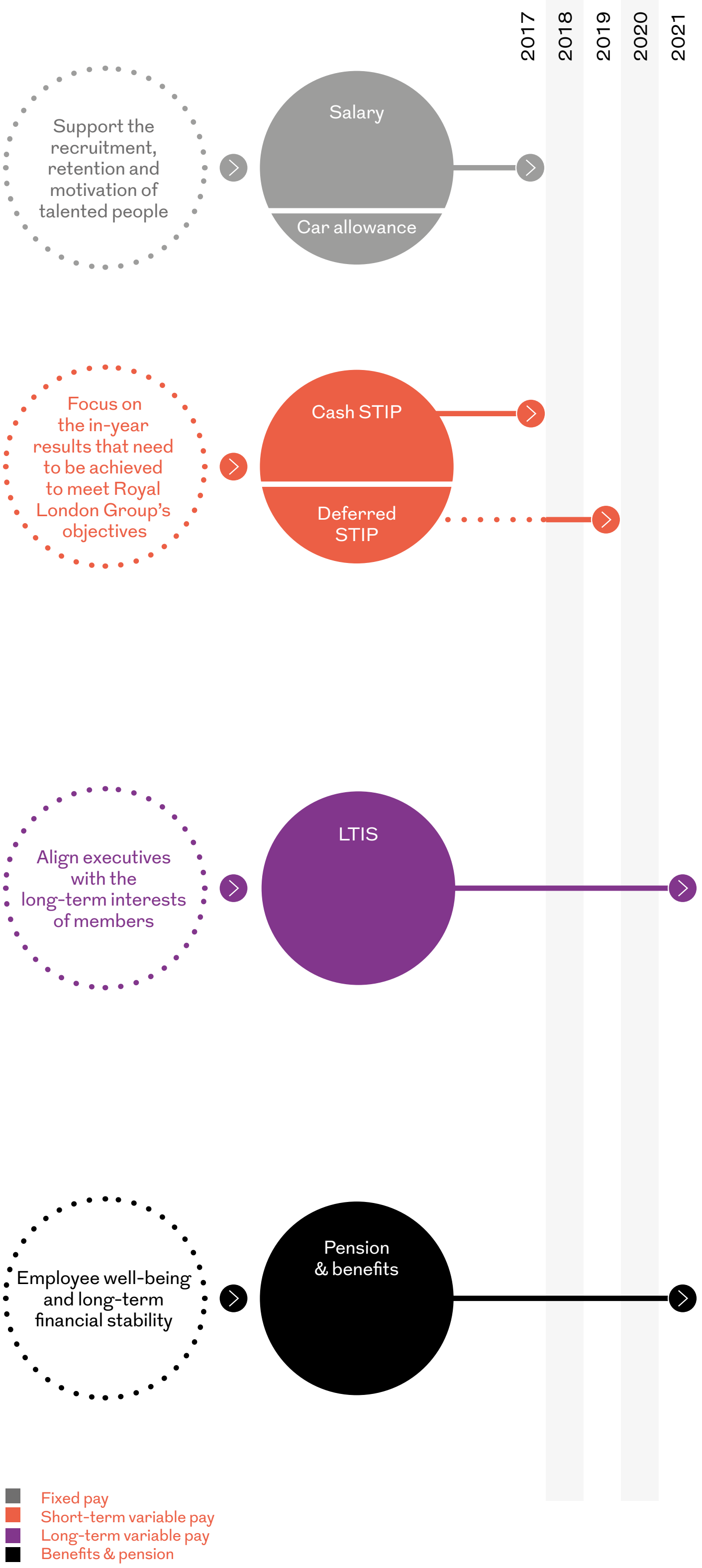
To achieve the four aims of the remuneration policy as set out in the Chairman's introduction, the Remuneration Committee has agreed the following principles:

Align executives' interests with those of our members and customers	Performance-related incentive arrangements will be designed to align the interests of executives with those of members and customers.
Support delivery of the Group's strategy while ensuring adherence to the Group's risk appetite	Performance-related incentive arrangements will be designed to reinforce the achievement of the Group's strategy. The remuneration policy will have regard to the remuneration codes of all relevant regulators, including the PRA and FCA, as well as institutional investor guidance on remuneration governance best practice. The Committee will ensure that risk-taking outside of the Group's risk appetite is not rewarded and it will have absolute discretion to amend incentive amounts prior to payment to ensure they are appropriate. When assessing performance, the Committee will take into account not just the measures and targets in the balanced scorecard, but also wider views of Group performance, quality of earnings and the sustainability of performance before finalising awards.
Ensure remuneration is competitive for our markets to help the Group attract and retain talent	Total remuneration will be appropriately competitive to support the recruitment, retention and motivation of talented people, and to help the Group compete effectively with other leading UK life insurers and financial services companies.
To ensure fair outcomes for our people, members and policyholders	Remuneration policy is consistent across Royal London, although remuneration levels differ and not all employees participate in the LTIS.

2017 Directors' summary remuneration report continued

Summary of the key features of the remuneration policy and how it was implemented for 2017

This section of the report details how the Group implemented the 2017 approved policy, as well as the required disclosures such as the single figure table. A diagram that summarises the 2017 implementation is also provided below.



Key features of the policy	2017 Implementation
Reviewed annually considering: › Role and responsibilities; › Benchmarking of comparator groups; › Individual performance; › Group performance; and › Broader employee population.	Salary increases were 4.3%
Performance is assessed against a balanced scorecard of one-year measures, with vesting outcomes subject to a discretionary override by the Committee. Maximum STIP opportunity of up to 150% of salary. Target STIP opportunity of up to 75% of salary. 40% of the award is subject to deferral and paid out in equal tranches over three years and is adjusted for the change in the value of Royal London to its members over the period.	Short-term performance measures are: › Financial performance – 45%; › Best customer propositions – 15%; › Our people – 15%; › Assurance – 10%; and › Building the future – 15%.
Vesting of awards is based on performance over three years against the Group's key long-term performance measures released as follows: › 50% vests after three years; › 25% vests after four years; and › 25% after five years from the date of grant. Vesting outcomes are subject to a discretionary override by the Committee. The maximum potential opportunity is 187.5% of salary. No award is payable for delivering an 'on plan' level of performance from LTIS key features.	Long-term performance measures are: › Operating profit – 50%; › Investment performance – 25%; › Customer experience – 10%; and › Quality of proposition – 15%.
The Group operates a Defined Contribution Scheme. Directors may elect to receive all or part of the Group contribution to the Defined Contribution Scheme as a cash allowance. Benefits vary by individual and level.	Benefits include: › Up to 25% of salary; › Life insurance; › Private medical insurance; › Medical screening; › Discretionary living-away-from-home allowance; and › Flexible benefits (optional).

2017 Directors' summary remuneration report continued

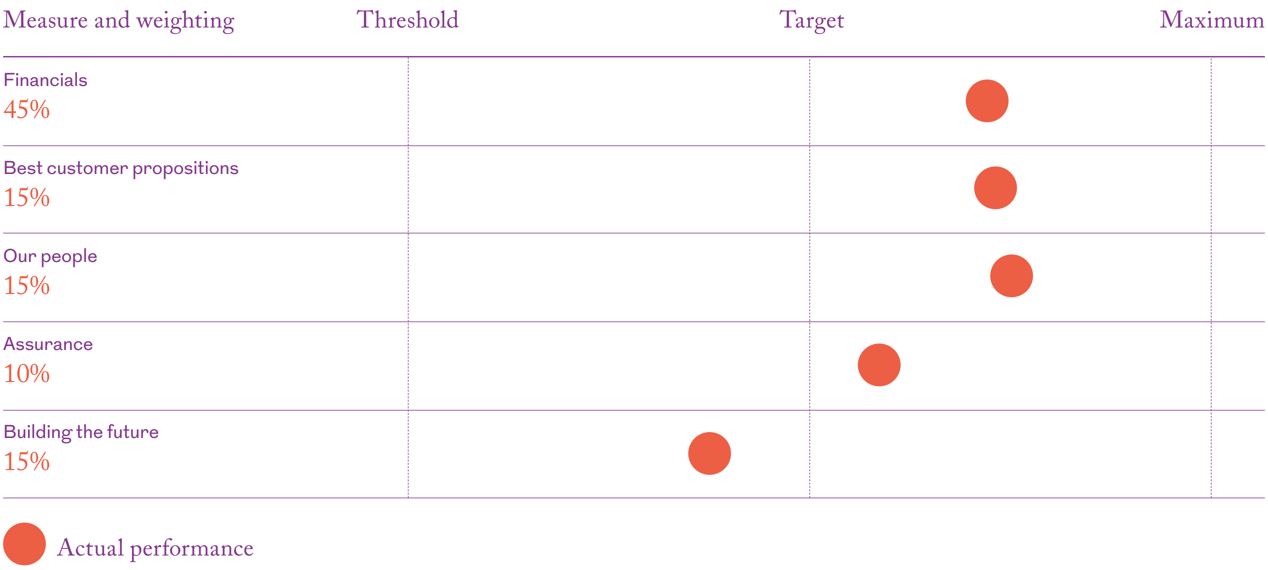
What our executive directors received in 2017

Our executive directors received the following remuneration in 2017, in line with the remuneration policy that was approved by members at the 2017 AGM.

	Phil Loney		Tim Harris		Jon Macdonald	
	2017 (£000)	2016 (£000)	2017 (£000)	2016 (£000)	2017 (£000)	2016 (£000)
Salary	750	716	440	428	315	305
Benefits	65	60	17	15	15	15
Pension supplement	188	179	88	84	43	4
Pension benefits	-	-	-	2	4	41
TOTAL	1,003	955	545	529	377	365
STIP	934	1,085	409	468	193	250
TOTAL remuneration for performance year	1,937	2,040	954	997	570	615
Long-term incentives vesting	1,271	993	619	278	391	307
Total remuneration	3,208	3,033	1,573	1,275	961	922

1 Salaries are shown gross of any Salary Sacrifice element and the pension benefits for Jon Macdonald do not include employee contributions made by Salary Sacrifice. Jon Macdonald, Phil Loney and Tim Harris received cash supplements in lieu of pension of 15%, 25% and 20% respectively. Jon Macdonald invested part of his supplement into the Group's Defined Contribution Plan.
2 Benefits include life insurance, private medical insurance, medical screening and company car (or cash allowance in lieu of a car). Phil Loney and Tim Harris receive a transport and overnight expenses allowance to fund travel between their home and additional work locations. It is currently £46,000 and £10,000 per annum respectively and is reviewed in April each year to ensure it has been set at the correct level. No travel expenses are reimbursed for travel to their primary work locations. STIP values are the full value awarded for the performance year including amounts due to be deferred, subject to continued service requirements and any other performance conditions. The long-term incentives values are based on the estimated value of awards exercisable, subject to being employed on the payment date (after a three-year performance period) at the reporting date, and exclude any estimated value of awards deferred to future years (but include awards restricted by holding conditions).

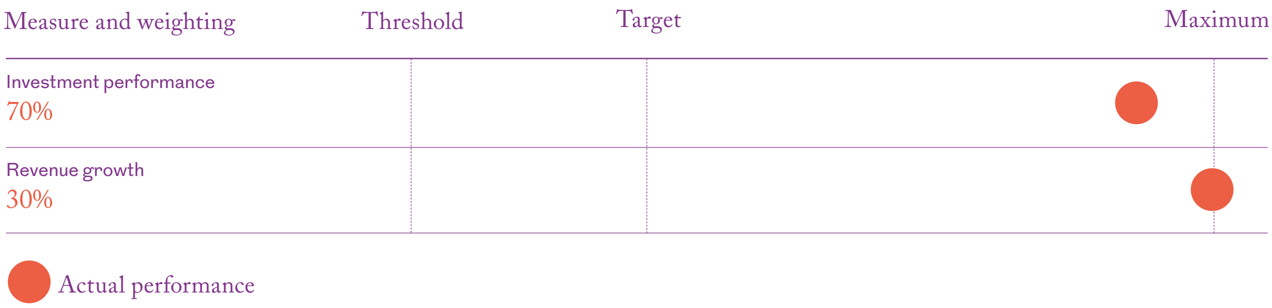
2017 STIP performance was assessed against the measures shown below.



Overall the scorecard result was 132% out of maximum of 200%. This result, combined with personal performance ratings of Strong, Strong and Good, meant that STIP awards of 124%, 92% and 61% of salary were paid out to the Group Chief Executive, Group Deputy Chief Executive & Group Finance Director and Chief Risk Officer. The Committee is committed to disclosing as much as is commercially possible on the financial measures in the 2019 report.

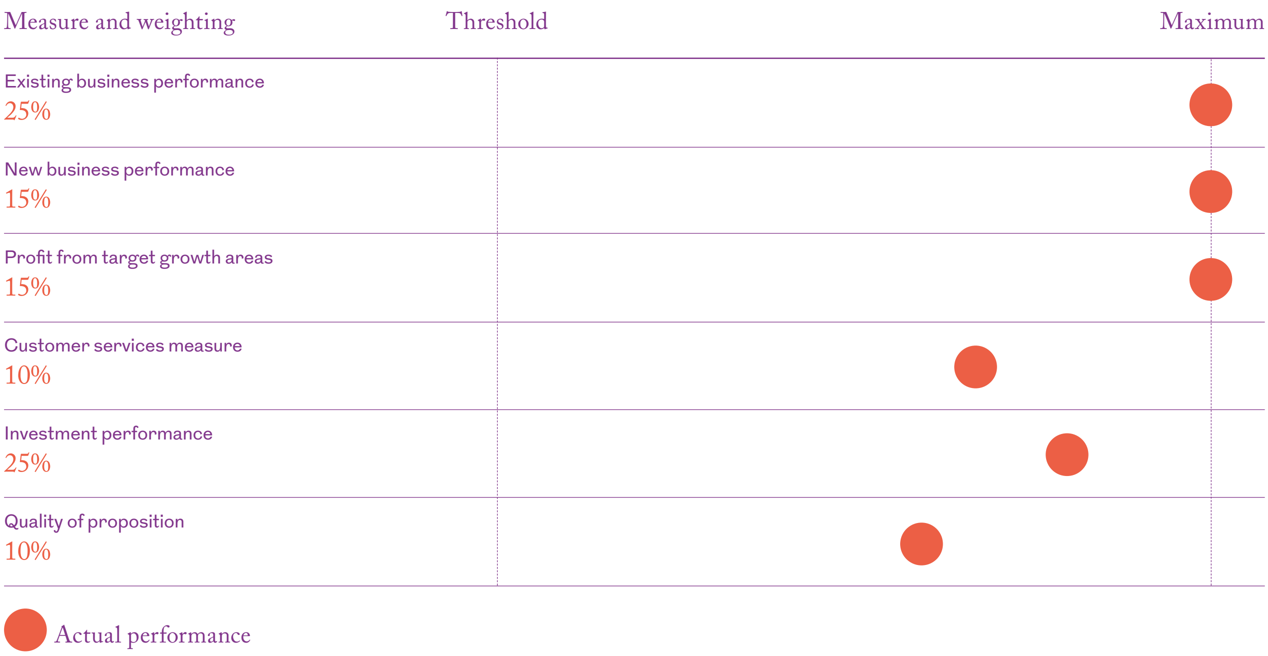
2017 Directors’ summary remuneration report continued

The performance measures and outcomes for the 2015 RLAM LTIP are shown below.



In publishing the relative LTIP performance outcomes to targets, the Board aims to provide members with a clear understanding of performance outcomes rewarded under the plans, while protecting the commercial sensitivity of the underlying metrics. All long-term incentive award outcomes (LTIS and RLAM LTIP) are reviewed by Group Internal Audit.

The performance measures and estimated outcomes for the 2015 LTIS are shown below.



As a result of Royal London’s performance against the measures, 109.6% of the 2015 LTIS awards are estimated to vest, which equates to 164% (out of 187.5%), 164% (out of 187.5%) and 110% (out of 125%) of salary – which is subject to further EEV unit price changes – for the Group Chief Executive, Group Deputy Chief Executive & Group Finance Director and Chief Risk Officer. In line with policy, 50% of the award will vest immediately, with 25% vesting after one year and the remaining 25% after two years.

2017 Directors' summary remuneration report continued

How we will reward our executive directors in 2018

The following table sets out the annual salaries payable to each executive director from 1 April 2018.

	2018 (£000)	2017 (£000)	Increase (%)
Tim Harris	465	443	5.0
Phil Loney	782	755	3.5
Jon Macdonald	326	318	2.5

The salaries for the executive directors have been reviewed following a robust benchmarking exercise conducted by the independent advisers to the Committee. The actual increases applied are in line with the approach adopted for all employees within the Group.

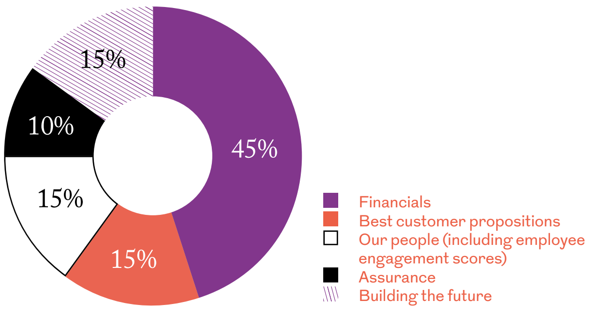
Bonus and long-term award opportunities for 2018

Performance will continue to be assessed against a scorecard covering key areas of performance and will also take into account the personal performance rating for the individual executive director.

A review of STIP levels for executive directors indicated that a target STIP opportunity of up to 75% (maximum 150%) of salary remains competitive. No changes have been made to Phil Loney or Jon Macdonald's maximum STIP opportunities for 2018, although Tim Harris' maximum STIP opportunity increased from 120% to 150%, as a result of his change in role.

	Maximum (as % of salary)
Tim Harris	150
Phil Loney	150
Jon Macdonald	120

For 2018 the STIP measures and weights are shown below.

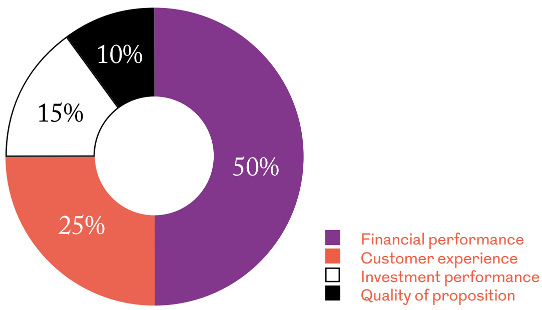


2017 Directors' summary remuneration report continued

The aim of the LTIS continues to be the alignment of executives with the long-term interests of members and customers. Having reviewed the competitiveness of the scheme against those in operation in competitor organisations, the Committee proposes that from 2018 onwards 20% of the award will vest once an acceptable threshold level of performance is met and 45% of the award will vest once target level of performance is met. However, both these would be subject to the absolute discretion of the Committee over actual vesting.

	Scheme	Face value (as % of salary)	% vesting for target performance	End of performance period
Tim Harris	LTIS	150	45	
Phil Loney	LTIS	150	45	31 December 2020
Jon Macdonald	LTIS	100	45	

The anticipated performance measures for 2018 LTIS are shown below:



Actual targets set for each measure will be disclosed in the Directors' remuneration report for 2020, unless the Committee considers them too commercially sensitive to disclose.

Units held by executive directors

To further align the interests of executive directors with those of our members and customers, executive directors are required to hold Royal London units, as shown below.

	Holding requirement (£000)	Value of units held at 31 Dec 2017 (£000)
Tim Harris	665	1,782
Phil Loney	1,510	3,486
Jon Macdonald	318	1,037

Key terms of our executive directors' contracts

	Group CEO terms	Other executive director terms
Duration	Continuous term to retirement age.	Continuous term to retirement age.
Notice period	12 months by the Group. 12 months by the CEO.	12 months by the Group. Up to 12 months by the executive director.
Pay in lieu of notice	Pay in lieu of notice (salary and contractual benefits) if employment is terminated by the Group for reasons other than misconduct.	Pay in lieu of notice (salary and contractual benefits) if employment is terminated by the Group for reasons other than misconduct.
Other allowances	Group reimburses travel and overnight expenses in connection with work-related travel to and from home to place of work.	Group reimburses travel expenses for the Group Deputy Chief Executive & Group Finance Director in connection with work-related travel to and from home to place of work.

2017 Directors' summary remuneration report continued

Non-executive directors remuneration in 2017 – audited

The non-executive directors received the remuneration detailed below.

	Annual fee (£000)		Committee chairmanship fee (£000)		Additional fee (£000)		Total (£000)	
	2017	2016	2017	2016	2017	2016	2017	2016
Sally Bridgeland	71	65	18	15	-	2	89	82
Olivia Dickson[2]	39	-	-	-	-	-	39	-
Ian Dilks	71	65	8	-	-	2	79	67
Duncan Ferguson[3]	35	65	17	33	-	7	52	105
Tracey Graham	71	65	20	20	65	27	156	112
Andrew Palmer	71	65	28	20	90	37	189	122
Rupert Pennant-Rea	260	245	-	-	-	-	260	245
David Weymouth	71	65	22	22	-	7	93	94

1 Non-executive directors do not receive any taxable benefits.
2 Olivia Dickson was appointed to the Board on 15 June 2017.
3 Duncan Ferguson resigned on 14 June 2017.

Andrew Palmer was paid additional fees from 14 June 2017 on agreeing to perform the role of Senior Independent Director. Sally Bridgeland was paid fees from 13 June 2017 on agreeing to perform the role of Chair of the Company's With-Profits Committee. Ian Dilks took on Sally Bridgeland's role as Chair of the Investment Committee from 15 June 2017. To fill the vacancy created on the Board, external search firms were used to recruit a new independent non-executive director, Olivia Dickson, who was appointed to the Board on 15 June 2017.

The continued focus of regulation in the financial services industry had led to increased accountability for all Board Committees as part of their core role. Following the annual benchmarking activity, the annual base fees were increased from £69,100 to £71,200 from April 2017.

In line with ensuring the appropriate governance and Board oversight of subsidiary companies, Andrew Palmer was appointed Chairman of RLAM Limited on 8 October 2016 and Tracey Graham was appointed Chairman of Investment Funds Direct Limited (IFDL) on 2 September 2016 to reflect these changes. Andrew received additional fees of £90,000 per annum and Tracey £65,000 per annum to reflect the additional accountability and time commitment for chairing these respective subsidiary Boards. The amounts received in 2017 have been included as additional fees in the table above. The annual fees for these two roles were independently benchmarked.

Non-executive director fees for 2018

The annual base fee for non-executive directors from January 2018 is £73,335. Additional fees are payable for Committee chairmanships as follows:

- Board Risk Committee: £22,000;
- Investment Committee: £16,000;
- With-Profits Committee: £20,000;
- Audit Committee: £22,000;
- Remuneration Committee: £20,000;
- Chair of RLAM: £92,700; and
- Chair of IFDL: £66,950.

The annual fee for the Group Chairman is £267,800 and the annual fee for the Senior Independent Director is £13,500.

By order of the Board

Tracey Graham
Chair of the Remuneration Committee

Auditors' report

Independent auditors' statement to the members of the Royal London Mutual Insurance Society Limited

We have examined the supplementary financial information included within the Strategic Report with Supplementary Information for the year ended 31 December 2017, which comprises the Summarised consolidated balance sheet: EEV as at 31 December 2017; the Summarised consolidated balance sheet: IFRS as at 31 December 2017; the Summarised consolidated income statement: EEV and the Summarised consolidated income statement: IFRS for the year then ended.

Respective responsibilities of the directors and the auditors

The directors are responsible for preparing the Strategic Report with Supplementary Information, in accordance with the Companies Act 2006, which includes information extracted from the full annual financial statements and the auditable part of the Directors' Remuneration Report of The Royal London Mutual Insurance Society Limited for the year ended 31 December 2017.

Our responsibility is to report to you our opinion on the consistency of the summary financial information, included within the Strategic Report with Supplementary Information, with those full annual financial statements and the auditable part of the Directors' Remuneration Report.

This statement, including the opinion, has been prepared for and only for the Group's members as a body and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this statement is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Basis of opinion

Our examination involved agreeing the balances disclosed in the summary financial information to the full annual financial statements. Our audit report on the Group's full annual financial statements and the auditable part of the Directors' Remuneration Report describes the basis of our opinion on those financial statements and the auditable part of that report.

Opinion

In our opinion the supplementary financial information is consistent with the full annual financial statements and the auditable part of the Directors' Remuneration Report of The Royal London Mutual Insurance Society Limited for the year ended 31 December 2017.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants
and Statutory auditors
London
28 March 2018

Notes:
1 The supplementary financial information are published on the website of the Royal London Group, www.royallondongroup.co.uk. The maintenance and integrity of the Royal London Group website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the supplementary financial information since they were initially presented on the website.

2 Legislation in the United Kingdom governing the preparation and dissemination of supplementary financial information may differ from legislation in other jurisdictions.

Summarised consolidated income statement: EEV

	2017 £m	2016 £m
Operating activities		
Contribution from new business	292	223
Profit from existing business		
› Expected return	104	90
› Experience variances	37	4
› Operating assumption changes	111	50
Expected return on opening net worth	26	41
Loss on uncovered business	(33)	(44)
Strategic development costs and other items	(208)	(82)
Operating profit before tax	329	282
Economic experience variances	159	395
Economic assumption changes	79	(192)
Movement in Royal London Group Pension Scheme	73	(118)
Financing costs	(46)	(46)
EEV profit before tax, ProfitShare and change in estimate for Solvency II	594	321
ProfitShare	(150)	(120)
Change in estimate for Solvency II	-	(182)
EEV profit before tax	444	19
Attributed tax charge	(30)	(40)
Total EEV profit/(loss) after tax	414	(21)

Summarised consolidated balance sheet: EEV

	2017 £m	2016 £m
Net worth	969	1,107
Value of in-force business	2,544	2,065
Royal London Group Pension Scheme surplus/(deficit)	47	(26)
Total Embedded Value	3,560	3,146

Summarised consolidated statement of comprehensive income: IFRS

	2017 £m	2016 £m
Revenues		
Gross earned premiums	1,239	1,291
Premiums ceded to reinsurers	(265)	(730)
Net earned premiums	974	561
Investment return	6,031	10,864
Other revenues	361	330
Total revenues	7,366	11,755
Expenses		
Total policyholder benefits and claims	5,557	10,015
Operating expenses	1,307	1,368
Finance costs	47	47
Total expenses	6,911	11,430
Result before tax and before transfer to the unallocated divisible surplus	455	325
Tax charge	103	249
Transfer to the unallocated divisible surplus	352	76
Result for the year	-	-
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit pension schemes	82	(98)
Transfer to/(from) the unallocated divisible surplus	82	(98)
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income for the year	-	-

Summarised consolidated balance sheet: IFRS

	2017 £m	2016 £m
Assets		
Property, plant and equipment	53	51
Investment property	6,103	5,297
Intangible assets	606	683
Reinsurers' share of insurance contract liabilities	5,326	5,907
Pension scheme asset	186	131
Current tax asset	5	3
Financial investments	83,328	74,479
Other assets	651	788
Cash and cash equivalents	3,061	3,292
Total assets	99,319	90,631
Liabilities		
Unallocated Divisible Surplus (UDS)	3,726	3,292
Insurance and investment contract liabilities (excluding UDS)	80,028	72,835
Subordinated liabilities	745	744
Other liabilities	14,820	13,760
Total liabilities	99,319	90,631

Notice of Annual General Meeting

Notice is hereby given that the 2018 Annual General Meeting of The Royal London Mutual Insurance Society Limited (the 'Company') will be held at 11am on Wednesday 13 June 2018, at Glaziers Hall, 9 Montague Close, London Bridge, London SE1 9DD, for the transaction of the following business.

To consider and, if thought fit, vote for the following resolutions as ordinary resolutions:

1. to receive and consider the Company's Annual Report and Accounts with the related auditor's report for the year ended 31 December 2017;
2. to approve the directors' remuneration policy;
3. to approve the annual report on remuneration for the year ended 31 December 2017;
4. to reappoint PricewaterhouseCoopers LLP as auditors of the Company until the conclusion of the next Annual General Meeting;
5. to authorise the Audit Committee to determine the remuneration of PricewaterhouseCoopers LLP;
6. to reappoint Sally Bridgeland as a director of the Company;
7. to reappoint Olivia Dickson as a director of the Company;
8. to reappoint Ian Dilks as a director of the Company;
9. to reappoint Tracey Graham as a director of the Company;
10. to reappoint Tim Harris as a director of the Company;
11. to reappoint Phil Loney as a director of the Company;
12. to reappoint Jon Macdonald as a director of the Company;
13. to reappoint Andrew Palmer as a director of the Company;
14. to reappoint Rupert Pennant-Rea as a director of the Company; and
15. to reappoint David Weymouth as a director of the Company.

By order of the Board

Fergus Speight

Fergus Speight
Company Secretary
For and on behalf of Royal London Management Services Limited
28 March 2018

The Royal London Mutual Insurance Society Limited

55 Gracechurch Street, London
EC3V 0RL

Registered in England and Wales,
No.99064

Commentary on the resolutions

Resolution 1 – Annual Report and Accounts 2017

Following changes introduced by the Companies Act 2006 (the Act), the Company is not required to lay its accounts before a general meeting. The Board nonetheless considers it best practice to do so and will continue to present the Annual Report and Accounts to the Annual General Meeting.

Resolutions 2 and 3 – Directors' remuneration policy and annual report on remuneration

The Act requires FTSE-listed companies to include certain content in regard to remuneration within their annual report and accounts. Although Royal London is not a FTSE-listed company, your Board has elected to comply with the standards applicable to FTSE-listed companies under the Act. Therefore, Royal London's Remuneration Committee report includes:

- our directors' remuneration policy; and
- our annual report on remuneration.

Resolution 2 seeks approval for the directors' remuneration policy and is subject to a vote of the members at least every three financial years, or earlier if it is proposed that the policy is amended during that time. The Remuneration Committee will take into account the members' vote when setting future policy.

Resolution 3 seeks approval for the 2017 annual report on remuneration.

Resolutions 4 and 5 – Appointment and remuneration of auditors

PricewaterhouseCoopers LLP are the Company's existing auditors and it is proposed that they be reappointed, until the next general meeting. You are asked to authorise their reappointment and to authorise the Audit Committee to determine their remuneration.

Resolutions 6 to 15 – Reappointment of directors

The Board considers that each of the directors offering themselves for reappointment brings a wealth of valuable experience to the Board, enhancing its skill and knowledge base and should be reappointed.

Note: The terms and conditions of appointment of non-executive directors are available for inspection at the Company's registered office at 55 Gracechurch Street, London EC3V 0RL during business hours on any weekday (except public holidays).

2018 financial calendar

Date	Event
29 March 2018	Financial results for 2017 Conference call on financial results for 2017
13 June 2018	Annual General Meeting
16 August 2018	Interim financial results 2018 Conference call on interim financial results for 2018
13 November 2018	RL Finance Bonds No 3 plc subordinated debt interest payment date
30 November 2018	RL Finance Bonds No 2 plc subordinated debt interest payment date

Registered office

The Royal London Mutual Insurance Society Limited
55 Gracechurch Street
London
EC3V 0RL

Registered in England and Wales
Private company limited by guarantee
Registered Number: 99064
royallondon.com

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ROYAL LONDON