

# Royal London Group Remuneration Policy

## Summary

### Scope

The Royal London Remuneration Policy sets out the principles and framework for how remuneration is managed across the Group. It considers the nature, scope, and complexity of the Royal London Group's activities, including investment and fund management carried out by RLAM, the Group's investment business unit and centre of excellence. The policy ensures that practices are applied proportionately and comply with all relevant regulatory requirements, such as MIFIDPRU, UCITS, and AIFMD.

### Remuneration Policy

The Group's Remuneration Policy complies with applicable remuneration regulations and is supported by the following principles:

- To support Royal London in attracting, engaging and retaining colleagues, and to reward colleagues fairly and competitively
- To promote the long-term success of Royal London through sound and responsible risk management and good corporate governance
- To ensure fair outcomes for our colleagues, members and customers
- To align incentives to drive behaviours consistent with our Purpose, our strategy and our 'Spirit of Royal London' values.

The Group aims to attract and retain talented people to deliver sustainably high levels of performance for its members and customers and ensure the ongoing success of the Group. This requires a careful balance between providing competitive salary and benefits with appropriately designed variable remuneration plans that drive performance and align the interests of executives and colleagues with members and customers while managing risk. The Group Remuneration Policy is gender neutral and is based on equal remuneration for male and female employees for equal or equivalent work.

### **Remuneration decision-making**

The Group has a Remuneration Committee (the Committee) consisting of Non-Executive Directors. The Committee has overall responsibility for the Remuneration Policy across the Group companies and receives independent remuneration advice from external consultants on matters in relation to executive and colleague remuneration. The Committee's Terms of Reference are available on the Royal London website.

The Committee receives regular updates, reports and support from internal groups including, but not limited to, Group Risk and Compliance and Group Internal Audit. The Group Chief Risk Officer reports how effective Royal London and its subsidiaries have been in managing risk within the Group's risk profile.

### **Link between pay and performance**

The Group's variable remuneration plans are designed to reward colleagues for their performance and contribution to the success of their business unit and the Group. These include the Short-Term Incentive Plan (STIP), the Long-Term Incentive Plan (LTIP) and sales incentives.

In determining STIP awards there are three factors which impact the overall level awarded:

- Royal London Group performance – how well the Group performs against the Group Scorecard will determine the STIP funding available and is based on a mix of financial and non-financial measures.
- Business unit/function performance – in order to increase alignment with the underlying performance of certain business units or functions, separate STIP scorecards may apply for certain colleagues or business areas. RLAM has a separate scorecard to assess performance across the year. Performance measures include financial (profit revenue and investment performance) and non-financial (people, assurance, climate). In addition, Control Functions have separate scorecards which determine the funding for colleagues in these functions.
- Personal performance – each colleague is awarded an 'On-Track' or 'Off-Track' performance rating which reflects their performance and overall contribution to the success of the business and informs their STIP awards. Individual performance is assessed against a range of measures depending on the nature of the role. These may include fund performance, sales and behaviours.

A description of the STIP and LTIP, including the financial and non-financial measures in the Group scorecards, is included in the Royal London Annual Report and Accounts.

## **Remuneration structure**

All colleagues are remunerated with fixed pay (salary, pension and benefits) and are eligible to be considered for performance related variable pay (STIP and LTIP as appropriate), which may be a greater proportion of total reward than fixed salary.

Remuneration is structured to ensure an appropriate balance between fixed and variable pay. Fixed remuneration represents a sufficiently high proportion of total remuneration to allow the operation of a fully flexible variable remuneration policy, including the possibility of paying no variable remuneration. The Group Remuneration Policy establishes a maximum ratio between fixed and variable pay to reflect the highest amount of variable remuneration that could be awarded.

All variable amounts are distributed as cash, apart from awards deferred under the STIP and the LTIP where awards are invested in and converted into units within an RLAM fund.

Colleagues in certain roles are eligible to participate in variable remuneration plans that differ from the STIP or LTIP. Some sales-focused roles across the Group participate in Sales Incentive Plans. All variable remuneration plans in Royal London are subject to governance and oversight procedures, and reviewed annually, and total variable pay outcomes are capped in line with the Group's Remuneration Policy.

The structure of the remuneration packages for Material Risk Takers (MRTs) and Identified Staff is designed to be in line with the Group's business strategy, take account of any conflicts of interest and align with the existing and future capital requirements of the business. The Group's variable remuneration plans are designed so they do not encourage excessive risk taking. Further information on variable remuneration plans is contained in the Royal London Annual Report and Accounts.

## **Risk/Performance adjustments**

The Group operates a risk adjustment process. Risk adjustment is any downward adjustment (collective or individual) made to variable remuneration. This includes both the STIP and LTIP along with any other variable remuneration arrangement that may operate from time to time. There are two types of risk adjustment:

### **1. Ex-ante risk adjustment**

The Group identifies its key current and future risks (which include an assessment of the Group's position against the following risk appetite categories: Insurance, Capital, Liquidity, Conduct, Legal & Regulatory, Financial Crime, Third-party, Change Management, Operational Resilience, Information Security, Information Technology, Processing and People), monitors and measures them, and uses this assessment to determine whether an adjustment to the STIP pool is required to account for year-on-year changes in risk taken (i.e. where the level of risk taken has materially increased for a certain level of performance achieved, a downwards adjustment would be considered).

Ex-ante adjustments would be made collectively (at a Group-wide, business unit or functional level) and based on forecast risks.

## **2. Ex-post risk adjustment**

Ex-post adjustments may be collective (Group-wide, business unit or function level) or individual adjustments.

Risk events and issues are identified and monitored continuously by the Group Risk and Compliance function and the Group Internal Audit function. This information is collated and used to assess whether a collective or individual adjustment is appropriate based on the issues or events identified throughout the year.

In addition, all variable remuneration is subject to malus and clawback provisions.

The STIP and LTIP plan rules include malus and clawback provisions which enable the Remuneration Committee to impose further conditions on any variable remuneration opportunity and/or award; or reduce (including to nil) the award opportunity and/or number of fund units by reference to which a payment or award is calculated at any time before the end of the recovery period, which is three years (under the STIP) or five years (under the LTIP) from the date of award.

Further information on malus and clawback is contained in the Royal London Annual Report and Accounts [2].

## **Guaranteed variable remuneration**

The Remuneration Policy includes provisions related to guaranteed variable remuneration.

Buy-out awards are designed to compensate new colleagues for the loss of existing awards that would be forfeited on joining the Group and closely replicate the terms of the forgone awards. Any buy-out award will consider the terms of the original award, in particular any performance conditions and the time period over which they would vest. At the point a buy-out award is put in place, the value of any award will not be more favourable in terms of value or conditions than the award being forfeited.

Guaranteed variable remuneration awards are only permitted in exceptional circumstances where their provision is required to recruit or retain an individual. They are not routinely awarded. For MRTs and Identified Staff, guaranteed variable remuneration is restricted to the first year of a colleague's employment in the context of their hire, and will only be considered when the Group has a strong capital base.

### **Severance Pay**

Colleagues who leave the Group will receive payments in line with statutory requirements, relevant policies and any contractual arrangements.

Any severance payments made to colleagues leaving the Group will meet regulatory and legislative requirements and will not be used to reward failure or misconduct. Any termination arrangements outside of contractual requirements, standard leaver provisions and/or redundancy terms for MRTs and Identified Staff are subject to Remuneration Committee approval.

The following illustrative criteria may be considered for the purposes of determining the amount of a severance payment (but not limited to):

- the reasons for the early cessation of employment
- the length of an individual's service with the Group
- the seniority of the individual's role within the Group.

Further information regarding remuneration can be found in the Royal London Annual Report and Accounts, available on our website: [Annual reports - Royal London](#)

