



PHOENIX GROUP

Phoenix Group Gender Pay Gap report 2019

9 March 2020

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Background and definitions

What is the gender pay gap?

The gender pay gap is the difference in the total average earnings of males and females, regardless of the nature of their work, across an organisation. It does not compare pay on an individual level for males and females undertaking the same role.

How is this different to equal pay?

Equal pay refers to the legal requirement that male and female employees who are engaged in equal or similar work, or work of equal value, must receive equal pay. Having reviewed our reward principles we are confident that our gender pay gap and bonus pay gap are not caused by equal pay concerns.

Who is included in the calculations?

As of 2017, all UK companies with at least 250 employees are legally required to report on their gender pay gap. For this reporting period (the payroll period covering 5 April 2019), Phoenix has two “employing entities” that meet this threshold: Pearl Group Management Services (PGMS) and Standard Life Assurance Employee Services Limited in the UK (SLAESL). We therefore show separate figures for PGMS and SLAESL (UK).

This is the first time we have reported figures for SLAESL (UK): these are the UK colleagues who joined us in the 2018 acquisition of Standard Life Assurance Limited, and have previously been included in Standard Life Aberdeen plc’s report.

How is the gender pay gap calculated?

We report on the following key figures:

Mean gender pay gap:

Compares the average male salary from across the whole company and the average female salary from across the company (calculated by adding up all the salaries for each gender and dividing by the number of colleagues).

Median gender pay gap:

Calculated by looking at all the male salaries and all the female salaries, identifying the middle salary for each and then calculating the difference between these two figures.

Mean bonus pay gap:

Compares the average male bonus payment from across the whole company and the average female salary from across the company (calculated by adding up all the bonus payments for each gender and dividing by the number of colleagues).

Median bonus pay gap:

Calculated by looking at all the male and female bonus payments, identifying the middle payment for both and then calculating the difference between these two figures.

Proportion of men and women in each pay quartile (25%)

Proportion of men and women receiving a bonus

Introduction from Susan McInnes

In January 2020 I was proud to take up the role of Chair of our Diversity and Inclusion (D&I) Committee. As a woman in a senior leadership role, the topic of diversity and inclusion is one that's close to my heart – and I know from speaking to our colleagues that it really matters to them too.

I believe that building a diverse and inclusive business is vital for the future success and sustainability of the Phoenix Group. Our values, which underpin everything we do at Phoenix, are Passion, Courage, Responsibility, Growth and Difference – these have been co-created with our colleagues to reflect what's most important to us, and they're all relevant to our D&I agenda.

To help us achieve our objectives, we have recently relaunched our D&I strategy at Phoenix. It's based on four strategic pillars:

- Gender
- Ethnicity
- Social Mobility
- Disability

Creating an environment where everyone feels welcome and different perspectives are valued can only make us stronger. Making sure all our colleagues have equal opportunities to progress, based on their unique talents, helps us retain great people and deliver better outcomes for our customers and shareholders. In this report we focus on gender, specifically the gender pay gap that exists in the Phoenix Group.

Sharing this information is not just a government requirement - I personally believe that being open and transparent about this benefits all our stakeholders. It's fair to say that I'm disappointed we have not made more progress in closing our gender pay gap since reporting began in 2017. However, the figures provide some really valuable insights and we will be using these to shape our strategy and drive improvements.

Of course, I would like to see more women taking on more senior roles in the organisation. This is a priority for us on the D&I Committee and we will be focusing on the actions needed to facilitate this change. But I also want to see more gender equality across the board – for example, making sure that flexible working options are available to all, and everyone can speak up about what's right for their circumstances. I will be listening closely to our colleagues to understand what barriers currently exist and how we can move things forward to deliver on our D&I strategy.

The gender pay gap remains a challenge, both for Phoenix and across our industry. But it's a challenge we can't ignore. For the benefit of our business, our colleagues and our wider community, I'm determined we will succeed.

Susan McInnes

Chair – Phoenix Group Diversity & Inclusion Committee

Chief Executive, SLAL and Group Director, Open Business

Gender pay gap figures

Pearl Group Management Services (PGMS)

Gender pay gap

Our hourly pay gap figures increased in 2018, and have remained static this year on both metrics.

	Median hourly pay gap - PGMS	Mean hourly pay gap - PGMS
2019	28%	26%

Bonus gap

The bonus gap has increased this year; however, this was expected as there was no LTIP (long-term incentive plan) included in the 2018 bonus figures, due to there not being an LTIP vesting in the reporting period. Because LTIPs are only allocated to senior colleagues - a higher proportion of whom are men – this payment has contributed to a wider bonus gap.

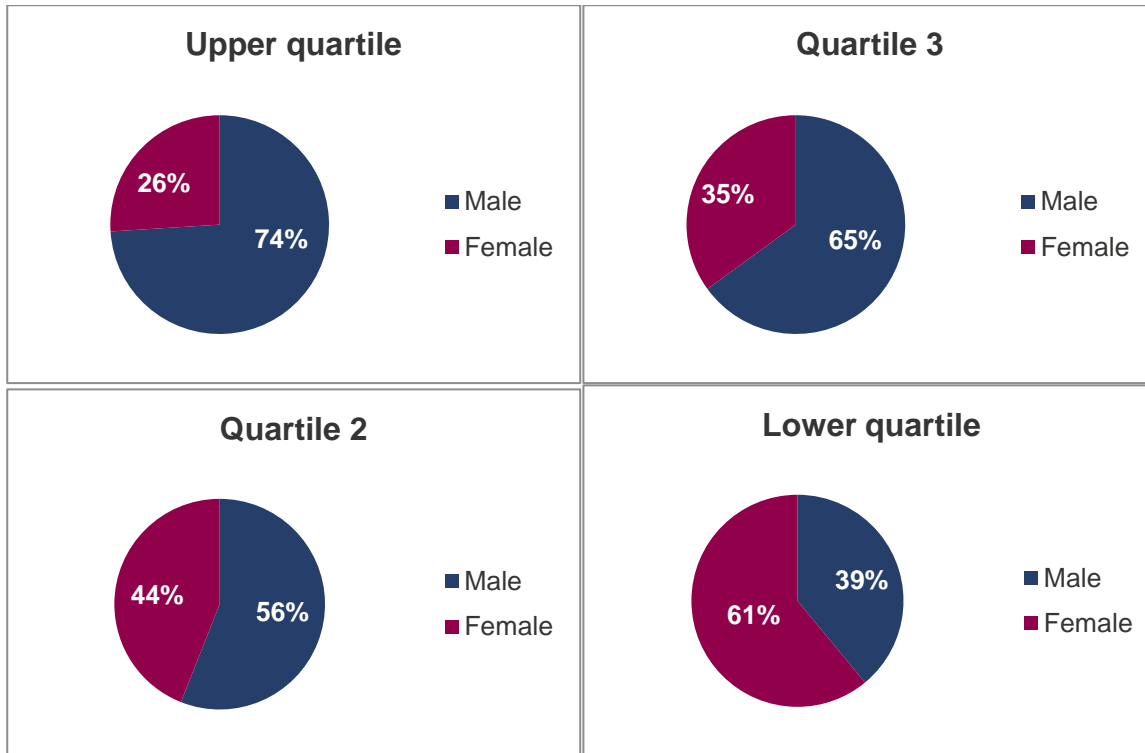
Bonuses were received by 95% of men compared to 87% of women, largely due to more women being new to the business and not yet eligible for a bonus. The median bonus figure has increased this year as bonus payments at senior levels have increased, and a higher proportion of these roles are held by men.

The bonus figures also include those who have been on unpaid leave, and those who work part time – both of these categories are predominantly female. These factors will result in a pro-rated bonus being paid, therefore lowering the overall figure for women.

	Median hourly bonus gap - PGMS	Mean hourly bonus gap - PGMS
2019	55%	68%

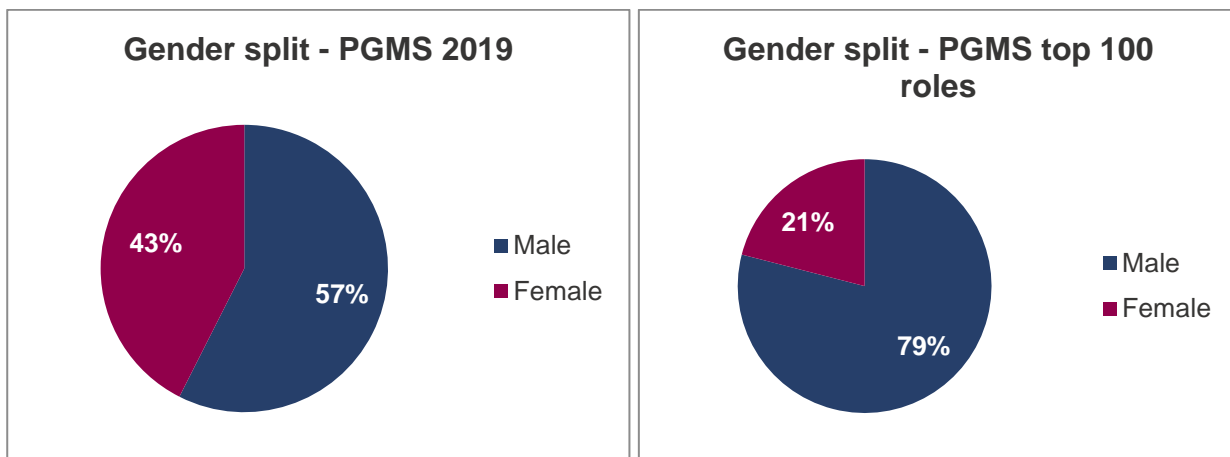
Gender representation by pay quartile

Looking at the data by pay quartile, we can see that a much higher proportion of male colleagues are in the higher salary quartiles. More females are in lower-paid roles.



Gender split

The gender split has reduced slightly this year. However, among the top 100 roles the number of roles occupied by men has increased. Through the acquisition of Standard Life Assurance Ltd and the ongoing transition, we have seen some female colleagues in senior roles leave the business, which has impacted our gender pay figures.



Standard Life Assurance Employee Services Limited (SLAESL) - UK

This is the first year we have reported figures for SLAESL in the UK (the colleagues who joined us from Standard Life Aberdeen).

Gender pay gap

The median figure for SLAESL (UK) is similar to PGMS, but the mean is a little lower. SLAESL (UK) also shows a wider gap between the median and mean figures – this could suggest a higher average salary for male colleagues, rather than a few higher-paid outliers which would increase the mean.

It is important to note that 22% of this population work part time, resulting in a reduced salary and prorated bonus – and 88% of this part-time workforce is female.

	Median hourly pay gap – SLAESL (UK)	Mean hourly pay gap – SLAESL (UK)
2019	26%	22%

Bonus gap

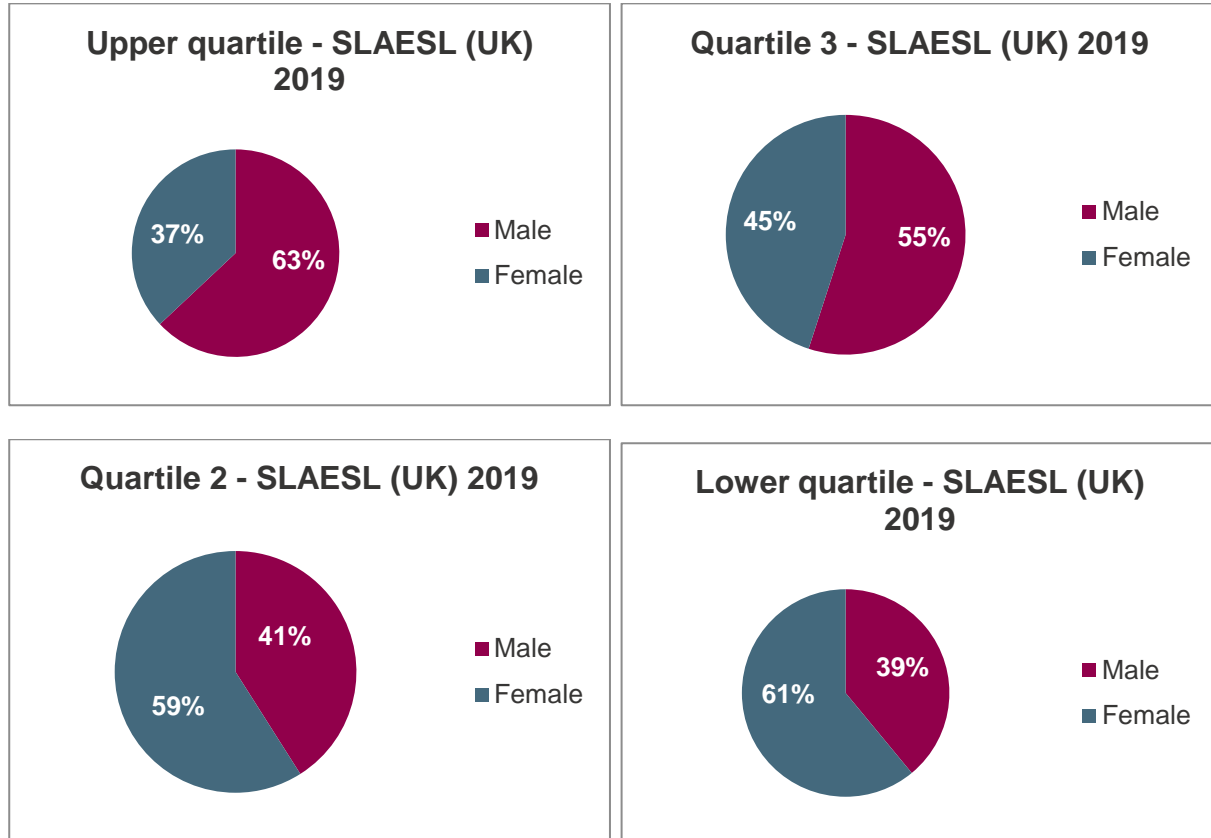
The bonus gap decreased slightly this year, but the higher proportion of men in senior roles – which typically attract higher bonuses – continues to have an impact.

The proportion of men and women receiving a bonus was equal, at 90%.

	Median hourly bonus gap – SLAESL (UK)	Mean hourly bonus gap – SLAESL (UK)
2019	28%	35%

Gender representation by pay quartile

As with PGMS, the gender split by pay quartile for SLAESL (UK) demonstrates a lower female representation at senior levels and more females in lower paid roles.



How can we close the gap?

The gender pay gap is an industry-wide issue: in 2018, the mean pay gap for the insurance sector was 27%, and 21% for financial services as a whole. Closing the gap will take time and require a culture shift, but we are committed to driving change.

We have been taking action, but we know there is more we can do at Phoenix. In our 2019 Colleague Insights survey, 69% of respondents agreed that “Phoenix Group is an inclusive place to work where diverse perspectives are valued”, while 62% said “I have the opportunity for personal development and growth”. While these figures are broadly positive, we want to go further in building a truly inclusive culture where everyone feels they can progress and develop.

Measuring success

In July 2016, Phoenix became one of the first companies to sign HM Treasury’s Women in Finance Charter, pledging to promote gender diversity.

In December 2018 we recommitted to our existing Gender targets under the Charter, which we aim to achieve by the end of 2021:

- Group wide gender pay gap to be less than or equal to 22%
- 30+% of our top 100 roles (as defined by base salary) to be occupied by women
- 40+% of green/amber successors to be women

In addition, we pay close attention to the independent [Hampton-Alexander Review](#), which looks at over 23,000 leadership roles in 350 of Britain’s largest companies and aims to improve the representation of women in senior positions. The Review sets a target of 33% representation of women on FTSE 350 Boards and leadership teams (executive committee and their direct reports) by the end of 2020. While we have achieved this target for our Group Board, female representation at our Executive (CEO and direct reports) and leadership level is below target.

We have a multi-faceted approach to addressing the challenge and achieving our targets.

Women at the top

We know that the primary reason for our gender pay gap is under-representation of women at senior level: addressing this is a priority for us.

Phoenix is a business in transition, as we work through the integration of Standard Life Assurance Limited following our acquisition in 2018. As our transition programme progresses, we are committed to building a more equal and inclusive Phoenix for the future.

A key part of this is ensuring a strong talent pipeline by providing all our colleagues with opportunities to grow and develop. We want to constantly challenge ourselves to do things better – and we know that having a diverse workforce that brings diverse perspectives leads to better discussions and greater innovation.

Growing our own

Wherever possible, we aim to recruit and promote internally rather than hire in talent. This is beginning to have a positive effect for our female colleagues: in 2019, women accounted for 52% of total promotions - higher than the 48% of the workforce women represent.

This “building not buying” approach is even more noticeable at higher levels – almost double the proportion of Senior band women were promoted to Executive level compared to men (1.1% of women vs 0.6% of men). Women account for 33% of the Senior population, but 50% of promotions to Executive level. In this population, we are seeing far more women promoted up from the band below than hired externally.

Looking at our succession planning (where we identify upcoming talent to potentially fill key roles, should they become vacant), our target is for 40% of our identified successors to be female. At the end of 2019 we had reached 35% - up from just 19% at the beginning of the year.

We continue to build on this approach in order to recognize, reward and retain female talent in our organization, as well as to create better gender balance at all levels.

Female-friendly recruitment

Whether we're recruiting internally or externally, we ensure that all our job adverts use gender-neutral language and a balance of technical and non-technical skills. We also reference flexible working in all of our recruitment activity.

We also require all our colleagues to undertake unconscious bias training to ensure we are treating everyone fairly.

My story: If you want something, go for it!

One of our female leaders shared how Phoenix has supported her in achieving her career ambitions: "I think there are lots of opportunities to grow your career at Phoenix – you just have to make the most of them. When I applied for my first "Head of" role I was initially unsuccessful, but that process put me in front of senior leaders who recognised my potential and encouraged me to take other opportunities to stretch and develop myself. Since then I've completed an Open University course and taken part in development programmes like Changing the Game, which have really challenged my thinking. I also have a coach within the business who provides me with really valuable feedback and challenge. I've found our senior leadership team to be very supportive and open to dialogue about where I want to get to and how I can add value while maintaining a work/life balance that works for me. If there's something you want to do, speak up and put yourself forward – you never know where it might lead."

Flexibility for all

Another important factor influencing our gender pay gap is the higher proportion of women who work part time, thus earning a pro-rated salary and bonus. This is often due to a lack of flexibility (real or perceived) at more senior levels. At Phoenix, we want to change that by making flexible working accessible to all (wherever business needs allow), so that colleagues can achieve the right work-life balance for them.

Where colleagues want to work part time, a job share can often be a solution that balances their needs with business requirements. That's why Phoenix is on the working group for the ABI's Job Share Portal, which is being developed to tackle the "gender seniority gap" by enabling part-time employees (the majority of whom are women) to advance their careers and take on more senior roles.

Following the acquisition of Standard Life Assurance Limited, Phoenix has offices around the UK as well as colleagues in Ireland and Germany. Although for some roles this has led to more travel, we encourage colleagues to make the most of technology where they prefer to work remotely and minimise time away from home (which also supports our environmental commitments).

Family focus

We recognise that having a family is a life-changing event, and providing a welcoming and supportive environment for parents is vital to retaining talent and experience.

We're reviewing and improving all our family-friendly policies to better support working parents. While it has typically been mothers who take time out to care for children, we're committed to implementing policies that will enable change and develop a culture where families have the flexibility to make the right decisions for them. This also makes it easier for women to return to work and progress their careers if they wish. That's why our new parental leave policy will offer all parents – male and female – 26 weeks off at full pay following the birth or adoption of a child. We will also offer more paid leave for parents whose children need neonatal care.

Since 2015, new parents in the UK have had the option to share parental leave following the birth of a child. However, take-up has been extremely low across the country and this is reflected at Phoenix. For fathers who do take time out, it can be extremely beneficial. As one of our actuaries told us: "I absolutely loved

shared parental leave. It gave me the chance to spend time with my son that I'll never be able get back. It also gave me the opportunity to step into my wife's shoes for three months which was a bit of an eye opener!"

To support new parents returning to the workforce, we offer a phased return (building up to full hours over a two-month period) to make the transition easier. And we are refreshing our maternity buddying initiative which supports women coming back after maternity leave, We also have a career returners programme to help those coming back to the workplace after a voluntary, extended break, and we offer paid leave to colleagues with caring responsibilities to help them balance their work and home commitments.

We hope that initiatives like this will encourage more women to stay with us after starting a family, and reduce unpaid leave taken to meet their childcare commitments – another important factor in our overall gender pay gap.

Developing female talent

We have a range of development programmes in place to help our colleagues achieve their full potential. For example, we recently extended our mentoring programme to colleagues across the Group, matching colleagues with a mentor or mentee to support their development, and we have a specialist Actuarial Mentoring Programme specifically to develop our pipeline of female actuaries. We also promote succession planning through initiatives like internal sponsorship and referral.

Our leadership development programmes include "Changing the Game", which continues to develop our emerging talent, and the Advocacy for Inclusion Programme to support workshops and team meetings.

Spotlight on... Changing the Game

Changing the Game is our flagship development programme for our emerging leaders, featuring inspiring speakers, workshops, exercises and coaching sessions. In 2019, 44% of attendees were female. One of these participants said:

"Changing the Game really pushed me to think differently about myself and my work – how I go about things and how I can grow and develop.. This year's theme was "Courage and Spark", and while some of the conversations really pushed me out of my comfort zone, I came away with more courage to seize opportunities when they come up."

Colleague voice

Our colleague networks continue to thrive and provide another channel for colleagues to connect, support each other and raise awareness of the issues that matter to them. We have a wide range of networks, run by and for colleagues, which support our diversity agenda: key to addressing our gender balance are our Balance network for gender equality and our Working Parents network based in Wythall.

Change starts with our colleagues, and we're committed to listening to their views to shape the future of Phoenix. In 2019 we rolled out our Group-wide intranet, making it easier for colleagues to connect and engage across the organisation. We also gather their feedback through our six-monthly Colleague Insights survey, which helps us understand people's experience of working at Phoenix. And November saw the first meeting of our Colleague Advisory Forum, chaired by our Work Place Director Karen Green, who represents "Employee Voice" at the Phoenix Group Board. Diversity and inclusion are always part of the conversation and we welcome colleague feedback and ideas.

Closing comments

Our purpose at Phoenix is to inspire confidence in the future. To achieve that, we need to give all our colleagues – whatever their gender – equal opportunities to fulfil their potential. Increasing diversity and inclusion at all levels of our organisation not only helps us inspire and retain great people, but leads to better decision-making and improved outcomes for our customers and shareholders.

Phoenix Group's aim is to positively shape a diverse and inclusive environment that reflects the nature of our business and ensures that every employee is treated with dignity and respect.

Our D&I Strategy will ensure that we continue to invest in attracting the best talent, develop a talent pipeline that brings in the skills we need as we evolve, create an inclusive culture that allows every employee to fulfil their potential and develop leaders that exhibit the behaviours we expect in ourselves and others. This will provide us with a competitive advantage by bringing new ideas and fresh perspectives into the business alongside an engaged workforce.

We know we can do better, and together, we will make it happen.

As CEO, SLAL and Group Director, Open Business for the Phoenix Group, I, Susan McInnes, can confirm that the information contained herein is accurate.

A handwritten signature in dark ink that reads "Susan McInnes". The signature is written in a cursive style and is positioned above a thin, light-colored horizontal line.

Susan McInnes
CEO, SLAL and Group Director, Open Business