



# SUSTAINABILITY **AT THE HEART** OF OUR BUSINESS

**PHOENIX GROUP HOLDINGS PLC**  
SUSTAINABILITY REPORT 2020





Today, there is no longer a typical life. People are living longer and the delicate balance between progress and our environment is being increasingly challenged. Investing, for the long-term, to build a greener and more sustainable future is now more important than ever.

People's pension needs are evolving. As the UK's largest long-term savings and retirement business, Phoenix has a pivotal role to play as the country navigates the shifting pensions landscape. That's why our purpose is helping people secure a life of possibilities.

We play an integral role in creating a more secure and sustainable future and have therefore, put sustainability at the heart of our business as a key strategic priority. We have refreshed our strategy to deliver long-term sustainable growth, by working with our customers, shareholders, colleagues and communities, to ensure we remain relevant by responding effectively to their evolving needs.

For more information, please visit [thephoenixgroup.com/sustainability](https://thephoenixgroup.com/sustainability)

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For information on our Environmental Social Governance ('ESG') Key Performance Indicators, please visit [thephoenixgroup.com/sustainability/reports](https://thephoenixgroup.com/sustainability/reports)

# HELPING PEOPLE SECURE A LIFE OF POSSIBILITIES

We live in an ageing society, with more people than ever benefiting from a longer, healthier life. Increased longevity brings its own complexities. For some, there's a desire to stay in the workforce at an older age. For all, there's a need to take the right decisions throughout a lifetime to ensure that the future is fulfilling.

At the same time, the world of pensions has radically shifted. Defined benefit schemes that guarantee a fixed income in retirement are vanishingly rare. People, rather than governments, are now expected to take the lead in planning for their future. Financial uncertainty, driven in part by COVID-19 and Brexit, is forcing recognition of the need to not simply live for today but to look further ahead.

Not everyone is saving enough to secure the future they would like to have. The decline of defined benefit schemes has impacted many people's ability to build sufficient savings. Pensions are unsurprisingly seen as complex, and tomorrow's problem – compounded by the fact there are more choices than ever to understand when it comes to realising wealth in retirement.

There is a need to make personal finance decisions that provide peace of mind and lay the groundwork for a retirement with possibilities. Digital is becoming the normal method of interaction, allowing people to view different pension options and move their money around. Assessing those options can be unnecessarily opaque and challenging.

These changes have, in turn, altered the role of providers. In a complex pensions landscape where individuals have more responsibility, savings and pensions businesses should help make people feel safe and secure. Providers must truly understand what matters to each customer, knowing that every life is different and that people are individuals.

Phoenix has reviewed its purpose to ensure it delivers a clear and meaningful role in society. We have defined this as helping people secure a life of possibilities. This means providing the right support, guidance and products, at the right time, to enable the right choices. Helping people navigate the complex journey on their way to and through retirement, giving them control and removing confusion and concern.

As individuals consider where and how to save, they want their money put to good use, and sustainability is increasingly shaping their investment decisions. We have put sustainability at the heart of our corporate strategy and are focused on positive outcomes for customers, colleagues, society and the environment.



Our refreshed corporate strategy focuses on deepening our customer relationships and broadening the focus of our business so that we can help customers as they journey to and through retirement. This includes developing new propositions and services based on superior consumer insights and engagement.

# OUR SUSTAINABILITY STRATEGY

Our sustainability strategy is fully aligned to our purpose of helping people secure a life of possibilities, to our enterprise strategy and to our corporate values.

Our strategy has evolved during 2020, as the world we operate in and the needs of our stakeholders change.

It addresses the critical trends impacting our industry, including societal issues such as the ageing population, concentration of wealth, financial uncertainty, an evolving digitisation of business and the responsibility to address global environmental challenges.

Our strategy focuses on delivering for our c.14 million customers and investing our £338 billion of assets under administration in a sustainable manner. It will be fully embedded into our business activities and integral to how we interact with our stakeholders.

We are committed to reducing our environmental impact, investing in our people and culture, supporting our communities and working responsibly with suppliers.

This strategy is underpinned by good governance and risk management.

## Delivering for our customers



We are committed to contributing to the closure of the growing pensions and savings gap by addressing the diverse needs of society and fostering better financial and social wellbeing.

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## Fostering responsible investment



We are committed to factoring ESG matters into our investment decision-making process. We will play a vital role in decarbonising the capital markets and financing the transition to a sustainable, low-carbon economy.

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## Reducing our environmental impact

We are committed to minimising our impact on the environment and to promoting good environmental practice.

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## Investing in our people and culture

We are committed to fostering a sense of belonging for all colleagues, building a truly diverse workforce and adapting our ways of working.

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## Supporting our Communities

We are committed to making a difference by addressing pressing societal issues in the communities in which we are based.

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## Working responsibly with suppliers

We are committed to working with suppliers who share our commitment to sustainability.

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## UNDERPINNED BY GOVERNANCE AND GOOD BUSINESS PRACTICE

We are committed to the highest standards of governance, to ensure we make the right decisions.

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A message from Andy Briggs

# PHOENIX WILL PLAY A BROADER ROLE IN SOCIETY



**“To deliver on our purpose of helping people secure a life of possibilities, it was crucial to put sustainability at the heart of Phoenix.”**

**ANDY BRIGGS**  
GROUP CHIEF EXECUTIVE OFFICER

2020 has highlighted more clearly than ever the importance and interconnectivity of the environmental, social and governance themes of sustainability.

Increased stakeholder awareness of global warming, the far reaching and devastating impacts of COVID-19, and a shift in societal attitudes towards mental health and social and racial mobility are driving changes in stakeholders' expectations of corporates. Phoenix recognises that it has a broader role to play in society and is committed to delivering for our customers, colleagues and wider stakeholders now, and in the future.

The COVID-19 pandemic, whilst tragic, has helped business leaders glimpse a sustainability revolution. It has demonstrated the ability to rapidly respond to an emergency and find solutions, radically adapting their approach and systems in the process. Despite the challenges of the pandemic, at Phoenix we have continued to protect customers, colleagues and the communities in

which we operate, and I feel a sense of optimism for the future. I am proud of the significant steps we have taken, and I am extremely grateful to my colleagues for the dedication and spirit they have shown throughout this challenging time.

Our new purpose is helping people secure a life of possibilities. It underpins our vision to grow a strong and sustainable business, helping more people on their journey to and through retirement. This year we became the UK's largest long-term savings and retirement business, at a time of change in our industry, our society, and for each of us individually.

Our scale and expertise means we have a pivotal role to play as the country navigates the shifting pensions landscape. We are putting sustainability at the heart of our business, so we are driven by our purpose in every decision we take.

We have high ambitions for our refreshed sustainability agenda and have set clear targets accordingly to drive the momentum needed to initiate significant positive change.

We will strive to reach our goals of investing responsibly, providing solutions for the retirement savings gap and safeguarding the interests of our shareholders and other stakeholders.

Our net-zero commitment sends a clear signal of our intent to lead the way in investing in a greener and more prosperous future, and our initial step will be to achieve net-zero carbon in our operations by 2025. Further, as a signatory to the UN-supported Principles of Responsible Investment, we are committed to embedding ESG factors into our end-to-end investment decision-making and ownership.

We are shaping a better future. We want to be a trusted home for our customers to manage and grow their savings, be the best place our colleagues have ever worked, and a true leader in our industry, making us an uncompromising force for good in our society.

**Andy Briggs**  
Group Chief Executive Officer

# PHOENIX AT A GLANCE

Phoenix is the UK's largest long-term savings and retirement business with £338 billion of assets under administration and c.14 million customers.

We are a constituent of the FTSE 100 with c.7,500 employees and specialise in the acquisition and management of life and pensions insurance business.

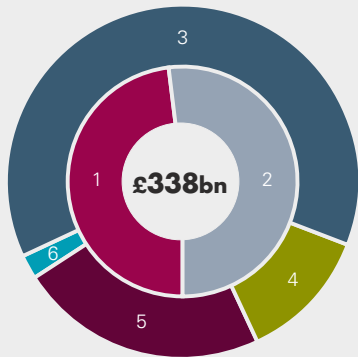
We are a growing and sustainable business with a clear purpose – helping people secure a life of possibilities.

## Our business

## Our strategy

## Our strategic priorities

### Assets under administration by product and division



**AUA by division**

1. Heritage	48%
2. Open	52%

**AUA by product**

3. Unit linked	63%
4. Annuities	12%
5. With-profits	23%
6. Shareholder and Protection	2%

### Optimise in-force business

We manage our in-force business to deliver resilient cash generation and management actions, including cost and capital synergies.

### Deepen customer relationships

By engaging with our customers and meeting their broader needs, we will retain our customers and they will consolidate towards us as they journey to and through retirement.

### Customer acquisition

Acquire customers and grow our in-force business by leveraging the industry drivers of change.

**HERITAGE**

- Market Leader
- Bedrock of business

**OPEN**

- Strong foundation
- Unique advantages from operating alongside Heritage

**M&A & INTEGRATION**

- Market Leader
- Differentiated capabilities

### OUR MAIN CUSTOMER BRANDS



### Further information

More detail can be found in our **2020 Annual Report and Accounts** and on our **website**.



MANAGE OUR CAPITAL POSITION



CREATE VALUE AND DELIVER DEPENDABLE CASH GENERATION



MEET CHANGING CUSTOMER NEEDS



PUT SUSTAINABILITY AT THE HEART OF OUR BUSINESS



INSPIRE OUR PEOPLE

## Our common values

### PASSION

Making a positive impact by caring about customers, colleagues and communities.

### GROWTH

Succeeding through learning, experimenting and adapting.

### RESPONSIBILITY

Doing the right thing by taking personal ownership.

### COURAGE

Innovating by challenging ourselves and others to do better.

### DIFFERENCE

Collaborating and finding strength through respecting and embracing new perspectives.

# OUR COLLABORATIONS AND COMMITMENTS



The Task Force for Climate-Related Financial Disclosures ('TCFD') aims to ensure consistent and transparent reporting of climate-related financial information. This framework is being embedded within Phoenix to allow us to effectively manage the impact of climate-related financial risks and opportunities on our organisation.

Read more about our **TCFD reporting in our Annual Report and Accounts → pages 67 to 78.**



The Institutional Investors Group on Climate Change ('IIGCC') is the European membership body for investor collaboration on climate change and the voice of investors taking action for a prosperous, low-carbon future. Phoenix was one of five members who tested its investment portfolio against its 'Net-Zero Investment Framework'.



UN-supported Principles of Responsible Investment ('UN PRI') is the world's leading proponent of responsible investment, and it works to understand the investment implications of ESG factors. On signing, we were the largest asset owner to be a member of the UN PRI and we are using this framework to help deliver our aim of making responsible and sustainable investment decisions.



Race Equality in the UK, Business in the Community ('BITC') believes every employer must prioritise action on race. As part of our new Diversity and Inclusion strategy, this pledge outlines five areas for action including capturing ethnicity data, supporting ethnic minority career progression and publishing progress.



The Science Based Targets Initiative ('SBTi') defines and promotes best practice in science-based target setting for achieving net-zero carbon. We will use the SBTi framework to set, assess and certify delivery of our ambition to pursue a 1.5°C aligned emissions reduction target. We will seek SBTi validation for net-zero carbon.



The Living Wage Foundation campaigns for the idea that a hard day's work deserves a fair day's pay. Phoenix is a fully accredited Living Wage Employer, and is committed to extending payment of the real Living Wage to those contracted through our supply chain operating at our many sites in the UK, alongside our existing commitment to all colleagues employed by the Group.

# A REMARKABLE YEAR AT PHOENIX

## TOP EMPLOYER

Recognised as UK 'top employer' for nine consecutive years



Additional five days of emergency leave to colleagues to support caring responsibilities

# 90%

Customer satisfaction score<sup>2</sup>



Launch of a passive ESG default fund for workplace clients and scheme members



# £2M

donations – to registered charities<sup>1</sup>

# £888M

Sustainable illiquid asset origination in shareholder funds

16ppt uplift in advocacy of Phoenix Group as a place to work

# 99%

Of colleagues working from home within ten days of the first national lockdown, with customer service levels close to normal



1 This includes donations from Group, colleague fundraising and supplier contributions.

2 This excludes ReAssure acquired during the year.



# COVID-19 – RESPONDING TO A CHALLENGING YEAR

The COVID-19 pandemic is a global crisis and is having devastating effects on economies, societies and individuals on a day-to-day basis.

Phoenix has an important role to play in society which has been amplified by the pandemic.

Phoenix's key priorities throughout the pandemic have been to support and ensure the safety of our colleagues, customers and the communities in which we operate, while protecting the long-term value of the Group.

The table shows some examples of our response and how this has led to an enduring change in our business.

## OUR CUSTOMERS

### Initial response

- Delivering strong customer service despite the challenge of home working, with customer satisfaction scores remaining at 90% or above.
- Supporting customers with initiatives including; making it easy for annuitants to switch from cheques to bank transfer, providing assistance with payment holidays and removing the moratorium period for impacted customers of SunLife.

### Enduring change to our business

- Acceleration of our digitalisation strategy to support customers' evolving needs.
- Increased focus on financial education and inclusion.

## OUR COLLEAGUES

- We enabled 99% of colleagues to work from home within ten days of the lockdown being announced, supported by the deployment of thousands of pieces of IT equipment.
- No colleagues have been furloughed and colleagues remain on full pay.
- Paid emergency leave provided to colleagues with parental and caring responsibilities.

## BROADER SOCIETY AND ENVIRONMENT

- The Group made a £1 million COVID-19 charitable donation split between Age UK and charities supporting the local communities where we operate across the UK and Europe.
- Phoenix launched straight-forward matching of colleague donations in the absence of usual fundraising potential.

- Establish a green business travel expenses policy that supports our net-zero target.
- Tailored community investment driven by key challenges in our local communities.

## A CLOSER ANALYSIS

The pandemic has increased the number of our customers in vulnerable situations. Our Vulnerable Customer Response Group supports colleagues and customers to discuss key risks and support options, and allows fast decision-making.

Our colleagues are trained using behavioural science techniques ensuring concerns are identified and the right support is provided, tailored to individual needs. We encourage customers to use our digital journeys, freeing phone lines for critical requests and the more vulnerable.

Customers have left feedback praising the quality of our colleagues and service in these challenging circumstances.

# OUR KEY COMMITMENTS

Insight ↓

“We have evolved our strategy to respond to the changing objectives of our stakeholders and have set interim targets to monitor progress whilst we establish our KPIs and metrics.”



**CLAIRE HAWKINS**  
DIRECTOR OF CORPORATE AFFAIRS & INVESTOR RELATIONS

OUR PILLARS	OUR COMMITMENT	HOW WE WILL ACHIEVE OUR AMBITION	2021 TARGET
<b>DELIVERING FOR OUR CUSTOMERS</b> Page 16 →	<b>Promote financial inclusion and education to help our customers save more.</b>	We will provide tailored education and tools to promote financial literacy and inclusion, helping millions more to save.	Launch at least three initiatives to improve financial understanding and engagement.
	<b>Deliver sustainability themed product innovation.</b>	We will focus on product innovation which will enable greater customer choice, through a broad range of ESG funds and products to suit evolving customer preferences.	Review responsible investment content of workplace default solutions (Active Plus and Passive Plus).
	<b>Provide innovative and transparent digital solutions.</b>	We will focus on our digital strategy to ensure that our customers can engage with us in a way that is easy and accessible, ensuring our customers are more digitally confident.	Launch digital literacy initiative to improve customers' confidence to embrace digital options.
<b>FOSTERING RESPONSIBLE INVESTMENT</b> Page 24 →	<b>Deliver on our strategy and governance to support transition to a sustainable economy.</b>	We will increase investment in sustainable assets within the shareholder and policyholder business. We will continue our communication with stakeholders on ESG matters.	60% of illiquid asset originations (excluding ERM) in sustainable investments for the shareholder portfolio.
	<b>Integrate ESG management into our decision-making processes.</b>	We will continue to embed ESG integration throughout our investment processes. We will embed best-in-class data analytics and capability to support us in this process.	75% coverage of ESG data analytics of equities and liquid credit where we exercise control and influence.
	<b>Act on our stewardship responsibilities to engage and influence positive change.</b>	We will engage with our asset managers on material ESG issues and will adopt an 'engagement first' approach with the objective of using our position of influence to bring about change.	Disclose our Group Stewardship framework.
	<b>We are committed to decarbonising our investment portfolio to net-zero by 2050.</b>	We will actively engage with decarbonisation alliances, initiatives and policy makers. We will set our decarbonisation strategy and targets and establish a framework to monitor and report on progress.	Baseline emissions and set carbon-reduction pathways for equities and liquid credit where we exercise control and influence.

Our key commitments continued



OUR PILLARS	OUR COMMITMENT	HOW WE WILL ACHIEVE OUR AMBITION	2021 TARGET
<p><b>REDUCING OUR ENVIRONMENTAL IMPACT</b></p> <p>Page 33 →</p>	<p><b>Attain net-zero carbon emission in our operations by 2025.</b></p>	<p>We will understand, measure and analyse our baseline and trends to set targets to reduce our emissions through identifying areas of efficiency in our operations. We will switch to renewable energy and offset remaining carbon emission.</p>	<p>20% reduction (2021 versus 2020) in scope 1 and 2 emissions from occupied premises per full-time employee intensity.</p>
<p><b>INVESTING IN OUR PEOPLE AND CULTURE</b></p> <p>Page 37 →</p>	<p><b>To become the best place our colleagues have ever worked.</b></p>	<p>We will foster a sense of belonging for all colleagues, building a truly diverse workforce and adapting our ways of working.</p>	<p>7.5 out of 10 average colleague engagement score.</p>
<p><b>SUPPORTING OUR COMMUNITIES</b></p> <p>Page 41 →</p>	<p><b>To make a difference in the communities in which we are based.</b></p>	<p>Our Community Engagement strategy is about finding ways to support those in need and collectively addressing key societal issues. We will do this through fundraising, volunteering, resource donations and community investment.</p>	<p>At least 40% of colleagues involved in community engagement programmes.</p>
<p><b>WORKING RESPONSIBLY WITH SUPPLIERS</b></p> <p>Page 45 →</p>	<p><b>To work with suppliers who share our commitment to sustainability.</b></p>	<p>We will look deeper into our suppliers and gather data on their ESG credentials. We will engage with key suppliers on areas of high risk concern and work together to determine positive improvement.</p>	<p>At least 75% of key suppliers<sup>1</sup> engaged on climate change.</p>

<sup>1</sup> Key suppliers include: strategic (those that we work closely with due to the strategic nature of the services they provide), critical (suppliers where the goods or services provided is limited in the market and barriers to change are complex) and financially important with spend ≥£1m (suppliers which are numerous but where value to Phoenix is significant).

# SUPPORTING THE GLOBAL SUSTAINABLE DEVELOPMENT GOALS



“We have prioritised nine goals which best align to our strategy and highlighted an activity in the year to evidence how we are driving forward actions against each one. Look out for these icons throughout our report to help you further understand how we are aligning to and contributing towards these global goals.”

**YVONNE GRAY**  
HEAD OF SUSTAINABILITY

The 2030 agenda for sustainable development, adopted by all United Nations member states in 2015, provides a plan of action for people, planet and prosperity.

At its heart are the 17 UN Sustainable Development Goals ('SDGs'), which provide a framework of priority areas to tackle the most significant challenges faced by the world today.

During 2020 we identified the goals where we believe we have an opportunity to make a difference. We will work to embed these goals into our sustainability strategy and will report on our progress.



**No poverty**  
Economic growth must be inclusive through the promotion of sustainable jobs and the promotion of equality.

**Why this is important**

Included in this goal is ensuring equal access to financial services. This aligns to our ambition of helping to close the long-term savings gap. The goal also includes delivering social protection which aligns to our aim of creating a great place to work.

**Activity example in 2020**

We achieved living wage accreditation, extending the payment of the Real Living Wage to include those we regularly contract from our suppliers and who operate at our sites.



**Quality education**  
Obtaining quality education is the foundation to improving people's lives and sustainable development.

This aligns to our commitment to improve financial and digital literacy among our customers and within our communities. In addition, Phoenix invests in developing its people and offers a range of learning opportunities for all colleagues.

We launched 'Flourish at Phoenix' which brings together all the resources colleagues need to grow their own future, and move forward in their career and development goals.



**Gender equality**  
Gender equality is not only a fundamental human right, but it is a necessary foundation for a peaceful, prosperous and sustainable world.

Our Diversity and Inclusion strategy is aligned to supporting this goal.

During the year we relaunched our Diversity and Inclusion strategy which focuses on four pillars – gender, ethnicity, disability and social mobility – with specific objectives and priorities for each.



**Decent work and economic growth**  
Sustainable economic growth will require societies to create the conditions that allow people to have quality jobs.

Phoenix has c£338bn AUA, c14 million customers, and is a large employer, with ability to influence its supply chain. Activity across all these elements will support many of the UN targets aligned to this goal.

We expanded our digital offering to ensure our customers can improve their access to financial services.

Supporting the Global Sustainable Development Goals continued



**Industry, innovation and infrastructure**  
Investing in industry, innovation and infrastructure are crucial to achieving sustainable development.

**Why this is important**

This goal aligns to our Responsible Investment philosophy and our investment aims to support the Government's efforts to 'Build Back Better.'

**Activity example in 2020**

We invested £549 million to support the development of more social and affordable housing in the UK and across the globe.



**Reduced inequalities**  
To reduce inequalities, policies should be universal in principle, paying attention to the needs of disadvantaged and marginalized populations.

Our Diversity and Inclusion strategy is aligned to this goal.

We have lobbied Government to accelerate legislation on statutory carer's leave to provide greater support for employed carers.



**Sustainable cities and communities**  
Our communities must provide opportunities for all, with access to basic services and energy.

This goal aligns to our Responsible Investment philosophy and to our commitment to decarbonise our investment portfolio by 2050.

We invested £127 million in renewable energy, supporting the UK Government's commitment to produce net-zero emissions by 2050.



**Responsible consumption and production**  
Promoting responsible consumption and production is a key part of our commitment to reduce our environmental impact.

Our environmental and supplier pillars are aligned to sustainable aims for consumption and waste management.

We have implemented a new environmental policy to target consistent environmental action across the expanding Group.



**Climate action**  
We are committed to helping address the global challenge of climate change and support the transition to a low-carbon economy.

This goal aligns to our commitment to limiting global temperature increase to below 1.5°C and supporting the transition to a low-carbon economy through our investment portfolio.

We have enhanced our climate-related financial disclosures in our 2020 Annual Report and Accounts to help users understand our governance, strategy and risk management in relation to climate risk.

# OUR COMMITMENT TO NET-ZERO

The science on climate change is clear: the world must ensure the increase in global average temperatures is below 1.5°C compared with pre-industrial levels to avoid the catastrophic effects of global warming.

The 2015 Paris Agreement commits to pursuing actions to ensure this, and further commitments are expected from COP26 in November 2021.

At Phoenix, we are committed to the need to reduce greenhouse gas emissions and accelerate the transition to a low-carbon future. As a significant long-term asset owner, we play a vital role in directing investments towards activities that are aligned to the Paris Agreement and away from those that are not.

In addition, we have the ability to work with suppliers that will support the acceleration of decarbonisation. We embrace this responsibility but also accept it is complex, will be delivered in stages and that we cannot achieve it alone.

Greenhouse gas emissions are categorised as, scope 1 being emissions generated from within our operations, scope 2 being purchased energy emissions to power our operations, and scope 3 being our indirect emissions from our value chain including our investment portfolio and our suppliers. Scope 3 will form the vast majority of our emissions.

## OUR PATHWAY TO ACHIEVING OUR NET-ZERO COMMITMENTS

Limiting warming to 1.5°C means the world has a cumulative carbon budget of around 770 GtCO<sub>2</sub>. Remaining within that carbon budget requires emissions to peak as soon as possible, and to be net-zero in the second half of this century.

We have committed to achieving net-zero across all emission scopes by 2050. We have begun the work of identifying the best approach for this by setting our first milestone to bring our operations (scope 1, 2 and scope 3 business travel) to net-zero carbon by 2025.

Our overarching strategy is aligned with global best practice and centres around:

- understanding, measuring and analysing the carbon across all our business activities to actively manage emissions – for this we are working to better understand the carbon impact of our investments and wider supply chain by using tools such as the Carbon Disclosure Project's global disclosure system;

## High-level roadmap

### 2020

- **Signatory to TCFD, UN PRI and SBTi.**
- **Net-zero commitment set for 2050, with interim target 2025 for our operations.**
- **Green energy contracts expanded across our sites.**
- **Participation in IIGCC pilot to build and test Paris Agreement aligned investment portfolios.**
- **Initiated implementation of TCFD reporting and enhanced annual disclosures.**

### 2021–2022

- **Data gather for scope 3 emissions, including investment portfolio and supply chain.**
- **Encourage key suppliers<sup>1</sup> to have science-based net-zero targets.**
- **Model, calculate and design targets within all scopes to limit temperature increase to within 1.5°C.**
- **Track progress towards net-zero in our operations.**
- **Submit targets to SBTi for approval.**
- **Full compliance with TCFD.**

<sup>1</sup> Key suppliers include: strategic (those that we work closely with due to the strategic nature of the services they provide), critical (suppliers where the goods or services provided is limited in the market and barriers to change are complex) and financially important with spend ≥£1m (suppliers which are numerous but where value to Phoenix is significant).

## Our commitment to net zero continued

- reducing the emissions we identify as wasteful in our scope 1 and 2 emissions and consider adjustments to the ways we invest to reduce applicable scope 3 emissions by close and active engagement of the investment portfolio and with suppliers in our value chain;
- managing residual scope 1 and 2 emissions in an effective manner, for example switching to renewable electricity, and working with fund managers and suppliers to support and further improve carbon performance; and
- offsetting is the final step and we will aim to use robust carbon removal projects to offset remaining carbon emissions.

We have signed up to a number of external frameworks to deliver the complex actions underlying our commitments, notably:

- the IIGCC where we participated in efforts to develop a framework on how investors can align their portfolios to the goals of the Paris Agreement;

- the UN PRI – we continue to work to ensure our portfolios are resilient to the climate-related risks, identify new opportunities and outline processes for engagement;
- the SBTi to support scenario analysis, science-based target setting, and net-zero validation; and
- TCFD to support many elements of the pathway including scenario setting and significantly increasing and enhancing reporting and disclosure.

We are reviewing other potential collaborations that will help us on our journey, including Climate Action 100+ (signed March 2021) and Net-Zero Asset Owners Alliance.

The global response is evolving and we will adapt our approach as more data becomes available and methodologies are aligned to the latest science. We will be generating proactive debate in these topics in the run up to and after COP26.

Our approach to decarbonisation targets and offsetting strategies will also be informed through collaborations with

our third-party fund managers, and we will allocate responsibilities and responses so our collective approach is robust and creating the impact we seek.

### OUR CARBON FOOTPRINT

In 2020, we measured our carbon footprint as 1.2 tonnes of CO<sub>2</sub>e/FTE<sup>2</sup>. We, along with our wider industry, have significant gaps in being able to gather data and calculate our full scope 3 emissions, particularly for our investment portfolio.

As we gather data, model calculations and design targets over the next two years the size of our carbon footprint will grow substantially as the scope of the emissions we can accurately measure increases. After this, we expect our actions will show a significant reduction as we move towards 2030, and then on towards 2050.

### 2023–2025

- **Communicate our science-based targets to achieve net-zero by 2050.**
- **Complete actions to achieve net-zero in our operations.**
- **Submit five-year record to SBTi for our operations activity.**

### 2026–2030

- **Deliver significant reductions in scope 3 emissions.**
- **Deliver sustainable waste management processes.**
- **Maintain net-zero within our operations.**

### 2030–2050

- **Complete actions to achieve net-zero for all scopes.**
- **Submit record of delivery to SBTi and receive validation on 2050 commitment.**

For further detail, please see page 30 for our investment portfolio activity, pages 34 to 35 for our operations activity, and page 48 for our supplier activity.

<sup>2</sup> Scope 1 and 2 emissions from occupied premises per full-time equivalent employee (FTE) intensity, excluding ReAssure.

## A message from Karen Green

# EMBEDDING ESG WITHIN OUR GOVERNANCE FRAMEWORK TO SUPPORT OUR SUCCESS

The Phoenix Group Board has increased its focus on topics within the ESG agenda and has spent time considering their impact on the Group and its strategy.

The publication of our first Sustainability Report in March 2020 provided the Group with an opportunity to set out its framework to drive forward its sustainability agenda.

2020 has been a year of significant change, with the COVID-19 pandemic, the increasing urgency to address climate change and the changing societal mood all impacting on the expectations of our stakeholders. We have evolved our enterprise strategy, putting sustainability at the heart of the business and recognise that our contribution to a more sustainable world is fundamental to our purpose of helping people secure a life of possibilities.

To recognise the increased importance of this broad agenda to the long-term success of the Group, the Board of Phoenix Group Holdings plc approved the formation of the Board Sustainability Committee in December 2020.

The new Board Sustainability Committee has responsibility to oversee the delivery of our new sustainability strategy. It will also assist the Board with its oversight of corporate culture and support the embedding of the Group's purpose and values.

Our sustainability strategy sets out our commitments across each of the six pillars. Integral to this is our net-zero carbon commitments, targeting 2025 for our operations and 2050 for our investment portfolio. The Board has had various education sessions around the new strategy and topics therein, and are extremely supportive of the commitments made within the sustainability strategy.

The Group committed to implementing the recommendations of the Task Force on Climate-related Financial Disclosures ('TCFD') in March 2020 and is on track to be compliant with the recommendations by March 2022.

The Committee is responsible for reviewing progress in the delivery of TCFD, along with the Board Audit Committee and the Board Risk Committee, and monitoring performance against the net-zero carbon target and other climate-related targets.

During 2021, I look forward to working with the other Group Board Committees to deliver a consistent approach to the execution of our sustainability strategy across the Group and supporting the evolution towards being a sustainable business.

**Karen Green**  
**Chair of Board Sustainability Committee**  
**and Designated Non-Executive Director for**  
**Workforce Engagement**



“I am very enthusiastic about the new Board Sustainability Committee, its role within Phoenix Group and the positive impact it aims to provide - contributing to a more sustainable world for the benefit of our stakeholders.”



# DELIVERING FOR OUR CUSTOMERS

We are committed to contributing to the closure of the growing pensions and savings gap by addressing the diverse needs of society and fostering better financial and social wellbeing.

## IN THIS SECTION:

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- Product innovation for a changing society → [Page 20](#)
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## Delivering for our customers continued

### Overview of our strategy

We live in an ageing society, with more people than ever benefiting from a longer, healthier life. People, rather than governments, are now expected to take the lead in planning for their future.

In a complex pensions landscape where individuals have more responsibility, savings and pensions businesses should help make people feel safe and secure.

Our scale and expertise means we have a pivotal role to play as the country navigates the shifting pensions landscape. We want our customers to see Phoenix as a safe and dependable ally in the journey to and through retirement.

We are committed to contributing to the closure of the growing pensions and savings gap by addressing the diverse needs of society and fostering better financial and social wellbeing.

To support this commitment, during 2020 we refreshed our customer pillar strategy. Our approach focuses on the areas we believe will have the greatest long-term impact.

Recognising we are at the start of our journey, we have set an ambitious multi-year plan of action and will commence our activity aligned to specific customer needs.

### Our areas of focus

#### FINANCIAL INCLUSION AND EDUCATION

We will promote financial literacy and inclusion, educating and helping our customers to save more. We seek to engage with customers through all life stages, providing the right guidance and products, at the right time, to support the right choices to secure a life of possibilities.

#### PRODUCT INNOVATION FOR A CHANGING SOCIETY

As our customers consider where and how to save, they want their money put to good use. We will focus on product innovation to enable greater customer choice, through a broad range of ESG funds and products to suit evolving customer preferences.

#### DIGITALISATION

We are focused on driving forward our digital strategy and developing innovative digital solutions to support our customers understanding of their savings product. We will do this while ensuring customers continue to engage with us in a way that is easy and accessible, and by improving digital literacy among customers who are less confident in embracing digital solutions.

### Insight ↓



“I am incredibly proud of the continued care and dedication our colleagues have shown in supporting our customers throughout the COVID-19 pandemic. As the external landscape changes so do the needs of our customers, we have seen that this can heighten existing vulnerabilities or make some vulnerable for the first time. It is now more important than ever that we are there to support our customers in securing a safe and sustainable future.”

**JOHN MCGUIGAN**  
GROUP CUSTOMER DIRECTOR

## Delivering for our customers continued

### FINANCIAL INCLUSION AND EDUCATION

In order to achieve our aim of contributing towards the closure of the growing pensions and savings gap, we need to provide clear and personalised financial education to promote financial literacy and inclusion for our customers.

We support customers to and through retirement with both our telephony and digital channels which provide servicing as well as access to tools, face-to-face events and webinars. We are continuing to broaden and extend the reach of our offering, across life stages and needs.

#### Customer segmentation

We believe in the power of truly understanding what matters to each customer, knowing that every life is different and that people are individuals. To help with this, we have segmented our open business customers into a broad number of life stages.

Utilising both quantitative and qualitative research the segmentation model enables us to understand the unique financial and emotional needs of our customers so we can better tailor our communications, products and services to each element of the customer base. This includes recognising when customers need further support and guidance to reach the best possible outcome in retirement.

In 2020 this was used to support specific customer groups with tailored retirement webinars based on both their age and their current pension savings, to guide them through the complex decisions which have to be made when approaching retirement. Going forward, we will extend the segmentation model across the Group to cover even more of our customers.



#### Engaging with our customers

We engage with customers from the minute they join their savings product and through the key moments that matter in their lives. We believe communicating at the right time, in the right way with the right message is likely to have a more significant impact. In turn, this will foster improved long-term financial saving.

We continue to develop innovative customer-centric communications to underpin improved engagement. For example, following research on younger customers we extended our customer communication strategy to contact customers at key moments from the age of 25 to equip them with the information they need to guide them through their long-term savings' journeys.

During 2021 we will launch three initiatives designed specifically to increase engagement with customers across a number of life stages. They aim to address wider financial needs beyond saving for a pension and will support customers in engaging with their finances early in order to reach their desired long-term savings goals.

Examples of our current considerations include:

- A personal financial management platform driven by open banking which will provide a complete view of a customer's finances. Using intelligent nudges it will support them to manage and aggregate their finances in one place.
- A data driven digital guidance platform for first-time buyers which will provide a coaching tool to engage and support younger customers in the purchase of their first home.
- A platform designed to bring a customer's pension investment to life, providing transparency of their investments. It will provide them with an opportunity to play an active role in voting on key issues, ultimately increasing their engagement with their pension plan.

We will measure the success of these initiatives by tracking customer digital adoption and engagement with the platforms as well as looking at the long-term impact on customer engagement with their pension product and understanding of their long-term savings.

#### Retirement coaching

As part of supporting our customers' future retirement, Standard Life International launched 'The End of Career Guidance Counsellor' in November 2020 for customers in Ireland.

The End of Career Guidance Counsellor is a new role and a first – it's something we have created to recognise the importance of planning for all aspects of retirement. It's a new support tool to engage and energise both our customers and advisers around retirement, planning for it, transitioning into it and living it. Our End of Career Guidance Counsellor will guide retirees, and those due to retire, on how to build a fulfilling second life.



## Delivering for our customers continued

“I really want to say a huge thank you to everyone in the team that has written to me, spoken to me or e-mailed me. You have all been so incredibly kind and understanding. This will make such a big difference to me and give me the financial security to cope as changes occur.”

STANDARD LIFE ASSURANCE CUSTOMER

### Supporting our vulnerable customers

We are proud of the care our colleagues have shown in supporting customers who find themselves in vulnerable circumstances. It is thought that almost half of adults may have one or more characteristic of vulnerability. The impact of the pandemic has likely exacerbated, or suddenly caused vulnerability in many ways.

We have been incredibly proactive in meeting the shifting needs of our customers in light of the pandemic and launched new ways to support our customers. This included launching a priority service for NHS scheme member support and simplifying manual payment processes to help customers in need of money urgently.

In addition we launched a new financial hardship call guide to help frontline colleagues have supportive conversations with vulnerable customers. The guide was created in partnership with behavioural psychology experts to help customers consider their options for accessing money and signposting experts like the Money Advice Service. Our Helping Hand Champions received additional training from the Samaritans.

The feedback we received from our customers has been overwhelmingly positive, as measured through our experience scores and feedback. In 2020, we also embarked upon our first ever in-house research on vulnerability to understand the experiences our customers have and what their needs are. This research has informed our 2021 training plans to strengthen our colleagues' understanding of the functional and emotional needs of our customers. We will continue to look to find innovative ways to support our customers in the ways that matter to them, in the moments that matter the most.

### Pension scams

Worryingly, financial fraud is growing, partly as a result of COVID-19, with scammers taking advantage of the upheaval and the additional financial pressures that some people are facing. We have increased our communications with customers on scams which can destroy people's lives and deprive hard-working pension scheme members of the retirement they have worked towards for years.

To help protect savers, Phoenix has called for an amendment to the draft Pension Schemes Bill, proposing that an individual's statutory right to transfer is further limited. Including this change will ensure pension companies can do more to protect pension savers and help tackle pension scams when fraud is suspected.



### ARE GEN XERS READY FOR RETIREMENT?

Many people aged between 40 and 55 ('Gen X') may have found themselves too old to benefit fully from auto-enrolment, and also too young to hold a final-salary pension.

With support from Phoenix, the International Longevity Centre ('ILC') UK embarked on a project to explore how public policy can best support the retirement income prospects of this group.

The project identified Gen X workers can expect low retirement incomes and find it hard to prepare for retirement due to a lack of financial stability and other pressing priorities. The final ILC report, published March 2021, made a series of recommendations to support Gen X to retire with more comfortable levels of savings.

Within Phoenix, we will look at innovative ways to engage and support Gen X with their long-term savings needs and will continue to work with government, industry and policymakers to ensure the best possible outcomes for this generation.



## Delivering for our customers continued

### PRODUCT INNOVATION FOR A CHANGING SOCIETY

#### Widening our responsible investment offering

As our customers consider where and how to save, they want their money put to good use and we have seen a growing awareness and demand from them to understand how their investments take into account responsible investment, often referred to as ESG.

Embracing responsible investment within the options we offer our customers is central to what we are doing today and what we will do going forward.

#### Launch of Sustainable Multi Asset solution

In December 2020, we launched the Standard Life Sustainable Multi Asset ESG default solution for Standard Life pensions fund clients and their members.

The solution takes into account a range of sustainability factors, particularly those that can have a negative financial impact on the performance of the companies in which the underlying funds invest. It does this through a blend of three different responsible investment approaches:

Avoiding the bad – it screens out companies with significant sustainability risks ruling out companies involved in thermal coal or unconventional oil and gas as well as those that are deemed to be UN Global compact violators.

Improving the good – it targets improved sustainable outcomes when compared to the parent index. This includes areas such as reducing carbon intensity, enhancing green revenues and improving ESG scores.

Driving change for the better – we expect the fund managers we work with to be active owners of the companies in which they invest. By engaging with these companies and using their proxy voting rights, fund managers can influence positive change.

#### Enhancing our existing default solutions

During 2021, we will be evolving the defaults solutions we offer our workplace clients to further incorporate responsible investment into their processes. While these solutions already employ responsible investment techniques, we recognise the growing demand from schemes and their members to invest more sustainably and we are committed to evolving our range further to support this.

By mid-2021, we will have completed a review of the responsible investment content of our promoted workplace default solutions, Active Plus and Passive Plus. Stakeholder engagement and implementation of the changes will then follow. These positive changes will impact over 3.3 million customers and £28 billion of assets under management in these solutions, this represents a significant milestone in our commitment to investing responsibly.

#### Extending our range of self-select responsible investment funds

A growing number of our customers wish to align how they invest their money with their beliefs. We are fully committed to helping them do this and have expanded our range of responsible investment funds to cover a broad range of themes ranging from climate change through to gender diversity.

We will continue to expand this range across the Group. By the end of 2021, we aim to have around twenty funds in our range covering the themes, values and issues that our insight shows are most important to our customers. This will include options that focus on areas such as water scarcity and carbon reduction. We also have plans to launch an ESG fund within the ReAssure Universal range which would be available to one million customers.



# 75%

of our customers responding to our survey on responsible investing said they expect us to consider how responsible all their investments are, not just those labelled as responsible or ESG.

#### Extending our product range

To provide our workplace clients and their members with wider savings options, we are developing a payroll deductible stocks & shares ISA. The inclusion of responsible investment considerations within this product will ensure it is aligned to our wider responsible investment strategy. This is a priority development for our business and is built on the principles of simplicity and ease of access for the customer. It will be offered through our workplace clients, on a phased approach from the end of 2021.



## Delivering for our customers continued



“Ultimately I want my money to give me more return, but at the same time, I don’t want to do something that’s of a detriment to someone else.”

PHOENIX LIFE CUSTOMER

### UNDERSTANDING OUR CUSTOMERS’ ENGAGEMENT IN ESG

During 2020 we conducted research to better understand our customers’ needs and engagement in sustainability matters, and how this translates into their investment decisions. The research also explored our customers’ thoughts on priorities within ESG themes and how best we can communicate information to them.

What we learned from our engagement with customers is that there is a lot of confusion about what ESG means. However, once explained, there was clear interest in how the financial industry can help address issues around sustainability.

Our customers need their savings to work hard for them and many had not considered taking sustainable actions in their investments. Most expect Phoenix to act sustainably in managing their pension and savings funds on their behalf, but like the idea of being able to select particular sustainability-themed funds.

As with previous research, we found many customers are disengaged with their pensions and savings product, especially how this is invested.

However, this particular research sparked more engaged conversation with our customers, with many feeling more interested in these issues and would like to consider it in relation to their pension savings.

They understandably want to balance this interest with their desire for financial performance, which remains their key priority.

Our customers told us they would like to set their sustainability preferences at the outset of their product and trust their provider to manage this on their behalf. In addition our customers were open to regular bite-sized communications from Phoenix on ESG-related topics.

We are using this insight to inform our communication and proposition development. We are considering how to make this easy for our customers to understand, engage with, and get involved in transitioning to a sustainable investment portfolio which meets their long-term savings needs.

## Delivering for our customers continued

### DIGITALISATION

#### Digital engagement

Throughout 2020, we continued to develop the Group's core platforms and websites with the aim of providing the best possible customer experience as well as increasing digital engagement. Our customers continue to provide positive feedback across our digital journeys, with a 95% customer satisfaction rating for 2020 across our Standard Life core digital journeys. On our Standard Life dashboard we have seen logins increase from 13.3 million in 2019 to 17.9 million in 2020. Secure messaging usage has increased significantly, with a 101% increase over the year, equating to over 11,000 secure messages per month, providing an improved digital service for our customers. MyPhoenix have also seen new registrations increase by threefold during 2020.

Our focus on digital engagement remains a key element of our digital strategy and we are committed to delivering continual improvements throughout 2021 that will maintain this upward trend.

#### Digital enhancements

As part of improving customer outcomes, we are investing in market-leading technology to provide the digital services our customers expect.

During the year we have made significant digital enhancements across our open business. These include:

- the launch of in-scheme drawdown for Master Trust customers;
- a new customer dashboard investment hub which helps customers understand investing, fund performance and their investment options; and
- we have improved the transparency of charges in monetary and percentage terms.

Our market leading mobile app for our Standard Life customers now has a 4.5 star app store rating, highlighting their positive feedback on our app functionality as well as the benefits of this service to our customers. Mobile app sessions have now overtaken that of dashboard and have seen a 66% increase on the previous year.

In addition we have developed the 'MyPhoenix' environment to include a number of digital journeys to make transacting with Phoenix easier and more convenient for our customers. Moving forward we will continue to expand this offering with our focus being to provide a service that meets our customers' needs.

#### Accessibility

Supporting our vulnerable customers who use our digital services is a key priority for us. The accessibility of online journeys are reviewed regularly so that they attain AA website standards. In addition, we have launched a circumstance tool which allows customers to disclose vulnerability through secure messaging. This allows us to provide the right support to customers when they tell us they need it.

#### Digital literacy

We are committed to piloting a digital literacy initiative in 2021 which will focus on understanding the gaps in digital knowledge of a specific demographic and considering the best way to address these gaps. It is now more important than ever that we use digital to enable increased transparency and engagement with customers to ensure we continue to broaden digital skills that ultimately improve financial inclusion.



# 95%

customer satisfaction rating for 2020 across our Standard Life core digital journeys.



## Delivering for our customers continued

### 2020 Achievements

- Conducted research to gather insight into our customers' attitudes to ESG factors which we are using to inform propositional developments.
- Implemented the new regulatory requirements of the Phoenix Independent Governance Committee to include oversight, consideration and reporting on ESG issues as part of its ongoing duties to ensure value for money within workplace pension schemes.
- Enhanced our existing propositional review process to incorporate testing of the sustainability of products and customer offerings.
- Launched our new ESG default fund.
- Maintained high levels of customer satisfaction despite the challenges of home working.
- Continued to promote the digital first philosophy to our customers and increased both the number of customers who can access our digital platforms and the number of customers who use it to transact.

### Plans for 2021

- Develop our Group-wide strategy for financial education, inclusion and outreach.
- Launch three initiatives to improve financial understanding and engagement.
- Engage in vulnerable customer e-learning with all colleagues and enhance our vulnerable customer framework from feedback and research.
- Extend our responsible investment fund range, increasing the number of funds offered to Standard Life customers to 20.
- Embed ESG into our existing workplace default solutions and customer journeys, weaving ESG throughout the end-to-end customer experience.
- Launch an ESG fund within the ReAssure Universal range.
- In our Irish, German and Austrian markets, increase engagement with our ESG-focused investment solutions.
- Launch a digital literacy initiative to enhance customers' digital confidence and embrace digital options.
- Publish our digital responsibility principles.
- Improve website accessibility for sight-impaired and vulnerable customers.
- Develop KPIs to measure progress against our customer sustainability commitments.

### Further Ahead

- Launch a Group-wide financial education and inclusion programme, aligned with Phoenix Group's purpose, focusing on enabling identified underserved and vulnerable customer groups to secure a life of possibilities.
- Widen our range of ESG fund offerings, including the development of additional savings products intended to help in addressing the savings gap.
- Embed ESG into our customer journeys, including all channels, digital assets, collateral and online tools, ensuring we reflect Phoenix ESG philosophy throughout.
- Launch a scaled digital literacy programme to enable digitally inexperienced customers to build their confidence online.





# FOSTERING RESPONSIBLE INVESTMENT

We are committed to factoring ESG matters into our investment decision-making process. We will play a vital role in decarbonising the capital markets and financing the transition to a sustainable, low-carbon economy.

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- [Decarbonising our investment portfolio](#) → **Page 30**
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## Fostering responsible investment continued

### Overview of our strategy

Responsible investment is the practice of incorporating ESG factors into investment decisions and engaging in active stewardship.

Investing responsibly is at the core of our investment strategy. We are committed to taking a proactive approach to responsible investment and managing assets in a way that embeds ESG considerations into our investment decision-making process and stewardship activities. Our strategy seeks to safeguard the interests of our customers, shareholders and society over the long-term.

At the heart of our responsible investment strategy is our approach to climate change. The impact of climate change is one of the biggest global challenges and as a long-term asset owner we have a responsibility to safeguard our customers and shareholders investments.

That is why we are committed to supporting the goals of the Paris Agreement. We will decarbonise our investment portfolio to achieve net-zero carbon by 2050 and through increasing our investment in green assets we aim to play our part in decarbonising the capital markets and financing the transition to a sustainable, low-carbon economy.

### Our areas of focus

#### STRATEGY AND GOVERNANCE

We will work with our best-in-class asset management partners to deliver our customers and stakeholders' expectations. We will increase investment in assets that support a sustainable world, aligned with the UN SDGs, within the shareholder and customer business.

#### INTEGRATED ESG MANAGEMENT

We will continue to review and enhance ESG integration within our investment processes. We will embed best-in-class data analytics and capability to support us in this process.

#### STEWARDSHIP

Active stewardship is critical to the delivery of our ambitions, and to meet our net-zero carbon commitment. As a large asset owner, we recognise our stewardship responsibilities and will adopt an 'engagement first' approach with the objective of using our position of influence to bring about change.

#### DECARBONISING OUR INVESTMENT PORTFOLIO

We are committed to decarbonising our investment portfolio and achieving net-zero carbon by 2050. To do this we will actively engage with decarbonisation alliances, initiatives and policy makers. In addition, we will enhance our internal capability by acquiring and developing tools to perform portfolio analysis using best in class metrics, taking into account both physical and transitional risks.

### Insight ↓



“Responsible investment is at the core of our investment strategy and we aim to support the transition to a sustainable economy, delivering benefits to customers, investors, our wider society and environment.

On signing, we were the largest asset owner to be a signatory of the UN PRI. We have committed to a limit of 1.5°C rise in global temperature. I am proud of the progress we are making and the pathway we are setting.”

**MIKE EAKINS**  
CHIEF INVESTMENT OFFICER

## Fostering responsible investment continued

### STRATEGY AND GOVERNANCE

Responsible investment is at the core of our strategy and will deliver benefits to customers, investors and society. In July 2020 Mike Eakins was appointed as the Chief Investment Officer ('CIO') of Phoenix Group. Under the Group's refreshed asset management strategy there are six pillars, one of which is sustainability.

We are actively expanding and enhancing our responsible investment team and building our capability and skills in this space. A new role, Head of Sustainable Investments, leads this team and reports to the CIO. The team will work closely with colleagues across the asset management function, putting sustainability at the heart of everything we do.

#### Principles of responsible investment

In 2020 we became a signatory to the United Nations-Supported Principles of Responsible Investment ('UN PRI'). This demonstrates the Group's commitment to including ESG factors in investment decision-making and ownership.

The UN PRI is the world's leading proponent of responsible investment. It works to understand the investment implications of ESG factors and to support its international network of investor signatories in incorporating these into their investment and ownership decisions. Institutions who are signatories are committed to the UN PRI's six key principles and to regularly reporting on their progress.

The principles include incorporating ESG into ownership policies and practices, investment analysis, decision-making, and seeking disclosure on ESG issues from the investments we make.

#### Our Responsible Investment philosophy

The level of influence that we can exert on these assets varies across the business. Our overarching **Responsible Investment philosophy** for assets where we have the ability to influence the investment strategy and investment guidelines can be accessed via our website.

Customers are at the heart of everything we do. Within our Life Company websites we provide further information to customers on how we incorporate ESG factors into investments processes. More information can be found on our **Phoenix Life**, **Standard Life**, and **ReAssure** websites.

#### Exclusions

Exclusion policies adopted by our asset managers typically apply to the portfolios they manage for us. These exclusions include cluster munitions, anti-personnel land mines, and controversial weapons.

During 2021 we will embark on an exercise to define and articulate our own exclusions framework. This framework will cover the activities and thresholds we will exclude and will apply to the investment portfolios where Phoenix exerts control or significant influence. These exclusion principles will be published as part of our Responsible Investment philosophy.

As our thinking on sustainability-related issues develop our approach to exclusions will evolve. Proposals for future exclusions will follow standard governance procedures and assessment based on our responsibilities.

#### Governance

The governance for the development, implementation and monitoring of our Responsible Investment philosophy is managed by the Investment Committee. Our philosophy will be refreshed at least annually. In order to allow a sufficient level of attention to responsible investment, a separate management forum operates to review ESG-related risks and opportunities across all portfolios.

# £338BN

The Group has c.£338bn assets under administration. We will use this position as a large asset owner to invest in assets that have a positive impact on society and support the transition to a low-carbon economy.



## Fostering responsible investment continued

### Sustainability-themed investments

We believe the integration of ESG considerations into the investment process not only supports better management of risks but also helps identify new investment opportunities. Expansion into green investments and sustainable deals is a core part of our responsible investment strategy.

We intend to review all of our asset classes and assess new opportunities for investing sustainably. In line with our net-zero carbon commitment we continue to fund opportunities which support the transition to low-carbon economy. In addition we will continue to expand our investment across all regions of the UK and aim to help the Government's objective to 'Build Back Better'.

Within our shareholder illiquid assets book, we invested a total of £888 million in sustainable sectors in 2020, which constituted 62% of assets originated in the year.

During 2021 we will continue to increase our investment in sustainable assets within the shareholder and customer business. Our target is to invest at least 60% of the illiquid asset origination, excluding Equity Release Mortgages ('ERM'), in 2021 in sustainable investments within the shareholder portfolio. To support this we are expanding our range of asset management partners and will target investment opportunities outside of the UK, including in Europe and the US.

We look forward to playing a key role in society over the coming years; putting our assets to good use and supporting our Company purpose of helping people secure a life of possibilities.



“The flexible financing package provided by Macquarie’s<sup>1</sup> infrastructure debt team and their client Phoenix Group has been tailored to our operational requirements and funding needs, enabling us to complete the transactions we had planned in the short term, deliver our pipeline of development projects and continue to make an impact on people’s lives”

**RICHARD RENWICK**  
CHIEF EXECUTIVE AT TUNTUM

<sup>1</sup> Macquarie is one of our asset managers who supported this deal

### SOCIAL HOUSING

# £549m

This includes an investment in TunTum who are a small housing association making a big impact in the East Midlands. It was founded as a Black, Asian and Minority Ethnic ('BAME') focused housing association in 1988 and 93% of homes they build are social housing.

### UK LOCAL AUTHORITY LOANS

# £107m

We lend to local councils and our portfolio of local authority loans is well diversified. This is spread across different communities around the UK.

### RENEWABLE ENERGY

# £127m

Renewable energy forms a significant part of our infrastructure portfolio. As an example, we invested in a portfolio of green energy projects in 2020, this portfolio included a hydro plant and windfarm based in Scotland.

### SUSTAINABLE DEVELOPMENT

# £105m

We lend on a bilateral basis and also participate in private debt transactions alongside a small group of investors. As an example, we participated in a transaction within a MIGA-guaranteed loan used to improve access to affordable housing in Panama.

## Fostering responsible investment continued

### Responsible investment product offering

Providing responsible investment solutions to our customers is a key part of our strategy and we have expanded our offering throughout 2020. We launched a new ESG default solution for pension fund clients of Standard Life Assurance and their scheme members and, for those who wish to look beyond the scheme default, we have expanded the range of self-select responsible investment funds available to workplace scheme members. We will continue to expand our offering throughout 2021, in addition to identifying where we can embed ESG principles further within our existing default investment options.

→ You can read more about our Responsible Investment product offering on page 20

### INTEGRATED ESG MANAGEMENT

We work with a network of asset management partners all of whom are signatories to UN PRI and UK Stewardship Code. Initial due diligence as well as ongoing monitoring is vital to ensure that assets are managed in line with the Group's philosophy and expectations.

We require all our asset management partners to implement our approach to responsible investment and to integrate ESG considerations into their investment processes.

We have a dedicated and experienced team to undertake asset manager assessments. We have appointed external consultants to support us with the selection and monitoring of our asset management partners' responsible investment processes. We are committed to continuing and deepening this work ourselves.

As part of this assessment, we issue formal requests to enable us to gather necessary information. We not only review the policies and frameworks of the asset management partners, but equally, assess the factors

affecting implementation, such as staff expertise and organisational culture, stewardship policy including engagement, proxy voting, membership of global forums and investor groups, awareness of regulatory landscape, governance, ongoing monitoring and reporting. We review our asset management partners periodically and the assessment reports are presented to our governance committees.

Partners who fail to adhere to our minimum requirements will be put on notice to improve within agreed timelines and on the understanding that both a cessation of new investments or, in extreme cases, a termination of the mandate may be required should they fail to improve as agreed.

### ESG reporting

In order to evidence our commitment to ESG integration and to monitor our performance we have introduced additional ESG reporting requirements for the most material asset classes.

These reports demonstrate the way ESG factors are integrated by asset class and investment strategy, as well as how they support the high priority issues and opportunities.

We continue to embed ESG integration throughout our investment processes and will build best-in-class data analytics capability in-house to support us in this process. For 2021 we have set a target to have ESG data analytics covering 75% of equities and liquid credit where we exercise control and influence.

We will continue to expand and adapt our ESG reporting requirements across asset classes as our responsible investment strategy evolves.



Effective integration of ESG management and monitoring of investment performance is dependent on data analytics.

For 2021 we have set a target to have ESG data analytics covering 75% of equities and liquid credit where we exercise control and influence.

## Fostering responsible investment continued

### STEWARDSHIP

#### Engagement and voting

Stewardship is an integral part of our responsible investment framework and it is our responsibility to engage with our asset management partners to ensure they are carrying out effective stewardship to influence investee companies and to make positive change where possible.

For funds and portfolios where we set the investment strategy and guidelines, we delegate to our asset management partners the responsibility for integrating shareholder engagement in the investment management and decision-making processes. We take into account the capability of asset managers to vote on our behalf as part of the manager selection process, and this is also formally delegated to them in the contract between us.

The delegated stewardship responsibilities include:

- monitoring resolutions and making sure that voting rights are carried out in line with investment objectives;
- engaging with companies they invest in and monitoring the investee companies on relevant matters, including:
  - strategy
  - financial and non-financial performance and risk
  - capital structure
  - social and environmental impact and corporate governance;
- escalating activities to the management of companies they invest in as necessary; and
- acting collectively with other investors and shareholders, including communicating with those where relevant or necessary.

#### Stewardship in action

Our asset management partners on our behalf strive to use our influence as significant investors to achieve progress. In instances where our standards have not been met, divestment is both appropriate as responsible stewards of our clients' capital and aligned to our goal of investing for better outcomes.

Examples of where our asset managers have put stewardship into action in 2020 include:

(1) Boohoo Group plc is a UK-based online fashion retailer. Our asset management partner, Aberdeen Standard Investments ('ASI'), divested from Boohoo from our responsible investment funds in response to allegations of slavery and poor conditions within the company's supply chain. Having spoken to Boohoo's management team a number of times our asset manager was of the view that their response was inadequate in scope, timeliness and gravity which led to this decision.

(2) E.On SE operates as an international and privately owned energy supplier. Our asset manager, ASI engaged with E.On as part of Climate Action 100+, a collaborative initiative to engage the highest emitters globally. The purpose was to seek insight on E.On's Paris aligned strategy, how they will achieve it, encourage them to link remuneration to targets and be aligned with TCFD. E.On has now committed to publishing a TCFD report in 2020 and have working groups in place to look at climate risks, targets and scenario analysis.

In 2021 we will develop and disclose our Group stewardship framework. This will be our first step to strengthening our role and setting our stewardship agenda.



#### OUR MINIMUM REQUIREMENTS AND EXPECTATIONS OF OUR ASSET MANAGEMENT PARTNERS



## Fostering responsible investment continued

### DECARBONISING OUR INVESTMENT PORTFOLIO

#### Net-zero carbon by 2050

Climate change is one of the biggest global challenges facing society and as a long-term asset owner we have a responsibility to safeguard our customers and shareholders investments. Therefore, we are committed to supporting the goals of the Paris Agreement.

To do this we have committed to decarbonising our investment portfolio and achieving net-zero carbon by 2050, where Phoenix has the ability to influence the investment strategy or investment solution.

This is consistent with the objective of limiting the temperature rise to no more than 1.5°C above pre-industrial temperatures and is in line with the Paris Agreement and the commitments outlined by the UK Government.

We will increase our investment in assets that support the transition to a low-carbon economy, and using our position as a significant asset owner to engage with investee companies and promote alignment to the Paris Agreement. We will reduce or ultimately eliminate our exposure to companies that show little progress following sustained engagement.

To support our journey to net-zero carbon, our focus in 2021 we will be to measure the carbon within our portfolio. This will allow us to set incremental targets and set out carbon reduction pathways across assets where we exercise control and influence.

We will begin by setting baseline emissions and carbon reduction pathways for equities and liquid credit where we exercise control and influence. We will also establish a framework to monitor and report on our progress.

#### Industry participation and collaboration

The Group commits to dialogue and collaboration with other institutions and investor forums to promote responsible investment and more specifically the efforts required to tackle climate change.

Some of the key collaborators are shown opposite, and we look to expand our collaborator network in 2021. This includes signing up to Climate Action 100+ as an asset owner supporter in March 2021. Climate Action 100+ is the largest global investor engagement initiative on climate change.

→ You can read more about our work with IIGCC on page 31



#### UN PRI

During 2020 we became a signatory to the United Nations- Supported Principles of Responsible Investment ('UN PRI'), demonstrating the Group's commitment to including ESG factors in investment decision-making and ownership.



#### Green Finance Institute

The GFI is convening a coalition for the energy efficiency of buildings and Phoenix has been part of this coalition, which is working to create a market for net-zero carbon resilient buildings in the UK.



#### IIGCC

The IIGCC is the European membership body for investor collaboration on climate change. Our ongoing collaboration is helping the investment community progress towards the decarbonisation of the global economy.

## Fostering responsible investment continued

### INSTITUTIONAL INVESTORS GROUP ON CLIMATE CHANGE

Phoenix joined the Institutional Investors Group on Climate Change ('IIGCC') in 2019. IIGCC is the European membership body for investor collaboration on climate change and the voice of investors taking action for a prosperous low-carbon future.

IIGCC has more than 270 members, mainly pension funds and asset managers, across 16 countries, with over €35 trillion in assets under management.

Since we joined IIGCC we have played an active role in the Paris Aligned Investment initiative.

A 'Net-Zero Investment Framework' was developed in the summer of 2020 and it provides the first-ever practical blueprint for investors to maximise the contribution they make in tackling climate change and achieving net-zero carbon emissions globally by 2050.

Its primary objective is to ensure investors can decarbonise investment portfolios and increase investment in climate solutions, in a way that is consistent with a 1.5°C net-zero carbon future.

The framework articulates an investment strategy-led approach, supported by concrete targets set at portfolio and asset level. This is combined with smart capital allocation, engagement and advocacy activity which ensures investors can maximise their impact in driving real-world decarbonisation. Four different asset classes – sovereign bonds, listed equities and corporate fixed income and real estate – are covered by the framework, with others to follow.

Phoenix was one of five members who tested its portfolios against this framework. The framework and the results of the analysis are available on the IIGCC website.

“We are very pleased to be part of the IIGCC and our ongoing collaboration with them to help maximise the contribution that the investment community is making towards the decarbonisation of the global economy.




The Paris Aligned Investment Initiative has given us valuable insights into what the net-zero carbon journey for our investment portfolios could look like. We are delighted to have played a key role in the development of this framework, which will help everyone make the progress on this crucial subject.”

**SINDHU KRISHNA,**  
HEAD OF SUSTAINABLE INVESTMENTS





## Fostering responsible investment continued

2020 Achievements 	Plans for 2021 	Further Ahead 
<ul style="list-style-type: none"> <li>• Within our workplace pension business, provided an ESG default option, allowing our customers increased access to specific ESG investments.</li> <li>• Evidenced our commitment to responsible investment by becoming a signatory to the UN PRI.</li> <li>• Continued to act in the best long-term interests of our investors through embedding the UN PRI into our processes.</li> <li>• Included climate change and wider sustainability considerations within the Risk Management Framework.</li> <li>• Increased our investment in sustainable assets relative to previous years.</li> <li>• We committed to net-zero carbon in our investment portfolio by 2050.</li> </ul>	<ul style="list-style-type: none"> <li>• Increase investment in sustainable assets within shareholder and customer business.</li> <li>• Define and articulate our exclusions framework applicable to investment portfolios where Phoenix exerts control or significant influence.</li> <li>• Group stewardship policy updated and applied to the most significant ESG risk exposures across the Phoenix investment portfolio.</li> <li>• Complete activity to measure the carbon intensity of our investment portfolio and set decarbonisation targets for material asset classes to support the delivery of our net-zero commitment.</li> <li>• Work with key strategic asset management partners to develop pilot portfolios aligned to our decarbonisation commitment.</li> <li>• Embed ESG integration throughout our investment processes and aim to have ESG data analytics covering 75% of equities and liquid credit where we exercise control and influence.</li> </ul>	<ul style="list-style-type: none"> <li>• Continue further investment into sustainable assets within shareholder and customer business.</li> <li>• Increase reporting on stewardship activities.</li> <li>• Full compliance with climate-related risk reporting.</li> <li>• Disclose commitment on green and transitional investments linked to the EU sustainable finance taxonomy and scale-up of investments in low-carbon technology.</li> <li>• Continuous improvement on ESG integration within our investment management processes.</li> <li>• Meet incremental targets set on our journey to achieve net-zero carbon by 2050.</li> </ul>



# REDUCING OUR ENVIRONMENTAL IMPACT



## Overview of our strategy

We are committed to minimising our impact on the environment and to promoting good environmental practice.

We have a responsibility to use our scale and expertise to lead by example, reducing our negative impact on the environment and promoting positive action to address key environmental challenges.

### OUR ENVIRONMENTAL STRATEGY COVERS THE FOLLOWING CORE ELEMENTS:

**Our net-zero commitment** – We are committed to addressing climate change and limiting global warming to 1.5°C. Our operations will be net-zero carbon by 2025.

**Waste and recycling** – Implementation of sustainable waste management including, the minimisation of single-use plastics from our operations.

**Conservation** – We are committed to supporting conservation in our communities.

**Employee engagement** – Supporting colleague understanding of environmental issues and promoting engagement in environmental action.

### WHAT WE ACHIEVED IN 2020:

- Created a Group-wide environmental policy.
- Developed our greenhouse gas ('GHG') reduction plan and set out our commitment to achieve net-zero carbon in our operations by 2025.
- Developed a plan for Group-wide consumables and have committed to year-on-year reductions.
- Developed an environmental scorecard to improve statistics on colleagues' environmental behaviour related to energy, print, travel and consumables.

### OUR 2021 COMMITMENTS:

- Adopt an appropriate environmental management system to facilitate sustained GHG reduction.
- Procure accredited green energy across all our occupied premises.
- Adopt a green travel plan incorporating commuting and business travel to reduce travel emissions year-on-year.
- Minimise single-use plastics from all UK site catering facilities including all within vending points.
- Engage in employee training and champion network.
- Implement TCFD recommendations relevant to operations, for example scenario analysis, climate risk identification, disclosure of metrics and targets.
- Explore opportunities to support net bio-diversity gain in our communities and wider society.

## Insight ↓



"I am excited by the challenge of delivering a net-zero carbon organisation. We will continue to lead, collaborate and innovate in the transition to a low-carbon future and take the steps necessary to protect our environment in the long-term."

**TONY KASSIMOTIS**  
GROUP CHIEF OPERATING OFFICER

## Reducing our environmental impact continued

### NET-ZERO IN OUR OPERATION BY 2025

We have committed to becoming net-zero carbon by 2050, and the first phase relates to the impact of our operations where we have set a target of being net-zero carbon by 2025. This target covers scope 1 and 2 emissions from our occupied premises and scope 3 emissions from business travel.

Our focus is on emissions reduction, switching to green energy, with any remaining emissions compensated by the use of certified GHG removal projects.

The 2020 carbon footprint for our operations is 1.2 tonnes CO<sub>2</sub>e/FTE, and we have set a target for reducing this by 20% during 2021. We reduced by 0.5 tonnes CO<sub>2</sub>e/FTE in 2020 from our 2019 baseline of 1.7 tonnes CO<sub>2</sub>e/FTE. Read more about energy and emissions in our **2020 ESG Report**.

#### Energy-efficient operations

We identified areas in our building operations that we considered as energy and resource inefficient. Initial assessments identified a number of opportunities that would provide long-term benefit. This has allowed us to produce a multi-year capital investment project plan for our buildings to operate more efficiently.

This included identifying effective solutions for roof insulation upgrades, boiler upgrades and replacements, and alternative solutions to eliminate the need to use natural gas to heat our buildings. Options include switching to heat pumps instead of gas boilers and we will progress the viable projects throughout 2021 and beyond.

During 2020 we started reducing our reliance on fossil fuels to heat our water, by commissioning a number of electric 'point of use' water heaters to replace gas storage systems across our estate, and we will continue this project into 2021.

Our offices are primarily mechanically ventilated due to their size and scale. We have identified a number of potential fan upgrades and inverter control retrofits and began the process of rolling them out in 2020 and will continue to do so in 2021.

We also assessed the effectiveness of our building control systems and found a number of upgrade opportunities. The designs for greater flexibility and operational efficiency are currently underway and roll-out is expected to begin in 2021 and continue into future years as scheduling allows.

We continued rolling out LED lighting and assessing the effective integration of electrical vehicle charging points across our estate to create a multi-year plan for installation. We assessed the effectiveness of our metering strategy and identified areas for improvement. In 2021 we will incorporate a number of metering equipment and strategies across our estate.

#### Business travel

The COVID-19 pandemic has taught us that we can operate effectively remotely and we want to ensure that the downward trend in business-related travel is maintained. During the year we updated our travel expenses policy encouraging colleagues to reduce their travel by asking them to evaluate the necessity of every trip and to consider alternatives such as, switching to video conferencing, grouping engagements and considering more environmentally-friendly modes of transport.

During 2021 we will enhance our travel policy to support our delivery of a sustainable business and our journey towards net-zero carbon.



# 2025

We have committed to becoming net-zero carbon in our operations by 2025



The 2020 carbon footprint for our operations is 1.2 tonnes CO<sub>2</sub>e/FTE, and we have set a target for reducing this by 20% during 2021.

## Reducing our environmental impact continued

### Renewable energy

All our legacy Phoenix UK sites are now supplied with 100% renewable electricity, which is backed up by Renewable Energy Guarantee of Origin ('REGO'). During 2021 we will extend this to all other occupied premises across the Group, and aim to influence the landlords of property we rent to adopt green energy. We are also looking into ways that the good practices from our international offices (such as the use of district heating) can be incorporated into our UK sites where available.

### Carbon offsets

Where renewable energy is not available we offset this using a Gold Standard offsetting project for legacy Phoenix UK sites and will continue to introduce similar initiatives for all sites, ensuring that the offsetting programmes we choose are impactful and certified.

During 2020 we committed to a gas offsetting programme. The Kenyan Cooking Stove Project is Gold Standard and provides energy-saving cooking stoves for villages in Kenya. The brick stoves reduce the need for firewood by 50%, reducing carbon emissions and preserving natural habitats by reducing deforestation.

In addition, the stoves provide families with a time and cost-effective way to cook and significantly reduce indoor smoke, which is a serious health threat in Africa, resulting in around 1.9 million deaths per year.

### WASTE AND RECYCLING

As part of our commitment to reduce the environmental impact of our operations we continue to work towards minimising waste and increasing recycling across the Group.

All legacy Phoenix sites currently divert 100% of our waste from landfill, and we plan to extend this to all newly acquired sites during 2021. Our aim is to recycle waste generated by our operations, and some of our international offices have almost reached their zero waste to landfill targets with Dublin recycling over 92% of its waste.

To help achieve this goal in 2021 we will implement effective waste minimisation and management plans in each location and will build on the initiatives trialled in our international offices.

In addition, during 2020 we identified new ways to maximise our circular economy actions, such as reusing furniture, and plan to expand this activity during 2021.

We recognise the negative impact of single-use plastics on our environment and have committed to reducing single-use plastics from within our operations. To support this ambition we continue to develop a responsible consumables action plan with annual targets. We are making progress with our suppliers to minimise single-use plastics in our catering facilities and to remove them completely from vending points by the end of 2021.

The health and safety concerns of the COVID-19 pandemic have meant that some plastic use has been reintroduced, and we are working with our health and safety colleagues to identify suitable alternatives to keep plastic use of this type to a minimum.

### ENGAGING OUR EMPLOYEES

In 2020 we set the foundations of our employee engagement programme that will help to embed sustainable and carbon efficient behaviours across the Group. We developed an environmental scorecard to improve statistics on colleagues' environmental behaviour related to energy, print, travel and consumables.

These help our colleagues track progress against our targets and can help inform their decisions at work. These scorecards help us engage with employees and offer a means to educate on specific environmental matters and, once it is safe to do so, will also support environmental volunteering opportunities. In 2021 we aim to build on this by offering more targeted training and opportunities to save carbon outside of the office environment.

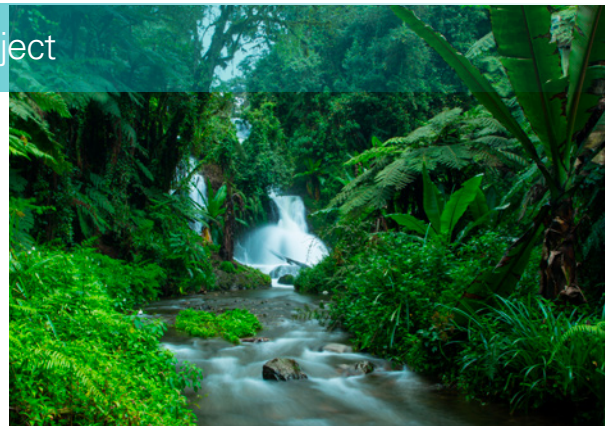


## The Kenyan Cooking Stove Project

During 2020 we committed to a gas offsetting programme. The Kenyan Cooking Stove Project is Gold Standard and provides energy-saving cooking stoves for villages in Kenya.

# 50%

Reduction in their cooking fuels.



## Reducing our environmental impact continued



### SUPPORTING CONSERVATION IN OUR COMMUNITIES

We continue to support the conservation efforts of local environmental-focused charities. During 2020 we donated money to the National Forest.

For nearly 30 years they have been working to transform a landscape left scarred by centuries of coal mining and other heavy industry from black to green.

They believe that trees are a catalyst for transformation, not only for the landscape but for the economy and for our communities too. Our donation was the equivalent of supporting over an acre of new woodland.

“Your generous gift enables us to continue to work towards our aim of a connected and accessible forest, including encouraging and supporting a growing woodland economy and providing children within the Forest areas access to outdoor education. These are all features of our aspiration for a green recovery from COVID-19.”

**JOHN EVERITT**  
CHIEF EXECUTIVE, THE NATIONAL FOREST



# INVESTING IN OUR PEOPLE AND CULTURE

## Overview of our strategy

We are committed to making Phoenix the best place our colleagues have ever worked. Our People and Culture strategy is about fostering a sense of belonging for all colleagues, building a truly diverse workforce and adapting our ways of working.

### OUR PEOPLE AND CULTURE STRATEGY COVERS THE FOLLOWING CORE ELEMENTS:

**Diversity and Inclusion** – we aim to ensure our workplace is inclusive and reflects our diverse range of customers and the communities where we operate.

**Building a great place to work** – we want our colleagues to feel empowered to make a difference, feel connected by our common values, and develop a future way of working that best suits their needs.

**Mental health and wellbeing** – we are committed to helping our colleagues feel fit and well, inside and outside of work.

### WHAT WE ACHIEVED IN 2020:

- Launched our revised Diversity and Inclusion strategy.
- Captured diversity data in new 'Who We Are' app.
- Achieved 75% in overall colleague engagement.
- Became a fully accredited Living Wage Employer.
- Developed a Group-wide set of tools and resources to further support colleagues' financial, physical and mental wellbeing.

### OUR 2021 COMMITMENTS:

- Expand our pay gap reporting to include additional characteristics alongside gender.
- Launch 'Who We Are' app for ReAssure colleagues and consider strengths, gaps, and recommendations for future equality, diversity and inclusion initiatives.
- Refresh our Wellbeing strategy and offer to all colleagues across the Group, providing consistency for all.
- Adapt to the changing ways of working by developing and implementing our 'Future of Work' strategy.
- Launch mental health awareness training to all colleagues across the UK.



## Insight ↓



"I really believe that having greater diversity of thought, experience and outlook within our business will help us better understand our stakeholders and meet their varied and changing needs. We are thinking creatively about doing things differently and to creating an environment for our colleagues to develop and flourish."

**SARA THOMPSON**  
GROUP HR DIRECTOR

## Investing in our people and culture continued

### DIVERSITY AND INCLUSION

We are building a culture where all our colleagues can feel confident being themselves and enjoy equal opportunities to make the most of their unique talents. Our programme has been based on four pillars – gender, ethnicity, disability and social mobility – with specific objectives and priorities for each.

We are transforming how we respond to diversity and inclusion and have started by enriching our understanding of our current position by capturing and enabling data modelling through our diversity app, 'Who We Are', launched in October.

We will then use this to inform and set the direction, outlining explicit targets including gender and BAME goals for our business units, leaders and functions.

We are proud of our nine colleague inclusion networks. Each is sponsored by a member of the Executive Committee, demonstrating the importance placed on colleague empowerment, collaboration and promoting an inclusive place to work.

During 2020 we extended our colleague inclusion networks to include a new group 'Enable' promoting the interests of colleagues with disabilities and other long-term health conditions. In 2021 we intend to build out the role and remit of these networks to increase their responsibility towards our diversity and inclusion agenda.

We will further enhance our early talent strategy to recruit and grow diverse talent for the long-term, including apprenticeships and school leavers programmes.

Key outcomes for our new strategy include having an environment where our colleague proposition is set up

with conditions that grow diversity, and where colleagues feel listened to. We aim to have a credible reputation for a diverse and inclusive environment and culture, which includes meeting the Hampton Alexander Review target for gender diversity on FTSE 100 boards.

Phoenix is a committed signatory of the Women in Finance Charter. The signatories have a clear aspiration to improve gender diversity at all levels within financial services. Targets for gender diversity are published annually on the Group's website.

In 2020 we became signatories of the Race at Work Charter and signed up to the #10,000BlackInterns initiative, which offers internships aiming to transform the horizons and prospects of young black people in the UK. We have designed our internship programme and will begin recruitment in 2021 for placements commencing in 2022.

The Group is also committed to being a disability-smart company, and signed up to the Disability Confident Scheme in July.

### Social mobility

The Group has signed the Social Mobility Pledge, a powerful and pioneering shift towards being a truly purpose-led organisation committed to social mobility. Our early careers programmes form a cornerstone of our future talent and business, introducing diversity of thought, backgrounds and experiences to our company.

Through the Edinburgh Youth Guarantee scheme, we provide school leavers with a strong foundation in employment and a solid understanding of our business. On completion, we were delighted to offer permanent roles in the organisation, with one young person opting to study Business and Finance, as a result of her time with Phoenix.



### WHO WE ARE

In 2020, MOSAIC, our BAME colleague network, proposed a new and innovative organisational approach to diversity data through an initiative called 'Who We Are'. The approach is underpinned by empirical research and engagement with academia, industry, and Government. Its central tenet is that our organisation should be a reflection of the society we serve. Following the McGregor-Smith Review roadmap for change, the initiative starts with diversity data collection.

We launched the 'Who We Are' initiative through colleague network leadership and involvement from across the Group, providing a modern, safe and confidential way for our colleagues to share their diversity data. The initiative also enables colleagues to learn more about all areas of diversity through a corresponding educational site.

The success of the approach speaks for itself: in the last eight weeks of 2020, the colleague-led initiative drove our disclosure rate to over 70%\*.

In 2021, we will work with experts from several UK universities to conduct academic research on our strengths, gaps, and recommendations for future Equality, Diversity and Inclusion initiatives. We also commit to reporting objectively and transparently on our progress, and to take concrete action for real change.

\*The areas in scope were the heritage Phoenix and Standard Life businesses. Further areas of the business will be included in 2021.



## Investing in our people and culture continued

### COLLEAGUE INCLUSION NETWORKS

	Promotes LGBT+ inclusion in the workplace.
	Explores 'Forces to Business' related topics.
	Promotes an inclusive working environment.
	Support for colleagues with caring responsibilities.
	Our colleague-led disability network.
	To be a force for change that enhances the colleague and customer experience.
	A platform for support and ideas on mental health.
	Enhancing cultural awareness of Black, Asian and Minority Ethnic communities.
	Promotes equal access to opportunities for 'early careers' experience.

### BUILDING A GREAT PLACE TO WORK

#### Colleague insight survey

Our colleagues' opinions matter and we conduct insight surveys which focus on generating meaningful and actionable insights on colleague experiences of organisational purpose and change, leadership and the ability to speak up.

Over two-thirds of colleagues (excluding ReAssure) completed the survey and overall engagement was recorded as 75%. We saw a 16 point rise to 71% in advocacy of Phoenix as a place to work and 87% of colleagues are committed to the success of Phoenix.

In 2021 we are moving to a more frequent and enhanced colleague survey programme. We have set a new target of 7.5 out of 10 for our employee engagement score, which is based on the average results from a number of questions within the survey.

#### Reward

To attract, retain and motivate talented colleagues, we have designed a competitive total reward package. This includes competitive salaries, incentive plans, and all colleagues are able to become shareholders in the Company. The Group is a fully accredited Living Wage Employer.

Our flexible benefit scheme provides a range of benefits which includes healthcare products, lifestyle products and protection products. Private medical insurance cover is available to all colleagues.

#### Training and retention

Phoenix invests in developing its people and offers a range of learning opportunities for everyone, from early career programmes, leadership development and mentoring at all career levels. Our succession plans identify, assess and develop internal talent for material roles. In 2020 we rolled-out a new talent and capability review process to

assess our strength to deliver our refreshed corporate strategy. This informed promotions, functional moves and external hires during the year.

We have been building upon our existing learning and development offering and have introduced a new proposition that will enable all of our colleagues to grow and thrive at Phoenix. 'Flourish at Phoenix' brings together all the resources colleagues need to grow their own future, move forward in their career and development goals.

We also expanded our formal mentoring programme in 2020 by doubling the number of pairings to over 200 and 93% of participants said they would recommend our programme. In addition, the Group participated in the 30% Club, providing mentoring support to high-potential female leaders.

#### Future ways of working

We have been thinking creatively about how we can work differently in the future, in light of everything we have learned from this terrible pandemic. Our colleagues have been considering different aspects of how we work, and generating ideas for new approaches which will support making Phoenix the best place we have ever worked.

We want to strike the right balance on flexibility around where we work, when we work, and how often we travel. Our success will be ensuring we build our employer brand, improve diversity and inclusion, and reduce our carbon footprint whilst not compromising on customer outcomes, maintaining productivity, and providing an environment which fosters collaboration.

We have created a set of core principles which will shape a step change in the future of work at Phoenix and create a truly flexible and sustainable business.





## Investing in our people and culture continued

### SUPPORTING WORKING CARERS

We recognise that many of our colleagues will have a caring commitment at some point in their working life. We want to ensure we support them in balancing their caring responsibilities alongside their career.

Phoenix was recognised by Carers Scotland as a Carer Positive 'Exemplary' employer in Scotland demonstrating the support provided by the Group.

The Group offers five days paid Carer's Leave and access to an Employee Assistance Programme which provides counselling 365 days a year. The service offers a wide range of support relating to life management giving advice on practical issues carers may face. These include claiming benefits, organising respite care, fundraising and obtaining specialised equipment.

We have called on Government to accelerate legislation on five days' statutory Carer's Leave and call on all businesses that can, to make Carer's Leave paid leave. This would relieve some of the pressures employed carers face and enable them to continue in their current employment.



### MENTAL HEALTH AND WELLBEING

Our wellbeing strategy is constantly evolving and focuses on the core elements of physical, mental and financial health.

The COVID-19 pandemic has highlighted the need for wellbeing tools and resources to be more widely available across the Group supporting not just colleagues but also their immediate family members, dependants and loved ones. The Group arranged a programme of online sessions covering nutritional information, fitness classes, COVID-19 specific financial awareness and self-care.

In support of mental health, colleagues have access to a network of trained mental health first aiders. We now have 40 in operation who are paid in line with our physical first aiders for their services.

Phoenix has an active employee mental health network, 'Mind Matters' which is open to all colleagues and collectively promotes the tools and resources available to support colleagues in need, encouraging positive mental health for all. The Group aims to raise awareness and promote understanding of mental health whilst working towards removing any stigma surrounding it.

In 2020 we announced our partnership with Headspace, a global leader in mindfulness and meditation. All colleagues across the Group are able to access free mindfulness exercises designed to help people manage their stress, improve focus and sleep better.

In recognition for our efforts to support our colleagues with their mental health we achieved Silver accreditation in the Mind Wellbeing Index Benchmark in the period 2019/20. Through the colleague insight survey 83% of colleagues positively noted that the Group sufficiently supports their health and wellbeing, an increase of 5 pts since the start of the COVID-19 pandemic.

# SUPPORTING OUR COMMUNITIES

## Overview of our strategy

We are committed to making a difference in the communities in which we are based.

Our Community Engagement strategy is about finding ways to support those in need and collectively addressing key societal needs.

We encourage colleagues to play their part by taking personal responsibility, collectively giving back, and adding value where future generations will benefit.

### OUR COMMUNITY ENGAGEMENT STRATEGY COVERS THE FOLLOWING CORE ELEMENTS:

**Fundraising** – monetary donations from the Group alongside colleagues' fundraising efforts.

**Volunteering** – the donation of time and skills through colleague volunteering, allowing opportunity for knowledge-sharing and personal development.

**Resource donation** – the loan or donation of Company resources including: use of our office facilities, meeting space and donation of unwanted IT equipment or furniture.

**Community investment** – working with schools, charities and community groups, creating opportunities for social mobility.

### WHAT WE ACHIEVED IN 2020:

- Continued focus on raising literacy and financial literacy levels in our communities.
- Promoted regular opportunities for colleagues to fundraise, collaborate, donate their skills, share knowledge and engage through the Group's Community Engagement programme.

### OUR 2021 COMMITMENTS:

- Launch our new UK-wide mental-health themed corporate charity partnership.
- Conduct research into current societal needs in the local communities where our offices are based.
- Implement impact assessment framework to help demonstrate the financial and non-financial benefits to society.
- Launch additional formal school partnerships.

## Insight ↓



“Giving back is part of our culture, and during this unprecedented year we have responded to the changing needs of our communities, supporting schools, the elderly and medical response teams. Over £2 million has been donated to registered charities across the UK and into Europe during the year, from Group donations, colleague fundraising and supplier contributions.”

**ANDY MOSS**  
PHOENIX LIFE CEO AND  
GROUP DIRECTOR, HERITAGE BUSINESS

## FUNDRAISING

2020 has been a difficult year for charities. The pandemic has disrupted the normal ways we support charities as the traditional ways of fundraising on and offsite have been impacted. Phoenix has therefore adopted additional ways to support charities and community groups across 2020. All charitable donations are paid to registered charities and nothing deemed political or religious is supported.

### COVID-19 relief donation

We established a £1 million charitable fund in response to COVID-19; from this £500,000 was donated to Age UK's Emergency Coronavirus Appeal, to help the charity respond to the additional challenges for older people caused by the pandemic.

The remaining £500,000 was split across charities in the UK and across Europe, including our formal corporate charity partners, local foodbanks, charities specifically supporting the homeless or vulnerable and hospital charities.

Our colleagues were also engaged in this process by nominating smaller lower-income charities to benefit from a £250/€250 one-off donation.

Alongside this donation, the Group made a donation to the COVID-19 Support Fund launched by the UK insurance and long-term savings industry to help support some of the individuals hardest hit by the COVID-19 crisis.

### Phoenix Group's charity partners of the year

For 2020 the Group supported seven formal corporate charity partners across the UK and Europe.

UK colleagues have supported Midlands Air Ambulance Charity, London's Air Ambulance Charity, Hampshire and Isle of Wight Air Ambulance and Scotland's Charity Air Ambulance.

Colleagues in Ireland supported ALONE, and colleagues in Germany and Austria supported two cancer-related charities Hilfe für krebserkrankte Kinder Frankfurt e.V and Österreichische Krebshilfe Wien.

In addition to the Group's donation in support of COVID-19 our corporate charity partners also benefited from colleague fundraising, straight-forward donations, supplier donations and Company matching.

Colleagues during the year chose a mental-health theme for their next UK-wide corporate charity partnership. All colleagues will participate in a vote to select the new charity partnership which commences in April 2021.

### Colleague donations

Phoenix's 'Our Community, Your Choice' programme provides colleagues with other ways to get involved and support causes outside of our formal charity partnerships. The Group operates a fund-matching scheme and colleagues also have the opportunity to donate a regular amount to charity through 'Give as You Earn'.

Phoenix matches all donations raised by colleagues through fundraising, and for 2020 we extended our philanthropic contribution to include matching of straight-forward colleague donations to further support charities across the pandemic.

In the absence of usual onsite festive food bank collections, each site supported their local homeless charity or food bank by purchasing gifts online, which were delivered directly to each respective charity.



# c.£2m

donated by Phoenix to support charities across 2020 which includes Company donations, colleague fundraising and supplier contributions.

# c.1,747 hours

volunteered by colleagues in the community or 5.3% engagement in volunteering, excludes Germany, Austria, ReAssure and Ark Life.



## Supporting our communities continued



### £1.4 MILLION FOR OUR UK CHARITY PARTNERSHIPS

Phoenix Group commenced its UK corporate charity partnership with Midlands Air Ambulance Charity and London's Air Ambulance Charity in April 2014 following a colleague vote.

With the growth of the organisation in the subsequent years, colleagues in Scotland then welcomed Scotland's Charity Air Ambulance from 2018, and Basingstoke colleagues supported Hampshire and Isle of Wight Air Ambulance from 2019.

Recognising that the COVID-19 pandemic adversely affected every charities' fundraising potential, the Group made a conscious decision to extend all four UK partnerships to the end of 2020. Across the 6.5 year partnership colleagues helped raise £1.4 million, directly contributing to valuable life-saving missions.

Colleagues UK-wide fundraised through a range of personal endeavours, and together with an element of Company matching, straight-forward colleague donations and supplier contributions, made a difference to lives in the communities in which we are based.

This charitable union created ample opportunity for colleague engagement and fundraising, skills-based volunteering, two-way knowledge-sharing and training.

The partnerships were never about just fundraising, but instead created opportunities for both parties to maximise 'intellectual capacity and capability'.

Whilst Phoenix will welcome a new UK corporate charity partner in 2021, it will continue to work with these charities in a range of different ways, including donating colleague time through volunteering, donating resources such as office space, furniture and IT equipment.

In addition the Group has supported various lasting legacy items, including the purchase of a baby manikin training doll for the Hampshire and Isle of Wight Air Ambulance, a one-year sponsorship of Cardiopulmonary Resuscitation community training sessions in conjunction with the Midlands Air Ambulance Charity, and a forthcoming programme in London schools with London's Air Ambulance Charity supporting STEM education.

“ I have been humbled and inspired by the energy and commitment shown by Phoenix colleagues over the last six years. Our partnership with Phoenix Group reflects the core values that drive us all forward – a commitment to and shared belief in the importance of courage, innovation and passion.

It has taught us what a good partnership looks like, the impact of which is being felt already across our wider fundraising work and air ambulance community.

Thank you Phoenix Group, your support has saved lives across the UK.”

**JONATHAN JENKINS,**  
CEO LONDON'S AIR  
AMBULANCE CHARITY

## Supporting our communities continued

### VOLUNTEERING

Volunteering is embedded in our corporate culture and many of our colleagues make a real difference to people's lives by donating their time and skills. All colleagues are able to utilise two paid days volunteering individually during business hours, and a further day with their team.

The opportunity to volunteer our time during the COVID-19 pandemic has understandably been affected, as we have needed to protect one another from the virus. Where possible Group-supported activities have moved online, and we've encouraged colleagues to support their immediate community through a range of personal endeavours for family, friends or neighbours.

In support of our commitment to the Vision for Literacy Business Pledge, our reading-buddy programmes have moved to a remote solution supporting primary school aged pupils to expand their knowledge and literacy skills.

We are committed to encouraging colleague engagement in volunteering, rather than just noting the number of hours donated. During 2021 we have set the target of 20% for colleague engagement in volunteering. This target is lower than previous years as we recognise the impact the pandemic is having on our ability to give back.

### RESOURCE DONATION

We also support our communities through the donation of our resources. Where we have meeting room space or facilities that are not utilised by the business, we loan to our charity partners free-of-charge. The Group routinely offers surplus IT equipment, furniture and resources to local community groups and charities close to each office location.

During COVID-19 various resource donations have been made, for example, the donation of paper to a local primary school, Personal Protection Equipment to charity, and all perishable or short-dated food items were donated to local food banks. In addition the weekly fruit baskets normally enjoyed by colleagues working in London and Basingstoke were redirected to London's hospital workers across the pandemic.

Phoenix also donated brand-new iPads to local hospital charities, for use on the wards, enabling patients to stay in contact with their loved ones whilst visiting was not permitted, and for some hospitals this equipment supported the medical teams' learning across the pandemic.

### COMMUNITY INVESTMENT

Our community investment programme has been impacted as a result of the COVID-19 pandemic. Despite restrictions being in place, we have continued to support our local partner school, Ark Kings Academy in Birmingham with the finalisation of their online virtual tour to support their usual open-day event. We will continue to develop and adapt this programme across 2021, and have plans to launch further school partnerships across the Group.

In the absence of our Wythall Walking Friends community group meeting over the year for their regular weekly walks, the Group arranged for afternoon tea boxes to be delivered to their homes for those we remain in contact with. Whilst the walks were not attended by Phoenix volunteers, when walkers were able to get outside and meet one another in line with social distancing, the Group funded refreshments at their local coffee shop.

We have set a new target of more than 40% of colleagues being involved in community engagement programmes in 2021.



# WORKING RESPONSIBLY WITH SUPPLIERS

## Overview of our strategy

We are committed to working with suppliers who share our commitment to sustainability. In 2020, we developed a set of sustainable supply chain standards which we expect our suppliers to meet.

We value our supplier relationships and thus while we have set new sustainable supply chain standards, we want to work together to determine how to achieve this.

### OUR SUSTAINABLE SUPPLY CHAIN STRATEGY COVERS THE FOLLOWING KEY AREAS:

**Governance and management** – we will apply consistent and transparent governance to our suppliers.

**Human rights and modern slavery** – we remain committed to addressing modern slavery, servitude, forced labour and human trafficking in all its forms and expect the same of our suppliers.

**Climate change and the environment** – we aim to minimise the environmental impact of our supply chain and expect our suppliers to be clear on their carbon management strategies and targets.

**Health and Safety** – we expect robust health and safety conditions in the supply chain.

### WHAT WE ACHIEVED IN 2020:

- Reviewed our key suppliers<sup>1</sup> sustainability ambitions and commitments.
- Developed a set of sustainable supply chain standards.
- Updated our **Supplier Code of Conduct** to harmonise activities and facilitate the embedding of Group-wide sustainability actions.
- Completed a review of suppliers who support delivery of core services for modern slavery adherence and updated with our Modern Slavery Statement.
- Awarded the Living Wage Employer accreditation.

### OUR 2021 COMMITMENTS:

- Engaging key suppliers<sup>1</sup> on our sustainable supply chain standards, and integrate our sustainability principles into our Supplier Management Model.
- Gather data and track the sustainability performance of our suppliers.
- Engage at least 75% of key suppliers<sup>1</sup> on climate change.
- Specialist ESG training for key colleagues engaged in the management of our supply chain.

## Insight ↓



“Our suppliers are integral to our business. Together, we are working to develop a leading sustainable supply chain programme and aligning our supply chain with those organisations that share our sustainability aspirations and commitment. I am confident we can achieve these outcomes together.”

**TONY KASSIMIOTIS**  
GROUP CHIEF OPERATING OFFICER

<sup>1</sup> Key suppliers include: strategic (those that we work closely with due to the strategic nature of the services they provide), critical (suppliers where the goods or services provided is limited in the market and barriers to change are complex) and financially important with spend ≥£1m (suppliers which are numerous but where value to Phoenix is significant).

## Working responsibly with suppliers continued

### GOVERNANCE AND MANAGEMENT

#### Supplier management framework

Sourcing and procurement at Phoenix goes beyond the initial evaluation and selection processes and includes implementing and fostering a good working relationship with all suppliers. The Group's Sourcing and Procurement policy sets the minimum operating standards relating to the management of sourcing and procurement risk and forms part of the sourcing and procurement control framework.

The framework provides support through the sourcing lifecycle at all stages including supplier evaluation, risk-based due diligence and contract management.

During 2021, specialist ESG training will be introduced for key colleagues engaged in the management of our supply chain.

#### Supplier Code of Conduct

Our **Supplier Code of Conduct (SCoC)** defines the minimum standards we expect of our suppliers and their supply chain to adhere to. This includes; complying with all applicable laws and regulations, protecting human rights, providing a safe place of work, and minimising our direct and indirect environmental impact.

Suppliers must be able to demonstrate adherence to the SCoC if requested, and failure to demonstrate compliance will lead to a review of the supplier engagement.

#### Sustainable Supply Chain Standards

During the year we developed our Sustainable Supply Chain Standards that go beyond the SCoC. These standards have enhanced requirements on modern slavery and human rights, climate and environment and health and safety. We expect our key suppliers<sup>1</sup> to develop an action plan, by the end of 2022, which outlines how they will meet our enhanced Sustainable Supply Chain Standard.

### Sourcing and Procurement Supplier Segmentation Matrix



For all other suppliers, the level of sustainable supply standards required will be based on our risk assessment.

Our Sourcing and Procurement Supplier Segmentation Matrix above shows the intersection between the value of our supplier to us and the criticality of supply. This matrix and the supplier categorisation create the foundation for determining which suppliers are expected to meet our enhanced standards and to what time horizon.

#### Prompt payment

Phoenix Group has been a signatory to the UK Government's Prompt Payment Code since December 2012. Prompt payment has never been more critical to the cash flow of every business, and especially to smaller businesses within the supply chain as cash flow issues are a major contributor to business failure.

From January 2018, we have been submitting relevant statements under the Small Business, Enterprise and Employment Act 2015, fulfilling our duty to report payment practice. In December 2020, we began a phased

implementation of an improved Procure to Pay process across the Group. This will give better control and visibility over supplier invoices and purchase orders.

#### Impact of COVID-19

As a result of the COVID-19 pandemic, Phoenix took significant steps to support and protect our suppliers. Our colleagues quickly adapted a digital process to ensure all supplier invoices could be received and processed promptly. This involved communications to all suppliers via email, letter and through the Phoenix website. Our colleagues, processes and suppliers demonstrated our ability to adapt in a resilient way as these changes were implemented seamlessly. We ensured backup for onsite scanning was in place to guarantee nothing was missed.



<sup>1</sup> Key suppliers include: strategic (those that we work closely with due to the strategic nature of the services they provide), critical (suppliers where the goods or services provided is limited in the market and barriers to change are complex) and financially important with spend ≥£1m (suppliers which are numerous but where value to Phoenix is significant).

## Working responsibly with suppliers continued

### HUMAN RIGHTS AND MODERN SLAVERY

At Phoenix Group we take active steps to ensure our suppliers are not engaging in any form of modern slavery or human trafficking. A statement is published on the **Group website** pursuant to Section 54, Part 6 of the Modern Slavery and Human Trafficking Act 2015.

The statement details the policies Phoenix has in place and the ongoing actions that will be taken to continue to support the combating of modern slavery and human trafficking in supply chains.

We conduct an annual review of this statement and the actions the Group takes to combat all forms of modern slavery internally and within its supply chain.

Also, as a part of the Group's Sourcing and Procurement policy, we take active steps to ensure our supply chain is not engaging in any form of modern slavery or human trafficking. We review suppliers that support the delivery of core services adherence to the Modern Slavery Act via their own websites and our direct engagement on our new sustainable supply chain standards.

All colleagues are required to attest on an annual basis that they will operate in adherence with the Sourcing and Procurement policy and raise any concerns they may have.

To date, no instances of modern slavery or any associated concerns have been identified.



### THE LIVING WAGE

Paying the living wage ensures that a hard day's work receives a fair day's pay. Phoenix became a fully accredited Living Wage Employer during the year.

We were proud to announce that we extend the payment of the Real Living Wage to include those regularly contracted through our supply chain and operating at our UK sites, alongside our ongoing commitment to all colleagues directly employed by Phoenix.

Ensuring that people earn a wage which is enough to live on is the right thing to do, not only for ourselves but also for our partners. We believe this will have a positive impact on our partnerships and in the communities in which we operate.





## Working responsibly with suppliers continued

### CLIMATE CHANGE AND THE ENVIRONMENT

At Phoenix Group, we are committed to minimising our greenhouse gas emissions and to accelerate the transition to a low-carbon future. The vast majority of our carbon footprint is accounted for by our indirect carbon emissions which include our supply chain.

We therefore recognise the vital role our supply chain will play in meeting our net-zero carbon ambitions and will work with our suppliers to support the decarbonisation of our supply chain. To address this in 2020 we developed our sustainable supply chain standards with a key focus on climate and the environment. Our immediate focus is to establish the baseline carbon emissions of our supply chain and work with our suppliers to ensure they are committed to net zero carbon emissions by 2050 or sooner.

In 2021, we signed up to the Carbon Disclosure Project Suppliers' Survey to help us measure our supplier's carbon management performance. The survey will allow us to measure and baseline the carbon within our supply chain and we will use this to set ambitious targets to support the goal to limit temperature increase within 1.5°C of pre-industrial levels.

To support this, we will work with our key suppliers<sup>1</sup> to encourage them to adopt their own science-based net-zero carbon targets and to commit to the implementation of TCFD disclosures.

We have set a target to engage at least 75% of our key suppliers<sup>1</sup> on climate change in 2021.

In addition, we will work with our suppliers to reduce our wider impact on the environment.

We have developed a robust sustainable waste management plan and have committed to year-on-year reductions, including minimising all single-use plastics within our operations. In order to achieve these ambitions it is vital we work closely with our suppliers.

### HEALTH AND SAFETY

We expect robust health and safety conditions for all workers in the supply chain, and to comply with the Health and Safety at Work Act UK or local equivalent. Suppliers are expected to have health and safety staff training and management system in place and to publish their health and safety performance externally.



New supplier target

# 75%

of key suppliers<sup>1</sup> engaged on climate change in 2021.



<sup>1</sup> Key suppliers include: strategic (those that we work closely with due to the strategic nature of the services they provide), critical (suppliers where the goods or services provided is limited in the market and barriers to change are complex) and financially important with spend ≥£1m (suppliers which are numerous but where value to Phoenix is significant).

# GOVERNANCE AND GOOD BUSINESS PRACTICE



We are committed to the highest standards of governance, to ensure we are making the right decisions.

Putting sustainability at the heart of our business is one of our five strategic priorities and this is reflected in how sustainability is embedded into our governance framework.

Overall responsibility for embedding sustainability and the Group's underlying approach to the management of ESG issues is held by the Group's Chief Executive Officer ('CEO'), Andy Briggs.

In recognition of the importance of sustainability to the long-term success of the Group, the Phoenix Group Board ('the Board') approved the formation of the Board Sustainability Committee in December 2020. Chaired by Karen Green, and comprised solely of Non-Executive Directors, this Committee is responsible for ensuring that the Group's sustainability activities and reporting are brought together in a coherent way; and for providing appropriate oversight and challenge thereof.

During the year, the Group established an ExCo Sustainability Committee with ExCo sponsors for each of the six pillars of sustainability activity which is led by Claire Hawkins, Director of Corporate Affairs and Investor Relations. This Executive Committee is responsible for ensuring the implementation of the overall sustainability strategy, as approved by the Board.

The responsibility for climate-related impacts and issues is held by the Chief Risk Officer, Jonathan Pears to ensure that the risk management framework supports the management of risks, and in the case of financial implications, by the Chief Financial Officer, Rakesh Thakrar.

In addition to the ExCo Sustainability Committee, a number of other committees within the Group's governance framework have strengthened their terms of reference to support our sustainability strategy.

Insight ↓



"Robust standards of corporate governance are important to drive achievement of our sustainability goals, ensuring appropriate decision-making and effectively managing risk. The Board's oversight of sustainability has been strengthened and we have enhanced associated reporting. Sustainability is being embedded within our Risk Management Framework and we are deepening our climate-risk scenarios and strategies."

**JONATHAN PEARS**  
CHIEF RISK OFFICER

## Governance and good business practice continued

### SUSTAINABILITY GOVERNANCE

#### The Board Sustainability Committee

The sustainability strategy is set and monitored by the Board Sustainability Committee and approved by the Phoenix Group Board. The sustainability strategy is aligned with and forms part of the overall corporate strategy, and defines the Group’s six pillars of sustainability.

The Committee reviews and challenges activities carried out within the business aligned with the sustainability strategy including progress against KPIs and associated risk appetites, ensuring that the strategy is embedded throughout the organisation. It also supports the Board and Board Audit Committee in relation to the Group’s sustainability reporting.

It is also key that the Committee keeps sustainability best practice under review, referring to thought leadership and monitoring the Group’s position with regard to relevant emerging sustainability issues.

Finally, the Committee assists the Board with its oversight of corporate culture, supporting the Group’s purpose and values.

The Committee is chaired by Karen Green, an Independent Non-Executive Director of PGH plc and the Group’s Designated Non-Executive Director for Workforce Engagement. Karen is a member of the Board Audit Committee and the Remuneration Committee.

The Committee membership is comprised of the following Non-Executive Directors:

- Wendy Mayall (also a member of the Risk Committee);
- Nicholas Shott (also a member of the Audit Committee, Nomination Committee and Remuneration Committee);
- Kory Sorenson (also Chair of the Remuneration Committee and member of the Board Risk Committee and Nomination Committee); and
- Mike Tumilty (Standard Life Aberdeen nominee director).

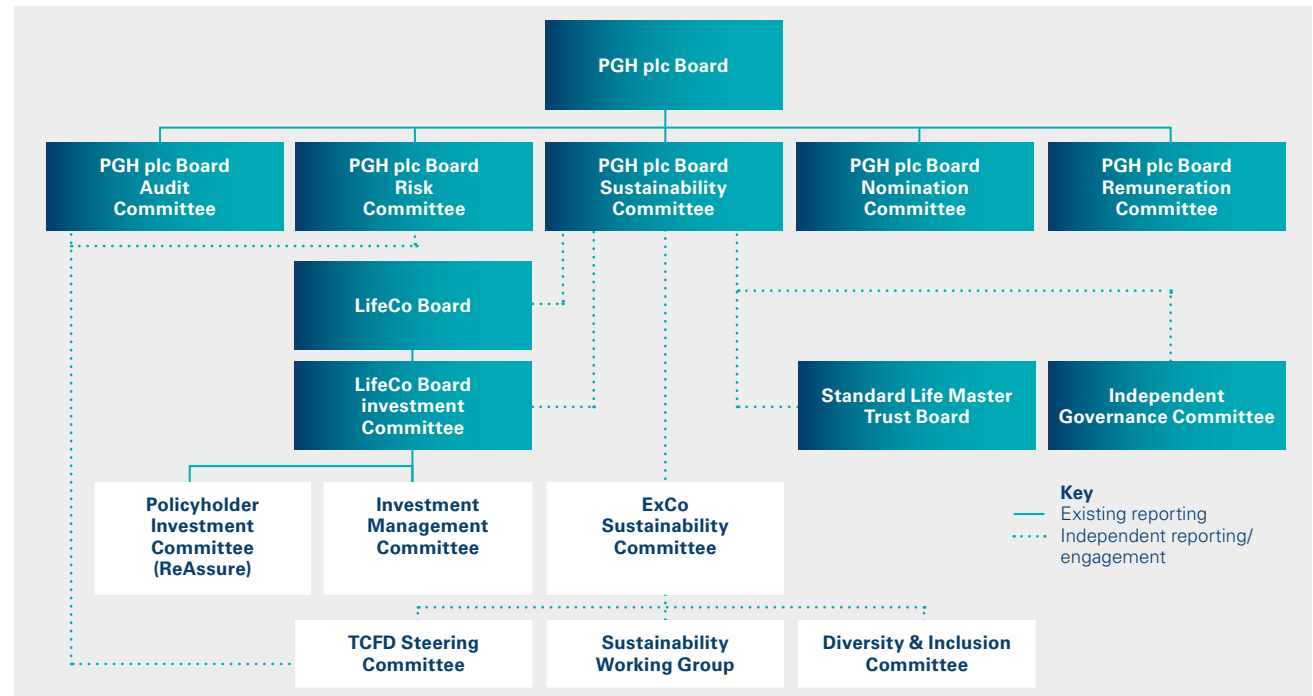
The Group Chief Executive Officer, Director of Corporate Affairs and Investor Relations and HR Director are standing attendees on the Board Sustainability Committee and

report on progress against the approved sustainability strategy, KPIs, targets and other management information to support the sustainability agenda.

#### Other Board and Committee changes

The Group Board Committees have demonstrated their commitment to our sustainability strategy and agenda, changing their terms of reference during the year to ensure engagement with the new Board Sustainability Committee, and each other, to drive a consistent approach to the execution of the sustainability strategy across the Group.

The terms of reference for these Committee’s can be found on the **PGH plc website**.



### The ExCo Sustainability Committee

The ExCo Sustainability Committee is responsible for the oversight, delivery, management and reporting of progress against the sustainability strategy and approving aligned management actions.

Chaired by Claire Hawkins, Director of Corporate Affairs and Investor Relations, this Committee meets once a month and is attended by members of ExCo who have specific responsibilities in relation to the six strategic pillars.

During the year the Committee engaged in an external benchmarking exercise and materiality review for the sustainability strategy and proposed enhancements to the pillar design and ambitions. This included the commitment for Phoenix to attain net-zero carbon by 2050.

### Other Management Committees and Working Groups

Various management committees and working groups operate to ensure a robust governance framework to support the day-to-day delivery of the pillar strategies.

Our 'TCFD' Steering Group oversees progress against the recommendations of the 'TCFD' and the publication of the annual disclosure. Its broader aim is to ensure Phoenix has an integrated approach to managing climate-related risk and opportunities and a strategic approach to managing climate change. It is comprised of key executive representatives from across the business who meet monthly.

### Risk Management and Compliance

The Group's Risk Management Framework ('RMF') embeds proactive and effective risk management across the Group. It seeks to ensure that all risks are identified and managed effectively and that the Group is appropriately rewarded for the risks it takes.

A key component of the RMF is the Risk Universe, which represents the complete set of risks to which the Group is exposed and is central to the structure and operation of many of our risk management processes.

Our Risk Universe includes a category on Sustainability covering ESG issues and the Group Board has approved a new Sustainability Risk Appetite Statement. A Group-wide Sustainability Risk policy has been developed and is being embedded, to identify our key inherent risks, our risk appetite for running these risks, and the controls to mitigate those risks to operate within the Board appetite. An exercise is ongoing to update all group risk policies to include sustainability.

A Group-wide project is underway to implement the PRA's requirements to enhance insurers' approaches to managing the financial risks of climate change (as set out in Supervisory Statement 3/19) by the end of 2021.

In March 2020, the Group became a signatory to the Task Force on Climate-related Financial Disclosures ('TCFD'). Our disclosures in line with TCFD recommendations, including further work to be progressed are outlined in our Annual Report and Accounts from page 67.

Read more about the Group's Risk Management Framework in the Group's **Annual Report and Accounts**.

### Group Governance Policies

The Group fulfils its tax obligations and maintains a transparent and cooperative relationship with HMRC and other relevant Tax Authorities. Our tax strategy is available on our **website**.

Read more about the Group's governance processes for financial crime prevention, anti-bribery and anti-corruption, ethics and compliance training, whistleblowing and speaking up, health and safety, human rights, data privacy and cyber security on our Group **website**.

The Group's Risk Management Framework ('RMF') embeds proactive and effective risk management across the Group.



# CONTACT DETAILS

## **Feedback**

We welcome feedback, comments and questions from our readers. Please direct them to: [sustainability@thephoenixgroup.com](mailto:sustainability@thephoenixgroup.com)

## **News and Updates**

In line with our Sustainability Programme and our commitment to reduce our environmental impact, you can view key information on our website [www.thephoenixgroup.com](http://www.thephoenixgroup.com)

To stay up-to-date with the Phoenix Group news and other changes to our site's content, you can sign up for email alerts, which will notify you when content is added. [www.thephoenixgroup.com/site-services/e-mail-alerts](http://www.thephoenixgroup.com/site-services/e-mail-alerts)



PHOENIX GROUP

**Twitter**  
**Facebook**  
**LinkedIn**

**Registered Address**  
**Phoenix Group Holdings plc**  
**Juxon House**  
**100 St. Paul's Churchyard**  
**London EC4M 8BU**

Registered number 11606773