Phoenix

Half year 2023 results

Phoenix Group Holdings plc

18 September 2023

Agenda

09:00 - 09:30	Half year 2023 results presentation	**Andy Briggs** I Group CEO **Rakesh Thakrar** I Group CFO
09:30 - 10:15	Half year 2023 results Q&A	**Andy Briggs** I Group CEO **Rakesh Thakrar** I Group CFO
10:15 - 10:30	Coffee break	
10:30 - 11:00	IFRS 17 transition analyst education	**Rakesh Thakrar** I Group CFO

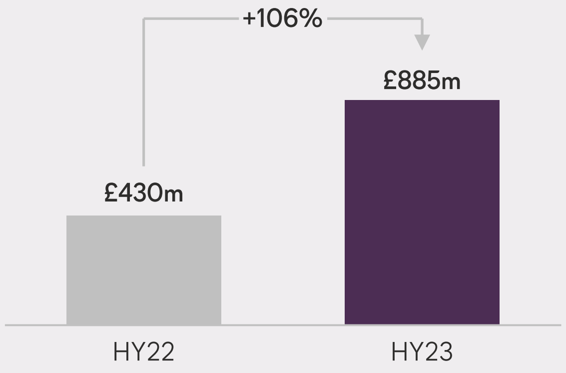
Business review

Andy Briggs
Group Chief Executive Officer

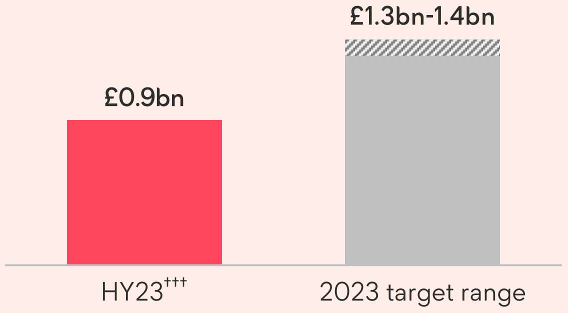
Phoenix

Executing on our strategy, delivering strong growth and resilient cash generation

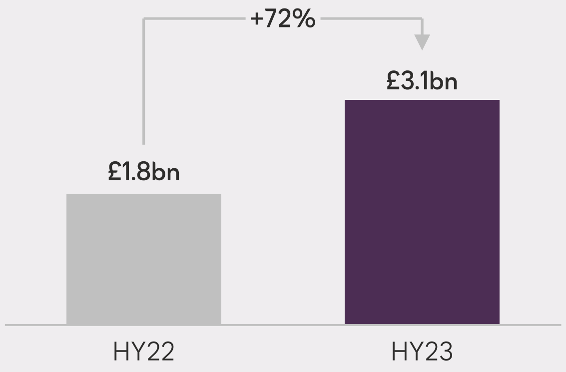
More than doubled new business long-term cash[†]



Cash generation on track to deliver at the top-end of our target range



New business net fund flows[††] are growing strongly



Resilient balance sheet supports our investment in growth

180%[(1,2)] SCCR at top-end of our target range after investment in growth

£3.9 billion[(1)] Solvency II Surplus

[†] Incremental new business long-term cash generation
[††] Net fund flows from segments open to new business, including Retirement Solutions, Workplace, Retail and Europe
[†††] HY23 pro forma reflecting £450m of cash remittances in July 2023
See Appendix 11 for footnotes

Phoenix has a single strategic focus: helping customers journey to and through retirement

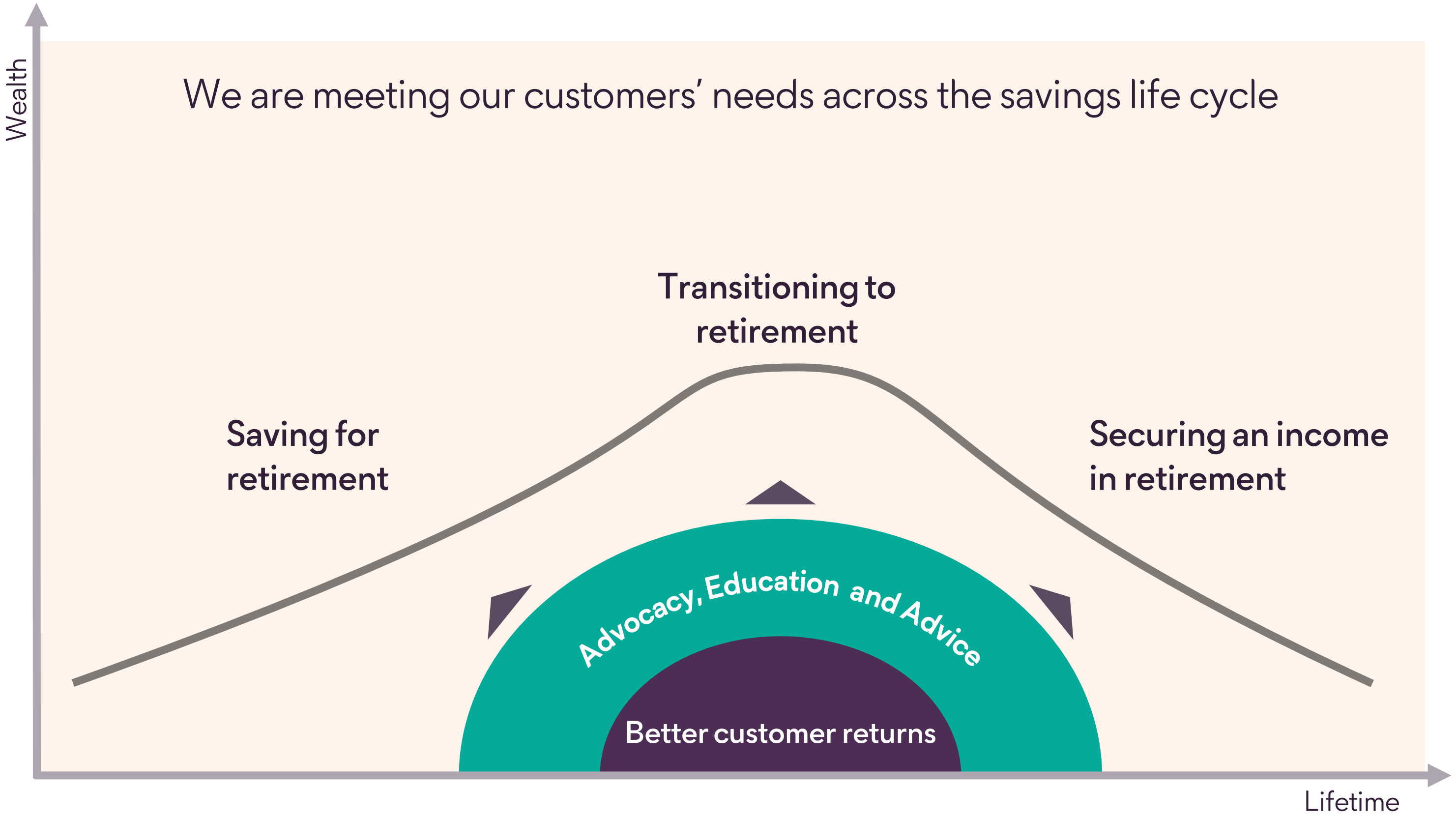
There is a huge societal need...

Only c.10% of people take advice on their journey to and through retirement[3]

Only 1 in 7 DC savers are on track for a retirement income that maintains their current living standards[4]

...in a huge market: c.£3 trillion[5] total stock

...that is growing strongly: c.£150-200 billion[6] annual flows



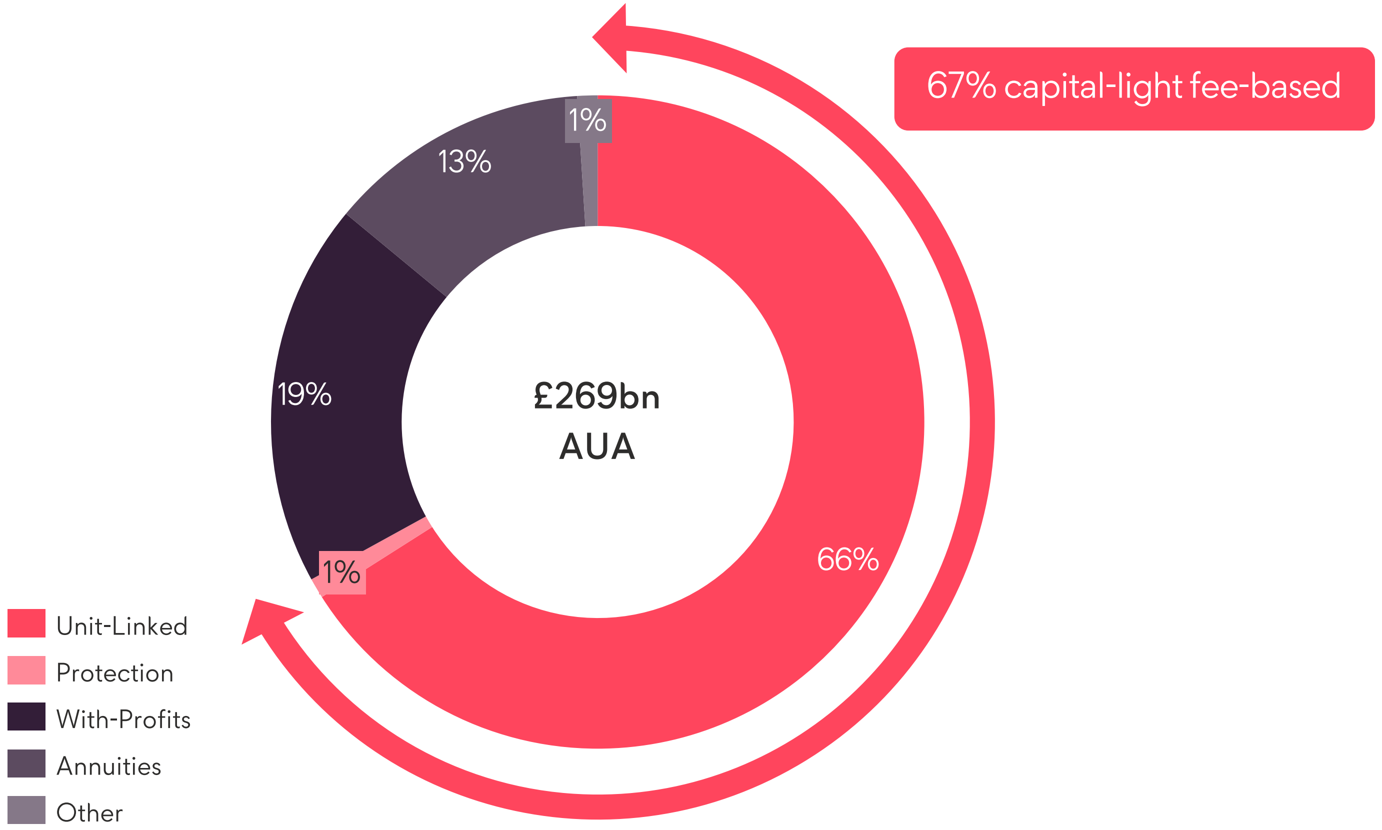
See Appendix 11 for footnotes

Our structural growth opportunities are being accelerated by the current economic environment

We have clear structural growth opportunities in the market…		…which are accelerated by the current economic environment
Auto-enrolment is driving strong **Workplace** growth **c.£40-50bn of annual flows**[7]	←	**Salary inflation and full employment** is accelerating growth
Retail customers now need to take responsibility for their own retirement planning **c.£80-100bn of annual flows**[7]	←	**Market flows** switching between providers has slowed, supporting better customer retention across our in-force book
Corporates are de-risking through **Bulk Purchase Annuities (BPA)** **c.£30-60bn of annual flows**[8]	←	**Higher interest rates** means BPAs are more affordable for trustees, driving strong market growth
Insurers are disposing of their closed books through **Heritage M&A** **c.£435bn market opportunity**	←	**Cost inflation** is hard to manage in Heritage closed books that are unhedged, meaning M&A is more likely over time

See Appendix 11 for footnotes

We are the UK's largest long-term savings and retirement business, with a balanced business mix



- Our strategy is designed to maintain a diversified and balanced business mix
- We will leverage our existing scale in capital-light fee-based products and grow them over time through our Pensions and Savings business
- We will continue to grow our annuities through BPA, but will maintain our discipline as we limit credit risk to a well-diversified proportion of our balance sheet
- We will optimise our legacy With-Profits business

Our strong strategic progress means we now expect to deliver positive Group net fund flows from 2024

We are delivering our strategy and purpose through our family of brands

Phoenix

Our purpose:

Helping people secure
a life of possibilities

Our organic growth brands:

Standard Life
Part of Phoenix Group

SunLife
Part of Phoenix Group

Our core heritage brands:

PHOENIX LIFE
Part of Phoenix Group

ReAssure
Part of Phoenix Group

Executing our strategic priorities strengthens our competitive advantages and enhances everything we do

Our strategic priorities

Planet ⟷ Informed by, and in support of, our key ESG themes ⟷ **People**

Our competitive advantages

- Capital efficiency
- Customer access
- Cost efficiency

Strong financial outcomes

- ✓ Increased cash
- ✓ Better returns
- ✓ Growing dividend

Growing organically: strong growth in our capital-light fee-based businesses as we leverage the Standard Life brand

Grow

Record H1 new business long-term cash†

Target of c.£0.5 billion per annum by 2025

Competitive advantages of customer access and cost efficiency drive Workplace success

Workplace – existing schemes – **strong retention** enables 95% of growth from existing clients

- Embedded growth through new joiners to existing schemes and increased member contributions including salary inflation
- Our cost efficient platform and no acquisition costs drives highly profitable new business cash

Workplace – new schemes – **winning new clients** drives guaranteed future inflows

- c.£3 billion of recently won new scheme assets will transfer in 2024 and 2025
- Currently quoting on a significant c.£3.5 billion pipeline of new schemes

Now focused on the significant Retail **growth opportunity:**

- 1-in-5 UK adults are a Phoenix Group customer
- We are developing our advice proposition to better support customers on their journey

† Incremental new business long-term cash generation

Growing organically: Retirement Solutions is delivering sustainable growth

Grow

Record H1 new business long-term cash†

Target of c.£1 billion per annum by 2025

Meeting more of our customers' needs and acquiring new customers

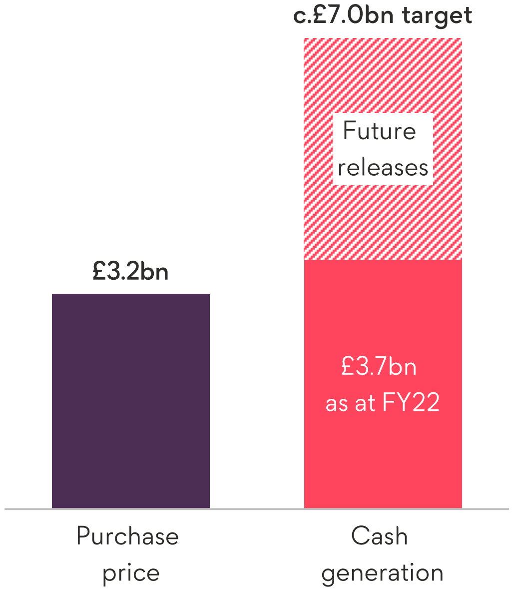
- Winning in a competitive market with a **strong proposition** and Standard Life brand
- Maintained our **disciplined approach** in a buoyant BPA market with £3.2 billion of premiums written (HY22: £1.6 billion)
- We are maintaining a diversified balance sheet by **limiting credit risk** to a small proportion of our balance sheet, enabling us to write BPA in a capital efficient manner
- Exploring **capital-efficient participation** in the attractive BPA market through Phoenix Re (our Bermudan reinsurance entity)
- Launched our new open market **Standard Life individual annuity** in September, available to both new and existing customers, via advised and non-advised routes

† Incremental new business long-term cash generation

Growing through M&A: delivering attractive shareholder returns

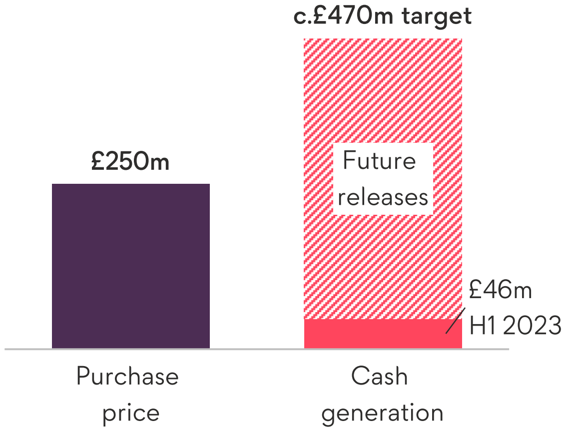
Grow

M&A delivers accelerated cash generation



ReAssure

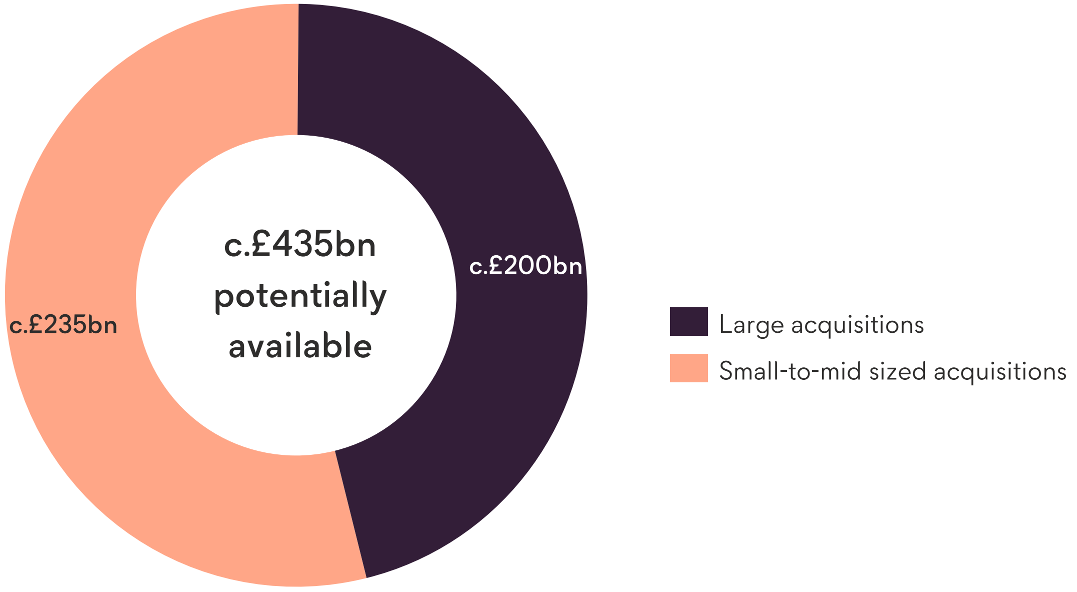
Delivered cash generation of 115% of purchase price in first 3 years



Sun Life of Canada UK

£46m of cash generation remitted within 3 months (c.20% of purchase price)

Optimistic outlook for M&A and financial flexibility to fund deals



Estimated UK Heritage M&A opportunity size†

FY22 Fitch leverage ratio(9) of 25% is at the bottom of our 25-30% target range, providing financial flexibility to fund future M&A

† Estimate based on publically available data as at 31 December 2022
See Appendix 11 for footnotes

Phoenix

Optimise and Enhance: clear progress against our strategic priorities in H1

Optimise our in-force business

- Continued to deliver management actions with £412 million delivered
- We have further enhanced our asset management capabilities to support our growth strategy
- Diversified our asset portfolio into North America, with £1.1 billion of assets deployed in the region
- Published our Net Zero Transition Plan in May, and on track to meet our 2025 targets

Enhance our operating model and culture

- Progressed our ongoing migrations, with c.80% of our digital customer journeys transitioned onto TCS BaNCS
- Executing one of the largest ever insurance Part VII transfers[†], unifying 4 legal entities and c.7 million policyholders into 1 entity
- Further developed our strong talent pipeline and launched Phoenix Flex, our new flexible working policy
- Launched access for Standard Life customers to an integrated financial wellness hub, Money Mindset, with an intention to reach 1.5 million customers

[†] Subject to approval by the Scottish and English Courts

We are executing on our strategy to deliver a dividend that is sustainable and grows over time

	Strong H1 2023 progress…	…and an ambitious trajectory ahead
Growing organically	✓ More than doubled new business long-term cash†	→ On track for £1.5bn p.a. of new business long-term cash† by 2025 → Now expect to deliver positive Group net fund flows from 2024
Growing through M&A	✓ 3-year cash payback delivered on ReAssure ✓ c.20% of Sun Life of Canada UK purchase price received in 3 months	→ Significant M&A opportunities expected over time and the financial flexibility to fund transactions
Optimising and enhancing	✓ Continued to deliver management actions with £412m realised in H1	→ Enhanced asset management capabilities support the delivery of sustainable management actions over the very long term

† Incremental new business long-term cash generation

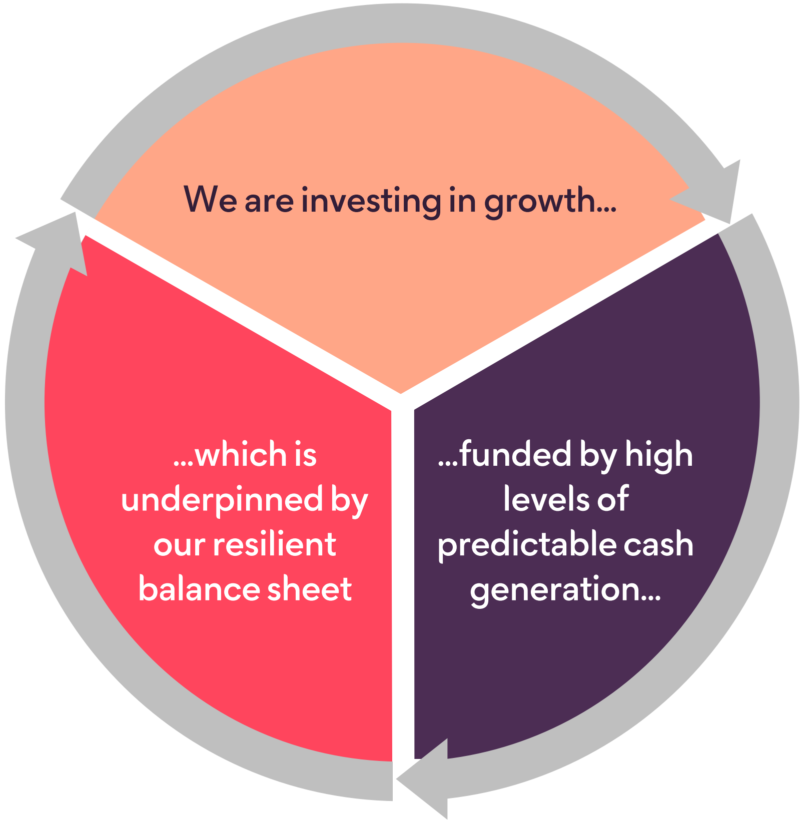
H1 2023 financial results

Rakesh Thakrar
Group Chief Financial Officer

Phoenix

Our financial framework supports business growth to deliver enhanced shareholder returns

Growth is accelerating, as we maintain a balanced business mix



Resilience maintained through active risk management and our hedging strategy

Cash provides financial flexibility, and funds both organic and M&A growth

Summary of our H1 2023 financial results

Cash generation	Incremental new business long-term cash generation	Group in-force long-term free cash
£898m†	£885m	£12.5bn
HY22: £950m	HY22: £430m	FY22: £12.1bn

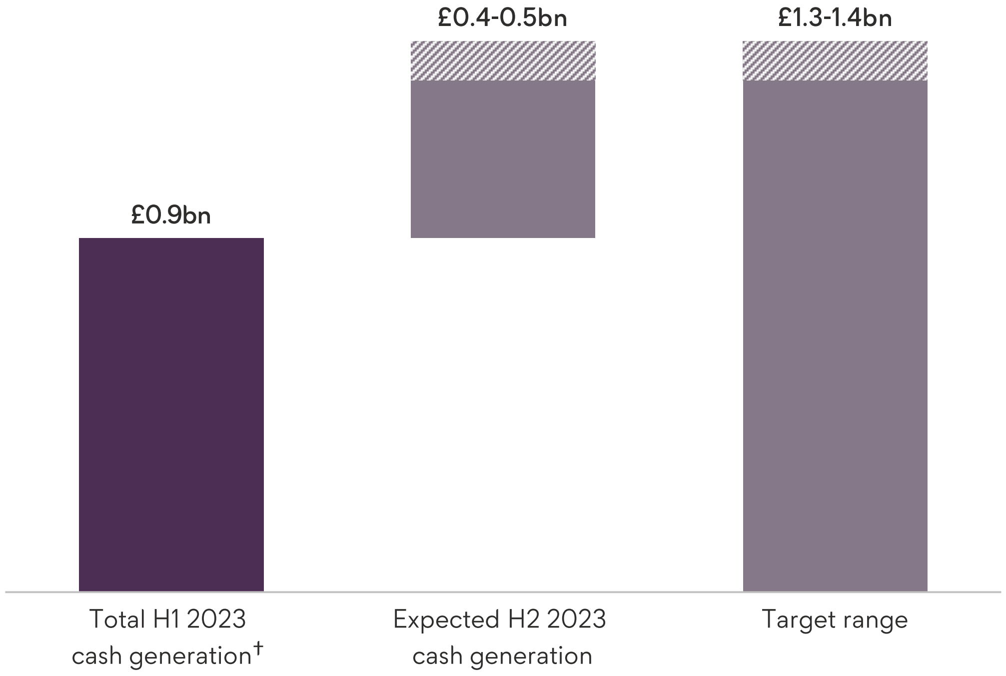
PGH Solvency II Surplus	PGH Shareholder Capital Coverage Ratio	Interim dividend per share
£3.9bn(1)	180%(1,2)	26.0p
FY22: £4.4bn(10)	FY22: 189%(2,10)	HY22: 24.8p

† HY23 pro forma reflecting £450m of cash remittances in July 2023
See Appendix 11 for footnotes

We expect to deliver at the top-end of our cash generation target range for 2023

Cash

Strong H1 cash generation of £898 million



Key messages

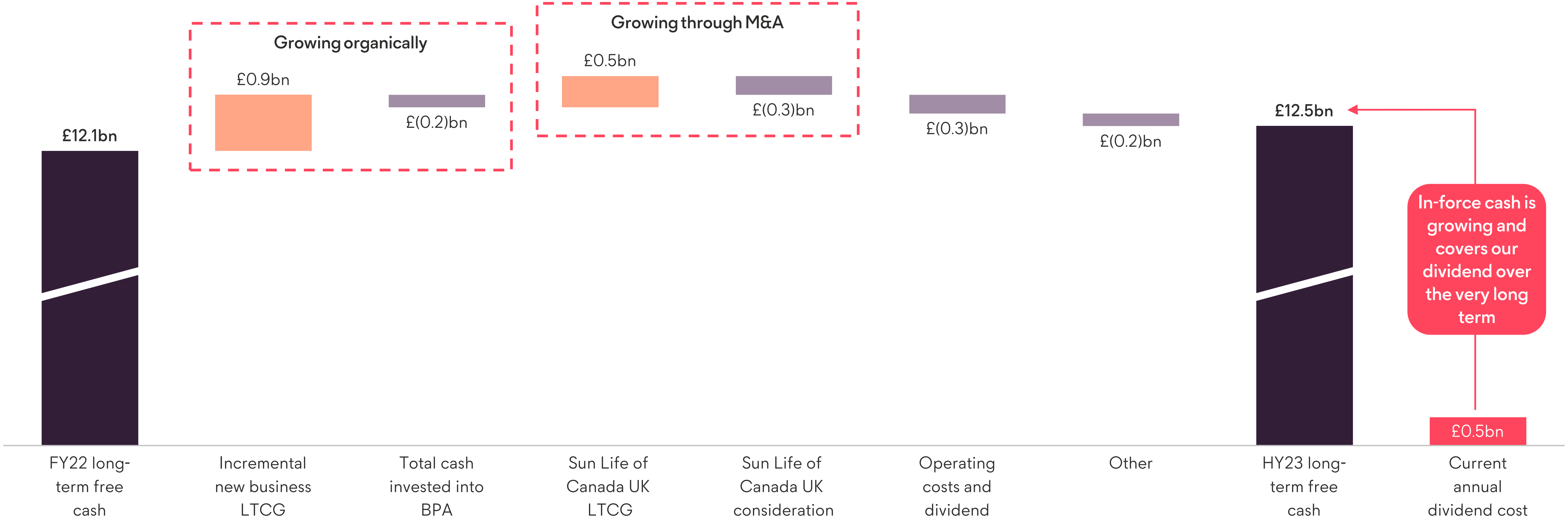
- On track to extend our 13 year track record of meeting or exceeding our cash generation targets since listing
- Increased HoldCo cash of £0.7 billion† (FY22: £0.5 billion)
- We would expect to maintain a minimum Group HoldCo cash buffer of c.£300-400 million, sufficient to cover 6 months of costs and dividends
- Significant free surplus in the life companies of £1.7 billion provides further financial flexibility

† HY23 pro forma reflecting £450m of cash remittances in July 2023

Our business is growing, which ensures the long-term sustainability of our dividend and will enable it to grow over time

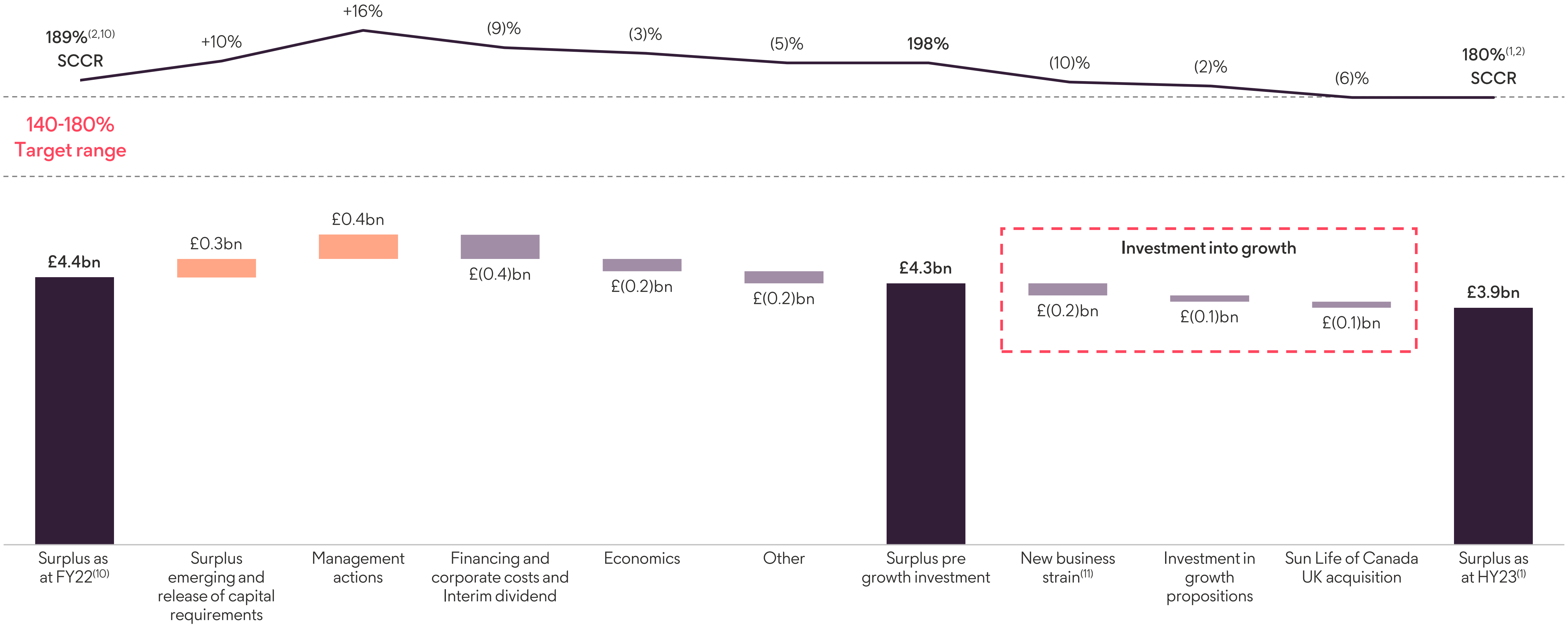
Cash

£0.4 billion increase in Group in-force long-term free cash



We are investing surplus capital to deliver our growth strategy

Resilience



See Appendix 11 for footnotes

We continue to optimise and enhance our business, driving ongoing management actions

Resilience

H1 2023 Solvency II management actions

£151m asset management actions

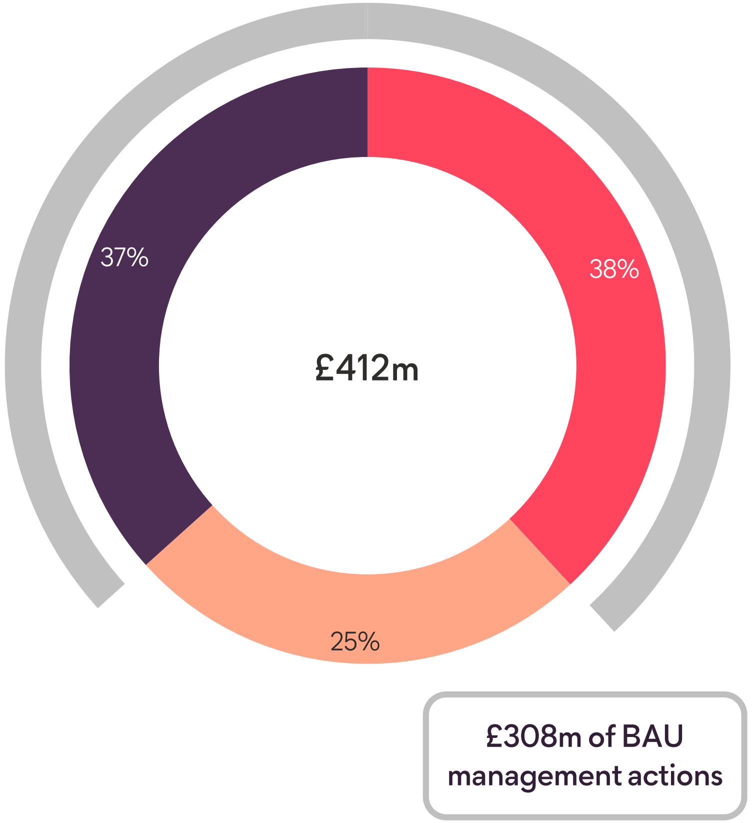
Including:
- Liquid credit trade-ups to optimise yield
- Investment of annuity backing assets into illiquid asset classes

£157m cost & capital efficiency actions

Including:
- Proactive hedging adjustments
- Other risk reducing balance sheet actions

£104m integration actions

Including:
- Longevity swap in ReAssure
- Ongoing capital model actions



Key messages

- We continue to optimise and enhance our business, which underpins our strong delivery of BAU management actions
- We have significantly enhanced our asset management capabilities and are the experts in delivering cost and capital synergies
- This will support us in sustainably delivering BAU management actions over the very long term
- We also continue to deliver integration actions and remain confident of executing further M&A transactions over time

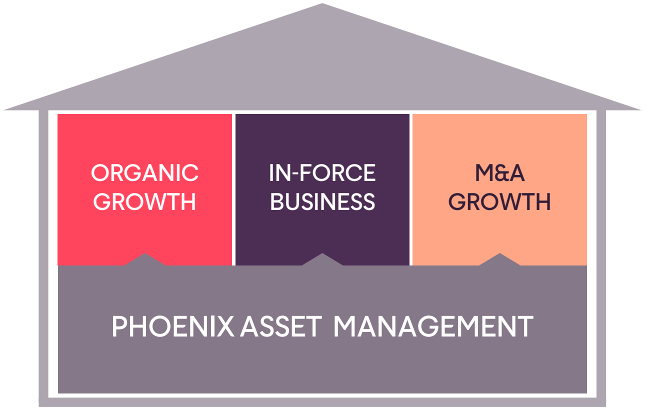
Enhanced asset management capabilities support the delivery of management actions into the very long term

Resilience

Our capability build...

Optimal fund-level strategic asset allocation enabled by deep expertise of our in-house asset management oversight teams

Differentiated strategic partnership model supports diversification and best-in-class origination



Capability build for liquid and illiquid credit portfolio management and optimisation complements our strategic partnership model

ESG integrated into investment decision making to support journey to net zero

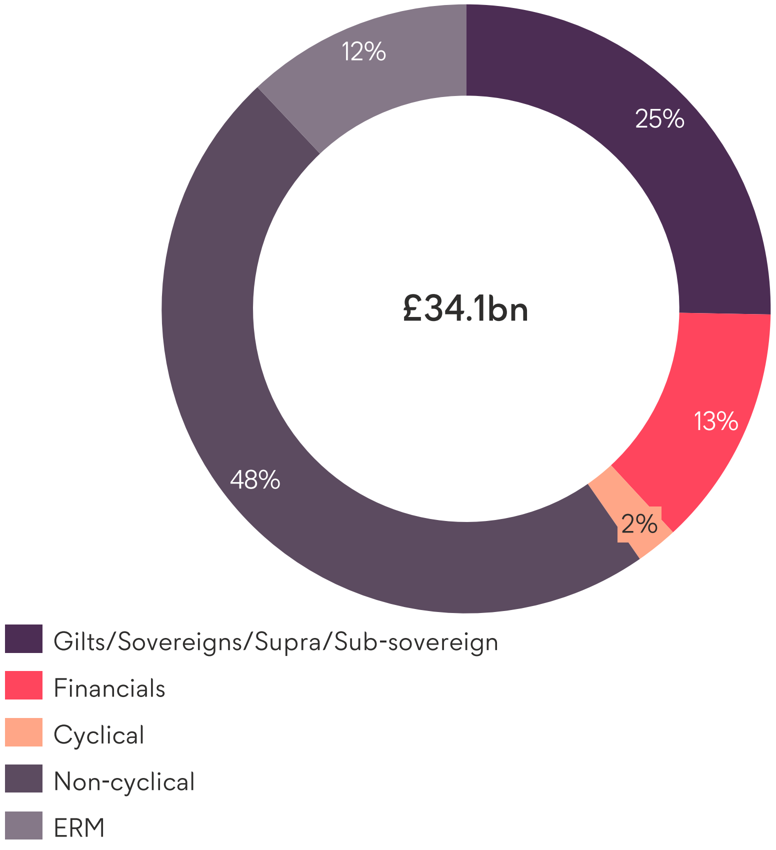
....is delivering strong outcomes

- ✓ c.£151 million of management actions delivered in H1 through dynamic optimisation of our credit portfolio
- ✓ Limited economic variance from hedging of equity, inflation and interest rate risk
- ✓ Expect to unlock better returns for customers as signatories of the Mansion House Compact
- ✓ c.95% of H1 2023 illiquid asset origination in sustainable assets

We invest our credit portfolio prudently and seek to optimise our risk-adjusted returns

Resilience

Prudently positioned shareholder credit portfolio



† Excluding non-rated

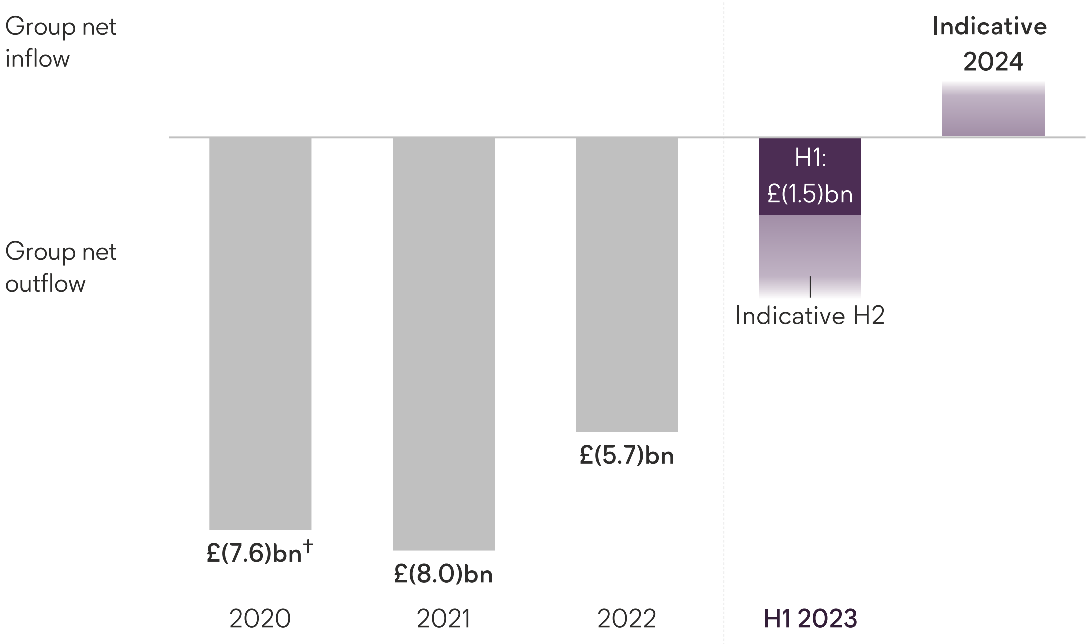
More upgrades than downgrades in H1, with no credit defaults in H1

- Shareholder credit assets are a small proportion of our £269bn balance sheet (c.13%)
- Our prudent portfolio is c.99% investment grade†
- c.£1.0bn CRE lending portfolio is high quality and UK based; average LTV of 48%
- £2.7bn exposure to utilities is diversified; limited exposure to Thames Water
- £4.4bn financials portfolio, with no AT1 bonds held

We are delivering sustainable organic growth

Growth

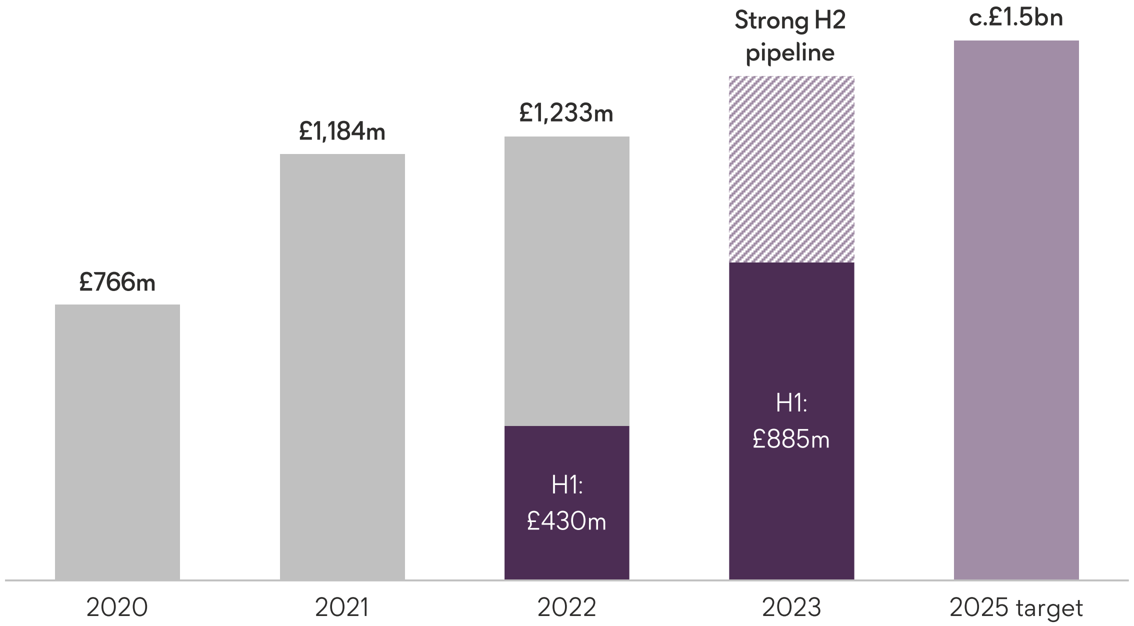
On track for positive Group net fund flows from 2024...



	2020	2021	2022	H1 2023
Open new business net fund flows	£2.9bn	£2.8bn	£3.9bn	**£3.1bn**
Heritage net fund flows	£(10.5)bn†	£(10.8)bn	£(9.6)bn	**£(4.6)bn**

† Annualised ReAssure net fund flows reflecting acquisition completion mid-2020

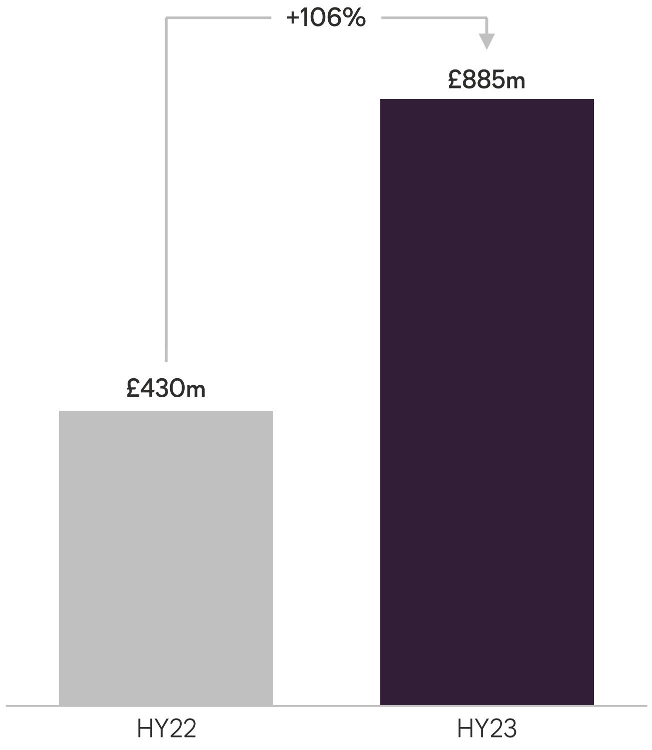
...and to deliver our c.£1.5bn new cash generation target by 2025



We have doubled incremental new business long-term cash generation in H1

Growth

Incremental new business long-term cash generation



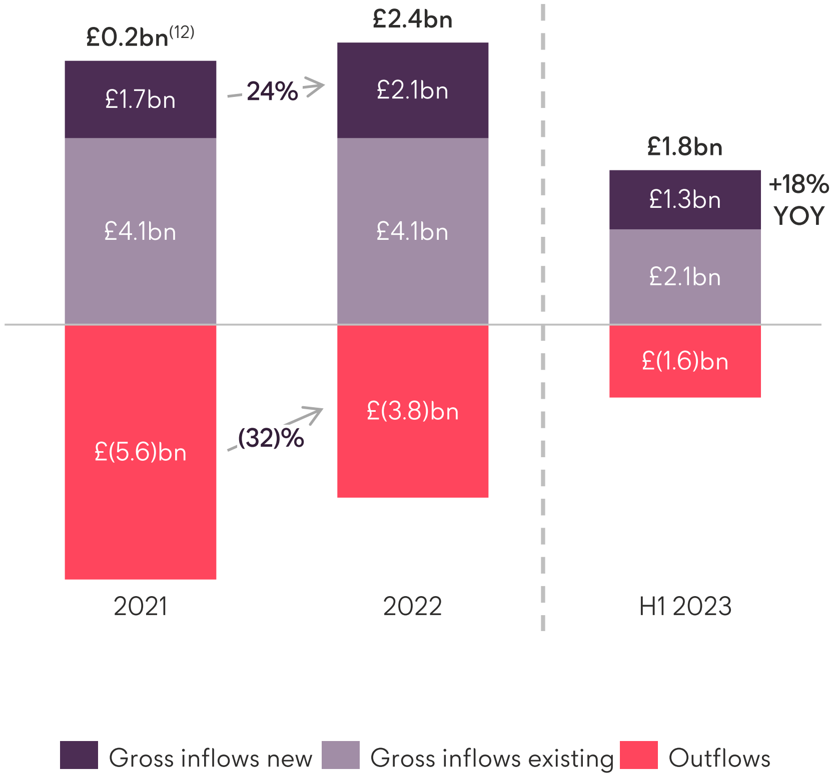
	HY22	HY23	YOY change
Workplace	£112m	£184m	64%
Retail	£12m	£11m	(8)%
Europe and SunLife	£24m	£25m	4%
Capital-light fee-based businesses	£148m	£220m	49%
Retirement Solutions	£282m	£665m	136%
Total	**£430m**	**£885m**	**106%**

Workplace: Our enhanced Standard Life proposition is driving growth in net fund flows

Growth

We are driving improved net fund flows...

- Enhanced Workplace proposition has improved retention of existing clients and attracted new clients
- Improved client retention has reduced our outflows and stabilised inflows from existing business
- New inflows have increased due to impact of new joiners to existing schemes and higher member contributions including salary inflation
- In addition, new scheme wins will increase the future stock of existing assets and accelerate new inflows



...and have a strong future pipeline

We are now winning big schemes...

- ✓ Won a major c.£2bn scheme in 2022, due to transfer in 2024
- ✓ Recently won a c.£1bn scheme, due to transfer in 2025

...with a strong future pipeline of quotes

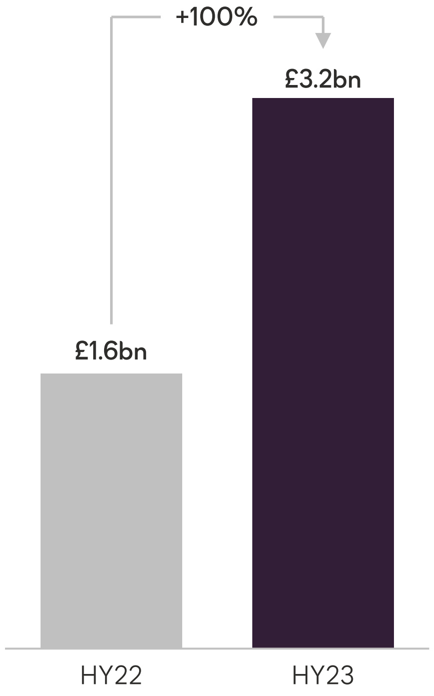
- ✓ Quoting on a pipeline of new schemes totalling c.£3.5bn of assets

See Appendix 11 for footnotes

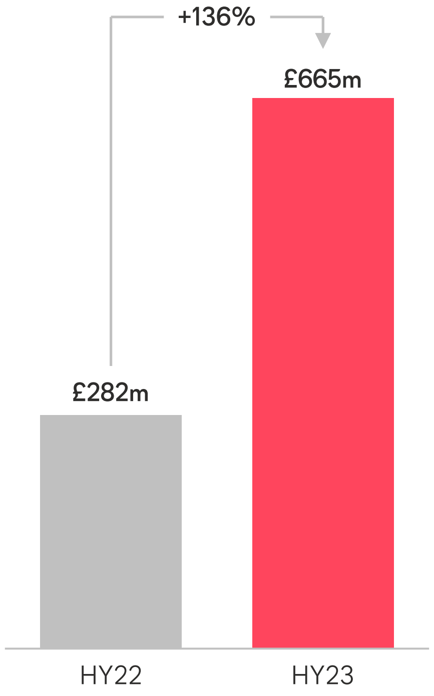
Retirement Solutions: Disciplined participation in a buoyant BPA market

Growth

Our strong BPA proposition and the Standard Life brand is helping us win new business



Premiums



Incremental new business long-term cash generation

Record H1 performance

- Invested £195 million of capital across 10 external transactions, covering £3.2 billion of premiums
- Maintained our disciplined approach of optimising our return on capital and achieved an attractive cash multiple of 3.4x
- Capital strain of 6.0% post-CMP (3.9% pre-CMP)

Optimistic outlook

- Expecting a total BPA market of >£40 billion in 2023
- We continue to target the investment of c.£300 million per annum of capital and prioritise “value over volume”, as we maintain a balanced portfolio
- On track to deliver 2025 capital strain target of 5% post-CMP (3% pre-CMP)

IFRS 17 has no impact on our strategy or dividend

No change to our clear strategy

Our strategy of growing our in-force business over time as we support customers on their journey to and through retirement is unchanged

No impact on our sustainable dividend

The long-term sustainability of our dividend paying capacity remains unchanged, with 2022 IFRS distributable reserves[†] of c.£5 billion unaffected by IFRS 17

We remain focused on delivering cash and capital

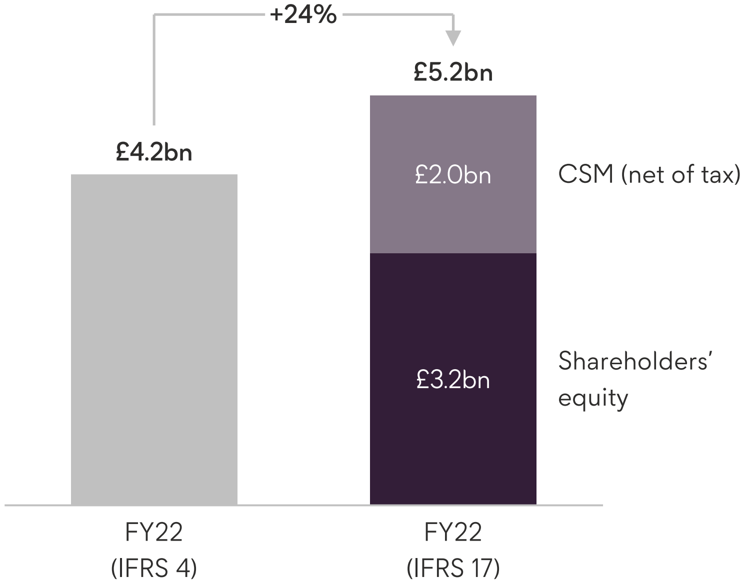
We will continue to focus on the delivery of cash generation and Solvency II capital resilience, with no change to our KPIs or targets

[†] Our life companies will move onto UK GAAP and are therefore unaffected by changes introduced by IFRS 17

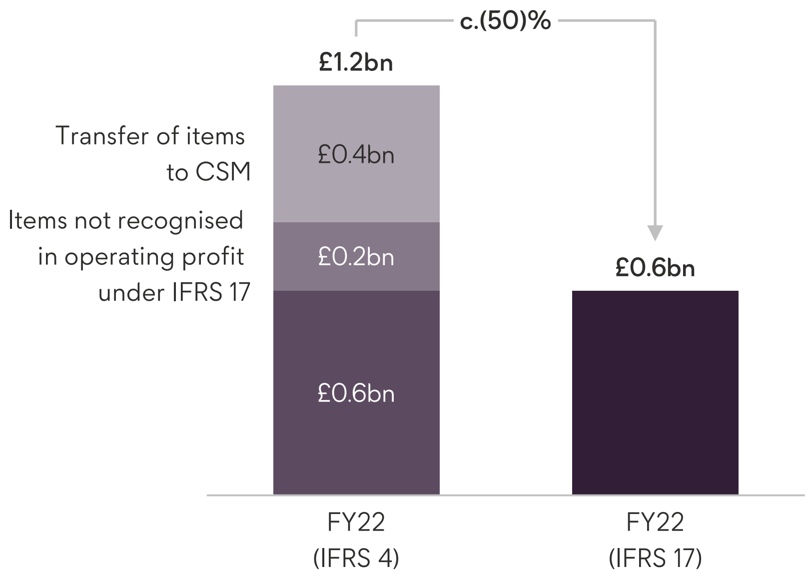
The impact of IFRS 17 is different for Phoenix

Transition methodology	As a result of our successful track record of delivering value-accretive M&A, c.95% of our business was recognised at Fair Value on transition, which results in the establishment of a lower Contractual Service Margin (CSM) and increases the volatility in our shareholders' equity

Adjusted shareholders' equity (inclusive of CSM)



IFRS adjusted operating profit



- Total CSM (gross of tax) of £2.6bn which grew 7% year-on-year (FY21: £2.4bn)
- Shareholder equity lower under IFRS 17, primarily due to the transfer of items to the CSM, and increased accounting volatility under IFRS 17 related to our hedging and the loss of some prudence under IFRS 4

Decrease in adjusted operating profit due to:

- Adjusted operating profit transfer to CSM
- IFRS 4 items not recognised in adjusted operating profit under IFRS 17
- Lower contribution from With-Profit and Unit-Linked business, offset by CSM release

Alongside updating our Fitch leverage ratio calculation for IFRS 17, we have also updated the calculation for market consistency

Restatement of FY22 Fitch leverage ratio

FY22 Fitch leverage ratio calculation

IFRS shareholders' equity	£3.2bn
Tier 1 notes	£1.0bn
Non-controlling interest	£0.5bn
CSM (net of tax)	£2.0bn
Policyholder estate†	£2.5bn
Total equity	**£9.2bn**
Total debt	£3.1bn
Fitch leverage ratio[9]	**25%**
Debt / (Debt + Equity)	

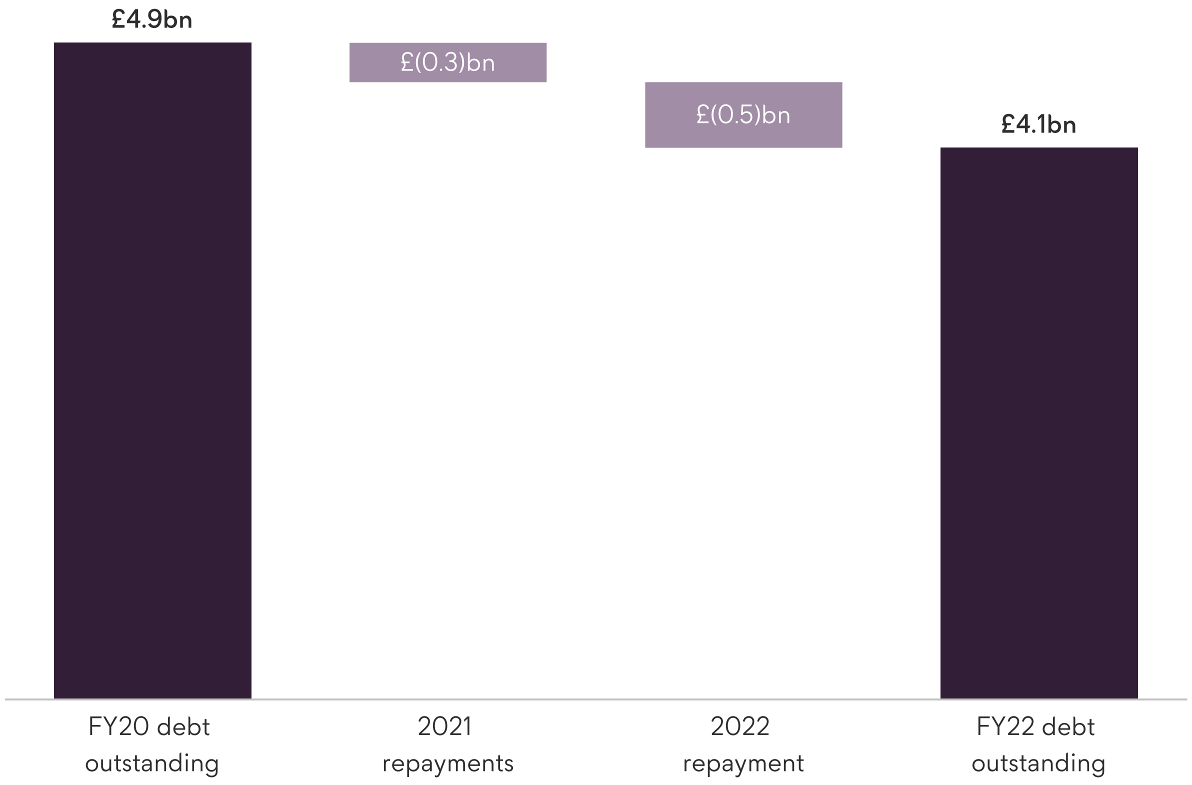
Key messages

- The transition to IFRS 17 was an opportunity to apply the leverage ratio calculation consistently with the wider market and this was agreed with Fitch as part of our most recent annual review
- Our calculation therefore now includes the policyholder estate as it has loss absorbency in a stress, with any burn-through risk covered by that estate first before it impacts shareholders
- We seek to operate within a 25-30% Fitch ratio range, as it is a key part of determining our investment grade credit rating

† Includes a management haircut for prudence, pending Fitch's final IFRS 17 industry-wide methodology

We have de-levered our balance sheet and have the capacity to raise debt

£772 million of debt repaid since FY20



See Appendix 11 for footnotes

Key messages

- Our strong capital position has enabled us to repay £772 million of debt since the end of 2020
- We are growing, with £12.5 billion of Group in-force long-term free cash to emerge over time
- Leverage is not a constraint to our M&A ambitions
- c.£200 million of debt issuance is equal to a +1%pt Fitch leverage ratio increase
- FY22 IFRS adjusted leverage ratio of 44%
- HY23 Solvency II leverage ratio of 37%

We are executing on our strategy and delivering on our financial framework

Cash Resilience Growth

Cash

✓ Covers dividend over the very long term

Clear targets

- On track to deliver at the top-end of our 2023 cash generation target range of £1.3bn-1.4bn
- Three-year cash generation target of £4.1bn across 2023-2025

Resilience

✓ Resilient balance sheet supports growth

Clear targets

- Shareholder Capital Coverage Ratio within our 140-180% target range
- Fitch leverage ratio within our 25-30% target range

Growth

✓ Clear momentum in Workplace and BPA

Clear targets

- Positive Group net fund flows from 2024
- c.£1.5bn of incremental new business long-term cash generation per annum by 2025
- Annual net fund flows of c.£5bn in Workplace and c.£2bn in Retail, by 2025

Delivering on our financial framework underpins a dividend that is sustainable and grows over time

Summary

Andy Briggs
Group Chief Executive Officer

We are successfully executing on our single strategic focus – helping customers journey to and through retirement

We are the UK's largest long-term savings and retirement business

We are a focused player in a large and structurally growing market

We are delivering strong organic growth by leveraging our competitive advantages

We are confident of further M&A emerging over time and have the financial flexibility to fund it

Delivering on our strategy supports a dividend that is sustainable and grows over time

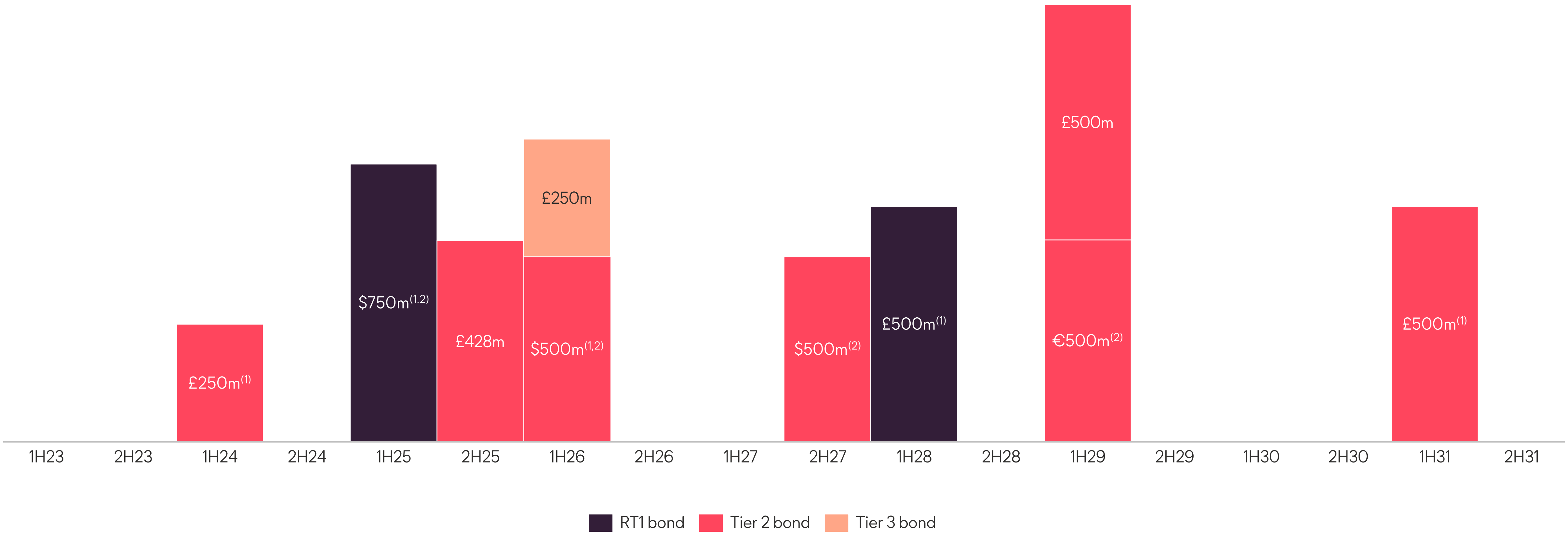
Q&A

Appendices

Appendices

1. Debt maturity profile as at 30 June 2023
2. Movement in assets under administration
3. Open new business segments movement in assets under administration
4. Group cash flow analysis
5. Change in Life Company Free Surplus
6. Estimated PGH Solvency II Surplus and coverage ratios
7. PGH Solvency II Shareholder Capital Coverage Ratio sensitivities
8. Diversification of illiquid asset portfolio as at 30 June 2023
9. ESG ratings and collaborations
10. 2023 sustainability targets
11. Footnotes

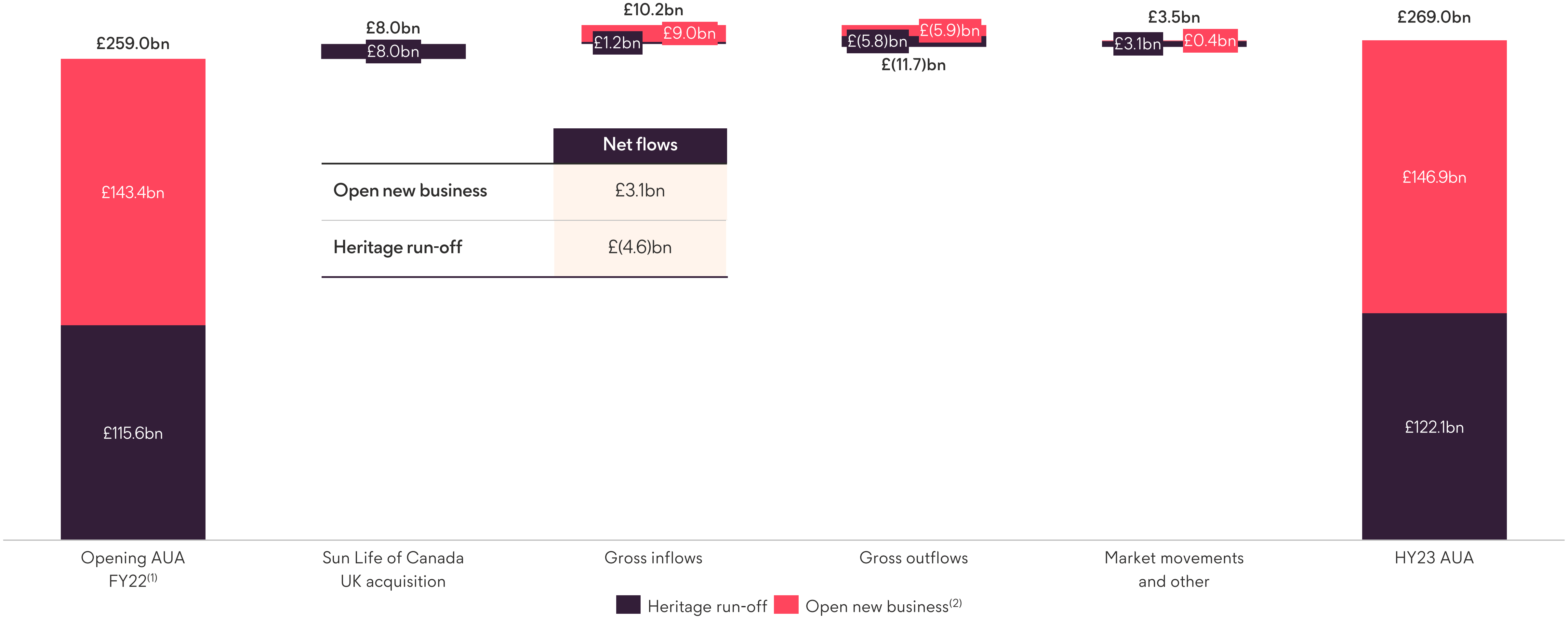
Appendix 1: Debt maturity profile as at 30 June 2023



(1) First call date

(2) All currency debt converted into GBP based on the closing 30 June 2023 exchange rates

Appendix 2: Movement in assets under administration



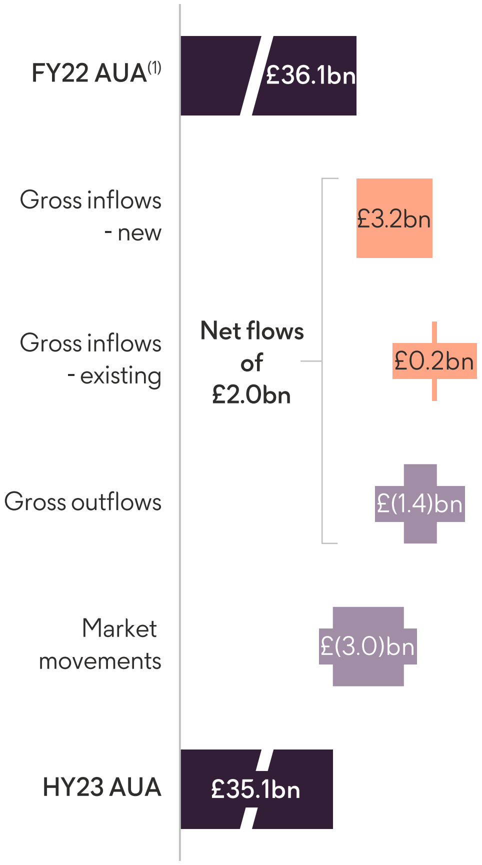
	Net flows
Open new business	£3.1bn
Heritage run-off	£(4.6)bn

(1) FY22 opening AUA has been restated to reflect the reallocation of annuities from the Heritage run-off business to the Retirement Solutions segment within Open new business

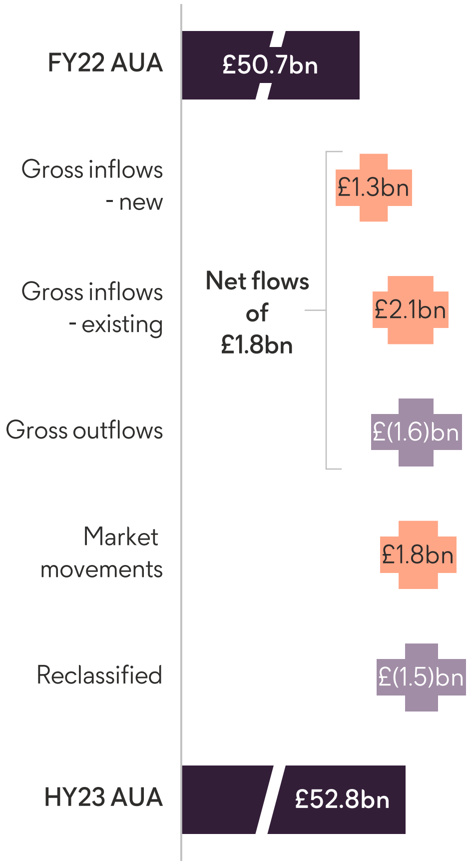
(2) Open new business includes Retirement Solutions, Pensions and Savings, Europe and SunLife

Appendix 3: Open new business segments movement in assets under administration

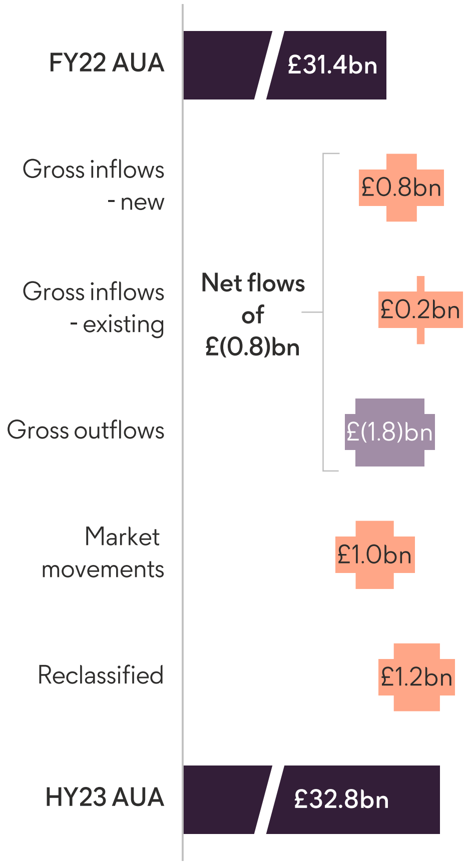
Retirement Solutions



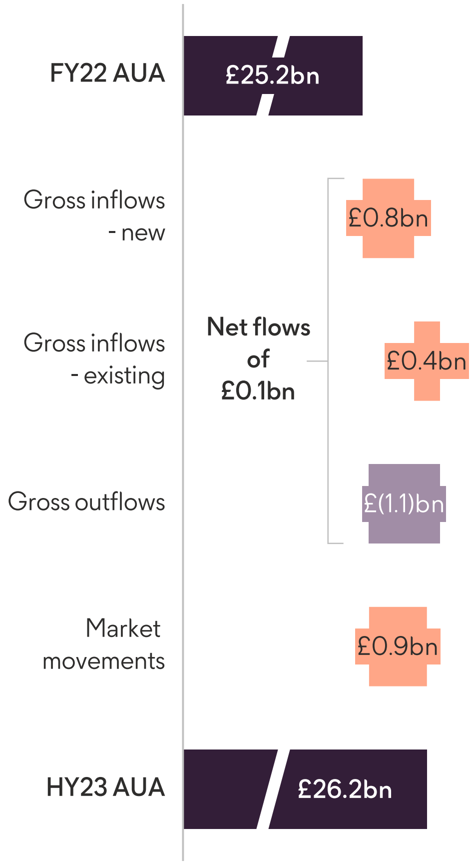
Pensions and Savings - Workplace



Pensions and Savings - Retail



Europe and SunLife



[1] FY22 opening AUA has been restated to reflect the reallocation of annuities from the Heritage run-off business to the Retirement Solutions segment

Appendix 4: Group cash flow analysis

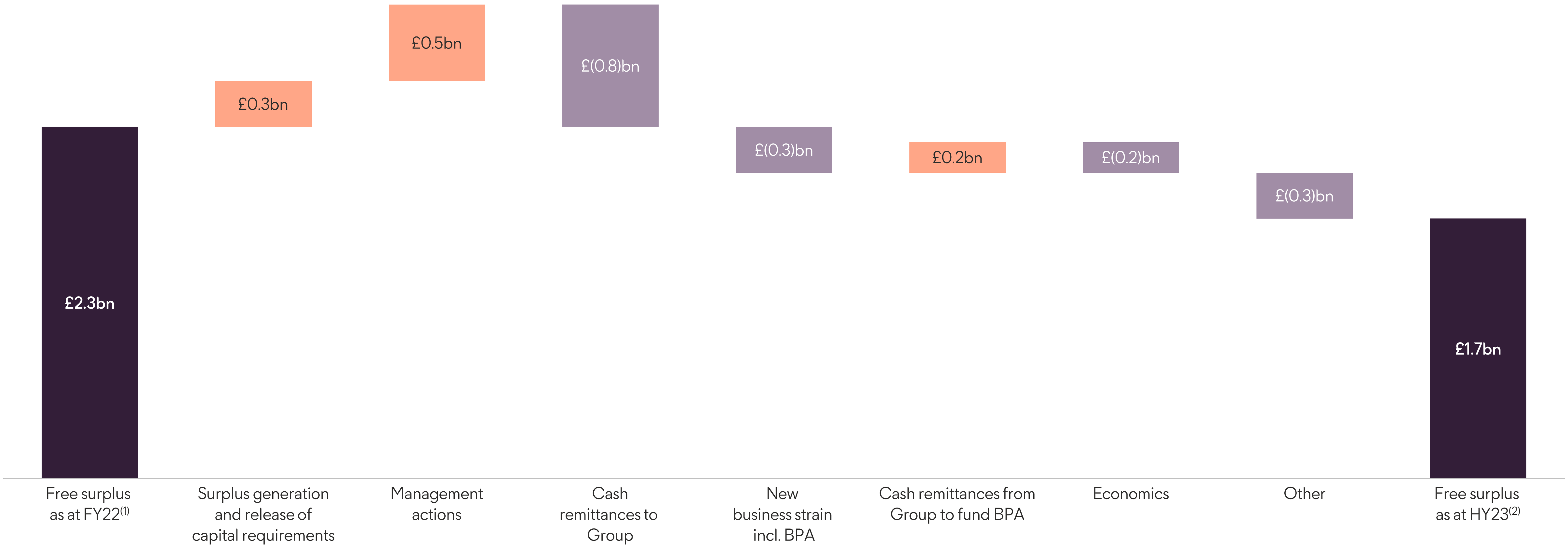
	HY23
Cash and cash equivalents at 1 January	**£503m**
Net cash receipts from operating companies[1,2]	**£898m**
Uses of cash:	
Operating expenses	£(44)m
Pension scheme contributions	£(9)m
Debt interest	£(125)m
Non-operating net cash inflows	£178m
Shareholder dividend	£(260)m
Total uses of cash	**£(260)m**
Support of BPA activity	£(195)m
Cost of acquisitions	£(250)m
Closing cash and cash equivalents at 30 June[2]	**£696m**

Key messages

- Strong ongoing cash generation of £898m in the period funds our ongoing uses of cash
- Non-operating net cash inflows of £178m (HY 2022: £165m net cash outflow) include:
  - £266m of collateral cash and hedge close outs.
  - £(71)m of integration costs
  - £(13)m of costs in relation to IFRS 17
  - £(4)m of net other items
- Paid £250m of consideration to complete cash-funded acquisition of Sun Life of Canada UK

[1] Total cash receipts include £139 million received by the holding companies in respect of tax losses surrendered
[2] Shown on pro forma basis to include £450 million remitted from the life companies in July

Appendix 5: Change in Life Company Free Surplus

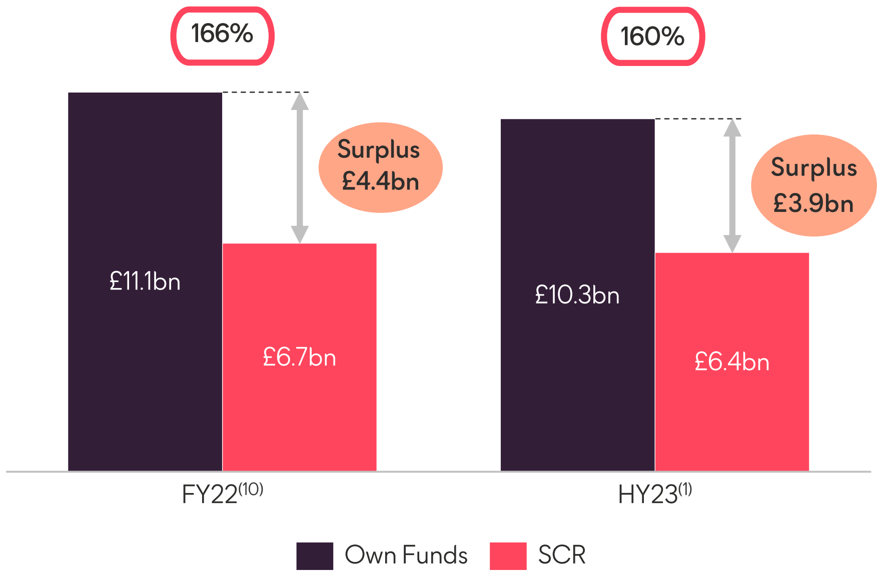


(1) 31 December 2022 Life company Free Surplus is an estimated position and reflects a dynamic recalculation of transitionals as at 31 December 2022. Had the dynamic recalculation not been assumed, the Life Company Free Surplus would increase by £0.1bn

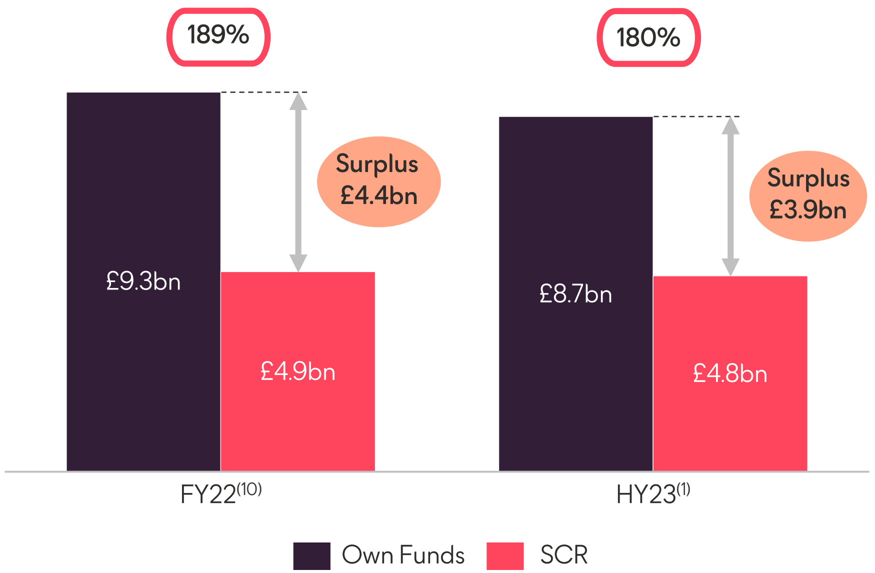
(2) 30 June 2023 Life company Free Surplus is an estimated position and reflects a dynamic recalculation of transitionals as at 30 June 2023. Had the dynamic recalculation not been assumed, the Life Company Free Surplus would increase by £4m

Appendix 6: Estimated PGH Solvency II Surplus and coverage ratios

PGH Solvency II Regulatory Coverage Ratio[1]



PGH Shareholder Capital Coverage Ratio[1,2]



	FY22	HY23
PGH Solvency II Own Funds	**£11.1bn**	**£10.3bn**
Less: Unsupported With-Profit funds	£(2.0)bn	£(1.7)bn
Adjustment for unsupported pension schemes and restrictions	£0.2bn	£0.1bn
PGH Shareholder Own Funds	**£9.3bn**	**£8.7bn**

See Appendix 11 for footnotes

Appendix 7: PGH Solvency II Shareholder Capital Coverage Ratio sensitivities

	Base position	Unrewarded market risks[14]						Demographic risks[14]		Rewarded market risks[14]		
		Equities 20% fall in markets	**Long-term rates** 80bps rise in interest rates[15]	**Long-term rates** 70bps fall in interest rates[15]	**Long-term inflation** 60bps rise[16]	**Currency** 15% reduction[17]	**Currency** 10% increase[17]	**Lapse** 10% increase/ decrease in rates[18]	**Longevity** 6 months increase[19]	**Property**† 12% fall in values[20]	**Credit** 135bps spread widening[21]	**Credit**†† 20% portfolio full letter downgrade[22]
Impact on Solvency II Surplus	£3.9bn	£(0.1)bn	£0.0bn	£0.0bn	£0.0bn	£0.1bn	£(0.1)bn	£(0.1)bn	£(0.4)bn	£(0.2)bn	£(0.3)bn	£(0.3)bn
Impact on SCCR (Target range: 140-180%)	180%	2%	3%	(1)%	1%	(1)%	0%	(2)%	(7)%	(7)%	(6)%	(6)%

† Property lending includes ERM and Commercial Real Estate

†† Downgrade sensitivity includes an estimate for realistic management actions

See Appendix 11 for footnotes

Appendix 8: Diversification of illiquid asset portfolio as at 30 June 2023

Equity Release Mortgages
£4.1bn with AA rating

- Broad regional spread with average LTV of 33%
- Secured on property assets with average time to redemption 11 years

Private Corporate Credit
£1.8bn with A rating

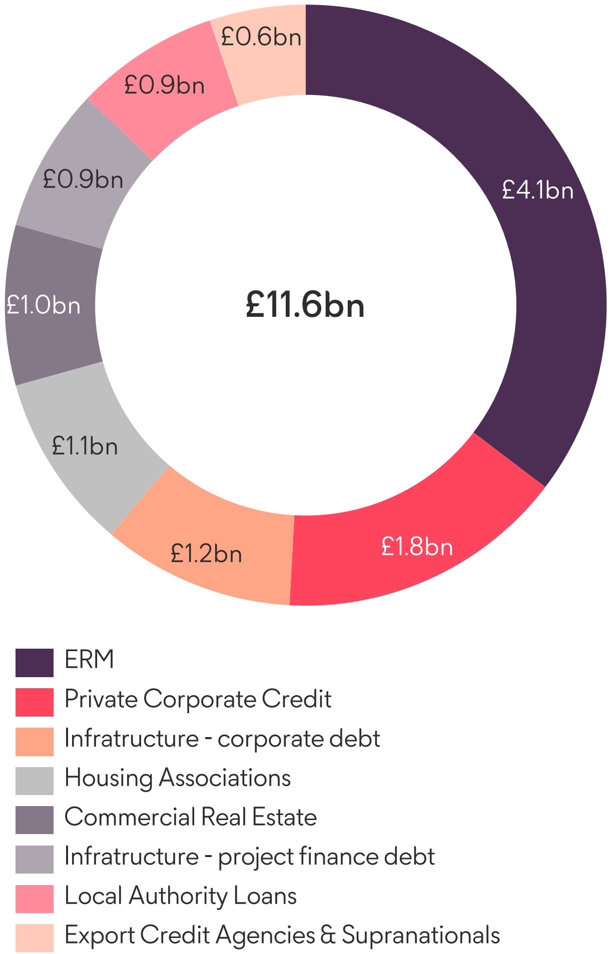
- Diversified portfolio with c.27% of exposure secured on variety of assets
- Loans across 51 different counterparties

Infrastructure – corporate debt
£1.2bn with BBB+ rating

- Secured on cash flows from long-term contracts with highly rated counterparties
- 12% of portfolio backed by UK Government (directly or indirectly)

Housing Associations
£1.1bn with A- rating

- 100% of portfolio is secured on assets
- Average loan size of c.£17m across 26 different counterparties



Commercial Real Estate
£1.0bn with BBB rating

- Structured with robust covenant protection, a combination of loan-to-value and interest coverage ratio
- Average LTV for portfolio is 48%

Infrastructure – project finance debt
£0.9bn with BBB+ rating

- Secured on cash flows from long-term contracts with highly rated counterparties
- 67% of portfolio backed by UK Government (directly or indirectly)

Local Authority Loans
£0.9bn with A+ rating

- Unsecured but with implicit Government support
- Loans across 38 different counterparties with average loan size <£20m

Export Credit Agencies & Supranationals
£0.6bn with AA rating

- c.49% of portfolio is Government-backed
- Loans across 9 different counterparties

Appendix 9: ESG ratings and collaborations

Strong ESG ratings

Ratings agency	FY22	HY23	Change
MSCI	A	AA	↑
Sustainalytics	19.8 / low risk	19.9 / low risk	↓
CDP	A-	A-	↔
Dow Jones Sustainability Index	84th percentile	84th percentile	↔
Tortoise Responsibility100 Index	12th	12th	↔
ISS ESG corporate rating	C-	C prime	↑

Collaborations and Commitments

Climate Action 100+

Living Wage Foundation

IIGCC The Institutional Investors Group on Climate Change

PRI Principles for Responsible Investment

PCAF Partnership for Carbon Accounting Financials

Make My Money Matter

The Net-Zero Asset Owner Alliance

TNFD Taskforce on Nature-related Financial Disclosures

TCFD Task Force on Climate-related Financial Disclosures

Science Based Targets – Driving ambitious corporate climate action

United Nations Global Compact

Appendix 10: 2023 sustainability targets

ESG Theme: Planet

By transitioning our business to net zero and nature positive, we aim to deliver better outcomes for our customers and stakeholders and play our part in tackling the climate and nature emergency

Key 2023 targets

Achieved to date:

- ✓ Published our comprehensive Net Zero Transition Plan
- ✓ Certified as a signatory to the UK Stewardship Code

On track:

- 50-70% of illiquid asset origination in the shareholder portfolio to be sustainable and transition assets
- Implement decarbonisation for shareholder liquid credit portfolio c.£13 billion to meet our carbon reduction targets
- Maintain 75-85% intensity reduction vs 2019 baseline in operational carbon emissions(1)
- 90% of key suppliers commit to SBTi or Race to Zero targets
- Develop our nature strategy

ESG Theme: People

We want to help people live better longer lives. This means tackling the pension savings gap and supporting people to have better financial futures through promoting financial wellness and the role of good work and skills

Key 2023 targets

Achieved to date:

- ✓ Launched an awareness campaign reaching 4 million people on longer lives and under saving for retirement

On track:

- Launched access for Standard Life customers to an integrated financial wellness hub, Money Mindset, with an intention to reach 1.5 million customers
- All customers supported by digital literacy hubs
- Reach 1.5 million customers to raise awareness about the impact of their investments
- 40% of senior leaders to be women
- 13% ethnic minority representation in our workforce

(1) In Scope 1 and 2 emissions from occupied premises per full-time employee intensity

Appendix 11: Footnotes

1. 30 June 2023 Solvency II capital position is an estimated position and reflects a dynamic recalculation of transitionals for the Group's Life companies and recognition of the foreseeable 2023 interim shareholder dividend of £260 million. Had the dynamic recalculation not been assumed, the Solvency II surplus and the Shareholder Capital Coverage Ratio would decrease by £4 million and increase 0.2% respectively
2. The Shareholder Capital Coverage Ratio excludes Solvency II Own Funds and Solvency Capital Requirements of unsupported With-Profit funds and unsupported pension schemes
3. Source: FCA (FCA's key priorities for the financial advice industry, November 2022)
4. Source: Phoenix Insights report (Great Expectations, September 2022)
5. Sources: LCP report (Insurance enters a new phase - a skyrocketing market, October 2022), and Broadridge report (Navigator UK Defined Contribution and Retirement Income 2021)
6. Sources: LCP report (Insurance enters a new phase - a skyrocketing market, October 2022), NMG UK Stock Flow Model, and Broadridge report (Navigator UK Defined Contribution and Retirement Income 2021)
7. Source: Broadridge report (Navigator - UK Defined Contribution and Retirement Income 2021)
8. Source: LCP report (Insurance enters a new phase: a skyrocketing market, October 2022)
9. FY22 restated Fitch leverage ratio is estimated by management on an IFRS 17 basis and reflects the adoption of a market-consistent ratio calculation methodology. Ratio allows for currency hedges over foreign currency denominated debt.
10. 31 December 2022 Solvency II capital position is an estimated position and reflects a dynamic recalculation of transitionals for the Group's Life companies and the foreseeable Final dividend of £260 million. Had the dynamic recalculation not been assumed, the Solvency II Surplus and the Shareholder Capital Coverage Ratio would increase by £0.1 billion and 2% respectively
11. New business strain primarily reflects capital invested into BPA
12. 2021 restated to include the Corporate Trustee Investment Plan product which was transferred to the Workplace business in 2022

Appendix 11: Footnotes cont.

13. Restated comparative to reflect adoption of IFRS 17

14. Scenario assumes stress occurs on 1 July 2023 and that there is no market recovery. As part of the Group's internal risk management processes, the Own Funds and regulatory SCR are regularly tested against a number of financial scenarios. The table provides illustrative impacts of changing one assumption while keeping others unchanged and reflects the business mix at the balance sheet date. Extreme markets movements outside of these sensitivities may not be linear

15. Assumes the impact of a dynamic recalculation of transitionals (subject to PRA approval) and an element of dynamic hedging which is performed on a continuous basis to minimise exposure to the interaction of rates with other correlated risks including longevity

16. Stress reflects a structural change in long term inflation with an increase of 60bps across the curve

17. A 15% weakening/ 10% strengthening of GBP exchange rates against other currencies

18. Assumes most onerous impact of a 10% increase/decrease in lapse rates across different product groups

19. Applied to the annuity portfolio

20. Property stress represents an overall average fall in property values of 12%

21. Credit stress varies by rating and term and is equivalent to an average 135bps spread widening. It assumes the impact of a dynamic recalculation of transitionals (subject to PRA approval) and makes no allowance for the cost of defaults/downgrades.

22. Impact of an immediate full letter downgrade across 20% of the shareholder exposure to the bond portfolio (e.g. from AAA to AA, AA to A, etc.). This sensitivity assumes the annuity portfolio is rebalanced back towards its original credit rating profile and makes allowance for losses from the spread widening which would be associated with downgrades

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