Phoenix

Supporting constructive dialogue

Stewardship Report 2023
Phoenix Group Holdings plc

Standard Life
Part of Phoenix Group

SunLife
Part of Phoenix Group

PHOENIX LIFE
Part of Phoenix Group

ReAssure
Part of Phoenix Group

In this report

We believe that the effective stewardship of assets is a key enabler to fulfil our purpose, vision and strategy.

Our reporting

You can find out more about our activities, financial performance, sustainability strategy and our progress towards becoming a net zero business by 2050 by visiting our website **www.thephoenixgroup.com**

References within the **Stewardship Report**

For more information read our **supplementary reports**

Reference to further reading **online**


Annual Report


Climate Report


Sustainability Report


Online review

Please see the glossary on pages 99 to 100 for an explanation of key terms used throughout this report.

Data and figures shared in this report are at and for the year ended 31 December 2023.

This document has been approved by the Phoenix Group Holding Board, and signed by our Chief Executive Officer ('CEO') and Chief Investment Officer ('CIO'), see pages 2 and 3.

Our assurance

The Group has appointed Ernst & Young LLP ('EY') to provide limited independent assurance over selected climate-related disclosures content within this report marked with ^ as at and for the year ended 31 December 2023. The assurance engagement was planned and performed in accordance with the International Standard for Assurance Engagements ('ISAE') 3000 (Revised), Assurance Engagements other than Audits or Reviews of Historical Financial Information. A limited assurance opinion was issued and is available on page 102 of this report.

Data and figures shared in this report are at and for the year ended 31 December 2023.

Foreword

As a large asset owner, we have the size and scale to drive real change while ensuring good customer outcomes. A key way we aim to deliver this is through our sustainable investment and stewardship activity.

Our purpose is helping people secure a life of possibilities. We want to support them in their journey to and through retirement while investing in a better future.

Our commitment is driven and overseen by our Board and Executive Committee, embedded in our business and strategy, and enabled by our colleagues and specialist teams. We believe that engaging with investee companies and exercising our investors' rights can drive better corporate behaviours, which is expected to also lead to stronger and more sustainable financial outcomes. Our asset management partners also play a crucial role in our stewardship journey and are at the forefront of dialogue with investee companies.

The landscape we are operating in is ever changing. Our approach is informed by and responds to the growing Environmental, Social and Governance ('ESG') regulatory requirements, changing stakeholder perceptions and wider trends. Recent reports from bodies such as the Intergovernmental Panel on Climate Change and the United Nations Environment Programme highlight the slow progress and significant scale of the challenge in restricting global warming to 1.5°C. Real world events are occuring at a high rate, with 2023 setting the record for the hottest year on record. We believe that we have a societal responsibility to address the climate emergency and play a leading role in supporting the transition to a net zero economy by 2050 in a way that ensures good outcomes for our customers and shareholders and benefits all our stakeholders. This drives our direct actions in decarbonising portfolios and operations and how we collaborate with others; we can only decarbonise our portfolios if the economy decarbonises too.

Our focus is not on climate change alone. We believe that protecting and restoring the planet's natural resources is an economic and environmental imperative too. This is why we started mapping risks and opportunities in this area and developed a strategy to take action.

Finally, people are at the core of what we do and offer. As an investor and an employer, we believe we have a responsibility to prevent, mitigate and respond to negative human rights impacts.

In 2023, we were proud to be confirmed as an asset owner signatory to the UK Stewardship Code by the Financial Reporting Council ('FRC'). This reflects the holistic approach we are taking towards stewardship, and our commitment to embedding market-wide and systemic risks – particularly those in relation to ESG – into our purpose, investment strategies, processes and culture.

I am delighted with the progress we have made in 2023 across key ESG issues, but there is always more to do. In 2024 and beyond we will continue aiming high and our dedicated stewardship team will focus on constructive dialogue and engagement with investee companies and asset management partners to tackle climate change, nature and human rights. We believe this will drive positive change and ensure long-term value for all our stakeholders.

Andy Briggs
Group Chief Executive Officer

Foreword

Stewardship is a core tool at our disposal to protect the long-term returns of our customers and shareholders through constructive dialogue with both investee companies and asset management partners.

In 2023, we have progressed steadily with our in-house thematic engagement programmes and collaborations with service providers and asset managers to support our long-term investor view.

In the last year, we have advanced the dialogue on climate change with our target list of investee companies, which represent a combined 42%^ of financed emissions in highly emitting sectors. We were pleased to see that in the last 12 months, companies have been responsive and either progressed or committed to achieve 40% of our tailored requests to decarbonise their business model. We have also noticed a significant increase in our asset managers' engagements relating to climate. The companies with which they have those engagements now account for more than 44%^ of our financed emissions in highly emitting sectors. This means that all of our engagement activities relate to 86%^ of portfolio emissions. We will continue to encourage companies to move from increased disclosure towards alignment with a low carbon economy.

We are also expanding our attention to other environmental issues and piloted the Taskforce on Nature-related Financial Disclosures ('TNFD') framework to improve our understanding of our exposure to risks and opportunities related to nature loss and regeneration. We are proud to have joined a new collaborative initiative (Nature Action 100 ('NA100')) to foster dialogue with investee companies on this topic.

Our efforts on human rights have also evolved from in-depth research to engagement with corporate management and broader portfolio analysis. We see an urgent need to move beyond setting policies and due diligence processes to defining targets and measuring progress by companies.

We are also keeping a strong focus on the governance and voting activities of our asset managers by scaling up our monitoring process to support more alignment with our Global Voting Principles.

As mentioned in 2022, we are dedicated to fostering better communication and information flows from asset managers to asset owners. On the back of the production of our first stewardship report, we have engaged with our asset management partners to collect more standardised quantitative and qualitative data on the outcomes of their stewardship activities across asset classes. We have noticed significant improvements when producing this year's report and we intend to keep this topic as an area of engagement in 2024, especially in the context of the new UK Sustainability Disclosure Requirements ('SDR') and labelling rules for financial products.

In 2023, we stayed active in dialogue with industry initiatives and policymakers to promote a regulatory environment that enables effective stewardship in the investment value chain. We are looking forward to participating in future consultations by the Financial Conduct Authority ('FCA') for the revision of the UK Stewardship Code to ensure it remains fit for purpose and supports engagement and voting activities in the best interests of our customers and shareholders.

Michael Eakins
Group Chief Investment Officer

Valeria Piani
Head of Stewardship

Executive summary

We are the UK's largest long-term savings and retirement business, with £283 billion assets under administration.

We offer a broad range of savings and retirement income solutions to 12 million customers in the UK, Ireland and Germany to fulfil our purpose of helping people secure a life of possibilities.

Our sustainable investment and stewardship approaches are core components of our sustainability strategy and investment principles and are key enablers to fulfil our vision in the best interests of our customers, shareholders and stakeholders. As a result, we were pleased to become signatories to the UK Stewardship Code in August 2023.

This Stewardship Report provides an overview of our governance and policies to support outcomes-oriented stewardship activities and the actions we took in 2023 directly, in collaboration with other investors and through our asset managers to foster effective stewardship based on dialogue, feedback and outcomes.

See **chapter 1**

Our focus

In 2023, we confirmed the key ESG priorities for stewardship and portfolio monitoring by taking into consideration our customers' views, insights from our updated materiality assessments, potential impacts on our portfolios across regions and sectors, availability of data and the existence of collaborative initiatives to join. As a result, we kept our focus on addressing the risks and opportunities on climate change, nature, human rights and controversies linked to the breach of the United Nations Global Compant ('UNGC') Principles.

See **Our purpose and strategy**

Our customers' views

In 2023, we continued to undertake research across our family of brands on our customers' changing views[1] to ensure that we provide solutions and communications that support their needs. We found that 75% of customers are taking actions to live more sustainably, yet many do not know what role their pension can play in supporting sustainability efforts. For most customers (78%), the priority remains to grow their pension, but they want to avoid harm if they can. In total, 67% would like to hear more about responsible investing, offering us an opportunity to engage with them about their financial futures. Our customers are also supportive of work to help the businesses we invest in to transition towards net zero.

See **chapter 6**

Climate change

Our direct engagement programme is targeting 25 companies related to 42%^ of our financed emissions in highly emitting sectors[2] (using a 2022 baseline across our corporate equity and credit portfolios). We met with 23 of these companies in 44 meetings in 2023. Through our analysis, we recorded that target companies committed to or made progress on 40% of our tailored engagement objectives in the last 12 months. Moreover, in 2023, our asset management partners engaged with more than 1,000 companies through 2,300 meetings on climate change, covering an additional 44%^ of financed emissions in highly emitting sectors.

See **chapter 3**

In 2023, we also engaged with regulators and policymakers to make sure we mobilise pension assets better to unlock climate solutions.

See **chapter 7**

100+
We joined the Climate Action 100+ Global Steering Committee

42%
% of financed emissions in highly emitting sectors covered by our direct engagement programme

44
meetings on climate change conducted by our stewardship team with 23 companies in highly emitting sectors

44%
% of financed emissions in highly emitting sectors covered by engagements conducted by our asset management partners

40%
of our climate engagement objectives for our target list of 25 companies showed progress or commitment to progress after the first year of dialogue

1 Research conducted via an online survey with 2,052 customers across our Standard Life, Phoenix Life and ReAssure brands. The data was weighted to reflect the distribution of customers across our brands (effective total base = 1,752).
2 We define highly emitting sectors using the Net-Zero Asset Owner Alliance ('NZAOA') classification. According to its protocol, NZAOA members shall engage, at a minimum, 20 companies in their portfolio with a focus on those responsible for the most 'owned emissions' or those responsible for a combined 65% of owned emissions in their corporate bond and equity portfolio.

Executive summary continued

Nature

Nature-related impacts are interconnected with climate change. We have started taking action by piloting the TNFD framework and Locate, Evaluate, Assess, Prepare ('LEAP') assessment guidance and joining collaborative initiatives, such as NA100 and Finance for Biodiversity Pledge.

See **chapters 2 and 7**

Human rights

We aim to implement the United Nations Guiding Principles on Business and Human Rights ('UNGPs'), the global framework on business and human rights, which stipulate investors' responsibility for preventing, mitigating and accounting for how they address adverse human rights impacts. In 2023, we initiated the first phase of our investment portfolio due diligence to identify salient human rights impacts and act on any findings. We also completed our research on six companies targeted by the Principles for Responsible Investment ('PRI')'s Advance initiative to foster the implementation of the UNGPs by companies in the mining and utilities sector. Our research shows that all six companies have policies, due diligence processes and board and management oversight in place, but they lack targets and assessment of progress against outcomes.

See **chapters 2 and 3**

UNGC-related controversies

In 2023, we conducted in-depth research on ten companies screened against breaches of UNGC principles on human rights, labour rights, environmental and climate change issues, and anti-bribery and corruption efforts. We also sent tailored letters and aimed to engage with corporate management both directly and through a third-party collaborative platform. Our research shows that 60% of the companies reported publicly on the controversy to which they are linked and 50% engaged with affected stakeholders and reported progress on remediation activities.

See **chapters 3**

Corporate governance and voting

In this report, we share some of the insights from our synthetic vote testing applied to all resolutions at the shareholder meetings of 100 companies[1]. We conducted an analysis of our synthetic voting records and the votes cast by selected asset managers. We noticed that the most common areas of misalignment with managers were environment and climate resolutions, director elections and executive remuneration.

In 2023, our asset managers voted on between 94 and 100% of eligible resolutions on our behalf using their customised voting policies. We were pleased to see that, in 2023, they have either maintained or increased their support for ESG shareholder resolutions considered material for investee companies, with the exception of only one manager. We used this information to engage with our asset managers and our vision to address voting inconsistencies in the future.

See **chapters 4**

6
companies for which research on human rights has been completed and engagement has started

10
companies for which research has been completed and engagement continued on UNGC breaches

50%
of the companies engaged with stakeholders affected by the UNGC-related controversies

60%
of companies reported publicly on the controversy related to the UNGC principles

100
companies[1] for which voting practices of managers have been assessed

1 Selected based on financial exposure and/or relevance for our thematic engagements.

Executive summary continued

Working with our asset managers
We take a primarily delegated approach to investments through asset managers. Consequently, the effective selection, appointment and monitoring of these managers is essential to meet the needs of our customers and shareholders. In 2023, we further enhanced our ESG assessment framework to cover more asset classes and priority issues. By applying these regular assessments, we were able to better understand our managers' strengths and weaknesses and this helped to define a structured dialogue to enhance their practices.

See **chapter 5**

After the publication of our 2022 Stewardship Report, we engaged with 11 managers to encourage more investments reporting and tracking tools for their stewardship activities. We were pleased to see significant improvements on the quality of data shared with us in 2023. Our managers had more than 5,000 meetings with more than 1,700 investee companies on our behalf. Overall, 41% of all the meetings reported to us had associated engagement objectives tracked in our managers' reporting systems. This is a significant increase from 17% the previous year.

See **chapter 3**

90%+
of assets with investment management agreements ('IMAs') are monitored through our ESG assessment framework

5,000+
engagement meetings conducted with 1,700 companies by 16 asset management partners across ESG issues

2,300
engagement meetings on climate change with more than 1,000 companies conducted by our asset management partners

41%
of engagement meetings by our asset management partners have engagement objectives set (17% in 2022) and 31% of these (5% in 2022) showed progress

94-100%
of resolutions voted at Annual General Meetings ('AGMs')/Extraordinary General Meetings ('EGMs') on our behalf by asset management partners

Addressing market-wide and systemic risks
In 2023, we faced several systemic risks as a business. These risks do not only impact Phoenix Group as a company, but also our employees, our customers, broader society and the markets we invest in. This is why we actively supported several industry initiatives and worked with policymakers and standard setters to address them in the long-term, in addition to adapting our direct and delegated ESG investment integration and stewardship activities.

See **chapter 7**

29
industry initiatives are supported to address systemic ESG risks

Future priorities

Key commitments

- Begin implementing customised decarbonising benchmarks for selected listed equity strategies and create a roadmap for rolling out decarbonising strategies across the remainder of our listed equity and credit portfolios
- Develop portfolios' nature risk and opportunity assessment methodologies for listed equity and credit securities
- Complete portfolio analysis of human rights risks and opportunities for listed equity and credit securities
- Continue work with asset management partners to improve disclosure on engagement activities
- Continue in-house engagement on climate, nature, human rights, and UNGC breaches
- Expand our test on voting practices by selected asset managers to 300 companies
- Keep updating our ESG assessment framework for managers to raise standards and improve practices
- Implement the monitoring framework for ESG service providers
- Continue to seek our customers' views to ensure we provide solutions and communications that support their needs
- Update our Risk Management Framework to introduce additional sustainability-related risks

In 2023 we achieved significant milestones and, in this report, we share our commitments for 2024 and beyond.

Our purpose and strategy

Our purpose is helping people secure a life of possibilities

We want to help people journey to and through retirement while investing in a better future.

Throughout this document we measure activities against the UK Stewardship Code and its 12 principles. The principles relevant for this section are listed below:

- Principle 1
- Principle 2
- Principle 6
- Principle 7

At a glance

Our vision is to be the UK's leading retirement savings and income business. We offer a broad range of savings and retirement income products to support people across all stages of the savings life cycle from ages 18 to 80+, through our family of brands.

Our business

c.£283bn
total assets under administration APM

c.7,800
colleagues as at 31 December 2023

c.12m
customers

c.£530m
annual dividend paid to shareholders

FTSE 100
and FTSE All World company

Our family of brands

Standard Life
Part of Phoenix Group

Standard Life has been trusted to look after people's life savings and retirement needs for nearly 200 years.

SunLife
Part of Phoenix Group

SunLife's straightforward and affordable financial products and services are designed to meet the needs of the over-50s.

PHOENIX LIFE
Part of Phoenix Group

Phoenix Life is a closed book consolidator that has grown from a series of acquisitions and policy transfers throughout its 200-year history.

ReAssure
Part of Phoenix Group

ReAssure is a major life and pensions consolidator in the UK market.

All amounts throughout the report marked with APM are alternative performance measures. Read more in appendix 6 – Glossary.

How we deliver our purpose-led business

Our purpose

Helping people secure a life of possibilities

Our vision

To be the UK's leading, retirement savings and income business.

Our strategic priorities

Grow

Meeting more of our existing customers' needs and acquiring new customers.

Optimise

Optimise our scale in-force business.

Enhance

Transforming our operating model and culture.

Our sustainability strategy

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.

Planet

We want to help shape a better future. This means delivering good outcomes for our customers, playing a key role in delivering a net zero economy by 2050 and reducing our impact and dependency on nature.

Building a sustainable business

We are committed to embedding sustainability and best practice governance to maintain high standards of oversight, integrity and ethics.

Our values

Growth
We grow our business through finding new ways to develop our expertise and innovate.

Passion
We are passionate about understanding and acting on what's important to our customers, colleagues and society.

Responsibility
We build trust by taking accountability and empowering others to do the right thing.

Courage
We are ambitious in the challenges we solve and we always speak up.

Difference
We collaborate across boundaries and embrace difference to deliver the best customer and colleague outcomes.

Our investment principles

- Pursue our business objectives including sustainability targets.
- Take into account customers' expectations and treat them fairly.
- Follow our Board's risk appetite.
- Provide product- and fund-specific strategies.
- Properly assess liabilities.
- Manage solvency requirements.
- Fully align with regulatory principles.
- Optimise risk and expected returns through strategic asset allocation.

For more information view our **Annual Report and Accounts**

For more information view our **Sustainability Report**

For more information view our **Climate Report**

Our purpose and strategy continued
Our business

We offer a range of customer solutions across our businesses

Savings for retirement

Products and solutions that support customers as they save for and transition to retirement:

- Defined contribution ('DC') workplace pensions.
- Retail savings for retirement.
- Pension consolidation.
- Legacy pensions and savings products.

Retirement income

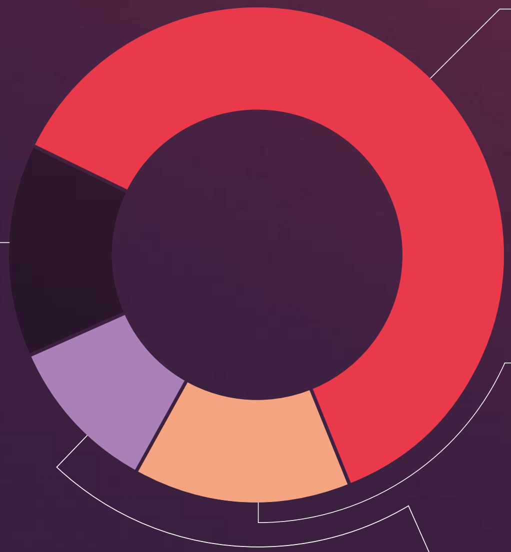
Products and solutions that secure an income for customers in their retirement:

- Income drawdown and individual annuities.
- Defined benefit ('DB') pension income.
- Home equity release.

We take a primarily delegated approach to investments through asset managers. For the majority (79%) of our assets under administration ('AUA'), we set the investment strategy, and the mandates are run on a day-to-day basis by our asset management partners ('AMPs'). Of these assets with associated investment management agreements ('IMAs'), 70% are managed by our top five AMPs (level 1) and 9% are managed by a larger group of AMPs with smaller-sized mandates (level 2). The remaining 21% of assets are managed by external managers offering collective investments available to policyholders on our distribution platforms (i.e. external fund links ('EFLs') for which we do not control the investment strategies (level 3) (see chart 1). In April 2023, we completed the £8 billion acquisition of Sun Life of Canada UK ('SLOC') the integration of which is progressing well. This resulted in the addition of five level 2 managers to our list of AMPs.

Of our total AUA, 85% are policyholder assets linked to the insured products and EFLs we offer to our customers, and 15% are shareholder assets matching liabilities from annuities (see chart 2).

Business areas



c.£175bn
Pensions and Savings

We help customers journey to and through retirement. Our DC Workplace business supports people who save through their workplace pension, and our Retail business supports individual customers to save for, transition to, and secure an income in retirement.

c.£40bn
Retirement Solutions

We participate across the key retirement markets, as we seek to help customers secure income certainty in retirement, including DB pensions (including Bulk Purchase Annuities ('BPA')), individual annuities and home equity release.

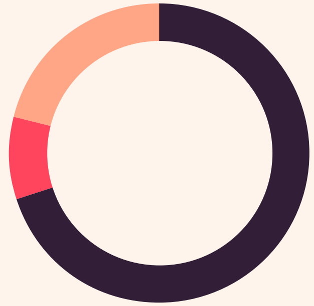
c.£39bn
With-Profits

We are a market leader in the safe and efficient management of legacy pensions and savings policies to deliver better customer outcomes, with a range of legacy With-Profits savings products that are closed to new business that we manage for our customers.

c.£29bn
Europe and Other

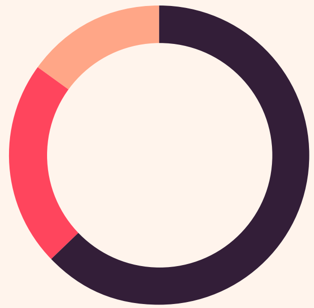
Standard Life International, which operates in Ireland and Germany, offers a range of pensions and savings products, including international bonds. SunLife offers protection solutions and funeral plans direct to the over-50s market in the UK.

Chart 1 – Distribution of AUA across types of asset managers



Level 1 – Asset management partners	70%
Level 2 – Asset management partners	9%
Level 3 – EFLs managers	21%

Chart 2 – Distribution of AUA across types of assets



Policyholder assets	63%
EFLs	22%
Shareholder assets	15%

Our purpose and strategy continued
Our strategic priorities and culture

To support us on our journey we have a clear set of strategic priorities focused on growth, optimisation and enhancements (right).

Our sustainable investing and stewardship approaches are key enablers to fulfilling our business strategy, purpose and vision.

We believe that considering ESG factors makes our portfolios more resilient over the long-term. This is why our series of policies defines our expectations of asset management partners on integration, engagement and voting activities.

We support effective stewardship of our customers' and shareholders' assets based on dialogue, feedback, relationships and clear outcomes-oriented objectives to foster more sustainable returns. This applies to us when we conduct activities through our stewardship team and it is part of our expectations of asset managers who undertake interactions with investee companies on our behalf.

Our strategic priorities will strengthen our competitive advantages

Grow

We have significant growth opportunities available, both through meeting more of our existing customers' needs, and by acquiring new customers. Given the significant market opportunities available to us, we have consciously chosen to invest heavily in order to accelerate our organic growth.

Optimise

We are a market leader in managing its in-force business for cash and ensuring a resilient capital position. The Group's cash generation stems from the emergence of surplus from our in-force business, which we enhance through the delivery of value-accretive management actions, underpinned by the diversification of our portfolio and increasingly supported by the investments we are making to boost our asset management capabilities. In parallel, we deploy a comprehensive approach to risk management, hedging the majority of market risks including equity, interest rates and inflation. This brings resilience to our Solvency II capital position. We are on a journey to embed sustainability throughout our business and across our strategic priorities. As a result, investing in a better future is a key part of optimising our in-force business, as we look to protect our customers from the risk presented by ESG issues as well as maximising the opportunities presented by climate change.

Enhance

Enhancing our operating model and culture are key to our success. We do this by completing our planned integrations and migrations, and through driving simplification to a single, Group-wide operating model that benefits both our customers and our colleagues. This supports us in delivering a seamless customer experience and enables us to further enhance our cost efficiency. Alongside this, we are also committed to being a leading responsible business, which attracts and retains the best talent, through a diverse and inclusive, high-performance culture. We believe that nurturing a positive culture better enables all teams across Phoenix Group – including the stewardship team – to work to the best of their ability in a supportive environment.

Customer access

With c. 12 million customers, we have an unrivalled level of customer access. This gives us deep customer insights that underpin our developing propositions, enabling us to better meet their evolving needs on their journey to and through retirement.

Capital efficiency

As a genuinely diversified long-term savings and retirement business, we achieve greater diversification from our breadth of products. Our capital position is also highly resilient, thanks to our core capabilities in risk management and capital optimisation.

Cost efficiency

We have a significant cost efficiency advantage, which is enabled through our customer administration and IT partnership with Tata Consultancy Services. We are looking to further improve our cost efficiency through the next stage of our journey as we roll out our cost efficiency programme.

Our culture

At Phoenix Group, we want to be the best place our colleagues have ever worked, and we launched a number of initiatives in 2023 to support this ambition. We introduced Phoenix Flex, providing a framework which outlines our approach to flexibility and empowering our colleagues to create a way of working that suits them. We also launched the Spark initiative, creating the space for colleagues to innovate and challenge the status quo. Employees have put forward over 100 ideas to simplify our business, making changes to everyday processes that have significant impact across the organisation. Finally, we introduced Phoenix Heroes, celebrating colleagues who give what they can – be that skills, knowledge or time – to help make a positive and lasting difference in our communities.

Colleague engagement with our purpose and strategy is a priority across Phoenix Group. Last year, we continued to use a tool called Peakon to measure engagement on a monthly basis, asking colleagues to provide anonymous feedback on their experience of working for Phoenix Group. We ended 2023 with higher scores on employees' engagement and satisfaction. We achieved this improvement through our continuous listening strategy, which enables us to respond and react to the moments that matter to colleagues, when it matters to them. However, creating a great workplace goes beyond achieving this score. We consider the total colleague experience by providing colleagues with access to the support and resources they need to help make their time at Phoenix Group as successful as possible.

For more information view our **Sustainability Report**

Our purpose and strategy continued

Our investment principles and priority ESG topics

Our Group investment strategy for both policyholder and shareholder investments is reviewed annually and owned by the Phoenix Life Companies ('LifeCo') Board (see appendix 2). Its key underlying investment principles are shown below. They guide our investment approach, risk management and stewardship activities across products and funds offered to our customers and strategies matching liabilities in shareholder assets.

1 Business objectives and sustainable targets

Our business objectives relate to cash generation, resilience in the balance sheet, growing the business and delivering for our customers. Our sustainable investment strategy focuses on ESG exclusions and restrictions, portfolio decarbonisation goals, and the consideration of ESG factors in investment and stewardship activities, with a focus on key ESG priorities as set out in our core policies (see pages 19 and 20).

2 Policyholders' expectations and treatment

We take account of policyholders' reasonable expectations and we are committed to treating customers fairly. We focus on the outcomes that matter most to our customers.

See **chapter 7**

3 Board's risk appetites

We are guided by our Board's risk appetites. We hedge the majority of our shareholder market risks to deliver resilience and protect our dividend sustainability.

See **Appendices**

For more information view our **Annual Report and Accounts**

4 Products and funds

We ensure that strategies are product and fund specific, while taking into consideration existing features on options and guarantees.

5 Liabilities

We consider the appropriateness of the nature and duration of liabilities (including inflation and currency considerations).

6 Solvency requirements

We consider the features of our regulatory balance sheet to manage solvency requirements. A Solvency II capital assessment involves valuation in line with Solvency II principles of the Group's Own Funds and a risk-based assessment of the Group's Solvency Capital Requirement ('SCR'). Solvency II surplus is the excess of Own Funds over the SCR. The Group aims to maintain a Solvency II surplus at least equal to its Board-approved capital policy, which reflects Board risk appetite for meeting prevailing solvency requirements.

7 Regulatory principles

We take into consideration the Prudent Person Principle and the Investments part of the Prudential Regulation Authority ('PRA') and FCA Handbooks, ensuring: diversification and asset liability matching; liquidity and collateral management; limits are set on risk concentrations; derivatives are used for both investment purposes (taking tactical positions on various asset classes, where permitted) and efficient portfolio management.

8 Strategic asset allocation

Strategic asset allocation sets out the target level of investment in a range of asset classes. We determine the allocation of assets that optimises risk and expected return while taking into consideration the risk constraints of the business.

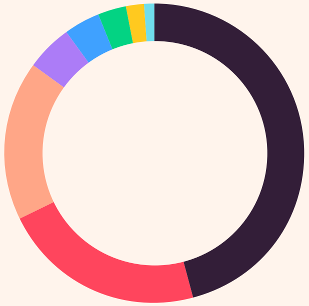
Our purpose and strategy continued
Our investment principles and priority ESG topics continued

In 2023, we acted to serve the best interests of our customers and shareholders by reviewing the strategic asset allocation of our funds and increasing our target allocation to private markets and other new asset strategies. We have also changed fund managers for some asset classes to further improve investment outcomes. The consolidation of our asset management partners also brings efficiency in managing our stewardship responsibilities and implementing our policies with a smaller group of managers involved. Lastly, we have consolidated funds to improve efficiencies and economies of scale, delivering fee savings to our customers. We believe these actions delivered positive outcomes and we will continue to consider all available options to fully satisfy our customers' and shareholders' interests.

Charts 3 and 4 provide an overview of our exposure across asset classes and geographies.

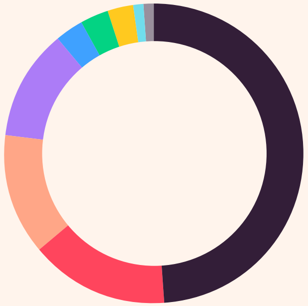
In 2021, we set our portfolio decarbonisation goals and these are regularly tracked and supported by our asset allocation and stewardship activities.

Chart 3 – Our AUA across asset classes



Corporate equities	46%
Corporate bonds	22%
Government bonds	17%
Cash and deposits	5%
Collective investment undertakings	4%
Mortgages and loans	3%
Properties	2%
Other	1%

Chart 4 – AUA across regions



UK	49%
Not labelled	15%
USA	13%
Europe (except UK)	12%
Japan	3%
Developed Asia (except Japan)	3%
Emerging and frontier markets	3%
Canada	1%
Australia and New Zealand	1%

Our journey to net zero

-25%

in the carbon emission intensity of our listed equity and credit assets by 2025[1]

Net zero

by 2050 in our investment portfolio

-50%

in the carbon emission intensity of our investments by 2030[2]

1 The 2025 target covers listed equity and credit where the Group can exercise control and influence (c. £160 billion). Using YE2021 figures, consistent with Net Zero Transition Plan.
2 The 2030 target covers all assets at a Group level where we can exercise control and influence (c. £250 billion). Using YE2021 figures, consistent with Net Zero Transition Plan

Our purpose and strategy continued

Our investment principles and priority ESG topics continued

In late 2021, we defined our criteria (right) to identify ESG priorities for monitoring portfolios, conducting and overseeing stewardship activities and fostering dialogue with policymakers and standard setters[1]. In 2023, we confirmed our focus on climate change, nature, human rights, controversies and corporate governance (below).

1 Note that while these priorities guide our monitoring and stewardship activities, they might not be specifically applied to the investment strategy of all portfolios.

Our criteria for prioritisation

Customer views
Customer views collected through both qualitative and quantative research

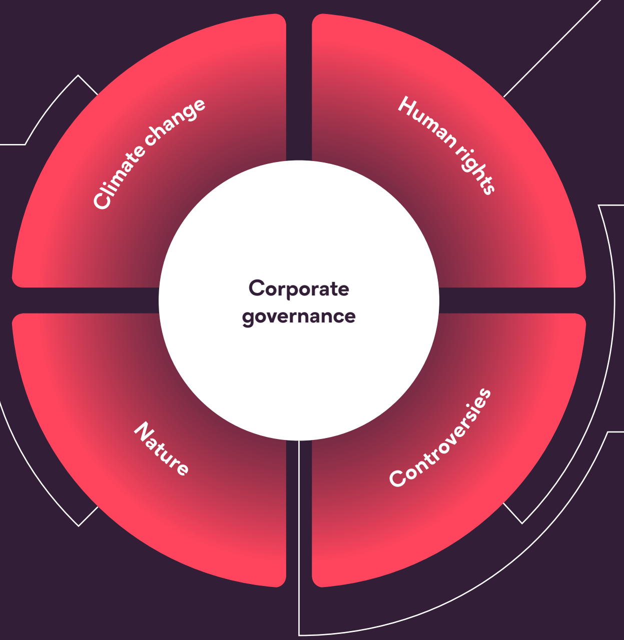
Insights
Insights from Phoenix Group's materiality assessments using inputs from multiple stakeholders (see page 15)

Materiality
The nature and materiality of the topic as representing a negative externality to portfolios across regions and sectors

Data
Availability of data to monitor and assess companies' performance

Collaboration
Existence of collaborative initiatives which intend to tackle the issue by supporting coordinated action from investors

Our key ESG priorities



Climate change
We recognise the systemic risks and opportunities presented by climate change to our investment portfolios and we support the need to reduce greenhouse gas ('GHG') emissions and accelerate the transition to a low carbon future.

Nature
We believe that protecting and restoring the planet's natural resources is an economic and environmental imperative, which presents both a complex risk and an exciting investment opportunity to manage on behalf of our customers.

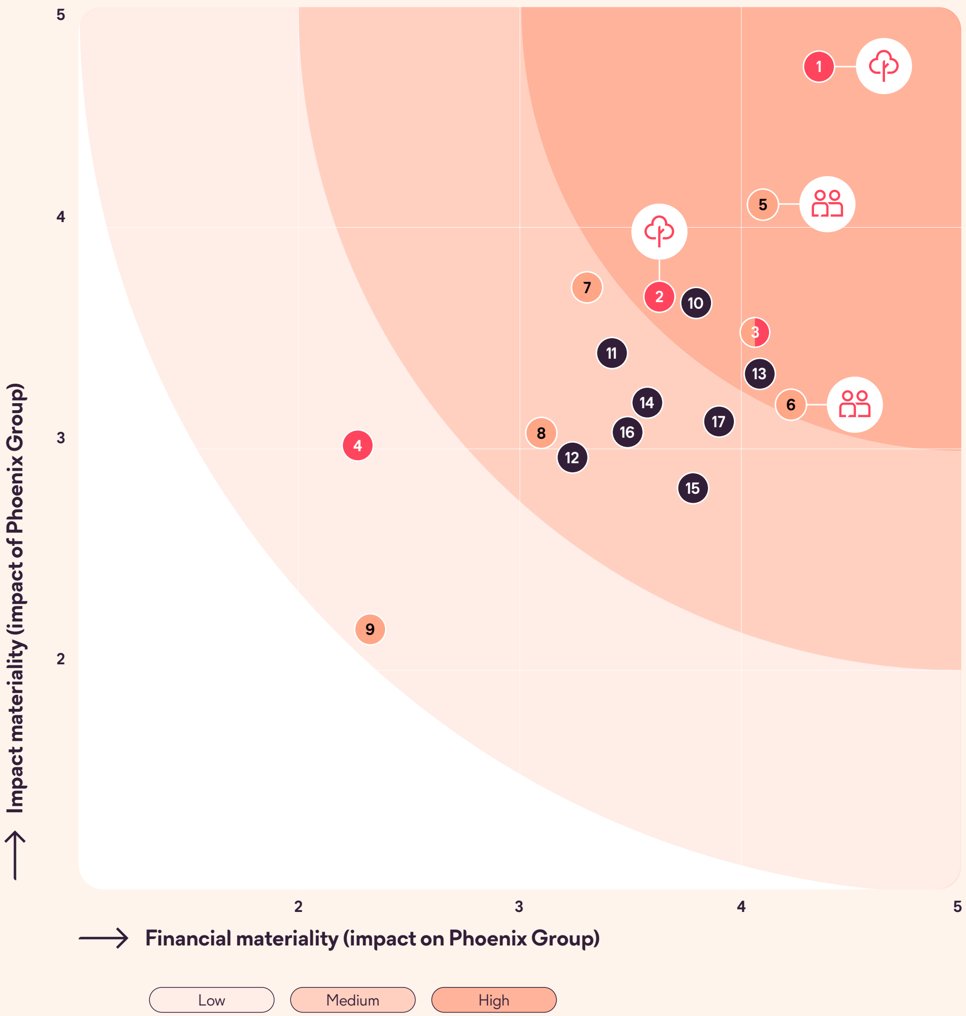
Human rights
We are dedicated to implementing the UNGPs, the authoritative global framework on business and human rights, which stipulate investors' responsibility for preventing, mitigating and accounting for how they address adverse human rights impacts.

Controversies
We use the UNGC principles as a reference framework to identify companies at the centre of severe controversies showing misalignment with international standards on human rights, labour rights, environmental and climate change issues, and anti-bribery and corruption efforts.

Corporate governance
We support sound corporate governance practices and remuneration policies that reward the creation of long-term shareholder value and the right outcomes for all stakeholders of investee companies. We see these as enabling factors to achieve progress on our selected ESG themes.

Our purpose and strategy continued

Phoenix Group materiality assessment diagram and explanation



In 2022 we carried out a full double-materiality review for Phoenix Group covering the whole spectrum of known sustainability issues. We combined an analysis on impact materiality (i.e. impact of Phoenix) with financial materiality (i.e. impact on Phoenix) of ESG risks and opportunities. We refreshed that review in 2023 as shown in the graph on this page.

Not all priority themes identified are relevant for our investment activities, but we have taken these insights into consideration when reviewing our key ESG themes[1].

Environment

1 **Climate change**
2 **Nature and biodiversity**
3 Responsible products and investments
4 Circular economy

Social

5 **Financial wellness and inclusion**
6 **Longevity and evolving demographics**
7 Human rights
8 Diversity, Equity and Inclusion
9 Local communities engagement

Governance

10 Digital innovation
11 Selling practices
12 Talent management
13 Data governance, privacy and cybersecurity
14 Customer centricity
15 Corporate governance
16 Transparency and reporting
17 Corporate and business ethics

1 Themes in bold are our four priority topics. For more information please see our 2023 Sustainability report.

Our stewardship approach

We support effective stewardship of our customers and shareholders' assets based on dialogue, feedback, relationships and clear outcome-oriented objectives to foster more sustainable returns

Our stewardship approach

1. Our governance, policies and resources

Throughout this document we measure activities against the UK Stewardship Code and its 12 principles. The principles relevant for this section are listed below:

- Principle 2
- Principle 3
- Principle 5

What we achieved in 2023:

- Updated a full suite of policies to support our stewardship efforts
- Set up the Stewardship Working Group which met regularly
- Added one member to the stewardship team
- Made progress towards our 2023 DEI targets
- Populated our internal engagement tracking system
- Formalised and published our approach to conflicts of interest in relation to stewardship

Key future priorities:

- Continue to review our governance process to allow for effective decision making in sustainable investment and stewardship
- Work towards updated DEI targets

1. Our governance, policies and resources

A governance framework to support effective stewardship

Our governance framework is the foundation that enables the achievement of our purpose and sustainable investment strategy, including stewardship, for the benefit of our customers and shareholders.

In 2022, we undertook an organisation-wide governance simplification process to ensure that our structure is fit for purpose. This resulted in a significant reduction in the number of management committees, less duplication of information across groups, more clarity on governance routes and more consistency on the efficient management of meetings. In 2023, this governance structure was effective in supporting reviews and approvals of several policies and actions. Nevertheless, we are committed to continuously reviewing our governance to ensure it supports timely, effective and informed decision making and oversight for our growing business.

At the core of our sustainable investing processes and activities sits the Sustainable Investment Forum ('SIF') (reporting to the Enterprise Asset Management Committee ('EAMC')) that has the responsibility to oversee and provide challenge relating to our stewardship strategy and activities. Additionally, the Stewardship Working Group ('SWG') is specifically responsible for making decisions in relation to engagement and voting activities. Both the SIF and the SWG met monthly throughout 2023 and discussed investor initiatives to support progress of dialogue with companies and responses to public consultations related to stewardship.

In 2023, the Phoenix Life Companies ('LifeCo') Board Investment Committee ('BIC') and EAMC met quarterly. In each session sustainable investment was discussed as a standing agenda item. In particular, these committees have reviewed our updated suite of policies (i.e. Stewardship policy, Global Voting Principles, ESG Expectations of Companies) and our assessment of asset management partners' voting activities.

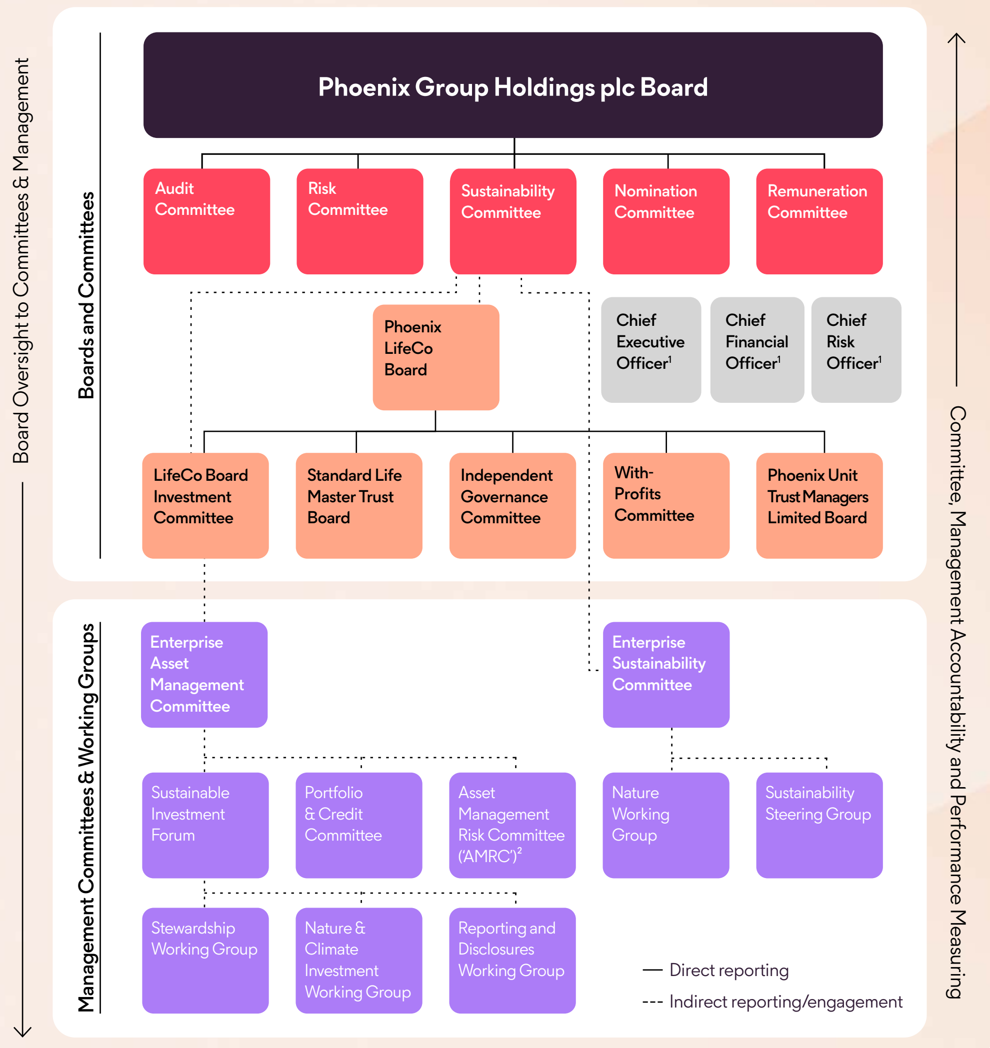
As detailed in the Matters Reserved for the Board, the Group Board has ultimate jurisdiction over the approval of all stewardship-related policies, documents and practices. The Group Board Sustainability Committee reviews and challenges these items before recommending them to the Group Board for approval. The Group has ensured that there is active interaction between BIC and the LifeCo Board and the Group Board and its committees to ensure appropriate governance and challenge.

During 2023, a nominated non-executive director from the LifeCo Board was a standing attendee at Group Board Sustainability Committee meetings. In addition, the BIC engaged with the Group Board Sustainability Committee in relation to the Group's sustainable investment strategy, to drive a consistent approach to the execution of this strategy and to ensure appropriate ESG reporting.

The sustainability governance framework (right) provides an overview of our current governance structure of stewardship activities. For more information on the roles and responsibilities of the committees see appendix 2.

1 These are the individuals accountable for ESG assisted by management committees and working groups in making day-to-day ESG-related decisions and escalating and reporting upwards as and when required.
2 The Asset Management Risk Committee is chaired by the Asset Management Chief Risk Officer who reports to the Executive Committee.

Our sustainability governance framework



1. Our governance, policies and resources continued

Phoenix Group's policies to guide our sustainable investment and stewardship ambitions

We have policies and statements in place which underpin the work we conduct on sustainable investment and stewardship. These policies follow a structured governance process for approval and regular updates[1].

We have marked below when a policy[2] or position has been introduced for the first time in 2023, and have indicated where existing documents have been reviewed and updated to ensure effective stewardship approaches.

Our Approach to ESG Integration

Updated

This document sets out our approach to integrating ESG considerations, aligned to our position as an asset owner with fiduciary duty, with investment management activities delegated to a variety of asset management partners. Our approach applies to Phoenix Group's investment portfolios across the with-profits, unit linked, and non-profit non-linked product ranges, which operate under Phoenix Life, Standard Life and ReAssure brands, and wherever we have the ability to set the investment strategy or investment solutions. With the annual update of our philosophy document, we have aligned the title to the evolving language that relates to sustainable investing. We have not made any significant changes to our approach in 2023, although we have added more information on our strategy on human rights.

Sustainable Finance Classification Framework for Private Markets

Updated

Our Sustainable Finance Classification Framework for Private Markets provides clarity on various themes and sub-categories of activities that can help classify our investments into Sustainable and Transition assets. We have built this Framework by working with a third party and bringing insights from regulatory/legal bodies, ESG-/sustainability-linked taxonomies and the broker-dealer ecosystem. This framework helps guide our investment decisions and ensures that we are assessing investments against robust sustainability/ESG criteria. In 2023, we updated the Framework to incorporate additional themes in environmental/social eligible activities. We also made updates and additions to the transition section.

Nature Statement

The Statement includes commitments to understand the impact and dependence of our investment portfolio on nature and review our investment strategy to take into consideration nature-related risks, solutions and opportunities; work with our asset management partners and investee companies to help halt and reverse the degradation of nature; and seek investment opportunities which actively support the transition towards a nature-positive economy.

Global Voting Principles

Updated

Our Global Voting Principles summarise our high-level beliefs and expectations of good corporate governance, environmental and social practices. The document also describes our approach to engagement, escalation and conflict of interest in addition to setting expectations of our asset management partners on voting. We are not involved in voting decisions directly[3]. We monitor the voting practices of our asset managers using our voting principles as a frame of reference after the votes are cast. In 2023, we included more details on our expectations on diversity and climate lobbying.

Stewardship policy

Updated

The policy covers all investments and outlines our definition of effective stewardship across asset classes. The document includes information on our approach to stewardship across asset classes through direct, collaborative and delegated engagements, use of ESG research, monitoring voting practices, escalation strategies, expectations of managers and assessment of their practices, dialogue with policymakers and transparency on our stewardship practices. In 2023, we updated the document to add more information on our alignment with the UK Stewardship Code and our approach to monitoring EFL managers.

Climate Change Risk Management Framework

Climate risk is treated as 'cross-cutting' all risks to reflect its likely emergence through, and aggravation of, existing risks. The identification of climate risk has been embedded in the components of our Risk Management Framework. We assess our climate risk exposure through annual stress and scenario testing, ongoing monitoring of emerging risks, regulatory and market scanning, carbon footprinting exercises, and monitoring of our progress against climate risk metrics, risk appetites and external targets.

1 Our policies are reviewed annually and updated when required.
2 Policies embedded in our Risk Management Framework are signalled with a capital letter.
3 With the exception of only a small number of execution-only mandates.

1. Our governance, policies and resources continued

Phoenix Group's policies to guide our sustainable investment and stewardship ambitions continued

Human Rights policy

This outlines our commitment to implement the UNGPs. The policy refers to: collaborating with our asset management partners to integrate human rights considerations into the investment processes and support effective stewardship of assets; screening of our equity and fixed income portfolios on potential human rights impacts; evolving our approach to access to data and continuing to seek accurate information from a wide range of sources; and the intention to implement investment portfolios' due diligence to identify salient human rights impacts and act on findings through direct, collaborative or delegated engagement by our asset management partners.

Exclusions policy

Updated

This policy outlines the type of companies and products we have chosen to exclude from our investment portfolios[1] as a minimum standard of alignment with our sustainability principles. Our exclusions are related to controversial weapons, thermal coal (where >20% of revenue is from thermal coal extraction), oil sands (where >20% of revenue is from oil sands operations), Arctic drilling (where >20% of revenue is from Arctic drilling activity) and tobacco producers. In 2023, we updated the policy to introduce a 1% revenue threshold on tobacco production.

Sustainability Risk Policy[3]

This Policy sets the control objectives relating to the management of sustainability risks throughout the Group. The document is one of a group of risk policies and intends to identify and manage potential sustainability risks. Sustainability risk is defined as financial failure, poor customer outcomes, reputational loss, loss of earnings and/or value arising from a failure to manage the impacts of ESG matters on the Group strategy and the impacts of the Group on ESG issues.

Net Zero Commitment

Through this public statement we have set the goal to reduce the GHG emissions of our investment portfolio to net zero by 2050, in line with the commitment of the UK government and the goals of the Paris Agreement. In addition, by 2025 we aim to reduce the carbon intensity of our listed equity and credit assets by 25%[2]. By 2030, we intend to cut the carbon intensity of all assets by at least 50%[2].

ESG Expectations of Companies

Updated

This document provides a set of expectations of corporate management on key priority topics for stewardship activities: climate change; nature; human rights; and UNGC-related controversies. The same expectations are reflected in our Global Voting Principles. In 2023, we updated our expectations on nature risks and opportunities as well as climate-related offsets.

Sustainable Investment Risk Policy[3]

This internal Risk Policy sets the minimum operating standards relating to the management of sustainable investment risks throughout Phoenix Asset Management. It is one of a set of risk policies which aims to provide a clear risk and governance framework and an effective system of internal controls for the management of sustainable investment risks which could result in a negative impact on investment performance, a lack of appropriate products and propositions to meet customer demands and/or a breach of regulatory requirements.

1 This is for portfolios we have control of and therefore excluding EFLs.
2 Where we exercise influence and control.
3 Policies embedded in our Risk Management Framework are signalled with a capital letter

1. Our governance, policies and resources continued

Allocating resources to support stewardship and sustainable investment

At the end of 2023, the sustainable investment ('SI') team at Phoenix Asset Management consisted of 19 professionals (the same number as in 2022) from diverse backgrounds spanning ESG, investment management, insurance, retirement services and data management.

The Sustainable Investments team

In total, 37% of the team are women and 47% are professionals from diverse ethnic backgrounds[1] (see 'Allocating resources to support stewardship and sustainable investment' in page 21 for more information on our efforts to increase diversity in our workforce, including the SI team). Almost 85% of the team hold relevant investment qualifications and 32% have sustainable investing qualifications.

The SI team has five groups, each responsible for its own area and managed by a head, as shown in the diagram (above). One of the five groups is Stewardship. At the end of 2023, the stewardship team was made up of four professionals (including one additional hire from 2022) with more than 17 years of experience in ESG on average.

In addition to the SI team, other colleagues within Phoenix Group have ESG and sustainability responsibilities. At the end of 2023, our central sustainability team, headed by our Chief Sustainability Officer, was made up of 18 members focused on sustainability strategy and reporting across operations, procurement, human resources and investments. Group Risk also included five professionals responsible for the oversight of climate risk and wider ESG risk across its asset management risk team and financial risk team. The customer sustainability team included seven members responsible for facilitating the design, development and delivery of the Group customer sustainability strategy. Finally, the public affairs team had eight professionals, including a manager specialising in ESG issues, actively involved in dialogue with policymakers on topics related to investments and sustainability.

Over the last two years, we have invested in data access and systems to support stewardship activities. In particular, we have built an internal tracking system embedded in our investment platform. This system tracks information on the engagement activities conducted by the stewardship team including objectives, progress against milestones and escalation strategies. Since 2022, we have also had access to a voting platform which allows us to review recommendations based on our Global Voting Principles on a selected sample of companies so we can conduct analysis on voting practices of asset management partners (see more on page 59 – chapter 4). Through access to four ESG service providers' platforms, we have also been able to assess and monitor companies' performance on selected ESG metrics in support of our thematic engagement programmes.

1 Based on classification which included Asian, Black, Hispanic/Latin/Spanish, Indigenous/Tribal People (domicile-specific), Middle Eastern or North African, White, other Race or Ethnicity, Two or More Races or Ethnicities, and Not disclosed.

1. Our governance, policies and resources continued

Boosting DEI

We set ourselves challenging targets in 2023 to achieve our aim of building and retaining a more diverse and inclusive workforce, and by the end of the year we had exceeded three of our four end-of-year goals. We missed our target of 40% women in Senior Leadership by just 0.9%. This target was ambitious; we extended it during 2022 so that it covered all c. 1,000 senior leadership roles rather than just the top 100.

We were one of the first organisations to sign the HM Treasury's Women in Finance Charter[1], aimed at building a more balanced and fair financial services industry. We also made a commitment to increase our gender balance, appointing a member of our Executive Team to be accountable for gender diversity and inclusion, setting internal targets for gender balance in our senior leadership and publishing our progress.

We have 11 colleague networks at Phoenix Group, all of which are sponsored by a member of the Executive Team, and we have DEI champions across every part of the organisation.

A key part of our Group DEI strategy is developing a better understanding of our workforce. We have launched a campaign called 'Who we Are', that invited colleagues to share their diversity data through our HR Platform. We have also started collecting data from our recruitment processes so we can have a clearer view of who is applying for roles at Phoenix Group, to assess if our talent pool is diverse and inclusive.

What we achieved in 2023

Area	End of 2023 target	Phoenix Group
Women in Senior Leadership	=> 40%	39.1%
Women in Top 100 earners (Full Time Employee ('FTE') salary)	=> 30%	35%
% Successors to the Phoenix Group ExCo who are women	=> 40%	60%
Monthly Gender Pay Gap (FTE salary)	=< 22%	19.9%
Group Wide Ethnicity Representation	=> 13%	14.8%

Our new 2024 and 2025 DEI targets

Target	End of 2024 target	End of 2025 target
Women in Senior Leadership[2]	>= 40%	>= 42%
Women in Top 100 paying roles	>= 35	>= 40
Monthly Gender Pay Gap	<= 20%	<= 18%
Group Black, Asian and Ethnic Minority Representation[3]	>= 15%	>= 17%
Senior Leadership Black, Asian and Ethnic Minority Representation[4]	>= 12%	>= 13%
Senior Leadership Black Representation	>= 1.5%	>= 3%

We reviewed our existing targets during 2023, incorporating internal data analysis and projections, and external data analysis from the 2021 England & Wales Census. As a result, we have set new, stretching targets for the end of 2025 which include increasing our existing goals and adding specific targets for Ethnicity Senior Leadership representation. Our 2025 year-end DEI targets now include a target for Black, Asian and Ethnic Minority Senior Leadership as well as a specific target for Black Senior Leadership representation. We have also increased our focus on creating gender-balanced talent pipelines in our business.

60%

% successors to the Phoenix Group Executive Committee who are women

35%

women in top 100 earners (FTE salary)

For more information, see our **2023 Inclusion and Pay Gap Report**

We want Phoenix Group to be a place where everyone belongs, which reflects the customers we serve and the communities we operate in. We are striving to make sure our workplace is diverse, and that every colleague is treated with respect and dignity and can bring their whole self to work.

1 For more information, please visit Women in Finance Charter – GOV.UK (www.gov.uk).
2 Women in Senior Leadership %: Based on our grading structure which from low to high is Universal, Intermediate, Senior Leadership, Business Leadership and Executive. Senior Leadership is defined as Senior Leadership, Business Leadership and Executive Grades and covers c. 1,000 of the most senior roles. The percentage of Senior Leadership who identify as female out of the total Senior Leadership population. Excludes Germany, SunLife, SLOC and PhoenixRe.
3 Group Black, Asian and Ethnic Minority Representation: The percentage of individuals who identify as being from a Black, Asian or Minority Ethnic background out of the total Group population where ethnicity data has been disclosed. This covers both UK and Ireland. Excludes Germany, SunLife, Sun Life of Canada UK ('SLoC') and PhoenixRe.
4 Senior Leadership Black, Asian and Ethnic Minority Representation: The percentage of individuals who identify as being from a Black, Asian or Minority Ethnic background out of the total Senior Leadership population. Senior Leadership is defined as Senior Leadership, Business Leadership and Executive Grades.

1. Our governance, policies and resources continued

Using ESG research service providers

In 2023, Phoenix Asset Management had access to ESG data provided by four service providers with two more being appointed in the first quarter of the year. This data has been used to support the development of our ESG exclusions and restrictions, stewardship focus lists, portfolio carbon footprinting and scenario analysis.

During the year, we continued to work with other consultants and service providers on additional ESG-related areas:

- Scenario analysis – we maintained our subscription to a third-party service to enable portfolio analysis across a range of climate scenarios as well as evaluation of temperature scores.
- Voting – we continued our partnership with an investment consultant to assess the voting practices of selected asset managers using our Global Voting Principles as a reference. We also continued to have access to voting research and recommendations by a proxy voting service provider.
- Human rights – we started work with a consultant to continue implementing the UNGPs and assess our role in providing access to remedy across our business.
- Climate change – we worked with index providers to create customised decarbonisation benchmarks for our policyholder listed equity portfolios.
- Nature – we worked with a consortium of three specialised service providers to pilot the TNFD framework.

See **chapter 5, pages 74 and 75** for additional information on how we monitor the work of service providers and consultants

1. Our governance, policies and resources continued

Training our colleagues on ESG issues

In 2023, we continued to provide a programme of ESG and sustainability-oriented education and deep dive sessions across various levels.

Education for the Group Board and Board committees
During 2023, a programme of climate- and nature-related education and deep dive sessions were provided to Group Board members and senior management on a range of topics. These included the Group's Net Zero Transition Plan, risks of greenwashing and greenhushing, disclosure of climate reporting in financial disclosures, TNFD, sustainable and productive investments as well as climate litigation and associated potential risks.

Overall, the sessions increased the Board's and wider Group's knowledge and understanding of climate change and nature risks and opportunities, and connected regulation and market practice, enabling them to provide greater oversight and challenge of the Group's approach to climate matters.

As our Board Sustainability Committee is responsible for overseeing our commitment to respect and embed human rights considerations within the business, in 2023 we also hosted a tailored Board education session, run by third party human rights experts, to upskill Board members on the topic of business and human rights.

Training sessions for the LifeCo BIC
In 2023, we held regular deep dive sessions for the BIC covering a wide range of topics on sustainable investing and stewardship including sustainable products, nature and biodiversity, and voting inconsistencies.

Capacity building across the organisation
We held 11 'meet the experts' sessions which were live presentations for all employees or Asset Management employees led by subject matter experts in the business, to help raise awareness of stewardship, climate, nature and other sustainability issues.

During 2023, we launched our sustainability learning modules for all colleagues. The six modules, each lasting ten minutes, were designed to give colleagues information on our core sustainability focus areas. The topics covered were responsible business, our sustainability strategy, climate change and our actions across the business. They also looked at how colleagues can be involved and provided information for leaders.

Prioritising sustainable investment and effective stewardship

In 2023, we continued the new ESG metric for our Long Term Incentive Plan ('LTIP') for executives and business leaders that we introduced in 2022.

This metric is linked to the decarbonisation of our operations and investment portfolios, both of which carry 10% weighting, totalling 20% overall. The LTIPs are granted each year and vest after three years for business leaders with a further two-year holding period for executives.

When it is relevant, individuals within Phoenix Asset Management have specific ESG objectives included as part of their personal performance review. In turn, the personal rating is taken into account when allocating bonuses. Additionally, all individuals for whom it is relevant have a specific sustainability metric. The metric refers to the integration of sustainable objectives into the investment process to ensure we hold ourselves and our asset management partners to account. Delivery of this objective has a direct impact on the bonus outcome.

1. Our governance, policies and resources continued

Managing conflicts of interest

Our central Conflicts-of-Interest Policy sets out the minimum standards relating to the management of the risk of conflicts of interest throughout the Group.

We take all reasonable steps to avoid a conflict of interest arising. Where this is not possible, actions are taken to avoid any material risk, disadvantage or loss to our customers. In addition, we always inform our customers if we believe we may not be able to effectively manage a conflict that may affect them. As part of this, we provide sufficient details of the steps taken or being taken to reduce the risks of damage to their interests. This in turn enables them to decide whether to continue to do business with us.

We keep a written record of actual or potential conflicts of interest that involve a risk of damage to the interests of one or more customers. In 2023, we registered 48 new conflicts and closed 47.

As a result, at the end of the year there were 138 conflicts (112 potential and 26 actual) open and under management as shown in the chart opposite. (See chart 5).

These conflicts have been managed by ensuring that key controls are in place, including:

- Distributing internally the policy text and additional guidance documents.
- Requiring relevant mandatory training for all employees when joining the Company and every year thereafter.
- Maintaining processes and procedures to ensure appropriate segregation of duties for investment transaction-related activities.
- Regularly updating the register of all conflicts of interest which have arisen or may arise (actual/potential) as they are identified and reported.
- Distributing internally our gifts and hospitality register and policies and additional guidance documents.
- Regularly updating the inducements register.

In table 1 we have shared examples of conflicts that have arisen and how we managed them, including an investment case in private assets.

In 2023, our SWG formalised our approach to managing conflicts of interest in relation to stewardship and made the information available on our website. The document summarises potential conflicts in the context of voting and engagement activities, our management actions (see table 2) and the escalation process in case conflicts cannot be managed at SWG level.

Chart 5 – Overview of 2023 open conflicts of interest by category

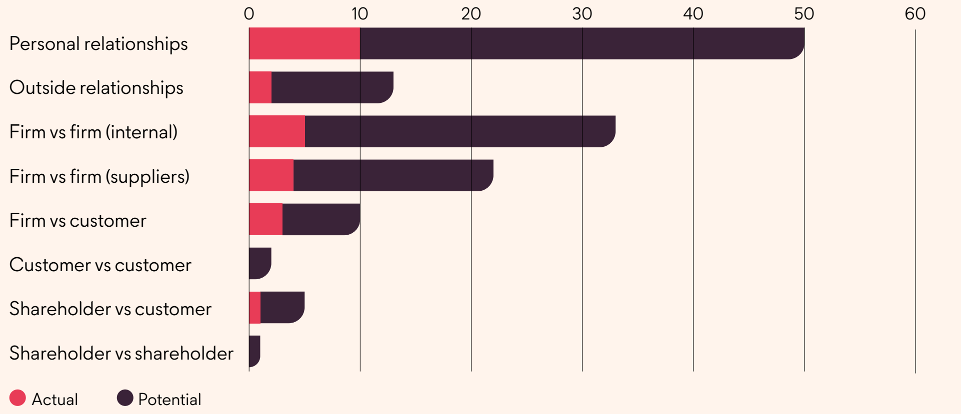


Table 1 – Examples of how we managed conflicts of interest in 2023

Conflict type	Example	How it was managed
Investee company where an executive director or officer of a company within the Phoenix Group is also a director of that company.	An Executive of Phoenix was a Director of a local housing association which merged with a larger company in which Phoenix Life Limited had a significant private placement investment. The Phoenix Executive was also a member of the board of the parent company. There could have been a perceived conflict of interest as income from the investment is attributed to the profit and loss account aligned to the Executive's area of responsibility.	The private placement was made with the parent company prior to any link being established with the local housing association with which the individual was involved. The private placement was managed on behalf of Phoenix by a third-party company, on a fully discretionary basis. The individual had no involvement with committee(s) that decided on the original placement, will not participate in any further decisions on requests for future funds, and would not be responsible for any credit work-out in a default situation. The conflict has been declared to all relevant parties, and the individual will recuse himself from any meeting where there is a likelihood of conflict.
A partnership company where an executive director or officer of our Company is also a director of that company.	An Executive of Phoenix was a director of a partnership company providing products on behalf of the Group, while also being a director within the Group. This could have led to conflicts of interest relating to the objectives of the individual business, affecting decision making and potentially company and customer outcomes.	A collaboration agreement was put in place with responsibilities for all partners contractually defined. Dispute resolution procedures were clearly set out in the collaboration agreement. A joint management steering committee is managing collaboration between the parties. The individual's activities were and will be overseen by Executive members in the Group and the Group risk team.

1. Our governance, policies and resources continued

Managing conflicts of interest in relation to stewardship

In 2023, we developed our approach by further enhancing a stewardship-specific conflicts-of-interest list under the responsibility of our portfolio compliance team within asset management.

This year, we were able to collect more information on our clients, suppliers and directorships and improved the format of data from multiple sources allowing for a more consistent list. At the end of 2023, we included 134 listed companies in the conflicts of interest register and counted three we are engaging with directly. When engaging with these companies, we did not alter our engagement objectives. This is in line with our approach to conflicts of interest in stewardship.

As part of our selection and monitoring of asset managers, we request that they have in place and share with us a conflicts-of-interest policy. In 2023, we confirmed that all our level 1 managers have a conflict-of-interest policy. We were also pleased to see improvements on disclosure, with 80% of managers providing numbers of stewardship-specific conflicts of interest logged in the last 12 months and only one of them reporting that no significant conflicts were recorded.

Table 2 – Overview of potential conflicts linked to stewardship

Potential conflicts from stewardship activities

- The investee company is a Phoenix Group client or associated with a Phoenix Group client.
- A Phoenix Group employee or Board member is a director of the investee company.
- A Phoenix Group employee or Board member has significant personal investments in the investee company.
- The investee company has a strategic relationship with Phoenix Group.
- The investee company is a supplier or business partner of Phoenix Group including an asset management partner.
- The investee company is a distributor of Phoenix Group products.
- The investee company is a Phoenix Group key competitor.

How we manage conflicts in engagements

- The stewardship team sets out an engagement strategy and specific engagement programmes to tackle priority ESG themes identified.
- Engagement lists or objectives are not altered from the agreed frameworks.
- Minutes from relevant oversight committees and records of all engagement activity are provided.

How we manage conflicts in voting

- The stewardship team develops our Global Voting Principles, which guide how we monitor the execution of voting by asset management partners.
- When a conflict of interest arises in our monitoring activities, the stewardship team refrains from communicating voting policy positions with asset management partners.
- Voting activities are currently fully delegated to our managers and executed under their customised voting policies.

1. Our governance, policies and resources continued

Ensuring that this report is fair, balanced and understandable

Our Head of Stewardship led the project to produce this report with the support of a sustainable investment reporting analyst and several subject matters experts ('SMEs').

We have created an internal group of reviewers to monitor progress and review the content of the report to ensure that it is comprehensive, representative and understandable. The group comprised the Head of SI, Head of Shareholder Assets, Head of Policyholder Assets, Head of ESG Oversight/Risk, Head of Strategic Partnership & Research, and the Workplace Director. Additionally, the BIC and the Phoenix Group Holding Board have reviewed and approved this report and it was signed by our CEO and CIO (see pages 2 and 3).

Throughout this report, we have explicitly mentioned when areas for improvement or further development exist. We will report on our progress in future stewardship reports as we have reported on previous commitments in this report.

In the last quarter of 2022, our internal audit team reviewed the work of our stewardship function and acknowledged the work undertaken and progress made. The team made relevant recommendations to improve areas related to governance, tracking of interactions with managers and communications to customers. In 2023, we completed all actions scheduled to address these recommendations. Additionally, the internal audit team intends to review our stewardship activities periodically.

The auditor, EY, has provided limited independent assurance (see appendix 8) on the metrics in relation to financed emissions associated with our internal climate engagement list (see page 43) and our delegated list for climate engagements conducted by our asset management partners (see pages 50 and 51).

We believe that at this stage, our legal team, internal audit function and risk team are best equipped to monitor and challenge our activities on stewardship and ensure that the content of this report is fair, balanced and understandable. In the future, we will assess the possibility of expanding the external assurance of data included in the report.

Our stewardship approach

2. Integrating ESG issues into investment decisions

Throughout this document we measure activities against the UK Stewardship Code and its 12 principles. The principles relevant for this section are listed below:

- Principle 7
- Principle 12

What we achieved in 2023:

- Defined expectations on ESG integration in investment decisions for asset management partners in public, listed equity passive, and sovereign fixed income strategies
- Expanded our carbon footprint baseline to include illiquid credit assets, bringing us close to 100% coverage in relation to our 2030 portfolio decarbonisation targets
- Developed an approach to assess our exposure to physical risk in real estate
- Implemented a decarbonisation strategy for our c.£12.5 billion shareholder corporate credit portfolio
- Worked with index providers to design customised decarbonising benchmarks which we intend to apply to our listed equity portfolio
- Made good progress against our 2025 portfolio decarbonisation targets
- Met our target of achieving 50-70% of illiquid asset originations in the shareholder portfolio that are sustainable or transition assets
- Piloted the LEAP assessment guidance developed by TNFD

Key future priorities:

- Begin implementing customised decarbonising benchmarks for selected listed equity strategies and create a roadmap for rolling out decarbonising strategies across the remainder of our listed equity and credit portfolios
- Continue to expand our carbon footprint baseline to include other asset classes, such as equity release mortgages
- Develop our suite of forward-looking climate investment risk metrics to form a more detailed picture of risks across the investment portfolio
- Explore potential physical risk impacts for other parts of our portfolio
- Develop portfolio nature risk and opportunity assessment methodologies for listed equity and credit securities
- Further develop our nature-related strategy and priorities in line with the Finance for Biodiversity Foundation target setting guidance
- Complete portfolio analysis of human rights risks and opportunities for listed equity and credit

2. Integrating ESG issues into investment decisions

Climate

Addressing climate change by decarbonising our portfolios[1]

In 2023, we published our Net Zero Transition Plan.

This marked an important step on our journey to becoming a net zero business by 2050 across our investment portfolio, operations and supply chain. Our Net Zero Transition Plan is a roadmap for delivering our climate ambition and supports our work to embed the Task Force on Climate-related Financial Disclosures ('TCFD') recommendations across the business. It outlines how we will deliver our climate ambition through three strategic pillars: Invest, Engage, Lead.

Our purpose

Helping people secure a life of possibilities.

Our climate ambition

To deliver good customer outcomes and play a key role in delivering a net zero economy. We do this by: decarbonising our investments, operations and supply chain to manage risks; investing in the growing sectors of the future to take advantage of the opportunities; and being a leading voice in calling for action and driving system change.

Invest

Decarbonising our investment portfolio: Transforming our portfolio to increase net zero alignment.

Effective stewardship of our assets: Working with investees and asset managers to drive emission reduction and reduce risk.

Investing in climate solutions: Investing in the growing companies and sectors of the future.

Engage

Engaging our customers and employees on the role they can play in delivering net zero.

Driving wider system change by working collaboratively with partners to deliver cross-sector change and thought leadership.

Lead

Reducing our direct emissions by decarbonising our operations.

Reducing our wider emissions by working with all suppliers in support of our climate ambition and requiring them all to have carbon reduction targets.

1 These goals have a baseline of year-end 2019 and relate to assets where we can exercise influence and control.

2. Integrating ESG issues into investment decisions continued
Addressing climate change by decarbonising our portfolios continued

In the 'Invest' pillar, we are committed to transitioning our investment portfolio to net zero by 2050 and meeting our ambitious 2025 and 2030 decarbonisation targets, while acting to provide good outcomes for our customers.

To reach our targets, we need to understand our footprint across our full portfolio. That is why we are working to continually expand the scope of our baseline. In 2022, we included sovereign debt and real estate assets and this year we have added illiquid credit assets to our baseline. This now covers 98% of the assets within scope of our 2030 decarbonisation target[1]. We will continue to expand our carbon footprint baseline over time, in line with best practice, until it covers the entire investment portfolio.

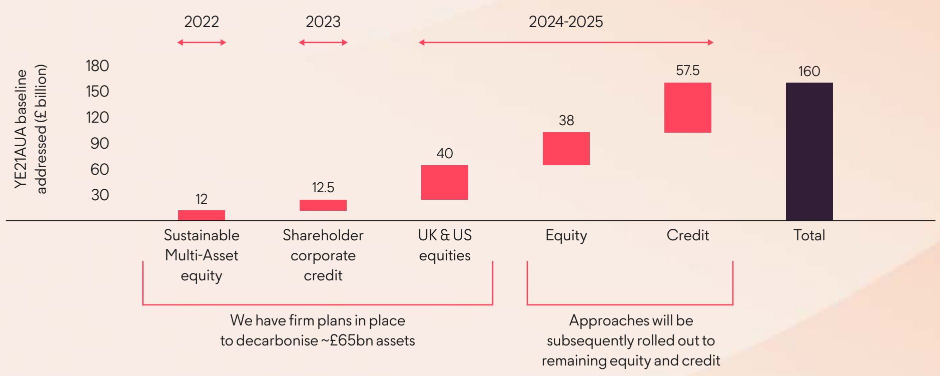
In 2023, we introduced a decarbonisation strategy for our c.£12.5 billion shareholder corporate credit portfolio[2] and intend to increase investments in net zero aligned assets to 40-50% of the portfolio by 2025, and 50-70% by 2030. To ensure this remains on track, we will pursue portfolio tilts and/or trades as necessary (subject to market conditions).

For policyholder assets, we have worked with a leading index provider to design customised equity benchmarks which will apply a decarbonisation tilt to our listed equity portfolio, with implementation starting in 2024 and continuing in 2025. We will also continue working to find similar solutions for our credit portfolio.

In terms of progress against our portfolio decarbonisation targets, our absolute emissions and economic emissions intensity reduced between 2021 and 2023. There are several drivers for this change and we recognise that a proportion of the observed reduction is determined by the broader macro-economic environment, including growth in asset values, which is outside our control. Reviewing progress against our net zero glide path enables us to see how we are tracking against our 2025 and 2030 decarbonisation targets and to identify further actions required. Our analysis indicates that we are on track to achieve our 2025 target under most scenarios as long as we implement the actions we have committed to. However, it is likely we will need to do more and be increasingly dependent on others[3] in order to achieve our 2030 target. We will keep our progress and management actions under regular review.

More information on our portfolio scenario analysis and portfolio decarbonisation efforts is also available in our **Climate Report**

Directional timeline for decarbonising our £160bn listed equity and credit portfolio and AUA addressed by each action



1 Illiquid credit assets are responsible for c.1% of our baseline portfolio emissions.
2 Based on YE2021 AUA figures.
3 In particular governments, regulators and companies in high-transition risk sectors.

2. Integrating ESG issues into investment decisions continued
Addressing climate change by decarbonising our portfolios continued

Our sectoral analysis

In 2023, we reviewed our decarbonisation performance against a net zero glidepath, to identify the additional actions required to meet our targets. This included developing an in-house tool to show how the most carbon intensive companies in which we invest are performing relative to projected carbon performance for their sector.

We intend to further develop this tool to support our stewardship process and provide an additional data point to challenge investee companies on their decarbonisation progress relative to their respective sectoral benchmark.

Until then, we will use projected company-level carbon performance data from the Transition Pathway Initiative ('TPI') and, as the coverage of the TPI continues to expand, our in-house tool, once developed, will become increasingly robust and capture a greater proportion of our listed asset portfolio.

Decarbonising our real estate assets

In 2023, we performed new analysis to inform the assessment of physical risk exposure in our real estate portfolio (both directly held and real estate loans), using the Standard & Poor's ('S&P') Climanomics platform. The S&P Global platform makes use of four scenarios, underpinned by climate change projections used by the Intergovernmental Panel on Climate Change ('IPCC'). The assessment measured the potential future cost of response to different risk hazards over the short, medium and long term upon our real estate assets. The risks considered include both chronic and acute physical risks. The overall results indicate that there is an increasing relationship between cost and severity of risk factors over time. In later decades, physical risks are more severe than they were historically. Similarly, in higher emissions scenarios, physical risks further increase in severity. Both cases would potentially cause higher future costs.

As members of the NZAOA, we have also set an internal sector-specific decarbonisation benchmark for our directly held real estate assets. This enables us to track the progress of these assets towards our portfolio decarbonisation targets and their alignment with a 1.5°C pathway.

The benchmark we have set has been informed by NZAOA recommended emissions pathways[1] for real estate assets covering different property types across regions based on the mix of our real estate portfolio as at year-end 2021. The benchmark provides us with a physical intensity-based decarbonisation pathway consistent with our external decarbonisation targets and within expected ranges suggested by the NZAOA. It allows us to evaluate portfolio performance over the time. We will use the benchmark to engage with our asset management partners which manage property assets on our behalf, as part of the development of our broader property decarbonisation strategy in 2024.

1 Decarbonisation Pathways – Carbon Risk Real Estate Monitor Global.

2. Integrating ESG issues into investment decisions continued

Nature

Assessing our impact on nature across our portfolios

In 2023, we carried out a pilot project to test the LEAP assessment guidance developed by TNFD ahead of the formal launch of the TNFD framework in September.

The findings from the pilot have provided important input to the development of a detailed workplan for nature that runs to the end of 2025.

The objective of the TNFD pilot exercise was to:

- help build internal capacity and capability ahead of expected mandatory disclosure and reporting requirements;
- help build understanding of the integration of nature as a value driver for Phoenix Group; and.
- provide practical feedback to the TNFD and support iterations of beta versions of the framework and guidance materials.

We tested the TNFD LEAP guidance for a small sample of listed equity and listed credit portfolios, for both passive and active strategies. We worked with two asset management partners on investment risk and impact measurement methodologies for nature-based solutions. A consortium of consultants also supported us for the duration of the pilot.

Keys insights from our analysis show that:

- the LEAP guidance in its current form requires some adaptation by financial institutions to be implementable. For example, 'Locate' is not necessarily an appropriate entry point for financial institutions across listed equity and listed credit portfolios. We found that initial work was required to identify priority nature topics, sectors and sub-industry groups as well as companies and issuers before location data was linked to assets for assessment;
- top-down assessments at the sector or sub-industry group level are possible for impact and dependency exposure, allowing for potential risk heat-mapping across portfolios that can guide prioritisation of sub-industry groups, companies and issuers;
- location-specific data for company assets are not comprehensively available across market sectors, which limits a bottom-up assessment of risks and opportunities; and
- data coverage across core disclosure metrics is variable across portfolios. In addition, methodologies behind metrics provided by data providers can be opaque.

2024 will see further development of our methodology for prioritising nature topics, sectors and sub-industry groups as well as for company and issuer level impact and risk assessment. This work will also support further development of our stewardship strategy on nature.

Central to our plans for 2024 are delivery on our Finance for Biodiversity Pledge commitments relating to collaboration and knowledge sharing, engagement with companies, assessing impact, setting targets and reporting on progress.

Our nature ambition

Given interconnectivity, we will look to integrate or align nature with our climate framework and approach:

Our ambition is to help deliver a global economy in balance with nature and meet (or exceed) our own nature-related targets; we aim to do this at the same time as delivering investment returns.

Managing nature-related risks while identifying value accretive investment opportunities – and supporting delivery of attractive risk-adjusted returns for customers and shareholders.

Lead by example helping to catalyse industry-wide change to significantly reduce the impact of the global economy on nature and mitigate systemic risks.

2. Integrating ESG issues into investment decisions continued

Human rights

Assessing our exposure to human rights impact

Our Human Rights policy sets out our commitment to respect human rights as stated in the UN Guiding Principles on Business and Human Rights.

We are currently implementing investment portfolio due diligence to identify salient human rights impacts and act on any findings through direct, collaborative, or delegated engagement by our asset management partners. This entails identifying exposure to potential salient human rights issues, high-risk geographies, industries, and business models across portfolios and conducting further research to identify lagging investee companies.

The first phase of our due diligence process kicked off in the second half of 2023 including an assessment of current regulatory risks across countries, an overview of publicly available data and benchmarks and a review of human rights and social metrics provided by commercial third parties.

In 2024/25, we aim to undertake a data review and conduct an analysis of our listed credit and equity portfolio to identify Phoenix Group's exposure to human rights impacts. This will help prioritise social issues to focus on and which companies to engage with.

2. Integrating ESG issues into investment decisions continued

Integrating ESG issues in private markets investing

To support this activity, we follow a comprehensive due diligence process that addresses the most material ESG risks in addition to leveraging our **comprehensive framework to classify private market investments as sustainable[1] or transition.**

The process provides clarity on themes, sub-categories, eligible activities, thresholds and exclusionary activities that can help classify our investments into sustainable and energy transition assets. We have built this framework by working with a third party and bringing together various insights from regulatory/legal bodies, ESG-/sustainability-linked taxonomies and the broker-dealer ecosystem. This framework helps guide our investment decisions and ensures that we are assessing investments against robust ESG criteria.

Themes within the framework include but are not limited to: renewable energy, energy efficiency, clean transportation and green buildings, affordable housing, affordable basic infrastructure and services, and access to essential services.

Since 2022, we have invested nearly £1.5 billion in climate solutions including nearly £600 million of shareholder capital in 2023[2]. We have made good progress towards the aspiration we set in 2021 to invest £10 billion in direct investments from our shareholder portfolio in sustainable assets[1] by 2026 (subject to market conditions). Despite this progress, we are currently short of the rate needed to be on track, due to a range of external and internal constraints.

In 2023, we invested c.£1.2 billion in sustainable assets (both environmental and social) and transition assets, representing 87% of all illiquid assets originated in the shareholder portfolio.

In private credit transactions, each potential trade is assessed on its own merit in addition to our annual commitment for a minimum proportion of sustainable and transition assets. Even for assets that are not sustainable or transition, we conduct a deal-level assessment on broader ESG risks and opportunities. These assessments draw on a range of elements as set out in the framework (below).

Additionally, our ESG oversight team within Asset Management Risk reviews and challenges the ESG due diligence on all private assets transactions that propose a sustainability classification. This analysis focuses on climate change and other material ESG risks that can affect asset value to ensure they are within our risk appetite and tolerances.

£1.5bn
invested in climate solutions since 2022

87%
of illiquid assets originated in 2023 were either sustainable[2] or transition, against our annual commitment of 50-70%

Our ESG assessment framework for private credit transactions

The Phoenix Group's Sustainable Finance Classification Framework for Private Markets.

+

Most material ESG risk factors relevant to the issuer/sector.

Pre-investment due diligence carried out by Phoenix Asset Management teams either directly or in collaboration with the AMPs. The manager's ESG assessment/memo is also taken into consideration.

Any pertinent ESG views expressed by the rating agencies/External Credit Assessment Institutions ('ECAIs').

ESG/sustainability third party opinions directly relevant to the transaction and as provided by the borrower and/or deal arranger.

1 Our Sustainable Finance Classification Framework for Private Markets provides greater clarity on our definition of sustainable and transition assets.
2 As a portion of £1.19 billion originated in sustainable and transition assets in 2023.

2. Integrating ESG issues into investment decisions continued
Integrating sustainability in private markets investing continued

Our analysis assesses the borrower and its business activities, the type of financing (i.e. use of proceeds/general corporate-purpose borrowing) and any forward-looking ESG efforts. This informs our view of ESG classification, as well as our assessment of ESG risks and opportunities that are in turn presented to our committee as part of our overall transaction approval. For transactions originated in 2023, we have also captured the most recent carbon emissions intensity/footprint vis-à-vis the average footprint of the overall illiquid portfolio (and versus suitable sector tolerances) and opined on the emissions reductions' pathway of the borrowing entity. Further, on several occasions this year, Phoenix Group has stepped away from otherwise financially attractive opportunities that were associated with unmitigated ESG/credit risks outside our investment appetite.

In chapter 4 (see page 64), we include updates to two other practical examples of how we have used our investors' rights in relation to these assets to structure loan covenants linked to ESG objectives and inform engagement activities with investee companies.

Fostering clean transportation

Asset management partner:
abrdn

Asset class:
Private credit

Issuer:
NS Groep

Sector:
Industrials

Country:
Netherlands

ESG issues addressed:
Climate change, pollution and waste

Context and actions

NS Groep plays an essential role in the Dutch state's mission to tackle climate change. The company provides climate-neutral transport options that include travel by train, public transport bicycles and train replacement bus services. All NS Groep trains are electric, and the emissions footprint has been reduced to zero given the company's green power purchasing policy (i.e. energy is provided by wind farms). In 2022, around 93% of the electricity purchased was used to run the trains and the remaining 7% for operating the stations, offices and workshops. Additionally, NS Groep aspires to achieve full circularity in terms of procurement, maximum reuse of materials and zero waste in offices and workshops and from trains.

abrdn and Phoenix Group worked together to execute a nine-year private placement funding to the company in April 2023. There was a concerted effort from NS Groep, abrdn and Phoenix Group to stay closely connected following the transaction and follow the key developments on the concessions by the Dutch government for the main rail network between 2023 and 2035.

Outcomes

- Phoenix Group, abrdn and NS Groep have stayed connected following the transaction to monitor and support various business developments. This has helped deepen the relationship across the three parties further.
- In December 2023, NS Groep was officially awarded the concession for the main rail network by the Ministry of Infrastructure and Water Management in the Netherlands. State Secretary Vivianne Heijnen signed the concession, meaning that train passengers were assured of a sustainable train journey and that the Netherlands will retain a strong network. The concession takes effect in 2025.

2. Integrating ESG issues into investment decisions continued

Asset management partners

Our expectations

We require our asset management partners to evidence how material ESG considerations are embedded in their risk and opportunity management strategy and how engagement and voting with companies are conducted and incorporated into investment decision-making processes.

We also assess how managers take into consideration our key ESG priority issues, including climate change, nature, human rights and company controversies.

We expect our managers to implement ESG analysis in their respective asset classes. To do this, they must be able to show their approach to identifying material ESG risks and embedding them in their financial models. We also require that our managers monitor these ESG risks and opportunities over time using internal dashboards, external ESG ratings providers and/or ESG Key Performance Indicators ('KPIs'). Additionally, we encourage alignment to industry standards to identify and assess these risks such as the Sustainability Accounting Standards Board, the IFRS Sustainability Disclosure Standards and the Global ESG Benchmark for Real Assets.

We take this approach across all our asset classes, investment styles and geographies, although we have tailored our managers' ESG assessment framework at strategy level differently for public and private markets, active and passive portfolios and sovereign fixed income investments.

We appreciate that in the case of smaller niche managers focused on private markets, we cannot expect the same level of availability of ESG tools and data. In those cases, we expect our asset management partners to be able to provide evidence of internal frameworks and investment reports which support the consideration of ESG factors pre- and post-investments and efforts to collect and track ESG data from investee companies for integration and stewardship purposes.

In the case of passive investments, we recognise the limitations on integrating ESG issues in holdings and weights and put more emphasis on stewardship activities. For sovereign fixed income strategies, we expect to see evidence of tailored dashboards supported by both qualitative and quantitative assessments for developed and emerging markets and dialogue with country representatives to inform investment decisions.

From the assessments conducted on our level 1 managers[1] we have seen that:

- they have developed internal ESG scoring systems in alignment with industry standards without relying only on ESG service providers' opinions;
- they have created or are developing internal ESG dashboards including ratings of companies available to investment teams;
- in several cases they have access to service provider data that screen against UNGC violations and have developed internal assessment methodologies on these cases;
- they can demonstrate how stewardship insights are connected to and reflected in investment decision making;
- they have processes to monitor and document ESG analysis by investment professionals that vary significantly across the managers, with some coding ESG analysis in investment systems while others leave it to a collaboration between ESG professionals and investment teams with different degrees of tracking/monitoring; and
- the majority have ESG objectives linked to remuneration of investment teams.

See **chapter 5** for further insights on our managers' approach to key ESG issues

The real-life examples[2] in this chapter show how the relevant asset management partners have integrated ESG research and stewardship activities into their investments across asset classes, including sovereign fixed income and alternative assets. The cases provide insights on the selected managers' internal scoring and monitoring frameworks to identify companies to include in investable universes, increase/decrease financial exposure to and engage with on behalf of Phoenix and our customers.

1 Five strategic and critical asset management partners which collectively cover ~70% of Phoenix Assets Under Administration.
2 Issue/issuers selected for illustrative purposes only to demonstrate the investment management style described herein and not as an investment recommendation or indication of future performance.

2. Integrating ESG issues into investment decisions continued
Asset management partners continued

Keeping up pressure on the energy transition

Asset management partner:
Legal and General Investment Management ('LGIM')

Asset class:
Listed equity

Issuer:
Exxon Mobil

Sector:
Energy

Country:
USA

ESG issues addressed:
Climate change

Context and actions
Exxon Mobil is captured within LGIM's Climate Impact Pledge, a global climate engagement programme covering companies in climate-critical sectors. The framework for rating companies draws data from external providers on specific climate-related metrics. The scores are publicly available and operate on a 'traffic light' system, indicating whether a company is exceeding, meeting, or falling behind LGIM's expectations.

Since 2016, the asset manager has engaged with the company individually, through stewardship sector leads, and collaboratively through Climate Action 100+ ('CA100+'). Since 2021, there have been notable improvements on key engagement requests, including disclosure of Scope 3 emissions, a 'net zero by 2050' commitment (for Scope 1 and 2 emissions), the setting of interim operational emissions reduction targets, improved disclosure of lobbying activities and, more recently, the commitment made by the company to join the leading global partnership on methane, OGMP 2.0[1].

There are, however, still key areas on which LGIM requires further improvements, including inclusion of Scope 3 emissions targets, further quantifiable disclosure of business resiliency and asset retirement obligations across relevant scenarios, capital allocation, ambitious interim targets and more transparency on lobbying activities. Further escalating this engagement, LGIM co-filed a shareholder resolution at Exxon's 2023 AGM, requesting that the company discloses the quantitative impact of the IEA net zero scenario on all asset retirement obligations ('AROs'). The proposal centred around disclosure and sought greater insight into the potential costs associated with decommissioning Exxon's assets in the event of an accelerated energy transition. The proposal received over 16% support, which demonstrates increasing recognition of the importance of this issue for investors.

Implication on investment decisions
- Exxon remains on LGIM's divestment list (for relevant funds), but corporate engagement will continue to improve understanding of its approach to the energy transition and disclosure of potential costs to retire long-lived assets.
- LGIM will also engage with proxy advisers and fellow investors to improve understanding of their voting rationale.

1 The Oil & Gas Methane Partnership 2.0 ('OGMP 2.0') is the oil and gas reporting and mitigation programme of the United Nations Environment Programme ('UNEP').

Working with tenants to enhance green buildings

Asset management partner:
HSBC Asset Management ('HSBC AM')

Asset class:
Real estate

Issuer:
US residential landlord

Sector:
Real estate

Country:
USA

ESG issues addressed:
Climate change, reporting

Context and actions
As part of its review of holdings, HSBC AM observed low scores for this company on environmental metrics and on the percentage of buildings with green certifications. The asset manager believes that energy efficiency leads to lower costs and stronger tenant demand, lower vacancy and higher rental revenue. Green buildings also have lower risk of obsolescence with less significant capital expenditure for the landlord and stronger valuations.

HSBC AM engaged with management who acknowledged the concerns and committed to make improvements and enhance reporting through the hire of an ESG specialist and collaborations with partners. The company also highlighted that some traditional ESG metrics, such as green building certifications, were not relevant to their property type. The asset manager also shared feedback on the use of energy as tenants sourced it directly, while the company could look for bulk deals with energy providers which provide tenants with discounted energy and landlords with more control and details on usage. On a positive note, the company showed heavy investments in smart meters and education to help residents monitor and conserve energy.

Implication on investment decisions
- The improvements made were rewarded by independent agencies with the company achieving a 13.3% increase in its sustainability score from the Global Real Estate Sustainability Benchmark ('GRESB').
- The improvements made and the setting of targets for the future meant that HSBC AM was comfortable with keeping its holding in the company.

2. Integrating ESG issues into investment decisions continued

Asset management partners continued

Improving governance to strengthen the investment case

Asset management partner:
BNP Paribas Asset Management ('BNPPAM')

Asset class:
Listed equity

Issuer:
Schneider Electric

Sector:
Industrials

Country:
France

ESG issues addressed:
Leadership – Chair/CEO

Context and actions

Schneider Electric has two main divisions, Energy Management and Industrial Automation (which generate 75% and 25% of revenues respectively), benefiting from two key long-term growth drivers: electrification and digitalisation.

Schneider Electric ranked very well within BNPPAM's internal ESG framework, given its industry-leading policies, practices and disclosure on climate change, use of natural resources and waste, human capital management systems and health & safety programmes. However, the combined role of chair and CEO undermined this company's otherwise strong ESG rating as BNPPAM believes it is in shareholders' best interests for these roles to be split.

Over recent years including into 2023, the asset manager's investment and stewardship teams engaged several times with the company on this issue. Eventually, in May 2023, the company split the roles of CEO and chair, with a new CEO being appointed and the former CEO taking the role of chair.

Implication on investment decisions

- This progress through engagement translated into a stronger internal governance score for the stock.
- Schneider stood at a relatively large overweight position in the portfolio at the end of the first quarter of 2023 and this moved up very marginally during the year.
- The company's share price (+36.1% in 2023) strongly outperformed the MSCI Europe Ex-UK Index (+14.8% during 2023) over the year, which therefore warranted a small trim given the valuation and our broader investment case conviction.

Fostering climate data to achieve portfolio decarbonisation goals

Asset management partner:
abrdn

Asset class:
Real estate

Issuer:
Holiday and leisure parks, the direct real estate asset

Sector:
Real estate

Country:
UK

ESG issues addressed:
Climate change, pollution and waste

Context and actions

As mentioned in our 2022 Stewardship Report, the main driver for this engagement was to understand the real estate occupier's energy, water and waste data and performance alongside any relevant initiatives it was planning to undertake. Through the dialogue, abrdn's intention was to offer some additional recommendations, feed the data into its net zero modelling for the wider real estate fund and set appropriate net zero carbon targets.

abrdn's net zero modelling for real estate calculates the carbon emissions of the fund and sets a carbon emissions baseline. It also highlights those assets at most risk, which enables the fund team to prioritise net zero initiatives. Having such complete and high-quality data is vital for abrdn as a landlord, as it allows the asset manager to calculate baseline emissions, measure year-on-year progress, identify which actions produce the best results and ensure environmental disclosures are robust. It also enables abrdn to understand occupiers' needs and support them in reducing their energy consumption and emissions.

Implication on investment decisions

- In 2023, abrdn collected 100% of electricity, gas, water, waste and renewable energy generation data for all assets in the Phoenix funds for the 2022 calendar year.
- Using these figures, the asset manager continued the annual monitoring of the funds' progress against its net zero carbon target and the analysis of physical risks for the funds' assets. The outputs of the analysis were also made available.
- abrdn started the process of collecting the 2023 information from tenants across the funds, expanding the data collection to include consumption from EV charging station points that may be operating onsite.
- The fund remained invested in the asset and annual engagement will continue, to monitor data and progress by the entity.

Our stewardship approach

3. Engaging with issuers to drive outcomes

Throughout this document we measure activities against the UK Stewardship Code and its 12 principles. The principles relevant for this section are listed below:

- Principle 4
- Principle 6
- Principle 8
- Principle 9
- Principle 10
- Principle 11
- Principle 12

What we achieved in 2023:

- Collected significantly increased reporting from asset management partners on engagement meetings, corporate representatives met, engagement objectives and outcomes achieved
- Completed assessment of first year of climate engagement programme with notable progress on engagement objectives
- Completed research and kicked off engagement dialogue on human rights with utilities and mining companies within Advance
- Completed research and continued dialogue with issuers on UNGC controversies
- Joined the collaborative initiative Nature Action 100 ('NA100')

Key future priorities:

- Continue work with asset management partners to improve disclosure on engagement activities
- Continue in-house engagement on climate, nature, human rights and controversies linked to UNGC breaches

3. Engaging with issuers to drive outcomes

Our approach to engagement

There are different interpretations of engagement in the market. We believe that engagement refers to a two-way interaction between the investor and investees in relation to the corporate business and ESG strategies, with the goal of influencing issuers' practices when needed to unlock value.

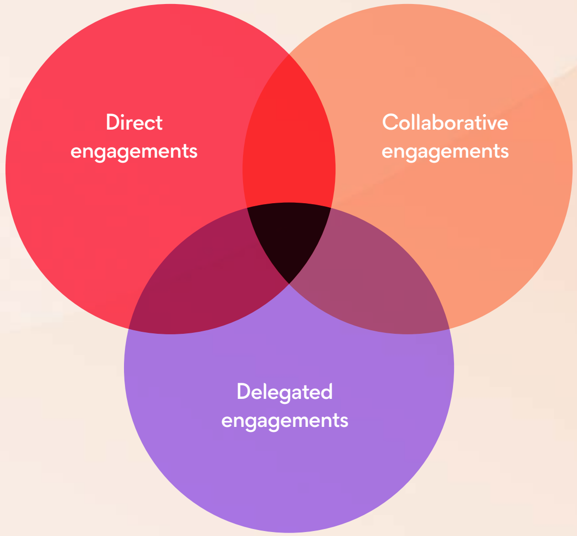
Asking questions on ESG issues during a meeting, albeit relevant and important, does not necessarily characterise the interaction as an engagement in our view. Providing feedback on information collected, sharing best practice by peers and defining engagement objectives better defines an engagement activity.

We also support the view that engagement, voting and ESG integration are interlinked and, when relevant for a specific strategy, they should be intrinsic parts of the investment decision-making process. This is why we do not think that stewardship should be a delegated function for specialised ESG professionals only, but it should be equally undertaken by investment professionals with ESG knowledge and experience alone or in collaboration with sustainable investment professionals.

We believe that engagement strategies should not differ materially across asset classes and geographies. Investors can increase their ability to influence when speaking with one voice (i.e. as both shareholders and bondholders) in discussions with issuers. Equally, investees in both developed and emerging markets should be encouraged to achieve the same level of best practice on ESG issues, although corporate access and information availability can vary. In private assets, although collecting ESG data can be challenging, investors' more concentrated financial exposure, board representation and ability to negotiate covenants and proceeds, can increase leverage. In real estate assets, engagement with occupiers and property managers can improve energy efficiency, resources management and sustainability credentials of buildings.

As a large asset owner, we embrace this concept of effective engagement. While we ordinarily conduct dialogue with investees through our asset management partners, we also undertake direct engagements with issuers' representatives and join collaborative engagements with other investors through our internal stewardship team. Our direct engagements are focused and based on our portfolio monitoring activities which allow us to identify target investees with high financial exposure and strong impact on our priority ESG topics. Chart 6 provides more information on the three components of our engagement strategy.

Chart 6 – Our engagement activities in 2023



Direct engagements	18
Collaborative engagements	40
Delegated engagements	>1,700

3. Engaging with issuers to drive outcomes continued

Collaborating for higher impact

Collaborative engagements can be an efficient strategy to channel investors' concerns to issuers. However, coordination and preparation by coalitions are essential to ensure high-quality dialogue.

We also expect our asset management partners to be active in collaborative engagements and we review their participation through our ESG assessment framework.

In 2023, we assessed that all our level 1 managers are active in collaborative engagement initiatives. We also noted an increased participation by our level 1 and 2 managers[1] (for listed equity mandates) in two well-established collaborative initiatives: Climate Action 100+ ('CA100+') (94%) and Advance (approximately 44%).

Our criteria to select collaborations to join:

- We share the objectives of the initiative
- We support identified recommendations to investees
- We agree on existing rules in terms of public external communications
- We have resources to contribute to dialogue
- Existing regulation allows us to collaborate with peers

More information on our participation in collaborations and that of our asset management partners' is included in:

Fostering a just transition in phasing out coal, on page 45, chapter 3

Promoting Scope 3 emissions targets, on page 45, chapter 3

Engaging for leadership in the decarbonisation of the utility sector, on page 52, chapter 3

See also **appendix 5** for a list of collaborative initiatives we supported

1 Five strategic and critical asset management partners which collectively cover ~70% of Phoenix Assets Under Administration.

3. Engaging with issuers to drive outcomes continued

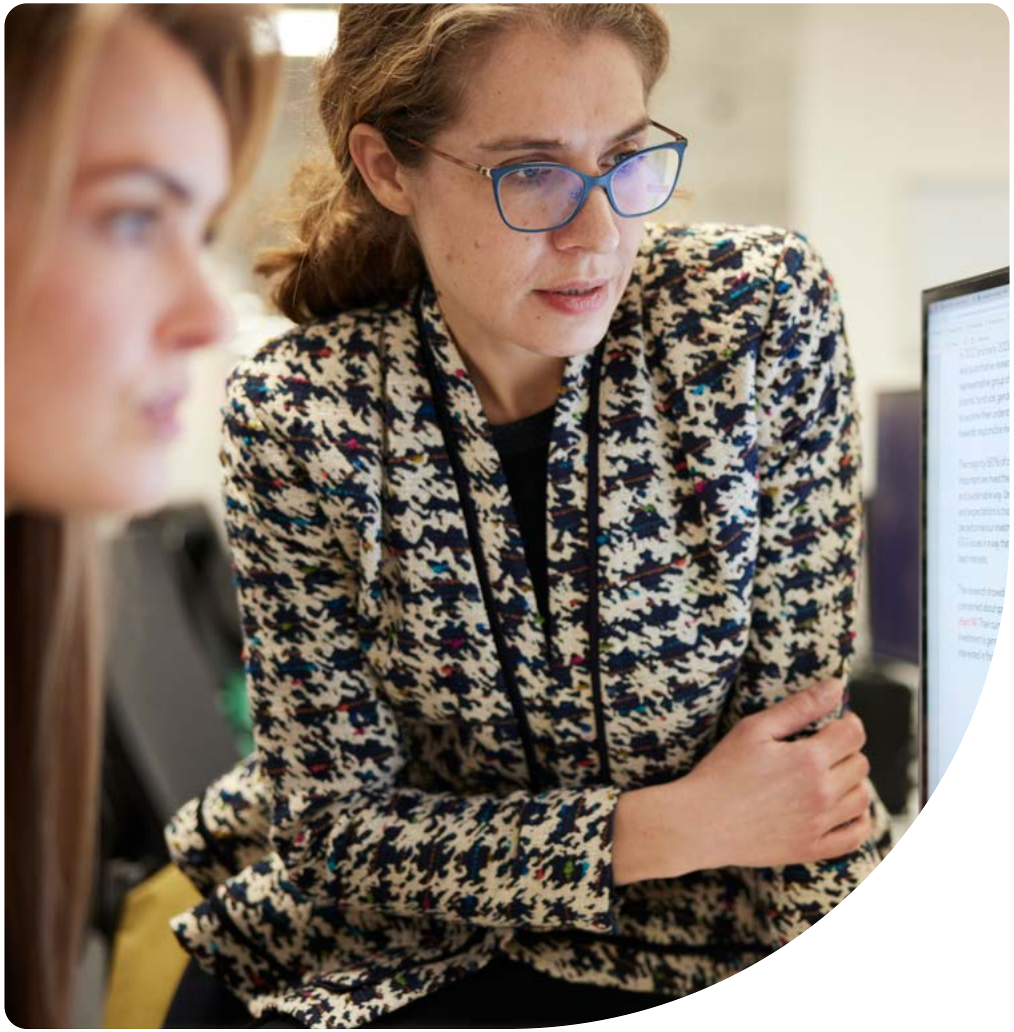
Escalation strategies

When improvements by investees do not materialise despite several engagement efforts, we consider forms of escalation.

We expect our asset management partners to be prepared to take similar actions for engagements conducted on our behalf.

Escalation strategies might vary across asset classes depending on available investors' rights. Voting through ballots is only possible in listed equity assets. However, we do not expect escalation practices to be different across funds, sectors or geographies. Forms of escalations available to us and our managers are collaborating with other shareholders, voting against management, presenting an AGM statement, issuing a public statement, decreasing exposure and ultimately divesting the holdings.

In 2023, we assessed that all level 1 managers are open to the form of escalation that we encourage them to take and provided evidence of this through case studies. However, we noticed that managers are still lacking systematic quantifications on the use of these strategies, with only 5% of delegated engagements reported to us tracking this information.



More information on the use of escalation strategies is included in:

Challenging excessive executive remuneration, on page 62, chapter 4

Aligning incentive structures with investor returns, on page 62, chapter 4

Supporting higher audit independence, on page 63, chapter 4

3. Engaging with issuers to drive outcomes continued

Climate

Our climate change engagement programme

Beyond the thresholds of our exclusion policy, we embrace a stewardship approach to support investee companies' action on developing plans to transition to a net zero world.

This means that we will, where appropriate, stay invested in high-emitting companies with the intention of influencing their business models through dialogue, and voting.

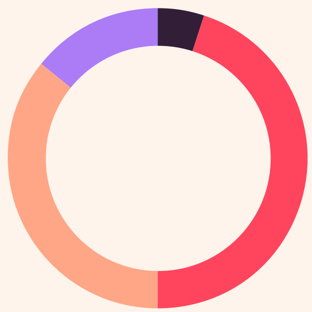
Dialogue with company representatives is taking place through our strategic asset management partners, our participation in CA100+ and the Net Zero Stewardship Initiative, and direct engagements.

We have developed a climate change engagement programme for our direct and collaborative engagement efforts where dialogue with investee companies is reviewed every year against our set engagement objectives. In the first half of 2022, we defined our focus engagement list of 25 companies, which accounted for 40% of our financed emissions in highly emitting sectors[1] in corporate fixed income and listed equity holdings (using our 2019 carbon footprint baseline as reference). The relevant percentage using our updated 2022 baseline is 42%^.

In the second half of 2022, we completed our analysis on each of the 25 companies against our in-house climate change scorecard so we could define tailored engagement objectives. Our framework is tailored by sectors and builds on the TCFD pillars as explained in our ESG Expectations of Companies. Chart 10 shows the areas of focus for engagement we identified as a result.

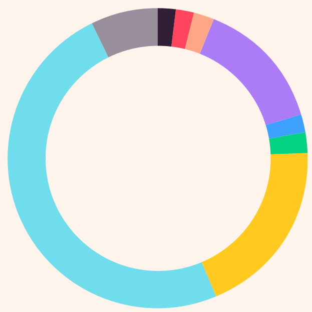
In 2023, we sent tailored letters to all companies in our target list to introduce our business and provide an overview of our initial analysis on their climate performance. During the year, we met with 23 companies through 44 meetings with investor relations personnel, heads of sustainability and C-suite[2] representatives. Of these meetings, 28 were through investor coalitions and 14 were individual engagements. We have also co-led and coordinated four CA100+ coalitions. Charts 7, 8, and 9 provide additional information on these engagement meetings. As part of the dialogue, we have also co-signed five letters to the boards of four companies to reiterate our engagement objectives with top decision makers.

Chart 7 – Engagement meetings by region



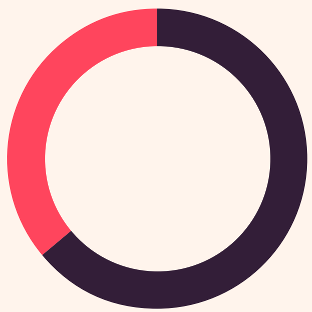
APAC	5%
Europe	45%
UK	36%
USA	14%

Chart 8 – Engagement meetings by sector



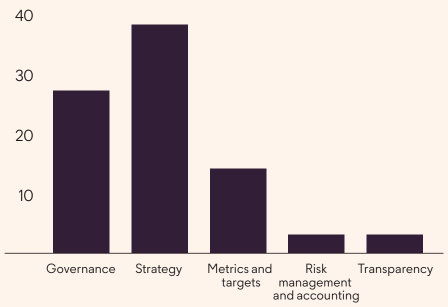
Agriculture, forestry & fisheries	2%
Airlines	2%
Cement	2%
Chemicals	14%
Diversified metals & mining	2%
Hotels, resorts & cruise lines	2%
Utilities	19%
Oil & Gas	48%
Steel	7%

Chart 9 – Collaborative vs individual engagement



Collaborative engagement	64%
Individual engagement	36%

Chart 10 – Overview of climate engagement objectives

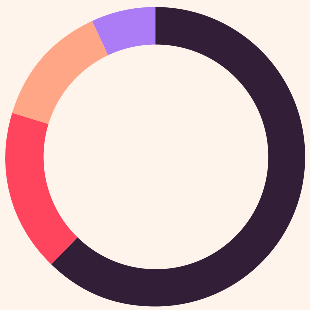


1 We define highly emitting sectors using the NZAOA classification. According to its protocol, NZAOA members shall engage, at a minimum, 20 companies in their portfolio with a focus on those responsible for the most 'owned emissions' or those responsible for a combined 65% of owned emissions in their corporate bond and equity portfolio.
2 Executive-level managers within a company.

3. Engaging with issuers to drive outcomes continued
Our climate change engagement programme continued

In early 2024, we completed an analysis of our engagement programme. Chart 11 shows how the 25 companies are progressing against tailored engagement objectives after one year of dialogue. We have assessed that around 40% of all total objectives have been either achieved or partially achieved or covered by a company commitment to be addressed in the future.

Chart 11 – Assessing the progress of companies in our climate engagement programme[1]



# of objectives not achieved	139
# of objectives partially achieved	39
# of objectives with commitments	30
# of objectives met	15

Notes on the chart: It should be noted that some objectives are easier to achieve than others. Given the tailored nature of each company engagement plan, direct comparisons cannot be drawn in most cases.

Methodology: Based on our internal climate scorecard aligned with the TCFD framework, we identified gaps in a company's climate governance, strategy, disclosure and performance and translated those into actionable engagement objectives. These objectives are within the operational control of the company and deemed to be achievable within the three-year horizon of the engagement programme. The aim of creating tailored objectives is to ensure that all companies in the programme are progressing on a credible decarbonisation plan regardless of their stage in the transition. A company is assessed as having achieved an objective when evidence is available in the public domain. Commitments against objectives can either be made in the public domain or in private dialogue with investors. Once objectives are marked as achieved, they are still continually assessed to ensure the company does not roll back on its progress and that the objective still represents best practice. Objectives are assessed as partially achieved when the company has provided public information showing progress, although areas for improvement or completion remain.

1 Companies ranked by % of objectives with no progress.

Visiting a steel plant

The steel sector is among those industries considered 'hard to abate'. These are industries where 'green alternatives' are not readily available because of cost, technological constraints or issues of scale. Steel making is energy intensive and requires combining mined iron ore, limestone and coke (derived from metallurgical coal) in a super-heated blast furnace. Phoenix Group is engaging with two steel companies, to drive towards a more sustainable future for the industry. In October 2023, ArcelorMittal invited us to join an investor familiarisation trip to visit a steel plant in Ghent, Belgium, so we could get a better understanding of the steel making process and the challenges of sustainable steel. Visits like this help bring to life the practical complexities of transforming an incumbent industry. Challenges highlighted during the trip include the need for faster progress in the scaling up of renewable energy, green hydrogen and carbon capture storage ('CCS'), all of which are critical to enabling the transition to net zero, in all the regions where ArcelorMittal operates.

3. Engaging with issuers to drive outcomes continued
Our climate change engagement programme continued

Fostering a just transition in phasing out coal

Asset class:
Listed equity and fixed income

Issuer:
RWE

Sector:
Utilities

Country:
Germany

ESG issues addressed:
Climate change

Context and actions
RWE, Germany's largest utilities company, has been engaged by CA100+ since 2018, when the initiative was launched. In early 2023, Phoenix Group joined the dialogue as co-lead investors alongside three other asset managers. At the beginning of the engagement, RWE held a significant book of coal assets and did not have a commitment to close them or reach net zero emissions. In the intervening years, CA100+ lead investors worked with RWE to encourage and support its transition to a renewable energy company. This is now central to RWE's business plan as confirmed in a recent dialogue with the chair during the 2023 RWE Governance Roadshow. RWE now boasts an ambitious coal phase-out plan by 2030 and a target to be net zero by 2040. The company is also building capacity with respect to just transition planning to keep pace with these closures as they will bring about a significant change to the labour profile of the business. There is still progress to be made in some areas for RWE. Our priority engagement objectives for the company include more clarity on the coal phase-out plan and decarbonisation levers, especially hydrogen and CCS, enhancing scenario analyses to cover transition as well as physical risks from climate change, a commitment to and disclosure of lobbying activities in line with the Paris Agreement and incorporation of science-based targets into governance structures such as executive remuneration.

Outcomes
- In 2023, RWE had submitted and was awaiting approval of a net zero target by the Science Based Target initiative ('SBTi'), a best-in-class standard for target setting.
- RWE stated at its 2023 capital markets day that the company is on a pathway to rapidly decarbonising its portfolio through coal phase-out, a focus on flexible generation and boosting its renewables business with onshore wind, solar and battery development.

Promoting Scope 3 emissions targets

Asset class:
Listed equity and fixed income

Issuer:
BASF

Sector:
Materials

Country:
Germany

ESG issues addressed:
Climate change

Context and actions
BASF, a large German chemicals company, has been engaged by CA100+ since 2018, when the initiative was launched. In early 2023, Phoenix Group joined the collaborative dialogue as a co-lead investor alongside two other asset managers. Our dialogue has been with representatives from investor relations, sustainability and the outgoing CEO and focused on key engagement objectives: publishing a decarbonisation strategy and identifying the main levers to help meet BASF's 2050 target, disclosing disaggregated capital allocation data, setting a Scope 3 emissions reductions target while seeking to receive a SBTi validation and increasing transparency on both direct and indirect lobbying activities on climate change regulations across jurisdictions.

Outcomes
- In 2023, BASF set a Scope 3.1 decarbonisation target (Scope 3.1 refers to upstream Scope 3 emissions) as requested over the years by CA100+ leads. Dialogue on Scope 3 emissions targets for the downstream will continue.
- The company has disclosed five levers of decarbonisation: renewable energy, electrical steam, new low carbon technology, alternative feedstocks, and operational efficiency.
- 45,000 products have been mapped with relative categories (Pioneer, Contributor, Standard, Monitored, Challenged[1]). Products that are labelled Monitored and Challenged imply a regulatory or customer risk arising within two to five years. Action plans for these products are devised to remove them from the portfolio.
- The company has released a climate lobbying report, although engagement will continue to enhance misalignment assessments and actions where misalignment is identified.

1 Pioneer – Products with adequate profitability and a positive contribution to sustainability above the market standard; Contributor – Products with adequate predictability and a positive contribution to sustainability on market standard with regard to the topics of climate change and energy, resource efficiency and circular economy; Standard – Products performing on market standard without dedicated contribution to the topics of climate change and energy, resource efficiency and circular economy; Monitored – Products with specific identified regulatory or customer concerns arising midterm or posing a regional reputational risk for BASF; Challenged – Products with identified strong regulatory or customer concerns arising short term, with Substances of Very High Concern in applications with an intended consumer use, violating BASF's Code of Conduct or posing a strong global reputational risk. Source: Creating Value – BASF Report 2023.

3. Engaging with issuers to drive outcomes continued

Nature

Engaging with companies on nature

In 2023, we updated a set of requirements to guide our dialogue both with asset management partners and investees on nature risks and opportunities as included in our ESG Expectations of Companies.

Companies will vary in their dependency on nature and impact on nature through direct operations and/or their supply chain depending on their sectors. However, our recommendations (right), aim to create a baseline across sectors and geographies.

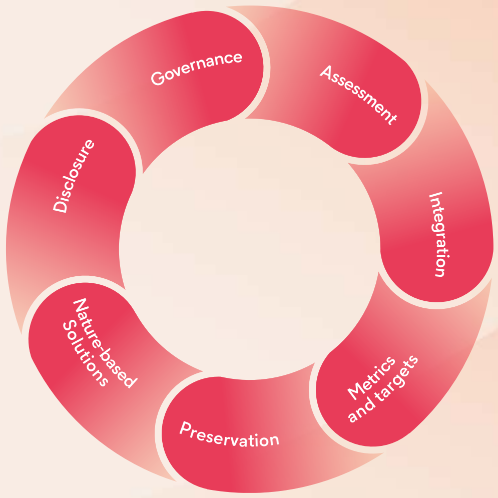
In 2023, our first step to initiate dialogue with issuers on this topic was to sign up to NA100, a global investor engagement initiative supported by more than 200 investors representing $28 trillion in AUMs. NA100 aims to drive greater corporate ambition and action on tackling nature loss and biodiversity decline. The initiative focuses on 100 companies in key sectors with the largest impacts and dependencies on nature to ensure they are taking timely and necessary actions to protect and restore nature and ecosystems by 2030.

Engagements are guided by an overarching set of investor expectations, broadly aligned with our recommendations, which cover a range of aspects including ambition, assessments, targets, governance, implementation, and engagement and lobbying.

The secretariat and technical advisory group completed the final list of companies and the initial research in 2023. Collaborating investors were assigned to the companies they would be engaging with in late 2023 and engagement began in 2024. Phoenix Group has been assigned to two companies, one large chemicals company and one diversified mining company. We have already begun engaging with these companies alongside our collaborating investors.

In 2024, we will develop our internal proprietary scorecard aligned with our recommendations and apply it to the two companies in focus. We are also planning on further developing our stewardship strategy on nature in the near term in connection with our work on portfolio analysis (see chapter 2, page 32).

Our expectations of companies on nature



3. Engaging with issuers to drive outcomes continued

Human rights

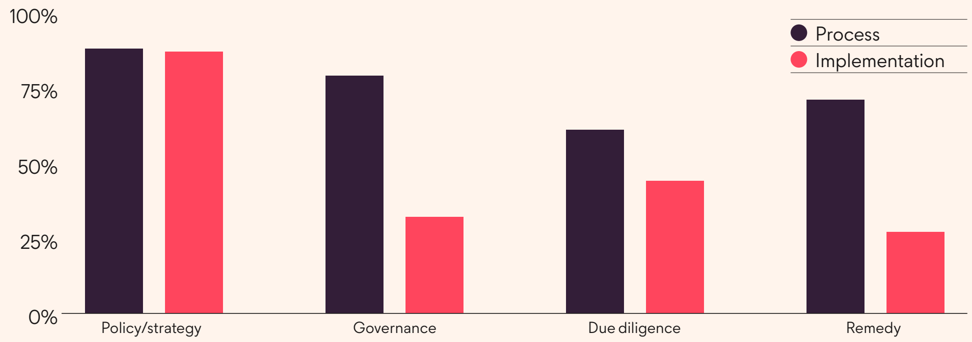
Supporting human rights in the energy transition

Since the end of 2021, Phoenix has been an active member and part of the Advisory Committee of Advance, a PRI-led collaborative stewardship initiative on human rights and social issues.

The initiative has the endorsement of 265 investors representing US$35 trillion in assets under management.

Phoenix Group is lead investor for the coalitions focused on two utility companies, and participating investor for the groups responsible for dialogue with three mining companies and one utility company.

Chart 12 – Our analysis on companies' performance on managing human rights



Methodology note: Based on our internal human rights scorecard aligned with the UNGPs, we identified gaps in a company's human rights policy, governance, due diligence and access to remedy and translated those into actionable engagement objectives. These objectives are within the operational control of the company and deemed to be achievable within the three-year horizon of the engagement programme. A company is assessed as meeting the criteria of the scorecard when evidence is available in the public domain. Indicators are classified under process or implementation to differentiate when the indicator evaluates evidence of policies or documented procedures or actual performance or effectiveness of the processes in place, respectively. Under the area of access to remedy, in relation to implementation, a penalty is applied for companies with documented controversies spread out through geographies and projects, so a negative score in this area is possible.

To continue with our commitment, in 2023 we developed a scorecard, based on our expectations of companies on human rights and the UNGPs to conduct in-depth research on the six companies with which we are engaging as part of this initiative. The scorecard covers areas of policy and strategy, due diligence and access to remedy and the research is based on publicly available information and data from a range of service providers. Chart 12 presents a summary of the results from our baseline research. Overall, we found that companies perform better around processes and policies than implementation and outcomes.

The chart shows relevant insights from our analysis:

- All companies have policies stating an explicit commitment to respect human rights and have established due diligence processes to identify actual and potential negative outcomes for people.
- All six companies have board and management oversight of human rights related activities and provide human rights training to at least the most relevant staff.
- Only one out of six has set objectives and targets to measure progress against outcomes on human rights, and none tracks performance over time.
- On the topic of access to remedy, all companies have a policy covering reporting and resolving grievances relating to their human rights policy, although only three of the six give evidence of remediation provided to effectively address identified grievances.

As part of the analysis, we also looked at the salient issues identified to assess if there were any trends or commonalities. Five of the six companies make this information available in the public domain. Several issues were identified, with the following issues being mentioned by most of the companies: workplace health and safety, labour rights, activities with security providers, and rights of local communities.

In 2023, we met with all six companies at least once to introduce the initiative and its objectives. The investor coalitions have set engagement strategies for all companies, with objectives for the next year of dialogue on community engagement and indigenous rights, labour rights, just transition, responsible political engagement, grievance mechanisms and access to remedy. These objectives ensure all groups are working towards the three company expectations of the initiative: implementing the UNGPs, aligning political engagement with the responsibility to respect human rights and increasingly meaningful progress on the most severe human rights issues. Progress towards these objectives will be regularly monitored through an internal tracking system.

3. Engaging with issuers to drive outcomes continued

Controversies

Our engagement programme linked to the UNGC principles

We continue with our efforts to engage with companies that have been identified by screening for breaches of UNGC principles in our policyholder and shareholder portfolios.

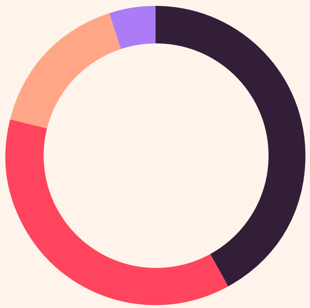
In 2023, we conducted in-depth research on the controversies, sent tailored letters and looked to engage directly with companies on the issues identified.

In September 2023, using our consensus methodology with data from two service providers, we reviewed our target list of companies. The list currently consists of ten companies across the sectors and issues of concerns are shown in chart 13[1] and 15.

Chart 13 – Sectors

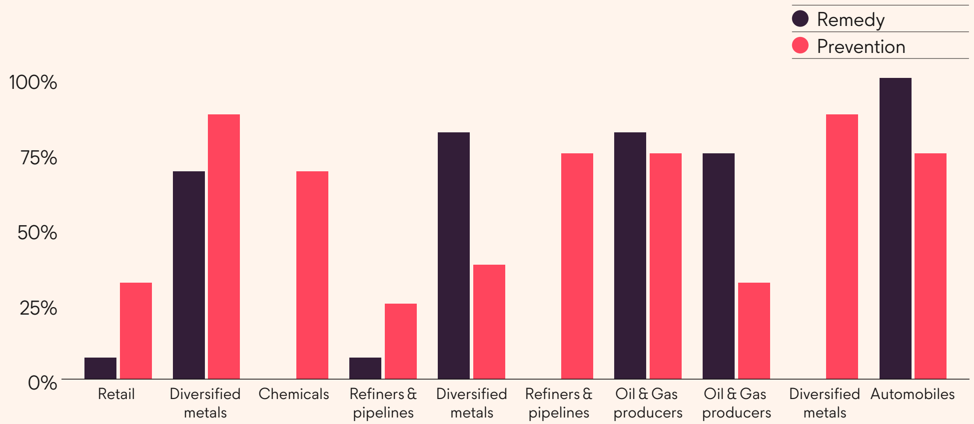
Diversified metals	30%
Oil & gas producers	20%
Refiners & pipelines	20%
Automobiles	10%
Chemicals	10%
Retail	10%

Chart 15 – Issues of controversies of our engagement focus list



Environment	42%
Human rights	37%
Labour rights	16%
Anti-corruption	5%

Chart 14 – Our analysis on companies' responses to UNGC controversies



Methodology note: Based on our internal UNGC Controversies scorecard, we identified gaps in a company's remediation and prevention practices and translated those into actionable engagement objectives. These objectives are within the operational control of the company and deemed to be achievable within the three-year horizon of the engagement programme. A company is assessed as meeting the criteria of the scorecard when evidence to that effect is available in the public domain. Indicators evaluate whether the company acknowledges and reports on the controversy (-ies(that third party providers have identified, and on the progress against remedial actions to which the company has committed. They also evaluate the activities the company has put in place to prevent the recurrence of the issue and if there are documented procedures or actual measures of the effectiveness of the processes that are in place. Under the area of access to remedy, in relation to implementation, a penalty is applied for companies with documented controversies spread out through geographies and projects, so a negative score in this area is possible.

In 2023, we also conducted in-depth research on all ten companies using publicly available information and information from a range of service providers. We developed our own scorecard, covering public acknowledgment of the controversy, progress towards remediation activities, and evidence that internal processes had been updated, improved and enhanced to take into consideration current controversies.

1 The changes from the previous list are that one new company has been added to list, one company dropped from the list given a downgrade in the overall controversy score by a service provider and two companies have been dropped from the list by Phoenix Group as they were each involved in a controversy as a minority stake or non-operated consortium or joint venture.

3. Engaging with issuers to drive outcomes continued
Our engagement programme linked to the UNGC principles continued

From our analysis, we found that:

- 60% of companies publicly report on the controversy they are linked to and 50% engage with affected stakeholders and report progress on remediation activities to some extent;
- 70% of companies have made changes to the CEO and/or chair and/or made changes to 50% or more of the companies' board composition since the allegation was flagged as severe; and
- only 20% of companies report how they use results from remediation activities to update or develop their approach to different issues and only one company reported on measures adopted to prevent the recurrence of the issue

We continued to follow progress made on the issues raised according to the third party platform to which we have access. We will join collaborative efforts whenever related to the companies identified by our internal assessment.

Our engagement programme related to breaches to UNGC principles follows a three-year cycle, and we have established clear engagement objectives for each of the companies in our focus list. Progress towards these objectives will be regularly monitored through an internal tracking system. In case of insufficient progress against our objectives, we will consider escalation strategies including investment restrictions if they are not already in place.

Managing impact on local communities

Asset class:
Listed equity and fixed income

Issuer:
TotalEnergies

Sector:
Energy

Country:
France

ESG issues addressed:
Human and labour rights, natural resource use/impact

Context and actions
In November 2023, we met with representatives of TotalEnergies Investor Relations to discuss the company's two projects: Tilenga, an oil and gas field in Uganda, and the East African Crude Oil Pipeline ('EACOP'), a pipeline crossing Uganda and Tanzania. The allegations were in relation to human rights violations and impacts on biodiversity affecting local communities. During the meeting, the company presented an update on the environmental and social impact assessments ('ESIAs') carried out for both projects, progress against commitments set and evidence of consultation processes with affected local stakeholders.

We will continue to engage with the company to follow up on its commitments in relation to:

- adequate and timely delivery of compensation plans including addressing concerns raised by affected stakeholders, particularly as the projects move to the construction phase;
- carrying out independent verification of different impact reports to validate results and progress towards set objectives and targets; and
- monitoring the company's biodiversity management plans for the EACOP project in Tanzania.

Outcomes
The company has:

- provided monetary and/or in-kind compensation to affected stakeholders, translation and independent legal support to those involved;
- carried out engagement and consultation activities with local communities and non-governmental organisations ('NGOs');
- established grievance mechanisms;
- committed to the implementation of action plans to generate a positive net impact on biodiversity; and
- committed to carry out independent verifications of impact reports to validate results from internal processes and assessments and committed to providing more information on performance against targets on its website.

3. Engaging with issuers to drive outcomes continued

Asset management partners

Engagements by our asset management partners

Through the ESG assessments of data from our level 1 managers[1], we noted and discussed that our asset management partners:

- are aligned with our definition of engagement as dialogue focused on influencing and shaping issuers' performance;
- have engagement tracking systems available to both investment and ESG teams;
- heavily involve investment teams or rely on them to lead on most of the engagements with issuers with the exception of passive managers where larger stewardship teams undertake dialogues with investees;
- all provided evidence of consideration of engagement dialogue in investment decisions; and
- 80% publicly name companies they engage with in their reporting.

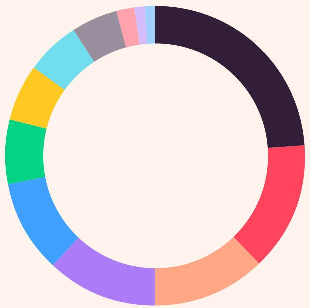
After the publication of our 2022 Stewardship Report, we have written tailored letters to 11 managers who provided quantitative information to us on their engagement and voting activities. The letters acknowledged the value of collaboration between asset owners and asset managers to track and monitor effective stewardship, and highlighted existing reporting gaps on representatives met, subtopic issues addressed, objectives set and outcomes. The letters gave us a valuable opportunity to engage with our managers and support them to allocate more investments, reporting and tracking tools for stewardship activities. We were pleased to see significant improvements in the quality of reporting to us from our managers in 2023.

Similarly to last year, we have also asked all our asset management partners who are managing our customers' strategies in listed equity and credit markets (16 in total), to share quantitative information on the engagement dialogue they had with investees on our behalf.

In 2023, our 16 relevant asset management partners had more than **5,000** meetings with more than **1,700** investees across sectors and geographies on our behalf and in relation to the assets they managed for us. We noticed higher volumes compared with 2022, due largely to the increased number of engagements by more level 2 managers as a result of recent acquisitions.

Overall, **41%** of all the meetings reported to us had associated engagement objectives tracked in our managers' reporting systems. This is a significant increase from 17% the previous year. Additionally, **31%**[2] (compared to 5% in 2022) of these meetings were associated with progress against these engagement objectives. For the first time in 2023, we also asked managers to report on escalation strategies adopted and **5%** of the dataset included this information[3].

Chart 16 – Sector distribution of engaged companies

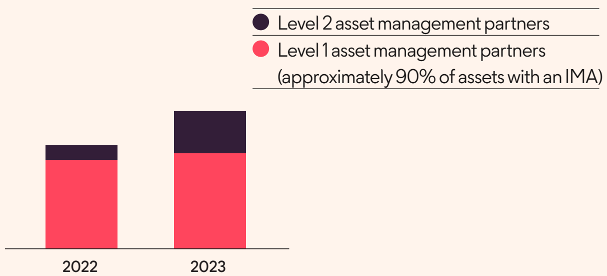


Financials	24%
Consumer staples	14%
Industrials	12%
Consumer discretionary	12%
Information technology	10%
Materials	7%
Energy	6%
Communication services	6%
Utilities	5%
Real estate	2%
Healthcare	1%
N/A	1%

Chart 17 – Regional distribution of engaged companies

USA	25%
UK	19%
Developed Asia ex-Japan	15%
Europe ex-UK	15%
Emerging and frontier markets	14%
Japan	6%
Australia & New Zealand	4%
Canada	2%

Chart 18 – Overview of engagement meetings reported by our managers



1 Five strategic and critical asset management partners which collectively cover ~70% of Phoenix Assets Under Administration.
2 To calculate this metric, we removed cases of engagement meetings where objectives have not been set, even though indications of progress were evident.
3 When tracked, the managers reported escalations in 21% of the cases.

3. Engaging with issuers to drive outcomes continued
Engagements by our asset management partners continued

Data coverage on the number of company representatives met increased from 18% in 2022 to 54% in 2023 and we recorded that 24% of engagement meetings with this information happened with CEOs, chairs or other C-suite representatives.

We were pleased to see enhanced disclosure on these data points compared with last year. We are dedicated to keeping an open dialogue with our managers to continue to improve coverage of these important performance indicators.

In 2023, environmental and governance issues remained the most common topics addressed in meetings. We collected more granular data on subtopics covered on the entire dataset, increasing the coverage significantly to almost 100% from 45% last year. Climate change, human capital management, board effectiveness and culture were the most popular themes for dialogue with issuers in 2023.

Chart 19 – ESG issues covered in engagement meetings

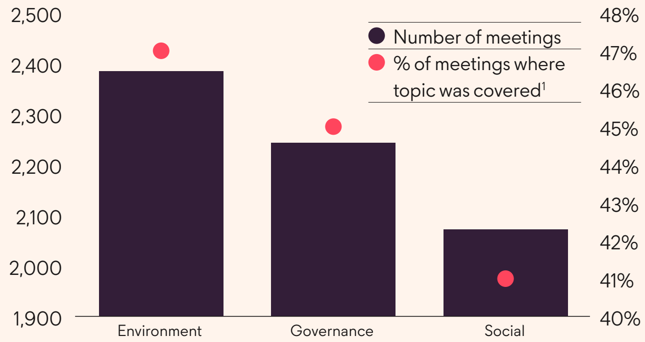
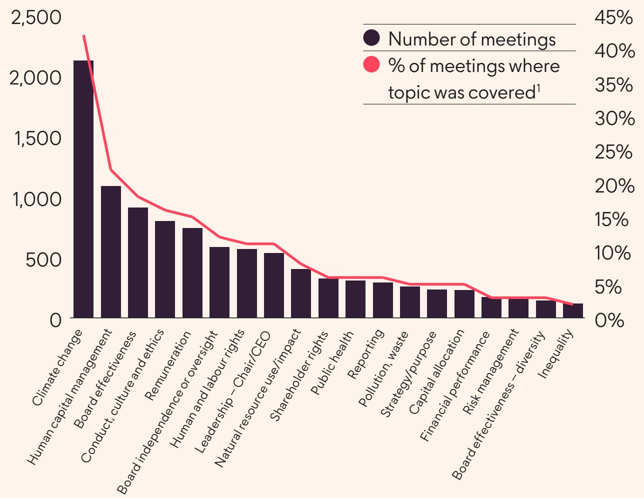


Chart 20 – Subtopics covered in engagement meetings



1 Managers may cover multiple topics in the same meetings, therefore these percentages are calculated by dividing the number of meetings where the topic was covered by the total number of meetings held by the managers. Consequently, the percentages do not add up to 100.

Our delegated engagements on climate change

In 2023, our asset management partners have actively engaged with issuers in our portfolios on climate change. We assessed that our managers have engaged with 1,078 companies held in our investment strategies, representing more than 44%^ of financed emissions from high-emitting sectors in our listed equity and corporate fixed income portfolios (using a 2022 baseline).

Appendix 3 shows their overall support for climate shareholder resolutions and their voting behaviour on approvals of net zero plans by investees for the assets they manage on our behalf.

Periodic dialogue with our asset managers is crucial to monitor agreement on target setting, assessment of progress by issuers, coordination of expectations in case of overlapping engagements, and escalation strategies in case of lack of progress. Conversations on climate change engagements have been regularly included in agendas of meetings with level 1 managers throughout 2023. For concrete examples of these delegated engagements **Engaging for leadership in the decarbonisation of the utility sector**, on page 52, and **Calling for corporate ambitions on climate change** on page 54.

3. Engaging with issuers to drive outcomes continued

Engagements by our asset management partners continued

In addition to these statistics, we collected a number of case studies to show how relevant asset management partners have engaged individually and collaboratively with companies and governments, shared feedback and recommendations to corporate management and country officials, and used escalation strategies in the case of poor outcomes. The cases provided span across asset classes, regions and sectors, and cover multiple topics, including governance, climate change, nature, labour and human rights and sustainability disclosure[1].

Engaging for leadership in the decarbonisation of the utility sector

Asset management partner:
abrdn

Asset class:
Listed equity and fixed income

Issuer:
Enel

Sector:
Utilities

Country:
Italy

ESG issues addressed:
Climate change, remuneration

Context and actions

As mentioned in our 2022 Stewardship Report, abrdn has been engaging with Enel on its decarbonisation strategy and executive incentives for the past few years. During 2023, the asset manager continued dialogue with management, primarily as a lead investor of the CA100+ coalition. The company is a sector leader in its efforts to manage climate change: it is phasing out all coal power generation (by 2027); it will have 80% of gross capital expenditure aligned to the EU Taxonomy between 2024-26; and will achieve net zero emissions in 2040 across Scope 1, 2 and 3 emissions.

However, the CA100+ investor group identified a handful of areas where Enel's decarbonisation strategy and disclosures can be strengthened. In particular, the group would like to see the company return to full compliance with the updated CA100+ benchmark assessment, with additional commitments on capex, strategy and just transition among others.

abrdn also engaged and collaborated with other stakeholders prior to Enel's 2023 AGM, which was dominated by significant board and managerial change initiated by the Italian government. Following the AGM, the asset manager met with members of the incoming management team and underlined strong support for Enel's decarbonisation strategy and carbon reduction commitments.

Outcomes

- At the company's capital market day in November 2023, Enel reiterated its commitment to a 1.5°C decarbonisation pathway and to create shareholder value by rapidly growing the renewable power business. In 2023, Enel made further changes to its LTIP. Although the company did not re-introduce a former metric related to renewable sources capacity, the 2023 LTIP increased the weighting of carbon emissions reductions from 10% to 15%. In addition, a Scope 3 emissions target was added to this metric. These were both changes abrdn had requested in previous engagements and it was comfortable to vote in favour of the LTIP at the 2023 AGM. Almost 98% of votes were cast in support of the LTIP resolution.
- Enel had previously become the first company to comply with all indicators of CA100+ Benchmark Assessment in 2022. The investor group will continue to support Enel towards full compliance with the updated version of the benchmark.

1 Issue/issuers selected for illustrative purposes only to demonstrate the investment management style described herein and not as an investment recommendation or indication of future performance.

3. Engaging with issuers to drive outcomes continued
Engagements by our asset management partners continued

Promoting climate solutions through refurbished electronic devices

Asset management partner:
abrdn

Asset class:
Private equity

Issuer:
Back Market

Sector:
Information technology

Country:
France

ESG issues addressed:
Climate change, pollution and waste

Context and actions
Back Market is a global marketplace for refurbished electronic devices, powered by machine learning. The company is focused on addressing the overproduction of electronic devices/appliances and its detrimental environmental impact, particularly in terms of e-waste and carbon emissions. This issue is material for Back Market as it directly aligns with its mission to transform the tech industry into a circular economy. Its sustainable-by-design business model has the potential to drive significant value creation while contributing towards environmental objectives.

Since investing in Back Market in 2022, abrdn's private equity team has established three to five follow-up sessions a year with company management and/or the private equity sponsor it co-invested alongside. These meetings included a focus on Back Market's progress on sustainability metrics and its forward plans. They paid particular attention to the company's carbon footprint trajectory, strategies for scaling up the business in an impactful manner and accessibility of e-goods for users facing financial constraints. During 2023, abrdn engaged closely with the Chief Financial Officer ('CFO') and CEO/founder on forthcoming sustainability strategy advancements and strategic emphasis on talent development.

Outcomes
- Back Market achieved improvements across ESG and relevant metrics on climate change, talent development, community engagement and cybersecurity.
- In facilitating the sale of refurbished electronic devices, Back Market has contributed to a reduction of approximately 90-95% in CO_2e emissions, raw materials, water, and e-waste compared to brand-new devices.
- Back Market also achieved a milestone of avoiding one million tonnes of carbon emissions and saving 800 million cubic metres of water since inception.
- abrdn will continue engaging with Back Market to support its sustainability roadmap and monitor delivery of commitments.

Promoting pay and performance alignment

Asset management partner:
BlackRock ('BR')

Asset class:
Listed equity

Issuer:
Ocado Group

Sector:
Consumer staples

Country:
UK

ESG issues addressed:
Board effectiveness and remuneration

Context and actions
Ocado is an online grocery retailer that specialises in developing and supplying online retailing technology to other grocers. As mentioned in the our 2022 Stewardship Report, BR has engaged regularly with Ocado over the last several years to discuss a range of matters material to delivering long-term shareholder returns. In 2023, dialogue with the company's board chair and remuneration committee chair focused on the company's approach to remuneration, board composition, as well as material sustainability risks and opportunities.

Outcomes
- Ocado's remuneration practices continued to not be aligned with market practice in terms of structure of pay and alignment with performance. For example, in 2022, the company made further amendments to its Value Creation Plan, adding a new tranche of awards with less stringent performance conditions. As such, at the 2023 AGM, BR did not support the remuneration report and re-election of members of the remuneration committee to reflect its ongoing concerns with remuneration practices at the company. In all, 30% of shareholders did not support the remuneration report.
- At the time of the 2023 AGM, four of the board's 14 members were female. Although this remains below the 33% female representation target of the UK Hampton-Alexander Review, BR recognised that the single appointment to the board in the last meeting cycle was of a female director. The board also had five directors that identify as coming from minority backgrounds, far above the recommendations of the UK Parker Review. As such, BR supported the re-election of Ocado's nomination committee chair.

3. Engaging with issuers to drive outcomes continued
Engagements by our asset management partners continued

Tackling deforestation risks

Asset management partner:
Janus Henderson Investors (JHI')

Asset class:
Listed equity

Issuer:
Home Depot

Sector:
Consumer discretionary

Country:
USA

ESG issues addressed:
Natural resources use and impact

Context and actions
As mentioned in our 2022 Stewardship Report, JHI engaged with Home Depot on a shareholder proposal on deforestation, disclosure to the Carbon Disclosure Project ('CDP') Forests and the operationalisation of its no-deforestation and wood sourcing policy. The company's position was to favour Forest Stewardship Council ('FSC')-certified wood products without requiring FSC certification.

The 2022 shareholder proposal passed with 65% of shareholders voting in favour of the company producing a report on its impact on primary forests. In 2023, JHI engaged with the company to support progress on the content of the resolution, the adoption of a no-deforestation policy, disclosure, and targets/action plans for improving sustainable sourcing. The asset manager also flagged to management the emerging EU Deforestation Regulation and increased societal and regulatory focus on deforestation, alongside biodiversity. JHI further encouraged the company to expand beyond FSC certifications, potentially leveraging geospatial/satellite data, which is improving and seen as a more forward-thinking approach to manage risks around traceability.

Outcomes
- Home Depot confirmed it had just completed a deep-dive supplier survey and was in the process of finalising a full report which will be published in 2024.
- The company disclosed to CDP Forests. Reporting is, however, currently limited to private-label wood products that represent a relatively small proportion of sales.
- JHI welcomed the company's improvement on disclosure. However, the asset manager encouraged management to take a more proactive approach to improving traceability and to consider being part of a collaborative coalition with suppliers to address these issues.
- JHI will continue to engage with the company once more information is published.

Calling for corporate ambitions on climate change

Asset management partner:
Legal and General Investment Manager ('LGIM')

Asset class:
Listed equity and fixed income

Issuer:
Chubu Electric Power

Sector:
Utilities

Country:
Japan

ESG issues addressed:
Climate change

Context and actions
As one of the key electric utilities companies in Japan, Chubu was selected for engagement with the potential to influence behaviour across its sector and supply chains. LGIM's direct engagement with Chubu focused on minimum expectations on phasing out unabated coal by 2030, reducing material Scope 3 emissions and disclosing climate-related lobbying activities and actions if these are not aligned to a 1.5°C transition.

At the end of 2023, the company had not met LGIM's requirements as set out under its Climate Impact Pledge. Improved disclosure was also considered necessary to enable investors and the market to assess risks and opportunities related to the climate transition and price these more accurately.

Outcomes
- At the company's 2023 AGM, LGIM voted against the re-election of the chair as the company lacked a strong time-bound commitment for phasing out coal, a target for Scope 3 emissions related to the sale of gas (in addition to its target to reduce Scope 3 from electricity sold to customers) and disclosure of climate-related lobbying activities.
- LGIM pre-declared its voting intention on its dedicated pre-declaration blog.
- Direct engagement will continue to improve understanding of the company's position, the hurdles it is facing and progress towards LGIM's minimum expectations for the sector.

3. Engaging with issuers to drive outcomes continued

Engagements by our asset management partners continued

Supporting a living wage for employees and suppliers

Asset management partner:
Legal and General Investment Manager ('LGIM')

Asset class:
Listed equity and fixed income

Issuer:
Walmart

Sector:
Consumer staples

Country:
USA

ESG issues addressed:
Human capital management, inequality

Context and actions

In 2023, LGIM launched its own income inequality engagement campaign targeting 15 of the largest global food retailers. Walmart is the largest food retailer in the world, so was included in the target list. In addition to setting objectives regarding the living wage for these companies' own operations, LGIM also expects them to take certain actions regarding their supply chains. Companies that do not meet these expectations may be subject to a vote against the chair at their 2025 AGM.

LGIM is also a member of three collaborative engagement groups: ShareAction's Good Work Coalition, the Platform for Living Wage Financials ('PLWF'), and Interfaith Center on Corporate Responsibility ('ICCR') living wage for workers in the USA. Within its participation in PLWF, LGIM carried out the assessment, scoring and engagement with three companies, one of which was Walmart.

The asset manager held direct engagements with Walmart on a number of ESG topics across the years, focusing more recently on supply chains and human capital management. At Walmart's 2022 AGM, LGIM supported a shareholder proposal demanding a report on the alignment of racial justice goals and starting wages which received 13.2% of votes in favour.

Outcomes

- In Walmart's 2023 AGM, LGIM voted in favour of a shareholder resolution requesting that the company considers the pay disparity between the CEO and other employees, which received 4.3% of supporting votes.
- Although LGIM acknowledges that Walmart has made increases to the wages of its employees, the new pay levels fall short of being a living wage.

Achieving positive performance on nature restoration

Asset management partner:
Robeco

Asset class:
Listed equity

Issuer:
Suzano

Sector:
Materials

Country:
Brazil

ESG issues addressed:
Natural resources use and impact

Context and actions

Given the increasing financial materiality of nature, from 2020 to 2023, Robeco engaged with companies significantly exposed to forest risk commodities, including beef, soy, pulp and paper, cocoa and natural rubber. Engagement objectives focused on commitment on zero deforestation, biodiversity impact assessments, biodiversity restoration and circular economy, social management and reporting. Suzano, Brazil's largest pulp and paper producer, sourcing most of the wood it uses from its own plantations, was one of the companies under engagement. The company performed relatively well on most of the defined engagement objectives, although there was room for improvement on the company's lack of specific targets related to zero-deforestation commitments and biodiversity restoration efforts.

Under the Finance Sector Deforestation Action, Robeco led the collaborative engagement with the company, including a field visit to its plantations in Brazil. Through engagement, Robeco assessed that Suzano planted solely on previously degraded pastures and underwent high conservation value assessments for each plantation, leading to an average 30-40% of each plot being protected. To enhance the biodiversity value of these plots, the company was also actively connecting conservation areas, both through biodiversity-enhanced plantation models and restoration efforts to create wildlife corridors and amongst others support migratory patterns. The company aimed to connect half a million hectares of native forest and tracked the number of monkeys on its land as a proxy for forest connectivity.

Outcomes

- Suzano showed positive performance on its biodiversity impact analyses, environmental assessments of suppliers, as well as an holistic approach to biodiversity restoration and conservation.
- The company demonstrated a credible no-deforestation commitment and comprehensive reporting.
- As a result, Robeco has successfully closed the engagement with Suzano.

3. Engaging with issuers to drive outcomes continued
Engagements by our asset management partners continued

Enabling the low carbon transition through electricity distribution

Asset management partner
Macquarie Asset Management ('MAM')

Asset class:
Private equity/Infrastructure

Issuer:
Endeavour Energy

Sector:
Utilities

Country:
Australia

ESG issues addressed:
Climate change

Context and actions
In June 2017, a MAM-led consortium acquired a 50.4% interest in Endeavour Energy. In August 2023, MAM completed the acquisition of a 12.6% interest in Endeavour from a consortium member via a pre-emptive process. The New South Wales ('NSW') government retained the residual 49.6% stake in Endeavour. Following the Macquarie Global Infrastructure Fund's ('MGIF')'s investment in Endeavour Energy, MAM funds hold two board seats, and since the initial investment in 2017 has engaged significantly with management to support its climate strategy and performance.

Endeavour is one of three regulated electricity distribution networks in NSW and the third largest in Australia, predominantly servicing Western Sydney, one of the fastest population growth areas in Australia. This investment is an opportunity to play a critical role in the energy transition supported by the NSW government's decarbonisation goals which require substantial investments to strengthen the grid and drive the electrification of Endeavour's network area.

Endeavour has a net zero business plan and targets, including a 40% reduction in Scope 1 and 2 emissions by 2030 (excluding line losses) and net zero Scope 1, 2 and 3 emissions (including line losses) by 2040. The company is also focused on enabling emissions avoidance opportunities for its customers and communities. Key initiatives for the business include sulphur hexafluoride asset management and replacement, as well as the electrification of fleet and diesel generators.

In 2022, Endeavour signed a US$A920 million five-year sustainability-linked loan facility, with pricing on the loan tied to a set of agreed sustainability performance targets, focusing on GHG emissions reduction (excluding line losses), landfill waste diversion, net habitat gain and employee mental health and wellbeing.

Outcomes
- After undergoing an annual assurance process to verify Endeavour's performance across the targets included in the sustainability-linked loan, it was announced that Endeavour had achieved all its targets for the 2023 financial year.
- In 2023, Endeavour achieved a GRESB score and star rating of 96/100 and 5/5 respectively.
- On 18 December 2023, Endeavour's Renewable Energy Zone ('REZ') consortium entered into a Commitment Deed with the NSW government as the preferred network operator. As fossil fuel generators are phased out of NSW's energy mix, the REZs are intended to provide long-term energy generation capacity, combining generation (through solar and wind farms), transmission, storage and system strength services.

Supporting the issuance of high-quality green bonds

Asset management partner:
abrdn

Asset class:
Sovereign fixed income

Issuer:
Government of Hungary

Country:
Hungary

ESG issues addressed:
Climate change

Context and actions
abrdn has been engaging with Hungary's debt management agency for a number of years since the country published its first green bond framework in 2020. In early 2023, abrdn set a number of milestones to be implemented in Hungary's green bond post-issuance allocation reporting and when the country looked to renew its green bond framework. Milestones included placing increased focus on additionality[1] via capital expenditure rather than operational expenditure particularly on its rail network and reporting projects in line with EU Taxonomy guidelines.

Outcomes
- In July 2023, Hungary published a renewed green bond framework with much better EU Taxonomy alignment reporting.
- In a subsequent meeting with Hungary's State Secretary for Energy and Climate and its Debt Management Agency, it was confirmed that there would be an increased focus on capital expenditures across green bond project categories which includes clean transportation, energy efficiency and renewable energy projects.

1 Additionality is a concept used in analysing green bonds, referring to the additional environmental or social benefits that result from investments which would not occur without this specific funding. The term is frequently associated with capital expenditures, which are investments made in new projects or in enhancing existing green initiatives, thereby potentially generating measurable environmental or social benefits. On the other hand, operational expenditures, which are aimed at covering the costs of daily operations, may not as easily show clear additionality.

Our stewardship approach

4. Exercising our investor rights

Throughout this document we measure activities against the UK Stewardship Code and its 12 principles. The principles relevant for this section are listed below:

- Principle 6
- Principle 8
- Principle 9
- Principle 11
- Principle 12

What we achieved in 2023:

- Conducted a review of voting activities on 100 companies by selected asset management partners
- Engaged with asset management partners to reduce voting misalignment in the future
- Refined our voting vision for 2024
- Selected a service provider to set up threshold notification services
- Worked with the UK regulator to enhance voting disclosure by managers to asset owners

Key future priorities:

- Expand our test on voting practices to 300 companies
- Continue dialogue with asset management partners on identified misalignment
- Develop our voting strategy beyond 2024

4. Exercising our investor rights

Our expectations of asset management partners on voting and other investor rights

The exercise of shareholders' rights through voting is an essential element of the stewardship toolkit available to investors. We believe that engagement, voting and ESG integration are interconnected elements of the investment cycle which should continuously feed into each other.

We see engagement as an effective tool to improve understanding of company practices and inform voting decisions. In the case of passive strategies, voting is often the only opportunity to voice shareholders' opinions on investee companies' strategies and performance.

We expect asset management partners to:

- exercise voting rights on our behalf through the application of their customised proxy voting policy which is regularly updated and monitored to reflect clients' views; and
- track systematically and report regularly on their voting activities including use of proxy advisers, votes against management, topics addressed by voting, support of ESG shareholder resolutions and voting rationales relating to Phoenix's assets.

Phoenix and our asset managers do not allow our customers to vote in segregated and pooled funds. However, we have piloted the use of the Tumelo platform to allow members of selected workplace pension schemes to express their voting preferences (see more information in 'Piloting the Tumelo platform' on page 80, chapter 6).

In addition to exercising rights through voting in listed equity strategies, we expect our managers to make full use of investor rights in other asset classes too. This would include seeking amendments when reviewing prospectuses and transaction documents in listed fixed income assets, or taking board seats (where practicable) and shaping terms and conditions in indentures, contracts and covenants in private markets. To complement legal expertise in investment teams, we expect our managers to access in-house legal counsels as well as third party legal counsels, if deemed necessary, to review documentation and propose amendments to achieve the best outcomes for their clients.

4. Exercising our investor rights continued

Testing our Global Voting Principles

Our Global Voting Principles, first published in 2022, articulate high-level beliefs and expectations of corporate management. They are accessible to our asset management partners and external stakeholders through our website. Although we are not involved in voting decisions directly, either by casting votes or sending voting instructions to our managers[1], the principles serve as a robust framework to both guide our voting intentions in the future and assess our managers' voting policies and approaches.

Our 2023 commissioned research tested the level of alignment between our asset management partners' voting records and our Global Voting Principles (right).

1 With the only exception of a small number of execution-only funds.
2 Those companies were selected based on relevance for our thematic engagements and/or financial exposure.

Addressing voting inconsistencies among four asset management partners

During 2023, we tested our Principles in a synthetic environment and in collaboration with a selected proxy voting adviser who developed voting recommendations for us based on our underlying voting implementation instructions. The synthetic vote testing applied to all resolutions at the shareholder meetings of 100 companies[2]. We asked four asset management partners who manage passive and enhanced index segregated mandates for us to share their voting records on an ex-post basis for representative portfolios.

We commissioned external research by an investment consultant to undertake an analysis of our synthetic voting record and the votes cast by our managers at the companies they held. The objective was to build a picture of the level and areas of inconsistency between the voting activity of each manager and our positions.

The analysis revealed that:

- In a number of meetings analysed, Phoenix had a different view to at least one of the four managers.
- The most common areas of misalignment between Phoenix and our asset management partners were related to: environment resolutions (including shareholder and management proposals), director elections and executive remuneration.
- We saw a relatively positive alignment with one of our asset management partners, and lower alignment with the other three.

We shared the outcomes of the vote-testing analysis with our managers and engaged with them on their specific areas of vote inconsistency. In the case of one manager, we held dedicated discussions on each individual topic of misalignment. We welcomed our managers' formal reflections on our feedback, which included: (i) commitments to changes to voting approach in alignment with our principles, and (ii) rationales where changes would not be made. Two managers decided to review their approach to voting on director elections based on our input. Overall, we assessed that three of the four managers were taking steps that would more closely align their voting approach with our expectations in the future.

4. Exercising our investor rights continued

Our plans for 2024

We have progressed on our journey towards decreasing voting inconsistencies across strategies. In 2024, we will expand our synthetic vote testing universe from 100 to 300 companies to collect data on voting patterns across a larger number of markets and sectors. We will share the insights of the analysis and address ongoing inconsistencies with our asset management partners.

Recalling shares for voting purposes

Our asset management partners monitor where a loan position affects an upcoming shareholder meeting. When we and our asset management partners judge a vote to be particularly controversial or strongly linked to preserving the long-term value of the holding, the asset management partners can request to recall the stock out on loan for voting purposes within 24 hours.

During 2023, one of our asset management partners reached out to us regarding the upcoming AGM at Mediobanca where shares in a fund managed on our behalf were on loan. The manager judged this vote to be material to the company and its future strategy and sought to recall stock out on loan for voting purposes. In order to enable the exercise of voting rights, we recalled the shares from loan until after the AGM. This enabled our manager to vote the full position in the company following their own policy and for the votes to be counted towards the final outcome of the meeting.

Gradual implementation process

2022

Publish a voting policy to share with asset management partners and be used as a framework to assess their voting practices.

2023

Test the voting policy in a synthetic environment for the meetings of 100 focus companies and engage with asset managers on insights.

2024

Test the voting policy in a synthetic environment for the meetings of 300 companies and engage with asset managers on insights.

Beyond

Continue to monitor our managers' votes in active strategies and collective funds. Consider directing or in-sourcing voting in selected segregated mandates.

Fostering vote transparency

During 2023, we contributed to the Vote Reporting Group convened by the FCA including asset owners, as well as vote service providers and corporates. The group was tasked with proposing a framework for asset manager vote reporting in the UK to improve how the needs of asset owners and the wider market are met. We were members of the main group, as well as a subgroup discussing best practices in reporting of vote rationales. In particular, we contributed to the development of a vote disclosure template for asset managers. We also participated in discussions on proposals for future public consultation and shared views on the preferred implementation and oversight of a vote disclosure platform. We responded formally to the subsequent public consultation by the FCA Vote Reporting Group and are awaiting its results.

4. Exercising our investor rights continued

Asset management partners

Insights from our asset management partners' voting practices

From the analysis we conducted on our level 1 asset managers[1] in 2023, we have assessed that:

- 60% vote consistently under the same policy across investment teams.
- 60% have a formal and structured process for collecting feedback from clients on their voting activities.
- All managers reserve the right to recall shares for voting purposes.
- All managers publicly disclose their voting records and 60% also disclose the rationale for their votes against management.
- 60% of managers systematically engage with companies to inform them about potential voting against or they inform companies after the vote.
- Two strategic managers have filed two shareholder resolutions in 2023.

We make links to these voting records available to our customers through our websites:

Standard Life
ReAssure
Phoenix Life

For the compilation of this report and as part of our monitoring of shares and voting rights held, we asked 14 of our asset management partners invested in listed equities to share quantitative information with us on the voting activities they conducted on our behalf in 2023 (see appendix 3). The statistics showed a consistent strong percentage of votes cast on our behalf out of the total eligible (i.e. between 94 and 100%). Reasons for the small percentage of ballots which were not voted on are typically related to share blocking or power of attorney issues.

We were pleased to see that in 2023, our managers have either maintained or increased their support for ESG shareholder resolutions considered material for investee companies. The only exception was for a large asset manager in the USA due to what we believe is increased scrutiny from local regulators over investors' voting practices.

We noted that 87% of disclosing managers have developed a definition of significant votes. However, boundaries and criteria used in this definition continue to vary significantly across firms.

The case studies[2] in this chapter provide examples of how asset management partners have engaged with companies to inform their voting decisions and reflect on the quality of the progress made against their recommendations.

In addition to voting, investor rights can be exercised in other ways, see case studies on The Brewery and Elfelagið SEV on page 64. These provide updates on how Phoenix worked with asset managers to structure private market sustainability-linked loans. Chapter 3 provides further case studies showing how our managers have used other investor rights in private assets.

1 Five strategic and critical asset management partners which collectively cover ~70% of Phoenix Assets Under Administration.
2 Issue/issuers selected for illustrative purposes only to demonstrate the investment management style described herein and not as an investment recommendation or indication of future performance.

4. Exercising our investor rights continued

Insights from our asset management partners' voting practices continued

Challenging excessive executive remuneration

Asset management partner:
Invesco

Voting policy override:
Y

Asset class:
Listed equity

Issuer:
Vistry Group plc

Sector:
Consumer discretionary

Country:
UK

ESG issues addressed:
Remuneration

Significant vote for the manager:
N

Context and actions

At a special meeting held in August 2023, the company proposed to increase the CEO's salary, annual bonus and long-term incentive awards to levels that Invesco, despite being supportive of management, deemed excessive. There had already been a significant dissent (c.47%) against the remuneration report at the AGM held in May.

The asset manager engaged with the company's chair and chair of the remuneration committee, who failed to provide a compelling rationale for the proposed increases. This was corroborated by Invesco's internal research, which showed that the committee's proposal was not commensurate with the CEO remuneration of other UK housebuilders.

Outcomes

- As a result of the engagement, Invesco voted against the amendments to the remuneration policy and Long-Term Incentive Plan. Although the asset manager's internal policy recommended a vote in favour (but not without concerns), proxy research warranted a vote against given that the proposed pay levels were considered unusually high. After the meeting, both proposals received c.55% votes against.
- Moving forward Invesco will continue to closely monitor the company's remuneration practices and engage with the board to make sure that it adheres to an appropriate level of pay for performance.

Aligning incentive structures with investor returns

Asset management partner:
Janus Henderson Investors ('JHI')

Voting policy override:
N

Asset class:
Listed equity

Issuer:
ServiceNow

Sector:
Information technology

Country:
USA

ESG issues addressed:
Remuneration

Significant vote for the manager:
N/A

Context and actions

The company received a 65% against vote at the 2022 AGM on its 'Say on Pay' proposal. JHI, on behalf of Phoenix, did not support it due to concerns over supplementary Long-Term Incentive Plan awards considered excessive. Other concerns included the proposed performance criteria and quality of disclosure.

The asset manager engaged with the chair of the compensation committee who was strident in defending the company's approach, sharing the view that the incentive structure was necessary to drive management performance and retention. JHI highlighted additional concerns over the company's approach to managing incentives' dilution, and suggested additional metrics the compensation committee could use to ensure the right balance between growth and pay.

Outcomes

- Overall, JHI considered the company's response to the 2022 'Say on Pay' vote insufficient. Concerns over alignment between variable pay and performance and the narrow focus on one performance metric remained.
- At the 2023 AGM, JHI voted against the 'Say on Pay' proposal again, on behalf of Phoenix, and it was also rejected by the majority of shareholders.
- JHI will continue dialogue with the company and to support changes to the incentive structure in alignment with shareholder returns.

4. Exercising our investor rights continued
Insights from our asset management partners' voting practices continued

Fostering more ethnic diversity at board level

Asset management partner:
Schroder

Voting policy override:
Y

Asset class:
Listed equity

Issuer:
Bellway

Sector:
Consumer discretionary

Country:
UK

ESG issues addressed:
Board effectiveness – diversity

Significant vote for the manager:
N

Context and actions
Engagement with this British housebuilder began after the release of the Parker Review report in February 2020, which highlighted the lack of diversity on FTSE 350 boards, particularly the under-representation of directors of colour. Schroder engaged with the issuer with the aim of encouraging it to have at least one director of colour by 2024, as well as improve female executive representation in line with the Parker Review.

In late 2020, Schroder emailed the company requesting it to complete a diversity progress survey for senior positions, emphasising the need for additional steps to improve diversity at the board and executive level and warned that Schroder would vote against the nomination committee chair at its upcoming AGM if these requirements were not met.

In late 2023, Schroder intensified engagement by emailing the company ahead of its AGM, specifically focusing on improving female and ethnic representation on the executive committee. The company had a small executive committee consisting only of the CEO and CFO, which might require time and flexibility to implement such changes through organisational restructuring.

Outcomes
- In a meeting in November 2023, the company secretary informed the manager of a potential appointment of an additional director from an ethnic monitory background, which resulted in the manager overriding its voting policy and supporting the Nomination Committee chair, based on the expectation the appointment would occur in the near future.
- Following the AGM, the manager was informed that the appointment did not go through. Bellway has assured the manager that addressing this issue is a priority, and it is actively recruiting a new board member in order to meet the Parker Review by December 2024.
- Schroder will continue to engage with the company, and will vote against the Nomination Committee chair at the 2024 AGM if there has been no progress on the matter.

Supporting higher audit independence

Asset management partner:
MFS

Voting policy override:
N

Asset class:
Listed equity

Issuer:
Compagnie Financière Richemont

Sector:
Consumer discretionary

Country:
Switzerland

ESG issues addressed:
Board effectiveness – independence and oversight

Significant vote for the manager:
Y

Context and actions
Compagnie Financière Richemont was founded by Mr. Johan Rupert in 1988, who served as CEO and continues to serve as chair. Cie. Fin. Rupert, a Swiss limited partnership controlled by Mr. Rupert, has 10% equity stake in Richemont, but 51% of the voting rights. Due to the family's ownership, MFS believes that independence of the audit committee is paramount and in alignment with the Swiss Code of Best Practice.

MFS engaged with the company, including the chair and founder, in August 2022 and 2023 addressing board structure, succession planning and the lack of independence of the audit committee chair. Regardless of previous dialogue and commitments, at the 2023 AGM, director, Mr. Josua Malherbe, the non-independent chair of the audit committee, stood again for re-election. Additionally, the independence of two other audit committee members was in question. Only 40% of the company's audit Committee was independent.

Outcomes
- Due to lack of progress after dialogue, MFS voted against the re-election of Josua Malherbe. This resolution passed with 84.7% shareholder support, a level of support relatively low compared to other directors on the ballot.
- MFS will monitor the company's board effectiveness and raise concerns regularly.

4. Exercising our investor rights continued
Insights from our asset management partners' voting practices continued

Incentivising climate performance

Asset management partner:
MetLife Investment Management

Asset class:
Infrastructure, private debt

Issuer:
Elfelagið SEV

Sector:
Utilities

Country:
Denmark

ESG issues addressed:
Climate change

Context and actions

As mentioned in the Phoenix Group 2022 Stewardship Report, Elfelagið SEV is a Municipalities-owned utility company that owns and operates the electric generation, distribution and transmission grid of the Faroe Islands. The management has a goal of achieving 100% of renewable electricity in the Faroe Islands by 2030. To this end, the funding has been used for general corporate purposes, and to support the issuer's green projects and efforts to transition to renewable power.

MetLife and Phoenix Group worked together to negotiate and structure Sustainability-Linked Bonds linking the coupon rates to the achievement of annual sustainability performance targets ('SPTs') for one KPI. Such terms were captured in the loan documentation (i.e. in the Note Purchase Agreement). The KPI encompassed electricity generation from renewable energy including wind, hydroelectric, tidal, biogas and solar. The SPTs were set at increasing the share of renewable electricity generation every year from 2022 and in line with the company's roadmap to 2030.

Elfelagið SEV committed to publishing a sustainability-linked progress report on an annual basis, disclosing development and achievement against the KPIs and SPTs and seeking an independent and external verification on the published KPI performance figures at least once a year.

Outcomes

- Elfelagið SEV published its first annual sustainability-linked progress report disclosing achievements against the KPIs and SPTs. For the 2022 financial year, the company achieved a proportion of green electricity production of 52.2%, thereby successfully meeting the Sustainability Criterion, resulting in a favourable margin for the year.
- Despite meeting the 2022 SPTs, the company forecasts indicate Elfelagið SEV is expecting to narrowly miss its 2023 target, given lower-than-expected green energy production in 2023 driven by unfavourable weather conditions and delays in completion of renewable projects. While the company will not be eligible for more favourable coupon rates in the coming year, the firm expects to return to surpassing its SPTs in 2024.
- MetLife maintains a close dialogue with the issuer and has confidence in its ability to address these challenges and in its strategy to surpass the targets going forward.
- The achievement of the SPT will continue to be reviewed every year and reflected on the coupon rates the company is required to pay, thereby continuing to incentivise Elfelagið SEV to meet its green energy production targets.

Supporting borrower's progress on climate change

Asset management partner:
Barings

Asset class:
Real Estate

Issuer:
The Brewery, a retail and leisure park in Romford (Borrower)

Sector:
Real estate

Country:
UK

ESG issues addressed:
Climate change

Context and actions

As mentioned in Phoenix Group 2022 Stewardship Report, both the borrower and the sponsor agreed on the importance of improving the property's Energy Performance Certificate ('EPC') ratings and maintaining an 'Excellent' Building Research Establishment Environmental Assessment Methodology ('BREEAM') rating. That is why Barings and Phoenix Group, the borrower and the sponsor, structured a sustainability-linked loan allowing for the loan margin to be reduced if established ESG targets are met, thereby reducing the cost of debt (service) for the borrower. These ESG targets were captured within the executed loan documentation (i.e. the borrower facility agreement).

The borrower and sponsor's business plan for the property included investing capital into the property to meet the agreed sustainability/ESG objectives. Notably, within the first three years of the financing, the borrower needs to ensure that at least 75% of The Brewery's assets achieve an EPC rating profile of C (or better).

Outcomes

- Barings has been monitoring the borrower's performance against the established ESG targets on an ongoing basis.
- As of Q4 2023 the borrower has implemented sustainability-related programmes and remains on track to meet agreed KPIs on LED lighting, electric vehicle ('EV') chargers, improvements of the EPC rating of the assets, and photovoltaic ('PV') panels and roof replacement works.
- The loan margin stepdown is expected to occur in H1 of 2024, pending completion of PV installation.

Our stewardship approach

5. Working with asset managers and service providers

Throughout this document we measure activities against the UK Stewardship Code and its 12 principles. The principles relevant for this section are listed below:

- Principle 2
- Principle 6
- Principle 7
- Principle 8
- Principle 12

What we achieved in 2023:

- Assessed 91% of our assets covered by an IMA against our ESG assessment framework
- Updated our ESG assessment framework for managers to cover more asset classes and priority issues (such as human rights and nature)
- Progressed the application of our ESG template for IMAs to reflect our expectations on integration, stewardship and effective reporting
- Updated and applied our ESG questionnaire for EFL managers of Standard Life propositions
- Engaged with EFL managers who are not signatories to the PRI and made the list of EFL managers that are PRI signatories publicly available to our customers
- Monitored progress of our asset management partners ('AMPs') on DEI through the Asset Owner Diversity Charter
- Developed a monitoring framework for ESG service providers

Key future priorities:

- Keep updating our ESG assessment framework for managers to raise standards and improve practices
- Implement the monitoring framework for ESG service providers
- Refine our supplier risk management and oversight approach
- Complete a review on use of consultants and services provided to us

5. Working with asset managers and service providers

An overview of our asset managers

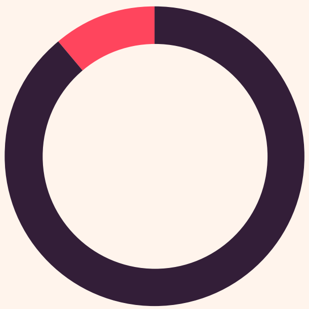
Phoenix Group is an asset owner operating primarily through delegated investments managed by external asset managers. These are selected, appointed and monitored in the best interests of our customers and shareholders.

Our relationships and ability to influence practices differ significantly between asset management partners and EFL managers.

Chart 21 shows the distribution of AUA across asset management partners, with 89% of assets covered by five strategic and critical asset managers (level 1) and 11% by other managers with smaller mandates from Phoenix (level 2). Chart 22 shows the proportion of assets between segregated mandates and collective vehicles.

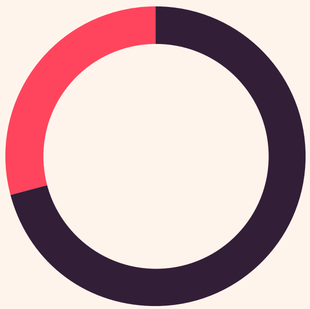
Asset management partners (level 1 and 2)	Responsible for the delegated management and the day-to-day investment decisions of our internal insured funds within the parameters we set through IMAs. We are ultimately responsible for and in control of the investment strategy of these funds.
EFL managers (level 3)	Manage collective funds in liquid assets that can be distributed publicly to customers through our products. These funds are managed by external asset management groups with whom we do not have IMAs and where Phoenix typically has no control over the way these funds are run.

Chart 21 – Distribution of AUA across asset management partners



Level 1 – Asset management partners	89%
Level 2 – Asset management partners	11%

Chart 22 – Types of mandates with asset management partners



Segregated mandates	71%
Collective vehicles	29%

5. Working with asset managers and service providers continued

Assessing our asset management partners

When selecting potential asset management partners, we conduct detailed due diligence covering both investment and ESG assessments at both firm and strategy level. ESG assessments focus on understanding the overall ESG culture, integration processes and reporting, as well as compliance with exclusions requirements. This ensures managers are aligned with our sustainable investment goals for managing assets on behalf of policyholders and shareholders. Investment assessments include analysis on the investment philosophy, process, portfolio construction, performance, pricing and people. We also conduct firm-level operational and governance assessments.

Our assessment framework

Philosophy & Process
- Unique Investment Strategy
- Value Creation channels

Portfolio Construction
- Investment Universe
- Sourcing & Origination
- Valuations & Risk Management

Performance
- Historical Track Record
- Peer Group Comparisons
- Market Environment

Pricing
- Fee Competitiveness
- Performance Fees
- Fee Structure
- Peer Group Comparisons

Business & People
- Ownership Structure
- Financial Resilience
- Investment Team Credentials & Stability

ESG
- Firm ESG Culture & Evolution
- ESG Integration at Strategy Level
- Reporting Capabilities e.g. TCFD & TNFD

Target Operating Model
- Custody Account Set-up
- Technology Support
- Valuation Frequency
- Hedging Capabilities
- Incident & Error Reporting

Governance & Compliance
- Conflicts of Interest & Fair Allocation Policies
- Committee Engagement
- Oversight Roles & Responsibilities

Strategy level → Firm level

5. Working with asset managers and service providers continued
Assessing our asset management partners continued

Our minimum requirements for asset management partners[1]

Mandates in public markets
- Be a signatory to the PRI.
- Adopt the 2020 UK Stewardship Code or an equivalent local stewardship code applicable in their jurisdictions.
- Support our net zero strategy and portfolio decarbonisation goals.
- Implement our exclusion policy.

Mandates in private markets
- Be a signatory to the PRI.
- Support our net zero strategy and portfolio decarbonisation goals.
- Implement our exclusion policy.

1 We acknowledge that some managers may be on a journey to achieve these minimum requirements and we are able to provide them with a grace period subject to a demonstrable commitment to achieve these standards within the agreed time frame.

ESG assessments form part of our ongoing manager oversight framework, through in-depth formal due diligence reviews that focus on all aspects assessed at the selection stage. These reviews allow us to monitor managers' alignment with our approach to sustainable investment while delivering investment performance outcomes. To support our evaluation, we expect our managers to complete our ESG questionnaire (right). We also hold meetings with them and use the responses to the questionnaire to guide our dialogue. Managers are assessed following an agreed methodology tailored for public and private markets and then assigned a red – amber – green score.

Assessment reports are presented to internal governance committees as part of our manager oversight and selection process. Should any of our managers fall short of our expectations we first seek to engage with them to put improvements in place within an acceptable time frame. Where engagement does not lead to the expected outcomes, we follow an escalation process which is linked to agreed milestones and timelines.

We implement our ESG assessment process for all asset classes, but we appreciate that there are differences between public markets and private markets. This differentiation is also reflected in our minimum requirements and engagement processes for asset managers; these remain the same as in 2022.

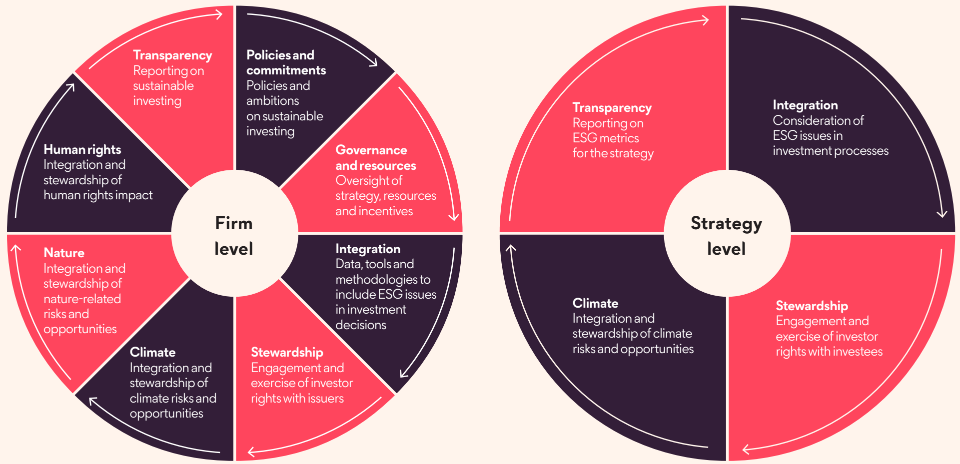
We delivered on our 2022 commitment to make more improvements to our ESG assessment framework for managers, in alignment with our ESG areas of focus and evolving standards. In 2023, we added sections focused on integration and stewardship practices on human rights and nature-related risks and opportunities. We also adapted our questionnaire by asset classes, with differentiated analyses for mandates in passive and active investments, public and private markets and sovereign fixed income investments.

In 2023 we applied the ESG framework, both at a firm and specific strategy level, to monitor all our level 1 managers and an additional five of our level 2 managers covering 91% of assets under an IMA.

In addition to the meetings coordinated as part of the regular ESG assessment process in 2023, our internal stewardship team had 30 meetings with our asset management partners focused on engagement and voting. Other members of the sustainable investment team also had regular conversations with our managers on ESG portfolio monitoring, future application of climate benchmarks, exclusions, restrictions and specific ESG themes.

During the year, we also continued our work to update existing IMAs following the ESG template created in 2022. The template includes our expectations on integration, stewardship, exclusions and transparency. It has been updated to better reflect our reporting requirements on portfolio decarbonisation efforts.

Our ESG assessment framework



5. Working with asset managers and service providers continued

The ESG capabilities of our asset management partners

In 2023, we assessed that all our managers responsible for mandates in listed markets are meeting our minimum requirements on integration, stewardship and exclusions. Among the managers recently appointed to manage private assets on our behalf, two were not signatories to the PRI and we agreed on a time frame for them to become members (please see 'Supporting alignment with our minimum requirements, page 71).

Through our analysis, we noticed that our level 1 managers all scored strongly on our expectations on governance and resources, integration of climate change risks and opportunities and transparency. 80% of them also showed highly sophisticated levels of integration on ESG issues in investment decisions. Areas for improvement related to the use of votes, tracking information on engagement objectives and outcomes and the consideration of risks and opportunities on nature and human rights.

See **chapters 2, 3 and 4** for more information about insights on our managers' integration, engagement and voting practices

Key insights on our level 1 managers

Climate

80%
have signed up to the Net Zero Asset Managers Initiative

100%
have a dedicated engagement programme and work collaboratively in sector-specific initiatives

80%
have integrated climate change in voting policies

Nature

60%
have evidence of use of data and tools

60%
have a dedicated engagement programme

60%
have developed some expectations of companies

Human rights

60%
provide grievance mechanisms for stakeholders to raise concerns

100%
have a dedicated engagement programme

60%
have developed some expectations of companies

5. Working with asset managers and service providers continued
The ESG capabilities of our asset management partners continued

Insights from the Asset Owner Diversity Charter

In 2022, Phoenix became a signatory to the Asset Owner Diversity Charter ('AODC'), a UK-based initiative representing over £1 trillion AUM. AODC aims to improve diversity in all forms across the investment sector. As a member, we made the commitment to incorporate the AODC's Asset Manager Diversity and Inclusion Questionnaire as part of our monitoring of asset manager partners on ESG.

We conducted an analysis of 34 asset managers, using their responses to the quantitative and qualitative surveys of the AODC Questionnaire. We found that 100% of managers provided answers to the qualitative section and 32% provided quantitative data. The drop in engagement between the qualitative and quantitative sections is related to reporting challenges in providing the data required because of legal concerns, confidentiality of the information, lack of tracking on specific indicators, the format of the data not considered relevant for the manager's structure and/or the indicator not being applicable.

We analysed our asset managers' qualitative responses and found that collectively 94% had a diversity policy or strategy in 2023. When looking at implementation, however, 76% of asset managers have diversity-related targets. Performance against these targets also varies among asset managers.

Question	Completion rate
Diversity strategy	94%
Diversity targets	76%
Employee survey	79%
Gender pay gap report	65%
Ethnicity pay gap report	32%

Of the data collected in the quantitative survey, on average and for all levels of the business, there is still a tilt towards male staff. However, it is encouraging to see that, on average, the percentage of women at all levels is close to or above the 30% threshold. Performance on the percentage of women among new hires was also positive and retention will be a key metric to monitor over time.

Leadership level	Male	Female
Board	67%	33%
Executive	74%	26%
Senior management	71%	29%
Front office	69%	31%
New hires	60%	40%

Moving forward, we will focus on the following activities:

1. Engage with asset managers to understand any gaps in data and information.
2. Conduct further analysis of the data provided by asset managers as part of the AODC to identify trends and assess progress over time.
3. Continue to disclose the results from our analysis and engagement with asset managers on diversity and inclusion in our annual Stewardship Report.

5. Working with asset managers and service providers continued
The ESG capabilities of our asset management partners continued

Encouraging improvements in sustainable investing

Context and actions
As featured in our 2022 Stewardship Report, through our regular ESG monitoring process, we identified that one of our level 1 asset managers was lagging behind on our expectations on commitments, integration and stewardship resulting in an amber score. This triggered our newly introduced escalation procedure and a structured engagement programme with the manager. Through written communications and dialogue, we requested formal assurance and commitments on key ESG areas with timebound outcomes. Dialogue also helped contextualise the impact of political pressures in the USA in relation to ESG matters. We worked with the manager to use these targets and develop a milestone tracking process path to green to be monitored through regular quarterly meetings. We will continue working with the manager to assess progress against our requirements until we are satisfied.

Outcomes and next steps
Key 2023 improvements from the asset manager related to:

- better content in the responsible investment policy;
- a new engagement tracking process; and
- developments of ESG data platforms and internal dashboards to improve access by investment desks and enable ESG-informed investment decisions.

Supporting alignment with our minimum requirements

Context and actions
Through the selection and appointment process of asset management partners for private assets, it emerged that a selected venture capital firm was falling short of our minimum requirements on sustainable investment practices. In response to our assessment, we reiterated in the partnership agreement our expectations for the manager to become a PRI signatory, formalise and implement an ESG policy, and work towards a net zero strategy. In 2023, we engaged with the manager and were pleased to see progress against our recommendations. We will continue the dialogue to encourage further improvements, especially on developing a decarbonisation strategy and portfolio targets.

Outcomes and next steps
Key 2023 improvements from the asset manager related to:

- becoming a signatory to the PRI;
- providing ESG training to investment professionals;
- developing and progressing against an ESG roadmap, including a materiality assessment to support integration; and
- conducting initial carbon footprinting, including for financed emissions.

5. Working with asset managers and service providers continued

Assessing ESG capabilities of other managers

We assess the sustainable investment standards of managers for the majority of assets in EFLs (level 3 managers) through a combination of tailored due diligence processes, third-party assessments and ratings.

Additionally, we track whether managers are signatories to the PRI and invite them through private letters to sign up to the initiative. If the assessed managers do not meet our standards, we engage with them further to seek improvements and influence positive change. In cases of insufficient progress, the sustainable investment assessment will be taken into consideration alongside other factors, and may result in removal of funds from our propositions.

In 2022, we identified seven EFL managers that were not PRI signatories and wrote to them in early 2023 to encourage them to become members. Of these, one manager is no longer partnering with us and one responded that it is actively considering signing up to the initiative. We also made available to our customers, through our dedicated client websites, the list of EFL managers that are PRI members.

In 2023, we assessed that two additional EFL managers are not signatories to the PRI and we sent a formal communication in early 2024. We will continue monitoring progress against our requests by the EFL managers in our watch list.

As in previous years, Standard Life conducted the annual ESG assessment of all its 23 EFL managers within the unit-linked propositions, evaluating their approach to sustainable investment.

The ESG questionnaire, simplified for EFL managers, follows broadly the same structure and content used for asset management partners. In 2023, it was updated to improve assessments on voting and engagement practices and include new questions in relation to nature, human rights and DEI risks and opportunities.

We were pleased to observe general positive trends across the responses to our questionnaire, especially in relation to commitments, policies in place and stewardship. Nevertheless, we noticed a drop in the percentage of managers committed to net zero from 91% in 2022 to 83% in 2023, possibly due to the limited size of some managers. An asset manager decided to leave the Net Zero Asset Managers Initiative and we engaged with them to better understand their position. During the dialogue, they shared concerns about the impossibility of a large index tracking manager meeting the objectives of the initiative, but they confirmed their commitment to achieve net zero emissions by 2050.

Other areas for improvements by EFL managers remain on the application of exclusions policies, offering of impact funds and policies relating to nature. Although only 12 managers confirmed that they have a nature-related policy in place, seven others are working towards creating one.

We will continue our dialogue in 2024 and beyond with EFL managers that score less favourably.

Key insights on EFL managers

91%
(vs 82% in 2022)
are signatories to the UK Stewardship Code, or an equivalent regional code

87%
(vs 82% in 2022)
have a climate change policy or strategy

83%
(vs 73% in 2022)
have a human rights policy or strategy

54%
(new indicator)
have a nature-related policy or strategy

5. Working with asset managers and service providers continued

Finding asset management partners for new strategies

In 2023, we conducted due diligence to select new asset management partners. We completed ESG assessments for these managers based on our ESG assessment framework both at firm and strategy level.

For example, we conducted a manager search for European private loans. Starting with a long list of approximately 30 asset managers, the firm we chose was the only manager able to source private loans suitable for our highly regulated annuity portfolio at the right scale. Our ESG assessment revealed that the manager met our requirements. For example, ESG risks and opportunities were factored into investment analysis and as part of routine ongoing investment monitoring. This is crucial for this asset class; we held the manager to the same high standard as others who manage credit on behalf of our balance sheet. We also drew comfort from the additional control that this was a non-discretionary mandate. This means we have the final say on every asset purchased.

During the year, we also allocated assets in venture, growth and impact funds in private markets. In the process, we met and built relationships with 30 general partners ('GPs') sourcing hundreds of deals across multiple regions and sectors. Following an in-depth due diligence and ESG assessment tailored for private markets, we selected 15 funds run by 13 managers to which to allocate money. Of these, 60% were assigned a generally positive score on their sustainable investment capabilities, including on their efforts to encourage ESG disclosure from investee companies and play the role of active owners through influential stakes. However, 40% showed areas for improvement on integration and stewardship processes and these will be encouraged and monitored. At the time of appointment, two of the selected managers were not signatories to the PRI. Consequently, we added our minimum requirements on sustainable investment side letters to limited partnership agreements with the objective to work with the managers to achieve further alignment in a year's time. See 'Supporting alignment with our minimum requirements' on page 71, for more information on the progress reached by one of these newly appointed managers.

5. Working with asset managers and service providers continued

Selecting and monitoring ESG service providers

In 2023 we completed a Request for Proposal ('RFP') for the provision of ESG data by two additional providers. This allowed us to expand our coverage and supplier base, bringing to four the number of ESG data providers to which we have access.

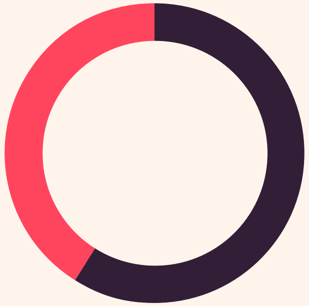
We have set up clear criteria for the selection of ESG service providers relating to level of experience, coverage, quality of data and scoring, expertise of researchers, ability to provide information tailored to our needs, additionality of offering and alignment with reporting requirements. We also periodically engage and provide feedback on data provision to them (right).

Engaging with service providers on human rights data

As part of our investment portfolio due diligence on human rights, we started a review of social data and indicators available from our major ESG service providers. We analysed the data using the same criteria included on our human rights scorecard, which is based on the UNGPs. The results (right) show a first picture of the type of human rights data available to Phoenix[1].

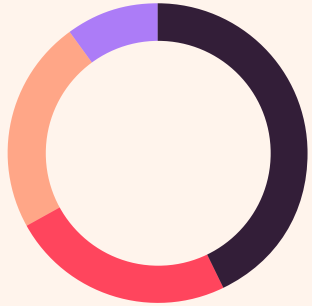
We noticed that most service providers offered human rights data that is tailored at both the sector and company level, which positively supports focused engagement with investee companies. However, we will engage with service providers to increase availability of data that allows more forward-looking analysis of company performance as well as data related to sustainability outcomes. Access to this data will lead to more proactive engagement of companies on human rights and social issues.

Chart 23 – Type of indicator



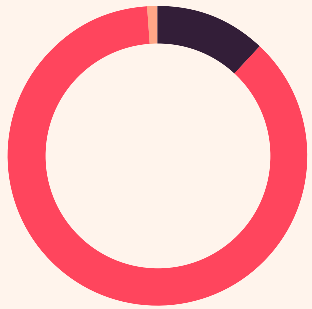
Policies and processes	59%
Performance and implementation	41%

Chart 24 – Area covered (according to our human rights scorecard)



Due diligence	43%
Human rights policy	24%
Governance	23%
Remedy	10%

Chart 25 – Indicator scope[2]



Company inputs	57%
Company outputs	41%
Company outcomes	2%

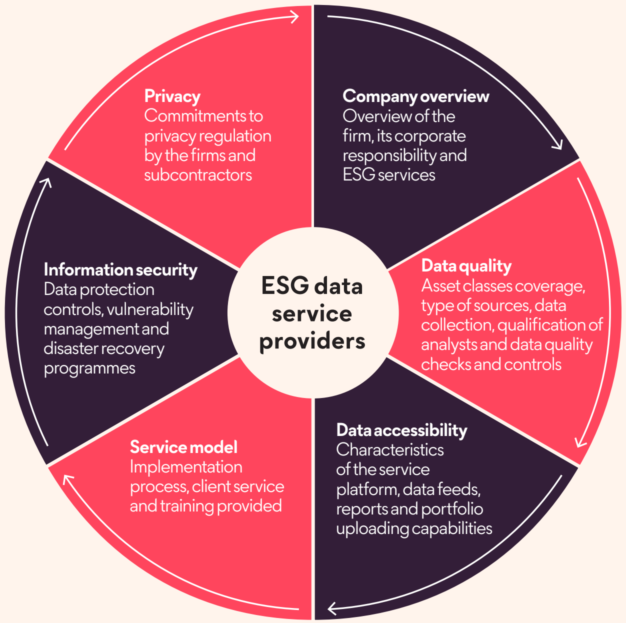
1 Results are provided in forms of averages and do not claim to be 100% of the full universe of data available from service providers.
2 Definitions for input, output and outcomes taken from PRI's 2023 report Understanding the Data Needs of Responsible Investors, page 17.

5. Working with asset managers and service providers continued
Selecting and monitoring ESG service providers continued

In 2023 we fulfilled our commitment to build a monitoring framework to assess whether the quality of services provided to us is aligned with our expectations.

Chart 26 summarises the component of this framework that will be implemented in 2024, when the first biennial cycle of reviews start.

Chart 26 – Overview of our assessment framework for ESG data service providers



In 2023, we also initiated an internal review of the use of consultants, including an assessment of services provided to us. We will continue this work in 2024 and we will initiate a formal process to monitor deliverables by advisers and consultants.

How we assess ESG standards in our supply chain

Our ESG Supply Chain Standards set out our approach to ESG within our supply chain, including key focus areas and how we work with suppliers to drive best practice. Our suppliers have differing business models and sizes, affecting the level of ESG integration they are able to reach, so we designed our standards with differing expectations proportionate to the supplier.

We have integrated key ESG risk factors into our Supplier Management Model. This covers oversight of all key third parties so we can actively monitor their performance and ensure they are following the requirements set out in our Outsourcing Third Party Management Framework and our ESG Supply Chain Standards. Working through this framework will ultimately enable us to monitor ESG progress via relationship managers and business functions, alongside direct supplier engagement. Our supplier risk management and oversight approach is being refined in 2024 to ensure that engagement is more consistently defined across Phoenix Group, and across the appropriate governance structures.

As part of our 2023 data enhancement workstream, we improved our data for location of service and product delivery. This will enable us to enhance our understanding of the physical and transition risks posed by climate change, as well as helping to develop a deeper understanding of social risk for our key suppliers. Through this work, we expect to publish a validated emissions baseline for the supply chain next year. In line with this, we will undertake an updated gap analysis on living wage across key suppliers in 2024.

Our goals for supply chain management are:

- **Climate change:** We aim to achieve a net zero supply chain by 2050 with an interim objective to halve carbon intensity by 2030. We increased the number of key suppliers committed or aligned to SBTi or the Race to Zero campaign between mid-2022 and 2023, and 73% of suppliers submitted a disclosure to the annual CDP.
- **Human rights and modern slavery:** We are working with key suppliers to ensure that they adopt best practices in tackling and eliminating modern slavery from their own operations and supply chains. In 2023, 98% of key suppliers published an up-to-date modern slavery statement.

Our stewardship approach

6. Communicating with our customers

Throughout this document we measure activities against the UK Stewardship Code and its 12 principles. The principles relevant for this section are listed below:

Principle 6
Principle 12

What we achieved in 2023:

- Ran annual research on customers' expectations on sustainability and sustainable investment
- Reached 1.5 million customers to raise awareness about the impact of their investments
- Finalised the pilot project on customers' voting preferences
- Increased reporting to customers on climate change impact of their investments
- Expanded our communication on stewardship through our customers' websites
- Supported trustees on new regulation on stewardship

Key future priorities:

- Work with selected partners to increase customers' understanding of how their money could have an impact on sustainability issues
- Continue to seek our customers' views to ensure we provide solutions and communications that support their need

6. Communicating with our customers

Understanding our customers

We offer a variety of life and insurance products across our family of brands to about 12 million customers whose average age is 58 (see chart 29).

Our customers demand that we act with integrity, communicate clearly and manage their product in a way that aligns with their objectives. They also expect a service and proposition that help them make better informed decisions.

Customer insight

We conduct customer research every year to ensure that we engage with customers as effectively as possible and develop content that they value.

We keep track of customers' investing priorities and reflect these in our propositional decision making. For example, in 2023 we celebrated the third anniversary of our main workplace solution, Sustainable Multi Asset, which was designed to deliver customer needs with sustainability built in.

This approach is welcomed by a diverse range of stakeholders because they have se;ected it as their main workplace default pension arrangement.

Based on the continued research[1] across our family of brands into our customers' changing views, in 2023, we continued to evolve the solutions and communications that we provide to support their needs.

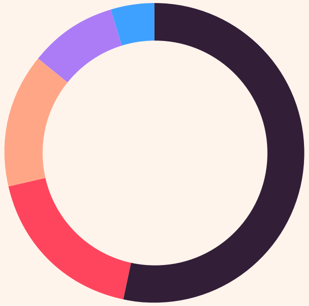
We found that 75% of customers who responded to our research are taking steps to live more sustainably, yet most do not know what role their pension can play in supporting sustainability efforts. For most customers (78%), the priority remains to increase their pension, but they want to avoid harm if they can. In total, 67% would like to hear more about sustainable investing, offering us an opportunity to engage with them about their financial futures. In addition, 60% feel that compared to companies and governments, there is little that they can do individually to affect sustainability. Our customers also told us that they are supportive of work to help the businesses we invest in transition towards net zero, with 22% saying that they would be interested in hearing specifically how investment managers influence the companies that they invest in.

75%

of customers who responded to our research are taking steps to live more sustainably

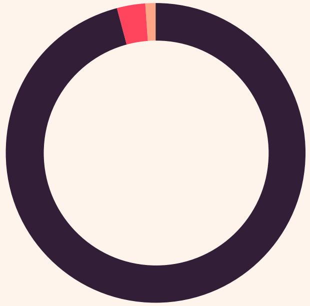
1 Research conducted via an online survey with 2,052 customers across our Standard Life, Phoenix Life and ReAssure brands. The data were weighted to reflect the distribution of customers across our brands (effective total base = 1,752).

Chart 27 – An overview of our customers across business areas



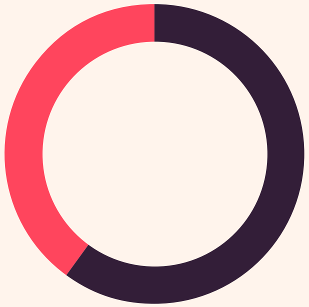
Pension and Savings	c.6.43m
Sun Life, Protection & Other	c.2.17m
Retirement Solutions	c.1.72m
With – Profits	c.1.15m
Europe	c.535k

Chart 28 – Customers' location



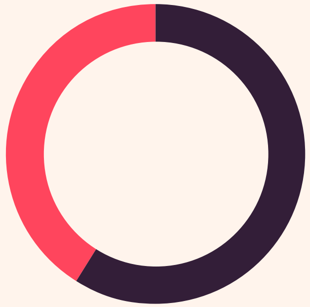
UK	c.12m
Germany and Austria	c.410k
Ireland	c.120k

Chart 29 – Customers' age



Over 55	60%
Under 55	40%

Chart 30 – Customers' gender split



Male	59%
Female	41%

6. Communicating with our customers continued

Engaging our customers

In 2023, we introduced our customer engagement journey, recognising the need to take our customers with us through transparent, straightforward and appropriate communications. Throughout the year, we have worked hard to reach our customers in a variety of ways to help raise awareness about the impact of their investments.

Our approach aims to meet the needs of our customers, recognising that they are all at different stages of their long-term savings journey and so have different information needs. We have developed this journey to recognise these stages, helping to ensure that we deliver content that customers find valuable.

We engage with our customers through a variety of channels (e.g. websites, digital newsletters and annual statements) and are continually adapting our service and products to help more customers on their journey to and through retirement.

Customer engagement journey

Saving for retirement

- Defined contribution workplace pensions.
- Retail savings for retirement.
- Legacy pensions and savings products.

Transitioning to retirement

- Pension and consolidation.

Securing income in retirement

- Income drawdown and individual annuities.
- Defined benefit pension income.
- Home equity release.

6. Communicating with our customers continued
Engaging our customers continued

Across our family of brands, we provide easy-to-understand online information which can be accessed at any time to suit the needs of our customers. Our websites offer a range of articles designed to help them understand more about our approach to sustainable investment and stewardship.

Following the initial approach taken with Standard Life customers, we have enhanced our information on stewardship across all our consumer brands' websites. This includes the creation of more user-friendly consumer branded stewardship policies, comprehensive information on our approach to voting and engagement, concrete case studies and a public list of EFL managers who are signatories to the PRI.

In 2023, we also completed a pilot project with Tumelo (see Piloting the Tumelo platform, page 90) to engage our customers on voting items related to investee companies in their pensions.

3
customer-friendly branded stewardship policies created

Supporting our trustee clients to apply new stewardship regulation

When the Department for Work and Pensions ('DWP') Stewardship Guidance was published in 2023, we prepared a recorded online session of Q&As to explain the requirements for trustees of occupational pension schemes. This helped them understand and consider ESG factors and stewardship approaches in their schemes' investments. We made the content available on the workplace sections of our websites. The video covered the expectations of the guidance, our vision on stewardship and benefits for trustees, the stewardship options mentioned in the guidance, how trustees can be supported, and how to receive more assistance.

Providing more insights on climate change

Alongside the implementation of our Fund Climate reports, as part of PS21/24[1], we created Climate information guides across our family of brands. These guides help customers understand the details behind these regulatory reports by explaining some of the technical jargon used and telling them about the impact their investments can have on climate change. They also indicate the sources of the data used in the reports and percentage of data coverage, ensuring transparency of the regulatory reports. Our aim was to support the regulatory requirements while continuing to focus on value for our customers, ensuring that the documents helped them to understand and compare the climate-related information about their investments.

See our **Climate information guides**

Standard Life

Phoenix Life

ReAssure

1 PS21/24 is the UK regulation on enhancing climate-related disclosures by asset managers, life insurers and FCA-regulated pension providers.

6. Communicating with our customers continued
Engaging our customers continued

Providing customers with ESG fund reports

In 2023, we made ESG reports available for all clients using Phoenix Corporate Investment Services ('CIS') platform[1]. Pension engagement is a challenge all providers are battling with to ensure members can track their journey to retirement. The objective of these reports was to carefully select a number of ESG metrics that covered popular themes like climate change and diversity and tell customers how their pension investment relates to these topics.

From early customer testing, we were able to identify a demand from our customers for understanding how a fund's carbon footprint compared to the emissions produced by relatable activities. To support this, we included real world examples such as the carbon emissions produced by an average car in a year or the carbon emissions produced during a long-haul flight. These examples helped customers put their pension pot into perspective.

As well as carbon footprint and real world examples, the reports educate and inform customers on topics such as carbon reserves intensity, science-based targets, the UK Stewardship Code, the independence of a company's board of directors as well as the board's gender diversity, human rights policies and UNGC-related breaches.

1 Phoenix CIS is an investment only platform that administers the assets of large Own Trust and Master Trust DC schemes. As it is investment only this is an unbundled pension product where typically a third party administrator deals with customer information and customer communication. Our relationship is purely with the trustees of such schemes and we have made these reports available to our Trustee clients to use with their membership. The Phoenix CIS platform can also cater for DB pension arrangements.

Phoenix CIS LGIM UK Equity Index Fund

100% OF FUND MANAGERS VOTING ON YOUR BEHALF ARE SIGNED UP TO THE UK STEWARDSHIP CODE

When you invest your pension savings, some of this will be used to buy shares in companies. The fund managers vote and engage on these shares on your behalf to make sure the companies are being managed appropriately.

The UK Stewardship Code (The Code), set-up by the Financial Reporting Council, sets high stewardship standards for those investing money on behalf of UK savers. Stewardship is the responsible allocation, management, and oversight of capital to create long-term value for investors. Fund managers who can evidence good practices on voting and engagement activities that align with the principles of the Code, are listed as signatories on the FRC's dedicated website. These fund managers are meeting a high standard when they vote and engage on your behalf.

In your fund:

100% Of assets are managed by fund managers who have signed up to The Code, voting on your behalf.

0% Of assets are managed by fund managers voting on your behalf who are still to sign up to The Code.

Fund managers, even if previously approved, must apply to be a signatory of The Code each year with new managers approved, others retaining their status and some even being dropped. This ensures fund managers meet the demands of The Code year after year.

Based on data supplied by the Financial Reporting Council (FRC) of fund asset managers that were signed up at [illegible]. This list is subject to change and is reviewed annually by the FRC. As a result, asset managers who have applied will not appear until they are approved at the annual review.

Phoenix CIS LGIM UK Equity Index Fund

ALL COMPANIES HAVE A RESPONSIBILITY TO RESPECT HUMAN RIGHTS

By incorporating human rights into their strategies and supply chain, companies can create value for society whilst also benefiting their business. Consumer trust in companies can be significantly impacted if companies do not address issues such as, worker's conditions or child labour in their supply chains. This can cause significant reputational damage. So not only can respecting human rights have a positive impact on company performance through an efficient workforce, but it can also mitigate against global risks.

84% Of your assets are invested in companies with a policy on human rights in place.
Based on 94% coverage

THE UNITED NATIONS GLOBAL COMPACT PROMOTES TEN PRINCIPLES

The United Nations Global Compact (UNGC) believes sustainability starts with a company's value system and a principles-based approach to doing business. The UNGC have ten principles linked to international standards on human rights, labour rights, the environment and climate change, and anti-corruption. By incorporating these principles, companies are upholding their basic responsibilities to people and the planet. This metric uses external data to identify any companies within this fund that have breached any of these 10 principles:

8% Of the assets you invest in have breached the UNGC's 10 principles.
Based on 99% coverage

FIND OUT MORE ON YOUR FUND

The fund factsheet provides information on the asset allocation, fund objective and performance of your Fund. This information should be used in conjunction with this report. You can find the most up-to-date version, quarterly factsheet at: Factsheet Hyperlink.

Piloting the Tumelo platform

Many people do not know where their pension is invested and may feel disengaged from the investment system. This is why we partnered with Tumelo to pilot the 'Voice your Investment View' platform with our customers in four pension schemes from the last quarter of 2022 to the end of 2023. The platform allowed customers to identify which companies their pension savings were invested in, with the opportunity to share how they would like their fund managers to vote in upcoming AGMs. Once all votes were collected, these were passed on to the fund managers, allowing them to consider customer wishes when casting their vote, with an update on the outcome of the vote provided to our customers through the platform and regular emails. Since launch we have monitored registration numbers and member engagement on the platform.

Although we have seen high levels of voting activity once registered, initial sign-up rates have remained low. From the quantity of votes, we know that these customers returning to the platform are highly engaged and actively using the service, especially to express opinions on human rights and corporate governance. However, with the limited numbers engaged, this proposition did not fulfil the needs of our customers and fell short of the numbers we expected to see.

Based on these results, we have decided not to continue with 'Voice your Investment View' in 2024. We know that investments can be a complex topic so we are looking at other ways to give our members additional support. As an example, we will be working with other providers such as InvestSuite and The Joy Club (see page 81).

6. Communicating with our customers continued
Engaging our customers continued

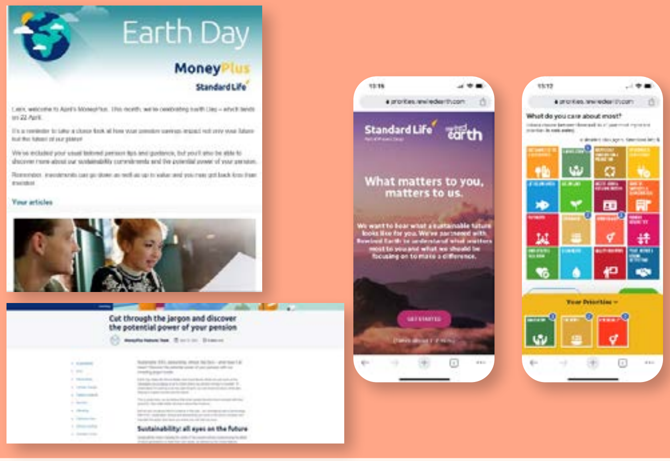
In 2023, we reached over 1.5 million customers to raise awareness about the impact of their investments. This included three email campaigns from the Standard Life brand, focusing on raising awareness as part of national campaigns as they occur through the year, to provide a range of information on sustainability topics (right). Additionally, our annual statements included a link to product-level climate disclosures, providing a touchpoint throughout the year to reach our customers.

In 2023, we held our second Innovation Forum, which is an initiative designed to uncover innovative new ideas to encourage people to think about their pensions and how they are invested. We asked our potential applicants "How can we Standard Life help our pension customers understand and engage with ESG investing?" Ultimately, InvestSuite and The Joy Club[1] were judged to have presented the best solutions. In those cases, it shone through to the forum how their proposals could support our customers to understand better how their money could have an environmental and social impact. In particular, InvestSuite is a fintech company that provides insights into people's investments with a strong focus on sustainability alongside performance. Its StoryTeller reporting tool will help show the environmental impact of investments to our customers, measuring the carbon dioxide intensity and analysing the sustainability history of the companies within the investments.

1.5m

customers reached to raise awareness about the impact of their investments

1 The Joy Club is an online community for retirees to connect, learn new skills and develop their existing talents.

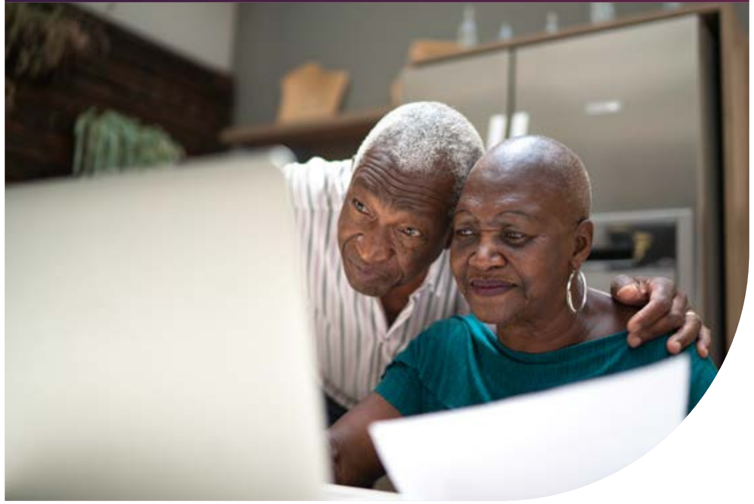


Using key industry initiatives to engage customers

As part of Earth Day and Good Money Week, via our Standard Life social media channels, and our MoneyPlus email series, we produced articles for customers about the power of their pension and guides aimed at helping them to understand some of the jargon used across the industry. This formed part of our customer engagement strategy, which offers customers the opportunity to learn more about what their investments do. On Earth Day we worked with not-for-profit coalition Rewired Earth to engage and inform customers and colleagues about sustainability and the impact of their investments. We worked with the organisation to create a bespoke version of its innovative Demand Square tool. This uses the United Nations' Sustainable Development Goals to explain the wide-ranging scope of sustainability, and it encourages people to consider how important this is for their pension.

Focusing on financial inclusion

We want everyone to have the opportunity to benefit from financial services, regardless of their means or abilities and the extent to which they are vulnerable. To achieve this, we are dedicated to delivering initiatives that can help to improve financial inclusion, while also identifying new opportunities to fill gaps and support more customers. One of the key customer groups our strategy focuses on is 'mid-career' women. We know that women are likely to be disproportionately affected by events at this stage of life. They can occur simultaneously and compound the impact on a woman's ability to work and save. This leads to an increase in the gender pension gap and worsening outcomes for women's retirement over time. That's why in 2023, we undertook further action with 'mid-career' women, delivering a series of financial education webinars to our Standard Life customers, focusing on these life moments, aiming to engage customers in their financial futures and improve financial decision-making. We explored the topics of caring responsibilities, divorce, parenthood, menopause and debt. We are working throughout the business to scale tailored financial inclusion solutions to meet the needs of different customer segments.



Our stewardship approach

7. Addressing market-wide and systemic risks

Throughout this document we measure activities against the UK Stewardship Code and its 12 principles. The principles relevant for this section are listed below:

- Principle 4
- Principle 10

What we achieved in 2023:

- Identified and assessed principal and emerging systemic risks and relevant mitigating actions
- Developed our Political Engagement and Lobbying policy
- Engaged with regulators on climate solutions, Solvency II reforms and the pension savings gap
- Assessed our involvement in industry initiatives and progress made
- Joined the CA100+ Global Steering Committee and Pensions and Lifetime Savings Association ('PLSA') Stewardship Advisory Group

Key future priorities:

- Update our Risk Management Framework to introduce additional sustainability-related risks
- Continue dialogue with policymakers and standard setters to address relevant market-wide and systemic risks

7. Addressing market-wide and systemic risks

Assessing and acting on market and systemic risks through our Group's Risk Management Framework

We are facing an unprecedented level of systemic risks, all of which may have an impact on Phoenix as a company, and also on our employees, our customers, broader society and the markets in which we invest.

As these risks cannot be fully avoided or diversified and they are already or soon will be affecting the economy as a whole, we have a responsibility to manage their impact, align investments accordingly and work with policymakers and standard setters to address them in the long term.

Our Board Risk Committee carries out a robust assessment of principal risks and emerging risks every year. A principal risk is a risk or combination of risks that can seriously affect the performance, future prospects or reputation of the Group, including risks that would threaten its business model, solvency or liquidity. An emerging risk (or opportunity) is an event that is perceived to be potentially significant but is not yet fully understood. These risks often stem from changes in economic, environmental, societal, technological or political circumstances. Climate Change and ESG Risk continues to be regarded as a principal risk by the Group, having first been identified in 2019.

As outlined in our 2023 Annual Report, we have identified 13 principal risks and relevant mitigating actions (see the risk management section on page 46 of our Annual Report and Accounts for more details). Table 3 summarises principal risks linked to climate change and ESG, along with the risks of Phoenix failing to deliver fair outcomes for our customers, and market risks.

Examples of emerging risks and opportunities considered by the Group in 2023 include quantum computing, which has the potential to maximise capital preservation and commercial differentiation, pensions innovation aligned to changing customer expectations around simplicity of products and increasing technology-based interaction, the growth of climate change-related litigation, the impact and dependencies of nature risks, the transformative potential of generative artificial intelligence helping customers to make decisions and improve fraud identification, and the increase of pension pausers as cost-of-living pressures continue amid persistently elevated inflation and higher interest rates. Throughout 2023, we continued to make good progress in our identification and management of emerging risks and opportunities, recognising that increased cross-functional activities across the Group will further enhance our risk intelligence. Benchmarking the current framework against the new standard ISO 31050[1] offered the opportunity to identify best practice[2]. Applying these enhancements will help the Group to establish increased resilience, while also anticipating changes that enable the Group to make informed strategic decisions for treating emerging risks.

Our Risk Management Framework ('RMF') allows for proactive and effective risk management across Phoenix. It seeks to ensure that all material risks are identified, assessed, controlled, monitored, managed within approved risk appetites and reported through agreed governance routes in line with delegated authorities. The RMF is an enabler to delivering the Group's risk strategy which is centred on taking rewarded risks which are understood, managed effectively and consistent with our purpose and strategy.

A key component of the RMF is the Risk Appetite Framework. This classifies sustainability as one of only six Tier 1 risks faced by the Group and allocates it a specific risk appetite in which the risk must be managed. A further key component of the RMF is the Risk Universe, which represents the complete set of risks to which we and our customers are exposed, and is central to the structure and operation of many of our risk management processes. Our Risk Universe includes a Group-wide Sustainability Risk Policy (see chapter 2) which covers the key sustainability risks from across the business and aims to identify our key inherent risks, the granular risk appetites for running these risks, and the controls to mitigate those risks to operate within the Board appetite. Changes to introduce additional sustainability-related risk policies are underway to further strengthen the management of these risks within the Group.

1 ISO 31050 is a guidance for managing emerging risks to enhance resilience.
2 We are exploring potential system solutions, training and capability investment that may be needed to allow for the scalable management of emerging risks in different areas of the business.

7. Addressing market-wide and systemic risks continued

Assessing and acting on market and systemic risks through our Group's Risk Management Framework continued

Table 3 – Actions to mitigate selected principal risks

Description of risk	The Group fails to appropriately prepare for and manage the effects of climate change and wider ESG risks	The Group fails to deliver good outcomes for its customers or fails to deliver propositions that continue to meet the evolving needs of customers	The Group is affected by significant changes in the regulatory, legislative or political environment
Potential impact	A failure to manage ESG risk could result in adverse customer outcomes, reduced colleague engagement, reduced proposition attractiveness, reputational risks and litigation. The Group is exposed to risks arising from the transition to a low-carbon economy, which could result in a loss in the value of policyholder and shareholder assets. In addition, physical risk can give rise to financial implications, such as direct damage to assets, operational impacts either direct or due to supply chain disruption, and impacts on policyholder health and wellbeing, affecting demographic experience.	Failure to deliver good outcomes for customers can lead to adverse customer experience and potential customer harm. This could also lead to reputational damage and/or financial losses. In addition, a failure to deliver propositions that meet the evolving needs of customers may result in the Group's failure to deliver its purpose of helping people secure a life of possibilities.	Changes in regulation could lead to non-compliance with new requirements that could affect the quality of customer outcomes, lead to regulatory sanction, affect financial performance or cause reputational damage. These could require changes to working practices and have an adverse impact on resources and financial performance. Political uncertainty or changes in the government could see changes in policy that could affect the industry in which the Group operates.
Actions taken to mitigate the risk	• Having a clear sustainability strategy in place which is updated annually with key metrics on progress monitored throughout the year (see chapter 1 and our Sustainability Report). • Embedding sustainability risk and climate risk into the Group's RMF. • Having several sustainability-related risk policies in place (see chapter 2). Progressing on integrating the management of climate change and wider ESG risks across the business, including in investment portfolios (see chapter 3 and 4) • Engaging with suppliers and asset managers on their progress and approach (see chapter 6). • Undertaking annual climate-related stress and scenario testing and continuing to build climate scenario modelling capabilities (see our Climate Report). • Undertaking deep dives on emerging ESG risk areas (such as greenwashing and ESG litigation risk) to increase understanding and facilitate control improvements where required. • Providing thought leadership and wide engagement with policymakers and market participants to actively raise the debate around key sustainability themes (see section in this chapter).	• Defining Conduct Risk Appetite with set boundaries within which the Group expects customer outcomes to be managed. • Designing the Group's Conduct Strategy, which overarches the Risk Universe and all risk policies, to detect where customers are at risk of poor outcomes, minimise conduct risks, and respond with timely and appropriate mitigating actions. • Having a suite of customer policies that set out key customer risks, control objectives and key controls required to mitigate them. • Maintaining a strong and open relationship with the FCA and other regulators, particularly on matters involving customer outcomes. • Ensuring that the proposition development process considers customer needs and conduct risk (see chapter 7). • Continuing to monitor the impacts of the cost-of-living crisis on customers. Using customer behaviour research and analysis to provide customers with the support and help that they need. This has included improving all brand websites to provide general cost-of-living support, encouraging customers to get in touch for help and including links to external support websites.	• Undertaking proactive horizon scanning to understand potential changes to the regulatory and legislative landscape. This allows the Group to understand the potential impact of these changes to amend working practices to meet the new requirements by the deadline. • Engaging with many political parties and industry bodies to foster collaboration and inspire change which supports the Group's purpose of helping customers secure a life of possibilities (see sections in this chapter).
Change from 2022	**Heightened** The key driver for this change is the rapidly evolving external ESG environment. In particular, the increasing politicisation and weakening of government policies in relation to ESG risk as this could delay the necessary actions to transition to a low carbon economy, making the potential future crystallisation of physical climate events increasingly likely. Anti-climate change and ESG sentiment, particularly in high carbon-emitting countries, could have far-reaching consequences for the pace and effectiveness of climate action and continue to slow down policy changes. This could limit future ESG-aligned investment opportunities and make it more difficult for the Group to manage ESG risk and meet its climate commitments.	**Unchanged** The FCA's Consumer Duty represents a step-change in approach for the industry, reinforcing a shift away from a rules-based regime to principles-based regulation. The Group mobilised a programme of work to implement the changes required to achieve its interpretation of compliance in line with the key regulatory deadlines of end-April 2023, end-July 2023 and end-July 2024. The Group has built on its strong foundations, enhancing existing and creating new Group frameworks, processes and strategies to meet Duty requirements.	**Unchanged** In June 2023, HM Treasury published draft legislation related to the Solvency II reforms, indicating the reform implementation would be staged, with some reforms coming into force on 31 December 2023 and the remainder on 30 June 2024. The Group will therefore remain actively involved in industry lobbying on Solvency II and is preparing as much as possible ahead of time to ensure compliance with new rules at the point of implementation. In November 2023, the FCA issued Sustainability Disclosure Requirements and investment labelling requirements which aim to inform and protect consumers and improve trust in the market for sustainable investments. The Group supports the FCA's aims, noting that terminology used and a lack of consistency between providers make it difficult for consumers to navigate. The Group has mobilised a project to ensure its practices align with the new regulation.

7. Addressing market-wide and systemic risks continued

Assessing and acting on market and systemic risks through our Group's Risk Management Framework continued

The Group's Risk Management Framework

The diagram below summarises the key components of the RMF and how sustainability risks are reflected across it. This provides a view as at year-end 2023.

Further detail can be found in our **2023 Climate Report** and **2023 Annual Report**.

Risk strategy and culture
Our risk strategy supports a more stable, well-managed business with improved customer, shareholder, colleague and societal outcomes. This includes ensuring sustainability risk is appropriately considered and managed throughout the Group strategy. The Group's risk culture vision is to promote an environment that supports informed decision making and controlled risk-taking, including in relation to sustainability risk.

Risk appetite
A Sustainability Risk Appetite Statement is approved annually to reflect our latest sustainability strategy and the guardrails in which we govern the risk. Supporting risk metrics are in place for sustainability and climate risk to measure exposure to the risk versus established risk appetite thresholds.

Risk Universe
The Risk Universe contains a specific Sustainability Risk category. The Group also considers climate change as a cross-cutting risk within its Risk Universe, as it can manifest in many ways and can potentially affect all risk categories underlying the Risk Universe. We are in the process of expanding this to cover a wider range of material sustainability risks to allow for the interconnectivity of different sustainability risks and ensure consistent coverage.

Risk policies
A Sustainability Risk Policy is in place to aid the management of the risk across the Group. We are in the process of splitting this policy into two new sustainability risk policies which focus on investing and strategy, to ensure greater visibility of the risk and alignment with business ownership. All policies are also required to ensure they contain appropriate content to cover material climate risk exposures relevant to each risk.

Governance and organisation
Governance of sustainability risk is led by the Board Risk Committee and Board Sustainability Committee, along with supporting management committees. In addition, there is clarity on the roles and responsibilities across the three lines of defence model.

Emerging risks
Sustainability risks continue to be monitored via the Group's established emerging risk processes. This currently includes nature risk and greenwashing risk as key emerging sustainability risks for the Group and the wider industry.

Strategic risk management
The potential impacts of sustainability risks are considered as part of the Line 2 oversight of strategic developments. This is largely performed via the Annual Operating Plan ('AOP'), Own Risk and Solvency Assessment ('ORSA'), assessments of contingent/management actions and the Stress and Scenario Testing programme.

Risk and capital models
We have sourced external tools and data to support carbon footprinting and climate scenario analysis and we continue to develop models to help us understand the potential implications of climate risk and Group's exposure to it as well as to reflect the latest emerging practice.

Risk and control processes
Risk metrics are in place to allow the ongoing measurement and monitoring of sustainability and climate risk. A Climate Risk Dashboard covering key climate risks is integrated into regular risk reporting for the Life and Group Board committees.

7. Addressing market-wide and systemic risks continued

Engaging with governments and regulators to support financial markets

We believe it is important to engage with the public policy and regulatory environment in which we operate to achieve our purpose.

In conducting this engagement, we are committed to behaving in an ethical, open and transparent manner. This is in line with our culture and reflects our values to act responsibly, take accountability and empower people to do the right thing.

We have a set of principles within our political engagement and lobbying policy that sets out how we engage with public policy audiences and issues:

- Values drivers – Phoenix Group campaigns on issues that align with our social purpose.
- Critical friend – We speak truth to power while remaining constructive and collegiate.
- Customer focused – We focus on the impact on people's lives and stand up for ordinary savers.
- Solutions provider – We deliver policy proposals that are backed up by analysis and research that have meaningful impact.
- Committed – We focus on the right long-term outcomes.
- Lead by example – We are willing to act and make change happen.

These commitments and our policy apply to all employees of Phoenix Group, our different brands across the UK and our relevant subsidiaries. We are politically neutral and do not support or contribute to any political organisations or candidates. Expenditure related to political parties can however occur as part of the necessary relationships we maintain.

Although we do not consider these to be donations to a political party, as a matter of good governance and transparency, we provide information on areas of expenditure related to political parties and engagement in our Annual Report and Accounts.

Our Regulatory Change Management Forum and public affairs team identifies policy and regulatory changes that will have an impact on our business and stakeholders, and we have a risk process which looks further ahead to any proposed changes.

Key areas of focus for 2023 were:

- unlocking investment in climate solutions, including the Mansion House Compact, and Solvency II reforms; and
- tackling the pension savings gap, including helping people on their journey to and through to retirement.

Driving policy change to unlock climate solutions

We produced a report exploring the crucial role the pension industry can play in tackling climate change, while continuing to prioritise good outcomes for savers. Pension funds could finance £1.2 trillion in climate solutions by 2035. That is up to half of the investment needed to keep the UK's transition on track and would provide savers with greater access to its investment potential. There is an opportunity to understand why funding for climate solutions is lacking, and how this can be increased. We partnered with Make My Money Matter to produce the report, which highlights the barriers related to both demand and supply for finance and identifies strategies to overcome them. This work supported conversations with government, regulators and our peers so that we can collectively help the pension industry to play its part in supporting the nation's journey to net zero by 2050.

We have engaged with The Pensions Regulator on pension fund reforms and we have worked with our insurance industry peers to help shape HM Treasury's proposed reforms to Solvency II. These reforms present an opportunity to ensure we mobilise pension assets better. We will continue to engage in favour of reforms to pension fund rules and Solvency II, which could potentially provide greater flexibility to scale up investment in sustainable, transition and productive assets, including climate solutions, and unlock the finance needed to drive the transition to net zero.

In 2023, we became a founding signatory of the Mansion House Compact[1], an expression of intent by pension funds to secure better returns for savers by investing more in private assets. This supports our objective of investment in sustainable, transition and productive assets such as climate solutions[2]. As such, we pledged to allocate 5% of assets in our default funds to private assets by 2030, subject to this delivering good outcomes for customers and in line with commercial objectives.

1 Chancellor's Mansion House Reforms to boost typical pension by over £1,000 a year – GOV.UK (www.gov.uk).
2 While ensuring the delivery of good customer outcomes.

7. Addressing market-wide and systemic risks continued
Engaging with governments and regulators to support financial markets continued

In 2023, we assessed 53 regulatory consultations and calls for evidence and responded to 27, either directly or through relevant industry associations.

These responses were prepared by the relevant business areas focused on customers, finance, workplace, asset management, pensions and savings. Examples of issues of focus were the Solvency II reform, diversity and inclusion in financial services, the UK Corporate Governance Code, artificial intelligence, ESG ratings providers and anti-greenwashing rules. In 2023, we also supported a statement on fiduciary duty in the context of ESG prepared by the Sustainable Investment and Finance Association ('UKSIF') and a letter to the UK Department for Energy Security and Net Zero to support investments in the UK grid by Ofgem.

Influencing policy that supports good work

We want to make work better for everyone, so we are playing our part in influencing policy direction and development. Our focus has been on raising awareness of later life issues, such as caring responsibilities and the impact of menopause, including our Good Work for Longer Lives report, which makes key recommendations on carers leave and flexible work.

We are also advocating for the action needed to support people over 50 who want to return to work. We explore this topic in our report Beyond the great retirement: Understanding economic activity amongst the over 50s.

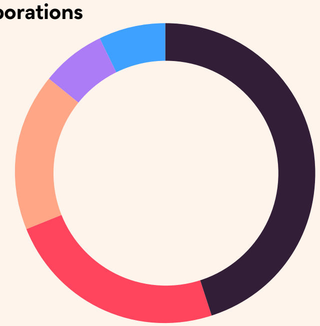
Our CEO Andy Briggs has continued to work with UK Government in his role as Government Business Champion for Older Workers. In 2023, the role of Menopause Ambassador was established to work on behalf of the Government to represent the interests of people going through menopause. Through the Minister for Employment's Roundtable of employer organisations, Andy contributed to the 2021 report Menopause and Employment, which called for the establishment of this role.

7. Addressing market-wide and systemic risks continued

Collaborating with other investors to enhance standards and policymaking

In 2023, Phoenix Group was a member of 62 industry initiatives through its sustainable investment, central sustainability, supply chain operations, human resources and community relations teams.

Chart 31 – ESG issues tackled by our sustainable investment industry collaborations



Climate change	45%
Sustainable investing	24%
Nature	17%
Corporate governance	7%
Social/diversity and inclusion	7%

Of these initiatives, 29 were more focused on sustainable investment or a specific ESG systemic risk. See the full list in appendix 5.

In 2023, we continued to use our internal tracking system, with individual owners assigned for each organisation we joined, to assess on an annual basis progress, contributions and lessons learnt through these collaborations. According to this exercise, at the end of 2022, we assigned a neutral assessment to five memberships, a positive view on 22 and a less favourable view on two. Neutrality could be a sign of limited involvement from us or low level of activities from the initiative for members to be involved in. Positive assessments stem from an active and effective contribution from us or high level of activities/opportunities offered by an initiative to progress a common goal. Less favourable assessments are related to initiatives to which we did not proactively contribute or from which we did not receive significant contributions. In early 2024 we will review the list to redefine our membership commitments.

Chart 31 shows an overview of the issues tackled through these initiatives. Instead of listing our contributions and participation in each individual initiative, in this section we have provided examples of the most salient actions we have taken in 2023 to address systemic issues linked to our priority ESG issues through collaborations.

7. Addressing market-wide and systemic risks continued

Collaborating with other investors to enhance standards and policymaking continued

Some of our contributions to investors' initiatives in 2023

Institutional Investor Group on Climate Change ('IIGCC')	Within the IIGCC, we are members of the Asset Owner Alignment Working Group and the Bondholder Stewardship Working Group to integrate climate change considerations in stewardship activities by institutional investors across asset classes and in the relationship between asset owners and asset managers. Phoenix is also member of the Corporate Programme Advisory Committee and co-chair of the real estate working group. In 2023, we contributed to the development of Net Zero Bondholder Stewardship Guidance – Engaging with Corporate Debt Issuers, the Net Zero Voting guidance and the Addressing whole life carbon in real estate portfolios: A step-by-step guide.
Climate Action 100+ ('CA100+')	In addition to being active in 19 CA100+ coalitions, in October 2023, we were appointed as member of the CA100+ Global Steering Committee. The appointment is providing us with an opportunity to share the asset owner's perspective in the second phase of the initiative which fosters further action and the implementation of credible transition plans by 170 investee companies.
Transition Pathway Initiative ('TPI')	We are board members of the TPI Board and the Strategic Advisory Committee and proactively shape the methodology and framework used to assess corporate preparedness to transition to a low carbon economy. We use the TPI tool to guide our engagement dialogue with investee companies. Our membership also allows us to have sight of, inform and provide feedback on the research work and future publications of the TPI.
Association of British Insurers ('ABI')	Our Chief Investment Officer chairs the ABI's Investment Delivery Forum Energy Generation Sub-committee. We are also a member of the ABI DEI Board, actively contributing to research and publications, and signatory to the ABI Making Flexible Work Charter, which entails making a DEI commitment and meeting it within 12 months. Additionally, Our CEO is chair of the Board Sub-Committee on Climate Change, which is a committee that focuses on delivery of a sector-wide approach to reaching net zero.
Finance for Biodiversity	We are members of the Investor target setting Sub-Working Group. The Sub-Working Group consists of six investors working alongside Finance for Biodiversity, tasked primarily with drafting investor guidance for target setting on nature. The first guidance materials were published in 2023 and the Sub-Working Group will publish further guidance on sectoral targets in 2024.
Deforestation Free Finance Initiative	We are a member of the Investor Working Group that met several times over the course of 2023 to share progress and learnings between members around the integration of deforestation risk identification and management.
Taskforce on Nature-related Financial Disclosures ('TNFD')	We are an active member of the TNFD Forum, providing pilot feedback to TNFD during development of the final TNFD disclosure framework and supporting guidance.
Department of Work and Pensions ('DWP') Taskforce on Social Factors	We are members of an industry-led taskforce to support pension scheme trustees and the wider pension industry with some of the challenges around managing social factors, including the identification of reliable data and metrics. As a result, in 2023 we were actively involved in producing a guide on how social factors align with trustees' legal and fiduciary duties and why they may be considered financially material. The guide and accompanying publications provide frameworks of good practice and allow for the assessment of materiality.
PLSA Stewardship Advisory Group ('PLSA')	Since November 2023, we have been members of the PLSA Stewardship Advisory Group which contributes to the evolution of the PLSA's Stewardship and Voting Guidelines and discusses key emerging trends in stewardship.

Appendices

Appendices
Appendix 1 – The UK Stewardship Code Principles and corresponding content in this report

	UK Stewardship Code	Chapter number	Chapters and most relevant sections	Pages
Principle 1	Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society	–	Our purpose and strategy Entire chapter	7-15
		–	Foreword statements	2-3
Principle 2	Signatories' governance, resources and incentives support stewardship	1	Our governance, policies and resources Entire chapter	17-27
		5	Working with asset managers and service providers 'Selecting and monitoring ESG service providers'	74-75
		–	Our purpose and strategy 'Our business and culture' (section describing asset managers we work with)	10
		–	Appendices 'Appendix 2 – Roles and responsibilities of our committees on sustainable investment and stewardship'	94-95
Principle 3	Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first	1	Our governance, policies and resources 'Managing conflicts of interest' 'Managing conflicts of interest in relation to stewardship'	25 26
Principle 4	Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system	7	Addressing market-wide and systemic risks Entire chapter	82-89
		3	Engaging with issuers to drive outcomes Entire chapter	39-56
Principle 5	Signatories review their policies, assure their processes and assess the effectiveness of their activities	1	Our governance, policies and resources 'Phoenix Group's policies to guide our sustainable investment and stewardship ambitions' 'Ensuring that this report is fair, balanced and understandable'	19-20 27

Appendices continued

Appendix 1 – The UK Stewardship Code Principles and corresponding content in this report continued

	UK Stewardship Code	Chapter number	Chapters and most relevant sections	Pages
Principle 6	Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them	6	Communicating with our customers Entire chapter	76-81
		–	Our purpose and strategy 'Our business and culture' (section describing our customer base)	10
		5	Working with asset managers and service providers Entire chapter	65-75
		3	Engaging with issuers to drive outcomes 'Engagements by our asset management partners'	50-56
		4	Exercising our investor rights 'Addressing voting inconsistencies among four asset management partners' 'Testing our Global Voting Principles'	59 59
Principle 7	Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities	2	Integrating ESG issues into investment decisions Entire chapter	28-38
		5	Working with asset managers and service providers Entire chapter	65-75
		–	Our purpose and strategy 'Our investment principles and priority ESG topics'	12-14
Principle 8	Signatories monitor and hold to account managers and/or service providers	5	Working with asset managers and service providers Entire chapter	65-75
		3	Engaging with issuers to drive outcomes 'Engagements by our asset management partners'	50-56
		4	Exercising our investor rights 'Addressing voting inconsistencies among four asset management partners' 'Testing our Global Voting Principles' 'Insights from our asset management partners' voting practices'	59 59 61-64
Principle 9	Signatories engage with issuers to maintain or enhance the value of assets	3	Engaging with issuers to drive outcomes Entire chapter	39-56
		4	Exercising our investor rights Various case studies give further examples of issuer engagement	57-64

Appendices continued

Appendix 1 – The UK Stewardship Code Principles and corresponding content in this report continued

	UK Stewardship Code	Chapter number	Chapters and most relevant sections	Pages
Principle 10	Signatories, where necessary, participate in collaborative engagement to influence issuers	3	Engaging with issuers to drive outcomes Entire chapter	39-56
		7	Addressing market-wide and systemic risks 'Collaborating with other investors to enhance standards and policymaking'	89
		–	Appendices 'Appendix 5 – Industry initiatives focused on ESG issues of which Phoenix Group is a member or supports'	97
Principle 11	Signatories, where necessary, escalate stewardship activities to influence issuers	3	Engaging with issuers to drive outcomes Entire chapter	39-56
		4	Exercising our investor rights Entire chapter	57-64
Principle 12	Signatories actively exercise their rights and responsibilities	4	Exercising our investor rights Entire chapter	57-64
		2	Integrating ESG issues in investment decisions Various case studies provide additional examples of exercising investor rights	28-38
		3	Engaging with issuers to drive outcomes Various case studies provide additional examples of exercising investor rights	39-56
		6	Communicating with our customers 'Piloting the Tumelo platform'	80
		5	Working with asset managers and service providers 'Encouraging improvements in sustainable investing'	71
		–	Appendices 'Appendix 3 – Voting statistics by our asset management partners'	96

Appendices continued

Appendix 2 – Roles and responsibilities of our committees on sustainable investment and stewardship

Phoenix Group Holdings plc Board

Responsible for the overall strategy of the Group, including its sustainability strategy. Sustainability-related responsibilities are allocated to certain committees dependent on their overall purpose and remit.

LifeCo Board

Responsible for the approval and monitoring of the overall Life Companies' long-term strategy, which includes but is not limited to: investments, asset and liability management, customer (and vulnerable customers) and conduct. The LifeCo Board ensures that customer/policyholder interests are properly balanced against those of its other stakeholders to deliver fair outcomes.

Independent Governance Committee

Works in the interests of the members of contract-based workplace personal pension schemes for Phoenix Life Limited, including the Standard Life brand, ReAssure Life Limited and ReAssure Assurance Limited. It assesses the value for money in relation to costs and charges, investments (including ESG integration and stewardship activities), investment servicing, communications, scheme administration and customer administration, investment pathways and other relevant governance matters. It is an independent committee and provides updates on its work to the LifeCo Board.

Board Audit Committee

Responsible for reviewing data assured by third parties in external reporting including the Sustainability, Climate and Stewardship reports.

LifeCo Board Investment Committee ('BIC')

Manages the overall investment and asset and the Group's six Life Companies' liability strategies to ensure that customer/policyholder interests are balanced with those of other shareholders to ensure fair outcomes. The Committee recommends Investment Managers within the Group, and oversees these arrangements and also considers new asset classes as and when appropriate. The committee reviews, oversees and approves policies, framework and activities related to sustainable investment and stewardship.

With-Profits Committee

Protects the interests of with-profits policyholders and advises on the fair management of the with-profits business in compliance with the Principles and Practices of Financial Management. This includes an assessment on investments and the implementation of ESG integration and stewardship activities. It is an independent committee and provides updates on its work to the LifeCo Board at least every year.

Portfolio & Credit Committee ('PCC')

Has oversight of the credit portfolio and assists the EAMC in the execution of the Group's investment strategy through oversight of risk management activities related to credit risk governance and investment decisions. The PCC oversees the integration of ESG factors in investment decisions and the implementation of the Group's sustainability framework and sustainability-related targets.

Sustainable Investment Forum

Provides direction, oversight, scrutiny and challenge on sustainable investment matters, including stewardship. The purpose of the Forum is to embed ESG issues into the investment process and decision making, ensure consistency of terminology and strategies across the Group entities, factoring customer obligations as applicable, and confirm alignment of proposals with the agreed overall Group sustainability strategy.

Enterprise Asset Management Committee ('EAMC')

Provides an holistic executive direction and oversight of the Group's investment strategy (including the strategic asset allocation framework and the asset liability management strategy) and asset management activities undertaken for policyholder and shareholder funds, ensuring alignment with sustainability strategies and relevant risk appetites. The Committee provides a forum to support Senior Management Functions ('SMF') decision making by reviewing and providing input to papers going to BIC, including those relating to sustainable investment and stewardship.

Appendices continued

Appendix 2 – Roles and responsibilities of our committees on sustainable investment and stewardship continued

Board Sustainability Committee

Responsible for assisting the Board in overseeing the achievement of the Group's sustainability strategy, including stewardship activities.

Board Remuneration Committee

Responsible for engaging with the Board Sustainability Committee and Board Risk Committee, as appropriate, to drive a consistent approach to the execution of the sustainability strategy across the Group and to ensure that there are appropriate ESG elements included within the Group and Asset Management's remuneration framework.

Asset Management Risk Committee ('AMRC')

Provides oversight of risk management activities related to credit risk decisions. Its responsibilities include approving the framework for ESG exclusions and restrictions, acting as the escalation committee for the Portfolio & Credit Committee and providing oversight on ESG investments for shareholder assets.

Standard Life Master Trust Committee

An independent board and subsidiary company of Phoenix Life Ltd ('PLL'). It works in the interests of members of the Standard Life Defined Contribution Master Trust and Stanplan A pension schemes by assessing value for money for members of those schemes, scrutinising investments, costs and charges, sustainable investment commitments, TCFD disclosures, scheme administration and customer communications.

Stewardship Working Group

Responsible for reviewing and approving statements to be presented at company AGMs, text of letters to be sent to chairs/CEOs of companies (both private and public), public investor statements on specific companies, public investor statements on ESG topics addressed to regulators and monitoring voting activities of asset management partners.

Enterprise Sustainability Committee

Provides holistic executive oversight of the Group's sustainability and climate strategies, monitoring and holding management to account for the embedding and achievement of those strategies. The Committee supports the Board Sustainability Committee, providing updates on progress against strategy, KPIs and targets.

Board Risk Committee

Responsible for overseeing the identification, assessment, management and reporting of ESG and climate-related risks within the Group Risk Management Framework.

Sustainable Investment Reporting and Disclosure Working Group

Brings together representatives of all main stakeholders of SI Disclosures. Working group members all play a role in climate and broader sustainability reporting and rely on SI to provide them with data, analysis and SME input. The working group aims to align the approaches to the various climate and sustainability reports and to work towards an agreed and more efficient reporting operating model (as it relates to SI disclosures).

Nature and Climate Investment Working Group

Reviews and approves items in connection with nature and climate ahead of further consideration by the Sustainable Investment Forum. This includes policy development, setting of targets and metrics, thematic research as well as other reporting and analysis.

Phoenix Unit Trust Managers Limited ('PUTM')

Responsible for governance and oversight of the unit trust and ACS fund range. It ensures that the funds are managed in accordance with all regulatory and legal obligations required of an Authorised Fund Manager. The Board sets the strategy for investment and risk management within PUTM and, as part of this, regularly reviews its policies including the Stewardship policy published on the PUTM website.

Appendices continued
Appendix 3 – Voting statistics by our asset management partners

Managers have applied their own interpretation of categorisations in response to our questions included in this table

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
	Level 1 managers				Level 2 managers										
Number of meetings eligible to vote on for Phoenix Group portfolios	4,159[1]	3,924[1]	587	2,753	214	59	51	47	110	1,808[1]	59	194	66	123	120
Number of proposals eligible to vote on for Phoenix Group portfolios	47,585	38,801	9,312	35,472	3,978	1,129	1,051	881	1,052	20,339	746	2,507	609	1,351	2,209
% of these proposals considered significant votes for the manager[2]	2%	1%	<1%	N/A	<1%	5%	<1%	<1%	<1%	16%	<1%	2%	11%	4%	N/A
% of resolutions voted upon if eligible on Phoenix Group portfolios[3]	98%	100%	98%	98%	100%	98%	100%	98%	100%	94%	100%	95%	100%	96%	100%
% of these resolutions voted with management	86%	80%	95%	93%	99%	97%	100%	78%	87%	84%	99%	88%	89%	92%	96%
% of these resolutions voted against management	13%	20%	3%	7%	1%	3%	0%	19%	13%	16%	1%	11%	11%	3%	4%
Number of companies' net zero plans presented at AGM for which the manager voted on behalf of Phoenix Group	13	10	1	7	1	2	2	2	0	14	1	2	3	1	5
Number of net zero plans presented at AGM on which the manager voted with management on behalf of Phoenix Group	2	6	1	4	1	2	2	2	N/A	13	1	1	3	1	5
Number of climate change shareholder resolutions presented at AGM on which the manager voted on behalf of Phoenix Group	129	42	6	135	3	1	2	1	0	58	0	2	3	2	4
% of climate change resolutions the manager supported (voting against management) on behalf of Phoenix Group	45%	79%	17%	33%	66%	0%	0%	100%	N/A	93%	0%	50%	0%	0%	67%
Number of other environmental shareholder resolutions presented at AGM on which the manager voted on behalf of Phoenix Group	37	76	7	229	0	0	0	0	0	49	0	N/A	1	0	6
% of these environmental resolutions supported by the manager (voting against management) on behalf of Phoenix Group	32%	45%	14%	24%	0%	N/A	0%	N/A	N/A	37%	0%	N/A	0%	0%	17%
Number of social and human rights shareholder resolutions presented at AGM on which the manager voted on behalf of Phoenix Group	249	126	166	302	0	2	0	0	0	185	0	16	0	0	39
% of these social and human rights resolutions supported by the manager (voting against management) on behalf of Phoenix Group	44%	74%	0%	36%	0%	0%	0%	N/A	N/A	74%	0%	63%	0%	0%	26%
Number of governance shareholder resolutions presented at AGM on which the manager voted on behalf of Phoenix Group	963	1,233	26	547	5	0	0	2	31	241	1	7	10	3	25
% of these governance resolutions the manager supported (voting against management) on behalf of Phoenix Group	21%	75%	73%	41%	0%	N/A	0%	0%	0%	48%	100%	71%	0%	0%	20%

1 Significant increase compared to 2022 reflects adjustment to the fund universe covered for reporting purposes.
2 When N/A is indicated, the manager is either not applying a definition of significant votes or believes that all votes are significant.
3 We have asked our asset managers to share information on this indicator as a proxy for the proportion of shares voted on our behalf.

Appendices continued

Appendix 4 – Our engagement focus list

1. Amazon.com, Inc.
2. ArcelorMittal SA
3. BASF SE
4. BHP Group plc
5. BP plc
6. Centrica plc
7. Chevron Corporation
8. CNAC (HK) Finbridge Co. Ltd.
9. Covestro AG
10. Delta Air Lines, Inc.
11. E.ON SE
12. easyJet plc
13. EDF
14. Enbridge Inc.
15. Enel SpA
16. Equinor
17. Glencore plc
18. Mondi plc
19. National Grid plc
20. NextEra Energy, Inc.
21. Nippon Steel & Sumitomo Metal Corporation
22. NRG Energy, Inc.
23. Phillips 66
24. Repsol SA
25. Rio Tinto plc
26. RWE AG
27. Shell plc
28. The Southern Company
29. Total SE
30. Tui AG
31. UltraTech Cement
32. Vale SA
33. Veolia Environnement SA
34. Volkswagen Aktiengesellschaft
35. Yara International ASA

Appendix 5 – Industry initiatives focused on ESG issues of which Phoenix Group is a member or supports

1. ABI Board Sub-Committee on Climate Change
2. Asset Owner Diversity Charter
3. Carbon Disclosure Project
4. Climate Action 100+
5. Coalition for Private Investment in Conservation
6. Deforestation-Free Finance Initiative Working Group
7. DWP Taskforce on Social Factors
8. FCA Vote Reporting Group
9. FCA Working Group on Voluntary Code of Conduct for ESG Data
10. Finance for Biodiversity Pledge
11. Get Nature Positive Campaign
12. Glasgow Financial Alliance for Net Zero
13. Green Finance Institute
14. Institutional Investors Group on Climate Change
15. International Corporate Governance Network
16. Investor Forum
17. Make My Money Matter
18. Net-Zero Asset Owner Alliance
19. Partnership for Carbon Accounting Financials
20. Pensions and Lifetime Savings Association
21. Principles for Responsible Investment
22. Race to Net Zero campaign
23. Science Based Targets initiative
24. Scottish Taskforce for Green and Sustainable Financial Services
25. Taskforce on Climate-related Financial Disclosures
26. Taskforce on Nature-related Financial Disclosures
27. Transition Pathway Initiative
28. UK Sustainable Investment & Finance Association
29. UK Transition Plan Taskforce

Appendices continued
Appendix 6 – Glossary

Advance
A collaborative engagement initiative on human rights and social issues coordinated by the Principles for Responsible Investment initiative.

AGM – Annual General Meeting
A yearly meeting of a company's shareholders, when board directors present an annual report containing information for shareholders about the company's performance and strategy. At an AGM, shareholders with voting rights can vote on issues, such as appointments to the company's board of directors, executive compensation, dividend payments, and the selection of auditors.

AMP – Asset management partner
An external asset manager that manages assets on behalf of Phoenix through the execution of an Investment Management Agreement ('IMA')

APM – Alternative Performance Measure
An Alternative Performance Measure ('APM') is a financial measure of historic or future financial performance, financial position or cash flows, other than a financial measure defined under IFRS or under Solvency II regulations. The Group uses a range of these metrics to provide a better understanding of the underlying performance of the Group.

AUA – Assets Under Administration
Assets administered by or on behalf of the Group, covering both policyholder funds and shareholder assets. This includes assets recognised in the Group's IFRS consolidated statement of financial position together with certain assets administered by the Group but for which beneficial ownership resides with customers.

CA100+ – Climate Action 100+
An investor-led initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change.

Carbon capture
Collection of GHG emissions from a GHG source for storage in a sink.

Carbon footprint
A carbon footprint is the total greenhouse gas ('GHG') emissions caused by an individual, event, organisation, service, place or product, expressed as carbon dioxide equivalent ('CO_2e').

CDP – Carbon Disclosure Project
Global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts.

Climate scenario
A plausible representation of future climate that has been constructed for explicit use in investigating the potential impacts of anthropogenic climate change.

DEI – Diversity, Equity and Inclusion
A term used to describe policies and programmes that promote the representation and participation of different groups of individuals of different ages, races, ethnicities, abilities, disabilities, genders, religions, cultures and sexual orientations.

EFL – External Fund Links
Collective funds in liquid assets that can be distributed publicly to customers through Phoenix Group's products. These funds are managed by external asset management groups with which we do not have IMAs and we do not have control over the way these funds are run.

ESG – Environmental, Social and Governance issues
Environmental criteria consider how a company manages risks and opportunities linked to climate change and nature loss. Social criteria examine how it manages relationships with employees, suppliers, customers, and the communities where it operates. Governance deals with a company's leadership, executive pay, audits, internal controls and shareholder rights.

EU Taxonomy
The EU Taxonomy is a classification system that provides companies, investors and policymakers with appropriate definitions for which economic activities can be considered environmentally sustainable.

GHG – Greenhouse gases
GHGs are atmospheric gases that absorb and emit radiation within the thermal infrared range and that contribute to the greenhouse effect and global climate change. They include water vapour, carbon dioxide ('CO_2'), methane ('CH_4'), nitrous oxide ('N_2O'), hydro chlorofluorocarbons ('HCFCs'), ozone ('O_3'), hydrofluorocarbons ('HFCs'),and perfluorocarbons ('PFCs').

Greenhouse Gas Protocol
Global standard for companies and organisations to measure and manage their GHG emissions.

Greenhushing
Where a company withholds information on its climate strategy for fear that releasing it will bring some form of reputational risk.

Greenwashing
Where a company uses advertising and public messaging to appear more climate friendly and environmentally sustainable than it really is.

GRESB – Global Real Estate Sustainability Benchmark
A global peer benchmark and performance data provider for real estate and infrastructure investors.

IIGCC – Institutional Investor Group on Climate Change
A European membership body for investor collaboration on climate change. IIGCC members are mainly pension funds and asset managers.

IMA – Investment Management Agreement
Legal documents that give investment managers the authority to manage capital on behalf of client investors.

Level 1 asset management partners
Five strategic and critical asset management partners which collectively cover ~70% of Phoenix Assets Under Administration.

Level 2 asset management partners
A number of asset management partners with smaller sized mandates, which collectively cover less than 10% of Phoenix Assets Under Administration.

Level 3 asset managers
A large number of managers (also referred to as EFL managers) that typically manage collective funds in liquid assets that can be distributed publicly to customers through our products. These funds, which collectively cover ~20% of our Assets Under Administration, are managed by external asset management partners with which Phoenix has no IMAs and therefore control over the way funds are run. When sustainability is mentioned in the report, it is being discussed in the context of ESG.

Appendices continued
Appendix 6 – Glossary continued

LTIP – Long-Term Incentive Plan
The part of an executive's remuneration designed to incentivise long-term value for shareholders through an award of shares with vesting contingent on employment and the satisfaction of stretching performance conditions linked to Group strategy.

NA100 – Nature Action 100
A global investor engagement initiative, launched at COP15, which aims to drive greater corporate ambition and action on tackling nature loss and biodiversity decline.

Net zero
A state where we add no incremental greenhouse gases to the atmosphere. Emissions output is balanced with removal of carbon from the atmosphere.

NZEI – Net Zero Engagement Initiative
A new global initiative led by the IIGCC with the goal of supporting investors to align their portfolios to the Paris Agreement.

Paris Alignment/Agreement
Goal set by the global Paris climate change deal in 2015 to hold global average temperature increase to 'well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels'.

PLSA – Pension and Lifetime Savings Association
A trade association for the workplace pension industry, with aims to support the achievement of better retirement savings.

Policyholder assets
Assets linked to the insured products we offer to our customers which account for over 60% of our total assets.

PRA – Prudential Regulation Authority
The authority responsible for the prudential regulation and supervision of banks, building societies, credit unions, insurers and major investment firms.

PRI – Principles for Responsible Investment initiative
An investor initiative supported by the United Nations to promote the consideration of ESG issues in investment processes by institutional investors and service providers.

SBT initiative – Science Based Targets initiative
An emissions reduction target is defined as 'science based' if it is developed in line with the scale of reductions required to keep global warming below 2°C from pre-industrial levels, under recommendations by the SBT Institute ('SBTi').

SDR – UK Sustainability Disclosure Requirements
Additional product-level disclosures for asset managers about the sustainability credentials and sustainability performance of their investments. The information disclosed determines whether a product can qualify for one of the FCA's proposed sustainable investment labels.

Shareholder assets
Assets matching liabilities from annuities which collectively account for around ~15% of our total assets.

SLL – Sustainability-linked loan
Types of loan instruments and/or contingent facilities (such as bonding lines, guarantee lines or letters of credit) which incentivise the borrower's achievement of predetermined sustainability performance objectives.

TCFD – Taskforce on Climate-related Financial Disclosures
The TCFD was created in 2015 by the Financial Stability Board ('FSB') to develop consistent climate-related financial risk disclosures for use by companies in providing information to stakeholders.

TNFD – Taskforce on Nature-related Financial Disclosures
A framework for organisations to report and act on evolving nature-related risks, building on the success of the TCFD. The TNFD has developed an integrated assessment process for nature-related risk and opportunity management called Locate, Evaluate, Assess, Prepare ('LEAP') that has also been adapted for financial institutions ('FIs') through LEAP FI.

UK Stewardship Code
A set of 12 stewardship principles for those investing money on behalf of UK savers and pensioners, and those that support them. The Financial Reporting Council is responsible for developing and reviewing the text of the Code and assessing if an applying organisation can be considered a signatory to the Code.

UNGC – United Nations Global Compact Principles
A set of ten corporate principles aligned with international standards on human rights, labour rights, environmental and climate change issues, and anti-bribery and corruption efforts.

UNGP – United Nations Guiding Principles on Business and Human Rights
The global framework on business and human rights, which stipulates investors' responsibility for preventing, mitigating and accounting for how they address adverse human rights impacts.

Appendices continued
Appendix 7 – Assured data methodology

This section sets out accompanying assumptions, scope and definitions used to calculate the metrics assured externally.

Absolute financed emissions (tCO_2e)
Defined as the investment portfolio's fair share of emissions of investee companies, calculated using the PCAF methodology as described in The Global GHG Accounting and Reporting Standard – Financed Emissions 2nd Edition (2022) insofar as possible. For further details please see the "Investments Metrics Framework" section in our Climate Report.

AOA – Asset Owner Alliance
A United Nations-convened, voluntary, non-profit, membership-based initiative that supports asset owners to commit to net-zero by 2050, and issue 5-year intermediary targets.

Economic emissions intensity (tCO_2e/£m invested)
Expresses portfolio emissions per unit of capital invested – calculated using the PCAF methodology insofar as possible.

Financed emissions
Greenhouse gas emissions that occur as a result of financing, including lending and investment activity. These activities fall within Scope 3, category 15 of the GHG protocol for financial institutions like Phoenix Group. In calculating Phoenix's financed emissions, we seek to adhere to the PCAF best practice methodology where possible. For Listed Equity and Corporate Bonds, financed emissions are calculated as

$$\sum_{c}\left(\frac{\text{Amount Invested}_c}{\text{Enterprise Value Including Cash}_c} \text{ X Absolute Emissions}_c\right)$$

Greenhouse Gas Protocol
Global standard for companies and organisations to measure and manage their GHG emissions.

PCAF – Partnership for Carbon Accounting Financials
Global partnership of financial institutions that work together to develop and implement a harmonised approach to assess and disclose the greenhouse gas (GHG) emissions associated with their loans and investments.

Scope 1, 2 and 3 emissions
Greenhouse gas emissions are categorised into three groups or 'Scopes'. Scope 1 covers direct emissions e.g. use of natural gas, company car vehicle emissions. Scope 2 covers indirect emissions from the generation of purchased electricity, steam and heating. Scope 3 includes 15 other categories of indirect emissions in a company's value chain e.g. business travel and investments.

Total percentage of financed emissions in high emitting sectors associated with target list of companies for climate engagement
High emitting sectors in line with guidance provided by the UN convened Asset Owner Alliance Protocol.

Total percentage of financed emissions in high emitting sectors associated with companies for climate engagements conducted by Asset Management Partners in 2023
High emitting sectors in line with guidance provided by the UN convened Asset Owner Alliance Protocol.

Appendices continued
Appendix 8 – Independent practitioner's assurance report to Phoenix Group Holdings plc Management

Scope
We have been engaged by Phoenix Group Holdings plc ('Phoenix') to perform a 'limited assurance engagement,' as defined by International Standards on Assurance Engagements, here after referred to as the engagement, to report on Phoenix's selected data (the 'Subject Matter) indicated with a '^' symbol within Phoenix's 2023 Stewardship Report for the period ended 31st December 2023.

Other than as described in the preceding paragraph, which sets out the scope of our engagement, we did not perform assurance procedures on the remaining information included in the Report, and accordingly, we do not express a conclusion on this information.

Criteria applied by Phoenix
In preparing the Subject Matter, Phoenix applied the criteria as featured within the 'Assured data methodology' section of Phoenix's 2023 Stewardship Report (Appendix 7) (collectively the 'Criteria').

Phoenix's responsibilities
Phoenix's management is responsible for selecting the Criteria, and for presenting the Subject Matter in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the subject matter, such that it is free from material misstatement, whether due to fraud or error.

EY's responsibilities
Our responsibility is to express a conclusion on the presentation of the Subject Matter based on the evidence we have obtained.

We conducted our engagement in accordance with the International Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information ('ISAE 3000 (Revised)') and the terms of reference for this engagement as agreed with Phoenix on 1st December 2023.Those standards require that we plan and perform our engagement to express a conclusion on whether we are aware of any material modifications that need to be made to the Subject Matter in order for it to be in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusions.

Our independence and quality management KPI
We have maintained our independence and confirm that we have met the requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants and have the required competencies and experience to conduct this assurance engagement.

EY also applies International Standard on Quality Management 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services engagements, which requires that we design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Description of procedures performed
Procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the Subject Matter and related information, and applying analytical and other appropriate procedures. The procedures we performed were based on our professional judgement and included:

1. Conducted interviews with relevant staff in order to understand the data reporting processes, the key sources of information and the boundaries used for reporting, including for any new KPIs and changes made as a result of recommendations following the previous reporting cycle.
2. Read key documentation and confirmed our understanding of the key risks to data integrity and the controls associated with the collection and collation of the data.
3. Identified those data points (and associated data processes and systems), that are most material, in order to inform and target our testing procedures.
4. Confirmed our understanding of the key risks to data integrity and the controls associated with the collection and collation of the data.
5. Tested the accuracy of Group-level data aggregation for reporting purposes – including the use of any specific tools, systems or estimation methods.
6. Tested the accuracy and completeness of a limited sample of data relating to year end performance.
7. Tested the accuracy of data aggregation for reporting purposes – including the use of any specific tools, systems or estimation methods.
8. Assessed the presentation of the Subject Matter in the Reports, to check that this is consistent with our understanding of performance gained from the earlier steps.

We also performed such other procedures as we considered necessary in the circumstances.

Conclusion
Based on our procedures and the evidence obtained, we are not aware of any material modifications that should be made to the subject matter, for the period ended 31st December 2023 in order for it to be in accordance with the Criteria.

Use of our Assurance Statement
We disclaim any assumption of responsibility for any reliance on this assurance report or its conclusions to any persons other than Phoenix, or for any purpose other than that for which it was prepared. Accordingly, we accept no liability whatsoever, whether in contract, tort or otherwise, to any third party for any consequences of the use or misuse of this assurance report or its conclusions.

Ernst & Young LLP
20 May 2024
London

Appendices continued
Cautionary statements

Basis of preparation

The reader should be aware that this report and the information contained within it, is prepared on the following basis:

The preparation of this report requires the application of a number of key judgements and also requires assumptions and best estimates to be made at a given point in time. There is a risk that the judgement exercised, or the estimates or assumptions used, may subsequently turn out to be incorrect. These judgements and resulting data presented in this report are not a substitute for judgements and analysis made independently by the reader;

The disclosures in the 2023 Stewardship Report use a greater number and level of judgements, assumptions and estimates, including with respect to the classification of sustainability and climate related activities, than the Group's reporting of historical financial information. These judgements, assumptions and estimates are highly likely to change over time, and, when coupled with the longer time frames used in these disclosures, make any assessment of materiality inherently uncertain;

In addition, the Group's sustainability and climate risk analysis and net zero transition planning will continue to evolve and the data underlying the Group's analysis and strategy remain subject to change over time. As a result, the Group expects that certain sustainability and climate-related disclosures made in this report are likely to be amended, updated, recalculated or restated in the future;

This report uses climate models, external climate data and other sources/methodologies, each of which are subject to ongoing refinement and modifications beyond our control;

The outputs of these models, external data and other sources/methodologies can be materially affected by the quality of the underlying data used. They may be subject to uncertainties affecting the accuracy of their outputs. There is a risk that the outputs may be misinterpreted or misused when dealing with developing themes, such as climate-related disclosures and other environmental, social and governance data points, due to the lack of market standards, historical reference points and benchmark data, as well as the inability to rely on historical data as a strong indicator of future trajectories, in the case of climate change and its evolution;

In general, the quality of the data relied upon in sustainability and climate related disclosures is often not yet of the same standard as more traditional financial reporting and therefore presents an inherent limitation. Further development of reporting standards could materially impact the performance metrics, data points and targets contained in this report; and

As standards, frameworks and practices continue to evolve, it may mean subsequent reports do not allow a reader to compare performance metrics, data points or targets from one reporting period to another, on a direct like-for-like basis.

Note on materiality

Our public disclosures, including our Stewardship Report, include a range of topics that we believe are relevant to our businesses and that are of interest to investors and other stakeholders. For the purposes of complying with our annual and half-yearly disclosure obligations in the UK we apply materiality based on the applicable rules and regulations governing public reporting in the UK. However, in our Stewardship Report, we have adapted our approach to materiality based on both the subject matter and purpose of the disclosures. Our approach to these disclosures may sometimes have regard to broader understandings of materiality based on certain external frameworks and reporting guidelines that take into consideration a wider range of factors relevant to stewardship including the views of our key stakeholders. This report uses longer time frames to assess potential impacts than those time frames customarily used in certain of our other disclosures, including our annual and half yearly financial reports submitted to the London Stock Exchange ('LSE'). This approach to materiality means that this report, and many of our stewardship reporting disclosures, including with respect to climate-related risks and opportunities includes certain information that we have not included in our LSE filings for which we use a different approach to materiality. Our approach to materiality in this report and other sustainability and climate-related disclosures also means that statements made in this report and in our other sustainability and climate-related disclosures use a greater number and level of assumptions and estimates than many of our LSE filings. These assumptions and estimates are subject to change over time, and when coupled with the longer time frames used in these disclosures, make any assessment of materiality inherently uncertain. We expect that certain disclosures made in this report are likely to be amended, updated, recalculated, and restated in the future as the quality and completeness of our data and methodologies continue to improve.

Appendices continued
Cautionary statements continued

Forward-looking statements

The 2023 Stewardship Report contains, and the Group may make other statements (verbal or otherwise) containing, forward-looking statements and other financial and/or statistical data about the Group's current plans, goals and expectations relating to future financial conditions, performance, results, strategy and/or objectives. Statements containing the words: 'believes', 'budget', 'forecast', 'intends', 'will', 'may', 'should', 'expects', 'plans', 'aims', 'seeks', 'targets', 'predict', 'outlook', 'goal', 'continues', 'projected', and 'anticipates' or other words of similar meaning are forward looking. Such forward-looking statements and other financial and/or statistical data involve risk and uncertainty because they relate to future events and circumstances that are beyond the Group's control. Factors which could cause actual results to differ materially from those estimated by forward-looking statements include, but are not limited to:

- changes in legislation;
- industry and regulatory standards;
- the development of standards and interpretations including evolving practices in ESG, sustainability and climate reporting with regard to the interpretation and application of accounting;
- developments in available technology;
- the timely implementation and integration of adequate government policies;
- climate change and a transition to a low carbon economy (including the risk that the Group may not achieve its targets); the limitation of climate scenario analyses and the models that analyse them; lack of transparency and comparability of climate-related forward-looking methodologies;
- environmental, social and geopolitical risks; and
- the Group's ability with government and other stakeholders to manage and mitigate the impacts of climate change effectively.

As a result, the Group's actual future financial condition, performance and results may differ materially from the plans, goals and expectations set out in the forward-looking statements and other financial and/or statistical data within the 2023 Stewardship Report.

No representation is made that any of these statements will come to pass or that any future results will be achieved. As a result, you are cautioned not to place undue reliance on such forward-looking statements contained in this 2023 Stewardship Report.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. The forward-looking statements speak only as the date on which they are made. The Group undertakes no obligation to publicly update or revise any of the forward-looking statements or data contained within the 2023 Stewardship Report or any other forward-looking statements or data it may make or publish whether as a result of new information or for any other reason.

This forward-looking statement in relation to sustainability and climate-related disclosures should not be regarded as a complete and comprehensive statement and should be read together with the Forward-looking statements and the risks identified in the Risk Management Report on pages 324 and 50 of the 2023 Annual Report and Accounts respectively.

Contact us

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