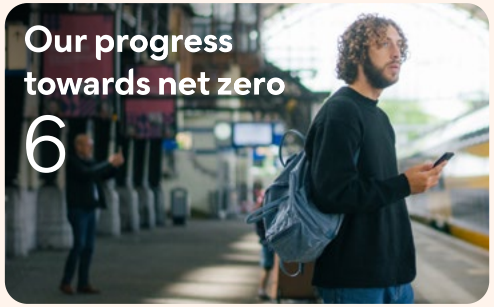
Our Climate Report

Climate Report 2023
Phoenix Group Holdings plc

In this report

This is Phoenix Group's 2023 Climate Report, prepared in accordance with the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures ('TCFD'). It aims to provide stakeholders with an overview of our progress towards net zero and a detailed disclosure of our continued progress towards managing the impacts of climate-related risks on our business and unlocking climate-related opportunities.

We aim to be a net zero business by 2050.



Our assurance
The Group has appointed Ernst & Young LLP ('EY') to provide limited independent assurance over selected disclosures within this report marked with ^. 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 63 of this report.

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

Look out for these icons throughout the report:

Reference to another page in the **report**

Reference to reading in **supplementary report**

Reference to further reading **online**


Annual Report


Sustainability Report


Online review


ESG Data Appendix

The Climate Report was approved by the Board of Directors on 22 March 2024 and signed on its behalf by

Andy Briggs
Group CEO

2023 highlights

Net Zero Transition Plan published

We published our first Net Zero Transition Plan setting out our roadmap and strategy to achieving net zero by 2050 across our investments, business operations and supply chain.

Net Zero Transition Plan

83%

reduction in operational emissions intensity since 2019[1]

c.£12.5bn

shareholder liquid credit portfolio with decarbonising strategies in place[2]

Unlocking investment in climate solutions

report published in collaboration Make My Money Matter

Unlocking investment in climate solutions

We reached 1.5 million customers to raise awareness

about the impact of investing^

c.£600m

invested in climate solutions[4]

Award:

EMEA Net Zero Progression of the Year:

Environmental Finance, Sustainable Company Awards

94%

of key suppliers are committed or aligned to SBTi or UN Race to Zero campaign[5^]

Directly and collectively engaged with 23 of our highest-emitting companies[3]

Transition Pathway Initiative

Joined the Transition Pathway Initiative ('TPI') asset owner-led Board. The TPI provides investors with tools to assess companies' preparedness for the transition to a low-carbon economy.

Mansion House Compact founding signatory

We joined an initiative led by the Lord Mayor of the City of London to encourage investors to invest more into alternative asset classes, which supports our objective of investment in sustainable or transition assets such as climate solutions[6].

CLIMATE GROUP EP100

EP100 joined as a commitment to improve our operational energy productivity

1 Intensity metric for Scope 1 and 2 emissions per FTE (market-based).
2 AUA at YE2021.
3 See Methodology for definition of 'engaged'.
4 As a portion of £1.19 billion originated in sustainable or transition assets in YE2023^.
5 See Methodology for target definition.
6 Ensuring that we deliver good customer outcomes.

2023 was a strong year for progress on climate change but we recognise that we still have some work to do, as set out in subsequent sections.

Group at a glance

Phoenix Group is the UK's largest long-term savings and retirement business. We offer a broad range of savings and retirement income products to support people across all stages of the savings life cycle from 18 to 80+, through our family of brands.

Our business

c.£283bn
total assets under administration

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

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.

ESG ratings and award recognition

Ratings

CDP – A- Rating
leadership position on climate

MSCI – AA
Rated as a leader by MSCI

S&P Global – 90th percentile
of our peers in S&P Global Ratings

Awards

Company of the Year – Global Good Awards

Impact Company of the Year – Better Society Awards

Ethical Financial Services Provider of The Year – MoneyAge Awards

Delivering our climate ambition

We are pleased with the strong progress that the Group has made in 2023 to further enhance our approach to managing climate related-risks faced by our business, however we recognise that there is more work to be done.

We remain committed

We continue to witness the devastating impacts of climate change around the world, with the intensity and frequency of extreme weather events increasing year-on-year. That is why we remain committed to managing the material climate-related risks for our business and customers, and achieving net zero across our investments, operations and supply chain by 2050. Importantly, we have also set interim targets for 2025 and 2030[1] and we will continue to explore levers for achieving validated science-based targets. The recommendations of the TCFD provide us with a comprehensive framework to disclose how we manage climate-related risks and opportunities for our stakeholders and in 2023 we have further embedded the recommendations across the business. In June 2023 we began entity- and product-level climate reporting in line with UK regulations to help customers to make informed choices about their investments.

Managing key risks

We are focused on managing the risks and opportunities associated with climate change and delivering long-term resilience for our policyholder and shareholder portfolios. We have several levers at our disposal to help achieve this, including: decarbonising our portfolio, carrying out effective stewardship of our assets and investing in climate solutions. In 2023 we set out a roadmap to introduce decarbonisation strategies across our c.£160 billion[2] listed equity and credit portfolio by 2025 . We are now taking concrete actions to deliver this. We worked with leading index providers to design equity benchmarks which will apply a decarbonisation tilt to our policyholder listed equity portfolio. We will begin rolling out these benchmarks from this year, whilst ensuring we deliver good customer outcomes. We have also started to consider nature-related financial risk, recognising the inherent link between climate change and nature.

Investing in climate solutions

We are also focusing on maximising the opportunities presented by the transition to net zero by 2050 to deliver good outcomes for our customers and shareholders. Investing in climate solutions is a core part of our long-term net zero strategy and essential for driving the transition. Recognising the need for thought leadership on how to overcome the obstacles to channelling private capital into sustainable assets at scale, we partnered with Make My Money Matter to publish a report on **Unlocking investment in climate solutions**. The report recommends ways to overcome the systemic barriers that pension funds face when investing in climate solutions in the UK. And not only have we begun to identify those barriers, we also advocate for solutions by engaging with policymakers and regulators on system-wide reform. This will enable us to invest more into sustainable, transition or productive assets including climate solutions. In 2023 we invested nearly £600 million of shareholder capital in climate solutions[3].

We are committed to managing the risks and opportunities presented by climate change.

A clear plan for delivery

We continue to demonstrate leadership in addressing climate change because we understand the responsibility we have to play our part in driving the shift to net zero by 2050. Last year we published a **Net Zero Transition Plan** which sets out our approach to achieving our net zero targets. The plan follows best practice guidance[4] and reaffirms our commitment to invest and manage assets on behalf of our customers to help them secure a life of possibilities. If we implement the actions we have committed to then we believe we will be on track to achieve our 2025 interim target under most scenarios. Our ability to meet our 2030 targets is less certain. It is likely we will need to take further action and that we will become increasingly dependent on the actions of others, notably governments and companies in high-emitting sectors.

Rakesh Thakrar
Chief Financial Officer

Jonathan Pears
Chief Risk Officer

1 2025 target covers listed equity and credit under our control and influence. 2030 target covers all assets under our control and influence.
2 Based on AUA at YE2021.
3 As a portion of £1.19 billion originated in sustainable or transition assets in YE2023^.
4 Transition Plan Taskforce Disclosure Framework and GFANZ Financial Institution Net-Zero Transition Plans Final Report.

Our purpose and climate ambition

Net zero by 2050

Our ambition to be net zero by 2050 is fully aligned to our core purpose of helping people secure a life of possibilities.

As a purpose-led organisation we believe that we have a responsibility to society to help address the climate emergency and play a leading role in supporting the transition to a net zero economy for the benefit of all our stakeholders. That is why we have committed to being net zero by 2050. We have also set stretching interim targets across our investment portfolio, operations and supply chain to ensure that we remain on track. Our primary objective is to deliver good outcomes for our customers and shareholders, and we believe that our strategy to deliver our targets will help us to achieve this whilst also delivering real economy emissions reductions.

We have set clear targets to deliver on our climate ambition[1]

2025

25% Reduction in carbon intensity of listed equity and credit assets.

2030

50% At least 50% reduction in carbon intensity of all investment assets. 50% reduction in carbon intensity of our supply chain.

2050

100% Net zero across our business.

Tackling climate change is essential to our business for three main reasons:

1. **To manage financial risk for our customers:**
Climate change is a material financial risk for our customers which could affect the risk-return profile of their assets. That is why mitigating climate-related risks is an essential part of our fiduciary duty.

2. **To seize investment opportunities and optimise value for our customers and shareholders:**
Analysis shows that the UK pension industry could finance up to £1.2 trillion[2] in climate solutions in the UK up to 2035. By investing in the growing sectors of the future, we believe we can deliver good outcomes for our customers and shareholders if the policy environment and market conditions are right.

3. **Because it's the right thing to do:**
As a purpose-driven organisation we believe that tackling climate change is the right thing to do. We have developed a comprehensive sustainability strategy that is fully aligned with our purpose of helping people secure a life of possibilities. Playing our part in tackling the climate crisis is a crucial part of this.

Investment portfolio[3]

c.18 $MtCO_2e$^[4]

c.£283bn AUA

Operations[5]

c.11,000 tCO_2e

7,800 colleagues

Supply chain[6]

c.125,000 tCO_2e

>1,500 suppliers

1 Where we can exercise control and influence, and to deliver good customer outcomes.
2 Unlocking Investment in Climate Solutions.
3 Absolute emissions of our investment portfolio at YE2023.
4 We have not footprinted our entire investment portfolio at YE2023. See the Metrics and targets section for our roadmap to expand our carbon footprint.
5 Scopes 1 + 2 + 3 – voluntary carbon footprint (market-based).
6 Indicative modelled absolute emissions based on supplier spend data.

Our progress towards net zero

Taking action across our investments, operations and supply chain

Guided by our Net Zero Transition Plan, we are taking action across our investments, operations and supply chain to make progress towards achieving net zero by 2050.

In the Our progress towards net zero section

Our progress towards net zero

Our Net Zero Transition Plan

Our plan sets out how we will become a net zero business by 2050 and achieve our interim targets for 2025 and 2030.

Last year we published our Net Zero Transition Plan. This marks 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 TCFD recommendations across the business.

Our Net Zero Transition Plan outlines how we will deliver our climate ambition through three strategic pillars: Invest, Engage, Lead. Our customers are at the heart of our plan and our actions are aligned with delivering good customer outcomes.

As a purpose-led organisation, we want to play our part in delivering a net zero economy and our actions are either directly or indirectly aligned with this goal. However, the primary driver for our actions is either to reduce customers' exposure to climate-related risk and/or help them take advantage of the opportunities presented by the net zero transition.

We take an 'engagement first' approach with investee companies, with the objective of using our position of influence to bring about positive corporate change. As such, we remain invested in high-emitting sectors[1] including oil and gas; 6 of the 25 companies in our direct engagement programme are oil and gas companies. Further details can be found on page 10, 30 and 51.

1 22% of our listed portfolio is exposed to high-transition risk sectors, accounting for 79% of our listed portfolio emissions. These sectors dominate our overall emissions.
2 Transition Plan Taskforce Disclosure Framework.
3 GFANZ Financial Institution Net-Zero Transition Plans Final Report.

Climate Action Model

Our progress with delivering the action areas under each pillar is summarised on the following pages:

Invest

- Decarbonising the portfolio
See page 8
- Effective stewardship of our assets
See page 9
- Invest in climate solutions
See page 10

Engage

- Engaging our customers
See page 12
- Use our scale to drive wider system change
See page 13

Lead

- Reduce our direct emissions by decarbonising our operations
See page 14
- Reduce our supply chain emissions
See page 15

Our Net Zero Transition Plan was developed according to these key principles:

1 Put the customer at the heart of what we do: To deliver good customer outcomes.

2 Align with industry best practice frameworks: We developed our plan in line with guidance from the Transition Plan Taskforce ('TPT')[2] and Glasgow Financial Alliance for Net Zero ('GFANZ')[3].

3 Focus on achieving real economy decarbonisation: Our transition to net zero by 2050 ultimately needs to contribute to real-world change.

4 We are on a journey: Our transition plan sets out a pathway towards net zero by 2050 that will be refined over time as the need to act, external conditions and best practice approaches evolve.

Monitoring our progress

We are building momentum on our journey to net zero by 2050. Our progress summary shows how we have already started taking action across our investment portfolio, operations and supply chain and we are now building on these foundations to achieve real scale.

We are on track to achieve our 2025 targets under most scenarios if the actions we have committed to are implemented. This assessment has been informed by our progress to date and scenario analysis.

Beyond 2025 we become increasingly dependent on action from others. How likely we are to achieve our 2030 target is currently less certain. We will become significantly more dependent on decarbonisation in the wider economy and action by others, in particular government, regulators and high-transition risk sectors.

We will continue to explore levers for achieving validated science-based targets, while engaging with the SBTi on specific aspects of their framework that present us with challenges.

Our progress towards net zero continued

Summary of our progress

We have made good progress towards our 2025 targets, but we will need to do more to ensure that we deliver against our 2030 targets.

1 UK Stewardship Code Signatories.
2 Unlocking Investment in Climate Solutions.
3 See Methodology for criteria on what constitutes 'aligned/committed'.
4 Global Voting Principles

	Key progress in 2023	Status vs headline targets	Key challenges and dependencies	Next steps
Invest	• We expanded our carbon footprint baseline. • We implemented a decarbonisation strategy for our c.£12.5 billion shareholder corporate credit portfolio. • We became signatories to the UK Stewardship Code[1]. • We met our target of achieving 50%-70% of illiquid asset originations in the shareholder portfolio that are sustainable or transition assets^.	• The emissions intensity of our listed equity and credit portfolio has reduced by 41% vs. the 2019 baseline, which indicates we are on track to achieve our 2025 target of a 25% reduction under most scenarios if the actions we have committed to are taken. • It is likely we will need to do more to achieve our 2030 target of 50% emissions intensity reduction for all assets under our control and we will become increasingly dependent on action by others, in particular government, regulators and high transition risk sectors.	• We are dependent on the quality and coverage of reported data. Our financed emissions represents our share of the Scope 1 and 2 emissions of the assets we invest in. • We are dependent on investee companies decarbonising at the required pace. • Our ability to decarbonise asset classes is often limited and dependent on government action. • Our managers' voting practices are not always aligned with our Global Voting Principles[4] and our engagement goals may differ. • Our ability to scale up investment in climate solutions is limited by policy, regulatory and market barriers.	• We plan to roll out customised decarbonising benchmarks to our policyholder listed equity portfolio, in line with delivering good customer outcomes. • We will engage with companies to pursue our tailored engagement objectives. • We will develop a roadmap to scale investment in sustainable, transition or productive assets including climate solutions, in line with delivering good customer outcomes.
Engage	• We achieved our target to reach 1.5 million customers to raise awareness about the impact of investing^. • We published a report on unlocking investment in climate solutions with Make My Money Matter[2].	• Our Engage activities support the delivery of the headline targets within our Invest and Lead pillars.	• Our customer research tells us that many of our customers have relatively low levels of understanding about their pensions in general. • Political uncertainty and wider economic headwinds could limit our ability to influence the policy and regulatory change needed to achieve net zero by 2050.	• We will continue to seek our customers' views to ensure we provide solutions and communications that support their needs. • We will engage to influence public policy in order to deliver good customer outcomes, while supporting societal and climate goals.
Lead	• We achieved our target of maintaining a 75%-85% intensity reduction vs 2019 baseline in our operational carbon emissions. • 94% of key suppliers are committed or aligned to SBTi or UN Race to Zero campaign[3]^.	• We have already achieved our 2025 target to reduce the carbon intensity of our Scope 1 and 2 operational emissions by 80% against our 2019 baseline and are on track to be net zero in our own operations (Scope 1, 2 and Scope 3 – Business Travel) by 2025 – subject to compensating for our residual emissions. • It is too soon to assess progress against our target to reduce supply chain emissions intensity by 50% by 2030.	• Reducing our business travel emissions is likely to be a key challenge as business has returned to normal and will depend on the roll-out of our business travel reduction programme. • Compensating for our residual operational emissions is dependent on our ability to buy high-quality, high-integrity carbon credits. • Reducing our supply chain emissions is ultimately dependent on action from our suppliers, as well as good quality data.	• We will deliver a programme to engage colleagues in reducing our emissions from business travel. • We will validate our spend data to build an accurate picture of our carbon footprint.

Our progress towards net zero continued

Invest

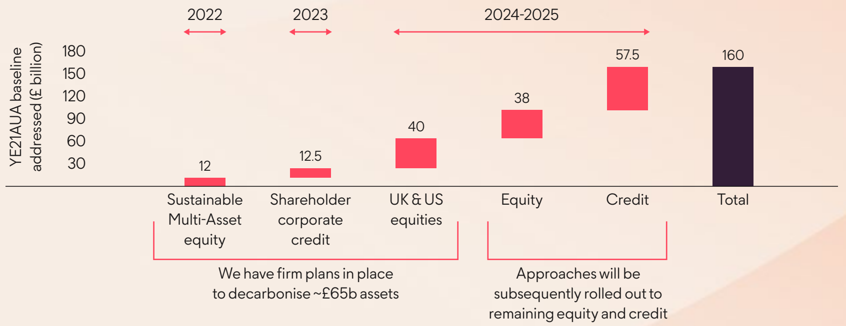
Decarbonising our portfolio

We have developed a roadmap to having decarbonisation strategies in place for our c.£160 billion listed equity and credit portfolio by 2025[1].

2023 progress highlights

- We expanded our carbon footprint baseline to include illiquid credit assets^.
- We developed an approach to assess our exposure to physical risk.
- We implemented a decarbonisation strategy for our c.£12.5 billion shareholder corporate credit portfolio.
- We have designed customised decarbonising benchmarks which we plan to apply to our policyholder listed equity portfolio.
- We made good progress against our 2025 portfolio decarbonisation targets.

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



Measuring our carbon footprint
Following the addition of illiquid credit assets, the proportion of our investment portfolio covered by our carbon footprint baseline has increased from 77% of AUA at year-end 2022 to 79% of AUA at year-end 2023. Our carbon emission baseline at year-end 2019 is now 24.6 $MtCO_2e$^ and our measured carbon footprint now covers c.98% of the assets within scope of our 2030 decarbonisation target[2]. Illiquid credit assets are responsible for 0.3 $MtCO_2e$^ at year-end 2019, which is c.1% of our baseline portfolio emissions. Expanding the scope of our carbon footprint baseline helps us to set appropriate decarbonisation targets and improve the accuracy of monitoring our progress towards achieving them.

Decarbonising our portfolio
We are taking actions to decarbonise our policyholder assets and shareholder assets as set out in our directional timeline.

Policyholder
We are evolving the scope of our policyholder asset decarbonisation strategy beyond the roll out of our workplace Sustainable Multi Asset solution, through plans to apply customised decarbonising benchmarks to our listed equity portfolio, where this is determined to be in line with delivering good customer outcomes.

Shareholder
Implementing a decarbonisation strategy for our shareholder corporate credit portfolio will help us to invest in net zero-aligned assets. We have already introduced a decarbonisation strategy for our c.£12.5 billion shareholder corporate credit portfolio[3] 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). This is a key step towards the delivery of our portfolio decarbonisation targets.

Monitoring our progress
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 of 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 the 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 in order to achieve our 2030 target. We will keep our progress and management actions under regular review.

Next steps

- We will continue to expand our carbon footprint baseline to include other asset classes, such as equity release mortgages.
- We will develop our suite of forward-looking climate investment risk metrics to form a more detailed picture of net zero alignment across the investment portfolio.
- We plan to apply customised decarbonising benchmarks to our policyholder listed equity portfolio in 2024.

1 Based on YE2021 AUA figures.
2 Covering listed equity and credit, sovereign debt, and real estate, illiquid credit and cash.
3 Based on YE2021 AUA figures.

Our progress towards net zero continued

Invest

Effective stewardship of our assets

We became signatories to the UK Stewardship Code demonstrating our commitment to robust stewardship on climate change and other ESG topics.

2023 progress highlights

- We became signatories[1] to the UK Stewardship Code.
- We progressed our climate engagement programme which covers 25 companies in high transition risk sectors.
- We held 44 meetings with 23 companies and saw progress on c.40% of engagement objectives.
- We conducted ESG due diligence on all our Level 1 asset managers[2] to assess their climate change stewardship activities.

Growing our stewardship capabilities

Becoming signatories to the UK Stewardship Code was an important step as we continue to grow our stewardship capabilities. Our **Stewardship Report** sets out our focus on ambitious and outcome-oriented engagement, with tangible examples of how we seek to have a positive effect on investee climate change action and other ESG priority topics.

Direct engagement with companies

Our direct climate engagement programme now covers 25 companies in high transition risk[4] sectors at year-end 2023. We held 44 meetings with 23 companies in 2023, conducting both individual and collaborative engagement though organisations such as Climate Action 100+ and the Net Zero Engagement Initiative ('NZEI'). After less than 12 months of dialogue of our three-year engagement strategy, we have seen progress or commitments on nearly 40% of our engagement objectives, which are based on the TCFD.

The table summarises how the 25 companies in our climate engagement programme are progressing against tailored engagement objectives after one year of dialogue[5].

Assessing the progress of companies in our climate engagement programme[3]

Company Sector	Region	Total # of objectives	# of objectives achieved	# of objectives partially achieved	# of objectives with commitments	# of objectives not achieved	% of objectives with no progress
Oil & Gas	Europe	8	2	3	2	1	13
Oil & Gas	Europe	6	1	4		1	17
Utilities	Europe	10	3	4		3	30
Utilities	Europe	8		2	3	3	38
Chemicals	Europe	11	1	4	1	5	45
Chemicals	Europe	8	1	1	2	4	50
Transport	N America	8		2	2	4	50
Transport	Europe	8	1	3		4	50
Hotels, Resorts & Cruise Lines	Europe	11	1	1	3	6	55
Utilities	Europe	9		1	3	5	56
Utilities	Europe	10		1	3	6	60
Oil & Gas	Europe	10	1	1	2	6	60
Mining & Metals	Europe	8		3		5	63
Utilities	N America	8		1	2	5	63
Steel	Europe	11			4	7	64
Oil & Gas	Europe	9		3		6	67
Cement	Asia	10	1	1	1	7	70
Chemicals	Europe	10	1	2		7	70
Oil & Gas	Europe	8	1		1	6	75
Oil & Gas	N America	9		1		8	89
Utilities	N America	9			1	8	89
Mining & Metals	Europe	10		1		9	90
Steel	Asia	10	1			9	90
Agriculture, Forestry & Fisheries	Europe	7				7	100
Utilities	N America	7				7	100

Companies ranked by % of objectives with no progress.

Engaging with our asset manager partners

We analysed the voting behaviour of key asset managers in selected segregated mandates in relation to 100 companies targeted by our in-house thematic engagements. The analysis showed areas for improvements on climate change and we have engaged with our partners after the voting season to enhance their alignment with our **Global Voting Principles**. Ensuring an aligned approach to stewardship on climate-related issues will help us achieve greater impact through delegated dialogue and voting.

Next steps

- Publish our annual Stewardship Report to meet the requirements of the UK Stewardship Code.
- We will disclose information on climate engagement activities conducted in-house and through asset managers.
- We will expand our analysis of managers' voting behaviour on climate issues.

1 UK Stewardship Code Signatories.
2 Defined as strategic and critical asset management partners which cover c.90% of Phoenix assets.
3 Companies ranked on % of objectives with no progress.
4 See Glossary for definition of high transition risk sectors.
5 See Methodology for more information.

Our progress towards net zero continued

Invest

Investing in climate solutions

We have invested nearly £600 million of shareholder capital in climate solutions over the last year[1].

2023 progress highlights

- We updated our Sustainable Finance: Classification Framework for Private Markets[1,3] to provide full transparency of our approach to classifying sustainable investments, including climate solutions.
- We met our target of achieving 50%-70% of illiquid asset originations in the shareholder portfolio that are sustainable or transition assets, having invested c.£1.19 billion[2]^.
- We executed nearly £600 million of shareholder investments in climate solutions.

Defining sustainable investments
We have worked with third parties[3] to create a classification framework that helps guide our investment decisions in private markets. The Framework primarily draws upon the EU Taxonomy coupled with insights from regulatory/legal bodies, ESG/sustainability standards and regulations, and the broker-dealer ecosystem. We use this Framework to identify, assess and execute sustainable investments (including climate solutions) in the sectors that will be key to driving the transition to net zero by 2050.

Investing in sustainable illiquid assets
We set a strategic target of achieving 50%-70% of illiquid asset originations in the shareholder portfolio in sustainable or transition assets. We achieved this target in 2023 having originated c.£1.19 billion^ in sustainable or transition assets which, in turn, accounted for c.87% of the overall shareholder illiquid origination^.

In 2021 we set a target to invest £10 billion in direct investments from our shareholder portfolio into sustainable, transition or productive assets by 2026. We have made good progress since then, having invested nearly £1.5 billion in climate solutions since 2022, including almost £600 million of shareholder capital invested in climate solutions in 2023. Examples of these investments include: renewable energy generation, clean transport and energy efficiency in the UK and abroad.

Due to a range of constraints, we are unlikely to meet our £10 billion target and will now focus on our longer-term ambition to invest up to £40 billion in sustainable, transition or productive assets – subject to overcoming a range of barriers, and in line with commercial objectives and delivering good customer outcomes.

Next steps

- We will continue to seek investment propositions in climate solutions in line with delivering good customer outcomes.
- We will develop a roadmap to invest up to £40bn in sustainable, transition or productive assets, including climate solutions.
- We will engage with industry and policymakers to unlock the barriers to investing in climate solutions.

NS Groep, a climate-neutral transport solution

We committed €50 million into NS Groep in April 2023. The transaction was executed by abrdn plc on behalf of Phoenix Group.

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 of the NS Groep trains are electric and the emissions footprint has been reduced to zero given NS Groep's green power purchasing policy (power from windfarms).

This funding underscores our support to climate solutions – as is the case with NS Groep's electric trains and efforts to reduce its emissions and achieve full circularity. We plan to expand our illiquid book to support Phoenix's BPA growth ambitions, and to continue to invest in defensive, regulated assets providing essential services.

Anand Rajagopal and Manuel Dusina,
Asset Management, Phoenix Group

We are delighted to have entered into this private placement transaction with Phoenix Group. The transaction is an important part of our long-term financing plans, allowing us to diversify our debt profile and investor base and achieve a very attractive coupon rate.

Ronald Klein Wassink,
Corporate Treasurer of NS Groep

1 As a portion of £1.19 billion originated in sustainable or transition assets in YE2023.
2 Not all sustainable assets are climate-related.
3 For the development and subsequent refinement of the Framework, Phoenix Group has received assistance from Morningstar Sustainalytics – a leading independent ESG and corporate governance research, ratings and analytics firm that supports investors around the world with the development and implementation of responsible investment strategies.

Our progress towards net zero continued

Engage

Engaging with our customers

We have reached over 1.5 million customers throughout the year to help raise awareness about the impact of investing^.

2023 progress highlights

- 2 million customers are now invested across our Sustainable Multi Asset funds[1].
- We conducted our annual research which found 67% of customers want to hear about responsible investing.
- We achieved our target to reach 1.5 million customers to raise awareness about the impact of investing^.
- We published guides to help customers understand product-level climate disclosure reports in line with regulations.

Customer insight
Throughout 2023 we continued to undertake customer research[2] to understand their changing views 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 however, they don't 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. 67% would like to hear more about responsible investing, offering an opportunity to engage them in their financial futures.

Customer engagement and education
We used email campaigns, social media and innovative platforms such as Rewired Earth to help inform customers about the impact that their investments can have on the wider world, including issues such as climate change.

We also published guides to help customers understand the technical information provided in our product-level climate disclosure reports. It is important that customers are able to understand the level of climate risk in their products and what it means for their investments.

Product innovation
In response to our research and engagement we are committed to delivering innovative solutions that enable our customers to better engage with their investments, and consider how our products respond to changing demand and preference with respect to climate change. For example, we are developing underwriting policies for properties that are exposed to coastal erosion, heightened flood risk or subsidence; and we are also evolving our mortgage funding to support lenders in developing products which maximise the opportunity presented by the transition to net zero.

Next steps

- We will continue to seek our customers views to ensure we provide solutions and communications that support their needs.

Innovation Forum

We held our second Sustainability Innovation Forum, an initiative designed to uncover innovative ideas to encourage people to think more about their pensions, and in particular how they are invested.

Our winners were InvestSuite and The Joy Club which were judged to have presented the best solutions to help customers to understand the environmental and social aspects of their investments.

InvestSuite

InvestSuite provide insights into people's investments with a strong focus on sustainability alongside performance. Their 'StoryTeller' reporting tool will help show our customers the environmental impact of investments, measuring the carbon dioxide intensity and analysing the sustainability history of the companies within the investments.

The Joy Club is an online community for retirees to connect, learn new skills and develop their existing talents. Members can participate in a wide range of activities, while meeting like-minded people and building relationships. This unique focus on social issues was chosen to support Phoenix's focus on how we can live longer, better lives.

1 Out of a c.12 million customers across the Group.
2 Research conducted via an online survey with 2,052 customers across our Standard Life, Phoenix Life and ReAssure brands. Data weighted to reflect the distribution of customers across our brands (effective total base = 1,752). Fieldwork: 24th January-9th February 2024.

Our progress towards net zero continued

Engage

Driving wider system change

We have scaled up our engagement with industry and policymakers to play our part in driving the wider system change needed to deliver net zero.

2023 progress highlights

- We published a report on unlocking investment in climate solutions with Make My Money Matter[1].
- We engaged with The Pensions Regulator and HM Treasury on proposed reforms which would support sustainable investment.
- We became a founding signatory[2] of the Mansion House Compact.
- We played a leading role in key industry initiatives including the Association of British Insurers ('ABI') and the Transition Pathway Initiative ('TPI').

Delivering thought leadership

We partnered with campaign group Make My Money Matter to publish a report which outlined seven strategies for policymakers and regulators to unlock greater investment by the UK pensions industry in climate solutions by overcoming barriers currently limiting both the supply and the demand for finance. The analysis shows that the UK pension industry could finance up to £1.2 trillion in climate solutions in the UK up to 2035. The report will act as a foundation for further thought leadership and ongoing engagement with government, regulators and industry.

Engaging decision-makers

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 allow more private sector capital to be directed into the real economy, and ensure we better mobilise pension wealth. 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 or productive assets, including climate solutions, and unlock the finance needed to drive the transition to net zero.

We became a founding signatory of the Mansion House Compact, an initiative led by the Lord Mayor of the City of London to encourage investors to invest more into alternative asset classes, which aligns with our objective to scale investment in climate solutions. 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.

Phoenix Group Chairman, Nicholas Lyons, at The Geneva Association's 2023 Chief Investment Officer (CIO) Conference.

Collaborating with peers

We have played a leading role in a number of key industry initiatives to help shape policy positions and develop best practice frameworks. Our Chief Investment Officer chairs the ABI's Investment Delivery Forum Energy Generation sub-committee and we have been appointed to the asset owner-led Board of the TPI.

Next steps

- We will inform market developments on sustainable investment topics through thought leadership.
- We will continue to engage with the UK Government to communicate our climate aims and influence public policy in order to deliver good customer outcomes, while supporting societal and climate goals.
- We will use our convening power to host roundtables with industry and policymakers to discuss overcoming barriers to investing in climate solutions.
- We will continue to play an active role in industry initiatives to collaborate on shared public policy goals and influence best practice frameworks.

1 Unlocking Investment in Climate Solutions.
2 Mansion House Reforms, City of London.

Our progress towards net zero continued

Lead

Decarbonising our operations

We continued to make progress towards reducing our operational emissions[1].

2023 progress highlights

- We aligned our capital expenditure programme to our net zero by 2025 target, applying an internal carbon price.
- We achieved our target of maintaining a 75%-85% intensity reduction vs 2019 baseline in our operational carbon emissions.
- We continued to roll out our energy efficiency programme across our core business locations[2].
- We continued to procure renewable electricity across all occupied premises.
- We developed an approach to carbon offsetting for our residual operational emissions.
- We became ISO 14001 certified.

Our operational carbon reduction strategy is based on the Eliminate-Reduce-Substitute-Compensate model.

Eliminate
We have aligned our capital expenditure programme to our net zero by 2025 target and reprioritised spend based on the potential carbon impact of the projects. We use our internal carbon price to incentivise the options that provide the most carbon reduction.

Reduce and substitute
While our operational emissions intensity decreased by 15% between 2022 and 2023, our absolute Scope 1, 2 and 3 operational emissions increased by 3% over the same period, largely driven by a significant (139%) increase in our business travel emissions. The main driver being the return to in-person activities, as business continues to return to normal following the COVID-19 pandemic and virtual ways of working. As a result, a key focus for the business going forward will be implementing a programme to reduce our emissions from business travel.

We have achieved our target of maintaining a 75%-85% intensity reduction vs 2019 baseline through measures such as renewable energy procurement and energy efficiency improvements.

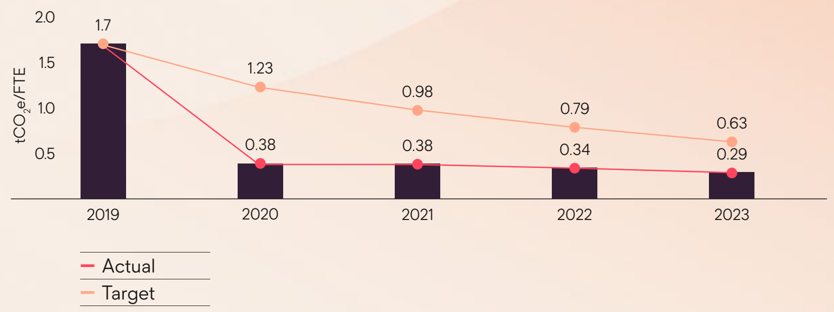
We completed the final stage of the Wythall PV integrated glass roof project, the largest of its kind in Europe, which is now generating at full capacity.

We joined the EP100 initiative, making public our commitment to implement an energy management system ('EnMS') across all global operations by 2030, and improve energy productivity by 30% by 2035, relative to a 2021 baseline year.

Compensate
We have set a target to be net zero across our operations by 2025 and intend to reduce our carbon emissions by as much as possible from our 2019 baseline before we begin to purchase and retire any carbon credits. To compensate for the remaining emissions, including business travel, from 2025 onwards we will purchase high-quality carbon credits generated from carbon removal projects. To date we have not directly bought any carbon removal credits to offset our emissions.

Monitoring our progress
We became ISO 14001 certified, which is an important milestone for ensuring that our Environmental Management System ('EMS') is a fit for purpose platform to implement our carbon reduction strategy across our operations.

Tracking our operations emissions intensity over time
Intensity metric for Scope 1 and 2 emissions per FTE (market based) – accounting for renewable energy purchasing as a carbon reduction method ^



Next steps

- We will deliver a programme to engage colleagues in reducing our emissions from business travel.
- We will refine our carbon offsetting strategy as we make progress towards our 2025 target.
- We will continue to reduce our environmental impact by working with our facilities management partner Mitie.

1 To maintain our 75-85% intensity reduction vs our 2019 baseline.
2 Core business locations are defined as offices/sites where the Group has operational control.

Our progress towards net zero continued

Lead

Decarbonising our supply chain

We continued to make progress towards understanding and reducing emissions in our supply chain.

Calculating our emissions baseline

We have provisionally modelled our indicative supply chain emissions[4] from 2020 to 2023, and we have understood and defined our carbon intensity ratios for the whole supply chain. While the Group's supply chain emissions intensity decreased by c.21% from 2020 to 2023, the Group's absolute supply chain emissions have increased by c.91% over the same period due to the business needing to increase the supplier base to support the growth in demand from our customers. Our supply chain has also expanded in line with our growth strategy, however we are looking to rationalise our supplier base in the future.

Engaging suppliers

Our supplier response to the annual CDP supplier survey has seen an uplift to over 73% returns which is higher than the industry average of 63%. This greatly improves the visibility of the top emitters in our supply chain.

Enhancing data quality

We have been undergoing an extensive exercise to enhance our supply chain data, as well as spend data quality and categorisation, in order to calculate supply chain emissions more accurately. This data enhancement exercise helps us to better understand the physical and transitional risks posed by climate change within our supply chain and establishes a solid basis for engaging with key suppliers to reduce their emissions.

Developing our ESG Supply Chain Standards

We published our ESG Supply Chain Standards to help suppliers to understand our expectations around transitioning to net zero and the actions which we are asking them to take in order to support our transition to net zero by 2050. The standards require our suppliers to make a number of climate-related commitments, including the adoption of Science-Based Targets initiative ('SBTi') carbon reduction targets that support the Group's supply chain decarbonisation strategy and Net Zero Transition Plan, helping us to reduce our supply chain emissions intensity by at least 50% by 2030. We achieved our target for 90% of key suppliers to be committed or aligned to SBTi or the UN Race to Zero campaign^.

Next steps

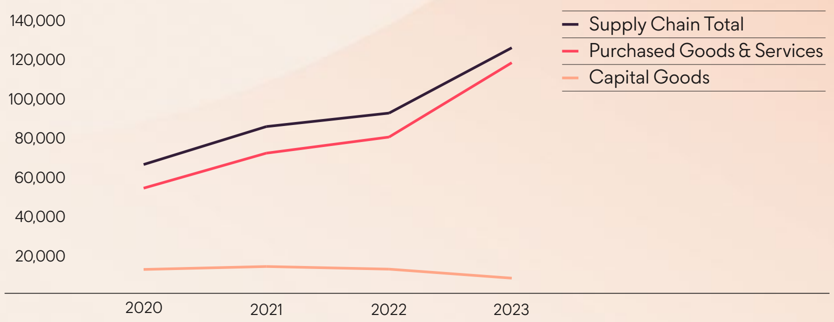
- We will deliver robust and assurance-ready carbon footprint data for 2022, 2023 and 2024.
- We will define our supplier engagement programme for top emitters.
- We will further enhance our supplier and spend data to build an accurate picture of our carbon footprint.

2023 progress highlights

- 94% of key suppliers are committed or aligned to SBTI or UN Race to Zero campaign[1]^.
- Provisionally modelled our indicative supply chain emissions from 2020 to 2023[2].
- Supplier participation in the annual CDP supplier survey is now at 73%.
- ESG Supply Chain Standards were published and ESG is being integrated into key aspects of third-party management[3].

Tracking our absolute supply chain emissions over time

Absolute supply chain emissions tCO_2e



1 See Methodology for criteria on what constitutes 'aligned/committed'.
2 See Methodology for full definition.
3 ESG Supply Chain Standards.
4 See Glossary for definition.

Our TCFD Report

We continue to make progress with embedding the recommendations of the TCFD across the business. This helps us to address the climate-related risks and opportunities impacting the Group.

In the Our TCFD Report section

Our TCFD Report continued

Our TCFD journey and climate action

The Group publicly committed to support the Financial Stability Board's TCFD recommendations in 2020.

Since then we have made significant progress in assessing climate-related risks and opportunities. We continue to develop and embed our strategy, governance and risk management processes, and enhance metrics and targets framework over time.

2020

Committed to TCFD recommendations

First TCFD disclosure published

Established a TCFD implementation programme

Committed to be a net zero business by 2050

2021

Set 2025 and 2030 investments decarbonisation targets

Became a member of Net Zero Asset Owner Alliance ('NZAOA')

Joined the Glasgow Financial Alliance for Net Zero ('GFANZ')

Signed up to UK Partnership for Carbon Accounting Financials ('PCAF')

Completed Bank of England's Climate Biennial Exploratory Scenario ('CBES') exercise

2022

Published inaugural standalone Climate Report

Completed Round II of the Bank of England's CBES exercise

Rolled out decarbonisation investment strategy and increased stewardship activity

Achieved an 80% reduction in operational emissions intensity from the 2019 baseline

2023

Published inaugural Net Zero Transition Plan

Designed decarbonising benchmarks which will apply a decarbonisation tilt to our policyholder listed equity portfolio

Became a signatory to the UK Stewardship Code and published inaugural Stewardship Report

Piloted the Taskforce on Nature-related Financial Disclosure ('TNFD') beta LEAP framework on a subset of investment portfolios

Our TCFD Report continued

Our work on nature-related financial risk

We are at the start of our nature journey and recognise that climate change and nature are inherently linked.

The climate-nature nexus

As our management of climate-related financial risks becomes more sophisticated, our understanding of the interdependencies between climate and nature-risk increases. Climate change is both a driver and a consequence of the degradation of nature and, as a result, further degradation is likely to significantly hamper the world's ability to achieve its climate net zero goals.

Understanding nature-related risks, impacts and dependencies

The Taskforce on Nature-related Financial Disclosures ('TNFD') is a voluntary framework for organisations to report and act on evolving nature-related risks, capturing the increasing financial impacts of biodiversity loss, ecosystem degradation and nature's role in business stability.

In 2023 we piloted the TNFD Locate Evaluate Assess Prepare ('LEAP') guidance[1] for a selection of our investment portfolios, partnering with three asset managers and three data providers. This builds on our 2022 analysis on a subset of our investment portfolio to improve our understanding of the potential materiality of portfolio exposures to nature-related impacts and dependencies. We subsequently built nature into our Risk Management Framework as an emerging risk.

Our nature commitments

We published a Nature Statement[2] in December 2022 which sets out our commitment to taking action across our three strategic pillars: Invest, Engage, Lead. This year we joined the Finance for Biodiversity Foundation and signed the Finance for Biodiversity Pledge, which includes five commitments for signatories: collaboration and knowledge sharing, engaging with companies, assessing impact, setting targets and reporting publicly. We also joined Nature Action 100, a global investor engagement initiative focused on driving greater corporate ambition and action to reverse nature and biodiversity loss.

1 Guidance on the identification and assessment of nature-related issues: the LEAP approach.
2 Nature Statement.

Our Wythall office is surrounded by acres of well-maintained, natural greenery, making it the perfect environment for wildlife, some of which are rare, protected species. The groundskeeping team maintain and protect existing wildlife and also introduce new species to the area.

Next steps

- We will develop a roadmap setting out our nature-related activity.
- We will analyse our listed portfolios for exposure to nature-related risks.
- We will further incorporate nature-related risks into our Risk Management Framework.
- We will explore nature-related investment opportunities.

Our TCFD Report continued

Embedding the TCFD recommendations

Our approach to complying with each of the TCFD recommendations is summarised below.

Governance

Summary

We have a governance framework which ensures oversight of the management of climate risks and opportunities. The Board, its committees and management have defined roles and responsibilities relating to the management, oversight and reporting of climate-related matters.

The framework continues to evolve to reflect the growing significance of climate change and the increasing sophistication with how we manage the impact on our business.

2023 progress

- All Board meetings considered climate and sustainability in its discussions.
- Conducted Board training sessions on: the Group's Net Zero Transition Plan; the risks of greenwashing and greenhushing; and preparation for TNFD.
- The Board and its committees approved: 2023 Group Sustainability Strategy, the Group Net Zero Transition Plan, TNFD engagement and Long Term Incentive Plan ('LTIP') ESG metrics.

Strategy

Summary

We have identified and assessed the impact of climate change on the Group's business, strategy and financial planning, and use scenario analysis to gain insight into how climate risks may materialise over time.

Our strategy comprises three pillars – Invest, Engage, Lead – which outline key actions required to manage climate risk and achieve our climate goals. This approach is embedded in our Net Zero Transition Plan, which we will refine over time.

2023 progress

- Published our Net Zero Transition Plan.
- Implemented a decarbonisation strategy for our c.£12.5 billion shareholder corporate credit portfolio.
- Designed customised decarbonising benchmarks for our policyholder listed equity portfolio.
- Progressed with climate engagement programme for 23 of our highest emitting companies.
- Invested c.£600 million in climate solutions.
- Reached over 1.5 million customers to help raise awareness of the impact of investing^.
- Advocated for policy reforms to support sustainable investment.

Risk management

Summary

Our Risk Management Framework supports the identification, assessment and mitigation of climate risk.

The management of climate risk has been embedded into key processes outlined in our strategy. We continue to enhance our risk management approach to reflect evolving understanding of climate risks and market practice.

Climate risk is integrated into regular risk reporting for the Board, and minimum control standards relating to climate risk are in place.

2023 progress

- Enhanced our assessment of climate risks through the development of increased data quality and coverage, and further embedded climate risk considerations in processes across the business.
- Integrated climate risk into sustainability risk management instead of on a standalone basis.
- Conducted an external/independent review to assess the greenwashing risks the business may face and the necessary controls.

Metrics and targets

Summary

Our metrics framework enables us to measure and manage the impacts of climate change on our investment portfolio and operations. We continue to evolve our framework in line with best practice.

We have set ambitious targets across our investment portfolio, operations and supply chain to help us to navigate our progress towards meet our net zero by 2050 ambition. We continue to monitor our progress towards achieving our climate targets.

2023 progress

- Extended our portfolio carbon emission baseline to include illiquid credit assets, increasing our coverage to c.79% of total AUA and 98% of assets in scope of our 2030 target^. Our total measured 2019 financed emission baseline is now 24.6 $MtCO_2e$^.
- Reviewed our decarbonisation performance against a net zero glidepath.
- Achieved our operational target of maintaining a 75-85% intensity reduction vs 2019 baseline.
- Achieved ISO 14001 certification, demonstrating our robust environmental management processes.
- Enhanced and modelled indicative supply chain emissions data.

A detailed summary of compliance with each of the recommendations can be found in our Group Annual Report and Accounts. A reference table of the TCFD recommendations is included in the Additional information of this report.

Governance

Robust governance ensures a foundation for accountability and action on climate change.

We have a clear governance framework in place to oversee how the Group identifies, assesses and manages climate-related risks and opportunities.

The framework continues to evolve to reflect the growing significance of climate change and the increasing sophistication of the way we manage its impact on our business.

In the Governance section

Governance continued

Group Board oversight

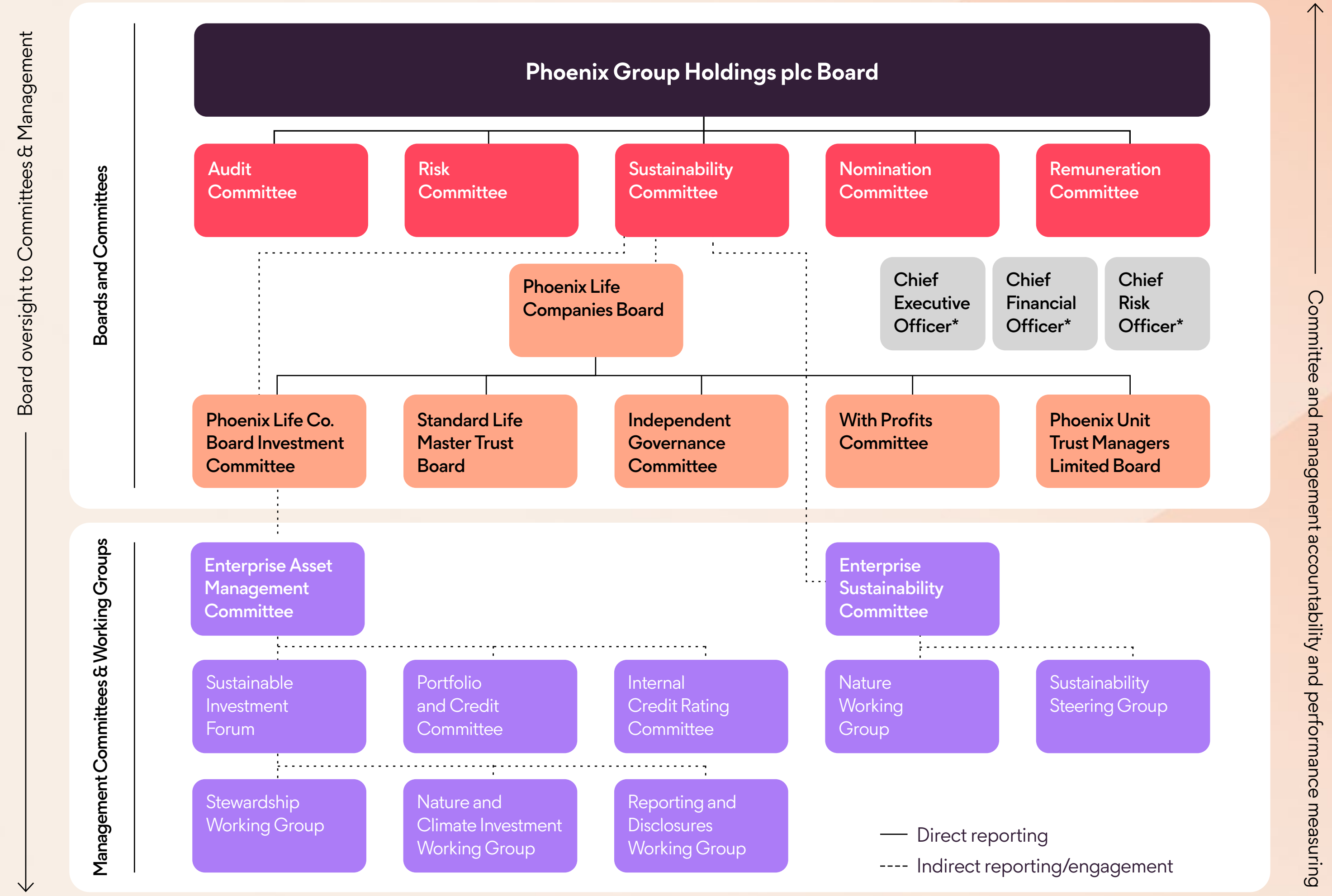
The Board recognises that mitigating the impact of climate-related risks on the business is a strategic priority. As such, the consideration of climate change is embedded within our governance framework and processes.

The Board has a robust governance structure to assist in the discharge of its responsibilities, through delegations (including in relation to climate) within approved terms of reference.

The Board and its committees have defined roles and responsibilities relating to the management, oversight and reporting of climate-related matters. Although defined roles and responsibilities are assigned to respective Board committees, cross-committee membership and engagement between the committees drive consistency of climate strategy and risk management across the Group's governance framework.

Our climate governance framework

We have a governance framework in place that ensures climate-related matters can be addressed across the business, with clear oversight from the top down.



* These are the individuals accountable for climate strategy and financial risk. They are assisted by other senior managers, management committees and working groups in making day-to-day climate-related decisions and escalating and reporting upwards as and when required.

Governance continued

Group Board and Board Committee roles and responsibilities

The following Group Board and Board-level committees have defined roles and responsibilities relating to the management, oversight and reporting of climate risk and opportunities.

Certain matters are reserved for the Life Companies Board and its Board Investment Committee ('BIC'). Following review and challenge by the BIC, the Phoenix Life Companies Board approves the investment and asset and liability management strategies for all Life Company assets, and seeks to include Environmental, Social and Governance ('ESG') considerations such as climate change where applicable.

The Life Companies Board and the BIC regularly discuss and receive updates on ESG, responsible investments and stewardship. During 2023, a nominated Non-Executive Director from the Life Companies Board was also a standing attendee at Group Board Sustainability Committee meetings. In addition, the BIC engages with the Group Board Sustainability Committee in relation to execution of the Group's Responsible Investment Strategy, to drive a consistent approach to the execution of the sustainability strategy across the Group and to ensure appropriate ESG reporting on matters.

Group Board and Board Committees with climate-related governance responsibilities

Board

Roles and responsibilities
Oversight of the Group's strategic approach to climate change (including risks and opportunities) and setting the Group's risk appetite and risk appetite levels.

Board Sustainability Committee

Roles and responsibilities
Monitoring performance against the Group's sustainability strategy, including climate strategy and related opportunities.

Board Audit Committee

Roles and responsibilities
Oversight of climate-related and non-financial reporting and external disclosures and the adequacy and effectiveness of the systems of internal control over climate-related and non-financial reporting.

Board Risk Committee

Roles and responsibilities
Oversight of risks, including climate-related risks and opportunities, by assessing the effectiveness of our risk management framework, strategy, risk appetite, risk profile and compliance with prudential regulatory requirements, including transition, litigation and physical risk and other relevant sustainability risks.

Board Remuneration Committee

Roles and responsibilities
Ensuring appropriate ESG elements (including climate-related targets) are included within the Group remuneration framework.

See page **89** of the Group's **Annual Report and Accounts** for details of the Board's skills and expertise

See page **72** for details of the number of meetings held during the year

Governance continued

Key Board and Board Committee climate-related activity

Key areas of focus and outcomes during 2023

Meeting activity

During the year, the Committees played their roles in providing robust challenge, oversight and recommendation of the Group's Sustainability Strategy and Net Zero Transition Plan; both of which were subsequently reviewed and approved by the Board. The Board also considered climate-related issues when implementing, monitoring and reviewing its annual operating plans and budgets.

See page **72** of the **Group's Annual Report and Accounts** for details of the number of meetings held during the year

Outcomes

Net Zero Transition Plan

The Board signed off the Net Zero Transition Plan and the Group's progress towards delivery has become a standing agenda item at Board Sustainability Committee meetings, with a particular focus on the oversight of the development of the pathway to decarbonising investments.

Validation of targets by the Science-Based Targets initiative ('SBTi')

Due to the complexity of decarbonising assets and the methodologies required, the Board Sustainability Committee will continue to oversee management's decisions as the Group considers target validation.

Taskforce on Nature-related Financial Disclosures ('TNFD')

On the Board's behalf, the Board Sustainability Committee continued to monitor the progress of the TNFD and the development of its frameworks, and it was agreed that management should continue to engage with the TNFD and review the position of the Group in the context of market developments.

Group Sustainability Strategy

The approval of the 2023 Sustainability Strategy enabled the business to respond to the changing needs of stakeholders and to consider evolving material climate-related risks and opportunities. This resulted in the refinement of the Group's key pillars and improvement of the metrics used for monitoring progress towards the Group's sustainability commitments.

Remuneration

Performance measures for the 2023 Long-Term Incentive Plan ('LTIP') incorporated ESG metrics relating to the Group's external commitments on decarbonisation of both operations and investment portfolio. Decarbonisation of the investment portfolio continues as a metric within the 2024 LTIP scheme.

Training activity

During 2023, a programme of climate-related education and deep-dive sessions were provided to Group Board members and senior management on a range of topics including in relation to the Group's Net Zero Transition Plan; risks of greenwashing and greenhushing; disclosure of climate-related reporting in financial disclosures; TNFD; sustainable, transition or productive Investments; as well as climate litigation and associated potential risks.

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

Next steps

- Continue to monitor the implementation of the Group Net Zero Transition Plan and progress against our net zero targets.
- Continue to monitor climate-related legal and regulatory developments (including in relation to anti-greenwashing and the impact on Group practices).
- Provide oversight of the Group's approach to nature, strategy development and implementation actions.

Governance continued

Management oversight

Individual accountability

The Group's Chief Executive Officer ('CEO'), Andy Briggs, is the Executive Board Director responsible for implementation, delivery and reporting to the Board on the Group's overall strategy. The Sustainability Strategy forms part of the Group strategy, which includes climate change.

As delegated by the CEO, the Director of Corporate Affairs and Investor Relations is accountable for: defining, and overseeing delivery of, the Group Sustainability Strategy as agreed with Group and Life Company Boards; and ensuring appropriate accountabilities, risk and controls oversight, and decision rights are in place to achieve business sustainability strategy objectives.

In addition to this Group responsibility, individual responsibility for ensuring the appropriate identification, assessment, management and reporting of climate-related financial risks and opportunities that could impact the Group sits with the Group's Chief Financial Officer ('CFO') and the Group's Chief Risk Officer ('CRO'), both appointed as joint Senior Managers responsible for climate-related financial risk under the UK Prudential Regulation Authority's and Financial Conduct Authority's Senior Managers and Certification Regime.

Senior Manager responsibilities have also been assigned to: the Chief Investment Officer, who is accountable for the sustainable investment management of Phoenix Group assets; the CEO of Savings and Retirement, who is responsible for the delivery of good customer outcomes as impacted by the Group sustainability strategy; and the Managing Director Pensions and Savings, who is responsible for effectively overseeing and embedding sustainability within our customer servicing, communications and propositions.

As part of wider financial reporting responsibilities, the Group CFO is responsible for reporting metrics and targets and external disclosures, and as part of wider risk responsibilities, the CRO is responsible for ensuring that climate-related risks are incorporated into the existing Risk Management Framework.

Other individuals within the Group's Executive team have accountability for other aspects of the wider sustainability strategy and pillars which interact with the climate strategy. Details of this are included within the **Group's Sustainability Report**.

Management/operational-level groups

Executive management is assisted in making day-to-day decisions and/or reporting to the Life Company and Group-level Boards and Committees on climate-related matters by a number of enterprise management and local governance forums and working groups which do not have any decision-making authority within the business. The climate-related responsibilities of these forums are set out in the table.

Management/operational-level meetings

Forum	Climate-related responsibilities
Enterprise Sustainability Committee	To support effective decision-making by executive and senior management in relation to the implementation and oversight of the Group's sustainability and climate strategies and associated initiatives.
Enterprise Asset Management Committee	To support effective decision-making by executive and senior management in relation to the direction and oversight of the Group's investment strategy (including the strategic asset allocation framework and sustainable investment and asset liability management strategies) and asset management activities undertaken for policyholder and shareholder funds, ensuring alignment with sustainability strategies and relevant risk appetites.
Portfolio and Credit Committee and Internal Credit Rating Committee	To support effective decision-making by executive and senior management in the oversight of the credit portfolio and execution of the Group's investment strategy through oversight of ESG investment decisions and credit risk management activities.
Sustainable Investment Forum	To support effective decision-making by executive and senior management in the oversight of sustainable investment matters, including stewardship and in embedding ESG into the investment process, ensuring alignment with the Group's sustainability strategy.
Other working groups	A number of working/steering groups (as shown on page 21) operate to support on matters in relation to climate, nature and sustainability and stewardship of the Group's investment portfolio.

Strategy

As the UK's largest long-term savings and retirement business, we have a strategically important role in supporting global efforts to transition to a net zero economy for the benefit of our customers, shareholders and society. That is why it is important for us to have a robust strategy that is resilient to the risks from climate change and maximises the opportunities which may arise under different climate-related scenarios.

In the Strategy section

Strategy continued

Our strategic approach to addressing climate risk

We have identified and assessed the impact of climate-related risks and opportunities on the Group's business, strategy and financial planning over short-, medium- and long-term time horizons.

Identifying climate-related risks and opportunities

Risk horizons

As a long-term savings business, our customers can be invested with us over many years to and through retirement. As such, we recognise the need to fully understand the potential climate-related risks and opportunities faced by the business over time. We undertake qualitative analysis to identify and assess the climate-related risks and opportunities that could materially affect the Group over our business planning time horizons[1], as follows:

- **Short-term: 0-1 year.** This is consistent with the liquidity monitoring time horizon that we use for setting capital requirements under Solvency II.
- **Medium-term: 1-5 years.** This is consistent with our financial planning process which considers the medium-term plans and strategy for the business.
- **Long-term: over 5 years.** This captures the long-term nature of our business and the risks that may emerge beyond the financial planning process.

Scenario analysis

We use quantitative and qualitative scenario analysis to model the impact of different temperature pathways on our business to gain insight into how climate-related risks may materialise over time. The output of this modelling, alongside detailed research and analysis, informs our strategic response to transfer, accept, control or mitigate our exposure to the risk. We also analyse the opportunities that the transition to a net zero economy (over the short-, medium- and long-term) presents to ensure that we are equipped to maximise these opportunities so we can provide long-term value for our customers and shareholders.

We have developed a set of metrics to help us measure, track and manage the potential financial impact of climate-related risks and opportunities. These are set out in the Metrics and targets section on pages 44 to 57.

Material risks and opportunities

We summarise the most material climate-related risks and opportunities, the time horizons over which they could manifest, the impact areas within our business and, on the following pages, the pillar of our climate strategy where they are addressed. Our approach to managing the material risks and opportunities across the pillars of our climate strategy is outlined on pages 28 to 34.

Impact of climate-related risks on the Group business strategy and financial planning

Impact on business planning

Our corporate strategy focuses on expanding our reach to meet more of the long-term savings and retirement needs of existing and new customers. Our aim is to become the UK's leading retirement savings and retirement business. We recognise that embedding the management of material climate-related risks and opportunities across our businesses, strategy and financial planning is an important process in the delivery of our strategic ambition.

Our assessment of climate-related risks and opportunities is reflected in our strategic decision-making in several ways. For example, the transition to a low-carbon economy and the management of climate risk has been integrated into our Approach to ESG Integration[2] which help us to meet the growing demand for sustainable financial products whilst ensuring that we deliver good outcomes for our customers.

Similarly, our medium- to long-term strategic planning incorporates the consideration of the financial impacts of climate-related risks and opportunities. This includes, for example, increased operational costs associated with regulatory compliance or physical risk to our assets, and shifts in consumer behaviours driven by environmental concerns.

Risk management

The processes for the identification and management of climate-related risks is embedded in the Group Risk Management Framework. This supports the identification of risks both quantitatively and qualitatively and from both top-down and bottom-up perspectives. Recognising that risks and opportunities evolve and emerge over time, we continue to review and improve our approach to managing climate risk throughout our Group Risk Management Framework. Further details are included in the Risk management section on page 41.

1 Our climate risk analysis uses different time frames from those used in financial reporting. Accordingly, the references to short-, medium- and long-term in climate reporting are not indicative of the meaning of similar terms used in our other disclosures, including our Annual Report and Accounts.
2 Our Approach to ESG Integration.

Strategy continued

Overview of material climate-related risks and opportunities and mitigating actions

The following table summarises the actions being taken through our climate strategy to address the material risks and opportunities faced by the business over short-, medium- and longer-term time horizons.

Material risk/opportunity areas	Physical and/or transition risk	Time horizon	Affected risk areas	Mitigating actions
Risk/opportunity **Climate risk exposures within our investment portfolios**	Physical and transition	Short-Medium-Long	• Market • Credit • Financial soundness	**Invest** • Implementing decarbonisation strategies for our shareholder portfolio. • Introducing decarbonising benchmarks for our policyholder listed equity portfolio. • Directly and collectively engaging with 25 priority investee companies in high-emitting sectors. • Investing in climate solution funds to reduce emissions and increase climate change resilience.
Risk **Emerging government policy, regulatory and legal changes**	Transition	Short-Medium-Long	• Strategic • Financial soundness • Customer • Operational	**Invest** • Developed a Sustainable Finance: Classification Framework for Private Markets to guide investment decisions. **Engage** • Engaging with policymakers and regulators to support the delivery of our net zero goals and reduce exposure to transition risk. • Monitor the regulatory landscape to ensure compliance with the latest anti-greenwashing regulation. • Publishing material to help customers understand climate risk, in line with regulation.
Risk **Reputational damage if climate risks are not appropriately managed**	Transition	Short-Medium	• Strategic • Insurance • Financial soundness • Customer	**Invest** • Monitoring progress against targets to ensure good customer outcomes. • Monitoring asset management partners to ensure alignment on climate goals. **Engage** • Informing customers about climate risk and the impact of their investments. **Lead** • Implementing a best practice carbon reduction strategy: Eliminate-Reduce-Substitute-Compensate. • Developing bespoke supplier engagement programme.
Risk **Disruptions to our business operations and supply chain**	Physical and transition	Short-Medium-Long	• Operational	**Lead** • Rolling out energy efficiency measures across offices to reduce emissions. • Engaging with top 25 material suppliers as part of decarbonisation programme. • Conducting scenario analysis to assess the impact of a prolonged heatwave on Group operations.
Risk/opportunity **Changing demand for products, funds and solutions**	Transition	Short-Medium-Long	• Customer • Strategic • Insurance	**Invest** • Rolling out Sustainable Multi Asset funds to our DC workplace customers. • Scaling up investment in low carbon funds and climate solutions. **Engage** • Innovating to create low carbon products for our customers. • Engaging with customers to understand their ESG preferences.

Strategy continued

Our climate strategy

We outline how the material climate-related risks and opportunities identified in our risk analysis are addressed in our strategy.

Our strategy supports the delivery of our climate ambition to manage climate risk, optimise value for our customers and play a key role in delivering a net zero economy. It comprises three strategic pillars: Invest for the future, Engage to multiply impact and Lead by example. Within each of these three pillars we have identified the key actions that help us to address the material climate-related risks and opportunities identified in our risk analysis. These actions are described in more detail on the following pages.

Our Climate Action Model is the framework through which we deliver our strategy. The TCFD framework is fully embedded across our Climate Action Model, to ensure that it supports our ability to manage climate risk. We review and improve our strategy every year to ensure that we are well-placed to manage the impact of current and emerging climate-related risks and opportunities on the business. Our Net Zero Transition Plan lays out the actions we will take in each area of the climate model to deliver our climate goals.

Governance
Read more on pages **20 to 24**

Risk management
Read more on pages **40 to 43**

Scenario analysis, people capability, data & technology
Read more on pages **35 to 39**

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.

Read more on page **29**

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.

Read more on page **31**

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.

Read more on page **33**

Metrics and targets

Set clear targets for cutting emissions and publish transparent data on our performance against them.

Read more from pages **44 to 57**

Our Climate Action Model

Strategy continued

Invest

Investing for the future

Our investment portfolio comprises c.£283 billion assets under administration ('AUA') and accounts for c.99% of our overall carbon footprint.

It follows, then, that this is the area of our business with the greatest exposure to climate-related risks. Its scale also gives us the transformative power to allocate capital to climate solutions, optimising value for our customers and helping to finance the transition to net zero by 2050. Our approach to decarbonising our investment portfolio is outlined in our Net Zero Transition Plan[1]. On the following pages we outline our approach to managing relevant risks and opportunities through the three action areas within the Invest pillar of our climate strategy.

Identified risks and opportunities:
- Climate risk exposures within investments.
- Changing demand for products, funds and solutions.
- Emerging government policy, regulatory and legal changes.
- Reputational damage if climate risks are not appropriately managed.

Invest action areas

1

Decarbonising our investment portfolio: Transforming our portfolio to increase net zero alignment and reduce our customers' exposure to climate-related risks.

2

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

3

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

1. Decarbonising our investment portfolio

Approach

We focus on decarbonising our investment portfolio to improve the resilience of our customer and shareholder portfolios to climate-related risks, while also supporting the long-term growth of their assets. As a starting point, we calculate our emissions baseline and use a variety of metrics to measure our exposure to climate risk. We use this to plan our journey towards net zero by 2050 by setting ambitious interim targets – see Metrics and targets on page 45. These targets then inform the actions that we need to take to decarbonise our investment portfolio. This approach enables us to address the climate-related risks and opportunities that are relevant to the Invest pillar of our strategy. It is our fiduciary duty to always make decisions to deliver good customer outcomes, and any steps we take to decarbonise need to make sense for our customers from a financial perspective.

Decarbonising our policyholder portfolio

We are taking steps to decarbonise our policyholder portfolio. Our Sustainable Multi Asset ('SMA') default solution, which we launched in 2020, now has c.2 million customers invested in it. Building on this, we are working with leading index providers to design customised decarbonising benchmarks which serve as a decarbonising anchor to our policyholder funds, where we have control of the investment strategy. Aligning assets to decarbonising benchmarks in this way is consistent with our focus on risk management as it enables us to reduce exposure to climate risk, which is a financial risk for customers. We will only apply decarbonisation levers where it delivers good outcomes for our customers.

Implementing decarbonisation strategies for our shareholder portfolio

We have already introduced a decarbonisation strategy for our c.£12.5 billion shareholder corporate credit portfolio and we are taking active steps to decarbonise this portfolio as part of effective risk management. To do this we have developed a climate transition strategy which aims to better identify the universe of net zero-aligned assets available to us. We intend to invest 40%-50% of the shareholder corporate credit portfolio in net zero-aligned assets by 2025, increasing to 50%-70% by 2030. To ensure this remains on track, we will pursue portfolio tilts and/or trades as necessary to increase the proportion of assets that are net zero-aligned, where it delivers good outcomes for our customers.

Exclusions

We continue to review our Investment Exclusions Policy[2] in line with our principles to ensure that we continue to protect our customers from climate change risk.

Monitoring and refine

We monitor our progress to assess how we are tracking against our climate targets and to ensure that we are managing climate risk in an appropriate, credible and transparent way to deliver positive financial outcomes for customers and minimise the risk of reputational damage. We are also actively considering how to apply decabonisation levers to other assets in scope of our 2030 target. These are likely to be more challenging to address, especially sovereigns, where options are limited.

1 Net Zero Transition Plan.
2 Investment Exclusions Policy.

Strategy continued
Invest for the future

2. Effective stewardship of our assets

Approach
We adopt an 'engagement first' approach to the stewardship of our assets, with the objective of using our position of influence to bring about corporate change within the companies we invest in. We see this as one of our most effective levers to drive real economy emissions reductions and deliver good outcomes for our customers. Our stewardship approach includes both direct engagement, such as dialogue with company representatives, and indirect engagement through our strategic asset management partners. This approach enables us to address the climate-related risks and opportunities that are relevant to the Invest pillar of our strategy.

Growing our stewardship capabilities
We continue to grow our stewardship capabilities to enhance our engagement with investee companies on climate risk and opportunities and in response to emerging government policy and regulatory requirements. We report annually to the UK Stewardship Code and provide information on how we are pursuing constructive dialogues with investee companies to enable the transition to a low-carbon economy.

Direct engagement with companies
We undertake direct engagement with 25 priority investee companies, in material sectors, through our in-house stewardship team. We have defined company-specific engagement objectives for each of the companies on our focus list; these are based on our climate engagement scorecard analysis and form the basis of our three-year engagement strategy, which started in November 2022. Our analysis is tailored by sector and builds on the four TCFD pillars of governance, strategy, risk management and metrics and targets (in addition to which we consider investee companies' climate disclosures). After the first 12 months of dialogue, we recorded progress or commitments on nearly 40% of our engagement objectives.

Engaging with our asset manager partners
We undertake delegated engagement on climate change with a larger number of investee companies through our asset management partners. We work with our asset manager partners to align on the assessment of progress by companies, coordination of expectations in case of overlapping engagements and escalation strategies in case of lack of progress. Through our selection and monitoring processes, we regularly assess the consideration of climate change risks and opportunities in the policies and reporting activities of our asset management partners. We also closely monitor the inclusion of climate expectations in customised proxy voting policies and voting on resolutions relating to climate change.

3. Investment in climate solutions

Approach
We are seeking to increase our investment in climate solutions to deliver good outcomes for our customers and help drive the transition to net zero by 2050, where regulatory and market conditions allow. We aim to scale up our investments in climate solutions through both direct investments and third-party solutions, drawing upon our bespoke Sustainable Finance: Classification Framework for Private Markets to help guide our investment decisions. Our approach to investing in climate solutions helps us to address the climate-related risks and opportunities that are relevant to the Invest pillar of our strategy.

Defining sustainable investments
Our Sustainable Finance Classification Framework for Private Markets[1] provides clarity on various themes and sub-categories of activities that can help classify our investments into sustainable or transition assets. The Framework primarily draws upon the EU Taxonomy coupled with insights from regulatory/legal bodies, ESG/sustainability standards and regulations, and the broker-dealer ecosystem. To support the development and subsequent refinement of the Framework, we received assistance from Morningstar Sustainalytics – a leading independent ESG and corporate governance research, ratings and analytics firm that supports investors around the world with the development and implementation of responsible investment strategies.

This Framework helps guide investment decisions in our shareholder portfolio and ensures that we are assessing investments against robust sustainability criteria whilst also helping us categorise sustainable investments accurately and credibly. By doing so, we provide greater transparency on our investment process and, thus, reduces the risk of greenwashing.

Investing in sustainable illiquid assets
In 2021 we set a target to invest £10 billion in direct investments from our shareholder portfolio into sustainable, transition or productive assets by 2026 (subject to market conditions). We have made good progress but are currently short of the rate needed to be on track due to a range of constraints. We will now focus on our longer-term aspiration to invest up to £40 billion in sustainable, transition or productive assets, whilst ensuring we deliver good customer outcomes. This ambition is, of course, subject to the right policy and regulatory framework being in place and our having access to transformative investment projects that offer an attractive returns profile. At present we are facing a range of barriers to scaling up our investment in climate solutions which affect both the demand and the supply of finance. This is described further in the Engage section on page 13.

Investment in climate solutions funds
We are working with third parties to scale our investment in low-carbon products and climate solutions. These are solutions that reduce greenhouse gases by avoiding emissions and/or by sequestering carbon dioxide already in the atmosphere, or investments in climate change adaptation that contribute to enhancing adaptive capacity, strengthen resilience and reduce vulnerability to climate change.

Working with an asset management partner, we have deployed policyholder assets into a multi-asset 'climate solutions' mandate[2]. The portfolio allocates capital to enable the transition to a low-carbon world, through both reducing emissions (mitigation) and increasing climate change resilience (adaptation).

1 Sustainable Finance: Classification Framework for Private Markets.
2 Phoenix Group assigns £338m to multi asset climate solution.

Strategy continued

Engage

Multiplying our impact

Engaging our customers on climate risk and using our scale to drive wider system change are vital elements of our transition to net zero by 2050.

We know that we cannot deliver net zero alone, so we are vocal in calling for action from others and using our scale to drive the wider system change needed to deliver net zero by 2050. On the following pages we outline our approach to managing the relevant risks and opportunities in the two key action areas within the Engage pillar of our climate strategy.

Identified risks and opportunities:

- Changing demand for products, funds and solutions.
- Emerging government policy, regulatory and legal changes.
- Reputational damage if climate risks are not appropriately managed.

Engage action areas

1

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

2

Driving wider system change to deliver net zero by delivering thought leadership, engaging decision-makers and collaborating with our peers.

1. Engaging our customers

Approach

We put our customers at the heart of our Net Zero Transition Plan to ensure that the actions we take are fully aligned to delivering good customer outcomes. We recognise the need to take our customers on our journey to net zero by 2050, to build their knowledge and confidence in their products and investment solutions. We take customers on this journey using research, engagement and the development of new products.

Customer insight and research

Our research[1] tells us that our customers are concerned about climate change and expect us to invest their money in a responsible way; and as a result, managing exposure to climate risk is very much part of our approach. This insight into changing demand for products and solutions helps to inform the propositions we create, and clearly highlights the importance of engaging with our customers on our net zero transition.

Customer engagement and education

We engage with our customers through a variety of channels to inform customers about the impact their investments can have on the wider world. It is important that customers understand the products they are investing in as this empowers them to make informed decisions about their investments according to their preferences. It is also a regulatory requirement that customers are told about how climate-related risks are considered in the products in which they have invested.

Product innovation

In response to our research and engagement we are committed to delivering innovative solutions that enable our customers to better engage with their investments, and consider how our products respond to changing demand and preference with respect to climate change.

We are considering climate risk in the development of mortgage funding.

We take into account the physical risks from climate change in mortgage funding. For example, in developing underwriting policies for properties that are exposed to coastal erosion, heightened flood risk or subsidence.

We are also evolving our mortgage funding to support lenders in developing products which maximise the opportunity presented by the transition to net zero by 2050.

See **Scenario analysis** for more information on our approach to assessing physical risk

See **Metrics and targets** for our approach to developing physical risk metrics

1 Research conducted via an online survey with 2,052 customers across our Standard Life, Phoenix Life and ReAssure brands. Data weighted to reflect the distribution of customers across our brands (effective total base = 1,752). Fieldwork: 24th January-9th February 2024.

Strategy continued
Engage to multiply impact

2. Driving wider system change

Approach
We want to use our scale and voice to multiply impact and drive the wider system changes needed to deliver net zero by 2050 – not only because we believe it is the right thing to do but also because we are unlikely to achieve our net zero targets without wider system change. We do this by delivering thought leadership, engaging decision-makers and collaborating with our peers.

Delivering thought leadership on key climate topics
We aim to deliver a targeted programme of thought leadership to help overcome the policy, regulatory and market barriers that currently prevent us and others from achieving our net zero targets. This includes finding ways to help unlock the climate investment opportunities required to achieve net zero by 2050. We focus on the issues and opportunities where we think we can make the biggest difference for our customers, based on a range of considerations including where we perceive there to be the greatest need for thought leadership and where we feel we have a natural role in the debate.

Our approach to driving system-wide change

Delivering thought leadership	Engaging decision-makers	Collaborating with peers
Delivering impactful thought leadership to develop potential solutions to policy, regulatory and market barriers currently hindering the net zero transition.	Engaging directly with regional, national and international policy makers, regulators and local government to inform the debate on the net zero transition in the real economy.	Collaborating with our peers directly and through cross-sectoral bodies to develop new business models and end-to-end solutions required to unlock transformation at scale.

Engaging with decision-makers
We are working with the UK Government and other decision-makers to influence government policy and regulation, to support the delivery of our climate objectives and meet the needs of society at large. We undertake wide-ranging engagement at both official and ministerial level, spanning multiple departments including the Treasury, the Department for Energy Security and Net Zero ('DESNZ') and the Department for Environment, Food and Rural Affairs ('DEFRA'), as well as the devolved administrations, opposition parties and local and combined authorities.

Collaborating with peers
We actively collaborate with our peers directly and through cross-industry bodies to develop the new business models and end-to-end solutions required to unlock transformation at scale. Working collaboratively across industry ensures the sector is better able to speak with one voice as it presents policy proposals to government and develops new best-practice market approaches. Visit our website for a full list of initiatives that we are members of[1].

1 Memberships and accreditations.

Strategy continued

Lead

Leading by example

We are committed to embedding best practice across our business operations and supply chain.

Our operational and supply chain strategies help us to drive change and make a positive difference whilst helping us mitigate climate-related risks of disruption to our business. We implement strategic measures to decarbonise our own operations and empower our suppliers to share our climate aspirations and set ambitious emission reduction targets of their own. We also use scenario analysis to assess the potential impacts of physical climate risks on the Group operations and supply chain.

On the following pages we outline our approach to managing the relevant risks and opportunities through the two key action areas of our climate strategy.

Identified risks and opportunities:

- Disruptions to our business operations
- Reputational damage if climate risks are not appropriately managed

Lead action areas

1

Reducing our direct emissions by decarbonising our operations.

2

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

1. Decarbonising our operational activities

Approach

We set an ambitious target in 2020, to be net zero in our own operations by 2025[1], measured in absolute market-based emissions terms. To achieve our operational net zero targets, we have developed an operational carbon reduction strategy to manage our carbon emissions that follows the best practice Eliminate-Reduce-Substitute-Compensate model. Implementing a robust operational carbon reduction strategy means that we are well-placed to manage potential disruptions to our business operations caused by climate-related risks. It also helps to minimise reputational damage by ensuring that we are demonstrating best practice when it comes to managing climate risk in our own operations. This model supports our financial planning, decision-making and spending on activities to manage the carbon footprint of our operations.

First eliminate

- Influence business decisions to prevent GHG emissions across the business.
- Identify opportunities to rationalise premises
- Identify available new business models.

We have aligned our capital expenditure programme to our net zero target and consider the carbon impact of potential projects. We use our internal carbon price to incentivise the options that provide the most carbon reduction. We continually review the use of our buildings and take evolving ways of working into account. In some instances we are able to consolidate our buildings as an effective way of eliminating emissions.

Then reduce

- Real and relative (per FTE) carbon reduction.
- Efficiency in operation and energy management.
- Optimise approaches in technology and digital upgrades.

We see building improvement works as a key action needed to reduce carbon emissions and improve energy efficiency. We have identified several projects that will help reduce energy consumption as we advance our strategy. Ongoing projects include: LED lighting roll-out; building and ventilation control systems upgrades; sub-metering installations; boiler upgrades; and chiller replacements.

Substitute where possible

- Lower-carbon technologies.
- Reduce carbon intensity of energy used.
- Purchase energy and services with lower-carbon intensity.

We generate or directly procure approximately 100% renewable electricity across all our occupied premises^. Our approach to renewable energy is governed by a hierarchy, designed to maximise the benefits of the renewable energy we purchase and use.

Compensate for what is left:

- Compensate unavoidable residual emissions through carbon removal projects.
- Investigate land management value chain.

Use of carbon credits for residual operational emissions

We aim to purchase 'high-quality' carbon credits generated from carbon removal projects – high-quality relates to additionality, permanence and verifiability defined by Oxford Principles[2] and others. To date we have not directly bought any carbon removal credits to offset our emissions and intend to reduce our carbon emissions by as much as possible from our 2019 baseline before we begin to purchase and retire any credits.

1 Covering Scope 1, Scope 2 and Scope 3 (Business Travel emissions) (market-based)
2 The Oxford Principles for Net Zero Aligned Carbon Offsetting.

Strategy continued
Lead by example

2. Decarbonising our supply chain

Approach

Our ambition is to achieve a net zero supply chain by 2050, with an interim target of halving the supply chain's carbon intensity by 2030. We have developed a supply chain decarbonisation strategy to embed net zero within procurement and supplier management. Phase 1 of this is being delivered in 2024 within add Group Commercial Partnerships. To deliver on our supply chain decarbonisation targets, we have identified three key focus areas in our strategy:

1. Key supplier engagement and developing a bespoke climate engagement programme for our top emitters;
2. Building net zero into our supplier risk management and governance processes and category planning; and
3. Refreshing our climate training, with a focus on upskilling colleagues who are setting the standards for embedding net zero within third-party management across the business.

We have undertaken an exercise to enhance the quality of our third-party data, including carbon emissions data. This has enabled us to reconstruct our indicative carbon emissions for our supply chain from 2020 to 2023. This work has provided a basis for identifying our most material emitters within our supply chain. We will continue to enhance our third-party data so that we can gain a better understanding of where we may be most exposed to climate risk within the supply chain.

Key supplier engagement

We are engaging with key suppliers to ensure that they are aligned with the Group's net zero by 2050 ambition. Our approach is being refined in 2024 to ensure that engagement is more consistently defined across the Group, and across the appropriate governance structures and fora.

Building net zero considerations into our supplier management processes

Sustainable strategic sourcing

We are in the process of developing a series of category-led sustainable sourcing strategies and principles for high-risk and high-value categories to tackle the emissions hot spots in our supply chain which directly correlate with our most carbon-intensive spend.

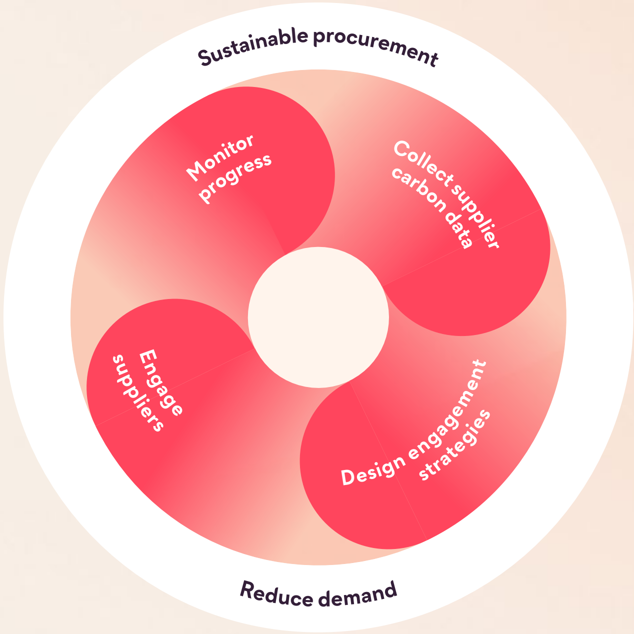
Make net zero business as usual for procurement

Sourcing and procurement is the primary way that we can positively impact our supply chain emissions. We have a number of strategic supplier relationships which are key to our success both commercially and in terms of ESG. With this in mind, we have refreshed our partnership engagement model ('PEM') to ensure that it supports effective lasting partner relationships which drive positive, value-adding outcomes for our customers, shareholders and stakeholders. Further work is being undertaken in 2024 to more consistently embed net zero considerations across our procurement and sourcing.

Upskilling relevant colleagues

Our procurement and supplier management colleagues are central to delivering our robust bespoke supplier engagement. As such, we have rolled out initial internal training to these colleagues on climate change, net zero and nature-related issues, and are now developing a suite of further training and materials to support them with embedding these principles within their everyday roles.

Supply chain decarbonisation strategy



Sustainable procurement
Implement sustainable procurement by shifting away from high-emitting suppliers and switching to lower-carbon alternatives.

Reduce demand
Reduce demand for high-emissions products and services, for example by putting a price on carbon, increasing product lifespans and implementing usage efficiencies.

1. **Collect supplier carbon data**
Collect and analyse supplier carbon data to understand the supply chain's most material suppliers and hot spots.
2. **Design engagement strategies**
Segment the supply chain, identify and prioritise key suppliers. Categorise suppliers into different maturity cohorts and design cohort-specific engagement strategies.
3. **Engage suppliers**
Encourage and upskill suppliers to reduce their own emissions, in line with climate science. Maintain an open and collaborative relationship while creating incentives for action.
4. **Monitor progress**
Measure progress on a quarterly and annual basis to enhance supplier engagement strategies.

Strategy continued

Scenario analysis

Climate scenario analysis is a critical tool for stress-testing the resilience of the business to climate risk and the success of our net zero strategy.

We assess how climate-related risks and opportunities may play out over a range of possible future climate scenarios to ensure we understand our potential future exposure to the risk and the possible impacts of management actions available to manage the risk over time.

Scenario analysis helps us to assess the impact of the following risks and opportunities identified in our risk analysis on page 43:

- Climate risk exposures within investments
- Emerging government policy, regulatory and legal changes
- Disruptions to our business operations
- Reputational damage if climate risks are not appropriately managed

Use of scenario analysis

Climate-related scenario analysis is used across the Group to meet different business needs, e.g. to form a forward-looking view of the risk to the business as part of our Own Risk and Solvency Assessment ('ORSA'), and to model possible decarbonisation pathways as part of net zero transition planning. Its use continues to expand throughout our Group to help ensure climate risk is considered in a wide range of processes to help inform decision-making.

During 2023, we continued to build on the significant progress made to date in our climate analysis approach, which uses both quantitative and qualitative analysis to assess our exposure to, and mitigating actions for, climate risk.

Quantitative scenario testing is used to assess the potential financial impacts of a selection of climate pathways on our assets and liabilities. It is a key tool for understanding where exposures to climate risk lie within the investment portfolio. However, due to the uncertain and long-term nature of climate change, such modelling is subject to a wide variety of limitations (see Limitations in scenarios and modelling section). Qualitative judgement is therefore used to supplement quantitative results to improve their robustness. However, results are used with appropriate caution as limitations remain.

Qualitative scenario testing is used to qualitatively assess the possible effects of certain extreme climate-driven events on the viability of the Group. This analyses the potential impacts of climate events on aspects such as our strategy, customers, solvency, liquidity and operations, and our ability to respond to such events.

Scenario testing explores the potential impacts of both physical and transition risk, as defined below:

- **Physical risk**: Risks related to the physical impacts of climate change including acute, event-driven impacts such as heatwaves, floods, wildfires and storms, and chronic impacts from long-term shifts in climate patterns such as changes in precipitation, extreme weather variability, sea level rise and rising mean temperatures.
- **Transition risk**: Risks arising from the transition to a lower-carbon economy, linked to factors such as climate-related developments in policy and regulation, the emergence of disruptive technology or business models, shifting sentiment and societal preferences, or evolving evidence, frameworks and legal interpretations.

The following sections focus on the quantitative analysis undertaken. Details of the qualitative results can be found in the Qualitative Scenarios section on page 38.

Strategy continued
Scenario analysis

Scenario choice

Two quantitative scenarios from the Network for Greening the Financial System ('NGFS') Phase III were assessed during 2023. Details of the scenarios are noted in the table below.

Name and description	Temperature rise	Speed of transition	Estimated Impacts on illustrative metrics: Greenhouse Gas Emissions (Kyoto Gases: $MtCO_2e$/year)	CO_2 concentration (ppm)	Electric vehicle sales as a proportion of total sales	Proportion of energy from oil, gas and coal
			2023 values			
			57,600	425	13%	79%
			2050 values			
Net zero 2050 This is an ambitious scenario where the transition to net zero emissions starts immediately and unfolds in an orderly fashion to achieve a temperature rise of below 1.5°C by 2050.	1.5°C or below	Begins immediately	105,00	430	84%	25%
Delayed transition This scenario explores a pathway where action to transition to net zero emissions does not begin until 2030, so more sudden and substantial policy changes are required in 2030 to compensate the delayed start.	2°C or below	Begins in 2030	15,200	450	70%	34%

The scenarios were chosen to represent possible climate transition outcomes: 1) an orderly transition to net zero by 2050 which starts immediately and 2) a delayed transition to net zero. At a high level, the estimated impacts are built up as follows:

- Scenario narratives and key economic metrics are defined by the NGFS.
- Our external provider translates these scenarios into wider market and economic shocks and applies these to a wide variety of individual assets.
- We assess the potential impacts on our portfolio by building up stresses based on our actual asset holdings using the data provided by NGFS and our external provider.
- Where deemed appropriate, qualitative judgements are overlaid to allow for known material limitations.

A corresponding quantitative assessment of a physical risk scenario has not been undertaken due to the vast uncertainty around the impacts of physical risk events, the significant number of potential tipping points and the broad limitations in estimating such a scenario quantitatively. However, separate physical risk analysis has been performed for certain illiquid assets (see Deep dive section) and a qualitative scenario utilising the narrative of the NGFS Current policies scenario is being undertaken in H1 2024.

Estimated asset impacts

Group results

The table below sets out a heatmap of the estimated value impacts under each scenario. All impacts are cumulative, do not allow for potential adaptation and abatement actions, and only reflect impacts arising from climate change.

Scenario	Net zero 2050			Delayed transition		
Value impact	2025	2035	2050	2025	2035	2050
Total	Low	Moderate	High	Very low	Low	Medium
Equity	Very low	Moderate	High	Very low	Moderate	High
Corporate Bonds	Very low	Low	Moderate	Very low	Low	Moderate
Government Bonds	Moderate	Medium	Medium	Very low	Low	Low
Property	Moderate	Medium	Medium	Low	Medium	Medium

Indicative negative climate change impact

High	Above 10%
Medium	5% to 10%
Moderate	2.5% to 5%
Low	0.5% to 2.5%
Very low	Below 0.5%

The results of the scenarios highlight potentially material exposures to transition risks, indicating we must continue to monitor and manage climate risk in the investment portfolio or there may be significant reductions to investment returns for customers and the Group arising from climate change. Although the impacts from a delayed transition appear less than from an immediate transition in the above table, the impact of the delay and potential scope for greater than modelled physical risk impacts are expected to worsen the stresses beyond 2050 so an orderly and immediate transition remains preferable.

Exposures to climate risk exist across the full investment portfolio. Steps to manage climate risk, including decarbonisation of the portfolio and stewardship of assets, are therefore key to building resilience to this risk and to better position the Group to take advantage of new opportunities. The Group has already taken steps to begin reducing climate risk in its investment portfolio, including through initial decarbonisation, implementing climate-related exclusions, stewardship and by seeking opportunities to invest in climate solutions and low-carbon assets.

See pages **29 to 30**

Strategy continued
Scenario analysis

Transition risk deep dives
The Group's investment portfolio has exposure to a wide variety of geographies, sectors and counterparties. Therefore, looking solely at the overall scenario impacts can hide pockets of exposure within the portfolio due to offsetting movements. Deep dive analysis has been performed on key sub-sets of the investment portfolio to help identify potential parts of the portfolio with higher levels of climate risk than others.

Sample analysis of the equity portfolio is shown in the table below:

Scenario	Net zero 2050			Delayed transition		
Value impact	2025	2035	2050	2025	2035	2050
UK	●	●	●	●	●	●
North America	●	●	●	●	●	●
Asia Pacific	●	●	●	●	●	●
Energy sector	●	●	●	●	●	●
Utility sector	●	●	●	●	●	●
Electric generation firm 1	●	●	●	●	●	●
Electric generation firm 2	●	●	●	●	●	●

Indicative climate change impact

Positive	●	Very high	Above 35%
	●	High	10% to 35%
	●	Medium	5% to 10%
	●	Moderate	2.5% to 5%
	●	Low	0.5% to 2.5%
Neutral	●	Neutral	0.5% to -0.5%
	●	Low	-0.5% to -2.5%
	●	Moderate	-2.5% to -5%
	●	Medium	-5% to -10%
	●	High	-10% to -35%
Negative	●	Very high	Below -35%

This highlights potential areas of higher risk within our portfolio and also cautions against a 'one size fits all' approach to managing climate risk as some companies, asset classes and geographies are more willing or able to adapt to the green transition than others. As such, we continue to take action to manage climate risk within the portfolio taking into consideration the characteristics of the assets in question alongside the needs to the customers they belong to.

Ongoing carbon footprinting and scenario analysis are key tools to continue to identify trends and expected trajectories for different sectors and geographies under potential climate outcomes. Engagement and stewardship are key tools to help distinguish between and influence individual counterparties. Each of these tools continue to be significant parts of our risk management approach for climate risk (see 'Risk management' section).

Physical risk deep dive
New analysis has been performed this year to inform the assessment of physical risk exposure in certain sub-sections of the investment portfolio. We have developed an approach to assess potential physical risk within our Real Estate portfolio (both directly held and real estate loans), using the S&P Climanomics platform. The S&P Global platform makes use of four scenarios underpinned by climate change projections used by the IPCC. These range from a low emissions scenario with a pathway to 1.5˚C, to a high emissions scenario with no changes to climate policies leading to greater than 4˚C of global mean temperature rise.

The assessment measures 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 cover both chronic and acute physical risks including the impact of flooding risk (fluvial, pluvial and coastal), temperature extremes, drought, wildfire and tropical cyclones. The impacts of these hazards can differ according to the type of building at each location for example, there may be increased future cost through clean-up or repair, interruption to business or perhaps increased cooling or heating costs all depending on the type of property being assessed. The potential future costs calculated are the cumulative cost in each decade, i.e. ten years of aggregated costs.

The results below show the aggregated impact across c.£4 billion of Directly Held Real Estate and c.£1 billion of Real Estate Loans under the four scenarios in each decade from 2020 through to 2050. The results for the Real Estate Loans reflect our participation in the financing of the underlying properties and capture our attributed share of emissions, which will typically be a smaller percentage than directly held assets. As such the scale of possible future costs for Real Estate Loans is considerably lower than the Directly Held Real Estate assets. The overall results indicate that there is an increasing relationship between cost and severity of risk factors over time. In later decades such as the 2050 decade, physical risks are more severe than historic levels which increases potential future costs. Similarly in higher emissions scenarios physical risks further increase in severity leading to potentially higher future costs.

Cost from physical risk on Directly Held Corporate Real Estate assets

Scenario	Cost in each decade from physical risk			
Low-high physical risk	2020	2030	2040	2050
Low (RCP2.6)	●	●	●	●
Medium (RCP4.5)	●	●	●	●
Medium-high (RCP7.0)	●	●	●	●
High (RCP8.5)	●	●	●	●

Representative Concentration Pathways ('RCP's) are trajectories of greenhouse gas concentrations used for climate modelling in the IPCC Fifth Assessment Report (IPCC 2013).

Approximate cost

●	Lowest	<2%
●	Lower	2%-4%
●	Medium-low	4%-6%
●	Medium	6%-8%
●	Higher	8%-10%
●	Highest	10%-12%

Strategy continued
Scenario analysis

Cost from physical risk on Corporate Real Estate Loans

Scenario	Cost in each decade from physical risk			
Low-High physical risk	2020	2030	2040	2050
Low (RCP2.6)	Lower	Medium-Low	Medium	Higher
Medium (RCP4.5)	Lower	Medium-Low	Medium	Highest
Medium-High (RCP7.0)	Lower	Medium-Low	Higher	Highest
High (RCP8.5)	Lower	Medium-Low	Higher	Highest

Approximate cost

Lowest	<0.2%
Lower	0.2%-0.4%
Medium-Low	0.4%-0.6%
Medium	0.6%-0.8%
Higher	0.8%-1.0%
Highest	1.0%-1.2%

Note: the assessment of potential future cost does not currently consider the our ability to manage or mitigate these costs and does not include any view of future action which may be taken to do so. The analysis assumes the current mix of assets remains constant over the time horizon and holds both property and loan values constant over the period. Further work will be completed in 2024 to analyse the underlying risks in more detail, and to best consider how to integrate any emerging information into our 'Strategy' and 'Risk management'.

For other parts of our portfolio such as listed equity and credit we have begun to explore the potential physical risk impacts to those asset classes. We plan to continue developing this analysis during 2024 and beyond.

Implications for our investment strategy

The ongoing importance of stewardship activities and the need to continue to understand our climate exposure through processes such as footprinting and physical risk assessment is clear as they help ensure climate risk is managed in the investment portfolio appropriately over time, either through the actions of the companies in which we are invested, or by informing changes to our investment strategies.

In certain asset classes we have good levels of flexibility as to how and where we invest and could, theoretically, decarbonise certain parts of our investment portfolio in a short period. However, narrowing the investable universe substantially in this way is unlikely to be aligned with delivering good customer outcomes and managing other risks (such as concentration risk), so we will continue to use the tools we have at our disposal, including scenario analysis, to ensure that decarbonisation decisions and plans are made and implemented at an appropriate pace.

Estimated balance sheet impacts

The estimated impact on the Group's solvency was assessed for each climate scenario based on the results of the asset stressing and anticipated wider economic changes. Overall, this indicated that solvency would not be significantly threatened under the scenarios explored.

However, the analysis only considered impacts arising solely from climate change which will not occur in isolation and other second-order risk events will continue to emerge alongside climate change. It is possible that the interactions of these stresses with other risk events, such as market, geo-political or economic shocks, could have more significant impacts on the Group once their severity is combined. This is an area we plan to explore in more detail qualitatively over 2024.

Although not included in the modelling, the potential impact on life expectancy in the UK was qualitatively considered for each scenario. Though the results are not clear cut, for **physical risk scenarios** deaths could increase due to direct impacts such as heatwaves and floods, or from indirect impacts such as crop shortages, increased zoonotic diseases and strains on healthcare services. On the other hand, deaths may also reduce due to milder winters, leading to a fall in winter excess deaths. The net impact of these changes could largely cancel each other out but small increases or decreases in life expectancies might be seen. **Transition risk scenarios** are expected to produce small increases in life expectancy due to the impact of cleaner air, improved health and diets, benefits of reduced traffic and less extreme temperatures.

Qualitative scenarios

Qualitative scenarios are used to assess potential extreme events that are not easily quantifiable through financial modelling. The following two qualitative scenarios were assessed in 2023:

Prolonged heatwave	This scenario explores the potential impacts and mitigating actions that could be taken if the Group, including its staff, operations and customers, were exposed to a prolonged and extreme heatwave.
ESG-driven litigation	This scenario explores what might unfold if the Group were subject to a high-profile external litigation arising from an ESG driven allegation or event.

Scenario choice was informed by conversations with subject matter experts ('SMEs') from across the Group. Both scenarios explore potentially significant events that warranted additional analysis to ensure their full potential impacts on the Group and possible mitigants were understood.

The **prolonged heatwave** scenario was chosen as a representative scenario of an extreme physical risk event as such events, including wildfires, floods and droughts, have become increasingly common over the last few years across the globe. A prolonged, extreme heatwave was explored as this could simultaneously affect all of our key office locations, colleagues and customers at once.

The **ESG-driven litigation** scenario was chosen as litigation related to sustainability, especially climate change, as the number of cases brought against companies across a range of sectors is rising. Litigation could take many different forms, but this specific analysis focused on the topic of greenwashing and the potential ways in which it could manifest.

Qualitative impacts, potential mitigating actions and management actions were assessed through a series of workshops involving SMEs from the areas that would mostly likely be affected by each scenario. Both scenario assessments indicated there are many controls and mitigating actions across the business to mitigate and manage the risks of each event, but improvements could be made in both instances to strengthen resilience. For the prolonged heatwave scenario this included the need to continue to improve data on physical risk threats, particularly with regards to our suppliers – an enhanced view of physical climate risks is being developed in 2024. For the ESG-driven litigation scenario this included ensuring ongoing research on customers' expectations for sustainable products, and ensuring consistent and clear sustainability language is used across the business.

Strategy continued
Scenario analysis

Limitations in scenarios and modelling
We are conscious of the many limitations related to scenario analysis. We take these limitations into account when assessing what the implications of scenario analysis are for the business.

Scenarios
- There are infinite possible climate outcomes and our analysis only considered a very small subset of these.
- How climate risk will emerge, the speed at which it will emerge, and when it will emerge are all highly uncertain. We use several scenarios to test possible different outcomes, but it is highly unlikely that climate change will crystallise exactly in line with any of the scenarios modelled. In particular, we believe there is further work to be done to understand the impact of tipping points and the systemic effects of climate risk events on the wider economy, our balance sheet and our operations.
- The scenarios used are not considered to be upper or lower limits of potential climate outcomes and impacts could be far in excess those estimated.

Impacts
- The impacts of the climate scenarios on our investment holdings do not account for potential abatement and adaptation actions that companies and governments may take as the scenarios unfold. If and how these actions may emerge is highly uncertain, so they have been excluded to allow an assessment of more extreme versions of the pathways under consideration.
- Actual impacts may be more or less significant than those modelled if the scenarios were to unfold in practice.

Data
- The Group has sourced scenario data from a leading data provider. Data was most readily available for investments in listed counterparties.
- Obtaining 'look-through' data to identify the underlying investments in respect of some of our funds invested in collective investment vehicles was challenging and some data gaps remain.
- Unlisted investments are a small, but increasing, proportion of our asset portfolio. More approximate methods were used to estimate the impact of climate change on these investments.

Modelling insurance risks
- As an authorised insurer we have considered carefully how our insurance risks might be affected by climate change. Our long-term savings and retirement business could be affected by changes in mortality, longevity and morbidity as a result of the physical impacts of climate change. At this stage the evidence for the potential impact of these factors on the UK population (the Group's major market) is inconclusive, so we have chosen not to quantitatively model the risk of changes in mortality/longevity/morbidity as part of the climate change scenarios considered. However, a qualitative assessment of the potential longevity impacts under each scenario is noted in the Balance sheet impacts section.

Other limitations
- Asset modelling assumes the asset mix of the Group remains largely constant throughout the projection period. It does not allow for possible actions that may be taken to decarbonise the portfolio and/or otherwise manage the climate risk exposure of assets over the timeframe.

The measurement of our climate risk exposure through processes such as the carbon footprinting and scenario analysis are key to identifying the trends and expected trajectories for different sectors and geographies under potential climate outcomes while engagement and stewardship help to distinguish the impact of climate change between counterparties. For core elements of our strategy, these actions help ensure climate risk is managed in the investment portfolio appropriately over time.

For more information on our risk management approach see **Risk management** section on pages **40 to 43**

Conclusions and next steps
None of the stress and scenario tests performed this year were assessed to significantly threaten the ongoing viability of the Group. However, they do have the potential to reduce investment returns for customers over time and/or to significantly disrupt the operations and strategy of the business if action does not continue to be taken to manage and mitigate the risk. Furthermore, only a small subset of possible climate outcomes have been assessed and there remain infinite possible pathways that could emerge, each of which poses new possible threats to the Group and our customers. Climate stress and scenario testing will continue to be developed and performed to identify and manage further potential exposures and identify possible mitigating actions.

Risk management

The Group's Risk Management Framework supports the identification, assessment and mitigation of the impact of climate risk and is fundamental to achieving our net zero by 2050 climate ambition.

We continue to enhance our risk management approach to reflect both our increased understanding of climate risks and evolving market practice.

In the Risk management section

Risk management

Integration of climate risk within the Group's Risk Management Framework

Our Risk Management Framework ('RMF') sets out how we identify, assess, control, monitor, manage and report on the risks to which the Group is, or could be, exposed. This includes climate-related risks.

2023 progress

In 2023, we continued to enhance our assessment of climate risks through the development of data quality and coverage, and through greater embedding of climate risk considerations in processes across the business. While the improvement in data is welcomed, there remain limitations and we remain prudent in the use of such data when making key business decisions.

Our developing approach to climate risk
Climate risk is considered a subset of wider sustainability risk, which is defined as the risk of financial failure, poor customer outcomes, reputational damage, loss of earnings and/or value arising from a failure to manage the impacts of environmental, social and governance matters on the Group's customers, financials and strategy (and vice versa).

The Group's understanding of climate and wider sustainability risks continues to evolve and, over 2023, additional sustainability risks were considered for incorporation into the Group's Risk Management Framework, including nature risk and human rights risk. The Group is conscious of the vast number of emerging sustainability-related risks and aware there may be potential conflicts between these, for example; where taking effective actions to address climate risk does not deliver good nature outcomes.

This has led to an evolution of the Risk Management Framework to consider climate risk as part of wider sustainability risk management instead of on a standalone basis. Climate risk remains the most financially material sustainability risk to the business and is therefore a material component of this new sustainability risk approach.

To reflect this new approach, a new Level 1 Sustainability Risk Category is being established in the Risk universe. Within this category, two new policies are being created to cover key sources of climate and sustainability risk: sustainability strategy and sustainable investing. Sustainability-related enhancements are also being made to wider policies such as the Customer Outcomes Risk Policy and Third Party Management Risk Policy. The Group is also evolving its climate change cross-cutting risk into a sustainability cross-cutting risk to ensure other key sustainability risks are formally captured throughout the Risk universe in addition to climate risk.

Risk Management Framework

Risk management continued
The Group's Risk Management Framework

Risk strategy and culture
The Group's Risk strategy is: 'To take rewarded risks which are understood, managed effectively and consistent with our overall Social Purpose and Enterprise Strategy'.

Our Risk strategy supports a more stable, well-managed business with improved customer, shareholder, colleague and societal outcomes. This includes ensuring climate risk is appropriately considered and managed throughout the Group Strategy. Please refer to the strategy section for more information on the key climate risks and uncertainties facing the Group's 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 climate risk.

Risk appetite
Climate risk is considered as a key component of Sustainability risk, which is a Tier 1 risk in our Risk Appetite Framework and has a defined risk appetite.

The Group's current sustainability risk appetite is as follows: "The Group seeks to be a leader in informing system change on the key sustainability issues linked to our purpose and strategy. We want to use our position in the market to drive positive change for customers and wider society over the long term. Our Sustainability Strategy is designed to take advantage of sustainability opportunities and manage sustainability risks in a way that is transparent, affordable, and aligned with good customer outcomes and regulatory requirements."

The Group's risk appetite continues to evolve and is reviewed on an annual basis. Climate risk is also embedded into the risk appetites of other key risks to ensure it is considered throughout the business. A climate change specific risk appetite is to be developed over 2024.

Risk universe
The Group considers climate change as a cross-cutting risk within the Sustainability Risk Management Strategy component of its Risk universe as the risk can manifest in many ways and can potentially impact all risk categories underlying the risk universe.

Risk policies
The Group Risk Policy Framework supports the delivery of the Group's Social Purpose and Enterprise Strategy by establishing the operating principles and the expectations for managing the key risks. This is supported by each material risk having an associated Group risk policy to ensure complete coverage of each of the Group's material risks.

The inclusion of a new Level 1 Sustainability risk category, which will include two new policies, Sustainability Strategy and Sustainable Investment, and enhancements to other policies such as the Customer Outcomes Risk Policy, ensures the Group has substantial coverage of climate risk-related risks and controls, alongside clear escalation lines and ownership for the risks.

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

More details can be found in the **Governance** section

While climate remains the most material environmental theme for the Group, nature is increasing in importance. As the Group looks to develop a nature strategy, the governance structure in place for climate is expected to extend to consider climate and nature risks together.

Emerging risks
Climate and 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. Geopolitical risk, economic competition and the climate agenda are more intertwined than ever, and these factors continue to be a key concern in delivering our climate strategy. Geopolitical, political and regulatory risks are also monitored as part of the emerging risk process.

We continually review the forward-looking landscape to ensure it sufficiently identifies, assesses, controls, monitors, manages, and reports on emerging risks. These are considered on an annual basis for inclusion in the Group's Stress and Scenario Testing Programme.

Strategic risk and management
The impact of climate change is 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'), contingent/management actions assessments and the Stress and Scenario Testing programme. For the AOP, the implementation of key strategic objectives is assessed, including the sustainability objectives, to determine and challenge how we deliver against the Group's ambitions relative to where we are now.

Annual climate scenario analysis looks at a range of transition and physical risk scenarios to determine whether they would threaten the ongoing viability of the Group and how the Group would respond to them.

For further details refer to pages **35 to 39**

Risk and capital models
External tools and data have been sourced to support carbon footprinting and climate scenario analysis and models continue to be further developed to understand the potential implications of climate risk and Group's exposure to it. The Scenario analysis section and Metrics and targets section describes this work in more detail, including how this work has progressed over the past 12 months.

Specific capital is not currently held for climate risk, but we assess the appropriateness of our capital held via scenario analysis. In addition, the Group's Internal Model Governance Policy requires that the impact of climate change-related risks is given specific consideration when developing and reviewing Solvency II methodology and assumptions. This approach to capital will continue to evolve as internal and industry approaches become more established. In the meantime, the Group will continue to maintain its climate ambition and be a key voice in calling for action. We want to drive change to influence the risk outcome for all.

Risk and control processes
A climate risk dashboard covering key climate risks is integrated into regular risk reporting for the Life and Group Board committees. Minimum control standards relating to climate risk are also in place for key policies. Deep dives have been performed to ensure the risk and control processes remain appropriate for the evolving climate risk environment. In 2023, this included an external/independent review to assess the greenwashing risks the business may face and the controls in place to mitigate those risks.

Risk management continued

Risk identification, assessment, management and reporting

Identification of climate related risks has been embedded into the components of the Risk Management Framework ('RMF').

Risk identification and assessment
Identification of climate-related risks has been embedded into the components of the RMF which support the identification of risks both quantitatively and qualitatively, and from a top-down and bottom-up perspective. We use the following tools, which use a combination of internal and external inputs, to understand our climate risk exposures and assess materiality:

- Annual stress testing
- Carbon footprinting exercises for our assets and operations
- Horizon scanning
- Monitoring and reporting progress against climate risk metrics and targets

Materiality of climate risks are assessed on an ongoing basis. The Group qualitatively assesses the materiality of risks building on the processes noted above. This highlights the areas that require most focus from a risk management perspective, e.g. ensuring adequate controls are in place.

The materiality of climate risk differs within business areas. Individual areas must ensure their strategies suitably allow for climate risk given the materiality of the risk compared to other risks they face. This will inform how and when to make climate risk-driven changes over time.

As the availability of tools and systems develop, the Group is mindful of several limitations when utilising this information to make informed decision such as:

- Data quality
- Data coverage
- Sophistication of models for scenario analysis and modelled climate outputs
- Methodology differences between the different data sources and tools
- Changing regulatory landscape

Risk management within the business
In addition to incorporating climate risk into the Group's RMF, the management of climate risk has been embedded into a variety of key processes to ensure effective day-to-day management of the risk. Examples of how key components of our strategy and wider business processes are considering and actively reducing climate risk are noted below:

- **Decarbonising our investment portfolio:** Decarbonising the investment portfolio helps to reduce our exposure to climate change risk, with the objective of improving portfolio resilience to potential future climate-driven market shocks and reducing the risk of assets within the portfolio becoming 'stranded'.
- **Stewardship**: Divesting from assets it not always the best solution as it reduces the influence we can have in encouraging companies to make positive changes to their business and strategy. We use stewardship to support companies to transition their businesses away from high-carbon activity, which reduces our exposure to climate risk.
- **Investment in climate solutions**: By investing in climate solutions, we ensure our customers' and shareholders' funds have exposure to assets that will support and be resilient to the transition to net zero by 2050.
- **Engaging customers**: Engaging with our customers ensures we can fully take their interests into account to enable us to design and adapt products to meet their changing needs and preferences as a result of climate change.
- **Driving wider system change**: Delivering thought leadership, engaging decision-makers and collaborating with peers is our approach to driving system-wide change. No single business sector, government or stakeholder group can affect the necessary transformation alone. This will promote informed decision-making and controlled risk taking and further support our management of climate risks.
- **Product innovation:** Developing our products to reflect changing customer needs, preferences and demographics as a result of climate change ensures the Group continues to offer suitable products that are appropriately underwritten.
- **Operational decarbonisation**: Decarbonising our own operations and supply chain and ensuring we develop our understanding of our potential exposure to physical risk through these avenues, helps ensures the Group's operations are more resilient to the potential impacts of climate change.
- **Scenario analysis**: Testing our investment portfolio against a range of scenarios helps us to understand our exposure to transition and physical risk.
- **Monitoring and measurement of climate metrics**: This informs the management actions we take to manage climate risk.

Risk reporting
Climate risk reporting is an evolving process and a key priority for the Group to ensure all stakeholders are taken along on the journey and that risk is managed effectively over the coming years.

The Group continues to develop its internal climate risk reporting to reflect the evolution of market best practice, and to enable effective measurement of climate risk and tracking of progress made against the Group's net zero targets across our operations, supply chain and investment portfolio.

Industry methodology and guidance on climate risk measurement is evolving and the Group continues to evaluate the changing landscape and how this will impact ongoing climate risk assessment and reporting against external targets.

Next steps

- Continue to review and enhance the risk management framework for climate risk as further information is available and our understanding of the risk develops. This includes the establishment of the new Sustainability Risk Management Strategy.
- Develop standalone climate risk appetites to supplement the sustainability risk appetite and climate elements of the wider risk appetite framework.
- Continue to incorporate sustainability risks such as nature risks into the RMF, ensuring their potential interactions with climate risk are captured.

Metrics and targets

Our comprehensive metrics framework allows us to measure and manage the impacts of climate change on our investment portfolio and operations. Setting near-term targets help us to navigate our progress to meet our net zero ambition.

The metric results quoted in this report are best estimates. There remain limitations in the quality and coverage of climate data, in particular Scope 3 emissions data, and best practice methodologies are still evolving across all metrics. We also recognise the inherent challenge with double counting financed emissions and emissions in the real economy.

In the Metrics and targets section

Metrics and targets continued

Our investment portfolio

We continue to evolve our metrics framework to align with emerging best practice in evaluating exposure to climate-related risks and opportunities.

Investment metrics and targets framework

We use the financed emissions methodologies developed by the Partnership for Carbon Accounting Financials ('PCAF')[1] insofar as possible. PCAF is a partnership of financial institutions that work together to develop and implement a harmonised approach to assess and disclose greenhouse gas ('GHG') emissions associated with their loans and investments.

Investment portfolio targets
We are committed to decarbonising our investment portfolio and have set the following targets:

Our climate targets

2025

25%

reduction in the carbon emission intensity of our investment portfolio for listed equity and credit assets[2]

2030

50%

reduction in the carbon emission intensity of our investment portfolio[3]

2050

Net zero

investment portfolio

Key progress in 2023

- Our carbon emission baseline at YE2019 is now 24.6 $MtCO_2e$^ and our measured carbon footprint now covers 100% of our assets in scope of our 2025 decarbonisation target and 98% of the assets within scope of our 2030 target. We extended our carbon emissions baseline to include illiquid credit assets which are responsible for 0.3 $MtCO_2e$ YE2019^, c.1% of our baseline portfolio emissions.
- We have observed a c.13% reduction in absolute emissions (across asset classes in the scope of our baselined portfolio)[4] and c.15% reduction in economic emissions intensity (listed asset portfolio) between YE21 and YE23.
- We found that 22% of our listed asset portfolio is exposed to high transition risk sectors^ and that these sectors account for 79% of all portfolio emissions in our listed asset portfolio. This is broadly unchanged from the YE21 position, indicating that the high transition risk sectors continue to be responsible for a significant proportion of our portfolio emissions.
- We broadened the scope of reporting to consider the Scope 3 emissions of investee companies for the energy sector and found that this far exceeds the emissions reported by these companies under Scope 1 & 2. This reinforces the need to focus our stewardship activity on this sector.
- We determined our approach to assessing the impact of physical risk on our real estate portfolio – see Scenario analysis.

1 Partnership for Carbon Accounting Financials.
2 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.
3 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.
4 Note: illiquid credit not included in YE2021 position.

Metrics and targets continued

Investment portfolio metrics framework

Metric	Unit	Section
Absolute financed emissions (Scope 3, Category 15)	$MtCO_2e$	Analysing our investment portfolio emissions
Absolute financed emissions (Scope 3, Category 15) from the Scope 3 emissions of energy sector investee companies	$MtCO_2e$	
Economic emissions intensity ('EVIC')[1]	tCO_2e/£m invested	
Revenue emissions intensity ('WACI')[2]	tCO_2e/$m revenue	
Data quality score	Score of 1-5 per PCAF	
Data coverage	% of AUA	
Percentage of listed assets exposed to high-transition risk sectors	% of AUA	
Percentage of listed assets absolute emissions attributed to high-transition risk sectors	% of absolute emissions	Understanding our exposure to climate risk
Percentage of listed assets exposed to the fossil fuel industry	% of AUA	
Percentage of listed asset portfolio AUA represented by top 10 emitting investee companies	% of AUA	
Percentage of listed asset portfolio absolute emissions represented by top 10 emitting investee companies	% of absolute emissions	
Average data quality score of top 10 emitting investee companies	Score of 1-5 per PCAF	
Number of Top 10 emitting investee companies with SBTi targets	Number 0-10	
Total percentage of financed emissions in highly-emitting sectors associated with target list of companies for climate engagement	% of absolute emissions	
Percentage of listed asset portfolio invested in companies with SBTi targets	% of AUA	Aligning our investment portfolio to net zero by 2050

1 EVIC = Enterprise value including cash. See Additional information for full methodology.
2 WACI = Weighted average carbon intensity. See Additional information for full methodology.

Next steps

- We will extend our carbon emissions baseline to include equity release mortgages, increasing our portfolio coverage towards 100% of the scope of our 2030 decarbonisation target. Other assets which are not currently in our carbon emission baseline and not within the scope of our 2030 decarbonisation target will be considered in 2025 and beyond.
- We will conduct a formal review of progress against our 2025 and 2030 targets.
- We will further broaden our scope of reporting to consider the Scope 3 emissions of our investee companies, beyond the energy sector, where we deem data to be sufficiently developed.
- We will continue to develop our suite of climate investment risk metrics, with a particular focus on forward-looking measures which help us to best understand our decarbonisation performance against a net zero glide path.

Metrics and targets continued
Our investment portfolio

Measuring our investment portfolio emissions

Our carbon footprint now covers c.98% of the assets within scope of our 2030 decarbonisation target. We will continue to expand the baseline to cover the assets in scope of our 2030 interim target as the quality and coverage of data improves and best practice frameworks evolve.

Our approach to measuring our carbon footprint baseline

We have taken a phased approach to measuring the carbon footprint baseline of the Group's investment portfolio. We have evaluated the carbon profile of our investment portfolio based on the 2019 year-end position which, as a pre-COVID-19 pandemic year, reflects a more comparable level of global economic activity emissions. This is therefore considered our baseline year against which we measure progress.

As signatories to PCAF, we have adopted its calculation methodologies insofar as possible. Our primary source of counterparty carbon emissions data is Institutional Shareholder Services ('ISS'), an established sustainability data vendor. Our analysis captures the Scope 1 and Scope 2 emissions of our investee companies, and we have recently extended our analysis to consider the Scope 3 emissions of investee companies in the energy sector, see page 48.

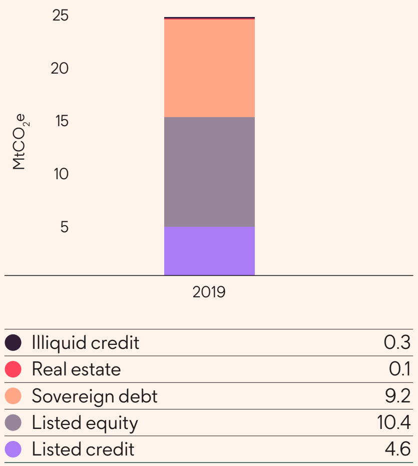
Roadmap to expand our carbon footprint baseline (based on 2021 AUA)

<table>
<tr><th>Asset class</th><th colspan="3">Scope of portfolio decarbonisation target</th><th>£bn[1]</th><th>2021</th><th>2022</th><th>2023</th><th>2024</th><th>2025+</th></tr>
<tr><td>Listed assets[2] (equity & credit)</td><td>2025 target</td><td rowspan="7">2030 target</td><td rowspan="9">2050 target</td><td>162</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td></tr>
<tr><td colspan="2">Cash</td><td>29</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td></tr>
<tr><td colspan="2">Sovereign bonds[3]</td><td>42</td><td>✗</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td></tr>
<tr><td colspan="2">Commercial real estate (equity and loans)</td><td>5</td><td>✗</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td></tr>
<tr><td colspan="2">Illiquid credit[4]</td><td>7</td><td>✗</td><td>✗</td><td>✓</td><td>✓</td><td>✓</td></tr>
<tr><td colspan="2">Equity release mortgages</td><td>4</td><td>✗</td><td>✗</td><td>✗</td><td>✓</td><td>✓</td></tr>
<tr><td colspan="2">Alternatives – private placement loans</td><td>1</td><td>✗</td><td>✗</td><td>✗</td><td>✓</td><td>✓</td></tr>
<tr><td colspan="3">Other collective vehicles/External Fund Links[5]</td><td>58</td><td>✗</td><td>✗</td><td>✗</td><td>✗</td><td>✓</td></tr>
<tr><td colspan="3">AUM covered in carbon footprint baseline</td><td>£308bn</td><td>£191bn</td><td>£238bn</td><td>£244bn</td><td>£250bn</td><td>£308bn</td></tr>
<tr><td colspan="5">% of total AUM covered</td><td>62%</td><td>77%</td><td>79%</td><td>81%</td><td>100%</td></tr>
<tr><td colspan="5">% 2025 target covered</td><td>100%</td><td>100%</td><td>100%</td><td>100%</td><td>100%</td></tr>
<tr><td colspan="5">% 2030 target covered</td><td>76%</td><td>95%</td><td>98%</td><td>100%</td><td>100%</td></tr>
</table>

1 Figures provided are based on YE2021 values from our Annual Report and Accounts, adjusted to reflect exposures in collective vehicles in line with our Net Zero Transition Plan.
2 Captures listed assets within segregated portfolios, Phoenix Unit Trust Managers funds and certain External Fund Links where look-through data is available.
3 We have assumed cash has zero emissions.
4 Captures infrastructure debt (including local authority loans and municipal bonds) and private placements.
5 This figure has been derived as a balancing figure to enable the total AUA to equate to YE2021 balance sheet value.

Metrics and targets continued
Our investment portfolio continued

Absolute emissions of our baselined investment portfolio including illiquid credit assets



Our expanded carbon footprint baseline

In 2023, we extended our carbon footprint baseline to include illiquid credit assets. This asset class consists of multiple sub-asset classes (many of which have their own respective PCAF methodologies) including infrastructure debt and equity, private placements, housing association loans, local authority debt, commercial real estate loans and green bonds.

Expanding our carbon footprint baseline to include illiquid credit increases absolute emissions at year-end 2019 by 0.3 $MtCO_2e$ to 24.6 $MtCO_2e$^. Our year-end 2019 baseline position is shown in the graph on the left.

Extending our analysis to consider Scope 3 of investee companies

We have extended our analysis to consider the Scope 3 emissions of investee companies in the energy sector where we consider the data to be sufficiently developed, and plan to extend our analysis further in 2024 to consider other sectors.

Our primary source of Scope 3 emissions data, ISS, has recently enhanced its Scope 3 emissions methodology through:

a. Capturing self-reported Scope 3 data from several sources (rather than basing Scope 3 data on approximation models only); and

b. Improving data granularity and coverage through consideration of sub-sector classifications and a greater number of Scope 3 categories (as defined by the GHG Protocol).

These methodological enhancements are most developed in the energy sector, which gives us confidence to disclose the Scope 3 emissions of investee companies in this particular sector. We recognise that there are still significant limitations to Scope 3 emissions data, namely that determining an accurate view of the Scope 3 emissions of our investee companies is dependent on high-quality and transparent reporting.

Our exposure to the energy sector makes up c.5% of our listed asset portfolio (by AUA). It is responsible for c.26% of the financed emissions of our listed asset portfolio (Scope 1 and 2 emissions of our investee companies), which equates to 2.6 $MtCO_2e$.

Our share of the Scope 3 emissions of our investee companies in the energy sector is 32.2 $MtCO_2e$, which far exceeds the emissions reported by these companies under Scope 1 and 2. This is because Scope 3 emissions capture the upstream and downstream activities of the company – in particular, this includes the processing and use of sold products or services.

The size of the Scope 3 emissions of our investee companies in the energy sector validates our focus on this sector as part of our climate change engagement programme. See page 30 for further details on our stewardship approach.

We see disclosure of this data for the energy sector as a starting point and will work with our sustainability data vendors in 2024 to continue to improve the quality and coverage of Scope 3 emissions.

Metrics and targets continued
Our investment portfolio continued

Analysing our investment portfolio emissions

Our total absolute emissions across the investment portfolio decreased by 13% between 2021[1] and 2023, and 26% between 2019 and 2023.

Absolute emissions and economic emissions intensity decreased across all asset classes over this time period (for assets footprinted at YE21 and YE23). This is in line with our expectation, as discussed below.

Evolving our carbon footprint approach

In line with emerging industry best practice, we have evolved our reporting processes to disclose asset data as at the year-end 2023 position. This means that our year-end 2023 position reflects asset values as at year-end 2023, and carbon emissions from calendar year 2022 (the latest year for which emissions data is readily available)[2].

Our year-end 2023 position also includes assets acquired through our purchase of SunLife of Canada UK ('SLOC' UK). We have not re-baselined our year-end 2019 position to include SLOC UK assets, as the carbon intensity profile of this portfolio is comparable to the Group's existing investment portfolio.

We have experienced a 13% reduction in total absolute emissions across the investment portfolio, from 20.7 $MtCO_2e$ (YE21)[1] to 18.1 $MtCO_2e$^ (YE23), and a 26% reduction from 24.6 $MtCO_2e$ at (YE19) to 18.1 $MtCO_2e$^ at (YE23).

The year-end 2023 position reflects emissions data from calendar year 2022, whilst the year-end 2021 position reflects emissions data from calendar year 2020. Over the same period, global energy-related emissions increased by 7%, as the global economy rebounded from the Covid-19 pandemic[3].

The reduction in absolute emissions for our investment portfolio is therefore primarily driven by: (i) carbon reduction activity undertaken by our investee companies, (ii) investment allocation changes, and (iii) a methodology improvement for listed credit assets which increases our data quality but reduces data coverage (and subsequently absolute emissions). We are prudent in the inference we can draw from this reduction, recognising methodology enhancements in future years could potentially impact future changes in absolute emissions.

Absolute emissions for the illiquid credit portfolio has increased from 0.3 $MtCO_2e$ at year-end 2019, to 0.5 $MtCO_2e$ at year-end 2023^. This is due to an increased allocation to illiquid credit assets during this period.

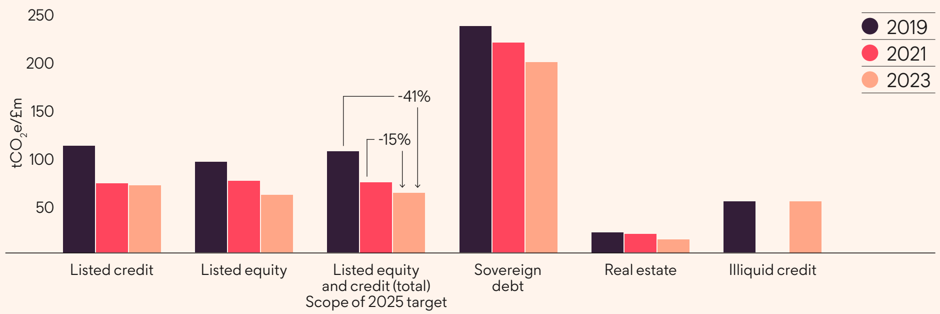
Change in emissions intensity metrics

In addition to absolute portfolio emissions, we evaluate portfolio emissions intensity metrics on both an economic and revenue basis. Emissions intensity is an important measure for portfolio investors as this enables comparison between portfolios of different sizes and between different time periods.

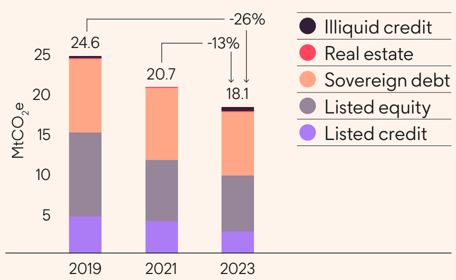
We observe a c.15% reduction in the economic emissions intensity of our listed asset portfolio between year-end 2021 and year-end 2023, which brings the total reduction observed since the baseline year-end 2019 position to c.41%. This is driven by a combination of a decrease in absolute emissions and an increase in the EVIC[4] component of the intensity calculation, which is a measure of a company's capital base. (An increase in company value since year-end 2021 is in line with expectations given market performance over this period.)

Whilst we are on track to meet our 2025 25% decarbonisation target for the listed asset portfolio, we recognise that there are scenarios in which the target may still not be achieved. In addition, we recognise that the economic emissions intensity metric is likely to be volatile year-on-year, primarily due to volatility in the EVIC component of the calculation.

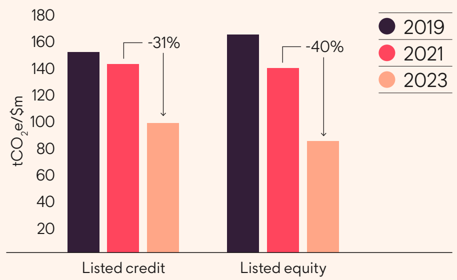
Economic emissions intensity of our baselined investment portfolio^



Absolute emissions of our baseline investment portfolio^



Revenue emissions intensity for listed asset portfolio^



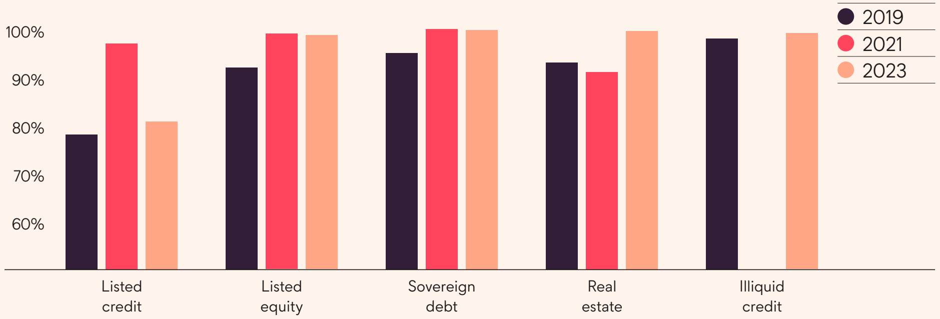
In addition to calculating economic emissions intensity, we also calculate emissions intensity on a revenue basis for our listed asset portfolio in line with TCFD guidance. Revenue emissions intensity provides insight into a company's carbon efficiency per Dollar of revenue earned and is a particularly useful metric for comparing companies within sectors. We observe a c.31% reduction in revenue emissions intensity for listed credit from year-end 2021 to year-end 2023, and a c.40% reduction for listed equity over the same time period.

This reduction in revenue emissions intensity is primarily driven by: (i) an increase in the sales revenue of our investee companies due to a rebound in the global economy following the Covid pandemic, and (ii) a significant increase in revenue per unit of output for energy firms due to the energy crisis.

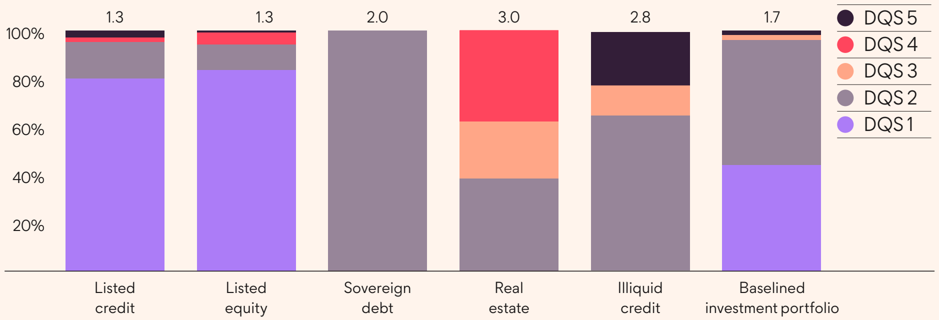
1 Note: illiquid credit not included in YE2021 position.
2 One of the limitations of this methodological development is that we now operate to accelerated reporting timelines. Year-end 2023 asset data is not readily available for a small proportion of our investment portfolio due to these accelerated timelines, resulting in the need to appropriately scale the Q3 2023 asset position by way of a proxy.
3 IEA CO_2 Emissions in 2022 report.
4 See Glossary for definition of 'EVIC'.

Metrics and targets continued
Our investment portfolio continued

Change in data coverage



Breakdown of data quality score at year-end 2023[1]



Data quality scores ('DQS') range from 1 to 5 with the highest standard of disclosed and verified emissions scoring 1 whereas corporate emissions that are based on industry estimates score 5 – based on the PCAF methodology.

Change in data coverage

Our data coverage metric represents the proportion of our investments that we have been able to successfully calculate financed emissions for. We calculate a data coverage metric for each asset class included in the baseline and expect this to improve over time as data availability continues to improve.

Data coverage at year-end 2023 has remained broadly comparable with year-end 2021 for most asset classes, with marginal improvements in data availability from our data vendors and asset manager partners.

For listed credit, we have seen a reduction in data coverage from c.97% at year-end 2021 to c.81% at year-end 2023. This is due to the evolution of our reporting processes to disclose asset data as at the year-end 2023 position resulting in reduced time for estimation (where actual company emissions data is not available).

Whilst moving to a more timely reporting position results in reduced data coverage for listed credit, we do see an improvement in our listed credit data quality score as we are using proxies for a smaller proportion of the listed credit portfolio that we footprint.

We will continue to work with our climate data providers and asset management partners to improve data coverage across all asset classes. In particular, we will continue to try to source actual company emissions data insofar as possible, and therefore reduce our need to use proxies to fill data gaps. Our use of estimated or modelled data is described in the section below on data quality.

Change in data quality score by asset class

Robust decision-making is enabled by high-quality carbon footprint data. However, our ability to report accurate emissions information is dependent on the quality and transparency of reporting of the investee companies.

PCAF developed a data quality hierarchy that allows the scoring of the quality of emissions data of individual companies, which we follow insofar as possible. Data quality scores ('DQS') range from 1 to 5 with the highest standard of disclosed and verified emissions scoring 1 whereas corporate emissions that are based on industry estimates score 5.

The basis for calculating the emissions of the assets included in our baseline analysis is largely reported data. PCAF considers reported data to be of better quality than estimated or extrapolated data.

Data quality score by asset class

	Listed equity^	Listed credit^	Sovereign debt^	Real estate^	Illiquid credit^	Total
2019	1.5	1.9	2.0	3.6	2.6	1.8
2021	1.4	2.3	2.0	3.4	–	1.9
2023	1.3	1.3	2.0	3.0	2.8	1.7

Our total data quality score is broadly unchanged from last year. We have experienced small improvements in data quality for listed equity and real estate due to an increase in available reported data. This is partially offset by the inclusion of illiquid credit in the baseline, which has a lower data quality score than listed assets due to the need to use estimated data in the absence of reported and verified data.

We will continue to broaden our data sources over time as a means to help improve the quality of reported data. Whilst reported climate data is generally of a higher standard than modelled data, there are challenges with the consistency, transparency and coverage of reported climate data which limits the true accuracy of the carbon profile of the portfolio.

Climate reporting is still relatively nascent and so even high-quality data has its limitations. As a result, whilst our total data quality score (for assets included in our baseline analysis) is relatively high, we are nevertheless prudent with what inference we can draw.

Metrics and targets continued
Our investment portfolio continued

Understanding our exposure to climate risk

22% of our listed asset portfolio is exposed to high-transition risk sectors^[1].

These sectors dominate our overall absolute emissions, accounting for 79% of all portfolio emissions in our listed asset portfolio. The proportion of our listed equity and credit asset portfolio exposed to the fossil fuel industry is 10% at year-end 2023^.

This is broadly unchanged from the year-end 2021 position, indicating that the high-transition risk sectors we have identified continue to be responsible for a significant proportion of portfolio emissions in our listed asset portfolio.

Our exposure to high transition risk sectors

We qualitatively identified certain industry sectors as being vulnerable or susceptible to price volatility from rising carbon prices due to policy, technology or market changes. Using Global Industry Classification Standards ('GICS') methodology, we identified a number of underpinning industries within four GICS sectors as being exposed to high transition risk (see table below).

Analysis of our top 10 emitting counterparties

The profile of the listed asset portfolio's top 10 emitting counterparties is similar between year-end 2021 and year-end 2023, in that they make up c.5% of listed asset AUA but almost one third of listed asset absolute emissions.

Our stewardship activities are therefore targeted to encourage investee companies to adopt better climate practices which should help reduce portfolio emissions intensity. We have defined our focused engagement list of 25 companies in high transition risk sectors. Through our engagement programme, dialogue with investee companies will be reviewed on an annual basis, in connection with our periodic monitoring of portfolio decarbonisation goals and carbon footprinting.

The number of top 10 emitting investee companies with approved SBTi targets has reduced from four at year-end 2021 to two at year-end 2023, due to a change in the composition of the top 10 list.

GICS sectors exposed to high transition risk

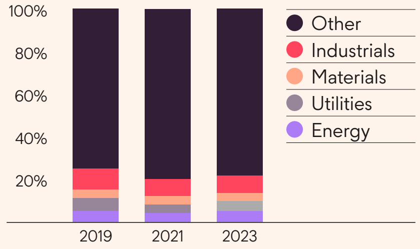
GICS sector	GICS Sub-industry identified as exposed to high transition risk	
Energy	• Energy equipment and services	• Oil, gas and consumable fuels
Utilities	• Electric utilities • Gas utilities • Multi-utilities	• Water utilities • Independent power and renewable electricity producers
Materials	• Chemicals • Construction materials	• Metals and mining
Industrials	• Aerospace and defence • Building products • Construction and engineering • Electrical equipment • Industrial conglomerates • Machinery trading companies and distributors	• Air freight & logistics • Airlines • Marine • Road and rail • Transportation infrastructure

Analysis of top 10 emitting investee companies	2019	2021	2023
Percentage of listed asset portfolio AUA represented by top 10 emitting investee companies	5%	5%	5%
Percentage of listed asset portfolio absolute emissions represented by top 10 emitting investee companies	35%	33%	32%
Average data quality score of top 10 emitting investee companies	1	1	1
Number of top 10 emitting investee companies with SBTi targets	4	4	2

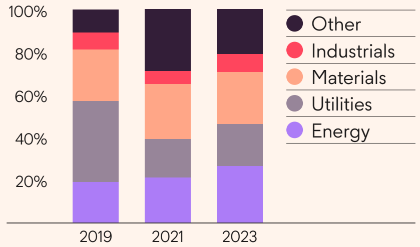
Further information on our stewardship and engagement programme can be found in our **Stewardship Report**

Investment portfolio exposure to high transition risk sectors

Sector exposure as % of listed assets AUA^



Sector exposure (weighted by AUA) as % of listed asset absolute emissions



Our exposure to the fossil fuel industry

We have applied a screen to our listed asset portfolio to identify investee companies which generate greater than 20% of their revenues from involvement in fossil fuels, including production, exploration, distribution and services.

The proportion of our listed asset portfolio exposed to the fossil fuel industry is 10% at year-end 2023^. This has increased from 8% at year-end 2021 due to the financial performance of our investee companies in the energy sector during the 2023 global energy crisis.

Our exposure to physical risk

Whilst we are more materially exposed to transition risk in our investment portfolio, we do have exposure to sectors and geographies which are susceptible to physical risk.

We have performed new analysis this year to assess potential physical risk within our real estate portfolio (both directly held and real estate loans), using the S&P Climanomics platform. We have started to explore the potential physical risk impacts for other parts of our portfolio (such as listed equity and listed credit), and we plan to continue developing this analysis during 2024 and beyond.

Please see the **Scenario analysis** section for further detail

1 See Glossary for definition of high transition risk.

Metrics and targets continued
Our investment portfolio continued

Aligning our investment portfolio to net zero by 2050

As at year-end 2023, almost half of the listed investment portfolio (based on AUA) was invested in counterparties that have committed to set or already set approved science-based targets^.

We measure the 'climate alignment' of our investment portfolio to track whether it is aligning with net zero by 2050 over time, and to support our engagement with investees on their own net zero targets and transition plans.

A key climate 'alignment' metric is percentage of AUA invested in companies that have set science-based targets ('SBTs')[1]. This gives a sense of how aligned a portfolio is to a net zero economy and therefore how resilient it is to transition risk.

The metric is evaluated based on whether an investee company has affiliated itself with the Science-Based Targets initiative ('SBTi'), either because it has committed and is in the process of setting science-based targets or because it has already set its targets and had them approved by SBTi.

Investee companies with science-based targets

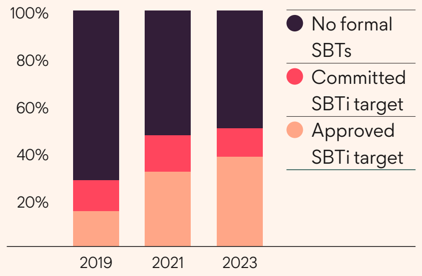
As at year-end 2023, 50% of the listed portfolio (based on AUA) was invested in counterparties that had committed to set or already set approved science-based targets^.

There is an increase in counterparties that have approved science-based targets (38% at year-end 2023 vs 32% at year-end 2021), offset by a comparable decrease in counterparties who have committed to set science-based targets. This reflects the cohort of our investee companies who have had their targets approved by SBTi since year-end 2021.

Whilst evaluating an investee company based on whether it has affiliated itself with the SBTi gives a useful sense of alignment to net zero by 2050, it is one of several metrics that could be used to understand decarbonisation performance relative to a net zero glide path.

We recognise that SBTi may not necessarily be an appropriate methodology to follow for some companies in some sectors, particularly where a standardised methodology may not provide the flexibility required for companies with a unique profile.

Split of the listed asset portfolio by SBT status (based on AUA)^



Monitoring our progress

Our net zero targets have all been set in line with the latest climate science. We will continue to explore levers for achieving validated SBTs.

We believe we are on track to achieve our 2025 interim decarbonisation target if the actions we have already committed to are implemented however, we recognise that there are scenarios in which the target may still not be achieved. This assessment has been informed by our progress to date and supported by our climate scenario analysis, which has tested a range of potential, plausible economy-wide decarbonisation and asset growth rate scenarios.

How likely we are to achieve our 2030 target is currently less certain. It is likely that we will need to take more action and we will also be significantly more dependent on action by others, notably governments and high-emitting sectors, to meet our 2030 targets, and there is greater uncertainty in the pace of decarbonisation over this longer time period, which adds further layers of uncertainty to our modelling.

We will keep progress towards our interim targets under regular review and use this to inform the actions we take.

1 Science Based Targets ('SBT') are targets that are based on the latest climate science and have objectives that are consistent with the goals of the Paris Climate Agreement.

Metrics and targets continued

Our operations

Phoenix Group has nearly 7,800 colleagues spread across 15 sites and five countries.

This section outlines the metrics and targets used to measure and monitor the operational footprint of the business.

Operations targets

Our 2025 operational emissions targets cover Scope 1 and 2 emissions from occupied premises and Scope 3 emissions from our business travel. Our targets are set out in the table below.

Operational targets	Basis	Scope	Carbon target	Target year	Base year
Reduce Scope 1 and 2 emissions by 20% year-on-year	Bespoke	Scope 1 and 2 from occupied premises per FTE – renewable energy procurement to be taken into account (market-based emissions) from 2022 onwards.	$0.98tCO_2e$/FTE	2021	2019
			$0.79tCO_2e$/FTE	2022	2019
			$0.63tCO_2e$/FTE	2023	2019
			$0.5tCO_2e$/FTE	2024	2019
			$0.4tCO_2e$/FTE	2025	2019
Achieve net zero absolute operational emissions	Bespoke	Scope 1, Scope 2 and Scope 3 category 6 Business Travel emissions (market-based) Minimum absolute reduction before retiring carbon credits to achieve net zero	60%	2025	2019

Operations metrics framework

We track our operational emissions through intensity metrics per full-time employee ('FTE') and have reported both market-based and location-based performance. In addition, we use a location-based floor area metric to track the impact of efficiency initiatives undertaken within our buildings. Our metrics are set out in the table below.

Operational metrics	Measure	Metric	Unit	Methodology	Overview
	Carbon footprint	Scopes 1, 2 and selected Scope 3 absolute emissions	tCO_2e	Greenhouse Gas Protocol 2020, EcoAct Homeworking Emissions Whitepaper 2020	Measures Scopes 1, 2 and selected Scope 3 absolute emissions
		Intensity metric for Scopes 1 and 2 emissions per full-time equivalent employees ('FTE')	tCO_2e/FTE		Measures Scopes 1 and 2 carbon emissions intensity per FTE accounting for renewable energy to promote carbon reduction
		Intensity metric for Scopes 1 and 2 emissions from occupied premises per floor area	$kgCO_2e/m^2$		Measures Scopes 1 and 2 carbon intensity per floor area, without accounting for renewable energy to promote energy savings actions

Operational metrics and targets framework

We have evolved operational metrics framework to align with emerging best practice in evaluating exposure to climate-related risks and opportunities. This includes considering how we measure emissions from our properties, homeworking and how we calculate emissions intensity. We will continue to review and enhance our metrics framework as data, methodology, industry guidance and best practice develop.

Key progress in 2023

- Reduced Scope 1 and 2 (market-based) emissions intensity per FTE by 15% on 2022 value and 83% on 2019 value.
- Completed the final stage of the Wythall PV integrated glass roof project, which is now generating at full capacity.
- Developed a heating and cooling policy aimed at reducing energy use through improved building heating controls.

Next steps

- Continue to seek further opportunities to manage our operational carbon footprint. For example, through building consolidation opportunities, new technologies and continuing our building improvement works.
- We will implement solutions to reduce business travel emissions.
- Maintain and continually improve our Environmental Management System in line with our ISO14001 certification.

Metrics and targets continued
Our operations continued

Measuring our absolute operational emissions

Methodology
We have used the main requirements of the GHG Protocol Corporate Standard 2020 (revised edition), together with International Energy Agency ('IEA') and DEFRA UK Government Conversion Factors 2022, as the basis to report on any GHG emissions in tonnes of carbon dioxide equivalent ('tCO_2e').

Further details of the methodology are included in the **additional information**

Property investment portfolio
Our property investment portfolios are not included in our operational footprint. We consider all investment property portfolios managed by our asset management partners as indirect emissions (Scope 3, Category 15) and adopt the operational approach for consolidation as referenced in the PCAF Global Carbon Accounting and Reporting Standard for the Financial Industry ('PCAF Global Standard') as it refines and extends the GHG Protocol's accounting rules for Scope 3, category 15 (investments).

Absolute GHG emissions in tonnes of CO_2e

	2023		2022	
Emissions[1] (tCO_2e) from:	(market-based)	(location-based)	(market-based)	(location-based)
Scope 1 – Combustion of fuels, business travel (in company-owned and operated vehicles), and fugitive emissions of refrigerant gases	2,433	2,433^	2,684	2,684
Scope 2 – Electricity purchased for landlord shared services and own use (purchase of heat, steam and cooling not applicable)	23	3,856^	7	4,437
Scopes 1 + 2 – Mandatory carbon footprint disclosure	2,456	6,289	2,692	7,121
Scope 3 – Category 3: Fuel and Energy Related Activities (T&D)	310	310	356	356
Scope 3 – Category 6: Business Travel	2,746	2,746	1,149	1,149
Scope 3 – Category 7: Employee Commuting (incl. Homeworking Emissions)	5,083	4,884	4,847	4,631
Scope 3 – Category 8: Upstream Leased Assets	762	1,579	2,018	1,826
Scope 3 – Category 13: Downstream Leased Assets	0	242	0	313
Scopes 1 + 2 + 3 – Voluntary carbon footprint	11,357	16,050	11,062	15,395
Carbon Offsets Purchased[2]	1,870		1,994	

1 Emissions factors – IEA (for location-based Scope 2 and Scope 3 T&D losses), AIB (for market-based residual mix factors for non-renewable electricity), and DEFRA (fuels, refrigerants and travel). There is a significant time-lag in the availability of IEA factors – 2023 factors will not be published until late 2024. Therefore all 2023 consumption data are converted using the factors arising in 2019 (except business travel which uses DEFRA factors as published in 2023).
2 Carbon Offsets Purchased relate to Phoenix Group's natural gas procured for and consumed within its directly managed sites, which is certified as 'carbon neutral' by the supplier.
3 Transfer of Undertakings (Protection of Employment) Regulations 2006.

Homeworking emissions
We continue to include estimated employee home working emissions which fall under Scope 3, using the EcoAct Homeworking Emissions Whitepaper 2020.

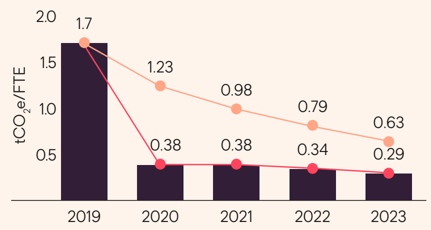
Carbon offsets
For natural gas consumed in our owned and occupied assets, we recognise the challenges in further reducing this emissions source. In 2023, our supplier purchased gold standard certified carbon offsets as part of our contract, constituting approximately 1,870 tCO_2e. This is a decrease of about 6% from 2022.

Measuring our operational emissions intensity

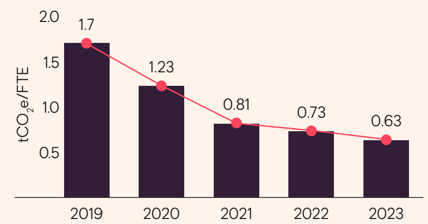
Methodology
The Group's chosen operational intensity metrics measure GHG emissions per occupied floor area (m^2) and per FTE in occupied premises. The methodology to establish whether buildings should be included in the intensity metric only covers occupied buildings where emissions are considered Scope 1 and 2 and where 12 months of data is available in the current reporting year. To calculate the intensity for both per occupied floor area and per FTE per occupied premises, the total Scope 1 and 2 emissions for these buildings were divided by the applicable occupied floor area and FTEs, respectively. To reflect the TUPE[3] transfer of colleagues in 2023, these staff have been retained within the FTE number as they are undertaking work exclusively for Phoenix Group, under contractually obliged office space.

As acknowledged in 2022, market-based emissions are now used as the primary indicator, reflecting the procurement of renewable energy in our premises.

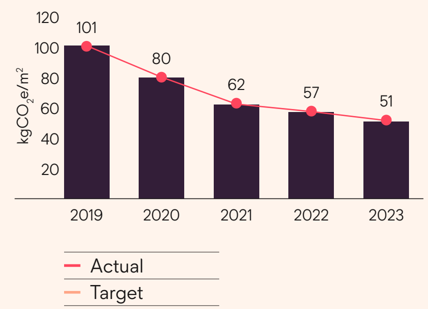
Intensity metric for Scope 1 and 2 emissions per FTE (market-based) – accounting for renewable energy purchasing as a carbon reduction method^



Intensity metric for Scope 1 and 2 emissions per FTE (location-based)



Intensity metric for Scope 1 and 2 emissions from occupied premises per floor area (location-based)



Metrics and targets continued
Our operations continued

Analysing our operational emissions

Taking into account the contribution renewable energy makes to our carbon reduction strategy, we have achieved a 15% reduction in emissions intensity vs 2022 (market-based) and an 83% reduction in our operational carbon per FTE intensity metric from the 2019 baseline. This was driven by our continued assessment of office utilisation, building consolidation and energy efficiency improvements, particularly as a significant proportion of our workforce continues to work in a hybrid manner.

Location-based approach

The Scope 1 and 2 emissions intensity (from occupied premises per FTE) in 2023 has decreased by 14% from 2022 (location-based). We have also seen a reduction in our absolute emissions (location-based Scope 1 and 2) which have decreased by 12% from 2022.

Business travel

In contrast, business travel has seen a significant increase of 139% over the same period, which is a result of the return to in-person activities, as business continues to return to normal following the COVID-19 pandemic and virtual ways of working. A refreshed business travel carbon reduction plan is in progress to address this increase. As a result of business travel increasing, overall, Scope 1, 2 and 3 emissions have increased by 3%.

Environmental Management System

Central to managing our impact is the Environmental Management System ('EMS') that we have adopted to facilitate sustained greenhouse gas reductions. In 2023 we completed the processes necessary to achieve certification against the requirements of the International Standards ISO 14001. We began external auditing to the Standard in 2023 and completed it in early 2024.

ISO 14001 focuses on the processes and procedures that an organisation has in place, rather than on specific parameters, targets or performance indicators and is a universally-recognised framework to demonstrate a commitment to continuous improvements in environmental performance and control of pollution. We use it to set detailed internal environmental objectives, including waste reduction, biodiversity planning, EMS improvements and training by carrying out materiality assessments to identify significant sustainable aspects and impacts, legal requirements, technological options, financial, business and operational requirements and the views of the Group's internal and external stakeholders.

The targets we set are measurable, practicable and consistent with the objectives and our environmental policy. In addition, the standard helps the Group comply with relevant legal and other requirements and reduce associated risk.

Monitoring our progress

Under our primary market-based operational emissions intensity per FTE metric, we have achieved a significant reduction in operational emissions intensity of 83% from the 2019 baseline putting us in line with the 2025 target before the use of carbon removal credits to achieve net zero.

Business travel has significantly increased again in 2023 compared to 2022. This can mainly still be attributed to the return of pre-pandemic travel patterns. We are continuing to investigate and invest in technological solutions to reduce business travel where possible and are implementing the next stage of our travel carbon reduction plan.

We recognise the ability to meet our organisational goals will depend on a number of factors including the adoption of progressive climate and energy policy and innovation and advances in technology.

Metrics and targets continued

Our supply chain

We have set a target to halve our supply chain's carbon intensity by 2030 to support our Group-wide 2050 net zero target.

Key progress in 2023

- Supply chain emissions have been provisionally modelled from 2020 until 2023.
- Carbon-intensity ratios have been defined at the category level.
- The percentage of key suppliers committed or aligned to SBTi or UN Race to Zero campaign increased from 48% in 2022 to 94% in 2023^.

The Group operates an outsourced business model and our supply chain is critical in the delivery of our strategic objectives. Delivering our net zero by 2050 ambition will require the support of our partners and suppliers and we have been engaging them to build a clear Group decarbonisation strategy including a plan to set a carbon reduction target.

Supply chain metrics and targets framework
We continue to review and enhance our supply chain metrics to align with emerging best practice in evaluating exposure to climate-related risks and opportunities. We have set the following targets to guide us on our journey to net zero by 2050.

Supply chain targets

Supply chain targets	Target year
75% of key suppliers committed or aligned to SBTi or UN Race to Zero campaign	2022
90% of key suppliers committed/ aligned to SBTi or Race to Zero campaign	2023
25% of top suppliers (based on emissions) with SBTi-based target in line with net zero roadmap	2025
90% of key suppliers to be fully aligned with the Group's net zero targets	2027
Reduce supply chain carbon intensity by 50%	2030
Net zero supply chain	2050

1 We additionally consider suppliers to be aligned to SBTi or UN Race to Zero if they have met our requirement on having set near-term GHG emissions reductions targets which align to the Paris agreement. This includes a 50% reduction in emissions by 2030 and must cover Scope 1 and Scope 2 emissions and some or all categories of Scope 3 emissions. See Methodology for definition of 'key suppliers'.

Supply chain metrics framework
We have developed a controls and methodology framework that ensures a more robust approach to the calculation of our key metrics. The framework is reviewed annually at our Group Operations Sustainability Steering Committee and will continue to be enhanced in line with best practice and evolving regulatory requirements. Our supply chain metrics are as follows:

Metric	Unit	Overview
Percentage of key suppliers committed or aligned to SBTi or UN Race to Zero campaign or equivalent[1]	%	The number of key suppliers committed or aligned to SBTi, UN Race to Zero based on our defined requirements as a percentage of total key suppliers.
Carbon Disclosure Project: Climate Change Survey Engagement Participation	%	The participation of suppliers who were requested to take part in the annual CDP survey.
Supply Chain Carbon Emissions Total	tCO_2e	Supplier-specific emission factors combined with a UK industry average emission factor that is reflective of the goods and services received.
Supply Chain Carbon Emissions: Purchased Goods and Services	tCO_2e	Supplier-specific emission factors combined with a UK industry average emission factor that is reflective of the goods and services received. The total is then split between purchased goods and services and capital goods.
Supply Chain Carbon Emissions: Capital Goods	tCO_2e	Supplier-specific emission factors combined with a UK industry average emission factor that is reflective of the goods and services received. The total is then split between purchased goods and services and capital goods.
Supply Chain Carbon Intensity	tCO_2e / £m	Supplier-specific emission factors combined with a UK industry average emission factor that is reflective of the goods and services received. Carbon emissions per £m spent.

Next steps

- We will deliver robust and assurance-ready carbon footprints for 2022, 2023 and 2024.
- We will define our supplier engagement programme for top emitters.
- We will further enhance our supplier and spend data to build an accurate picture of our carbon footprint.

Metrics and targets continued
Our supply chain continued

Measuring our supply chain emissions

Approach
We have been undertaking an extensive exercise to enhance our supply chain data, as well as spend data quality and categorisation, in order to calculate our indicative supply chain emissions more accurately. As a result of this process our indicative supply chain emissions have now been remodelled from 2020 to 2023 (see table).

The Group has created a bespoke inhouse Environmentally Extended Input and Output model ('EEIO'), improving the use of supplier-specific data as well as choosing an economic categorisation system that is more reflective of a financial services supply chain[1]. This enhancement to our supply chain data and methodology has enabled us to calculate our emissions more accurately. We have also developed an initial view of our supply chain's carbon intensity based on the latest data, including a provisional understanding of carbon intensity at a category level.

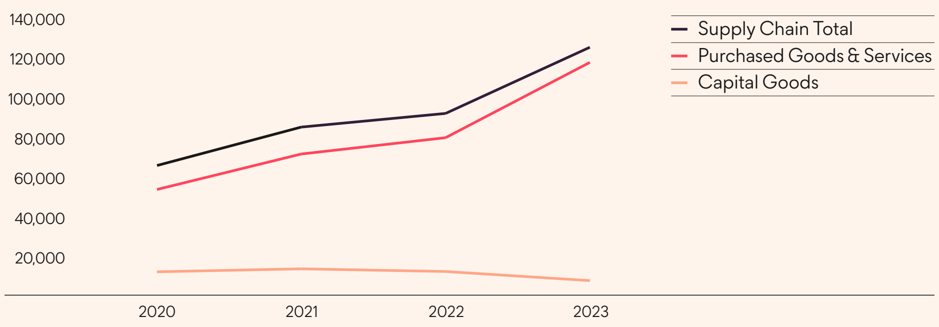
We will continue to enhance the primary data and expect to publish a validated emissions baseline for the supply chain next year, alongside a disclosure of the carbon intensity target with a plan to achieve the Group's target to reduce the supply chain carbon intensity by 50%. The figures presented here are therefore indicative until further analysis has taken place.

Analysing our supply chain emissions
Over recent years the Group's supply chain and third-party spend have both grown significantly to support the business and as a result so have our absolute carbon emissions. The increase in the Group's supply chain carbon intensity in 2023 is also a result of the supply chain growing to meet customer demand. We have committed to developing a decarbonisation pathway for the supply chain and, as decision-making becomes operationalised in line with this, we expect that the carbon intensity will decline in line with our targets.

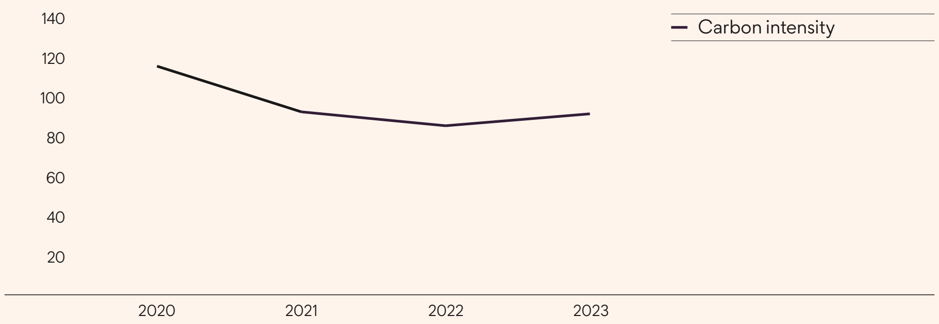
Overview of our key supply chain metrics over time

	Year	2020	2021	2022	2023
Purchased goods and services	tCO_2e	53,440	71,271	79,475	117,337
Capital goods emissions	tCO_2e	12,049	13,539	12,198	7,606
Absolute total emissions	tCO_2e	65,488	84,810	91,673	124,943
Absolute total emissions	$MtCO_2e$	0.07	0.08	0.09	0.12
Carbon intensity ratio	tCO_2e/£m	115	92	85	91

Tracking our absolute supply chain emissions over time
Absolute supply chain emissions tCO_2e



Tracking our supply chain emissions intensity over time
Supply chain carbon intensity tCO_2e/£m



Monitoring our progress

As we implement our Net Zero Transition Plan, we will develop interim targets for our top suppliers alongside conducting targeted engagement. We will also look to develop more robust procurement and sourcing processes for the organisation to encourage more responsible practices in relation to emissions reduction.

Measuring progress
We have achieved our target of ensuring that at least 90% of key suppliers are committed or aligned to SBTi or UN Race to Zero campaign^. Going forward the Group will disclose its target baseline and an accompanying plan to achieve a 50% reduction in the supply chain's carbon intensity by 2030.

Monitoring our key suppliers
We have seen a 236% increase in the number of our suppliers who participated in the CDP climate survey compared to 2022. 73% of suppliers submitted a disclosure to the annual CDP which is above the industry average of 63%. This greatly improves visibility of top emitters for our net zero targets.

1 See Methodology for more information.

Additional information

In the Additional information section

Compliance with the TCFD framework

Phoenix Group confirms that it has made climate-related financial disclosures for the year ended December 31, 2023 that it believes are consistent with TCFD Recommendations and Recommended Disclosures (as defined in the FCA's Listing Rules). In the table below, we cross-refer to where the disclosures are located. Our TCFD compliance statement can be found in our 2023 Group Annual Report and Accounts.

TCFD elements	TCFD recommended disclosures	Cross-reference
Governance	a. Describe the board's oversight of climate-related risks and opportunities.	Governance section – pages **21** and **22**
	b. Describe management's role in assessing and managing climate-related risks and opportunities.	Governance section – page **24**
Strategy	a. Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	Strategy section – pages **26** and **27**
	b. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.	Strategy section – pages **25 to 34**
	c. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Strategy section – pages **35 to 39**
Risk management	a. Describe the organisation's processes for identifying and assessing climate-related risks.	Strategy section – page **26**
		Risk management section – page **43**
	b. Describe the organisation's processes for managing climate-related risks.	Risk management section – page **40 to 43**
	c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	Risk management section – pages **40 to 43**
Metrics and targets	a. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	Metrics and targets section – pages **44 to 57**
		Methodology section – pages **61** and **62**
	b. Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	Metrics and targets section – pages **44 to 57**
	c. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	Metrics and targets section – pages **44 to 57**

Glossary

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 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').

Carbon offsets
A reduction or removal of emissions of carbon dioxide or other greenhouse gases made in order to compensate for emissions made elsewhere.

Climate related risk
The potential negative impacts of climate change on an organisation.

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

Climate solutions
Economic activities that contribute substantially to climate change mitigation or adaptation.

CBES (Climate Biennial Exploratory Scenario exercise)
Bank of England exercise to explore the financial risks posed by climate change for the largest UK banks and insurers.

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

COP28 (UN Climate Change Conference of the Parties)
The 28th UN Climate Change Conference of the Parties held in Dubai in November 2023.

Customised decarbonisation benchmarks
Climate aware benchmarks that aim to deliver net zero by 2050 while meeting our customer requirements.

Decarbonisation tilt
Tilting investments at each rebalancing toward companies with low GHG intensities. This shift from high or average emitters to low emitters aims to reduce the emissions footprint of a portfolio over time.

EEIO (Environmentally-extended input output)
Models used to estimate energy use and/or GHG emissions resulting from the production and upstream value chain activities of different sectors and products within an economy.

ESG (Environmental, Social and Governance)
ESG criteria are a set of standards that socially-conscious investors use to screen potential investments. Environmental criteria consider how a company performs as a steward of nature. 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.

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.

GICS (Global Industry Classification Standard)
A four-tiered, hierarchical industry classification system for GHG (greenhouse gases) Gases which warm the earth at different intensity levels such as water vapour, carbon dioxide ('CO_2'), methane ('CH4'), nitrous oxide ('N2O'), hydro chlorofluorocarbons ('HCFCs'), ozone ('O3'), hydrofluorocarbons ('HFCs'), and perfluorocarbons ('PFCs').

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

High transition risk sectors
Sectors that are vulnerable in a transition to a net zero by 2050 economy – energy, utilities, materials and industrial.

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

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.

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

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.

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

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.

SECR (Streamlined Energy and Carbon Reporting)
Reporting of emissions sources required under the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

Stewardship
Use of influence to maximise overall long-term value including the value of common economic, social and environmental assets, on which returns and clients' and beneficiaries' interests depend.

SBT (Science Based Targets)
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.

Task Force on Climate-related financial disclosures ('TCFD')
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.

Task Force on Nature-related financial disclosures ('TNFD')
The TNFD is a new global market-led initiative which aims to provide financial institution and corporates with a complete picture of their environmental risks and opportunities. The TNFD will deliver a framework for organisations to report and act on evolving nature-related risks, building on the success of the TCFD.

Transition risk
Climate-related risks associated with the transition to a low-carbon economy. They include risks related to policy and legal actions, market and economic responses, technology changes and reputational considerations.

Methodology

This section sets out the ESG Key Performance Indicators (KPI) and accompanying assumptions, scope and definitions used to calculate and report each KPI. These KPI's are included within the scope of EY's limited assurance.

Unless otherwise stated all figures in our report cover the period from 1 January to 31 December 2023.

Investments

Absolute financed emissions (Scope 3, Cat 15) ($MtCO_2e$)
Defined as the investment portfolio's fair share of emissions of investee companies, calculated using the PCAF methodology insofar as possible.

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

Revenue emissions intensity('WACI') (tCO_2e/$m revenue)
Expresses portfolio emissions per unit of sales revenue of the investee companies – calculated using Weighted Average Carbon Intensity, according to TCFD guidance.

Data quality score
The data quality score is used to indicate the quality/reliability of the source data used to derive emissions values for individual issuers, and is calculated using PCAF methodology insofar as possible. The portfolio Data Quality Score is the market value weighted sum of data quality scores for the constituent holdings.

Percentage of illiquid asset originations in the shareholder portfolio that are sustainable or transition assets
This metric measures the market value of illiquid shareholder assets originated in 2023 that meet the definition of 'Sustainable' as per the Group's Sustainable Finance Classification Framework for Private Markets (published on our website), plus, those assets originated in 2023 that meet the definition of the (internal) 'Transition' section of the above Framework, expressed as a percentage of the market value of all 2023 shareholder illiquid origination. The criteria of the Framework was developed by Phoenix with support from Sustainalytics, a Morningstar company, and a leading independent ESG and corporate governance research, ratings and analytics firm that supports investors around the world with the development and implementation of responsible investment strategies. The criteria for Transition assets is drawn from public taxonomies and Net Zero Asset Owner Alliance guidance.

Percentage of listed asset portfolio invested in companies with SBTi targets (% of AUA)
Proportion of the listed asset portfolio invested in companies that have set science-based targets. This metric is evaluated based on whether an investee company has affiliated itself with SBTi – either it has committed and is in the process of setting science-based targets or that it has already set its targets and had them approved by SBTi.

Percentage of listed assets exposed to high-transition risk sectors (% of AUA)
'Transition risk' – the technological, market, legal and reputational risk of a transition to a net zero by 2050 economy – is the key climate change risk that affects the Group's investments portfolio. Using Global Industry Classification Standards ('GICS') methodology, we identified a number of sub-industries within four GICS sectors as being exposed to elevated levels of transition risk. The metric is evaluated by expressing the value of these holdings as a % of AUA of the listed assets portfolio.

Percentage of listed assets exposed to the fossil fuel industry (% of AUA)
This metric determines the proportion of our listed equity and credit AUA that is invested in investee companies which generate >= 20% of their recent-year revenues from involvement in fossil fuels, including any exposure in fossil fuel production, exploration, distribution and services. We have selected a 20% threshold to align with the threshold we apply in our Group Exclusion Policy, and to ensure that we capture large conglomerates with diversified revenues.

Operations and Supply chain

Scope 1 and 2 emissions (tCO_2e) – location-based
Phoenix has used the GHG Protocol Corporate Standard (revised edition) and emissions factors from the International Energy Agency ('IEA'), DEFRA UK Government Conversion Factors, and Association of Issuing Bodies ('AIB') European Residual Mix as the basis to report on any GHG emissions in tonnes of carbon dioxide equivalent (tCO_2e). This expresses multiple greenhouse gases in terms of carbon dioxide based on their global warming potential (including methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride).

Emissions considered relate to activities both in the UK and globally for which Phoenix is responsible and include as applicable: combustion of any fuel and operation of its facilities; fugitive emissions released from refrigerants purchased (based on refrigerant top-ups); and annual emissions from the purchase of electricity, heat, steam or cooling by Phoenix for its own use.

Scope 3 emissions Cat 3,6,7,8,13 (tCO_2e)
Phoenix Group estimates Scope 3 emissions associated with employee homeworking (using the EcoAct Homeworking Emissions Whitepaper 2020) and employee commuting, as well as business travel from other third-party owned/operated sources, including air, taxi and rail travel.

Reported data relates to occupied premises in UK, Ireland, Germany, Austria and Bermuda, where Phoenix Group procures energy. Where energy consumption is sub-metered to tenants and in occupied assets that Phoenix Group does not directly own or operate (i.e. serviced offices), GHG emissions fall into Scope 3 reporting, whereas all other landlord-obtained consumption remains as Scope 1 or 2 emissions.

Total Scope 1, 2 and 3 emissions Cat 3,6,7,8,13 (tCO_2e/£ revenue)
Measures scopes 1, 2 and 3 emissions (including category 3,6,7,8,13) over group revenue (£).

Emissions (Scope 1 and 2) on a per floor area intensity ($kgCO_2e/m2$) – market based
Phoenix reports Scope 2 emissions using the GHG Protocol dual-reporting methodology, stating two figures, location and market-based, to reflect the GHG emissions from purchased electricity:

- A location-based method that reflects the average emissions intensity of the national electricity grids from which consumption is drawn.
- A market-based method that reflects emissions from electricity specific to each supply/contract. Where electricity supplies are known to be from a certified renewable source, a zero emissions factor is used, otherwise residual mix factors are used.

This metric measures Scopes 1 and 2 (market-based) carbon emissions intensity per floor area of occupied premises. The methodology to establish whether buildings should be included in the intensity metric only covers occupied buildings where emissions are considered Scope 1 and 2 and where twelve months of data is available in the current reporting year.

Methodology continued

Emissions (Scope 1 and 2) on a per full-time equivalent employee (FTE) intensity (tCO_2e/FTE) – market based
Measures Scopes 1 and 2 carbon emissions intensity per FTE accounting for renewable electricity to promote carbon reduction. FTE includes employees, FTC and TUPE-transfer contractors working from Phoenix Group offices.

Energy consumption (GWh)
Energy consumption is the total of: renewable electricity consumption; grid average electricity consumption; on-site renewable electricity production e.g. solar PV; natural gas consumption; municipal cooling; municipal steam-heating.

Percentage of renewable electricity procured across our occupied premises (% of total electricity procured)
Measures the percentage of electricity procured in occupied offices where we have operational control that is contractually covered by renewable energy certificates ('RECs') of total electricity procured. Sites included within this metric follow the same methodology as our floor area intensity calculation.

Percentage of key suppliers committed or aligned to SBTi or UN Race to Zero campaign
This metric measures the number of key suppliers which have at least one of the below criteria, as a percentage of total key suppliers:

1. Publicly committed to or aligned to the SBTi or UN Race to Zero.
2. Directly informed us of their intention to submit and commit to SBTi.
3. Are aligned to SBTi or UN Race to Zero based on having met our requirements, which is to have set near-term GHG emissions reductions targets which align to the Paris agreement. This includes a 50% reduction in emissions by 2030 and must cover scope one and two emissions and some or all categories of scope 3 emissions.

Key suppliers are defined as material T1 and 2 suppliers to Phoenix Group as of January 2023.

Customer

Number of customers reached to raise awareness about the impact of their investments
This metric measures the number of Standard Life and ReAssure customers provided with information, either directly or through the use of links, relating to the impact of investing and sustainability themes.

Other methodological notes

Stewardship engagement
We believe that engagement refers to a two-way interaction between the investor and investees in relation to the corporate business strategy and ESG practices with the goal of influencing issuers' practices. Our stewardship team undertakes direct engagement with issuers' representatives, joins collaborative engagements with other investors such as those through Climate Action 100+ and conduct dialogue with investees through our asset management partners.

Assessing the progress of companies in our climate engagement programme
We have developed a heat map to summarise overall progress of each company against tailored objectives after one year of dialogue.

Methodology: The scoring framework awards one point for a complete, fulsome answer to a given indicator and zero points for no relevant information or an answer indicating poor performance. We also award points on 0.25 increments, based on the level of disclosure companies provide and the quality of the response. The Risk Management & Accounting pillar has only two indicators, whereas the Strategy pillar can achieve up to nine indicators for some sectors. The qualitative nature of assessing Governance and Strategy indicators also lends them to undergo more scrutiny. We demand strong governance and robust strategies in place, and there are always areas where more disclosure is required. The more companies disclose, the more of their plans and processes we can assess. The highest scoring pillars of the framework are Transparency and Metrics & Targets. Transparency, with three indicators, is relatively easy to score high on, as the assessment is on the production of reports and not an assessment of the quality of reporting – such issues are often raised in other parts of the assessment framework. The Metrics and targets pillar scores companies on a reasonably quantitative basis and most listed companies are accustomed to disclosing carbon emissions data.

Indicative supply chain emissions from 2020 to 2023
Our baseline has been provisionally modelled using a combination of top-down and bottom-up analysis. We used environmentally extended input-output ('EEIO') analysis, where an industry average emissions factor is applied per pound of spend. This was supplemented with CDP data from suppliers where available.

Assurance statement

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 Sustainability Report and Climate Report, and found in the ESG Data Appendix and Annual Report and Accounts (collectively referred to as "the Reports") as of 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 Reports, 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 set out within Phoenix's "Sustainable Finance Classification Framework" (on Phoenix's website) (Reports & policies I Phoenix Group (thephoenixgroup.com), and "Assured data methodology" (on pages 45 to 46 of Phoenix's 2023 Sustainability Report) (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

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. Obtained key documentation and confirm 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. Considered 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 as of 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
21st March 2024
London

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. The key areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to this report, include: financed emissions, operational emissions and climate scenario analysis. 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. Climate disclosures in the 2023 Climate 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 by 2050 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 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 reporting 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-by-like basis.

Note on materiality

Our public disclosures, including our Sustainability 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 Sustainability 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 sustainability 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 sustainability 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 disclosure 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, 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.

Forward looking statements

The 2023 Climate 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 forwardlooking 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 analysis and the model that analyse them;
- lack of transparency and comparability of climate related forward-looking methodologies;
- environmental, social and geopolitical risks;
- the Group's commitment to continue to deliver good customer outcomes; 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 Climate 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 Climate 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 Climate 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.

Phoenix

Contact us

News and updates
In line with our Sustainability Programme and our commitment to reduce our environmental impact, you can view key information on our website:
www.thephoenixgroup.com

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

Registered address
Phoenix Group Holdings plc
20 Old Bailey
London
England EC4M 7AN

Registered Number 11606773

www.thephoenixgroup.com