



 Phoenix

# ESG Supplier Standards

December 2024

## Background: sustainable procurement at Phoenix Group

The purpose of this document is to communicate Phoenix Group's Environmental, Social and Governance (ESG) requirements to its suppliers. The document is reviewed and approved annually by the Phoenix Group's Board Sustainability Committee. Phoenix Group's Purpose is to help people - from customers, colleagues, and investors to wider society to secure a life of possibilities.

To achieve this goal, the organisation works with a number of suppliers who play a critical role in supporting delivery of Phoenix Groups' strategic objectives.

When Phoenix Group selects a supplier, before they can be onboarded, they are asked to provide evidence against the ESG requirements outlined in these Standards. Building relationships with suppliers who share Phoenix Group's ESG aspirations is a priority. Suppliers are encouraged to share these Standards with their own support service providers.

**Application and threshold:** Phoenix Group applies a risk-based approach to the management of suppliers. Phoenix Group expects all suppliers to align with the ESG Supplier Standards and enhanced oversight is applied to those that meet certain criteria. These criteria are a material supplier (please see the Glossary) and/or suppliers with a spend (individually or cumulatively on an annual basis) over or likely to be over £1.5m (inc. VAT).

**Embedding ESG into the procurement process:** Colleagues who source products and services for Phoenix Group are being equipped with the knowledge to incorporate an awareness of a supplier's impact on Phoenix Group's sustainability commitments. A supplier must satisfy Phoenix Group's risk appetite to be onboarded. If selected, during the supplier's onboarding journey, they will be asked to complete a set of ESG risk based questions and share their evidence. If a supplier's response falls outside of the risk appetite, they may have to complete remediation tasks before they can begin their work. This remediation could include the supplier having to consider ESG contractual clauses. Suppliers may also be engaged directly to understand their ESG aims. This can involve a one to one discussion between Phoenix Group and the supplier's ESG subject matter expert or more broadly through local Phoenix Group operational governance fora.

**Environmental sustainability:** Phoenix Group aims to achieve a Net Zero supply chain by 2050 with an interim objective to halve the carbon intensity of the Supplier Base by 2030. This target affects all Phoenix Group's Supplier Base. To measure progress, an annual carbon emissions assessment of the Supplier Base is undertaken. The results are published within the annual reporting suite. Phoenix Group follows the Greenhouse Gas Protocol's Technical Guidance for calculating these Scope 3 emissions. To further the understanding of Climate Related Risk within the Supplier Base, the material supplier population undergoes a periodic Climate Related Risk assessment to understand if they are operating within the risk appetite. After reviewing the results of the analysis, material suppliers could be selected for a further qualitative climate scenario assessment.

**Social sustainability:** Phoenix Group is committed to respect human rights and has an ambition to align with the [International Bill of Human Rights](#), [United Nations Guiding Principles on Business and Human Rights \('UNGPs'\)](#) and the International [Labour Organisation \(ILO\) core conventions of Labour Rights](#). Phoenix Group considers human rights risks by conducting periodic assessments on the material supplier population to increase transparency and mitigate the risks of modern slavery and Human Rights violations. Phoenix Group is also a signatory of the UK Government's Prompt Payment Code.

## Standards expected of suppliers: environmental sustainability

Phoenix Group's ambition is to be a Net Zero organisation by 2050. This includes an ambition to achieve a Net Zero supply chain by 2050 and an interim target to halve the carbon intensity of the Supplier Base by 2030.

To support these objectives, Phoenix Group's Requirements of suppliers are to:

- Commit to a long-term goal to be Net Zero by 2050 or earlier, set in line with Science-Based methodologies with a clear scope, timeline, and Baseline
- On an annual basis disclose current Greenhouse Gas (GHG) emissions data covering Scopes 1 and 2 calculated in line with the GHG Protocol methodology. Suppliers who have more than 250 employees, with a turnover greater than £50m per annum, should also disclose their available Scope 3 GHG emissions data
- Assist Phoenix Group with prompt and complete responses to all requests for data and other environmental information that will help Phoenix Group gain a better understanding of its environmental sustainability and climate risks.

Phoenix Group further encourages suppliers to take the following steps with regards to climate change and nature management.

- Commit to short-, medium and long-term emission reduction targets aligned with a 1.5°C trajectory covering the company value chain, with targets expressed both in terms of intensity and absolute emissions
- Develop a climate transition plan in line with best practice guidance
- Integrate physical climate and transition risks in the company risk management framework
- Take initial steps towards assessing and reporting nature-related dependencies, impacts, risks, and opportunities.

Phoenix Group is highly supportive of internationally recognised frameworks and may use them to engage with suppliers. In particular, Phoenix Group refers to:

- The International Sustainability Standards Board (ISSB) standards, IFRS S1 and S2, which build on the Taskforce on Climate-related Financial Disclosure ('TCFD') framework
- The Taskforce on Nature-related Financial Disclosure ('TNFD') recommendations; and
- The UK's Transition Pathway Taskforce guidance, which Phoenix Group uses to assess the credibility of companies' climate transition plans.

## Standards expected of suppliers: social sustainability

Phoenix Group is committed to increasing its understanding of human rights and modern slavery risks and preventing violations and expects suppliers to do the same. Phoenix Group is committed to respecting human rights in accordance with the [International Bill of Human Rights](#), and the International [Labour Organisation \(ILO\) core conventions of Labour Rights](#). To do this Phoenix Group is aligning with the United Nations Guiding Principles on Business and Human Rights ('UNGPs'),

To support these objectives, Phoenix Group Requirements of suppliers are to:

### Human Rights & Modern Slavery

- To use best endeavours to protect Human Rights in a manner which is consistent with the principles of: the International Bill of Human Rights and International Labour Organisation (ILO) core conventions of Labour Rights. and make a commitment to align with the UNGPs
- Comply with all applicable laws in relation to anti-slavery, child labour and human trafficking, to include without limitation the Modern Slavery Act 2015
- To not engage in any activity, practice or conduct that would constitute an offence under sections 1, 2 or 4 of the Modern Slavery Act 2015
- Prohibit the use of all forms of modern slavery, including forced labour or bonded labour and give employees, the right to leave employment
- Commit to not employing individuals under the age of 15 or under the age of mandatory schooling, whichever is higher. Suppliers must ensure that child labour in their own operations and value chains, and that the employment of young workers adheres to local regulations
- Suppliers will ensure they only employ people with a legal right to work in that geography
- Abide by Phoenix Group's [Supplier Code of Conduct](#).

### Health and safety

- Comply with local workplace health and safety laws including the UK Health and Safety Act if they have operations in the UK or local equivalent. This compliance should be publicly referenced and available
- Have in place a process to be able to report, identify and capture Health & Safety incidents (Occupational Health and Safety (OHS) Management Systems). To provide health and safety training to their employees.

Phoenix Group further require suppliers to:

Assist Phoenix Group with prompt and complete responses for requests for, Human Rights, Modern slavery, or other information that will help Phoenix Group gain a better understanding of its social sustainability risks.

## Glossary

Terminology	Definition
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 ('CO2e').
Climate Related Risk	The potential negative impacts of climate change on an organisation
Encourage	Within the environmental sustainability section, Phoenix Group refers to Encourage for the standards that suppliers are asked to comply with, suppliers are not measured against these expectations during the selection process.
Environmental, Social and Governance (ESG)	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.
Greenhouse Gas Protocol	Global standards for companies and organisations to measure and manage their emissions.
Human Rights	Human rights are rights inherent to all human beings, regardless of race, sex, nationality, ethnicity, language, religion, or any other status. Everyone is entitled to these rights without discrimination. They include a wide range of protections and freedoms, including social, labour, economic, cultural, civil, political, and environmental rights.
Labour Rights	The ILO Declaration on Fundamental Principles and Rights at Work, adopted in 1998 and amended in 2022, is an expression of commitment by governments, employers', and workers' organisations to uphold basic human values - values that are vital to our social and economic lives. It affirms the obligations and commitments that are inherent in membership of the ILO, namely: freedom of association and the effective recognition of the right to collective bargaining; the elimination of all forms of forced or compulsory labour; the effective abolition of child labour; the elimination of discrimination in respect of employment and occupation; and a safe and healthy working environment.
Material Supplier	<p>These are Suppliers who are Strategic or Critical to Phoenix Group's operations.</p> <p>Strategic (also known as a tier 1 supplier): Of significant importance to Phoenix Group where the services the supplier provides support Phoenix's strategic objectives and are crucial in providing ongoing and future services to Phoenix customers, policyholders and shareholders. These suppliers are highly likely to be integrated into Phoenix Group's operating model and will be deemed as a Critical/Material Arrangement for Solvency II purposes.</p>

	<p>Critical (also known as a tier 2 supplier):</p> <p>Deemed as a Critical/Material Arrangements, however, are not viewed as a Strategic partner to Group. These suppliers will perform a Critical function and/or activity on behalf of Phoenix Group, they could be crucial in providing current services to Phoenix customers, policyholders, and shareholders.</p>
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.
Supplier	An organisation that has entered into a business relationship or contract with Phoenix Group to provide a product or service. Also commonly referred to as Third Party/Third Parties.
Requirements	Within the environmental and social sustainability sections Phoenix Group refers to Requirements or Require for the standards that suppliers are measured against during the selection process. Supplier responses to these ESG criteria influence whether they can successfully be onboarded and work within Phoenix Group's risk appetite.
Science-Based	Science-Based targets are targets to reduce greenhouse gas emissions in line with the goals of the Paris Agreement and the climate science that underpins it.
Scope 1, 2 and 3 emissions	<p>Greenhouse gas emissions are categorised into three scopes.</p> <ul style="list-style-type: none"> <li>• Scope 1 covers direct emissions, e.g. use of natural gas, company car vehicle emissions</li> <li>• Scope 2 covers indirect emissions from the generation of purchased electricity, steam and heating</li> <li>• Scope 3 includes 15 other categories of indirect emissions in a company's value chain, e.g. business travel and investments.</li> </ul>
Supplier Base	The composition of Suppliers that directly provide Phoenix Group with goods and services. It does not include fourth parties or sub-contractors
Transition Risk	<p>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.</p>