Phoenix

Supporting constructive dialogue

Summary Stewardship Report 2023
Phoenix Group Holdings plc

Standard Life
Part of Phoenix Group

SunLife
Part of Phoenix Group

PHOENIX LIFE
Part of Phoenix Group

ReAssure
Part of Phoenix Group

Executive summary

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

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

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

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

Our focus

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

Our customers' views

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

Climate change

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

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

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

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

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

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

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

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

Executive summary continued

Nature

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

Human rights

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

UNGC-related controversies

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

Corporate governance and voting

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

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

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

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

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

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

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

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

Executive summary continued

Working with our asset managers

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

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

90%+

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

5,000+

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

2,300

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

41%

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

94-100%

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

Addressing market-wide and systemic risks

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

For more information view our **Stewardship Report 2023**

29

industry initiatives are supported to address systemic ESG risks

Future priorities

Key commitments

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

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

Phoenix

Contact us

If you want to contact our stewardship team, please email **stewardship@thephoenixgroup.com**

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

Registered Number 11606773

www.thephoenixgroup.com