Phoenix

Net Zero Transition Plan

Phoenix Group Holdings plc

We are proud to present our Net Zero Transition Plan, which sets out how we will become a net zero business by 2050 and achieve our interim targets for 2025 and 2030.

Our 2022 reporting suite

Annual Report

Sustainability Report

Climate Report

Stewardship Report

Access the full reporting suite at thephoenixgroup.com →

Assurance
The Group appointed Ernst & Young LLP ('EY') to provide limited independent assurance over selected climate-related disclosures content for our Climate Report with the same data used within this Transition Plan marked with ^ as at and for the year ended 31 December 2022. 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 pages 66 - 67 of our Climate Report.

Read our Climate Report →

Read more about Phoenix Group and our family of brands →

In this Plan

An important step on our journey to net zero

Andy Briggs
Group Chief
Executive Officer

I am hugely excited to be writing this foreword for our Net Zero Transition Plan, which marks an important step on our journey to becoming a net zero business by 2050.

As the UK's largest long-term savings and retirement business, we recognise our responsibility to tackle climate change. By taking the right actions to decarbonise, we believe that we can manage the risks and maximise the opportunities of climate change on behalf of our 12 million customers. And with close to £0.3 trillion assets under administration, our scale means we can make a real difference.

Over the last two years, many companies have set increasingly ambitious targets to reduce emissions – and Phoenix Group has been at the forefront of this process. But targets alone are not enough: the scale and urgency of the climate crisis and the action needed to tackle it means that robust plans to meet targets must urgently be put in place.

Our Net Zero Transition Plan sets out the actions we are taking to become net zero by 2050 and achieve our stretching interim targets in 2025 and 2030 across our investment portfolio, operations and supply chain. It gives us confidence that we are on the right track – but is transparent about where we need to do more and where we are dependent on action from others. It also helps to ensure that our decarbonisation plans are aligned with our wider business objectives and deliver the right outcomes for our customers. We have developed it in line with the latest industry guidance from the Transition Plan Taskforce and Glasgow Financial Alliance for Net Zero.

With a baseline carbon footprint of 24 $MtCO_2e$ – accounting for 99% of our overall carbon footprint – our investment portfolio is where we can have the greatest impact. We have placed our customers at the heart of our thinking and believe that the actions we are taking to decarbonise our investment portfolio are fully aligned with their financial interests. Our focus is on managing the risks and maximising the opportunities of climate change for our customers. And with recent customer research telling us that 80% of our customers are concerned about climate change and 90% expect us to invest their money responsibly, it's also what they want us to do.

We have already taken some exciting initial steps, such as decarbonising c.£12 billion of equity and listed real estate in our default workplace pension proposition. Over the next 12–18 months we are planning to decarbonise c.£12.5 billion of our shareholder corporate credit, and apply a customised decarbonising benchmark to c.£40 billion invested across our UK and US equity portfolios. By 2025 we aim to have introduced decarbonisation strategies across our £160 billion listed equity and credit portfolio.

Taking bold action to reduce our direct operational emissions and working with our suppliers to reduce their emissions is also crucial. It demonstrates leadership and shows that we are willing to walk the walk. That's why we are so proud to have achieved our 2025 Scope 1 and 2 decarbonisation targets for our own operations three years ahead of plan. We will use this as a platform to go even further on eliminating and reducing our operational emissions and scaling up our engagement with key suppliers.

However, whilst we have made good progress to date, we recognise that we are on a journey and have much more to do. We also know that we cannot deliver net zero alone and will become increasingly dependent on others, such as governments and high-emitting sectors, to achieve our net zero goals. That's why we are going to be vocal in calling for action from others and convening stakeholders to drive the wider system change that will ultimately be needed to become net zero.

On a personal level, I am extremely proud of what we have already achieved and excited by the ambition encapsulated in our Net Zero Transition Plan. By implementing it, we will be simultaneously playing our part in tackling climate change and helping our customers secure a life of possibilities.

1 As defined by Phoenix Group's Sustainability Framework.

Executive summary

Our Net Zero Transition Plan marks an important step on our journey to becoming a net zero business by 2050 across our investment portfolio, operations and supply chain.

Our commitment

Phoenix Group is committed to tackling climate change and taking action to manage the risks and maximise the opportunities for our customers.

We are clear on what we want to achieve, where we currently are and what it will take to get there.

- **We recognise our responsibility to tackle climate change** – and want to use our capacity to drive real economy decarbonisation.
- **We are starting to take tangible actions at scale** – as we move beyond setting targets and planning, to delivering real impact.
- **We have put customers at the heart of our plan** – everything we do has their best interest at its core. By taking the right actions to decarbonise, we can help our customers grow their investments and protect them against risk.
- **We believe we are on track to deliver our 2025 target** – if the actions we have committed to are implemented, but will likely need to do more to achieve our 2030 targets – although the challenge of predicting economy-wide decarbonisation and the effect this has on our own performance makes forecasting inherently uncertain.
- **We cannot deliver net zero alone** – and are going to be vocal in calling for action from others and want to convene action across our ecosystem.

We have already delivered some big wins.

- Brought our sustainable multi-asset strategies to 1.5m workplace pension scheme members, which applies a decarbonisation strategy to all equities, ~£12b AUA
- Preparing to roll out bespoke decarbonisation indices to US and UK equities across all policyholder funds – c.£40 billion AUA[1].
- Launched stewardship engagement with 25 priority companies which account for 40%^ of financed emissions in highly emitting sectors.
- Goal to invest up to £40 billion in sustainable and/or productive assets including climate solutions with the right regulatory, policy and market conditions.
- Achieved our 2025 Scope 1 and 2 intensity-based decarbonisation target of 80% against our 2019 baseline for our own operations three years ahead of plan.

We have aligned our plan with industry guidance

We have developed our Net Zero Transition Plan in line with the latest industry guidance from the Transition Plan Taskforce ('TPT') and Glasgow Financial Alliance for Net Zero ('GFANZ'). However, it is important to acknowledge that the guidance is still evolving and that we are still in the early stages of our net zero transition. As such, our Net Zero Transition Plan is not set in stone, and we will continue to build on it and refine it to ensure that it fully addresses the latest industry guidance.

1 AUA at YE2021.

Our Net Zero Transition Plan

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

Scale

Our carbon footprint from our investment portfolio, own operations and supply chain is material

Investment portfolio

- c. 24M tCO_2e^
- c.£310 billion AUA[1]

Our investment portfolio accounts for c.99% of our overall emissions. Addressing these emissions is therefore the primary focus of our Net Zero Transition Plan

Own operations

- 8,000 tCO_2e
- 6,800 colleagues

Supply chain

- c. 0.2 M tCO_2e
- >1,500 suppliers

Targets

We have set clear net zero targets across all aspects of our business

25% reduction by 2025 in the carbon emissions intensity of our listed equity and credit assets which we have control over (c.£160 billion AUA)[1]

Net zero by 2050 across all our investments (c.£310 billion AUA)[1]

50%+ reduction by 2030 in the carbon emissions intensity of our investments which we have control over (c.£250 billion AUA)[1]

Net zero by 2025 in our own operations (Scope 1, 2 and Scope 3 – Business Travel). Net zero in remaining Scope 3 categories by 2050.

50% reduction by 2030 in the carbon intensity of supply chain

Net zero by 2050 in our supply chain

Actions

Our Net Zero Transition Plan sets out how we will deliver our targets

Invest

1. Decarbonising the portfolio – see pages 30–33
2. Effective stewardship of our assets – see pages 34–37
3. Investing in climate solutions – see page 38

4 Engage

- Engaging our customers and using our scale to drive wider system change– see pages 43–52

5 Lead

- Reducing our direct emissions by decarbonising our operations – see pages 55–59
- Reducing our wider emissions by working with all suppliers in support of our climate ambition and requiring all to have carbon reduction targets – see pages 60–64

1 AUA at YE2021.

1 Decarbonising the portfolio

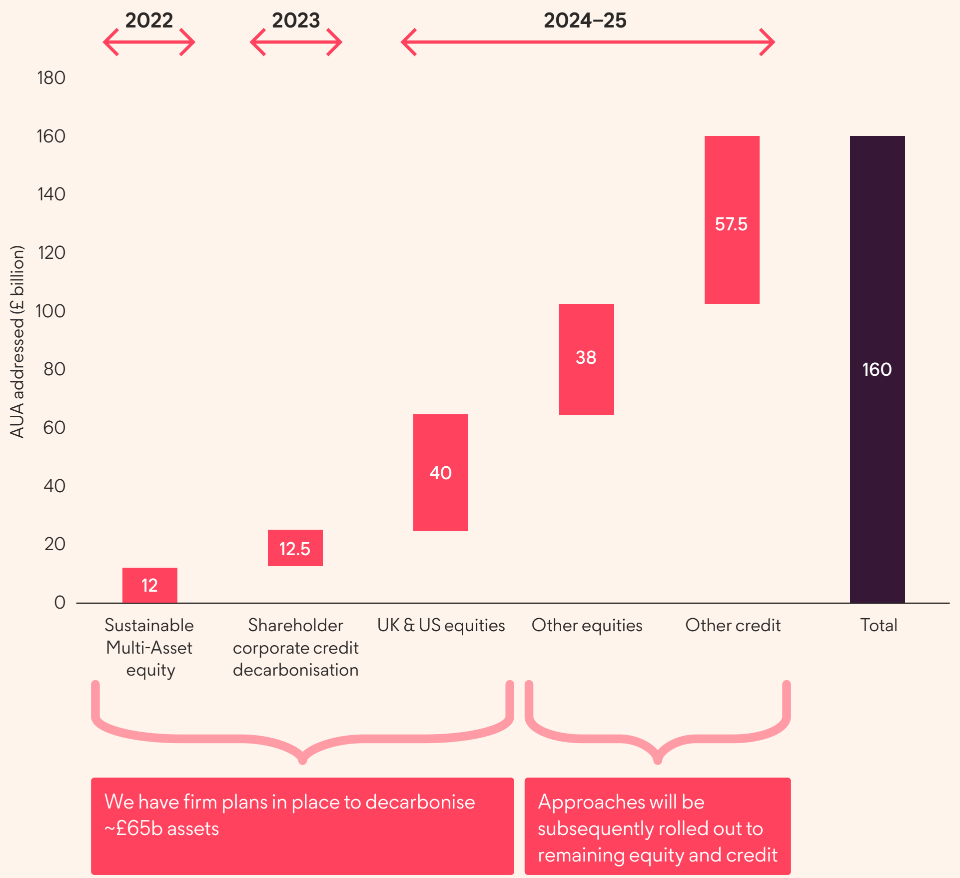
We have a directional roadmap for decarbonising our investment portfolio. We have started to implement actions and will continue to ensure this is in our customers' best interests.

By reducing the carbon intensity of our investment portfolio, we can reduce our customers' exposure to companies with significant climate risk and increase their exposure to companies that are investing in the net zero transition and aligning their business models with low-carbon growth.

Our big initial decarbonisation focus is on our £160 billion listed equity and credit portfolio, which is the subject of our 2025 target[1].
We began to take action last year with the transfer of 1.5 million workplace pension customers into our Sustainable Multi Asset strategies, which applies an ESG and decarbonising approach to £12 billion AUA.

We are currently developing customised equity benchmarks which align with a net zero trajectory. We will initially apply the customised benchmark to UK and US equity assets accounting for c. £40 billion AUA, before rolling it out to other regions over the course of 2024 and 2025. We will apply decarbonising strategies to our credit assets, starting with our shareholder corporate credit portfolio (£12.5 billion AUA) before applying to other portfolios (£57.5 billion AUA).

Figure 1: Directional roadmap for decarbonising our £160bn listed equity and credit portfolio, subject of our 2025 target



In parallel, we are starting to consider other asset classes that fall into scope for our 2030 target
The scope of our 2030 target extends to include sovereigns, real estate and loans. These are more challenging asset classes to decarbonise and we have more work to do to develop firm plans.
Our emerging thinking for sovereigns and real estate, the two largest additional asset classes, is as follows:

- Sovereigns (£41 billion AUA): Review 'green' sovereigns investment potential and engage with relevant government bodies
- Real estate (£9 billion AUA): Factor climate-related risks into the underwriting of equity release mortgages and consider options to tilt portfolio to greener buildings and to engage tenants on energy efficiency

Our overarching goal to be net zero by 2050 across all our financed emissions also covers other collective vehicles and external fund links ('EFLs').
In the first instance, we will look to deepen our engagement with managers of collective vehicles and build our understanding of options to decarbonise them.

It is important to note that all potential future actions, including those currently in development, will be subject to detailed analysis and robust governance to ensure decisions are made in customers' best interests.

1 AUA at YE2021.

2 Effective stewardship of our assets

Our stewardship activities focus on companies which collectively account for c.70% of our financed emissions in highly emitting companies.

Stewardship is central to our Net Zero Transition Plan
As a large asset owner, we recognise our stewardship responsibilities and adopt an 'engagement first' approach with the objective of using our position of influence to bring about corporate change. We see this as one of our most effective levers to drive real economy emissions reductions.

This is why we have committed to become signatories to the UK Stewardship Code in 2023. We are also signatories to both the UN-convened Net Zero Asset Owners Alliance ('NZAOA') and the Institutional Investors Group on Climate Change ('IIGCC'), whose protocols we are using to guide our engagement.

Our direct engagement focuses on 25 companies, which account for 40%^ of our financed emissions in material sectors in corporate fixed income and listed equity (figure 2)
We have developed a climate change scorecard, which we use to engage with the 25 highest priority companies and support their transition to net zero. The companies were prioritised on the basis of their current emissions, sector and action to date on climate change. Utilities and oil and gas are the most represented sectors, collectively accounting for 13 of the 25 companies (figure 3). On a geographic basis, 18 of the 25 companies are located in Europe, five are in America and two are in Asia.

Progress of our 25 target companies will be regularly monitored and, in case of insufficient progress, we will consider escalation strategies. Where our engagement does not lead to change after more than three years of dialogue, we intend to recommend the exclusion of assets that do not align with our climate and sustainability strategy.

We have also engaged indirectly with more than 460 companies through our asset manager partners, which collectively account for a further 29% of our financed emissions from material sectors
In 2022, our asset management partners engaged on climate change issues with 464 companies held in our investment strategies, representing almost 29% of financed emissions from high-emitting sectors in our listed equity and corporate fixed income portfolios. Our overall engagement on climate change in 2022 therefore covered almost 70% of financed emissions from material sectors (figure 2).

Our voting policy sets expectations for corporate management across our listed equity portfolio
Our voting policy includes expectations for investee companies to set ambitious science-based targets and have robust plans in place to deliver them. We are shadow testing the policy on 100 companies in 2023, with our long-term goal being to expand coverage and bring voting in-house for passive and enhanced index strategies in the future. In 2021, 47% of our listed asset portfolio (based on AUA) had either approved science-based targets ('SBTs') in place (31%) or had committed to putting SBTs in place (16%).

Figure 2: Stewardship approach to financed emissions in material sectors

Approach	Description
Direct engagement with top 25 companies	We are actively engaged directly with 25 companies which account for 40% of our financed emissions
Indirect engagement through asset managers	In 2022 we indirectly engaged with 464 companies which accounted for 29% of our financed emissions and we expect this level of indirect engagement to continue in future
Indirect engagement through voting policy[1]	Our goal is to use our voting policy to set net zero expectations across our portfolio

Figure 3: Sector coverage of 25 direct engagement companies that account for 40% financed emissions in material sectors

Multi-Utilities and Electric Utilities	7
Integrated Oil & Gas	6
Airlines	2
Diversified Metals & Mining	2
Steel	2
Diversified chemicals and Speciality Chemicals	2
Hotels, Resorts & Cruise Lines	1
Construction Materials	1
Fertilisers & Agricultural Chemicals	1
Paper Products	1

1 Our Global Voting Principles include expectations of companies on climate change. We are not involved in voting decisions directly. We monitor the voting practices of our asset managers using our voting principles as a framework of reference after the votes are cast.

3 Investing in climate solutions

We are committed to increasing our investments in climate solutions. Along with other eligible assets outside climate solutions, these will contribute to the £40 billion investment ambition over a medium- to long-term across sustainable and productive finance assets, aided by a supportive regulatory framework and access to transformative investment projects that offer an attractive returns profile.

We believe that investing in climate solutions will enable customers to benefit from growth opportunities arising from the economy-wide transition to net zero.

The opportunity is huge: it is estimated that around £2.7 trillion of investment[1] will be required over the next 15 years to meet the UK's emission reduction goals, and that the insurance sector has the potential to fund up to a third of this investment subject to market conditions, organisational credit/risk appetite, and deal flow that meets asset eligibility criteria. Our approach to investing in climate solutions encompasses investment in climate solution funds, investment in venture capital funds and direct investment.

The £40 billion we could invest encompasses sustainable and/or productive assets to support economic growth, levelling up and the climate change agenda. As ever, our key priority will be to deliver good outcomes for our customers, and this will continue to inform our investment decision-making process.

We will look to scale up our investment in climate solutions in three ways

Investment in climate solution funds

In 2022, we selected an asset management partner to support us in designing a multi-asset 'climate solutions' mandate, into which we will deploy c.£338 million of policyholder assets into in 2023. This solution invests in equity and credit assets for the climate change leaders of today and the future, and companies pursuing a net zero decarbonisation strategy. We will look to increase our allocation of policyholder assets to climate solution funds over the course of 2023 and beyond.

Investments in venture capital funds

We have a dedicated venture capital fund with an initial allocation in excess of £100 million. The fund will follow a thematic ESG approach within a number of sectors, including Green Energy, Fintech and Healthcare, to provide attractive risk-adjusted returns. We will look to increase our allocation of funds to venture capital as opportunities arise to scale the low carbon technology companies of the future.

Direct investment

Our ambition is to deploy £10 billion in direct investments in sustainable assets by year end 2025 and further scale up investments in climate solutions as part of broader goal to invest up to £40bn in sustainable and productive assets dependent on favourable policy, regulatory and market landscape. Over the last two years we have invested £2.3 billion in sustainable assets, including c.£0.7 billion in climate solutions.

£338 million

of policyholder assets assigned to climate solutions mandate

£0.7 billion

invested in climate solutions in 2021 and 2022

£40 billion

Phoenix Group ambition to invest in sustainable and/or productive assets with the right regulatory, policy and market conditions

1 ABI Climate Roadmap.

4 Engaging customers and driving system change

Engaging our customers and using our scale to drive wider system change are core elements of our Net Zero Transition Plan – and crucial to meeting our targets.

Engaging our customers

We have put our c.12 million customers at the heart of our plan

We believe that by decarbonising our investment portfolio at a steady pace, we will reduce our customers' exposure to climate-related risks and help them benefit from the growing sectors of the future. Understanding our customers' evolving priorities and expectations on climate change and communicating our plans with them effectively is crucial to the successful delivery of our Net Zero Transition Plan.

Research tells us that our customers are concerned about climate change and expect us to invest their money in a responsible way

80% concerned about climate change

90% think it's important we invest their money responsibly

In 2023 we aim to reach 1.5 million customers to raise awareness about the impact of their investments

Customer engagement journey:

1. Inform

The first step of our customer engagement journey is to inform our customers so they can understand more about their products and the investments that they hold.

2. Empower

The next step is to empower our customers with the basic investment knowledge to make informed decisions, allowing them to understand how we as a provider act to support them to and through retirement.

3. Inspire

Finally, we seek to inspire our customers to consider the impact of their investments so that they can align their investment with their beliefs. We will bring to life our default solutions, so that customers can better understand the impact of their investment.

Driving wider system change

We can't deliver net zero alone and want to use our scale and voice to drive wider system change

We believe that the actions we have already committed to put us on track to achieve our 2025 financed emissions target under most scenarios. However, further action is likely to be needed to meet our 2030 target where we have a far greater dependency on action by others – notably governments and high-emitting sectors. We therefore want to use our scale and voice to multiply impact and drive the wider system changes needed to deliver net zero.

We will do this by delivering thought leadership, engaging decision-makers and collaborating with our peers

Delivering thought leadership
to develop solutions to barriers currently hindering the net zero transition

Engaging decision-makers
to inform the debate on the net zero transition in the real economy

Collaborating with peers
to amplify our voice and develop new business models and end-to-end solutions

We will focus on establishing the right regulatory, policy and market conditions to enable investment in climate solutions at scale

- **Calling for regulatory reform** such as Solvency II, as well as assessing changes to the charge cap and illiquid disclosures on default workplace pensions, with a view to increasing allocation to sustainable investments.
- **Identifying policy solutions** that would establish the necessary risk-return profiles for large investors such as Phoenix Group to deploy capital at scale in emerging technologies such as hydrogen and carbon capture, usage and storage ('CCUS').
- **Developing innovative commercial models**, both unilaterally and in collaboration with others, to overcome market barriers to scaling up investment in proven technologies such as heat pumps.

5 Leading by example by decarbonising our operations and supply chain

We have already exceeded our 2025 target for operational emissions reduction and are scaling up engagement with our key suppliers.

Decarbonising our own operations and supply chain is an essential part of our Net Zero Transition Plan
While our operational and supply chain emissions are small in comparison to our financed emissions, they remain an important focus of our Net Zero Transition Plan. We recognise the importance of leading by example, which is why we have set ambitious targets and are implementing strategic measures to decarbonise our own operations and empower our suppliers to do the same.

We have already exceeded our 2025 target for Scope 1 and 2 operational emissions
In 2022 we met and exceeded our 2025 target to reduce our Scope 1 and 2 emissions in line with a Science-based Targets Initiative ('SBTi') '1.5 degrees' scenario (figure 4).

We were able to achieve this through a combination of purchasing renewable energy, investing in energy efficiency measures and some buildings consolidation.

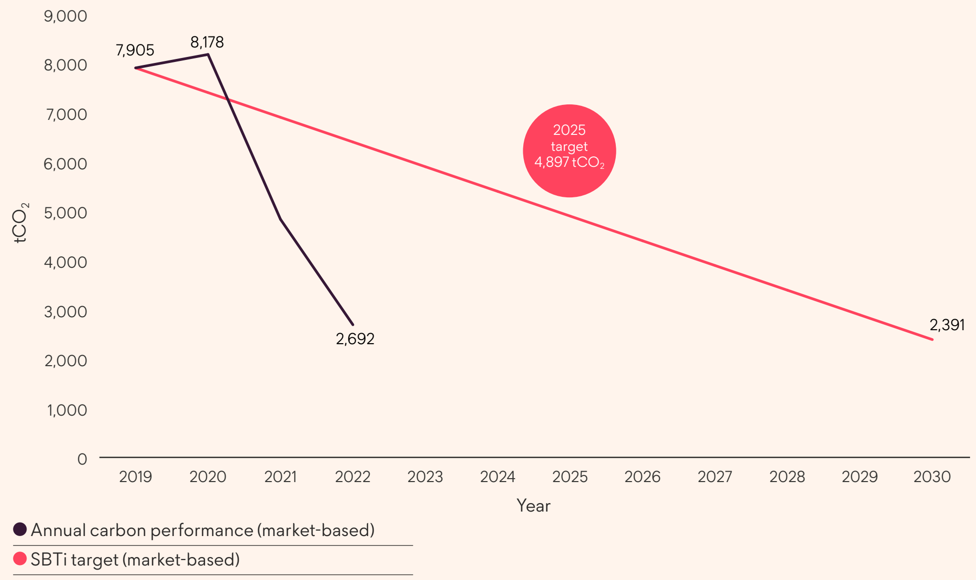
Our focus is now on further eliminating and reducing our operational emissions with a particular focus on our Scope 3 business travel emissions; and preparing to buy carbon removal credits to compensate for any remaining operational emissions.

We encourage our suppliers to sign up to robust emissions reduction targets and are scaling up our engagement with our key suppliers
Our supply chain emissions are concentrated in a small number of large suppliers, with our top 10 suppliers representing c.65% of our purchased goods and services emissions footprint.

Our initial focus on decarbonising our supply chain has been improving our supply chain emissions data and engaging key suppliers to adopt SBTi reduction targets. Through this engagement we share best practice to support their journeys to net zero. To date, 82% of our key suppliers have committed to either a science-based target or target based on the UN's Race to Zero initiative; and our response rate for our CDP supply chain programme for our key suppliers has increased to 84%.

Our near-term focus is to scale up our engagement with key suppliers. In the medium term, our goal is to integrate carbon pricing into sourcing and procurement decisions, alongside net zero clauses and factoring emissions into our tender processes.

Figure 4: Progress versus operational Scope 1 and 2 emissions reduction targets



Proportion of key suppliers committed to science-based targets and engaged with CDP

82%^
of our key suppliers[1] have committed to either a science-based target or equivalent

84%
of surveyed suppliers participated in our CDP supply chain programme

1 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).

Summary

We believe we are on track to achieve our 2025 targets, if we implement the actions we have committed to, but need to do more to achieve our 2030 target, and are increasingly dependent on action by others.

Summary high-level directional roadmap

	Looking back: Setting foundations & starting to act 2020–2022	Current focus: Taking action at scale 2023–2025	Long-term focus: Maintaining action & expanding scope 2025+
Invest	• Undertook initial actions to decarbonise, including equity component of the Sustainable Multi-Asset workplace default (£12 billion AUA) • Invested £0.7 billion in climate solutions	• Apply decarbonisation levers to listed equity and credit portfolio ,including customised benchmarks • Stewardship strategy implementation • Scale up investment in productive and sustainable assets including climate solutions	• Extend decarbonisation levers to other asset classes • Further scale up investment in productive and sustainable assets including climate solutions
Engage	• Conducted customer research and created content to increase customer understanding of their products • Actively participated in industry groups and engaged with key decision-makers	• Scale up engagement across all consumer brands and channels to inform, empower and inspire our customers • Launch thought leadership programme to address dependencies and drive wider system change	• Inspire customers to consider the impact of their investments and align their investment with their beliefs • Be a leading voice in calling for action from others and convening action across our ecosystem
Lead	• Decarbonised own operations through investment in energy efficiency and purchasing renewable energy • Published ESG supply chain standards and encouraged sign-up to SBTs and CDP	• Further eliminate and reduce operational emissions and offset residual emissions • Scale up engagement with key suppliers	• Maintain net zero for own operations • Introduce carbon pricing to supply chain decisions and implement sustainable strategic sourcing

We are building momentum on our journey to net zero
Our directional decarbonisation roadmap focuses primarily on actions between now and 2025 and is indicative only. Nevertheless, it shows how we have already started taking action across our investment portfolio, operations and supply chain and are now building on these foundations to achieve real scale.

We are on track to achieve our 2025 targets
If the actions we have committed to are implemented then we believe we will be on track to achieve our 2025 interim target under most scenarios. This assessment has been informed by our progress to date and our forward-looking emissions pathway projection tool.

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

Our Net Zero Transition Plan will continue to evolve
Our Net Zero Transition Plan summarises our latest thinking, but we recognise that we are on a journey and have lots more to do. We will continue to refine our plan to ensure that we remain on track to achieve net zero.

Key dependencies in our Net Zero Transition Plan

- **Government policy** that provides the necessary signals and support to enable investment into climate solutions at scale
- **Financial sector regulation** that enables more capital to be invested in long-term illiquid assets such as green infrastructure
- **Action from companies in high transition risk sectors** having credible transition plans and taking action at the required pace
- **Hard-to-influence asset classes** such as sovereign bonds, where decarbonisation requires action from the bond issuer
- **Voluntary carbon markets** to enable investee companies and our own operations to offset their residual emissions
- **Uptake and commitments** from key suppliers and top emitters, will also be dependent on pressure they are feeling from other customers and within their own industry and sector

Becoming a net zero business

Climate change is an increasing and urgent threat requiring rapid action and economic transition globally if we are to avoid the impacts of catastrophic global warming. The transition also represents an opportunity through unprecedented investment in new, clean technologies.

As the UK's largest long-term savings and retirement business, Phoenix Group has a strategically important role in supporting global efforts to transition to a net zero economy for the benefit of our customers, shareholders, society and all stakeholders.

The case for action at global and whole-economy level

To remain on track to limit global temperature rises to 1.5°C, urgent action is required. This need for action is particularly stark given the latest Intergovernmental Panel on Climate Change ('IPCC') synthesis report warning that we are likely to breach 1.5°C in the 2030s[1], as we are not currently on track to meet the need to reduce global emissions by 45% against 2010 levels by 2030[2].

In the last two years, we have seen governments and companies beginning to set targets commensurate with the challenge. At COP26 in 2021, we saw commitment from governments with around 90% of global emissions now covered by net zero targets[3].

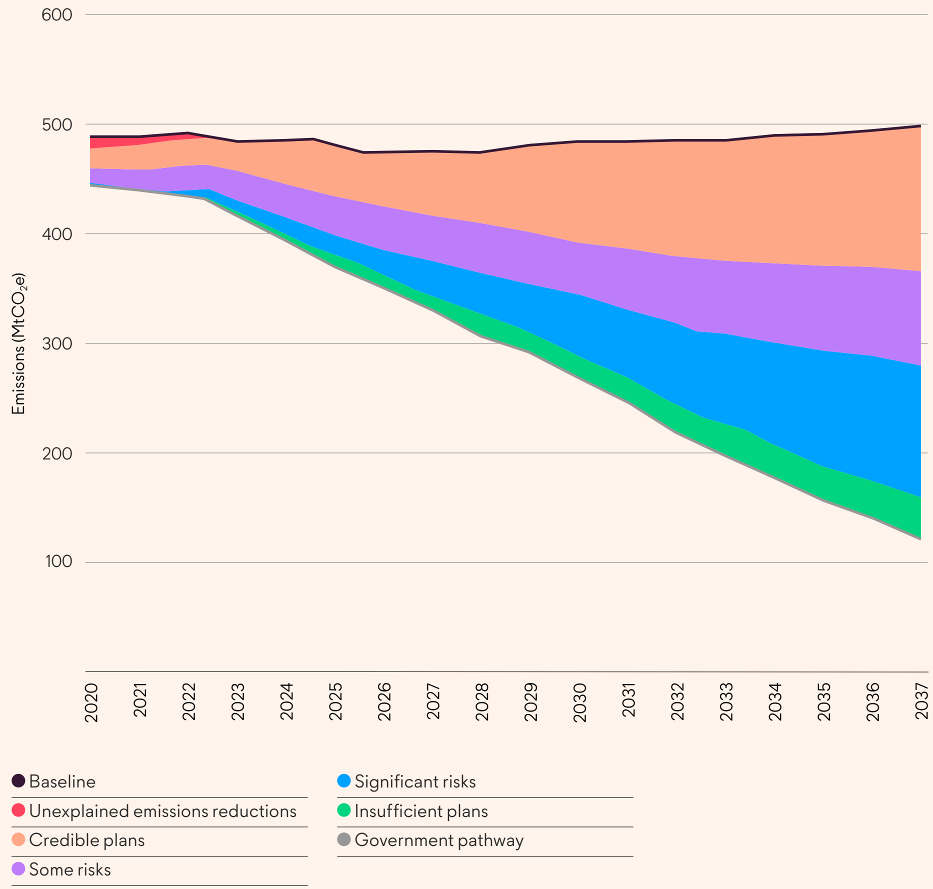
However, commitments have not automatically led to action. Many countries are not on track to deliver their existing nationally determined contributions and the majority of these plans fall short of limiting temperature rises to 1.5°C. It is estimated that current national action plans will actually see global emissions rise by 11% by 2030, and the UN Emissions Gap report showed current policies point to a global temperature rise of 2.8°C by the end of the century.

Limiting temperature rises to 1.5°C requires 'wide-ranging, large-scale, rapid and systemic transformation' without delay[4]. This is particularly pertinent in the UK where the Climate Change Committee's ('CCC') 2022 Progress in Reducing Emissions report found either some risks, significant policy risks or insufficient plans for 61% of the required emissions reduction to meet the Sixth Carbon Budget (the volume of greenhouse gases the UK can emit during the period 2033–2037), as shown in the figure 5 opposite.

The physical consequences of not acting quickly enough to tackle climate change are becoming ever clearer, and successive climate models have revised downwards the temperature at which severe impacts will occur[5]. We are experiencing the effects of climate change already: 2022 saw record temperatures in the UK, water shortages in Europe, wildfires in North America, an unprecedented heatwave in China and extreme flooding in Pakistan.

Figure 5 – Assessment of UK stated policy impact on delivering emissions reductions[6]

There are significant risks to achieving the UK's Sixth Carbon Budget with credible policy plans in place for 39% of the required emissions reduction.



1 IPCC AR6 Synthesis Report.
2 Net Zero Coalition I United Nations.
3 Science-based targets – Net Zero Standard.
4 Emissions Gap Report 2022 – UNEP.
5 Towards more transparent and robust climate-change risk assessments – Nature.
6 CCC 2022 Progress Report to Parliament.

The case for action at global and whole-economy level continued

Delivering the transition and real-world decarbonisation to achieve the 1.5°C target will not be easy and comes with a large investment requirement in infrastructure and technology. This commitment to 1.5°C will need to see business models evolve to deliver lower-carbon operations and also work with supply chains to reduce emissions. The Association of British Insurers ('ABI') has estimated £2.7 trillion of investment is needed in the UK between 2021–35, of which its members could provide around £0.9 trillion, or £60 billion per annum[1]. However, this is a small proportion of the £1.9 trillion of assets managed by the UK insurance and long-term savings industry[2]. It is clear that our sector has a critical role to play in the net zero journey.

Analysis by the CCC, shown in figure 6, demonstrates that investment costs are, over time, outweighed by the savings they deliver. In the long-term, this is a cross-economy 'spend to save' scheme. And in the shorter term, many of the actions we need to take to accelerate the transition to net zero are the same actions we need to take to address the energy crisis.

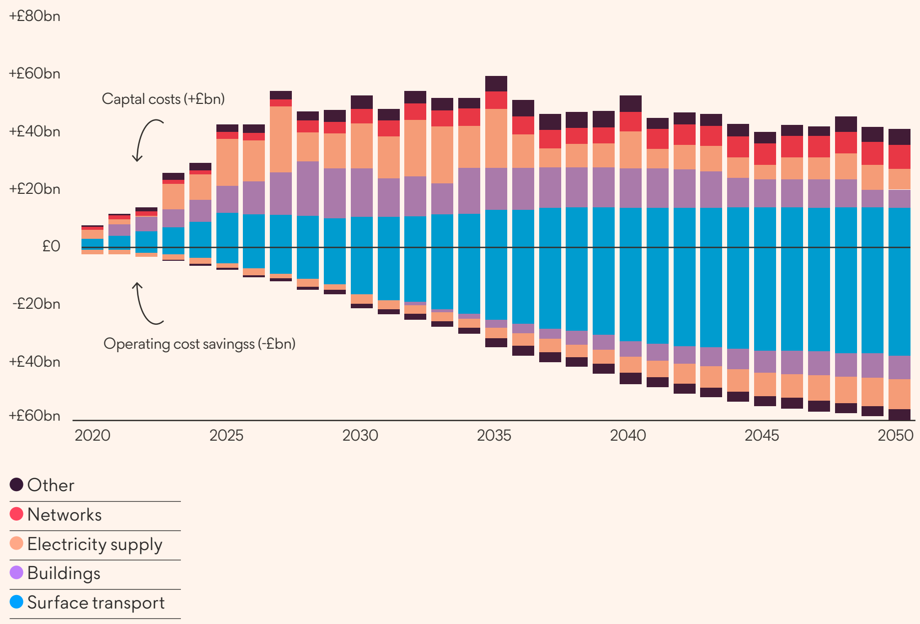
As outlined in the Mission Zero, Independent Review of Net Zero by the Rt Hon Chris Skidmore MP, early action also increases the opportunity to capture financial returns from high growth 'clean' assets, with the UK well positioned to develop comparative advantage in technologies such as offshore wind, carbon capture usage and storage, hydrogen and sustainable finance[3].

Delay is costly: globally, the estimated yearly additional cost to the financial sector of corporates delaying their net zero transition beyond 2026 could reach US$ 272 billion for every year that sufficient climate action is not taken[4]. In the UK, the Office of Budget Responsibility and Bank of England have both warned that a late and abrupt response to climate risk would trigger a 'messy recession'[5].

It is therefore imperative that the scale of financing meets the urgency and scale of the challenge to deliver growth and mitigate risk.

Figure 6 – Capital investment costs and operating cost savings in the CCC balanced net zero pathway[6]

Whilst the capital costs to reach net zero are significant, the operating cost savings outweigh them over time.



1 ABI Climate Roadmap.
2 ABI response to green finance strategy call for evidence.
3 Net Zero Review – Final Report.
4 Emissions Gap Report 2022 – UNEP.
5 Cost for the Financial Sector if Firms Delay Climate Action.
6 Sixth Carbon Budget – CCC

The case for action for Phoenix Group

There is a clear case for action to address climate change at a whole-economy level, and the same is true for Phoenix Group.

By taking the right actions to decarbonise, we can help our customers and shareholders grow their investments and protect them against risk and help society to achieve net zero.

We can also utilise our scale and influence to work with our colleagues, suppliers and industry bodies to deliver wider systemic change.

Our core role is to invest and manage assets on behalf of our customers to help them secure a life of possibilities. In doing so, we must balance the need for returns with the right level of risk. Both of those elements – risk and return – point towards decarbonising our investments in a way that reduces our customers' exposure to climate-related risk and ensures continued stable financial returns. We know that our customers expect us to take action, with recent research finding that 90% of customers think that it's important we invest their money in a responsible way and 80% of customers concerned about climate change. With c.£260 billion assets under administration (AUA), we can play a meaningful role in accelerating the broader economy-wide transition to net zero.

By decarbonising our portfolio at the right pace, we can reduce our exposure to companies with significant climate risk whose business models may become obsolete as the world decarbonises. We can increase our holdings in companies that are investing in the net zero transition and aligning their business models with low-carbon growth. And we can invest directly in low-carbon solutions, from wind farms to energy-efficient housing, which offer long-term, stable, reliable returns. Our position as a 'universal owner' with diversified investments across asset classes, sectors and geographies with long time horizons provides exposure to the entire economy. This enables active engagement, through coalitions or directly with investee companies with a particular focus on the transition of high-emitting companies to low-carbon business models.

While responsibility for accelerating the transition rightly rests with us and other investors, we need government and regulators to act too. In many areas, such as offshore wind and solar PV, there is a proven investment case and a strong pipeline of investable projects. But in other areas – such as energy efficiency, hydrogen and carbon capture and storage ('CCS') – the pipeline of investable projects is still not strong enough, largely because investable business models have not been established.

We support additional measures from governments to focus market incentives on accelerating investment in net zero-aligned infrastructure as part of a pro-growth, pro-business transition, as outlined in Mission Zero, Independent Review of Net Zero by the Rt Hon Chris Skidmore MP. If governments and regulators act quickly to put those business models in place – and ensure that regulations such as Solvency II are designed to unlock investment – we can turbocharge the net zero transition in a way that delivers maximum benefit to the economy and our customers.

The overwhelming scientific and economic consensus is that we need to limit global warming to 1.5° C and early action will significantly reduce the disruption. The speed at which decarbonisation happens will be determined by a range of factors including government policy, development and deployment of technology for net zero infrastructure and consumer behaviour. Our role is to steward our shareholder and customer interests to manage the risk, uncertainty and opportunity of the transition.

Phoenix Group's case for action

Seizing growth opportunities

Cutting emissions requires investment and transformation in key sectors – we can deliver strong returns by investing in growing businesses.

Reducing risk

Assets which do not adapt to the needs of a net zero economy create risk for our customers and shareholders

Playing our part

There is an urgent need for action this decade – and Phoenix has the size and scale to make a difference

Our net zero ambitions

Our ambition is to be a net zero business by 2050. To deliver this ambition we have set stretching targets across our investment portfolio, own operations and supply chain.

We are focused on being net zero across our business by 2050, aligning with the UK Government's net zero goal and goals of the Paris Agreement. In 2021, we developed two interim stretching targets: a 25% reduction in the carbon intensity of our listed equity and credit assets by 2025 and at least a 50% reduction in the carbon intensity of all our investment assets under our control by 2030.

Our targets for all in-scope investment portfolio assets – listed equity, credit, business loans and real estate loans, as well as Scope 1 and Scope 2 for our own operations – have been submitted to the Science Based Targets Initiative for validation.

We have a substantial financed emissions baseline for our investment portfolio at year-end 2019 of 24 million tonnes CO_2e, consisting of 15 million tonnes from our listed equity and credit portfolio and 9 million tonnes from our sovereign debt and real estate portfolios.

By decarbonising our investment portfolio at the right pace, we will reduce our customers' exposure to climate-related risks and help them benefit from the growing sectors of the future.

Our climate targets

2025

25%
reduction in the carbon emission intensity of our investment portfolio for listed equity and credit assets[1]

Net zero
across our operations[2]

2030

At least
50%
reduction in the carbon emission intensity of our investment portfolio for assets under our control[3]

50%
reduction in the carbon intensity of our supply chain

2050

Net zero
investment portfolio

Net zero
supply chain

1 This will cover all listed equity and credit where Phoenix Group can exercise control and influence (c. £160 billion as at YE2021).
2 Scope 1, 2 and Scope 3 – Business Travel.
3 This will cover all assets at a Group level where Phoenix can exercise control and influence (c. £250 billion AUA as at YE2021).

Our Climate Action Model

Our Climate Action Model sets out our framework for developing and delivering our Net Zero Transition Plan. It is structured around three strategic pillars of Invest, Engage and Lead.

Our strategic pillars are anchored by the strength of our governance and risk management frameworks, scenario analysis and the ongoing investment in our people capabilities, climate data and technology platforms.

We recognise that delivering our net zero ambitions is a journey and whilst we have made good progress to date, we know we have a long way to go. Much of our work to date has focused on laying the groundwork to deliver our net zero transition – in particular emissions baselining, strategy development and mandatory disclosures.

This work is described in detail in our 2022 Climate Report, which was prepared in accordance with the recommendations and recommended disclosures of the Financial Stability Board's Task Force on Climate-related Financial Disclosures ('TCFD'). A summary of our progress against the TCFD's four pillars of governance, strategy, risk management and targets and metrics is included in Appendix page 77.

Our initial steps to decarbonise our investment portfolio, operations and supply chain, and our plans to build on them are described in the Invest, Engage and Lead sections on pages 42–65.

Our purpose

Helping people secure a life of possibilities

Our climate ambition

To optimise value for our customers 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.

Governance

Read more on page 67 →

Risk management

Read more on page 72 →

Scenario analysis, people capability, data and technology

Read more on page 72 →

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 20 →

Engage

- **Engaging our customers and employees** on the role they can play in delivering net zero.
- **Working collaboratively with partners** to deliver cross-sector change and thought leadership.

Read more on page 42 →

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 all to have carbon reduction targets.

Read more on page 53 →

Metrics and targets

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

Read more on pages 74 →

Climate change nexus with human rights, the just transition and nature

We recognise that climate action cannot be addressed in a silo, and that it is linked with other challenges captured in our Group sustainability strategy.

Human rights and the just transition

The Paris Agreement recognised the importance of a 'just transition' – a transition to a low-carbon economy which addresses social and economic risks and opportunities for people, communities and industries facing dislocation and disruption. The UK government's Green Job Taskforce highlighted that there are more than 400,000 jobs in low carbon businesses and their supply chains, generating more than £42 billion of revenue[1]. Just as the net zero transition offers job creation, better quality or higher income jobs and co-benefits of better air quality and related health benefits, so some industries and job sectors will face job or income loss. These socio-economic effects have regional dynamics. Areas that are dependent on high-emitting industries are likely to face challenges related to worker displacement or job losses, while regions with favourable conditions for renewable energy production will face the impacts of large infrastructure projects and rapid economic growth[2].

Greater flexibility under the proposed reforms to Solvency II present a significant opportunity for insurers such as Phoenix to direct more private sector capital into the real economy, which can support a just transition. Phoenix plans to increase investments in illiquid assets and sustainable investments over the next five years (subject to regulatory and market conditions), to support house building, green energy, and local communities across the country, without compromising policyholder protection. As an example, we are collaborating with the Chamber of Commerce in Edinburgh to support a just transition to a low-carbon economy, as part of an eight-year programme through to 2030.

1 Green Jobs Taskforce.
2 International Labour Organisation.

Climate-nature nexus

Increasingly, nature is regarded as the 'next frontier' for the financial sector, as the sector's management of climate-related financial risks becomes more sophisticated and as understanding of the interdependencies between climate and nature-risk increases.

At the hands of human activity, nature is being rapidly degraded due to changes in land and ocean use, over-exploitation of natural resources, climate change, water and air pollution and the introduction of invasive species. 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.

Companies in our investment portfolio, supply chain and our operations can both impact and depend on nature, resulting in physical, transition and systemic risks to our business. We are at the start of our journey in managing nature risk and opportunity, that will be critical in ensuring our long-term sustainability as a business.

The Taskforce for Nature-related Financial Disclosures ('TNFD') is developing a framework to help assess nature-related risks and opportunities, and follows a similar structure to TCFD. We are working with our asset management partners and data providers to pilot test the LEAP (Locate, Evaluate, Assess and Prepare) approach, which is a concept introduced in the draft TNFD framework to help corporates to identify their nature-related risks. We will aim to adopt the final recommendations of the TNFD framework to allow us to start integrating nature into decision-making.

In 2022 we released our nature statement, which sets out our call to action. We will:

Invest in the future

- Understand the impact and dependence of our investment portfolio on nature and review our investment strategy to take nature-related risks and opportunities into consideration
- Through our stewardship approach, work with our asset management partners and investee companies to help halt and reverse the degradation of nature
- Seek investment opportunities which actively support the transition towards a nature-positive economy.

Lead by example

- Identify, measure and reduce our direct and indirect impact and dependency on nature through our own operations
- Reduce our wider impact and dependency on nature by encouraging all suppliers to align to a nature-positive ambition
- Adopt the final recommendations of the TNFD framework to allow us to start integrating nature into decision-making

Engage to multiply our impact

- Collaborate through nature-related alliances and with partners to exchange knowledge and develop common approaches to help deliver change and thought leadership
- Engage our customers, c.6,800 employees, communities and wider stakeholders on the role they can play in delivering a nature-positive economy
- Work with regulators and policymakers to support the standardisation of approaches and advance the nature agenda.

Invest

Our financed emissions account for 99% of our Group's carbon footprint. Our approach to align our customers' financial interests by reducing their exposure to climate risk and helping them benefit from green growth is a huge part of our Net Zero Transition Plan.

Invest at a glance

As the UK's largest long-term savings and retirement business, we are responsible for managing c.£0.3 trillion of assets. The size of our investment portfolio means that it is the area of our business with the largest carbon footprint (c.99%) and greatest potential exposure to climate-related risks. It is also a source of opportunity – giving us transformative power to allocate capital in a sustainable way.

Our approach to decarbonising our investments portfolio follows a four-step process:

1. Size up exposure
2. Plan the journey
3. Execute actions
4. Monitor and refine

Pages 22 to 41 describe each step in more detail →

1 Size up exposure

We have footprinted our listed equity, credit, real estate and sovereign bond portfolio assets in line with the Partnership for Carbon Accounting Financials ('PCAF') standard:

24m
tonnes CO_2e financed emissions baseline in 2019^

15%
reduction in carbon footprint between 2019 and 2021 – although primarily a consequence of Covid^

Read more on pages 22 – 25 →

2 Plan the journey

We have set stretching interim targets, aligned with the science, on our journey to net zero by 2050:

25%
reduction in emissions intensity from listed equities and credit under our control and influence (£160 billion AUA[1]) by 2025

50%
at least 50% reduction in emissions intensity from all assets under our control (£250 billion AUA[1])by 2030

Net zero
across all assets (£310 billion AUA[1]) by 2050

Read more on page 26 – 28 →

3 Execute actions

We have three key levers that we will seek to apply to deliver positive outcomes for our customers.

1. Decarbonising our investment portfolio – we have firm strategies for ~ £65 billion assets and will introduce decarbonising strategies for the rest of our £160 billion listed equity and credit portfolio over 2024–25

2. Effective stewardship of our assets – including a direct engagement programme for 25 high-emitting companies that account for 40% of our listed financed emissions in material sectors

3. Directing finance to climate solutions – including our recent assignment of a £338 million investment into a new multi asset climate solution fund

Read more on page 29 – 40 →

4 Monitor and refine

We are establishing a robust monitoring process to ensure that our journey to our decarbonisation targets is dynamic and that we can respond to changing circumstances. Through this process we currently believe that:

- We are on track to achieve our 2025 target under most of the scenarios we have considered.
- Our 2030 target will be more challenging given the scale of transformation required. We will be dependent on government policy action and more rapid system level response to make it attractive to invest.

We are heavily dependent on the decarbonisation of the wider economy to ensure our targets can be met and therefore will work with industry partners and government to drive system-wide change.

Read more on page 41 →

1 AUA at YE2021

1 Size up exposure

Measuring our carbon footprint

Our financed emissions baseline, which covers listed equity, credit, sovereign bonds and real estate assets, was 24 million tonnes CO_2e in 2019^ (see figure 7). Our baseline serves as the starting position for our decarbonisation journey and is the reference point from which we will determine progress. It also provides us with important information about where we should prioritise our decarbonisation activities.

We use current industry best practice to help determine our carbon emission baseline, and have adopted the current industry standard methodologies as developed by the Partnership for Carbon Accounting Financials ('PCAF').

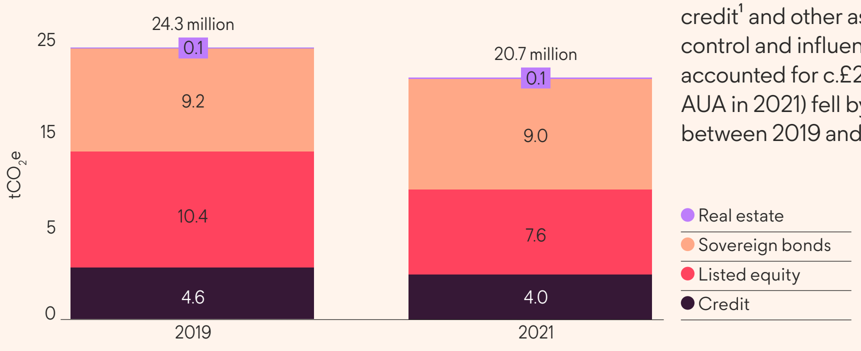
Our 2019 baseline of 24 million tonnes CO_2e^ consists of 15 million tonnes from our listed equity and credit[1] portfolio and 9 million tonnes from our sovereign debt and real estate portfolios. Between 2019 and 2021 these emissions reduced by c.15%, largely driven by our listed equity and listed credit[1] portfolio financed emissions reducing from c.15 million tonnes CO_2e a to c.12 million tonnes CO_2e.

We believe this reduction is largely a result of the economic slowdown due to Covid-19. As a result, it is not appropriate to use the reduction observed between these two time points as an indicator of our future trajectory, since subsequent years may show an increase in absolute carbon emissions (relative to the 2021 year-end position) owing to the bounce-back of the global economy post Covid-19.

Over the same period we saw our listed equity and credit emissions intensity similarly fall, driven by the same Covid-19 factors as shown in figure 8.

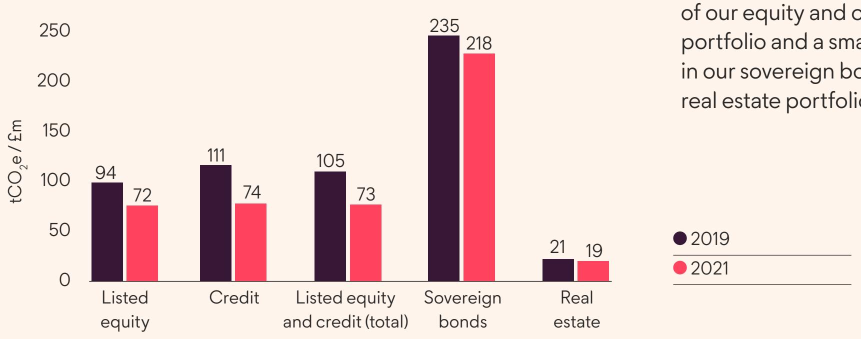
Our financed emissions

Figure 7: Absolute carbon emissions of our baselined investment portfolio^



Our total financed emissions across listed equities and credit[1] and other assets we control and influence (which accounted for c.£250 billion AUA in 2021) fell by 15% between 2019 and 2021.

Figure 8: Economic emissions intensity of our baselined investment portfolio^



We have seen a significant fall in emissions intensity of our equity and credit portfolio and a smaller fall in our sovereign bonds and real estate portfolios.

1 AUA at YE2021

1 Size up exposure continued
Listed equity and credit assets

High transition risk sectors[1] exposures are the key driver of emissions from our listed equity and credit assets. In 2019, 25% AUA in the portfolio was exposed to high transition risk sectors, which accounted for 89% of overall listed equity and credit emissions (figures 9 and 10).

In 2021 the exposure to high transition risk sectors (energy, utilities, materials and industrial) had dropped to 20%, which accounted for 71% of overall listed equity and credit emissions. This was primarily due to a reduction in absolute carbon emissions from the utilities sector, driven by a fall in power demand during the global pandemic. The proportion of our listed equity and credit portfolio exposed to the fossil fuel industry was 8%^ at 2021 year-end.

Our listed equity and credit emissions are concentrated with our top 10 emitting counterparties, which account for 5% of AUA, but 33% of listed equity and credit emissions (figure 11). On a geographic basis, the majority of the absolute emissions in our listed asset portfolio is from investee companies based in Europe (60%), followed by North America (25%) and Asia (11%) (figure 12).

This concentration of transition risk helps us to understand where to best focus our investee company engagement and policy advocacy by sector and by geography. We detail our stewardship approach on pages 34–37.

As at 2021, almost half of our listed asset portfolio is invested in counterparties that have committed to set or have already set approved science-based targets ('SBTs') that are consistent with the goals of the Paris Agreement (see figure 13).

The metric is based on whether an investee company has affiliated itself to the SBTi, either by committing to and being in the process of setting SBTs, or by already having approved SBTs. We have seen a 20% increase from 2019 to 2021 in companies having either approved SBTs (15% to 32%) or committed to SBTs (13% to 16%). This metric gives an indication of the extent to which our investee companies are committed to taking action to reduce their emissions and therefore increasing resilience against climate risks.

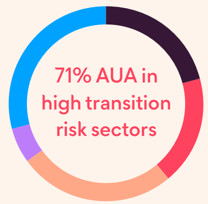
Listed equity and credit assets exposure (as at year-end 2021)

Our financed emissions baseline is largely driven by investee companies in high transition risk sectors.

Figure 9: Sector exposure as % of listed AUA^

	2019	2021
Energy	5%	4%
Utilities	6%	4%
Materials	4%	4%
Industrial	10%	8%
Other	75%	80%

Figure 10: Sector exposure as % of listed asset absolute emissions

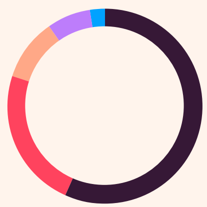


	2019	2021
Energy	19%	21%
Utilities	38%	18%
Materials	24%	26%
Industrial	8%	6%
Other	11%	29%

Figure 11: Top 10 counterparty exposure

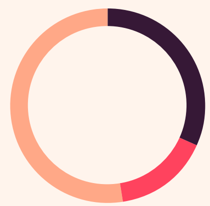
% of listed portfolio AUA*	5%
% of listed portfolio emission	33%
Average data quality score (see data quality section)	1.0
Number with SBTi targets	4/10

Figure 12: Geographic exposure as % of absolute emissions



	2019	2021
Europe	71%	60%
North America	13%	25%
Asia	8%	11%
Other regions	4%	3%
Oceania	4%	2%

Figure 13: Split of the listed investment portfolio by science-based target status.



Close to 50% of our portfolio has either committed to or already set science-based targets.

	2019	2021
Approved SBTi targets	15%	32%
Committed SBTi targets	13%	16%
No formal SBTs	72%	53%

1 Sectors that are vulnerable in a transition to a net zero economy.

1 Size up exposure continued
Expanding our carbon footprint baseline

Our carbon footprint baseline currently covers c.77% of AUA and we have a roadmap to extend its coverage to 100% of AUA.

In 2021, we began to calculate the carbon footprint of our investment portfolio to develop our 2019 baseline. We started with our c. £162 billion listed equity and credit portfolio which was c.53% of our total investment portfolio and is the scope of our 2025 target. Since 2021, we have extended the baseline to include sovereign bonds and commercial real estate assets, which together account for a further £47 billion (15%) of our investment portfolio. As at year-end 2022, we have evaluated the baseline of 100% of the investments in scope of the 2025 target, and c.95% of the investments covered by the 2030 target. (see Table 1). Our 2030 target covers all investments where we exercise influence and control, which constitutes c.81% of our portfolio.

Our footprint calculations use the financed emissions methodology as developed by the Partnership for Carbon Accounting Financials ('PCAF') insofar as possible. PCAF is a global partnership of financial institutions that work together to develop and implement a harmonised approach to assess and disclose Greenhouse gasses (GHG) emissions associated with their loans and investments.

Table 1: Roadmap to expand our carbon footprint baseline (based on 2021 AUA)

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

Notes:
1 Figures provided are based on YE21 values from Phoenix's Report and Accounts, adjusted to reflect exposures in collective vehicles.
2 Captures listed assets within segregated portfolios, PUTM funds and certain EFLs where look-through data is available.
3 Captures infrastructure debt (including local authority loans and municipal bonds) and private placements.
4 This figure has been derived as a balancing figure to enable the total AUM to equate to YE21 balance sheet value.

As we expanded our carbon footprint baseline, we prioritised asset categories based on materiality and where measurement methodologies have been established by PCAF. The financed emissions baseline is calculated using Scope 1 and 2 emissions of the companies we finance. A clear limitation therefore is that the calculation relies upon good quality disclosure from our investee companies. We plan to undertake additional calculation to include Scope 3 emissions of investee companies when disclosures permit and the data is sufficiently robust.

1 Size up exposure continued
Data and metrics

Alongside our carbon footprint we are adopting a suite of metrics that we will use to track progress towards our interim targets and overall goal of net zero by 2050.

Central to this is increasing the provision of climate data and developing proprietary tools to improve our ability to measure and manage our exposure to climate risk. We have adopted a suite of metrics that we will use to track our progress and utilise scenario analysis to assess long-term risk to our investment portfolio. Our suite of climate metrics is shown in Table 2.

Enhancing our climate data
We recognise that the provision of climate data is a developing market, with multiple data vendors providing data at differing levels of granularity and coverage. As such, we believe it is important to continue to evolve the way in which we use climate data to be able to reduce gaps in our analysis. In 2021, we onboarded our primary provider of counterparty emissions data as well as a specialist climate model provider. Subsequently, in 2022, we undertook a second exercise to identify additional providers to improve the coverage and granularity of our datasets and have onboarded two additional vendors. We expect to evolve and refine our approach to utilise data effectively as new market information becomes available.

Table 2: Utilising climate metrics

We calculate a comprehensive set of metrics that allows us to measure and manage the impacts of transition and physical risk on our investment portfolio, as shown below.

Measure	Metric	Unit	Methodology	Overview
Carbon profile	Absolute financed emissions	tCO_2e	PCAF	Captures a portfolio's fair share of emissions of the investee companies
	Economic emissions intensity	tCO_2e/£m invested	PCAF	Expresses portfolio emissions per unit of capital invested
	Revenue emissions intensity (WACI)	tCO_2e/$m revenue	TCFD	Expresses portfolio emissions per unit of sales revenue of the investee companies
Transition risk	Percentage of assets exposed to high transition risk sectors	% of AUA	Bespoke	Proportion of portfolio invested in sectors that are vulnerable in a transition to a net zero economy
	Exposure to the fossil fuel industry	% of AUA	Bespoke	Proportion of portfolio invested in the fossil fuel industry based on revenue threshold
Portfolio alignment	Science-based Targets portfolio coverage	% of AUA	TCFD	Proportion of portfolio invested in companies that have set science-based targets
Data quality	Data quality score	Data score from 1–5	PCAF	Hierarchy which allows the scoring of the quality of emissions data of individual companies

We review our suite of climate risk metrics on an annual basis to ensure they remain relevant in identifying, measuring and managing our exposure to climate-related risk and opportunity. We recognise that climate risk metrics is an evolving area, and we will continue to develop our thinking in line with emerging best practice, industry guidance and regulatory change.

2 Plan the journey
Setting targets

Our long-term goal is for our financed emissions to be net zero by 2050. We have also set interim goals to reduce our financed emissions intensity by 25% by 2025 and by at least 50% by 2030[1]. These targets help drive efforts across the business, and to transpose our long-term net zero ambition into meaningful interim steps which serve as critical milestones on the journey.

Our 2025 target covers all listed equity and credit (c. £160 billion) and our 2030 target covers all assets at a Group level where we can exercise control and influence (c. £250 billion) – see figure 14.

Our approach to setting our interim decarbonisation targets for 2025 and 2030 follows recognised protocols as developed by the Net Zero Asset Owner Alliance ('NZAOA') . We engaged with an expert consultancy to calibrate and ensure the suitability of our decarbonisation targets, and in particular referred to transition scenarios produced by the International Energy Agency ('IEA') and the Intergovernmental Panel on Climate Change ('IPCC'). Our targets are centred on pathways to restrict change in global mean temperature to +1.5°C relative to pre-industrial levels, with limited or no overshoot and credible assumptions on technological developments such as carbon capture.

To further our external targets, we will develop other internal targets relating to specific asset categories and sectors. These will help ensure focus in the immediate term and to appropriately identify any divergence from the desired pathway as early as possible.

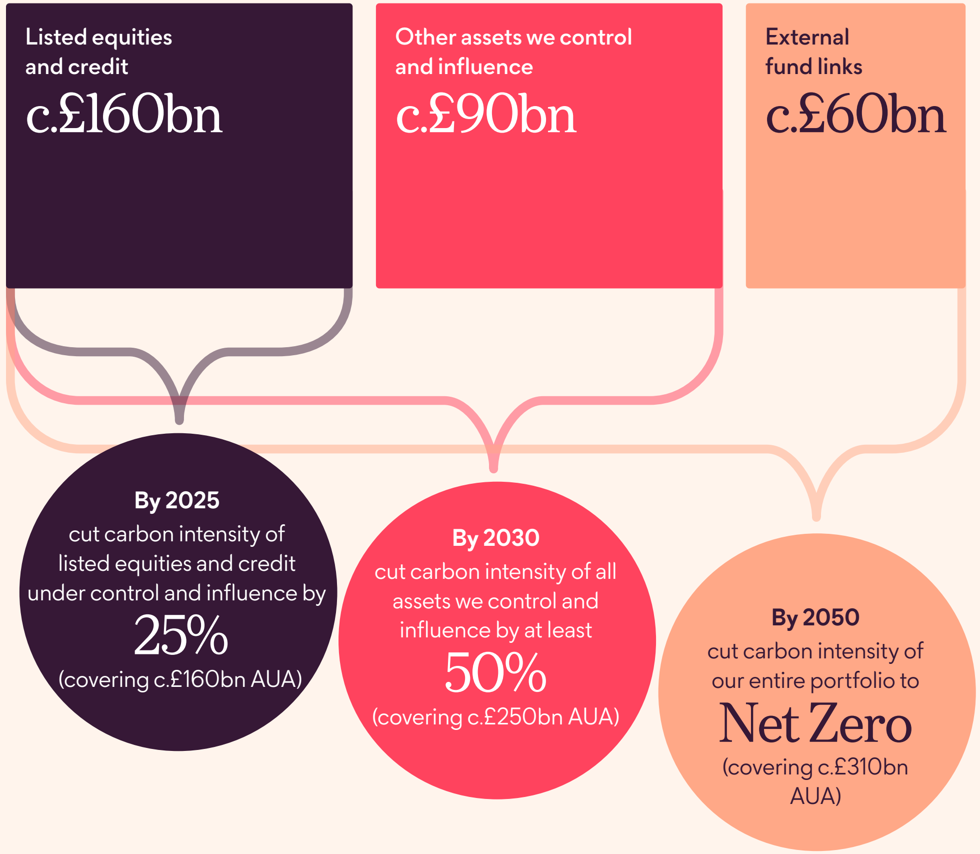
Setting a science-based target

We have also set a temperature score-based target for our listed equity, public credit, business and and real estate loan portfolios that we have submitted to the SBTi for validation. We adopted the CDP- WWF methodology that converts portfolio company target commitments first into a company-level score before being aggregated into a portfolio-wide temperature score. Our targets are set at the portfolio level and based on a linear reduction in temperature score to 1.5 degrees by 2040.

Our target is to align our portfolio temperature score from 2.8°C in 2019 to 2.6°C by 2025 and 2.2°C by 2030, with the trajectory in line with SBTi guidance. The temperature score is calculated for c.£168 billion[2] (c.57% of AUA) that includes c.£162 billion of listed equities and credit (excluding sovereigns), and c.£5 billion of commercial real estate loans and private placement loans.

Figure 14: Emissions reduction target coverage[1]

Using the value of our AUA in 2021 for reference, the coverage of our emissions reduction targets grows from £160 billion (53%) of AUA in 2025 to c.£250 billion (81%) in 2030 and c.£310 billion (100%) in 2050.



1 2025 target covers listed equity and credit under our control and influence and 2030 target covers all assets we control and influence.

2 Values and percentages for SBTi are based on YE2019 values.

2 Plan the journey continued
Scenario analysis and modelling

We use scenario analysis to better understand our financed emissions trajectory under potential decarbonisation pathways for the overall economy.

The level of action we need to take to meet our net zero targets is heavily dependent on the extent of broader economy-wide decarbonisation. We have therefore developed an emissions pathway projection tool which estimates the potential impact of different economy-wide decarbonisation scenarios on our financed emissions.

The tool uses the Network for Greening the Financial System ('NGFS') and Inevitable Policy Response ('IPR') family of scenarios to build our understanding of carbon emission pathways, which we also use to assess our balance sheet's resilience against climate risk.

The NGFS family of scenarios is the product of a suite of integrated assessment models which combine macro-economic, agriculture and land-use, energy, water and climate systems into a common framework. This enables the analysis of the complex and non-linear dynamics in and between these components. The integrated assessment models offer detailed representations of energy systems, generates cost-effective transition pathways and features several climate mitigation options.

This is complementary to the IPR family of scenarios, which considers 'real world' policy changes, and also includes changes in the food and land system.

To complement the NGFS and IPR scenarios and reflect recent experience, we have created our own 'Covid bounce-back' scenario. Our year-end 2021 analysis indicates a significant reduction in absolute carbon emissions relative to our year-end 2019 baseline position. We believe this is primarily due to the global economic slowdown caused by Covid-19, so this observed trajectory is not necessarily indicative of future experience as the world emerges from the global pandemic. Therefore, the development and use of our own scenario has been performed to allow for this potential uptick in emissions.

The full set of scenarios we consider are outlined in Table 3.

Table 3: Summary of economy-wide decarbonisation scenarios used in our emissions pathway projection tool

Scenario family	Scenario	Description
NGFS	Current policies	Existing climate policies remain in place, but there is no strengthening of ambition level, leading to a temperature rise exceeding 3°C and severe and irreversible physical impacts. Heightened physical risks are assumed through high climate sensitivity, high ice-sheet melt and increasing tropical cyclone risks.
	Nationally Determined Contributions ('NDCs')	Pledged unconditional NDCs are implemented fully, and respective targets on energy and emissions in 2025 and 2030 are reached. Beyond current NDC target times (2025 and 2030), climate policy ambition remains comparable to levels implied by NDCs.
	Delayed transition	Imposes the 2°C target in 2100 and allows for temporary overshoot. Annual emissions do not decrease until 2030. Strong policies are then needed to limit warming to below 2°C. This scenario includes regional carbon price variation. Regions with net zero targets are more ambitious than regions without them after 2030.
	Divergent Net Zero	The median temperature returns to below 1.5°C in 2100, after a limited temporary overshoot. Emissions reach net zero around 2050 but with higher costs due to divergent policies introduced across sectors leading to a quicker phase- out of oil use. Carbon prices for transport and buildings are assumed to be three times the carbon price in the supply and industry sectors.
	Below 2°C	Gradually increases the stringency of climate policies, giving a 67% chance of limiting global warming to below 2°C throughout the 21st century. The scenario assumes medium (as opposed to low) use of Carbon Dioxide Reduction ('CDR') technology.
	Net Zero 2050	Limits global warming to 1.5°C (the median temperature returns to below 1.5°C in 2100, after a limited temporary overshoot) through stringent climate policies and innovation, reaching global net zero CO_2 emissions around 2050. Some jurisdictions such as the US, EU and Japan reach net zero for all GHGs. The scenario assumes medium (as opposed to low) use of CDR technology.
IPR	Forecast Policy Response (FPS)	Offers a high conviction forecast of likely policy developments and is designed to reflect 'real world' climate policies. The Paris 'ratchet' mechanism and increasing societal pressure converge between 2023 and 2025, and force governments to take meaningful climate action. Temperature rise is limited to 1.8°C by 2100. IPR scenarios fully integrate land-use modelling.
	Required Policy Response ('RPS')	More stringent climate scenario than FPS and includes additional policies required to limit temperature rise to 1.5°C. RPS carbon prices are similar to FPS levels. Additional decarbonisation is driven by performance standards (bans) and direct subsidies. RPS entails deeper decarbonisation from emerging low-carbon technologies than FPS, including greater levels of carbon capture and storage.
Phoenix Group	Covid-bounce	Bespoke scenario that allows for a change from the recent emissions trajectory following re-opening of world economy post-Covid and the response to the energy crisis.

2 Plan the journey continued
Scenario analysis and modelling continued

Our emissions pathway projection tool indicates that our projected financed emissions vary considerably across different economy-wide decarbonisation scenarios

The action required to hit our targets will vary widely in different climate scenarios
We modelled the potential effects on our financed emissions of the nine economy-wide decarbonisation scenarios described on the previous page. As shown in figure 15, these scenarios span a considerable range of expectations. At one end, our bespoke 'Covid bounce' scenario assumes a slight increase in emissions in the near term before reductions and the NGFS 'Current Policies' scenario assumes minimal incremental economy-wide progress on emissions reductions beyond current policies. Both scenarios see only modest reductions in our financed emissions to 2030, which would make meeting our targets difficult.

At the other end of the range, the NGFS 'Net Zero 2050' and 'Divergent Net Zero' scenarios and the IPR's 'Required Policy Response's scenarios all show ambitious and rapid economy-wide emissions reductions driven by a significant ratcheting of ambition. These scenarios translate into significant reductions in our financed emissions, which would aid us in achieving our targets.

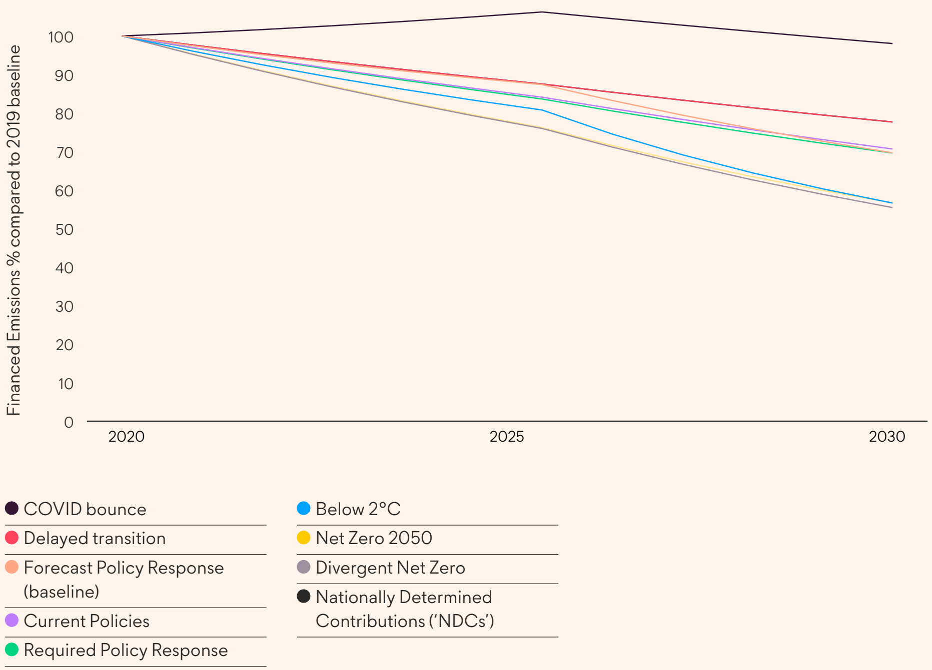
The range of plausible potential economy-wide emissions reduction scenarios and their widely varying impacts on our financed emissions highlight the high levels of unavoidable uncertainty we are operating in. Our approach to implementing our Net Zero Transition Plan needs to reflect this uncertainty, and we will continue to use and refine our emissions pathway projection tool to inform future planning.

Our modelling is based on a wide range of assumptions and limitations, including assuming a static balance sheet that does not reflect strategic asset allocation throughout the period to 2050. Therefore, actual outcomes may vary considerably from those modelled to date.

In addition, our interim targets are intensity rather than absolute-based and therefore are impacted by variation in asset prices.

Figure 15: Financed emissions projections under different decarbonisation pathway scenarios prior to our management actions

The modelled scenarios demonstrate a wide range of uncertainty on future decarbonisation trajectories that will impact our achievement of our net zero goals. See table 3 on previous page for full description of each scenario.



3 Execute actions

Decarbonisation levers for driving change

We have three core levers at our disposal for decarbonising our financed emissions: portfolio decarbonisation; effective stewardship of our assets; and investing in climate solutions that are applied differently across asset classes.

Example decarbonisation levers by asset class are described in Table 4. Aligning our actions with our customers' financial interests is essential, and a cornerstone of our Net Zero Transition Plan. Therefore, any steps we take to decarbonise need to make sense for our customers from a financial perspective.

Our initial actions, described on pages 30–31, focus on our equity and credit portfolio, on the basis that it is the focus of our 2025 target, accounts for over 60% of our measured financed emissions and is the most straightforward asset class to address.

We have also taken action on our illiquid loan portfolio through investment in net-zero-aligned infrastructure projects.

We are 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.

Table 4: Example decarbonisation levers by asset class

Lever	Description	Asset classes			
		Listed equity and credit £162bn	Sovereign bonds £42bn	Real estate[1] £9bn	Loans[2] – (non-real estate) £7bn
1. Portfolio decarbonisation	By reducing the carbon intensity of our investment portfolio, we can reduce our customers' exposure to companies with significant climate risk and increase their exposure to companies that are investing in the net zero transition and aligning their business models with low-carbon growth.	• **Tilting** assets under administration away from carbon-intensive companies, and towards lower-carbon alternatives through use of climate indices and other investment guideline changes • **Excluding** the most polluting assets from our portfolio	• **Playing our part** in helping sovereigns to reduce countrywide emissions as a firm, a procurer, an investor and a strong community advocate for decarbonisation	• Introduction of new **screening criteria** focused on assessing assets' energy efficiency and tilting portfolio by focusing on investment in high-efficiency buildings	• Introduction of **climate- related screening** in deal transactions to reduce overall carbon profile of illiquids portfolio
2. Effective stewardship of our assets	Our most carbon-intensive investee companies have elevated vulnerability to climate change risks. We believe that through effective stewardship, we can influence these companies through proactive engagement to drive positive change that reduces the carbon intensity of their activities and equips them to transition to a net-zero future	• **Engaging** with investee companies to encourage adoption of emission reduction strategies and to hold them to account on their targets	• **Policy engagement** with government and other bodies to strengthen the investment case for low-carbon assets to drive decarbonisation of the whole economy	• **Actively engaging with policy makers and real estate industry associations** with the intention to create obligations for the disclosure of energy consumption data • **Engaging tenants** to adopt energy-efficient policies (e.g. LED/smart lighting) and to procure renewable energy	• **Engaging** with investee companies and project sponsors to adopt ambitious climate-related targets and policies
3. Investing in climate solutions	We are committed to supporting the growing sectors of the future that will enable the transition to net zero. We believe these sectors are likely to offer attractive investment opportunities for our customers.	• **Redirecting** assets to funds that include a clear ESG approach, like our Multi Asset Climate Solutions Mandate and venture captial funds	• **Encourage the development** of a green bond market	• Investing in sustainable, low carbon real estate holdings to **improve insulation** standards	• **Investing** in net zero-aligned infrastructure • **Structuring** of loans to embed net zero/climate friendly features

1 Real estate pertains to commercial real estate equity and loans and equity release mortgages.
2 Captures infrastructure debt (including local authority loans and municipal bonds) and private placements

3 Execute actions continued
1. Portfolio decarbonisation

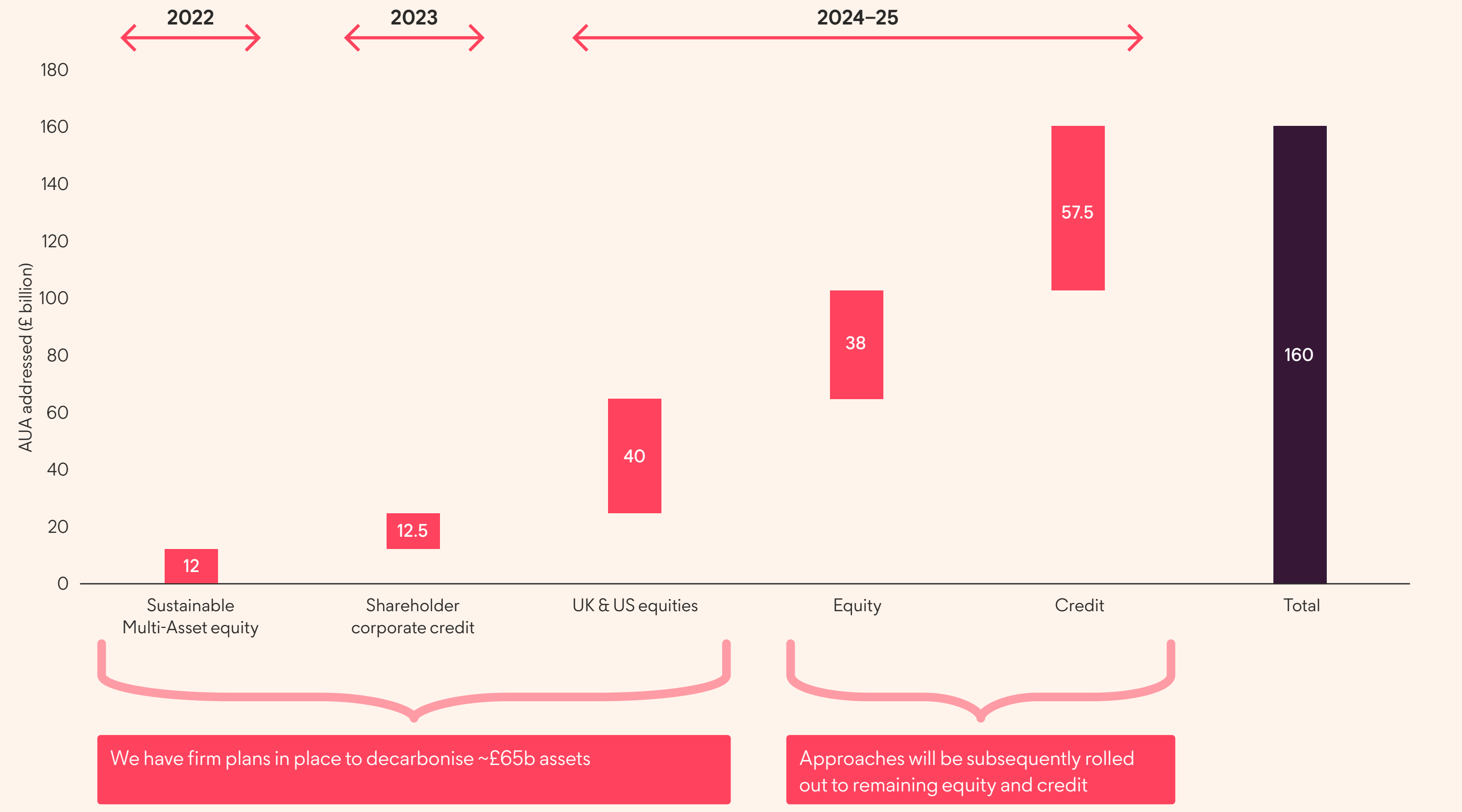
Our primary decarbonisation focus to date has been on c.£160bn[1] listed equity and credit portfolio, which is the subject of our 2025 target. We have firm strategies in place to reduce emissions for almost £65 billion of these assets and we will be looking to introduce decarbonising strategies for the remaining parts over the course of 2024–25, thus managing the climate risk in line with our customers' best interests.

Figure 16 sets out a directional timeline for how we plan to do this and the value of AUA each action addresses. We have made good early progress with the transfer of 1.5 million customers into the Sustainable Multi-Asset strategies in 2022, with the equity component (£12 billion AUA) subject to decarbonising strategy. We will build on this in 2023 with the implementation of a net zero strategy for shareholder corporate credit, which will apply to a further c.£12.5 billion AUA. Then in 2024–25 we aim to roll our customised decarbonising benchmarks across our listed equity and credit portfolio, starting with c.£40 billion UK and US equity portfolio.

We describe each of these actions in more detail in figure 17 on the next page, as well as explaining the role of our exclusions policy. Then on page 32, we set out a directional roadmap for decarbonising our overall investments portfolio by asset class.

1 AUA as at YE2021.

Figure 16: Directional timeline for decarbonising our £160bn listed equity and credit portfolio and AUA[1] addressed by each action



Ensuring our actions are in our customers' financial interests
Customised decarbonising benchmarks will reduce the carbon intensity of our investment portfolio, which we believe will make it more resilient over the long term. It is critical that any changes to benchmarks are well tested and managed so that we can continue to protect customers' financial outcomes. We will only apply decarbonisation levers where it is in the best interest of customers.

3 Execute actions continued

1. Portfolio decarbonisation continued

Figure 17: Overview of actions to decarbonise our listed equity and credit portfolio

	Sustainable Multi-Asset funds	Shareholder corporate credit	Customised decarbonising benchmarks
AUA	£12bn	c.£12.5bn	c.£140bn
Timing	Ongoing	2023	2024 and beyond
Description	We know the vast majority of our customers, including those who have been auto-enrolled, find it difficult to understand and therefore get involved with their pensions. That is why so many keep their money in a default investment option. In 2021, Sustainable Multi Asset Universal Strategic Lifestyle Profile became the Standard Life default for new workplace customers. To make sure our existing customers could also benefit from this, in 2022 we moved c.1.5 million customers and c.£15 billion of assets from our existing default options to ones that reflect the same thinking and outcomes-based approach as our new default option. The Sustainable Multi Asset Universal Strategic Lifestyle Profile applies an ESG approach to all equity and listed real estate ('REIT') components. The equity exposure in the solution (£12 billion AUA) tracks sustainable indices that combine exclusions, tilts and stewardship activity. When compared to the parent index, the sustainable equity indices target: – 50% reduction in carbon emissions – 50% increase in green technology revenues – 10 – 20% enhancement in ESG scores	In addition to our activity on indexed portfolios, we are also taking active steps to decarbonise non-indexed portfolios across our investment portfolio as part of effective risk management. This portfolio is c.£12.5 billion AUA. Our work to date has primarily focused on our shareholder corporate credit asset portfolio. In particular, we have developed a climate transition strategy for this portfolio, which aims to better identify the universe of net-zero-aligned assets available to us. Net-zero-aligned assets are based on Institutional Investors Group on Climate Change ('IIGCC') criteria. We intend to invest 40–50%, of the shareholder liquid asset portfolio in net zero-aligned assets by 2025, and 50–70%, of the portfolio 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. Over time, we will look to extend our thinking on non-indexed portfolios to other relevant components of the investment portfolio where we can increase net zero alignment.	It is our responsibility to consider financially material risks and we believe reducing the carbon intensity of our investment portfolio makes it more resilient over the long term. We are working with leading index providers to design customised equity benchmarks which decarbonise, and intend to apply these to all policyholder funds where we have control of the investment strategy. We plan to initially apply the titled benchmark to UK and US equity assets, accounting for c.£40 billion AUA[1]. Over the course of 2024 and 2025 we plan for the benchmark to be applied to equities in other regions and our credit portfolios, to a further c.£100 billion AUA. Aligning assets to climate-aware benchmarks in this way is consistent with our focus on risk management as it enables us to reduce exposure to climate risk – which presents a potential material financial risk to customers.

1 AUA as at YE2021.

Exclusions

In 2022 we further embedded our Group Exclusions Policy as part of integrating ESG considerations into the investment decision-making process and continue to implement this across our shareholder and policyholder assets.

Our Group Exclusions Policy applies the following principles:

- Principle 1: Sectors or companies that face acute social or environmental challenges that are very likely to translate into financially material risks;
- Principle 2: Sectors or companies where we do not believe that engagement will be effective;
- Principle 3: Sectors or companies that do not adhere to international standards of minimum acceptable behaviour as identified in relevant international treaties and United Nations initiatives; and
- Principle 4: Sectors or companies that do not align with Phoenix's pledges and commitments, corporate values and present reputational risks.

In the context of net zero, we have therefore set exclusion thresholds for companies where over 20% of their revenue is derived from the following sources:

- Thermal coal – both mining and utility energy generation; and
- Oil sand production
- Arctic drilling

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

Read more in our Group Exclusion Policy →

3 Execute actions continued

1. Portfolio decarbonisation continued

Beyond 2025, our portfolio decarbonisation focus broadens to include other asset classes.

The scope of our 2030 target extends beyond listed equity and credit to also include sovereigns, real estate and loans portfolios. Then beyond 2030, our overarching goal to be net zero by 2050 also covers other collective vehicles and external fund links ('EFLs').

These are more challenging asset classes to decarbonise and we have more work to do to develop firm plans. We also become much more dependent on action from others to decarbonise these asset classes, notably from government in relation to sovereign bonds.

Table 5 summarises our current view on our initial decarbonisation focus by asset class and figure 18 shows how the value of assets under administration addressed by portfolio decarbonisation measures increases over time.

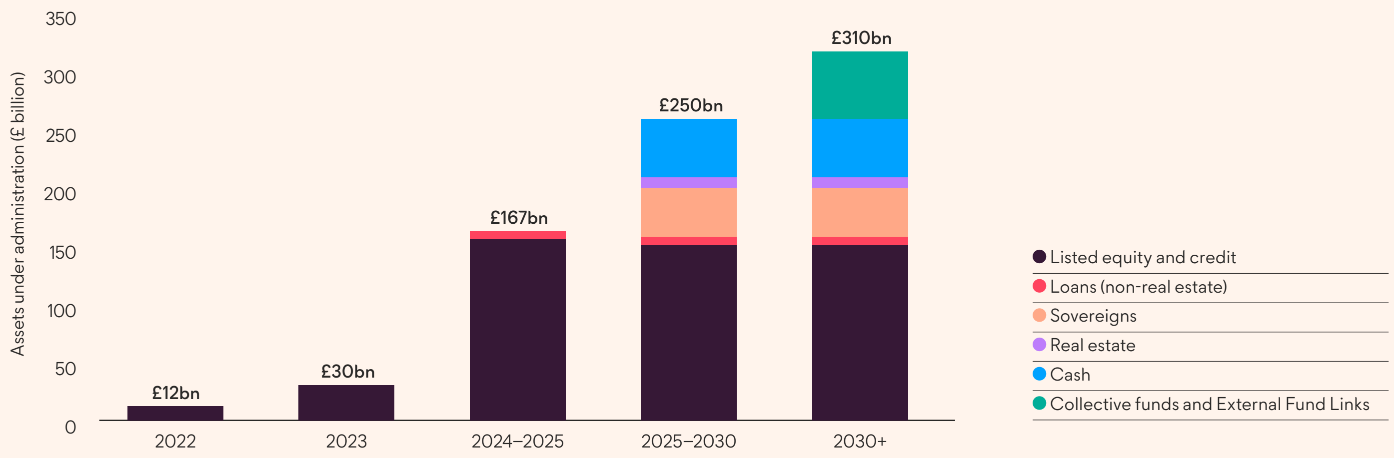
While we do not plan to take specific actions to decarbonise our cash portfolio (which is considered to have zero carbon emissions in line with industry guidance), we include its value in figure 18 to be consistent with the approach taken in our Climate and Sustainability Reports.

It is important to note that all potential future actions, including those currently in development, are subject to detailed analysis and robust governance to ensure decisions are made in customers' best interests.

Table 5: Current view on initial decarbonisation focus for other asset classes covered by 2030 and 2050 targets

	Loans (non-real estate)	Sovereigns	Real estate	Cash	Collective funds and EFLs
AUA[1]	£7bn	£42bn	£9bn	£50bn	£58bn
Relevant targets	2030, 2050	2030, 2050	2030, 2050	2030	2050
Timing	2024–2025	2025–2030	2025–2030	N/A	2030+
Initial focus (current view)	Integrate carbon profile considerations into deal flow	Engage with relevant government bodies	Factor climate-related risks into the underwriting of equity release mortgages and consider options to tilt portfolio to greener buildings and to engage tenants on energy efficiency	Cash included in target but assigned zero emissions value as per general industry approach	Deepen our engagement with managers of collective vehicles and build our understanding of options to decarbonise them

Figure 18: Value of AUA addressed by portfolio decarbonisation measures over time



3 Execute actions continued

1. Portfolio decarbonisation continued

Delivering for our customers

We have put customers at the heart of our Net Zero Transition Plan and everything we do has their best interest at its core. By taking the right actions to decarbonise, we can help our customers grow their investments and protect them against risk.

It is our fiduciary duty to always make decisions in the best interest of our customers, and any steps we take to decarbonise need to make sense for our customers from a financial perspective. Our analysis shows that, in the long term, failing to decarbonise our portfolio exposes our customers to increased stranded asset risk and leads to less resilient investment portfolios. We also believe that companies whose business models align with a net zero transition are more likely to benefit from the growth opportunities presented by a low carbon future.

We are developing a robust governance process to ensure we manage and monitor climate risk as a financial risk to improve customer outcomes. This includes assessing customer impact of any new decarbonisation activity and periodically reviewing the effects of the existing activities, to ensure there are no unintended consequences emerging that could be at a detriment to our customers' interests. Further detail is given in the Monitor and Refine section on page 41.

3 Execute actions continued

2. Effective stewardship of our assets

As a large asset owner, we recognise our stewardship responsibilities and adopt an 'engagement first' approach with the objective of using our position of influence to bring about corporate change. Stewardship is therefore central to our Net Zero Transition Plan and one of our most effective levers to drive real economy emissions reductions.

This is why we have committed to becoming signatories to the UK Stewardship Code in 2023. We are also signatories to both the UN-convened Net Zero Asset Owners Alliance ('NZAOA') and the IIGCC and are utilising the protocols developed by these organisations to guide our engagement.

We have built a stewardship engagement framework that is tailored by sector and builds on the four TCFD pillars of governance and remuneration, strategy, risk management and metrics and targets (in addition to which we consider investee companies' climate disclosures).

Table 6 summarises our expectations of all investee companies to manage climate-related risks and opportunities and transition to net zero.

Table 6: Expectations of investee companies for corporate management to manage climate-related risks and opportunities.

We expect companies to provide robust disclosure and evidence on climate change management and action across the following pillars linked to the TCFD framework. Full details can be found in our Expectations of Investee Companies, in summary:

Governance and remuneration	Board-level oversight and responsibility for climate related issues and executive remuneration linked to achieving climate transition-related KPIs
Strategy	Commitment to a long-term net zero goal by 2050, with a clear scope, timeline and baseline Details on measures that will be deployed to deliver GHG emissions reduction targets Definition of a coal phase-out plan where applicable for the sector Evidence of climate scenario analysis to test the alignment of the company transition plan and relevant interim targets with net zero Details on capital allocation and R&D spending in alignment with the transition plan
Risk management	Evidence of integration of transition and physical risks in the company risk management, framework.
Metrics and targets	Disclosure of verified Scope 1, 2 and 3 emissions Commitment to short-, mid- and long-term targets aligned with a 1.5°C trajectory covering the company value chain Commitment to apply for SBTi verification or a credible independent verification of the company's targets.
Disclosure	Annual, externally audited disclosure in line with TCFD requirements Development of a climate transition plan Annual responses to CDP questionnaire

Split of engagement activity

We undertake direct engagement with 25 priority investee companies, which account for 40% of our financed emissions in material sectors, through our in-house stewardship team. In addition to which we undertake delegated engagement with a larger number of investee companies through our asset management partners.

In 2022, our asset management partners have engaged on climate change issues with 464 companies held in our investment strategies, representing 29% of financed emissions from high-emitting sectors in our listed equity and corporate fixed income portfolios (using the 2019 baseline). Our 2022 direct and delegated engagements on climate change have therefore covered 69% of financed emissions bringing us into alignment with the AOA Target Setting Protocol and IIGCC Net Zero Stewardship frameworks we are using as reference.

3 Execute actions continued

2. Effective stewardship of our assets continued

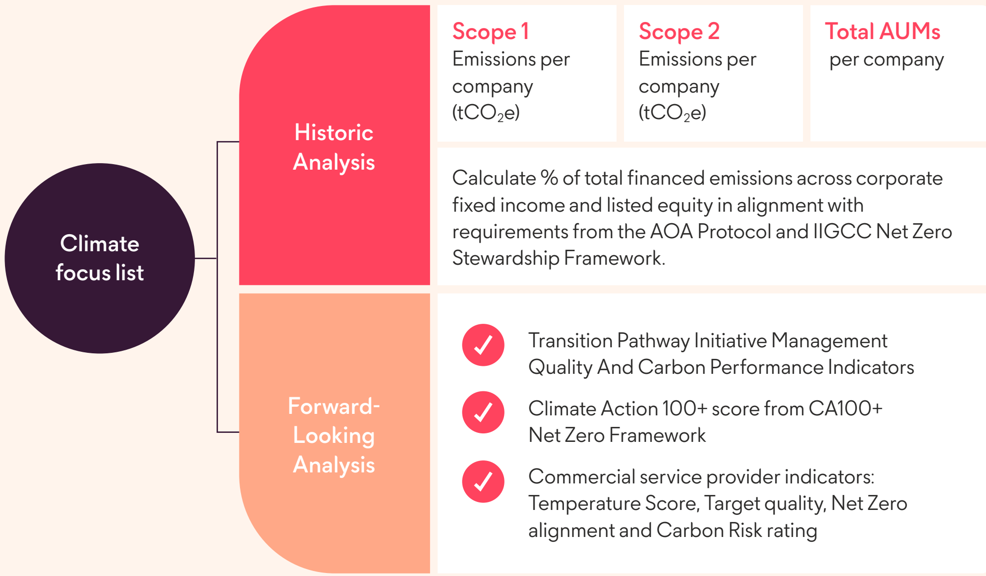
In-house engagement with 25 high priority companies making up 40% emissions in material sectors
We have developed a climate change scorecard which we use to engage with the 25 highest priority companies and support their transition to net zero. The companies were prioritised on the basis of their current emissions, sector and action to date on climate change.

The 25 companies on our climate focused stewardship engagement list account for 40% of our financed emissions in material sectors in corporate fixed income and listed equity holdings (using our 2019 carbon footprint baseline as reference). High-emitting sectors are defined using the NZAOA classification. Nineteen companies in our list are also targeted by CA100+, the largest collaborative initiative to engage with high-emitting companies on climate change. We have been asked to lead on four of these coalitions and are progressively joining another 15 as active participants.

In selecting our focus list, we have prioritised companies associated with high financed emissions performing poorly on forward-looking indicators such as temperature alignment scores, lack of accredited science-based targets, the CA100+ Net Zero Framework and assessments on carbon performance from the Transition Pathway Initiative ('TPI'). This analysis has allowed us to focus on the companies that would benefit the most from dialogue with investors as they have large carbon footprints and show areas for improvements on transitioning their business model in a changing world.

Our climate focused stewardship engagement list selection framework for top 25 priority companies

Figure 20: Climate focus list approach
We have defined our climate focus using a combination of historic analysis looking at emissions profile and forward-looking analysis that assesses where investee companies are on their journey. Our top 25 priority companies are listed in the appendix.

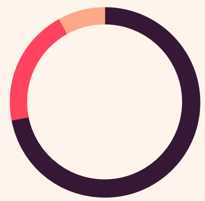


The charts to the right illustrate the sector and regional coverage of the 25 companies targeted by direct and collaborative engagements conducted by our Stewardship team. Utilities and oil and gas are the most represented sectors, collectively accounting for 13 of the 25 companies – figure 21. Eighteen of the 25 companies are located in Europe – figure 22.

Figure 21: Sector focus of 25 priority companies

Multi-Utilities and Electric Utilities	7
Integrated Oil & Gas	6
Airlines	2
Diversified Metals & Mining	2
Steel	2
Diversified chemicals and speciality chemicals	2
Hotels, Resorts & Cruise Lines	1
Construction Materials	1
Fertilizers & Agricultural Chemicals	1
Paper Products	1

Figure 22: Regional focus of 25 priority companies



Europe	18
North America	5
Asia	2

3 Execute actions continued

2. Effective stewardship of our assets continued

Top 25 climate engagement scorecard
We have defined company-specific engagement objectives for each of the 25 companies on our focus list. They are based on our climate engagement scorecard analysis and form the basis of our three-year engagement strategy, which started in November 2022.

The heat map – figure 23 summarises the key insights from our analysis. In particular:

- 84% of companies have set net zero targets, but 60% of companies lack sufficient detail in their targets given either limited coverage of Scope 3 emissions, weak short-to-mid-term ambitions or lack of goals for absolute emissions reduction.
- 48% of companies have conducted strong scenario analysis, yet 84% do not include climate scenario sensitivity analysis into their financial accounts.
- The lowest-scoring sectors are: Cement, Multi-utilities and Transport.
- Governance (42%) and Strategy (49%) are two pillars where the average score for companies was lowest, while highest scores were calculated for Metrics & Targets (61%) and Transparency (69%).

Figure 23: Climate engagement scorecard of top 25 companies against TCFD engagement framework

There is significant variation in rating of investee companies against our engagement framework. This analysis will inform our bespoke engagement strategy.

			Scorecard framework category scores				
	Industry sector	Phoenix Climate Score	Governance (out of 4)	Strategy (out of 6–9, sector dependent)	Risk Management & accounting (out of 2)	Metrics & Targets (out of 5–7 sector dependent)	Transparency (out of 3)
1	Oil & Gas	84%	69%	71%	100%	79%	100%
2	Mining & Metals	73%	75%	78%	50%	67%	83%
3	Utilities	72%	63%	56%	100%	67%	100%
4	Oil & Gas	70%	63%	63%	50%	75%	100%
5	Oil & Gas	65%	56%	67%	75%	58%	83%
6	Oil & Gas	65%	44%	83%	75%	42%	100%
7	Utilities	65%	50%	50%	50%	83%	100%
8	Utilities	64%	25%	66%	50%	83%	83%
9	Steel	63%	63%	50%	50%	70%	83%
10	Oil & Gas	61%	56%	46%	50%	63%	83%
11	Utilities	60%	50%	69%	63%	42%	83%
12	Agriculture, Forestry and Fisheries	59%	19%	50%	50%	90%	83%
13	Utilities	54%	69%	53%	50%	42%	67%
14	Mining & Metals	54%	56%	47%	50%	58%	67%
15	Transport	54%	19%	42%	63%	88%	50%
16	Chemicals	53%	63%	33%	50%	70%	50%
17	Chemicals	49%	25%	54%	50%	50%	67%
18	Transport	48%	38%	38%	50%	75%	50%
19	Chemicals	43%	31%	54%	25%	50%	33%
20	Multi-utilities	38%	50%	36%	50%	29%	33%
21	Oil & Gas	37%	19%	29%	50%	46%	50%
22	Cement	37%	13%	30%	50%	54%	50%
23	Utilities	34%	19%	19%	50%	50%	50%
24	Steel	32%	19%	33%	25%	40%	67%
25	Transport	24%	0%	4%	50%	50%	17%

0–19% 20–39% 40–59% 60–79% 80–100%

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 & Targets pillar scores companies on a reasonably quantitative basis and most listed companies are accustomed to disclosing carbon emissions data.

3 Execute actions continued

2. Effective stewardship of our assets continued

Global Voting Principles

In 2022, we developed our first global voting principles that summarise our high-level beliefs and expectations of good corporate governance (for example, board composition and remuneration), environmental and social practices. The document also describes our approach to engagement, escalation and conflict of interest in addition to setting expectations of our asset management partners on voting. We are not involved in voting decisions directly. We monitor the voting practices of our asset managers using our voting principles as a framework of reference after the votes are cast.

In 2023, we will test the voting policy in a synthetic environment for the meetings of 100 focus companies in collaboration with a selected proxy voting advisor who will develop voting recommendations to us based on our policy and underlying voting instructions. Beyond 2023, we will consider in-sourcing all voting in passive and enhanced index strategies in segregated mandates while continuing to monitor our managers' votes in active strategies and collective funds.

Read more in our Global Voting Principles →

Escalation

Progress towards tailored objectives for the three-year engagement strategy by our focused list of companies is regularly monitored through an internal tracking system. In case of insufficient progress against our objectives, we consider escalation strategies such as writing letters to the board, public statements, recommending voting against management and as a last resort, divestment. Where our engagement does not lead to change after more than three years of dialogue, we are intending to recommend the exclusion of assets that do not align with our climate and sustainability strategy.

Case study: Asset manager abrdn's engagement with Enel

During 2022 abrdn (our asset management partner) engaged with Enel (a multinational manufacturer and distributor of electricity and gas) directly and collectively as part of the CA100+ initiative. abrdn welcomed that Enel's net zero target had been brought forward from 2050 to 2040, that the company planned to disclose emissions across all scopes and that targets had been submitted to SBTi. However, they had concerns the ESG weighting of the Long Term Incentive Plan ('LTIP') was to be reduced from 25% to 20%, and as a consequence the metric related to renewable energy was to be removed.

The key objective of abrdn's collaborative engagement was to seek alignment of Enel's disclosures to the Net Zero Benchmark, which was launched by CA100+ in March 2021, and calls for robust and comparable information on how companies are realigning their business strategies and operations with the goals of the Paris Agreement.

In view of abrdn's concerns regarding the removal of the renewables metric, they decided to vote against the LTIP at the AGM. They will review any changes made to the LTIP structure prior to voting at the 2023 AGM.

Together with the two CA100+ co-leads, abrdn were pleased to acknowledge that in November 2022, Enel became the first and only company to fully align their corporate disclosures with the CA100+ Net Zero Company Benchmark.

Note: Company selected for illustrative purposes only to demonstrate the investment management style described herein and not as an investment recommendation or indication of future performance.

3 Execute actions continued

3. Investing in climate solutions

The third lever for decarbonising our investment portfolio is to actively invest in climate solutions. We are seeking to increase our investment in climate solutions required to deliver net zero, where regulatory and market conditions allow.

It is estimated that around £2.7 trillion of investment will be required over the next 15 years to meet the UK's emission reduction goals, and that the insurance sector has the potential to fund up to a third of this investment, subject to market conditions, organisation credit/risk appetite and deal flow that meets asset eligibility criteria such as Solvency II matching adjustment criteria.

Illiquid assets investments

We invested c. £2.3bn of our shareholder portfolio in sustainable illiquid assets over 2021 and 2022. As a result, we have made good progress against our long-term ambition to deploy £10 billion in direct investments in sustainable and/or productive opportunities by year-end 2025, of which climate solutions is one of the elements. To date we have originated c.£0.7 billion in climate solutions.

Looking ahead, we welcome the reforms to Solvency II regulations as an important component of the changes needed to the wider UK investment landscape to enable us to meet our ambition to invest more in the future. The UK lags behind other major developed nations in terms of its investment in alternative assets. Currently, only 9% of assets in UK pension funds are invested in this way compared to 23% in the other major pension markets. With the necessary conditions, such as the right regulatory framework and access to transformative investment projects that offer an attractive returns profile, Phoenix could invest up to £40 billion in sustainable and/or productive assets to support economic growth, levelling up and the climate change agenda. As ever, a key priority will be to deliver good outcomes for our customers and this will continue to inform our investment decision-making process.

Investment in climate solution funds

In 2022, we selected an asset management partner to support us in designing a multi-asset 'climate solutions' mandate, which we will deploy c.£338 million of policyholder assets into in 2023. The portfolio will allocate capital to enable the transition to a low-carbon world, through both reducing emissions (mitigation) and increasing climate change resilience (adaptation). The portfolio will have an overarching Sustainable Development Goal ('SDG') alignment which will be skewed towards companies that have a high positive SDG score on environmental SDGs[1]. We will look to increase our allocation of policyholder assets to climate solution funds over the course of 2023 and beyond.

Investments in venture capital funds

We have a dedicated venture capital fund with an initial allocation in excess of £100 million. This is the first allocation to venture capital in our policyholder funds, and the first allocation to patient capital in our unit linked funds. The fund will follow a thematic ESG approach within a number of sectors, including green energy, fintech and healthcare, to provide attractive risk-adjusted returns. The investments made through the venture capital fund will help businesses to scale up and enable them to focus on growing out their workforce, whilst giving them access to the expertise that they require. We will look to increase our allocation of funds to venture capital as opportunities arise to scale the low-carbon technology companies of the future.

Sustainable asset framework

To achieve a successful transition, finance will have to be targeted to key areas. Hence, we consider it particularly important to provide greater clarity on our definition of sustainable investments and/or transitional and productive finance assets. We have recently published our Sustainable Finance Classification Framework for Private Markets and will continue to review and evolve our framework as standards mature.

Climate solutions

Climate solutions are investments in economic activities that contribute substantially to climate change mitigation or adaptation. 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

1 The SDGs are a collection of 17 non-legally binding interlinked global goals set forth by the UN for countries and governments. These are included only as indicative guidance for Phoenix Group's ambition to align its strategy to the UN Sustainable Development Goal and Phoenix Group makes no representation, warranty, or assurance of any kind, express or implied, or takes no responsibility or liability as to whether Phoenix Group's strategy furthers the objective or achieves the purpose of the indicated SDG.

Case study: Improving energy efficiency of social housing

In June, we provided £90 million of long-term funding by means of a private placement to Alliance Homes, a regulated social housing provider. The transaction marks an increase in Phoenix's UK social housing holdings to above £2.5 billion.

Phoenix was chosen as lead investor with funding provided through Macquarie Asset Management, a key asset management partner.

The investment will support Alliance Homes in developing c.2,000 affordable homes over the next ten years to help address the UK housing crisis. Alliance will use part of the funds to invest in improving the sustainability of its current housing stock by bringing all homes to an Energy Performance Certificate ('EPC') rating of C or better.

3 Execute actions continued
Our directional roadmap

We have developed an overarching directional roadmap for how we have already transitioned from getting started (e.g. developing strategies and policies) to taking action (e.g. launching our new workplace default), and are now starting to build on our initial actions to achieve real scale. It focuses primarily on near-term actions between now and 2025.

This roadmap is indicative only, with multiple elements subject to detailed analysis and formal approval. It is important to note that we will only apply decarbonisation levers where we believe it is in the best interest of customers.

Getting started | Taking action | Achieving scale

Lever | 2021 | 2022 | 2023 | 2024 | 2025 | 2025+

Portfolio decarbonisation

- Baselined emissions for listed assets and developed strategy for decarbonisation (Getting started)
- Transferred £12bn to equity sustainable multi asset (Taking action)
- Shareholder Corporate Credit Decarbonisation (Taking action)
- Adopt use of climate indices across UK and US equity portfolios (Achieving scale)
- Adopt use of climate indices across other equity portfolios and fixed income (Achieving scale)
- Baselined emissions for sovereigns, real estate and loans portfolios (Getting started)
- Integrate net zero considerations into illiquid assets dealflow (Taking action)
- Comprehensively integrate decarbonisation across all asset types (Achieving scale)

Effective stewardship of our assets

- Developed engagement strategy (Getting started)
- Roll out direct engagement programme to top 25 targets, accounting for c.40% of financed emissions in material sectors in listed markets (Achieving scale)
- Developed global voting principles (Getting started)
- Shadow test and then pilot voting policy for 100 companies (Taking action)
- Expand coverage and take voting in-house for selected strategies (Achieving scale)

Investing in climate solutions

- Developed high level strategy (Getting started)
- Made initial investments of c.£0.7bn (Taking action)
- Scale up investments in climate solutions as part of broader goal to invest up to £40bn in sustainable and/or productive assets dependent on favourable policy, regulatory and market landscape (Achieving scale)

4 Monitor and refine

Assessing the likelihood of meeting our targets

If the actions we have already committed to are implemented then we believe we will be on track to achieve our 2025 interim target. This assessment has been informed by our progress to date and supported by our forward-looking emissions pathway projection tool (described on page 28) which has been used to test 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. We are also 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.

Even in the near term, we face significant uncertainty around how quickly the wider economy will decarbonise, asset growth rates and the effectiveness of our actions in meeting our targets. Therefore, while our emissions pathway projection tool has been used to explore possible outcomes to give us a useful sense of where we stand, there are significant limitations in its use which may mean that actual outcomes vary greatly from those explored and meeting our targets is more or less difficult than expected.

Challenges and dependencies to decarbonising our investment portfolio
We need a step change in action, to transform economies to embed sustainability into every financial decision and combat the climate crisis. Decarbonising investment portfolios and financing to productive and sustainable assets including climate solutions at scale is going to require new approaches to investment, government policy and financial regulation. We set out these key challenges and interdependencies below:

- **Government policy frameworks:** We need net zero-aligned government policy that provides the necessary signals and support to enable industry and investors to make large, long-term strategic commitments that will enable private sector investment into climate solutions flow at scale. We plan to increase investments in illiquid assets and sustainable investments, but only if there are the right regulatory and market conditions.
- **Government regulation:** Supportive financial sector regulation including reforms to Solvency II and Long-Term Asset Funds, and the review of performance fees and charge caps for defined contribution pension schemes may enable asset owners and pension providers to invest a greater proportion of policyholder assets in long-term illiquid assets such as green infrastructure.
- **High transition risk sectors:** A significant proportion of our financed emissions are concentrated in a small number of high transition risk sectors. We are therefore dependent on investee companies having credible transition plans, which are aligned to net zero transition pathways for their sector.
- **Voluntary carbon markets:** We are dependent upon the scaling up of voluntary carbon markets to enable a supply of credible carbon reduction offsets to be used by investee companies where they cannot reduce emissions to absolute zero.
- **Asset classes/areas in which it is challenging to drive change:** There are certain asset classes and areas in which we are invested that will be much more challenging to decarbonise. For example, sovereign debt investments make up a considerable portion of our AUA and are held for regulatory capital and liquidity purposes, and so we have limited flexibility to be able to divest at scale. In addition, it is difficult to meaningfully influence the decarbonisation trajectory associated with sovereign debt investments, without considerable commitment from the relevant governmental body raising the finance. We also do not have direct control over external fund links ('EFLs') and so are ultimately reliant on third party fund managers taking action to decarbonise.
- **Ability to influence as an equity vs. debt investor:** In 2022, we expanded our carbon emission baseline to include real estate assets (including both debt and equity investments). Equity ownership gives us greater flexibility to shape the future decarbonisation trajectory at an individual property level (e.g. by way of advocating for the retrofitting of buildings to improve their EPC rating). There may be fewer opportunities to influence our debt investments, on the other hand, other than at initial investment and/or at refinancing opportunities.

4 Monitor and refine continued
Enhancing an oversight process

In 2023 we will review our progress against a net-zero glidepath, and establish a monitoring dashboard to track our decarbonisation progress going forward. This dashboard will evolve over time to show potential divergence at a counterparty, sectoral and asset class level, to inform where we may need to accelerate our decarbonisation efforts to remain on track.

We recognise that there is a key dependency on the real economy to decarbonise at a similar pace to our own decarbonisation activities. If the real economy decarbonises at a significantly different pace to our investment portfolio, we run the risk of giving our customers a different outcome to the one they expected as the assets may deviate from the parent index. As such, we have set in place a robust governance process to periodically review the effects of the activities we take, to ensure there are no unintended consequences emerging that could be to the detriment of our customers' interests. If potential detriment were to be identified, we may need to take action to protect customer outcomes.

Over time, as we reach our interim decarbonisation milestones, we will set further interim targets on the pathway to net zero by 2050 to maintain momentum, as per Net Zero Asset Owner Alliance guidance. In addition, we will review our exclusions policy on an annual basis to ensure alignment with our net zero goals and emerging industry guidance.

Aligning our finance to net zero
Our approach to decarbonising our investments portfolio broadly aligns with GFANZ's four key financing strategies to reduce real-economy emissions: climate solutions, aligned, aligning and managed phase-out. Table 7 below summarises our current approach and plans for each strategy.

Table 7: Phoenix Group approach to GFANZ financing strategies

GFANZ financing strategy	GFANZ financing strategy
Climate solutions: Entities and activities that develop and scale climate solutions	We are seeking to increase our investment in climate solutions required to deliver net zero. With the necessary conditions, such as the right regulatory framework and access to transformative investment projects that offer an attractive returns profile, Phoenix could invest up to £40 billion in sustainable and/or productive assets to support economic growth, levelling up and the climate change agenda.
Aligned: Entities that are already aligned to a 1.5°C pathway **Aligning:** Entities committed to transitioning in line with 1.5°C-aligned pathways	We are committed to increasing the proportion of our investments that are aligned or aligning to a 1.5°C pathway, for example through our customised decarbonising benchmarks and stewardship strategy. In 2021, 32% of our listed asset portfolio had approved SBTs in place ('aligned') and 16% had committed to SBTs ('aligning').
Managed phase-out: The accelerated managed phase-out of high-emitting physical assets	Where our investee companies have business models and assets that are not consistent with a net zero future, we seek to influence them through our stewardship engagement to drive positive change. In addition, work is ongoing to refine our definition of sustainable investments and ensure it aligns with recognised taxonomies. This is likely to include a 'transitional' assets category.

Engage

We have put customers at the heart of our Net Zero Transition Plan and everything we do has their best interests at its core. We know we cannot deliver net zero alone, so we're going to be vocal in calling for action from others and using our scale to drive the wider system change needed to deliver net zero.

Engage and driving change – at a glance

Engaging with our customers and using our scale to drive wider system change is a core element of our Net Zero Transition Plan. We have put our c.12 million customers at the centre of our plan, and understanding their evolving priorities and communicating with them effectively is crucial to its successful delivery. As the UK's largest long-term saving and retirement business, we want to use our scale and voice to multiply impact and drive the wider system changes needed to deliver net zero.

Our engagement approach has two key focus areas:

1. Engaging our customers
2. Driving wider system change

Pages 44 to 52 describe our approach in more detail →

1 Engaging our customers

Recent research tells us that our customers are concerned about climate change and expect us to invest their money in a responsible way – although their current awareness of responsible investing is relatively low:

80% concerned about climate change

90% expect us to invest in a responsible way

44% aware of responsible investing

We recognise the need to take our customers on a journey to build their knowledge and confidence in their product and investment solution. We believe that engaging our customers with the impact of their investments is important and forms a key component of our strategy to engage them in their financial futures more broadly. We have a three-phase customer engagement journey:

1. Inform – customers with information of products and investments they hold to increase understanding

2. Empower – customers with basic investment knowledge to understand how we act to support them to and through retirement

3. Inspire – customers to consider the impact of their investments and feel confident that their investments are aligned with their beliefs

In 2023 we aim to reach 1.5 million customers to raise awareness about the impact of their investments, including through direct engagement, piloting an online engagement tool and supporting sector-wide campaigns.

2 Driving wider system change

We want to use our scale and voice to multiply impact and drive the wider system changes needed to deliver net zero. We will do this by delivering thought leadership, engaging decision-makers and collaborating with our peers.

We will focus our efforts on driving change in the following areas:

- Clarity and certainty on the government's long-term vision for a net zero economy.
- Net zero-aligned government policy.
- Supportive financial sector regulation.
- Market transformation, such as new business models that unlock investment at scale.
- Integration of net zero with wider action to protect the natural environment.

Our goal is to deliver impactful thought leadership each year that we hope makes a meaningful contribution to unlocking barriers and helping us and others achieve our net zero targets. As part of this, we will look for opportunities to convene and collaborate with our peers and other relevant stakeholders.

With the priority of overcoming barriers that are currently holding back investment in climate solutions, we recently reviewed 25 technology areas where significant investment is needed to identify where we could have the greatest impact. This review has shaped the focus areas for our thought leadership activity.

We will maintain our active engagement in a wide range of industry bodies and forums to advocate for change and help to shape emerging thinking on financing of the net zero transition.

We will work with government, who are central to setting the right policy frameworks that enable the transition to net zero at the requisite pace that the scale of the challenge demands.

1 Engaging our customers

Our customer base

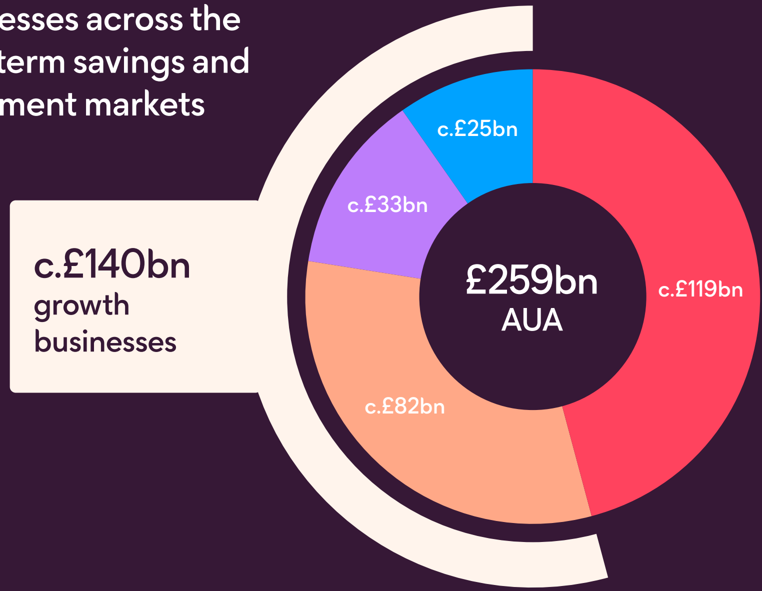
We have put our c.12 million customers at the centre of our Net Zero Transition Plan to ensure that the actions we take are fully aligned with their financial interests and we continue to protect customer outcomes.

We believe that by decarbonising our investment portfolio at a steady pace, we will reduce our customers' exposure to climate-related risks and help them benefit from the growing sectors of the future. Understanding our customers' evolving priorities and expectations on climate change and communicating our plans with them effectively is crucial to the successful delivery of our Net Zero Transition Plan. Building customer interest in reducing climate impacts and our decarbonisation journey also provides us with an opportunity to engage them more broadly with their product and saving needs to and through retirement.

Our c.12 million customers span four brands (Phoenix Life, Standard Life, SunLife and ReAssure) and we offer a broad range of long-term savings and retirement products to support them across their entire savings life cycle, as illustrated on the right.

We engage with our customers through a variety of channels and are continually adapting our service and products to help more customers on their journey to and through retirement. We offer a range of investment funds and are exploring the development of innovative customer solutions that integrate Environmental, Social and Governance ('ESG') considerations into the investment decision-making process so that our customers can invest in line with their values.

Our in-force business has c.12m customers, with scale businesses across the long-term savings and retirement markets



Heritage

We are the market leader in the safe and efficient management of legacy pensions and savings policies to deliver better customer outcomes, and in realising significant cost and capital synergies through Heritage backbook M&A.

c.5.5m customers

Pensions and savings

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

c.3m customers

Retirement solutions

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

c.1.5m customers

Europe and SunLife

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

c.2m customers

1 Engaging our customers continued
What our customers have told us

Recent customer research tells us that our customers are concerned about climate change and expect us to invest their money in a responsible way – although their current awareness of responsible investing is relatively low.

Our customers trust us to reflect their priorities in how we invest. They want us to keep their money safe and provide them with long-term financial returns, and managing exposure to climate risk is very much part of our approach.

In 2022 and 2023, we conducted research with our customers to explore their understanding and attitudes towards responsible investing, net zero and environmental, social and governance (ESG) factors.

Research was conducted with 900 customers across our Standard Life, Phoenix Life and Reassure brands and is being used to inform our Group-wide approach to communicate our changing investment strategy and support customers throughout the journey to and through retirement.

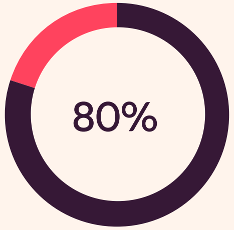
In summary, the research showed us that our customers are concerned about specific environmental considerations, with 80% concerned about climate change and 88% concerned about nature destruction. 90% of customers expect us to invest their money responsibly on their behalf. The current awareness of responsible investing is generally low but the majority of customers who took part are interested in finding out more.

Responsible investing resonates with our customers. Whilst the top priority for customers is to make returns, the majority (55%) see responsible investing as being at least as important as returns.

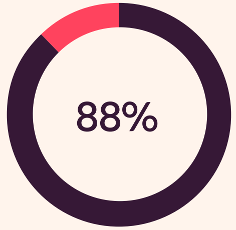
The research clearly highlights the importance of engaging with our customers on our net zero transition, and we will continue to seek their views to ensure that we provide solutions and communications that support them as we deliver our Net Zero Transition Plan.

Key insights from customer research

Our customers are concerned about the impact of climate change and nature on the world

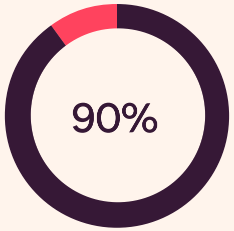


Concerned about climate change

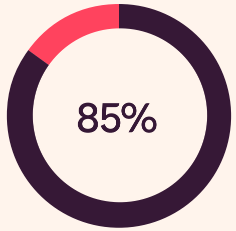


Concerned about nature

Our customers expect us to invest in a responsible way and to let them know what we're doing, as well as what we have achieved

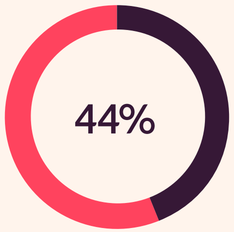


Expect us to invest in a responsible way

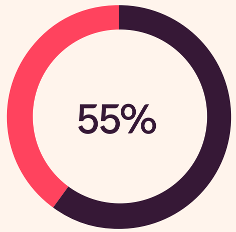


Expect us to tell them about the responsible investing options related to their product

Current awareness of responsible investing is low, although many customers want to know more



Aware of responsible investing



See responsible investing as being at least as important as returns

1 Engaging our customers continued
How we engage customers as we decarbonise

We are passionate about engaging customers on the impact of their savings, and taking action to address their changing needs and expectations. In 2023, we aim to reach 1.5 million customers to raise awareness about the impact of their investments.

Our c.12 million customers hold a variety of products and are at different stages of their long-term savings journey. Our recent customer research highlighted that they have varying levels of understanding and interest in responsible investing. This means we need to provide a range of material to help raise awareness and knowledge that reflects their differing needs, interests and life stages.

With this in mind, we are evolving existing content and developing a suite of information to help our customers discover more about our approach to responsible investing and to engage customers on our journey to net zero.

Customer engagement journey

1. Inform
The first step of our customer engagement journey is to inform our customers so they can understand more about their products and investments.

2. Empower
The next step is to empower our customers with the investment knowledge to make informed decisions, allowing them to understand how we as a provider act to support them to and through retirement.

3. Inspire
Finally, we seek to inspire our customers to consider the impact of their investments and feel confident that their investments are aligned with their beliefs. We will bring to life our default solutions, so that customers can better understand the impact of their investment.

Taking our customers on a journey to build knowledge
Our customer research tells us that many of our customers have relatively low levels of understanding about their pensions in general – something we are passionate about addressing. We recognise the need to take our customers on a journey to build their knowledge and confidence in their product and investment solution, as illustrated above. We believe that engaging our customers with the impact of their investments is important and forms a key component of our strategy to engage them in their financial futures.

In 2023 we aim to reach 1.5 million customers with content to raise awareness about the impact of their investments. As our investment strategy continues to evolve, we will develop our customer engagement strategy to ensure we deliver content that engages with customers as effectively as possible and that they truly value, providing them with the information needed to make informed decisions.

Some examples of how we engage with customers through tailored solutions, and communicate with them at the moment to bring to life our propositions, both directly and indirectly through industry-wide campaigns and the wider financial services ecosystem, are described on the next page.

With heightened focus on preventing greenwashing in financial services, we welcome the development of new regulation to protect our customers and develop trust. We believe that we have a duty as a provider to create relevant materials to help customers understand the impact of their investments in line with the new regulations and best practice approaches, and ensure that they have access to the knowledge to feel confident in ensuring their investments align with their values.

1 Engaging our customers continued
Turning insight into action

We use customer insight to shape the propositions we create and the way in which we engage customers about their investments. This includes investment design to integrate ESG factors and utilising new tools to engage our customers.

Investment design

In 2021, Sustainable Multi Asset Universal Strategic Lifestyle Profile became the Standard Life default for new workplace customers. To make sure our existing customers could also benefit from this, in2022 we moved c.1.5 million customers and c.£15 billion of assets from our existing default options to ones that reflect the same thinking and outcomes-based approach as our new default option. Further details of the Sustainable Multi Asset and an overview of our plans to build on the Sustainable Multi Asset by applying customised decarbonising benchmarks to other parts of our investment portfolio can be found on page 31.

Evolving our factsheets

In 2022, we also evolved our factsheets for the funds within Sustainable Multi Asset Universal Strategic Lifestyle Profile, providing:

- ESG metrics aligned to sustainable investment targets
- Stewardship information on companies engaged, engagement meetings, themes and percentage of eligible proxy votes placed
- Behavioural economic overlays
- Action-orientated headers
- Visual icons and cues

Providing ESG fund optionality

In response to our customers increasingly looking to invest in ways that align to their own values, we have widened the range of sustainable self-select options we offer to Standard Life contract members to 32 funds, and to 9 for our master trust members.

Utilising technology

In 2022, we launched an engagement tool pilot to customers in two of our pension schemes. 'Voice Your Investment View' is an online platform that provides customers with transparency over the companies they are invested in via their pension, with the opportunity to express their opinions to fund managers on upcoming shareholder votes, allowing them to consider customer wishes when casting their vote. We have partnered with impact-focused fintech Tumelo to provide this initial six-month pilot.

We will review the findings and explore options to enhance the experience and consider how we extend this offering to more customers.

Innovative solutions

We are committed to delivering innovative solutions to our customers to allow them to engage with their investments. In 2023, our Innovation Forum will invite fintechs to showcase solutions to help pension customers engage more fully with responsible investing, including Environmental, Social and Governance factors. In collaboration with Tata Consultancy Service's Co-Innovation Network ('TCS COIN™') innovation system, Fintech Scotland, Women In Banking & Finance ('WIBF') and Scottish Financial Enterprise ('SFE'), the Standard Life Innovation Forum will invite fintech enterprises and entrepreneurs to explore partnership opportunities by introducing innovative thinking and new ways of working, ultimately delivering a better understanding of responsible investing among UK savers.

Make My Money Matter

We are supportive of campaigns that increase customer engagement with their pensions. We passionately believe that everyone should have a pension they can be proud of. That's why we have partnered with Make My Money Matter and have pledged to support their campaign to build a better future and engage people in the real world impact of their pension.

Amplifying our impact across the investment ecosystem

We are committed to driving industry change to embed climate risk and opportunity management for customers within the wider ecosystem that we serve. Going forward we plan to scale up our climate change-focused engagement with independent financial advisors and workplace clients, advisers and trustees to raise their awareness of the role investments can play in tackling climate change.

2 Driving wider system change

Our approach to driving change

Delivering net zero requires a fundamental transition for the whole economy. No single business, sector, government or stakeholder group can affect the necessary transformation alone. Every business needs to act; and every business is dependent on action from others. This is particularly the case for investors like Phoenix Group with portfolios spanning the whole economy.

As the UK's largest long-term saving and retirement business, we want to use our scale and voice to multiply impact and drive the wider system changes needed to deliver net zero – partly because it's the right thing to do and partly because without wider system changes we are unlikely to achieve our net zero targets. We do this by delivering thought leadership, engaging decision-makers and collaborating with our peers, as summarised in table 8.

We are focused on working with Government and stakeholders to drive change and secure greater regulatory and policy certainty in the following areas:

A greater level of detail and specificity from the government on how they will deliver their long-term vision for a net zero economy and its strategy to enable the transition, including strategies and roadmaps to address key challenges such as decarbonising industry and heating.

A clear, sector-specific regulatory and investment framework which provides the necessary ambition and support to enable industry and investors to make large, long-term strategic commitments that will enable private sector investment into climate solutions to flow at scale.

Supportive financial sector regulation across a long-term time horizon and with a focus on outcomes. This includes reforms to Solvency II and the creation of new vehicles which will enable asset owners and pension providers to invest a greater proportion of capital in long-term illiquid assets such as green infrastructure, and in innovative green tech companies.

Market transformation such as working with companies, tech developers and regional government to develop new investable business models and partnerships that unlock investment at scale.

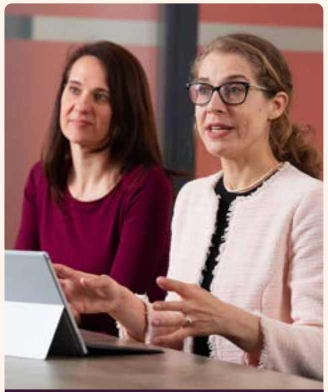
Integration of net zero with other issues to ensure that the net zero transition is aligned with wider action to protect the natural environment – for example through action to make the UK a leader on voluntary carbon markets and ensure rigour in use of carbon credits and offsets.

Table 8: Our approach to driving system-wide change

Delivering thought leadership

Delivering impactful thought leadership to develop potential solutions to policy, regulatory and market barriers currently hindering the net zero transition

See page 49 →



Engaging decision-makers

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

See page 50 →

Collaborating with peers

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

See page 51 →

2 Driving wider system change continued
Delivering thought leadership

Where policy, regulatory and market barriers are currently preventing us and others from achieving our net zero targets, we want to play a meaningful role in overcoming them through delivering a targeted programme of thought leadership.

We will identify the issues and opportunities where we think we can make the biggest difference, 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.

This will build on recent thought leadership published in 2022 on topics including:

- Why decarbonising our investment portfolio makes business and planetary sense
- Universal ownership and the role of stewardship for net zero – and why divestment alone is a blunt instrument when it comes to fossil fuel assets
- Galvanizing investment in green growth

Our thought leadership priority is overcoming barriers that are currently holding back investment in climate solutions. Analysis by the ABI suggests that £2.7 trillion needs to be invested in climate solutions by 2035 and a further £3.0 trillion between 2035 and 2050. A breakdown of investment requirements by sector is shown in figure 24, of which around £0.9 trillion (£60 billion per year) of the investment required to 2035 could come from ABI members.

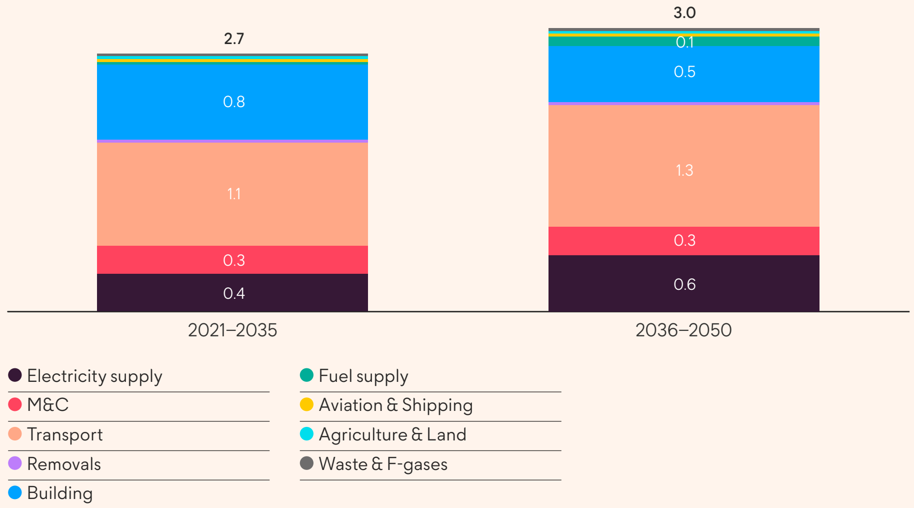
However, current deployment rates are significantly lower, due to a range of policy, regulatory and market barriers.

We have reviewed 25 technology areas where significant investment is needed, to prioritise potential thought leadership focus areas and identify key barriers currently holding back investment. This review has identified residential heat pumps as being highly cost-competitive (by 2030 versus high carbon alternatives), technologically mature and with a large addressable investment pool.

The market barriers currently holding back investment vary by technology, but broadly speaking encompass high up-front capital costs, low technology maturity and insufficient long-term policy signals, which hinder businesses and investors' ability to make large, long-term strategic commitments.

The review has helped us to shape our thought leadership programme and identify initial focus areas for 2023. Our goal is to deliver impactful thought leadership each year that makes a meaningful contribution to unlocking barriers and helping us and others achieve our net zero targets. As part of this, we will look for opportunities to convene and collaborate with our peers and other relevant stakeholders such as governement, who could introduce supportive policy frameworks.

Figure 24: ABI analysis on total gross investment required by sector to meet the UK's net zero targets



2 Driving wider system change continued
Engaging decision-makers

We are committed to working constructively with government to help shape and deliver its Net Zero Strategy and make the UK the first net zero-aligned financial centre.

As the UK's largest long-term savings and retirement business, with assets spanning the entire economy, we cannot achieve net zero in a vacuum and are particularly dependent on supportive government policy.

We and our peers have called on government to set out a clear delivery plan for the transition of the real economy and financial services, with credible sectoral roadmaps underpinned by the near-term policies, actions and milestones needed to shift financial flows towards net zero.

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.

Much of our recent and planned government engagement focuses on addressing regulatory and policy barriers to investment. On regulatory challenges, we are working on Solvency II reform, as well as assessing new changes to the charge cap and illiquid disclosures on default workplace pensions, with a view to increasing allocation to sustainable investments, which we believe presents an opportunity for good customer returns.

Work on Solvency II reform continues with both HMT and the PRA towards implementation in 2023. It is our desire to see more flexibility introduced into the regulations to help meet our net zero ambitions. These proposed regulatory reforms are an important component of the changes needed to the wider UK investment landscape, and will enable us to meet our ambition to invest more into sustainable assets in the future.

We are also working with the Office for Investment on funding structures for institutional investors, which can facilitate investment into alternative and sustainable assets, as well as making representations on what local and combined authorities can do to bring forward investable opportunities to the market.

While our engagement focus is primarily on UK decision-makers, we do also engage with international decision-makers and have played active roles at recent COPs. At COP26, we were a strategic partner of the Green Horizon Summit, which brought together over 200 senior speakers from across the globe to discuss how we can mobilise private capital towards a climate-resilient, nature-positive economy. At COP27, we sponsored the World Climate Summit at the 2022 United Nations Climate Change Conference and helped to push the conversation forward on how institutional investors could best support the transition to net zero.

"We know that we cannot deliver net zero alone and are committed to engaging constructively with government and regulators to help drive the wider system change needed to unlock exciting opportunities to significantly scale up investment in the net zero transition."

James Wilde, Chief Sustainability Officer

2 Driving wider system change continued
Collaborating with peers

We actively collaborate with our peers directly and through cross-sectoral bodies to develop the new business models and end-to-end solutions required to unlock transformation at scale.

Decarbonising investment portfolios and financing climate solutions at scale is going to require innovative approaches to investment, government policy and financial regulation. And if we are to deliver real-world impact, we need the whole sector to act at a scale and pace commensurate with the challenge.

We work closely with our trade associations and are actively engaged in shaping policy positions. We participate in a range of important industry groups, and chair the ABI's leading climate committee, which has been spearheading the pensions and insurance sector's approach to net zero. 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 as summarised in table 9.

Table 9: We participate in a wide range of sectoral initiatives both in the UK and internationally, including:

	United Kingdom		International
ABI	**Association of British Insurers (ABI):** We are members of the ABI and our CEO, Andy Briggs, is chair of the ABI Board sub-group on Climate Change. We led the Solvency II industry consultation on widening the current Matching Adjustment asset eligibility to enable investment in net zero infrastructure.	IIGCC	**Institutional Investor Group on Climate Change (IIGCC):** We are members of the Net Zero Stewardship Working Group, the Asset Owner Alignment Working Group and the Bondholder Stewardship Working Group. The aims of these working groups is to integrate climate change considerations in stewardship activities by institutional investors across asset classes and in the relationship between asset owners and asset managers.
TPT Transition Plan Taskforce	**UK Government Transition Plan Taskforce (TPT):** We have contributed to the TPT to shape the overarching framework currently open for consultation and prepare the sector guidance in the utilities and financial services sectors. We were members in three workstreams: Framework and Disclosure, Sector Templates and Users and Preparers.	A proud supporter of: Climate Action 100+	**Climate Action 100+ (CA100+):** We are collaborating with other asset owners to create best practice stewardship approaches to hold companies to account, and conducting coordinated engagement to increase the power of our influence. CA100+ is one of the routes to undertake dialogue with company representatives on climate change.
UKSIF UK Sustainable Investment and Finance Association	**UK Sustainable Investment and Finance Association (UKSIF):** Through this association, we are connected, influence policy, share knowledge and new opportunities with other members in the sustainable finance industry.	UN-convened Net-Zero Asset Owner Alliance	**The Net-Zero Asset Owners Alliance (NZAOA):** We have contributed to the NZAOA working group looking at the strategy for net zero implementation, the engagement track to set position papers on effective stewardship and hold collaborative dialogue with asset managers, and the policy dialogue working group to contribute to shape regulation internationally to facilitate the decarbonisation of the economy. Through this membership we are supportive of the Race to Zero campaign.
Sustainable Markets Initiative	**Sustainable Market Initiative (SMI):** Our CEO, Andy Briggs, is in the Insurance Taskforce. As a member, we are suppportive in driving progress and accelerating the pace of industry transition towards a more resilient and sustainable future.	Transition Pathway Initiative	**The Transition Pathway Initiative (TPI):** We are Board members of the TPI and proactively shape the methodology and framework used to assess corporate preparedness to transition to a low carbon economy.

Our directional roadmap

The priority focuses for the next three years are to evolve our customer content, and scale up our engagement to inform, empower and inspire our customers. We will also launch our thought leadership programme to help overcome barriers to net zero investment.

A key focus of our engagement strategy in 2023 will be to reach 1.5 million customers on the impact of their investments.

We will maintain and grow our active participation across the industry and with policymakers in particular as we evolve our thought leadership programme.

Getting started | Taking action | Achieving scale

Lever	2020	2021	2022	2023	2024	2025+
Engaging our customers	Customer research into their understanding of and views on climate change and responsible investing			Ongoing customer research		
	Create customer content across our consumer brands			Evolve and promote existing content to reflect our investment strategy journey and ensure consistency across our consumer brands, engaging 1.5 million customers	Increase customer engagement across all our consumer brands and channels	
			Deliver our Innovation Forum in conjunction with industry partners to develop tools to engage our customers			
Driving wider system change	Join industry groups and form positions on key issues	Active participation in key industry groups and engagement with key decision makers to shape emerging thinking and frameworks. Delivered thought leadership on net zero.		Launch thought leadership programme focused on overcoming key barriers where we can make a real difference Continue active engagement with industry groups and key decision-makers		

Lead

Our customers, colleagues and stakeholders rightly expect us to lead by example, which means taking ambitious steps to decarbonise our own operations and supply chain. We have made great progress already, which gives us a strong platform to do more ourselves and to scale up our engagement with suppliers.

Lead at a glance

Phoenix Group is committed to embedding best practice across our business operations and supply chain. We recognise that to lead in this area we must set ambitious targets. We will implement strategic measures to decarbonise our own operations and empower our suppliers to share our climate aspirations and set ambitious emission reduction targets.

Our approach to decarbonising our own operations and supply chain follows a four-step process:

1. Size up exposure
2. Plan the journey
3. Execute actions
4. Monitor and refine

Pages 55 to 65 describe each step in more detail →

1 Size up exposure

Operations

c.9k tonnes

Set baseline for Scope 1 and 2 and identified Scope 3 business travel as a material aspect of our operations in 2019.

Supply chain

c.0.2m tonnes

Set estimated indicative baseline for Scope 3 purchased goods and services and Scope 3 capital goods in 2019.

Read more on page 55 for operations →
Read more on page 60 for supply chain →

2 Plan the journey

Operations

- We set an early net zero target for Scope 1, 2 and Scope 3 business travel by 2025
- We set a science-based long-term target of limiting temperature rise to 1.5°C above pre-industrial levels for Scope 1 and 2 carbon reduction overall

Supply chain

- We set an interim goal of halving emissions by 2030
- We have been forecasting the required decarbonisation pathway for suppliers based on current indicative estimated emissions data to inform our strategy to achieve net zero by 2050
- To maintain progress we have set interim targets for our key suppliers to be aligned to our net zero targets

Read more on page 56 for operations →
Read more on page 61 for supply chain →

3 Execute actions

Operations

- Developed an extensive carbon reduction programme to manage our carbon emissions that follows the best practice principles of: eliminate, then reduce, then replace and compensate for what is left
- Key activities include capital expenditure to reduce emissions, meeting the 2025 reduction target in 2022, a renewable energy sourcing strategy, setting an internal carbon price, rolling out a green travel policy and investing in one of the largest PV glass roofs in Europe at our Wythall office

Supply chain

- Integrated net zero-related risk factors into our Third Party Management Model and set our decarbonisation strategy to enable sustainable procurement and reduce demand
- Key supplier engagement for top 100 suppliers who account for 95% of our emissions

Read more on pages 57 – 58 for operations →
Read more on pages 62 – 63 for supply chain →

4 Monitor and refine

Operations

- We have reduced our carbon intensity per FTE by 80% overall and absolute emissions by 59% from our 2019 baseline exceeding our 2025 target.
- We will continue our decarbonisation efforts and will begin the offset of our residual emissions in 2025 whilst still keeping to the absolute reduction trajectory set out in our science-based targets

Supply chain

- We will continue to build monitoring of our suppliers' progress of integrating net zero into business processes. We have set interim milestones for business and suppliers on path to 2030 interim target. To date, 82% ^ of suppliers having set a science-based target or Race to Zero commitment

Read more on page 59 for operations →
Read more on page 64 for supply chain →

1 Size up exposure
Operations

Our operational emissions for Scope 1, 2 and Scope 3 from business travel were measured at 8,665 tCO_2e in our 2019 baseline year.

Our operational emissions arise from several sources, the most material of which are: natural gas and fugitive emissions (Scope 1), grid electricity (Scope 2), and ground and air travel for business (Scope 3 category 6) as shown in figure 25. We also measure transmission and distribution losses and, from 2020 onwards, have been measuring employee working from home emissions, commuting and emissions from the properties we occupy under lease agreements. We measure these as total group-wide carbon emissions using the appropriate greenhouse gas protocol processes each year. Looking further ahead, we plan to expand the range of Scope 3 operational emissions we measure further as new data and methodologies become available to us.

We monitor our overall operational carbon performance both by assessing our emission reduction in absolute terms as well as using intensity metrics to normalise for merger and acquisition (M&A) activity. Our chosen intensity metric tracks market-based (reflecting emissions from electricity that we have procured) Scope 1 and 2 emissions per full-time employee ('FTE') as shown in figure 26. We also use a per floor area metric to assess the energy efficiency of our occupied spaces, which uses location-based (reflecting the average emissions intensity of grids on which energy consumption occurs) emissions as it allows us to capture electricity saving measures.

Figure 25: Operational emissions 2019–2022 (tCO_2e market-based)

We have made significant progress in reducing our absolute Scope 1 and 2 emissions, whilst Scope 3 business travel is challenging to reduce.

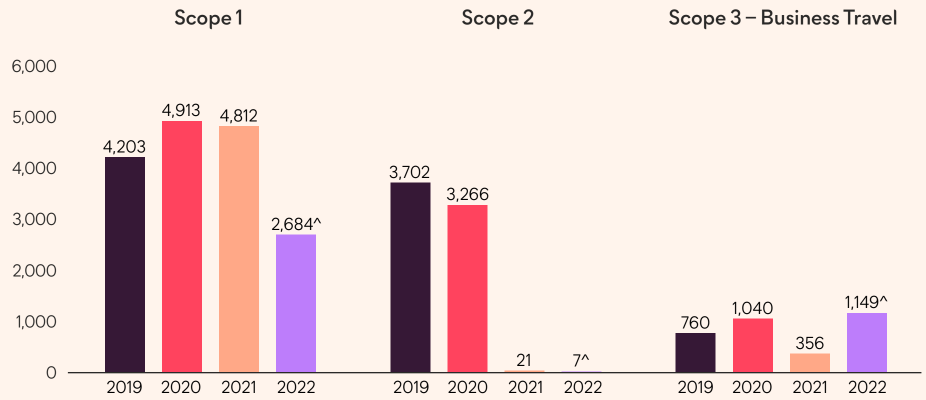
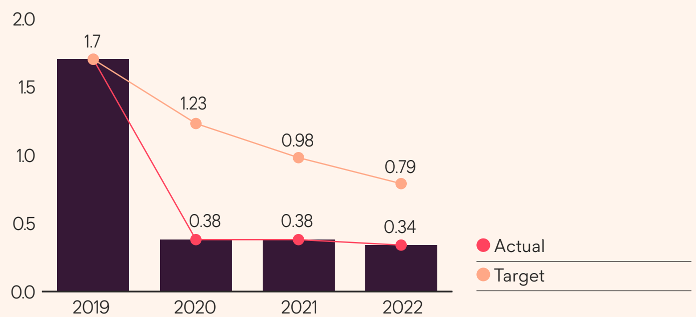


Figure 26: Intensity metric for Scope 1 and 2 emissions per FTE (market based) – accounting for renewable energy purchasing as a carbon reduction method^



We have significantly outperformed our target, achieving our 2025 target in 2022.

2 Plan the journey
Operations

We set an ambitious target in 2020, to be net zero in our own operations by 2025, measured in absolute market-based emission terms.

The target covers Scope 1 and 2 emissions and Scope 3 emissions from our car, rail and air business travel, which were the most material at the time and represented 68% of our total Group-wide emissions reported that year. This was at a period where there was very limited detail on the definition of 'material emissions'; these were set out more clearly in SBTi guidance that emerged in 2021 and beyond.

In particular, our 2025 net zero target involves following the 1.5°C pathway closely whilst using carbon removal credits to compensate for the remaining emissions, including business travel, from 2025 onwards. Thus, we would continue to reduce emissions in absolute terms in line with science-based targets whilst still fully neutralising our residual emissions every year thereafter.

Scope 1 and 2 emissions are a mandatory inclusion in our SBTi commitment and form the entirety of the operational emissions included in our target submission. Whilst our initial targets and our SBTi commitment were set in 2020 we used 2019 as a baseline for emissions to allow for the highly atypical nature of 2020. This meant that some information was not as granular as it has become in later years.

To meet these science-based targets we need to follow a reduction trajectory of about 6.3% per year or 70% by 2030. We have used market-based emissions for our targets to recognise the contribution renewable energy makes to our Net Zero Transition Plan and to global carbon reduction priorities.

For additional and remaining Scope 3 categories (e.g. upstream leased assets, etc) that we measure and report against, we are currently targeting net zero by 2050 with an interim target of 50% reduction by 2030 from the applicable baseline.

We are progressing well with our carbon reduction strategy that focuses on energy-efficient operations, business travel, renewable energy and carbon offsets and is based on the following principles as detailed in table 10.

Table 10: Operational decarbonisation strategy

1. First eliminate	2. Then reduce
• Influence business decisions to prevent GHG emissions across the business • Identify premises rationalisation opportunities • Identify new business models available	• Real and relative (per FTE) carbon reduction • Efficiency in operation and energy management • Optimise approaches in technology and digital upgrades
3. Substitute where possible	**4. Compensate for what is left**
• Lower-carbon technologies • Reduce carbon intensity of energy used • Purchase energy and services with lower-carbon intensity	• Compensate unavoidable residual emissions through carbon removal projects • Investigate land management value chain

3 Execute actions

Operations

1. First eliminate
We have aligned our capital expenditure programme to our net zero target and re-prioritised spend based on the potential carbon impact of the projects we consider, and 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.

2. Then reduce
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. Some of the ongoing projects include:

- LED lighting roll-out
- Building and ventilation control systems upgrades
- Sub-metering installations
- Boiler upgrades, including gas to electric system replacements
- Chiller replacements

Setting a carbon price to support capital expenditure decisions
We have set an internal carbon price ('ICP') of $100 USD / £90 GBP to inform our operational capital expenditure decisions. The price is in line with recommendations made by the United Nations Global Compact ('UNGC') which suggests that a price of USD $100 is needed to incentivise sustainable options, unlock investment and shift market signals. We intend to continue using the ICP to influence the Group's purchasing decisions, for example:

- The procurement and consumption of gas (i.e. Scope 1 emissions).
- The procurement and consumption of electricity (i.e. Scope 2 emissions).
- The procurement of goods and services (i.e., Scope 3 categories 1 and 2) – the ICP would be used as a tool when choosing capital goods and between models of capital goods based on their efficiencies.
- Business travel (i.e., Scope 3 category 6) – ICPs would be used as a way to encourage more sustainable decisions and better use practices.
- New spaces to lease (i.e., Scope 3 category 8).

Other categories and processes within the business (such as waste generated within the business or home working) are less likely to be influenced by using an ICP.

Evolving our travel policy
We saw business travel emissions significantly increase in 2022, up 220% on 2021, reflecting an increase in colleague numbers as well as a decrease in travel restrictions across the world.

This fast-growing emissions source represents a significant challenge, which is why we launched our Group Green Travel Policy in 2022. All employees are required to evaluate the necessity of business travel and prioritise sustainable travel options where practical. We are working towards a minimum of 50% of business travel to be by train/public transport.

We have invested heavily in technological solutions to allow remote collaborations such as video conferencing equipment and software as a way to eliminate the need for travel altogether. We will continue to investigate ways to incentivise the use of lower-carbon travel options for business trips.

Additionally, we offer colleagues a range of benefits to reduce the impact of commuting travel. This includes Cycle to Work scheme in the UK and Bike to Work Scheme in the Republic of Ireland. These schemes offer bicycle leasing across a 12-month period with tax/national insurance (NI) exemption benefits. The limit has been increased to £3,600 in the UK so that more e-bikes are now covered through the scheme. We have also partnered with Octopus Energy to offer UK colleagues a salary sacrifice to lease an electric vehicle ('EV'), including tax/NI exemption benefits. We also continue to incentivise the use of public transport through Season Ticket Loans that offer an interest-free amount payable via salary sacrifice each month.

We will continue to invest in technology such as car sharing apps and infrastructure facilities such as improving security of bike sheds and improving changing rooms to enable employees to support this policy.

Case study: Wythall PV roof

We completed the installation of one of the largest building integrated Photo-Voltaic (PV) glass installations in Europe at our Wythall Office.

The atria roof glazing was replaced with roof lights that incorporate innovative solar photovoltaic cells within the glass. Improved thermal performance also prevents too much heat build-up in the summer and retains heat in the building during the winter.

The roof is expected to contribute to our net zero ambition through the generation of 52,300 kWh green electricity each year. This will reduce our emissions by 27 tCO_2e.

3 Execute actions continued
Operations

3. Substitute where possible:
Renewable energy strategy
We generate or procure 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.

In the first instance, we determine opportunities for generating energy directly from our operational sites by assessing all renewable and low-carbon technologies available (e.g. microgeneration and passive renewable systems). Where we cannot generate our own energy or where the energy we generate is insufficient for the entire building, we procure renewable energy.

Power purchase agreements ('PPA') are our preferred option, because they provide a reliable way of decarbonising our electricity consumption and also enable investment in new renewable energy generation capacity. These are followed by high-quality renewable contracts backed by Renewable Energy Guarantees Origin ('REGO') certificates, with standard green tariffs being the least preferable options.

At present we procure approximately 24.1GWh (100%) of our building electricity from high-quality renewable sources, which is why our Scope 2 emissions are significantly lower than the location-based emissions. Whilst this is our second preferred option of procurement, we are actively investigating options for PPAs as part of our future energy procurement strategies.

4. Compensate for what is left:
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 and others as carbon credits earned from projects that sequester carbon from the atmosphere either through nature-based solutions ('NbS'), natural climate solutions ('NCS'), or technology-based solutions.

The carbon removal credits that we will purchase and that are generated from NbS/NCS projects can also deliver important environmental and social co-benefits in addition to carbon sequestration. We will adopt the Core Carbon Principles ('CCP') as developed by the Integrity Council for the Voluntary Carbon Market ('ICVCM'), to assess and ensure the quality of our carbon removal credits. We will apply the Verified Carbon Standards ('VCS') and Climate, Community and Biodiversity Standards ('CCB') as a minimum to verify the quality of the carbon removal credits we purchase, and we regularly review this approach against emerging best practice.

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. At present we have reduced our carbon intensity per FTE by 80% overall and absolute emissions by 59% from our 2019 baselines. As such, we are in a position to start considering carbon removal credits as the next step in our net zero journey.

As part of our natural gas procurement contract, our supplier has purchased approximately 1,994 Gold Standard carbon credit offsets on our behalf. These have been reported separately and we do not count them towards our net zero targets.

Carbon credit definitions:

Additionality – offsets represent an emission reduction or carbon removal relative to a counterfactual baseline that would not have taken place but for the offsetting activity

Permanence – refers to how long a greenhouse gas stays out of the atmosphere, whether stored in a physical reservoir or whose emission was deferred through avoidance

Verifiable – ensures that the emission reduction or carbon removal actually takes place, and that all forms of double-counting, including double-claiming of the emission reduction benefit, are avoided

Nature-based solutions – Activities that aim to protect, manage, enhance, and restore nature to address challenges and include re/afforestation, soil carbon sequestration and biochar

Natural climate solutions – conservation, restoration and improved land management actions that increase carbon storage or avoid greenhouse gas emissions in landscapes and wetlands across the globe

Technology-based solutions – provide permanent removal and artificial carbon sequestration of CO_2. Examples include carbon capture, utilisation, and storage ('CCUS'), direct air capture ('DAC') and bioenergy with carbon capture and storage ('BECCS').

4 Monitor and refine

Operations

The monitoring of our carbon reduction is embedded in our annual reporting of our emissions performance. We will continue to undertake our programme of carbon reduction to minimise absolute emissions and therefore the level of carbon removal credits required to reach net zero.

Our operational decarbonisation strategy is focused on reducing emissions as much as possible by focusing on the best practice principles of elimination first followed by reduction activities and replacements before compensating for what is left.

Our decarbonisation strategy is underpinned by our Environmental Management System, which we updated in 2021 to align with ISO 14001. We also began the formal ISO accreditation process in 2022.

Our strategic efforts so far mean that we have met and exceeded our 2025 target Scope 1 and 2 SBTi trajectory targets (4,897 tCO_2) early as shown in figure 27. This allows us to take stock of our successes and focus on monitoring and refining our approach to decarbonisation across other Scope categories with priority given to business travel emissions which have increased in recent years as our business has grown and travel restrictions have lifted.

Following the release of the SBTi guidance and standards for financial institutions to align investment targets in a consistent manner, we made the decision to consider all investment property portfolios managed by our asset management partners as indirect emissions to be included in Scope 3 category 15. We also adopted the 'operational approach for consolidation' as referenced in the PCAF Global Carbon Accounting and Reporting Standard for the Financial Industry. This standard refines and extends the GHG Protocol's accounting rules for Scope 3, category 15 (investments).

This action has also contributed to the reduction of the Scope 1 and 2 emissions in 2022. Prior to 2022, a portion of assets within the investment property portfolios were accounted for as direct (Scope 1 and 2). The approach for those assets was historically that of financial control. Concurrently, reporting of properties managed by other asset management partners was reported under operational control.

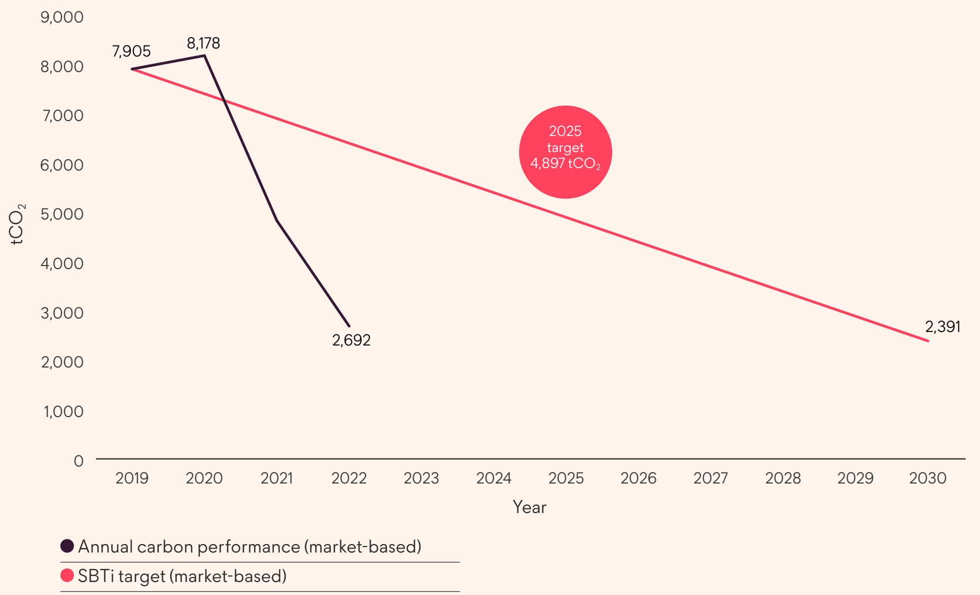
As of 2022 and to provide consistency, any direct investment assets, including those that historically adopted a financial control approach, will now be reviewed through a number of appropriate operational control screening questions and will be reported accordingly.

We will update on our progress in our annual Climate Report with emissions data published via our Streamlined Energy and Carbon Reporting in our Annual Report and Accounts.

Read our Annual Report →

We intend to use our intensity metrics as well as increased data granularity and scope to identify focus areas to reduce our carbon emissions across our operations, including aspects such as use of consumables and waste generation and circular economy practices.

Figure 27: Absolute Carbon Reduction Targets – Scope 1 & 2



Further next steps on our journey to net zero operations

A specific focus in 2023 and beyond is the upgrading of our occupied premises estate with the latest heating and energy management systems in line with the replacement cycle to reduce energy usage. We intend to join the Climate Group 100's EP100 in 2023 given our commitment to increasing our energy productivity.

We are also committed to encourage behavioural change amongst our colleagues through the embedding of our Group Green Travel Policy to encourage utilisation of technology to reduce the need to travel, and adoption of public transport on the key routes between our major Edinburgh, Wythall and London offices.

These activities will reduce the need for carbon removal credits required in 2025. We plan to review potential suppliers over the course of 2023 and 2024 ahead of purchasing 'high quality' carbon credits generated from carbon removal projects in 2025 to achieve our net zero goal.

1 Size up exposure
Supply chain

In 2022 we set an indicative 2019 baseline for our supply chain of circa 0.2 million tCO_2e. This covers Scope 3 emissions from purchased goods and services ('PG&S') and capital goods from around 1,500 partners and suppliers. The majority of our spend is with suppliers of fully managed outsourced services, IT, professional services and goods and services related to management of our premises.

Our indicative supply chain emission footprint data is modelled based on current visibility of our supply chain and spend data. This baseline provides context around our current scope of supply chain emissions and has not yet been assured.

Our baseline was calculated 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.

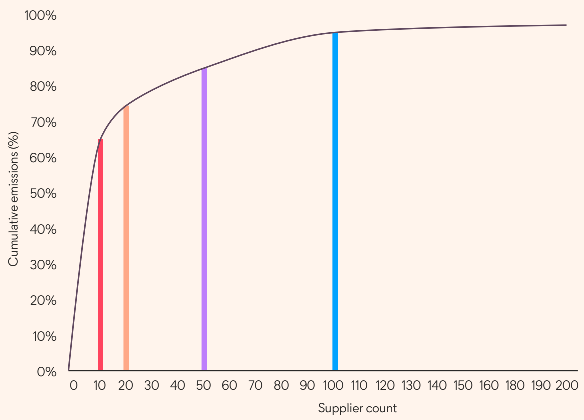
Improving data quality

We continue to encourage our key suppliers to submit their carbon emissions data via the CDP suppliers' survey, with 84% of our surveyed suppliers submitting data in 2022. This data enables us to refine our baseline further, identify emissions hotspots and identify priority areas for bespoke supplier engagement.

We are currently undergoing an extensive exercise to enhance our supply chain spend data quality, categorisation and taxonomy, which will help us to calculate supply chain emissions more accurately. In line with operations and investments, we have used 2019 as a baseline for emissions to allow for the highly atypical nature of 2020; however, we plan to re-baseline our 2019 footprint to capture these data improvements and potentially more accurately account for mergers and acquisitions that have taken place since 2019. We expect to publish updated and assured supply chain emission footprint data in the next 18-36 months, alongside comparative trends and annual progress on emissions reduction.

Within our 2019 baseline of c. 0.2M tCO_2e our top 100 suppliers account for the vast majority of emissions, notably in purchased goods and services category. This is particularly concentrated in our top 10 who account for c.65% (figure 28).

Figure 28: 2019 estimated PG&S emissions assessment based on data from the top 755 PG&S suppliers



100 suppliers are considered to be materially significant at this stage of the carbon reduction journey. Based on 2022 available data, we estimate that:

- **Top 10 Suppliers =** c.65% of PG&S emissions
- **Top 20 Suppliers =** c.75% of PG&S emissions
- **Top 50 Suppliers =** c.85c.% of PG&S emissions
- **Top 100 Suppliers = c.**95% of PG&S emissions

This graph depicts indicative supply chain emission footprint data modelled on current visibility of our supply chain and spend to provide context around our current scope of supply chain emissions, which has not yet been assured. Phoenix Group is currently undergoing an extensive exercise to enhance supply chain spend data quality and categorisation and align this more closely with Phoenix Group's taxonomy within our procurement and finance tools, in order to calculate supply chain emissions more accurately.

2 Plan the journey
Supply chain

Our ambition is to achieve a net zero supply chain by 2050, with an interim target of halving supply chain emissions intensity by 2030. Our goal is to reduce underlying supply chain emissions intensity by c. 80% by 2050, and to ensure that our suppliers offset any residual emissions, in line with our Group offsetting approach.

With a significant spend we can use our relationships with key partners to influence behaviour change and encourage more ambitious action around net zero.

While our supply chain data is indicative, it nevertheless provides a sound basis for identifying our most material emitters, therefore prioritised engagement with these will continue to form the basis of our decarbonisation strategy and approach. Current modelling is also based on the assumption that there is no change to the growth and impact of emissions, therefore we are exploring whether it is feasible to integrate M&A factors into our decarbonisation modelling from 2024/5 onwards and to more effectively integrate net zero considerations into our M&A strategy.

Our top 100 material suppliers (c.80% of our supply chain spend) collectively account for c.95% of these emissions. From 2023–7 we are looking to engage these top 100 emitters via a bespoke programme to support them on their decarbonisation journey and help to align our mutual ambitions. Beginning in 2023, our top 10 suppliers who represent c.65% of our purchased goods and services emissions footprint will be a priority for this bespoke engagement. We have also set a number of targets for key suppliers on the pathway to our interim 2030 target as shown in figure 29.

We have also developed our ESG Supply Chain Standards to codify our expectations of partners around net zero, including a dedicated set of environmental standards for SMEs. In the following section we detail how we will achieve this through our bespoke engagement programme for material suppliers.

Figure 29: Summary of supply chain targets

Supply chain targets	Target year
75% of key suppliers signed up to either SBTi or committed to UN's Race to Zero initiative	2022
90% of key suppliers signed up to either SBTi or committed to UN's Race to Zero initiative	2023
25% of highest emitting suppliers with SBTi-based target in line with net zero roadmap	2025
90% of suppliers (by spend) to be fully aligned with Phoenix Group's net zero targets	2027
Reduce supply chain carbon intensity by 50% (from indicative estimated 2019 baseline)	2030
Net zero supply chain (from indicative estimated 2019 baseline)	2050

1 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 is limited in the market and barriers to change are complex) and operational with spend ≥£1m (suppliers which are numerous but where value to Phoenix is significant).

3 Execute actions

Supply chain

We have identified three key focus areas to deliver our supply chain decarbonisation: key supplier engagement, including bespoke engagement with our top 100 suppliers; building net zero into our supplier management processes; and upskilling our relevant colleagues.

Key supplier engagement

Throughout the course of 2022, we have been engaging key suppliers to ensure that they are aligned with Phoenix Group's net zero ambition.

Our approach involves regular engagements tailored by supplier to support them with their net zero transition. This has allowed us to provide perspectives on the commercial and wider benefits that positive environmental action can have, such as reduced energy cost through energy efficiency investment and onsite renewable energy generation. We have also directed our suppliers to best-practice tools and frameworks to support them in developing their own net zero ambitions.

To date, this bespoke approach to engagement has enabled us to make material progress on our priority focus areas for suppliers, including setting robust external climate targets, influencing behaviour and actions and embedding robust governance.

Robust external climate targets

We encourage our suppliers to set a science-based target and we support key suppliers with executive engagement and stakeholder management to help them deliver on ambitious commitments which align with our decarbonisation pathway.

Influencing behaviour and action

Educating our suppliers and influencing them to take action on decarbonisation has been an important area of focus. In addition to encouraging suppliers to set robust targets, we encourage them to commit to procuring wholly renewable energy and sign up to our CDP supplier survey.

Providing action plan templates and sessions to help determine where a key supplier is on their journey allows us to support them with determining their strategy and prioritising actions to deliver impact.

Embedding robust governance

We encourage and advise suppliers on how to set a robust sustainability governance process and ensure sufficient and appropriate representation to oversee the development, implementation and review of their net zero strategy, plan and targets. We expect our supplier to work alongside a qualified climate, sustainability, or environmental consultant to develop their net zero strategy.

Bespoke engagement with top 100 material suppliers

In 2023 – 2027 we are looking to evolve our supply chain decarbonisation programme to develop a more targeted approach based on short- and medium-term emissions reductions, starting with our top 100 material suppliers who account for c.95% of our supply chain emissions.

Initially, we will look to prioritise maintaining material supplier engagement, supporting and encouraging our top 100 material suppliers to regularly ramp up their decarbonisation ambitions. We will work closely alongside our top 10 material suppliers and the most mature suppliers to support them to decarbonise at a faster rate from 2024 onwards. This engagement strategy will function as a dedicated data-driven decarbonisation workstream that sits alongside our current net zero asks of key suppliers.

Our proposed carbon reduction levers for the top 100 material suppliers include:

- Developing category-led decarbonisation strategies, prioritising those categories which represent the highest share of our current footprint – IT, outsourced business processes, including policy fulfilment and adminstration and professional services
- Collaborating around category-led mitigation and reduction strategies within their own business
- Aligning on sustainable strategic sourcing approaches and supplier provisions to assess risks and opportunities to identify priority materials or critical commodities
- Supporting with identification of energy efficiency and emission reduction opportunities – focusing on impactful and cost-effective projects and report reductions
- Understanding renewable energy options across our supply chain and supporting suppliers to overcome lingering barriers
- Integrating net zero ESG clauses to help ratify our commitment and drive positive behaviour change among our supplier base in terms of net zero.

We understand that this is a significant challenge, and we are committed to working with our suppliers in a supportive way to achieve our collective ambitions together. We will also measure the progress from our top 100 material suppliers against clear targets that support the delivery of our net zero targets.

3 Execute actions continued
Supply chain

Building net zero considerations into our supplier management processes

Sustainable strategic sourcing

As we continue to build out visibility of our supply chain, we want to start proactively tackling those areas which present the most material risk. With this in mind, we are in the process of developing a series of category-led sustainable sourcing strategies and principles in 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.

Integrating carbon pricing into our sustainable sourcing strategy and purchasing decisions

In line with the planned introduction of an internal carbon price ('ICP') across our operational capital expenditure decisions, we are looking to shift consumption away from emissions-intensive purchased goods and services towards more sustainable alternatives via the introduction of carbon pricing into our sustainable sourcing strategy and purchasing decisions. We are looking to identify which parts of our supply chain to target, covering those purchased products and materials that could contribute most to achieving our defined objectives. We will then look to determine how an ICP should influence decisions within our procurement processes and supply chain management so that it has a material impact. Based on our procurement scenario planning and findings, we will seek to set optimal carbon prices depending on category impact, the nature of the product or service and sourcing location.

Make net zero business as usual for procurement

We know that sourcing and procurement is the primary way that we can positively impact our supply chain emissions. To complement our ESG Supply Chain Standards, we are hoping to integrate quantitative strategic net zero criteria in supplier selections and sourcing decisions. In the longer term, we will translate our net zero ESG ambition into robust management objectives, key performance indicators and new operational approaches to the core business, starting with the third-party management risk policy.

Strategic third-party engagement model

As a business 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 Phoenix Group's customers, shareholders and stakeholders. The PEM will act as a single joint governance to drive excellent customer service and to support relevant change programmes, including our decarbonisation supply chain strategy.

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 and related nature and biodiversity issues, and are now developing a suite of further training. We will also engage more widely with relationship managers and employees across the Group to amplify our net zero impact in terms of supplier engagement, and support more responsible and emissions-friendly procurement decisions.

Case study: Delivering on ambitious targets with our suppliers to achieve net zero

A key partner to Phoenix, Milliman provides integral cloud-based solutions which support our actuarial activities and solutions.

An important element of our relationship over the last year has been to collaborate closely to align on Phoenix's climate change strategy, first outlined in our open letter to key suppliers in December 2021. Through regular engagement, we assisted Milliman on its carbon reduction journey by providing our perspectives on the commercial and wider benefits that positive environmental action would have on their business. In addition, we shared supplementary information on the importance of net zero in the fight against climate change and practical tools to help Milliman as they were developing their own ambitious net zero targets. This included guiding Milliman towards the SBTi framework and explaining how it could support Milliman define its own net zero targets in line with climate science.

A critical part of our engagement with Milliman was to have our executive team communicate with Milliman's leadership team to assist them in their strategic conversations. We helped them secure a more ambitious long-term commitment than the original proposal, with a motion of net zero by 2040 with SBTi.

"Our historical and close collaboration with Phoenix has proved hugely beneficial both in terms of identifying mutual opportunities for improvement in terms of social impact and sustainability, and ensuring that we were able to secure ambitious commitments to meaningful climate action with our senior leadership team. Certainly, working with Phoenix was helpful in getting our Net Zero 2040 plan over the finish line, and we look forward to our continued engagement in 2023 and beyond as we work together to tackle issues and concerns that affect our supply chain and businesses relationships."

Christal Morris
Chief Sustainability and DEI Officer at Milliman

4 Monitor and refine

Supply chain

Our progress to date

We are tracking progress of supply chain engagement through our leading indicators. We have made significant progress around climate change plans and targets, with 82%^ of key suppliers committed to either a Science-based Target Initiative ('SBTi') based target (78%), or target based on the UN's Race to Zero initiative (4%). We are currently improving our underlying data to measure progress in reducing our supply chain baseline of c.0.2 M tCO_2e.

We have continued to encourage our suppliers to engage in our CDP supply chain programme, with participation increasing to 84% for our key suppliers. We have also started to engage with our high-risk suppliers, which will continue to be an important focus for 2023 and beyond.

Internal governance framework

We have integrated environmental risk analysis into our Third Party Management model. This model covers oversight of all key third parties to actively monitor their performance and ensure that they are following the requirements set out in our ESG Supply Chain Standards. Working through this framework enables us to monitor ESG progress via relationship managers and business functions, alongside direct supplier engagement.

Enhancing our supplier data

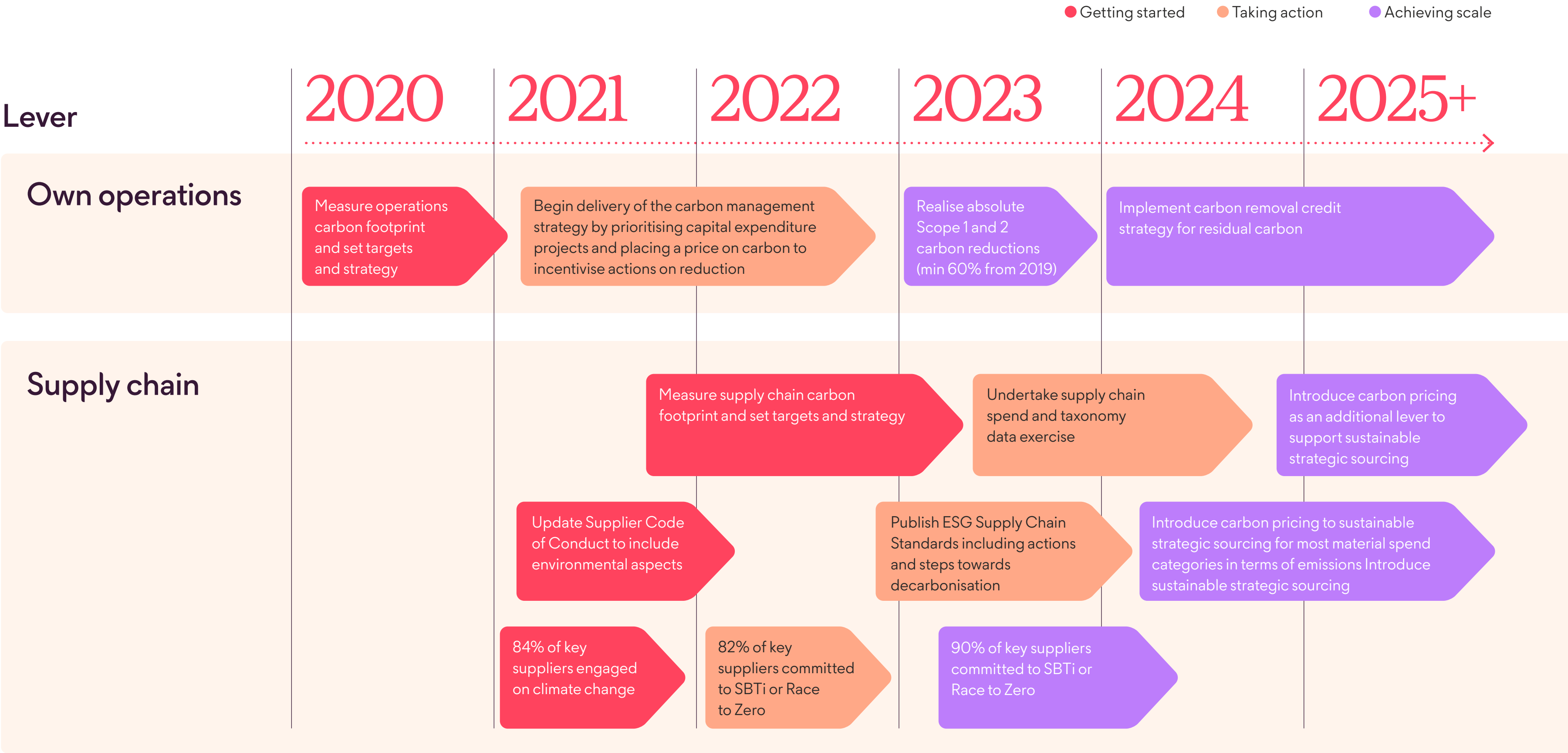
We are looking to improve our data integrity and governance as a critical business priority in the next 12–18 months and on a rolling basis. This will primarily focus on sustained efforts to improve our supply chain spend data quality, specifically in terms of categorisation and taxonomy, which will improve the accuracy of our supply chain emissions and support with strategic supplier management decisions around net zero.

Our directional roadmap

Our Lead roadmap builds on the excellent work to date on achieving our 2025 Scope 1 and 2 operational emissions targets three years early, and scaling up our supplier engagement.

For our own operations, our focus is now on further eliminating and reducing our operational emissions with a particular focus on our Scope 3 business travel emissions; and preparing to buy carbon removal credits to compensate for any remaining operational emissions.

For our supply chain emissions, our near-term focus is to scale up our engagement with key suppliers. In the medium term, our goal is to integrate carbon pricing into sourcing and procurement decisions, alongside net zero clauses and factoring emissions into our tender processes.



Embedding net zero in our business

We are committed to embedding action on net zero across our business through robust governance, integrating climate change in our Group's risk management framework and upskilling our colleagues to enable them to deliver our ambition.

Ensuring robust governance

Robust governance ensures a solid foundation for accountability and action on climate change. We have a clear governance framework in place to ensure we systematically and effectively identify, assess and manage climate-related risks and opportunities – figure 30. Our framework covers our climate change strategy, our investments portfolio and our operations and supply chain.

Phoenix Group Holdings plc Board oversight
Phoenix Group Holdings ('PGH') plc Board has oversight of the Group's overall strategy, including the sustainability strategy of which the transition to net zero is a central element. The Group's strategic approach to climate change (including the management of climate-related risks and opportunities) is therefore overseen by the Group Board, supported by the Board Sustainability Committee. The Board Sustainability Committee is responsible for:

- Oversight of the Group's sustainability strategy, related activity and approach to Environmental, Social and Governance ('ESG') matters; including oversight of the Group's approach to climate risk and opportunity within its sustainability strategy and actions set out to achieve our net zero goals included in this Net Zero Transition Plan
- Review and oversight of the content of the Group's sustainability reporting, including but not limited to the Group's annual Sustainability Report and Taskforce for Climate-related Financial Disclosures ('TCFD') disclosures and this Net Zero Transition Plan, including recommending for approval by the Board of PGH

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.

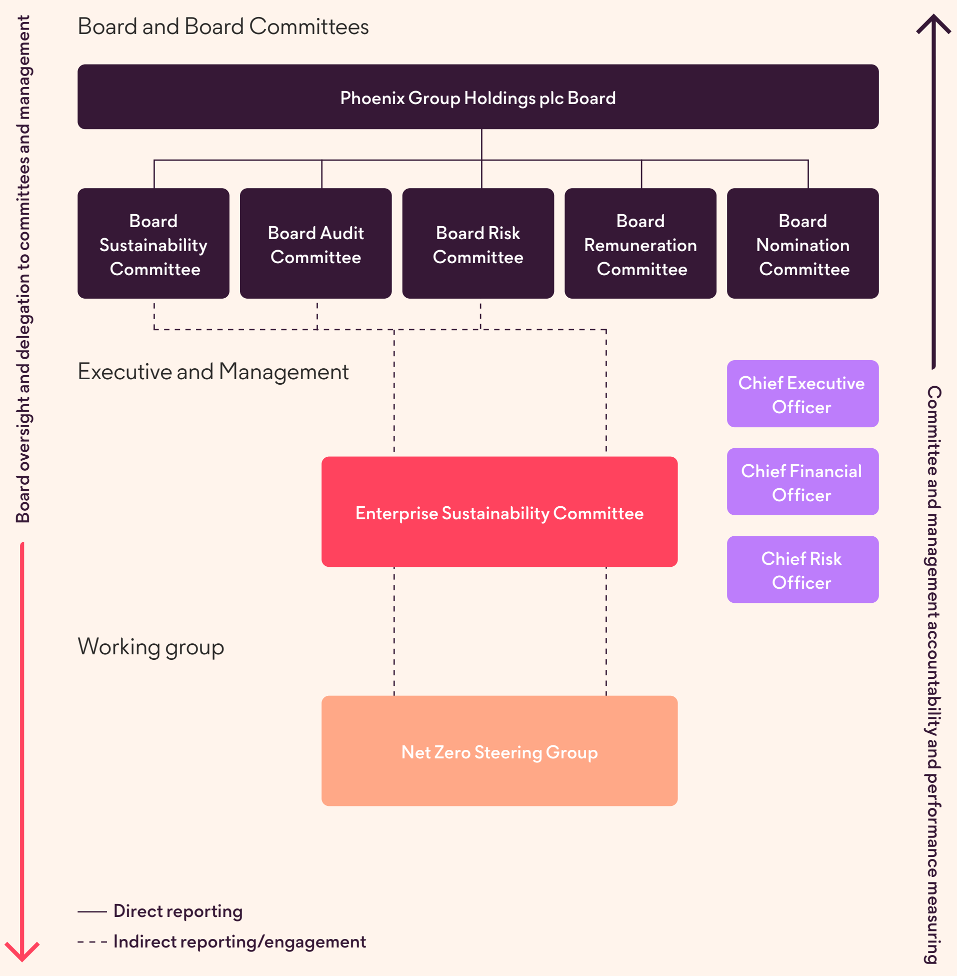
A full overview of the Board committees' roles and responsibilities relating to the management, oversight and reporting of climate risk and opportunities can be found on page 14 of the Climate Report.

Read our Climate Report →

An overview of the role of the Enterprise Sustainability Committee and Net Zero Transition Plan Steering Group are given on the following page in table 11.

The PGH governance structure oversees overall delivery of the NTZP; investment decisions are taken within our investment portfolio governance framework, which is detailed on page 70.

Figure 30: Our Climate Governance Framework



Ensuring robust governance continued

Executive and management's role

Individual accountability

The Group's Chief Executive Officer, Andy Briggs, is the Executive Board Director responsible for implementation and delivery of the Group's overall strategy. The sustainability strategy forms part of the Group strategy, which includes climate change. In addition to this Group responsibility, Andy was also appointed as Chair of the Association of British Insurers' new Board sub-group on Climate Change in 2022 which co-ordinates and drives collective focus on climate change across the insurance industry.

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 ('PRA') and Financial Conduct Authority's ('FCA') Senior Managers and Certification Regime.

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 Group CRO is responsible for ensuring that climate-related risks are incorporated into the existing risk management framework.

Table 11: Management/operational level groups

To ensure implementation of the Group's strategy we have the following groups and committees:

Committee/Group	Responsibilities
Enterprise Sustainability Committee	• Ensures implementation of the Group's overall sustainability strategy and associated initiatives, including climate change. • Membership comprises key Executive Committee members, including sustainability pillar, risk and TCFD sponsors. The Committee's membership also comprises the Corporate Affairs and Investor Relations Director (Chair) and the Chief Sustainability Officer ('CSO'). The Committee meets at least five times a year (it met on six occasions in 2022) and supports the Board Sustainability Committee, providing updates on progress against strategy, KPIs and targets.
Net Zero Steering Group	• Ensures the cross-group collaboration on delivery of the Net Zero Transition Plan with membership from Customer, Investment, Operations, Supply Chain, Risk and Legal teams. • The steering group was responsible for the production of the Net Zero Transition Plan and is now responsible for delivery of the activities detailed within it. • Following publication of the Net Zero Transition Plan we will undertake a review to determine the appropriate governance to drive the plan's implementation at a management and operational level.

Executive oversight

We have named Executive Committee members who sponsor delivery of the strategy to enable our climate change targets to be achieved:

- Investment Portfolio – Chief Investment Officer
- Operations – Group HR Director
- Supply Chain – Chief Operations Officer

Our Director of Corporate Affairs & Investor Relations is accountable for overall delivery and is response for reporting progress via the Enterprise Sustainable Committee.

Ensuring robust governance continued

Linking Executive remuneration to delivery of Net Zero Transition Plan

Performance measures for the 2022 Long Term Incentive Plan ('LTIP') have been designed to incorporate an ESG metric relating to the Group's external commitments for decarbonisation of Phoenix's operations and investment portfolio. The measures form part of the Directors' strategic scorecard, accounting for 10% of the Group Chief Executive Officer's bonus and 8% of the Group Chief Financial Officer's bonus. This ESG element of the 2022 LTIP has a 20% weighting (10% for decarbonisation of operations and 10% for decarbonisation of investment portfolio) to the long-term plan, linked to quantitative achievements against our decarbonisation commitments.

Targets for the 2023 LTIP will focus on progress towards our interim decarbonisation targets to:

- Achieve a reduction of 25% in the carbon emission intensity of our investments by 2025, to cover all listed equity and credit assets where we can exercise control and influence (c. £160 billion).
- Achieve net zero carbon emissions in the Group's operations by 2025. The scope for this target, set using science-based techniques, is Scope 1 and 2 emissions from our occupied premises.

The 2023 LTIP outcomes will be set by reference to delivery as at the end of 2025.

Resourcing delivery of our net zero ambition

We have committed significant resources as a Group to stand up teams across relevant business units to deliver our net zero activity.

- Our Central Sustainability team is responsible for setting and overseeing the delivery of our climate strategy
- Our Sustainable Investments team is responsible for delivery of decarbonisation of our investments portfolio, undertaking stewardship activities and investing in climate solutions
- We have a dedicated Environmental team in our Operations team to deliver our decarbonisation programme
- We have an ESG Supply Chain team in our Supply Chain function that engages with our supplier base on net zero
- Our Customer Sustainability team work alongside our Sustainable Investments and propositions teams in our brands, such as Standard Life, to plan and deliver customer engagement on climate change

Across each functional area there is a senior sponsor from the Group Executive Committee accountable for delivery and a dedicated lead responsible for co-ordinating implementation of the strategy.

Divisional governance

To embed decarbonisation activity across the Group, we have dedicated governance across our investment portfolio (described on page 70) and our own operations and supply chain that is described below.

Operations

The Group Operations Sustainability Steering Committee has been established to provide a steer on the implementation and achievement of the Phoenix Group's operational environmental and supply chain strategies, driving forward the Group's agenda covering the breadth of those strategies and related initiatives.

The Committee provides regular updates to the Enterprise Sustainability Committee on the implementation of the decarbonisation strategies across our own operations and supply chain.

Supply chain

For our supply chain the Third Party Oversight Forum (TPOF) has been set up to monitor and provide strategic direction, oversight, challenge and reporting on all areas of third-party supplier management including associated operational supply chains throughout the third-party lifecycle with a key focus on Material Third Parties, defined as those relationships categorised as Strategic or Critical to the Phoenix Group. The forum oversees how the supply chain manages macro environmental factor such as, climate-related risks and opportunities as well as the management of other sustainability risks within the supply chain.

Climate change governance for our investment portfolio

To oversee delivery of the net zero transition in our investment portfolio we have developed our governance framework across our Group and Life Company.

The **LifeCo Board** is responsible for the approval and monitoring of the overall Life Companies' long-term strategy, to include, but not limited to, Investments, Asset and Liability Management, Customer (and Vulnerable Customers) and Conduct. The LifeCo Board operates a committee structure to assist in the execution of these duties to ensure that customer/policyholder interests are properly balanced against those of other stakeholders to deliver fair outcomes.

The **Independent Governance Committee ('IGC')** works in the interests of the members of contract-based workplace personal pension schemes to assess the value for money in relation to costs and charges, investments (including ESG integration and stewardship activities), communications, scheme administration, investment pathways and other relevant governance matters. It is an independent committee and provides updates on its work to the LifeCo Board.

The **With-Profits Committee** protects the interests of with-profits policyholders and advises on the fair management of the with-profits business. This includes an assessment on investments and the implementation of ESG integration and stewardship activities. On an annual basis, it provides its independent opinion to the LifeCo Board.

The **Standard Life Master Trust Committee ('SLMTC')** is an independent board and subsidiary company of Standard Life Assurance Limited ('SLAL'). It works in the interests of members of the Standard Life Defined Contribution Master Trust and Stanplan A pension schemes by assessing value for money for members of those schemes, scrutinising SLAL's investments, costs and charges, sustainable investment commitments, TCFD disclosures, scheme administration and customer communications.

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

The **Enterprise Asset Management Committee ('EAMC')** provides holistic executive direction and oversight of the Group's investment strategy (including the strategic asset allocation framework and the asset liability management strategy) and asset management activities undertaken for policyholder and shareholder funds, ensuring alignment with sustainability strategies and relevant risk appetites. The committee reviews and recommends for approval policies and activities related to sustainable investment and stewardship.

In 2022, BIC and EAMC met quarterly. In each session items related to sustainable investment were discussed and approved. In particular, these committees have reviewed our updated Stewardship Policy, Global Voting Principles, ESG Expectations document, UNGC engagement project and climate change engagement programme.

The **Internal Credit Rating Committee ('ICRC')** provides oversight of risk management activities related to credit risk governance and investment decisions. Its responsibilities include approving the framework for ESG exclusions and restrictions, acting as the escalation committee for the Portfolio and Credit Committee and providing oversight on ESG investments for shareholder assets.

The **Portfolio & Credit Committee ('PCC')** has oversight of the credit portfolio and assists the EAMC in the execution of the Group's investment strategy through oversight of risk management activities related to credit risk governance and investment decisions. The PCC oversees the integration of ESG factors in investment decisions (including overrides to ESG exclusions and restrictions) and the implementation of the Group's sustainability framework.

The **Sustainable Investment Forum ('SIF')** provides direction, oversight, scrutiny and challenge on sustainable investment matters, including stewardship. The purpose of the forum is to embed ESG issues into the investment process and decision-making, ensure consistency of terminologies and strategies across the Group entities factoring customer obligations as applicable, and confirm alignment of proposals with the agreed overall Group sustainability strategy.

The **Stewardship Working Group ('SWG')** is responsible for reviewing and approving statements to be presented at company AGMs, text of letters to be sent to Chairs/CEOs of companies (both private and public), public investor statements on specific companies, public investor statements on ESG topics addressed to regulators and monitoring activities of voting by asset management partners.

Engaging our colleagues

We are engaging colleagues across the Group to increase their awareness of our climate ambition and help them play a personal role in tackling climate change and contributing to the delivery of our climate ambition.

Ensuring that colleagues have the knowledge, skills and capability to deliver our net zero transition is central to our engagement. We will continue to upskill Board Members through dedicated education sessions to enhance their and the wider Group's knowledge and understanding of climate change risk and opportunities, connected regulation and market practice. This training will strengthen the Group's approach to addressing these matters. We are developing capacity on sustainability and climate change amongst our leadership group and will look to utilise further training such as the training carried out by the Cambridge Institute for Sustainability Leadership in 2022.

Our Phoenix Climate Hub, launched in January 2022, is an intranet-based platform aiming to increase understanding of climate change impacts, communicate the Group's climate strategy and provide useful tools and resources. The educational modules include content exploring the science of climate change, how it presents a risk and opportunity, deep dives on strategy and how all colleagues can make a day-to-day impact. In May 2023 we launched an all-colleague sustainability training programme that focuses on climate action. We will continue to update the content as the transition to net zero unfolds and undertake further training with teams across the business responsible for managing our work on climate change across the Group.

We have continued to engage colleagues across the Group through our Sustainability Network and Environmental Champions Group launched in 2021. They aim to engage and empower colleagues on positive environmental behaviour. Over the course of the 2023 and beyond, these colleagues will play an important part in reducing the impact of our operations by ensuring our Environmental Management System is run effectively; and will work with our Volunteering Champions on environmental projects in our local communities.

Case study: Employee electric vehicle scheme

We launched our Electric Vehicle Scheme in 2022 to offer our colleagues the option of leasing an electric vehicle as part of the sustainability benefits we offer. This initiative enhances the suite of opportunities our colleagues have for reducing the impact of their commute to the office. We believe it to be an effective way to promote lower emissions and cleaner air on a local level and to support a wider acceleration for the adoption of electric vehicles worldwide. Our other longer-standing incentives include season ticket support and cycle to work schemes.

"We know sustainability is important to our colleagues. So implementing an electric vehicle leasing scheme that helps them switch to more environmentally friendly vehicles and reduce their carbon footprint has proved popular. We launched the scheme in May 2021 and so far over 145 cars have been ordered."

Sara Thompson,
Group HR Director

Embedding climate risk into our risk framework

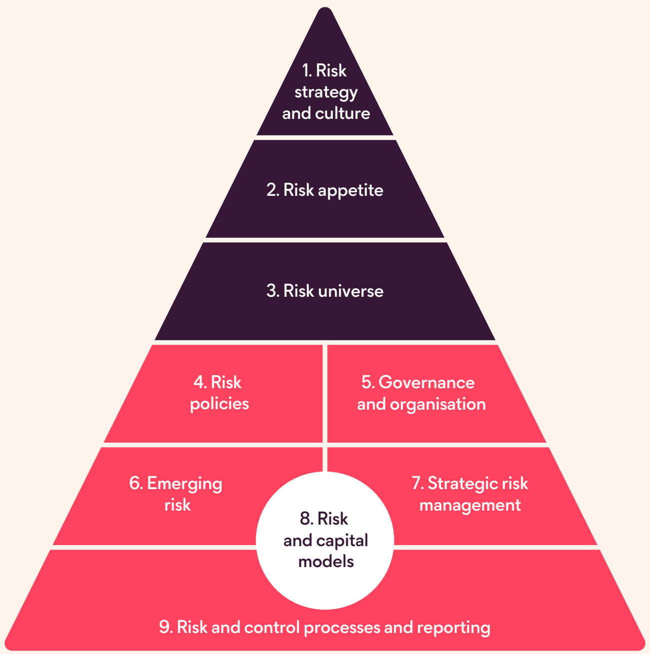
The Group's Risk Management Framework (RMF) has been enhanced to support the identification, assessment and mitigation of climate risk – figure 31. We will continue to evolve the framework to reflect both our increased understanding of these risks and emerging market practice.

Identification of climate-related risks has been embedded into the components of the RMF, which supports the identification of risks both quantitatively and qualitatively and from a top-down and bottom-up perspective. Key to our understanding of our climate risk exposure is:

- Annual stress and scenario testing;
- Ongoing emerging risk, regulatory and market scanning;
- Ongoing carbon footprinting exercises; and
- Monitoring of our progress against climate risk metrics, risk appetites and external targets.

For a full overview of our risk management approach for climate change, please see pages 40 – 44 of the Climate Report →

Figure 31: Risk Management Framework



1. Risk strategy and culture
Sustainability and minimising environmental impact are a key component of the Group's strategy. We have a specific sustainability strategy and set net zero carbon commitments for operations, supply chain and the investment portfolio, as well as specific annual goals such as sustainable origination targets for private placements.

2. Risk appetite
The sustainability risk appetite statement is approved by the Board and was updated during 2022 to reflect our latest sustainability strategy. We have approved supporting climate risk appetite statements and metrics with footprints throughout the Risk Universe.

3. Risk Universe
Climate risk is treated as cross-cutting risk, rather than standalone risk, as it can potentially impact all risk categories underlying the Risk Universe.

4. Risk policies
All policies have been reviewed to ensure appropriate content is included for material climate risk exposures. Policies with a potential climate impact contain specific flags to ensure climate risk is clearly considered.

5. Governance and organisation
Governance is led by the Board Risk and Board Sustainability Committees plus supporting management committees. There is clarity on roles and responsibilities across the three lines of defence.

6. Emerging risk
Climate and ESG risks continue to be monitored via the well-established emerging risk process, which also considers the evolving regulatory landscape. This is supported by forward-looking Own Risk and Solvency Assessment ('ORSA') monitoring.

7. Strategic risk management
Climate risk is a principal risk and considered as part of Line 2 oversight of strategic developments, e.g. annual operating plan development, project reviews, ORSA, management actions and regular risk reporting.

8. Risk and capital models
External tools have been sourced to support carbon footprinting and climate scenario analysis. Models have been developed for internal climate scenario analysis with enhancements made in 2022 and planned in 2023.

9. Risk and control processes and reporting
A climate risk dashboard covering key Level 1 risks is integrated into our regular risk reporting. Minimum control standards are also in place for key policies.

Measuring our progress

We have developed a comprehensive metrics framework which allows us to measure and manage the impacts of transition and physical risk on our investment portfolio, operations and supply chain. Regularly measuring our progress against our ambitious targets help us to ensure we remain on track to achieve our net zero ambition.

Our climate change metrics

Our climate change metrics framework is aligned with emerging best practice in evaluating exposure to climate-related risks and opportunities. We aim to align our framework to the GFANZ metrics and targets categories of 1. Real-economy Transition 2. Plan execution 3. Portfolio emissions

In line with Transition Plan Taskforce guidance, we are committed to updating our Net Zero Transition Plan at least every three years. Where there are material updates, such as interim milestones being met, we will refresh the plan periodically. We will update on progress on an annual basis in our Climate Report that reports against the TCFD framework.

Our investment portfolio metrics are given in table 12 opposite, with own operations and supply chain given in table 13 and 14 on the following page.

Table 12: Investment portfolio metrics

	GFANZ category	Measure	Metric	Unit	Methodology	Overview	Performance			
							2022	2021	2020	2019
Investment metrics	Portfolio emissions	Carbon footprint	Absolute financed emissions^	tCO_2e	PCAF	Captures a portfolio's fair share of emissions of the investee companies		20,771,411		24,424,897
			Economic emissions intensity^	tCO_2e /£m invested	PCAF	Expresses portfolio emissions per unit of capital invested		73		105
			Revenue emissions intensity ('WACI')^	tCO_2e /£m $ICO_2e/\$m$ revenue	TCFD	Expresses portfolio emissions per unit of sales revenue of the investee companies		139		158
	Portfolio emissions	Transition risk	Percentage of assets exposed to high transition risk sectors^	% of AUA	Bespoke	Proportion of portfolio invested in sectors that are vulnerable in a transition to a net zero economy		20		
			Exposure to the fossil fuel industry^		Bespoke	Proportion of portfolio invested in the fossil fuel industry based on revenue threshold		8		
			Percentage of financed emissions in high-emitting sectors^		NZAOA	Captures percentage of target list of companies for climate engagement	40			
	Portfolio emissions	Portfolio alignment	Science-based Targets portfolio coverage^		TCFD	Proportion of portfolio invested in companies that have set science-based targets		47		
	Portfolio emissions	Data quality	Data quality score^	Data score from 1 – 5	PCAF	Hierarchy which allows the scoring of the quality of emissions data of individual companies		1.9		1.8
	Real economy transition	Climate solutions	Amount invested in climate solutions^	£bn	Bespoke	Investment in climate solutions as defined in our Sustainable Finance Framework for Private Markets	£0.7			

Our climate change metrics continued

Table 13: Own operations metrics

	GFANZ category	Measure	Metric	Unit	Methodology	Overview	Performance 2022	2021	2020	2019
Operational metrics	Portfolio emissions	Carbon footprint	Scopes 1, 2 and selected Scope 3 absolute emissions – voluntary	tCO_2e	Greenhouse Gas Protocol, EcoAct Homeworking Emissions Whitepaper	Measures Scopes 1 and 2 and selected Scope 3 absolute emissions	15,395	24,014	22,236	21,523
			Intensity metric for Scopes 1 and 2 emissions per full-time equivalent employee ('FTE')	tCO_2e/FTE		Measures Scopes 1 and 2 carbon emissions intensity per FTE accounting for renewable energy to promote carbon reduction	Location based 0.73	0.81	1.23	1.7
							Market based 0.34^	0.38		
			Intensity metric for Scopes 1 and 2 emissions from occupied premises per floor area	$kgCO_2e/m^2$		Measures Scopes 1 and 2 carbon emissions intensity per floor area, without accounting for renewable energy to promote energy savings actions	Location based 57	62	80	101
							Market based 26^	30		

Table 14: Supply chain metrics

	GFANZ category	Measure	Metric	Unit	Methodology	Overview	Performance 2022	2021	2020	2019
Supply chain metrics	Portfolio emissions	Carbon footprint	Scope 3 purchased goods and services	tCO_2e	Greenhouse Gas Protocol hybrid approach using 'EEIO' analysis of spend industry average emission factor. Enhanced with primary supplier CDP data where available	Measures Scope 3 cat 1 or 2 footprint in tCO_2e (emissions from purchased goods and services and purchased fixed assets)		184,066	194,513	57,348
			% key suppliers with Race to Zero/SBTi^	%	Bespoke	Supplier committed to either setting an SBT or joining UN's Race to Zero campaign	82			

Appendix

Our TCFD disclosure

Our progress to date crucially includes disclosing against the Taskforce for Climate-related Financial Disclosures. ('TCFD'). We have been fully compliant with this disclosure framework since 2021.

In line with Transition Plan Taskforce guidance we will use our annual Climate Report to update on progress of delivering our strategy as detailed in this Transition Plan.

Overview of our 2022 Climate Report

Our progress against each of the four pillars of the TCFD have been the building blocks for our climate strategy. An overview of progress in 2022 is given below.

Pillar	Actions
Governance	• **Incentives** – Integrated ESG metrics and targets within the 2023 Long Term Incentive Plan and the Group Executive Directors' Strategic Scorecard. • **Strategy development** – Reviewed materiality and benchmarked sustainability strategy highlighting climate change as highest priority theme and approved the Group's 2022 sustainability strategy and related KPIs and targets; including climate-related targets. • **Decarbonisation target evolution** – Approved science-based targets for validation by the SBTi. • **Responding to stakeholders** – Oversight of Group responses to an increasing demand for ESG disclosure from investors and other stakeholders. • **Capacity building** – Continued upskilling across the Group through tailored education sessions on climate change related topics and our Net Zero Transition Plan.
Strategy	• **Delivered foundations across our climate strategy** to Invest for the future, Engage to multiply impact and Lead by example. Detail is provided in the Invest, Engage, and Lead sections of this Transition Plan.
Risk Management	• **Climate risk reporting** – Further developed our internal climate risk reporting, reflecting the evolution of market best practice and tracking the progress made in terms of the Group's interim net zero targets for both internal operations and the investment portfolio. • **Risk Management Framework enhancement** – continued development as further information is developed, including through scenario analysis work. • **Building our analytic capabilities** – Continued to enhance our internal climate scenario analysis capabilities and enhanced the data strategy and model for collecting and reporting on climate risk.
Targets and metrics	• **Financed emissions baseline –** Baselined Scope 3 financed emissions for sovereign debt and real estate, increasing investment portfolio coverage to 77%. This increased our baseline carbon footprint as at year-end 2019 to 24 million^ tCO_2e per year. • **Broadened suite of climate** metrics to include exposure to the fossil fuel industry and portfolio temperature score. • **Science-based targets** – Submitted decarbonisation targets for validation by the Science Based Targets Initiative ('SBTi'). • **Reduced our direct emissions by 80**% in operational carbon emissions intensity (from occupied premises per FTE against 2019). • **Set our indicative estimated supply chain baseline** of c. 0.2 million tCO_2e and pathway to decarbonisation. • **Engaged key partners** on our ambition to halve our supply chain emissions by 2030, with 82% ^ committed to either an SBTi based target or UN's Race to Zero initiative-based target

Mapping of Transition Plan against GFANZ and TPT Guidance

We have used emerging guidance from the GFANZ Financial Institution Net-Zero Transition Plans Final Report and the Transition Plan Taskforce ('TPT') Disclosure Framework to help shape this transition plan. The tables below map where content in this document is aligned to the guidance.

GFANZ Guidance

GFANZ Framework Element	Recommendation	Mapping to our Transition Plan
Foundations	1. Objectives and priorities	• Becoming a net zero business – our net zero ambitions p16 • Our climate action model p18
Implementation strategy	1. Products and services	• Invest p20 – 41 • Engage – Engaging our customer p42 – 47
	2. Activities and decision-making	• Embedding net zero in our business p66 – 72
	3. Policies and conditions	• Invest p20 – 41, Lead p53 – 64
Engagement strategy	1. Clients and portfolio companies	• Engage – Engaging our customers p44 – 47 • Invest – Effective stewardship of our assets p34 – 37
	2. Industry	• Engage – Driving wider system change p48 – 52
	3. Government and public sector	
Metrics and targets	1. Metrics and targets	• Measuring our progress p73 – 75
Governance	1. Roles, responsibilities, and remuneration	• Embedding net zero in our business – Ensuring robust governance p67 – 70
	2. Skills and culture	• Embedding net zero in our business – Engaging our colleagues p71

TPT Guidance

Guiding principle	Element	Recommendation	Mapping to our Transition Plan
Ambition	1. Foundation	1.1 Objectives and priorities	• Becoming a net zero business – our net zero ambitions p16 • Our climate action model p18
		1.2 Business model implications	
Action	2. Implementation Strategy	2.1 Business planning and operations	• Becoming a net zero business – the case for action for Phoenix Group p15
		2.2 Products and services	• Invest p20 – 41 • Engage – Engaging our customers p42 – 47
		2.3 Policies and conditions	• Invest p20 – 41 • Lead p53 – 64
		2.4 Financial planning	
		2.5 Sensitivity analysis	• Invest – scenario analysis and modelling p26 – 27
	3. Engagement Strategy	3.1 Engagement with value chain	• Invest – Effective stewardship of our assets p34 – 37 • Engage – Engaging our customers p44 – 47 • Lead – Supply Chain p60 – 65
		3.2 Engagement with industry	• Engage – Driving wider system change p48 – 52
		3.3 Engagement with government	
Accountability	4. Metrics & Targets	4.1 Governance	• Embedding net zero in our business – Ensuring robust governance p67 – 70
		4.2 Financial metrics and targets	• Measuring our progress p73 – 75
		4.3 GHG emissions metrics and targets	
	5. Governance	5.1 Board oversight and reporting	• Embedding net zero in our business – Ensuring robust governance p67 – 72
		5.2 Roles, responsibility and accountability	
		5.3 Culture	
		5.4 Incentives and remuneration	
		5.5 Skills, competencies and training	

Our climate focused stewardship engagement list

The 25 companies on our focused engagement list account for 40% of our financed emissions in material sectors in corporate fixed income and listed equity holdings (using our 2019 carbon footprint baseline as reference).

Company name	Industry
Arcelormittal	Steel
BASF SE	Chemicals
BP P.L.C.	Oil & Gas
Centrica PLC	Utilities
Chevron Corp	Oil & Gas
Covestro AG	Chemicals
Delta Air Lines	Transport
easyJet PLC	Transport
Equinor	Oil & Gas
Glencore PLC	Mining & Metals
Mondi PLC	Agriculture, Forestry & Fisheries
National Grid PLC	Utilities
NextEra Energy Inc	Utilities
Nippon Steel & Sumitomo Metal	Steel
NRG Energy	Utilities
Repsol SA	Oil & Gas
Rio Tinto PLC	Mining & Metals
Royal Dutch Shell PLC	Oil & Gas
RWE AG	Utilities
SOUTHERN CO/THE	Utilities
Total SA	Oil & Gas
TUI AG	Transport
Ultratech Cement (Grasim Industries is ultimate parent)	Cement
Veolia Environnement	Multi Utilities
Yara International ASA	Chemicals

Forward-looking statements

Climate metrics, including aims, ambitions, estimates, forecasts, plans, projections and targets and other climate metrics used in this document, especially if they are forward-looking, merit special caution as they are more uncertain than metrics based solely on factual historical financial information.

Certain sections in this document contain climate-related and other forward-looking statements and metrics, such as aims, ambitions, estimates, forecasts, plans, projections and targets and other climate metrics.

There are many significant uncertainties, assumptions, judgements, opinions, estimates, forecasts and statements made of future expectations underlying the forward-looking statements in this document which could cause actual results, performance, outcomes or events to differ materially from those expressed or implied in these forward-looking such statements. Such uncertainties and factors include, without limitation:

- the extent and pace of climate change;
- uncertainty around future climate-related policy;
- the effectiveness of actions of governments, legislators, regulators, businesses, investors, customers and other stakeholders to mitigate the impact of climate and sustainability-related risks;
- changes in customer behaviour and demand;
- changes in the available technology for mitigation;
- the roll-out of low carbon infrastructure;
- the availability of accurate, verifiable, reliable, consistent and comparable climate-related data;
- lack of transparency and comparability of climate-related forward-looking methodologies;
- variation in approaches and outcomes; and
- reliance on assumptions and future uncertainty.

Accordingly, undue reliance should not be placed on these statements.

Furthermore, changing national and international standards, industry and scientific practices, regulatory requirements and market expectations regarding climate change, which remain under continuous development, are subject to different interpretations. There can be no assurance that these standards, practices, requirements and expectations will not be interpreted differently than what was Phoenix Group's understanding when defining its climate-related ambitions and targets.

The forward–looking statements contained in this document speak only as of the date we make them. Except to the extent legally required, we expressly disclaim any obligation or undertaking to update or revise any forward-looking statements in this document, whether to reflect any change in our expectations regarding those forward-looking statements, any change in events, conditions or circumstances on which any such statement is based, or otherwise.

This document, the information, statements and disclosure included in it are not formally part of any offering documents and are not contractually binding. This document is not intended to be an advertisement for the purposes of the UK Prospectus Regulation and investors should not make any investment decisions based on the information included in this document.

At a glance

Who we are

Phoenix Group is the UK's largest long-term savings and retirement business. We offer a broad range of pensions and savings products to support people across all stages of the savings life cycle.

Our vision

To grow a strong and sustainable business to help more people on their journey to and through retirement.

Our purpose drives everything we do:

Helping people secure a life of possibilities.

Our business

c.£259bn total assets under administration	c.12m customers
c.6,800 colleagues as at 1 March 2023	FTSE 100 and FTSE All World
c.£6.4bn market capitalisation as at 1 March 2023	£12.1bn Group in-force long-term free cash to emerge from our current in-force business

Our family of brands

Standard Life
Part of Phoenix Group

SunLife
Part of Phoenix Group

PHOENIX LIFE
Part of Phoenix Group

ReAssure
Part of Phoenix Group

Our values

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

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

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

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

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

Phoenix

Contact us

News and updates
In line with our Net Zero Transition Plan and our commitment to reduce our environmental impact, you can view key information on our website:
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.
https://www.thephoenixgroup.com/site-services/email-alerts

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