

## **FCA DISCLOSURES: 2014 REMUNERATION (BIPRU 11.5.18)**

### **CODE STAFF**

The Remuneration Committee of Phoenix Group Holdings ("PGH") has previously identified the Phoenix group's former asset management subsidiary, Ignis Asset Management Limited ("Ignis"), as a Code firm and by virtue of its influence over Ignis the Remuneration Committee had also previously determined that PGH was a Code firm. On 30 June 2014, Ignis was sold to Standard Life Investments (Holdings) Limited ("Standard Life") and accordingly PGH ceased to be a Code Firm from that date. The following report includes data for Ignis for a 6 month period only, although for consistency with reporting in past years, data for PGH is presented for the whole of the 2014 period.

Both Ignis and PGH were previously identified as Tier 4 (now renamed Tier 3) Code firms. Within Ignis, 14 staff qualified as Code Staff and a further 27 PGH employees, who have sufficient supervisory responsibility over Ignis' activities, qualified as Code Staff.

Whilst not all of PGH's activities are covered by the FCA Remuneration Code, the Remuneration Committee anticipates broadly equivalent provisions will apply, in due course, via Solvency II. The Remuneration Committee considers the FCA Remuneration Code to reflect best practice and has due regard to it across the Group.

### **CODE STAFF CRITERIA**

The following groups of employees have been identified within the Code firms as meeting the FCA's criteria for Code Staff:

- Certain members of the PGH Board and Executive Committee
- Ignis independent Non-Executive Directors
- Employees performing a Significant Influence Function in relation to the Code firm
- Key control function roles.

### **OVERSIGHT OF REMUNERATION**

Prior to the sale of Ignis, oversight of Ignis' remuneration was the responsibility of the Phoenix Life Holdings Limited Remuneration Committee. This committee was disbanded on 20 November 2014.

The oversight of Group and Life remuneration remains the responsibility of the PGH Remuneration Committee. Full details regarding the Remuneration Committee's composition and advisers to the Remuneration Committee can be found on the PGH website.

### **DESIGN AND STRUCTURE OF REMUNERATION**

The individual elements of employees' remuneration packages at Phoenix Group comprise fixed pay (base salary, pension and other benefits) and performance-related pay (consisting of annual incentives, deferred awards and long-term incentives).

Taking into account the expected value of long-term incentives, the performance-related elements of the package make up a considerable proportion of the total remuneration of Code Staff, while maintaining an appropriate balance between fixed and variable elements.

### **SALARY AND FEES**

All Code Staff receive either a salary (employees) or fees (Non-Executive Directors) to reflect their experience, skills, competencies and contribution to the Group relative to the market for comparable roles. PGH ensures that fixed remuneration is sufficient to cover employees' key financial needs while generally seeking to pay around a mid-market range.

PGH also operates a fully flexible annual incentive policy which allows zero annual incentive payments to be made when appropriate.

### **BENEFITS**

Code staff receive benefits in line with other employees that includes pension, life assurance, staff discounts (for Ignis employees) and may include car allowance and private medical insurance. Non-Executive Directors who are listed as Code Staff do not receive any benefits, other than certain reimbursements of travel expenses.

### **ANNUAL INCENTIVES**

#### **Rationale and eligibility criteria**

All executive Code Staff are eligible to receive an annual incentive. Annual incentives are designed to reward good financial and non-financial performance that supports the business strategy, taking into account the Group's risk appetite and individuals' personal contribution in the context that it was delivered.

Non-Executive Code Staff are not eligible to receive annual incentives.

#### **Performance measurement/assessment**

For PGH employees, performance assessment is normally based upon a balanced scorecard of measures related to Group and individual targets. These targets typically include financial performance, people and customer measures with all outcomes subject to potential moderation by the Remuneration Committee, including in respect of any risk concerns (see below). Overall AIP costs are reviewed by the Remuneration Committee at the year-end having regard to the Group KPIs and non-financial measures.

Ignis employees' annual incentives are financed from a defined profit pool (subject to discretion being reserved to the Remuneration Committee to adjust the percentage available). Distribution of the pool has due regard to objectives similar to those in PGH. In 2014, Ignis bonuses were paid based on a profit pool and also by reference to a number of strategic objectives which included objectives relating to the additional work required for successful delivery of the sale to Standard Life.

With the exception of one individual, for all Code Staff in control functions (Internal Audit, Regulatory Compliance and Risk) reward is linked to achievement against individual objectives and excludes any direct link to financial performance. A similar approach is also adopted in respect of the With-Profits Actuary. The individual mentioned above as the exception to this position has now left PGH.

In each case target levels of individual reward have regard to market levels for comparable roles internally and externally.

All incentive awards to Code Staff are subject to the review and support of the Remuneration Committee.

### **Deferral and vesting**

The Remuneration Committee requires that one-third of annual incentives for the senior PGH employees be deferred into PGH shares. Equivalent rules apply to Ignis employees who have in the past been required to defer part of their annual incentive into phantom shares where the value of the outcome is determined by Ignis' financial performance. This extends to the majority of Code Staff. However, in 2014, part of the bonuses earned in the year were paid at the divestment and part were paid six months following the divestment.

## **LONG-TERM INCENTIVES**

### **Group**

To encourage the creation of value over the long-term and to align the rewards of the participants with the returns to shareholders, PGH provides employees in senior roles (executive level and selected senior management) the opportunity to receive annual awards of long-term incentives. The full details of the LTIP are given in the Directors' Remuneration Report for 2014.

### **Ignis**

Executive level and selected senior management employees are eligible to receive awards subject to the rules of the Ignis Long Term Phantom Option Plan ('LTOP'). Awards may be made annually but are typically one-off in nature and reward the growth in the notional value of Ignis over a six year period (with one third of the award vesting on the fourth, fifth and sixth anniversaries of the grant date). Awards take the form of a cash settled option. Where it has been necessary as a part of the recruitment process, the Remuneration Committee has provided an underpin to the value of the award to reflect the value forfeited by employees due to leaving previous employers. No new grants were made under LTOP in 2014.

### **IMPACT OF SALE OF IGNIS**

The impact of the sale of Ignis caused a release of deferred annual incentives for Ignis employees and the vesting (subject to the application of valuation criteria) of long-term incentives under LTOP. The total exposure under the bonus arrangements for PGH was capped at completion with suitable pro-rating of the liability between PGH and Standard Life. The figures below use these numbers as PGH is not party to any final determinations and any additional costs would be borne by Standard Life.

In addition, certain Code Staff within Ignis whose employment was terminated following the sale of Ignis received termination payments. Whilst the cost of termination payments were in part borne by PGH and in part by Standard Life, the full amounts are reflected in the quantitative disclosures below.

### **RISK ADJUSTMENT**

To manage the risk aspects of the remuneration policy, the Remuneration Committee considers the performance of the Group and individual businesses against risk objectives in determining the annual incentive pool and requires the Chief Risk Officer to report to the Remuneration Committee on this.

## **QUANTITATIVE REMUNERATION DISCLOSURE**

The Group is required to disclose aggregate quantitative remuneration information for its Code Staff.

There were 27 Code Staff that have been classified as Group and 14 as Ignis. Aggregate remuneration expenditure is broken down as follows:

|                         | Number of Staff | £m           |
|-------------------------|-----------------|--------------|
| Non-Executive Directors | 12              | 1.25         |
| Senior Management       | 14              | 11.12        |
| Others                  | 15              | 7.44         |
| <b>Total</b>            | <b>41</b>       | <b>19.81</b> |
|                         | Number of Staff | £m           |
| Ignis                   | 14              | 8.17         |
| PGH                     | 27              | 11.64        |
| <b>Total</b>            | <b>41</b>       | <b>19.81</b> |

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