

Phoenix Unit Trust Managers Limited (PUTM)

Stewardship Policy

Introduction

This policy sets out the approach taken by Phoenix Unit Trust Managers Limited (“PUTM”) on stewardship activities. We believe that this policy fulfils the engagement and voting requirements of the Financial Reporting Council’s 2020 UK Stewardship Code, COLL 6 on operating duties and responsibilities of Collective Investment Schemes and SYSC on senior management arrangements, systems and controls.

The PUTM Board (the board) believes that institutional investors bear a responsibility to engage with investee companies to drive better corporate behaviours, which is expected to also lead to stronger and more sustainable financial outcomes for our customers. This policy outlines our definition of stewardship and our commitment to support effective engagement and voting through in-house¹ and outsourced activities in collaboration with Phoenix Group, asset managers and service providers. We recognise our responsibility to hold asset managers and service providers to account for the stewardship activities conducted on our behalf.

Coverage

This policy covers all investments including assets in passive, enhanced-index and active strategies across listed equity and fixed income..

Governance

The board adopts the PUTM Stewardship Policy, which where appropriate is aligned with the Phoenix Group Stewardship Policy. The board will review the policy on an annual basis and monitor its implementation by PUTM and Phoenix Group through its Stewardship Team and Manager Research and Selection Team. PUTM representatives are also members of Phoenix Group’s Stewardship Working Group who directs engagement, voting and monitoring activities by the Phoenix Group Stewardship Team as required.

Stewardship – terminology and our beliefs

We embrace the UK Financial Reporting Council (‘FRC’)’s definition that stewardship is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society. Stewardship is the use of the rights and position of ownership to influence the activity or behaviour of investee companies. For listed equities it includes both engagement and exercise of the full suite of ownership rights, including voting and filing shareholder resolutions). For other asset classes, engagement is still relevant while (proxy) voting is less likely to be of use.

We believe that stewardship strategies and approaches to enhance long-term value of investment for the benefits of our beneficiaries should not materially differ across asset classes and geographies. For example,

¹ In-house stewardship activities are conducted by the Phoenix Group’s Stewardship Team

investors can increase their ability to influence when speaking with one voice (i.e. as both shareholders and bondholders) in discussions with companies. Equally, companies in both developed and emerging markets should be encouraged to achieve the same level of best practice on environmental, social, and governance ('ESG') issues, although access to corporate management and information can vary. In private assets, whilst availability of ESG data to assess companies' practices can be more challenging, investors' more concentrated financial exposure and higher possibility of securing board representation in addition to the ability to negotiate additional covenants and use of proceeds, can increase leverage with corporate management to achieve stronger ESG performance. In real estate assets, engagement with occupiers and property managers can also improve energy efficiency, resources management and sustainability credentials of buildings.

Different interpretations of engagement exist in the market. We believe that engagement refers to a two-way interaction between the investor and investees in relation to the corporate business strategy and ESG practices. Engagements are undertaken to influence (or identify the need to influence) corporate practices and improve disclosure. Asking a question on ESG issues during a meeting does not necessarily characterise the interaction as an engagement. Providing feedback on information collected, sharing best practice by peers and defining engagement objectives with focus companies better define an engagement activity. Full exercise of ownership rights also includes voting on management and/or shareholder resolutions, as well as filing shareholder resolutions during annual general meetings ('AGMs') or general meetings ('GMs').

We believe that effective stewardship which achieves real value in our members' best interests is characterised by robust ESG research on material risks and opportunities using internal and external data, dialogue with corporate top decision-makers, setting of goals, continuous evaluation of progress against objectives and influence on investment decision-making. Solid preparation, geographical and sector expertise, correct timing and commitment to continuous dialogue are other strategies we support to increase the possibility to influence business practices.

We believe that engagement, voting and ESG integration are interlinked and, when relevant for a specific strategy, they should be intrinsic parts of the investment decision-making process. This is why stewardship should not be a delegated function for specialised ESG professionals only, but it should be equally undertaken by investment professionals with ESG knowledge and experience alone or in collaboration with sustainable investing/stewardship teams and be efficiently documented.

Our approach to stewardship

We embrace the concept of effective stewardship outlined above. While we ordinarily conduct dialogue with investee companies through our asset managers, we also delegate engagement activities to Phoenix Group's stewardship team which undertakes direct engagements with corporate representatives and joins collaborative engagements with other investors on selected priority topics. While the majority of engagement activities with investee companies are conducted by asset manager partners, Phoenix Group will seek coordination of efforts on key ESG strategic priorities through the exchange of information and views.

ESG priorities for engagement

PUTM Board Investment Committee and Phoenix Stewardship Working Group review ESG priorities identified by taking the following into consideration:

- insights from Phoenix Group's materiality assessments using inputs from multiple stakeholders;
- the nature and materiality of the topic as representing a negative externality to portfolios across regions and sectors; availability of data to monitor and assess companies' performance; and
- existence of collaborative initiatives which intend to tackle the issue by supporting a co-ordinated action from investors.
- insights from views shared by policyholders.

In 2025, we have decided to support the following ESG priorities for engagement: Climate Change, Nature, Human Rights and UNGC-related breaches or controversies.

We support Phoenix Group's expectations of companies in relation to these priority ESG risks and opportunities publicly available on [its website](#).

ESG research

We use leading third-party suppliers which provide ESG scores and/or thematic research on firms, funds, companies, factors and sectors in order to:

- conduct and complement our existing internal ESG research for stewardship activities;
- identify companies in our portfolios with high ESG risks and opportunities; and
- monitor the integration and stewardship practices of our asset managers.

We rely on ESG research covering both the analysis of companies' reported data and controversies as documented by media, international and civil society's organisations.

Voting

Voting activities are fully delegated to asset managers for the majority of PUTM Funds. For a small number of sustainability-focused funds voting responsibility is split between the asset manager and Phoenix Group Stewardship team.

We adopt [Phoenix Global Voting Principles](#) which summarise our high-level beliefs and expectations of good corporate governance, environmental and social practices, in the long-term interest of our customers. We are not involved in voting decisions directly, either by casting votes or sending voting instructions to our asset managers with the only exception of selected sustainability-focused funds. We monitor the voting directions of our asset managers through the Phoenix Group Stewardship Team using the voting principles as a framework of reference after the votes are cast. The Stewardship Team is committed to engaging with our asset managers to reduce the divergence of their voting from the expectations underpinning our voting principles and engagement activities.

Phoenix Group's Stewardship Team is responsible for developing and updating the Phoenix Group's voting principles. The principles are reviewed at least annually by the Stewardship Working Group and approved by the Board Investment Committee to capture evolving standards and insights from customers' research.

Escalation of engagement

In the case that improvements by companies are not made despite several engagement efforts, the Phoenix Group's Stewardship Team will consider forms of escalation. We expect our asset managers to be prepared to take similar actions for engagements conducted on our behalf.

Possible escalation strategies are collaborating with other shareholders, voting against management, presenting an AGM statement, issuing a public statement, decreasing exposure and ultimately divestment of the holdings.

Selecting, appointing and monitoring our asset managers to support stewardship

We recognise the value of engaging with investee companies to promote best practices and do so through our asset managers. As a long-term investor, we believe that it is important for our asset managers to exercise constructive influence on companies and other issuers in our investment portfolios to encourage long-term performance, good corporate governance and sound sustainability practices. We rely on the Phoenix Group's Manager Research and Selection team to assess and monitor that our asset managers' practices are aligned with our expectations.

More specifically, we require asset managers to:

- rely on internal and external research to monitor and assess investee companies': strategies; capital structure; financial and non-financial performance and risk; ESG risks and opportunities and impact;
- define a relevant engagement focus list based on the above monitoring system;
- engage with identified priority companies, set engagement objectives and, in case of lack of progress, escalate engagement to drive better medium- and long-term performance from the business as a whole;
- thoughtfully exercise their full ownership rights on our behalf in companies in which we have holdings for assets and strategies in scope through the application of their customised proxy voting policy which is regularly updated to reflect clients' views and monitored;
- track systematically and report regularly on their engagement activities in relation to the assets they manage on our behalf, including details on the factors they discussed, company representatives they met, investment professionals involved, outcomes achieved and investment implications, when applicable; and
- track systematically and report regularly on their voting activities including details on use of proxy advisers, votes against management, topics addressed by voting, support of ESG shareholder resolutions and voting rationales in relation to the assets they manage on our behalf.

We also expect our asset managers to be aligned with our minimum requirements as specified below.

For managers with mandates in public markets:

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- being a signatory to the PRI²;
 - adopting the 2020 UK Stewardship Code or an equivalent local stewardship code applicable in their jurisdictions;
 - supporting our net zero strategy and portfolio decarbonisation goals; and
 - implementing our Exclusion Policy.

We acknowledge that some managers may be on a journey to achieve these minimum requirements and we are able to provide them with a grace period subject to demonstrable commitment to achieve these standards within the agreed time frame.

During the manager selection process the Manager Research and Selection team assesses, amongst many other factors, how capable an asset manager is to vote and engage on our behalf in accordance with Phoenix Group sustainable investment strategy. We then establish a contract between us and the manager to formally delegate these activities to them. Managers that fail to comply with our minimum standards within agreed timelines will not be appointed for new mandates.

The Manager Research and Selection team also conducts a regular due diligence exercise on all of our asset managers to evaluate whether their approach to stewardship and sustainable investment more broadly is meeting our expectations. As Phoenix Group is a signatory to the Asset Owner Diversity Charter ('AODC'), they also ask our asset managers to respond to the initiative's diversity charter questionnaire.

In line with good governance, if any of our current asset managers do not adhere to our minimum requirements and fall short of the expectations, they will be put on notice to improve within agreed timelines and on the understanding that both a cessation of new investments or, in extreme cases, a termination of the mandate may be required should they fail to improve as agreed.

Selecting, appointing and monitoring our service providers to support stewardship

When selecting and monitoring ESG service providers, we rely on Phoenix Group to consider the following criteria:

- the firm's years of experience in the industry;
- coverage in terms of asset class, sector and geographies;
- quality and type of underlying data;
- number, qualifications and expertise of researchers;
- transparency and clarity of the underlying methodology for ESG scoring;
- ability to provide information aligned with our needs and issues of focus;
- complementarity and additionality in comparison with similar offerings by other industry peers; and
- alignment of data service and models with external disclosure and reporting requirements.

² PRI – Principles for Responsible Investment initiative - An investor initiative supported by the United Nations to promote the consideration of ESG issues in investment processes by institutional investors and service providers.

Conflict of interest

When engaging with a company or monitoring voting the Phoenix Group Stewardship Team needs to ensure that they are acting in the interests of our customers at all times and manage any associated conflicts of interest that arise in the course of our activities.

[Phoenix Group's conflicts of interest policy](#) sets out the minimum operating standards relating to the management of conflicts of interest risk throughout the Group, including PUTM. Conflicts which can arise through stewardship activities conducted directly by Phoenix Group Stewardship Team are related to engaging with or monitoring voting at a listed company's AGM or EGM³ where:

- the company is a shareholder in Phoenix Group, a client or a supplier; and
- Asset management employees or members of Phoenix Boards have personal investments or board seats in companies engaged or receiving a vote.

Phoenix Group's [approach to conflicts of interest related to stewardship activities](#) outlines in detail the processes in place to manage such conflicts when they arise.

Dialogue with policymakers and advocacy

Companies' and investors' disclosure and actions on ESG issues and sustainable investment are heavily influenced and constrained by regional, national and international regulatory environments.

Policy engagement is a critical lever through which PUTM, through Phoenix Group, can lend its voice, alongside other stakeholders, in calling for action from policymakers to address the technological and regulatory hurdles preventing the solution at sufficient speed of negative externalities and systemic risks such as climate change, nature loss, human rights violations and inequality.

Participation in industry initiatives and policy consultations is also crucial to shape the development of universally recognised ESG standards for companies and investors.

Phoenix Group is active in a number of fora and investors initiatives through its public affairs team, central sustainability team and stewardship team. A full list of these initiatives and an assessment of Phoenix Group's contributions is available in its annual stewardship report.

Transparency

We seek appropriate disclosures on stewardship practices from the asset management partners with whom we invest and partner on a regular basis.

³ AGM – Annual General Meeting: a yearly meeting of a company's shareholders, when board directors present an annual report containing information for shareholders about the company's performance and strategy. At an AGM, shareholders with voting rights can vote on issues, such as appointments to the company's board of directors, executive compensation, dividend payments, and the selection of auditors. An Extraordinary General Meeting or EGM is a meeting held by a company's board members and shareholders to deliberate and address urgent matters that cannot be deferred until the next annual general meeting (AGM).

We also work closely with our managers to collect adequate engagement and voting information at fund level upon customers' requests. Equally, we respond free of charge to any requests to provide relevant information about a particular corporate event.

Through a dedicated page on Phoenix Group website, we share our asset managers' voting and engagement policies, voting disclosure sites and stewardship reports. On the same page, we disclose information on any directed votes for a selection of sustainability-focused funds.

We also report on activities and progress relating to our own principles and practices of stewardship in an open and transparent way through [Phoenix Group's website and annual stewardship report](#).