Phoenix

Fostering dialogue and shaping change

Summary Stewardship Report 2024
Phoenix Group Holdings plc

Standard Life
Part of Phoenix Group

SunLife
Part of Phoenix Group

PHOENIX LIFE
Part of Phoenix Group

ReAssure
Part of Phoenix Group

Executive summary

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

Our sustainable investment and stewardship approaches are core components of our business strategy and investment principles and are key enablers to fulfil our goal to be a responsible owner of £292 billion assets under administration in the best interests of our customers, shareholders and stakeholders. As a result, we were pleased to see our signatory status to the UK Stewardship Code be renewed in 2024.

Our focus

In 2024, we continued to focus on our key ESG priorities for stewardship and portfolio monitoring on climate change, nature, human rights and controversies linked to the breach of the United Nations Global Compact ('UNGC') Principles, and corporate governance.

See **chapter 1**

Our governance

This Stewardship Report provides an overview of our governance and policies to support outcome-oriented stewardship activities and the actions we took in 2024 directly, in collaboration with other investors and through our asset managers, to foster effective stewardship based on dialogue, feedback and outcomes.

See **chapter 2**

Addressing market-wide and systemic risks

In 2024, we continued to identify and assess principal and emerging risks to the business and define mitigating actions, as they do not only affect Phoenix Group as a company, but also our employees, our customers, broader society and the markets we invest in. This is why we continued to engage with regulators and policymakers to address long-term issues we deem material and actively supported several industry initiatives. Examples of topics we focused on are investments of pension assets to unlock climate solutions, securing income in retirement, the role of good work and skills for all and the evolution of the UK Stewardship Code.

See **chapter 3**

Our customers' views

In 2024, we conducted our annual research on customers' views on sustainability across our family of brands and noted that 65% of our customers expect their pension provider to consider sustainability risks and opportunities in investment decisions, and 74% expect their pension provider to consider how responsible their investments are.

In 2024, we received approval to adopt the FCA's Sustainability Improvers™ label for eight funds covering c.£32 billion of assets as at the end of 2024, with dedicated stewardship activities on climate change used across our customers' solutions including Sustainable Multi Asset and Future Advantage.

See **chapter 4**

Integration of ESG issues in investment decisions

In 2024, we adopted our climate benchmarks in USA equity passive mandates as part of our Customised climate indices. This is a key lever to enable us to reach our target of net zero across our investment portfolio by 2050, and our interim 2025 and 2030 targets.

We also began executing in-house investments and continued implementing ESG integration frameworks for shareholder credit assets, reaching £1 billion of direct investments in listed corporate credits and gilts and £1.1 billion in private credit in sustainable (environmental and social) and transition assets. The latter represents 64% of all illiquid assets originated during the year in the shareholder portfolio.

Throughout the year, we progressed steadily on our portfolio assessments of risks and impacts on climate change, nature and human rights.

See **chapter 5**

65%

of customers that took part in our annual research expect their pension provider to consider sustainability risks and opportunities in investment decisions, and 74% expect their pension provider to consider how responsible their investments are

c.£32bn

of AUA in eight funds which will adopt the FCA's Sustainability Improvers™ label benefitting two million customers across our default solutions

£1bn

of direct investments in listed corporate credits and gilts has been executed by Phoenix Group

64%

of all illiquid assets in the shareholder portfolio in 2024 were invested in sustainable (both environmental and social) and transition assets

For the full report, please see the **2024 Stewardship report**

Executive summary continued

Climate change

Our direct engagement programme is targeting 25 companies related to 50% of our financed emissions in highly emitting sectors[2]. We met with 23 of these companies through 61 meetings in 2024 and sent letters to the boards of the remaining two companies as a form of escalation. We recorded that, in the last 24 months, target companies met or made progress on 49% of our tailored engagement objectives (compared to 24% last year), and committed to address an additional 9% in the future. Moreover, in 2024, our asset management partners engaged with more than 1,800 companies on climate change through over 2,800 meetings, covering an additional 41% of financed emissions in highly emitting sectors[2].

See **chapter 6**

Nature

In 2024, we deepened our understanding of potential impact and risk exposure in our portfolios from our initial piloting of the Task Force on Nature-related Financial Disclosures ('TNFD') Locate, Evaluate, Assess, Prepare ('LEAP') assessment conducted in 2023. We looked at our risk exposure from both a top-down and bottom-up perspective. Land-use change, with an initial focus on tropical deforestation, and water withdrawal and use, are the two impact pressures identified from our top-down assessment. We then identified the sub-industry groups and companies most closely linked to these impact pressures.

See **chapter 5**

In 2024, we applied our internal research framework to assess nature-related impacts, dependencies, risks and opportunities for the companies currently in our nature and climate change engagement lists. The analysis was tailored by sector and covered topics including deforestation, water risk and land use.

See **chapter 6**

Human rights

We continued our assessment of human rights risks and impact across our portfolios. Building on the review of regulatory and industry frameworks conducted in 2023, in 2024 we conducted a country-level and sector-level assessment of our portfolios to identify risks to people by investee companies.

See **Chapter 5**

We also continued our collaborative engagement activities with six companies through the Principles for Responsible Investment ('PRI') Advance initiative. At the end of 2024, we assessed that we have either achieved or partially achieved around 61% of all objectives across the companies, and an additional 16% are covered by a company commitment to be addressed in the future, showing positive progress in a short period of time.

See **chapter 6**

UNGC-related controversies

In 2024, we reviewed our target list of companies flagged for controversies and conducted in-depth research on progress against engagement objectives. At the end of 2024, we have assessed that we have achieved or partially achieved around 54% of all objectives, and an additional 10% are covered by a commitment to be addressed in the future across the ten companies in focus. While there is ongoing progress, we have identified a number of less responsive companies to test additional engagement strategies.

See **chapter 6**

Corporate governance and voting

This year, we conducted a review of voting activities by selected asset management partners for an expanded list of 300 companies, building on the assessment conducted in 2023 on 100 companies. The analysis revealed that the most common areas of divergence from our Global Voting Principles continue to be climate change, director elections and executive remuneration. It also highlighted a relatively positive alignment with three of our managers and lower alignment with the other two.

See **chapter 7**

91%
of financed emissions in highly emitting sectors[2] are covered by direct and delegated engagement activities

49%
of our climate engagement objectives for our target list of 25 companies have been achieved or partially achieved after the second year of dialogue, with an additional 9% committed to be addressed in the future

54%
of our UNGC-related controversy engagement objectives for our target list of ten companies have been achieved or partially achieved after the second year of dialogue, with an additional 10% committed to be addressed in the future

300
companies for which voting practices of selected asset managers have been assessed

61%
of our human rights engagement objectives for our target list of six companies have been achieved or partially achieved after 18 months of dialogue, with an additional 16% committed to be addressed in the future

2 We define highly emitting sectors using the Net-Zero Asset Owner Alliance ('NZAOA') classification.

For the full report, please see the **2024 Stewardship report**

Executive summary continued

Working with our asset managers

Given our primarily delegated approach to investments, effective selection, appointment and monitoring of asset managers are essential to meet the needs of our customers and shareholders.

In 2024, we applied our ESG assessment framework to ten asset management partners covering listed markets and four managers covering private markets, which collectively manage 93% of our assets under an investment management agreement ('IMA'). In our analysis, we saw general alignment with our expectations on governance and resources, ESG integration processes, climate change considerations and overall reporting.

We noted further areas of improvements on policies and commitments across ESG themes at firm level, assessments of engagement outcomes and the use of votes at AGMs. By applying these regular assessments, we were able to improve our understanding of our managers' strengths and weaknesses, and this helped to define a structured dialogue to enhance their practices.

See **chapter 8**

In 2024, we recorded a 50% increase in the total number of companies engaged with an increased number of meetings (12%) compared to 2023. Environmental issues were the most frequently discussed topic, being a focus in 58% of meetings this year (compared to 47% in 2023). While there has been an increase in volume of activities, we noticed a drop in the percentage of engagements for which there were engagement objectives (29% compared to 41% last year). This remains a key focus of discussion with our asset managers to ensure that quality is prioritised over quantity of engagement activities.

See **chapter 6**

93%+

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

5,650+

engagement meetings conducted with over 2,500 companies by 16 asset management partners across ESG issues, a 50% increase from 2023

2,800+

engagement meetings on climate change with more than 1,800 companies conducted by our asset management partners, a 74% increase from 2023

29%

of engagement meetings by our asset management partners had engagement objectives set, (compared to 40% in 2023), with 65% of these showing progress

Future priorities
Key commitments

- Conduct and oversee dedicated stewardship activities to support the sustainability objective for Sustainability Improvers™ labelled funds.
- Continue to roll out equity climate benchmarks and develop a climate transition strategy for credit portfolios.
- Complete our human rights assessments by conducting company analysis and identifying future engagement lists.
- Further develop our portfolio analysis on nature to continue to advance integration by Phoenix Group and asset management partners.
- Continue in-house engagement activities on climate, nature, human rights and controversies linked to UNGC breaches.
- Continue monitoring engagement activities delegated to asset management partners through focused meetings and reporting.
- Pilot directing votes for priority companies in selected strategies.

For the full report, please see the **2024 Stewardship report**

Phoenix

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