Phoenix

Investment Exclusions Policy

Introduction

Phoenix Group is committed to putting Sustainability at the heart of its business. By truly integrating environmental, social and governance (ESG) considerations into the investment decision-making process, we aim to drive sustainable outcomes, improve the resilience of portfolios while also maintaining, or indeed improving, financial returns.

One of the ways we can deliver this commitment is though the focussed use of portfolio exclusions alongside other ESG engagement and investment strategies.

By 'focussed' we mean that our exclusions policy reflects our minimum standards. Companies engaged in products and business practices that are not aligned to our principles are the ones we have chosen to exclude from our investment portfolios.

Our principles for determining exclusion:

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 has been or 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;
Principle 4: Sectors or companies that do not align with Phoenix's pledges & commitments, corporate values and present reputational risks.

The scope of the policy includes all assets where we have direct control or influence over the investment mandate or solution.

What does exclusion mean?
Exclusion means that we will not make additional investments and sell existing holdings from in-scope portfolios.

The excluded sectors and thresholds applied will be reviewed twice a year. We expect the thresholds for exclusion and the sectors excluded to tighten and widen over time. In this way, exclusion will become an important part of our engagement strategy and a way of forcing the pace of decarbonising investment portfolios..

Excluded companies

Controversial weapons

Phoenix's investment portfolios exclude anti-personnel mines, cluster munitions, chemical, biological weapons and depleted uranium weapons and we support the international conventions and Treaties that deem the use of such weapons to be unacceptable.

We do not include nuclear weapons in the exclusion policy. The Treaty on the Non-Proliferation of Nuclear Weapons 1 July 1968 does not make their production and deployment illegal if within the terms of the Treaty. We do exclude companies manufacturing nuclear weapons outside of the Non-Proliferation Treaty.

Fossil fuels – thermal coal

Coal extraction and burning to make electricity is not aligned with our sustainability objectives and decarbonisation commitments. The rationale for exclusion is also economic, we believe that further tightening of carbon emission regulations will strand assets and cash flows connected to high carbon intensive businesses.

Our exclusions policy includes both coal mining companies and energy companies that burn coal to produce electricity. We have set the threshold for exclusion at 20% of thermal coal revenues and a waiver is adopted where companies have between 20-30% coal revenues and have Paris aligned science based targets approved by the Science Based Targets Initiative (SBTi). Our expectation is that the exclusion threshold will tighten over time.

Fossil fuels – oil sands

Oil sands are among the most carbon intensive means of crude oil production, emitting three times more carbon than conventional oil. The process also damages forests and peatlands resulting in a high adverse impact on biodiversity. We believe that the development of this energy is not consistent with the preservation of our environment and the fight against global warming.

We exclude oil sands companies' with more than 20% of revenues from this source.

Fossil fuels – Arctic drilling

The exploitation of the Arctic poses higher risks of spills compared to conventional exploration and has potential irreversible impacts on the ecosystem. Our threshold for exclusion is 20% of revenues from this source.

Tobacco producers

Our concerns on tobacco are related to the size of the impact on public health (and associated healthcare costs) and product characteristics of addiction, passive smoking, the fact that there is no safe level of consumption and plastic pollution. The World Health Organisation (WHO) calls tobacco 'one of the biggest public health threats the world has ever faced'.

In our view it is likely that as regulations around the production and sale of tobacco tighten, litigation costs increase, and institutional exclusion grows there will be a financial cost which make this an unsustainable investment.

We exclude all tobacco producers in our portfolios across all assets where we have control and influence.

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Contact details

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News and updates

In line with our sustainability programme and our commitment to reduce our environmental impact, you can view key information on our website www.thephoenixgroup.com

To stay up-to-date with the 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 www.thephoenixgroup.com/site-services/e-mail-alerts

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