Phoenix

Fostering dialogue and shaping change

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

Welcome to our Stewardship Report

We believe that the effective stewardship of assets is a key enabler to fulfil our purpose, vision and strategy.

Look out for these icons throughout the report:

Reference to another page in the **report**

Reference to reading in the **2023 Stewardship Report**

Reference to reading in another **report**

Reference to further reading **online**

Key terms

Please see the glossary on pages 103 to 105 for an explanation of key terms used throughout this report. Data and figures shared in this report are at and for the year ended 31 December 2024.

Our 2024 reporting suite

Sustainability Report

This report covers our social and environmental sustainability progress in the People and Planet sections, including progress against our Net Zero Transition Plan ('**NZTP**') and targets.

Annual Report and Accounts

This report includes Phoenix Group's Task Force on Climate-related Financial Disclosures ('**TCFD**') reporting, the Streamlined Energy and Carbon Reporting ('**SECR**') statement and the Non-financial and Sustainability Information ('**NFSI**') statement.

ESG Data Appendix

Our Environmental, Social and Governance ('**ESG**') Data Appendix summarises our ESG metrics and Sustainability Accounting Standards Board ('**SASB**') disclosures.

You can find out more about our activities, financial performance, sustainability strategy, policies and detailed governance information by visiting our website:

www.thephoenixgroup.com

Our approvals

This document has been approved by the Phoenix Group Holdings Board, and signed by our Chief Executive Officer ('CEO') and Chief Investment Officer ('CIO'), see pages 3 and 4.

Foreword

A key way we aim to drive real change while ensuring good customer outcomes is through our sustainable investment and stewardship activity.

We have completed the first year of our three-year business transformation journey to deliver our vision of being the UK's leading retirement savings and income business, through our priorities of Grow, Optimise and Enhance. Our commitment to sustainable investment and stewardship remains and we have continued to build a sizeable highly skilled in-house investment management capability through Phoenix Asset Management.

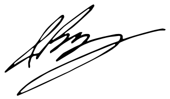
We adopt an 'engagement first' approach to the stewardship of our assets, with the objective of using our position of influence to bring about corporate change within the companies in which we invest. We believe that engaging with investee companies and exercising our investors' rights can drive better corporate behaviours; we expect this in turn to lead to stronger and more sustainable financial outcomes.

Within the current rapidly changing ESG landscape, asset owners can continue to play a vital role in promoting good quality stewardship and ensuring ESG risks are understood and managed. As a purpose-led organisation we remain committed to playing our part in delivering a net zero economy and taking action on social issues whilst prioritising delivering good outcomes for our customers and shareholders.

We continue to survey and understand customer expectations and needs relating to sustainable investing and stewardship. We will adopt the Financial Conduct Authority's ('FCA') Sustainability Improvers™ label for eight funds, under the FCA's Sustainability Disclosure Requirements ('SDR') labelling regime. This will align c.£32 billion of assets under administration ('AUA') across our investment solutions including our Sustainable Multi Asset default solution in the first half of 2025. Securing the Sustainability Improvers™ label recognises our formal objective to align with the transition to net zero by 2050. We believe adopting the label for these eight funds supports our commercial channels and helps customers to understand how sustainable their solutions are, which we believe will lead to improved customer outcomes.

In 2024, we were proud to once again be confirmed as an asset owner signatory to the UK Stewardship Code by the Financial Reporting Council ('FRC'). We have also actively participated in several debates and roundtables to help shape the new Code in the best interest of our stakeholders. In 2025, I look forward to continuing to shape a better future through stewardship, with a focus on climate change, nature and human rights.

In the meantime, I hope you enjoy reading about our approach and progress in 2024.



Andy Briggs
Group Chief Executive Officer

> Our purpose is helping people secure a life of possibilities. We want to help people's journey to and through retirement while shaping a better future.

Foreward continued

Michael Eakins and Valeria Piani

We strive to foster constructive dialogue with both investee companies and asset management partners to protect long-term returns.

We are pleased to have completed the second year of our three-year programme, engaging directly with our 25 highest emitting companies representing a combined 50% of financed emissions in highly emitting sectors[1], achieving progress or commitments on 58% of our engagement objectives (from 40% last year).

Our asset management partners ('AMPs') also play a crucial role in our stewardship journey and are at the forefront of dialogue with investee companies, alongside our direct communications. We have noticed a continuous increase in our asset managers' engagements relating to climate change. The companies with which they have those engagements now account for more than 41% of our financed emissions in highly emitting sectors[1]. This means that all of our engagement activities relate to 91% of portfolio emissions.

The dialogue with investee companies on human rights and controversies is also encouraging, with clear progress shown on 61% and 54% of our engagement objectives respectively. This has been achieved through in-depth research, constructive feedback and frequent dialogue.

We continue to pay close attention to voting activities of our asset managers by expanding our monitoring process to support more alignment with our Global Voting Principles. This year, dialogue has fostered more convergence with three of our managers who have taken into consideration our constructive feedback on remuneration and board composition principles.

Similarly, we continue to collect more standardised quantitative and qualitative data on the outcomes of our managers' stewardship activities across asset classes. While we have seen an increase in volume of activities conducted on our behalf, we have noted a reduction in the percentage of engagements associated with defined objectives. We therefore continue to be committed to foster good quality and effective stewardship in the industry to protect our customers' and shareholders' assets.

Michael Eakins
Group Chief Investment Officer

Valeria Piani
Head of Stewardship

> We continue to progress steadily with our in-house thematic engagement programmes and collaborations with asset managers to support our long-term investor view.

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

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

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.

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.

Our business

We want to help people secure a life of possibilities

Our ambition is to be a responsible owner of £292 billion assets under administration in the best interests of our customers, shareholders and stakeholders.

In this section

Our business

1

Our purpose and strategy

Embedding sustainability into our investment approach is central to delivering against our long-term financial goals. We and our asset managers aim to use dialogue with investee companies to protect value for our customers and shareholders.

Simon Hotchin
Head of Policyholder Investment Office

Nuwan Goonetilleke
Head of Capital Markets

UK Stewardship Code and its principles

Throughout this document we measure activities against the UK Stewardship Code and its 12 principles. The principles relevant for this section are listed below:

- **Principle 1**
- **Principle 2**
- **Principle 6**
- **Principle 7**

See appendix 1 on **pages 99 and 100** for more information

Phoenix Group at a glance

Our vision is to be the UK's leading retirement savings and income business. We offer a broad range of savings and retirement income products to support people across all stages of their savings life cycle from 18 to 80+.

Our business

£292bn
total AUA

c.7,000
colleagues

c.12m
customers

c.£530m
annual dividend paid to shareholders

FTSE 100
and FTSE All World

Our family of brands

Standard Life Part of Phoenix Group

Standard Life has been trusted to look after people's life savings and retirement needs for 200 years.

SunLife Part of Phoenix Group

SunLife's straightforward and affordable financial products and services are designed to meet the needs of the over 50s.

PHOENIX LIFE Part of Phoenix Group

Phoenix Life focuses on providing a secure home for policies, brought together from a number of life companies over the years.

ReAssure Part of Phoenix Group

ReAssure looks after customers across a broad range of retirement, investment and protection products.

1. Our purpose and strategy

Our purpose

Helping people secure a life of possibilities

Our vision

To be the UK's leading retirement savings and income business

Our strategic priorities

Grow

Meeting more of our existing customers' needs and acquiring new customers.

Optimise

Optimise our scale in-force business and balance sheet.

Enhance

Transforming our operating model and culture.

For more information see our **2024 Annual Report and Accounts**

Our sustainability strategy

People

We want to help people live better longer lives. This means tackling the pensions savings gap and supporting people to have better financial futures through promoting financial wellness and the role of good work and skills.

Planet

We want to help shape a better future. This means delivering good outcomes for our customers, playing a key role in delivering a net zero economy by 2050 and understanding and taking action to manage our impact and dependency on nature.

Building a sustainable business

We are committed to embedding sustainability and best practice governance to maintain high standards of oversight, integrity and ethics.

For more information see our **2024 Sustainability Report**

Our guiding principles

Introducing the Big Three

We introduced our 'Big Three' guiding principles for how we all conduct ourselves as we deliver our purpose-led strategy during 2024. They help guide us as professionals, to behave effectively and act with integrity.

- **We put our customers first**
- **We aim high**
- **We work together**

Our investment principles

- Consider customers' needs and expectations, treat them fairly and deliver good outcomes.
- Pursue our business objectives including sustainability targets.
- Follow our Board's risk appetite.
- Provide product- and fund-specific strategies.
- Properly assess liabilities.
- Manage solvency requirements.
- Fully align with regulatory principles.
- Optimise risk and expected returns through strategic asset allocation.

For more details on these principles, refer to page 12 of our **2023 Stewardship Report**

1. Our purpose and strategy continued

Our business

Our customer solutions

Saving for retirement

- Defined contribution workplace pensions
- Retail savings for retirement
- Legacy pensions and savings products

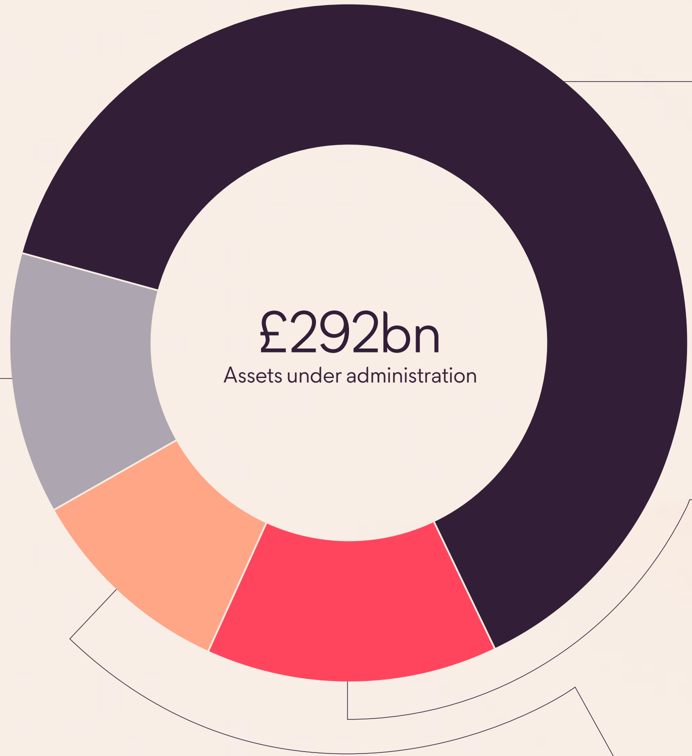
Transitioning to retirement

- Pension consolidation
- Fixed-term annuities
- Smooth managed fund

Retirement income

- Income drawdown and lifetime annuities
- Defined benefit pension income
- Home equity release

Our business areas



£187bn Pensions and Savings

We help customers journey to and through retirement. Our Workplace business supports people who save through their defined contribution ('DC') workplace pension scheme, and our Retail business supports individual customers to save for, transition to, and secure an income in retirement.

£40bn Retirement Solutions

We participate across the key retirement markets, as we seek to help customers secure income certainty in retirement, including Bulk Purchase Annuities and individual annuities.

With-Profits £36bn

We are a market leader in the safe and efficient management of legacy pensions and savings policies to deliver better customer outcomes, with a range of legacy With-Profits savings products that are closed to new business that we manage for our customers.

£29bn Europe and Other

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

1. Our purpose and strategy continued

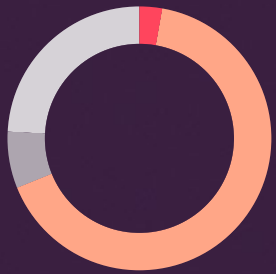
Our business continued

We take a primarily delegated approach to investments through asset managers.

For the majority (73%) of our AUA, we set the investment strategy, and the mandates are run on a day-to-day basis by our AMPs. Our top five AMPs ('strategic and critical') manage 66% of our AUA, while 7% are managed by a larger group of AMPs with smaller mandates ('medium and below'). As at the end of 2024, we also had 3% of our AUA managed internally. The remaining 25% of assets are managed by external managers offering collective investments available to policyholders on our distribution platforms (i.e. external fund links ('EFLs')) for which we do not control the investment strategies.

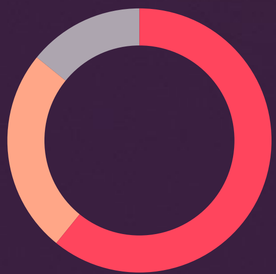
Of our total AUA, 86% are policyholder assets linked to the insured products and EFLs we offer to our customers, and 14% are shareholder assets matching liabilities from annuities.

Distribution of AUA across types of asset managers



Phoenix Group	3%
Strategic and critical asset management partners	66%
Medium and below asset management partners	7%
EFL managers	24%

Distribution of AUA across types of assets



Policyholder	61%
EFLs	25%
Shareholder	14%

1. Our purpose and strategy continued

Our strategic priorities

To support us on our journey we have a clear set of strategic priorities focusing on **Grow**, **Optimise** and **Enhance**.

Grow

Under the Grow strategic priority, given the significant market opportunities available to us, we have consciously chosen to invest in the propositions and solutions that will better meet the evolving needs of our customers. We are further developing our established Workplace and Annuities businesses, and we have strong foundations from which we can further develop our expanding range of innovative Retail propositions. We also continue to engage people on their financial futures, and to advocate for broader societal action to tackle under saving and encourage financial inclusion, which is a critical aspect of driving positive impact through our purpose.

Priority
Meeting more of our existing customer needs and acquiring new customers.

Key delivery
- Develop innovative Retail propositions for both adviser and direct markets.
- Further develop our Workplace and Annuities businesses to drive more profitable growth.

Optimise

To Optimise our scale in-force business and our balance sheet we are deleveraging and further strengthening our existing capabilities in asset and liability management to deliver sustainable recurring management actions over the long term. We deploy a comprehensive approach to risk management and we hedge most of our market risks including equity, interest rates and inflation. We are embedding sustainability throughout our business and across our strategic priorities. As a result, investing in a better future is a key part of optimising our in-force business.

Priority
Optimising our in-force business and balance sheet.

Key delivery
- Deleverage our balance sheet.
- Enhance our asset management and balance sheet efficiency capabilities.

Enhance

Under Enhance, transforming our operating model and culture is key to our success. We will do this by completing our planned integrations and migrations, alongside our transformation programmes, and driving simplification to an efficient, Group-wide operating model that benefits both our customers and our colleagues. This supports us in delivering a seamless unified customer experience and enables us to further improve our cost efficiency. Alongside this, we are also committed to being a leading responsible business that attracts and retains the best talent through a diverse and inclusive, high-performance culture.

Priority
Transforming our operating model and culture.

Key delivery
- Complete remaining customer migrations.
- Simplify our business by embedding an efficient Group-wide operating model.

1. Our purpose and strategy continued
Our strategic priorities continued

Our sustainable investing and stewardship approaches are key enablers to fulfilling our business strategy, purpose and vision.

We believe that considering ESG factors makes our portfolios more resilient over the long term.

We support effective stewardship of our customers' and shareholders' assets based on dialogue, feedback, relationships and clear outcomes-oriented objectives to foster more sustainable returns. This applies to us when we conduct activities through our Stewardship Team and it is part of our expectations of asset managers who undertake interactions with investee companies on our behalf.

Our Group investment strategy for both policyholder and shareholder investments is reviewed annually and owned by the Phoenix Life Companies ('LifeCo') Board. Our underlying investment principles guide our investment approach, risk management and stewardship activities across products and funds offered to our customers and strategies matching liabilities in shareholder assets.

In 2024, we acted to serve the best interests of our customers and shareholders by:

- creating a target allocation to private assets for some policyholder funds;
- changing fund managers and strategies; and
- rationalising over 240 funds across our range thereby simplifying the business.

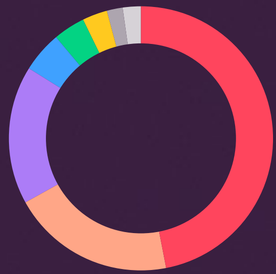
We expect these actions to deliver positive outcomes through cost savings and investment benefits and we will continue to consider all available options to fully satisfy our customers' and shareholders' interests.

Charts on this page provide an overview of our exposure across asset classes and geographies.

In 2024, we also confirmed our focus on climate change, nature, human rights, controversies and corporate governance as key ESG priorities to guide our integration and stewardship activities. These topics have been identified by taking into consideration our customers' views, materiality of issues[3], existence of collaborations and availability of data.

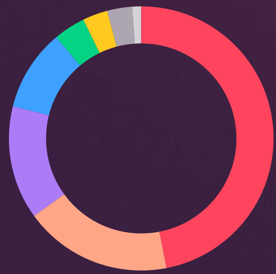
3 For more information on the insights from Phoenix Group's materiality assessment, see page 8 of our 2024 Sustainability Report.

Our AUA across asset classes



Equity	47%
Corporate bonds	20%
Government bonds	17%
Collective Investment Undertakings	5%
Cash deposits	4%
Mortgages and loans	3%
Properties	2%
Other	2%

Distribution of AUA across types of assets



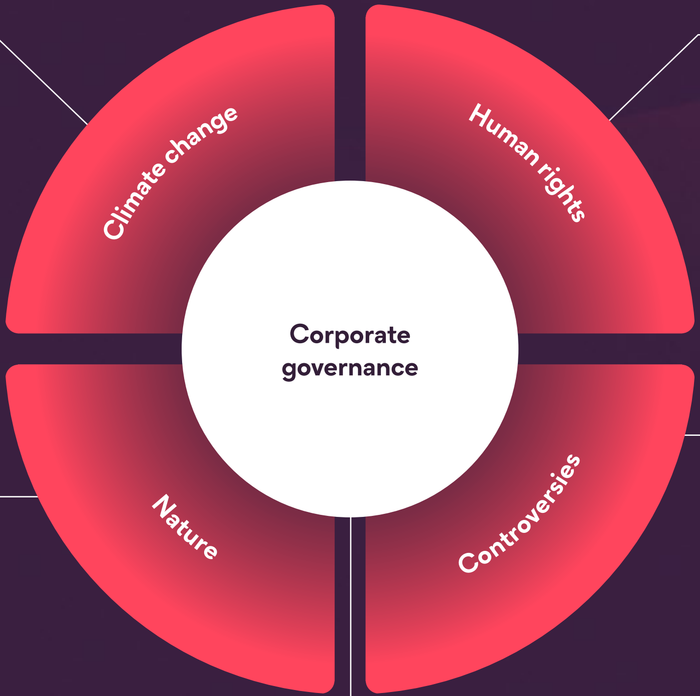
UK	47%
USA	18%
Europe (except UK)	14%
Not labelled	10%
Developed Asia (except Japan)	4%
Japan	3%
Emerging and frontier markets	3%
Canada	1%

1. Our purpose and strategy continued
Our strategic priorities continued

Our key ESG priorities

Climate change

We recognise the systemic risks and opportunities presented by climate change to our investment portfolios and we support the need to reduce greenhouse gas ('GHG') emissions and accelerate the transition to a low carbon future.



Human rights

We are dedicated to implementing the United Nations Guiding Principles on Business and Human Rights ('UNGPs'), the authoritative global framework on business and human rights, which stipulate investors' responsibility for preventing, mitigating and accounting for how they address adverse human rights impacts.

Nature

We believe that protecting and restoring the planet's natural resources is an economic and environmental imperative, which presents both a complex risk and an exciting investment opportunity to manage on behalf of our customers.

Controversies

We use the UNGC principles as a reference framework to identify companies at the centre of severe controversies showing misalignment with international standards on human rights, labour rights, environmental and climate change issues, and anti-bribery and corruption efforts.

Corporate governance

We support sound corporate governance practices and remuneration policies that reward the creation of long-term shareholder value and the right outcomes for all stakeholders of investee companies. We see these as enabling factors to achieve progress on our selected ESG themes.

1. Our purpose and strategy continued

Our culture and engagement with colleagues

We believe that nurturing a positive culture enables all teams across Phoenix Group – including the Stewardship Team – to work to the best of their ability in a supportive environment. Our ambition is to make Phoenix Group the best place colleagues have ever worked. We achieve this through our flexible work approach and suite of progressive policies.

In 2024, we completed the first year of our three-year roadmap to streamline how we operate to ensure we are efficient and effective. This has meant a period of change and uncertainty for our colleagues. That is why we have worked to provide support and engagement, focusing on defining new behaviours and culture that underpin everything we do.

Our Board regularly engages in two-way dialogue with our colleagues to understand the issues that matter most. Our Designated Non-Executive Director for Workforce Engagement, Maggie Semple, provides a formal communication channel between colleagues and the Board. This includes gathering colleague feedback from our Phoenix Colleague Representation Forum ('PCRF'), and supporting the Board in responding to issues.

The PCRF supports UK colleagues throughout their working life, providing guidance and assistance through challenges they may be facing. The PCRF gathers views on topics that matter most to colleagues, and represents the collective colleague voice with senior leaders across Phoenix Group. The aim is to influence change and propose improvements.

Our monthly continuous listening survey, Peakon, gives colleagues the opportunity to tell leadership anonymously about their experience of working at Phoenix Group and say what is and is not working well. That means we can change the things that prevent us from achieving our full potential.

In 2024, we introduced colleague focus groups, which aim to directly capture colleagues' views on the issues that matter most to them.

We report on our colleague engagement through an employee Net Promoter Score ('eNPS'), a broadly used and holistic metric that indicates how colleagues feel about working for Phoenix Group. We began the year with our highest ever eNPS score at 34, two points up from our December 2023 score. We knew 2024 would be a challenging year as we worked to transform our business. We have nevertheless worked continually to keep engagement and colleague experience at the front of our mind. Although we have seen decreases, ending the year on a score of 23, as colleagues work through our organisational changes, we have continued to see above-benchmark engagement.

Our business

2

Our governance, policies and resources

Sustainable investing is at the heart of Phoenix Group's purpose and vision. This is reflected in our broader business strategy and risk framework and supported by our policies and governance with a focus on creating good outcomes for our customers and shareholders. From our Board Sustainability Committee to the number of dedicated internal working groups, we foster debates, accountability and transparency to ensure progress on our sustainability journey.

James Wilde
Chief Sustainability Officer

UK Stewardship Code and its principles

Throughout this document we measure activities against the UK Stewardship Code and its 12 principles. The principles relevant for this section are listed below:

- **Principle 2**
- **Principle 3**
- **Principle 5**

See appendix 1 on **pages 99 and 100** for more information

2024 achievements

- Reviewed and updated, when necessary, the full suite of policies to support our stewardship efforts.

Key future priorities

- Continue to review our governance process to allow for effective decision making in sustainable investment and stewardship.
- Plan for the next internal assurance cycle in relation to stewardship.

2. Our governance, policies and resources continued

A governance framework to support effective stewardship

Our governance framework is the foundation that enables the achievement of our purpose and sustainable investment strategy, including stewardship, for the benefit of our customers and shareholders.

Phoenix Group has several committees with roles and responsibilities on sustainable investment and stewardship:

- **Phoenix Group Holdings plc Board**
- **Board Sustainability Committee**
- **Board Risk Committee**
- **Board Audit Committee**
- **Enterprise Sustainability Committee ('ESC')**
- **LifeCo Board**
- **LifeCo Board Investment Committee ('BIC')**
- **Enterprise Asset Management Committee ('EAMC')**
- **Asset Management Risk Committee ('AMRC')**
- **Portfolio & Credit Committee ('PCC')**
- **Phoenix Unit Trust Managers Limited ('PUTM') Board**
- **With-Profits Committee**
- **Independent Governance Committee ('IGC')**
- **Sustainable Investment Forum ('SIF')**
- **Sustainable Investment Reporting and Disclosure Working Group**
- **Nature and Climate Investment Working Group**
- **Stewardship Working Group ('SWG')**

From January 2024, the Audit, Risk and Sustainability Committees established joint bi-annual meetings to ensure a more harmonised and collaborative approach. The focus of these meetings is to review sustainability reporting, internal and external assurance, climate risk and the implementation of new regulation.

In 2024, two committees significantly updated their terms of reference:

- **Board Remuneration Committee:** Responsible for engaging with the Board Sustainability Committee to ensure that there are appropriate ESG elements within the Group and Asset Management remuneration frameworks.
- **Standard Life Master Trust Co ('SLMTC') Board:** An independent board and subsidiary of Phoenix Life Limited. It works in the interests of the members of the Standard Life DC Master Trust and the Stanplan A Master Trust, which are authorised and regulated by The Pensions Regulator. The Board assesses value for money for members of those schemes, scrutinising investments, costs and charges, sustainable investment commitments, TCFD disclosures, scheme administration and customer communications. The SLMTC also runs three sub-committees, with the Investments & Sustainability Sub-Committee considering stewardship matters in more detail.

For more information on our committees, see page 18 and appendix 2 (page 94) of the **2023 Stewardship Report**

For an organisational chart of our committees, read more on our **website**

2. Our governance, policies and resources continued

Our policies to guide our sustainable investment and stewardship ambitions

We have policies and statements in place which underpin the work we conduct on sustainable investment and stewardship. These policies follow a structured governance process for approval and regular annual updates. In this page we provided information on the policies with the most significant updates in 2024.

For a full description of other relevant policies, including **our approach to ESG integration**, **stewardship policy**, **Global Voting Principles** and **ESG expectations of companies**, refer to page 19 of our **2023 Stewardship Report**

Ensuring that this report is fair, balanced and understandable

In 2024, we followed the same process as we did in 2023 with the only exception that for this report we have not sought specific external assurance of financed emissions linked to climate engagement activities. This was due to the successful incorporation of previous years' recommendations by the external auditor in our procedures to calculate these figures combined with the continuous limited external assurance of financed emissions across portfolios. Additionally, we have completed all actions to address the recommendations from our Internal Audit Team's analysis on stewardship activities in 2022. We are committed to review our stewardship activities periodically through our internal audit function, which is currently defining a timeline for the next assessment.

In addition to reviewing and challenging disclosures within the annual Stewardship Report against FRC Stewardship Code requirements, the Line 2 Financial Risk ESG Oversight Team provides day-to-day oversight of investment and stewardship activities, has member representation on the Stewardship Working Group, and conducts periodic review of policies, processes and controls.

We believe that our legal, internal audit and risk teams are best equipped to monitor and challenge our activities on stewardship and ensure that the content of this report is fair, balanced and understandable.

For more information, see page 27 of our **2023 Stewardship Report**

For more information on the limited external assurance of financed emissions, see the TCFD section on page 54 of our **2024 Annual Report and Accounts**

Updated

Sustainability Strategy Risk Policy

This Policy sets the minimum operating standards relating to the management of sustainability strategy risks throughout the Group. It is one of two key sustainability risk policies and aims to provide a clear risk and governance framework and an effective system of internal controls for the management of sustainability strategy risks, including financial failure, poor customer outcomes, reputational loss, loss of earnings and/or value arising from a failure to manage the impacts of environmental, social and governance matters on the Group strategy (and vice versa).

Updated

Nature Statement

The Statement includes our aim to understand the impacts and dependencies of our portfolio on nature and review our investment strategy to take into consideration nature-related risks and opportunities. In 2024, we added reference to our work with asset management partners and investee companies to help halt and reverse the degradation of nature. We also included our commitment to seek investment opportunities which actively support the transition towards a nature-positive economy.

Updated

Sustainable Finance Classification Framework for Private Markets

This Framework provides clarity on various themes and sub-categories of activities that can help classify our investments into sustainable and transition assets in our shareholder assets portfolio. We have built this Framework by working with a third party and bringing insights from regulatory/legal bodies, ESG-/sustainability-linked taxonomies and the broker-dealer ecosystem.

This Framework helps guide our investment decisions and ensures that we are assessing investments against robust sustainability/ESG criteria.

In 2024, the Framework was updated to include several adjustments in line with the EU taxonomy on power generation sources, electricity transmission and distribution, a separate provision for sustainable investment ratified frameworks of Development Finance Institutions (e.g. Multilateral Development Banks), as well as the inclusion of a new social theme for eligible sports/recreational centres and public spaces – subject to certain conditions being met.

2. Our governance, policies and resources continued

Boosting Diversity, Equity and Inclusion ('DEI')

We have continued to make progress against our gender, ethnicity and inclusion goals in 2024.

We set ourselves a stretching gender target of 40% women at Senior Leadership level, to include our three highest role levels, accounting for 13% of our workforce. Our target demonstrates our ambition and commitment to build deep pipelines of diverse talent and to invest in developing our own talent. We ended the year at 39.7% and have recommitted to stretch our target for 2025 to 42%[4].

4 Some of these metrics have been assured by KPMG. Please refer to the 2024 Annual Report and Accounts and 2024 Sustainability Report for further details on this assurance.

Data lies at the heart of our DEI work, so that we can be impactful in our actions and measure our progress continuously. In January 2024, we moved our diversity data collection from an annual snapshot survey to an 'always on' survey that is integrated within our core HR system. As 64% of our colleagues have shared their data, we have been able to take an intersectional view and analyse a wide range of recruitment, promotion and talent information. We will continue to work to increase completion rates and this will help us to further develop our analysis and reporting.

We will continue to be ambitious in our DEI targets, focusing on increasing Black diversity, reducing the gender pay gap, and increasing the number of women in leadership roles across the Group. This means continuing to increase the diversity of leadership teams, working with leaders and people managers to embed inclusive practices, and focusing on growth and retention to create a more diverse succession pipeline.

Progress on our DEI metrics

Area	2024 target	Position as of 31 Dec 2024[4]
Percentage of Senior Leadership that are women	40%	39.7%
Number of women in top 100 paying roles	35	41
Monthly Group gender pay gap*	20%	16.8%
Percentage of Group employees of Black, Asian or Ethnic Minority background	15%	14.7%
Percentage of Senior Leadership that is of Black, Asian or Ethnic Minority background	12%	13.2%
Percentage of Senior Leadership that is of Black background	1.5%	0.7%

* Internally we track our pay gaps based purely on FTE salary. This is different from the government mandated methodology.

Our inclusive policies

Our policies reflect our ambition to be a truly diverse and inclusive employer. These include:

- Paid time off for expectant parents to attend antenatal or adoption appointments.
- 26 weeks of family leave as a day one right[5] to all new parents, regardless of gender and how they come to parenthood.
- Up to 12 weeks of paid leave to support parents whose child requires neonatal care.
- Back-to-work coaching and support, and the option for new parents to phase their return to work over two months.
- Career breaks of between a month and a year to, for example, take time out with family.
- Ten days' paid carer's leave.
- Ten days' paid leave to undergo fertility treatment or appointments.
- £15,000 towards fertility treatment, regardless of sexuality or relationship status.
- Emergency leave to help our colleagues deal with an unexpected or immediate responsibility for a dependant, as well as compassionate leave and parental bereavement leave.

5 To UK colleagues.

2. Our governance, policies and resources continued

Training our colleagues on ESG issues

As in previous years, in 2024 we continued to provide a programme of ESG and sustainability-oriented education and deep dive sessions across various organisational levels.

The education programme for the Group Board and Board committees has focused on climate and nature-related risks and opportunities.

Training sessions for the LifeCo Board Investment Committee have covered the FCA SDR labelling regime and monitoring of voting activities by asset management partners.

In 2024, we also held ten 'meet the experts' sessions. These are live presentations for all employees or Phoenix Asset Management employees led by subject matter experts in the business, to help raise awareness of sustainability and sustainable investing issues.

Prioritising sustainable investment and effective stewardship

The 2024 Long-Term Incentive Plan ('LTIP') awarded to executives and business leaders continued to include ESG metrics with a 20% weighting. The decarbonisation of our investment portfolio continued with a 10% weighting. However, following a significant reduction in emissions from operations, the decarbonisation from operations metrics (10% weighting) was replaced by a DEI metric measuring ethnicity representation among our Senior Leadership population.

The LTIPs are granted each year and vest after three years for business leaders, with a further two-year holding period for executives.

For more information on Directors' remuneration including LTIPs, see pages 134 to 165 of our **2024 Annual Report and Accounts**

10
internal training sessions on sustainability

21
individuals in dedicated sustainable investment roles across different teams within Phoenix Asset Management

+20%
weighting for ESG metrics in the Long-Term Incentive Plan for executives and business leaders

Allocating resources to support stewardship and sustainable investment

As at the end of 2024, there are 21 individuals in dedicated sustainable investment roles across different teams within Phoenix Asset Management.

They are from diverse backgrounds spanning ESG, investment management, insurance, retirement services and data management. In total, 38% of them are women and 48% are professionals from diverse ethnic backgrounds[6]; 81% hold relevant investment qualifications and 38% have sustainable investing qualifications.

The Stewardship Team is made up of five professionals (including one additional hire from 2023) with 17 years of experience in ESG on average.

In addition to the dedicated resources in asset management, other colleagues within Phoenix Group have ESG and sustainability responsibilities. Our Central Sustainability Team, headed by our Chief Sustainability Officer, is made up of 16 members focused on sustainability strategy, reporting and thought leadership who oversee delivery across operations, human resources, customers and investments. Group Risk also includes five professionals within the Financial Risk Team who are responsible for oversight of climate and wider ESG risks. Finally, our Public Affairs Team includes one manager specialising in ESG issues, actively involved in dialogue with policymakers on topics related to investments and sustainability.

For more information on our investments in systems, research and analysis, including our collaboration with service providers to support integration and stewardship activities, refer to page 23 of our **2023 Stewardship Report** and page 96 of Chapter 8 in this report.

6 Based on classification which included Asian, Black, Hispanic/Latin/Spanish, Indigenous/Tribal People (domicile-specific), Middle Eastern or North African, White, other Race or Ethnicity, Two or More Races or Ethnicities, and Not disclosed.

2. Our governance, policies and resources continued

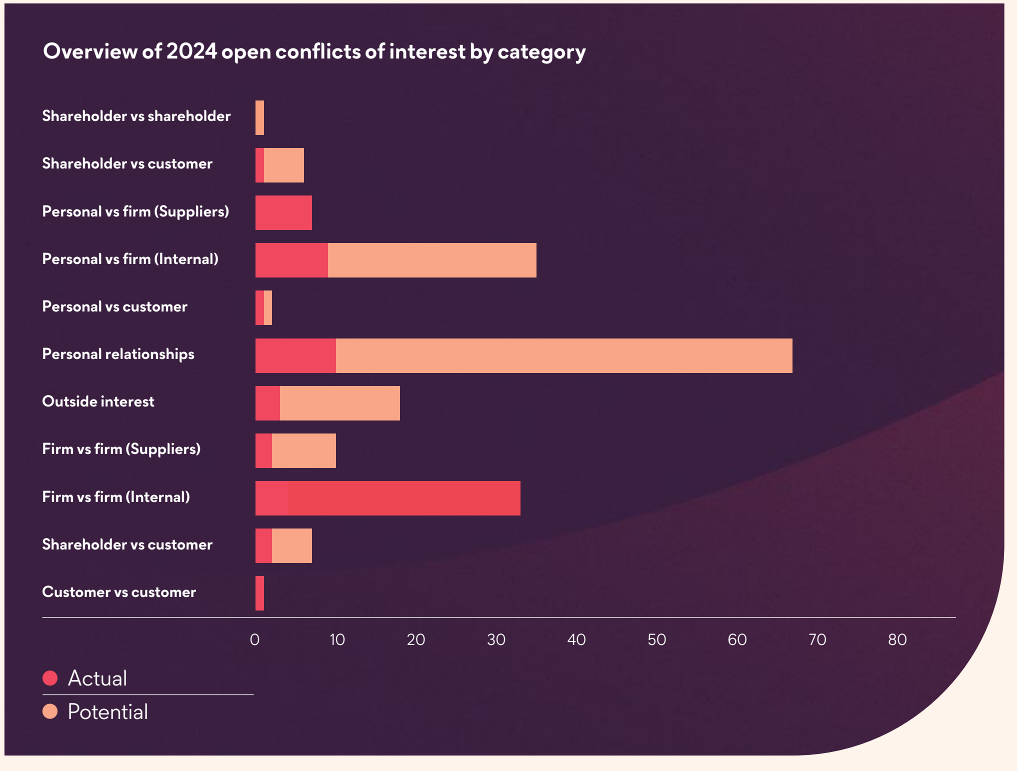
Managing conflicts of interest

Our central **Conflicts-of-Interest Policy** sets out the minimum standards relating to the management of the risk of conflicts of interest throughout the Group.

We keep a written record of actual or potential conflicts of interest that involve a risk of damage to the interests of one or more customers. In 2024, we registered 77 new conflicts and closed 28. As a result, at the end of the year there were 187 conflicts (155 potential and 32 actual) open and under management as shown in the chart.

In 2023, our SWG formalised **our approach to managing conflicts of interest in relation to stewardship** and made the information available on our website. The document summarises potential conflicts in the context of voting and engagement activities, our management actions and the escalation process in case conflicts cannot be managed at SWG level.

In 2024, we maintained a stewardship-specific conflicts-of-interest list which is the responsibility of our Portfolio Compliance Team within Phoenix Asset Management. At the end of 2024, we included 88 listed companies in the conflicts-of-interest register and counted three with which we are engaging directly.



Examples of how we managed conflicts of interest in 2024

Conflict type	Example	How it was managed
Proposed acquisition of third-party ground rent portfolio	The Policyholder Funds Team engaged in the process of selling a portfolio of ground rents via a third-party manager. The Shareholder Funds Team were considering funding the acquirer of the assets. A conflict could occur where confidential information could be used to gain a superior position in transactional negotiations.	An information barrier was established, protecting any information passing between the parties. The Shareholder Funds Team was not involved directly in any pricing discussions.
Conflict in audit responsibilities	The current auditors for Phoenix Group also provide accountancy advice to a small social enterprise business which receives financial support from Phoenix Group by way of funding some professional tax and accountancy reports. The audit firm was reluctant for us to pay them directly for this work, as Phoenix Group is not the beneficiary of the reports. The potential conflict of interest was recognised by all parties.	The audit firm invoiced the enterprise directly. The audit firm was happy with this approach as Phoenix Group would not be a beneficiary of its work. Additionally, the audit partner acting for the enterprise confirmed that they have neither a direct role nor a role in the chain of command of anyone that works on the audit of Phoenix Group.

When engaging with these companies, we did not alter our engagement objectives. This is in line with our approach to conflicts of interest in stewardship.

As part of our selection and monitoring of asset managers, we request that they have in place and share with us a conflicts-of-interest policy. In 2024, we confirmed that all our strategic and critical managers have a conflict-of-interest policy and 80% of them provided numbers of stewardship-specific conflicts of interest logged in the last 12 months.

For a more detailed description of our Group and stewardship-related policies on conflicts of interests, see pages 25 and 26 of our **2023 Stewardship Report**

Our business

3

Addressing market-wide and systemic risks

We are advocating for policy that will help mobilise capital from the UK pensions industry into climate solutions. We believe this has the potential to deliver real value for our customers and shareholders.

Tim Fassam
Director of Public Affairs

UK Stewardship Code and its principles

Throughout this document we measure activities against the UK Stewardship Code and its 12 principles. The principles relevant for this section are listed below:

- **Principle 4**
- **Principle 10**

See appendix 1 on **pages 99 and 100** for more information

2024 achievements

- Continued to identify and assess principal and emerging systemic risks and relevant mitigating actions.
- Engaged with policymakers and regulators on climate risks and investment in climate solutions, securing income in retirement and promoting the role of good work and skills for all.
- Continued to assess our involvement in industry initiatives and progress made.

Key future priorities

- Continue dialogue with policymakers and standard setters to address relevant market-wide and systemic risks.

3. Addressing market-wide and systemic risks continued

Assessing and acting on market and systemic risks through our Group's Risk Management Framework

Systemic risks may have an impact on Phoenix Group as a company, and on our colleagues, our customers, broader society and the markets in which we invest. As these risks cannot be fully avoided or diversified, and they are already or could soon be affecting the economy as a whole, we have a responsibility to manage their impact, align investments accordingly and work with policymakers and standard setters to address them in the long term.

We have a system of governance that assigns clear ownership of risk and a Risk Management Framework ('RMF') that supports the identification, measurement, assessment, management and reporting of risks against approved risk appetites. We have an established 'three lines of defence' model. Management (Line 1) is responsible for risk ownership and maintaining effective processes, procedures and controls; the Risk Function (Line 2) provides independent oversight and challenge; and Internal Audit (Line 3) provides objective assurance.

Periodic review of the Risk Management Framework is an integral part of our system of governance, and in 2024 we adopted ways to further promote individual accountability. In 2025, we will look for further opportunities to streamline and augment the Framework, including technology solutions that might help further simplify its operation.

Any changes we choose to make will take into account the 2024 Corporate Governance Code to help the Board assess the effectiveness of the RMF.

We continue to operate in an uncertain risk environment, with multiple external factors requiring navigation to enable us to deliver on our strategic priorities.

Adverse market movements can affect our capital, solvency, profitability and liquidity position. They can also influence the certainty and timing of future cash flows and long-term investment performance for shareholders and customers. Regular monitoring of market risk exposures in accordance with the Group Market Risk Policy supported by a hedging strategy helps to reduce sensitivities to market shocks.

Regional conflicts, an uncertain political landscape and increased global economic fragmentation increase the risk of disruption to global supply chains and impacts to financial markets and the economy. Our stress and scenario testing programme continues to consider a range of adverse circumstances to inform actions needed to respond to external events and further enhance operational and financial resilience.

The table on the next page summarises a subset of principal risks and mitigating actions linked to strategic, sustainability, operational and market risks.

For more information on all identified principal risks[7] and relevant mitigating actions, see the risk management section on page 46 of our **2024 Annual Report and Accounts**

7 A principal risk is a risk or combination of risks that can seriously affect the performance, future prospects or reputation of the Group, including risks that would threaten its business model, solvency or liquidity.

3. Addressing market-wide and systemic risks continued

Assessing and acting on market and systemic risks through our Group's Risk Management Framework continued

Impact	Mitigating actions
Strategic risk **The Group is impacted by changes in customer behaviour, economic or political conditions including wider geopolitical instability.**	
The Group's strategic priorities are adversely impacted by changing customer behaviours resulting from the political landscape, employment trends and rising cost of living anxieties, along with evolving customer expectations about product simplicity and technology-based service solutions. The Group is exposed to disruption from geopolitical instability that could impact the profitability of our products, the value and quality of investments and the resilience of our operating model. Escalation of regional conflicts and increasing protectionist policies can result in increased cyber-attacks, inflationary pressures, and supply-chain disruption. These shape the macroeconomic environment which may impact our balance sheet and new business.	The Group has a continuous programme of customer research, customer outcomes monitoring and fair value assessments that were augmented as part of the Group's response to Consumer Duty. The Group continues to explore innovative solutions to improve and simplify the customer experience. This includes partnering with innovative start-ups and providing user experience and technical delivery insight for product and service offerings. The Group continues to monitor activity in the global environment. It regularly explores the impacts of potential scenarios informed by its annual stress testing programme. This supports ongoing assessment of business model resilience and effectiveness of the potential courses of action available to respond to events.

Impact	Mitigating actions
Sustainability risk **The Group fails to understand and respond to risks associated with climate change and other ESG factors.**	
The Group does not effectively manage material sustainability risks which could impede its ability to meet customers' and shareholders' needs, external commitments, including those in its Net Zero Transition Plan, and undermine its reputation. Climate risk is significant for both the Group and our customers. To reduce the physical impacts of climate risk, the global economy needs to transition to a low carbon economy. Although we are on track to meet our 2025 targets under most scenarios, there is a risk of not meeting our 2030 goals. The Group is taking direct activities but meeting our ambition to be a net zero business by 2050 is becoming increasingly dependent on action by governments and the wider economy. Anti-climate headwinds in major economies are being monitored by Executive and Board Committees as they are likely to impact global progress in relation to climate change in the medium to long term, which makes the Group less certain about its ability to achieve its 2030 targets.	The Group has a clear sustainability strategy in place which includes our response to climate change and other ESG factors. This strategy is reviewed and refreshed annually. Climate change and other ESG risks are integrated in our Risk Management Framework. The Group leverages qualitative and quantitative scenario analysis to assess our risk exposure and has put in place a set of key sustainability risk metrics which are regularly monitored. There is ongoing focus on ESG risk assessment by research and professional bodies. The Group also engages in constructive dialogue with both investee companies and asset management partners. The Group continues to engage with policymakers and market participants to inform our approach and actively drive the wider system change needed to address systemic climate and sustainability risks. In the short term, anti-climate headwinds are not expected to materially impact the Group's management of investment portfolios as sustainability expectations are incorporated within investment management agreements.

3. Addressing market-wide and systemic risks continued

Assessing and acting on market and systemic risks through our Group's Risk Management Framework continued

Impact	Mitigating actions
Operational risk **The Group is impacted by significant changes in the regulatory or legislative environment.**	
Changes in the regulatory or legislative environment could impact the products we write, our distribution channels and the Group's capital requirements. Material new regulatory change or late identification of new regulations can compromise execution of key change programmes essential to the Group's strategic priorities which could negatively impact customer outcomes and the balance sheet and our corporate reputation. The upcoming Solvency UK reforms appear to seek better alignment of prudential regulations with the UK's regulatory objectives after Brexit. We expect further post-implementation guidance as the PRA evaluates the outcomes in 2025. The impact of this further guidance on the balance sheet is uncertain.	The Group operates a Regulatory Change Management Framework to ensure we have an effective oversight of all regulatory developments. The Framework ensures that there is proactive horizon scanning, awareness of and ownership for any change required at an early stage; that an impact assessment is completed; and that appropriate governance is in place to oversee the execution of the change. The Group regularly engages with regulators and policymakers to listen and contribute to discussions on a wide range of matters, including those that could have market-wide and systemic risks. We will continue to monitor developments across the political and regulatory environment during 2025 and use our voice and experience to influence thinking. Sensitivity testing and scenario analysis of the Group's business model and balance sheet are used to consider potential strategies to respond to changes in regulations.

Impact	Mitigating actions
Financial markets risk **The Group is exposed to adverse movements in the value of assets or liabilities caused by economic forces, downgrades or counterparty failures.**	
Adverse market movements, downgrades and deterioration in the creditworthiness, or default of investments, derivatives, reinsurers or banking counterparties can affect certainty and timing of future cash flows and long-term investment performance for the Group and its customers. These threats increase the risk of immediate financial loss, and/or reduced capital, solvency, and liquidity positions that could affect our strategic priorities.	The Group has a well-defined risk appetite with appropriate limits and undertakes regular monitoring activities in relation to its market and credit risk exposures. It closely monitors and manages its excess capital position, and makes use of hedging, strategic asset allocation, portfolio trading and reinsurance to limit the risk sensitivity of our Solvency II balance sheet and surplus to market movements. The Group regularly monitors its counterparty exposures and has specific limits in place relating to individual investees, sector concentration, geographies and asset class. The Group operates a suite of controls over customer funds to ensure exposure to market risk is maintained within the customer's risk appetite. These controls include monitoring of investment manager and external fund performance, reviewing customer funds and making changes as required to manage market and investment risk.

3. Addressing market-wide and systemic risks continued

Assessing and acting on market and systemic risks through our Group's Risk Management Framework continued

Throughout 2024, we continued to further enhance our risk intelligence, making improvements in our identification and management of emerging[8] risks and opportunities. The need to identify, quantify and mitigate emerging and interconnected risks is essential for Phoenix Group, and this can be both challenging and complex. It is apparent that the risk exposure of emerging risks is becoming increasingly interdependent, illustrating how one emerging risk can affect or amplify across multiple systems or areas with the potential to have a future impact on the Group.

Our senior management and Board take emerging risks and opportunities into account when considering potential outcomes. This determines if appropriate management actions are in place to manage the risk or take advantage of the opportunity. Examples of emerging risks and opportunities considered in 2024 include **Artificial Intelligence** ('AI'), where AI presents opportunities for process efficiency, better underwriting, pricing and improved customer services. However, it presents a range of risks, most notably a change in the competitive landscape, customer and reputational harm, and compounding of external cyber threats through AI-fuelled attack vectors. There are new vulnerabilities arising from the rapid adoption of AI and increased data confidentiality and bias challenges. We continue to develop and enhance our AI Framework to support safe adoption of AI to deliver business benefits.

Nature loss is a complex and systemic risk which can manifest in different ways. It is interconnected with other global trends and risks and is difficult to assess and quantify. Phoenix Group is developing its assessment of nature risk to support investment portfolio decisions for both customers and shareholders. We became a signatory to the Finance for Biodiversity Pledge in 2023 and continue to refine our nature risk assessment methodology (see page 46 of this report for more information).

The **UK Government's Pension Investment Review** intends to make recommendations on a major pension consolidation, with the aim of increasing investment into more productive assets to provide better retirement incomes and economic growth. Although Phoenix Group is well placed to benefit from these changes and supports delivery of improved customer outcomes, there remains significant uncertainty as to the outcome of the review which could impact our business. The Group continues to engage with political parties and industry bodies to foster collaboration. Phoenix Group is well placed to support the deployment of savings into productive assets through Future Growth Capital ('FGC'), a new investment management business with Schroders plc that aims to champion investing in UK and global private markets to improve outcomes for long-term pension savers.

For more information on FGC, see **page 95** of this report

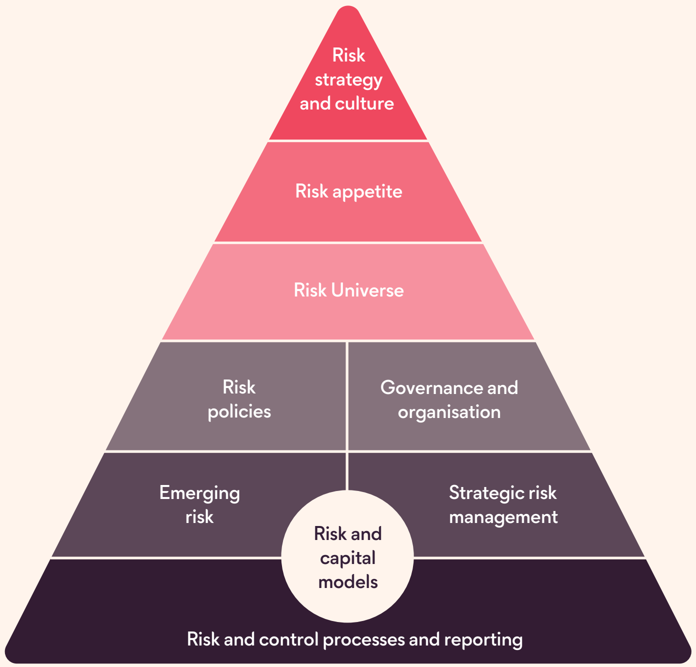
8 An emerging risk (or opportunity) is an event that is perceived to be potentially significant but is not yet fully understood.

3. Addressing market-wide and systemic risks continued

How sustainability risks are embedded in our Risk Management Framework

Risk Management Framework

Our RMF supports the delivery of our strategy within the Board-approved risk appetite. The diagram below summarises its key components and how sustainability risks are reflected across it.



Governance and culture

Governance of sustainability risk is led by the Board Risk Committee, Board Sustainability Committee and Board Audit Committee, plus supporting management committees. In addition, there is clarity on the roles and responsibilities across the three lines of defence model (see page 24 of this report). The overall responsibility for approving the RMF rests with the Board, with maintenance and review of its effective operation delegated to the Board Risk Committee. This delegation also includes approval of the overall risk management strategy and the review and recommendation to the Board of the relevant risk appetite statements, risk policies, risk profile and any relevant emerging risks. The RMF supports delivery of our strategy against the Board-approved risk appetite, including ensuring sustainability risks are appropriately considered and managed.

Risk Appetite Framework

The Group's Risk Appetite Framework ('RAF') outlines the risks that we are willing to take to meet our strategic objectives and is a key tool in balancing the interests of different stakeholders. A Sustainability Risk Appetite Statement is approved annually to reflect our latest sustainability strategy and the guardrails within which we govern the risk. Supporting risk metrics are in place for sustainability and climate risks to measure exposure versus established appetite thresholds.

Risk Universe

The Risk Universe contains a specific sustainability risk category. We also consider climate change as a cross-cutting risk within our Risk Universe as it can manifest in many ways and can potentially have an impact in all risk categories.

Risk Policy Framework

We have developed and implemented risk policies to cover key sources of climate and sustainability risks which focus on investing and strategy to ensure greater visibility and alignment with business ownership. All policies are also required to ensure they contain appropriate content to cover material climate risk exposures relevant to each risk.

Risk Management Cycle

Identification, measurement, assessment, management, monitoring and reporting of risks, including learning lessons from incidents, are undertaken across the three lines of defence, and are supported by a system of governance and risk management tools. We rely on a set of tools that use a combination of internal and external inputs to continue to assess our exposure and potential implications of climate and sustainability risks. This includes annual stress and scenario testing, carbon footprinting, horizon scanning and monitoring and reporting progress against climate and sustainability risk metrics and targets. More specifically, a Climate Risk Dashboard covering key climate risks is integrated into regular risk reporting for the LifeCo and Group Board committees. We also continue to develop our models to reflect the latest emerging practice. Risk metrics are in place to allow the ongoing measurement and monitoring of sustainability and climate risk.

Further detail can be found in the TCFD section on pages 66 and 67 of our **2024 Annual Report and Accounts**

3. Addressing market-wide and systemic risks continued

Engaging with governments and regulators to support financial markets

We believe it is important to engage with the public policy and regulatory environment in which we operate to achieve our purpose, which is to help people secure a life of possibilities. In conducting this engagement, we are committed to behaving in an ethical, open and transparent manner. This is in line with our culture and reflects our values to act responsibly, take accountability and empower people to do the right thing.

We have an agreed set of principles that outlines how we engage with public policy audiences and issues.

Read our **Political Engagement and Lobbying Policy**

Our Regulatory Change Management Forum and Public Affairs Team identify policy and regulatory changes that will have an impact on our business and stakeholders. Our risk process looks further ahead to any proposed changes.

Key areas of focus for 2024 were:
- investing to optimise value for our customers and reduce their exposure to climate risk;
- transforming how our customers engage with and grow their savings and secure income in retirement; and
- promoting the role of good work and skills for all.

In 2024, we assessed 29 regulatory consultations and calls for evidence and responded to 16, either directly or through relevant industry associations. These responses were prepared by the relevant business areas. Examples of issues of focus were requirements following the introduction of the Consumer Duty, inheritance tax on pensions, and the UK Government's Pensions Review including how to unlock the UK pensions market for growth.

We are engaging with decision makers and the wider industry to overcome the barriers to investing in climate solutions

Recognising the need to inform the discussion on how to overcome obstacles to channelling private capital into sustainable assets, we hosted a series of roundtable discussions in partnership with the Association of British Insurers ('ABI's) Investment Delivery Forum. These discussions explored the priority recommendations from our **Unlocking Investment in Climate Solutions report** published in 2023. Attendees included government, regulators, industry bodies and MPs, alongside our peers from the pensions industry. The objective of the roundtables was to explore potential solutions to overcoming the barriers that prevent the UK's pensions industry from investing at scale to support the UK's net zero goals.

These discussions fed into a policy paper, **Charting the UK's Net Zero Future**, in which we outline four key recommendations which the UK Government could implement to help catalyse the net zero transition:

1. Develop a National Transition Plan, defining a range of sector-specific strategies, roadmaps and policy instruments to support investment and embed a capital raising plan.
2. Focus on unlocking regional investment in net zero to speed up getting new technologies to market, aggregate fragmented opportunities, and provide a consistent planning regime at national level.
3. Evolve climate considerations within fiduciary duty, providing clarity on how to consider climate risk and its effect on investments in a long-term prudential strategy.
4. Accelerate regulatory and legislative pension reform with the expectation that the capital freed up for investment would be targeted at productive and sustainable finance, including climate solutions.

We will use this work as a platform for further thought leadership, engagement and, crucially, collaboration that will help to drive necessary system change as we continue our journey towards achieving net zero and helping our customers secure a life of possibilities.

Campaigning for secure retirement income

Millions of people in the UK are expected to have an inadequate income in retirement[9]. In our **Changing Journeys** report we highlighted the need for policymakers to support people to make the regular pensions savings they need. That's why in 2024, together with industry, businesses and Non-Governmental Organisations ('NGOs'), we called for the UK Government to review pensions adequacy[10], and were pleased to see the Government commit to this[11]. To inform this review, Phoenix Insights published **A Roadmap to Adequate Retirement Incomes For All**. This report guides the Government in exploring potential policy options along with a roadmap for action.

We believe reviewing Automatic Enrolment's scope, contribution rate and suitability for different savers is key to ensuring everyone has enough savings for a secure retirement. Over the last year we continued sharing our knowledge with the UK Government, including our new report illustrating the cost of delaying increases in Automatic Enrolment. This builds on **our new report illustrating the cost of delaying increases in Automatic Enrolment**, which we published in 2023.

9 UK Government analysis of future pension incomes.
10 Calling for the UK Government to review pensions adequacy, open letter.
11 Correct at time of publication, although timeframe has yet to be confirmed. Read the government commitment.

3. Addressing market-wide and systemic risks continued

Engaging with governments and regulators to support financial markets continued

Helping people over 50 stay in fulfilling work for longer

Phoenix Insights' research shows flexible work means different things to different people[12]. Although many now have access to hybrid working, part-time working can also be transformative for people's ability to stay in work. This is particularly true for the over 50s, which is why Phoenix Group contributed to the **Flexible After Fifty report**, which calls for greater flexible working support for people aged over 50.

Analysis from Phoenix Insights shows that one way the UK Government could deliver economic growth is by supporting people over 50 to remain in or rejoin the workforce with access to good, fulfilling jobs.

12 Phoenix Insights' research, conducted by Message House, quantitative research conducted in January 2024 amongst 1,500 nationally representative UK adults.

Delivering thought leadership on achieving net zero

The UK pensions industry could finance £1.2 trillion in climate solutions in the UK by 2035. That's up to half of the investment needed to support the UK's transition to net zero[13].

Scaling up investment in climate solutions in a way that supports good customer outcomes is one of the most important ways that we can help to deliver net zero by 2050, and with c.12 million customers and £292 billion assets under administration, our scale means we can make a real difference.

There are, however, barriers related to both demand and supply for finance that are currently preventing investment at scale. We believe that with the right supportive policy and regulation and on the right investment terms, investing in climate solutions can support good customer outcomes and help deliver our net zero ambition. That is why we have focused our efforts on driving the wider system change needed to unlock investment in climate solutions.

We have delivered a programme of thought leadership on topics that we believe are key to achieving net zero. Topics included overcoming barriers to unlocking investment in climate solutions and identifying perceived barriers among mid- and late-career workers to retraining in green skills to help resource the UK's net zero transition.

Read more on **Unlocking investment in climate solutions**

Read more on **Attitudes amongst over 50s to green jobs**

13 Phoenix Group research unveils that UK pension funds could finance up to £1.2 trillion of investments to tackle climate change.

Contributing to shape the new UK Stewardship Code

In 2024, we participated in several roundtable discussions and industry meetings organised by the FRC and investor networks of which we are members, to provide feedback on the revision of the FRC 2020 Stewardship Code. During these meetings, we were able to share support for a code that keeps strong emphasis on constructive dialogue and outcomes in the best interest of beneficiaries and customers while reducing the reporting burden relating to policies and processes that are more static and change less frequently.

These interactions helped us develop our position on the revision of the code and prepare for a formal response to the FRC consultation in early 2025.

£1.2trn
in climate solutions in the UK could be funded by the UK pensions industry by 2035

3. Addressing market-wide and systemic risks continued

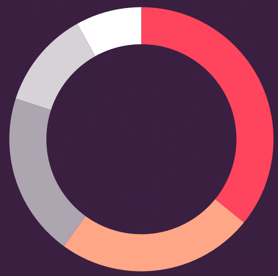
Collaborating with other investors to enhance standards and policymaking

In 2024, Phoenix Group was a member of 57 industry initiatives through its teams in sustainable investment, central sustainability, procurement partner management, operations, human resources and community relations business areas.

Of these initiatives, 25 were more focused on sustainable investment or a specific ESG systemic risk. See the full list in appendix 4.

In 2024, we continued to use our internal tracking system, with individual owners assigned for each organisation we joined, to assess on an annual basis progress, contributions and lessons learnt through these collaborations. According to this exercise, at the end of 2024, we assigned a neutral assessment to three memberships and a positive view on 22. Neutrality could be a sign of limited involvement from us or a low level of activities from the initiative for members to be involved in.

ESG issues tackled by our industry collaborations



Note: This year, we have amended our methodology for this analysis, by counting only initiatives in which we have the opportunity to be active.

Positive assessments stem from an active and effective contribution from us, or a high level of activities/opportunities offered by an initiative to progress a common goal. The chart in this page shows an overview of the issues tackled through these initiatives.

Instead of listing our contributions and participation in each individual initiative, on the next page we have provided examples of the most salient actions we have taken in 2024 to address systemic issues linked to our priority ESG issues through collaborations.

3. Addressing market-wide and systemic risks continued

Collaborating with other investors to enhance standards and policymaking continued

Some of our contributions to investors' initiatives in 2024

Institutional Investors Group on Climate Change ('IIGCC')	We joined the IIGCC Just Transition Working Group in August 2024 and have participated in group calls and provided written feedback to the group's work. The project intends to build upon existing external best practice among practitioners to integrate the topic in future versions of the Net Zero Investment Framework. We also contributed to the IIGCC **Implementation Guidance for Objectives and Targets**, by providing a case study on rebaselining which was included.
Net-Zero Asset Owner Alliance ('NZAOA')	We are a member of several working groups within the NZAOA, including the Policy Working Group, the Engagement Tracker, the Climate Solutions Investment Target Setting Protocol and the Reporting Working Group.
UK Sustainable Investments and Finance Association ('UKSIF')	We are an elected member of the UKSIF Policy Committee. The Committee helps to support and amplify our wider government and regulatory engagement, with key focuses in 2024 including SDR, the UK Stewardship Code and the role of new public finance institutions.
Transition Plan Taskforce ('TPT')	We were a member of the TPT's Asset Owner Working Group that developed the **Net Zero Transition Plan** guidance for asset owners published in April 2024.
Climate Action 100+ ('CA100+')	We are a member of the CA100+ Global Steering Committee. This provides us with an opportunity to share the asset owner's perspective in the second phase of the initiative focusing on decarbonisation actions and disclosure by highly emitting companies.
Transition Pathway Initiative ('TPI')	We are a member of the TPI board and the Strategic Advisory Committee, which allows us to proactively shape the methodology and framework used to assess corporate preparedness to transition to a low carbon economy. We use the TPI tool and data to guide our engagement dialogue with investee companies, build climate benchmarks and develop investment solutions for our customers.
Aldersgate Group	Our Aldersgate Group membership has provided several valuable opportunities to engage with ministers and peers, including co-hosting an event following COP29 with Rt Hon. Ed Miliband and the Rt Hon. Baroness Theresa May.
Connected Places Catapult	We are a member of the Connected Places Catapult's Strategy Refresh Advisory Group, with a particular focus on scaling up regional investment in the net zero transition.
Association of British Insurers ('ABI')	Our CEO, Andy Briggs, became president of the ABI in early 2025, after having previously been chair of the Board Sub-committee on Climate Change. He is expected to hold the leadership position for two years. The role will involve active participation in stakeholder engagement and public-facing industry dialogue as well as providing internal leadership among the ABI's members. Additionally, our Chief Investment Officer, Michael Eakins, continues to chair the ABI's Investment Delivery Forum Energy Generation Sub-committee, and we continue to be a member of the DEI Board as well as several working groups.
Finance For Biodiversity	We have joined the Sovereign Debt Working Group as a member, which kicked off in January 2025. The focus of the working group is to support financial institutions to integrate nature-related considerations into sovereign debt finance. Phoenix Group also continues to be a member of the Investor target-setting Sub-Working Group, focusing on developing an Annex to the Nature Target Setting Framework with specific recommendations for Asset Owners in 2025, in addition to having contributed to the updated **guidance published** in 2024.
Green Finance Institute ('GFI')	We are members of the GFI-led TNFD UK Insurance peer-to-peer learning group. The purpose of this group is to provide an informal platform for UK insurers to share experiences with TNFD and troubleshoot challenges together.
Partnership for Carbon Accounting Financials ('PCAF')	We are the PCAF UK Chapter Chair and have shaped the PCAF consultation on new financed emissions methods – **PCAF Public Consultation for 2023–2024**.
Joint PRA-FCA Climate Financial Risk Forum	Phoenix Group was listed as one of the lead authors of the **Climate Financial Risk Forum Nature-related Risk: Handbook for Financial Institutions**.

Our business

4

Communicating with our customers

The inclusion of SDR labelled funds in our proposition underlines our objective to improving outcomes for members and customers. We progressed on this commitment when transitioning 1.5 million customers to sustainable strategies between 2020 and 2022, and when embracing the new regulatory framework in advance of it becoming a requirement for pension funds.

Callum Stewart
Head of Investment Proposition Distribution

UK Stewardship Code and its principles

Throughout this document we measure activities against the UK Stewardship Code and its 12 principles. The principles relevant for this section are listed below:

- **Principle 6**
- **Principle 12**

See appendix 1 on **pages 99 and 100** for more information

2024 achievements

- Conducted customer research on ESG, sustainable investing and stewardship.
- Received approval and plan to adopt the FCA's SDR Sustainability Improvers™ labels for funds used across our customer solutions including Sustainable Multi Asset, Future Advantage and Investment Pathways.
- Extended our responsible investment range of funds available to customers.
- Reviewed and enhanced the content of our communications to customers on responsible investment, sustainability and stewardship.

Key future priorities

- Launch SDR labelled funds based on our climate-aligned indices.
- Conduct and oversee dedicated stewardship activities to support the sustainability objective for Sustainability Improvers™ labelled funds.
- Continue to conduct customer research to inform investment solutions and stewardship activities.

4. Communicating with our customers continued

Understanding our customers

We offer a variety of life and insurance products across our family of brands to c.12 million customers. Our customers' characteristics have not changed significantly from last year's report.

61%
of customers believe that their personal actions can help create a more sustainable future

65%
of customers expect their pension provider to consider ESG risks and opportunities in investments

Listening to our customers and responding to their needs

We actively engage with customers from across our family of brands to understand how they feel about sustainability in its wider sense and when it comes to their pensions and savings. As for previous years, we conducted qualitative and quantitative research with a statistically representative group of our customers across ages, brands, fund size, gender and financial confidence to explore their understanding and attitudes towards responsible investing.

Our annual research in 2024 on over 7,500 customers across the Phoenix Life, ReAssure and Standard Life brands shows that while the majority of customers responding care about sustainability issues, and just over half are doing things to live more sustainably, their priority is dealing with the rising cost of living.

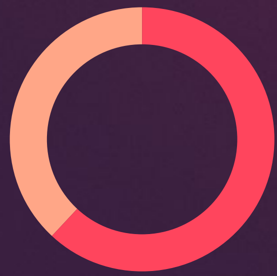
We found mixed views on how people feel about their power to influence change as 61% of customers believe that their personal actions can help create a more sustainable future, and over a third agree that their pension can have a major effect on people, planet and communities. However, 41% agreed with the statement 'compared to companies and governments, there's little I can do as an individual to effect sustainability'.

Over half of customers believe that how a company manages its ESG factors will affect its future financial performance, and 65% expect their pension provider to consider ESG risks and opportunities when choosing where to invest on their behalf. A clear majority (74%) expect their pension provider to consider how responsible all their investments are.

An overview of our customers across business areas[14]

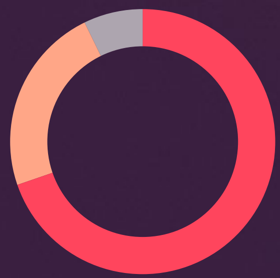
Pensions and savings	c.6.3m
SunLife, protection and other	c.2.6m
Retirement solutions	c.1.7m
With profits	c.1m
Europe	c.0.5m

Customer age



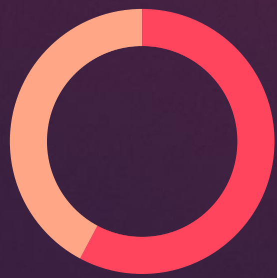
Over 55	62%
Under 55	38%

Customer location[14]



UK	c.12m
Germany and Austria	c.400k
Ireland	c.120k

Customer gender split



Male	58%
Female	42%

14 Discrepancies may arise due to differences in aggregation methods and result in some data gaps.

4. Communicating with our customers continued
Understanding our customers continued

Standard Life
Part of Phoenix Group

Customers' priorities are clear

By tracking customers' changing views, we can develop investment solutions and communications to support their needs.

This is the fourth year that we have undertaken this research with Standard Life customers.

Customers' top priorities remain growing their money and managing risk. Alongside those, they want to avoid harm and influence positive change where possible. That's according to **Standard Life's Responsible Investing survey** of 1,400 customers of different ages, levels of wealth and financial understanding[15].

While many customers do care about ESG factors, they want and expect their pension provider to 'take care of it for them' and invest responsibly on their behalf. Over half of those surveyed think it is important that we influence companies to improve their impact on people and the planet.

15 Note that this research focused on Standard Life customers only.

Customers' top priorities

Grow my pension

89%

of customers say returns are their top priority; managing financial risk comes a close second. An increasing percentage (40%) agreed with the statement 'I only care about growing my money'.

Avoid harm

83%

agree that they want to avoid harm if they can. And 64% consider it important to exclude investment in companies that have a negative impact on society or the environment.

Make investing responsibly easy

79%

want their pension provider to 'take care of it for me'. More than three-quarters expect Standard Life to have already considered how responsible each investment is when we invest their money.

Give me extra choice if I want it

45%

of customers would like to choose specific investments based on their values and ethics.

Influence positive change

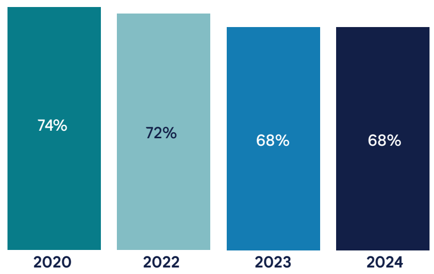
64%

of customers consider it important that we influence companies to improve their impact on people and the planet. Over half want us to invest in a way that commits to net zero by 2050 or earlier.

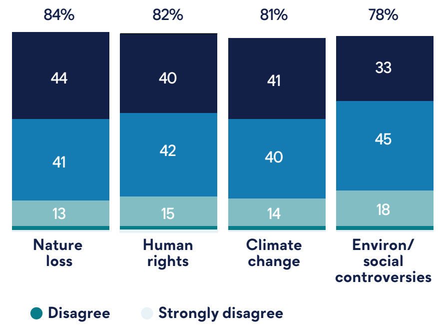
Beliefs about companies' management of ESG behaviours

% of people who agreed with these statements

A company's management of its ESG behaviour will affect its future financial performance



A company's management of its ESG behaviour will affect how risky it is to invest in



In relation to topics considered of high importance by customers, climate change has dipped a little, falling from 66% in 2020 to 57% in 2024. We noticed small decreases on recycling (38%) and water resources (33%) too. By contrast, customers feel more strongly about human rights, with 58% deeming it the most important factor. As for previous years, our research shows that customers generally agree with our selection of key ESG priorities for stewardship activities as shown in the second graph in this page.

4. Communicating with our customers continued

What is our trustee's view on stewardship for our Master Trust?

Stewardship is fundamental to ensuring effective long-term value creation for our members.

Caroline Escott
Chair of the Trustee Board Investment and Sustainability Committee for SLMTC

Why is stewardship important for SLMTC and what are your key priorities as a trustee?
By seeking to influence companies to improve their behaviour on the ESG issues that matter most to good financial outcomes, stewardship helps ensure we can protect and enhance the value of members' savings. As a trustee, I want to make sure that we can cut through the ESG 'noise' and focus resources on making a difference on the most financially important issues across the assets in which members' money is invested.

What are your expectations of your insurance provider, Phoenix Group, to fulfil these priorities?
The scale of Phoenix Group's operations and the size of its in-house stewardship and sustainable investment teams give it a headstart when it comes to influencing corporate behaviour. It can also do this through proactive and thoughtful engagement with its asset management partners, setting clear expectations around stewardship priorities and monitoring its managers' behaviour against these expectations. Where managers are not aligned, we would expect Phoenix Group to escalate its activity and potentially bring in-house some key stewardship decisions and processes.

How do you keep your insurance provider accountable and ensure that your views are aligned?
We regularly engage with the Phoenix Group Stewardship Team throughout the year. This has been further supported by the creation of the Investment and Sustainability Committee in 2024, to help the trustees better articulate our priorities, understand Phoenix Group's perspective and review its approach and activities. With change at trustee Board level in 2024, we also intend to refresh our Investment Beliefs, which articulate our philosophy across investment issues including stewardship and sustainability. Doing so will also enable us to hold Phoenix Group – and through it, our external managers – more closely to account.

What are your areas of focus for your partnership with Phoenix Group in 2025?
As well as reviewing and refreshing our Investment Beliefs, we will also work with Phoenix Group to keep encouraging asset managers to provide detailed reporting on their stewardship outcomes. To understand how effective the stewardship undertaken on our behalf is, it is important that we do not just receive information on the numbers of meetings that an asset manager had with portfolio companies, but also get data on what meaningful progress has been made and how well they have used all the stewardship tools at their disposal to achieve real world change.

4. Communicating with our customers
continued

What is our trustee's view on stewardship in Bulk Purchase Annuities ('BPA') transactions?

Because of the long-term nature of pension promises, long-term investment returns are paramount.

Natalie Winterfrost
Director of Law Debenture Pension Trust Corporation and trustee of schemes with BPAs with Phoenix Group, including the M&S Pension Scheme

Why is stewardship important for pension schemes and what are your key priorities as a trustee?
As a professional trustee, I work across very large and small pension schemes and they all consider stewardship as a crucial part in delivering financial performance across asset classes. This means that trustees are increasingly considering how their BPA provider tackles it.
There are also common stewardship themes with a clear link to risk management and financial performance. These are climate risk management, nature, diversity, equity and inclusion, fair labour policies and/or modern slavery and corporate good governance.

What are your expectations of your BPA provider, Phoenix Group, to fulfil these priorities?
Most schemes have never engaged directly with their investee companies; they simply do not have the resources. Instead, they want their investment managers or, when the time comes, their BPA provider, to engage on their behalf. Of course, when it comes to a BPA provider, the pension scheme is wholly reliant on it as it owns the insurance policy, not the underlying capital.
Whether it is a BPA provider or a fund manager, my expectations are the same in as much as we want them to be responsible stewards of the capital we have provided them with. For example, we would want them to ensure they (or managers they appoint) identify highest risk holdings and engage them on modern slavery, board and senior management diversity, gender and ethnicity pay gaps, development of talent and transition to net zero. Should they have any assets with voting rights, we would also expect them to exercise these voting rights in a considered way.
Increasingly, my pension schemes are also thinking about how they might have a positive impact, either supporting the Sustainable Development Goals ('SDGs') or nature or carbon reduction solutions with support from our providers.

How do you keep your BPA provider accountable and ensure that your views are aligned?
While stewardship is not a new thing, setting stewardship priorities and actively holding fund managers to account is relatively new and a focus of the last few years for pension schemes. As a result, many of the BPAs my schemes hold pre-dated the setting of our stewardship priorities. In the first instance, we have engaged with our BPA providers for good climate data to understand how they are managing this key risk and to reflect this information in our own TCFD reports.
We also expect our investment consultants to provide an 'ESG rating', which means we expect the BPA provider to be open and transparent with our consultants around their policies and approach to stewardship and sharing examples of engagement issues and outcomes. If these reports highlight any weaknesses in BPA activity, we will want to meet the BPA provider directly to address any gaps.
When it comes to a new transaction, we will want to ensure that the BPA provider understands our stewardship priorities and has its own that are reasonably aligned.

What are your areas of focus for your partnership with Phoenix Group in 2025?
We have had direct engagement with members of Phoenix Group's Sustainable Investment Team to help improve our understanding of their stewardship resources, policies and activities. In previous years the focus of discussions has been on climate and TCFD reporting and while that will continue to be an important theme in 2025, we will also want to broaden our discussions to other ESG topics.

4. Communicating with our customers continued
Understanding our customers continued

How we are responding to research

- To meet the majority of customers' needs and to 'take care of responsible investing for them' we offer investment options, mainly focused on growing their money over the long term while investing to support more positive sustainability outcomes.
- To future-proof our solutions and help customers understand the responsible investment credentials of their investments, we are evolving our approach and increasing the amount of sustainable investment used across our Sustainable Multi Asset solution, Future Advantage Fund range and Investment Pathways (see box to the right).
- To enhance the journey to and through retirement, we have evolved our Investment Pathways solutions.
- To improve choice for those customers who want to select their own funds based on specific ESG or faith-based requirements, we have extended our responsible investment range based on what our customers are asking for.
- To help more customers understand responsible investment, we have created layered educational content and review our reporting on an ongoing basis.

Future-proofing investment solutions and improving customer understanding

In 2024, we took steps to further evolve and embed Standard Life's responsible investment approach for over two million pension savers. Part of this is aligning our investments with regulation, aiming to help customers understand the sustainability features of investment products. SDR, the regulation introduced by the FCA, covers a range of labels which can only be applied if a solution meets certain criteria.

One of the labels is called Sustainability Improvers™ which will be applied to 75% of the underlying funds (the building blocks we use to invest customer money) in our Sustainable Multi Asset solution with explicit sustainability and stewardship objectives in 2025.

These changes will be implemented in the first half of 2025 and mean that we:

- will increase sustainability content in our mainstream investment solutions including Sustainable Multi Asset;
- can better manage financial sustainability risks and opportunities, which we believe will lead to improved customer outcomes;
- will align our solutions to FCA labelling, helping customers understand how sustainable their funds are; and
- will have a formal objective to align with the transition to net zero by 2050. This is a target supported by our customers, with 66% agreeing it is important for them to know that Standard Life is taking steps towards being a net zero organisation.

Did you know?

75%
of customer assets invested of the underlying funds in our Sustainable Multi Asset solution will have a label and explicit sustainability and stewardship objectives in 2025

66%
of our customers agree it is important for them to know that Standard Life is taking steps to being a net zero organisation

4. Communicating with our customers continued
Understanding our customers continued

Helping customers understand the link between sustainability issues and their pension investments

We created a strong foundation of educational and supportive online content in 2023. This was aimed at helping customers to understand responsible investing and to support better financial decision making.

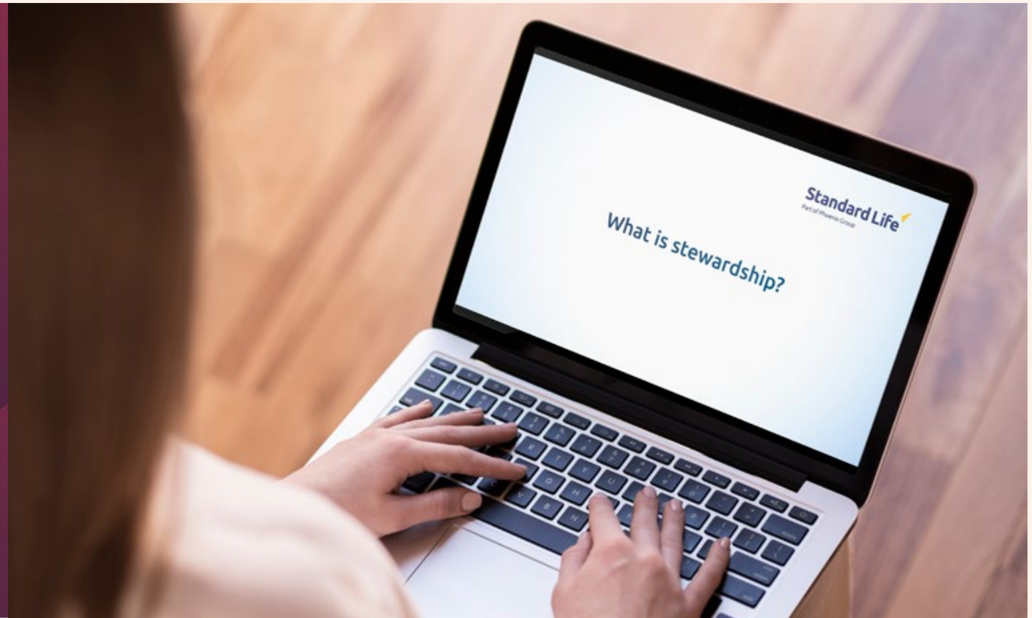
For more information, refer to pages 78–81 of our **2023 Stewardship Report**

In 2024, our goal was to deliver the next layer of this insight-driven customer support. The outcome was a range of communications, from customer-friendly documents outlining our **responsible investment** and **stewardship approach**, to **jargon busters** as well as layered educational content on **market volatility**.

We have also added to our 'bite-sized videos' library with new animations explaining and bringing to life **why ESG factors matter for your pension pot** and **what is stewardship**.

To help customers understand how to compare responsible investing options we have launched a **dedicated webpage** which helps explain more about responsible investing and the new sustainability labels and disclosures introduced.

Read more on our **website**



Expanding propositions

We believe in future-proofing our investment propositions. That is why we are constantly evolving our offering to meet changing needs and to embed new ways to manage sustainability risks and opportunities.

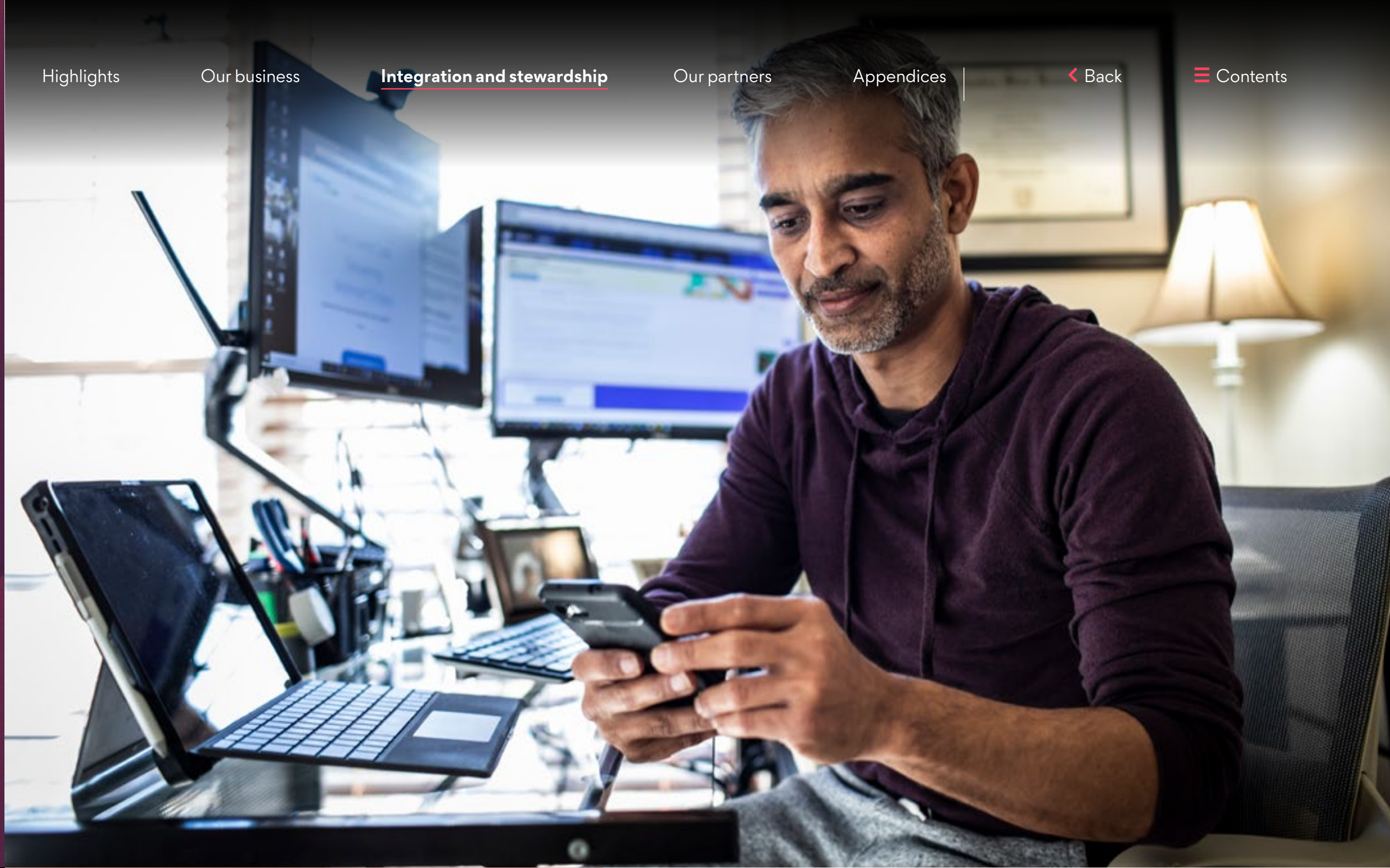
In 2024, we increased our choice of responsible investment options available to members. We added five new funds to the DC Master Trust and Group Flexible Retirement Plan ('GFRP') self-select ranges. These included a Sharia-compliant fund, called a Sukuk option[16], ESG corporate bond funds, as well as an impact equity fund to both ranges.

At the start of 2024, we also enhanced our Investment Pathway solutions to improve the journey to and through retirement. We updated asset allocation so members in some pathways can benefit from our responsible investment approach for equity.

16 Sukuk funds invest in certificates of equal denomination representing individual ownership interests in a portfolio of eligible existing or future assets.

Integration and stewardship

We are responsible for a broad range of savings and retirement income solutions for 12 million customers



Our sustainable investment and stewardship approaches are core components of our business strategy and investment principles and are key enablers to fulfil our vision to be a responsible owner.

In this section

Integration and stewardship

5

Integrating ESG issues into investment decisions

UK Stewardship Code and its principles

Throughout this document we measure activities against the UK Stewardship Code and its 12 principles. The principles relevant for this section are listed below:

- **Principle 7**
- **Principle 12**

See appendix 1 on **pages 99 to 100** for more information

2024 achievements

- Assessed change in absolute emissions and intensity measures in multiple asset classes.
- Broadened the scope of reporting to consider the Scope 3 emissions of all investee companies in our listed asset portfolio.
- Expanded our carbon emissions baseline to include equity release mortgages.
- Assessed the impact of physical risks on costs for real estate investments.
- Adopted our climate benchmarks in North American equity passive mandates.
- Designed six equity and two corporate bonds funds that have gained regulatory approval to adopt the Sustainability Improvers™ label.
- Progressed on our assessments of human rights and nature impacts across investments.
- Invested c.£1.1 billion in sustainable or transition assets, representing 64% of all illiquid asset origination for shareholder credit assets this year.

Integrating ESG factors into credit and sustainability research improves how we manage risks and creates more outcomes for our customers and shareholders. This is the principle supporting our work on climate benchmarks, ESG analysis across portfolios and our framework to classify private market investments in sustainable, transition or productive assets.

Michela Bariletti
Chief Credit Officer

Hetal Patel
Head of Sustainable Investment Research

Key future priorities

- Extend our carbon emissions baseline to include alternative assets.
- Finalise our review of progress against our 2030 investment portfolio decarbonisation target.
- Continue roll-out of equity climate benchmarks and develop a climate transition strategy for credit portfolios.
- Use Sustainability Improvers™ labelled funds across solutions.
- Continue to measure, monitor, and understand drivers of change in the Scope 3 emissions of our investee companies.
- Continue to develop our suite of backward- and forward-looking climate investment risk metrics.
- Explore potential physical risk impacts for other parts of our portfolio.
- Complete our human rights assessments by conducting company analysis and identifying future engagement lists.
- Further develop our portfolio analysis on nature.
- Further integrate ESG considerations into our investment due diligence process for shareholder credit assets.

5. Integrating ESG issues into investment decisions continued

Measuring our progress on decarbonising our portfolios

In 2021, we set our portfolio decarbonisation goals and these are regularly tracked and supported by our asset allocation and stewardship activities. These targets are aligned with the target-setting protocol developed by the NZAOA.

In 2023, we also published our **Net Zero Transition Plan**. This marked an important step on our journey to becoming a net zero business by 2050. Our Net Zero Transition Plan is a roadmap for delivering our climate ambition and supports our work to embed the TCFD recommendations across the business. It outlines how we will aim to deliver our climate ambition across our investment portfolio, operations and supplier base.

According to our most recent analysis, if we implement the actions to which we have committed, we believe we will be on track to achieve our 2025 interim target under most scenarios. Our ability to meet our 2030 and 2050 targets is less certain. It is likely we will need to take further action, and we will become increasingly dependent on decarbonisation in the wider economy and the actions of others, in particular governments, regulators and companies in high transition risk sectors. We will not use carbon offset credits to achieve our 2025 and 2030 investment portfolio decarbonisation targets.

Investment portfolio targets[17]

2025

25%

reduction in the carbon intensity of our listed equity and credit portfolio (where we have control and influence)[18]

2030

50%

reduction in the carbon intensity of all assets (where we have control and influence)[18]

2050

Net zero

across our investment portfolio

17 Our investment portfolio decarbonisation targets relate to the Scope 1 and 2 emissions of our investee companies relative to a 2019 baseline.

18 See glossary for definition of control and influence.

Key progress in 2024

- At the end of 2024, we have achieved a c.19% reduction in the economic emissions intensity of our listed asset portfolio (where we have influence and control) between 2023 and 2024 and a c.52% reduction relative to a 2019 baseline. This is driven by a fall in portfolio absolute emissions combined with an increase in the Enterprise Value Including Cash ('EVIC') component of the intensity calculation, which is a measure of a company's capital base[19].

19 An increase in company value since YE2023 is in line with expectations given market performance over this period.

20 We have also observed a fall in data coverage for our listed credit portfolio due to process automation and this has an effect on the reported emissions. We are therefore prudent in the inference we can draw from this year's reduction.

21 The remaining 8% of AUA which is not captured in the carbon emission baseline relating to the scope of our 2030 target consists of alternative assets, derivatives, and some cash-like instruments.

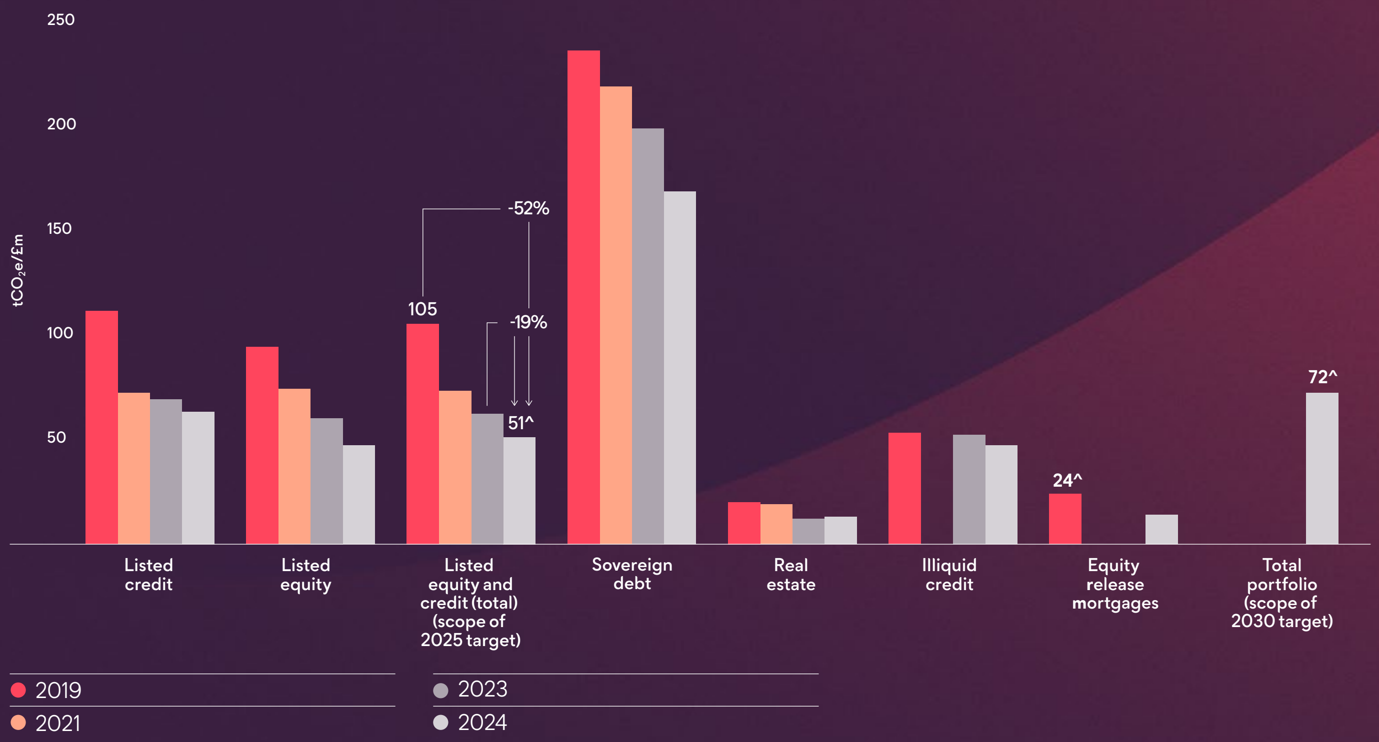
- We have experienced a 32% reduction in total absolute emissions across the investment portfolio in the last year, and a 50% reduction relative to the baseline. The reduction in absolute emissions for our investment portfolio is primarily driven by both carbon reduction activity undertaken by our investee companies and as a result of investment allocation changes from the introduction of decarbonising benchmarks in our equity portfolio[20].
- We have expanded our carbon emissions baseline to include equity release mortgages. Our carbon emission baseline at the end of 2019 now covers 100% of the scope of our 2025 target, 92% of the scope of our 2030 target, and 70% of the scope of our 2050 target[21].
- We have broadened the scope of reporting to consider the Scope 3 emissions of all investee companies in our listed asset portfolio.

The Scope 3 emissions of our investee companies is 88 MtCO$_2$e at the end of 2024, almost three-quarters of which is from four sectors: industrials, energy, financials and materials. Whilst methodologies continue to improve, we recognise that there are still significant limitations to Scope 3 emissions data.

- We have identified four industry sectors as being particularly vulnerable or susceptible to transition risks due to policy, technology or market changes. These sectors are: energy, utilities, materials and industrials. Approximately 17% of our listed asset portfolio (by AUA) is invested in these high-transition risk sectors, and collectively it accounts for c.65% of listed asset portfolio emissions.
- At the end of 2024, 53% of our listed asset portfolio is invested in companies that have committed to set or have already set approved Science Based Targets ('SBTs') (based on their affiliation with the Science Based Targets initiative).

5. Integrating ESG issues into investment decisions continued
Measuring our progress on decarbonising our portfolios continued

Economic emissions intensity of our baselined investment portfolio[22]



22 We continue to evolve our reporting processes and now disclose asset data as at the year-end position. Our year-end 2024 position reflects asset values as at year-end 2024, and carbon emissions from calendar year 2023 (the latest year for which emissions data is readily available). Our year-end 2022 reporting, however, captured asset values as at year-end 2021 (i.e. a one-year time lag) and carbon emissions from calendar year 2020, which explains why there are no values shown for 2022.

Next steps

- Extend our carbon emissions baseline to include alternative assets, increasing our portfolio coverage towards 100% of the scope of our 2030 decarbonisation target.
- Finalise our review of progress against our 2030 target and consider setting more granular sub-portfolio internal decarbonisation targets to drive decarbonisation activity.
- Further enhance the reporting of the Scope 3 emissions of investee companies in our listed asset portfolio through measuring, monitoring and understanding the drivers of changes in these emissions.
- Continue to develop our suite of climate investment risk metrics, with a particular focus on forward-looking measures which help us improve our understanding of our decarbonisation performance against a net zero glidepath and respond to future reporting requirements.

5. Integrating ESG issues into investment decisions continued

Assessing physical risk in real assets

In 2024, we refreshed our approach to assessing potential physical risk within our real estate portfolio (both directly held and real estate loans) across four scenarios underpinned by climate change projections used by the Intergovernmental Panel on Climate Change ('IPCC'). These range from a low emissions scenario with a pathway to 1.5°C, to a high emissions scenario with no changes to climate policies, leading to a greater than 4°C global mean temperature rise relative to pre-industrial levels.

The assessment measured the potential future cost of a response to different risk hazards over the short, medium and long term on our real estate assets. The risks considered covered both chronic and acute physical risks including the impact of flooding (fluvial, pluvial and coastal), temperature extremes, drought, wildfire and tropical cyclones. The impacts of these hazards can differ according to the type of building at each location.

The results showed the aggregated impact across c.£4 billion of directly held real estate and c.£1 billion of real estate loans under the four scenarios in each decade from 2030 through to 2050. The results for the real estate loans reflect our participation in the financing of the underlying properties and capture our attributed share of emissions, which will typically be a smaller percentage than directly held assets. As such, the scale of possible future costs for real estate loans is lower than the directly held real estate assets.

The overall results indicate there is an increasing relationship between cost and severity of risk factors over time. In later decades, physical risks are more severe than historic levels which increases potential future costs. Similarly, in higher emissions scenarios physical risks further increase in severity leading to potentially higher future costs.

For other parts of our portfolio such as listed equity and credit we have begun to explore the potential physical risk impacts to those asset classes. We plan to continue developing this analysis during 2025 and beyond.

Cost from physical risk on directly held corporate real estate assets

Scenario	Estimated cost from physical risk in each decade		
Low-high physical risk	2030	2040	2050
Low (RCP[23]2.6)	Lower	Medium	Higher
Medium (RCP4.5)	Lower	Medium	Highest
Medium-High (RCP7.0)	Lower	Medium	Highest
High (RCP8.5)	Lower	Higher	Highest

23 Representative Concentration Pathways ('RCPs') are trajectories of greenhouse gas concentrations used for climate modelling in the IPCC Fifth Assessment Report (IPCC 2013).

Approximate cost

Lower	0% to 5%	Higher	10% to 15%
Medium	5% to 10%	Highest	15% to 20%

Cost from physical risk on corporate real estate loans

Scenario	Estimated cost from physical risk in each decade		
Low-high physical risk	2030	2040	2050
Low (RCP2.6)	Lower	Medium	Higher
Medium (RCP4.5)	Lower	Medium	Higher
Medium-High (RCP7.0)	Lower	Medium	Higher
High (RCP8.5)	Lower	Medium	Highest

Approximate cost

Lower	0% to 1%	Higher	2% to 3%
Medium	1% to 2%	Highest	3% to 4%

Note: The assessment of potential future cost does not currently consider our ability to manage or mitigate these costs and does not include any view of future action which may be taken to do so. The analysis assumes the current mix of assets remains constant and holds both property and loan values constant over the time horizon. Further work will be completed in 2025 to analyse the underlying risks in more detail, and to consider how best to integrate any emerging information into our 'Strategy' and 'Risk management'.

5. Integrating ESG issues into investment decisions continued

Our decarbonisation actions across investments

We have taken several actions in 2024 to decarbonise our investment portfolio to deliver good outcomes for our customers and shareholders.

In 2023, we introduced a decarbonisation strategy for our c.£11.3 billion shareholder corporate credit portfolio to be aligned with our 2025 and 2030 portfolio decarbonisation goals. Additionally, we have set an annual target for 50–70% of our illiquid asset origination to be in sustainable, transition or UK-focused productive assets.

For policyholder assets, we have worked with a leading index provider to design customised equity benchmarks which apply a decarbonisation tilt to our listed equity portfolio. At the end of 2024, these climate benchmarks were adopted for c.£15 billion North American (passive) equity funds. Roll-out to all remaining equity regions, starting with the UK, is expected through 2025 and beyond.

Starting in 2025, our default Workplace Pension fund, Sustainable Multi Asset, will also invest its global listed equity allocation (c.£26 billion) through six Sustainability Improvers™ labelled regional funds. These funds have an explicit sustainability objective to reach net zero in line with the Paris Agreement. This is delivered through tracking a custom FTSE climate benchmark. The same investment solution will offer a global corporate credit allocation (c.£6 billion) through two other Sustainability Improvers™ labelled funds. For these, the objective to reach net zero is delivered through tracking a custom Bloomberg/MSCI climate benchmark. Both the listed equity and fixed income funds are supported by a focused climate change stewardship strategy.

We will continue to develop a climate transition risk strategy on all other credit portfolios from 2025 to ensure alignment of this asset class across portfolios.

For more quantitative information on our portfolio decarbonisation efforts, refer to our **2024 Annual Report and Accounts**, pages 54 to 55 and our **2024 Sustainability Report**, pages 24 to 28

c.£15bn
North American (passive) equity funds covered by climate benchmarks

c.£32bn
will be invested through eight Sustainability Improvers™ labelled regional funds

5. Integrating ESG issues into investment decisions continued

Assessing our impact on nature

In 2024, we built on our piloting of the TNFD LEAP assessment guidance from 2023 to deepen our understanding of potential impact and risk exposure in our portfolios.

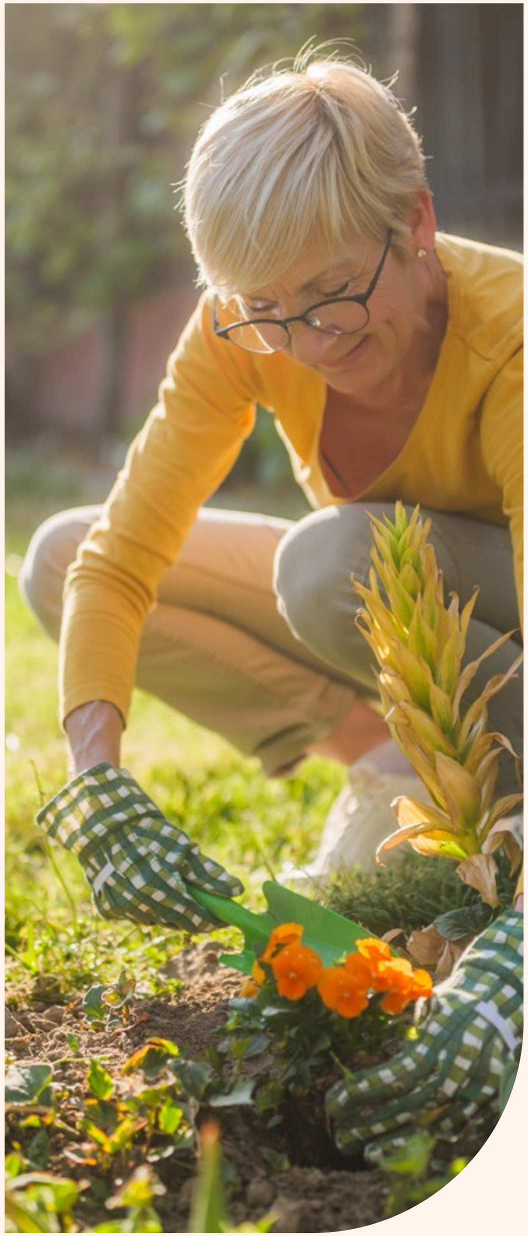
The aim of our activities has been to further explore portfolio assessment methodologies for nature-related impact and risk exposure. We took a two-stage approach to achieving this aim considering risk exposure from the top down and from the bottom up. This reflects a key conclusion from our pilot work: an initial evaluation entry point is required for LEAP ahead of the location of investee company assets, effectively creating an Evaluation LEAP ('ELEAP') approach.

The scope of our assessment work included listed equity and listed credit where data and tools are more available than for other asset classes. The initial evaluation step used the Exploring Natural Capital Opportunities, Risks and Exposure ('ENCORE') and Science Based Targets Network ('SBTN')'s sector materiality tools in conjunction with qualitative and subjective overlays to identify a top-down mapping of impact pressures across our portfolios. We carried out this exercise to identify the initial priority impact pressures that will be the focus of our bottom-up exposure and risk assessments.

Land-use change – with an initial focus on tropical deforestation – and freshwater withdrawal and use are the two impact pressures identified from our top-down assessment. We then identified the sub-industry groups most closely linked to our priority impact pressures.

While top-down risk mapping is useful for defining which parts of our investment portfolios have potential exposure to nature-related risks, we also undertook some initial work to improve our understanding of how we can develop insights into company operations' linkages to natural resources in a geospatial context. To do this we conducted an exploration of asset location data availability for companies within priority sub-industry groups. We made limited progress on asset-specific information and this remains an area of ongoing focus, particularly as it is closely aligned with our portfolio physical risk assessment activities. As a final step, we identified data availability to support assessment of company risk mitigation actions using third-party ESG data.

For 2025 and beyond, we plan to further develop the method and analytics to support ongoing internal education, communication and integration across Phoenix Group and to support engagement with our asset management partners.



5. Integrating ESG issues into investment decisions continued

Measuring our exposure to human rights impacts

Throughout 2024, we continued the assessment of human rights risks and impact across our portfolios.

In 2023, we concluded a review of regulatory frameworks, publicly available information and benchmarks, and human rights and social metrics provided by commercial third parties. As a result, we mapped and classified human rights and social issues risks in portfolios under four categories: workforce[24], supply chain, communities and consumers. This categorisation helped us consider human rights risks as they affect different groups of stakeholders.

Building on this exercise, in 2024 we conducted a country-level and sector-level assessment of our portfolios, to identify risks to people through direct operations of investee companies.

Using data from a third-party service provider, we analysed human rights risks for 164 countries and identified where portfolio companies had operations in high-risk locations (114 countries). We also repeated the exercise using data from the **Rule of Law in Armed Conflict Project** to assess exposure to conflict-affected and high-risk areas and data from the **Walk Free Global Slavery Index** 2023 to assess exposure to countries vulnerable to modern slavery. This exercise provided us with a list of 8,000 companies with operations in high-risk countries.

Using data from commercial third parties and other publicly available sources, we assessed different industry sectors to determine their human rights risk profile and identified the following as high risk: utilities, energy, materials, industrials and consumer staples. This does not mean that other sectors do not pose social and human rights risks, but we set higher priority to sectors where risk is higher, and we can exert more influence.

When looking at companies in high-risk sectors operating in high-risk countries, we finalised a list of more than 3,000 companies for further analysis.

In 2025, we will conduct company analysis aiming to finalise a list of companies for direct, collaborative and delegated engagement by our asset management partners. We will conduct individual in-depth assessments and set engagement objectives for companies identified for direct and collaborative engagement. We aim to repeat this exercise every three years to update our risk assessment and target company list.

24 A workforce refers to the group of individuals who are employed by a particular organisation or company and are responsible for carrying out its operations/services and achieving its goals. The supply chain includes individuals employed by third-party suppliers.

3,000
companies in high-risk sectors identified for further analysis

Human rights risk assessment process

Country assessment → Sector assessment → Company assessment → **Priority company lists for engagement**

Key human rights and social issues to consider in investments

Workforce

- Basic human rights (inc. modern slavery)
- Health and safety
- Human capital
- Labour relations

Supply chain

- Basic human rights (inc. modern slavery)
- Controversial sourcing
- Supply chain standards

Communities

- Basic human rights (inc. modern slavery)
- Business ethics
- Community relations
- Indigenous peoples

Consumers

- Consumer protection
- Environmental and social impacts of products and services
- Privacy and data security

5. Integrating ESG issues into investment decisions continued

Integrating ESG issues in investing

In 2024, Phoenix Asset Management started executing investments directly in shareholder credit assets in listed corporate credits and in gilts.

£226m
in directly executed listed corporate credit and £844m in gilts (as at the end of 2024)

£1.1bn
invested in sustainable assets (both environmental and social) and transition assets in 2024

Listed markets

The integration of ESG factors for these investments follows three steps:

1. **Exclusions** – in line with our Group policy, exclusions are related to controversial weapons, thermal coal (where >20% of revenue is from thermal coal extraction), oil sands (where >20% of revenue is from oil sands operations), Arctic drilling (where >20% of revenue is from Arctic drilling activity) and tobacco producers (where >1% of revenue is from tobacco production).
2. **Restrictions** – further investments are not allowed for corporate issuers with either low ESG rating reflecting high material risks exposure and low risk management, or misalignment with the UNGC standards due to controversies on environmental, labour rights, human rights or bribery and corruption-related issues. For these assessments multiple third-party ESG data is used.
3. **Climate transition goals** – we intend to increase investments in net zero aligned assets in our shareholder corporate credit portfolio to 40–50% of the portfolio by 2025, and 50–70% by 2030. To ensure this remains on track, we are pursuing portfolio tilts and/or trades as necessary (subject to market conditions). At the end of 2024, our shareholder corporate credit assets had a portfolio emissions intensity well under the 2025 decarbonisation target and included net zero aligned assets above the 50% threshold.

In 2025, we will further develop our internal ESG integration framework to assess financially material ESG risks and opportunities to consider in our internal credit and ESG research as well as security selection processes.

Private markets

To support the consideration of ESG factors, we follow a targeted due diligence process that addresses the most material ESG risks in addition to leveraging our **Sustainable Finance Classification Framework for Private Markets (the 'Framework')** to classify private market investments as sustainable or transition in our shareholder assets portfolio.

The Framework provides clarity on themes, sub-categories, eligible activities, thresholds and exclusionary activities that can help classify our investments into sustainable and energy transition assets. Themes within the Framework include but are not limited to: renewable energy, energy efficiency, clean transportation and green buildings, affordable housing, affordable basic infrastructure and services, and access to essential services.

In private credit transactions, each potential trade is assessed on its own merit in addition to our annual commitment for a minimum proportion of sustainable, transition and UK-focused productive assets. Even for assets that are not sustainable, transition or productive, we conduct a deal-level assessment on broader ESG risks and opportunities. From 2025, ESG assessments and sustainability classifications will be part of each transaction's credit research being considered for investing.

Since 2022, we have invested approximately £2 billion in climate solutions including nearly £600 million of shareholder assets respectively in both 2023 and 2024. We have continued making progress towards our long-term ambition to invest up to £40 billion in sustainable, transition or UK-focused productive assets.

In 2024, we invested c.£1.1 billion in sustainable assets (both environmental and social) and transition assets, representing 64% of all illiquid assets originated in the year in the shareholder portfolio, against our annual commitment of 50–70% (of origination).

5. Integrating ESG issues into investment decisions continued

Integrating ESG issues in investing continued

Supporting the wellbeing of underserved populations

Delegated

Investor:
Macquarie Asset Management

Asset class:
Private debt

Issuer:
Mosaic Quarter ('MQ')

Sector:
Real Estate

Country:
USA

ESG issues addressed:
Public health

Context and actions

Macquarie Asset Management invested on behalf of Phoenix Group in a credit tenant lease to fund the development of the Mosaic Quarter Sports & Entertainment Complex in Tucson, Arizona. This transaction marked Phoenix Group's first investment under the social theme of 'Development and regeneration of public spaces' in our Sustainable Finance Classification for Private Markets.

Some key tenets of the investment included the provision of free or discounted access to the facility for targeted groups in Pima County, including 100% financial support for qualifying children from low-income backgrounds as well as partnerships with local businesses and non-profits to sponsor discounts for qualifying adults from underserved populations such as teachers, homeless adults in active local assistance programmes, economically disadvantaged single women, and lower wage first responders.

In addition to supporting underserved populations, the sports and entertainment complex is also expected to directly and indirectly support the creation of 90,000 jobs in the region, driving new local spending and community earnings.

From an environmental perspective, water provision is a concern given the region's history of severe drought and over-pumping of groundwater. However, we were pleased to see MQ has put in place several measures to conserve water and reduce water use, in addition to shoring up power generation and enhancing its energy efficiency.

Implication on investment decisions

- Given the characteristics of the investment, we felt comfortable in classifying the asset under the social theme of our framework.
- Phoenix Group and Macquarie Asset Management will continue to monitor the issuer's performance, as well as its partnerships with other local groups to support underserved populations.

5. Integrating ESG issues into investment decisions continued

Integrating ESG issues in investing continued

Supporting a low carbon journey in transport

Direct

Investor:
Phoenix Group (Asset Management)

Asset class:
Infrastructure, private debt

Issuer:
Stagecoach

Sector:
Industrials

Country:
UK

ESG issues addressed:
Climate change

Context and actions

Stagecoach is one of the UK's leading public transport companies, helping connect communities across the UK, many of which are not served by other transport methods. Operations stretch across more than 8,000 buses (having the largest bus fleet in the UK) and are split between London and other regions. The company is the number two player in London and the largest provider of bus services regionally.

Ahead of COP26 in 2021, Stagecoach committed in its **Driving Net Zero report** to transition to a zero emission bus fleet by 2035 and reach net zero by 2050. In addition to this, the issuer also set near-term decarbonisation targets, which were approved by the Science Based Targets initiative ('SBTi') in 2024.

This includes a target to reduce absolute Scope 1 and 2 GHG emissions by 55.6% by FY2032 from a FY2019 baseline. Separately, Stagecoach has an absolute reduction target for Scope 3 of 54.6% by FY2032 from a FY2019 base year.

We were pleased to see the company making extensive progress on its 2021 climate commitments:

- It placed its largest bus order for 170 fully electric vehicles ('EV') in Stockport, which was delivered in mid-2024.
- It has introduced its first fully EV Bus Cities in four other Scottish cities.
- It has been sourcing 100% renewable electricity directly from suppliers since April 2022 (where it has purchasing power).

Additionally, 82% of the company's capital allocation up to 2030 is related to either electric buses or the infrastructure for electric vehicles, totalling £1.08 billion. Stagecoach is due to benefit from the Scottish Government's target to reduce car use by 20% by 2030 (including a £500 million investment in bus infrastructure and zero emission buses) from both a commercial and emissions perspective.

In terms of fleet composition, the latest percentage of bus and coach fleet which is 'zero emission' is targeting 25.2% in 2024/25 and is projected to increase significantly to 76.5% by 2031/32, in alignment with the company's Net Zero 2050 plans.

Implication on investment decisions

- After completing our due diligence analysis, we decided to invest in the company to support its plan to transition systematically and become increasingly sustainable.
- We view our investment to be supportive of Stagecoach's plan to transition systematically towards becoming a 'sustainable/transition' asset as per our Sustainable Finance Classification Framework for Private Markets.
- At the time of investment, Stagecoach had under 30% low carbon/zero emission buses and coaches in its fleet, but we expect the company to reach over 75% by early 2030 and meet our threshold to be classified as a 'transition asset'[24].

24 According to our framework, a transition asset has more than 50% of low carbon/zero emissions out of the total.

5. Integrating ESG issues into investment decisions continued

Integrating ESG issues in delegated investments

We require our asset management partners to evidence how material ESG considerations are embedded in their risk and opportunity management strategy and how engagement and voting with companies are conducted and incorporated into investment decision-making processes.

We take this approach across all our asset classes, investment styles and geographies, although we have tailored our managers' ESG assessment framework at strategy level differently for public and private markets, active and passive portfolios and sovereign fixed income investments (see more information in Chapter 8, pages 90 and 91).

We also assess how managers take into consideration our key ESG priority issues, including climate change, nature, human rights and company controversies.

From the assessments conducted on our strategic and critical managers in 2024, we were able to confirm similar trends to those in previous reports. More specifically, our managers:

- have developed proprietary ESG scoring systems and dashboards accessible to portfolio managers and analysts;
- have a process to track ESG analysis in investment systems, although with different degrees of codification and structure; and
- have compensation packages linked to investment performance and claim that ESG integration is a key component to achieve it. However, not all of them have specific ESG targets linked to compensation for investment professionals unless they are responsible for managing sustainability-focused funds.

The real-life examples[25] in this chapter show how the relevant asset management partners have integrated ESG research and stewardship activities into their investments across asset classes, regions and topics.

25 Issue/issuers selected for illustrative purposes only to demonstrate the investment management style described herein and not as an investment recommendation or indication of future performance.

5. Integrating ESG issues into investment decisions continued

Integrating ESG issues in delegated investments continued

Supporting a climate and biodiversity leader in the utilities sector

Delegated

Asset management partner:
Aberdeen Investments

Asset class:
Fixed income

Issuer:
Iberdrola

Sector:
Utilities

Country:
Spain

ESG issues addressed:
Climate change, natural resource use/impact

Context and actions

Iberdrola is a multinational company that produces and distributes electricity and gas. Despite viewing Iberdrola as a decarbonisation leader, Aberdeen began engaging with the company in October 2020 to discuss its renewable strategy and biodiversity impact. The manager believes that the preservation of natural capital closely aligns with climate risk and is material for the company's sector. During the engagement, Aberdeen shared defined milestones with the company including producing a biodiversity policy and setting metrics to gauge and monitor any biodiversity impact.

Iberdrola defined a formal strategy in 2021 and, in 2022, set a target to be 'net positive' on biodiversity by 2030. Discussions with the company focused on the outcomes and next steps of the biodiversity policy, as well as its climate ambitions, which include net zero emissions in Europe by 2030 and carbon neutrality globally by 2050. In 2024, Aberdeen continued to engage the company on reporting on biodiversity metrics, advancing network investments and continuing efforts to mitigate the risk of forced labour in its solar supply chain.

Implication on investment decisions

- The meetings with the company reaffirmed the manager's view of Iberdrola as an international leader on climate change for the sector and shed light on its best practice biodiversity strategy.
- The company published a 2024 Biodiversity Report including specific metrics such as the impact of construction on ecosystems measured in hectares.
- Due to the credible and ambitious targets made by Iberdrola, the company is classified as a leader under the manager's climate transition framework which informs investment decisions across fixed income products.
- Following the dialogue, Aberdeen has also increased its internal ESG rating of the company.

5. Integrating ESG issues into investment decisions continued

Integrating ESG issues in delegated investments continued

Encouraging an improved remuneration structure

Delegated

Asset management partner:
Aberdeen Investments

Asset class:
Listed equity and fixed income

Issuer:
Comcast

Sector:
Communication services

Country:
USA

ESG issues addressed:
Remuneration, board effectiveness – diversity

Context and actions

Comcast was founded in 1963, expanding rapidly through acquisition, and is now one of the largest broadcasting and cable television companies in the world. It was a family-founded and -controlled company with governance practices originally tailored to this model. Aberdeen views this as no longer appropriate for a major global company.

The manager had previously applied an internal corporate governance warning to the company due to concerns around its multi-class share structure, its remuneration conditions and board composition. When the last governance review of the company was conducted in 2022, female representation sat at 20% and five directors had particularly long tenures. Since then, Aberdeen has been engaging with Comcast regularly and, in 2023, wrote to the company outlining its views on gender diversity and its expectations for a minimum 30% female representation on the board.

Since the manager began to engage with the company, female representation on the board has increased to 30%, meeting Aberdeen's threshold, and the average board tenure has decreased. The company has also announced a commitment to increase to 75% the proportion of performance-conditioned equity in executive long-term incentive plans.

Implication on investment decisions

- While the share structure remains a concern, Aberdeen recognised that it is reflective of the structure of the company and acknowledged the positive changes made to other areas of Comcast's governance.
- Following engagement, in-depth analysis of the company and input from the investment desks the decision was made to remove the internal corporate governance warning due to improvement in practices.
- The warning removal also improved the manager's internal ESG score of Comcast, allowing the company to be held in Aberdeen's sustainable funds.
- The manager will continue to engage with Comcast on its wider governance practices.

5. Integrating ESG issues into investment decisions continued

Integrating ESG issues in delegated investments continued

How heightened environmental risks can impact internal ESG investment ratings

Delegated

Asset management partner:
Franklin Templeton ('FT')

Asset class:
Listed equity

Issuer:
Severn Trent plc

Sector:
Utilities

Country:
UK

ESG issues addressed:
Pollution

Context and actions

As part of its investment process, FT produces proprietary governance and sustainability risk ratings for investee companies. Prior to building a position in Severn Trent, the manager assigned the company a risk rating of 2/5 (with 1 being the highest score) for environmental risk, reflecting its view of Severn Trent as an industry leader in terms of Outcome Delivery Incentive ('ODI') performance[26], environmental target-setting within its 2025–30 business plan and capital investment in improving the Group's environmental impact.

26 ODIs are measures used by the regulator to ensure water companies' objectives align with customers' interests by linking achievement of the objectives with unlocking financial rewards.

Severn Trent has consistently delivered c.80% of ODI performance commitments and has received a positive 4* for five consecutive years on the Environment Agency's Environmental Performance Assessment ('EPA').

However, the manager was cognisant of the structural risk in the sector due to charges on sewer overflows leading to reputational damage, fines and failure to achieve ODI rewards. In 2023, Severn Trent was fined £2.07 million for discharging raw sewage into the River Trent between 2019 and 2020.

In a case presented by the Environment Agency in early 2024, it was determined that the company failed to establish and implement an adequate contingency planning system.

In 2024, its peer, Pennon Group plc, announced it was reducing its dividend to reflect a £2.15 million fine received for similar discharging of sewage into rivers and the sea. This announcement raised concern around Severn Trent's dividend stability, should it choose to absorb its most recent, and potentially future fines, in the same manner as its peer.

Implication on investment decisions

- FT believes that these events have increased the environmental risk of the company and updated its internal environmental risk rating for Severn Trent negatively from two to three.
- FT also reflected these heightened risks in its internal governance and sustainability risk rating for the company which is considered in its investment decision-making process.
- Nonetheless, the manager feels that Severn Trent remains positioned advantageously relative to peers given the focus on charge sewer overflows within its 2025–30 business plan and its continued industry leading performance on the EPA.

5. Integrating ESG issues into investment decisions continued
Integrating ESG issues in delegated investments continued

Continuing to work with tenants to enhance green buildings

Delegated

Asset management partner:
HSBC Asset Management ('HSBC AM')

Asset class:
Real estate

Issuer:
US residential landlord

Sector:
Real estate

Country:
USA

ESG issues addressed:
Climate change, reporting

Context and actions

As mentioned in our 2023 Stewardship Report, HSBC AM has been engaging with a US residential landlord after observing low scores on environmental metrics and on the percentage of buildings with green certifications in the portfolio. During engagement meetings, the company acknowledged the manager's concerns and confirmed improvements were underway.

Since the beginning of dialogue, the company has made progress, including the continued roll-out of a heating, ventilation, and air conditioning ('HVAC') air filter delivery programme to reduce energy costs across the portfolio, as well as the ongoing installation of smart meters to improve energy efficiency. Additionally, it has conducted an asset-level review of potential climate-specific exposures in its portfolio which indicated relatively low climate-related risk across most sites. Physical risks were, however, identified in some regions, with exposure to extreme heat days, wildfires, floods, or hurricanes. This forward-looking, proactive approach means that appropriate resilience and durability measures can be put in place where required to mitigate any potential impact.

The company also introduced internal ESG-specific training programmes to deepen employees' understanding of their contributions to the company's ESG impact. Finally, by consistently monitoring and reporting emissions, the company has improved disclosures and laid the groundwork for future reduction initiatives, showing a commitment to transparency and environmental stewardship.

Implication on investment decisions

- The company has made progress although, according to HSBC AM, this is not always reflected in third-party ESG ratings.
- The company's improved ESG disclosure facilitates monitoring of performance by HSBC AM against its stated goals and supports both investment decisions and future engagement dialogue.
- Given the company's progress, the holding continues to form part of the manager's real estate portfolio in which Phoenix Group is invested.

5. Integrating ESG issues into investment decisions continued

Integrating ESG issues in delegated investments continued

Supporting innovation in public health

Delegated

Asset management partner:
Schroders

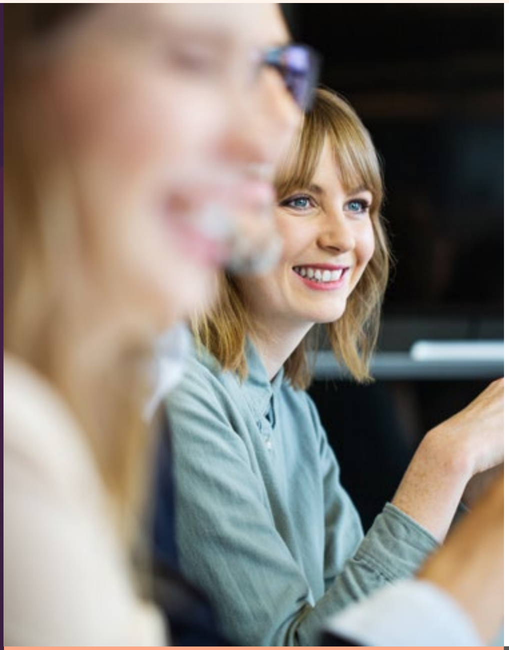
Asset class:
Listed equity

Issuer:
Australian Medical Equipment Company

Sector:
Healthcare

Country:
Australia

ESG issues addressed:
Public health



Context and actions

The Australian Medical Equipment Company is a global leader in producing devices that treat sleep apnoea, a breathing disorder that affects almost 1 billion[27] people worldwide. The company revolutionised the industry by digitalising its devices, enabling cloud connected data collection for real-time analysis and remote monitoring. The provision of high-quality medical devices provides tangible social benefits to society through improving both physical and mental health of patients. The company's goal is to improve patient care, keep customers healthy and reduce the need for medical intervention and hospitalisation. The use of the devices could also allow patients to avoid unnecessary hospital visits and associated costs.

27 Estimation of the global prevalence and burden of obstructive sleep apnea, 2019.

The company continues to invest in its research and development to drive product innovation. For example, the company is now able to utilise big data analytics to improve the accuracy and efficiency of diagnostics which enables timely intervention and provision of appropriate respiratory care to patients. It is also exploring parallel health needs and treatments where its expertise from digitising devices for data collection can help drive innovation and improvement in patient care. In time, Schroders believes these parallel treatments will create new revenue growth opportunities that can be funded by the company's steady cash flow growth from its sleep apnoea business.

Implication on investment decisions

- Through its fundamental research and engagements with the company, Schroders believes that the company is well positioned to deliver long-term growth against the backdrop of an ageing population and rising medical demand globally.
- The company's relentless focus on innovation and R&D should continue to underpin its product innovation and allow it to maintain product superiority versus peers and increase scale globally.
- The company remains one of the core holdings within the Australian healthcare space in Schroders' portfolio in which Phoenix Group is invested.

5. Integrating ESG issues into investment decisions continued

Integrating ESG issues in delegated investments continued

Leveraging dialogue with sovereign representatives to enrich investment research and monitoring

Delegated

Asset management partner:
Major global asset manager

Asset class:
Sovereign fixed income

Issuer:
Government of Hungary

Country:
Spain

ESG issues addressed:
Climate change

Context and actions

In June 2024, members of the investment and stewardship teams engaged with environmental experts of the Ministry of Finance department of the Hungarian government to discuss the national climate strategy and related energy policies.

The department representatives highlighted that Hungary has developed strategies regarding its energy and climate plans. The country mentioned that it has also made progress towards its decarbonisation goals, ranking 13th out of 32 countries in the KMPG 2023 'Net Zero Readiness Index' and 28th out of 120 countries in the 2024 World Economic Forum's 'Fostering Effective Energy Transition Report'. Regarding energy policies, Hungary has three priorities: reduce fossil fuel use, find substitutes for fossil fuels and switch increasingly from gas to electricity consumption.

The country believes that it is on track to cut emissions, with a net reduction[28] of 32% against its 55% reduction by 2030 target, relative to 1990 (with respect to EU Fit for 55 programme[29]).

The largest sources of emissions in Hungary by sector are transport (30%) and electricity and heat producers (22%) according to the International Energy Agency ('IEA'). The manager noted that for the Green Bond issued in 2020, 89.5% of the allocation went into the Clean Transportation project category, suggesting Hungary is on track to further decarbonise the highest emitting sector in the country.

28 Gross emissions include emissions from energy, industrial processes, agriculture, and waste. Net emissions include emissions and removals from land-use change and forestry.
29 The EU Fit for 55 package is a set of proposals to reduce the EU's greenhouse gas emissions by at least 55% by 2030, relative to 1990 levels.

Implication on investment decisions

- The manager has leveraged the dialogue with government representatives to improve its ESG risk analysis of the country to be integrated in investment research and monitoring. This approach aligns with the client demand for sovereign engagement as well as sovereign and multi-sector net zero aligned solutions. It is not the intention this engagement leads to exclusion of sovereigns. It is the intention that this will lead to improved ESG risk analysis.

Integration and stewardship

6

Engaging with issuers to drive outcomes

We support constructive dialogues with investee companies on their approach to sustainability to deliver their business strategy and manage their impact on the broader economy, society and environment. Preparation, transfer of best practice and ongoing assessment against objectives are essential to the effective stewardship of our assets, in the best interests of our customers and shareholders.

Valeria Piani
Head of Stewardship

UK Stewardship Code and its principles

Throughout this document we measure activities against the UK Stewardship Code and its 12 principles. The principles relevant for this section are listed below:

- **Principle 4**
- **Principle 6**
- **Principle 8**
- **Principle 9**
- **Principle 10**
- **Principle 11**
- **Principle 12**

See appendix 1 on **pages 99 and 100** for more information

2024 achievements

- Assessed progress against engagement objectives for our thematic engagement programmes on climate change, human rights and UNGC controversies resulting in 49%, 61% and 54% of engagement achieved or partially achieved, respectively.
- Completed research of companies for our in-house engagement dialogue on nature.

Key future priorities

- Continue working with asset management partners to improve disclosure on engagement activities and outcomes.
- Progress with in-house engagement programmes 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.

6. Engaging with issuers to drive outcomes continued

Our approach to engagement

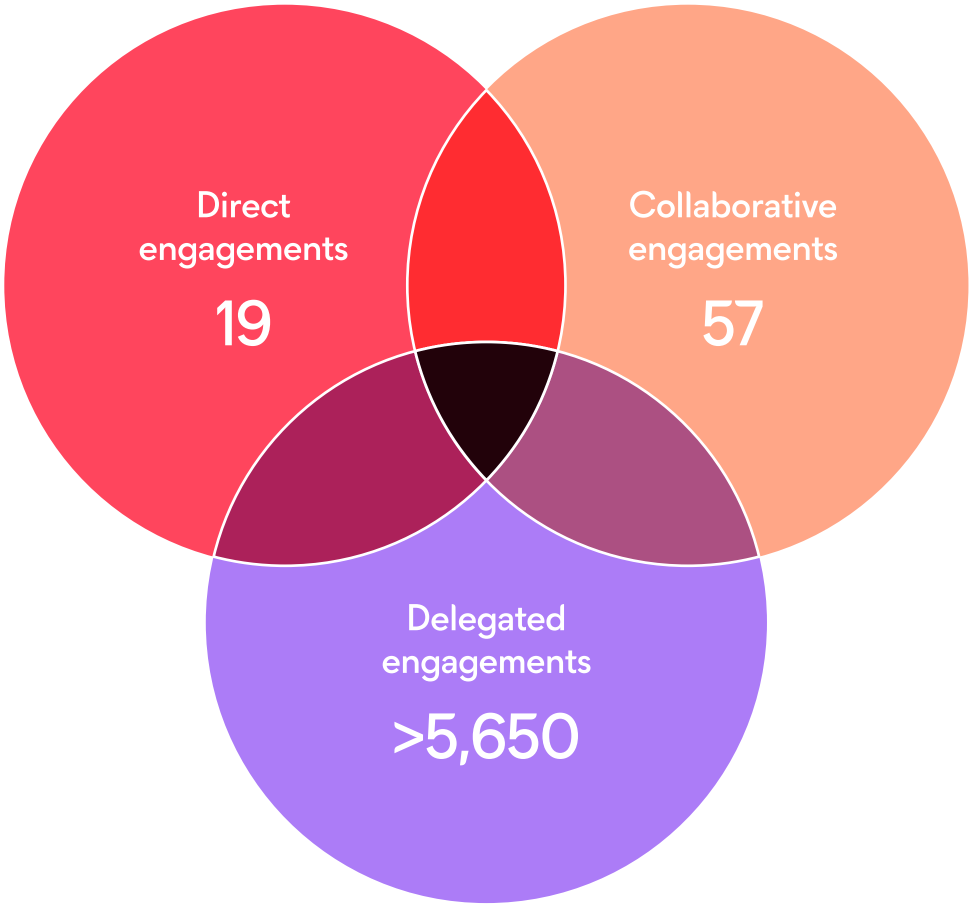
We believe that engagement refers to a two-way interaction between the investor and investees in relation to corporate business and ESG strategies, with the goal of influencing issuers' practices when needed to unlock value.

Effective engagement is also characterised by providing feedback on information collected, sharing best practice by peers and defining engagement objectives.

We believe that engagement strategies for us and our asset management partners should not differ materially across asset classes and geographies, although availability of data, use of escalation tools (i.e. voting and board representation) and opportunities to be represented at board level can vary.

As a large asset owner, we ordinarily conduct dialogue with investees through our asset management partners (see more information on page 70). We also, however, undertake direct engagements with issuers' representatives and join collaborative engagements with other investors through our internal Stewardship Team.

Our engagement activities in 2024



6. Engaging with issuers to drive outcomes continued

Our direct engagements

Our direct engagements focus on our priority ESG topics and target investees companies with high financial exposure. Our thematic programmes follow a three-year engagement cycle and are at different stages of progress, as outlined on this page.

Climate change

- **2022** Research
- **2023** Dialogue with companies
- **2024** Dialogue with companies
- **2025** Dialogue with companies and first escalations
- **2026** Final assessment and next steps
- **2027** New climate engagement programme
- **2028** New climate engagement programme continues

Nature

- **2022** Recruitment of resources
- **2023** Development of expectations of companies
- **2024** Research and initial dialogue through collaboration
- **2025** Dialogue with companies
- **2026** Dialogue with companies
- **2027** Dialogue with companies and first escalations
- **2028** Final assessment and next steps

Human rights

- **2022** Recruitment of resources
- **2023** Research and initial dialogue through collaboration
- **2024** Dialogue with companies
- **2025** Engagement with annual reviews and further portfolio analysis to expand the programme
- **2026** Dialogue with companies and first escalations
- **2027** Final assessment and next steps
- **2028** New engagement programme on human rights

UNGC controversies

- **2022** Initial dialogue through third-party platform
- **2023** Research and initial dialogue
- **2024** Dialogue with companies
- **2025** Dialogue with companies
- **2026** Dialogue with companies and first escalations
- **2027** Final assessment and next steps
- **2028** New engagement programme on controversies

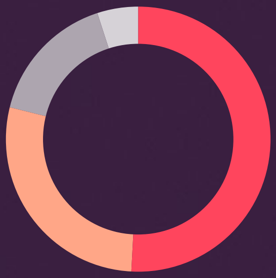
6. Engaging with issuers to drive outcomes continued

Our direct engagements continued

In 2024, our Stewardship Team engaged with 34 companies through 76 engagement meetings and three letters to boards.

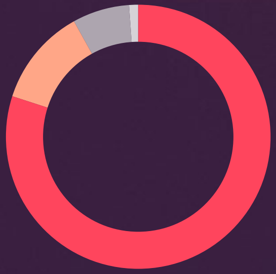
While 25% of these meetings were individual, 75% were through investor coalitions. Most of our meetings were with sustainability corporate representatives. A high percentage of conversations focused on environmental issues, given that our internal climate engagement programme is targeting the largest number of companies.

Company representatives met through direct engagements



Sustainability department	51%
Investor relations	28%
C-suite representatives	16%
Chair, corporate secretary or other board members	5%

Topics covered by direct engagement meetings



Environmental	80%
Social	12%
UNGC controversy	7%
Governance	1%

6. Engaging with issuers to drive outcomes continued

Our climate change engagement programme

Beyond the thresholds of our exclusion policy and as part of our efforts to manage climate risks and opportunities for our customers and shareholders, we embrace a stewardship approach to support investee companies' action on developing plans to transition to a net zero world. This is why we maintain a focused dialogue with companies about their approach to climate change and transition-related risks and opportunities.

Since our climate change engagement programme kicked off in 2023, we have engaged directly with each of the 25 high-emitting companies on our focus list. In 2024, these companies accounted for 50% (from 42% in 2023) of our financed emissions in highly emitting sectors in corporate fixed income and listed equity holdings.

At the start of the programme, we identified and defined engagement objectives, tailored to each of the 25 companies, based on an in-house assessment framework. This framework is informed by the TCFD pillars, as explained in our **ESG expectations of companies**, and takes into consideration the most significant decarbonisation levers across high-emitting sectors.

For additional information on target setting for our engagement programme, see page 43 of our **2023 Stewardship Report**

In 2024, our engagement programme continued into its second year. Dialogue with companies has been conducted both directly via bilateral dialogue and through collaborative initiatives. We have met multiple times with most companies over the last two years, particularly those we engaged with as part of collaborative investor initiatives such as CA100+ and the Net Zero Engagement Initiative ('NZEI').

We engaged with each of the 25 companies in our programme in 2024, holding direct meetings with 23 of them over the course of the year. One of these meetings was through an asset management partner who specifically represented us during a site visit in Japan. We engaged with the remaining two companies through letters to the board as a form of escalation from which we have received positive feedback and commitment for meetings in 2025.

At the end of 2024, we completed an analysis of our engagement progress. We have assessed that around 58% of all total objectives have been either achieved or partially achieved (49%) or covered by a company commitment (9%) to be addressed in the future. This compares with around 38% at the end of 2023.

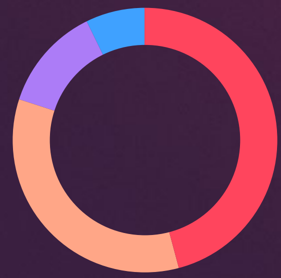
Notes on the charts: Some objectives are easier to achieve than others. Given the tailored nature of each company engagement plan, direct comparisons cannot be drawn in most cases.

Methodology: Based on our internal climate scorecard aligned with the TCFD framework, we identified gaps in a company's climate governance, strategy, disclosure and performance and translated those into actionable engagement objectives. These objectives are within the operational control of the company and deemed to be achievable within the three-year horizon of the engagement programme. The aim of creating tailored objectives is to ensure that all companies in the programme are progressing on a credible decarbonisation plan regardless of their stage in the transition. A company is assessed as having achieved an objective when evidence is available in the public domain. Commitments against objectives can either be made in the public domain or in private dialogue with investors. Once objectives are marked as achieved, they are still continually assessed to ensure the company does not roll back on its progress and that the objective still represents best practice. Objectives are assessed as partially achieved when the company has provided public information showing progress, although areas for improvement remain.

Type of dialogue

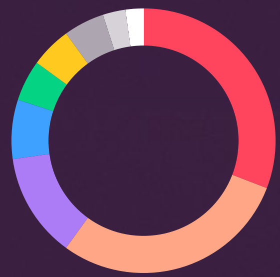
Collaborative engagement	70%
Individual engagement	30%

Engagement meetings by region



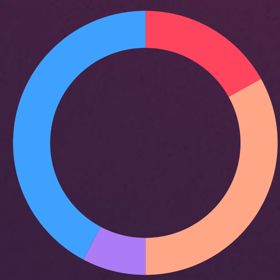
Europe	46%
UK	34%
USA	13%
APAC	7%

Engagement meetings by sector



Utilities	31%
Oil & gas	29%
Chemicals	13%
Diversified metals & mining	7%
Agriculture, forestry and fisheries	5%
Steel	5%
Hotels, resorts & cruise lines	5%
Airlines	3%
Cement	2%

Progress on objectives by engaged companies



Met	17%
Partially achieved	33%
Committed	8%
Not achieved	42%

6. Engaging with issuers to drive outcomes continued
Our climate change engagement programme continued

In addition to assessing progress of dialogue, a critical aspect of our analysis of companies with which we engage is their real-world performance on emissions. We use an in-house dashboard to track the progress of companies across a range of climate-related metrics, using multiple data sources.

We looked at the change in Scope 1 and 2 emissions intensity for the 25 companies from 2022 to 2023[30]. While most companies experienced only slight changes between reporting years, we recorded an overall small net increase of 3.5% across the full list. Much of this was driven by a drop in revenues for several companies in the period following sanctions on Russia.

We also assessed absolute emissions across Scopes 1 and 2 between 2022 and 2023 which, conversely, have seen a modest decrease in this timeframe of 5.1% across the full list of 25 companies.

When Scope 3 emissions are accounted for, both intensity and absolute emissions swung further to a 5.7% increase and 6.4% decrease, respectively. This underlines the need to increase efforts to drive decarbonisation along companies' value chains, and address barriers to the supply and demand for low carbon products and services.

30 For standardisation purposes, the most up-to-date emissions data available to us at the time of going to print is 2023.

Clarity over upgrading of UK's electrical grid

Direct

Investor:
Phoenix Asset Management

Asset class:
Listed equity and fixed income

Issuer:
National Grid plc

Sector:
Utilities

Country:
UK

ESG issues addressed:
Climate change

Context and actions

The new UK Government's Clean Power 2030 Action Plan requires a massive build-out of electrical grid infrastructure, from generation assets to transmission and distribution networks. This requires National Grid, which owns and operates the UK's national electricity distribution and transmission grid, to have a requisite strategy and investment plan in place to help deliver both the country's targets and its own decarbonisation milestones.

The company has been engaged by a CA100+ coalition for several years, while Phoenix Group joined the dialogue in 2023. A key area for discussion has been an improvement on its Climate Transition Plan reporting. For instance, there was a need for clarity over the company's capital allocation plan to better understand how corporate investments will lead to the future decarbonisation of the national electricity grid.

National Grid released its latest Climate Transition Plan in 2024. The new plan is well aligned with the Transition Plan Taskforce guidance for the utilities sector. As a result, it presents an improved articulation of the investment story and expected returns behind the company's net zero strategy across its UK and USA business.

Outcomes

- National Grid's CA100+ Company Benchmark scoring has improved across a range of indicators.
- In its 2024 Capital Markets Day, National Grid announced a £60 billion investment plan across five years, including £23 billion in UK energy transmission.
- We will continue to engage with the company and encourage management to ensure community engagement and consultation processes and the integration of land-use and biodiversity concerns into infrastructure developments.

6. Engaging with issuers to drive outcomes continued
Our climate change engagement programme continued

A well-articulated first net zero strategy

Direct

Investor:
Phoenix Asset Management

Asset class:
Listed equity and fixed income

Issuer:
Veolia Environnement SA

Sector:
Utilities

Country:
France

ESG issues addressed:
Climate change

Context and actions

Veolia Environnement, the French multi-utility, is a target company within the NZEI, a collaborative investor engagement group coordinated by IIGCC. Phoenix Group has been a member of the Veolia NZEI investor group since the initiative launched in 2023. One of the key outcomes we were looking for when interacting with management was the publication of a TCFD-aligned Net Zero Transition Plan.

Outcomes

- In 2024, Veolia Environnement published its first TCFD-aligned Climate Report, which included:
  - near- and long-term decarbonisation targets verified by SBTi as 1.5°C aligned;
  - information of scenario analysis conducted on the physical risks of climate change; and
  - a decarbonisation strategy with levers covering much of the Group's pertinent emissions base (including the recently acquired assets of Suez and downstream Scope 3 gas-related emissions).
- We will engage with the company further on improving disclosures on how its guidance on capital allocation is aligned with its net zero strategy.
- We will seek further clarity on the company's accounting approach to 'Scope 4'[31] emissions.
- We will also encourage further disclosures on the company's engagement strategy with key stakeholders, including customers, suppliers, communities where the company operates and governments.

31 Scope 4 emissions refer to avoided emissions through low carbon technologies and solutions. They cover emission reductions that occur outside a product's life cycle or value chain but as a result of the use of that product.

Phasing out coal and tracking decarbonisation efforts

Direct

Investor:
Phoenix Asset Management

Asset class:
Listed equity and fixed income

Issuer:
RWE

Sector:
Utilities

Country:
Germany

ESG issues addressed:
Climate change

Context and actions

Since RWE set out its 2030 coal phase-out target in 2023, the German utility company has published a decommissioning schedule for the lignite power stations within its portfolio of generating assets. This is an important decarbonisation lever for the company, and we were encouraged by the additional transparency. So far, RWE is tracking its phase-out timeline well, with six coal units decommissioned over the course of 2024. According to the schedule, only seven coal units will be in operation in 2025, until the next round of decommissioning in 2028/29.

Outcomes

- We will continue monitoring the company's progress in its lignite-fired asset phase-out schedule.
- We will continue engaging with management on transition risk scenario analysis, just transition reporting and the pathway for flexible and gas-powered generation within the company's asset portfolio.

6. Engaging with issuers to drive outcomes continued

Our dialogue with companies on nature

In 2024, we developed our own internal framework to assess nature-related impacts, dependencies, risks and opportunities for the 25 companies currently on our climate focus list.

This analysis was tailored by sectors and based on existing data providers, standards and our own internal assessment of relevant indicators and sub-indicators. Topics considered were deforestation, water risks, waste management, biodiversity decline, land-use change as well as other themes specific to the geographies and sectors in which those companies operate.

Across the 25 companies, we assessed areas for improvements, partial achievement and commitment across disclosure, targets and sector-specific metrics. We will aim to include conversations on these topics throughout 2025, during the final year of our climate engagement programme with the goal to assess companies' preparedness to measure their exposure and take action in relation to nature. Given the advanced stage of our thematic programme, we will not translate this analysis into specific engagement objectives for management.

Some companies are making commitments on reporting their nature-related impacts and dependencies according to the TNFD framework, using the LEAP approach. Most companies, however, have not addressed disclosing nature-related risks with sufficient granularity.

We found several companies making nature-related commitments and setting broad targets, even if these only pertain to specific activities or business segments and do not align to a formal framework.

Companies either did not address sector-specific impacts and dependencies on nature or addressed them only partially, via regulatory-driven reporting on issues such as water usage. We have not yet seen a company comprehensively addressing group-wide sector-related risks to the business.

Additionally, in November 2024, the first Nature Action 100 ('NA100') Company Benchmark results for target companies were published. These assessments measured the 100 companies' progress towards the NA100 Investor Expectations for Companies. As part of the initiative, we are co-leading the engagement with two companies operating in chemicals and diversified mining. We have started using the benchmark results in combination with our internal analysis based on our in-house nature scorecard to inform the engagements. This scorecard mirrors the structure of our climate scorecard and focuses on governance, strategy, risk management and accounting, metrics and targets, and transparency across 16 indicators.

The application of our scorecard has resulted in a score of roughly 10% of total available points for both companies, showing how the measurement and management of nature loss is still at an early stage. The analysis is supporting our work with the NA100 coalitions to establish engagement objectives and communicate these with the companies. Current identified engagement priorities focus on TNFD-aligned reporting, executive incentives and setting of sector-specific nature-related targets.

6. Engaging with issuers to drive outcomes continued

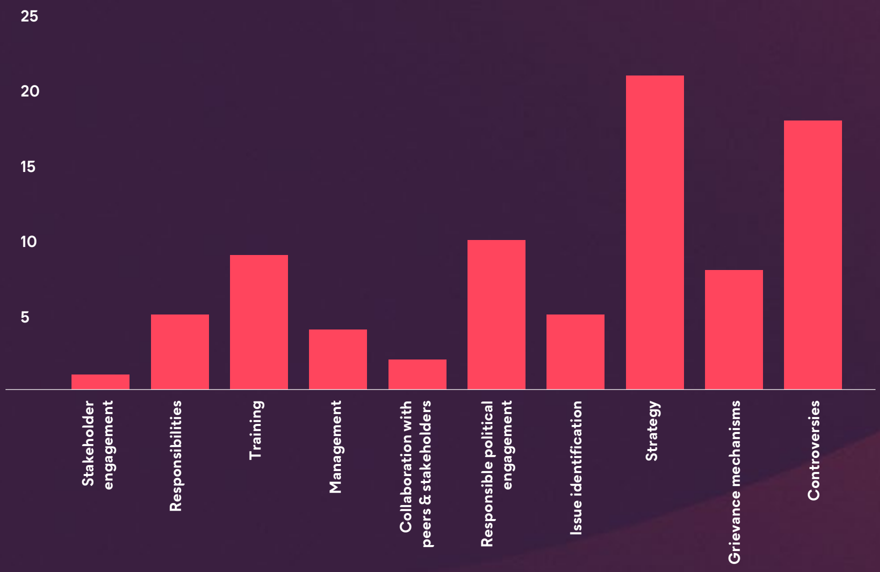
Collaborating with other investors on human rights

In 2024, we continued our engagement activities within the PRI's Advance initiative, leading the coalitions focused on two utility companies and actively participating in groups in dialogue with three other mining companies and one utility company.

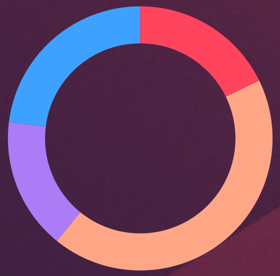
For this engagement programme, we set tailored objectives for all six companies in alignment with our internal human rights scorecard and Advance goals. In 2024, we met with all six companies through nine meetings with investor relations and human rights representatives.

At the end of 2024, we analysed the overall progress of the engagement activities against our defined goals. We have assessed that around 61% of all objectives have been either achieved or partially achieved, and 16% are covered by a company commitment to be addressed in the future.

Overview of engagement objectives on human rights



Progress on objectives by engaged companies



Met	18%
Partially achieved	43%
Committed	16%
Not achieved	23%

Notes on the charts: It should be noted that some objectives are easier to achieve than others. Given the tailored nature of each company engagement plan, direct comparisons cannot be drawn in most cases.

Methodology: Based on our internal human rights scorecard aligned with the UNGPs, we identified gaps in companies' human rights policies and strategies, governance, due diligence and access to remedy and translated those into actionable engagement objectives. These objectives are designed to be within the operational control of the company and deemed to be achievable within the three-year horizon of the engagement programme. A company is assessed as having achieved an objective when evidence is available in the public domain. Commitments related to objectives can either be made in the public domain or in private dialogue with investors. Once objectives are marked as achieved, they are still continually assessed to ensure the company does not roll back on its progress and that the objective still represents best practice. Objectives are assessed as partially achieved when the company has provided public information showing progress, although areas for improvement or completion remain.

6. Engaging with issuers to drive outcomes continued

Collaborating with other investors on human rights continued

Engaging on community impacts in Colombia

Direct

Investor:
Phoenix Asset Management

Asset class:
Listed equity and fixed income

Issuer:
Enel SpA

Sector:
Utilities

Country:
Italy

ESG issues addressed:
Human and labour rights

Context and actions

In 2024, we met with representatives of Enel's investor relations and sustainability teams in the context of the Advance initiative to discuss the company's operations in Colombia. In the meeting, we covered the topic of indigenous peoples and community engagement in two projects in Colombia: Windpeshi in La Guajira and El Quimbo in La Huila.

For the Windpeshi project, Enel stated that it carried out consultation processes in the area in accordance with the company's human rights policy and the Colombian Government's requirements. Nevertheless, the project has been suspended due to the lack of on-the-ground conditions to guarantee a timely construction. Constructive work related to the fulfilment of social and environmental commitments were maintained and Enel continued to engage with communities and stakeholders to address the implications of the project suspension.

For El Quimbo, Enel has been engaging with local communities on their relocation. As this project started before the launch of the UNGP, the company's due diligence happened following the Created Shared Value ('CSV') model and related plans. The families impacted by the project were offered the opportunity to choose between the sale of their land or relocation. For families who chose relocation, Enel ensured solutions which guaranteed the continuity of livelihoods as before the start of the project, mostly in agriculture and livestock.

Outcomes

We will continue engaging with Enel in 2025 to encourage responsible exit and remediation activities, including:

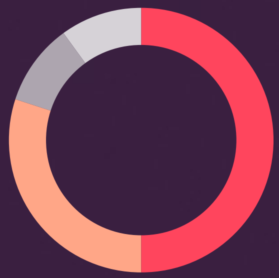
- adequate and timely delivery of compensation and relocation plans to address concerns from affected stakeholders;
- independent verification of different impact reports to validate results and progress towards set objectives and targets; and
- responsible exit from La Guajira, including continuation of any infrastructure plans started as part of the wind farm project.

6. Engaging with issuers to drive outcomes continued

Acting on corporate controversies

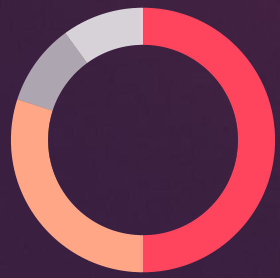
In 2024, we continued with our efforts to engage with companies with financial exposure in shareholder assets and significant exposure in policyholder assets that have been screened against breaches of the UNGC principles.

Overview of sector of target list – UNGC controversies



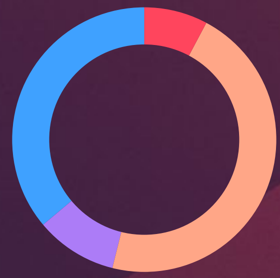
Energy	50%
Materials	30%
Information technology	10%
Consumer discretionary	10%

Type of controversies in our engagement focus list



Environment	50%
Human rights	30%
Labour rights	10%
Anti-corruption	10%

Progress on objectives by engaged companies



Met	8%
Partially achieved	46%
Committed	10%
Not achieved	36%

This year, besides engaging collaboratively with other investors through a third-party platform, we also engaged directly with companies on a range of issues identified.

In October 2024, using our consensus methodology with data from two service providers, we reviewed our target list of companies. The list currently consists of ten companies across the consumer discretionary, information technology, materials and energy sectors.

Using publicly available information and data from third-party providers, we conducted in-depth research on companies on our target list that are linked to different types of controversies.

The majority were related to environment and human rights issues in addition to labour rights and bribery and corruption. From this research, we set tailored engagement objectives to be discussed with each company within a three-year engagement cycle.

At the end of 2024, we completed an analysis of progress against our engagement objectives for this thematic programme. We have assessed that around 54% of all objectives have been either achieved or partially achieved, and 10% are covered by a company commitment to be addressed in the future.

Notes on the chart: It should be noted that some objectives are easier to achieve than others. Given the tailored nature of each company engagement plan, direct comparisons cannot be drawn in most cases.

Methodology: Based on our internal UNGC controversies scorecard, we identified gaps in a company's remediation and prevention practices and translated those into actionable engagement objectives. These objectives are within the operational control of the company and deemed to be achievable within the three-year horizon of the engagement programme. A company is assessed as meeting the criteria of the scorecard when evidence is available in the public domain. Indicators evaluate whether the company acknowledges and reports on the controversy (-ies) identified by third-party service providers and progress against remedial actions the company has been committed to, as well as activities the company has put in place to prevent the recurrence of the issue.

6. Engaging with issuers to drive outcomes continued
Acting on corporate controversies continued

Promoting remediations after dam failures in Brazil

Direct

Investor:
Phoenix Asset Management

Asset class:
Listed equity and fixed income

Issuer:
Vale

Sector:
Materials

Country:
Brazil

ESG issues addressed:
Human and labour rights, natural resource use/impact

Context and actions

During 2024 we met with Vale to discuss the company's remediation activities linked to the dam ruptures in Mariana and Brumadinho in Brazil in 2015 and 2019 respectively.

In relation to the accident in Mariana, we discussed efforts to improve the water quality of the Doce River and housing solutions provided to people affected by the mudslide. The company stated that water quality parameters were restored to previous levels with the water now being drinkable after regular treatment according to local standards. In addition, the company provided 80% of housing solutions agreed, and the remaining 20% will be finished by 2025. The debates continue regarding the water quality standards expected from remediation activities, levels of satisfaction among communities about the housing provided and entitlements to compensation.

On Brumadinho, we discussed dam characteristics to mitigate risks of future ruptures. A decharacterisation[32] programme has covered 17 out of 30 dam structures and the remainder will be ready by 2035. We also recommended that the dam structures are verified by an independent party to ensure they are safe in the future, and Vale confirmed its plans to reduce reliance on dams in 85% of its operations as a measure to reduce risks and improve the mining process.

In addition, Vale discussed the results from its human rights due diligence covering its entire operation. The company carried out more in-depth human rights assessments at facility level and developed action and mitigation plans for each. In Brazil, the company identified contractor working conditions, infrastructure and facility management, property security, workplace and sexual harassment, discrimination, and diversity and inclusion as the most significant issues.

32 Decharacterisation is the process of eliminating a dam's function of retaining tailings and water.

Outcomes

We will continue engaging with Vale in 2025 to follow up on remediation activities in Brazil, including:
- adequate and timely delivery of compensation plans to address concerns from affected stakeholders, particularly around aspects of eligibility for compensation and satisfaction from water quality and housing quality initiatives;
- independent verification of projects on water quality, housing, requalification of dams and progress towards set objectives and targets; and
- more information on the results of localised human rights assessments and mitigation plans, as well as progress against any targets/objectives set.

6. Engaging with issuers to drive outcomes continued

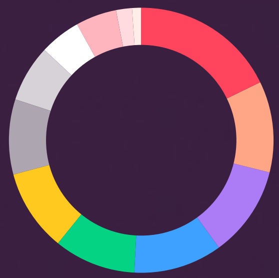
Engagement with issuers by our asset managers

Through the assessment of ESG data from our strategic and critical asset management partners, in 2024 we were able to confirm previous trends. In particular, our managers are broadly aligned with our definition of engagement as dialogue focused on influencing and shaping issuers' performance, although one of those preferred to specify that its primary goal of dialogue is not asking companies to change but rather collecting information to improve their understanding of companies' practices. All the managers have continued to provide evidence of tracking systems available to both investment and ESG teams. They also involve investment teams in dialogue with companies and consider insights from engagements in investment decisions. We also noticed that, while our managers apply centralised policies and frameworks on stewardship, they allow for flexibility on how to adapt practices across asset classes.

As in previous years, we also asked all asset management partners who are managing our customers' strategies in listed equity and credit markets (16 in total), to share quantitative information on the engagement dialogue they had with investees on our behalf in the last 12 months.

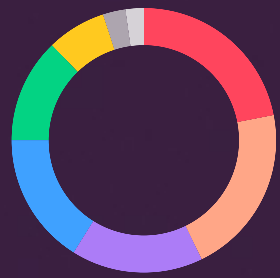
In 2024, our managers had more than 5,650 meetings with more than 2,500 investees across sectors and geographies on our behalf and in relation to the assets they managed for us.

Sector distribution of engaged companies



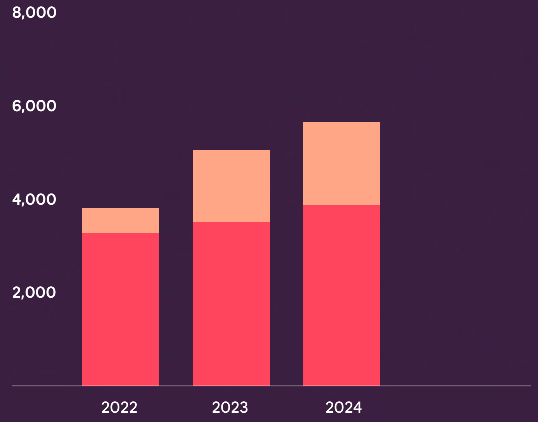
Financials	18%
Information technology	11%
Industrials	11%
Consumer discretionary	11%
Consumer staples	10%
Materials	10%
Real estate	9%
Utilities	7%
Energy	5%
Communication services	5%
Healthcare	2%
Government	1%

Regional distribution of engaged companies



USA	22%
Developed Asia (except Japan)	21%
Emerging and frontier markets	16%
Europe (except UK)	16%
UK	13%
Japan	7%
Australia and New Zealand	3%
Canada	2%

Overview of engagement meetings reported by our asset managers



- Strategic and critical asset management partners (approximately 90% of assets with an IMA)
- Medium and below asset management partners

This reflects an overall increase of 12% compared to 2023, driven largely by a 17% increase in meetings by our 'medium and below' asset management partners (compared to a 10% increase in meetings by our strategic and critical asset management partners).

The total number of companies engaged grew by 50%, driven by a 60% increase in companies engaged by our strategic and critical asset management partners. This suggests that our strategic and critical asset management partners engaged with a higher number of companies this year, but across fewer meetings per company than last year.

Overall, 29% of all the meetings reported to us had associated engagement objectives tracked in our managers' reporting systems. This is a moderate decline from 41% in 2023. However, 65% of those meetings were associated with progress against the objectives we have set, which is a significant increase from 31% in 2023. This year, our managers also reported on escalation strategies adopted for 14% of engagement meetings, compared to 5% in 2023.

6. Engaging with issuers to drive outcomes continued

Engagement with issuers by our asset managers continued

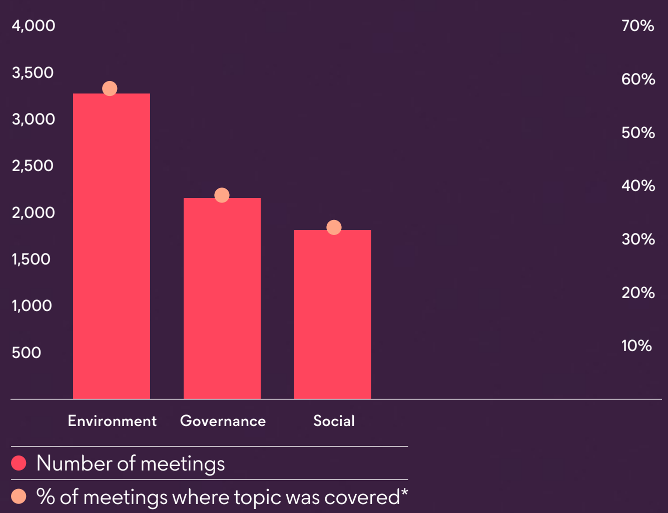
We also recorded that almost half of the meetings happened with a c-suite representative, a chair or a board member[33].

We are dedicated to keeping an open dialogue with our managers to continue to improve coverage of these important performance indicators. In 2025, we will encourage further improvements in their engagement activity and in their reporting coverage.

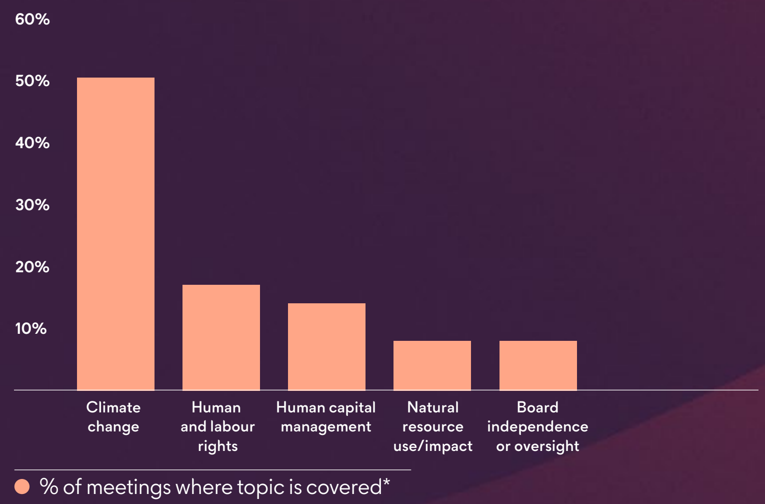
In 2024, environmental issues were the most discussed, with 58% of meetings addressing the topic (vs.47% in 2023). Governance and social issues were also commonly discussed, being part of 38% and 32% of meeting topics, respectively.

In 2024, our asset management partners engaged on climate change with issuers in our portfolios more than on any other ESG topic we monitor. We assessed that our managers have engaged with 1,873 companies held in our investment strategies, representing more than 41% of financed emissions from high-emitting sectors in our listed equity and corporate fixed income portfolios as of year end. We are delighted to see this is a 74% increase from last year, where our asset management partners had engaged with 1,078 companies on the topic.

ESG issues covered in engagement meetings



Top 5 most popular topics covered by our asset managers in engagement meetings



* Managers may cover multiple topics in a meeting, so these percentages are calculated by dividing the number of meetings where the topic was covered by the total number of meetings held by the manager. Consequently, the percentages do not add up to 100.

Conversations on climate change engagements have been regularly included in agendas of meetings with managers throughout 2024. For concrete examples of these delegated engagements, see 'Calling for more transparent climate policy engagement' on page 74, 'Encouraging decarbonisation in the food sector' on page 77, and 'Incentivising climate impact through clear performance objectives' on page 78.

In addition to these statistics, the case studies[34] in the next pages show how asset management partners have engaged individually and collaboratively with companies across asset classes, regions, sectors and topics.

33 This is in reference to meetings for which the information on individuals met was tracked.
34 Issues/issuers selected for illustrative purposes only to demonstrate the investment management style described herein and not as an investment recommendation or indication of future performance.

6. Engaging with issuers to drive outcomes continued
Engagement with issuers by our asset managers continued

Collaborating with other investors

Collaborative engagements can be an efficient strategy to channel investors' concerns to issuers. However, coordination and preparation by coalitions are essential to ensure high-quality dialogue.

See page 41 of our **2023 Stewardship Report**, which explains in more detail our criteria to select collaborations to join

We also expect our asset management partners to join efforts with peers to share market views on material ESG issues within existing regulations. Nevertheless, in 2024 we noticed a shift in the attitude of some of our managers to certain types of collaborations.

Six of our AMPs decided to leave CA100+, citing political and legal pressures in the USA in addition to increased in-house resources on climate stewardship as the main reasons for their departures. We engaged with these managers individually to get a better understanding of their rationale and reiterate our support for collaborative engagement efforts and our expectations for high-quality engagement dialogue with companies on climate change risks and opportunities. Currently, 63% of our managers in listed markets are members of CA100+ (down from 90% in 2023). In 2025, we plan to work with other asset owners to call for a strong asset managers' commitment to maintain effective stewardship and collaboration on climate change.

On the other hand, in 2024 two additional AMPs decided to join Advance, the PRI collaborative engagement programme focused on human rights, bringing the percentage of our managers active in this initiative to 53%. Equally, 53% of managers are also signatories of the collaborative initiative focused on nature risks and opportunities, NA100.

More information on our participation in collaborations and that of our asset management partners is included in the:

- Meta Platforms case study (JHI) on page 75
- Nestlé case study (BNPPAM) on page 77
- Hindalco case study (L&G) on page 84
- National Grid case study (Phoenix) on page 63
- Veolia case study (Phoenix) on page 64
- RWE case study (Phoenix) on page 64
- Enel case study (Phoenix) on page 67

See also **appendix 4** on page 102 for a list of collaborative initiatives we supported in 2024

More information on the use of escalation strategies is included in:

- LVMH case study (Aberdeen) on page 73
- Nippon Steel case study (L&G) on page 74
- Hindalco case study (L&G) on page 84
- Deutsche Bank case study (L&G) on page 85

Using escalation strategies

When improvements by investees do not materialise despite several engagement efforts, we consider forms of escalation.

We expect our asset management partners to be prepared to take similar actions for engagements conducted on our behalf such as collaborating with other shareholders, voting against management, presenting an AGM statement, issuing a public statement, decreasing exposure and ultimately divesting the holdings.

In 2024, we confirmed that all strategic and critical managers are open to the form of escalation that we encourage them to take and provided evidence of some of these strategies through case studies. While systematic quantification on the use of escalation remains low, we are pleased to see that our asset management partners reported against this metric for 16% of delegated engagements, compared to only 5% in 2023.

6. Engaging with issuers to drive outcomes continued

Engagement with issuers by our asset managers continued

Encouraging improved monitoring of human rights violations in the supply chain

Delegated

Asset management partner:
Aberdeen Investments

Asset class:
Listed equity

Issuer:
LVMH Moët Hennessy Louis Vuitton SE

Sector:
Consumer discretionary

Country:
France

ESG issues addressed:
Human and labour rights

Context and actions

LVMH is a French luxury goods company that controls around 60 global subsidiaries. In 2024, an Italian court found that one of these subsidiaries, Dior, had used a supplier which had been involved in human rights abuses against employees. There are currently several ongoing investigations in Italy related to this issue.

In light of this, Aberdeen engaged with LVMH to understand how it happened. The dialogue focused on what the company can do to prevent similar events happening in the future and ensure that the human rights of workers are protected throughout its supply chain. Following the meeting, Aberdeen wrote a letter to the chair of the LVMH's Sustainability Committee outlining some of its requests and suggestions as to how LVMH can improve its supply chain oversight and relevant disclosure to increase transparency for its clients.

Outcomes

- LVMH has since ended its relationship with the supplier and developed a supply chain action plan to improve its audit and detection processes in the future. More details on these improvements will be available in upcoming 2025 corporate reporting. Aberdeen will monitor the company's progress through this additional disclosure.
- LVMH contacted its suppliers to remind them of the group code of conduct.
- LVMH continues to engage with the Italian authorities to identify solutions which can improve oversight of textile working conditions in Italy.

6. Engaging with issuers to drive outcomes continued

Engagement with issuers by our asset managers continued

Calling for more transparent climate policy engagement

Delegated

Asset management partner:
L&G – Asset management division ('L&G')

Asset class:
Listed equity

Issuer:
Nippon Steel Corp

Sector:
Materials

Country:
Japan

ESG issues addressed:
Climate change

Context and actions

Nippon Steel, a major Japanese steel maker, lags behind its peers on climate policy engagement disclosures. In 2022, InfluenceMap named it as one of the most influential companies blocking climate policy action globally. Since 2022, under its global climate engagement programme, L&G has expected companies to disclose their climate-related lobbying activities, including trade association memberships, and explain the action they will take if the lobbying activities of these associations are not in line with the Paris Agreement.

Nippon Steel has failed to meet this 'red line'. L&G has been engaging with the company on this topic for several years, both individually and collaboratively with other investors. Despite several meetings, the disclosures provided so far have not met L&G's expectations.

Given the significant role that Nippon has in influencing Japanese policy, the manager co-filed, together with the Australasian Centre for Corporate Responsibility ('ACCR'), a shareholder proposal asking the company to disclose annually decarbonisation-related policy positions and lobbying activities, including its own direct lobbying and industry association memberships, review these for alignment with the company's goal of carbon neutrality by 2050 and explain the actions it will take if activities are misaligned.

Outcomes

- The shareholder resolution, filed at the June 2024 AGM, achieved 27.98% support, sending a strong message to the company's board that investors expect greater transparency on climate-related policy engagement activity. This was also one of the highest levels of support recorded for a climate-related shareholder resolution in Japan.
- 2024 was pivotal for Japan as the country is scheduled to update its key climate and energy policies. The choices made will determine the direction of its mid-term decarbonisation strategy.
- L&G will continue engaging with the company to address investors' concerns and enhance accountability and transparency of its efforts to influence these policies as they take shape.

6. Engaging with issuers to drive outcomes continued

Engagement with issuers by our asset managers continued

Engaging on data safety and privacy issues in social media

Delegated

Asset management partner:
Janus Henderson Investors ('JHI')

Asset class:
Listed equity

Issuer:
Meta Platforms

Sector:
Information technology

Country:
USA

ESG issues addressed:
Risk management, public health

Context and actions

Meta has been the subject of several controversies on data safety and privacy, youth mental health and protection, human rights and content moderation (including misinformation and disinformation). These controversies exposed the company to increased regulatory, reputational, legal and financial risks amid evolving global regulations on data privacy and consumer protection (including the EU General Data Protection Regulation and UK Online Safety Act).
The issue of child health and safety on social media is also gaining significant public and regulatory attention worldwide (including the US Kids Online Safety Act and Australia's under-16 social media ban).

In 2024, JHI engaged with the company both individually and collaboratively with other investors to foster an ongoing two-way dialogue on the company's practices concerning privacy and data security, content moderation, youth protection and responsible use of AI.

Outcomes

- Meta has made a series of improvements around safeguarding younger users, including introducing additional tools for increased parental oversight. More recently the company has expanded the roll-out of teen accounts that come with more restricted settings by default.
- Nevertheless, new concerns continue to arise such as the recently announced changes to content moderation standards. The new 'community notes' system, using inputs from users rather than relying on external moderators, could potentially lead to an increase in controversies and additional pressure for regulation. Recognising the complex and enduring nature of these issues, JHI plans to continue to engage with the company on the topic.
- Meta's AGM saw several shareholder proposals addressing social issues, including one focused on child safety, illustrating there is wider shareholder concern on the company's performance on these topics.

6. Engaging with issuers to drive outcomes continued

Engagement with issuers by our asset managers continued

Encouraging improvements on addressing deforestation risks in the supply chain

Delegated

Asset management partner:
Janus Henderson Investors ('JHI')

Asset class:
Listed equity

Issuer:
Home Depot

Sector:
Consumer discretionary

Country:
USA

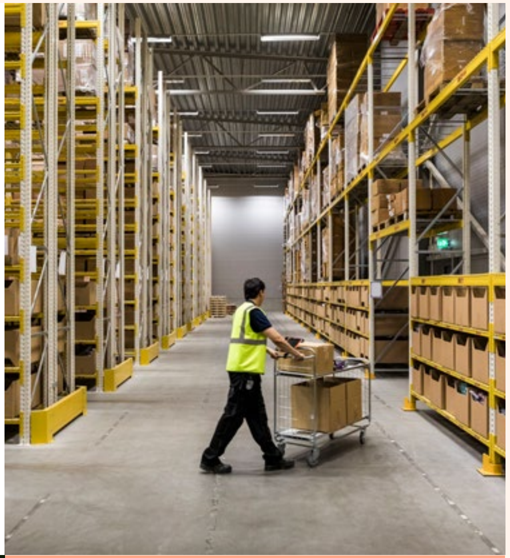
ESG issues addressed:
Natural resources use and impact

Context and actions

As mentioned in our 2023 and 2022 Stewardship Reports, JHI has been engaging with Home Depot on the topic of deforestation since the company received a majority vote in favour of a shareholder proposal to report on efforts to eliminate deforestation in the supply chain in 2022. Whilst the company's overall ESG rating was high, we identified timber sourcing as an area where improvements could be made. We consider there to be business advantages for companies adopting higher standards to align with increasingly environmentally conscious consumers. Following the proposal, JHI contacted Home Depot's management to discuss the proposal and highlight areas for improvement.

Over 2023 and 2024 significant improvements were made across reporting including the company's own Forestry Report and participation in key external initiatives such as CDP Forests[35]. The company also committed to expand deforestation risk-based monitoring of its supply chain.

35 CDP Forests is a reporting system run by the Carbon Disclosure Initiative to support companies, cities, and other organisations to measure and report their environmental impact on forests.



Outcomes

- In 2024, the company received another shareholder proposal requesting disclosure on biodiversity impact and dependency assessments. JHI investment teams largely voted against the proposal on the basis that the company had significantly enhanced its wood sourcing and biodiversity disclosures.
- The company's current ratings in industry benchmarking studies, such as Forest 500 and CDP Forests, highlight a number of potential areas for further improvement.
- JHI has continued to monitor Home Depot's progress on this topic and plans to re-engage the company in 2025 on disclosure, supply chain coverage and target setting as part of a broader deforestation thematic engagement programme.

6. Engaging with issuers to drive outcomes continued

Engagement with issuers by our asset managers continued

Encouraging decarbonisation in the food sector

Delegated

Asset management partner:
BNP Paribas Asset Management ('BNPPAM')

Asset class:
Listed equity

Issuer:
Nestlé S.A.

Sector:
Consumer staples

Country:
Switzerland

ESG issues addressed:
Climate change

Context and actions

For several years, BNPPAM has been engaging with Nestlé, the world's largest food manufacturer, as a co-lead of a CA100+ investor coalition. The purpose of the engagement is to secure the company's transition to a net zero business model by 2050 given its significant footprint through direct operations and the supply chain. The Net Zero Company Benchmark ('NZCB') published each year by the CA100+ initiative tracks companies' approach and progress towards climate goals based on agreed international standards and informs the manager's annual engagement objectives with Nestlé.

In 2024, BNPPAM engaged regularly with the company following the CA100+ cycle, experiencing good access to corporate management and open discussions.

Outcomes

- The latest NZCB showed that Nestlé had improved its score on three metrics, which reflected several requests made during engagements with BNPPAM. Specifically, as disclosed in its 2024 Creating Shared Value and Sustainability Report, the company stopped calculating and presenting its emissions reductions against a 2018 baseline vs a 'business as usual' scenario. Instead, it began disclosing relative contribution of each decarbonisation lever to annual total emissions reduction and added a fourth metric on emissions reductions to its LTIP with a 20% weighting.
- Nestlé also substantially improved its disclosure on climate lobbying in its updated Climate Policy Engagement report, which InfluenceMap scored 64%, up from 36% in 2023.
- BNPPAM will continue to engage with the company, focusing on further reporting of emissions and use of carbon offsets/nature-based solutions, enhanced transparency on key levers of its climate strategy and the use of internal carbon pricing.

6. Engaging with issuers to drive outcomes continued

Engagement with issuers by our asset managers continued

Incentivising climate impact through clear performance objectives

Delegated

Asset management partner:
ETF Partners

Asset class:
Private equity

Issuer:
Open Cosmos

Sector:
Information technology

Country:
UK

ESG issues addressed:
Climate change

Context and actions

A lack of data is a significant barrier to identifying negative impacts of climate change. Open Cosmos helps bridge this data gap and provides analytics tools (using its own high precision satellites) to help companies improve their understanding of how to address climate risks. ETF Partners identified Open Cosmos as an innovative and disruptive solution provider, enabling a wider range of companies and environmental decision makers to gather data and build predictions.

The private equity manager invests exclusively in impactful companies that provide climate solutions through their products and services.

In alignment with this approach, ETF Partners and the company defined a set of key performance indicators ('KPIs') for measuring positive impact over the time. The engagement with the company began at the beginning of the due diligence phase, with multiple discussions between the ETF Partners investment team and the founding leadership team of Open Cosmos.

The number of impact applications on DataCosmos, the company's data platform, has been identified as a relevant KPI to monitor as an indication of positive impact on the environment. Examples of impact applications are using the data to predict where fires are most likely to start or to predict flood impacts. ETF set a target of three up-and-running operational impact applications launched on DataCosmos as an initial milestone for the company to achieve. The manager worked with the company to build its data team and create partnerships with IT consultancies.

Outcomes

- At the time of investment, there were zero up-and-running operational impact applications launched, but by working with the company, the target of three was achieved within the first two years.
- Following achievement of the initial milestone, ETF Partners will continue to work with the company to maximise data collection and operational impact applications on the platform.

Integration and stewardship

7

Exercising our investor rights

Voting is a key tool in the investors' stewardship toolkit. As a large asset owner, we carefully monitor our asset manager partners' voting activities and foster discussions with them on the results of our analysis. Over 2024, we welcomed greater alignment with our Global Voting Principles by some of our strategic and critical managers, which demonstrated the value of our partnerships.

Kalina Lazarova
Governance and Voting Lead

UK Stewardship Code and its principles

Throughout this document we measure activities against the UK Stewardship Code and its 12 principles. The principles relevant for this section are listed below:

- **Principle 6**
- **Principle 8**
- **Principle 9**
- **Principle 11**
- **Principle 12**

See appendix 1 on **pages 99 and 100** for more information

2024 achievements

- Conducted a review of voting activities by selected asset management partners for an expanded list of 300 companies.
- Engaged with asset management partners to reduce voting misalignment in the future.
- Refined our voting vision for 2025.
- Onboarded a service provider for threshold notification services.

Key future priorities

- Expand voting practices beyond testing towards directing votes at key companies in selected strategies.
- Continue dialogue with asset management partners on identified misalignment.
- Develop our voting strategy beyond 2025.

7. Exercising our investor rights continued

Testing our Global Voting Principles

Exercising shareholders' rights through voting is an essential element of the stewardship toolkit available to investors.

We expect asset management partners to:
- exercise voting rights on our behalf through the application of their customised proxy voting policy which is regularly updated and monitored to reflect clients' views; and
- track systematically and report regularly on their voting activities including use of proxy advisers, votes against management, topics addressed by voting, support of ESG shareholder resolutions and voting rationales relating to Phoenix's Group's assets.

Phoenix Group and our asset managers do not allow our customers to vote in segregated and pooled funds and, in 2024, all voting activities were conducted by our asset management partners.

Our **Global Voting Principles** articulate high-level beliefs and expectations of corporate management. They are reviewed annually and are accessible through our website. Although we are not involved in voting decisions directly[36], the principles serve as a robust framework to both guide our voting intentions in the future and assess our managers' voting policies and approaches.

36 With the exception of a small number of execution-only funds.
37 Those companies were selected based on relevance for our thematic engagements and/or financial exposure.

Addressing voting inconsistencies among five asset management partners

In 2024, we continued testing our Principles in a synthetic environment in collaboration with a selected proxy voting adviser who supported us with voting recommendations based on our underlying voting implementation instructions. The synthetic vote testing applied to all resolutions at the shareholder meetings of an expanded universe of 300 companies (from 100 companies in 2023)[37]. We asked five asset management partners who manage passive and enhanced index segregated mandates for us to share their voting records on an ex-post basis for selected portfolios. We commissioned external research by an investment consultant to undertake an analysis of our synthetic voting record and the votes cast by our managers at the companies they held.

The objective was to build a picture of the level and areas of inconsistency between the voting activity of each manager and our position and their evolution over time.

The analysis revealed that:
- We had a different view from at least one of the five managers in most of the meetings analysed;
- the most common areas of misalignment with our asset management partners remained the same as in 2023: environment resolutions (including shareholder and management proposals), director elections and executive remuneration; and
- we saw a relatively strong alignment with three of our managers and lower alignment with the other two.

We shared the outcomes of the vote-testing analysis with our managers and engaged with them on the specific areas of inconsistency through dedicated discussions. We welcomed our managers' formal reflections on our feedback, which included commitments to change aspects of their voting policies for 2025 and detailed explanations where changes were not possible.

Two managers decided to refine their approach to voting on director elections based on our input. Overall, we assessed that three of the five managers were taking steps that would align their voting approach with our expectations more closely, with a fourth manager investing significantly in tools that may support alignment in the future.

7. Exercising our investor rights continued

Our plans for 2025

We continue to progress on our journey towards decreasing voting inconsistencies across strategies. In 2025, we will continue our synthetic vote testing for a universe of 300 companies to collect data on evolving voting patterns across a larger number of markets and sectors. We will, once again, share the insights of the analysis and address ongoing inconsistencies with our asset management partners.

In 2025, we will expand our voting practices beyond testing and monitoring towards directing votes with one asset management partner at key companies in selected strategies[38]. This will be possible as, in 2024, we have onboarded a new service provider to monitor and produce holding threshold notifications across the globe.

Recalling shares for voting purposes

Our asset management partners monitor where a loan position affects an upcoming shareholder meeting. When we and our asset management partners judge a vote to be particularly controversial or strongly linked to preserving the long-term value of the holding, the asset management partners can request to recall the stock out on loan for voting purposes within 24 hours. In 2024, we have not recalled any stocks for reasons linked to voting.

Gradual implementation process

2022
Publish a voting policy to share with asset management partners and be used as a framework to assess their voting practices.

2023
Test the voting policy in a synthetic environment for the meetings of 100 focus companies and engage with asset managers on insights.

2024
Test the voting policy in a synthetic environment for the meetings of 300 companies and engage with asset managers on insights.

2025
Direct voting for focus list companies in selected segregated mandates. Continue to monitor our asset managers' votes in selected strategies through synthetic voting.

Beyond
Consider directing or in-sourcing voting in selected segregated mandates alongside monitoring our asset managers' votes in active strategies and collective funds.

38 Equity strategies with approved FCA's SDR Sustainability Improvers™ labels.

7. Exercising our investor rights continued

Our managers' voting practices

From the analysis we conducted on our strategic and critical asset managers in 2024, we have assessed that:

- some of our managers applied the same votes across all funds, while others allowed split votes across their investment teams;
- all managers held regular dialogue with clients to discuss voting policies and positions but only some applied a formal consultation process;
- all managers shared information on voting records, some of them daily and others at least quarterly. The majority also disclosed rationales for voting against management;
- all managers engaged with companies in advance of AGMs to collect additional insights in case of a possible vote against management;
- one of our managers declared some vote intentions ahead of meetings, to draw the attention of the market, clients and other companies to a particular issue, resolution or outcome; and
- only one manager filed resolutions in 2024, one related to issues concerning health, four related to employee living wages and one related to lobbying activities on climate change.

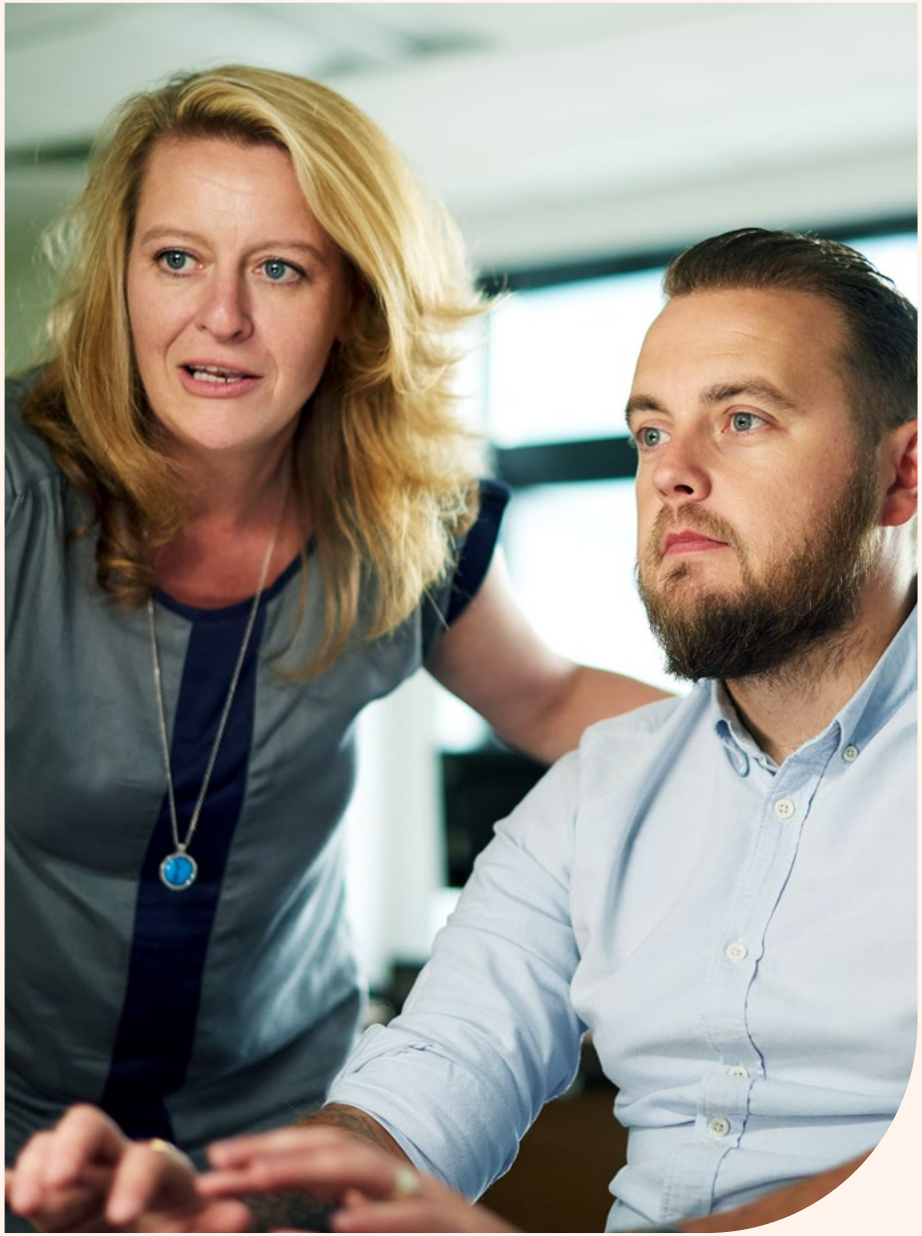
As shared in previous reports and as part of our monitoring of shares and voting rights held, in 2024 we asked 14 of our asset management partners invested in listed equities to share quantitative information with us on the voting activities they conducted on our behalf in 2024 (see appendix 2 on page 101). From the analysis, we have assessed that:

- a consistent high percentage of votes have been cast on our behalf out of the total eligible (i.e. between 93 and 100%). Reasons for the small percentage of ballots which were not voted on are typically related to share blocking or power of attorney issues;
- levels of support for corporate management across different topics remained relatively consistent across asset managers; and
- the most common reasons cited for voting against management included board independence, overboarding[39], and diversity, misalignment between executive pay and performance, poor disclosure on remuneration, and dilutive capitalisation requests.

The case studies in this section provide examples of how asset management partners have engaged with companies to inform their voting decisions and reflect on the quality of the progress made towards their recommendations[40].

We make voting records available to our customers through our websites:

- **Standard Life**
- **ReAssure**
- **Phoenix Life**



39 Overboarding is where directors take on too many board roles to be effective.
40 Issue/issuers selected for illustrative purposes only to demonstrate the investment management style described herein and not as an investment recommendation or indication of future performance.

7. Exercising our investor rights continued

Our managers' voting practices continued

Encouraging improvements on sustainability-related risk and opportunities

Delegated

Asset management partner:
BlackRock ('BR')

Voting policy override:
No

Asset class:
Listed equity

Issuer:
Barclays PLC

Sector:
Financials

Country:
United Kingdom

ESG Issues addressed:
Climate change, Board effectiveness

Significant vote for the manager:
No

Context and actions

Barclays is a bank providing retail, investment, and wealth management services. BlackRock has engaged regularly with Barclays for several years on its approach to material sustainability-related risks and opportunities and corporate governance.

At the 2022 AGM, a management proposal on the company's climate strategy, targets and progress received 80% of investor support.

BlackRock has continued to engage with Barclays' board, executive and sustainability teams to further understand its approach to managing climate-related risks and opportunities, including its disclosures. The manager believes the bank has demonstrated a robust approach to developing, implementing and disclosing its plans to support a transition to a low carbon economy.

In 2024, the manager met with several representatives of the executive management team who provided an update on the company's climate strategy, its sustainability governance framework, how it is supporting clients' transition, and the levers it employs to manage financed emissions. BlackRock also engaged with Barclays' chair to improve understanding of the board and executive team composition, the execution of its corporate strategy in light of macroeconomic and geopolitical developments at the time, and its approach to climate-related risks and opportunities.

Specifically, Barclays shared more information on how it is considering board refreshment, with a focus on relevant industry experience, its financial performance, and its efforts to improve its climate-related disclosures.

Outcomes

- At the May 2024 AGM, BlackRock supported management's recommendations on all items. All proposals received over 90% support from investors.
- The manager plans to continue to engage with Barclays on the execution of its stated corporate strategy, climate strategy and transparency.

7. Exercising our investor rights continued
Our managers' voting practices continued

Incentivising progress on decarbonisation efforts through voting

Delegated

Asset management partner:
L&G – Asset management division ('L&G')

Voting policy override:
No

Asset class:
Listed equity

Issuer:
Hindalco Industries Ltd

Sector:
Materials

Country:
India

ESG issues addressed:
Climate change

Significant vote for the manager:
Yes

Context and actions

Hindalco is an integrated aluminium producer and copper manufacturer based in India, one of the top carbon-emitting countries globally. L&G has therefore identified the company as a 'dial mover' under its Climate Impact Pledge, the manager's global climate engagement programme. L&G has also been engaging with Hindalco collaboratively as a co-lead through the NZEI since its launch in 2023.

Having signed the International Aluminium Institute ('IAI') initiative in 2023, Hindalco committed to disclosing a transition plan by the end of 2024, outlining how it intends to meet its decarbonisation commitments. In the recently disclosed 2023/24 integrated annual report, there were some positive steps, for example a double materiality risk assessment that shows greenhouse gas management as a top risk.

Disclosure of a forward-looking, coherent and quantified transition plan remained absent, however, thus falling short of L&G's expectations. As a result, at the 2023 AGM, L&G voted against the re-election of the chair as an escalation measure.

Despite three engagement meetings and multiple emails, the company's plans to develop existing disclosure into a coherent transition plan remain unclear. Hindalco has also delayed its short-term Scope 1 and 2 emissions intensity reduction target from 2025 to 2027.

Outcomes

- Hindalco did not give shareholders the opportunity to opine or vote on the transition plan at its 2024 AGM.
- In addition to voting against the re-election of the chair at Hindalco's 2024 AGM, L&G also pre-declared its vote intention to raise the profile of the issue.
- The manager has recently engaged with the Chief Sustainability Officer of Aditya Birla (the parent company) to further share expectations and encourage more active engagement from the company.
- L&G will continue to meet with the company and monitor its progress against its engagement objectives.

7. Exercising our investor rights continued
Our managers' voting practices continued

Aligning remuneration to long-term performance

Delegated

Asset management partner:
L&G – Asset management division ('L&G')

Voting policy override:
Yes

Asset class:
Listed equity

Issuer:
Deutsche Bank AG

Sector:
Financials

Country:
Germany

ESG issues addressed:
Remuneration

Significant vote for the manager:
Yes

Context and actions

As a leading global bank, Deutsche Bank's approach to remuneration is significant to set the tone for remuneration in the sector, both nationally and internationally. L&G has been engaging with the company since 2019, as share incentive awards were permitted to vest for below median relative performance, and the manager believes executive remuneration should be aligned with performance and with the long-term interest of shareholders. As such, reward for underperforming a company's chosen peer group or benchmark was not considered appropriate.

As part of the engagement, L&G participated in a remuneration consultation with the company's chair in 2020. At the company's 2022 AGM, the manager was unable to vote in favour of the remuneration report because it failed its 'pay for performance' hurdle. L&G subsequently met with the company to explain its expectations and the rationale for not supporting the remuneration report. While some improvements were made to its remuneration practices and disclosures, L&G was still unable to vote in favour at the 2023 AGM because of a lack of demonstrable alignment between the vesting of pay rewards and long-term performance. Nevertheless, L&G notes year-on-year improvements in the transparency and structure of pay awards. The vote against the company at its AGMs led to detailed and valuable engagements, enabling the manager to explain its expectations and understand the company's position.

Outcomes

- The company committed to evolve its remuneration structures to ensure that, from 2024, all long-term incentive awards are measured over a three-year period and do not allow for vesting of incentive awards for below median relative performance.
- As a result of the changes made to the remuneration structure, L&G voted in favour of the company's remuneration report at its 2024 AGM. The remuneration report received 86.8% of votes in favour.
- Following the significant progress by the company on the engagement objectives, L&G now considers the engagement complete, but it will continue to monitor the company's future adherence to this enhanced remuneration approach.

7. Exercising our investor rights continued

Our managers' voting practices continued

Filling sectorial pay gaps to attract and retain talent

Delegated

Asset management partner:
Invesco

Voting policy override:
No

Asset class:
Listed equity

Issuer:
London Stock Exchange Group ('LSEG')

Sector:
Financials

Country:
UK

ESG issues addressed:
Remuneration

Significant vote for the manager:
No

Context and actions

Invesco engaged with LSEG, the primary stock exchange in the UK, to gain better insights into the board's remuneration philosophy and proposal. The manager was concerned that the CEO's remuneration package was significant and unusual for the UK market and wanted to discuss the topic ahead of voting on the proposed remuneration policy at the 2024 AGM.

Invesco engaged directly with the chair of the Remuneration Committee and a non-executive member of the board. The discussion focused on the pay gap in the industry and talent retention, given recent departures of senior executives from the company. LSEG reiterated the strength of its retention culture and highlighted that the proposed remuneration changes would position it advantageously against global peers to attract and retain talent, which is key for its transformation goal to become a data-driven organisation.

Regarding the issue of the recurring revenue gap versus USA peers, the company acknowledged that some peers have higher recurring revenues or growth, which was a key concern as it includes several USA companies in its compensation peer group. From dialogue, it became evident that LSEG is striving to reach the median of the global peer set, as it is currently at the lower end. Invesco was also pleased to learn that the new incentive plans extend beyond just top executives and the LTIP.

Outcomes

- Overall, Invesco was satisfied by the board's responses to its concerns about retention and culture, elevating the pay across the company to a competitive but not excessive peer level, and transforming the business into a high-performing technology company.
- As a result, Invesco voted for the approval of the new remuneration policy, which received 89% shareholder support at the 2024 AGM.

7. Exercising our investor rights continued

Exercising other voting rights

In addition to exercising rights through voting in listed equity strategies, we expect our managers to make full use of investor rights in other asset classes too. This includes seeking amendments when reviewing prospectuses and transaction documents in listed fixed income assets or taking board seats (where practicable) and shaping terms and conditions in indentures, contracts and covenants in private markets. To complement legal expertise in investment teams, we expect our managers to access in-house legal counsels as well as third-party legal counsels, if deemed necessary, to review documentation and propose amendments to achieve the best outcomes for their clients.

The case study in this section provides an example of how we worked with an asset manager to structure private market sustainability-linked loans. Chapter 4 provides further case studies showing how our managers have used other investor rights in private assets.

Continuing to support a borrower's progress on climate change

Delegated

Asset management partner:
Barings

Asset class:
Real estate

Issuer:
The Brewery, a retail and leisure park in Romford (Borrower)

Sector:
Real estate

Country:
UK

ESG issues addressed:
Climate change, human rights

Context and actions

As mentioned in the Phoenix Group 2023 Stewardship Report, Barings and Phoenix Group structured a sustainability-linked loan for the Brewery allowing for the loan margin to be reduced if established ESG targets were met. Since then, the borrower has met all the set targets qualifying for margin reduction and has been expanding the scope of ESG initiatives to focus on social value. Ongoing engagement with the borrower demonstrated the value of offering sustainability-linked loans to deliver meaningful outcomes.

The facility agreement established key targets focused on enhancing the property's Energy Performance Certificate ('EPC') coverage and rating, maintaining Building Research Establishment Environmental Assessment Methodology ('BREEAM') certification, and directing capital expenditure toward ESG-related initiatives. A notable requirement was that within the first three years of the financing, the borrower had to ensure at least 75% of the assets achieved an EPC rating of C or better.

Outcomes

- Barings has continued to monitor the borrower's performance against the established ESG targets on an ongoing basis. As at the end of 2024, the borrower provided evidence of meeting its ESG targets, confirming that 92% of units have achieved an EPC rating of C or above and agreed sustainability-related capital expenditure has been implemented on KPIs including LED lighting, 24 EV charging stations and a photovoltaic ('PV') system expected to produce 240,000 kWh and roof replacement works to improve the energy efficiency. BREEAM certification has been renewed achieving Very Good rating. Following satisfaction of the agreed targets, the loan margin stepdown occurred in Q1 2025.
- Although the facility agreement focused on energy performance, the borrower has also implemented social initiatives as part of charity partnerships. The Brewery Romford Shopping Centre teamed up with Lennox Children's Cancer Fund to help those in need with a Giving Tree. Shoppers had the opportunity to select a tag on the tree, purchasing a thoughtful gift and bringing joy to the child named. Lennox Children's Cancer Fund workers collected and wrapped each gift and delivered them to the recipients in time for Christmas in 2024.

Our partners

Working with our partners is essential to achieve our business and sustainability ambitions

The effective selection, appointment and monitoring of asset managers and service providers is essential to meet the needs of our customers and shareholders.

In this section

Our partners

8

Working with asset managers and service providers

Our partnership with asset managers is key to deliver against our customers' and shareholders' expectations on long-term value creation. This is why we conduct ongoing assessments and discuss regularly with our managers their practices on ESG integration and stewardship. This precious two-way dialogue allows us and our managers to continue enhancing our approach to sustainable investing.

James Mitchell
Head of Strategic Partnerships

Reena Malharkar
Head of Manager Research and Selection - Policyholder Investment Office

UK Stewardship Code and its principles

Throughout this document we measure activities against the UK Stewardship Code and its 12 principles. The principles relevant for this section are listed below:

- **Principle 2**
- **Principle 6**
- **Principle 7**
- **Principle 8**
- **Principle 12**

See appendix 1 on **pages 99 and 100** for more information

2024 achievements

- Updated our ESG assessment framework and assessed 14 asset management partners.
- Engaged with EFL managers which are not signatories to the PRI.
- Applied our monitoring framework for ESG service providers.
- Engaged with asset management partners on their responses to the Asset Owner Diversity Charter.
- Refined our supplier risk management and oversight approach.
- Initiated a new process on the use of consultants.
- Revised our ESG Supplier Standards.

Key future priorities

- Keep updating our ESG assessment framework for managers to reflect evolving practices and expectations across issues and asset classes.
- Expand the application of our monitoring framework to other ESG service providers.

8. Working with asset managers and service providers continued

Assessing the ESG capabilities of our asset management partners

Our asset management partners currently manage 73% of our total AUA with an IMA, the majority through segregated mandates (70%). Our five strategic and critical AMPs are responsible for 91% of our assets managed externally through an investment agreement.

When selecting potential asset management partners, we conduct detailed due diligence covering both investment and ESG assessments at both firm and strategy level. We also have a set of minimum requirements for asset managers to partner with us and enable customer outcomes, which differentiates between public and private market mandates.

For more detail on our process, see pages 67 to 68 of the **2023 Stewardship Report**

Our asset management partners (both strategic and critical, and medium and below) are responsible for the delegated management and the day-to-day investment decisions of our internal insured funds within the parameters we set through IMAs. We are ultimately responsible for and in control of the investment strategy of these funds.

Types of mandates with AMPs

Segregated mandates	70%
Collective vehicles	30%

Distribution of AUA across AMPs

Strategic and critical asset management partners	91%
Medium and below asset management partners	9%

Our minimum requirements for asset management partners[41]

Mandates in public markets

- Be a signatory to the PRI.
- Adopt the 2020 UK Stewardship Code or an equivalent local stewardship code applicable in their jurisdictions.
- Support our net zero strategy and portfolio decarbonisation goals.
- Implement our exclusion policy.

Mandates in private markets

- Be a signatory to the PRI.
- Support our net zero strategy and portfolio decarbonisation goals.
- Implement our exclusion policy.

41 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 a demonstrable commitment to achieve these standards within the agreed timeframe.

8. Working with asset managers and service providers continued
Assessing the ESG capabilities of our asset management partners continued

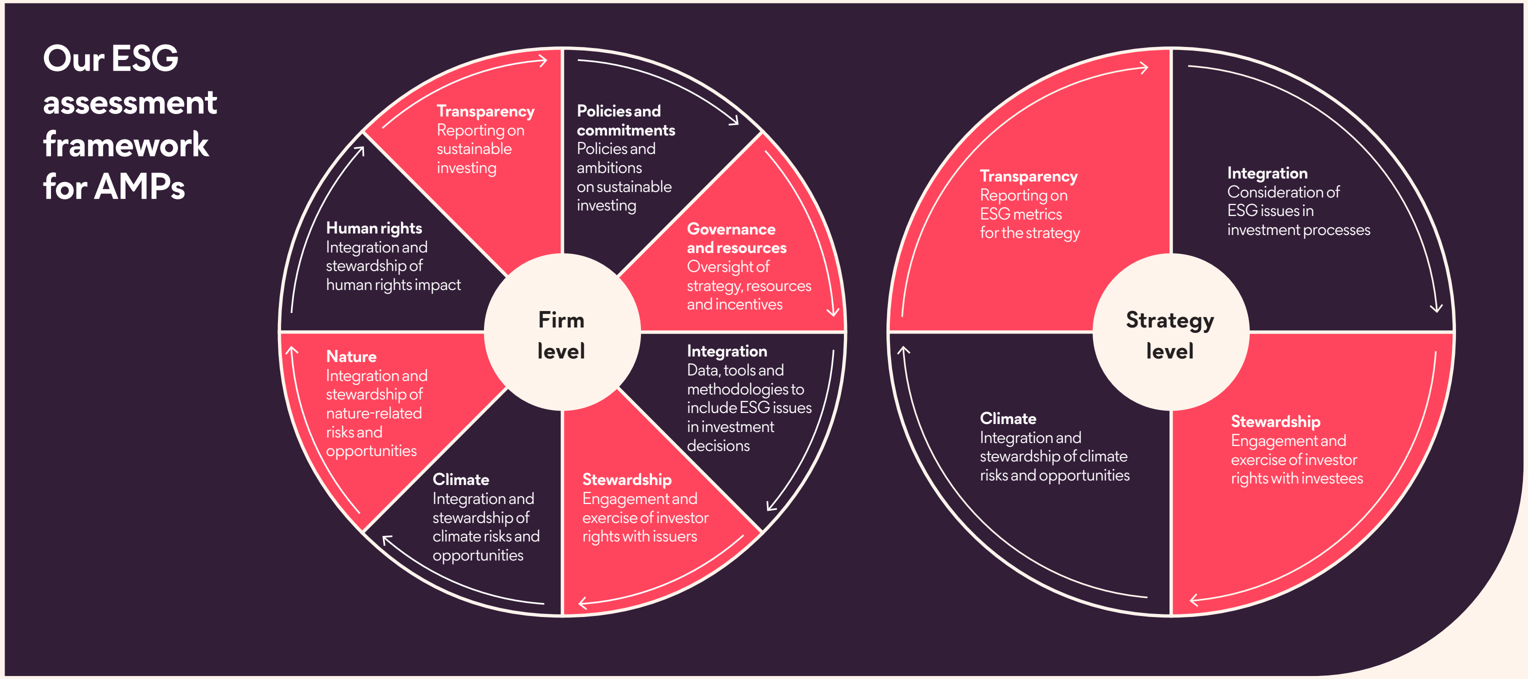
ESG assessments form part of our ongoing manager oversight framework too, through in-depth formal due diligence reviews that focus on all aspects assessed at the selection stage. In case any of our managers fall short of our expectations, we engage with them to put improvements in place within an agreed timeline. Where engagement does not lead to expected outcomes, we follow our internal escalation process which is linked to specific milestones and timeframes.

Our ESG assessment framework for managers is updated annually and combines scores on performance at both firm and strategy level. It relies on questionnaires adapted by asset classes, passive and active investments and public and private markets. In 2024, we assessed 14 managers using our framework including all our strategic and critical AMPs, covering 93% of assets under an IMA.

As at the end of 2024, all our managers were meeting our minimum requirements with the only exception of a manager responsible for private assets strategies acquired from one of our strategic and critical AMPs. We are currently in dialogue with this manager to ensure alignment with our expectations on an agreed timeframe, following the positive example of another manager with whom we engaged in 2024 (see case study 'Supporting progress on ESG integration in private markets' on page 93).

In our 2024 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. While we have noticed that managers are making some progress on integrating data and engaging companies on nature-related issues and human rights, managers have scored lower in these areas.

When looking at our strategic and critical managers' approach to climate change, we received evidence



of central policies, scenario analysis, use of metrics, focused engagement programmes and integration of expectations in voting policies. Some of the managers have also started sector-wide dialogue to complement their engagement with individual companies. On the other hand, not all the managers have set clear portfolio decarbonisation targets.

In relation to the topic of nature, all our strategic and critical managers have started assessing related risks and opportunities by using tools and available data, with more advanced work on deforestation. Our managers are also active in the TNFD and other working groups to promote better assessment and management across the industry, with some already piloting the application of this new reporting framework. Additionally, we noticed efforts to launch thematic engagement programmes either at firm or investment team level, with some joining collaborative efforts such as NA100. Finally, some of our managers are setting clear expectations of companies. However, these are still not fully integrated in voting policies.

With regard to human rights issues, all our strategic and critical managers use screening tools to identify controversies linked to the UNGC principles. This information is often combined with other data points related to human capital management and social risks in the supply chain, which are part of integration systems and inform engagement programmes. Several of our managers have also set up thematic engagement programmes on human rights either at sector or topic level such as diversity, income inequality, human capital management, and human rights and modern slavery. Some of our managers also refer to engaging with NGOs, civil society organisations and labour organisations to exchange views. Less common among managers is a consolidated portfolio analysis supporting targets to decrease risks and the establishment of a grievance mechanism for stakeholders to raise concerns on adverse impacts through investments.

In addition to this regular assessment process, in 2024 our internal Stewardship Team had 65 meetings (compared with 30 in 2023), with AMPs focusing on engagement and voting activities.

During the year, we also continued our work to update, when deemed necessary, existing IMAs following the ESG template created in 2022. As a result, we now have updated agreements in place with five managers and are holding conversations with others identified as a priority.

For more details on our ESG IMA template, refer to page 68 of the **2023 Stewardship Report**

8. Working with asset managers and service providers continued

Assessing the ESG capabilities of our asset management partners continued

Progress against the Asset Owner Diversity Charter

In 2024, we continued our work as signatory of the Asset Owner Diversity Charter ('AODC') by asking all our asset management partners to respond to the annual initiative's questionnaire.

We saw an increase in participation this year, with 41 of our asset managers taking part vs 34 in 2023. As last year, we saw better coverage of information provided in the qualitative section (100% of managers responding) than the quantitative section (71% of responses). Moreover, the average coverage of sufficient data[42] for the quantitative section increased by 36% (from 32% in 2023 to 68% in 2024) with asset managers providing more information on the breakdown of their workforce at different organisational levels.

For the quantitative section, as last year, we were able to provide an analysis at aggregated level only for gender diversity, given the limited information on other metrics. We noticed an improvement in male/female ratios, but this can be attributed to the increase in data coverage rather than actual improvements in representation.

	2023		2024[43]		YoY change female representation
Leadership level	Male	Female	Male	Female	
Board	67%	33%	63%	37%	13%
Executive	74%	26%	71%	28%	8%
Senior management	71%	29%	70%	30%	1%
Front office	69%	31%	64%	31%	0%
New hires	60%	40%	52%	43%	7%

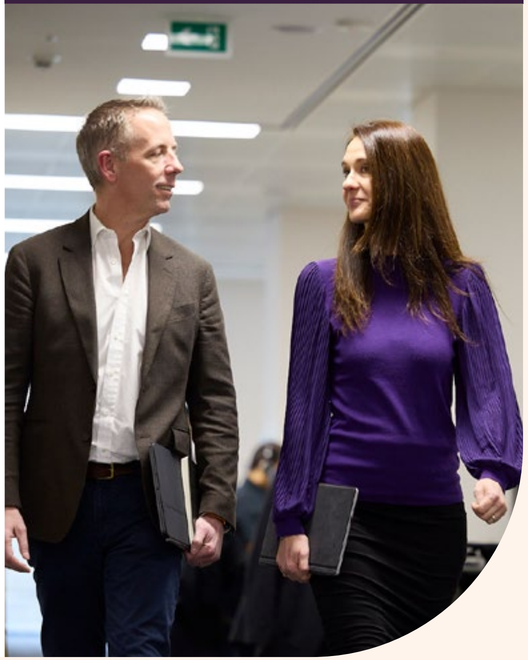
For the qualitative section, we saw a decrease in performance from last year in relation to having a diversity strategy, setting targets and including DEI metrics in senior managers' KPIs. As with the quantitative section, the difference could also be explained by the increase in respondents from the previous year.

	Completion rate (Yes)		
Question	2023	2024	YoY change
Diversity strategy	94%	90%	-4%
Diversity targets	76%	61%	-15%
Include DEI metrics in senior management KPIs	79%	73%	-4%
Gender Pay Gap Report	65%	76%	11%
Ethnicity Pay Gap Report	32%	39%	7%

42 Sufficient data coverage is defined as providing quantitative data for at least 10% of the questionnaire. Where partners gave reasons for not providing data, this was considered as not sufficiently covered.
43 Where percentages do not add up to 100%, this is due to some numbers being reported under the categories non-binary, other, or not disclosed.

Next steps:

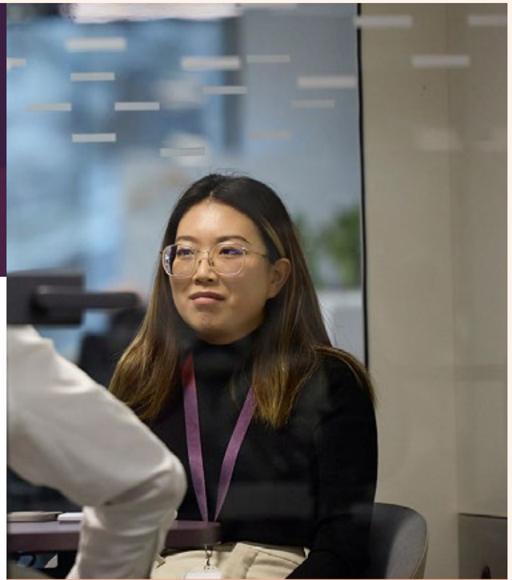
In the future we will focus on:
- continuing our dialogue with asset managers to understand any gaps in data and information;
- gathering information through the questionnaire to assess trends better and inform any priority areas for action; and
- defining potential changes and improvements to the questionnaire as part of our participation in the steering committee of the AODC.



8. Working with asset managers and service providers continued

Assessing the ESG capabilities of our asset management partners continued

Supporting progress on ESG integration in private markets



Context and actions

As part of our annual assessment of asset management partners, in 2023 we identified one private asset manager that was not meeting our minimum requirement of being a signatory to the PRI. As a result, we issued a side letter requiring they sign up to the initiative within one year.

In early 2024, we were pleased to see that the asset manager had become a signatory, and we scheduled a meeting to understand more about its approach to integration and stewardship.

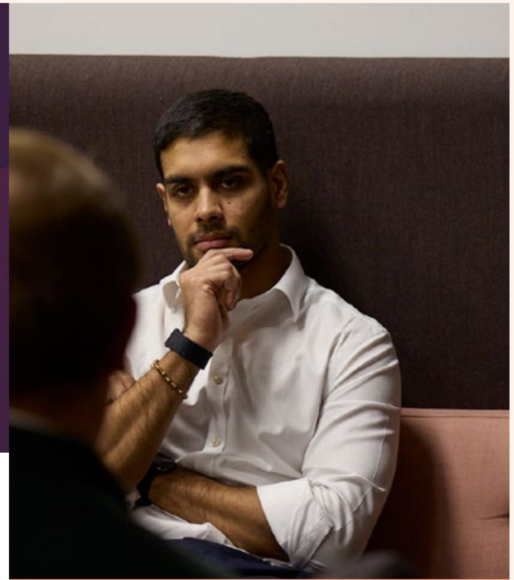
During the meeting, the manager highlighted its advanced approach to impact measurement and collaboration with investee companies to influence ESG performance. The manager invests exclusively in companies providing climate innovation technologies and develops impact KPIs linked to the commercial and financial success of each business in the pre-investment stage. Monitoring against those KPIs occurs regularly throughout the investment period and it forms continuous dialogue with corporate management. The asset manager operates an impact-linked scheme, whereby the bespoke KPI for each investee company is linked to the carried interest[44] for the funds.

Outcomes and next steps

- The manager became a signatory to the PRI in line with our minimum requirements and agreed to leverage resources made available by the PRI platform for private market managers.
- From dialogue with representatives of the manager, it became clear that despite not being a signatory to the PRI the prior year, the asset manager has an advanced approach to ESG integration and stewardship.

44 Carried interest is a share of the profits of an investment paid to the investment manager in excess of the amount that the manager contributes to the partnership in private equity.

Incentivising progress against sustainable investment expectations of an asset manager



Context and actions

As mentioned in our 2022 and 2023 Stewardship Reports (see pages 40 and 71 respectively), we have been engaging with one of our strategic and critical asset management partners for a couple of years after identifying, through our regular ESG monitoring process, areas for improvements on ESG commitments, integration and stewardship.

In our 2024 assessment, we were pleased to see progress on several areas and agreed with the manager on key remaining milestones for the next 12 months.

Outcomes and next steps

- Key improvements from the asset manager relate to enhancing its ESG investment policy, consolidating governance and oversight on sustainable investing, increasing ESG investment resources, developing an ESG data management tool and launching a centralised engagement tracking system.
- We will continue encouraging the manager to increase the number of third-party data points integrated in internal systems, develop internal ESG scoring and set portfolio decarbonisation targets.

8. Working with asset managers and service providers continued

Assessing ESG performance of other managers

We assess the sustainable investment standards of managers for most assets in EFLs through a combination of tailored due diligence processes, third-party assessments and ratings.

Additionally, we track whether managers are signatories to the PRI and invite them through private letters to sign up to the initiative.

In 2023, there were seven EFL managers listed on our platforms that were not signatories to the PRI. Of those, three are no longer on our platform and the remaining four are still not members. In 2024, we identified an additional seven new EFL managers that are not PRI signatories and sent them a formal communication as part of our annual review. We will continue to monitor progress against our request by the EFL managers in our watch list.

We also make available to our customers, through our dedicated client websites, the list of EFL managers that are PRI members, which account for over 95.2% of all EFL managers listed across Phoenix Group platforms.

EFL managers manage collective funds in liquid assets that can be distributed publicly to customers through our products. These funds are managed by external asset management groups with whom we do not have IMAs and where Phoenix Group typically has no control over the way these funds are run.

As in previous years, Standard Life conducted the annual ESG assessment of all its 25 EFL managers within the unit-linked propositions, evaluating their approach to sustainable investments.

The ESG questionnaire, simplified for EFL managers, follows broadly the same structure and content used for asset management partners. In 2024, it was updated to improve assessments on SDR labelling, diversity, net zero commitments and TCFD.

From the data collected, we have seen some improvements on the managers' decarbonisation approach and alignment with TCFD. For example, the results show that 92% of managers (compared to 78% in 2023) are continuing to make a commitment to net zero. Five managers stated that they did not offer funds aligned to net zero. Nature is still the weakest scoring area for most managers.

On the other hand, most managers scored highly on offering funds with SDR labels.

Key insights on EFL managers

96%
(vs 91% in 2023) are signatories to the UK Stewardship Code, or an equivalent regional code

96%
(vs 87% in 2023) have a climate change policy or strategy

96%
(vs 83% in 2023) have a human rights policy or strategy

100%
(vs 96% in 2023) have a diversity and inclusion policy

8. Working with asset managers and service providers continued

Finding asset management partners for new strategies

In 2024, we conducted due diligence to select new asset management partners. We completed assessments for these managers based on our ESG framework.

We analysed the investment and ESG credentials of four asset managers for an allocation in private markets for unit-linked managed funds of DC customers. The manager selected demonstrated alignment with our risks and returns objectives and positive performance on ESG commitments, policies and integration processes. We committed to work in partnership to ensure application of our exclusions, portfolio decarbonisation goals and stewardship for the assets which will be managed on our behalf.

45 Phoenix Group signed the Mansion House Compact in 2023. The Compact is an expression of intent on a voluntary basis to take action to achieve better outcomes for UK long-term savers including the commitment: 1) to increase the proportion of UK pension and other relevant assets, including DC default funds, invested in unlisted equities; 2) to the objective to allocate at least 5% of DC default funds to unlisted equities by 2030 in a way that is consistent with the requirement to act in the best interests of our savers.

Our commitment to boost our investments in private markets

UK pension savers are often under saving for retirement, with assets being invested not benefiting from the return and diversification benefits provided by private markets.

To resolve this issue, the UK pension and retirement market has committed to moving portfolios away from the traditional 60/40 split, between equity and debt, by introducing an allocation of at least 5% to private markets, aiming to increase this by the early 2030s to levels between 10%–30%, akin to international peers.

Phoenix Group and Schroders founded FGC to meet our Mansion House Compact commitments[45]. Through this joint venture, we aim to unlock access to private market investment opportunities for UK DC pension schemes and contribute to solving the current UK pension crisis.

FGC will target investments in private equity, infrastructure equity, direct lending, real estate debt, venture capital, and infrastructure debt. Phoenix Group has an initial £1 billion commitment with FGC to be drawn by Q2 2026.

For direct investments, FGC integrates ESG issues through negative exclusions aligned with our policy and positive tilts towards companies with strong ESG credentials. The due diligence process is also conducted by the identification of material ESG risks and opportunities supported by scorecards and engagement plans. Once investments are approved, the monitoring phase also includes:

- side letter clauses: legal documentation (General Partners ('GPs'), suppliers, etc) to strengthen commitments and ensure minimum safeguards;
- engagement: interaction with GPs, investees, industry stakeholders, as relevant to optimise sustainable and investment value creation; and
- monitoring and reporting: including KPIs, in line with policy and regulatory requirements.

With externally managed assets, FGC has a four-pillar ESG assessment framework for managers. These are:

- leadership: commitments and leadership on ESG issues;
- management: ability to identify and manage ESG risks and opportunities;
- investment process: management of ESG issues throughout the investment life cycle; and
- reporting: measurement and disclosure of ESG performance.

5%
of DC default funds committed to unlisted equities by 2030

£1bn
committed to private market investments through our joint venture

8. Working with asset managers and service providers continued

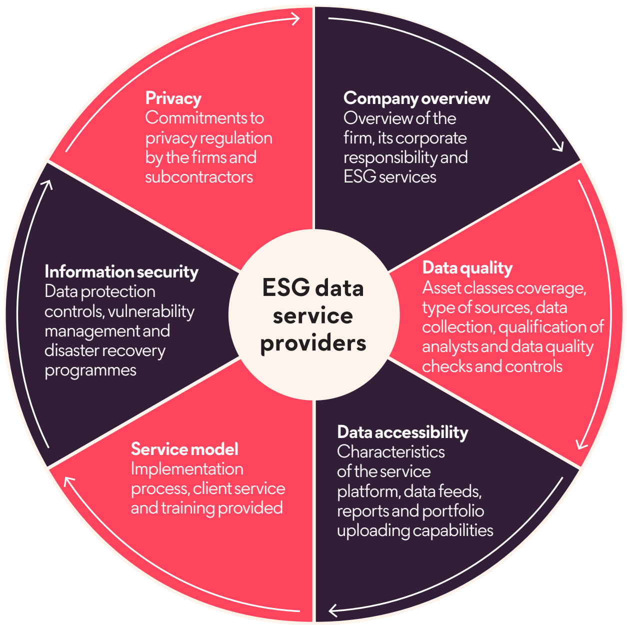
Monitoring ESG service providers

In 2024, we did not launch additional Requests for Proposal ('RFP') for the provision of ESG data as we are already relying on the services of four ESG data providers. Nevertheless, we progressed on the application of our ESG assessment framework for ESG service providers to assess whether the quality of services provided to us is aligned with our expectations. The framework builds on six pillars.

In 2024, we used our framework to assess the performance of an ESG data third-party appointed in 2022 to provide ESG metrics, screenings and ratings on investee companies. To complete our analysis, we asked the service provider to fill in a questionnaire, established a scoring mechanism and organised a follow-up meeting to clarify any pending questions. The analysis focused on capability and innovation, quality and format of data, technology and system processes and client service. As a result, we noted that the service provider has shown data quality improvements and a high quality of customer support. We also took the opportunity to encourage the firm to provide greater quality over assessment methodologies and more accurate mapping of coal revenue data.

For more information on how we use ESG service providers, see page 23 of our **2023 Stewardship Report**

Our ESG assessment framework for service providers



Beyond the ESG space and as anticipated in our 2023 Stewardship Report, in 2024 the Group Procurement and Partner Management Team carried out an extensive review of its consulting and advisory supplier base. An RFP process was carried out to select a smaller group of suppliers with specialisms across five core project types. This resulted in a Preferred Supplier List ('PSL') for all consulting and advisory services being implemented.

The PSL has rationalised our supply base and will reduce fragmentation of supply, leading to streamlined processes for engaging with third-party consultants and advisers across Phoenix Group. Better governance of suppliers has been established, which includes a regular meeting cadence and – as a minimum per PSL provider – an annual formal business review meeting.

Collectively engaging with service providers on human rights data

In 2024, we joined the Investor Initiative on Human Rights Data ('II-HRD') to continue our efforts to review social data and indicators available from our major ESG providers. This collaborative initiative aims to improve the quality of corporate human rights data available to investors to support their stewardship and voting activities. The II-HRD has three high-level objectives:

1. Improve data via third-party providers, with a focus on efforts to implement human rights due diligence and policy level commitments to respect human rights.
2. Increase availability of data points through proxy advisers' voting policies and advice.
3. Generate industry-wide alignment on the principles of assessing the presence of and response to corporate 'norms breaches'.

In 2024, Phoenix Group actively participated in activities under the first objective, leading on the dialogue with a service provider and supporting three others. During this period, the groups met with all data providers at least once and conducted a gap analysis of human rights metrics available against the II-HRD expectations. In 2025, we will continue working with other investors in this initiative to understand service providers' plans to assess identified gaps and improve their current data offerings.

8. Working with asset managers and service providers continued

Delivering our ESG supplier commitments

The **ESG Supplier Standards** set out the minimum ESG requirements towards which all suppliers are expected to work.

To deliver our commitments to halve the carbon intensity of the supplier base from a baseline year of 2022 by 2030 and achieve a net zero supply chain by 2050, we revised the ESG Supplier Standards in 2024. Suppliers are required to make several climate and social sustainability commitments including the adoption of a carbon reduction goal aligned to best practice and the current scientific consensus. All material suppliers[46] and suppliers with whom our annual spend is expected to be over £1.5 million (inc. VAT) are subject to enhanced due diligence. Suppliers operating below the monetary threshold will be monitored through targeted sampling.

In 2024, we undertook an exercise to improve the underlying primary data sources and emission factors that feed into the calculation of our supplier base's carbon emissions. This has allowed us to set a baseline year of 2022 for our supplier base's decarbonisation targets. We are now also able to disclose suppliers' Scope 3 emissions data with greater accuracy and report on the progress made towards our target of reducing the carbon intensity of our supplier base by 50% by 2030. We are pleased to report a 21% decrease in the absolute emissions of our supplier base from the baseline year. During 2024, we undertook our first climate risk assessment of physical and transitional risks across the material supplier population.

During 2024, Phoenix Group has taken steps to increase the visibility of human rights and modern slavery risks across the supplier base by engaging an independent third party to conduct modern slavery and human rights assessments. The assessment provided valuable insights as to which categories of spend have a higher potential for human rights risks to exist. We further enhanced the assessment by conducting an audit of the material suppliers in higher risk categories. This output will drive further engagements with some suppliers in 2025.

46 Material suppliers are suppliers that are strategic or critical to Phoenix Group's operations.

Appendices

Appendices continued
Appendix 1 – The UK Stewardship Code principles and corresponding content in this report

	UK Stewardship Code	Chapter number	Chapters and most relevant sections	Page
Principle 1	Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society	1	Our purpose and strategy (Entire chapter)	8–16
		–	Foreword statements	2–3
Principle 2	Signatories' governance, resources and incentives support stewardship	2	Our governance, policies and resources (Entire chapter)	17–22
		8	Working with asset managers and service providers 'Monitoring ESG service providers'	96
		1	Our purpose and strategy 'Our business' (section describing asset managers we work with)	12
Principle 3	Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first	2	Our governance, policies and resources 'Managing conflicts of interest'	22
Principle 4	Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system	3	Addressing market-wide and systemic risks (Entire chapter)	23–32
		6	Engaging with issuers to drive outcomes (Entire chapter)	58–78
Principle 5	Signatories review their policies, assure their processes and assess the effectiveness of their activities	2	Our governance, policies and resources 'Our policies to guide our sustainable investment and stewardship ambitions'	19
			'Ensuring that this report is fair, balanced and understandable'	19
Principle 6	Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them	4	Communicating with our customers (Entire chapter)	33–39
		1	Our purpose and strategy 'Our business' (section describing our customer base)	11
		8	Working with asset managers and service providers (Entire chapter)	89–97
		6	Engaging with issuers to drive outcomes 'Engagement with issuers by our asset managers'	70–78
		7	Exercising our investor rights 'Testing our Global Voting Principles'	80
			'Addressing voting inconsistencies among five asset management partners'	80–81
Principle 7	Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities	5	Integrating ESG issues into investment decisions (Entire chapter)	41–57
		8	Working with asset managers and service providers (Entire chapter)	89–97
		1	Our purpose and strategy 'Our investment principles'	10
			'Our business'	11–12
			'Our strategic priorities'	13–15

Appendices continued
Appendix 1 – The UK Stewardship Code principles and corresponding content in this report continued

	UK Stewardship Code	Chapter number	Chapters and most relevant sections	Page
Principle 8	Signatories monitor and hold to account managers and/or service providers	8	Working with asset managers and service providers (Entire chapter)	89–97
		6	Engaging with issuers to drive outcomes 'Engaging with issuers by our asset managers'	70–72
		7	Exercising our investor rights 'Testing our Global Voting Principles'	80
			'Addressing voting inconsistencies among five asset management partners'	80–81
			'Our managers' voting practices'	82–87
Principle 9	Signatories engage with issuers to maintain or enhance the value of assets	6	Engaging with issuers to drive outcomes (Entire chapter)	58–78
		7	Exercising our investor rights 'Our managers' voting practices continued' (Various case studies give further examples of issuer engagement)	83–87
Principle 10	Signatories, where necessary, participate in collaborative engagement to influence issuers	6	Engaging with issuers to drive outcomes (Entire chapter)	58–78
		3	Addressing market-wide and systemic risks 'Collaborating with other investors to enhance standards and policymaking'	31–32
		–	Appendices 'Appendix 4 – Industry initiatives focused on ESG issues of which Phoenix Group is a member or supports'	102
Principle 11	Signatories, where necessary, escalate stewardship activities to influence issuers	6	Engaging with issuers to drive outcomes (Entire chapter)	58–78
		7	Exercising our investor rights (Entire chapter)	79–87
Principle 12	Signatories actively exercise their rights and responsibilities	7	Exercising our investor rights (Entire chapter)	79–87
		5	Integrating ESG issues into investment decisions Various case studies provide additional examples of exercising investor rights	49–57
		6	Engaging with issuers to drive outcomes Various case studies provide additional examples of exercising investor rights	63–78
		8	Working with asset managers and service providers 'Incentivising progress against sustainable investment expectations of an asset manager	93
		–	Appendices 'Appendix 2 – Voting statistics by our asset management partners	101

Appendices continued
Appendix 2 – Voting statistics by our asset management partners

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
	Strategic and critical asset managers					Medium and below asset managers									
Number of meetings eligible to vote on for Phoenix Group portfolios	3,526	5,332[47]	426	2,555	211	51	50	44	117	1,750	51	991	57	176	123
Number of proposals eligible to vote on for Phoenix Group portfolios	41,632	52,989	6,744	33,569	3,805	1,116	1,019	928	931	19,510	744	13,562	574	1,822	2,232
% of these proposals considered significant votes for the manager[48]	2%	2%	N/A	N/A	1%	5%	0%	<1%	100%	15%	1%	11%	10%	4%	N/A
% of resolutions voted upon if eligible on Phoenix Group portfolios[49]	98%	99%	99%	100%	100%	98%	100%	98%	100%	93%	100%	97%	100%	96%	100%
% of these resolutions voted with management	86%	81%	97%	94%	98%	98%	100%	81%	89%	85%	98%	88%	90%	90%	96%
% of these resolutions voted against management	13%	19%	2%	6%	2%	2%	0%	19%	11%	15%	2%	12%	10%	2%	2%
Number of companies' net zero plans presented at AGM for which the manager voted on behalf of Phoenix Group	14	11	1	2	7	1	4	1	0	16	N/A	8	2	0	7
Number of net zero plans presented at AGM on which the manager voted with management on behalf of Phoenix Group	2	8	1	2	5	1	4	1	N/A	13	0	8	2	0	7
Number of climate change shareholder resolutions presented at AGM on which the manager voted on behalf of Phoenix Group	98	35	0	117	1	1	0	1	0	28	1	32	2	1	2
% of climate change resolutions the manager supported (voting against management) on behalf of Phoenix Group	23%	83%	0%	30%	0%	0%	N/A	0%	N/A	86%	0%	81%	0%	<1%	0%
Number of other environmental shareholder resolutions presented at AGM on which the manager voted on behalf of Phoenix Group	49	23	1	256	0	0	0	0	0	32	N/A	77	2	2	4
% of these environmental resolutions supported by the manager (voting against management) on behalf of Phoenix Group	37%	52%	0%	23%	0%	N/A	N/A	N/A	N/A	72%	N/A	67%	0%	<1%	0%
Number of social and human rights shareholder resolutions presented at AGM on which the manager voted on behalf of Phoenix Group	214	173	1	333	1	1	0	1	0	142	N/A	162	0	14	30
% of these social and human rights resolutions supported by the manager (voting against management) on behalf of Phoenix Group	44%	67%	0%	35%	0%	0%	N/A	100%	N/A	77%	N/A	69%	N/A	1%	27%
Number of governance shareholder resolutions presented at AGM on which the manager voted on behalf of Phoenix Group	935	1,560	1	586	1	3	1	0	1	370	6	161	3	14	25
% of these governance resolutions the manager supported (voting against management) on behalf of Phoenix Group	14%	78%	0%	32%	0%	0%	0%	N/A	0%	34%	1%	69%	0%	2%	16%

47 Significant increase compared to 2023 reflects changes in the number of securities held in mandates with this manager.
48 When N/A is indicated, the manager is either not applying a definition of significant votes or believes that all votes are significant.
49 We have asked our asset managers to share information on this indicator as a proxy for the proportion of shares voted on our behalf.

Appendices continued

Appendix 3 – Our engagement focus list

1. Amazon.com, Inc.
2. ArcelorMittal SA
3. BASF SE
4. BHP Group Plc
5. BP plc
6. Centrica Plc
7. Chevron Corporation
8. CNAC (HK) Finbridge Co. Ltd.
9. Covestro AG
10. Delta Air Lines, Inc.
11. E.ON SE
12. easyJet PLC
13. EDF
14. Enbridge Inc.
15. Enel SpA
16. Energy Transfer LP
17. Equinor
18. Glencore Plc
19. Mondi Plc
20. National Grid Plc
21. NextEra Energy, Inc.
22. Nippon Steel & Sumitomo Metal Corporation
23. NRG Energy, Inc.
24. Phillips 66
25. POSCO Holdings Inc.
26. Repsol SA
27. Rio Tinto Plc
28. RWE AG
29. Shell Plc
30. Starbucks Corporation
31. The Southern Company
32. Total SE
33. Tui AG
34. UltraTech Cement
35. Vale SA
36. Veolia Environnement SA
37. Volkswagen Aktiengesellschaft
38. Yara International ASA

Appendix 4 – Industry initiatives focused on ESG issues of which Phoenix Group is a member or supports

1. ABI Board Sub-Committee on Climate Change
2. Asset Owner Diversity Charter
3. Carbon Disclosure Project
4. Climate Action 100+
5. Coalition for Private Investment in Conservation
6. Deforestation-Free Finance Initiative Working Group
7. DWP Taskforce on Social Factors
8. FAIRR
9. FCA Vote Reporting Group
10. Finance for Biodiversity Pledge
11. Glasgow Financial Alliance for Net Zero
12. Green Finance Institute
13. Institutional Investors Group on Climate Change
14. International Corporate Governance Network
15. Investor Forum
16. Investor Initiative on Human Rights Data
17. Make My Money Matter
18. Net-Zero Asset Owner Alliance
19. Partnership for Carbon Accounting Financials
20. Pension and Lifetime Savings Association
21. Principles for Responsible Investment
22. Race to Net Zero campaign
23. Scottish Taskforce for Green and Sustainable Financial Services
24. Task Force on Climate-related Financial Disclosures
25. Taskforce on Nature-related Financial Disclosures
26. Transition Pathway Initiative
27. UK Sustainable Investment and Finance Association
28. UK Transition Plan Taskforce

Appendices continued
Appendix 5 – Glossary

Absolute financed emissions (tCO_2e)
Defined as the investment portfolio's fair share of emissions of investee companies, calculated using the PCAF methodology as described in The Global GHG Accounting and Reporting Standard – Financed Emissions 2nd Edition (2022) insofar as possible. For further details please see the 'Investments metrics framework' section in the Sustainability review section of our Annual Report and Accounts.

Advance
A collaborative engagement initiative on human rights and social issues coordinated by the Principles for Responsible Investment initiative.

Annual General Meeting ('AGM')
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.

Asset management partner ('AMP')
An external asset manager that manages assets on behalf of Phoenix Group through the execution of an Investment Management Agreement.

Assets under administration ('AUA')
Assets administered by or on behalf of the Group, covering both policyholder funds and shareholder assets. This includes assets recognised in the Group's IFRS consolidated statement of financial position together with certain assets administered by the Group but for which beneficial ownership resides with customers.

Carbon Disclosure Project ('CDP')
Global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts.

Carbon footprint
A carbon footprint is the total greenhouse gas emissions caused by an individual, event, organisation, service, place or product, expressed as carbon dioxide equivalent ('CO_2e').

Climate Action 100+ ('CA100+')
An investor-led initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change.

Climate scenario
A plausible representation of future climate that has been constructed for explicit use in investigating the potential impacts of anthropogenic climate change.

Climate solutions
Economic activities that contribute substantially to climate change mitigation or adaptation. The products or services are either produced sustainably or allow others to do so.

Customised decarbonisation benchmarks
Benchmarks that aim to deliver net zero by 2050 while meeting our customer requirements. These are investment benchmarks that aim to deliver a representative return for the asset class (as measured by the existing market cap benchmarks), but with Group exclusions and a built-in systematic decarbonisation pathway, consistent with achieving net zero by 2050.

Diversity, Equity and Inclusion ('DEI')
A term used to describe policies and programmes that promote the representation and participation of different groups of individuals of different ages, races, ethnicities, abilities, disabilities, genders, religions, cultures and sexual orientations.

Economic emissions intensity (tCO_2e/£m invested)
Expresses portfolio emissions per unit of capital invested, calculated using the PCAF methodology insofar as possible.

Environmental, Social and Governance ('ESG')
Environmental criteria consider how a company performs as a steward of nature and the climate. Social criteria examine how it manages relationships with employees, suppliers, customers and the communities where it operates. Governance deals with a company's leadership, executive pay, audits, internal controls and shareholder rights.

EU Taxonomy
Classification system that provides companies, investors and policymakers with appropriate definitions for which economic activities can be considered environmentally sustainable.

Exploring Natural Capital Opportunities, Risks and Exposure ('ENCORE')
A tool that can help financial institutions assess their dependencies and impacts at a portfolio level. Developed by the ENCORE partnership consisting of Global Canopy, UNEP FI and UNEP-WCMC, ENCORE covers the entire economy and can help financial institutions take their first steps towards understanding their dependencies and impacts on nature.

External Fund Link ('EFL') managers
A large number of managers (also referred to as EFL managers) that typically manage collective funds in liquid assets that can be distributed publicly to customers through our products. These funds, which collectively cover ~20% of our assets under administration, are managed by external asset management partners with which Phoenix Group has no IMAs and therefore no control over the way funds are run. When sustainability is mentioned in the report, it is being discussed in the context of ESG.

External Fund Links ('EFLs')
Collective funds in liquid assets that can be distributed publicly to customers through Phoenix Group's products. These funds are managed by external asset management groups with which we do not have IMAs and we do not have control over the way these funds are run.

Financed emissions
Greenhouse gas emissions that occur as a result of financing, including lending and investment activity. These activities fall within Scope 3, category 15 of the GHG protocol.

Greenhouse gas ('GHG') emissions
GHGs are atmospheric gases that absorb and emit radiation within the thermal infrared range and that contribute to the greenhouse effect and global climate change. They include water vapour, carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), hydrochlorofluorocarbons (HCFCs), ozone (O_3), hydrofluorocarbons (HFCs), and perfluorocarbons (PFCs).

Greenhouse Gas Protocol
Global standard for companies and organisations to measure and manage their GHG emissions.

Appendices continued
Appendix 5 – Glossary continued

Greenwashing
When companies are making sustainability or green claims that aren't factually true. Overstating a commitment to tackle climate change or the positive impact of a company's products, services or operations are examples. Anti-greenwashing involves efforts to uncover unsubstantiated claims that could deceive customers and shareholders.

Institutional Investors Group on Climate Change ('IIGCC')
A European membership body for investor collaboration on climate change. IIGCC members are mainly pension funds and asset managers.

Investment Management Agreement ('IMA')
Legal documents that give investment managers the authority to manage capital on behalf of client investors.

Long-Term Incentive Plan ('LTIP')
The part of an executive's remuneration designed to incentivise long-term value for shareholders through an award of shares with vesting contingent on employment and the satisfaction of stretching performance conditions linked to Group strategy.

Medium and below asset management partners
A subset of asset management partners with smaller mandates, which collectively cover less than 10% of Phoenix Group AUA. Previously called level 2 managers.

Natural capital
The stock of renewable and non-renewable natural resources (e.g. plants, animals, air, water, soils, minerals) that combine to yield a flow of benefits to people.

Nature Action 100 ('NA100')
A global investor engagement initiative, launched at COP15, which aims to drive greater corporate ambition and action on tackling nature loss and biodiversity decline.

Net-Zero Asset Owner Alliance ('NZAOA')
A United Nations-convened, voluntary, non-profit, membership-based initiative that supports asset owners to commit to net-zero by 2050, and issues five-year intermediary targets.

Net zero
A state where no incremental greenhouse gases are added to the atmosphere. Emissions output is balanced with the removal of carbon from the atmosphere.

Net Zero Engagement Initiative ('NZEI')
A new global initiative led by the IIGCC with the goal of supporting investors with aligning their portfolios to the Paris Agreement.

Paris Alignment/Agreement
Goal set by the global Paris climate change deal in 2015 to hold global average temperature increase to 'well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels'.

Partnership for Carbon Accounting Financials ('PCAF')
Global partnership of financial institutions that work together to develop and implement a harmonised approach to assess and disclose the greenhouse gas emissions associated with their loans and investments.

Pension and Lifetime Savings Association ('PLSA')
A trade association for the workplace pension industry, with aims to support the achievement of better retirement savings.

Policyholder assets
Assets linked to the insured products we offer to our customers which account for over 60% of our total assets.

Principles for Responsible Investment ('PRI') 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.

Responsible Investment/Investing
A style of investment that considers ESG factors when deciding where to invest money. At a high level, it's looking at how a company is managing ESG and how that could affect its value over the long term. And, if needed, encouraging the company to do better (see Stewardship below).

Science Based Targets ('SBT')
An emissions reduction target is defined as 'science based' if it is developed in line with the scale of reductions required to keep global warming below 2°C from pre-industrial levels.

Science Based Targets Network ('SBTN')
A network of organisations aiming to support the setting of SBTs on nature by developing methods and resources for companies and investors.

Scope 1, 2 and 3 emissions
Greenhouse gas emissions are categorised into three groups or 'Scopes'. Scope 1 covers direct emissions e.g. use of natural gas, company car vehicle emissions. Scope 2 covers indirect emissions from the generation of purchased electricity, steam and heating. Scope 3 includes 15 other categories of indirect emissions in a company's value chain e.g. business travel and investments.

Shareholder assets
Assets matching liabilities from annuities which collectively account for ~15% of our total assets.

Stewardship
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 (proxy) voting (including filing shareholder resolutions). For other asset classes, engagement is still relevant whereas voting is not. Engagement is a two-way interaction between the investor and investees in relation to corporate business and ESG strategies with the goal of influencing issuers' practices when needed to unlock value.

Strategic and critical asset management partners
Five strategic and critical asset management partners which collectively cover ~66% of Phoenix Group AUA. Previously called level 1 managers.

Appendices continued
Appendix 5 – Glossary continued

Sustainability Disclosure Requirements ('SDR')
The FCA's SDR regime is primarily a product labelling regime, accompanied by entity-level disclosure requirements, a new anti-greenwashing rule, and guidance and ESG marketing requirements. The SDR aims to mitigate greenwashing risks posed by the increase in sustainable funds available in the market. The goal is to ensure that financial products marketed as sustainable have evidence to back up their claims.

Sustainability-linked loan ('SLL')
Types of loan instruments and/or contingent facilities (such as bonding lines, guarantee lines or letters of credit) which incentivise the borrower's achievement of predetermined sustainability performance objectives.

Sustainable Investing
Investment approaches that select and include investments on the basis that they fulfil certain sustainability criteria and/or deliver on specific and measurable sustainability outcomes. Financial returns remain the primary objective.

Sustainable, transition and productive assets
Our definition of sustainable and transition assets are set out in our **Sustainable Finance Classification Framework for Private Markets**. We align with the ABI Investment Delivery Forum's definition of productive assets: Contributing to the real economy, expanding productive capacity, or furthering sustainable growth.

Task Force on Climate-related Financial Disclosures ('TCFD')
The TCFD was created in 2015 by the Financial Stability Board ('FSB'), now incorporated into the International Sustainability Standards Board ('ISSB'), to develop consistent climate-related financial risk disclosures for use by companies in providing information to stakeholders.

Taskforce on Nature-related Financial Disclosures ('TNFD')
A framework for organisations to report and act on evolving nature-related risks, building on the success of the TCFD. The TNFD has developed an integrated assessment process for nature-related risk and opportunity management called Locate, Evaluate, Assess, Prepare ('LEAP') that has also been adapted for financial institutions ('FIs') through LEAP FI.

Total percentage of financed emissions in high-emitting sectors associated with companies for climate engagements conducted by asset management partners in 2024
High-emitting sectors in line with guidance provided by the UN-convened Net-Zero Asset Owner Alliance Protocol.

Total percentage of financed emissions in high-emitting sectors associated with target list of companies for climate engagement
High-emitting sectors in line with guidance provided by the UN-convened Net-Zero Asset Owner Alliance Protocol.

Transition risk
Climate-related risks associated with the transition to a low carbon economy. They include risks related to policy and legal actions, market and economic responses, technology changes and reputational considerations.

UK Stewardship Code
A set of 12 stewardship principles for those investing money on behalf of UK savers and pensioners, and those that support them. The Financial Reporting Council is responsible for developing and reviewing the text of the Code and assessing if an applying organisation can be considered a signatory to the Code.

United Nations Global Compact ('UNGC') Principles
A set of ten corporate principles aligned with international standards on human rights, labour rights, environmental and climate change issues, and anti-bribery and corruption efforts.

United Nations Guiding Principles on Business and Human Rights ('UNGP')
The global framework on business and human rights, which stipulates investors' responsibility for preventing, mitigating and accounting for how they address adverse human rights impacts.

Voting rights/voting behaviours
The exercise of voting rights on management and/or shareholder resolutions to formally express approval (or disapproval) on relevant matters. In practice, this includes taking responsibility for the way votes are cast on topics that management raises, as well as submitting resolutions as a shareholder for other shareholders to vote on.

Appendices continued
Appendix 6 – Cautionary statement

This report is for information purposes only.

The information in this report does not constitute an offer to sell or an invitation to buy securities in Phoenix Group Holdings plc or an invitation or inducement to engage in any other investment activities.

Phoenix

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