

Integrating a responsible approach to your pension investments

Our guide explains how Phoenix Life Limited, trading as Standard Life, approaches incorporating environmental, social and governance (ESG) factors into unit-linked and with-profits investments.

Our guide has been created for people who are familiar with investment terms. If you're unsure of any of the words or descriptions used, you can find out more at [standardlife.co.uk](https://www.standardlife.co.uk)



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What is responsible investment?

Responsible investment (RI) is the practice of incorporating environmental, social and governance (ESG) factors into investment decisions and active stewardship.

ESG issues can take many forms and cover a wide range of topics.

Here are a few of the many examples:

- **Environmental:** climate change, resource depletion, waste, pollution, deforestation, biodiversity loss
- **Social:** human rights, modern slavery, child labour, working conditions, employee relations
- **Governance:** bribery and corruption, executive pay, board diversity and structure, political lobbying and donations, tax strategy

The value of investments can go down as well as up and you may not get back what was paid in.

Who we are

Phoenix Life Limited, trading as Standard Life, is a provider of pensions plans, savings products and retirement solutions. We are part of Phoenix Group.

Phoenix Group has around 12 million customers and £283 billion in assets under administration and is the UK's largest long-term savings and retirement business. As an insurer and long-term global investor, we have a duty of care to act in the best interests of all of our customers, shareholders and stakeholders.

Our guide explains how we approach incorporating RI practices into the management of your unit-linked and with-profits funds. It covers all our insured funds and external fund links and all asset classes in all markets including equities, fixed income, property, private markets, as well as alternative asset classes.

While we don't expect our RI approach to change often, we may change this at any time to reflect the needs of our customers, shareholders, and stakeholders.

We do expect our approach to evolve as the business environment changes. We will review our approach on at least an annual basis, or more frequently if there are reasons to do so.

At Standard Life, we delegate some of our investment management activities to third-party asset managers. They are responsible for the day-to-day investment management activities.

For discretionary managed funds and internal insured funds, typically, Standard Life instructs the asset managers on the requirements and expectations we have for the fund objectives.

The value of investments can go down as well as up and you may not get back what was paid in.

Internal insured funds and external fund links

Internal insured funds are funds where Standard Life is responsible for briefing an asset manager on what they want a fund to do, and the asset manager carries out that task within the boundaries set by Standard Life. The manager is responsible for day-to-day investment decisions.

External fund links (EFLs) are funds which invest in an existing fund run by external asset management groups. Phoenix Group has no direct control over the way these funds are run.



Committing to a sustainable future

Standard Life is part of Phoenix Group, and the [Phoenix Group Sustainability Report](#) sets out our key commitments for a sustainable future. Fostering responsible investment is an important part of our overall approach.

Our sustainability strategy is aligned to our purpose of helping people secure a life of possibilities. We believe that we have a significant opportunity to make a difference in creating the sustainable future we all want. Our strategy addresses the issues impacting our industry, such as the growing pension savings gap and climate change.




Invest in a sustainable future

Our customers and shareholders trust us to reflect their priorities in how we invest. That means keeping their money safe and providing them with strong, long-term financial returns, while using our scale to play our part in delivering a secure and sustainable future.



Engage people in better financial futures

We are committed to meeting our customers' needs through innovative product offerings and fund solutions, and engaging them in their financial futures by providing the right education, tools and guidance that promote financial wellness and inclusion for all.



Lead as a responsible business

It is important that we adopt the highest sustainability standards across our business and lead by example for the stakeholders we engage with to drive real-world change and deliver positive impact.

Underpinned by a rigorous approach to governance
We are committed to the highest standards of governance, to ensure we are making the right decisions.

Phoenix Group reporting suite

This document is complemented by a full suite of sustainability reporting for Phoenix Group. Take a look at our [reports](#) on the Phoenix Group website.



Global Voting Principles



Exclusion Policy



Our approach to ESG integration



Human Rights Policy



Stewardship Policy

Our approach to responsible investment

We place our customers at the heart of our decisions. This lets us manage risks, support informed investment decisions and help generate long-term results for you. Our approach to responsible investment aims to follow six principles.

1	Strategy	We invest responsibly, with ESG risks and opportunities incorporated into our investment analysis and decision making processes.
2	Customer voice	We actively seek views from our customers and reflect these in our fund range and investment strategies.
3	Asset manager selection	We only appoint asset managers who meet our requirements and we carry out a due diligence process.
4	Effective stewardship	We are responsible asset owners and actively foster effective stewardship of all investments that are managed on our behalf.
5	Disclosure & reporting	We seek appropriate disclosures on ESG issues and responsible investing practices from the asset managers with whom we invest and partner.
6	Industry leadership	We will promote responsible investing, using our voice to influence and drive change throughout the industry.

Standard Life and Phoenix Group are aligned to the United-Nations supported Principles for Responsible Investment. We're committed to complying with the principles and reporting against them.



Our approach to responsible investment

What are ESG risks?

With any investment, there are associated risks. Risk is simply a way to measure the level of uncertainty of an investment getting the returns that an investor might be expecting. Risks can come from many sources such as economic, political, market or, of course, ESG.

There are many ESG risks, which include those related to climate change, environmental management practices, human rights issues, and anti-bribery and corruption practices. They also consider emerging regulations or voluntary guidelines, such as the UK Modern Slavery Act, as well as the requirements of wider stakeholders for transparency.

Climate change is one of the biggest risks that we all currently face, and it also poses risks and opportunities to your funds, in terms of both transition and physical risks.

Our investment strategy and processes aim to be consistent with the latest climate change best practice and scientific research. So we'll monitor and assess initiatives the government, regulators and industry take in terms of their impact on our investment processes and portfolios.

Our asset managers are responsible for monitoring and managing these risks on our behalf. See below for more information on how we ensure this is managed appropriately and consistently with our approach.

Opportunities

Where there is a risk, there is an opportunity. We believe that companies that have good ESG credentials can be more resilient to adverse economic events. Many of our asset managers believe that incorporating ESG considerations into investment-making decisions can potentially boost returns over the long-term.

What is ESG integration?

ESG integration is an approach which aims to identify and quantify the effect of ESG risks and issues on companies and their performance. At Standard Life, we believe that considering important financial ESG issues in the investment process improves decision making and could help deliver better outcomes for our customers.



Our net-zero commitment

In December 2020, Phoenix Group announced its commitments for operations to become net-zero by 2025 and its investment portfolio net-zero by 2050. In October 2021 Phoenix added an interim target for its investment portfolio to reduce the carbon intensity of its investment portfolio by 50% by 2030.

We are already working with our strategic partners to look at our solutions, the benchmarks against which our funds are managed, and stewardship activities, with our important net-zero 2050 commitments front of mind. Our focus is on managing the risks and maximising the opportunities of climate change for our customers.

Our targets

By 2025	By 2030	By 2050
A reduction of 25% in the carbon emission intensity of our investments ¹	A reduction of at least 50% in the carbon emission intensity of our investments ²	Net zero carbon in our investment portfolio ³

¹ This will cover all listed equity and credit assets where Phoenix can exercise control and influence

² This will target all assets at a Group level where Phoenix can exercise control and influence

³ This target applies to Phoenix's c£310bn assets under administration

We listen to our customers' views

We carry out customer research so we can understand more about your views. This helps us to develop our responsible investment strategy, select our priority themes for focus and define our product range to offer a choice of funds to suit your personal values.

A range of funds to reflect your values

When handling your investments, we understand that there are matters to consider that cannot be quantified and categorised as a financial matter. These can reflect non-monetary and long-term values important for all our policyholders.

These non-financial matters are arguably just as important as the financial matters that we have discussed previously. As an example, these can include, but are not limited to:

- Climate considerations
- Ethical considerations
- Religious considerations
- Social impact considerations

We understand that many of our customers wish to invest in ways that reflect their own personal values, and offer specific funds within our range to cater to these wishes. Find out more about [ways to invest responsibly](#).

Types of climate risk

There are two types of climate risk:

Transitional: where there's a risk of losing value due to regulatory changes within the economy e.g. carbon taxes impacting the value of an oil firm.

Physical: where there's a risk of climate change physically disrupting the business operations of a firm, leading to losses.

Passive and active investing

All funds will be managed in one of two ways: 'active' or 'passive'.

A fund that is 'active' will have its asset manager actively manage the assets in it.

A fund that is 'passive' will track an investment market or benchmark as closely as possible.

We expect both active and passive managers to use effective stewardship to positively influence the companies within our funds. There are some passive funds that take ESG factors into account in a more direct way, usually by tracking a revised index benchmark.

We expect managers of internal and external active funds to consider ESG factors when selecting assets for investment into the fund.

Exclusions

We may apply exclusion policies to some of our funds (this excludes external fund links (EFLs) as we have no direct control over how these funds are run). The details of our exclusion policies may vary between funds. They may include, but are not limited to, factors such as controversial weapons, tobacco production and thermal coal. Our exclusion policies may change over time. We will follow a robust governance process before making any changes.



How we select our asset managers

Due diligence

We carry out a thorough initial due diligence exercise for all potential asset managers including external fund links (EFLs). EFLs are funds which invest in an existing fund run by external asset management groups. Phoenix Group has no direct control over the way these funds are run to make sure they are fit for purpose and suitable for managing funds. This includes assessing their capabilities, investment processes, financial reports, business structure and alignment with regulatory and industry bodies, including the United Nations supported Principles for Responsible Investing (UN PRI).

We also carry out annual due diligence on our current external fund managers to make sure they are aligned with Phoenix Group's approach to responsible investing.

How we assess for ESG

When we review existing or appoint new asset managers, we carry out an assessment, which is shared with internal governance committees.

Part of the assessment process means that we closely monitor all our asset managers' RI processes. We also engage them in deeper joint planning and implementation of their RI. Standard Life requires regular reporting on the efforts made by external managers. Compared to our non-asset manager partners, we actively engage more thoroughly with our strategic partners, and are more able to encourage good RI practices with these firms.

If asset managers of our internal insured funds fall short of our RI standards, Standard Life will first proactively engage with them and seek rapid improvements. If this doesn't lead to improvements then we would look to end the relationship with the asset manager

If we find poor RI behaviours when monitoring and reporting on our asset managers, it will factor into our manager selection and due diligence process.

If managers of EFLs do not meet our RI standards, then we would look to work more closely with them to seek improvements.

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External fund links (EFLs) are funds which invest in an existing fund run by external asset management groups. Phoenix Group has no direct control over the way these funds are run.

The different aspects of our asset management ESG due diligence process



Internal insured funds

Funds where asset management is delegated. We control the investment strategy, our asset managers put it into action and are responsible for day-to-day investment decisions.

External fund links

Funds that invest in an existing fund run by external asset management groups. Standard Life has no direct control over the way these funds are run.

Active stewardship

What is stewardship?

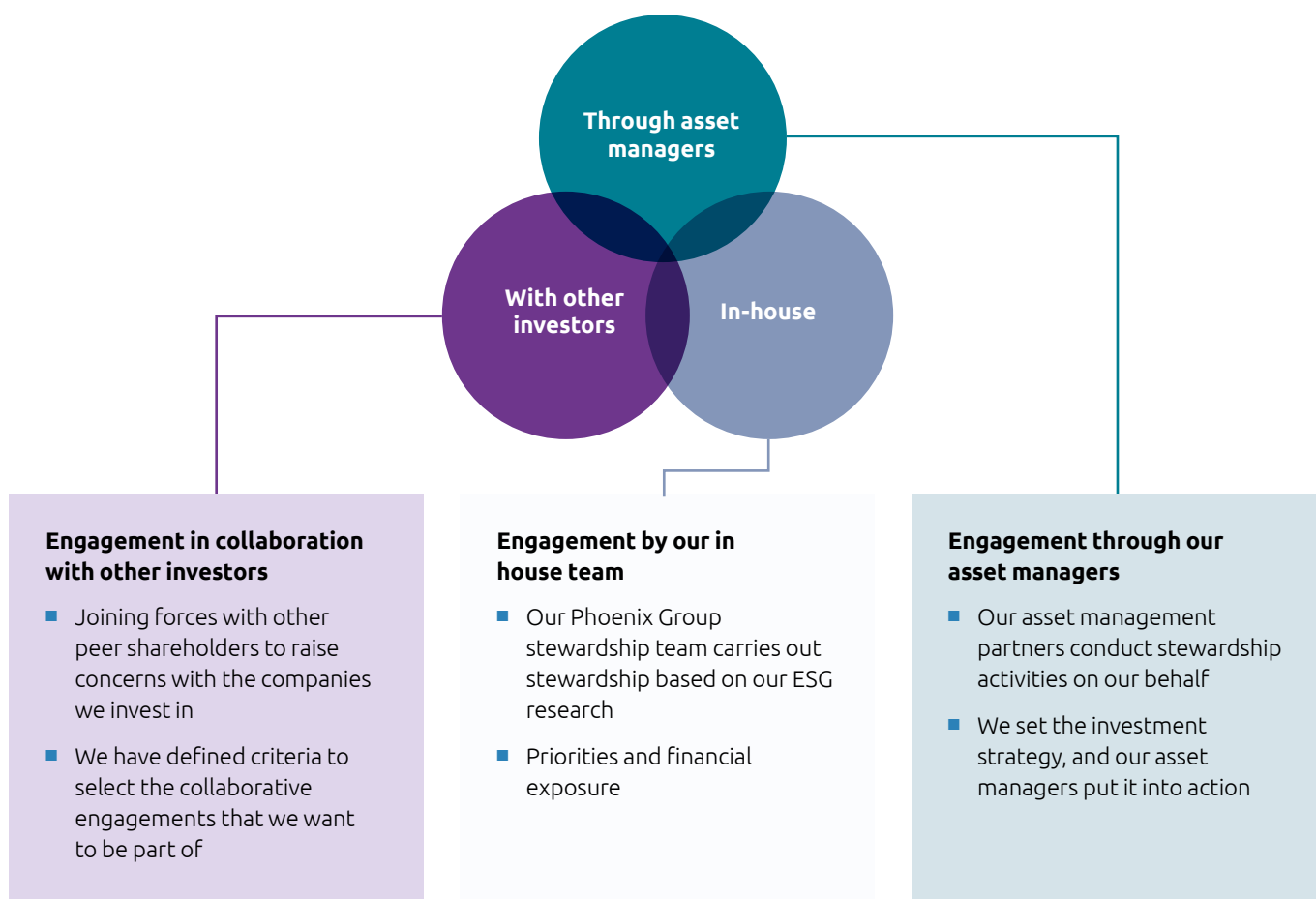
We believe that together with our asset managers, it is our responsibility to engage with the companies we invest in to drive better behaviour and influence positive change, so stewardship is an important part of our responsible investment approach.

For investments in equities, engagement and shareholder voting are the two main tools of stewardships:

- Engagement is a two-way interaction between the investor and investees in relation to the corporate business strategy and ESG practices. Engagements are undertaken to influence corporate practices and improve disclosure. Engagement includes: the provision of feedback on information collected, sharing best practice by peers and defining engagement objectives for focus
- Voting means voting on management or shareholder resolutions as well as filing shareholder resolutions during Annual General Meetings or Extraordinary General Meetings

Stewardship approaches used at Standard Life

Our different approaches to engagement will often overlap as we work in partnership with our asset managers and peers:



Working with asset managers and researchers

When it comes to stewardship and responsible investment, we want to ensure that our asset managers are on the same page as us. We monitor our asset managers' activities on voting and engagement using the Phoenix Group Voting Principles and Responsible Investment philosophy as a framework of reference.

If our asset management partners fall short of expectations they will be put on notice to improve within agreed timelines. If they fail to improve then we may stop new investments or, in extreme cases, cancel our contract

Objective

Use stewardship to influence the long-term **performance, corporate governance** and **sustainability** of the companies we invest in

Sign up

Be a signatory to the PRI*, adopt the 2020 UK Stewardship Code** and respond to the Asset Owner Diversity Charter questionnaire



Focus

Define criteria to identify a list of specific companies to engage with



Research

Use internal and external ESG research to monitor and assess companies



Vote

Place votes on our behalf, applying a proxy voting policy that takes our views into consideration



Engage

Set engagement objectives and escalate if progress isn't made



Report

Update us regularly on all engagement and voting activities

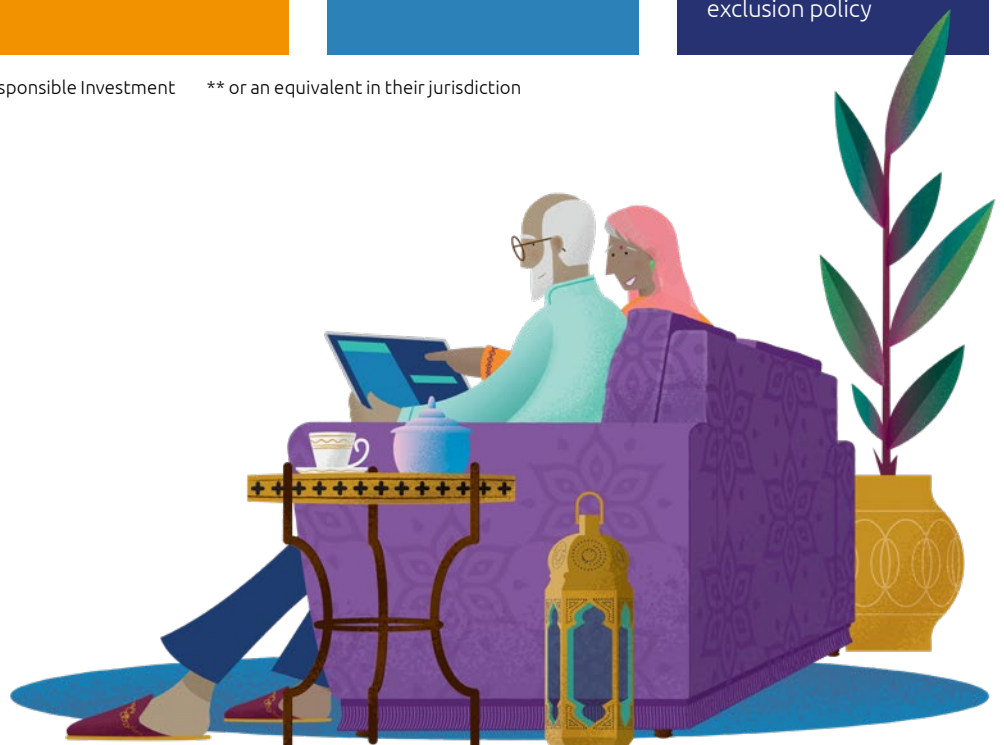


Target net zero

Support our net-zero strategy and implement our exclusion policy



* United Nations-supported Principles for Responsible Investment ** or an equivalent in their jurisdiction



Active stewardship

What our stewardship approach covers

Our stewardship approach applies to all Standard Life investments, including assets in equities (stocks and shares), fixed income assets (for example bonds), private equity and debt, infrastructure and real estate.

The approach is applied to all of our internal insured funds.

If your investment uses an external fund link (EFL) then it's important to note that some of our processes are different when it comes to monitoring stewardship by EFL managers, but our expectations are still the same.

Engagement and voting

Find out more about the stewardship approach of the managers we work with:

- [abrdn](#)
- [Vanguard](#)
- [BlackRock](#)

Escalation – when engagement isn't working

Our first step will always be to engage and collaborate with the companies we invest in through our asset managers. However, if engagement efforts with a company are not working then we will consider further actions and escalate our concerns. These are the actions that we or our asset managers can take:

- collaborate with other shareholders
- vote against management
- present an AGM statement
- issue a public statement
- decrease or pull out our investment – as a last resort

Performance and accountability

We are working with our asset managers to enhance their reporting on stewardship activity. Our first Stewardship report was published in 2023, enabling us to be open and honest about the work we conduct internally and through asset managers and its impact. You can also expect to see regular stewardship updates on the Standard Life website. The Phoenix Group annual sustainability report includes a section on stewardship.



How we disclose and report on responsible investment

Standard Life is committed to reporting on goals, actions and results we take to meet our responsible investment approach. We are also committed to making sure that our asset managers report on any responsible investment activities they take when managing your money.

In our [Fund Climate Report](#) we also report carbon footprint and climate value at risk metrics for all our funds.

We are and will continue to work with our asset management partners in developing and improving ESG and stewardship reporting.

The high-level results of our RI activities will be made publicly available on an annual basis through our sustainability report.

Industry leadership

We're committed to talking to and working with other institutions, national as well as international associations, and trade bodies to promote RI and raise standards across the industry.

As a minimum, we expect all new asset managers to be signatories to the UN PRI. This makes sure that they follow the UN PRI principles when managing our internal and external funds.

Industry engagement

Standard Life is part of Phoenix Group, and through Phoenix we are a member of a number of industry bodies. Both Standard Life and Phoenix Group are committed to open dialogue and collaboration with other institutions, national as well as international associations, to promote RI. The Group is part of the following industry bodies:

- United Nations Principles of Responsible Investment (UN PRI)
- The UN-Convened Net Zero Asset Owner Alliance
- Institutional Investors Group on Climate Change (IIGCC)
- Climate Action 100+
- Green Finance Institute (GFI)
- The Task Force for Climate-related Financial Disclosures (TCFD)

- The Science Based Targets Initiative (SBTi)
- ABI Climate Change Roadmap
- Sustainable Markets Initiative (SMI) Taskforce
- Race to Net Zero Campaign
- IIGC Paris Aligned Investment Initiative (PAII)
- Make My Money Matter
- Principles for Carbon Accounting Financials (PCAF)
- The Tortoise Responsibility100 Index

Phoenix has signed up to over 50 initiatives, see the [sustainability report](#) for more



