ANNUAL REPORT FOR PHOENIX WORKPLACE PERSONAL PENSIONS 2019/2020

Annual Report

for Phoenix Workplace Personal Pensions

2019/2020

INDEPENDENT GOVERNANCE COMMITTEE

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A. Member Summary

Welcome to this, the 2019/2020 member summary report of the Phoenix Independent Governance Committee ("IGC").

This report is relevant to you if you hold a pension plan through any of the workplace pension schemes that are run by Phoenix Life Limited or Phoenix Life Assurance Limited (together "Phoenix"). If you are unsure of which pension plan you have with Phoenix (and therefore the extent to which this report applies to you), please refer to your plan documentation or at the Customer Centre on the Phoenix Life website.

The IGC is here solely for you. Our role is to act only in your interest, assessing the value for money that you are receiving from your workplace pension, and challenging Phoenix where we feel that it could be doing more for you.

This report is only a brief summary of what we have done on your behalf over the last year and what we think of the value for money that you are receiving. More detail on the work of the IGC can be found in our full report. If you have any questions or comments on the approach we have taken and the priorities we have set, please get in touch with us. You can email us at igc@thephoenixgroup.com. We are always pleased to hear from the pension scheme members that we represent.

IGC MEMBERSHIP

Following the acquisition of Standard Life Assurance Limited ("Standard Life") by the Phoenix Group in 2018, there have been some changes to the membership of the IGC. However, our purpose has not changed and we remain focused on holding Phoenix to account for the value for money it provides to you. A list of the current members of the Phoenix IGC as well as brief bios can be found on the IGC website.

VALUE FOR MONEY – HOW WE ASSESS IT

Assessing value for money is not just about what something costs. We also look at the quality of what you get in return and how it compares with similar alternatives. That is why our value for money assessment takes into account a number of different aspects of your workplace pension experience, to form a holistic view of the value for money that Phoenix is providing.

During 2019, we have developed our approach to assessing value for money. It now covers the following seven areas:

- Investments;
- Customer Service;
- Customer Communications and Engagement;
- Risk and Governance;
- Costs and Charges;
- Management Culture; and
- The extent to which Environment, Social and Governance ("ESG") considerations drive activity in how your money is invested.

All seven areas are assessed on a Red/Amber/Green scale, where:

- Green signifies: no material issues found;
- Amber signifies: some concerns found that affect some members; and
- Red signifies: major concerns found – i.e. some concerns that affect a large number of members or more significant concerns that affect some members.

More detail on our value for money assessment can be found in section D of our full annual report.

VALUE FOR MONEY – OUR CONCLUSIONS

The IGC has concluded that Phoenix continues to offer value for money to members of its various workplace personal pension plans. During 2019, we have noted improvements in the governance and performance of the funds in which many of you are invested. Customer service has also improved, and we note ongoing enhancements to the way in which Phoenix communicates with you. We hope that these improvements will make it easier for you to engage with your retirement savings and make more informed choices about your future.

LOOKING FORWARD – MAKING THE MOST OF YOUR PENSION

How big your pension pot will be when you decide to start using the money depends on four things:

- how much is paid into it (by you and/or your employer);
- how much is taken out in charges by Phoenix or through other costs that get deducted from your investments;
- how well the funds in which your pension pot is invested perform; and
- how much investment risk is taken by the funds you selected.

Our value for money work on your behalf focuses on the second, third and fourth points above, as these are the areas where we have the most influence. For example, we monitor the levels of costs and charges that are taken out of your pension pot, and challenge Phoenix where we feel that these are too high compared to what you get in return. Similarly, we review the performance of the funds in which workplace customers can invest their pensions in, and challenge Phoenix where we feel that the performance is not good enough and/or improvements are not being made quickly enough. We also review the suitability of the fund options that many of you are offered as part of your workplace scheme, particularly as members approach retirement.

However, it is up to you to decide how much you save in your pension, and what investment funds you want your pension pot to be invested in. These are very important issues, and your IGC would encourage you to think about the following questions:

- If you are still contributing to your pension plan, are you contributing enough to enable you to have the sort of lifestyle in retirement that you would like?

The Phoenix website includes a calculator to help you decide how much retirement income you might need.

- If you are no longer contributing to your Phoenix pension plan, perhaps because you have changed employer and are now a member of a different workplace arrangement, could you get a better deal by transferring this pot to the pension plan that you are currently contributing to? (We are not saying that this is definitely the case. However, it may be to your advantage to compare the different plans and see if one is clearly better for you at this time.)
- When did you last think about the investment strategy that applies to your pension pot? Details of what funds your pension pot is invested in can be found on your annual statement or online if you have registered for this service. Details of your funds' objectives, their performance and the amount of risk being taken with your investments can also be found online.

Your IGC is here solely for you. We are always pleased to hear from the customers we represent. Do please let us know what you think on any matter covered by this report. You can contact us by email at igc@thephoenixgroup.com.

COVID-19

At the time of writing (March 2020), the spread of Covid-19 is having significant impacts on financial markets and all aspects of everyday life. The IGC have been briefed on the steps being taken by Phoenix to address these issues:

- We have been assured of Phoenix's continuing financial strength, in large part due to the risk mitigation measures that were already in place.
- We have been very impressed at the speed of planning and implementation of new operational processes, in order that all possible steps are taken to ensure at least the most important needs of customers (particularly the payment of benefits) can be met in even very extreme scenarios of potential Covid-19 impact.

We have welcomed the articles posted on the Phoenix Life website to help customers understand some of the things they might want to consider in this period of investment uncertainty

While no-one can tell the extent of the virus, the IGC is confident that Phoenix is as well placed as anyone could expect - if not, better placed - to meet the key needs of customers in the coming months. We wish Phoenix and its customers well through this difficult time.

B. Introduction from the Chair

Welcome to this, the fifth annual report of the Phoenix Independent Governance Committee ("IGC"). This report concerns the workplace personal pension plans provided by Phoenix Life Limited and Phoenix Life Assurance Limited (together "Phoenix") and what the IGC thinks of the Value for Money ("VfM") that their holders are receiving.

As at 31st December 2019, the scope of the IGC encompassed:

- 96,761 workplace personal pension plan holders; and
- £1.24bn of their pension savings.

There is a third company within the Phoenix Group that also provides workplace personal pension plans, Standard Life Assurance Limited ("Standard Life"), which has its own IGC. As signalled in last year's report, the membership of the Phoenix and Standard Life IGCs was aligned in April 2019, with the members selected from the two existing committees. Details of the process followed and the individuals selected can be found in Section C.

While some of the members may have changed, the role of the committee remains the same – to act solely in the interests of Phoenix workplace personal plan holders and assess the value for money that they are receiving from their workplace pension. Indeed, our ability to do this has been enhanced by the committee alignment, as access to the Standard life 'open book' benchmarking results allows us to do more to benchmark Phoenix's performance with other providers.

There are other pension customers of Phoenix who are not within the remit of the IGC – predominantly holders of individual pension plans, rather than workplace arrangements. For that reason, in what follows, we will often refer to "in-scope plan holders" to make this distinction clear. Depending on the context, we also use the term "member" interchangeably with "plan holder", to reflect the fact that customers are within our scope because of their membership of a workplace pension arrangement.

PURPOSE AND STRUCTURE OF THE REPORT

IGCs also have a role in promoting effective competition across the pensions market in the interests of customers, through the publication of their annual reports. The Financial Conduct Authority (FCA) has recently (in their policy statement PS19/30) confirmed that it supports an approach that involves IGCs publishing "two reports; a short report aimed at members and a longer report for other audiences and members who want more detail."

In previous years, the Phoenix IGC has aimed the whole of its report at members, while still including a reasonable amount of detail in order to satisfy other audiences. However, this year, we have felt it more appropriate to move to the "two reports" approach, particularly as this will be more suited to the additional reporting requirements that are being introduced for IGCs (see below).

Thus, this year's report takes the form of a two-page summary that is aimed predominantly at in-scope members, with the rest of the report accessible to members, but covering much more detail than we would expect most members to be interested in. Given the current focus within the industry on short and accessible annual pension statements, we felt it was important to keep the IGC Member Summary to just a few pages. We are keen to hear from readers whether they think we have got the balance right between length and transparency, as we see this shorter summary as having great potential in helping promote greater engagement across our in-scope plan holders.

We are also keen to hear readers' views on whether the rest of the report meets their needs or whether there is other information that they would like us to include going forward. We are pleased to support external scrutiny of our work and wider comparisons of value for money relative to other providers. However, we are also conscious that time spent writing additional material for external audiences should not unduly detract from time spent promoting the interests of in-scope customers within Phoenix. We hope we have got the balance right – please let us know if you think otherwise! We can be contacted at igc@thephoenixgroup.com.

APPROACH TO VALUE FOR MONEY ASSESSMENT

It was important to the IGC that the alignment of its membership did not result in a loss of momentum in the committee's work. Thus, an early priority was to ensure that each committee member received sufficient training in the previous work of the IGC they were joining, as well as the detail of the pension products and processes of the associated provider. These early, very intense, training sessions have been followed up over the year with several more "deep dive" days into particular issues (e.g. investment proposition design and delivery; the detailed working of the 13 different With-Profits funds across Phoenix and Standard Life). These sessions have enabled the IGC to recognise the depth of customer focus across the range of relevant provider activities, and also to identify a number of areas where we felt more action or analysis was appropriate (as the more detailed sections which follow in this report demonstrate). The IGC is grateful to Phoenix and Standard Life for the significant effort made to ensure these events met our needs. Through these events, we have been equipped to continue our key role of offering informed and robust challenge to the VfM that Phoenix and Standard Life are delivering.

Another early priority was to develop a consistent approach to value for money assessment across the Phoenix and Standard Life in-scope business, building upon the best of the previous approaches of the two IGCs. The resulting model is described in Section D of this report. The IGC recognises that there is no single measure that can fully encapsulate all relevant aspects of value for money, both historic and forward-looking. Assigning numerical scores even to quite a narrow range of related activities can involve significant discretion and subjectivity. Nevertheless, how such scores change from year to year can be helpful in highlighting and evidencing trends and improvements (or deterioration) over time. However, not everything that requires monitoring and challenge requires to be scored. Thus, the value for money approach that we have used this year combines some of the detailed quantitative scoring elements previously used by the Standard Life IGC (and now extends it to the Phoenix in-scope business) but still retains much of the qualitative RAG assessments that we feel are better suited to some areas of value for money, even if the assignment of a particular RAG status is, by definition, a rather broad-brush exercise.

The results of this year's assessment of value for money are set out in the Member Summary at the start of our report (and will be made available to members separately), with the associated evidence and commentary presented in the detailed sections that form the rest of this report.

In a nutshell, the IGC believes that Phoenix contract-based workplace pension plans continue to offer value for money.

The more detailed assessment highlights a number of areas where we have seen improvements over the position last year. The IGC welcomes the tangible results of the customer-focus that we sense in our interactions with Phoenix personnel, irrespective of their level of seniority. Of course, there are still areas where the IGC is challenging Phoenix on the extent of improvements being worked on or on the pace of implementation. However, while we would expect future work on the areas challenged by us to result in improvements to customer experiences and outcomes, we do not consider this to be indicative of current failure to provide value for money.

INDUSTRY BENCHMARKING

The IGC believes that it is very important, when assessing value for money, to compare what other providers deliver and at what price. Until the alignment of the IGC membership with that of Standard Life, the Phoenix IGC was limited in what external benchmarking information it could access, since the various industry benchmarking exercises for IGCs that have taken place in recent years were aimed at firms currently offering new workplace pension schemes to the market, such as Standard Life ('open books'), and therefore not accessible to Phoenix, which no longer sells new workplace pension business. We therefore had to content ourselves with whatever relative performance statistics were available from Phoenix or are publicly available in the industry (e.g. quartile fund performance, Financial Ombudsman Service (FOS) complaint adjudication data, processing times for managing pension transfers to and from Phoenix, investment transaction costs) and the results of committee member personal research.

Following the membership alignment with the Standard Life IGC, the Phoenix IGC is now able to see the results of the 'open-book' IGC benchmarking exercises. We have found these very valuable in evidencing the relative performance of our providers compared to others in the industry. Some of the most valuable comparisons have been on how customer satisfaction scores of in-scope members compare with those seen in other providers and in other industries.

The IGC is keen to extend industry benchmarking to the Phoenix in-scope pension plans, and has been working with other providers and interested parties to set up an appropriate exercise. We are grateful that Phoenix has not only agreed to share the cost of such a programme, but has been actively participating in the development discussions along with us. We would encourage other providers and their IGCs to join the existing benchmarking syndicate – the larger the research base, the more insightful the results are likely to be, and hence more influential in identifying areas where customer outcomes should be improved further.

One particular area of existing comparative data that is worthy of mention here concerns investment transaction costs. A consideration of these has been within the scope of IGCs since they were set up in April 2015. Because of challenges in getting all the necessary data, the FCA introduced provisions in January 2018 to require fund managers to provide the necessary information, on a prescribed basis, on request.

The IGC is disappointed that it has taken nearly two years for us to get to the place where we have transaction cost information on close to 100% of the funds within our scope. We are also disappointed that, for a large proportion of the funds that use underlying collectives, while we now have the total transaction costs, we do not have the necessary breakdown to enable us to monitor the appropriateness of any anti-dilution levies applied by the collective. (See Section I for more detail.)

The IGC is keen to stress that our disappointment is not with Phoenix – we know that they have worked hard on our behalf to get us the information that we need. The IGC also recognises that building the necessary infrastructure to provide the data required was not a trivial exercise for fund management firms. Nevertheless, we would have thought that two years was a sufficient period of time to complete the necessary developments. We will continue to encourage Phoenix to keep the pressure on the fund managers that they use in order that complete transaction cost reporting is in place soon.

In terms of what conclusions can be drawn from the information we now have on a regular basis, the IGC is pleased to note that, in the main, the levels of transaction costs we are seeing are not out of line with what we were expecting or with comparable data from across the industry. Where the transaction costs for certain funds are higher than expected, investigations have confirmed that there are good reasons for the costs incurred, that they are typically one-off in nature, and not indicative of poor ongoing value for money.

INCREASING IGC RESPONSIBILITIES

There are a number of important new responsibilities that the FCA is introducing into the scope of IGCs, including:

- reviewing the provider's policy, and its implementation, on how Environmental, Social and Governance ("ESG") considerations and other key risks are included in investment decisions;
- assessing the value for money of any investment pathways options offered to non-advised customers;
- reviewing the extent to which communications to in-scope customers are fit for purpose and appropriate to the relevant customers; and
- publication of additional information on the additional costs and charges that apply to in-scope customers' pension pots.

We have played an active part in the consultation process behind the various developments – for example, our response to the FCA's consultation paper CP19/10 (regarding cost and charges publication and disclosure) is available on our website, as is our response to CP19/15 (regarding extending the IGC remit to investment pathways and policy oversight concerning ESG and other material matters).

Now that the relevant Policy Statements have been issued, and the corresponding FCA rules and guidance finalised and published, we are working closely with Phoenix to ensure that we have the necessary resources and opportunities to use these new responsibilities to the benefit of in-scope customers and other relevant stakeholders.

Particular areas of preparation that may be of interest to readers include:

- In anticipation of the new requirements around the adequacy and implementation of ESG and other material risk policies, we have significantly increased the strength of our scrutiny of Phoenix's approaches to ESG and wider investment sustainability and stewardship issues in this year's report, as can be seen from the commentary in section K of this report.
- In anticipation of the role that IGCs are to play in assessing the value for money of the investment pathways that will be offered by some providers to non-advised customers as a way of taking their retirement benefits from their pension plans from 1 August 2020, we have set out what we would expect to see and the criteria we would use in order to do this. At the time of writing, it is likely to have limited relevance to our work with Phoenix. However, we are expecting to review proposals from Standard Life.
- In anticipation of the role we are to play in publishing additional costs and charges information in 2021, we are making available detailed transaction cost information on our website, and are already working with Phoenix to decide how best the publication of scheme cost and charges data required by the FCA can be achieved in a form that enables customers and other stakeholders to access the information that they need.

Perhaps the most significant addition to the responsibilities of IGCs is the inclusion of the following consideration in the list of matters that, at a minimum, an IGC is required to assess:

> "whether the communications to relevant policyholders are fit for purpose and properly take into account the relevant policyholders' characteristics, needs and objectives".
> FCA COBS 19.5.5R(2)(f)

The IGC has always included customer communications in its assessment of value for money. However, the phrases "fit for purpose" and "properly take into account" are capable of very wide interpretation, and their introduction into the regulatory expectations of IGCs could prove very significant in raising the bar of what constitutes value for money. For example, is a document fit for purpose if it is not sufficiently engaging as to encourage readership by a significant proportion of scheme members, even if it contains all the right information? The IGC has already started discussing such questions with Phoenix and will report further on the topic in due course.

LOOKING FORWARD

VfM is not static: what customers need and expect changes over time, as does what is available elsewhere in the marketplace (in terms of both costs and services). It can also be informed by customer service developments in other markets, particularly in the way digital channels are embraced to enhance customer experience. Going forward, the IGC will continue to maintain awareness of relevant market developments, and ensure that Phoenix does the same, in order that the customer experience of in-scope plan holders keeps pace with, if not leads, improvements elsewhere.

We also have a full programme ahead of us to ensure that we meet the new regulatory obligations upon us and, in particular, play our part in ensuring that the UK financial services industry embraces its climate change responsibilities. The different sections of the report that follow give many examples of what we intend to do – and also give a flavour of the important improvements that Phoenix are already working on for the benefit of customers. Our Terms of Reference are in the process of being updated to reflect the new requirements, and these will be published on the IGC website once approved.

We look forward to the results of the FCA's current review of IGC effectiveness across the industry, which is due to be completed in Q2 of this year. As an IGC, we already go beyond the minimum requirements set out in the FCA's Conduct of Business Sourcebook ("COBS") in what we investigate for our in-scope plan holders. Nevertheless, we welcome this external review of our work, informed as it is by an extensive data request and a number of in-depth interviews with IGC members and Phoenix personnel, and look forward to implementing whatever best practice improvements the review suggests.

We also await the results of the joint work by the Pensions Regulator ("TPR") and FCA on articulating a definition of "value for money" and the development of common principles and standards in this area. The current FCA approach set out in COBS 19 allows us to stretch the concept of value for money quite far, to the benefit of in-scope members. However, we recognise that there could be advantages in a more consistent approach across the whole of the pensions arena (i.e. trust-based and contract-based), and look forward to incorporating the regulators' thinking in our value for money assessment framework in due course.

Internally, we expect some further changes in the membership of the IGC, partly as a consequence of established succession planning arrangements, but also as a consequence of the proposed acquisition of ReAssure by Phoenix and what steps they might take to integrate the governance across the combined businesses. Any changes to the IGC composition will be published on the IGC website.

However, one thing that will not change is the focus of the IGC on our in-scope plan holders and the important work that we do to promote their interests and challenge the value for money that they receive.

We are also keen to do what we can to help increase the level of engagement between customers and their pension. What customers get from their pension pot depends on how much they save, what investment strategy is followed, and what costs and charges apply. While we can oversee the quality and value of what Phoenix provides, many key decisions are up to the customer - such as: how much to save, and in which pension scheme; whether to combine pots with different providers; and whether to take more or less investment risk. Increasing member engagement is a challenge not just for Phoenix, but across the pensions industry. We look forward to contributing to the industry developments on this important issue.

Thank you for reading our report. We welcome feedback on any aspect of our work and reporting. You can get in touch with us at igc@thephoenixgroup.com.

COVID-19

The bulk of this report was written in February 2020, before the Coronavirus threat ramped up in the UK, with such significant impacts on investment markets and the ability of people to mix socially and attend workplaces.

The IGC have been briefed on the steps being taken across the Phoenix Group and its outsourced service providers to address these issues:

- We have been assured of the group's continuing financial strength, in large part due to the risk mitigation measures that were already in place.
- We have been very impressed at the speed of planning and implementation of new operational processes in order that all possible steps are taken to ensure at least the most important needs of customers (particularly the payment of benefits) can be met in even very extreme scenarios of potential Covid-19 impact.

We have welcomed the articles posted on the Standard Life and Phoenix Life websites to help customers understand some of the things they might want to consider in this period of investment uncertainty.

While no-one can tell the extent of the virus, the IGC is confident that Phoenix and Standard Life are as well placed as anyone could expect - if not, better placed - to meet the key needs of customers in the coming months. We acknowledge and commend them for their customer focus and concern for staff in these unprecedented times. We wish everyone at Phoenix and Standard Life, as well as all of their customers, well for the challenges that lie ahead.

C. IGC membership, experience and independence

As mentioned in last year's IGC report, following Phoenix Group's acquisition of Standard Life Assurance Limited in 2018, the Boards of Phoenix and Standard Life decided to align the membership of their respective IGCs in order to have a consistent approach to value for money assessment across all the contract-based workplace pensions business within the Phoenix Group. This was in line with the established Phoenix practice for governance committees – and was consistent with what had been done regarding IGC membership following the 2016 acquisition of Abbey Life by Phoenix Group.

The first step in the alignment was the selection of the committee chair, through a process led by an external governance expert. This took place in Q1 2019, resulting in the appointment of the previous Phoenix IGC chair, Dr David Hare, to chair the aligned IGC with effect from April 2019.

The other Committee members were selected, in conjunction with David, from the members of the previous Phoenix and Standard Life IGCs in order to achieve an appropriate combination of:

- detailed knowledge of the various blocks of pensions business within the scope of the IGCs;
- understanding of the IGC history and what outstanding issues were still needing to be addressed; and
- relevant industry knowledge of the contract world, and also the wider pensions landscape in the UK and how it is evolving;

along with:

- a strong focus on customers and the outcomes they receive; and
- unquestioned independence of approach and mindset.

At the request of the IGC Chair, it was agreed that the IGC would have six members initially, four of whom would be Independent Members and two of whom would be Phoenix Group employees (one from the Phoenix-branded business and one from Standard Life). The individuals selected were:

Independent Members:

- Ingrid Kirby, an experienced investment professional and pension scheme trustee who had been an Independent Member of the Standard Life IGC since 2015;
- Sheila Gunn, an experienced non-executive director with a legal background who had been an Independent Member of the Phoenix IGC since 2015; and
- Mike Christophers, an experienced insurance expert with a pensions and actuarial background who had been an Independent Member of the Phoenix IGC since 2017 and, before that, had been an Independent Member of the Abbey Life IGC from 2015.

Employee Members:

- Michael Craig, an experienced actuary with over 30 years' experience within Standard Life who had been an Employee Member of the Standard Life IGC since 2015; and
- Mike Pennell, an experienced actuary with almost 30 years' experience within the Phoenix Group who had been an Employee Member of the Phoenix IGC since 2015.

The IGC wishes to thank those previous members of the Phoenix and Standard Life IGCs who left the Committee last April at the point of alignment:

- Rene Poisson, Independent Chair of the Standard Life IGC since 2015;
- Craig Baker, Employee Member of the Phoenix IGC since 2015;
- Richard Butcher, Independent Member of the Standard Life IGC since 2015; and
- Roger Mattingly, Independent Member of the Standard Life IGC since 2015.

More details on each of the current IGC members can be found in Appendix 1.

INDEPENDENCE

All the members of the IGC take their independence very seriously. At the time of their appointment, each Independent Member of the IGC satisfied the FCA independence criteria set out in COBS 19.5.12G. Any additional external appointment being considered by a Committee member is subject to prior approval by the other Committee members as well as the Phoenix Group, with approval only granted if all parties are satisfied as to the continuing independence of the member concerned and their ongoing capacity to meet all the obligations of their IGC role. At the start of each of our regular IGC meetings, the IGC members ask each other whether there are any new considerations that might affect their independence.

In addition, both Employee Members were provided with side letters to their employment contract which made it clear that, when acting on the IGC, they must act solely in the interests of the in-scope plan holders and put aside the commercial interests of the Phoenix Group.

COMPETENCE

As described above, and in more detail in Appendix 1, across all its members, the IGC has considerable experience in investments, pensions and the type of long-term insurance products that form the business within the IGC's scope. Thus, the IGC believes it is well-placed to carry out its important value for money assessment role on behalf of the in-scope members and act in their interests.

In order to ensure that this remains the case, the IGC maintains a record of the relevant training that each committee member undertakes (either specially for their IGC work, or as part of their wider professional obligations and activity), and which is subject to regular review. In addition, where it is felt that all members of the IGC would benefit from further training on a particular topic, an appropriate training session is arranged.

POTENTIAL CHANGES IN MEMBERSHIP

In July 2019, Michael Craig retired from his employment with Standard Life. He has remained a valued member of the IGC but, in due course, is expecting to be replaced on the IGC by a current employee of the Phoenix Group. A skills analysis process is underway in order to identify a shortlist of potential internal candidates from which the selection of a successor will be made in due course.

Other changes in IGC composition are also likely. The intention is, at some point, to move back to a five-person Committee, but the timing of this will depend on the workload expected of the IGC, the succession planning which is already in place, and the approach Phoenix chooses to take regarding the integration of the ReAssure business into the existing Phoenix governance arrangements. Details of any changes to the IGC composition will be published on the IGC website.

D. Assessing Value for Money

D1. DESCRIPTION OF THE VALUE FOR MONEY FRAMEWORK

Following the alignment of the membership of the Phoenix and Standard Life IGCs in April 2019, the IGC has developed a value for money framework that builds on the best of the previous two approaches, creating a consistent approach across the various books of in-scope business.

AREAS ASSESSED

The value for money framework covers the following seven areas:

- Investments;
- Customer Service;
- Customer Communications and Engagement;
- Risk and Governance;
- Costs and Charges;
- Management Culture; and
- Application of ESG Principles to Investments.

The first four are analogous to the four categories previously used by the pre-aligned Standard Life IGC, and also include many of the aspects that the previous Phoenix IGC approach considered.

Two of the other three areas ("Costs and Charges" and "Management Culture") were already explicit components within the value for money framework used by the previous Phoenix IGC, and were present in the work of the Standard Life IGC, even if not separately assessed.

Investment ESG factors were also considered by both IGCs in the past, but not with the same level of prominence as this year. The IGC feels that it is now appropriate, particularly in light of the potential new regulatory responsibilities in this regard, for Investment ESG to become an additional component of the value for money framework.

The IGC also feels that, given that both Phoenix and Standard Life make available all the Pensions Freedoms options to workplace pension scheme members when they are approaching that part of the pension journey, it is not necessary to keep singling out "Accessing your pension" as a component of the value for money framework, as was the case under the previous Phoenix IGC approach. Rather, it is better to assess provider performance in this regard through the relevant sub-areas within the Customer Service and Customer Communications and Engagement categories.

SCORING PHOENIX PERFORMANCE

The 'scoring' approach used this year is a combination of what the two previous IGCs used to arrive at an overall assessment of value for money. Each of the seven value for money performance areas is separately assessed, and the scores then combined to give an overall value for money score.

In arriving at the performance ratings for each performance area, the IGC has reviewed lots of different information, including regular management information packs that are produced within Phoenix and Standard Life, and specially-produced information packs containing the results of detailed investigations that we request. We also get the opportunity to meet relevant Phoenix and Standard Life senior managers and also senior representatives of the business partners who operate many of the Phoenix customer service centres. We value these opportunities to question and challenge them on any aspects of performance that we feel it is important to raise.

We recognise that assessing value for money is not an exact science because some aspects are more difficult to measure than others and individual customers value things differently. Nevertheless, we try to be as objective and fact-based as possible. In order to make it easier to understand what we consider is reasonable value for money, we have set out in Appendix 2 a brief description of what we are looking for in each of the areas listed above.

ASSESSING EACH OF THE SEVEN PERFORMANCE AREAS:

For each of the first four value for money areas, Phoenix performance is rated on a numerical scale (from 0 to 3) across a number of sub-areas, based on the evidence provided to the IGC, as well as on our own knowledge of the workplace pension market. The sub-areas are broadly the same as those used by the previous Standard Life IGC, but with some changes in order to reflect the nature of the wider book of business across the Phoenix Group.

By using the same or similar sets of sub-areas as before, we are able to continue with the historic trend analysis that the previous Standard Life IGC was developing. Extending the approach to the Phoenix business adds more precision to the value for money analysis previously carried out for this business. It also enables comparisons to be drawn across the various books of business in the different companies within the Phoenix Group and highlights areas where internal best practice could be further shared.

The scoring was the same as that used by the previous Standard Life IGC, namely:

0	NOT OFFERED
1	BASIC STANDARD
2	BEYOND BASIC
3	AREA OF STRENGTH

The scores for individual sub-areas are then summed and converted into a percentage score for each of the four areas.

The other three areas are not currently scored in such a granular way – although the assessment is similarly rigorous and wide-ranging. Rather, the IGC feels that it is sufficient to assign a performance rating using a colour-based scale as follows:

- Green – no material concerns;
- Amber – some material concerns found that affect some members; and
- Red – major concerns found – i.e. material concerns that affect a large number of members, or very material concerns that affect some members.

Where the IGC feels that performance is adequate for now, but could and should be better in the future, we give performance ratings such as "Green with a hint of Amber" and "Amber with a hint of Green", depending on how far we feel things should be improved.

To enable comparison with the other three areas, the percentage scores for each of the first four areas are converted into RAG assessments, as follows:

- Green – 75% or above
- Amber/Green – 61% - 74%
- Amber – 40% - 60%
- Red/Amber – 31% - 39%
- Red – 30% or less

ARRIVING AT AN OVERALL VALUE FOR MONEY SCORE

The first step is to express each of the RAG performance assessments in a numerical score, as follows:

4	GREEN RATING
3	AMBER/GREEN RATING (INCLUDING "HINTS OF" RATINGS)
2	AMBER RATING
1	RED/AMBER RATING

The scores for each performance area are then combined together to give an overall value for money score. We continue to view some of the performance areas as more important than others, in terms of their impact on what members ultimately receive from their pension pot and the value for money that this represents. As a result, our overall value for money assessment gives more weight to some of the performance areas than others. We do not just add up the individual performance area ratings to get an overall score. Rather, we multiply the ratings with an appropriate weighting, as follows:

- Investments – weighting 5;
- Customer Service – weighting 4;
- Customer Communications and Engagement – weighting 4;
- Risk and Governance – weighting 3;
- Costs and Charges – weighting 4;
- Management Culture – weighting 2; and
- Application of ESG Principles to Investments – weighting 3.

We then add up the weighted scores in order to get an overall value for money rating (out of a maximum possible score of 100).

D2. STATEMENT OF THIS YEAR'S VFM ASSESSMENT BY THE IGC

The IGC has concluded that Phoenix continues to offer value for money to members of its various workplace personal pension plans. The performance area ratings and resulting overall value for money score that the IGC would give Phoenix this year for the business within our scope are shown in the following table:

Performance Area	Score (out of 4)	Weighting	Contribution to overall score	RAG
Investments	4	5	20	Green
Customer Service	4	4	16	Green
Customer Communications and Engagement	3	4	12	Green with a hint of Amber
Risk and Governance	4	3	12	Green
Costs and Charges	3	4	12	Green with a hint of Amber
Management Culture	4	2	8	Green
Application of Environmental, Social and Governance Principles to Investment	3	3	9	Amber with a hint of Green
Overall Total			89%	

The remaining sections of this report cover each of the performance areas in turn and set out the detail of what the IGC has reviewed and the conclusions we drew. The following bullet points give a flavour of what we thought concerning each performance area.

INVESTMENTS

Value for money was scored 35 out of 45 (78%), which corresponds to a GREEN rating (up from Amber/Green last year), due to:

- Better investment returns, both in absolute and relative terms
- Improvements in asset mix and investment manager selection for funds under Phoenix control
- Extended investment governance as a result of the integration of Standard Life into the Phoenix Group.

CUSTOMER SERVICE

Value for money was scored 27 out of 36 (i.e. 75%), which corresponds to a GREEN rating (in line with last year), due to:

- Improvements in the service delivered to Phoenix customers during 2019
- The plans being followed to remove barriers to extending online servicing options
- Phoenix's continued focus on enhancing its servicing approach to vulnerable customers

CUSTOMER COMMUNICATIONS AND ENGAGEMENT

Value for money was scored 23 out of 33 (i.e. 69%), which corresponds to a GREEN with a hint of AMBER rating (in line with the equivalent category last year), due to:

- Phoenix's good communication with its customers, with continuous improvement in oral and written communications;
- evidence of customers' feedback driving improvement in service and communications; and
- the need to effect further improvements to annual statements and to extend the number of customers who can access MyPhoenix.

RISK AND GOVERNANCE

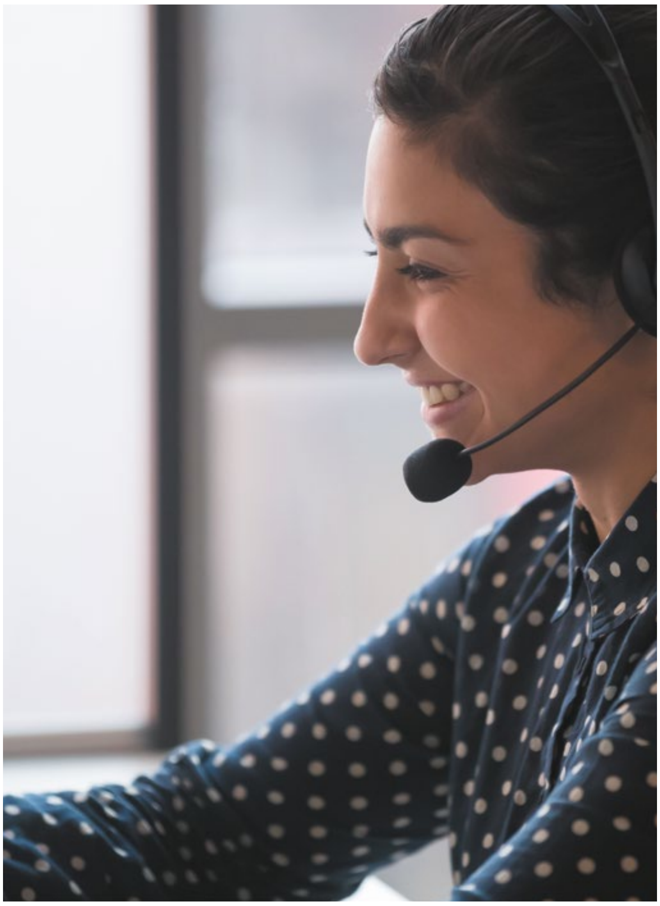
Value for money was scored 16 out of 21 (i.e. 76%), which corresponds to a GREEN rating (new rating category for Phoenix this year), due to:

- Phoenix's continued financial strength
- Investment in data and cyber security
- A robust process to prevent scams

COSTS AND CHARGES

Value for money was rated GREEN with a hint of AMBER (slightly worse than last year), due to:

- Ongoing charges still represent reasonable value for money – for almost all members these are capped at 1% pa and around 20% of members pay less than 0.75% per year
- Transaction costs seem reasonable and in line with those seen elsewhere in the market. However, the IGC has been disappointed at the time it has taken in order to give us a full picture of this important area
- Most members would have no exit charge if they were to transfer their plans to another provider and others are capped at 1%, but we have challenged Phoenix to consider what cap it could introduce on exit charges for a small number of ex-Abbey Life policies



MANAGEMENT CULTURE

Value for money was rated GREEN (in line with last year), due to:

- Initiatives to improve customer outcomes
- Evidence of acting responsibly
- Management responsiveness to IGC requests and challenges

APPLICATION OF ESG PRINCIPLES TO INVESTMENTS

Value for money was rated AMBER with a hint of GREEN (new rating category this year), due to:

- IGC disappointment at lack of visibility of how ESG considerations impact in-scope members' funds, despite repeated requests from the IGC, but countered by
- Development of Group-wide Sustainability and Responsible Investment initiatives that are starting to address many of the IGC's concerns

E. Investments

KEY MESSAGES

Investment VfM improved in 2019 due to:

- **Better investment returns, both in absolute and relative terms**
- **Improvements in asset mix and investment manager selection for funds under Phoenix control**
- **Extended investment governance as a result of the integration of Standard Life into the Phoenix Group**

WHAT ARE WE LOOKING FOR?

Investment quality in Value for Money ("VfM") is delivered when:

- funds are well-managed and governed in order to meet investor expectations; and
- default funds have the propensity to deliver sufficient returns on retirement savings over the medium/longer term, taking an appropriate level of risk, to provide a decent outcome in retirement.

Although VfM is a forward-looking measure, we review past performance to validate our assessment: in absolute terms, and vs benchmark, vs peer groups where appropriate and, over the very long term, vs inflation.

The above revised statement on VfM reflects the alignment of the Phoenix IGC with the Standard Life IGC in order to encompass the entire scope of workplace business across the enlarged group. Although Phoenix does not have 'default' funds as defined by the FCA, because members are invested in legacy products which preceded the current regulations, we are mindful that even relatively small paid-up policies might still form an important part of members' retirement savings. Thus we consider that some of the same principles should apply, particularly in relation to managed (or balanced) funds which are under Phoenix's control.

We look at past performance in various ways:

- by looking at absolute returns, as this is what ultimately contributes to the pot that members are saving for retirement;
- against the benchmark that has been set for the fund, because that is the appropriate measure to assess how the fund manager has performed against the fund's objective;
- against an appropriate peer group, because that indicates the opportunity set that the member (or their employer) could have obtained by choosing a similar fund; and
- against inflation over the very long term, where data is available, to understand how investments have grown in real terms over market cycles.

We also consider Phoenix's investment governance processes, to ensure that funds remain well-managed and appropriate for member investment.

The sub-areas that we score within this performance area are listed in Appendix 2.

WHAT DID WE FIND?

During 2019/20, we found better investment returns, both in absolute and relative terms.*

ABSOLUTE RETURNS

Investment markets were much stronger in 2019 than 2018, and this led to much better absolute returns over the year for members. For instance, the 9 key Phoenix funds in which many members invest showed returns for the year ranging from 14.1% to 22.2%. Although absolute returns do not tell us anything about how good a fund manager is, or Phoenix's oversight of them, it is important to remember that it is absolute returns that ultimately build members' pots for retirement. Those funds with the highest returns in 2019 were the pure equity funds that fared so badly in 2018, amply demonstrating that the prospect for higher returns also comes with higher volatility.

* All returns quoted are net of standard fund charges, unless otherwise stated. For the range of charges that members actually pay, please see Section I.

RETURNS RELATIVE TO BENCHMARK

To assess how good a job fund managers have done, we look at fund performance vs their stated benchmarks. We have always considered this as part of our overall assessment, although in previous years we have focused primarily on performance vs peers for our VfM scores. Some fund objectives are expressed in relation to a peer group such as an Association of British Insurers (ABI) sector, in which case it is perfectly reasonable to hold the fund manager accountable for his relative performance against it. However, where the objective is to match or beat an index benchmark, it is more important to monitor performance against that to evaluate the fund manager's skill. This relative performance also improved over the year, with the vast majority of the 62 funds that we monitor on a quarterly basis registering 'Green' on the three-year performance RAG devised by the IGC.

We have investigated the funds that are showing 'Amber' and 'Red'. All those under Phoenix's control have already seen remedial action undertaken to improve performance – such as closing underlying funds, bringing the Strategic Asset Allocation ("SAA") into line with core strategy, and reviewing fund manager mandates (see further detail on this below). Where these actions were taken in 2018, 12-month performance has often been better, but, where action was taken during 2019, transaction costs will also have weighed on performance for the year.

One of the other flagged funds is a Property fund and reflects a known issue where the Aberdeen Property Authorised Investment Fund (PAIF) has been overweight in the retail sector but is being reorganised to reflect the Aberdeen Standard Investments house view.

The final fund flagged has an income focus which has resulted in underperformance relative to the peer group. Phoenix is currently considering appropriate next steps for this fund, which the IGC notes is also a higher charging fund.

"The vast majority of the 62 funds that we monitor on a quarterly basis register 'Green' on the three-year performance RAG devised by the IGC."

RETURNS RELATIVE TO AN IGC MODEL

In previous years, the Standard Life IGC worked with Redington, an independent consultant, to design a standardised framework for assessing large numbers of funds and default profiles on an annual basis to highlight for further scrutiny those which might not be providing value for money. The methodology used comprises both a backward-looking review of fund performance, and a forward-looking view of combinations of funds that are offered as default solutions to assess their suitability at various points in a savings journey (see Appendix 3 for a description of the process). In order to see whether this approach would also add value to our appraisal of Phoenix funds, this year we analysed the nine key funds and their component funds (16 funds in total) .

In the backward-looking assessment, which looks at relative return and volatility over three years and the consistency of quarterly tracking errors, five of the 16 funds were initially flagged for further investigation. One was a passive fund that showed spurious underperformance due to a difference in price point between the unitised fund and its benchmark, and two more were funds where previous performance issues had already resulted in action being taken, since when performance had improved. One fund was flagged due to one quarter's poor performance, but the longer term record had no issues. Only one fund was recommended for close monitoring going forward, where the property fund component of one of the Abbey Life funds is the Aberdeen legacy PAIF referred to above.

We also analysed the 16 funds in the forward-looking assessment as – although none are designated as default strategies, and do not automatically de-risk towards retirement as lifestyle profiles typically do – we wanted to see how suitable the funds were at each stage of a typical savings journey. Three out of the 16 were flagged as displaying low scores in both the first 'growth' slice tested 30 years before retirement, and the second 'early de-risking' slice tested 13 years before retirement. Essentially, the three funds flagged were too defensive and therefore did not have sufficient growth potential over the longer term. We were reassured that these funds were only minor components of composite funds which did pass the assessment. However, this also prompted us to look at the demographic distribution of members invested.

Not surprisingly, as these are legacy products that have not been available for new investment for many years, most members are within ten years of retirement – and in the third and fourth slices the funds scored well.

These results, albeit on a small number of funds, suggest that the Redington analysis could add value to our wider fund assessment, and we will be considering extending the scope of the analysis for next year.

"The five-year quartile performance has improved with 56% in the first or second quartile as opposed to 44% last year."

RETURNS RELATIVE TO PEERS

We also continue to look at quartile performance vs peers, because it is a valid indicator of how a fund compares with a wider opportunity set in which a member (or their employer) could have chosen to invest instead. The equivalent results for the nine key funds highlighted in last year's report are shown below:

Name of Unit Linked Fund	Amount of workplace pensions (£million)	Quartile over 1 year	Quartile over 3 years	Quartile over 5 years	Performance over 5 years % a year	Benchmark performance over 5 years % a year
RSA Pensions Managed	166.3	4	2	2	6.96	6.68
NPI Pensions Managed	99.7	2	2	2	7.29	7.17
Scottish Mutual Growth Pension	84.9	2	4	4	6.01	7.33
NPI Pensions Equity Tracker	48.4	3	2	3	6.55	6.64
Pearl Pensions UK Equity	29.4	2	2	2	6.95	6.64
Phoenix Pension Growth Stakeholder	28.5	4	4	4	5.29	6.30
NPI Pensions overseas Equity	24.1	2	2	2	10.77	10.80
Abbey Life pensions Managed	81.4	3	3	2	7.16	7.10
Abbey Life International	103.6	2	2	2	10.79	10.69

Returns shown gross of fees
Source: Phoenix

In 2019 62% of the 62 larger funds in our scope were in the first or second quartile. This is not quite so good as the 63% seen last year, but, as anticipated in last year's report, the five-year position has improved, with 56% performing satisfactorily as opposed to 44% last year (see Appendix 3).

As promised in last year's report, we have also looked back further this time, and have considered all the ranked funds for which we have sufficient data. Ideally one would want to look at the longest period for which data is available, reflecting the fact that investment may well be over many decades, although recognising that data quality may not be as good over the very long term due to gaps in the record, survivorship bias, or sectoral changes etc.

The funds for which we have the longest history only show 47% with satisfactory performance (i.e. in first or second quartile), but the position over 20 years is 51%. We will continue to engage with Phoenix's Investment Office to ensure that appropriate action is taken on poorly performing funds with a view to seeing the longer-term record improve over time.

Summary (Proportion of overall fund range in each Quartile)	**Quartile rankings**				
All data to 31 December 2019	**5 Year**	**10 Year**	**15 Year**	**20 Year**	**25 Year**
Phoenix - Quartile Summary (% of Ranked funds in each quartile over stated periods)					
Quartile 1	27%	23%	18%	24%	22%
Quartile 2	29%	25%	22%	27%	25%
Quartile 3	20%	26%	30%	26%	26%
Quartile 4	23%	27%	30%	24%	26%
TOTAL number of ranked funds (Note - due to rounding, quartile percentages may not total 100%)	137	137	130	105	72
Where funds are in ABI Unclassified and ABI Specialist sectors performance ranking of these funds as a whole is inappropriate given the diverse nature of the sector constituents. Values below show the percentage of Phoenix IGC Unit Linked Insured Funds which are either Unclassified or Specialist.					
Unranked or historic pricing not available (% of total number of funds which are unranked) (Where fund does not have pricing history for period due to 'pricing gaps' these have been included in the 'unranked' total & percentage numbers)	15%	15%	17%	26%	44%
Total number of funds in scope	163	163	156	141	129
Where quartile ranking is blank, launch date is outside of required date range or historical pricing not available in the market					

Quartile rankings, ABI Pension Sector and launch date: FE Fund Info. The rankings range from 1 to 4, with 1 representing those funds within the top 25% of sector and 4 those funds within the lowest 25% of their sector. Where funds are in the ABI Unclassified and Specialist sector, Quartile rankings are not appropriate due to the diverse nature of their components. All other information: Phoenix

RETURNS RELATIVE TO INFLATION

This year the IGC also requested a report to consider how all Phoenix funds used by in-scope members had performed since their launch vs inflation, as measured by the Consumer Price Index (CPI). Many of Phoenix's funds have long histories, which means that valid conclusions can start to be drawn, even if the earlier years predate Phoenix's involvement. All of the nine key funds we monitor have 15 years of history, and they have outperformed CPI by between 3.5%pa and 6.4%pa.

Looking further down the list, we are reassured that the initial analysis shows fund returns exceeding inflation over all available periods, bar understandable exceptions such as cash and deposit funds, or those with explicit guarantees, and most by a clear margin.

With-Profits fund performance is excluded from the above analysis, because the outcomes members receive are not solely based on the performance of the underlying asset pools, due to smoothing, bonuses declared, any guarantees pertaining, and any deductions associated with guarantees. However, we do monitor the performance of the underlying asset pools, and note the asset mix within them. Here too improvements in performance were seen over the five years to 2019.

"All of the 9 key funds we monitor have outperformed CPI over fifteen years by between 3.5% and 6.4% per annum."

The underlying performance of the main Phoenix With-Profits funds over the past five years is set out below, along with the 2018 equivalents. These funds account for more than 90% of workplace members' funds invested in With-Profits funds. The range of returns reflects the differing proportion of growth assets held within the funds, with the lower proportions seen in those funds which have some element of guaranteed returns.

With-Profits fund performance over 5 years	2019 %pa	2018 %pa	2019 Growth Assets %
National Provident Life With-Profits Fund Series 1	4.4	3.9	0
SAL With-Profits Fund Unitised With-Profits	5.8	5.6	45
SAL With-Profits Fund Traditional With-Profits	3.6	2.8	17
Scottish Mutual With-Profits Series 3 and 7	7.0	6.3	61
SPI With-Profits Fund Series 1	4.9	4.9	30
SPI With-Profits Fund Series 2	7.0	6.2	61

Source: Phoenix

Further information on our overall appraisal of these and other With-Profit funds in which members may be invested can be found in Appendix 4.

IMPROVEMENTS IN ASSET MIX AND MANAGER SELECTION FOR FUNDS UNDER PHOENIX CONTROL

In 2018, Phoenix started to manage the Strategic Asset Allocation (SAA) as well as the mandates and manager selection of the managed funds under Phoenix control. While the new SAA for some funds had been implemented in 2018, 2019 saw the completion in stages to minimise the costs associated with each move. At year end, the Target Operating Models (including asset class strategy and manager appointments) were expected to be largely in place within three months. Key relationships remain with strategic partners Aberdeen Standard Investments and Janus Henderson, but close oversight of the performance of appointed managers continued.

Two of the mandates that are already under rectification following historic underperformance did better in 2019, but capability reviews of both managers are planned in early 2020. Assets were moved between managers and strategies in UK and European equities, moving from Core Active to Enhanced Index, with a new Tactical Asset Allocation (TAA) manager being appointed with implementation expected early in 2020.

This activity confirms that investment strategies are regularly reviewed and appropriate actions taken by the firm where they have the power to do so.

Where Phoenix identifies a performance issue but does not have the power to change strategy or manager, it writes out to members alerting them to unsatisfactory performance and urging them to review their investment choices. This is a good thing to do, but it relies on the member taking appropriate action. We have asked what impact these mailouts have on subsequent switching activity.

We would also like to see Phoenix considering the suitability of investments for members as they approach retirement. Lifestyling was removed for members who were not already in the glidepath, following review in 2017. Given that all glidepaths were aimed at annuity purchase on retirement, this was an appropriate response to the introduction of Pension Freedoms, as it was clear that few members were continuing to purchase annuities once they were no longer obliged to do so. Although we understand that Phoenix is not intending to offer Investment Pathways itself, we will be interested to see what support will be offered to members wishing to access them.

"Investment strategies are regularly reviewed and appropriate actions taken."

EXTENDED INVESTMENT GOVERNANCE AS A RESULT OF THE INTEGRATION OF STANDARD LIFE INTO THE PHOENIX GROUP

Following the completion of the 2018 transaction in which Standard Life became part of the Phoenix Group, 2019 has seen considerable progress in integrating systems and processes. In investment governance terms, this has resulted in an increase in overall resource, with a greater clarity of focus. The Investment Office takes charge of Strategic Asset Allocation decisions and fund manager engagement, and the Investment Solutions team takes responsibility for performance and governance reporting across the entire Group, as well as the wider unit-linked proposition.

These developments have facilitated an increase in both the breadth and depth of the management information presented to the IGC, as reflected in the new performance indicators referenced above, and an increasing number of reports that cover the entire fund range available to workplace clients across the Group (over 800 funds in total), while providing better context in terms of Assets under Management and member numbers within the IGC's scope. We have already been able to establish a common value for money framework as a result, and we expect to see greater alignment in process which will allow further refinement over time.

"Increased breadth and depth of management information presented to the IGC."

HOW DOES PHOENIX COMPARE WITH OTHER PENSION PROVIDERS?

The above quartile analysis of Phoenix fund performance against ABI sectors provides some comparative analysis against other funds available for pension fund investment. However, given that Phoenix's book of business is legacy only, it is difficult to compare their pension products against the Qualifying Workplace Pension Schemes that are being marketed by other providers for auto-enrolment purposes. We are actively involved in the current discussions aimed at launching a syndicated benchmarking exercise for legacy schemes (following that already in place for active schemes) and are pleased that Phoenix are also keen to support.

WHAT ARE OUR CONCLUSIONS IN RELATION TO VALUE FOR MONEY?

There is ample evidence that investment quality has improved over the year, looking at all the measures of fund performance considered, the evidence of ongoing review and actions taken by Phoenix, and the increase in governance resource and scope. We are encouraged by the progress made this year, and look for continuing good performance going forward.

The more granular scoring matrix used this year produces a score of 35 out of 45 (i.e. 78%), better than that implied by last year's Green/Amber score of 4. However, these assessments are not strictly comparable because of the additional aspects considered. We are satisfied that this is a good result and provides an appropriate basis for future assessments. In line with the rating approach set out in Section D, this year's score corresponds to a Green rating.

F. Customer Service

KEY MESSAGES

- **The IGC notes improvements in the service delivered to Phoenix customers during 2019**
- **The IGC is encouraged by Phoenix's continued focus on enhancing its servicing approach to vulnerable customers**
- **The IGC is pleased to note the further extension of online servicing options to Phoenix customers**

WHAT ARE WE LOOKING FOR?

Our assessment of customer service focuses on what service levels Phoenix has as targets, its performance against those targets, and what steps are taken if performance falls below those levels. We know that meeting targets does not necessarily result in good customer service, so we also look at the overall experience a customer has when interacting with Phoenix. This includes how the provider approaches vulnerable customers and deals with complaints. We look for signs of innovation and improvement over time and that these are driven in a customer-centric way. This includes expanding the range of digital services and self-service transaction capability available to customers. Finally, we recognise that value for money associated with customer service goes hand in hand with customer communication and engagement (which we consider as a separate area of our value for money assessment).

The IGC's primary responsibility in respect of customer service under the FCA's regulations is to determine *"whether core scheme financial transactions are processed promptly and accurately"*[1]. In practice, the IGC looks at much more than this in its assessment of VfM.

- We also review "end-to-end" customer experience, i.e. how long it takes for an issue to be finally resolved, starting from when the customer first asks for something to happen. For death claims, for example, this can be very significantly longer than the "process death claim" workflow item. During 2019, we have been pleased to see Phoenix continue to evolve its management information and internal targets from traditional transactional measures in favour of "end-to-end" customer experience and outcomes.
- In order to get a good understanding of the customer experience, the IGC receives an annual review of actual cases which Phoenix's outsource service partners ("OSPs") (Capita and Diligenta) have dealt with over the course of the previous 12 months. The review looks at every interaction the customer had in order to achieve what they wanted to happen. The results are scrutinised by the IGC, along with any management actions/improvements that are taken in response to the findings.
- The IGC also listens to customer calls from time to time – pre-recorded and selected by Phoenix for us to hear. In addition, in February 2020, members of the IGC visited the retirement servicing team in Glasgow to better understand the issues raised by customers and see the team in action.
- The IGC reviews the retirement options that Phoenix makes available to in-scope customers. All 'pensions freedoms' options are made available, mostly through referral to HUB Financial Solutions[2]. The IGC reviews quarterly management information on the retirement actions that customers are taking (e.g. proportion taking 100% cash; proportion taking Phoenix annuity etc), particularly where customers have a Guaranteed Annuity Rate ("GAR"). The IGC also monitors the annuity pricing approach that Phoenix operates for customers who choose, despite the other options offered, to purchase an annuity from Phoenix.
- The IGC also monitors complaint levels, topics complained about, and what Phoenix is doing in response. We also track complaint overturn rates of cases referred to the FOS.

[1] FCA Conduct of Business Sourcebook 19.5.5 R 2(c)
[2] An independent third party broker regulated by the Financial Conduct Authority

- The IGC also takes a keen interest in the strategy that the Phoenix Group follows in relation to its servicing approach and proposition. We monitor the performance of Phoenix and the OSPs in the customer service management information pack that is produced quarterly and also the progress of any key development projects that affect the service experience of customers.

The IGC looks out for particular sub-groups of customers for whom the overall Phoenix service proposition may not represent value for money, or where particular customer needs and preferences could be better met. For example, we regularly review Phoenix's approach to "Vulnerable Customers" to ensure that it meets the needs of those for whom "mainstream processes" are not appropriate.

We also pay close attention to the monitoring that Phoenix does to identify what could be regarded as "unusual" customer behaviour (e.g. taking 100% cash from a pension pot that has a GAR; keeping a pension pot in cash for a long period of time etc) and seek comfort that Phoenix "BAU processes" are sufficient to identify potential outliers who may need special treatment.

WHAT DID WE FIND DURING 2019/20?

(A) Summary Performance

In our two previous years' reports, we highlighted three particular areas of performance – the speed at which customers receive payouts of retirement claims, overall levels of customer satisfaction and complaints about the service they receive. This is what we found for 2019, and how Phoenix's performance compared with previous years' results:

Measure	Target 2019	Performance 2019	Performance 2018	Performance 2017	Performance 2016	Performance 2015
Speed of retirement claim payouts	< 12 days	9.69 days	10.73 days	11.03 days	11 days	11 days
Customer Satisfaction	90% rating satisfactory or above	94%	93%	92.4%	91%	91%
Servicing complaints as a % of customer transactions	< 0.6%	0.43%	0.59%	0.46%	0.3%	0.3%

Source: Phoenix

Overall customer experience generally improved during 2019, with the majority of performance measures in relation to the processing of core financial transactions (including Claims and General Servicing) remaining stable and in line with internal targets. There was a significant improvement in the speed within which retirement claims were processed during 2019 (9.69 days compared with 10.73 days in 2018). The end-to-end measures for Death Claims generally improved during 2019 but remain outside of target. This continues to be an area of focus for Phoenix and their outsource partners.

Telephony measures generally remained in line with internal targets, with a couple of exceptions around tax year end and during peak summer and autumn holiday periods which coincided with a number of project-related mailings to customers. See Appendix 6 for details.

"Overall customer experience generally improved during 2019."

The IGC has been made aware of a number of planned improvements to processes, due to come into effect later in 2020, and which should improve customers' experience through the Phoenix Group. These include:

- Pension consolidation journey: Phoenix is planning the roll out of an optimised transfer system to reduce the length of time customers have to wait for their pension consolidation to take place. As a result the waiting time will decrease by two days per transaction.
- Fund price updates: the latest fund prices are to be made available to customers during peak hours (9am-5pm) so that customers can see the most up to date information.

The IGC is pleased to note the timeliness of the service provided by Phoenix during 2019 and the ongoing improvements planned for 2020.

(B) Customer Satisfaction

Customer satisfaction performance is measured in two ways. A "Neteasy" score reflects feedback from advisers and employers only. Direct customer feedback is reported through a separate "CSAT" score, where the customer is asked how satisfied they are with Phoenix on a scale of 1 to 5, with the result being the percentage who give a score of 4 or 5 ('satisfied' or 'very satisfied').

The direct feedback from customers suggests continued evidence of improvement during 2019 in overall customer satisfaction. The IGC does, however, note the generally lower levels of satisfaction among employers and advisers as measured via the "Neteasy" scores, and are encouraging Phoenix to continue to use multiple feedback measures to inform and prioritise future enhancements to the service proposition.

"Phoenix has continued to evolve its vulnerable customer strategy."

(C) Complaints

In our 2018/19 report, we noted a number of process changes introduced by Phoenix to improve their complaint-handling performance. Complaint oversight continues to focus on key areas linked to strategic objectives, with particular attention being paid to ensuring that any complaints that can be resolved in less than three days are resolved appropriately. During 2019, there were 17,793 complaints from Phoenix customers (including those outside of the scope of the IGC), a 4% reduction on 2018 (18,533).

Overall complaint volumes represented fewer than 1% of the total number of servicing transactions (1,976,117). Furthermore, complaint volumes were artificially inflated by speculative claims in respect of Payment Protection Insurance ('PPI'), despite Phoenix never having offered PPI.

To see how Phoenix compares with other companies in handling complaints, we have looked at data published by the FOS. Phoenix's overturn rate, which tells us how often FOS disagrees with a decision made by Phoenix on a customer complaint, remained consistent with previous years. The Phoenix figure for the twelve-month period ending 30 June 2019 was 17% (2018:17%), which compares well to the most recently available industry figure of 22% (2018: 30%) and is in line with Phoenix's internal target of <30%. This shows a consistency in the quality of service in handling of complaints and no rise in the number of times FOS disagrees with Phoenix.

"Complaints down by 4% in 2019."

(D) Vulnerable Customers

In our 2018/19 report, we noted how Phoenix was responding to the needs of customers who may find it more difficult to achieve good outcomes due to their background, circumstances or underlying conditions, whether short- or long-term ('Vulnerable Customers'). Since then, Phoenix has continued to evolve its vulnerable customer strategy, with ongoing improvements to Phoenix's method for recording disclosure of vulnerable circumstances while ensuring that the appropriate management information and controls are in place. Phoenix also continues to work with their OSPs to ensure that they place the appropriate amount of focus in this key area, including the delivery of suitable training and support for front line staff. We note that an internal audit of OSPs' performance in this important area is planned for 2020.

In July 2019, the FCA published guidance for providers on the fair treatment of vulnerable customers. Representatives from Phoenix also participate in the ABI's Vulnerable Consumer working group to share best practice across the life and pensions industry. The IGC believes that it is important for Phoenix to continue to play a leading role in helping to shape the pension industry's response to delivering fair outcomes for all customers, including those who are experiencing a time of vulnerability when dealing with their provider.

HOW DOES PHOENIX COMPARE WITH OTHER PENSION PROVIDERS?

Other than in relation to FOS overturn rates (as mentioned above), it remains difficult to make meaningful comparisons of Phoenix's performance with that of other providers. This is because of the "closed book" nature of the Phoenix business and the lack of comparable industry-wide data. The IGC notes that discussions are underway for Phoenix to participate during 2020 in a benchmarking exercise with other "legacy" pension providers. The IGC welcomes this initiative and hopes to be able to utilise the results to inform its VfM assessment in future reports.

The IGC has been able to make some judgements on the relative capabilities and performance of Phoenix relative to SLAL, which it acquired in 2018. While such comparisons have to take account of the contrasting size and nature of both books of business (i.e. "active" vs "heritage"), the processing of core financial transactions by Phoenix and its OSPs appear to be broadly in line with those of SLAL. Given that there is independent benchmarking data for the latter provider, this provides the IGC with some degree of comfort that Phoenix's performance is reasonable.

WHAT ARE OUR CONCLUSIONS IN RELATION TO VALUE FOR MONEY?

Notwithstanding the lack of independent benchmarking data, based on the management information that has been produced quarterly by Phoenix, the IGC is satisfied that core financial transactions have generally been processed promptly and accurately. Where this is not the case, procedures are in place to ensure that customers are not disadvantaged as a result of processing delays or inaccuracies.

The volume of complaints is down on 2018 and continues to remain low relative to the number of customers and the number of transactions processed. Customer complaints appear to be treated fairly.

In terms of vulnerable customer issues, the IGC has monitored the development of Phoenix's initiatives and how effective their implementation has been. This included a presentation to the IGC in November 2019 on Phoenix's approach to vulnerable customers and how it is being made consistent across the Phoenix group. The IGC takes comfort from the external influences and advice that were being taken on board.

As reported under the "Risk and Governance" section of this report, the IGC is aware of a number of projects underway which will allow all Phoenix Group customers to benefit from improvements to the service proposition, including an enhanced online digital proposition. The IGC welcomes these planned enhancements. We are in receipt of regular updates and will be keeping a close eye on progress, including any signs of deterioration in customer service during 2020 and beyond.

In 2018, our RAG assessment of Phoenix's performance under this category was "Green". Appendix 2 sets out the updated criteria that the IGC has taken into consideration in its assessment of VfM, including in respect of customer service. While acknowledging the improvements in both the service offering and performance during 2019, as well as the ongoing investment by Phoenix in its service proposition the IGC has determined an overall score for customer service of 27 out of 36, or 75% (2018: N/A). This equates to an overall rating of Green. The IGC hopes that the availability later in 2020 of a new independent benchmarking study for "legacy" books of business will allow our assessment of Phoenix's service proposition to be further refined in future years' reports.

G. Customer Communications and Engagement

KEY MESSAGES

- **Phoenix communicates well with its customers, showing continuous improvement in oral and written communications**
- **Phoenix listens to the customer's voice and ensures that feedback captured is used to drive improvement in service and communications**
- **Phoenix must focus in 2020 on expanding access to MyPhoenix to more customers, and ensure that customers see improvements to annual statements**

WHAT ARE WE LOOKING FOR?

We consider that keeping in touch with customers is fundamental, so we look at 'goneaway' rates as a measure of how well Phoenix does in this regard. Beyond this. and as a minimum, we expect customer communications to be compliant with regulations, and look for communications to be timely, clear, sufficient and jargon-free. We look for continuous improvement by Phoenix over time, and for evidence that Phoenix is increasingly enabling members to engage with their pension by the quality of communications they receive, being able to call Phoenix for help, and being able to find information and guidance tools online. We also look at how Phoenix gets feedback from members and how it responds.

WHAT WE LOOKED AT

During 2019, we have listened to customer calls, examined examples of customer feedback and independent surveys, asked for updates on developments to annual statements and the enhancement of Phoenix's digital offering. Unless otherwise stated, the survey results and feedback are from customers across all of Phoenix, and not just those within the scope of the IGC. The following explains the outcome of our work in this area.

COMMUNICATIONS

Phoenix communicates with its customers, through two outsourced providers, Diligenta and Capita. We are pleased to see evidence that Phoenix runs a continuous program of monitoring to give Phoenix independent assurance on the quality of service provided by the OSPs to customers.

ORAL COMMUNICATIONS

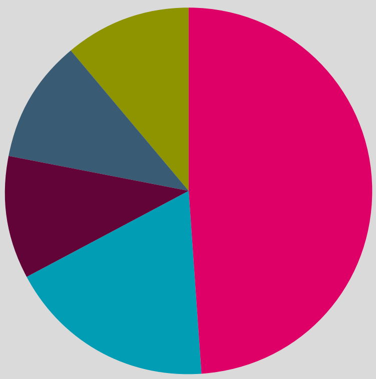
On a monthly basis, and using an independent partner (Ipsos Mori), Phoenix closely monitors the performance of their OSPs through an automated independent survey, to check customers' views on the quality of communications with customers. 2019 results have shown that the levels of satisfaction from this survey are 94%, in response to questions such as why the customer called, whether the call handler fully understood their needs and if the call handler helped with decisions regarding their policy.

However, this survey goes further, by asking customers to leave their comments, through a process called Verbatim. In particular, Phoenix has introduced the question: *"If you could change one thing about improving our general service in the future, what would it be?"* We have seen examples of customers' comments, which cover not only oral communications, but also written communications and the quality of service.

As the chart on the next page indicates, feedback from customers is analysed, categorised and prioritised by Phoenix – for example, the quality of communications and customer understanding, contact method (phone or email), or call handler knowledge, attitude and clarity.

> "2019 results have shown that the levels of satisfaction from this survey are 94%."

Top 5 positive improvement suggestions split by feedback



We have seen evidence that Phoenix, through their team dedicated to the improvement of customer service, pays close attention to the Verbatim comments left by their customers, using these comments to hear the voice of the customer and drive improvement. Some of the feedback is straightforward, like a request for a call handler to speak more slowly, especially for older customers; or complaints about call waiting times; and some give suggestions about improvements to written communications, including challenging Phoenix on the language or jargon used which some customers do not understand. We were particularly pleased to see that not only are these comments captured, but also there is a process whereby all the comments – positive and negative, relating to calls, written communications or other areas of customer service – are fed back directly to the relevant part of the business and change effected where necessary. This year we visited a Phoenix call centre operated by Capita, and were pleased to see first-hand the impact of this process of information being fed back and the change and development effected on the back of this.

In 2019 we have listened to calls, and have looked at the analysis by the customer service improvement team of all calls they have reviewed. The calls reviewed by the team had several instances of positive, pragmatic behaviours by call handlers. The calls also included cases featuring instances of potential or actual customer detriment, such as a call handler not noticing that a claim form was partially incomplete, causing a minor delay in the customer receiving their money. The monitoring identified problems arising from the rigid and complex process of identification and verification of customers when they called. However, none of the calls monitored featured any financial customer detriment.

Phoenix identified that the root cause of any errors was inadequate call notes or that certain call handlers could benefit from further coaching or refresher training. Phoenix have assured the IGC of the collaborative approach of the OSPs to delivering improvements; individual coaching and feedback has been provided to the call handlers involved, refreshers sessions have been provided to the wider call centres and call notes have been revised.

We are pleased to note that, by the end of 2019, the OSPs were able to implement and complete all the actions required by Phoenix. Phoenix can now see a clear improvement in call handlers checking their customers' understanding when completing the verbal journey; and customers are less rushed through a verbal journey, with call handlers going out of their way to explain more complex terms without error.

WRITTEN COMMUNICATIONS

Last year we saw feedback from the Phoenix Customer Panel (which also included IGC customers) that many found Phoenix's improvements to their annual statements and written communications clear and easy to understand. The feedback also identified the need to use less jargon and for more clarity of messages on how values have been calculated. For pension transfers, customers wanted greater clarity on whether there was a charge to transfer, a clear explanation of what the guarantees meant for them and what the timescales were to transfer. We are pleased to note that, during 2019, all of these improvements have been introduced by Phoenix, with particular measures taken to ensure that all Phoenix staff dealing with customers – whether through the OSPs or Phoenix itself – implement these improvements in all customer journeys.

Further progress has been made by Phoenix in updating key point and regular communications, to help customers understand what they can do with their pension and make an informed decision should they want to take any action. Customers are prompted to consider if their circumstances have changed, and if so, they are given an opportunity to review their policy to make any changes, such as updating their beneficiaries. The improved communications also signpost services and organisations to help customers take a proactive role in managing their financial affairs including the Money Advice Service, Pension Wise and independent financial advisers. However, there is still more work to be done, especially around the annual statements.

Last year we highlighted Phoenix's aim to include in all customers' annual statements the annual charges on their pension as a monetary value. This work is still ongoing and Phoenix is committed to delivering this goal; but it is not clear what timescales this will involve. Phoenix are committed to continuing to improve the annual statements, so that the statements – including annual charges expressed as a monetary value – are engaging documents that all customers can read and understand. We will continue to watch carefully the development of this work.

"However, there is still more work to be done, especially around the annual statements."

DIGITAL

A key theme of the Verbatim feedback referred to above is the increasing customer demand to be able to communicate and transact digitally.

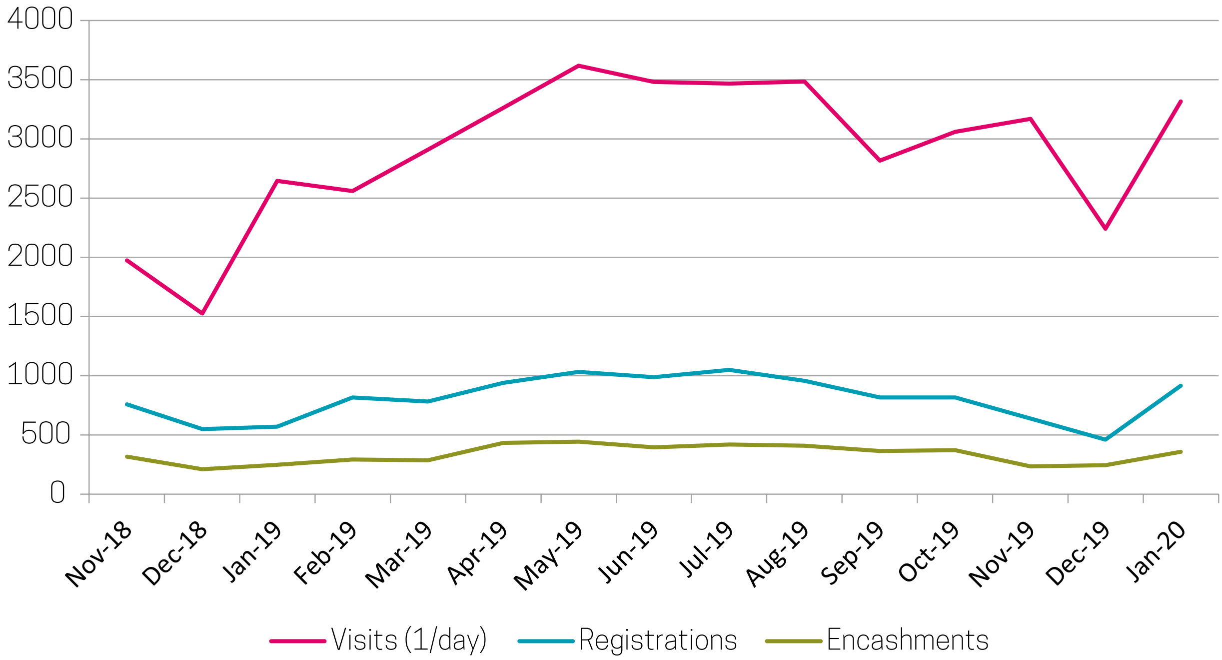
Last year, we highlighted the development of the online tool, MyPhoenix, for which many – but not all – customers were able to register. This is the tool whereby, without the customer having to key in their own data, customers are able to log in to their Phoenix account, see the value of their pensions and be given an option to take money out of their pension. We welcomed the development of the MyPhoenix login website. Those who can access MyPhoenix are able to check and amend their personal details, check their policy information, securely email Phoenix and consider retirement options. In addition, MyPhoenix reduced the length of the customer journey in encashment of pensions from 6 weeks under the journey on paper and by post, to an average of 3 days for an online journey.

However, when we published our report in March 2019, not all customers could register for MyPhoenix. As the following chart shows, each month has shown an increase in the number of customers using MyPhoenix. The Verbatim feedback from customers confirms the desire of customers to communicate and transact digitally. We are aware that Phoenix are currently taking steps to move more customers on to a digitally enabled platform that will increase the number of customers that are able to register and use MyPhoenix.

During 2020, we will watch developments in this, in particular looking for access to MyPhoenix to be made available to all IGC customers.

"Phoenix are currently taking steps to move more customers on to a digitally enabled platform."

MYPHOENIX MONTHLY VISITS, REGISTRATIONS & ENCASHMENTS



A particular highlight of 2019 has been the development of the Phoenix website to a level where it has been awarded AA by the World Wide Web Consortium (W3C), the main international standards organisation for the internet. To gain this award, Phoenix has complied with the Web Content Accessibility Guidelines which define how to make website content more accessible to people with disabilities, including visual, auditory, physical, speech, cognitive, language, learning, and neurological disabilities. The AA award required Phoenix to develop their website to comply with four guiding principles:

- Perceivable: content can be presented to match the needs of users;
- Operable: the website can be interacted with by using a keyboard or other devices;
- Understandable: content can be easily comprehended by using clear and simple language; and
- Robust: the website is constantly updated to match the advancements in technology.

To achieve this standard, Phoenix has introduced changes to their website, including:

- making it screen reader friendly, so that users accessing the site with a screen reader can easily navigate and digest content;
- making it keyboard friendly, so that users with dexterity impairments, who may have problems navigating the site with a mouse, can easily navigate the site using a keyboard;
- the use of coloured backgrounds, to ensure fonts are legible and the text is clear for users with visual impairments; and
- all video content now has subtitles, to allow users with hearing difficulties to digest the content.

"A particular highlight of 2019 has been the development of the Phoenix website to a level where it has been awarded AA by the World Wide Web Consortium (W3C)."

Phoenix has improved user journeys for those customers wanting to navigate through a google search of how best to contact Phoenix. The Phoenix Life website now has a high position in any google search, and clicking on the now prominent 'contact us' button immediately takes the customer to a menu of options from which to select their reason for contact – for example, 'request a retirement pack' or 'update my personal details'. This is all part of the efforts to make it easier for customers to engage with their pension and keep in touch with Phoenix.

We are pleased to see this AA award being given, with the website being enhanced to be accessible to all customers. During 2020, we will be watching for evidence of customers benefitting from this enhanced website.

NPL OFFER

The NPL Offer, which is explained in Section H of this Report, has been ongoing during 2019 and continues into 2020. This project affects some IGC customers.

Central to the success of this project are communications, and in particular the need to explain to customers – in language they will understand – the proposals of the project, the need for action, and the potential impact on them of not taking action.

We have been pleased to see the efforts Phoenix is making to alert affected customers to the proposals, explain this in as clear and simple language as possible and to utilise a proactive approach of written communication followed up by a call to engage the customers. At key points of the project, Phoenix are looking to send out a single page communication, and asking the customer to call Phoenix. Phoenix's aim is to make the customer journey as supportive as possible by combining the written communication with telephone and website support. All communications are subject to a robust regulatory review, and a review by the Independent Expert appointed to review the offer.

During the NPL Offer project, Phoenix has commissioned some specific research on the affected customers, and this has provided Phoenix with the following customer information:

- **12% unaware they held the Phoenix pension**
- **For 76%, the Phoenix Pension was only a small part of their retirement funds**
- **Most intend to retire on/after selected retirement or simply have no plans yet**
- **Only 15% knew they had a guaranteed growth rate**
- **1 in 4 claim to have low financial sophistication**
- **13% potential transient vulnerability due to a major life event (financial stress, bereavement, divorce, moving house etc.)**
- **8% vulnerable due to health (substantial impact on ability to carry out day to day activities)**

This research has given Phoenix valuable insight into a cross section of their customers, highlighting that many customers remain insufficiently engaged with their pension and planning for retirement.

As part of this project, and to help address this lack of engagement, we are pleased to see that Phoenix is funding a guidance service that will be provided by Mercers. This guidance service will be available to all customers who are part of the NPL Offer project and will be provided at zero cost to the customer. In addition, Phoenix is subsidising the advice costs for those customers who wish to take advice. Where customers are identified as being vulnerable, this advice will be provided at zero cost to the customer.

We understand that Phoenix now proposes to use the learnings from the NPL Offer project in their future actions to enhance customer engagement with their pension, whether a customer is going through the retirement journey, surrendering their policy or if their policy is maturing. In particular, Phoenix has recognised that it is good to have a process of written communications, followed by communication by phone, and talking the customer through the process.

During 2020, we will continue to monitor the quality and effectiveness of the ongoing NPL Offer communications, and to look for evidence of wider effects of introduction of learning from this project to other Phoenix processes.

CUSTOMER TRACING

Some customers do not respond to letters from Phoenix. Over the years, some customers lose track of their pension or fail to update Phoenix when they have moved. Whatever the reason for the loss of contact with Phoenix, these customers are referred to as ‘goneaways’.

Last year, we explained the new process which had been introduced by Phoenix to bring particular focus to the tracing of these customers: as soon as Phoenix becomes aware that a customer has become a goneaway, Phoenix initiates a search for these customers, and repeats this tracing at 18 months and every three years thereafter; tracing is also initiated three years, 18 months and six months prior to a customer’s retirement date; and after the retirement date, tracing is done every three years until the pension had been successfully claimed.

The result of this new tracing process is that, in the year to 31 December 2019, Phoenix’s goneaway rates for all customers fell from 13.3% to 12.49%. Around 25% of goneaways in the customer populations covered by the OSPs have been successfully traced and their new contact details added to Phoenix’s records. We are pleased to see that Phoenix are continuing to require the OSPs to diligently follow the customer tracing process, and would encourage Phoenix to continue to make this a priority. Over 2020, we will look for evidence of further decline in the goneaway rates.

CONCLUSION

Overall, we are pleased to see the evidence of Phoenix’s good communication with its customers, borne out by the independently-gathered statistics and improvements being effected to verbal and written communications. In particular, we note the value to Phoenix of the information being gathered through Verbatim of customers’ feedback and comments, and are pleased to see the process in place for these to improve the customer service. The improvements to the website to increase customer engagement are welcomed.

During 2020, we would like to see significant progress on the completion of the project to improve annual statements, and a decline in the rate of goneaway customers through tracing. We will look for evidence of learning gathered from the NPL Offer project in customer communications and engagement and the embedding of this learning in all areas of engagement, particularly for IGC customers. Finally, we will be looking for significant progress in the digital area, so that all customers are able to register with MyPhoenix.

Recognising both the achievements over the last year, and the challenges to be addressed in the year ahead, we would award Phoenix in this area a score of 23 out of 33, or 69%. This is equivalent to a RAG rating of Green with a hint of Amber.

H. Risk and Governance

KEY MESSAGES

- **Throughout 2019, Phoenix has continued to maintain good financial strength**
- **Phoenix continues to invest in data and cyber security**
- **Phoenix has a robust process to prevent scams**

WHAT ARE WE LOOKING FOR?

It is an important element of value for money that Phoenix is able to demonstrate robust governance arrangements which underpin effective management of its risks. This supports security for scheme members, both for their money invested and the personal information Phoenix holds on them. Particular topics which the IGC has focused on in 2020 have included the security of members' personal information, the financial strength and security of Phoenix as a workplace pension provider, and projects to improve value for money for members. We also look for assurance that Phoenix continues to meet the various associated regulatory requirements.

WHAT WE LOOKED AT

We reviewed Phoenix reports and management information presented to their Customer and Risk Committees and Board on Governance and Controls. We also requested that any issues that might impact on in-scope customers be reported to the IGC. What we found is set out below.

RISK & GOVERNANCE

The IGC has continued to monitor the position in respect of regulatory compliance and has been pleased to note that there have been no significant regulatory issues affecting workplace pension members over the last year. Phoenix has a programme of risk review, compliance and internal audit activity. This programme has not highlighted any issues of note impacting workplace members.

FINANCIAL STRENGTH

The financial strength of Phoenix Group is important in order to provide confidence that the expectations of scheme members can be met. Phoenix Group reported at 31 December 2019 that it had £3.1 billion above the capital required under regulatory solvency requirements for insurance companies. Another way of looking at this is that Phoenix Group holds 141% of the capital required by the Bank of England rules. These figures give the IGC assurance that the financial position of Phoenix Group remains strong and members' funds are secure.

DATA SECURITY

The IGC has received detailed presentations as to how Phoenix manages risks to customer data security. The IGC has noted a reorganisation of the team that monitors risk, and a strengthening of skills and capacity in the team who provide assurance and oversight in respect of Information Security, Cyber, Data Protection and Financial Crime risk.

There has also been an increase in the profile of these risk areas within the Group. This has included recruitment of a Head of Information Security and Technology Risk Assurance who has extensive external experience and associated qualifications. We understand that further team recruitment is underway. Considerable investment continues to be made to ensure the control environment is in line with best practice in the insurance industry.

The IGC understands that further assurance activity is planned for mid-2020 as part of the Annual Cyber Assessment, using the Information Security Forum industry benchmarking tool. It is important that continued efforts are made in this area, in order to address the ever-increasing sophistication of potential cyber-attacks. The IGC has been kept informed of the progress made by Phoenix in its efforts to prevent attacks.

Member transactions undergo thorough identity verification before they are concluded, especially where funds are being paid out. Recently the IGC was notified of a case where a member's funds were subject to a potential fraud from an external source. The IGC was pleased to note that the security processes had warned of the attack and thus there was no risk that the member's funds would be paid out to the wrong person.

Mandatory staff training is provided to ensure awareness of the required processes. The IGC has noted the significant growth in transactions via digital channels and Phoenix has confirmed the appropriateness of controls for those channels which have been the subject of assurance activity by Phoenix's financial crime team. The IGC will continue to challenge Phoenix to provide evidence of continuous maintenance and enhancement to data security controls.

SCAMMING

Unfortunately, a number of workplace scheme members in the UK have been the subject of fraudulent attacks, leading to loss of their funds. Phoenix has a robust process in place that seeks to ensure that its workplace members are, in so far as is possible, protected against such attacks. One of the key concerns is when members are encouraged by unscrupulous individuals to take their funds in cash and reinvest in what turn out to be unregulated and loss-making schemes.

In 2020, we will look for evidence that Phoenix has kept this area under close review. We are pleased to see that Phoenix is actively engaged in wider industry consumer education and loss prevention activity.

PROJECTS

When Phoenix has significant projects that potentially impact workplace members, the IGC receives regular reports on these to make sure that service or outcomes to members continue to give value for money. There are two projects that are relevant this year.

Firstly, consolidation of service provision – Phoenix is consolidating some of its workplace pensions servicing with an existing partner that is a large international financial services company. In February 2019, the IGC visited the partner's principal offices in the UK and were enthusiastic about some of the service improvements which could be offered to members in the future. Meanwhile, we have seen that Phoenix have strong governance arrangements in place to prevent any degradation of service whilst the changes are implemented. These changes will take a while to implement and the IGC will continue to monitor progress.

Secondly, the NPL Offer. This is an offer for some of the members whose pension pots are invested in certain With-Profits arrangements. Customers within the National Provident Life With-Profits fund have been contacted by Phoenix to find out whether they would have any interest in Phoenix making an offer to them to exchange their current fund growth guarantee for an immediate uplift to the value of their pensions savings and a move into a unit-linked mixed investment fund. If enough customers support this, the plan is to make the formal offer later this year. Phoenix will use a legal process, which is overseen by the court and requires an independent expert to be appointed, to review the proposed scheme on behalf of customers.

The IGC has been kept informed of the details of the offer and considered the communications made to date with customers. The IGC believes that this sets out fairly the issues for members to consider as to whether they should accept the offer. The IGC welcomes the NPL Offer – which should enable many customers to enhance the benefits they eventually receive from their pension plan. We will continue to monitor progress on this offer. The IGC has asked Phoenix to consider whether similar offers may be appropriate for members in other With Profit funds with guarantees.

PRODUCTS

There are a range of different products through which members have invested. Phoenix carries out regular reviews of any risks and issues on these products to ensure that they continue to provide appropriate outcomes to members, and would discuss any substantial concerns raised with the IGC. The IGC also independently reviews the investment funds available for the products and their performance (see Section E), service delivery to members (see Section F) as well as costs and charges (see Section I) as part of our opinion-forming work on Value for Money.

CONCLUSION

Using the value for money scoring framework as set out in Section 4, the IGC has determined a score of 16 out of 21, or 76%, for Phoenix's performance in this area. This equates to an overall RAG rating of Green.

I. COSTS AND CHARGES

KEY MESSAGES

- **Ongoing charges still represent reasonable value for money – for almost all members these are capped at 1% pa and around 20% of members pay less than 0.75% per year**
- **Transaction costs seem reasonable and in line with those seen elsewhere in the market**
- **Most members would have no exit charge if they were to transfer their plans to another provider and others are capped at 1%, but we have challenged Phoenix to consider what cap it could introduce on exit charges for a small number of ex-Abbey Life policies**

WHAT ARE WE LOOKING FOR?

A number of costs and charges may apply to members' plans and include:

- charges deducted from plans on an ongoing basis ('ongoing charges'), and
- the costs of buying and selling the investments within the plan (called 'transaction costs').

Some members may have other benefits or services on their plan – certain guarantees that apply to with-profits investments; protection benefits (e.g. life insurance or waiver of contribution cover); where members have specialist investments; or advice from an adviser. Members typically pay extra for these benefits through 'other charges'. Finally there may be an 'exit charge' deducted from the value of a plan if it is transferred to another provider.

In the current environment we think ongoing charges of a maximum of 1% per year offers reasonable value for money, but will keep this under review. The disclosure of transaction costs is an evolving area and we review the information we have against what we have seen in previous years, against data we are starting to see disclosed by other firms, and by expert judgement, to see if transaction costs look reasonable.

Where members pay other charges for other benefits and services then we consider this to be reasonable provided members know that they are paying those other charges, understand (and still need) the benefits or services, and receive adequate communications. We also look to see that these other charges are reviewed periodically to ensure that they remain appropriate.

We are concerned if we feel that exit charges are excessive.

ONGOING CHARGES

Ongoing charges are in line with what we have seen and agreed were reasonable in previous years, i.e. the vast majority are paying no more than 1% per year in ongoing charges and we currently consider this to be reasonable value for money. This year we were keen to better understand how ongoing charges vary across members. In the past we have focussed on reducing ongoing charges to a maximum of 1% per year to eliminate higher charges, and last year gave particular attention to whether 1% is reasonable for members with very large pots. This year we also wanted to see more clearly what proportion of members are paying less than 1% per year and found the position as follows.

Total member charge	Number of workplace and former workplace personal pension members	Percentage	Assets under Administration (£m)	Percentage
1.01% to 1.50%	566	0.6%	6	0.5%
0.75% to 1.00%	77,313	79.9%	970	78.2%
>0.5 - ≤0.75%	18,882	19.5%	265	21.4%
	96,761	**100.0%**	**1,241**	**100.0%**

This means that, whilst ongoing charges are a maximum of 1% per year, they generally vary from 0.5% per year to 1% per year with almost 20% of members paying 0.75% per year or less. Some members pay less because their plan is part of a different scheme design, with Phoenix operating 48 scheme designs originally issued by different companies that are now part of Phoenix. The 0.6% of members who pay more than 1% per year are receiving other benefits or services which we describe below.

It is good to see that some members are getting better value than 1% per year – and we have not concluded that 1% per year will always represent reasonable value for money, but will keep this under review over time.

As we noted last year, 1% still represents a large charge for members with a large plan value – for example, for a plan worth £100,000 the annual charge will be £1,000. However, what we found was that typically those members with large plan values were experiencing a lower ongoing charge, receiving With-Profits guarantees or are entitled to receive some additional bonus at retirement.

OTHER CHARGES

Our report last year considered members who invest in With-Profits funds which provide guarantees – typically in the form of rates of bonus added to their plan, minimum amounts paid out at retirement or on death, or terms for converting the plan value into a guaranteed income for life (sometimes known as an annuity). Some funds make additional charges to pay for those guarantees.

In practice, a charge is only made for those members who are invested in the NPL With-Profits Fund, with the charge set at 0.5% per year which is deducted from the underlying plan value. Many plans in this fund have guaranteed bonus rates of up to 4% per year, which is a valuable feature for many members and can result in a pay-out at selected retirement age which is much higher than the underlying plan value. Whilst the guarantee applies if the member takes their benefit at their selected retirement age, they may receive significantly less (the underlying plan value) if they wish to take their plan benefits earlier as pension rules now permit. We are pleased that Phoenix has been developing a potential arrangement that seeks to address this issue and Phoenix have now communicated what it has in mind to members who could be affected. We talk about this in the section on 'Risk and Governance' and will continue to look at what this may mean for future guarantee charges for members who are not covered by this potential arrangement.

As we reported last year, very few customers (around 500) have protection benefits, the most common benefit being the waiver of contribution benefit, which means that contributions to a member's pension plan will continue in the event that the member is unable to make these contributions for an extended period through long-term ill health or disability. There have been no changes to charges over the last year, but we remain comfortable because the level of charges was reviewed over the period 2017 – 2018 and will be reviewed again in 2021. Letters are periodically issued to members to remind them of these benefits, to consider if they might have a valid claim, and to encourage them to consider if they still want the benefit.

Some members invest in specialist funds that charge more (i.e. are subject to an ongoing charge higher than 1% per year). These include Invesco Perpetual Managed at 1.78% pa and Newton Managed at 1.46% pa. Few members are invested in these funds. We accept that they were specifically chosen by members and may still offer reasonable value for money, provided members understand that suitable alternative and lower charging options may be available and/or that the investment performance is adequate given the extra cost. In the case of Invesco Perpetual Managed, performance has been in the second quartile (i.e. above average) over 10 and 15 years, albeit below average (third quartile) over five years. Newton Managed has been in the second quartile over five and 15 years but third quartile over ten years. We would be concerned if performance was consistently in quartiles three and four.

No charges are taken from any member's plan to pay commission to advisers.

TRANSACTION COSTS

Background

Last year we reported that, following the introduction of new rules in January 2018, we had started to receive the majority of transaction cost information for most funds. However, we commented that there was some inconsistency in data provided to Phoenix from different fund managers, there was limited breakdown of transaction costs by type (for example implicit and explicit costs), and it was taking too long for the information to get to us.

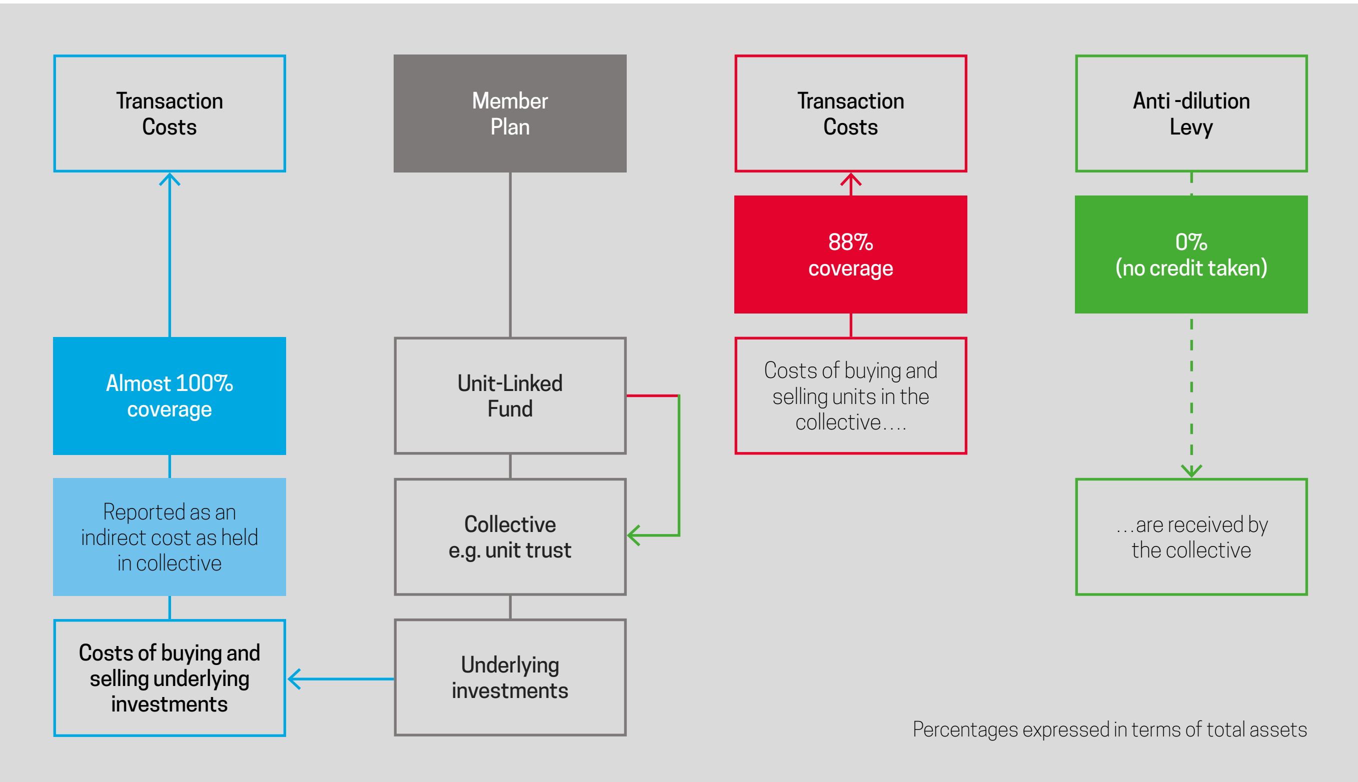
We have seen some further improvement this year. The industry's use of standard 'templates' means that transaction cost information is calculated, collected and passed to Phoenix in a more consistent way, making it easier to collate and report to us. Phoenix too has improved its processes. There has been a modest improvement in the regularity and speed with which the information gets to us, but the transaction costs we talk about in this report are based on information for the 12 months to the end of September 2019. It is currently taking at least three months for the information to be collated by and reviewed within Phoenix and then reported to us, so information as at end of December 2019 is not available in time for this report.

Completeness of Transaction Cost Information

We have information about transaction costs for most of the underlying investments and now expect to get this on a regular basis. Actual coverage is almost 100% by value. This means that there is missing data for only six of the smaller funds (from a total of 163 funds)[3].

In general members invest their plan in one or more unit-linked fund (and / or may also invest in With-Profits).

Whilst some unit-linked funds hold the underlying investments (such as stocks and shares) directly, in most cases, and as illustrated by the diagram, the unit-linked funds invest in collective investment schemes such as unit trusts which in turn hold the underlying investments. This is illustrated by the black boxes in the diagram. This tends to be more efficient, as there are many unit-linked funds but a smaller number of collective investment schemes to manage. It can also help ensure that members invested in similar unit linked funds receive similar investment performance, as they are all invested in the same collective investment schemes. Transaction costs of the collective investment schemes are generally reported to us as a total 'indirect cost' rather than with a breakdown of costs into different elements (such as explicit and implicit costs). These are represented by the blue boxes on the above of the diagram. Phoenix has processes to review the costs and challenge fund managers if costs appear excessive or out of line with what it expects. For unit trusts operated in Phoenix we also have a breakdown of transaction costs by type (described below).



[3] Of the six funds: four are tracker funds managed by Aberdeen Standard Investments which has made some changes to the way those funds are managed and two are funds which are now managed by Schroders. For each of these we understand that transaction cost information will be available for the period ending December 2019.

When members invest more, or take benefits from their plans, Phoenix buys or sells units in the unit-linked fund(s) which in turn need to buy and sell units in the collective investment scheme. This can also incur transaction costs (represented by the red boxes in the diagram). We have information for 95% of these costs by value and 77% by number of unit-linked funds. Most of the 5% missing information relates to collective investment schemes which were newly established within Phoenix in 2019 and the reporting of costs for these is being developed The remainder relates to property investments (0.7%) and small funds managed by four other fund managers (in aggregate 0.3%). We will continue to follow these up. That said, the costs incurred by the unit-linked fund are received by the collective investment scheme (called an 'anti-dilution levy' – the green boxes in the diagram) which serves to offset the impact of the costs on value for members. No credit has been taken for anti-dilution levies in the data set out in this report.

Costs by Type of Investment

In previous reports we have included a table setting out the transaction costs by type of investment and have done so again this year with a comparison against what we saw last year. Transaction costs for types of investment other than UK gilts, UK equity and property are broadly similar to last year.

In the case of property we now have actual transaction costs whereas, in previous years, Phoenix has provided an estimate. The actual transaction costs for 2019 are significantly lower than the previous years' estimates because the estimates assumed a typical rate of buying and selling property during the year but there was limited trading of property during 2019 and therefore lower transaction costs. The costs for UK gilts and UK equity are larger than last year, which is due to Phoenix reviewing its strategy for these types of investment with a view to improving the performance for customers in future.

Many members invest in managed funds which hold a mixture of these types of investment but tend to hold 40 – 60% equities. Overall the transaction costs for a typical managed fund are only marginally higher than last year, with the increased costs for UK equity being offset by lower costs for property.

Type of Transaction Cost	Implicit (%) 2019	Explicit (%) 2019	Total (%) 2019	Total (%) 2018
UK Gilts	0.18	Less than 0.01	0.18	0.06
UK Corporate Bonds	0.05	Less than 0.01	0.05	0.07
Overseas Bonds	0.05	Less than 0.01	0.05	0.09
Supranationals	0.04	Less than 0.01	0.04	0.06
UK Equity	0.16	0.22	0.38	0.26
N America Equity	Less than 0.01	Less than 0.01	Less than 0.01	Less than 0.01
Japanese Equity	0.49	Less than 0.01	0.49	0.59
Asia Pacific Equities	0.01	0.04	0.06	0.17
European Equity	0.08	0.09	0.17	0.1
Emerging Markets	0.03	0.09	0.12	0.19
Property (estimated)	Not applicable	0.33	0.33	1.5
Global Credit	0.24	Less than 0.01	0.24	0.28
Tactical Asset Allocation	0.18	0.02	0.2	0.13
Emerging market debt	0.28	0.06	0.34	0.37
Cash	Less than 0.01	Less than 0.01	Less than 0.01	0.02
Typical ('managed') fund	**0.12 to 0.13**	**0.7 to 0.11**	**0.19 to 0.24**	**0.17 to 0.23**

With-Profits

The With-Profits funds invest in different types of investment through unit trusts operated by Phoenix. This aims to be more efficient because the unit trusts allow Phoenix to operate a single pool of assets for each type of investment rather than different pots for each With-Profits fund, and means that those who invest in different With-Profits funds receive the same return for each type of investment. The transaction costs shown in the previous section are therefore representative of what members invested in With-Profits have experienced. The total transaction cost will depend on how much each With-Profits fund holds in each type of investment, and for some types of investment the fund may invest directly (rather than through a unit trust) to ensure that the investments better match the features of the fund.

Transaction Costs for the Main Phoenix Unit Linked Funds

The following table shows transaction costs for the larger funds with a comparison of what we saw the previous year. In most cases the costs are broadly similar but there are some exceptions:

Name of Unit Linked Fund	Total Transaction Costs 2019 (%)	Total Transaction Costs 2018 (%)
RSA Pensions Managed	**0.28**	0.26
NPI Pensions Managed	**0.05**	0.04
Scottish Mutual Growth Pension	**0.77**	0.11
NPI Pensions Equity Tracker	**0.06**	0.05
Pearl Pensions UK Equity	**0.07**	0.07
Phoenix Pension Growth Stakeholder	**0.52**	0.08
NPI Pensions Overseas Equity	**-0.05**	0.04
Abbey Life Pensions Managed	**0.18**	0.15
Abbey Life International	**0.17**	0.09

The Scottish Mutual Growth Fund shows transaction costs that are considerably higher than last year. The fund previously invested in a single unit trust operated by Phoenix but, during the year, the investment strategy was changed such that it now invests in a series of different unit trusts, giving Phoenix greater control over which world regions the investments are held. This was with the aim of improving performance in future, but resulted in significant buying and selling of underlying assets. Phoenix took some steps to protect customers who claimed soon after the changes from some of those costs.

Similar changes resulted in higher transaction costs for the Phoenix Pension Growth Stakeholder Funds – where two underlying unit trusts (one investing in the equities of larger companies, and one in smaller companies) were combined, again with the aim of improving returns in future.

The NPI Pensions Overseas Equity Fund shows negative costs. This can arise where the fund manager pays less when an asset is bought (or more when it is sold) than it anticipated when it decided to buy (or sell).

Transaction costs for all 163 unit linked funds offered by Phoenix to members who are within the scope of the IGC are being made available on our section of the Phoenix website (www.phoenixlife.co.uk/about-phoenix-life/independent-governance-committee).

What industry benchmarking information we have is included as Appendix 5 and indicates that Phoenix transaction costs appear to be in line with typical market ranges.

What's Next?

We intend to further develop how transaction cost information is reported to us during 2020 and what more we can do to get assurance of the completeness and accuracy of the information, and assess value for money implications across a large number of funds – for instance by comparing transaction costs against those seen in prior periods and other industry-wide information as it becomes available. It should, of course, be noted that a higher transaction cost is not necessarily bad value for money if it has resulted in a better investment return for members, or is due to a change in investment strategy designed to improve future returns.

Whilst we have published and reported on transaction costs in this report (and in previous reports), new regulations come into effect from April 2020 that require IGCs to publish transaction costs in more detail. This will include publication, within the annual report and/or online, of transaction costs for each scheme and each fund available within each of those schemes; example projections to illustrate the potential impact of transaction costs on plan values over time; and ensuring that individual members receive information on what transaction costs they are each paying. We will be working with Phoenix to ensure this additional reporting is in place and is meaningful to members.

EXIT CHARGES

The vast majority of members have no exit charge. Phoenix previously agreed with us to remove any exit charges on plans with a value of less than £5,000, and exit charges for those aged 55 or more are capped at 1% by regulation as this is the age at which most members are permitted to take their pension benefits. The way in which Phoenix reduced ongoing charges down to a maximum of 1% per year also resulted in the removal or reduction of exit charges.

Name of Unit Linked Fund	Number of Plans
1.01% to 2.00%	306
2.01% to 3.00%	274
3.01% to 4.00%	233
4.01% to 5.00%	210
5.01% to 10.00%	658
10.01% to 20.00%	158
	1,839

However last year we reported that there still were around 2,000 members with ex-Abbey Life plans where the exit charge is higher and in some cases significantly so. The number of members who would be subject to these higher exit charges if they were to transfer their plan to another provider reduces each year because some will reach their 55th birthday and the level of exit charge is also designed to reduce as members get closer to retirement. As shown in the table, this year there are 1,839 policies that would see an exit charge of up to 20% plan value (the highest percentage charge in fact being 17.7%). Of the 12 plans with the highest percentage exit charge, this would amount to an average exit charge of over £2,000 against an average fund value of c£14,000.

Whilst most members do not look to transfer (and therefore will pay no exit charge) some may wish to do so and an excessive exit charge will act as a barrier. We have therefore asked Phoenix to consider what cap it could introduce on exit charges for these policies.

OUR CONCLUSIONS

Ongoing charges remain at a reasonable level, at a maximum of 1% per year for almost all members and with around 20% of members paying less than 0.75% per year. Where members pay more than 1% per year, this is for other benefits or services which also represent reasonable value for money in general.

Transaction cost information is more complete than we saw last year and processes to report this information to us are more embedded. From what we can see, the level of transaction costs appears reasonable and in line what we see elsewhere in the market.

Most members would pay no exit charge if they were to transfer their plans to another provider and others are capped at 1%, but we have challenged Phoenix to consider what cap it could introduce on exit charges below age 55 for a small number of ex-Abbey Life policies.

The IGC has rated the performance of Phoenix in this value for money area as GREEN with a hint of AMBER, to reflect our challenge over the remaining exit charges.

SOME DEFINITIONS:

Explicit costs – are things like stamp duty (a tax paid when investments are bought) and fees paid to brokers who do the buying and selling

Implicit costs – are the difference between:

- the price the fund managers used by Phoenix expected to receive or pay when they decided to sell or buy an investment; and
- the price they actually got when the sale or purchase happened.

For example, if they expected to receive £1000 when they decided to sell but actually got £995, that would count as a £5 implicit cost. But if they actually received £1002 because the price had gone up, there would be a £2 benefit rather than a cost.

Indirect cost – when the underlying investments are held in underlying collective investment schemes such as unit trusts the costs of buying and selling are reported up as a single value called an indirect cost rather than with a breakdown of the costs into types of explicit cost and implicit costs.

Anti-Dilution Levy – when an investor buys or sells units in a collective investment scheme (such as a unit trust) the price the investor pays or receives is adjusted by an amount designed to protect other investors in the collective investment scheme suffering a loss as a result of costs that the scheme incurs in buying or selling underlying investments in response.

J. Management Culture

> "Our assessment of management culture reflects the extent to which we see evidence that customers really are at the centre of the culture and business decision-making."

It was not just IGC membership that was aligned across Standard Life and Phoenix last year. Management across the combined Phoenix and Standard Life businesses was aligned too. As a result, since April 2019, many of the operations behind the workplace pension business within the scope of the aligned IGC have been run as a single business. Of course, there are still some teams that focus just on Standard Life products and some that focus just on Phoenix products. However, sitting above is a common management structure that ensures resources are deployed appropriately and that priority issues for either Phoenix or Standard Life customers are addressed. Thus, it makes sense for this value for money performance area to be assessed at Phoenix Group level, with examples that illustrate the difference it makes for both Standard Life and Phoenix customers within the scope of the IGC.

WHAT ARE WE LOOKING FOR?

The Phoenix Group's mission is to "improve outcomes for customers and deliver value for shareholders." The IGC recognises that Phoenix wants to be a profitable Group. However, acting solely in members' interests, our role as the IGC is to monitor closely what is done across the Phoenix and Standard Life workplace pension businesses so that we can be comfortable that shareholder profits do not come at the expense of value for money for members, or the improvements that we believe it is reasonable to expect. We look for evidence that Phoenix and Standard Life really have their customers at the heart of what they do.

To that end, we monitor:

- what is done to improve customer outcomes;
- what Phoenix Group does in response to its obligations as a major financial services provider to maintain high standards of behaviour and ensure its customers' money is invested responsibly; and
- how responsive Phoenix and Standard Life are to requests and challenge from the IGC.

WHAT WE HAVE SEEN

The IGC has rated Phoenix Group GREEN for this value for money performance area. The customer focus that the Phoenix IGC has seen in previous years is still clear to see – and the same is true when we look at Standard Life specifics, as we explain in what follows.

IMPROVING CUSTOMER OUTCOMES

In this year's reports, we have described some of the Phoenix Group initiatives that have been taken in 2019 to improve customer outcomes, including:

- the increased use of digital/online options to improve the information available to members and what actions they can take in response;
- improvements in how the information in annual statements is presented, to make it easier to see the key points;
- increased focus on ensuring vulnerable customers are identified and given the help they need;
- efforts within Standard Life to ensure customers are in appropriate "lifestyle" options, even when this involves having to get scheme rules changed; and
- the development of the NPL Offer within Phoenix to provide a potential route for many customers to access Pension Freedoms options without losing out on the value of the guarantees that apply to their plan.

The IGC sees these developments as tangible evidence that Phoenix Group does "put its money where its mouth is" and invests shareholder money back into both the Standard Life and Phoenix business, for the benefit of customers. One of the areas that we see as particularly significant in terms of what it says about Phoenix Group, is the increased transparency being introduced around the charges and other costs taken from pension pots each year.

ACTING RESPONSIBLY

In Section K of this report we have described the approach that Phoenix and Standard Life take to ensuring that customer money is invested with appropriate regard to ESG considerations. While we are happy that appropriate standards are set by the Group for its investment managers, and can see evidence internally that it makes a difference in practice, we do think that the Phoenix Group could do more to describe the approach they follow, so that members can see for themselves the difference it is making to their pension pots. Last year, the Phoenix IGC made clear that it was looking for concrete progress towards this in 2019. Unfortunately, this did not happen to the extent that we were looking for – and that has been reflected in the value for money performance rating that we have allocated to both Phoenix and Standard Life in our reports.

However, we want to stress that we realise that ESG practices and expectations are developing across the industry, and recognise that the Phoenix Group is doing a lot behind the scenes to strengthen and co-ordinate activity in a large number of relevant areas. The recently published Phoenix Sustainability Report describes just how far the Group has come, and the IGC is confident that the particular issues around member communication will be addressed before too long.

Responsible behaviour is not just a matter of how pension funds are invested. How a provider runs its operations and considers its impact on society, its supply chain and the environment are important too – and can reveal a lot about the integrity of the organisation. The IGC has been pleased to see the steps that the Phoenix Group has taken to meet its aim of minimising its impact on the environment – including the ultimate removal of all single use plastic from Phoenix buildings. We have also been pleased to see what Phoenix and Standard Life are doing to contribute to the communities they operate within (through encouraging staff volunteering, for example) and also to help improve standards across the financial services marketplace as a whole (through, for example, holding leadership roles in key industry bodies). While such activity does not directly affect the value for money that members receive, the IGC sees it as a valuable indicator of the culture within Phoenix Group and the way it takes all its responsibilities seriously.

RESPONSIVENESS TO THE IGC

During 2019, the IGC has made a large number of requests and challenges to Phoenix and Standard Life, in addition to all the usual facts and figures we receive as "business as usual". All requests have received willing and pragmatic responses. Where, occasionally, the IGC felt that it was taking too long to get what we were wanting, we have received effective support from the executive sponsor of IGC work within the Phoenix Group, and the situation has been addressed.

In addition, we have made several requests to Phoenix Group to fund external benchmarking work for us, including:

- extending the existing Standard Life investment performance analysis exercise (carried out by Redington) to key Phoenix funds; and
- enabling Phoenix to take part in a syndicate of IGCs and their providers that is attempting to set up a benchmarking syndicate for legacy business.

We appreciated the willingness of management to agree to the requests.

In all our dealings with Phoenix Group, whether it be on behalf of Standard Life or Phoenix customers within our scope, we can confirm that we have found management to be responsive and constructive. While some requests and challenges have taken longer to resolve than others, we have accepted the explanations where any delays have been experienced. There have been no situations where the ultimate response has been unsatisfactory, requiring us to escalate things to the FCA (as an IGC would be required to do if we were not satisfied with how the provider was responding to us).

OVERALL RATING

While there are a number of improvements to customer servicing and engagement still being developed – and more to be expected as technology and market standards develop – the IGC is confident that there is sufficient evidence of Phoenix Group's commitment to its customers to rate this area of value for money GREEN for both Phoenix and Standard Life workplace personal pension plans.

K. Application of Environmental, Social and Governance Principles to Investments

KEY MESSAGES

- **Over the last year, Phoenix Group has made significant progress to embed ESG considerations (as part of wider "Sustainability" developments) into its business practices, particularly around investment of customer money**
- **In the past, the Phoenix Group has exercised stewardship governance over the investment funds used by IGC in-scope members largely by relying on the policies of the fund managers selected by the Phoenix Group. Steps are now being taken to more clearly articulate what Phoenix Group's views are on ESG matters**
- **Recently there has been some improvement in the communications for Standard Life customers on both the approach to ESG, and how this is applied to their range of investment options. However, visibility to Phoenix customers remains extremely limited, as does the range of funds open to them if they wish to have various ethical filters applied to their pension savings**

WHAT ARE WE LOOKING FOR?

As mentioned in the Chair's introduction in Section B above, the IGC will have a regulatory responsibility from 6 April 2020 to report on the policy and practices of Phoenix and Standard Life concerning ESG considerations and the extent to which the investment decisions that the providers make, and their wider business practices, reflect such important matters.

The role that financial institutions could play in helping to limit climate change is increasingly being discussed – by both regulators (like the Bank of England and the Financial Conduct Authority) and industry bodies. The new responsibilities for IGCs are just one part of a concerted effort to ensure the long-term savings and pensions industry responds effectively to these challenges.

In anticipation of these new responsibilities, we have increased the pressure on Phoenix Group to follow up previous requests from the IGC to do more to enable in-scope pension scheme members to see for themselves the difference that ESG is making to their pension pot. In previous years' reports, we have noted how ESG considerations are taken into account in the process to select external fund managers, but we have been keen to see this more visible to plan holders and wider stakeholders.

We recognise that it makes sense for such initiatives to be taken forward across the whole Phoenix Group, in keeping with the "one business" management approach referred to earlier in this report. However, we are keen to see the impacts implemented consistently across both the Phoenix and Standard Life IGC in-scope business. In what follows, we refer to initiatives that apply to both Phoenix and Standard Life as "Phoenix Group".

GOVERNANCE AND EXECUTIVE SPONSORSHIP

During 2019, the Phoenix Group CEO has taken on the role of "Sustainability Sponsor" across the whole group. A Head of Sustainability was subsequently appointed who now leads the overall ESG agenda for the group. To strengthen the resources allocated to ESG activities further, a number of "ESG Ambassadors" have also been appointed, with each aligned to key functions or activities across the wider business. Each Ambassador considers how ESG is relevant to their function in the short-, medium- and long-term, and owns a development plan for future activity within it.

A Sustainability Committee, chaired by the Head of Sustainability, meets regularly and reports directly through the Executive Committee to the Group CEO as Sustainability Sponsor and the Group Board. This committee has undertaken a materiality assessment facilitated by a third party and has launched a new Sustainability vision entitled "Committing to a Sustainable Future" with the following key commitments:

1. Deliver for our Customer
2. Foster Responsible Investment

3. Reduce our Environmental Impact
4. Be a Good Corporate Citizen.

In order to articulate and explain the journey so far, the Group's first Sustainability Report was released in March alongside the 2019 Report and Accounts. This report outlines the sustainability vision and progress against these four areas of commitment and can be accessed at here.

The IGC has been kept informed of progress on these important developments, and received a number of updates on investment-related matters in particular. We have been impressed at the breadth of activities that have been pursued under the Sustainability agenda – even if we do have some concerns over the pace of progress on some of our investment-related expectations, as we explain below.

INDUSTRY PARTICIPATION AND COLLABORATION

The Phoenix Group has committed to becoming a signatory to the United Nations' Principles for Responsible Investment ("UNPRI") in 2020. Additionally, the Group will become a formal supporter of the Financial Stability Board's Task Force on Climate related Financial Disclosures ("TCFD") recommendations in 2020. The IGC supports these steps to align Phoenix Group practices and external reporting to these important international initiatives.

The IGC are also pleased to note that, over 2019, Phoenix have joined the following fora:

(a) Institutional Investors Group on Climate Change ("IIGCC")

The IIGCC is the European membership body for investor collaboration on climate change. Phoenix Group joined the IIGCC in 2019 and has been an active member contributing to various working groups and discussions of the Paris Aligned Investment Initiative programme.

(b) Green Finance Institute ("GFI")

The GFI was established in 2019, initially funded by HM Treasury, the Department for Business, Energy and Industrial Strategy and the City of London Corporation. Its purpose is to serve as a forum for public and private sector collaboration in green finance. The GFI is convening a coalition for the energy efficiency of buildings and Phoenix Group is an active contributor to this coalition which is working to create a market for net-zero carbon, resilient buildings in the UK.

While alignment with these institutions is a positive step, potentially more significant is the practical impact their approach to ESG has on the governance policies and practices that impact Phoenix and Standard Life – in particular, the direct actions that impact the investment funds in which the pension pots of IGC in-scope members are invested.

HOW ARE ESG CONSIDERATIONS APPLIED TO THE INVESTMENTS WITHIN THE SCOPE OF THE IGC?

The investment funds made available to in-scope members are split into two broad categories.

- Firstly, there are options available where Phoenix and Standard Life link to funds already offered widely by external fund managers. Here Phoenix and Standard Life do not have discretion over how the money is managed or how ESG factors are taken into account.
- Secondly, there are funds where Phoenix and Standard Life does have discretion over how the funds are managed, and how ESG is taken into account. These funds will typically be managed by their strategic asset management partners (e.g. Aberdeen Standard Investments).

Through long-standing asset manager selection and monitoring processes, Phoenix Group has confirmed that all of the fund managers used for the second category of funds above are signatories to the UN PRI and commit to the UK Stewardship Code. Phoenix Group has also confirmed that these asset managers have the necessary resources and operational structures to embed ESG considerations into their investment and decision-making processes. The Phoenix and Standard Life approach to date has been to accept these approaches on the basis they meet appropriate standards, rather than to drive their own ESG agenda.

A Phoenix Group team reviews the existing capability of these asset managers for both how they embed ESG into their investment processes, and how they apply their Stewardship responsibilities in actively challenging and voting on various issues. Phoenix Group has also hired an external consultant to support the asset manager capability assessments and more detailed reports on ESG capability of managers are expected.

What this means in practice is that, for all funds actively managed by these fund managers, following Phoenix's discretionary requirements, ESG factors are already taken into consideration for every investment decision. Using the UN PRI's descriptions of the various approaches[4], this is referred to as ESG factors being 'Integrated' into the investment processes. This 'Integrated' approach is applied to approximately £31bn of the Unit Linked £44bn AUM within the scope of the IGC. This does not mean that certain stocks or industries will be automatically ruled out of all funds, but more that the risks are understood and taken into account in the decision making process. Additionally, ESG considerations are also included into the Strategic Asset Allocation service that the asset manager offers Phoenix[5].

Looking beyond these discretionary funds, for in-scope members who invest in the vast majority of the external fund links offered particularly by Standard Life, but also to some extent by Phoenix, their pension pots are also managed by firms who are mostly signatories to the UN PRI.

For those members with more specific requirements for the principles that should be followed in the investment of their pots, there are investment options available, again using the PRI's definition of the various approaches, which are referred to as 'Screened' or 'Thematic' approaches. Funds managed in this way will exclude or include investments based on ethics and values, or be trying to achieve certain environmental or social outcomes. The amounts of money invested within the scope of the IGC in Screened and Thematic funds represent over £400m of the Unit Linked £44bn AUM within the scope of the IGC.

The IGC is pleased to see that some Screened and Thematic funds are available to customers, but we are keen to see the range widened. While to date there may have been limited pressure from customers for more of these choices, our discussions with clients and others in the industry suggest that it is only a matter of time before that demand increases.

HOW ARE THESE ESG CONSIDERATIONS COMMUNICATED TO CUSTOMERS?

Owing to the growing awareness and importance of Responsible Investment customers, Phoenix Group has regularly updated its website through 2019 to provide more information on the various terminologies, approaches to Responsible Investment and product offerings.

In addition, the Responsible Investing principles for assets where Phoenix Group can exercise influence were published in March 2020 and are accessible via a dedicated webpage to cover matters on Sustainability across the business, including Phoenix and Standard Life IGC in-scope members.

Separately, a Unit-Linked ESG policy that captures the initial expectations for fund managers managing Unit-Linked assets[6] for Standard Life was issued in September 2019. That policy also signposts some of the activities that were aspirational at that time. While this is not as definitive as it could be, the IGC recognise that this is a 'first iteration' which will evolve through 2020 as the wider group philosophy is applied consistently.

However, the IGC is disappointed that the material on ESG was concentrated on the Standard Life website and not made available directly to Phoenix IGC in-scope customers. While we understand that there were ways that more experienced investors could have found out more about what was being done on ESG for Phoenix pension funds, the IGC is disappointed that, despite our requests for more to be done, it took until March 2020 for even a basic communication to be extended to the Phoenix customer website, in the form of the Responsible Investment principles and web links to the voting activity of the appointed managers.

[4] https://www.unpri.org/pri/an-introduction-to-responsible-investment/what-is-responsible-investment
[5] Presently Aberdeen Standard Investments offers the SAA service. ESG integration is currently limited to influencing the assumptions for returns and risks. Further info can be accessed via -https://www.aberdeenstandard.com/en/uk/institutional/insights-thinking-aloud/article-page/strategic-asset-allocation-esgs-new-frontier
[6] https://library.standardlife.com/ESGPolicyDoc.pdf?_ga=2.183235878.1815700477.1580906951-493080788.1580906951

HOW DOES PHOENIX DISCHARGE ITS STEWARDSHIP RESPONSIBILITIES?

In addition to taking ESG factors into account in the way the funds are managed, Phoenix and Standard Life are both subject to new FCA regulations that require them to document their approach to Stewardship and the impact it makes in practice – for example, where voting and active engagement has helped to drive improved practices and governance within the companies that are invested in. Currently the Phoenix Group approach is similar to that for ESG – to review the Stewardship capability of its asset manager strategic partners for engagement and voting, and if it is of an appropriate standard, to allow the managers to act on their behalf. This approach has recently been documented on the Phoenix and Standard Life websites, and can be seen from these links:

https://www.standardlife.co.uk/c1/funds/ethical-investments/stewardship.page

https://www.phoenixlife.co.uk/site-services/phoenix-lifes-approach-to-stewardship-and-engagement

CLIMATE CHANGE

Phoenix Group recognises that Climate Change poses risks and opportunities to its investment portfolios, both in terms of physical and transition risk. Phoenix has started engagement with its asset managers to assess inclusion of climate change considerations within the (i) investment strategy and (ii) investment management processes.

Phoenix Group has submitted results of the climate change scenarios in respect of the 2019 Life Insurance Stress Test ("IST 2019") exercise to the PRA. They are also reviewing and assessing response to the Discussion Paper titled 'The 2021 biennial exploratory scenario on the financial risks from climate change.'

WHAT DOES THE IGC THINK?

As noted above, historically Phoenix and Standard Life have relied on the policies and approaches adopted by their fund managers who have been signatories to the UN PRI. However, as a long-term asset owner Phoenix Group has now committed to take a more pro-active approach to Responsible Investment. The IGC welcomes this development.

We have monitored progress as the Group embarked on the journey in 2019 to develop and evolve its philosophy, setting out a high level commitment and the direction of travel to both internal and external stakeholders. The process included benchmarking against peers, discussions with leading consultants and following the guidance provided by the UN PRI. The IGC recognises that good progress has been made, not just in governance structures and project plans, but in what Phoenix Group actually does. For example:

- during 2019, outside of the Unit-linked business, Phoenix Group invested c£250m in sustainable opportunities within its annuity portfolios;
- Phoenix Group has started engagement with its asset managers to assess inclusion of climate change considerations within the (i) investment strategy and (ii) investment management processes; and
- Phoenix Group has submitted results of the climate change scenarios in respect of the 2019 Life Insurance Stress Test (IST 2019) exercise to the PRA. It is also reviewing and assessing response to the Discussion Paper titled 'The 2021 biennial exploratory scenario on the financial risks from climate change.'

However, the IGC is disappointed that it has taken so long to respond to our previous requests for greater visibility of ESG and its impacts on in-scope customers investments. We also are keen to see a broader range of Screened and Thematic funds being considered for in-scope customer pension pots.

For these reasons, we have rated ESG investments considerations in this report as Amber, but with a hint of Green, reflecting the foundations that were being laid last year as part of the Sustainability developments and the fact that, recently, we have started to see the sort of improvements in communication about ESG that we have been looking for.

APPENDICES

Appendix 1
Meet the Committee Members

DAVID HARE INDEPENDENT CHAIR

David has been the Independent Chair of the Phoenix IGC since 2015, and joined the Standard Life IGC as Independent Chair in April 2019.

He has over 30 years of experience in the UK insurance industry. He qualified as an actuary in 1988 and has held various actuarial, marketing and financial risk management roles in a number of life insurers, including five years as Chief Actuary, UK & Europe at Standard Life. From 2012 to 2017, he was a partner at Deloitte, specialising in actuarial audit and review work, including providing Independent Expert reports to the Court on the policyholder impact of five different inter-company transfers of insurance business. Having retired from Deloitte, he now holds a number of non-executive roles with UK insurance companies.

David was President of the Institute and Faculty of Actuaries ("IFoA") from June 2013 to June 2014. Prior to becoming the President-Elect of the IFoA in June 2012, he was a non-executive member of the then Board of Actuarial Standards of the Financial Reporting Council (from January 2010). He was a member of the Independent Project Board that oversaw the ABI's audit of the legacy pension schemes identified by the OFT in 2013 as being at risk of being poor value money, whose December 2014 report included a number of recommendations for IGCs to follow.

MICHAEL CRAIG EMPLOYEE MEMBER

Michael joined the Phoenix IGC as an Employee Member in April 2019, and has been an Employee Member of the Standard Life IGC since 2015.

He joined Standard Life as a trainee actuary in 1986 and has held a number of management positions during his career. Prior to his retirement in July 2019, he was the business sponsor for the Pensions Transformation Programme, a director of Standard Life Trustee Company Limited, and also the trustee chair of the ABI staff pension scheme.

In addition to his IGC role, Michael is the independent chair of the Royal Blind charity.

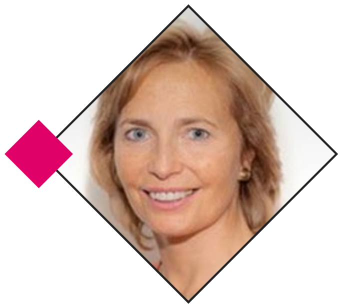
MIKE CHRISTOPHERS INDEPENDENT MEMBER

Mike has been an Independent Member of the Phoenix IGC since 2017, and joined the Standard Life IGC as an Independent Member in April 2019.

He has worked in the insurance industry with an involvement in pensions for over 40 years, both with insurance companies and employee benefit consultancies.

Mike was, until recently, Chair of Mobius Life (and remains on the Board of the holding company), a platform for occupational pension scheme assets, and a non-executive director of Forester Life. He was a partner of KPMG and led the development of their Insurance Consulting practice. Mike also served, until recently, on the boards of Lloyds Bank's insurance businesses, including Scottish Widows.

SHEILA GUNN INDEPENDENT MEMBER



Sheila has been an Independent Member of the Phoenix IGC since 2015, and joined the Standard Life IGC as an Independent Member in April 2019.

She is an experienced independent non-executive director. Sheila left private legal practice in 2009 to pursue a management career in industry and undertake non-executive appointments. Her first assignment was with Ignis Asset Management, to work on the merger of two asset management businesses within the Phoenix Group.

Sheila is currently Group Vice-Chair of the Wheatley Group and Chair of Wheatley Solutions. Her other non-executive appointments include the Accounts Commission, Scottish Building Society, Council of the Chartered Banker Institute and Lowther Homes Limited.

INGRID KIRBY INDEPENDENT MEMBER

Ingrid joined the Phoenix IGC as an Independent Member in April 2019, and has been an Independent Member of the Standard Life IGC since 2015.

She is an independent professional trustee and investment specialist with Capital Cranfield Pension Trustees Ltd, after 30 years' experience of pension fund investment, including 25 years working at Hermes Investment Management for the BT Pension Scheme and other third party clients. She now has a portfolio of trustee roles, acting as Sole Trustee, Chair of Trustees, and Co-Trustee encompassing large and small DB/DC arrangements in both commercial and not-for-profit organisations, bringing extensive and in-depth investment expertise to trustee boards and their Investment and DC sub-committees. Ingrid is a Fellow of the Chartered Institute for Securities and Investment and a member of the Association of Professional Pension Trustees.

MIKE PENNELL EMPLOYEE MEMBER

Mike has been an Employee Member of the Phoenix IGC since 2015, and joined the Standard Life IGC as an Employee Member in April 2019.

He is a qualified actuary who has been with the Phoenix Group for almost 30 years, having originally joined Britannic Assurance. His current role is focused on strategy and planning within the life companies of the Group and supporting various projects including those related to integrating businesses acquired by the Group.

Mike previously worked in Finance and was responsible for financial planning and forecasting. He also has experience in product development and a variety of projects, including some of the Group's early acquisitions and restructuring activities, and therefore has a broad experience across the business.

Appendix 2
Value for Money Additional Detail

VALUE FOR MONEY DESCRIPTORS

Investments

Investment quality in VfM is delivered when:

- funds are well-managed and governed in order to meet investor expectations; and
- default funds have the propensity to deliver sufficient returns on retirement savings over the medium/longer term, taking an appropriate level of risk, to provide a decent outcome in retirement.

Although VfM is a forward-looking measure, we review past performance to validate our assessment: in absolute terms, and vs benchmark, vs peer groups where appropriate and, over the very long term, vs inflation.

Customer Service

Our assessment of Customer Service focuses on what service levels are targetted, the performance against those targets, and what steps are taken if performance falls below those levels. We know that meeting targets does not necessarily result in good customer service, so we also look at the overall experience a customer has. This includes how the provider approaches vulnerable customers and deals with complaints. We look for signs of innovation and improvement over time and evidence that these are driven in a customer-centric way. This includes the expansion of the range of digital services and self-service transaction capability available to customers.

Customer Communications and Engagement

We consider that keeping in touch with customers is fundamental, so we look at 'goneaway rates' and how effective customer tracing activity proves to be. Beyond this, and as a minimum, we expect customer communications to be compliant with regulations, and look for communications to be timely, clear, sufficient and jargon-free. We look for continuous improvement over time and for evidence that customers are increasingly being enabled to engage with their pension by the quality of the communications that they receive, their ability to call the provider for help, and by being able to find information and guidance tools online. We also look at how customer feedback is obtained and responded to.

Risk and Governance

It is an important element of VfM that a pension provider is able to demonstrate robust governance arrangements that support effective management of its risks. This supports security for customers, both for their money invested and the personal information that is held about them. We also look for assurance that the provider continues to meet the various associated regulatory requirements.

Costs and Charges

In the current environment, we think ongoing charges of a maximum of 1%per annum offers reasonable value for money, but will keep this under review. We recognise that the disclosure of transaction costs is an evolving area. However, we review the information we have against what we have seen in previous years, against data that we are starting to see disclosed by other firms, and by expert judgement, to see if transaction costs look reasonable. Where members pay other charges for other benefits and services, then we consider this to be reasonable provided members know that they are paying those other charges, understand (and still need) the benefits or services, and receive adequate communications. We also look to see that these other charges are reviewed periodically to ensure that they remain appropriate. We are concerned if we feel that exit charges are excessive.

Management Culture

We recognise that pension providers want to be profitable. However, acting solely in members' interests, our role as the IGC is to monitor closely what is done, so that we can be comfortable that shareholder profits do not come at the expense of VfM for members, and the improvements that we believe it is reasonable to expect. We look for evidence that the provider really has its customers at the heart of what it does.

Application of ESG principles to Investment

This is an evolving area in which IGC responsibilities are soon to be extended. In the meantime, the IGC looks primarily at how clearly articulated are any ESG aims concerning how members' pension pots are invested, and how easy it is in practice for a member to see the impact of them.

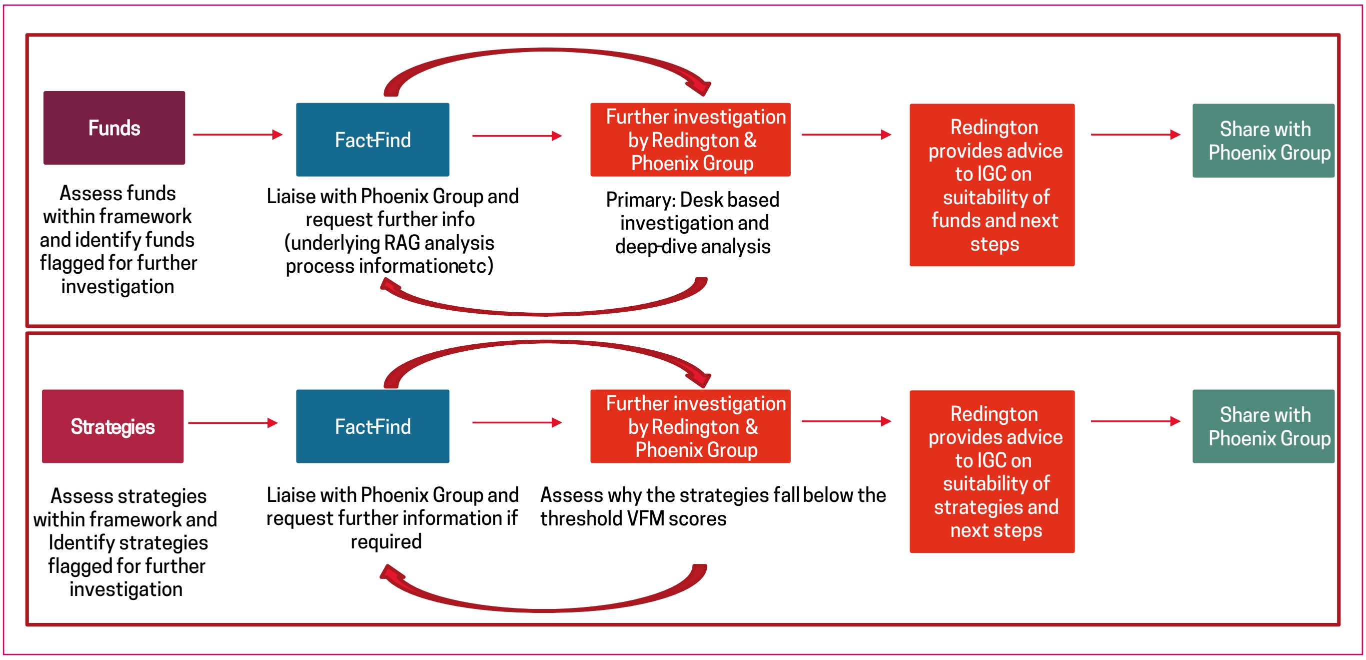
VfM Category	Assessment Criteria
Customer Service	1. Responsiveness to customer demand 2. Experience and expertise of staff 3. Easy access to phone support 4. Clarity of customer communications 5. Efficiency and scalability of operational capability 6. Quality and speed of processing of core financial transactions 7. Level of automation / straight through processing 8. Ease of transfer to another provider 9. Ease with which customers can engage with provider via different channels
Risk & Governance	1. Funds governance 2. Management of operational risk and controls 3. Security of IT systems and controls 4. Financial strength and stability 5. Customer protection - covered by Financial Services Compensation Scheme 6. Independent assurance of provider controls 7. Actions to minimise risk of poor customer outcomes 8. Preventative measures to avoid pension scams
Customer Communications & Engagement	1. Quality of retirement roadshows 2. Availability of Workplace seminars 3. Quality, access and relevance of digital experience 4. Clarity of yearly statements 5. Quality of education and support materials 6. Ability to view pension plan on-line 7. Ability to contribute / transact on-line 8. Ease of access to retirement freedoms 9. Access to guidance / advice 10. Relevance of customer messaging
Investments	1. Defaults/key funds are designed and executed in the interests of members 2. 3rd party validation – outputs from Redington model 3. Performance of default/key funds (net of charges) - risk adjusted 4. Performance of default/key funds (net of charges) - to stated goals 5. Performance of default/key funds (net of charges) - relative to peers 6. Performance of default/key funds (net of charges) - relative to cash (over medium term) 7. Clarity of description of default/key funds 8. Suitability of default/key funds, including asset allocation and manager selection of funds 9. Regular review of default/key funds 10. Adaptability of default/key funds to changing circumstances 11. Range and suitability of additional fund choices 12. Mid-long term performance of With-Profits funds 13. Performance over the very long term (e.g. 25 years) 14. Governance of poor performing funds- including identification, communication of management actions, customer engagement (e.g. in switching out) etc 15. Governance of Lifestyling options- including ongoing suitability, communication to customers (of changes) etc

Key:
Basic standard – 1
Beyond basic – 2
Area of strength – 3

Appendix 3
Investment Performance (Unit Linked Funds)

3a
THE IGC/REDINGTON PROCESS

OVERALL METHODOLOGY



FUND METHODOLOGY

The IGC uses a dual fund performance assessment and scoring approach for each of the 16 funds. The first method is a simple three year analysis of historic returns (performance vs benchmark) and risk (tracking error vs benchmark); the second is a quarterly 'corridor' performance analysis (used by Phoenix Group) that, while more complex, addresses some of the issues of using a single period model.

For those funds with non-investable benchmarks (such as CPI or cash+ targets) the funds are compared against their stated benchmarks; the corridor test is not used as those funds would be expected to deviate from the benchmark over the short term; instead an absolute cap on volatility is used to assess whether the manager is taking too much or too little risk in seeking to meet their target benchmark.

If a fund is flagged for attention using either approach, it is then investigated further to assess whether some remedial action might be required. Both methodologies are explained below, however there are some shared principles that apply throughout the fund analysis which are:

CATEGORISATION: The analysis begins by recognising the different types of fund strategies being analysed and categorising them. The four distinct categories used are

Passive, Active-Core, High Alpha, and Unconstrained.

This is a necessary step as the acceptable pattern of performance vs benchmark for each of these categories is obviously very different. For instance, a passive fund out-performing its benchmark significantly is a bad thing. But a high alpha fund doing the same thing would be a good thing. Using the same measurement for all fund strategies is therefore inappropriate.

SCORING MATRIX: Reflecting the nuances above, a matrix to score each category has been developed. This rewards passive funds for being close to the benchmark, but penalises them for diverging significantly away from it (either positively or negatively).

Actively managed core funds are rewarded for positive returns vs benchmark, but not for negative or significantly highly positive returns, as that would be an indication of the fund not doing what it is supposed to do.

High Alpha and Unconstrained strategies are rewarded for significantly positive returns and are penalised for being close to or under-performing the benchmark.

FLAGS: In addition to the scoring output, there are a small number of flags that are designed to capture very specific behaviours:

- High Alpha or Unconstrained funds that are 'closet trackers'.
- Trackers that do not track the benchmark.

Funds demonstrating these behaviours are passed straight through to the list of funds to be investigated further, regardless of their overall or relative score.

Three-year risk and return:

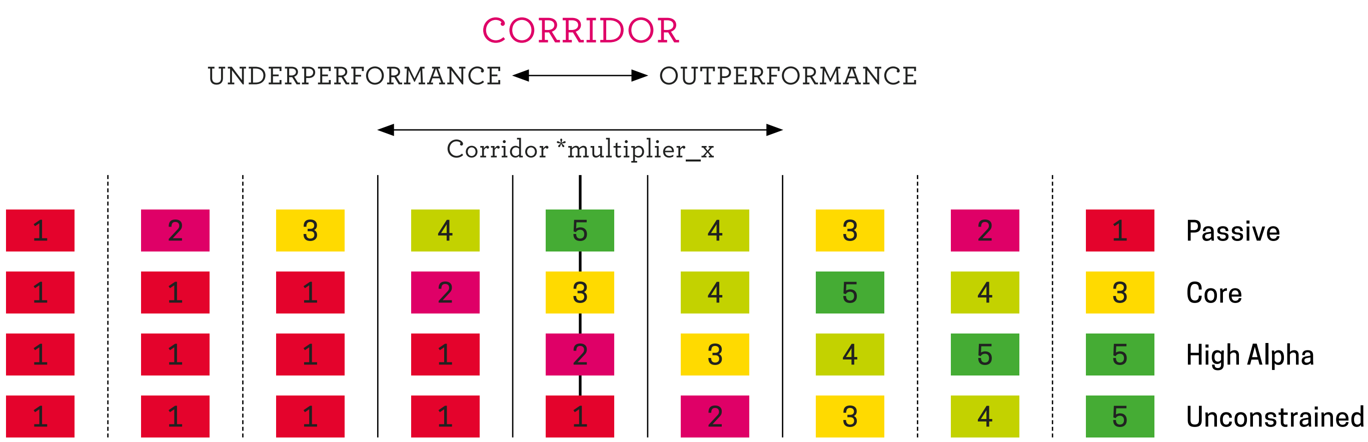
The three year out or underperformance vs benchmark, and three year tracking error figures are inputs to the analysis. They are inputs to the scoring matrix and create a score for each fund that determines those for further review.

The quarterly corridor approach:

This analysis uses discrete quarterly periods over three years to analyse 'how' the funds performed over that period. This helps demonstrate whether the funds are performing as expected through each distinct time period, not just if the fund has managed to get to an acceptable place at the end of the period.

For each fund its return above or below its benchmark each quarter for the last three years is captured. Depending on the strategy type (e.g. passive), the scoring matrix is then used to turn these returns into a score to allow for comparison.

The scoring for this approach uses three different tolerance levels around the benchmark that are described as a series of 'corridors'.



For instance, Passive funds should not deviate significantly from the benchmark, and should not periodically perform either positively or negatively beyond the first tolerance or 'corridor'. The passive funds scoring matrix rewards passive funds within the first corridor, and penalises those that deviate significantly, i.e. into the second or third wider tolerance levels or 'corridors'.

Conversely, High Alpha active funds are penalised if they are too close to the benchmark, and rewarded if they achieve positive returns within the outer tolerances or 'corridors'.

The corridors and scores for each category can be calibrated to take into account market conditions and to allow more or less funds to pass or fail. The calibration used has been validated by Phoenix Group, Redington and the IGC.

OTHER POINTS OF NOTE:

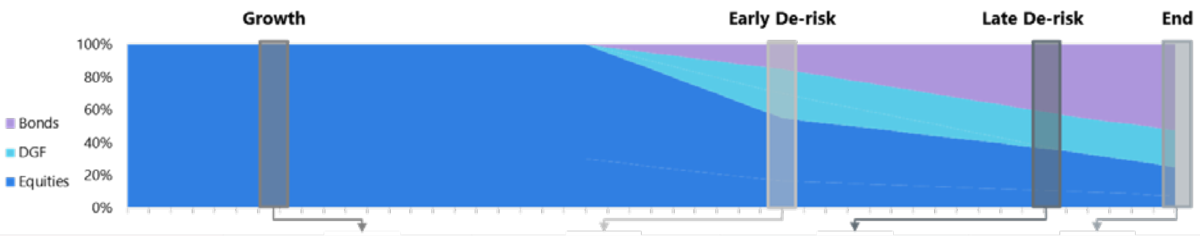
- Fund returns used are 'gross' of charges.
- Benchmark returns of indices are naturally gross of charges, and any peer group sector averages used as benchmarks have also been adjusted to be gross of charges, except where the impact was not material (less than 10% of a composite index).
- The comparator benchmarks for each fund have been captured from the fund management groups directly.
- The period chosen for comparison is three years, given this is the longest period most of the funds have available .
- Funds with less than one year history are excluded from the analysis.
- Funds with between one and three year history have been included via their quarterly scores being averaged, and the overall numbers being annualised.
- The performance data used has been sourced from Phoenix Group and Financial Express, and runs to the end of September 2019.

DEFAULT STRATEGY METHODOLOGY

The strategy methodology adopted and shown in the table below is intended to reflect changes in default design and changes in member behaviour as to the timing and method of taking benefits.

Strategy design is evolving from the traditional single derisking phase typified by an annuity end point to more sophisticated multi-stage derisking paths more suited to those members choosing cash or drawdown rather than annuity end points, or electing to access their benefits prior to their Notional Retirement Date while continuing to work.

To reflect these developments, the IGC uses a methodology which test strategies at four points of the member journey as illustrated below:



	Growth Slice	Early De-risking Slice	Late De-risking Slice	End Slice
Year of assessment	NRD - 30	NRD - 13	Middle of de-risking glidepath as determined by SL	NRD - 0
What is the objective that members are looking for?	Main concern is to grow DC pot size and continue to contribute into the scheme. Members can typically sustain relatively large drawdowns due to continued contributions, low pot size and long time period until money is taken out.	Propensity for members to access their pot early (age 55), therefore some downside risk management approaching this point appears to be appropriate. However, given that there is still c.20 years to NRD, investment returns remain important.	As members approach NRD, it is appropriate to de-risk as there is limited time and incoming contributions to make up losses if a significant drawdown is experienced.	Ensure that the investment strategy matches the chosen retirement option.
Therefore, what should be flagged by the framework?	Strategies that do not deliver sufficient returns in a risk (and cost) efficient manner.	Strategies that either do not manage the downside risk appropriately, or do not provide sufficient risk-adjusted returns.	Strategies that continue to run high investment risk as the member approaches NRD.	Strategies with terminal allocations that are not aligned to the member's desired retirement option.

3b
LARGE FUNDS QUARTILE RANKINGS

Fund Name	AuM (£m)	1 Year Quartile[1]	3 Year p.a. Quartile[1]	5 Year p.a. Quartile[1]
PLL - Key Funds				
RSALI Pension Managed Growth	1,561	4	2	2
Phoenix AL Pension International	1,767	2	2	2
Phoenix NPI Pens Managed	1,241	2	2	2
Phoenix AL Pension Managed	1,921	3	3	2
Phoenix SM Growth Pension AC	302	2	4	4
Phoenix NPI Pens UK Equity Tracker	81	3	2	3
Phoenix Pearl Pens UK Equity SHP	32	2	2	2
EX BULA – Pension Growth (Stakeholder)	42	4	4	4
Phoenix NPI Pens Overseas Equity	83	2	2	2
Fund Range (Sorted by AuM)				
PHOENIX AL PENSION SECURITY	662	1	2	2
Phoenix HS Pension Managed Fund	445	3	4	3
Phoenix TL Pension Man Pension	352	3	3	2
Phoenix Pearl Pens Mixed Acc	310	2	3	2
Phoenix LL Pension Managed (Ex AMP) Acc	239	2	2	2
Phoenix Alba Managed Pension	204	4	3	4
Phoenix NPI Pens UK Equity	170	2	2	2
Phoenix TL Pension Man Gth Pens	143	2	2	2
Phoenix NPI Pens Global Care	116	1	1	1
Phoenix SM Cash Pension AC	111	3	3	2
RSALI PENSION EQUITY	109	4	4	4
Phoenix NPI Pens Global Care Managed	108	1	1	1
Phoenix SCP (K) Managed Pen(40-85% shares) AC	86	2	4	4
Phoenix SM Opportunity Pension AC	77	2	4	4
Phoenix SCP (E) Managed Pension AC	70	2	4	4
RSALI PENSION PROPERTY	63	1	1	1
Phoenix SM Managed Pen (0-35% shares) AC	60	2	2	2
Phoenix Alba Building Society Pension	57	n/a	n/a	n/a
Phoenix SM UK Equity Pension AC	50	4	4	4
Phoenix NPI Pens Far East	47	2	3	2
RSALI PENSION CASH	45	3	3	3
Phoenix AL Pension Property	45	4	4	4
Phoenix NPI Pens Fixed Interest	44	1	3	3
Phoenix Alba LASIA UK Equity Pension	42	4	4	4
Phoenix AL Pension Equity	39	4	3	3

Fund Name	AuM (£m)	1 Year Quartile[1]	3 Year p.a. Quartile[1]	5 Year p.a. Quartile[1]
Fund Range (Sorted by AuM)				
RSALI PENSION PROTECTOR FUND	39	4	3	3
Phoenix AL Pension European	38	2	2	2
Phoenix SCP (K) Managed Pen (60-100% shares) AC	36	2	4	4
RSALI PENSION INTERNATIONAL	35	2	4	3
Phoenix LL Pens Mixed Series S and T	35	2	3	2
Phoenix SM European Pension AC	32	3	3	3
Phoenix SCP (K) High Income Pension AC	30	3	4	4
Phoenix NPI Pens Americas	29	2	2	2
Phoenix NPI Pens Deposit	28	3	3	3
PLL SCPE CASH PENSION	27	3	2	2
Phoenix LL Pens UK Equity Series S and T	26	2	2	2
PLL SM Halifax Pension	26	1	1	1
Phoenix NPI Pens European	25	1	1	1
Phoenix AL Pension American	25	2	2	2
Phoenix SM Stakeholder Growth Fund AC	22	2	4	4
PLL SM Newton Managed Pension AC	22	1	2	3
Phoenix AL Pension Ethical	21	1	1	1
Phoenix SM Far Eastern Pension AC	21	1	2	2
Phoenix HS Pension Equity Fund	20	4	n/a	n/a
Phoenix SM International Pension AC	20	1	3	2
PLL SM North American Pension	20	2	2	3
Phoenix PIFC Jade Pension Fund	19	n/a	n/a	n/a
RSALI PENSION DEPOSIT	18	1	1	2
Phoenix Pearl Pens Overseas Equity SHP	17	2	2	2
PLL SM Invesco Perpetual Managed Pension AC	16	4	4	4
Phoenix SM Pension Gilts & Fixed Interest AC	15	4	4	4
PLL SCPK UK MID CAP PEN	15	1	1	2
SA FRAMLINGTON SPECIAL MANAGED	15	1	1	1

Source:
Quartile rankings, FE fundinfo
All other information, Phoenix
AuM for PLL funds is fund series NAV

1 Quartile Rankings:
Quartile Rankings represent performance against other funds in the same ABI Sector. The rankings range from 1 to 4, with 1 representing those funds within the top 25% of its relevant ABI Sector and 4 representing those funds within the lowest 25% of its relevant ABI Sector. Where funds are in the ABI Unclassified and Specialist sector, Quartile rankings are not appropriate due to the diverse nature of their components.

Appendix 4
Investment Performance (With-Profits Funds)

KEY MESSAGE

- **Those members with funds invested in With-Profits funds continue to receive value for money at the point they retire, with improved investment returns and – for some underlying funds – the benefit of guarantees and estate distribution**

WHAT ARE WE LOOKING FOR?

- Are the underlying funds invested successfully?
- Are the charges for expenses and with-profits guarantees reasonable?
- Is smoothing operating appropriately?
- Is any estate being distributed fairly?
- Ultimately, are the payouts fair?

WHAT DID WE FIND IN 2019?

Overall we consider members retiring with benefits from the With-Profits funds are receiving value for money, with the 'stronger' funds achieving generally improved returns and the funds with guarantees continuing to provide the back-up guarantees to members when they retire.

The operation of the Phoenix with-profits funds is independently reviewed by the Phoenix With-Profits Committee to ensure that With-Profits members' interests are protected and payouts are fair. (More details can be found at the Customer Centre of the Phoenix Life website. Approximately £140m of IGC members' funds are invested in the with-profits products we consider. We carried out a 'deep dive' review of the funds with Phoenix this year, covering the various factors that influence the outcome for members. We did not seek to duplicate the work done by the With-Profits Committee. We were looking at the outcomes for members.

FACTOR CONSIDERATIONS

Section E of this report sets out the investment returns on the assets underlying the main with-profits funds from which workplace members will receive their payouts. The other with-profits funds all have underlying guarantees which will improve the payout.

The investment returns are generally the key driver of the payout a member receives from a 'healthier' with-profits fund. The healthier funds are the SAL Unitised With-Profits Fund, Scottish Mutual With-Profits Fund Series 3 and 7 and the SPI With-Profits Fund Series 2. Around 50% of members funds are in these funds.

On the 'weaker' funds – those funds where the underlying guarantees predominantly determine payouts – the investment return is constrained due to the need to invest more of the funds in non-variable investments such as bonds and other fixed interest assets.

We looked at the expense charges which are deducted from these funds – see Section I. No deductions for expenses exceed 1% per annum, and so we have no concerns over these charges.

In addition to the expense charges, deductions are still being made for guarantees that some of the with-profits funds provide on benefits paid at retirement.

The weaker fund with guarantees that has most members is the NPL Fund. Phoenix has been giving consideration as to how it can improve outcomes for many of the members in this fund, and an important project is underway to carry this through – please see the NPL Offer section below.

The IGC has also asked Phoenix to consider whether other 'weaker' funds could be given similar consideration – we will follow this up.

Other funds with guarantees for which charges are being or have been made are:

1) The Pearl Fund – where the charge is included in the 'expense' charge and adjustments are made should the charges turn out to be too high or too low.
2) The Scottish Mutual, SAL and Alba funds where charges have been made in the past but are no longer being made.

Some of these funds retain the right to make charges for guarantees in future. These will continue to be monitored by the IGC.

In addition to the impact of investments, charges and guarantees, the payouts on retirement are smoothed to ensure that if there has been a recent significant fall in the underlying asset values as a member approaches retirement then this will have a less detrimental impact on the payout. The counter to this is that, if there has been a recent significant rise in the underlying asset values, the full impact of the rise will not be reflected in the payout. It is a responsibility of the With-Profits Committee to monitor the effect of smoothing, so we did not consider it necessary to explore this factor further.

The final factor that impacts payouts is 'estate' distribution. The estate is the capital that has been invested or accumulated historically over many years to support the with-profits fund. The estate enables more flexible investment policies to improve the benefits paid to members. As these funds wind down as members retire, any estate can be reduced and is being added to members' payouts at retirement.

The significance is shown by numbers supplied by Phoenix that payouts in some cases are enhanced by up to 40% at retirement. Actual additions vary by fund and by the length of the period over which members have held investments in the with-profits fund. Again, this is an aspect covered by the With-Profits Committee, and we have not considered further.

EXAMPLES OF PAYOUTS

Phoenix supplied some examples of final payouts after all these factors have affected the return. These showed overall returns on the members' contributions generally exceeding 5% a year, thus showing a positive return ahead of inflation after all charges. The exception was the weaker NPL Fund.

CASHING IN

When a member takes their funds as a cash payment, for example as a transfer to another provider as opposed to taking the benefits on retirement, in some cases the payments out do not get the benefit of some guarantees that may have been applied had the member been retiring. The IGC is in discussion with Phoenix to ensure that we are satisfied that all members are receiving value for money.

THE NPL OFFER

There are just under 4,000 workplace members in NPL Group Personal Pensions plans with a 4% guaranteed growth rate. This is a valuable feature for many members, which can result in the payout on reaching their planned retirement being significantly higher than the underlying plan value. Whilst the guarantee applies at the planned retirement date, they may receive significantly less if they take their benefits earlier, as is now permitted by Pension rules.

We are pleased that Phoenix has been developing a proposal that seeks to address this issue. We believe that it demonstrates Phoenix's desire to look for solutions and adapt pension plans as circumstances change. These members will have received details of a project under which Phoenix has offered substantial enhancements to their pension pots in exchange for forfeiting their rights to the guarantees.

If the scheme goes ahead, each member will need to consider whether to take up the offer in the light of their own personal circumstances and retirement plans. There is information on the website at https://nploffer.phoenixlife.co.uk/home-page.

This outlines the scheme, how it would work, and what members would need to consider in order to decide whether it would be appropriate to their circumstances.

We have been in communication with Phoenix to consider all value for money aspects and the appropriateness of communications.

In addition to our enquiries and discussions, the scheme is also subject to the governance of the With-Profits Committee and the Board of Phoenix Life. The scheme will need approval of the Courts, and additionally an independent expert will provide an opinion on the scheme.

The IGC will monitor the progress of the scheme, in particular in respect of the value for money and communications for members.

THE RETURN ON THE INVESTMENTS IN THE WITH-PROFITS FUNDS

	PLL									PLAL					
With Profits Fund (WPF)	**SM UWP RP 1 & 2 (with min bonus)**	**SM – UWP RP 3 /(no min bonus)**	**SPI Pension series I (with min bonus)**	**SPI Pension series II (without min bonus)**	**SAL Group UWP**	**SAL - Regular Premium Pensions (Trad WP)**	**ALBA - Trad Pension ex BLL / FS deferred pension series B**	**ALBA - Trad Pension OTHER**	**ALBA - UWP Pension**	**London Life - Trad pensions**	**London Life - UWP pensions**	**NPL TYPE 1 uwp with guaranteed min bonus rate**	**NPL Type 2 UWP no guaranteed min bonus rate**	**NPI Pens UWP AMC Only**	**Pearl Unitised with Profits**
2019	9.7%	12.2%	8.8%	11.7%	12.7%	6.4%	8.3%	4.4%	8.5%	4.4%	14.2%	7.3%	11.5%	11.2%	11.2%
2018	-1.0%	-2.5%	-1.0%	-2.0%	-1.8%	-2.0%	-1.9%	-0.4%	-1.7%	0.7%	-4.0%	-1.0%	-4.0%	-1.8%	-1.8%
2017	6.0%	10.0%	6.0%	10.0%	8.6%	11.87%	4.2%	2.2%	4.3%	1.4%	7.4%	5.0%	9.0%	9.3%	9.3%
2016	11.0%	14.0%	10.0%	14.0%	12.6%	1.8%	5.3%	10.8%	9.8%	6.9%	11.0%	10.0%	13.0%	12.7%	12.7%
2015	2.0%	2.0%	1.0%	2.0%	-1.9%	0.7%	1.1%	0.5%	0.8%	0.5%	2.1%	1.0%	2.0%	4.3%	4.3%
2014	9.0%	9.0%	9.0%	8.0%	11.5%	2.3%	8.2%	12.1%	12.6%	9.9%	9.9%	5.0%	7.0%	10.3%	10.3%
2013	5.0%	11.0%	5.0%	11.0%	8.2%	3.2%	5.2%	-2.4%	3.6%	-1.8%	7.7%	3.0%	3.0%	7.9%	7.9%
5 YR (2019)	5.4%	7.0%	4.9%	7.0%	5.8%	3.6%	3.3%	3.4%	4.2%	2.8%	5.9%	4.4%	6.1%	7.0%	7.0%
5 YR (2018)	5.3%	6.3%	4.9%	6.2%	5.6%	2.8%	3.3%	4.9%	5.0%	3.8%	5.1%	3.9%	5.2%	6.8%	6.8%
5 YR (2017)	6.6%	9.1%	6.2%	8.9%	7.7%	3.9%	4.8%	4.5%	6.1%	3.3%	7.6%	4.8%	6.7%	8.9%	8.9%

Returns shown gross of fees
Source: Phoenix

2019 ASSET MIXES OF THE WITH-PROFITS FUNDS

	PLL									PLAL					
With Profits Fund (WPF)	**SM UWP RP 1 & 2 (with min bonus)**	**SM – UWP RP 3 / (no min bonus)**	**SPI Pension series I (with min bonus)**	**SPI Pension series II (without min bonus)**	**SAL Group UWP**	**SAL - Regular Premium Pensions (Trad WP)**	**ALBA - Trad Pension ex BLL / FS deferred pension series B**	**ALBA - Trad Pension OTHER**	**ALBA - UWP Pension**	**London Life - Trad pensions**	**London Life - UWP pensions**	**NPL TYPE 1 uwp with guaranteed min bonus rate**	**NPL Type 2 UWP no guaranteed min bonus rate**	**NPI Pens UWP AMC Only**	**Pearl Unitised with Profits**
Company Shares (Equities)	24%	48%	24%	48%	38%	15%	27%	0%	27%	0%	41%	0%	37%	22%	36%
Property	4%	9%	4%	8%	7%	2%	19%	0%	19%	0%	10%	0%	3%	3%	5%
Other Growth Assets (including Hedge Funds)	2%	4%	2%	5%	0%	0%	1%	0%	1%	0%	0%	0%	8%	0%	1%
Total Growth Assets	30%	61%	30%	61%	45%	17%	47%	0%	47%	0%	51%	0%	48%	25%	42%
Fixed Interest Stocks - issued by the government (gilts)	34%	16%	27%	13%	27%	40%	27%	52%	27%	57%	30%	11%	5%	14%	20%
Fixed Interest Stocks - other (including corporate bonds)	34%	20%	35%	21%	28%	41%	24%	44%	24%	5%	14%	88%	46%	55%	27%
Cash	2%	3%	8%	6%	0%	1%	2%	4%	2%	39%	5%	1%	1%	6%	11%
Total Fixed Interest and Cash Assets	**70%**	**39%**	**70%**	**39%**	**55%**	**83%**	**53%**	**100%**	**53%**	**100%**	**49%**	**100%**	**52%**	**75%**	**58%**
Total Assets	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

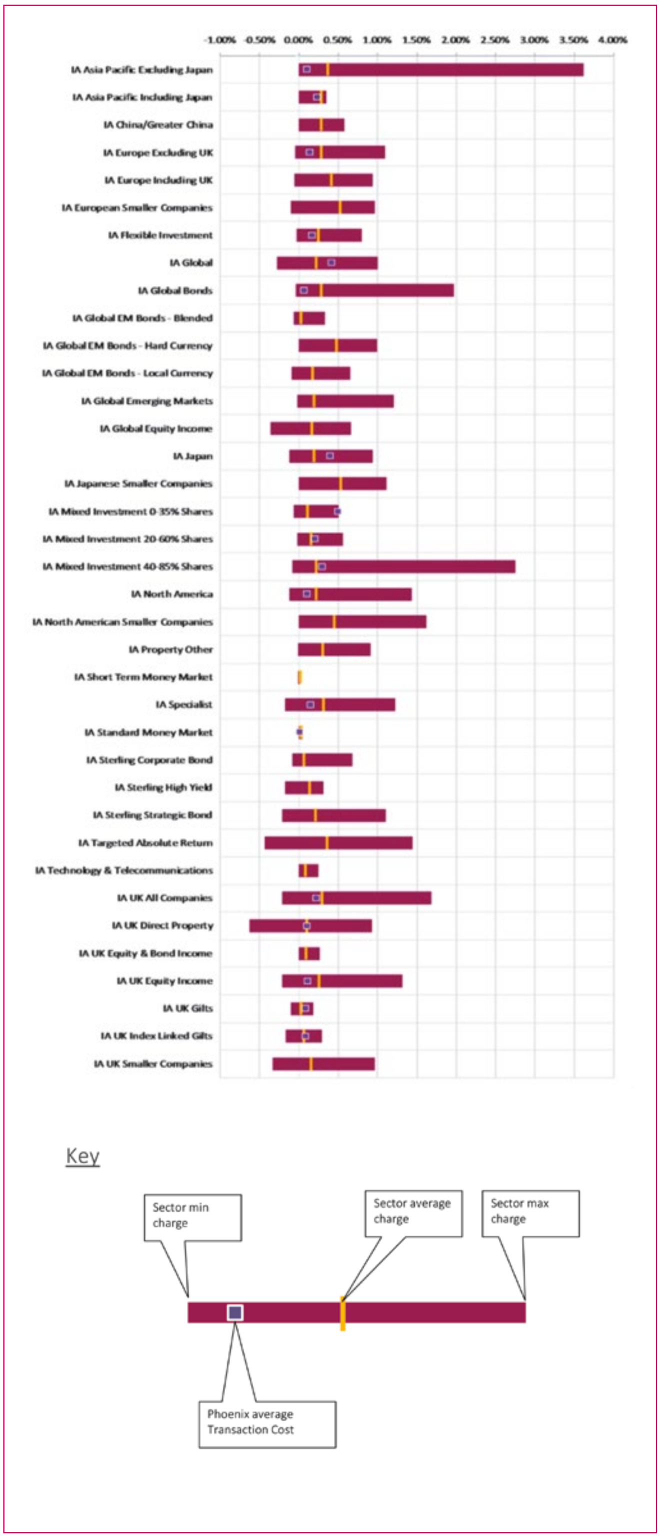
Appendix 5
Transaction Costs

TRANSACTION COST - BENCHMARKING

The chart illustrates that Phoenix transaction costs relative to those of other companies in the market are within normal market ranges for funds with a similar strategy, albeit that market participants may use a range of different interpretations and methodologies.

Methodology

The chart shows the range of transaction costs being reported in the Investment Association ("IA") sectors. Each bar demonstrates the minimum, maximum and average transaction cost reported for each IA sector. The average Phoenix insured fund transaction cost has been overlaid for comparison purposes. Insured funds have been aligned to IA sectors based on their respective ABI sector. Where no average is shown there is either no comparable ABI sector or no Phoenix fund within scope in that sector.



Source:
IA ranges source FE Fund Info DCPT service as at 30 Sep 2019. ©Financial Express Limited ("FE"). All rights reserved. The compilation of data contained herein is the copyright of FE. Whilst reasonable care has been taken in the compilation of the data it is not warranted to be accurate or complete and has been drawn by FE from sources which are also not warranted to be accurate and complete.

Appendix 6
Customer Service and Satisfaction Statistics

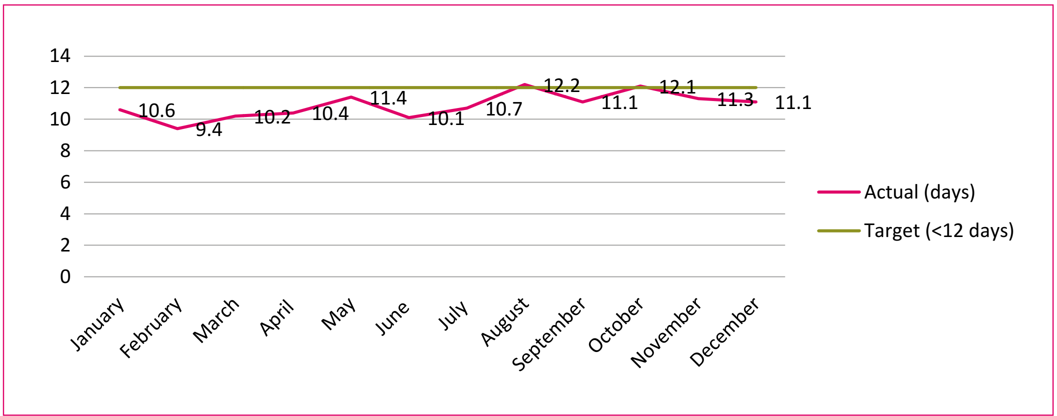
CUSTOMER SERVICE MEASURES

In this appendix, we give a more detailed breakdown of some of the performance measures which the IGC has used to determine its VfM assessment as set out in section F of this report. The graphs below cover the following:

6a	The speed with which retirement claim payouts to pension customers were processed during 2019
6b & 6c	The performance of Phoenix's telephony teams during 2019 in answering customers calls
6d	The percentage of complaints received by Phoenix during 2019 compared to the total number of transactions

6a SPEED OF RETIREMENT CLAIM PAYOUTS

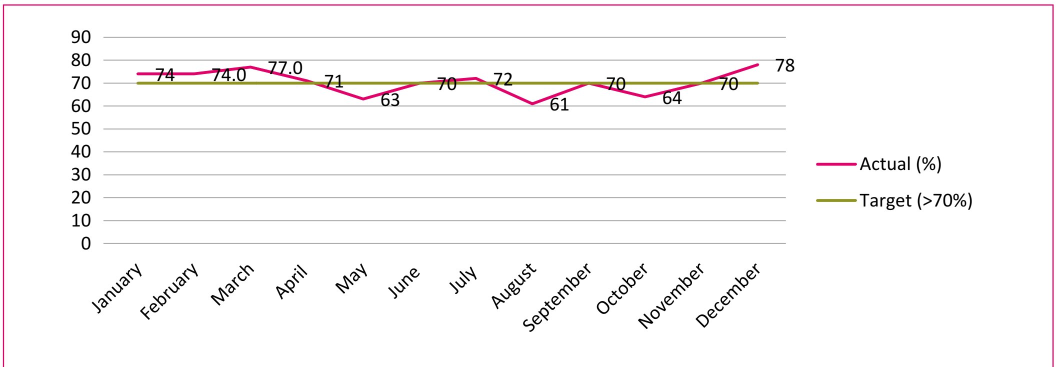
The graph below shows the average time taken to deal with retirement claims during 2019 versus the internal target of 12 days. The performance reported reflects Phoenix's responsiveness to all pension customer enquiries, including those outside of the scope of the IGC.



Source: Phoenix

6b CALLS ANSWERED

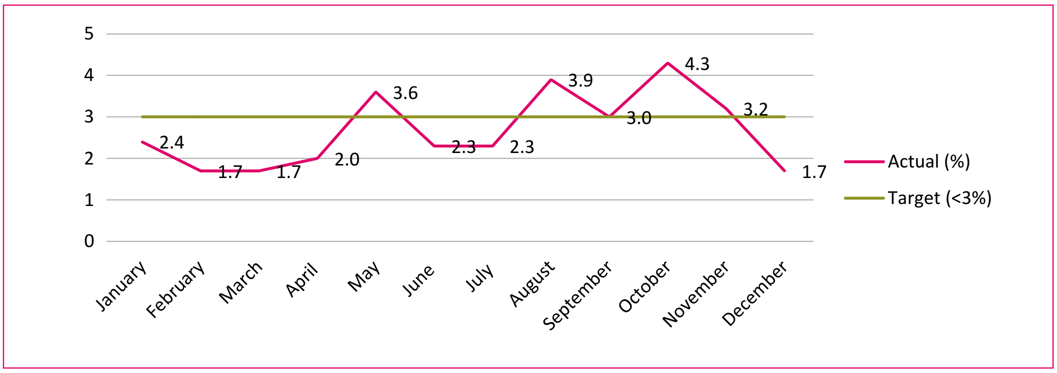
The graph below shows the percentage of calls answered within 20 Seconds throughout 2019 versus the internal target of 70 or more%. The performance reported reflects Phoenix's responsiveness to all telephone enquiries made by customers, including those outside of the scope of the IGC.



Source:Phoenix

6c CALLS ABANDONED

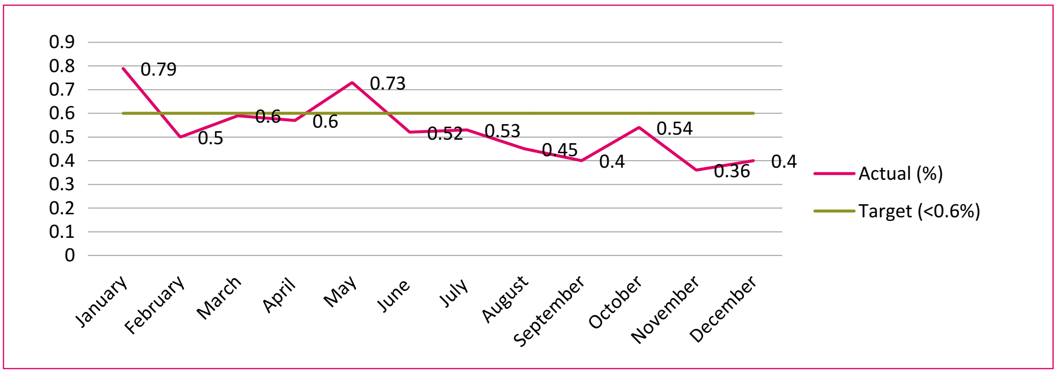
The graph below shows the percentage of calls abandoned throughout 2019 versus Phoenix's internal target of no more than 3%. The performance reported reflects Phoenix's responsiveness to all telephone enquiries made by customers, including those outside of the scope of the IGC.



Source:Phoenix

6d COMPLAINTS

The graph below shows the servicing complaints as a percentage of total customer transactions throughout 2019 versus Phoenix's internal target of no more than 0.6%. The performance reported reflects Phoenix's performance relative to all customers, including those outside of the scope of the IGC.



Source:Phoenix

NOTES