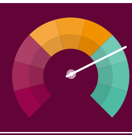
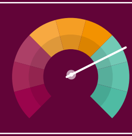
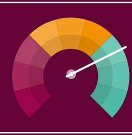
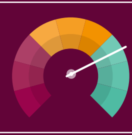
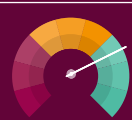
Annual Report of the Phoenix IGC

2020

Do customers get good value for money?	Yes
Costs and Charges Are the costs and charges you pay reasonable for what you get in return?	
Investments Are your investments well managed and how are they performing?	
Customer Service What is the quality of the service provided by Phoenix?	
Communication and Engagement How well does Phoenix communicate with you and keep you up-to-date with your pension?	
Environmental, Social and Governance Is enough allowance made for ESG considerations in how your pension savings are invested?	

Independent Governance Committee

Welcome to this, the sixth annual report of the Phoenix Independent Governance Committee (IGC). This report is particularly relevant to you if you have a workplace personal pension plan provided by Phoenix Life Assurance Limited or Phoenix Life Limited (together, "Phoenix"). It provides you with important information about your plan and how to compare it with possible alternatives in the market. It also tells you what the IGC thinks of the value for money that you are receiving.

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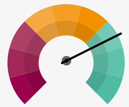
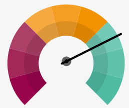
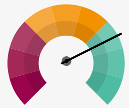
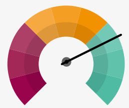
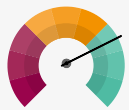
Value for Money Dashboard

Value for Money Dashboard

This dashboard gives you a summary of whether we think you are getting value for money from your pensions within the remit of the IGC. Much more information can be found in the pages that follow.

Do customers* get good value for money?		**Yes**
Costs and Charges	Are the costs and charges you pay reasonable for what you get in return?	
Investments	Are your investments well managed and how are they performing?	
Customer Service	What is the quality of the service provided by Phoenix?	
Communication and Engagement	How well does Phoenix communicate with you and keep you up-to-date with your pension?	
Environmental, Social and Governance	Is enough allowance made for ESG considerations in how your pension savings are invested?	

*when we refer to customer we mean those customers who are in-scope of the Phoenix IGC.

This report is for your information. You do not need to take action. However, we do recommend that you review your own pension arrangements on a regular basis and we hope this analysis helps you in doing so.

Introduction from the Chair

Introduction from the Chair

Welcome to this, the sixth annual report of the Phoenix Independent Governance Committee (IGC). This report is particularly relevant to you if you have a workplace personal pension plan provided by Phoenix Life Assurance Limited or Phoenix Life Limited (together, "Phoenix"). It provides you with important information about your plan and how to compare it with possible alternatives in the market. It also tells you what the IGC thinks of the value for money that you are receiving.

There are other companies within the Phoenix Group that also provide workplace personal pension plans. They have their own IGCs, but with aligned membership across the Group from 1st February 2021. There are also other pension customers of Phoenix who are not within the remit of the IGC – predominantly holders of individual pension plans, rather than workplace arrangements. While some of our findings may be relevant to other portfolios of business within the Phoenix Group, the focus of this report is on what Phoenix is delivering for its pension customers within our scope.

There have been a number of changes impacting the work of the IGC since the publication of last year's report:

- **Membership changes**: The membership of the Phoenix IGC during 2020 and the further changes that took effect from February of this year are set out later in this report.
- **In-scope topics changes**: As signalled in last year's report, we are now required to consider and report on how Environmental, Social and Governance ("ESG") considerations, along with other aspects of what is often called "Responsible Investment", are taken into account in Phoenix's investment decisions that impact in-scope customers' pension pots. We are also now required to publish certain information around the costs and charges that can apply to in-scope customers' investments, and give an indication of the long-term impact these can have on retirement outcomes.

While some of the members may have changed and our scope increased, **the primary role of the committee remains the same – to act solely in the interests of Phoenix in-scope pension customers and assess the value for money that you are receiving from your workplace pension plan.**

Assessing Value for Money (VfM)

The FCA (Financial Conduct Authority, the regulator which oversees the way pension providers like Phoenix treat their customers) wants to make it easier for IGCs to compare the VfM of pension products and services. To that end, they have proposed that IGCs assess ongoing VfM by considering at least the following three factors:

- the level of charges and costs;
- investment performance; and
- the quality of services,

and how what is being provided compares with comparable options across the marketplace.

In order to support the FCA's intention, we have mapped our existing VfM framework onto these three factors. Within this new grouping, we have still retained much of the previous detailed scoring of Phoenix's performance in order to maintain appropriate rigour in our assessments.

It is currently not possible to get the equivalent level of detail across the market. However, we do what we can to draw conclusions from what other IGCs publish in their annual reports, from the results of the benchmarking exercises that Phoenix takes part in and from our research of other publicly-available information. For many months now, we have been working with other IGCs and providers to explore what more detailed industry benchmarking could be developed in order to facilitate the FCA's aim, and are hopeful that further progress can be made in time for next year's annual report.

Purpose and structure of the report

The requirement on IGCs to produce an annual report, as well as the minimum content that it must contain, are set out in FCA rules and guidance. As noted earlier, there are a number of new requirements this year that significantly increase the length of the report. However, research carried out for the IGC in 2020 confirmed that, the longer the report, the less likely customers are to engage with it.

In order to cover the detail required by the regulator, but in as accessible a format as possible, we have structured this year's report around three levels:

- Key Messages;
- Further Commentary; and
- Supporting Material.

We hope that the clear sign-posting, along with plenty of embedded links between the different levels, will enable you to engage with the material at whatever depth works for you. We are keen to hear what you think – about the report, or any aspect of our work. Please do get in touch with us at **www.phoenixlife.co.uk/about-phoenix-life/independent-governance-committee**. Many thanks for reading our report.

IGC Independence and Membership Information

IGC Independence and Membership Information

Current membership

Dr David Hare – Chair, Independent

Sheila Gunn – Independent Member

Ingrid Kirby – Independent Member

Venetia Trayhurn – Independent Member

Michael Pennell – Company Representative

Rona Cameron – Company Representative

Changes of Membership

There have been two changes of membership since last year's annual report. Michael Craig reached the end of his tenure on the IGC and was replaced by Rona Cameron. Following the alignment of ReAssure governance with the rest of the group Venetia Trayhurn joined the committee as an independent member replacing Mike Christopher. For further information regarding the committee members please **click here**.

Independence

The role of the IGC is to make sure that customers are getting value for money from their provider, it is therefore crucial that we are independent. We maintain our independence in a number of ways. We make sure that there is a majority of independent members on the committee and that company representatives do not have a direct link to any areas they are scrutinising. The two non-independent members were selected to bring valuable in-depth Phoenix policy-specific knowledge and understanding to the work of the Committee. They are obliged to act in the interests of customers in their capacity as IGC members. In addition, both employee members were issued 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 in-scope policyholders and put aside the commercial interest of Phoenix. We also instruct independent consultants to carry out research on our behalf to ensure that the customers are getting value for money from their provider.

Competence

Members of the IGC are selected for the skills and experience they can bring to the committee. In order to ensure we function appropriately, we carefully map the expertise required to provide robust oversight and then seek members who fulfil those criteria. We also undertake regular training to ensure that as a committee we maintain the expertise necessary to represent customers.

Key Messages

A. Costs and Charges

B. Investments

C. Customer Service

D. Communications and Engagement

E. ESG and Stewardship

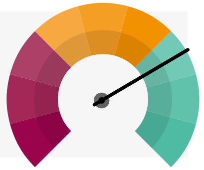
Key Messages

Costs and Charges

Key Messages

Costs and Charges

Overall, the IGC has given Phoenix a rating of GREEN for costs and charges for the following reasons:



- Phoenix has a maximum **ongoing charge** of 1% per year which is in line with our benchmarking of charges amongst other providers of older style 'legacy' products. Some of you pay less than this and may have benefits that are unavailable elsewhere. However there may be lower cost options available to new or certain existing customers of the Phoenix Group, and some of you may have access to lower cost options with a current employer scheme, with those other options perhaps offering greater online servicing capability or engaging communications. Our view is therefore that an ongoing 1% per year can provide value for money, but we have begun to explore alternative benchmarks.
- **Transaction costs** appear broadly in line with the market and Phoenix's processes for monitoring and reporting this information to us has improved over the year.
- We continue to monitor the processes that Phoenix has in place to review **other charges** made for protection benefits, with-profits guarantees and where you may pay more than 1% per year because you have selected particular funds. We continue to be comfortable that these represent value for money.
- We reported last year that, whilst the vast majority of you have either no **exit charge** or an exit charge capped at 1% of the fund value, there are a small number of you with ex-Abbey policies below the age of 55 who would experience a higher charge if you wished to transfer your pension pot. We challenged Phoenix to consider what cap it could apply to exit charges on those policies. We are pleased to report that Phoenix has agreed to cap those exit charges at 1% and is looking at when this can be implemented. Whilst few of you choose to transfer at these ages, this removes a potential barrier for those who do.

Key Challenge for 2021

- We have asked Phoenix to consider why some new customers to the Phoenix Group pay less in ongoing charges than some of you.

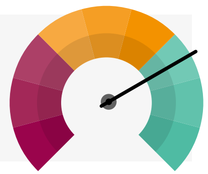
Key Messages

Investments

Key Messages

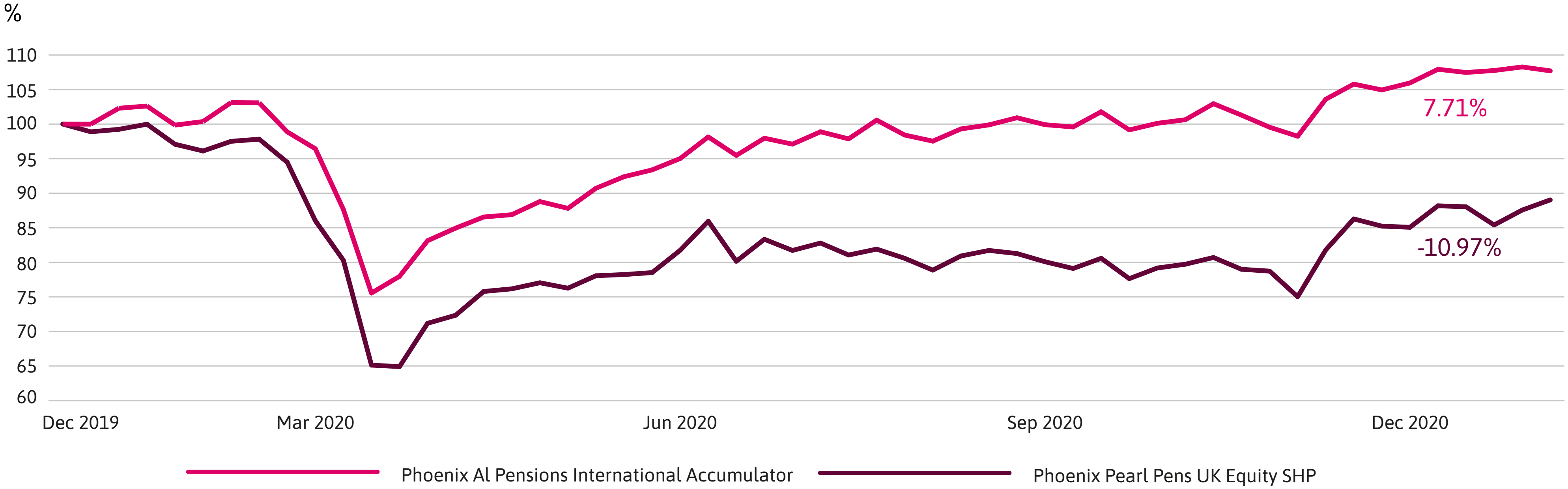
Investments

Overall, the IGC has given Phoenix a rating of GREEN for Investment (with similar scoring to 2019) for the following reasons:



The multi-asset funds in which most of you are invested fell sharply during the extreme market downturns in the early months of the pandemic, but recovered well by the year end, continuing to outstrip inflation by a comfortable margin over the longer-term. UK-only funds however fared less well in 2020 – **are they the most suitable long-term investment for you?**

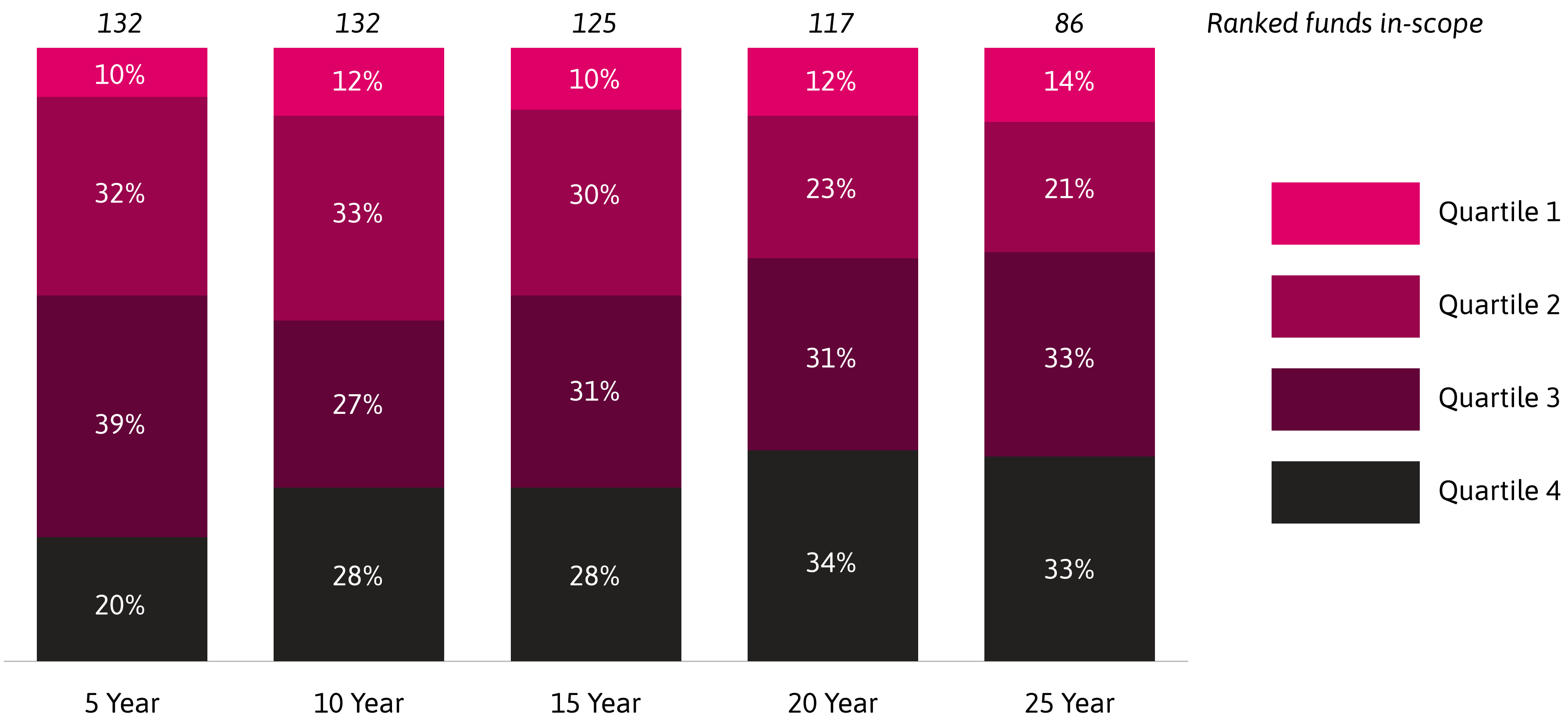
Highest and lowest performing key funds in 2020



Source: FE Fundinfo, at as 6 April 2021.

However, unlike last year, **less than half of all available funds were ranked in the top half of the table** against similar competitor funds over the longer-term.

Quartile Rankings (Ranked Funds)

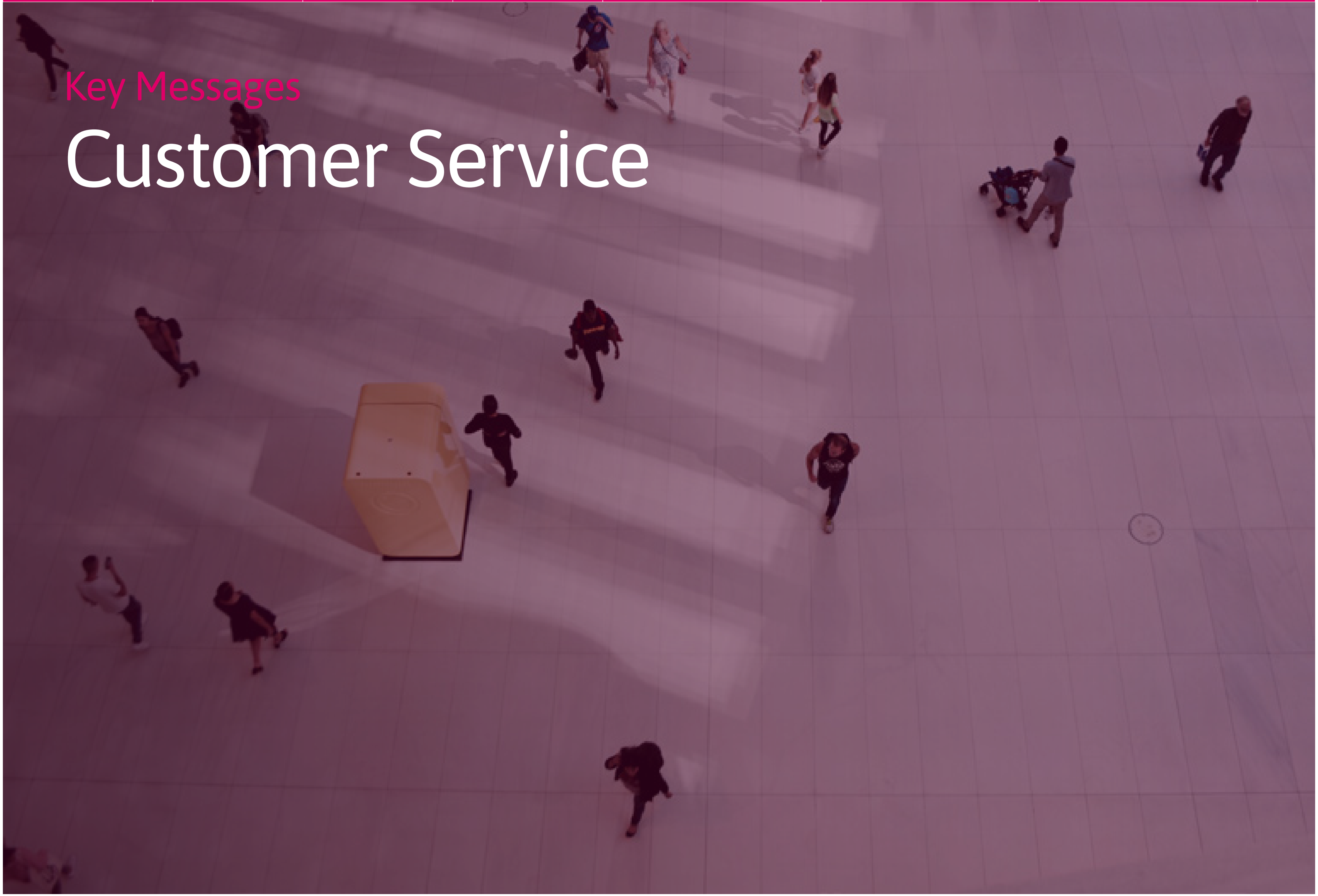


Source: FE Fundinfo, data to 31 December 2020.

We are therefore **reassured to see the continuing level of scrutiny of key manager relationships,** such as for UK Equities, and the positive results seen from recent mandate changes.

Key Challenge for 2021

- To see better performance against competitor funds.



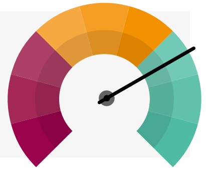
Key Messages

Customer Service

Key Messages

Customer Service

Overall, the IGC has given Phoenix a rating of GREEN for the customer service element of value for money for the following reasons:



- Phoenix has ensured a continuity of service despite the challenges of COVID-19, moving a majority of staff to remote working over March/April 2020.
- Customer satisfaction scores are high and complaint volumes have fallen in 2020. More complex issues now make up a higher proportion of complaints and take longer to resolve, impacting the overall metrics. Management actions are underway to improve the position and a challenge for Phoenix will be to continue to demonstrate progress in addressing the root causes of these more complex complaints.
- The vast majority of transactions have been processed within target (over 90% processed within target times). There have been some challenges in the processing of bereavement claims, which have sadly increased in volume as a result of the pandemic. Processes have been simplified to avoid lengthy delays, pending receipt of information from customers and third parties. Continued process improvement in this sensitive and complex area will be an ongoing challenge for Phoenix.
- There have been some challenges in meeting telephony targets as a result of increased volume in some areas, and changing call patterns. Phoenix are taking action with their outsource partners to address this.
- We are pleased that support for vulnerable customers, and especially those experiencing difficulties as a result of the pandemic, has been a key focus for Phoenix. Service staff have been given additional guidance to be vigilant and show flexibility when dealing with customers in vulnerable circumstances as a result.
- Phoenix continues to enhance access to digital servicing options through the MyPhoenix portal. Actions have been taken to increase the use of paperless processes for death claims, and the use of online forms and emails more widely.

Key Challenges for 2021

- A challenge for Phoenix, working with their outsource partners, will be to manage contingencies to meet more volatile demand.
- Phoenix should continue to develop services to meet the needs of vulnerable customers.
- Phoenix should continue to invest in and extend the availability and use of digital servicing.

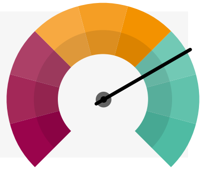
Key Messages

Communications and Engagement

Key Messages

Communications and Engagement

Overall, the IGC has given Phoenix a rating of GREEN for communications and engagement, for the following reasons:



- Significant progress has been made in embedding throughout the business a protocol to ensure that all communications from Phoenix are fit for purpose, taking into account customers' needs and objectives. In 2021, challenges for Phoenix will be ensuring that:
  i. everyone involved in preparing communication material for IGC Customers through whatever channel – letter, email, website, telephone – is trained in how to use and complete the Protocol; and
  ii. evidence is collected that shows that the desired outcome of each communication has been achieved for the **customers**.
- During **COVID**, not only did Phoenix keep all communications channels open without interruption, Phoenix swiftly introduced measures to keep in touch with customers, in particular vulnerable customers.
- Phoenix went further by collating information on **customers facing difficulties**, and training staff who handle calls to deal with their issues effectively and sensitively.
- There has been a careful **gathering of customer** feedback on the challenges customers face using the website, which information is being used in an ongoing website redesign.
- MyColleague was introduced for customers who don't want to transact digitally, to enable them to transact via the telephone, allowing human contact at what can be times of great change for the **customer**.
- MyPhoenix is the system through which some customers can securely access details about their Phoenix Life policies such as current values, update their personal details, use the MyMessages service to contact Phoenix and send documents, and encash their pension. There was a significant increase in customers' use of MyPhoenix during 2020. Customers with access to MyPhoenix can also access MyColleague.

Key Challenges for 2021

- Ensuring that:

i. everyone involved in preparing communication material for IGC Customers through whatever channel – letter, email, website, telephone – is trained in how to use and complete the Protocol; and

ii. evidence is collected that shows that the desired outcome of each communication has been **achieved for the customers**.

- Only 45% of customers have access to MyPhoenix and all the benefits that brings. COVID further highlighted the challenges brought by this lack of access for the remainder of customers. During 2021, Phoenix must show evidence of increasing the proportion of IGC customers who have access to a digital offering that **is appropriate to their needs**.

- Delivery of the key project to improve the Annual statement and Key Milestone Communications, so that these communications will meet the crucial **fit for purpose requirement**.

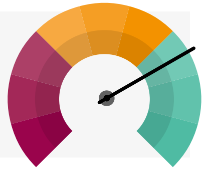
Key Messages

ESG and Stewardship

Key Messages

ESG and Stewardship

Overall, the IGC has given Phoenix a rating of GREEN for its approach to ESG and Stewardship in relation to your pension savings for the following reasons:



- Phoenix has a strong **policy framework** that sets out clearly how ESG and Stewardship considerations should be taken into account in investment decisions that impact customer outcomes. The policy framework covers factors that can influence the financial return from investments, but also recognises that some customers may wish to have their ethical, non-financial, values reflected in how their pension savings are invested.
- The policy framework is backed up by a **strong governance framework**, to ensure that the policy intentions are carried out. All investment decisions that Phoenix takes are required to meet minimum ESG standards.
- Phoenix carries out **regular research** on what customers want regarding ESG investment choices and the findings are used to inform the range of funds made available to you.
- Phoenix continues to **improve the visibility of its ESG and Stewardship** activities to you as customers. It is also taking more of a leadership role in the industry, championing good practice in this important area.

IGCs are required to consider and report on how ESG (Environmental, Social and Governance factors, including climate change) considerations and other aspects of what it is often called “Responsible Investment” are taken into account in their provider’s investment decisions that impact in-scope customers’ pension pots. In last year’s report, we were quite critical of aspects of Phoenix’s performance in this area, but significant improvements have been made since. While there is still more to be done, it should be recognised that 2020 has been a good year as far as ESG and Stewardship are concerned.

Key challenges for 2021:

- communication – particularly helping customers like you to see the beneficial impact on the environment and society of how Phoenix pension pots are being invested; and
- widening still further the range of Responsible Investment fund choices available to you.

Further Commentary

A. Costs and Charges

B. Investments

C. Customer Service

D. Communications and Engagement

E. ESG and Stewardship

Further Commentary

Costs and Charges

Further Commentary

Costs and Charges

What we look for

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

- charges deducted on an ongoing basis (**‘ongoing charges’**); and
- deductions to cover the costs of buying and selling the investments within the plan called **‘transaction costs’**.

Some of you may have other benefits or services on your plan – certain guarantees that apply to with-profits investments; protection benefits e.g. life insurance or waiver of contribution cover; specialist investments, or advice from an adviser. Customers typically pay extra for these benefits through **‘other charges’**. Additionally 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 annum offers reasonable value for money but will keep this under review. Lower cost options may be available, but whether a customer will receive better value by taking those options can be a complex decision as value depends on benefits received as well as the costs. What is critical is that customers are aware of and regularly review their options.

We expect **transaction costs** to be within normal market ranges or, where they appear materially higher, to understand why this is the case and any action taken to offset the impact on customers. Where customers pay other charges for other benefits and services, then we consider this to be reasonable provided customers 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 above 1% of the value of the plan.

Ongoing Charges

Ongoing charges remain in line with what we have seen and agreed in previous years, with the vast majority of you paying no more than 1% per year in ongoing charges and some of you paying less, as shown in the table below. We currently consider this can offer reasonable value for money but have been giving further consideration to other options that are available on the market.

Total member charge	Number of workplace and former workplace personal pension members	Percentage	Assets under Administration (£m)	Percentage
1.01% to 1.50%	559	0.6%	5.9	0.5%
0.75% to 1.00%	76,004	80.4%	979.9	78.8%
>0.50 to ≤0.75%	17,991	19.0%	257.3	20.7%
	94,554	**100%**	**1,243.1**	**100%**

Our review of reports from other IGCs show that an ongoing charge of 1% per year is typical amongst other firms, such as Phoenix, with 'legacy' workplace pension policies. 'Legacy' tends to be used as a term to describe older style pension policies sold a number of years ago, usually not available to new employers or even open to new customers, and rarely used by employers for auto-enrolment. We also took part in external benchmarking research amongst 'legacy' workplace pension providers; this research supported the conclusion that 1% per year was in line with other providers of older style pensions.

Whilst this demonstrates that Phoenix compares reasonably amongst its peers, we hold the view that 'legacy' is not a meaningful term for customers or necessarily a reason why a customer should be charged more than someone in more a more 'modern' pension product. For example the charges for default investment options in pensions used for auto-enrolment are capped at a maximum of 0.75% per year, whilst also offering more in terms of online servicing and support, engaging communications etc.

Conversely, it is the case that many, but not all, Phoenix pension pots are relatively small, are not receiving new contributions, and the number of customers within each scheme may also be small, so even a 1% charge may not in fact cover the costs to Phoenix of administering the policy. Despite this, as we have described in previous reports, Phoenix continues to invest in making improvements to customer service, support for vulnerable customers and its digital offering. However, we have challenged Phoenix to consider the terms that it makes available within the wider Phoenix Group to new customers and certain groups of existing customers, in some instances at a lower ongoing charge, and Phoenix will review this in 2021. We are also aware that customers may have access to lower charging options e.g. through a workplace scheme offered by a current employer.

A key issue is that 'value' depends not only on costs and charges but also on investment performance and the level of service received. For example, a Phoenix customer invested in with-profits may have valuable guarantees that will not be available elsewhere, and transferring to another pension or provider offering lower ongoing charges may not improve overall value if the investment choice is less suitable or investment performance is worse. Switching to another option may also be of limited value if the customer has a smaller pot or is close to retirement, and the decision can be complex and require advice, the cost of which would outweigh any potential benefit of transferring.

Thus, we are of the view that 1% per year can offer value for money but will continue to develop our view around alternative benchmarks.

As a result of introducing further disclosure of costs and charges under new rules, described below, Phoenix is investigating a small number of policies (less than 100) where the ongoing charge is potentially higher than it should be. If this is confirmed to be the case Phoenix is committed to correct the situation including putting any affected customers back in the position they should have been.

Other Charges

We discussed in our report last year the operation of with-profits investments and charges made for guarantees. We noted that a charge is only made for customers who invest in the NPL With-Profits Fund (which has a charge set at 0.5% per year which is deducted from the plan value) but that many plans within that fund have guaranteed bonus rates of up to 4% per year which applies at retirement age which is a valuable feature. We have seen nothing this year to change our view that the charges paid by customers are reasonable given the guarantees provided.

We remain comfortable that for the very few customers (around 450) who have **protection benefits**, the majority of which is waiver of contribution benefit which ensures that contributions to your plan continue if you are unable to work for an extended period through long-term ill health or disability, Phoenix maintains processes to regularly review the charges for those benefits and that letters are periodically issued to customers 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.

A small number of you invest in specialist funds that charge more i.e. make the ongoing charge higher than 1% per year. These include Invesco Perpetual Managed at 1.78% and Newton Managed at 1.46%. We accept that such funds were specifically chosen by customers and may still offer reasonable value for money provided customers 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, Phoenix's monitoring processes have concluded that performance has not been acceptable and, whilst it cannot force customers to move to a different fund, is writing to them to highlight the performance and ask them to consider alternative options.

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

Transaction Costs

There has been a continued improvement in the quality of **transaction cost** reporting to the IGC. This reflects processes being more embedded in the industry, a continued high level of data coverage, and Phoenix setting out the validations and controls it has in place to ensure accuracy, doing more in terms of analysis of costs and how these change from period to period, and investigating funds where charges appear particularly high. Our report covers the 2020 calendar year and includes 99% transaction costs related to trading of assets in the underlying funds (100% in 2019), and 95% transaction costs related to the funds that you hold trading in underlying unit trusts (88% in 2019).

There remains a particular issue, however, with the time it takes to report transaction cost data to us. This appears to be an industry-wide issue and in large part due to the delay in fund managers providing data through to firms to enable them collate, review and report e.g. Phoenix can only report a complete set of data to us when all the fund managers it uses have supplied the necessary data. This report is required to cover charges during 2020 but we do not receive data until the end of April – almost four months later. The delay also makes meeting new costs and charges disclosure requirements – described later in the report – very challenging as these rely on the same data but go through additional processing to produce sample illustrations of the effect of charges for inclusion in the report. Some of this new information is not received by us until well into May. Overall the IGC is very restricted in the time it has to consider the outputs and drawing conclusions before issuing its report.

Transaction Costs by Type of Asset

As in previous years, we have included a table that shows the transaction costs for the unit trusts that Phoenix uses to construct many of the unit linked and with-profits funds that customers invest in. Each unit trust invests in a particular type of asset. In last year's report, we noted that the costs for UK gilts and UK equities were higher in 2019 as a result of changes that Phoenix had made to its strategy for these types of investment. The costs for 2020 are therefore lower and, in fact, for UK gilts are negative due to implicit costs. At the bottom of the table we have shown a range of transaction costs for the typical managed funds that many of you invest in which hold a combination of the underlying unit trusts. There is a range because some managed funds invest in a higher or lower proportion of certain types of investment. However, you can see that the range of costs is lower in 2020 than in 2019.

Type of transaction cost	**Implicit (%)**	**Explicit (%)**	**Total (%)**	**Total (%)**
Year	**2020**	**2020**	**2020**	**2019**
Type of investment				
UK Gilts	-0.04	Between -0.01 and 0.01	**-0.04**	**0.18**
UK Corporate Bonds	0.05	Between -0.01 and 0.01	**0.05**	**0.05**
Overseas Bonds	0.05	Between -0.01 and 0.01	**0.06**	**0.05**
Supernationals	0.01	Between -0.01 and 0.01	**0.01**	**0.04**
UK Equity	0.08	0.11	**0.19**	**0.38**
N America Equity	0.08	Between -0.01 and 0.01	**0.08**	**0.00**
Japanese Equity	0.50	Between -0.01 and 0.01	**0.50**	**0.49**
Asia Pacific	0.05	0.09	**0.14**	**0.06**
European Equity	0.25	0.05	**0.30**	**0.17**
Emerging Markets	0.06	0.10	**0.16**	**0.12**
Property (estimated)	Between -0.01 and 0.01	0.13	**0.13**	**0.33**
Global Credit	0.25	Between -0.01 and 0.01	**0.25**	**0.24**
Tactical Asset Allocation	0.71	0.06	**0.76**	**0.20**
Emerging market debt	0.36	0.03	**0.39**	**0.34**
Cash	Between -0.01 and 0.01	Between -0.01 and 0.01	**0.02**	**0.00**
Typical ('managed') fund	**0.10 to 0.13**	**0.04 to 0.06**	**0.14 to 0.19**	**0.19 to 0.24**

Transaction Costs for the Relevant With-Profits Funds

Phoenix has now provided us with transaction costs for the with-profits funds that are invested in by some customers. The costs shown represent the assets within the fund that inform policy payouts and, whilst the asset mix for certain groups of policies within each fund may vary, they are indicative of the level of costs.

In general the costs appear reasonable. We have challenged Phoenix over the apparent high relative transaction costs for the PLAL London Life Fund. We understand this to be due to a higher level of implicit costs compared to other funds, but are keen to further understand why this should be the case.

Fund Name	Fund Average NAV (£bn)	Aggregate Transaction Costs 2020 (%)
PLAL London Life	0.003	0.543
PLAL NPL	0.047	0.177
PLAL NPI	0.003	0.217
PLAL Pearl	0.002	0.217
PLL Alba	0.002	0.197
PLL SAL	0.044	0.338
PLL Scottish Mutual	0.032	0.228
PLL SPI	0.010	0.231

Transaction Costs for the Main Unit Linked Funds

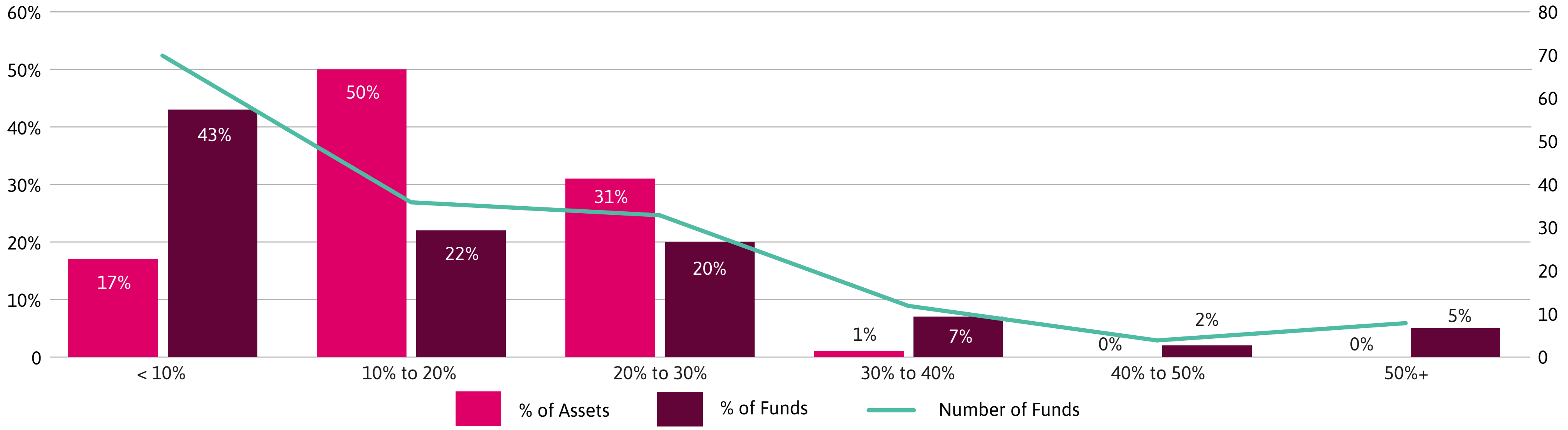
The following table shows transaction costs for the main unit linked funds used by you. Whilst these are not ‘default’ funds (because customers made a decision to invest in them), they are used by a large proportion of customers so we treat them as ‘pseudo’ default funds.

Fund Name	Fund Average Asset Value (£bn)	Total Transaction Costs 2020 (%)
RSA Pension Managed	1.43	0.171
Abbey Life International	1.63	0.167
NPI Pensions Managed	1.19	0.160
Abbey Life Pensions Managed	1.74	0.240
Scottish Mutual Growth Pension	0.28	0.229
NPI Pensions UK Equity Tracker	0.07	0.043
Pearl Pensions UK Equity	0.03	0.067
Phoenix Pension Growth Stakeholder	0.03	0.207
NPI Pensions Overseas Equity	0.08	0.144

Transaction Costs for all Relevant Unit Linked Funds

Transaction costs for all 163 unit linked funds offered by Phoenix to customers who are within the scope of the IGC will be available on our section of the Phoenix website (**www.phoenixlife.co.uk/about-phoenix-life/independent-governance-committee**). The chart below provides a summary view of costs split into bands. This illustrates that 65% of funds saw transaction costs below 0.20% and 85% below 0.30%. The chart also illustrates that higher costing funds tend to be smaller. We have asked Phoenix to look particularly at funds with transaction costs at the extreme end i.e. in excess of 0.50%. In general it appears that costs at this higher end are associated with implicit costs i.e. differences in the price the fund managers received or paid when they sold or bought underlying investments compared to the price when they decided to trade. In other words, the costs are a feature of the methodology used to calculate transaction costs rather than due to higher explicit costs such as commission and stamp duty. In some cases, the larger costs are associated with specialist funds and not out of line with the market. In two cases the higher costs were also in respect of funds that have breached Phoenix's investment underperformance criteria and customers are being written to, to highlight transaction costs.

Q4 2020 Phoenix Breakdown of Transaction Costs



We have included industry **benchmarking information** which indicates that Phoenix transaction costs continue to be in line with typical market ranges.

It should also be noted that a higher transaction cost is not necessarily bad value for money if it has resulted in a better investment return for customers, or is due to a change in investment strategy designed to improve future returns.

Increased Disclosure of Costs and Charges

New regulations require IGCs to publish costs and charges information in more detail. For the first year this includes:

- the publication within this report and online the ongoing charges and transaction costs for each default investment fund that Phoenix makes available to customers. Phoenix does not offer default investment funds but we have chosen to disclose this information for the nine main unit linked funds that Phoenix customers invest in;
- the publication online of sample illustrations that show the potential effect of ongoing charges and transaction costs on the value of pension pots over time; and
- ensuring that this information is highlighted to individual customers via an annual communication which for Phoenix will be part of each customer's annual benefit statement.

The table of costs and charges is available **here** and, together with sample illustrations to show the impact of those costs and charges, are available on the **website**. The type of charges may vary by policy but have been expressed as an equivalent percentage charge to make comparisons easier. In future years this information will be extended online to include all investment funds that Phoenix makes available to customers. This table shows the range of costs and charges incurred by individual customers and demonstrates that not all customers pay the same for the same fund, but that it varies depending on the type of policy you have. What you pay may also vary by the fund(s) that you are invested in. It is important, therefore, to understand how your charges compare with what you may be able to get elsewhere. The illustrations also show how significant ongoing charges can be, particularly if you have a larger pot invested over a long period.

Your annual statement will show the charge you are paying currently, but in a variety of forms depending what sort of policy you have. This means that some of you can see what charge you are paying as a percentage and therefore use the table in this report to compare that with what others are paying for the same fund. Others will see charges expressed in pounds and pence which makes comparison more difficult, but you can contact Phoenix to explain your charges. Phoenix is looking to improve and standardise its annual statements in the future.

Although charges may vary, it is not always possible to switch to a lower charging option within Phoenix; and, depending on the features of the current policy, the size of the pot and time to retirement, it may not be in a customer's best interests to do so. However, as mentioned above, it emphasises the importance of customers considering whether their pension pot with Phoenix and the way it is invested remains suitable for them. If you need help in understanding what level of charge you are paying, you should contact your employer, ex-employer or Phoenix to help explain. If you are still working for the same employer, you could ask them how recently their pension arrangements and charges have been reviewed. You should, though, also consider seeking professional advice before making any changes.

Earlier in this section of the report, we referred to a small number (less than 100) of policies that Phoenix is investigating where a higher charge than intended may be being applied. Given Phoenix has confirmed that, should this be confirmed to be the case, it will correct the position for those customers, the table of costs and charges represents the 'corrected' position.

Finally, we should also note that, before and since the new rules were finalised, the IGC had questioned, including in its response to the consultation on the proposed new rules in May 2019, how some aspects were to be applied. In particular, the rules require disclosure of charges for 'relevant schemes'. Phoenix's interpretation has been that a 'relevant scheme' is essentially a pension investment vehicle that is registered with Her Majesty's Revenue and Customs because of the tax treatment it receives, with many different employers having their own arrangement within that vehicle, potentially with different charges. We have therefore disclosed the range and distribution of charges that individual customers pay when they invest in particular funds within the relevant schemes as we believe this gives the most useful picture of the variation in charges and allows customers to see how their charges compare.

Shortly before our report was issued, the regulator, the FCA, issued a statement to acknowledge that firms and IGCs were interpreting the rules in different ways and to clarify that it had intended, and now expects, costs and charges information to be disclosed at an employer arrangement level i.e. that we should disclose the range of charges that apply to individual employers (rather than to individual customers). We have therefore included a further table **here** which shows the range of charges applying to employer arrangements. This shows a similar picture in terms of distribution of charges because Phoenix operates many employer arrangements, with little variation of charges between them, and with a small number of customers within each.

Exit Charges

Exit Charge as a Percentage of Plan Value	Number of Plans
1.01% to 2.00%	291
2.01% to 3.00%	263
3.01% to 4.00%	213
4.01% to 5.00%	199
5.01% to 10.00%	600
10.01% to 20.00%	135
	1,701

Last year we noted that, whilst the vast majority of customers have no exit charge and exit charges for those aged 55 or more are capped at 1% by regulation, there were 1,839 policies that would see an exit charge in excess of 1% and in some cases up to 17.7%. Whilst most customers 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.

The nature of the exit charge calculation means that the number of customers exposed to higher exit charges reduces over time as customers reach age 55, so there are now 1,701 policies with a higher charge. The level of charge for each customer also reduces over time with the maximum charge now being 16.9%, but we challenged Phoenix to consider what cap it could introduce on exit charges for these policies. We are pleased that Phoenix has agreed to introduce a cap on exit charges of 1% across all policies and will implement this in due course.

Further Commentary

Investments

Further Commentary

Investments

Overall, Phoenix Investment Quality contribution to Value for Money for Customers 2020 assessed as GREEN. Assessment criteria scores however were lower than in 2019, with 75% of the maximum score vs 78% last time.

What do we hope to find?

- That the funds offered to you are well-managed and governed in order to meet your expectations; and
- Key managed funds are designed to deliver sufficient returns on your retirement savings over the medium/longer-term to provide a decent outcome when you retire, without taking too much investment risk.

Although Value for Money is all about what you might get in the future, we look to see how your investments have performed in the past to confirm our findings. We look at how well fund managers have performed against the specific brief that they've been given, and we also look at how well funds have performed against similar funds that you or your Employer might have chosen instead. The ultimate test, though, is how your savings pot has grown over time and, for that, we see how funds have performed in real terms, taking past inflation into account.

What we found:

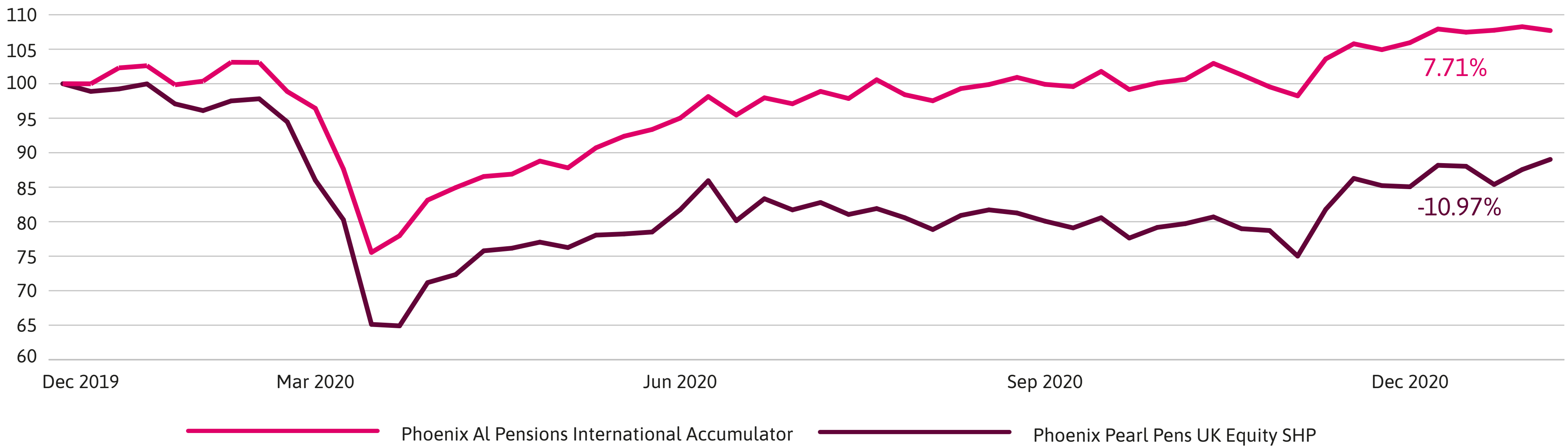
- The multi-asset funds in which most of you are invested fell sharply during the extreme market downturns in the early months of the pandemic, but recovered well by the year end, continuing to outstrip inflation by a comfortable margin over the longer-term. UK-only funds however fared less well – are they the most suitable long-term investment for you?
- However, unlike last year, less than half of all available funds were ranked in the top half of the table against similar competitor funds over the longer-term.
- We are therefore pleased to see the continuing level of scrutiny of key manager relationships, such as for UK Equities, and the positive results seen from recent mandate changes.

How did your funds do in 2020?

At the beginning of 2020 no-one had any idea of the impact that the COVID-19 pandemic would have on the planet, but, as the rest of the world followed the Wuhan region in China and went into various degrees of lockdown, economic activity stalled and markets briefly went into freefall. From April onwards they started to recover and, despite further waves of the infection in the autumn, the development of new vaccines led to increasing optimism by the end of the year.

These trends can be seen in the graph below showing the best and worst performing of the 9 key funds in which many of you are invested. All but the UK-only funds ended the year with positive returns. This is not solely due to poor performance by the relevant fund managers; it rather reflects the sector biases in the UK market versus the rest of the world, with a much higher proportion in energy stocks and hardly anything in technology sectors. Are these funds the most suitable for your pension savings?

Highest and lowest performing key funds in 2020



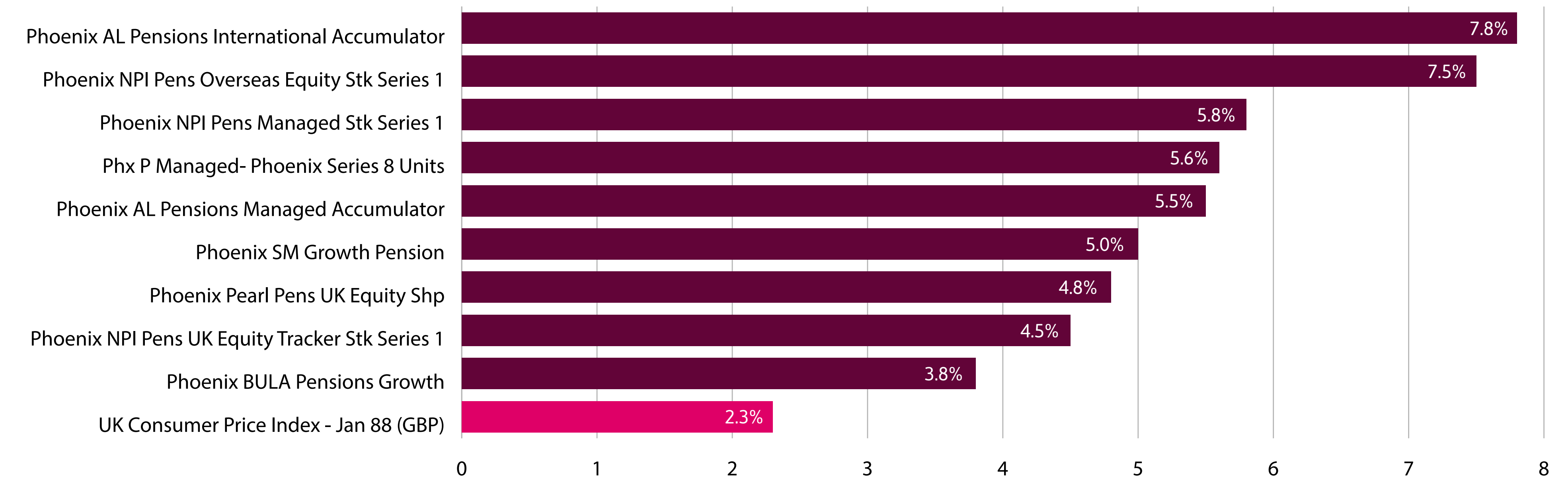
Source: FE Fundinfo, at as 6 April 2021.

The other key funds produced returns between these two. However, you may be invested in other funds that have performed differently, funds that either you or your previous employer selected some time ago. We include all funds in our overall oversight, as reported on the next page.

What about over the longer-term, when compared with inflation?

Here we look at the performance of all available funds over the longest possible timescale, as many of you will be invested for several decades. Funds invested in stock markets would hope to beat inflation every year, but short-term impacts can mean that is not the case. In 2020 for instance most property funds and those targeting returns based on high dividend income rather than capital growth did not do so, and some fell in value. Over the longer-term, however, these shorter-term impacts tend to average out, and the results provide a good indicator as to how your savings pot is growing in real terms. Over the last 15 years, inflation has averaged 2.28%pa, and the graph below shows that all the 9 key funds have beaten inflation over that period.

15 Year Annualised Performance of Key Funds and CPI



Source: FE Fundinfo, data to 31 December 2020.

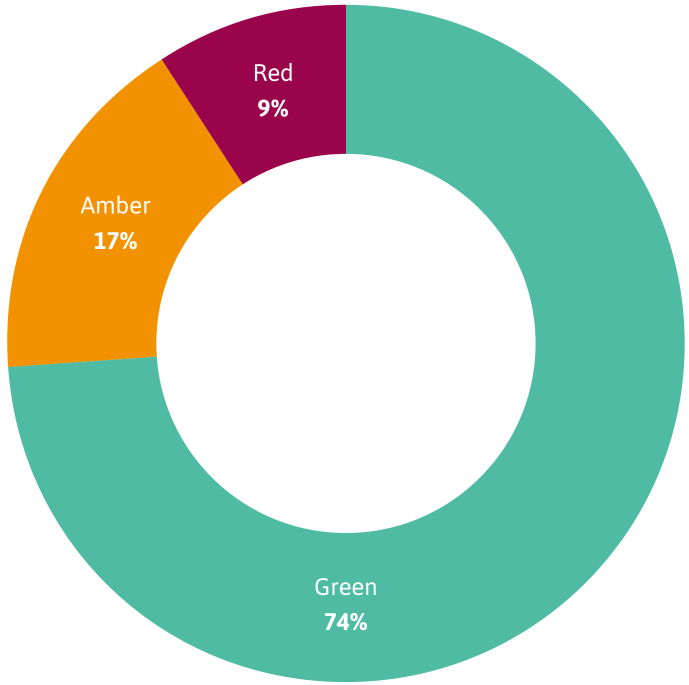
When we look at the results of all the funds, we raise queries on any that have not beaten inflation over five years where it is not immediately obvious why that might the case (a cash fund or fixed interest fund, for instance) and where this has not already been highlighted on other performance grounds.

How good a job are the fund managers doing?

To assess this, the IGC have devised a Red/Amber/Green ("RAG") performance flag which indicates how funds have performed compared to the benchmarks that have been set for the managers. The benchmarks could be a published market index like the FTSE Allshare, or a customised combination of indices, or the average return of a suitable peer group. We look every quarter at three-year performance, and the RAG assessment takes into account how we would expect a fund to perform given the brief the manager had been given. For instance, if the brief was to match an index, we expect performance to be very close to index performance. If it's an actively managed core fund, we look for outperformance against the benchmark, but understand that, in the short-term, results can be more variable. Any funds that are flagged as amber or red are then investigated by the Phoenix governance team, who report to us on the causes for underperformance and whether any further action needs to be or is being taken.

The proportions of Red/Amber/Green across all Phoenix funds available for investment by workplace customers such as you are shown alongside. This shows that the vast majority of fund managers are delivering positive results against the brief they have been given, whether to match the return of a benchmark comparator, or to beat it. (Equivalent results for 2019 showed 1% less green, 5% higher amber and 4% less red). We are satisfied that those funds flagged as amber or red are being properly investigated by Phoenix and suitable action taken, engaging with fund managers as necessary, with a view to improving future performance. This should reassure you that they are looking out for your interests. However, if poor performance persists, Phoenix's ability to switch managers/close funds will depend on who controls the mandate. For instance, the UK Equity manager for key mandates under Phoenix control was replaced during this year. However, if you or your previous employer had specifically selected a fund which is now performing poorly, Phoenix can only write to you highlighting the poor performance and noting that other funds are available; you would need to make any switches yourself. We have been disappointed at the levels of active responses to such mail-outs in the past. If you get such a letter, please take it seriously and consider what actions you might need to take.

Performance RAG distribution (rated funds)

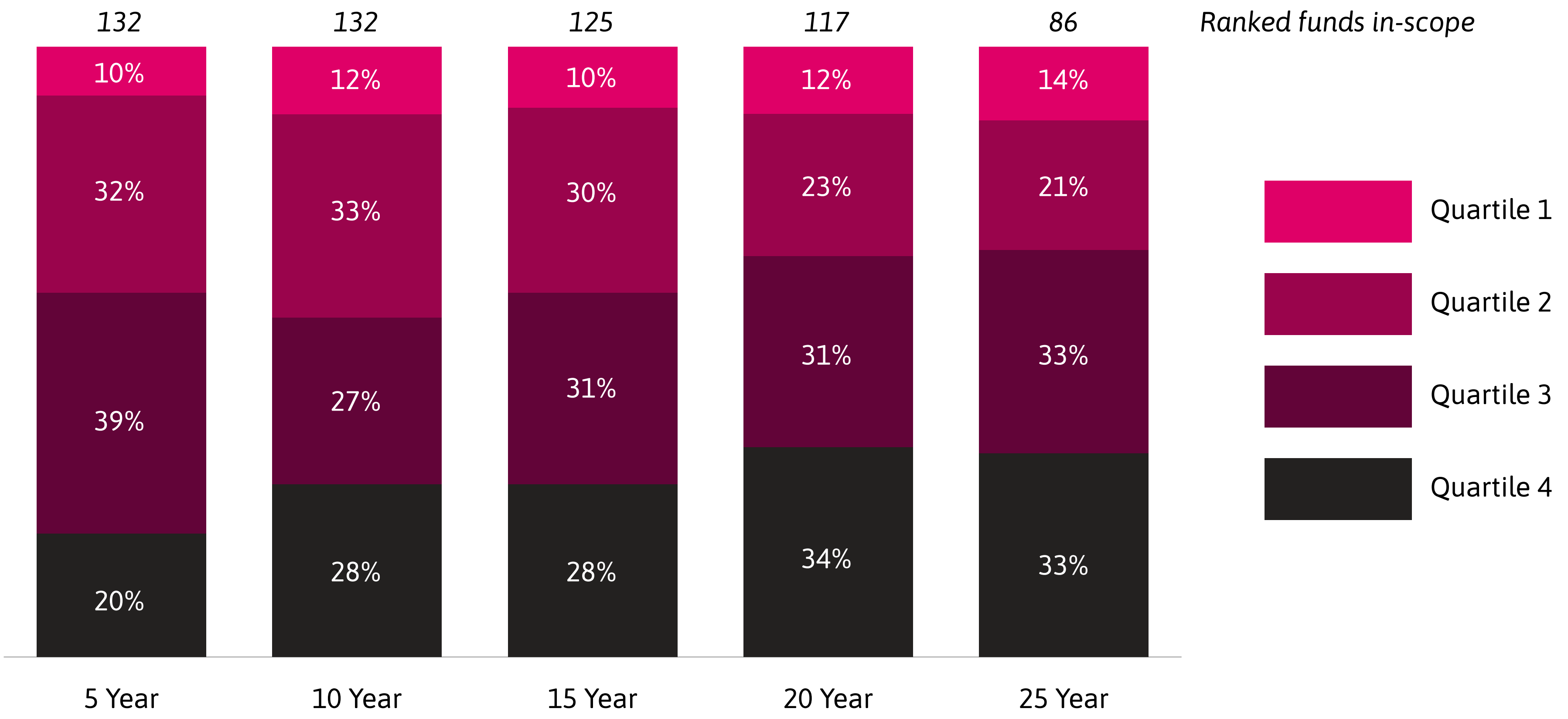


There were 22 (13%) unrated funds due to unavailability of data

How do these funds compare with peers?

The quartile rankings of those funds which can be compared against ABI sectors of similar competitor funds over various periods are set out below. 'Quartile ranking' involves arranging in order all similar funds from the best to worst performing, and then dividing the list into four, with Quartile 1 reflecting the best performing quarter of the list, quartile 2 the next, and so on. 2019's results showed a clear majority of funds over all periods in the top two quartiles (i.e. in the top half of the table), but 2020 has adversely affected results over all periods.

Quartile Rankings (Ranked Funds)



Source: FE Fundinfo, data to 31 December 2020.

This part of our assessment scored poorly this year, due to the 2020 results scoring less well than the earlier years they replaced. It is not immediately obvious what has caused this drop; although we can analyse Phoenix's performance, we don't know how competitor results were achieved. Nonetheless, this is disappointing for you, as it indicates that better results could have been obtained elsewhere if you (or your previous employer) had made different choices.

What external validation do we have for our assessment?

Several years ago, the Standard Life IGC (now aligned with the Phoenix IGC) worked with Redington, a firm of investment consultants, to devise a framework for assessing all the different default profiles used by client schemes and their underlying funds, and highlighting for further investigation those that might not be offering VfM either due to poor performance, or questions of suitability for their part of the savings journey. (Subsequently Redington have applied some parts of this framework in their industry benchmarking assessments, although those tend to focus on selected key defaults and funds.)

Although Phoenix does not have default funds as such, we have again used this framework to analyse the 9 key funds and their underlying component funds to see whether any new issues were highlighted. As before, the analysis indicates that the managed funds were more suitable for the later years of saving for retirement rather than the early years; but, given the average age profile of customers invested in these legacy funds that is not inappropriate.

5/10 funds were initially flagged for further investigation in the backward-looking assessment, with 1/10 flagged in the forward-looking assessment. On further investigation:

- Four funds were only flagged in the backward-looking assessment due to the extraordinary gyrations in value seen in the first half of 2020 (or the last quarter of 2018) where there are no ongoing performance concerns – no action required.
- One fund was a passive fund where apparent underperformance was caused by a timing difference between the pricing of the fund and its index.

The only fund flagged in the forward-looking assessment is a property fund which is a small component of a managed fund which was not itself flagged – no further action required.

We are reassured that this external analysis has not highlighted any issues that were not already known and understood.

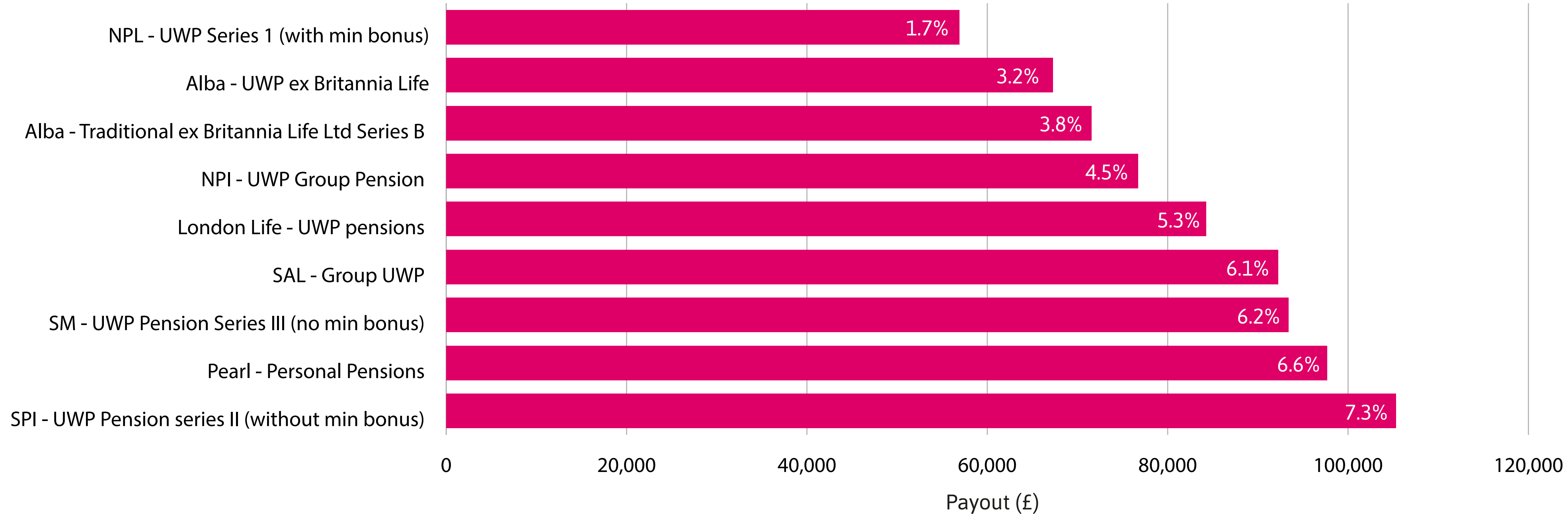
Any new developments in IGC oversight?

This year we have worked with the With-Profits team within Phoenix to give further thought on how to assess With Profits VfM, given that year to year bonus declarations you receive will be affected by smoothing, whereas eventual payouts will reflect both the performance of the underlying asset shares, any estate distribution and any investment guarantees – and may suffer a market value reduction (MVR) if taken early.

In addition to tracking the performance of the underlying asset shares net of costs, which is what drives terminal bonuses and guarantee deductions, and monitoring the asset allocation for likely future performance, we also look at bonuses declared over 1, 3, and 5 years compared to **cpi**.

Overall, we concluded that example payouts and returns on premium on retirement were reasonable compared with cpi of 2%pa over the same period.

Example 20 year payouts and return on premium

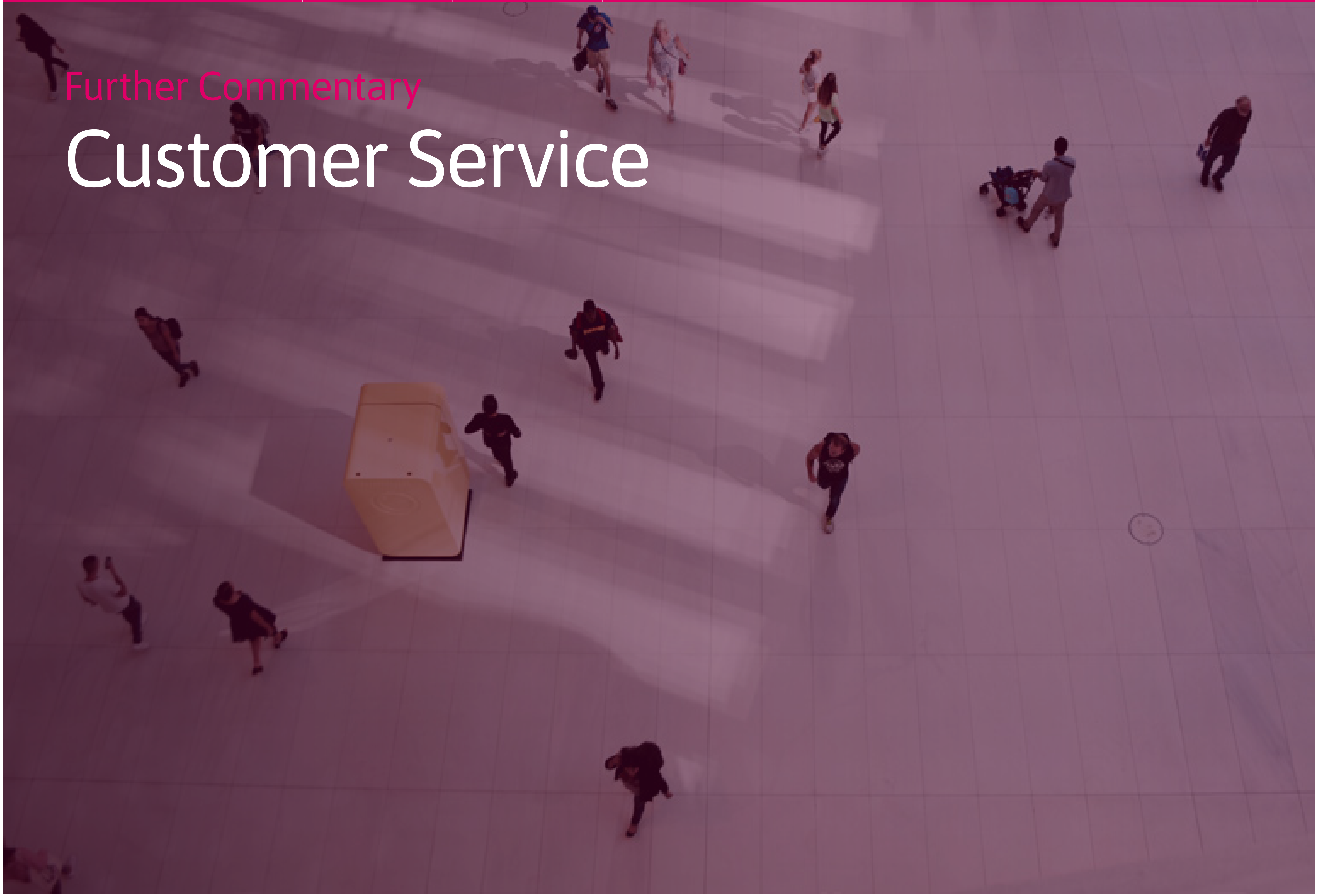


However, we remain concerned about the NPL bonus series where MVR's are expected to apply and can average around 30%. Last year we reported that Phoenix had developed a proposal to offer customers substantial enhancements to their pensions pots in return for giving up their guarantees. This project has not been progressed in 2020 due to the extreme market volatility seen as a result of the pandemic, but we do hope that it will be picked up in due course.

What other changes are being considered going forward?

We noted the recent corporate announcement, that as part of the arrangement whereby Phoenix takes full control of the Standard Life brand, it has recommitted to its key investment partnership with Aberdeen Standard Investments (now known as abrdn).

The IGC has been keen to understand the nature of this commitment, and whether it meant that the management of individual mandates were treated any more leniently than other arrangements. We have been assured that this is not the case, and have seen recent evidence, such as the recent termination of the UK equity mandate, that both the Investment Office and the Investment Committee to which they report are fully focused on obtaining the best outcomes for you, the customer, when performance issues arise.



Further Commentary

Customer Service

Further Commentary

Customer Service

Overall, Customer Service at Phoenix in 2020 was assessed as GREEN with a score of 32 out of 42 or 76%.

What are we looking for?

The IGC's 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]. Our actual assessment of customer service is much wider than this and, in 2020, has focused on:

- The continuity of service provided to customers in light of the COVID-19 pandemic;
- Performance against target service levels (including the prompt and accurate processing of core transactions);
- How Phoenix has responded to customers with additional needs and vulnerabilities (especially in light of COVID-19);
- How complaints are dealt with; and
- Continuous improvements to service that respond to customer needs and are designed to provide a high quality experience.

We assess a wide variety of information to make our assessment, including:

- Metrics which seek to measure the end-to-end customer experience on a quarterly basis, such as how long it takes transactions to be completed, or issues to be resolved.
- Customer survey satisfaction scores and feedback.
- Complaint levels, resolution times, themes complained about and the action taken by Phoenix in response. We also monitor the number of complaints overturned by the Financial Ombudsman Service.
- The output of Phoenix's internal assurance activity and testing.
- Information regarding business strategy and key projects which impact on the customer servicing approach and experience. In 2020 this has included Phoenix's activity in response to the current pandemic.
- A benchmarking exercise conducted by external consultants Redington.

1 FCA Conduct of Business Sourcebook 19.5.5 R2 (c)

How good was service continuity and the response to the COVID-19 pandemic?

The IGC has monitored Phoenix's response to the pandemic closely and have provided two updates on our website. The IGC is satisfied that Phoenix has generally maintained an appropriate and quality service over 2020. We note that Phoenix and its outsource partners used considerable efforts to allow working from home for the majority of staff in short timescales. As a result, Phoenix has maintained most key service levels in 2020 and customer survey scores have been positive. There has sadly been additional demand for bereavement claims which has impacted processing times. Phoenix continues to work with its outsource partners to ensure sufficient resources are available to meet this additional demand.

Phoenix, through its outsource partners, continues to support customers in vulnerable circumstances through greater flexibility and additional guidance for customer service colleagues.

What was performance against target service levels?

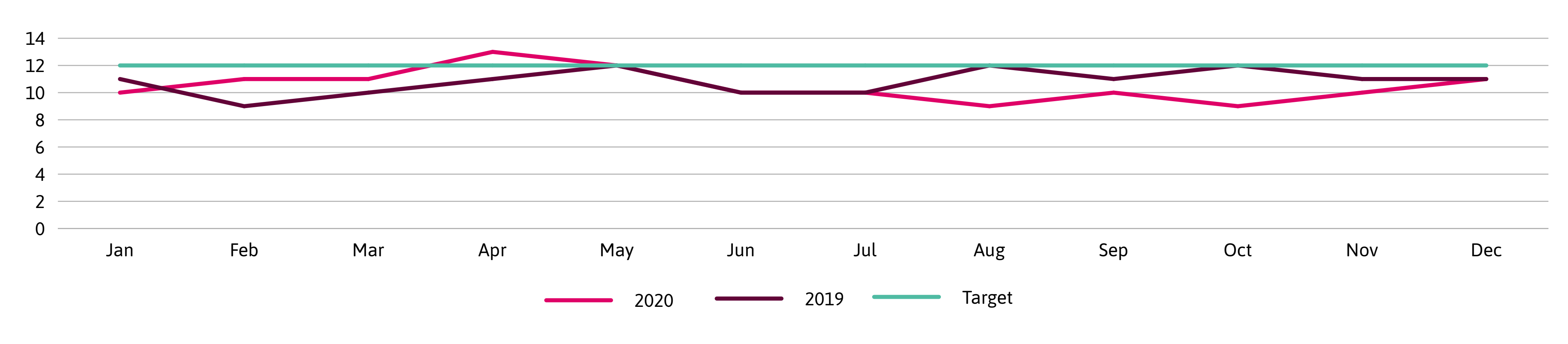
Customer satisfaction scores were 94%, exceeding the target of 90%, and similar to previous years. The vast majority of claims and servicing requests have been completed within the agreed internal targets (95%). Detail on particular performance measures is set out below:

Measures	Target 2020	Performance 2020	Performance 2019	Performance 2018	Performance 2017	Performance 2016
Spread of retirement claim pay out	<12 days	10.51 days	9.69 days	10.73 days	11.03 days	11 days
Customer Satisfaction	93% Rating satisfactory or above	94%	94%	93%	92.40%	91%
Servicing Complaints as a percentage of transactions	<0.6%	0.42%	0.43%	0.59%	0.46%	0.30%

Source: Phoenix.

Back office processing has been good, despite the challenges of the environment. 94% of servicing demand and 95% of claims have been processed within the target time.

The graph below shows the average time taken to deal with retirement claim pay outs during 2020 versus the internal target of 12 days. It is positive that the target was met other than in April. The performance reported reflects Phoenix's responsiveness to all pension customer enquiries, including those out-with the scope of the IGC:



Telephony teams were marginally under target for call answering and abandonment metrics over the second half of the year in particular (see the Supporting Materials for details). This is a result of higher than forecast call volume, a change in call patterns and a greater proportion of more complex calls involving retirement claims and bereavements which has increased average call handling time. Some outsource partners have also been impacted by poor broadband quality when staff are working remotely. Phoenix is monitoring these issues closely to ensure that outsource partners complete actions to recover performance.

Bereavement claims have been an area of significant focus given that sadly the volume of claims has exceeded normal levels. A number of simplifications have been made to processing to resolve older cases which had been delayed pending customer/third party information. Phoenix continues to work with its outsource partners to ensure that sufficient resource is available to meet demand, and consider what further proactive steps can be taken to simplify processing. Continued process improvement in this sensitive and complex area will be an ongoing challenge for Phoenix.

Phoenix continues to work on enhancing access to digital servicing options through the MyPhoenix portal. Actions have been taken to increase the use of paperless processes for death claims, and the use of online forms and emails more widely. The IGC is supportive of additional digital options and will continue to take an interest in developments. A challenge for Phoenix will be to extend digital options and encourage use of them.

Service Quality

Service quality has remained high, with back office quality assurance checking meeting its target throughout 2020, and telephony quality assurance meeting targets for most of 2020.

Phoenix undertakes assurance activity to validate the quality of the service provided by its outsource partners. The IGC receives summary output from these reviews, which sample randomly selected customer journeys across all outsource partners. The review tests the approach to call handling, communications, complaints, customer data and security and customer needs and vulnerabilities. The IGC takes comfort from the review provided in 2020 which noted that 96% of verbal and written correspondence passed the quality criteria. Some improvements to processes and training were identified from the review and these will be completed by March 2021.

What continuous improvements to service have been made?

Phoenix continues to work on enhancing access to digital servicing options through the MyPhoenix portal. Actions have been taken to increase the use of paperless processes for death claims, and the use of online forms and emails more widely. The IGC is supportive of additional digital options and will continue to take an interest in developments. A challenge for Phoenix will be to extend digital options and encourage use of them.

How are complaints dealt with?

During 2020 there were 15,482 complaints from Phoenix customers (including those out-with the scope of the IGC), which is 63% of those received in 2019. Around 55% of complaints were upheld and just under half were resolved within three working days which is below the internally set measure to resolve 60% of complaints within three days. Complaints as a proportion of customer transactions were low and within target (see the Supporting Materials for details). We understand that, while complaint volumes have fallen overall in 2020, those that are made tend to be more complex and take longer to resolve. Management actions are underway to improve the position and the IGC will continue to monitor progress. A challenge for Phoenix will be to address the root causes of these more complex complaints.

The IGC is encouraged that Phoenix reviews the key themes from complaints in order to take further action to resolve systemic issues. In 2020 this has included improving card payment options, managing customer expectations regarding response times, streamlining customer journeys and introducing paperless processes.

Few complaints were referred to the Financial Ombudsman Service and only 16% have been overturned which is within target and compares favourably to an industry figure of 19% (using data from the Financial Services Ombudsman).

How has Phoenix responded to customers with additional needs and vulnerabilities (especially in light of COVID-19)?

The IGC has taken considerable interest in the services provided for customers who have particular challenges due to their individual circumstances or underlying conditions. We receive regular updates from Phoenix on the evolution of strategy and processes to support these customers.

Phoenix has undertaken a customer research programme to identify how it can better support customers in vulnerable circumstances. Phoenix has also reviewed the FCA's Guidance Consultation (GC20/3) on the fair treatment of vulnerable customers. As a result, the Phoenix has revised its Group Vulnerable Customer Framework to enhance processes and training for colleagues. Specific actions (in partnership with the outsource partners) will encourage customers to disclose vulnerabilities, provide an empathetic and flexible response to customer needs, and support the development of softer skills required to help customers. The IGC will continue its focus on monitoring the development of these actions.

We are aware that the pandemic has created additional difficulties and financial hardship for some customers. Phoenix, working with their outsource partners, implemented a number of actions to support these customers. We are pleased that communications for customers experiencing financial hardship were a key focus. Service staff have been given additional guidance to be vigilant and show flexibility when dealing with customers in vulnerable circumstances.

How does Phoenix compare with other pension providers?

Phoenix participated in a benchmarking exercise with five other legacy pension providers during 2020. The study was undertaken by Redington and covered five main elements taken into account when assessing value for money: engagement, investment, access, service and charges.

In relation to service, the study noted that Phoenix was the only provider using straight through processing widely across all tasks. Phoenix was the best provider for timeliness of contribution processing, but was less competitive on transfers out, retirements and death claims. It was noted that these can be very customer-specific and a wider range of outcomes was to be expected. Call response times were in line with the other providers, although Phoenix had the highest maximum call time. We will be seeking evidence of continued improvement to the timeliness of processing over 2021.

On complaints, it was noted that while Phoenix had a large number of complaints (also including those out-with IGC scope), proportionately this was average compared to other providers.

What are our conclusions in relation to value for money?

The IGC recognises that 2020 has been a particularly challenging year for Phoenix and the industry, given the impact of the COVID-19 pandemic. Significant activity was undertaken in a very short period of time to ensure staff could work from home and provide continuity of service. Based on the management information that has been produced quarterly by Phoenix, the IGC is satisfied that core financial transactions have in general 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 delays or inaccuracies.

The IGC recognises that improvement have been made in 2020 to simplify processing of bereavement claims in order to avoid some customers experiencing lengthy delays. We also recognise that there have been particular challenges this year in relation to this process as a result of the pandemic.

The IGC is encouraged by Phoenix's commitment to supporting customers with additional needs, especially during the COVID period. We take comfort from the continual evolution of the approach and external validation through research initiatives to ensure best practices. A challenge for Phoenix will be to continue to develop services to meet additional customer needs.

In 2020 our assessment of Phoenix's performance for service was **GREEN**. **Page 98** sets out the criteria that the IGC has taken into consideration in its assessment of value for money. The IGC has determined an overall score of 16 out of 21, or 76% (2019 75%) for customer service.
This equates to an overall rating of **GREEN**.

Further Commentary

Communications and Engagement

Further Commentary

Communications and Engagement

Overall, customer service at Phoenix was assessed as GREEN with a score of 16 out of 21 or 76%

Why are communications from Phoenix important?

Communications in whatever form – by letter, by email, through the website, by telephone – are essential to provide you with information about your pension pot and about the services that Phoenix offers you.

However, providing you with information alone is not sufficient to enable you to make informed choices. Phoenix must also **engage** with you as a customer to ensure that:

- language and format used are understandable to you, signposting you to any action you should take;
- information is given to you at the right time; and
- information is given to you through an appropriate channel.

Communications

Since 6 April, 2020, we as your IGC have been given additional responsibilities by the FCA to ***assess*** whether the communications to customers are **fit for purpose and properly take into account customers' characteristics, needs and objectives** (the 'fit for purpose requirement').

What does this mean?

Phoenix have given careful thought to the challenge presented by this additional IGC responsibility, what 'fit for purpose' means in this context, and have prescribed to the business the following meaning:

"A communication which takes into account the needs and objectives of the customer and is provided to them in a timely fashion. It should contain content which is relevant, salient and informative, taking into account the financial literacy levels of the customers. The content of a communication should support the customer to recognise the information they may need to know or the appropriate action(s) they may need to take, which enables them to keep on track with their retirement plans and support their desired outcomes."

It is against this backdrop that the following will be assessed:

- **Informative Communications**: providing customers with necessary information and educational material to support their understanding, such as milestone communications, guides and dashboard content, annual statement and retirement statements;
- **Action-Focused Communications**: designed to encourage customers to complete a call-to-action to assist their retirement outcome – for example, reviewing investments and contributions, nominating beneficiaries, or registering online; and
- **Customer Journeys**: journeys designed to support customers to take steps towards their desired outcome at retirement, including both digital and telephony journeys.

What steps has Phoenix taken to embed the fit for purpose requirement in communications with their customers and how will the IGC assess this?

1. Working with the IGC, Phoenix developed a Fit for Purpose Protocol ('FfP Protocol'), detailing four separate stages, to be completed by the author of any relevant communications. To see this Protocol, **click here**.
2. To meet IGC requirements, this Protocol is used by the author of any communication to record, before and during the preparation of the communication, how the fit for purpose requirement is being met; and after the communication has been issued, the protocol document is used to record what evidence exists to demonstrate that the communication's purpose has been achieved.

It is the evidence collected in completed the FfP Protocol that the IGC will use to assess the extent to which Phoenix is complying with the fit for purpose requirement.

A recent example of this effectiveness of the FfP Protocol has been the review of a letter being prepared for customers whose pension pot was invested in an underperforming fund. In being put through the FfP Protocol, the initial draft letter failed to meet the requirements of the Protocol; it failed to meet the third requirement of the FfP Protocol, to be designed and presented in a way that would be accessible to the customer.
In particular:

- the letter did not explain the policy type clearly and up front in the heading; and
- the letter contained a table of information as its focus, but this in fact would distract the customer from the main message of the letter – to be made aware of the lack of fund performance and the need to take action.

The letter is now being rewritten using the FfP Protocol. Evidence of customer action in the light of the revised letter sent to customers will require to be inserted into the fourth section of the FfP Protocol, in order that the fit for purpose assessment can be completed.

We have also seen a number of retirement letters tested in this manner; all of them have passed the first three stages of the FfP Protocol, as they were engaging, salient and with clear messages for the customer, with any jargon explained. Evidence demonstrating that the communication's purpose has been achieved will require to be collated and reviewed, in order to confirm that these letters have met all the requirements of the FfP Protocol.

A challenge for Phoenix in 2021 will be to ensure that everyone involved in preparing communication material for IGC in-scope customers through whatever channel – letter, email, website, telephone – is trained in how to use and complete the Protocol before, during and after the preparation of the relevant communication, including collation of the evidence of how Phoenix's desired outcome for the customer has been achieved.

Engagement

Embedded in the FfP Protocol is the need for evidence of how each communication has been designed and/or presented to make it as accessible and appealing as possible to the customer.

What evidence has the IGC seen during 2020 that Phoenix has engaged with their customers, in order to better understand the challenges facing their customers, and their customers' questions and concerns in respect of their pensions? And how has that impacted on Phoenix's communications with their customers?

The IGC has looked for evidence of Phoenix seeking greater insight into customers during 2020, and the impact this has had on their communications and engagement with you.

Through research with Phoenix customers during 2020, Phoenix has undertaken a number of information-gathering exercises. We have looked at what information has been gathered, what insights gained, and how these are being used to enhance communications and engagement with you.

1. One piece of research sought to identify customers' needs, 'pain points' and behaviours in respect of pension through their working life and retirement. The aim of this research has been to develop a more empathetic understanding of the customer at different stages, which will be used to guide the content of communications with you and processes you will go through to meet your needs during your time as a Phoenix customer.

   Phoenix has created four 'user personas' which they believe represent their customers – Saving for Retirement, Preparing to Access Pension, Ready to Access Pension and Managing Money in Retirement.

   Using these categories as a backdrop, Phoenix sought feedback from customers in each of these four persona groups. The customer feedback informed Phoenix that information given to customers on the website needed to improve. Customers said:

   - although some of the information and content they need is there, they can't easily find it and it isn't presented to them in a way that they expect; and
   - they find it difficult to find contact options when they need further help.

   What is Phoenix doing with this feedback from their customers?

   Phoenix recognises that this means that customers aren't engaging and learning and considering their options with Phoenix and, as a result, are either using other sources of information or remaining uninformed.

A challenge for Phoenix in 2021 will be to deliver an engaging website, which will act as a foundation layer for the development of future customer journeys.

2. Phoenix has articulated to the IGC its commitment to look for innovative ways to support customers in the ways that matter to them, in the moments that matter the most. What evidence have we seen of this?

To further understand customer needs, Phoenix commissioned research by Gusto, its independent research partner, into customers' openness to receiving support from Phoenix. The following shows the percentages of those saying that the statement is applicable to them and that they would welcome support from Phoenix:

You do not feel that you understand enough about pensions to make decisions about saving for retirement	**67%**
You do not feel that you understand enough about pensions to make retirement decisions (e.g. drawing down money from your pension)	**64%**
You do not feel confident planning your financial future	**45%**
You do not feel confident making decisions about financial products/services	**42%**
Your digital skills are ok and you can get by, but sometimes need help when using the computer	**25%**

The research, which included in-depth interviews, has enabled Phoenix to assess the scale of vulnerability amongst customers, using drivers identified by the FCA, being:

- health condition or illness that affect the ability to carry out day to day activities;
- major life events, such as bereavement, job loss or relationship breakdown;
- low ability to withstand financial or emotional shocks; and
- low financial understanding or low confidence in managing money, and/or low capability in other areas such as literacy, numeracy or digital skills.

The research revealed that 56% of Phoenix customers display one or more vulnerability characteristics. This research was of particular importance during the COVID pandemic, and strengthened staff understanding of the functional and emotional needs of customers. During 2021, Phoenix has committed to all staff having to complete compulsory training on vulnerable customers, to help them be more proactive in identifying vulnerability, and be more encouraging in getting customers to disclose vulnerability. In addition, staff are now being trained on behavioural psychology to help them empathise with customers facing difficulty. They are also being trained to avoid negative labels that might hinder openness of customers to accepting help and support.

The intention is that information being gathered will be used to generate supportive communications – to ensure that whatever is being done, whether it is speaking to customers, writing communications or designing propositions and products, customers will be at the heart of what Phoenix do.

The IGC believe that this research is evidence of Phoenix listening carefully to the voice of the customer, leading to powerful learning – notably the key realisation that vulnerability can – for many customers – be a stage (for example death or divorce), and that all communications with customers should be prepared and approached on the basis of vulnerability – as at some point, all customers will be vulnerable.

A challenge for Phoenix in 2021 will be to collate evidence of how this information gathering on customer vulnerability has been used to drive the design and content of communications; and how this, and the telephony training, have improved customers' outcomes.

Knowing about it and doing something about it are two very different things. It takes me a lot to get round to 'doing' (referring to online) (Female, 57, PLL)

It can be difficult when a customer has limited understanding so you need to clearly explain how the policy works giving them the full information in a simple format (Male, 60, PL)

Forms are a real issue, deciphering and interpreting what they mean, that's why I've never had a mortgage (Male, 58, PL)

Remembering you're not a robot is so important, remembering every call is different. Having a personal chat that isn't scripted really makes people open up! (PL)

Nice to have someone to talk to about it, wouldn't have expected that from a pension. You don't expect pension people to be that bothered (Female, 65, PL)

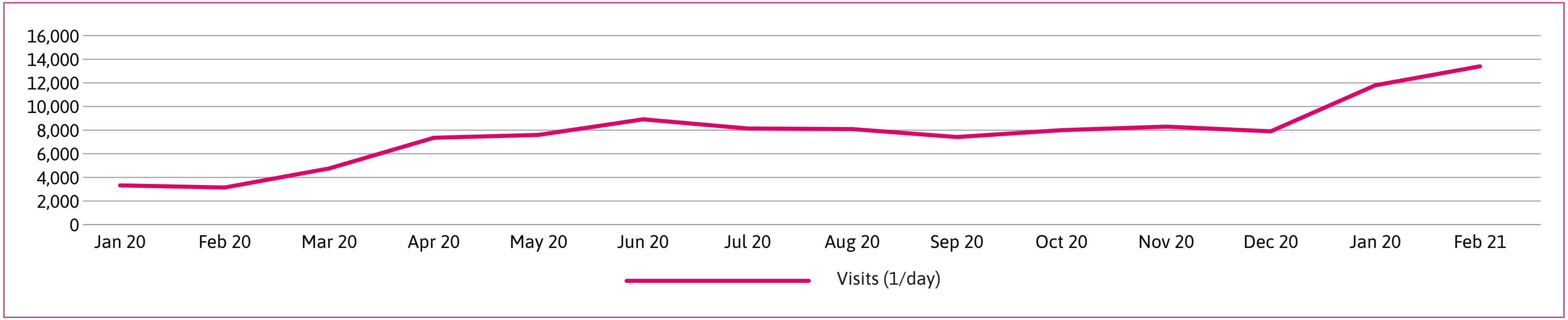
3. Research carried out in 2020 by Redington further highlighted the need for Phoenix to improve the form and content of their Annual Statements and milestone communications. This is something that is also required by the FfP Protocol – where evidence is sought of how the communication has been designed and/or presented to make it as accessible and appealing as possible to the customer, and evidence is required of the desired outcome being achieved. The IGC is satisfied that, during 2020, Phoenix has been progressing a significant project of redesign of these key communications.

A challenge for Phoenix in 2021 will be to complete the redesign of the content and format of these critical communications, and ensure that FfP Protocols completed for each of these key communications demonstrate that they are fit for purpose.

Digital

Some of you – but not all of you – have access to MyPhoenix. MyPhoenix is the system through which many customers can securely access details about their Phoenix Life policies such as current values, update their personal details, use the MyMessages service to contact Phoenix and send documents, and encash their pension. At the end of 2019, only about a quarter of Phoenix customers had access to MyPhoenix. In our Report last year, we challenged Phoenix in 2020 to increase the number of customers with access to MyPhoenix, and are pleased to see that around 45% of customers can now access MyPhoenix. Phoenix is continuing to work on the key project that will enable all customers to have access to a digital offering that is appropriate to their needs.

For those of you with access to MyPhoenix, the table below shows that, at the height of COVID, there was a sharp rise in the use of MyPhoenix and this trend has continued. This is evidence that customers with access to MyPhoenix have found it a good way of communicating with Phoenix and interacting with their pension.



Those with access to MyPhoenix are able to go through and complete encashment journeys in 1 day, in contrast to the average 45 days that is taken when a paper and postal route is used. For most of those who do not have access to MyPhoenix, there was primarily only one available option for encashment, through relevant forms being sent out by post, completed and then returned by post. However, in response to the COVID crisis, Phoenix introduced limited circumstances where those without access to MyPhoenix can undertake an encashment journey through an online route (up to £30k in value) or through a secure email route (with an average journey time of 6 days), but this is not available to all customers without access to MyPhoenix, although further progression in this area is being considered during 2021.

Some of the feedback from the Gusto research told Phoenix that not all customers who have access to MyPhoenix wish to use the self-service digital option available to them when they go through an encashment journey. So, in September 2020, Phoenix introduced another option which is partly paper based, and partly digital. After requesting their retirement pack from Phoenix, the customer can complete the claim by calling Phoenix. In response to such a call, Phoenix uses a new system called 'MyColleague'; specially trained staff explain the options, implications and risks, input all the information on behalf of the customer during the call, and then process the payment at the end of the call making use of electronic verification checks. Importantly for customer engagement, the process allows Phoenix to have engaging and supportive conversations with customers at this important life stage, when some support might be needed most. The MyColleague process has an average time of 5 days to the completion of the encashment journey, which includes a pause to allow the customer to receive their key features illustration by email or post before the payment is made. By contrast, the MyPhoenix process presents this illustration during the online journey, so a customer can view and accept this real time, to proceed and confirm their application.

A challenge for Phoenix in 2021 will be to ensure that those IGC customers without access to MyPhoenix are given digital opportunities, so that all can enjoy the benefits of this digital service and the additional benefits of MyColleague. While it is good to see the rise in customer use of MyPhoenix, evidence will need to be collated to ensure that all communications and journeys through MyPhoenix and MyColleague satisfy the FfP Protocol.

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 address. Whatever the reason for the loss of contact with Phoenix, these customers are referred to as 'goneaways'.

By the end of 2020, Phoenix's goneway rate continued to show a year on year improvement, dropping from 12.49% to 12.09%. During 2020, Phoenix have introduced some changes to communications which are sent to customers for whom they have had a positive trace result:

- They have recognised that one of the barriers to goneaways responding is that they may not recognise the Phoenix name, as the pension was taken out with a brand name that was subsequently taken over by Phoenix. The old brand name, with which the goneaway customer might be more familiar, is now included in correspondence to the goneaway customer, as is a link to the ABI website where it references contact details of providers and their historic brands.
- The communications to goneaways have been altered to i. encourage them to use the facility to update their address online via the Phoenix website, and ii. give more prominence to the message that the customer may be losing out on valuable benefits.

The challenge for Phoenix in 2021 will be monitoring the extent to which the changes in communications to retraced customers have the desired outcome for those customers, through re-engagement with Phoenix.

COVID

We are satisfied, that during COVID, Phoenix made communication and engagement with customers a priority, to provide service and to give customers some comfort around their policies and investments.

Significantly, there was no interruption to the telephone service for customers throughout all of COVID.

There is evidence that Phoenix sought to keep the telephone lines open for its most vulnerable customers by asking all customers who called Phoenix, and who were able, to use the Phoenix website if possible. Evidence of the impact of this was seen in a significant drop off of calls early in COVID, and a corresponding rise in the use of the website.

The IGC has been able to see that, for any customer visiting the website with concerns about their policy, the COVID section was:

- very clearly displayed on the front page, with the heading: “Coronavirus (COVID 19) – what you need to know”; and
- was updated regularly throughout the pandemic.

Through this COVID section, customers were reassured from the start that Phoenix staff were all continuing to work with their normal service levels for telephone and postal services, and that Phoenix could also be contacted through an online enquiry form. There were also messages about the impact on customers’ investments, service updates, warnings and alerts about scams, and messages direct from the CEO.

For customers who do not have access to MyPhoenix and who called Phoenix looking to initiate encashment of their policy, a special email system was set up to enable some of those customers to make claims via email, without the need for wet signatures.

Conclusion

Over 2020, the IGC has seen that Phoenix's commitment to you as customers was well evidenced in all the efforts made and measures implemented during COVID. It has also seen the initiative to collate information on customers who are facing difficulties, and further training of staff who handle calls to deal with these issues effectively and sensitively. There has been a careful gathering of customer feedback on the challenges customers face using the website, which is being considered in the ongoing website redesign. The introduction of MyColleague has demonstrated Phoenix's desire to offer customers who don't want to transact digitally other means of transacting via the telephone, allowing human contact at what can be times of great change for the customer. In addition, Phoenix has worked with us as your IGC to develop the Fit for Purpose Protocol. All of this demonstrates Phoenix's commitment to engagement with you in 2020 and how this is impacting, or will impact, on its communications with you.

However, for some customers who don't have access to MyPhoenix, the challenges brought by this lack of access were further highlighted in 2020. During 2021, Phoenix needs to show its response to the challenge of giving all customers' access to MyPhoenix.

In addition, Phoenix needs to deliver the key project of improving the crucial communications of the annual statement and key milestone communications, so that they meet the crucial fit for purpose requirement.

Evidence also needs to be gathered of:

- how improvements in communications to vulnerable customers and to goneaways, and in the content of the website, have been designed to meet the needs of the customer; and
- how this has had a positive impact on the customers concerned.

And finally, it will be crucial for the Fit for Purpose Protocol to be fully embedded for all communications in the future – including all that that entails in training of those preparing communications, to ensure that the Protocol is used before and during preparation of communications, and afterwards, collating the evidence of improved customer outcome.

SCORING: Phoenix have a number of key challenges to address in the area of communications and engagement, but have evidenced to the IGC strong forward momentum. Recognising this, and the achievements during 2020, we would award then a RAG rating of GREEN.

Further Commentary

ESG and Stewardship

Further Commentary

ESG and Stewardship

A new requirement on IGCs in 2020 is to consider and report on how ESG considerations and other aspects of what it is often called "Responsible Investment" are taken into account in the provider's investment decisions that impact in-scope customers' pension pots. This is an important part of the government's strategy to ensure that pension savings play their part in combatting climate change and promoting good outcomes for society as well as good outcomes for pension savers.

Our role is to review three key areas of investment considerations, looking at what the provider intends to do regarding each (i.e. their "policy") and how good they are at doing it (i.e. "implementation"). The three areas are:

- ESG financial considerations ("environmental, social and governance factors (including climate change) that are material to the sustainability of an investment");
- non-financial matters ("factors which may influence a firm's investment strategy or decision, and which are based on the views (including ethical concerns regarding environmental, social and governance issues) of the firm's clients or relevant policyholders"); and
- Stewardship (which the FRC define as: "Stewardship is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society").

Last year, in anticipation of these new requirements, we included a chapter in our annual report that described the developments that Phoenix and the wider Phoenix Group had started to make to raise the profile of ESG considerations across their business activities, and the investment of in-scope customers' funds in particular. We rated this aspect of their performance "Amber" but with a hint of Green to reflect our disappointment at the pace and extent of progress in these areas, but also to recognise the positive developments we were starting to see.

Since then, Phoenix, as part of a wider initiative across the whole of the Phoenix Group, has made significant strides in addressing our criticisms. Responsible Investment is now clearly a core priority for the business, and a number of important steps have been taken to turn their aspirations into reality. In particular:

- Phoenix has strengthened its **policy framework**, setting out much more clearly than before how ESG and Stewardship considerations should be taken into account in investment decisions that impact customer outcomes;
- Phoenix has strengthened the **governance infrastructure** around Responsible Investment, to ensure that the policy intentions are definitely carried out, and can be seen to be;
- Phoenix has carried out **customer research** to understand better what customers expect around Responsible Investment and to what extent customers might want non-financial, ethical, issues to influence how their pension pots are invested;
- Informed by these insights, Phoenix has started to review what additional ESG considerations should be applied to the existing range of commonly-used funds;
- Phoenix Group have become one of the first UK insurance groups to sign-up to the UN-approved Principles for Responsible Investment; and
- The amount of **information available to customers** and other stakeholders on how Responsible Investment is implemented within Phoenix, and the wider Phoenix Groups, has increased significantly.

The IGC has been pleased to see so much progress in 2020. There is still more to be done, particularly in the area of communication – helping customers to see the beneficial impact on the environment and society of how their pension pots are being invested – and in widening still further the range of Responsible Investment fund choices available to customers. Nevertheless, 2020 has been a good year as far as ESG and Stewardship are concerned.

In order to get an in-depth view of how Phoenix's Responsible Investment policy framework and implementation compared with other pension providers, the IGC commissioned a respected external consultancy to assess Phoenix Group's performance against what they see elsewhere in the market, particularly amongst other providers that offer contract-based workplace pensions. The assessment was carried out across all of Phoenix Group's investment activity (i.e. including what is done for Phoenix-branded pensions as well as Standard Life-branded), reflecting the combined "one business" management approach that is followed by Phoenix Group.

The consultants' view was that Phoenix Group has made good progress in this area and compared well against other industry competitors. Their assessment highlighted that governance was a particular area of strength and the commitment demonstrated both by becoming a signatory to the Principles for Responsible Investment and embedding those principles in the firm's policy was positive.

There remain areas for improvement and the assessment particularly noted that, although basic engagement with customers on Responsible Investment issues was well developed, this could be deepened to demonstrate clearer outcomes from Phoenix Group's activities. Improved reporting and the greater use of case studies as communication tools were both suggested as actions.

The IGC has been closely monitoring Phoenix Group's progress since we published our criticisms last spring. As noted above, we feel that good progress has been made, and so it was particularly helpful to see this external assessment, which confirms this, and gives comfort that Phoenix are keen to play their part in ensuring that UK pensions savings are invested responsibly.

IGC conclusion:

Phoenix's policy on ESG matters and Stewardship is now clearly set out.

- It covers the key financial risks, and also opportunities, arising from ESG considerations.
- It sets out clear standards that must be followed in the investment of in-scope customers' savings, where that investment is carried out on behalf of Phoenix.
- It highlights the importance of being responsible investors, having a policy of active engagement with the firms that are invested in, including exercising voting rights and holding management to account over their governance standards and business behaviour.
- The policy framework also recognises the significance of non-financial matters to many customers, and a range of appropriate investment options is available to respond to their ethical concerns.

Linking the standards to the UN PRI is a helpful reference point as to adequacy and quality, as is the positive result of the external consultant-led review that we commissioned.

Thus, the IGC is able to confirm that the Phoenix policy on ESG financial and non-financial matters, along with Stewardship, is both adequate and of an appropriate quality.

The implementation is built into the existing Group-wide Risk Management Framework and so is subject to regular monitoring and reporting. In the comments above, the IGC has given a flavour of what has happened over 2020 as a result of the policy development. Those readers who wish to know more about any area highlighted here can find additional information in the appropriate **Supporting Material**.

The IGC is pleased to rate Phoenix **GREEN** in this area, and looks forward to see what further developments 2021 will bring.

Supporting Material

A. Costs and Charges
B. Investments
C. Customer Service
D. Communications and Engagement
E. ESG and Stewardship
F. Assessing Value for Money

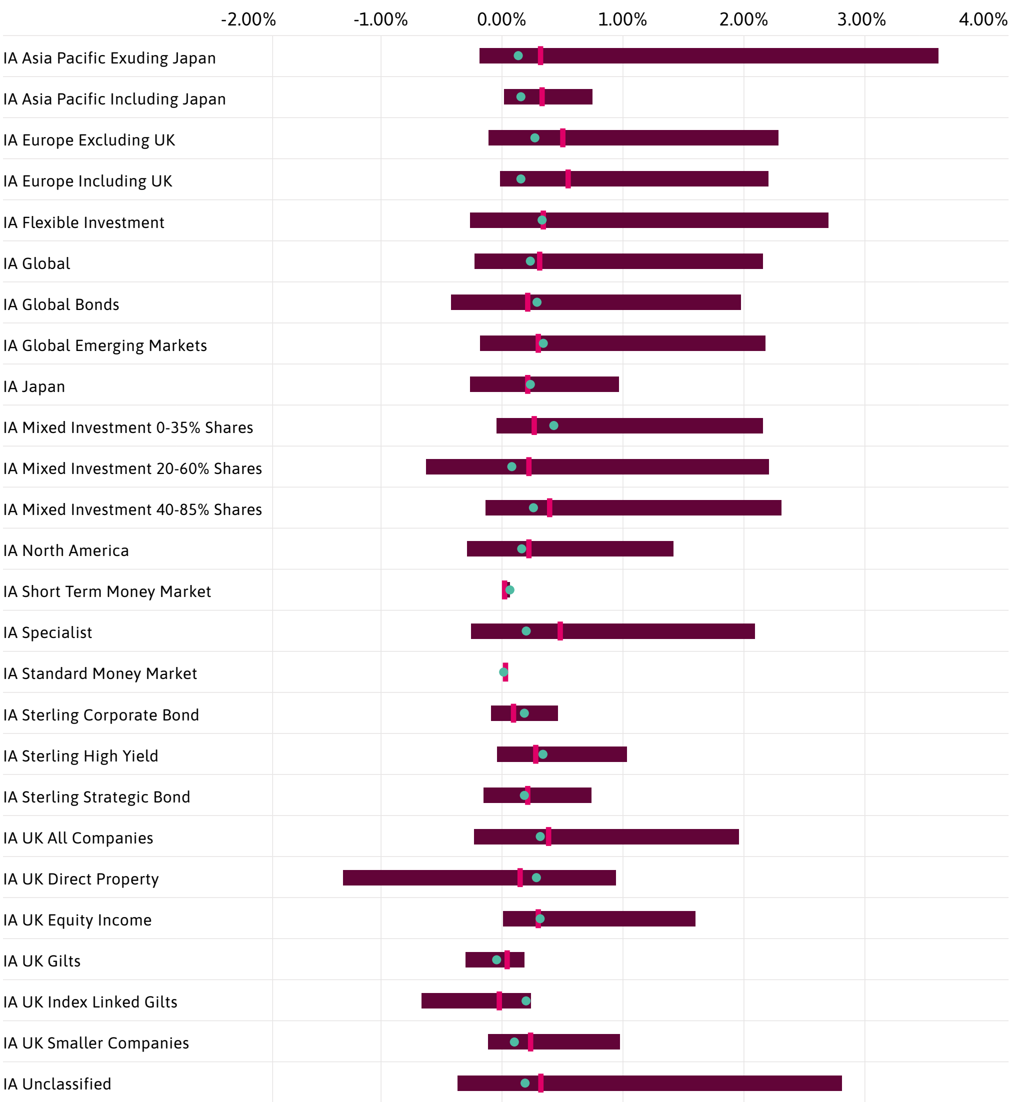
Supporting Material

Costs and Charges

Supporting Material

Costs and Charges

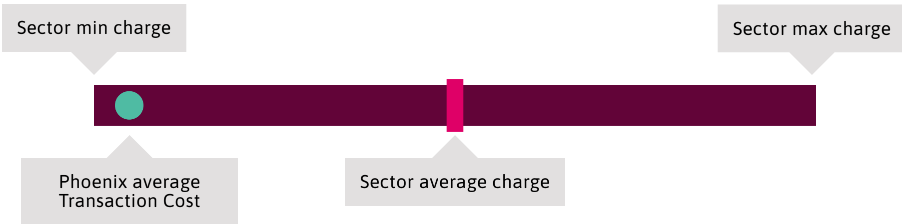
Transaction cost – benchmarking



The chart illustrates that the average 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.



Disclosure of costs and charges by individual customer

The table below shows the range of charges applied to individual customers policies for each of the nine main unit linked funds used by customers within the relevant schemes. Customers can see from their annual benefit statement the name of the funds they are invested in. For example the table shows that if you are invested in the Phoenix NPI Pensions Managed Fund, most customers, around 82%, pay an ongoing charge of between 0.96% and 1.00% per year. Some customers are paying a lower ongoing charge with around 12% paying between 0.60% and 0.95% per year and around 6% paying ongoing charges less than 0.59% per year.

Some customers pay different types of charges but, in the table below, these have all been converted to an equivalent percentage ongoing charge to make comparisons easier.

Fund Name	Ongoing Charges								Transaction Cost
	<0.3%	0.30% – 0.39%	0.40% – 0.49%	0.50% – 0.59%	0.60% – 0.75%	0.76% – 0.85%	0.86% – 0.95%	0.96% – 1.00%	
Phoenix NPI Pensions Managed	0.09%	0.00%	1.58%	4.28%	5.61%	4.17%	2.04%	82.23%	0.1601%
Phoenix NPI Pensions Overseas Equity	0.00%	0.00%	9.68%	6.60%	6.13%	3.78%	2.29%	71.52%	0.1442%
Phoenix NPI Pensions UK Equity Tracker	0.00%	0.00%	9.67%	8.75%	9.94%	11.45%	2.20%	57.99%	0.0429%
Ex RSALI Managed Growth Fund	0.00%	0.00%	0.00%	80.21%	9.06%	0.00%	0.00%	10.73%	0.1709%
Pearl Pensions UK Equity	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%	0.0669%
Scottish Mutual Growth Pension	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%	0.2289%
Phoenix Pension Growth Stakeholder	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%	0.2075%
Abbey Life Pensions Managed	0.00%	0.00%	0.00%	0.00%	0.00%	39.20%	16.32%	44.48%	0.2396%
Abbey Life International	0.00%	0.00%	0.00%	0.00%	0.00%	41.50%	15.00%	43.50%	0.1668%

Disclosure of costs and charges by individual employer arrangement

The table below shows the range of charges applied within each employer arrangement for each of the nine main unit linked funds used by customers. Customers can see from their annual benefit statement the name of the fund or funds they are invested in.

Some customers pay different types of charges but, in the table below, these have all been converted to an equivalent percentage ongoing charge to make comparisons easier.

Fund Name	Ongoing Charges								Transaction Cost
	<0.3%	0.30% – 0.39%	0.40% – 0.49%	0.50% – 0.59%	0.60% – 0.75%	0.76% – 0.85%	0.86% – 0.95%	0.96% – 1.00%	
Phoenix NPI Pensions Managed	0.19%	0.00%	2.70%	7.69%	9.69%	6.58%	3.58%	69.57%	0.1601%
Phoenix NPI Pensions Overseas Equity	0.00%	0.00%	9.76%	7.76%	6.57%	4.81%	2.93%	68.17%	0.1442%
Phoenix NPI Pensions UK Equity Tracker	0.00%	0.00%	8.26%	8.58%	9.74%	11.76%	2.44%	59.22%	0.0429%
Ex-RSALI Managed Growth Fund	0.00%	0.00%	0.00%	85.59%	10.35%	0.00%	0.00%	4.06%	0.1709%
Pearl Pensions UK Equity	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%	0.0669%
Scottish Mutual Growth Pension	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%	0.2289%
Phoenix Pension Growth Stakeholder	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%	0.2075%
Abbey Life Pensions Managed	0.00%	0.00%	0.00%	0.00%	0.00%	36.67%	20.09%	43.24%	0.2396%
Abbey Life International	0.00%	0.00%	0.00%	0.00%	0.00%	38.42%	19.55%	42.03%	0.1668%

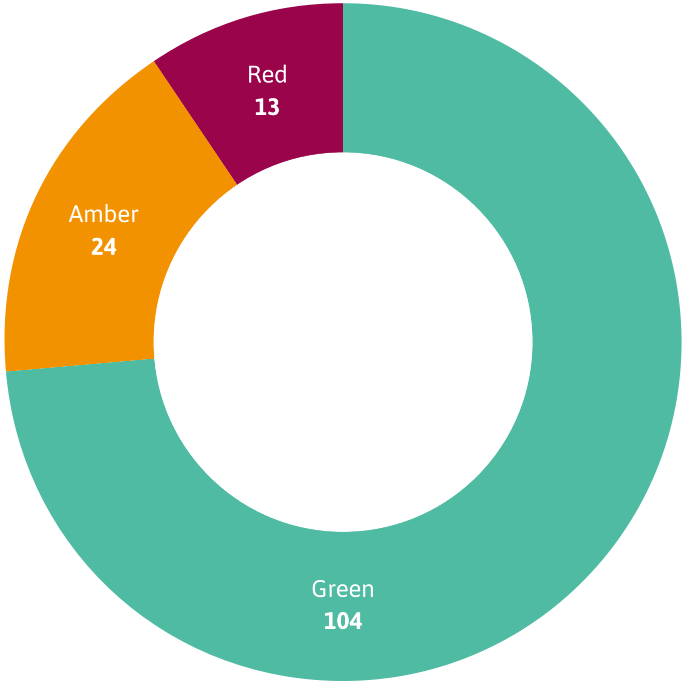
Supporting Material

Investments

Supporting Material

Investments

Performance RAG distribution (rated funds)



There were 22 (13%) unrated funds due to unavailability of data

Note: the IGC performance RAG assesses each fund's performance relative to its own stated benchmark over 3 years and is reported every quarter. Funds are flagged as Amber or Red if relative performance is outside a specified tolerance range for each type of investment strategy (Passive, Core Active, High Alpha, Unconstrained).

Summary (Proportion of overall fund range in each Quartile)	Quartile rankings				
	5 Year	10 Year	15 Year	20 Year	25 Year
Quartile Summary (% of Ranked funds in each quartile over stated periods)					
Quartile 1	10%	12%	10%	12%	14%
Quartile 2	32%	33%	30%	23%	21%
Quartile 3	39%	27%	31%	31%	33%
Quartile 4	20%	28%	28%	34%	33%
TOTAL number of ranked funds	132	132	125	117	86
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 PLL IGC Unit Linked Insured Funds which are either Unclassified or Specialist.					
Unranked (% of total number of funds which are unranked)	19%	19%	20%	19%	35%
Total number of funds in-scope	163	163	156	145	133

Source: Quartile rankings and ABI Pension Sector: FE. 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

External Assessment of Value for Money in Investments

Standard Life (now part of the Phoenix Group) and Redington developed an investment VfM assessment framework.

The framework enables the IGC to identify, on a quantitative basis alongside existing controls and reporting, if any default strategies or single funds may not be providing value for money. For those strategies or funds identified, further investigative work is carried out to determine if it is offering value for money or not, as deemed by the IGC.

The assessment takes into account the differing objectives of an investment strategy through the retirement journey.

It is made up of a **forward-looking and backward-looking assessment**. A final score of less than 3 for either the forward or backward-looking assessments will require further investigation. A final score of 3 or more effectively passes the assessments.

Forward-Looking Assessment

Considers the entire investment journey for a member, focusing on 4 particular time-based slices.

The assessment looks to determine:

- If the strategy has the propensity to deliver a good outcome for members; and
- Whether the target of the strategy (e.g. cash, annuity, drawdown) is aligned to the investments used at the end of the glidepath.

Backward-Looking Assessment

Considers past performance and tracking error of the underlying funds.

The purpose is to ensure the IGC can identify fund-specific issues that would prevent a strategy from being value for money, for instance:

- Poor performing actively managed funds (significant and sustained);
- Passively managed funds with significant tracking errors;
- Actively managed funds which are closet index-trackers; and
- Expensive passive funds.

With-profits funds bonus and asset share performance vs CPI

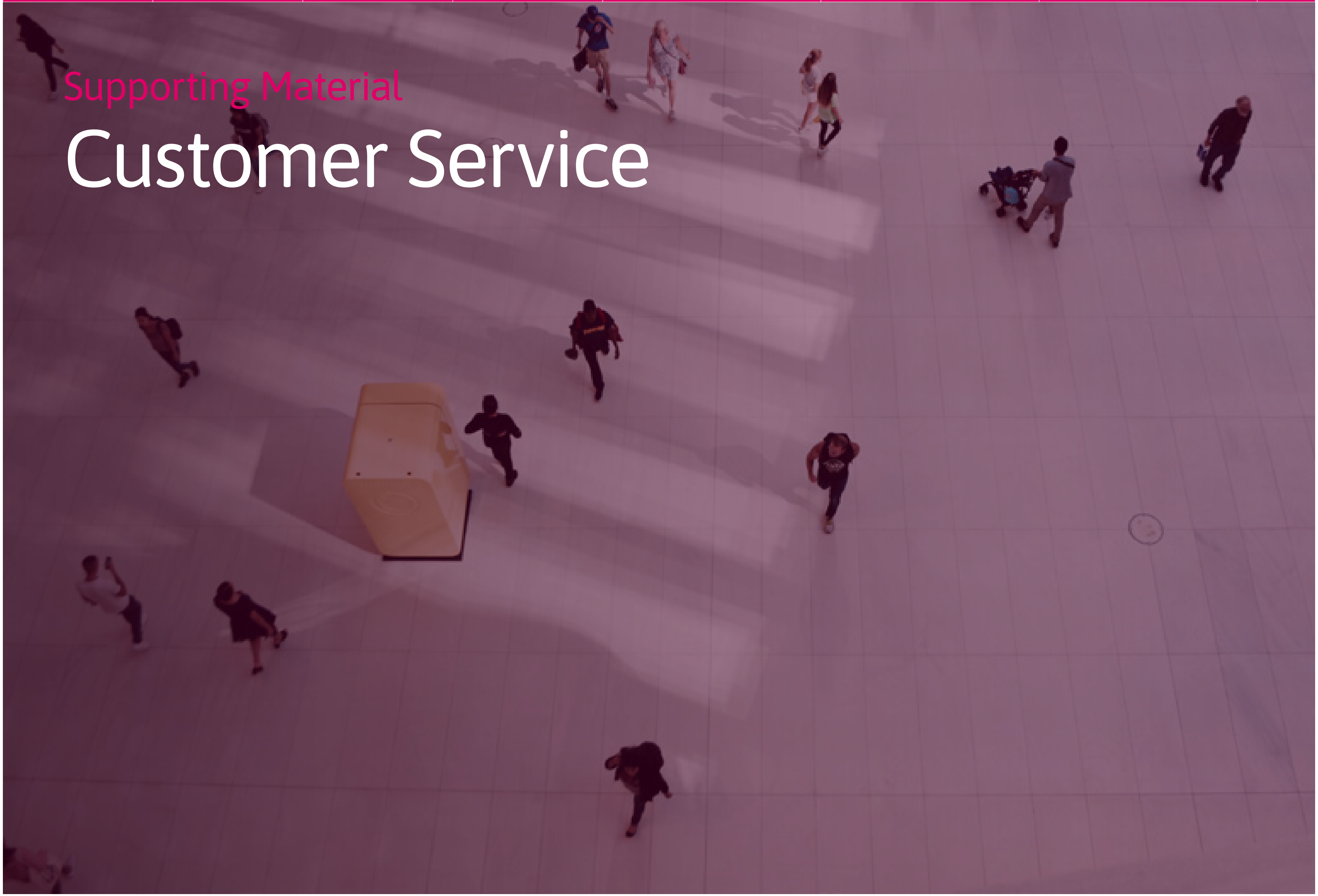
The tables provide a comparison of the annualised investment return after expenses and charges over the last 1, 3 and 5 year periods against CPI. This gives an indication as to how portfolios underlying the policies have performed over the periods compared to inflation.

The tables also show the growth in bonuses compared to CPI over the same period. This in itself is not an indicator of value for money, but bonuses can be a valuable part of a WP policy and this table illustrates how they have increased over the period.

The annualised CPI returns over the last 1, 3 and 5 years are: 1 year = 0.6%, 3 years = 1.3% p.a., 5 years = 1.7% p.a.

IGC Company	Phoenix								
IGC Fund	Scottish Mutual (SM)	Scottish Mutual (SM)	Scottish Provident (SPI)	Scottish Provident (SPI)	SAL	SAL	Alba	Alba	Alba
IGC Bonus Series	UWP Pension Series I & II (with min bonus)	UWP Pension Series III (no min bonus)	UWP Pension series I (with min bonus)	UWP Pension series II (without min bonus)	Group UWP	Trad Regular Premium Pensions	Traditional ex Britannia Life Ltd Series B	Traditional ex Life Assurance Scotland	UWP ex Britannia Life
1yr return vs CPI	3.8%	2.9%	3.1%	2.4%	4.7%	2.6%	0.0%	0.0%	-0.1%
3yr pa return vs CPI	2.3%	2.2%	1.8%	2.2%	3.7%	0.8%	0.5%	0.5%	0.4%
5yr pa return vs CPI	3.4%	4.7%	3.0%	4.7%	5.3%	2.0%	1.7%	1.7%	1.6%
Current annual bonus pa	4.0%	3.5%	5.0%	4.0%	5.0%	-	-	-	1.5%
1yr annual bonus vs CPI	3.4%	2.9%	4.4%	3.4%	4.4%	-	-	-	0.9%
3yr pa annual bonus vs CPI	2.7%	2.3%	3.7%	2.7%	3.3%	-	-	-	0.5%
5yr pa annual bonus vs CPI	2.3%	2.0%	3.5%	2.3%	2.3%	-	-	-	0.6%

IGC Company	Phoenix					
IGC Fund	London Life	London Life	NPL	NPL	NPI	Pearl
IGC Bonus Series	Trad pensions	UWP pensions	UWP Series 1 (with min bonus)	UWP Series 2 (no min bonus)	UWP Group Pension	Personal Pensions
1yr return vs CPICurrent annual bonus pa	4.8%	0.4%	5.0%	3.7%	3.8%	4.6%
1yr annual bonus3yr pa return vs CPI	2.0%	1.4%	1.5%	1.4%	2.4%	3.5%
3yr5yr pa annual bonusreturn vs CPI	1.9%	3.2%	2.4%	3.6%	4.5%	5.4%
Current annual bonus pa	-	3.3%	4.0%	0.0%	1.5%	3.0%
1yr returnannual bonus vs CPI	-	2.6%	3.4%	-0.6%	0.9%	2.4%
3yr pa returnannual bonus vs CPI	-	1.9%	2.7%	-1.§3%	0.2%	1.8%
5yr pa returnannual bonus vs CPI	-	1.1%	2.3%	-1.7%	-0.2%	1.3%



Supporting Material

Customer Service

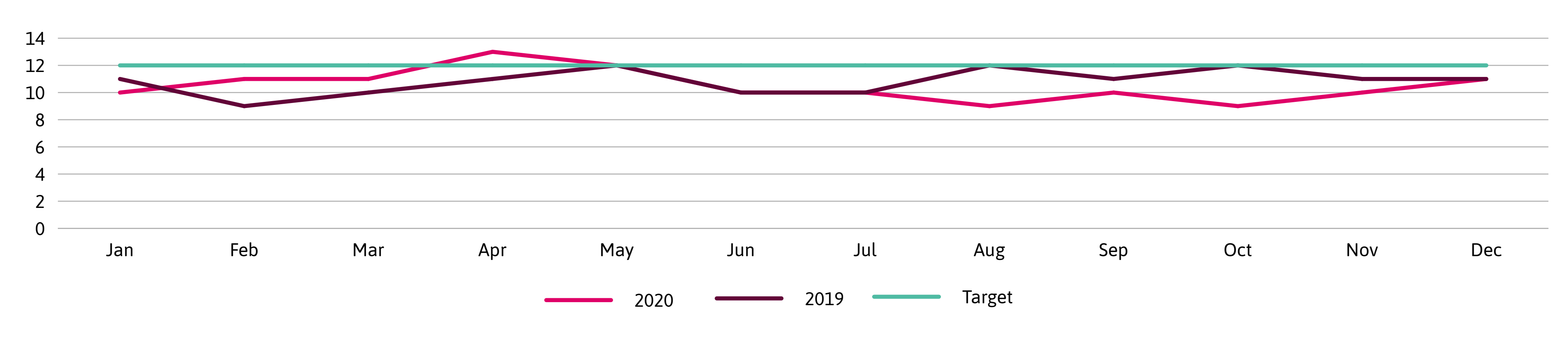
Supporting Material

Customer Service

In this appendix we give a more detailed breakdown of some of the performance measures which the IGC has used to determine the value for money assessment for customer service.

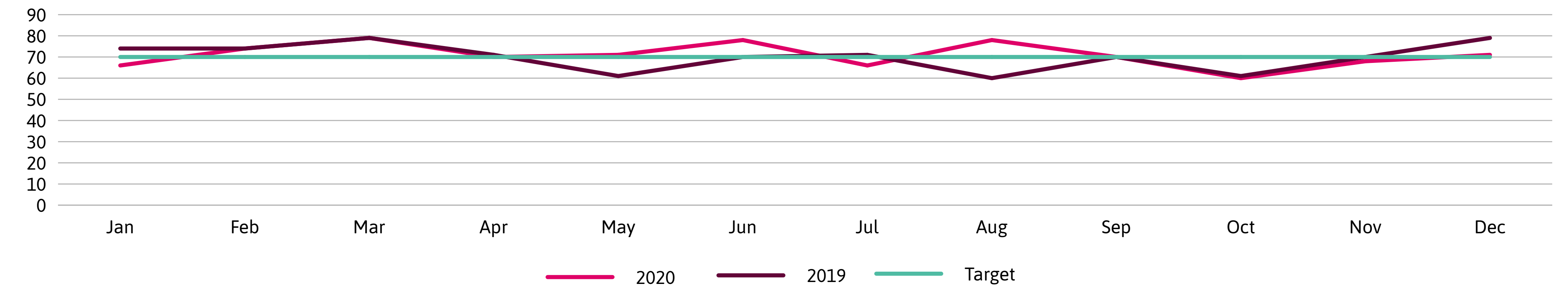
Speed of retirement claim pay outs

The graph below shows the average time taken to deal with pension transfers during 2020 versus the internal target of 12 days. The performance reported reflects Phoenix's responsiveness to all pension customer enquiries, including those out-with the scope of the IGC.



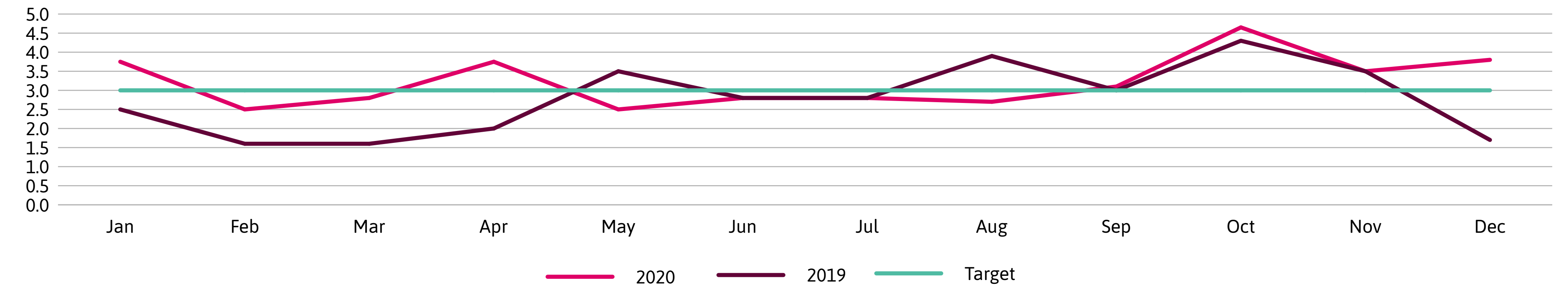
Calls answered

The graph below shows the percentage of calls answered within 20 seconds throughout 2020 versus the internal target of 70% or more. The performance reported reflects all telephone enquiries made by customers, including those out-with the scope of the IGC.



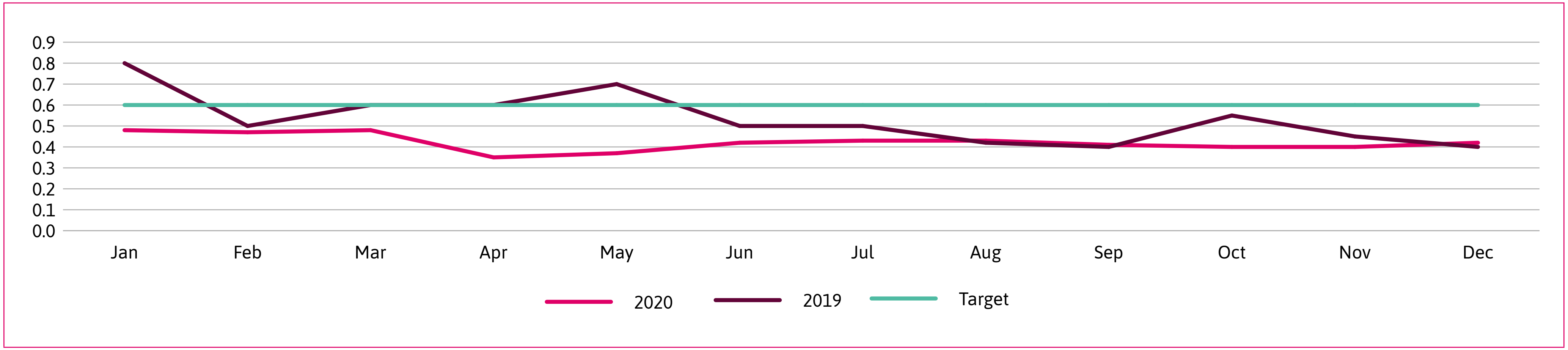
Calls abandoned

The graph below shows the percentage of calls abandoned throughout 2020 versus Phoenix's internal target of no more than 3%. The performance reported reflects all telephone enquiries made by customers, including those out-with the scope of the IGC.



Complaints

The graph below shows the servicing complaints as a percentage of total customer transactions throughout 2020 versus Phoenix's internal target of no more than 0.5%. This reflects complaints received from all customers, including those out-with the scope of the IGC.



Supporting Material

Communications and Engagement

Supporting Material

Communications and Engagement

Fit for Purpose Protocol

What is the PURPOSE of this communication and desired outcome for:

i. the provider

ii. the customer

(NB: purpose could be to provide information, inform a decision, prompt action or give comfort that an existing decision is still fine)

How are the contents are FIT for the identified PURPOSE – that is:

i. contains at least the minimum information required for the identified purpose, or indeed more than the minimum if it can make the document more accessible and/or appealing

ii. how the minimum information (and anything additional) has been tailored to the characteristics, needs and objectives of the customer e.g. age, sex, risk appetite, level of financial understanding.

How has the communication been designed and/or presented to make it as accessible and appealing as possible to the relevant customer? (E.g. appropriate reading age, colour, use of diagrams etc.)?

(NB – suggest PLL/SLAL use their own knowledge of customer's financial understanding, rather than FCA Vulnerable Customer's research)

What evidence exists to demonstrate that the desired outcome has been achieved?

(i.e. customer research re extent to which the communication has been i. read; ii. understood; and iii. acted upon)

Supporting Material

ESG and Stewardship

Supporting Material

ESG and Stewardship

In the ESG and Stewardship sections of the Key Messages and Further Commentary parts of the report, we listed some of the key developments that Phoenix has put in place during 2020. The purpose of what follows in this part of the report is to explain a bit more about what has been done and why the IGC are so impressed with the progress made.

Strengthened policy framework

One of the 5 key priorities for the management team of Phoenix Group, and hence Phoenix, is to "Put sustainability at the heart of our business". What is meant by that is set out in the following commitments:

"We will make responsible investment decisions and consider the sustainability of our investments in safeguarding the interests of our customers, shareholders and other stakeholders. Beyond this, we will be driven by our purpose in every decision we take. As a thought-leader, we have a point of view on the issues that matter to people – issues such as the future of work, intergenerational fairness or gender savings gaps. We will work actively to use our influence to create a positive impact on our people, our customers and on wider society."

These are noble and ambitious aspirations, which the IGC welcomes, particularly in their focus on customer interests and outcomes. Having such a strong "tone from the top" is vital in making sure that the appropriate outcomes follow.

That Phoenix Group is serious about following through on these commitments can be seen from the way Responsible Investment considerations have been built into the Group's Risk Management Framework (RMF). The RMF seeks to establish a coherent and interactive set of arrangements and processes to support the effective management of risk throughout the Group. The Group Risk Policy Framework is a key component of the RMF. Group risk policies support the delivery of the Group's strategy by establishing the operating principles and expectations for managing the key risks to the Group's business. They set the risk appetite within which these key risks should be managed and the minimum control standards that the business much adhere to in order to support them in operating within the stated risk appetite.

The Group has a number of "macro" Risk Appetite Statements that shape what is done across the whole Group. There used to be five of these, setting out the Group's approach to Capital, Liquidity, Shareholder Value, Control and Conduct. However, in 2020, a sixth one was added:

"Sustainability – The group will deliver on its sustainability commitments to foster responsible investment, reduce our environmental impact, follow our corporate purpose and be a good corporate citizen."

The IGC sees this as a particularly significant step, as it puts Responsible Investment (and hence ESG and Stewardship considerations) at the heart of how Phoenix, as part of the Phoenix Group, is required to carry out its business.

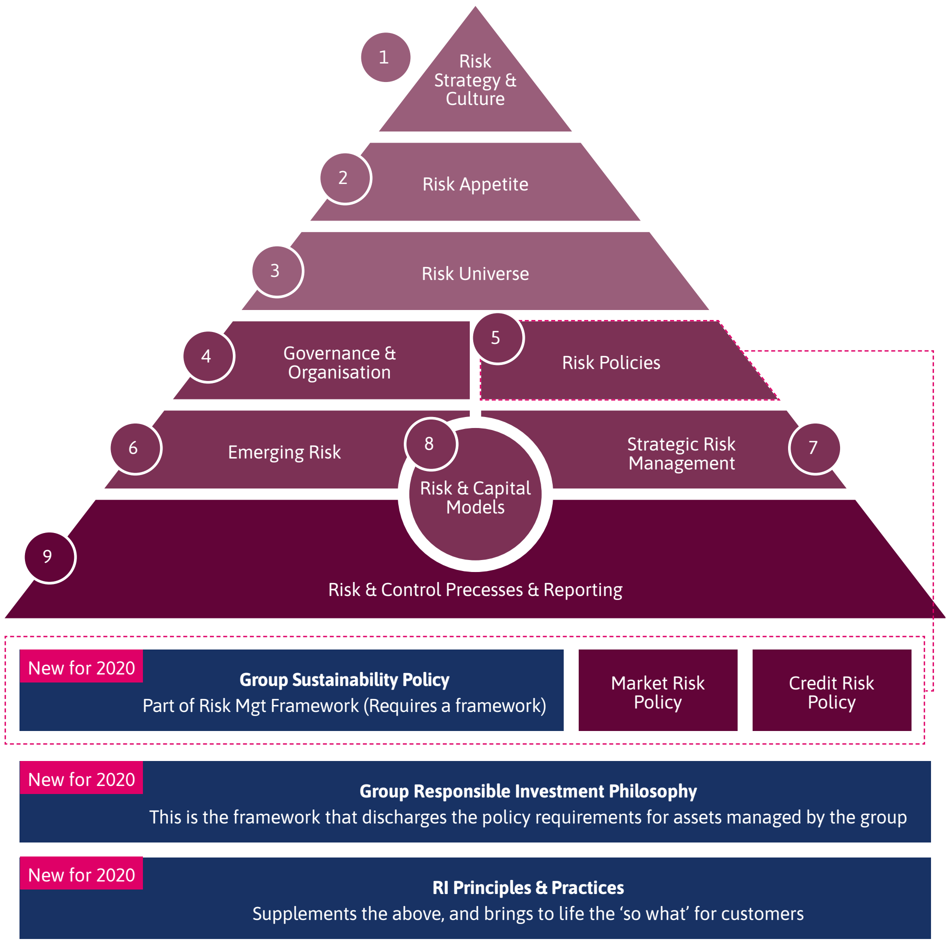
Following on from this, a number of key supporting documents have been produced, setting out how these aspirations and commitments become embedded in business operations:

- The first **Sustainability Risk Policy** for the Group;
- A strengthened **Responsible Investment Philosophy** setting out what is expected of the investment managers that Phoenix Group use; and
- A more detailed set of **Responsible Investment Principles and Practices** that apply to customer investment decisions.

These are important documents as they set out the impact that the Phoenix Group wants to see across all its businesses. Incorporating these requirements into the overall Group risk and control framework also makes sure that performance against the standards gets measured and reported on, with escalation to the highest levels where standards are not being met.

Phoenix Group Responsible Investment (RI)

Embedded within the Group Risk Management framework



Owned by the Group CEO, the **Sustainability Risk Policy** sets out the high thresholds concerning Sustainability and Responsible Investment that must be met across all the relevant areas of the business, including, in particular, the investments being made on behalf of customers (including, by definition, those within our scope). Amongst the key highlights in the policy from the perspective of the IGC's scope are the following:

- The policy confirms that Phoenix Group has a "very low appetite" for failing to deliver an adequate and effective Responsible Investment Philosophy and for failing to maintain an appropriate framework to integrate sustainability activities in the investment activities of the business;
- The policy requires regular review (at least annually) of the Group's Responsible Investment Philosophy and the minimum areas that it must cover;
- It also requires the setting of Responsible Investment objectives and actions, at least annually, to support the delivery of the Group's Sustainability Vision; and
- The policy requires quarterly reporting on the implementation of its Responsible Investment objectives.

The **Responsible Investment Philosophy** is a public document, **available on the website**. It sets out Phoenix Group's commitment to Responsible Investment, and what that means in practice. The Philosophy applies to all the Group's investment portfolios across with-profits, unit-linked and non-profit policies, where Phoenix Group has the ability to determine the investment strategy and investment guidelines that apply. Where customers choose to invest in externally-managed investment options, then Phoenix has less influence over the ESG policies followed. The IGC recognises this distinction, but continues to encourage Phoenix to make the most of whatever influence it might have in the latter situations.

Central to Phoenix's approach is its commitment to the United Nations-supported Principles of Responsible Investment (PRI). Phoenix Group became signatories to the PRI towards the end of 2020, one of the first insurance groups in the UK (rather than just the fund management subsidiary) to do so. Phoenix Group are now publicly committed:

- To incorporate ESG issues into investment analysis and decision-making processes;
- To be active owners and incorporate ESG issues into the Group's ownership policies and practices;
- To seek appropriate disclosure on ESG issues by the entities in which the Group invests;
- To promote acceptance and implementation of the Principles within the investment industry;
- To work together to enhance effectiveness in implementing the Principles; and
- To report on activities and progress towards implementing the Principles.

Phoenix Group requires all the fund managers that it uses to be signatories of the UN PRI too, and to have the necessary resources and operational structure to embed ESG considerations into their investment and decision-making processes. There is a regular programme of oversight in place to ensure that fund managers are delivering to these standards – **see later in this section**.

The **Responsible Investment Principles and Practices** is another new development this year. It sets out a clear and measurable set of outcomes that Phoenix is targeting in respect of customers' investments.

- There are six principles, that set out the key objectives in all the relevant areas – e.g. how ESG impacts investment strategy decisions and how they are implemented; how customer views are taken into account; what Phoenix expects of the fund managers it appoints etc.
- Each Principle is accompanied by a number of Practices that explain the specific actions that follow from the Principles.
- The Principles are not expected to change often. However, they are kept under regular review, and any changes would need to be approved by the Investment Committee and/or the Board.
- The Practices are expected to evolve as the business environment changes. Any change will follow formal consultation with the management responsible for the relevant blocks of business and/or processes. Material changes to the practices would need approval from the Investment Committee and/or the Board.
- The Principles and Practices apply to all policyholder assets of the Phoenix Group, but not to External Fund Links (EFLs) that Phoenix provides some customers on a self-select basis, as Phoenix has no direct control over how these funds are run.

The IGC was very pleased when these **Principles and Practices** were developed, as we had been pushing for some time for a clearer articulation of what impact ESG considerations and Stewardship is actually having on the pension savings of in-scope customers.

The 6 Principles in the "Principles and Practices – Responsible Investment for Policyholder Assets"

Principle 1 – Strategy

We invest responsibly with ESG risks and opportunities incorporated into our investment analysis and decision-making processes. We will hold investments where we have considered and assessed financially material ESG risks. We also consider non-financial risks where appropriate in our investment decisions.

Principle 2 – Customer voice

We actively seek views from customers and reflect these in our fund range and investment strategies, as there are many who want to invest in ways that align to their own values.

Principle 3 – Asset manager selection

We only appoint asset managers who meet our Responsible Investment standards. We ensure that existing and new asset managers continue to meet our standards through our due diligence processes.

Principle 4 – Active stewardship

We are responsible asset owners and actively foster responsible stewardship of all investment that are managed on our behalf. We actively promote good ESG practices through our ownership, engagement, and voting policies and practices.

Principle 5 – Disclosure and reporting

We seek appropriate disclosures on ESG issues from the asset managers with whom we invest and partner. We also report on activities and progress relating to our own principles and practices in an open and transparent way.

Principles 6 – Industry leader

We strive to play a leadership role in Responsible Investing and liaise with industry bodies in order to be at the forefront of industry development. We will promote Responsible Investing within our industry, using our voice as a large insurer and long-term global investor to influence and drive change throughout the industry.

Strengthened governance framework

By embedding Responsible Investment and ESG considerations in the established RMF, the Group's performance in this area is then automatically subject to the routine review and reporting of compliance with the targets set, along with escalation, as appropriate, of any failure to meet the standards set. The IGC sees this as a key strength of the approach being taken to implement Responsible Investment considerations into the management of in-scope customers' pension savings.

For example, the Group's Market Risk and Credit Risk policies, which apply to all investment decisions made by Phoenix Group (and Phoenix in particular), both set out a number of minimum controls that must be in place regarding Responsible Investment, including, in respect of climate risk, the following ongoing controls:

i. Monitor and report current carbon/climate contribution of existing asset portfolio and progress against interim targets to deliver net zero on a phased basis;

ii. Maintain a process to review data feeds from external providers to ensure they meet requirements for monitoring and reporting of climate change risks;

iii. Maintain a process to perform portfolio analysis using best in-class metrics e.g. value at risk (taking into account physical and transition risks) and warming potential; and

iv. Maintain a process to use climate scenario analysis to inform understanding of range of physical and transition impacts on investments.

The Investment Committee that oversees Phoenix's investment decisions has, in its Terms of Reference, a specific responsibility to "ensure that all activities within the remit of the Committee are conducted in accordance with the Responsible Investments ethos and strategy of the Company and the Group". As part of this, it has responsibility for the development, implementation and monitoring of the Responsible Investments Principles and Practices mentioned above.

In carrying out these responsibilities, the Investment Committee is supported by a separate management committee that has been set up to review ESG-related risks and opportunities across all Phoenix investment portfolios. This committee reports into the Investment Committee and meets with the fund managers that Phoenix use, to review their ESG reporting (which covers not just the investments that they choose to buy, but also how they engage with the companies they invest in, including how they exercise their voting rights).

A new development in 2020 was to appoint an independent, external firm to support Phoenix in the annual review of fund managers' ESG performance. The IGC has reviewed the depth of analysis that is now being carried out on behalf of Phoenix and welcomes this new, more comprehensive and transparent approach.

Finally, another new development in 2020 was the establishment of a Sustainability Committee reporting into the Phoenix Group Board. The Terms of Reference of this new Committee are available on the Phoenix Group **website** and include:

- Oversight of the Group's Sustainability Strategy and the setting of appropriate key performance indicators;
- Review, challenge and support the implementation of the Sustainability Strategy across all business within the Phoenix Group; and
- Keeping up-to-date with ESG best practice and thought leadership.

While the remit of this Committee is much wider than the application of Responsible Investment considerations to the investment of pensions savings within the remit of the IGC, the IGC welcomes its establishment as a tangible sign that the "tone from the top" across Phoenix Group is consistent with, and supportive of, the developments seen within Phoenix in 2020 in this important area.

Customer Research

Every year, the Phoenix Group carries out a Responsible Investing Survey to monitor how customers' attitudes to ESG and other Responsible Investment considerations are changing. While, to date, the survey has been focused on Standard Life customers, the findings are available to Phoenix too. Amongst the findings from the 2020 survey were the following:

- Customers surveyed still ranked "return" (87%) and "risk" (82%) as the most important factors to take into account when investing. However, "good corporate governance" was also rated highly (77%);
- 89% of respondents believe that protecting the environment is important;
- 70% of respondents believe that responsibly invested funds will outperform other funds in the long-term;
- 65% of respondents believe that it is important to invest in a way that drives positive change (e.g. impacting companies' impact on society, corporate governance or climate impact);
- 65% of respondents feel that it is important to exclude companies that have a negative impact on society, poor corporate governance or are damaging the environment; and
- 61% of respondents said that they want to invest in a way that commits to net-zero carbons emission status by 2050 (or earlier).

The top 5 responsible investment issues according to Standard Life customers are:

1. Climate change;
2. Human rights;
3. Clean fuels;
4. Recycling;
5. Energy conservation

In addition to this regular survey, in 2020 the Phoenix Group commissioned an external agency to carry out research across Standard Life and Phoenix customers in order to understand customer needs and engagement in ESG and the impact this has on brand perceptions (across many industries, and not just financial services) and potential investment decision-making. The research explored questions like:

- What is important for customers with regards to their investments?
- How involved do customers want to be with regards to ESG and their pensions?
- To what extent do customers just expect financial services providers like Standard Life and Phoenix to adhere to ESG principles?
- What do customers think Phoenix and Standard Life are doing regarding ESG?
- What will be relevant to customers in the future regarding ESG and their pensions?
- What language/style/content of communications on ESG is most likely to resonate with customers?

The research took the form of in-depth focus groups (carried out by video conference due to COVID restrictions) and produced a lot of rich, in-depth feedback. In particular, the research highlighted that:

- When it comes to pensions and investments, ESG considerations are not “top of mind” and many customers are not aware of sustainability-related actions being taken by financial services providers like Phoenix.
- When ESG considerations are discussed with them, many customers feel more interested in these issues and would like to consider them in relation to their pension investments. However, customers tend to balance this interest with their desire for good investment returns.
- Many customers would like the choice to set some sort of ESG “level” for their pension savings and then be able to leave Phoenix to manage this on their behalf. Some customers, however, would like a more active role in selecting where their savings should be invested (e.g. excluding certain industries, or targeting certain minimum ESG credentials).
- Customers are open to more communications related to ESG considerations, but would prefer that these are bite-sized and interesting. They also expect more detailed information to be available on the website for those who want it.

These insights are now being used by Phoenix to shape their Responsible Investment planning and communication developments. They have already led to certain new funds being launched – see next page – and the IGC is looking forward to seeing what further developments are put in place in 2021.

Impact on default funds

In keeping with the research findings mentioned previously, and in response to demand from current and prospective employer clients, in December 2020, Standard Life launched their new "Sustainable Multi-Asset Default Fund". Designed for those workplace pension arrangements that are looking for a low cost Responsible Investment option for their default fund, the new fund aims to deliver good customer outcomes by investing predominantly in component funds that track ESG-oriented indices rather than whole of market indices. While not currently available to Phoenix customers, the fund does give an indication of the possible future direction of travel, and so we felt it was worth covering in this report.

In particular, the fund aims to deliver a similar risk/return profile to a fund that tracks market indices, but, in addition, to meet the following investment criteria:

- Screening out financially material ESG risks, e.g. controversial weapons, tobacco, thermal coal and unconventional oil/gas, UN Global Compact Violators and severe controversies;
- Sustainable targeting of positive ESG outcomes, reducing carbon intensity by 50% and uplifting green technology solutions by 50%; and
- Influencing positive change through stewardship utilising proxy voting and company engagement to drive positive behaviour.

At launch, 64% of the fund was invested in ESG index-tracking equity portfolios, with the intention of moving as much of the balance (comprising mainly property, bond and cash investments) into appropriate ESG index-tracking funds as soon as they become available from the investment partners that Standard Life uses.

The IGC welcomed this new initiative for Standard Life in-scope customers. However, we are keen that this increased focus on ESG is extended to the equivalent funds that Phoenix offers. We understand that a review of Phoenix Group's range of default and commonly-used funds is currently underway, and we look forward to reviewing the outcomes proposed.

Additional fund choices

Another development that is linked to the research findings set out above was the December 2020 launch of four new funds for those Standard Life customers who are keen to self-select their pension investments to align with their individual beliefs. Bringing the total number of Responsible Investment funds offered by Standard Life to 16, the four new funds focus on climate change, gender diversity and sustainability.

While the IGC, wearing its "Standard Life hat", was pleased to see these launches, we are keen that Phoenix Group takes similar steps in respect of Phoenix customers. We recognise that not all Phoenix in-scope customers will wish to self-select such funds, but some may, and so we are keen that Phoenix increases the range of funds available to those customers, in order to meet as wide a range of personal values as possible.

Improved customer communications and other reporting

One of the areas that we particularly criticised in last year's annal report was the communication around ESG and, in particular, how difficult it was for a customer to find out what difference, if any, the Phoenix approach to ESG was making to the investment outcomes for their pension savings.

During 2020, Phoenix has made significant improvements in this regard:

- A **Responsible Investment website** was launched in January 2020. Data on customer visits to the relevant pages confirm that at least some customers have found them, but suggest that either the existence of the pages needs to be publicised more, or the content needs to be made more appealing, or both! The IGC is keen that these pages are as accessible as possible since, in particular, they include a customer-facing version of the Responsible Investment Principles and Practices mentioned earlier.
- In March 2020, the Phoenix Group published its first **Group Sustainability Report**. While the content of this report is much wider than the IGC's focus on the impact of ESG and other Responsible Investment considerations on the investment outcomes for our in-scope customers, we welcome the positive "tone from the top" that can be seen from the breadth of content of such documents.
- In December 2020, the Phoenix and the wider Phoenix Group customer-facing web content on Stewardship was enhanced to better explain the following:
  - Explanation of what is meant by Stewardship;
  - Phoenix Group's approach to Stewardship and how it is implemented;
  - Links to the websites of the largest asset managers, to where they report on their Stewardship activities; and
  - Explanation of voting rights and the UK Stewardship Code 2020.

Further information on the Phoenix Group's approach to Responsible Investment, and ESG considerations in particular, can be found in the **Group's second Group Sustainability Report**.

Published in March 2021, it also includes the Group's first disclosures in line with the principles laid down by the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD), and, starting on page 15, has a section that specifically refers to "Embedding ESG within our governance framework".

Supporting Material

Assessing Value for Money

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Assessing Value for Money

Assessment Framework

Assessing VfM is not just about what something costs. You also need to look at the quality of what you get in return and how it compares with similar alternatives. That's why, since the IGC was formed in 2015, our VfM assessment has taken 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.

As noted in the Chair's introduction, for this year's assessment, we have revised our VfM framework, to more closely align it to the VfM factors that the FCA have proposed that IGCs should use. While two of the areas that were previously included in the VfM assessment ("Risk and Governance" and "Management Culture") are still monitored by the IGC, as they can influence the outcomes customers receive, we felt it was better to focus our assessment on the FCA's proposed definition of VfM. Thus, our VfM framework now covers just the following 4 areas:

- Costs and Charges;
- Investments;
- Customer Service; and
- Customer Communications and Engagement.

With ESG still being reviewed by the IGC, but as a separate assessment alongside the VfM analysis.

Rating provider performance

In arriving at the performance ratings for each performance area, the IGC carries out a rigorous and wide-ranging analysis of Phoenix performance. We review lots of different information, including regular management information packs that are produced within Phoenix and specially-produced information packs containing the results of detailed investigations that we request. Where possible, we try to assess Phoenix performance relative to other workplace pension providers. We also get the opportunity to meet relevant Phoenix senior managers and also, at times, 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.

All of the performance areas are assessed on a Red/Amber/Green scale, with "speedometer gauges" used to give readers an indication of relative positioning of performance within the broad RAG bands.

For three of the performance areas ("Investment", "Customer Service" and "Customer Communications and Engagement"), the RAG rating is based on a numerical score from a detailed assessment across a number of sub-areas (see below), as follows:

Green – performance score greater than 70%

Amber – performance score between 40% and 70%

Red – performance score less than 40%

The other two areas ("Costs and Charges" and "ESG"), are not currently scored in such a granular way – although the assessment is similarly rigorous and wide-ranging. Rather, the IGC feels 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

Red – major concerns found (i.e. material concerns that affect a large number of members, or very material concerns that affect some members)

Numerical scoring

For each of the three VfM areas for which we use this approach, Phoenix's performance was 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 our own knowledge of the workplace pension market. The sub-areas are broadly the same as those used in last year's IGC report, but with some changes in order to be more explicit about what we are looking for.

By using a similar approach to last year's report, we are able to continue with the historic trend analysis that the previous Standard Life IGC was developing and which the Phoenix IGC subsequently adopted. 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 criteria used was the same as that used last year, 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 3 areas. A new development this year is to identify the key one or two performance sub-areas and give them double weighting in arriving at the percentage score allocated. This is to ensure that the individual RAG ratings are not unduly influenced by less important, but still nice to have, elements of performance.

The sub-areas used for this assessment are as follows, with those that receive a double weighting shown in bold.

Investments:

1. Defaults/key funds are designed in the interests of customers, and clearly described
2. Lifestyling approach and profiles are suitable
3. Performance of all funds versus stated goals
4. **Performance of all ranked funds versus peer groups**
5. Performance of default/key fund versus inflation over time
6. Regular review of suitability of default/key funds, asset allocation and manager selection
7. Adaptability of default/key funds to changing circumstances per policy terms
8. Range and suitability of additional fund choices
9. With-Profits example – 20 year payouts above cpi (the ‘consumer prices index’ measure of inflation)
10. **Identification of poorly performing funds and actions to address**

Service quality:

1. **Responsiveness to customer need**
2. Relevant experience and expertise of staff
3. Easy access to phone support
4. Easy access to online support (webchat etc.)
5. Clarity of communication in servicing transactions
6. Efficiency and scalability of operational capability
7. **Quality and speed of processing of core financial transactions**
8. Level of automation/straight through processing
9. Ease of transfer by an individual to another provider
10. Ease with which customers can make contact via different channels
11. Customer satisfaction
12. Complaints and complaints handling

Customer Comms and Engagement:

1. **Adoption of “Fit For Purpose Protocol”**
2. Innovation to improve customer experience
3. Feedback from customers driving improvement in communications
4. Digital/online tools
5. Quality of Annual Statements and Key Milestone Communications
6. Initiatives to improve customer experience at retirement

Independent Governance Committee

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