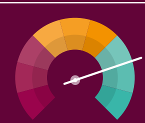
Annual Report of the Phoenix IGC

2023

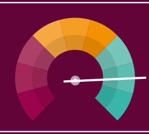
Do customers get adequate value for money? **Yes***

Costs and Charges
Are the costs and charges you pay reasonable for what you get in return?

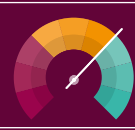
Investment Performance
How are your investments performing?



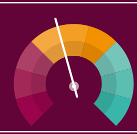
Investment Services
Are your investments well managed?



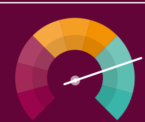
Customer Service
What is the quality of the service provided by Phoenix?



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?



*Overall, we still believe that Phoenix offers adequate value for money, but there are areas where we believe this should be improved – and we are pleased that, during 2024, important steps are being taken to make this happen.

Independent Governance Committee

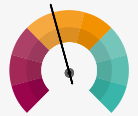
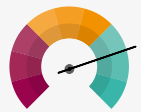
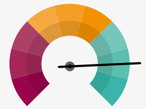
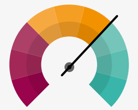
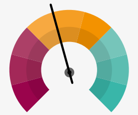
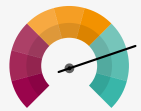
Welcome to this, the ninth annual report of the Phoenix Independent Governance Committee (IGC). This report is particularly relevant to you if you have a workplace personal pension plan provided by Phoenix Life Assurance Limited or Phoenix Life Limited (together, "Phoenix"), unless it is branded "Standard Life", in which case you will find the Standard Life IGC report of more relevance. 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 receivin.g Readers who would prefer more of a summary view are encouraged to read the Value for Money Summary that can be found on the **IGC webpage**.

How to use this report. This report is written in layers, to enable readers to engage at whatever level of detail they want. We envisage that most readers will find the pages up to and **including the Key Messages section** sufficient, but hope that the structure of the more detailed sections makes it straightforward for those wanting more detail to get it. We would encourage all readers to consider if any of the Calls to Action on page 7 are particularly relevant to them.

Contents

Value for Money Summary

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. Overall, we still believe that Phoenix offers adequate value for money, but there are areas where we believe this could and should be improved. We are pleased that, during 2024, Phoenix are taking some important steps to improve customer outcomes in response to our challenges. These are mentioned in this year's report, but will be covered in more detail next year.

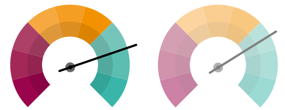
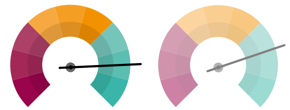
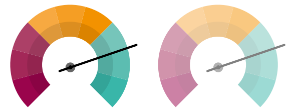
Do customers get good value for money?		**Yes**
Costs and Charges	Are the costs and charges you pay reasonable for what you get in return?	
Investment Performance	How are your investments performing?	
Investment Services	Are your investments well managed?	
Customer Service	What is the quality of the 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?	

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.

Value for Money Summary – What has changed since last year?

Why have some of the ratings changed?

In the pages that follow, we set out in increasing levels of detail, the results of the 2023 VFM analysis and what has led us to our conclusions. Overall, we still believe that Phoenix offers adequate value for money, but there are areas where we believe this could and should be improved.

		2023 2022
Costs and Charges	During 2023 the level of costs and charges remained largely unchanged. Phoenix have committed to actions in 2024 to implement a temporary value adjustment on the charges some of you pay, effectively reducing your charges, as part of work to improve outcomes for customers	
Investment Performance	The short-term performance of your funds continues to recover from the difficult period experienced in 2022, although certain concerns remain about long-term performance versus the competition.	
Investment Services	We have been reassured after an in-depth examination of the processes to identify and deal with poorly performing funds. Otherwise, the oversight and governance of your funds remains very good.	
Customer Service	The vast majority of customers received adequate customer service during 2023. Some large mailings generated increased call volumes and enquiries. Coupled with staffing issues, this caused delays and customer dissatisfaction throughout Q2 and Q3.	
Communication and Engagement	We have been pleased with the implementation of our 'Fit for Purpose Protocol' which ensures communications properly take into account customers' characteristics, needs and objectives. Phoenix has also made some developments to its communication and customer engagement in 2023, although this has been limited. Graphical content of the communications remains very low and requires more focus. Whilst we acknowledge development to the digital functionality offered to customers throughout 2023, the IGC highlights the lower levels of digital capability and low levels of online registrations compared to their peers.	
Environment, Social and Governance	Improvements have been made to the already-strong policy and governance framework in place, and also in customer communications – though not as much as the IGC would like. Becoming a signatory to the Stewardship Code is an important external validation of the progress made.	

As is our usual practice, we have set out a number of challenges to Phoenix for 2024, and these are set out in the next few pages. We have also highlighted a number of "Calls to Action" in areas which could prove worthwhile for some customers.

Value for Money Summary – IGC Challenges to the Firm

Key Challenges

The IGC has challenged Phoenix in the following areas:

Costs and Charges

- Implement the value adjustment for customers paying above 0.75% per annum with no additional valuable guarantees or benefits or access to lower charging funds within the wider Phoenix Group and develop a longer term solution for what other options may be available to improve value for money for customers at the end of this period.

Investment Performance & Services

- Ensure that suitable processes are in place to identify and replace poorly performing funds with sufficient speed.
- Ensure that procedures are implemented to deal correctly and rapidly with under-performing funds.

Customer Service

- Improve customer service standards to target levels.
- Roll out digital access to all workplace customers.
- Improve the Bereavement process for customers, to reduce the overall time.

Communication and Engagement

- Urgently improve the 'Gone-Away' process
- Update the 'look and feel' of key communications to make them more appealing and engaging to customers and reinforce the Phoenix branding.
- Increase the number of email addresses held for customers (as currently only c15% are held).
- Take action to increase online registrations and usage with their current digital capability (ready for further digital development).

ESG and Stewardship

- Speed up the application of more explicit responsible investment considerations to the workplace pension funds designed by Phoenix.

Value for Money Summary – IGC Calls to Action for Customers

Customer Calls to Action

We strongly encourage you to review your pension plans.

Costs and Charges

- Engage with any communications from Phoenix around options to improve the value for money you receive. Some options may require you to take specific action.

Investment Performance and Services

- Check you are comfortable with the types of funds you are currently invested in. Do they still fit with your appetite for risk? Have you reviewed your planned retirement date? This may affect how your pension is invested when nearing your retirement date.

Customer Service

- We recommend you register for digital access (online or via the App) and use it regularly to review and manage your pension savings.

Communication and Engagement

- Make sure your email address and all personal details are up to date, so you don’t lose track of your pension savings.

Provider Response to IGC Challenges

Here at the Phoenix Group, our purpose is to 'help people secure a life of possibilities'. While this includes our employees, investors and those in our wider society, it is our customers that we particularly focus on. We are committed to delivering good outcomes to those who trust us with their savings, and also exploring what more we could do to improve those outcomes and keep ourselves at the forefront of the industry.

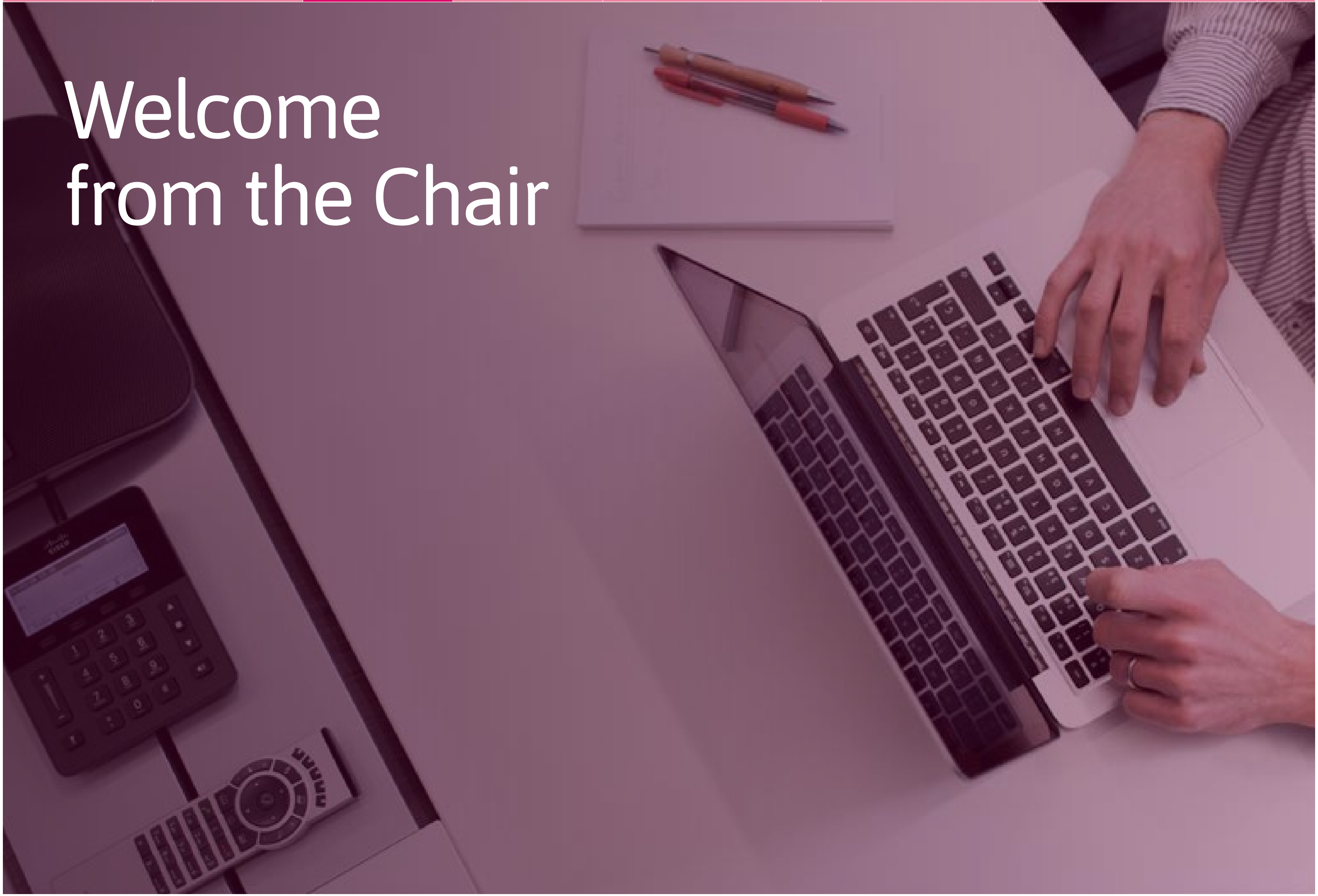
This is particularly the case for workplace pensions. While we are pleased to regularly win awards as one of the leading providers in this area, we do not rest on our laurels. Instead, we continually review what we deliver for customers and look for ways to improve it and better meet their developing needs and desires. The IGC plays a key role in this through their detailed and rigorous scrutiny of our pension and investment pathway performance and the value for money that we provide.

We value enormously the challenge that we receive from the IGC – and also the praise that we sometimes get! It is evidence-based and totally focused on the in-scope customers. It is also fair in recognising where we do perform well, while clear when calling out areas for further improvement.

I have noted the challenges posed by the IGC to us this year and am happy to commit that we will carefully consider them and follow them up as appropriate. As a management team, we need to consider the needs of all our customers when prioritising new initiatives and developments. We have a very ambitious development programme underway, designed to improve outcomes for customer across a number of areas. We will seek to build the IGC's challenges into that plan at the appropriate points and with the appropriate priorities.

Andy Curran
CEO, Savings and Retirement – UK and Europe

Welcome from the Chair



Welcome from the Chair

Welcome to this, the ninth 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.

As you will have seen from the summary pages at the start of this report, the IGC is rather critical of aspects of the value for money being delivered by Phoenix. In particular, we feel that some customers in historic contracts are paying more than they would were they in more modern arrangements. Some of the communications that they receive are also rather old-fashioned and not as easy to follow as more modern equivalents. We are very pleased that, during 2024, Phoenix has started to take steps to address our concerns – initially in reducing charges for many customers to the equivalent of 0.75%per annum, and in exploring how best to make modern contract features available to holders of more historic designs. The IGC continues to work with Phoenix to support these important developments.

We are also pleased at the way Phoenix responded to our introduction last year of additional thematic reviews, designed to focus attention on areas of particular importance to particular groups of people. As we describe later, the initial area of focus – those customers within 18 months of their planned retirement date – has led to the creation of a new report giving additional information to Phoenix management that should enable timely improvements to be made to the retirement journeys in light of changing customer needs and characteristics.

The IGC continues to review how we go about our value for money assessment on your behalf. During the last year we have significantly developed our approach for the Customer Service and Communication and Engagement areas of our framework and, as we describe later, this has helped to increase our influence for good across the Phoenix Group.

Phoenix Life Limited is now a much larger financial services provider than it was when we wrote last year's report. On 27 October 2023, almost all the business of Standard Life Assurance Limited and Phoenix Life Assurance Limited (both companies already part of Phoenix Group) was transferred to Phoenix Life Limited, as part of a strategic simplification of the legal entities within the Phoenix Group. As a consequence, all the workplace pension contracts and investment pathway plans written under the Standard Life brand (except for a small number of contracts whose transfer to Phoenix Life Limited was subject to unavoidable delays) are now within the scope of the Phoenix IGC rather than the Standard Life IGC (as was the case up to the date of transfer).

However, rather than produce two reports for 2023 – one covering the Standard Life IGC's assessment of ongoing value for money up until the transfer to Phoenix Life Limited, and one covering the Phoenix Life IGC's assessment of ongoing value for money thereafter – it seemed sensible that, as the membership of the two IGCs is the same, we should produce a single IGC report in respect of 2023 and present our assessment of ongoing value for money being provided to Standard Life customers within our scope without being too precious about which provider was the relevant one on a particular date. Thus, if you have a Standard Life workplace pension contract or investment pathways plan, you will find the Standard Life IGC report, available **here** of more relevance.

There are still other companies within the Phoenix Group that also provide workplace personal pension plans. They have their own IGC, but with aligned membership across the Group. 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 were several changes in membership of the Phoenix IGC during 2023 and these are set out later in this report.

While some of the members may have changed, **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 require 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 based our VFM framework on these three factors, but with some further subdivisions within the third factor in order to separately assess:

- communication and engagement;
- customer service; and
- investment services (e.g. default investment fund design and execution).

Since last year's report, we have significantly developed our assessment approach for "Communication and engagement" and Customer service", making our analysis much more granular and more closely linked to customer experiences at different stages of their pensions journey. One helpful consequence of this new approach is the development of healthy competition between the internal teams who are responsible for these aspects of customer outcomes across the three main brands that Phoenix Group use in workplace pensions (Phoenix, ReAssure and Standard Life). The IGC sees this as a helpful development that should lead to even better outcomes for customers within our scope. More detail on our VFM approach and how it has been refined can be found in the Supporting Material section **here**.

The IGC believes that "ongoing VFM " is fundamentally a forward-looking measure. Thus, of the following three questions:

1. Have you received VFM ?
2. Are you currently receiving VFM ?
3. Going forward, can you expect to receive VFM ?

Our assessment is mainly addressing questions 2 and 3.

Of course, past performance is still important, since it determines customers' experiences to date and, in particular, the current size of your pension pot. However, past good performance is not a guarantee that VFM will be delivered in the future, nor is past poor performance a sign that VFM cannot be delivered going forward. Nevertheless, where we find:

- poor customer service which is not being addressed, or addressed quickly enough;
- charges that are out of line with appropriate comparators and which are not being reviewed and/or reduced; or
- poor investment performance (relative to the benchmarks set and/or relative to appropriate comparators within the industry) which is not being called out and the reasons for it being addressed quickly enough,

the IGC would see these as potential barriers to a "clean bill of health" as far as ongoing VFM is concerned. However, where past issues with an aspect of the pension proposition have been addressed and looking forward, what is being delivered and at what cost, compares well with appropriate comparators across the industry, the IGC's assessment of ongoing VFM from that factor is likely to be positive.

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. In particular, this year's analysis has benefited again from the results of a cross-industry comparison exercise that covered a high proportion of the contract-based workplace pensions business across the UK market.

The comparison gave helpful insights on how Phoenix performance compared with other providers across all the key VFM areas, and included contracts that are no longer open to new members as well as current contract designs. The IGC is grateful to Phoenix for willingly supporting our participation in this important cross-industry exercise.

The IGC is not able to compare the VFM under a particular Phoenix workplace pension arrangement with what those employees would experience from other, specific, named providers or specific Master Trusts. This is because the pricing of individual employer workplace pension arrangements will depend on the provider's assessment of the "quality" of the pension scheme (e.g. average size of pot, expected future contributions; number of members etc) and it is not possible to know enough about the bespoke pricing approaches followed by other providers to make the necessary judgements.

What we can do, however, is to compare charges for comparable cohorts across the market – and this forms part of the cross-industry comparisons mentioned above. This enables us to identify Phoenix workplace pension arrangements where the charges look out of line and we then challenge the provider to review the pricing.

The IGC is pleased that this has resulted in Phoenix, with effect from the end of July 2024, reducing the charges on over 50,000 workplace pension contracts to the equivalent of a maximum charge of 0.75% per annum. These contracts are mainly of historic design, and where the customer communications (both content and digital functionality) have not kept pace with the market. The IGC is still pushing for a more modern customer experience to be provided, and is supportive of the options being explored by Phoenix to enable this to happen. However, this will take time and so, in the meantime, reducing charges is a welcome development from Phoenix.

Adding additional value as an IGC

It is now over 9 years since IGCs were introduced by the UK regulator. Over that time, we have developed what we believe is a robust and rigorous approach to assessing value for money. However, of necessity, the VFM judgements are high level and based on portfolio-level considerations. While we still believe such VFM assessments are worthwhile, as an IGC we are keen to go further and explore where our insights and additional challenge could further improve outcomes for the Phoenix customers within our scope.

To that end, we have added to the scope of our work with the introduction of additional thematic reviews designed to focus attention on areas of particular importance to particular groups of customers. Our aim is either to give comfort that any risk of potential harm to these customer groups is being appropriately guarded against, or to identify areas where Phoenix could do more to ensure good customer outcomes for these people.

Our first area of additional focus concerned those customers expecting to retire over the next 18 months (which, at the time we started the investigation, comprised all of 2023 and the first six months of 2024). Following the economic turmoil of 2022, the IGC felt that it was important to ensure that the retirement journey being provided to such customers appropriately reflected the new circumstances (e.g. higher interest rates, higher inflation and, possibly, smaller pension pots following the fall in investment values). The IGC was pleased that Phoenix welcomed this additional review activity and supported it effectively – both in giving us uninhibited access to the relevant staff and in developing a new internal report that, on a rolling basis, shows appropriate information on those customers who are approaching the retirement date they have previously selected.

In terms of findings from the analysis, the IGC was comfortable that the managers responsible for the design of the retirement experience (or "retirement journey") across the different pension brands operated by Phoenix Group had taken on board the implications of the economic turmoil, and ensured customer communications were updated accordingly. The new report that has been created can now be used to review, on an ongoing basis, to what extent the needs and characteristics of customers approaching retirement might be changing, enabling timely improvements to be made to the retirement journeys.

Our next area of focus that is particularly relevant to Phoenix pension customers is linked to the extensive, multi-year programme of system migration that is underway within customer servicing across the Phoenix Group. While the aim of the changes is laudable – to move to more modern, scalable and flexible systems, which should facilitate and maintain good outcomes for customers – the IGC is concerned about the implications for customer service during the course of the project. A particular concern of ours is where current communications or digital capability is "behind the times" and needs improving, but where Phoenix Group have chosen to build the improvements into the destination system and not the current one. While this may be reasonable for a short time, the tendancy on big projects for deadlines to slip and timescales to be extended creates a risk of prolonged poor customer experience. The IGC is monitoring a number of specific areas in this regard and warning Phoenix Group that, in the event of further delays, we will be expecting appropriate contingency plans to be developed.

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. The IGC is fully supportive of the need for transparency around the work of the committee, particularly in providing enough information to enable relevant stakeholders to assess how thorough the VFM assessment has been. However, research carried out for the IGC in 2020 and again in 2021 confirmed that, the longer the report, the less likely customers are to engage with it.

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

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

and added in additional summary pages at the start. We expect that the content in the Key Messages section will be sufficient for many readers. However, we hope that the clear sign-posting, along with the embedded links between the different levels, will enable you to engage with the material at whatever depth works for you.

For those readers who would prefer more of a summary, we have also produced a separate, IGC Value for Money Summary, drawn from the early sections of this report, which is available on the **IGC's webpage**.

Our VFM assessment considers all of Phoenix Group's pension products, those that continue to be on sale to customers (open products), and those products that are no longer on sale (legacy products). We look at Phoenix's open products against comparable open products in the market and its legacy products against comparable legacy products from other providers where Phoenix generally compares well.

In last year's report, we stated that we were yet to reach a satisfactory conclusion with Phoenix on whether legacy products should be compared with open products where the IGC is concerned that legacy products offer less value for money. These discussions continued during 2023 and ultimately led to us challenging the Phoenix Life Companies Board on the slow progress being made and, in particular, what this might mean for pension customers currently paying charges in excess of current new business market benchmarks.

We are pleased to report that, in the first half of 2024, and following the taking of external advice on the topic, we have agreed a common understanding with Phoenix Group on this matter – basically that legacy product VFM should be assessed relative to other legacy products, but that new business pricing could still be a valid consideration in certain circumstances.

Building on this common understanding, the IGC is very pleased to report that we are currently working with Phoenix Group on exploring how it might be possible to transfer over 50,000 Phoenix customers mentioned above, but also another over 200,000 legacy workplace pension customers (across the three workplace pension brands) from their legacy plans into more modern plans. Not only might this save the customers some money in charges, but it would also provide them with potentially better communications and digital functionality, both now and going forward.
We will continue these discussions and look forward to having more good news to share in next year's report.

We are keen to hear what you think – about the report, the additional summary, 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

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Current membership

Dr David Hare – Chair, Independent

Maggie Craig – Independent Member (from January 2023)

Andy Davies – Independent Member (from September 2023)

Rachel Haworth – Independent Member

Andrew Milligan – Independent Member

Steven Blight – Company Nominee

Members during 2023

Rona Cameron – Company Nominee (until September 2023)

Jo Hill – Independent Member (until September 2023)

Changes of Membership

There were a number of changes of membership during 2023. As mentioned in last year's report, we were pleased to welcome Maggie Craig as a new independent member with effect from the start of 2023.

Following Jo Hill's resignation from the Committee to take up a role at the Bank of England, we were pleased to welcome Andy Davies as a new independent member with effect from September 2023. We were sorry to see Jo go, but wish her all the very best in her now-not-so-new role! We were also sorry to lose Rona Cameron from the Committee, when her time as a company-nominated member came to an end.

As flagged in last year's report, the current Committee Chair reaches the end of his term in 2024. At the time of writing, it has just been announced that his successor will be Andy Davies with effect from the end of the year, following an appropriate handover period. For further information about 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, so it is 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 any company nominees do not have a direct link to any areas they are scrutinising. Company-nominated members are, from time to time, selected to bring valuable in-depth Phoenix Group policy-specific knowledge and understanding to the work of the Committee. In addition, any employee nominees are provided with side letters to their employment contract which made it clear that, when acting on the IGC, they must act solely in the interest of the in-scope policyholders and put aside the commercial interests 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. For more information about how members of the Committee are selected please **click here**.

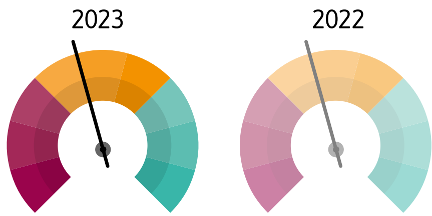
We also undertake regular training to ensure that, as a Committee, we maintain the expertise necessary to represent customers.

Key Messages

Key Messages

Costs and Charges

Steven Blight, Company Nominee
"Phoenix has agreed to reduce charges, in the short term, for those customers paying charges over 0.75% without any additional benefits, whilst other options are considered to improve outcomes for customers. The IGC are extremely pleased with this action from Phoenix."



Overall, the IGC has given Phoenix a rating of AMBER for costs and charges for 2023, for the following reasons:

- Phoenix has a maximum ongoing charge of 1% per annum that is in line with charges amongst other providers of older style 'legacy' products.
- The key challenge in last year's report for Phoenix, which has been ongoing for some time, was why they view the charges being paid by some customers as providing value for money. We are extremely pleased to report that for c. 52k customers who are paying above 0.75% per annum, with no additional valuable guarantees or benefits or access to lower charging funds within the wider Phoenix Group, Phoenix has agreed to apply a 'value adjustment' from July 2024. This will effectively reduce the charges for this population to 0.75% per annum for a period whilst Phoenix considers what other options may be available to improve outcomes for these customers.
- Outside of this population of members, we should also note that some of you pay significantly less than 1% per annum or may have additional valuable benefits that are unavailable elsewhere.
- All of you have either no exit charge or an exit charge capped at 1% of the fund value.
- Transaction costs have been benchmarked using industry surveys and we are comfortable that they remain reasonable. Phoenix's processes for monitoring and the quality of the reporting of this information to us has continued to be of a high standard 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 annum because you have selected particular funds. We continue to be comfortable that these represent value for money.

Key Challenges for 2024

- Implement the value adjustment for customers paying above 0.75% per annum with no additional valuable guarantees or benefits or access to lower charging funds within the wider Phoenix Group and develop a longer term solution for what other options may be available to improve value for money for customers at the end of this period.

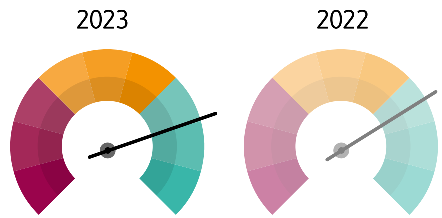
Customer Calls to Action

- Engage with any communications from Phoenix around options to improve the value for money you receive. Some options may require you to take specific action.

Key Messages

Investment Performance

Andrew Milligan, Independent Member
"Phoenix funds are delivering a decent investment performance although the company needs to press ahead with further steps to improve the design of some funds."



Overall, the IGC has given Phoenix a rating of GREEN for Investment Performance, for the following reasons:

- Although the multi-asset funds in which most of you are invested have seen mixed performance in recent years, over the long-term investment pots continue to grow at a reasonable rate compared with inflation.
- The majority of your funds are performing in line with the benchmarks which have been set for the investment managers.
- A benchmarking assessment carried out by an external consultancy concluded that the design of your funds means that they should be able to achieve a good outcome for members.
- Nevertheless, we remain concerned about the medium-term performance of many of your funds. Less than half of all available funds were ranked in the top half of the table against similar competitor funds over all the time periods we look at, albeit there are signs that the situation is slowly improving over time. There are also concerns about the effects of inflation on with-profits policies.
- On balance, the IGC considers that your fund managers have done a reasonable job in relation to the investment briefs which they had been given, bearing in mind that 2023 was not a straightforward year for investors as financial markets remained under pressure for much of the year from weak economic growth and tighter monetary policy.

Key Challenges for 2024

- Ensure that procedures are implemented to deal correctly and rapidly with under-performing funds.

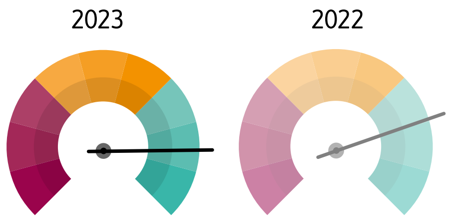
Customer Calls to Action

- Check you are comfortable with the types of funds you are currently invested in. Do they still fit with your appetite for risk? Have you reviewed your planned retirement date? This may affect how your pension is invested when nearing your retirement date.

Key Messages

Investment Services

Andrew Milligan, Independent Member
"We are pleased with the high standards of governance of your funds, although there Is work to be done on implementing the Responsible Investment Policy into appropriate funds."



Overall, the IGC has given Phoenix a rating of GREEN for Investment Services, for the following reasons:

- We see continuing evidence of ongoing reviews of fund managers and the briefs they have been given, and suitable changes being implemented.
- The Strategic Partnerships and Research team, which oversees the governance of your funds, continues to be strengthened.
- Actions are underway to implement Phoenix's Responsible Investment Policy in funds where Phoenix controls the mandate.
- Although the IGC has been concerned on occasion at the length of time it has taken for poorly-performing funds to be replaced with suitable alternatives, we have analysed this issue and been reassured about new procedures put into place.

Key Challenges for 2024

- Ensure that suitable processes are in place to identify and replace poorly performing funds with sufficient speed.

Key Messages

Customer Service

Rachel Haworth, Independent Member
"The vast majority of customers received adequate customer service. An increase in call volumes and enquiries, coupled with staffing issues, caused delays and customer dissatisfaction throughout Q2 and Q3."

Overall, the IGC has given a rating of AMBER for customer service in 2023, for the following reasons:

This year we have assessed customer service across 23 customer journeys, considering the speed, quality and ease for each:

Did you receive timely service?

- Although the service level target of completing 90% of transactions in 20 days was only met in 4 months of the year, overall service levels were acceptable across the year with a minimum of 79.5% completed within target in any month.
- Bereavement claims continue to be an area of challenge for Phoenix. Volumes are small so complex cases can impact the data, but average turnaround time for bereavement claims was over 100 days.
- Complaints handling has stabilised, with over 75% of complaints resolved within 8 weeks.

Was the quality to expected standards?

- Customer service quality standards remained high throughout the year across both telephony and back-office checks.
- Incident management at the outsourced service providers is strong.

Did you feel it was easy to service your pension?

- Customer satisfaction was slightly below the target of 88% satisfied/very satisfied for most of the year, with a low of 83%.
- Complaint volumes remained stable throughout 2023 and complaint management improved.
- Vulnerable customer support is strong, with those in financial hardship continuing to be prioritised with faster payments and additional support information.
- Some online servicing is available and is being developed, but functionality remains limited and all customers have yet to been given access to MyPhoenix and the App.

Key Challenges for 2024

- Improve customer service standards to target levels.
- Roll out digital access to all workplace customers and improve functionality.
- Improve the Bereavement process for customers, to reduce the overall time.

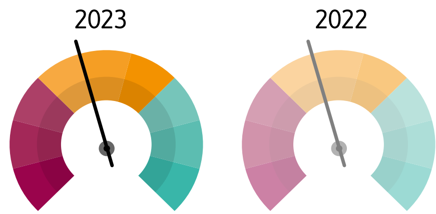
Customer Call to Action

- We recommend you register for digital access (online or via the App) and use it regularly to review and manage your pension savings.

Key Messages

Communication and Engagement

Andy Davies, Independent Member
"Phoenix communications properly take Into account customers' needs and objectives but would be more engaging if improved their design and layout. Digital functionality remains limited with low levels of registered customers."



Overall, the IGC has given Phoenix a rating of AMBER for communication and engagement this year, for the following reasons:

Are the communications clear and well presented?

- Phoenix has implemented our 'Fit for Purpose Protocol' which ensures that all communications properly take into account customers' characteristics, needs and objectives.
- There have been updates and improvements to a range of communications; however, development has been limited in 2023.
- There have however been very few strategic communication campaigns run in 2023.

Is there good utilisation of digital media?

- Phoenix offers online capability through its website portal and the MyPhoenix App which was launched In 2022.
- Digital functionality and utilisation is however behind the market and customer registration remains very low.

Are Phoenix engaging with their customers?

- There is a significant proportion of customers for whom Phoenix do not hold a current address or valid email address. Whilst this is common for providers of 'legacy books of business', the IGC thinks that this is too high at 17% and 85% respectively. The IGC urges Phoenix to improve their 'Gone-Away' tracing programme.
- Communications, whilst accurate and informative, have a very low graphic element resulting in potentially making them less engaging to some customers.

Key Challenges for 2024

- Urgently improve the 'Gone-Away' process.
- Update the 'look and feel' of key communications to make them more appealing and engaging to customers and reinforce the Phoenix branding.
- Increase the number of email addresses held for customers (as currently only 15% are held).
- Take action to increase online registrations and usage with their current digital capability (ready for further digital development).

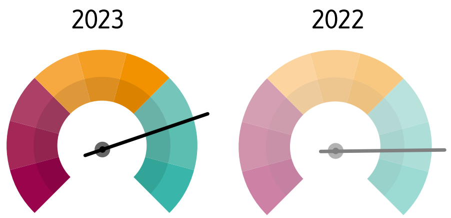
Customer Call to Action

- Make sure your email address and all personal details are up to date, so you don't lose track of your pension savings.

Key Messages

ESG and Stewardship

David Hare, Independent Member and Chair "Phoenix Life, and the wider Phoenix Group, takes its responsibilities to the environment and wider society very seriously. 2023 saw further improvements in the framework that has been built to ensure ESG and Stewardship considerations are appropriately taken into account in their investment decisions affecting customer returns."



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 continues to have 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. The governance framework was reviewed by external experts in 2023, with no major issues identified.
- All investment decisions that Phoenix takes are required to meet certain minimum ESG standards.
- During 2023, significant progress was made on the development of a range of Climate Aware Equity Benchmarks (the first of which was launched in June 2024) that, in due course, will be used to protect Phoenix-designed policyholder funds against the risk of climate change.
- Phoenix Life, as part of the wider Phoenix Group, continues to take a leadership role in the industry, championing good practice in this important area. Being accepted as a signatory to the Stewardship Code In 2023 was important external validation that Phoenix Group, and Phoenix Life in particular, are doing what they are claiming.

Key Challenges for 2024

- Speed up the application of more explicit responsible investment considerations to the workplace pension funds designed by Phoenix.

Further Commentary

Further Commentary

Costs and Charges

Further Commentary

Costs and Charges

Overall, Phoenix's Costs and Charges contribution to the 2023 Value for Money for customers is assessed as GREEN.

What do 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 plans 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 determining whether the costs and charges you pay provide you with value for money, our primary driver (in line with Financial Conduct Authority (FCA) rules) in the assessment is against reasonably comparable scheme comparators that are available to you. We have always believed that ongoing charges greater than 1% per annum do not represent value for money unless there are associated additional benefits as described above. Given there are alternative options offered to other customers within the Phoenix Group that are priced at 0.65% per annum, we have challenged Phoenix for some time to provide us with more evidence around why they still hold the view that a 1% per annum threshold for charges provides value for money and we are pleased to report positive action on this challenge within this report.

Whether a customer will receive better value by taking those lower cost options can be a complex decision as value depends on benefits received as well as the costs. What is critical is that individual customers are aware of and regularly review their options and we would encourage all of you to do so.

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 for 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 **exit charges** are above 1% of the value of the plan.

Ongoing Charges

Ongoing charges remain in line with what we have seen in previous years, with the vast majority of you paying no more than 1% per annum in ongoing charges and some of you paying considerably less, as shown in the table below.

Total member charge	Number of workplace and former workplace personal pension members	Percentage	Assets under Administration (£m)	Percentage
1.01% to 1.50%	507	0.6%	6	0.6%
0.75% to 1.00%	61,717	76.5%	814	75.3%
0.50% to ≤0.75%	18,475	22.9%	261	24.1%
	80,699	**100%**	**1,081**	**100%**

Our review of reports from other IGCs show that an ongoing charge of 1% per annum is typical amongst other firms with ‘legacy’ workplace pension policies. Although we do note that one provider committed in last year’s report to restrict charges for ‘legacy’ business to 0.75% per annum where these do not have additional valuable benefits attached to them and other certain exclusions. ‘Legacy’ is a term that tends to be used to describe older style pension policies sold a number of years ago, usually not now available to new employers or even open to new customers, and rarely used by employers for auto-enrolment.

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 a more ‘modern’ pension product. For example, pensions used for auto-enrolment where the default investment fund is chosen have charges that are capped at a maximum of 0.75% per annum, whilst also offering more in terms of online servicing and support, engaging communications, etc. Therefore, if you are being charged above this, we would strongly encourage you to review your options.

The key challenge in last year’s report for Phoenix, which has been ongoing for some time, was why Phoenix view the charges being paid by some customers are providing value for money. We are extremely pleased to report that, for c. 52k customers who are paying above 0.75% per annum, with no additional valuable guarantees or benefits or access to lower charging funds within the wider Phoenix Group, Phoenix has agreed to apply a ‘value adjustment’ from July 2024. This will effectively reduce the charges for this population to 0.75% per annum for a period whilst Phoenix considers what other options may be available to improve outcomes for these customers.

We will monitor the implementation of this value adjustment and also await Phoenix’s proposals that look to improve outcomes for these customers over the longer term. We will report back on this in next year’s report.

It does remain the case that many, but not all, Phoenix pension pots are relatively small and are not receiving new contributions. The number of customers within each scheme may also be small, so even a 1% per annum charge may not in fact cover the costs to Phoenix of administering the policy. Nevertheless, the IGC is glad that Phoenix continues to invest in making improvements to customer service, support for vulnerable customers and its digital offering. We do recognise that a key issue is that 'value' depends on not only costs and charges but other factors as well. 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.

Other Charges

We have discussed in previous reports the operation of with-profits investments and charges made for guarantees. We noted that a charge is currently only made for customers who invest in the NPL With-Profits Fund (which has a charge set at 0.5% per annum which is deducted from the plan value) but that many plans within that fund have guaranteed bonus rates of up to 4% per annum which applies at retirement age which is a valuable feature. We remain comfortable that the charges paid by customers are reasonable given the guarantees provided.

There are a small number of customers 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. We remain comfortable that 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 annum. These include Invesco Perpetual Managed at 1.78% per annum and Newton Managed at 1.46% per annum. 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. Phoenix has monitoring processes in place to assess whether investment performance has been acceptable and, whilst it cannot force customers to move to a different fund, has in recent years written to them to highlight any poor performance and ask them to consider alternative options.

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

Transaction Costs

The quality of **transaction cost** reporting to the IGC has continued to be high over the course of 2023. This reflects a continued high level of data coverage, Phoenix continuing to provide analysis of costs, including how these change from period to period, and investigating funds where charges appear particularly high. Our report covers the 2023 calendar year and includes 100% coverage of the transaction costs associated with the underlying investment held by the Phoenix funds (100% in 2022), and 97% coverage of transaction costs related to the buying and selling of units in those underlying funds (98% in 2022).

Transaction Costs by Type of Asset

As in previous years, we have included a table that shows the transaction costs for the Phoenix Unit Trust Managers (PUTM) collective investment schemes that Phoenix uses to construct many of the unit-linked and with-profits funds that customers invest in. Each collective investment scheme invests in a particular type of asset. PUTM include the Anti-Dilution Levy (ADL) offset in their reporting which represents the value within the pricing of the collective investment scheme that is taken to cover the cost of trading as units are sold or purchased. For the purpose of transaction cost reporting, the ADL can be used to offset the costs associated with trading in the underlying stocks and bonds that such unit movements generate. The level of transaction costs should be considered alongside the level of investment return; for example, a high transaction cost is not necessarily poor value for money if it results in overall better returns.

Type of transaction cost	Implicit (%) (1)	Explicit (%) (2)	Anti Dilution Levy (%) (3)	Total (%)	Total (%)
Year	**2023**	**2023**	**2023**	**2023**	**2022**
Type of investment				**1+2-3**	
UK Gilts	0.01	0.01	0.01	**0.01**	**0.00**
UK Corporate Bonds	0.07	0.01	0.08	**0.00**	**0.00**
Overseas Bonds	0.30	0.02	0.01	**0.31**	**0.10**
Supernationals	0.13	0.01	0.05	**0.09**	**0.00**
UK Equity	0.03	0.06	0.02	**0.07**	**0.00**
N America Equity	0.01	0.01	0.02	**0.00**	**0.00**
Japanese Equity	0.04	0.00	0.02	**0.02**	**0.06**
Asia Pacific	0.05	0.01	0.04	**0.02**	**-0.03**
European Equity	0.03	0.04	0.02	**0.05**	**0.25**
Emerging Markets	0.10	0.08	0.18	**0.00**	**0.12**
Property (estimated)	0.00	0.03	0.00	**0.03**	**0.02**
Global Credit	0.36	0.01	0.05	**0.32**	**0.26**
Tactical Asset Allocation	0.47	0.05	0.00	**0.52**	**1.33**
Emerging market debt	0.52	0.00	0.22	**0.30**	**0.08**
Cash	0.01	0.00	0.00	**0.01**	**0.00**
Typical (managed) fund	**0.10 to 0.12**	**0.03 to 0.04**	**0.02 to 0.03**	**0.11 to 0.13**	**0.11 to 0.13**

Transaction Costs for the relevant with-profits funds

Phoenix provides 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.

Fund Name	Fund Average Net Asset Value (NAV) (£bn)	Aggregate Transaction Costs 2023 (%)	Aggregate Transaction Costs 2022 (%)
PLL London Life	0.04	**0.127**	**0.043**
PLL NPL	0.4	**0.042**	**0.035**
PLL Pearl	3.3	**0.076**	**0.141**
PLL Alba	0.2	**0.068**	**0.046**
PLL SAL	1.1	**0.065**	**0.092**
PLL Scottish Mutual	0.8	**0.091**	**0.112**
PLL SPI	0.5	**0.085**	**0.153**

Transaction Costs for the Main Unit-Linked Funds

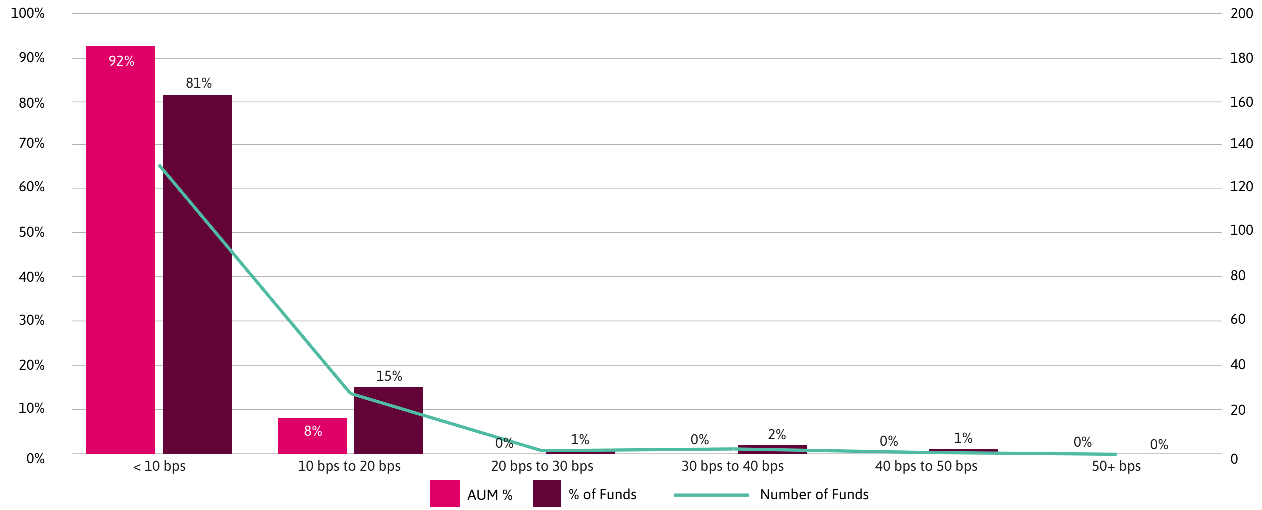
The following table shows transaction costs for the main unit-linked funds used by you and generally show a general reduction compared with the transaction costs in 2022. Whilst these are not 'default' funds (because customers made a decision to invest in them), they are used by a large proportion of customers so we treat them as 'pseudo' default funds.

Fund Name	Fund Average Asset Value (£bn)	Total Transaction Costs 2023 (%)	Total Transaction Costs 2022 (%)	Total Transaction Costs 2021 (%)
RSA Pension Managed	1.25	**0.081**	0.130	0.174
Abbey Life International	1.61	**0.024**	0.112	0.092
NPI Pensions Managed	1.05	**0.055**	0.100	0.129
Abbey Life Pensions Managed	1.42	**0.062**	0.123	0.114
Scottish Mutual Growth Pension	0.23	**0.118**	0.185	0.134
NPI Pensions UK Equity Tracker	0.07	**0.029**	0.046	0.037
Pearl Pensions UK Equity	0.03	**0.057**	0.053	0.057
Phoenix Pension Growth Stakeholder	0.04	**0.129**	0.062	0.076
NPI Pensions Overseas Equity	0.08	**0.051**	0.097	0.106

Transaction Costs for all Relevant Unit-Linked Funds

Transaction costs for all 169 unit-linked funds offered by Phoenix to customers who are within the scope of the IGC are available on our section of the Phoenix **website**. The chart below provides a summary view of costs split into bands. This illustrates that 96% of funds (84% in 2022) saw transaction costs below 0.20% and 97% (97% in 2022) below 0.30%. The chart also illustrates that higher costing funds tend to have lower levels of assets in them on average. We continue to ask Phoenix to look at funds with high transaction costs 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 are not out of line with the market. There were no funds with transaction costs over 0.50% for 2023.

Q4 2023 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.

Phoenix also took part in an industry benchmarking exercise that showed transaction costs were towards the lower end of the industry range. We remain comfortable that the transaction costs are reasonable overall.

Finally, 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. Overall, we continue to be comfortable with the level of transaction costs.

Increased Disclosure of Costs and Charges

The tables of costs and charges for all investment funds, together with sample illustrations to show the impact of those costs and charges, are available on the **website**.

The tables show the range of costs and charges incurred by individual customers and demonstrate that not all customers pay the same for the same fund, but that costs and charges vary, generally due to the terms agreed at outset. 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 sample illustrations also show how significant ongoing charges can be on the ultimate value of your pension, particularly if you have a larger pot invested over a long period.

In addition, the Financial Conduct Authority (FCA) rules around assessing value for money in workplace pension schemes require IGCs to consider the most appropriate and proportionate way to assess an employer's scheme so that the IGC can produce a value for money assessment that is most useful for members. IGCs have a judgement to make on whether to assess costs and charges at an individual employer level, at an aggregated level or by a combination of both. We have chosen to assess costs and charges at an individual employer level rather than an aggregated level. We feel this is most appropriate, as it is at this level that you experience the service offered for the charge that you are paying and allows you to fully understand where your level of charges sit in comparison to others.

Whilst we consider individual employer data points available for the business across the Phoenix Group, we are unable to get the same level of detail for external market comparators. Therefore, we also group data based on key employer level characteristics that influence the price you pay (e.g. number of members in an employer arrangement and average fund size of those members) and compare against similar groups from external comparators that we have access to through benchmarking surveys and information published by other IGCs.

Given the legacy nature of the Phoenix business, the vast majority of employer arrangements will no longer be active and only have a very small number of members. Therefore, the ability and likelihood of an employer arrangement transferring to another provider is remote and it will be down to the individual member to make that decision. Therefore, we also feel it is appropriate to additionally consider and report at an individual member level to show how your charges compare to all other Phoenix customers.

In considering our value for money assessment, we have looked at costs and charges information available both internally within Phoenix (with data set out in this report) and also across the wider Phoenix Group. We have considered looking at how charges compare across schemes with similar numbers of members and/or assets under administration as these can be key factors that will have initially influenced the level of charges applied to a particular scheme. However, the legacy nature of Phoenix's business, with only one or two members in individual employer arrangements that are no longer active, makes this approach less relevant.

Externally, we have taken part in industry-wide benchmarking surveys to understand how the level and spread of charges compare with those across the industry. We will also continue to look at disclosures within our peer IGCs' reports to see how Phoenix's costs and charges compare across the industry.

We strongly encourage you to understand how the level of charges you pay compares to charges paid by other employer arrangements with Phoenix. Within this report (for pseudo default funds) and on the website (for all funds) there are details that show the distribution of charges at an employer and individual member level. We have chosen to present the data in this fashion as we believe this is a useful and effective way for you to understand how the level of charges you are paying compares with those of other employer arrangements within the same fund, and as such, what relative value for money you may be receiving.

In order to help you to be able to assess this, Phoenix have delivered a digital solution that allows you to find the level of charges for all funds that you are invested in or are available to you. From the Phoenix **website**, you are able to enter the name of your employer who your pension arrangement was with and be presented with all relevant costs and charges for both invested funds and funds available to you.

In order for you to consider how the charges you are paying compare to those being applied to other members or employer arrangements provided by Phoenix, for each fund available we have set out, using various charge bands, the proportion of members and employers invested within that fund who are paying the level of charges indicated within the relevant band.

For example, the table below shows the distribution of charges for employer arrangements invested in the Phoenix NPI Pensions Managed Fund. If you are invested in this fund and are paying a charge of between 0.96% and 1.00%, then 10% of other employer arrangements who are invested in this fund will be paying a lower charge, some significantly so. There may have been valid reasons for this, but, in this scenario, we would encourage you to consider whether you are receiving value for money given the charges being applied to other members, alongside the fact that there will be significantly lower-charging alternatives available in the new business market.

Fund Name	< 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	0.32%	0.00%	0.83%	4.20%	2.29%	1.66%	1.34%	89.36%

The distribution of charges for all other pseudo default funds can be found within this report. For all other investment funds, the distribution of charges are available on the Phoenix **website**. The charges in the table above and within this report do not include the value adjustment, as described earlier in this report, that will be applied to many customers.

Finally, we are required to publish the charges that apply to each fund that is available to invest in for each individual employer arrangement with Phoenix. We feel that the most effective approach for members to understand the charges applicable to them, and how they compare to the charges of other members or employer arrangements invested in the same fund, is through use of the digital solution described above in conjunction with the distribution of charges set out in this report. However, we do view it as important that we present data that satisfies the regulatory requirements, and this information is available on the Phoenix **website**.

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 and the way it is invested with Phoenix 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 also consider seeking professional advice before making any changes.

Exit Charges

The majority of Phoenix plans have no exit charges, with others capped at a maximum of 1% of the plan value. We consider this to be value for money.

Further Commentary

Investment Performance

Further Commentary

Investment Performance

Overall, Phoenix's Investment Performance contribution to 2023 Value for Money for Customers is assessed as GREEN. The Assessment score of 8 was similar to the level seen in 2022 and higher than in 2021.

As ever, there were positive and negative movements underlying such a score. Higher levels of inflation have had an adverse impact on the returns from some funds and policies. Conversely, there has been some improvement in other aspects of the pension offering by Phoenix to its customers.

What do we hope to find?

- Key managed funds are delivering 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 mainly 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

- 2023 was a better year for investors; the majority of the key funds which many of you are invested in delivered positive returns over the calendar year. This should be put into context, however. The multi-asset funds in which most of you are invested had delivered strong returns in 2021, as economies started to recover from the pandemic, then poor returns in 2022, when the world economy was hit by a series of major economic and political shocks. Global stock markets recovered in 2023 as the world economy escaped recession, inflation stabilised, and central banks halted their interest rate increases. It is important, therefore, to take a medium-longer term view rather than focus on a calendar year.
- Although headline UK inflation has slowed down from the multi-decade high of 11% reached in the year to November 2022, it was still above 4% at the end of 2023, well above the Bank of England's target. This means that most investors have lost some of the purchasing power which they

built up over time in their investment pot. Nevertheless, this needs to be put into perspective. Over the long-term, your retirement pots continue to grow at a reasonable rate. Most investment funds have still out-performed inflation over periods of 5 or 10 or 15 years, depending on the fund. Secondly, the increase in interest rates in response to higher inflation means that annuity rates are much more attractive for any investor approaching retirement and considering what to do with their pension pot.

- All in all, we consider that your fund managers did a reasonable job in 2023, when compared with the specific investment brief which they had been given. The analysis we commissioned from an external consultancy (“the Redington analysis”), referred to later in this report, supports such a view. In addition, there are some signs that your fund managers have performed relatively better versus their competitors in recent years. Nevertheless, we remain concerned that less than half of all available funds were ranked in the top half of the table against similar competitor funds over all the periods we look at, which continues the adverse trend reported for several years of these annual reports.
- These points are discussed in more detail later in the report.

Key Challenges for 2023 and 2024

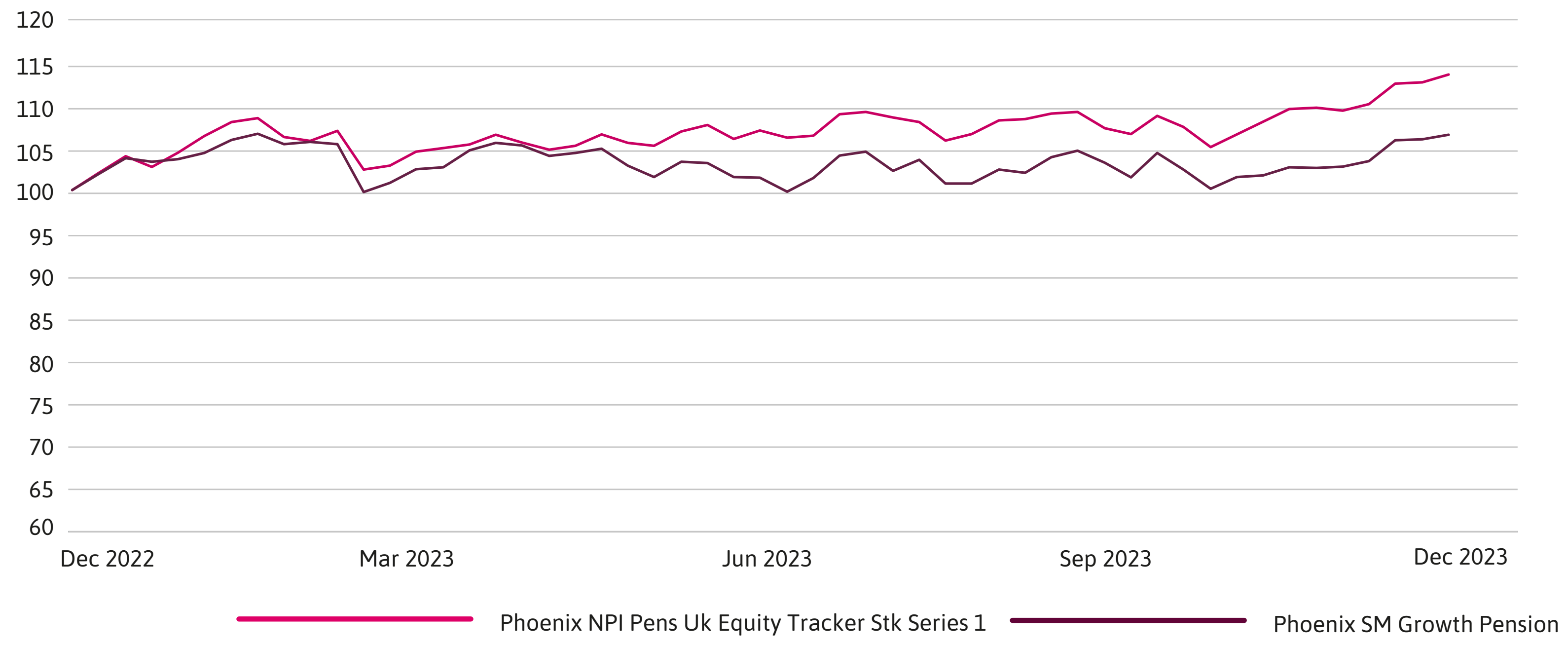
- The key challenges which we looked at last year were whether your managers improved their fund performance vs peers, to ensure long-term fund performance remains ahead of high levels of inflation, and to broaden out further the Group’s Responsible Investment Policy in your funds. These were generally achieved, as discussed below.
- The key challenges for 2024 will be to ensure that your fund managers continue to focus on sustaining long-term performance, and that processes continue to improve to handle under-performing funds, discussed in more detail in the Investment Services part.

How did your funds do in 2023?

The key funds in which most of you are invested delivered positive returns in 2023. Almost all financial markets reacted well, especially towards year end, as most economies avoided recession, inflation slowly decelerated, and central banks initially paused their interest rate increases and then opened the door to possible rate cuts in 2024. This combination of factors supported bond and equity markets and, to a lesser extent, commercial property. It reversed the poor returns seen across most financial markets in 2022 when the world economy had been affected by a series of geopolitical and economic shocks after the Ukraine invasion.

This situation 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 recovered well from the weakness seen in the previous year, and some did very well indeed. The considerable differences between the funds are not just due to the performance by the relevant fund managers; they also reflect variations in the mix of assets (bonds, cash, equity and property) held across different countries and regions. Exposure to the US equity market in general, and the largest technology companies in particular, were important factors.

Highest and lowest performing key funds in 2023



Source: FE Fundinfo, as at 31 December 2023. Percentage growth during the course of the year, starting at 100 on 1 January 2023.

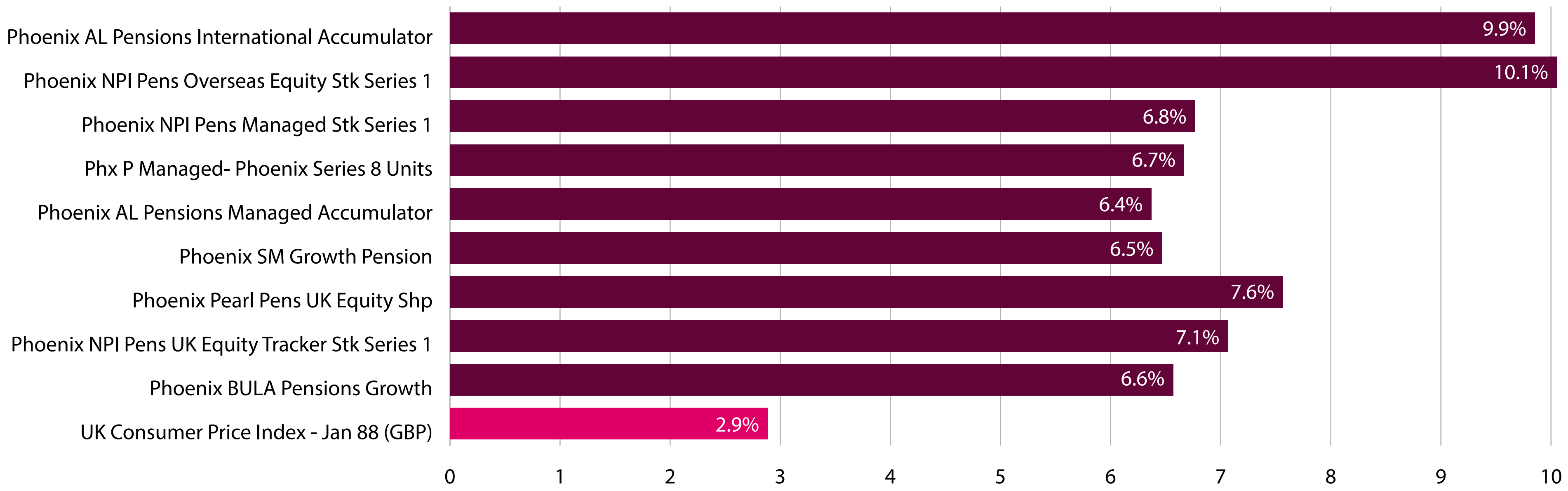
The other key funds produced returns between these two. However, you may be invested in other pension funds that have performed differently, funds that either you or your previous employer selected some time ago. We include all funds in our overall oversight as reported on the next page.

Some of you may be invested in UK-only funds. For several years the UK stock market has not performed as well as other global markets, largely due to its composition with a much higher proportion in energy and commodity stocks and a low weighting towards technology sectors. The medium-term performance of the UK stock market has been mixed in comparison with other major countries. Despite the recovery in UK share prices as we wrote this report, you may still wish to consider whether these funds are still the most suitable for your pension savings, or seek appropriate investment advice.

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. Ultimately the value of your pension depends on its purchasing power when you decide to take your money. Funds invested in stock markets would hope to beat inflation every year, but this need not be the case in the short-term. Towards the end of 2022, headline inflation in the UK reached 11% year on year, a multi-decade high, whilst most stock markets were rather weak that year. Over the longer term, however, these shorter-term influences matter less, 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 about 3% a year, and the graph below shows that all the 9 key Phoenix funds have beaten inflation over that period, some by a considerable margin.

15 Year Annualised Performance (%) of Key Funds and CPI



Source: FE Fundinfo, data to 31 December 2023.

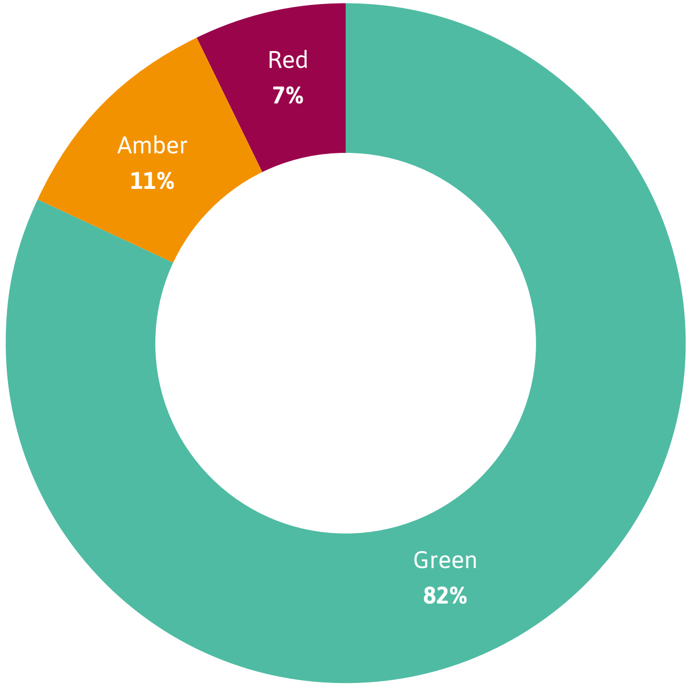
We also looked at fund performance versus inflation over shorter time periods. We are pleased to see that all of the nine key default funds managed by Phoenix have exceeded inflation over the past 5 and 10 years, although in some cases only by modest amounts, which means that the real purchasing power of your investment has been sustained. 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 (for instance, it may be a cash fund or fixed interest fund) 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 All-Share, or a customised combination of indices, or the average return of a suitable peer group. We look every quarter at key fund three-year performance, and the RAG assessment considers 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. However, we understand that, in the short-term, results can be more variable. During 2023, for example, global stock markets waxed and waned for much of the year before performing very strongly in the final few months.

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 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. Indeed, the good news was that after some weakness in 2022, the RAG status recovered well in 2023 and was more akin to the best performance seen back in 2021.

Performance RAG distribution (rated funds)



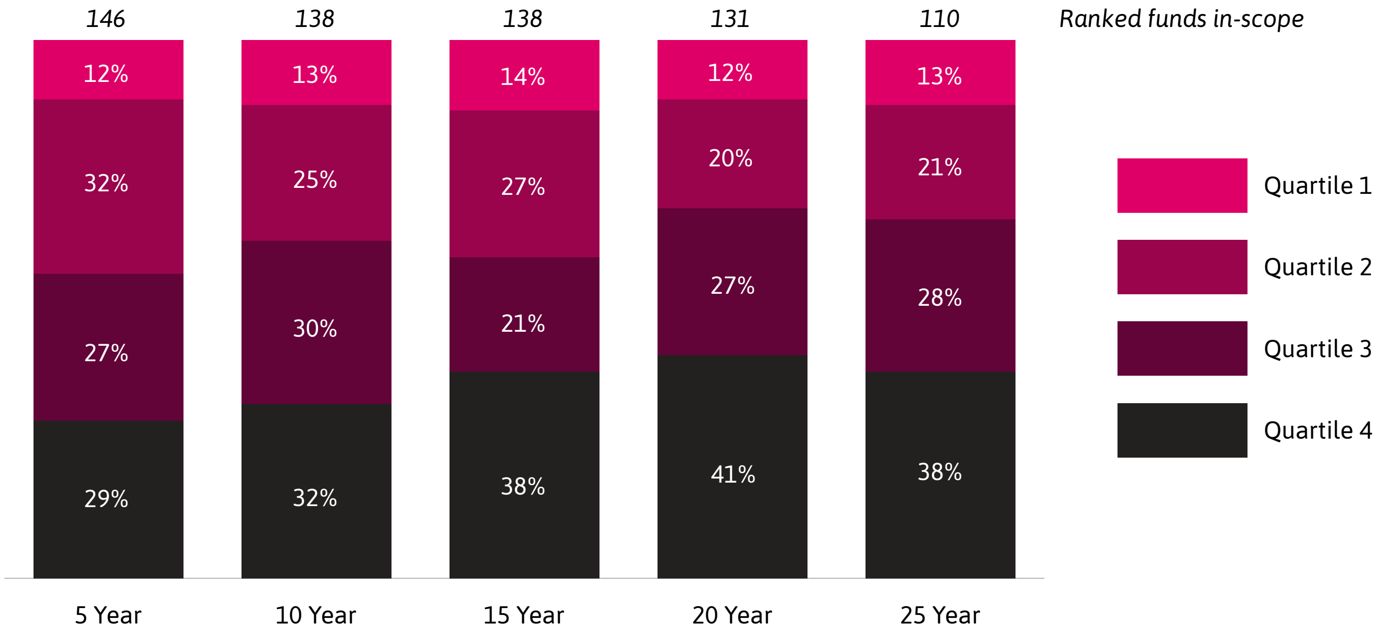
There were 5 (3%) unrated funds due to unavailability of data

How do these funds compare with peers?

The quartile rankings of those funds which can be compared against similar competitor funds over various periods are set out below. We use analysis provided by the Association of British Insurers (ABI) which examines funds across a variety of sectors and types. 'Quartile ranking' involves arranging all similar funds in order from the best to worst performing, and then dividing the list into four groups, with quartile 1 reflecting the best performing quarter of the list, quartile 2 the next, and so on, meaning quartile 4 contains the worst-performing funds.

2023 saw a continuation of the adverse situation seen in recent years, with the majority of funds over all periods in the bottom two quartiles (i.e. in the lower half of the table). There was better news, however, as the proportion of funds in the top two quartiles over the last 5 years has improved to over 40%, compared with about one third in previous years. In other words, the more recent years are starting to score better than the years they are replacing, as these drop out of the calculations. It appears to be the case that a stronger focus on investment performance across Phoenix is starting to bear fruit.

Quartile Rankings (Ranked Funds)



Source: FE Fundinfo, data to 31 December 2023.

Although we can analyse Phoenix's performance, we don't know how competitor results were achieved. Nonetheless, despite recent improvements, the overall result is still 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?

Each year, we commission Redington, a firm of investment consultants, to carry out a broad review of Phoenix Group pension products, comparing them with other major providers. We are reassured that this external analysis by Redington has not highlighted any issues that were not already known and understood. A description of how the Redington survey was carried out is in the Supporting Material section later in this **report**.

What did Redington conclude about Phoenix Life?

Most default funds are structured as lifestyle strategies; these have a growth phase during which the pension pot is built up, then a de-risking phase when more of the assets are moved into safer bonds and cash before the normal retirement date. However, as Phoenix Life does not use such a flagship default strategy, instead Redington used several of its largest multi-asset managed and growth funds in the comparative study. The asset allocation therefore remains the same during the growth and retirement phases, i.e. regardless of a customer's age. Analysis by Redington in previous reports to the IGC indicated that such managed funds were more suitable for the later years of saving for retirement rather than the early years, but they were appropriate given the average age profile of customers invested in these legacy funds.

A few important features can be emphasised from the Redington study: during the growth phase, the risk vs. return profile of the Phoenix Life funds is towards the lower end of the range. The reason is that the asset allocation of the Phoenix Life managed fund has a relatively lower weighting towards growth assets such as equities and a higher weighting towards assets such as bonds that have been included to dampen volatility. Conversely, during the pre- and at-retirement phases, the managed funds have a higher equity weighting than those other default strategies which use a life-styling approach. As Redington concluded 'this approach has resulted in past performance being generally towards the lower quartiles during the growth phase, but towards the upper quartile closer to retirement'. Next, the Phoenix Life funds place a greater emphasis on active rather than index or passive investing compared with most competitors. This might have implications for costs and volatility. All in all, such analysis means that it is even more important that the policy holder, or their adviser, decides whether such an approach is fit for their retirement purposes.

The Redington study also included analysis of with-profits funds, although on a rather smaller scale. Six providers gave data for 18 funds over different time periods. Phoenix Life funds showed mid-range long-term performance, although the precise details of each fund (such as guarantees) will matter considerably. Transactions costs and other charges were also broadly in line with competitors. We discuss with-profits funds in more detail in the following pages.

What about the performance of with-profits funds?

With-profits funds are a long-term investment, and comparisons with other pension schemes are not easy. The good news is that most with-profits plans continue to give a decent long-term performance in relation to inflation. The bad news is that the degree of out-performance has narrowed noticeably in recent years. The particular details of each product are important as we discuss below.

It is not straightforward to compare short-term performance in with-profits funds against unit-linked funds given that year-to-year bonus rates will be affected by various factors. These include smoothing, where eventual payouts will reflect both the performance of the underlying asset shares and any estate distribution, plus any investment guarantees. A Market Value Reduction (MVR) may also apply if the policy is taken earlier than at retirement. VFM can really only be assessed once benefits are finally taken.

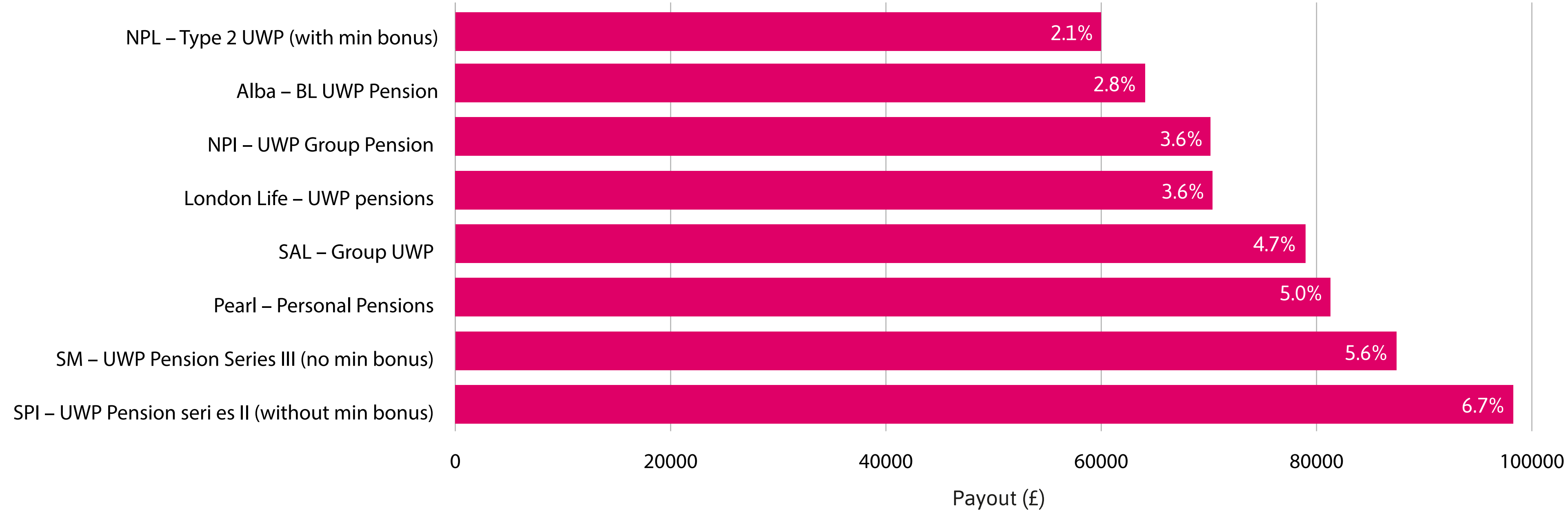
In addition to tracking the performance of the underlying asset shares net of costs, which is what drives terminal bonuses and guarantee deductions, and also monitoring the allocation across different asset classes and regions, which is important for likely future performance, we also look at historical performance over various time periods especially in relation to inflation.

The surge in inflation seen in 2022, at one point reaching over 11%, followed by lower but still historically high rates of inflation in 2023, has had a material effect on many pension plans. It is a concern that some of the with-profits funds which you are invested in no longer provide a decent return over and above inflation during the past decade.

However, it is important to remember that with-profits funds are long-term investment vehicles. Hence, we are reassured that most funds have performed well in relation to inflation over the longer-term. We have examined 20-year payouts, and concluded that returns on premium on retirement in 2023 were reasonable compared with headline CPI inflation which averaged about 2.75% a year over the whole of that period. Indeed, in some cases long-term performance from your funds has been very good.

The differences in performance largely reflect the mix of assets held within those with-profits funds, how much in risk-seeking equity and how much in hopefully risk-dampening bonds. In addition, the details of many of these funds require careful examination. For example, many of the funds with a low equity weighting benefit from an annual guarantee which can protect the fund during difficult times. This emphasises once again the need to take a long-term view when investing in with-profits funds, and looking at the specific details of the fund you are invested in.

Example 20 year payouts and return on premium



What about MVRs?

We have been concerned about one aspect of with-profits funds, namely Market Value Reductions (MVR). If a policyholder decides to surrender or transfer their policy, or retire before the selected retirement date, then Phoenix does not guarantee the amount they will get back from the policy and may apply an MVR. This ensures fairness, that the surrender or transfer value is not unfairly higher than the policyholder's share of the underlying value of the fund. The size of any MVR applying depends on the timing of investments made and can be rather large, for example averaging 40% for some policies in the NPL With Profits Fund.

Last year, we reported that Phoenix Group were considering options for reducing the large MVRs applying on this block of business under a "Cost of Living" project. Based on current economic conditions, removing the MVRs for these policies is not a viable option. Phoenix Group are monitoring this and continuing to explore alternative options to reduce the impact of these MVRs such as MVR caps that smooth payouts into the retirement benefit. The IGC will continue to keep a close eye on this situation.

Nevertheless, we have been reassured that the potential difference between transfer values and retirement values relating to with-profits products (that is the effect of the MVR) is clearly set out and explained to you. This is both in your regular statements, examples of which we have examined, and in anonymised recordings of phone calls with customers, which members of the IGC have listened to.

How are ESG (environmental, social and governance) investment issues considered in your pension plans?

Following the publication of the Phoenix Group's Responsible Investment Philosophy, the company began discussions with key asset management partners (AMP) about the likely impacts on mandates under their control (see also the Investment Services section). The IGC monitored these developments during 2023, including an in-depth discussion at year end. The Phoenix Group has required its AMP to evidence how they ensure material ESG (Environmental Social Governance) considerations are embedded effectively in investment decisions and stewardship activities. This is followed up with detailed discussions on such issues as governance and commitments, integration, voting and engagement, reporting, climate change, nature and human rights. It is early days but over time we consider that such reviews should ensure a better balance of risk versus reward for your investment funds.

You will find more information about all this in the ESG sections of this report.

Further Commentary

Investment Services

Further Commentary

Investment Services

Overall, Phoenix's Investment Services contribution to 2023 Value for Money for Customers is assessed as GREEN. Assessment criteria scores at 8 in 2023 were back to the level seen in 2021, reversing a dip to 7 in 2022.

What do we hope to find?

- That the funds offered to you are well-designed, well-managed and governed in order to meet your expectations.
- To assess this we look at regular governance reports, particularly focusing on actions taken to address any issues uncovered.

What did we find?

- Continuing evidence of ongoing reviews of fund managers and the briefs they had been given, with regular advice on improvements, and changes being implemented where necessary.
- Further actions to strengthen the Strategic Partnerships and Research (SP&R) team, which oversees your funds.
- The IGC had been concerned at the length of time on occasion it took for poorly-performing funds to be replaced with suitable alternatives. However, we undertook a deep-dive analysis with the company and have been reassured that lessons have been learned and systematic improvements made to the processes to deal with such funds. We will continue to monitor this issue closely into 2024.
- Actions are underway to implement Phoenix's Responsible Investment policy in mandates under Phoenix control.

What was the Key Challenge for 2023

The main issue was to embed the Responsible Investment Policy in your funds. There has been some progress in this area, although more still to do.

What evidence is there of ongoing review of your funds?

Phoenix's internal governance team report to us every quarter under a Red/Amber/Green or 'RAG' system. It identifies and provides commentary on why funds are flagged as Amber or Red, and whether any further action needs to be or is being taken, engaging with the fund managers as necessary. Where Phoenix controls the mandate, the Strategic Partnerships and Research (SP&R) team (formerly known as the Manager Oversight team) make recommendations to the Group's Investment Committee and can implement any changes to the mandate or manager required once approved. However, if you or your employer had specifically chosen a particular fund then, whilst poor performance might be highlighted, ultimately you or your employer would need to make the necessary switch.

Last year, we saw the UK equities changes being implemented, which had been recommended and approved in 2022, with assets moving from abrdn to Enhanced Index strategies managed by Invesco, Janus Henderson and HSBC Asset Management. We have also seen changes to North American equities mandates with assets moving from Active to Passive management with abrdn. There has also been an allocation in with-profits funds to a Multi Asset Climate Solutions mandate managed by Robeco.

What improvements have been made to governance processes?

- During the year, the Strategic Partnerships & Research (SP&R) team was strengthened, with the addition of four new analysts and the integration of three members from the Relationship Management team. Oversight scope was also increased, with the addition of new External Asset Management partners taking the total now to twenty-six companies. Enhancements have been made through improved performance Management Information from managers delivered in a consistent format, efficiencies in actions following quarterly governance meetings, and a new monthly Policyholder Investment Forum chaired by the Head of Policyholder Assets.

What about poorly performing funds?

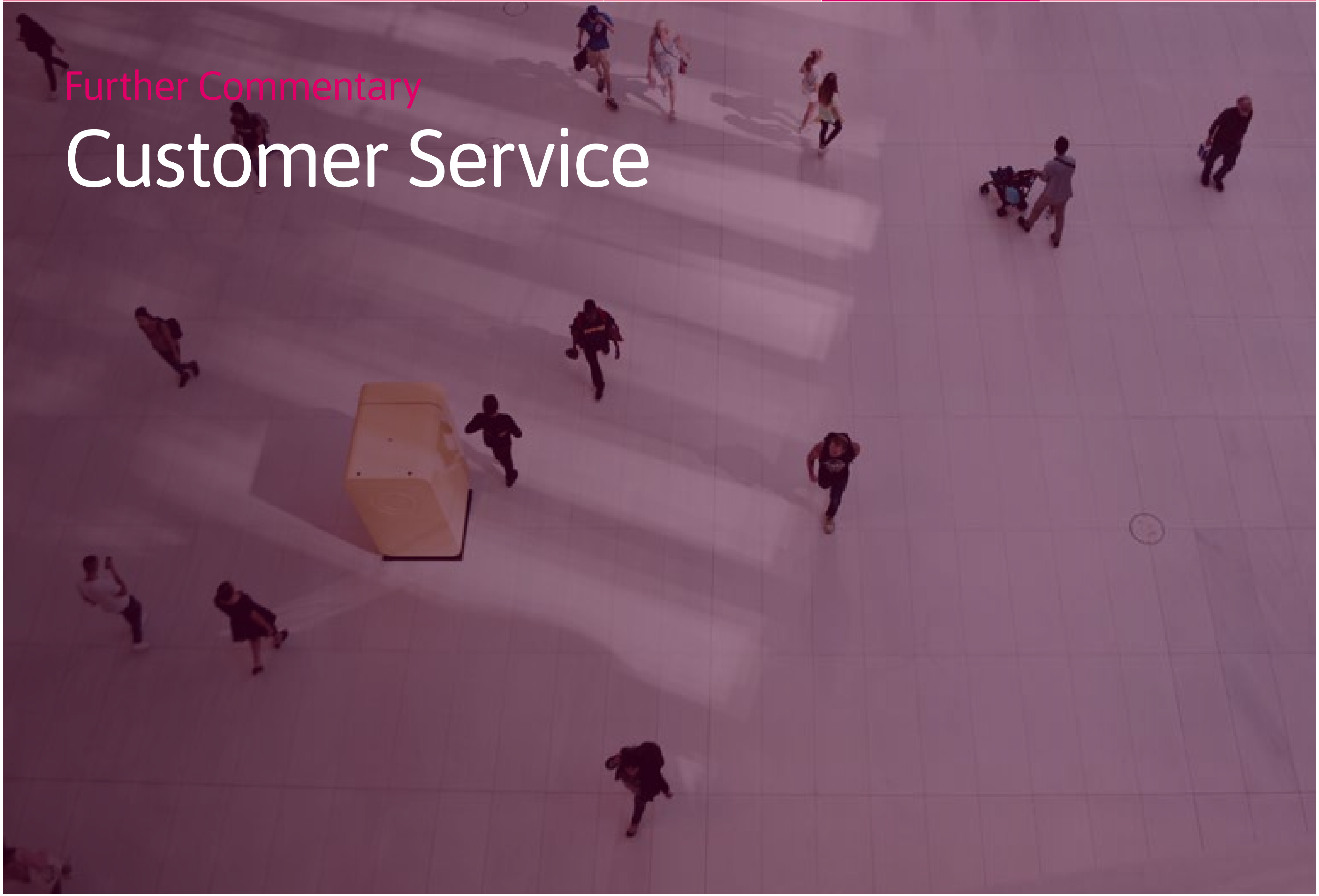
- The IGC had been concerned on occasion at the length of time it took for some poorly-performing funds to be replaced with suitable alternatives. However, we undertook a deep-dive analysis with the company at the end of 2023, and have been reassured that lessons have been learned and systematic improvements made to the processes to deal with such funds. The SP&R team explained their work with the key asset management partners who manage your pension funds, firms such as abrdn, Legal & General, HSBC and Janus Henderson. The governance process necessarily takes time, involving rectification discussions with the company, then potentially a search for a new strategy or recommended new partners. However, the process has been tightened, and we will continue to monitor this issue closely into 2024.

How will Phoenix's Responsible Investment policy be reflected in my investments?

- As featured elsewhere in this report, Phoenix's group-wide investment policy reflects exclusions of certain stocks and sectors, tilting portfolios towards others, and incorporating explicit carbon-reduction targets. For active mandates under Phoenix control, Phoenix is currently engaging with its strategic managers to implement the Exclusion Policy, but not the tilts or carbon-reduction targets which are deemed to be too great a change for these legacy funds which were chosen by you or your ex-employer long ago. However, some new funds with specific ESG features have been launched and are already available for you to switch into. You will find more information about all this in the ESG sections of this report.

Key Challenge for 2024

- To improve the speed with which poorly-performing funds are removed or turned around.



Further Commentary

Customer Service

Further Commentary

Customer Service

Overall, the IGC has given Phoenix a rating of AMBER for customer service in 2023 with a score of 6, for the following reasons:

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". Our actual assessment of customer service is much wider than this and in 2023 we looked at customer service across 23 customer journeys, considering: Did you receive timely service? Was the quality to expected standards? Did you feel it was easy to service your pension?

We trialled a new scoring methodology which looks at each of the 23 journeys on a quarterly basis across these three lenses, scoring 7-9 for good-excellent, 4-6 for adequate but with areas for improvement and 1-3 for poor customer service. This methodology has proved incredibly helpful and has enabled different parts of the Phoenix Group to more easily compare and calibrate their customer service offering. The IGC expects to further refine this methodology throughout 2024. To inform our assessment we consider a variety of information across the three lenses, including:

Did you receive timely service?

- Performance against target service levels.
- How complaints are dealt with.
- Call centre answer and abandonment rates.
- The results of external benchmarking conducted by independent consultants.

Was the quality to expected standards?

- How the firm services vulnerable customers.
- The output of internal assurance activity and testing.
- Data security standards.

Did you feel it was easy to service your pension?

- Customer survey satisfaction scores and feedback.
- Complaint levels, themes and the action taken by the firm in response.
- The number of complaints overturned by the Financial Ombudsman Service.
- Availability and functionality of online and offline channels to service your pension.

2023 Service Levels and Performance

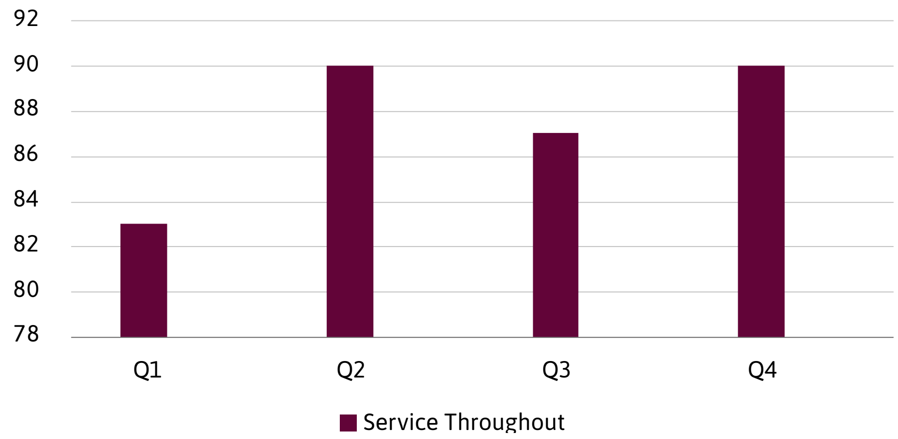
The vast majority of customers received adequate customer service during 2023. Some large mailings generated increased call volumes and enquiries. Coupled with staffing issues, this caused delays and customer dissatisfaction throughout Q2 and Q3.

Phoenix experienced high levels of calls and enquiries in 2023. Its outsourced partners struggled at times throughout the year to cope with this increase in demand. Call abandonment rates and service throughput were impacted, causing a decrease in customer satisfaction. However, quality standards remained high, customer outcomes remained protected and incident management of the outsourced service providers was appropriate. Volumes have now settled, recruitment of colleagues has increased, and recent service levels have improved.

Service Throughput

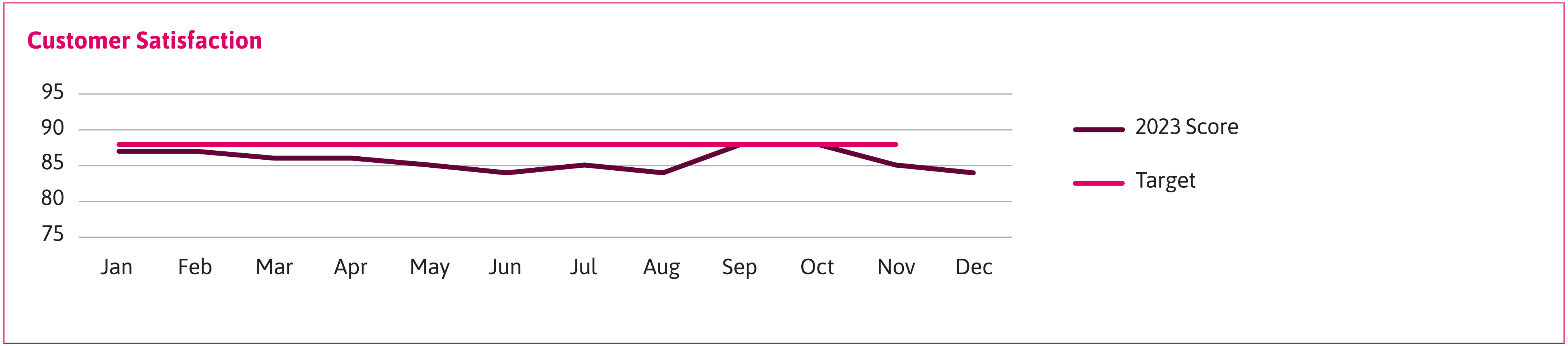
- Although the service level target of completing 90% of transactions in 20 days was only met in 4 months of the year, overall service levels were acceptable across the year with a minimum of 79.5% completed within target in any month. However there are certain processes, particularly around complex cases, where improvements are still needed.

Service throughput meeting target in 2023



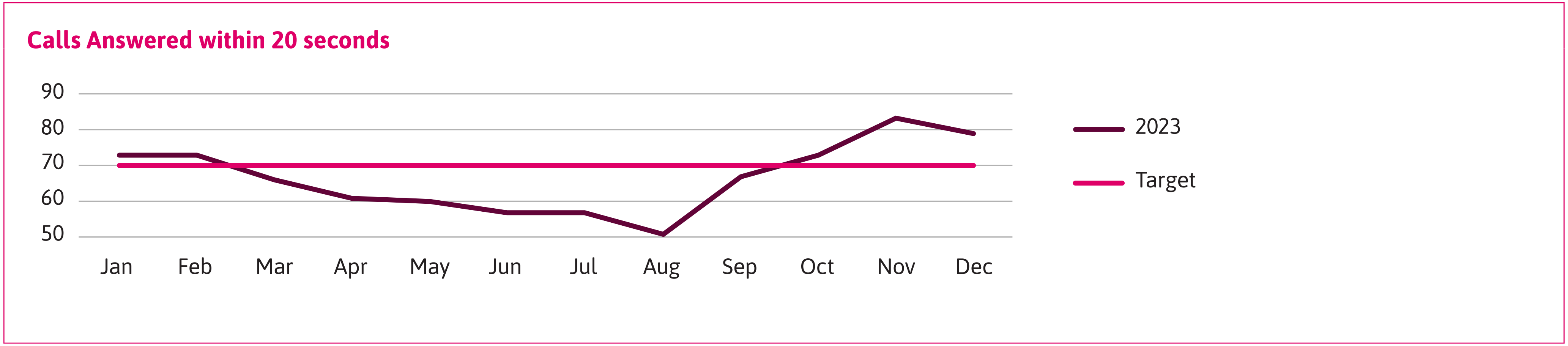
Customer Satisfaction

- Customer satisfaction was slightly below the target of 88% satisfied/very satisfied for most of the year, with a low of 83%. NB this is for all Phoenix Life customers as Phoenix Life cannot yet provide this for just IGC customers.

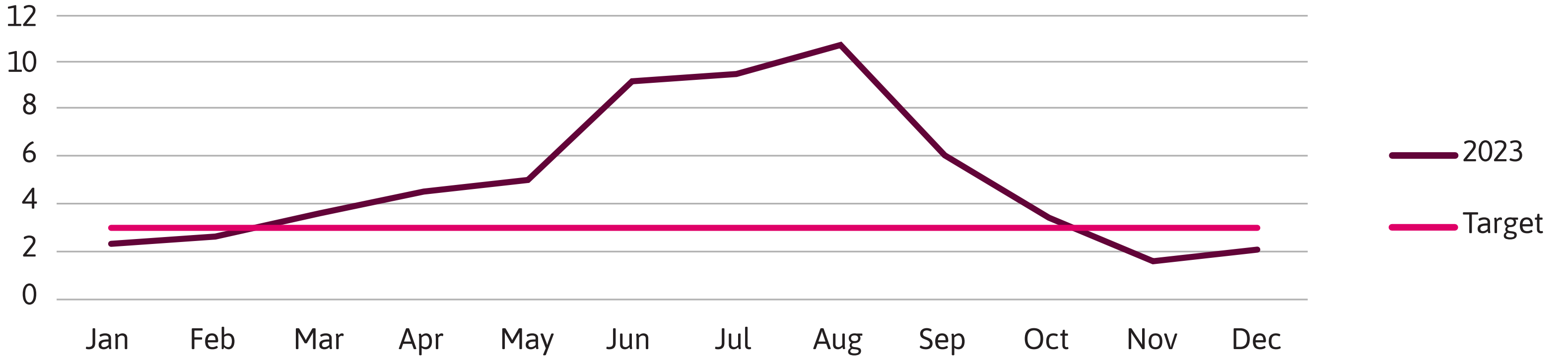


Call Centre abandon rate

- Increased volumes of calls caused from enquiries regarding planned mailings resulted in abandon rates missing target in 8 months of the year. NB this is for all Phoenix Life customers as Phoenix Life cannot yet provide this for just IGC customers.



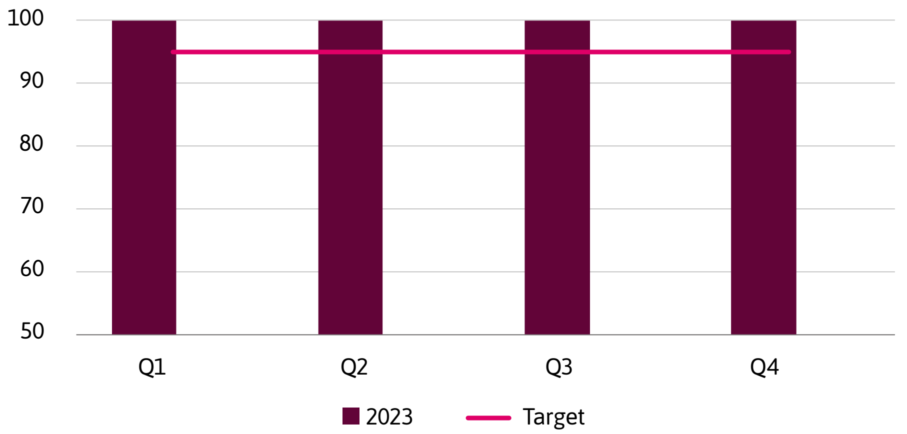
Calls Abandonment Rate %



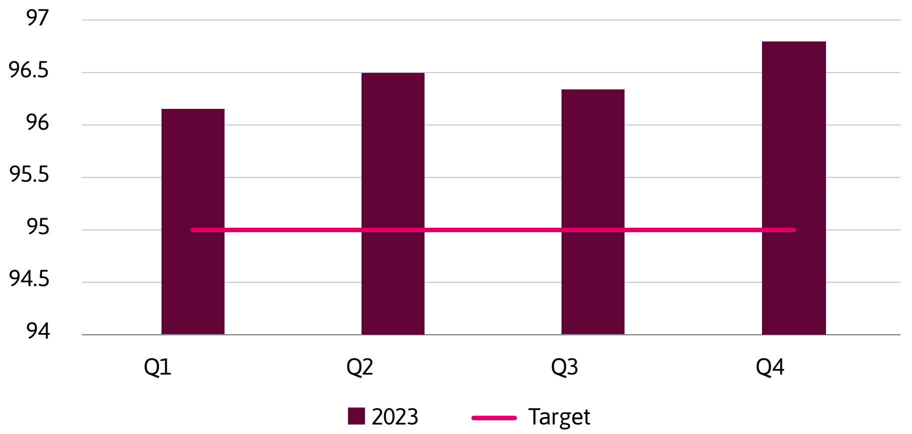
Quality scores/incidents

- Quality of customer service remained high throughout the year across both telephony and back-office checks.
- Incident management at the outsourced service providers is strong.

Telephony QA



Back Office QA



Areas of particular focus for the IGC in 2023 were:

Processing retirement and transfer out requests

Gaining access to your pension money is often the key transaction customers wish to make. Phoenix has generally processed retirement and transfer out requests well, with back-office processing 91% of work within agreed targets and transfers using the Origo transfer service completing in 11.7 days vs the industry average of 13.6 days.

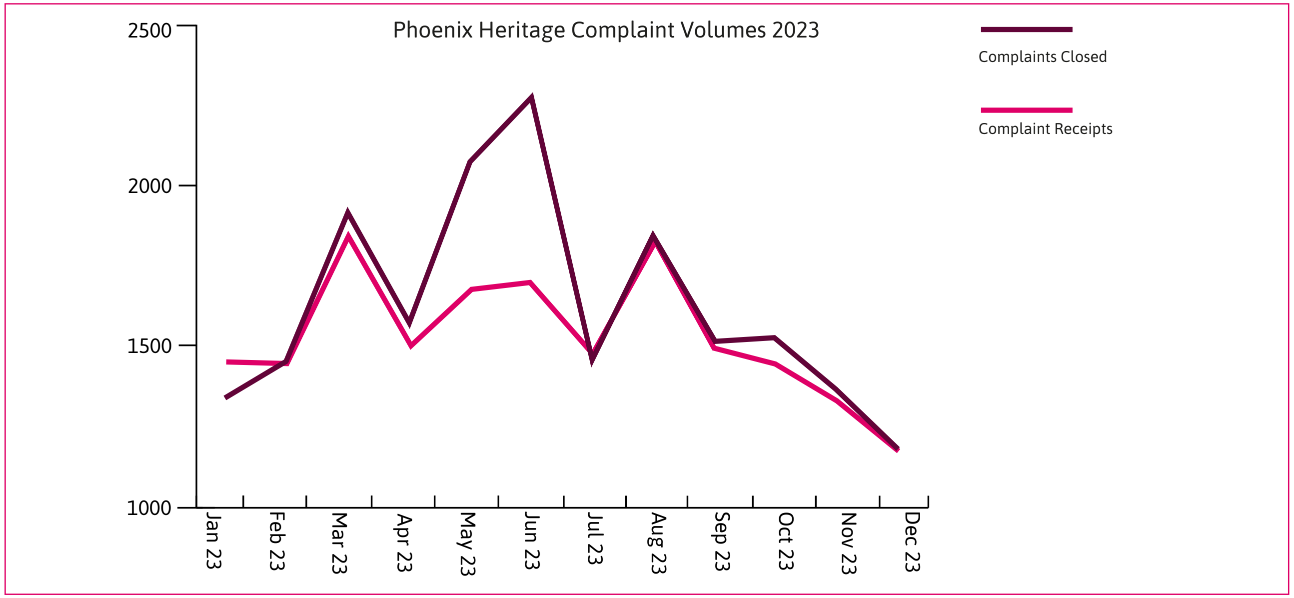
Bereavement

The service given to those who have recently experienced a bereavement is a key focus of the IGC given the emotional and financial impact this can have on individuals and families.

Bereavement claims continued to be a challenging area for Phoenix in 2023 with a small number of IGC claims taking in excess of 100 days to complete against a target of 45 days. Volumes of claims are very low (114 IGC Bereavement claims in 2023) and consequently completion times can be skewed by complex cases. However, the IGC does feel process improvements could be made.

Complaint Handling

Complaint volumes remained stable throughout 2023, with servicing complaints of approximately 0.5% per transaction.



The handling of complaints remains acceptable with 34% resolved within 3 days and 75% within 8 weeks, with just 3.2% being referred to the Financial Ombudsmen Service (FOS), indicating complaints are generally resolved to customers' satisfaction. This is a solid improvement on 2022. Of those referred to FOS, 32% were overturned (vs industry average for 2023 of 40%*) indicating Phoenix Group's approach to complaint management is more in line with FOS' expectations than its peers.

The IGC completed a deep-dive into complaint volumes and root cause analysis in 2023, gaining reassurance that complaints are taken seriously and good customer outcomes continue to be the priority.

Vulnerable Customers

Phoenix Group has a group-wide Vulnerable Customer Framework with a set of VC Principles and Standards, which fully embeds the latest FCA guidance and has won numerous industry awards. There is a dedicated VC Centre of Excellence team responsible for embedding this Framework across the Group.

During 2023, Phoenix fully aligned its operations to this framework including training, system enhancements and process improvements. Focus has been placed on supporting customers in extreme financial hardship, prioritising payments to these customers and signposting additional support.

*Financial Ombudsman Service data

Channel choice

As customers are migrated on to the new IT systems of the outsourced provider Diligenta throughout 2024 and 2025, you will be able to access the Phoenix app and MyPhoenix secure dashboard, with functionality to view your pension details, manage beneficiaries and secure message. Currently many of you can only access the Phoenix Life website where you can complete online forms to create a transaction request. Although functionality on all the digital channels is improving, it remains limited and all customers have yet to be given access to MyPhoenix and the App.

Cyber/Data security

Keeping your money and personal data safe and secure is of paramount importance. The key risk to manage across financial services companies worldwide is the increasing frequency and sophistication of cyber-attacks, both on Phoenix and the companies that it works with to supply your products and services.

Throughout the year, the IGC has continued to monitor the controls the Phoenix Group has in place to protect your information and money, and in November reviewed the results of the Annual Cyber Threat Assessment.

A few key highlghts from this assessment include:

- A focus on strengthening the oversight of third party suppliers, by performing additional due diligence and assurance on its most critical suppliers.
- Re-certification of Standard Life Workplace business's ISO27001 certification by an annual independent audit (although this is a separate brand within Phoenix Group, it demonstrates the firm's Information Security policies are in line with international standards).
- Improvements to the Information Security operating model across the Phoenix Group.
- Enhanced monitoring of cyber threats and internal vulnerabilities.
- Improving the security culture throughout the organisation, by enhancing its employee education and awareness capabilities.

The business recognises that there is a constant need to improve in this area, due to the growing sophistication of cyber-attacks and emerging risks such as Artificial Intelligence and Quantum computing.

Our conclusion is that Phoenix Group have an acceptable Information Security strategy and, although they have improvements to make, are taking appropriate action to keep your data and money safe.

Key Challenges set for 2023

1. To urgently improve the tracing of gone-away customers and standardise processes in line with the Phoenix Group.
   Not yet achieved. A 'Gone Away' project has been initiated but has not yet delivered. See the Communication and Engagement section for more information.

2. To continue to develop services for vulnerable customers. Achieved.

Key Challenges for 2024

1. Improve customer service standards to target levels.

2. Roll out digital access to all workplace customers.

3. Improve the Bereavement process for customers, to reduce the overall time.

Further Commentary

Communication and Engagement

Further Commentary

Communication and Engagement

Phoenix has made some developments to its communication and customer engagement in 2023. However, these have been limited and together with the lack of digital capability, low levels of customer online registrations and low graphical content, we award them an AMBER rating.

Why are communications from Phoenix important?

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

Your IGC is responsible for determining whether Phoenix's communications to customers are fit for purpose and properly take into account customer's characteristics, needs and objectives.

We have assessed a wide range of communications, including digital, produced by Phoenix during 2023, across each stage of a customers' journey from joining to retirement and evaluated them in terms of the following aspects:

Are the communications clear and well presented?

- Good content e.g. appropriate use of tone and terminology, written in plain English and easy to understand, relevant and informative.
- Layout e.g. well presented, professional in appearance with good use of imagery and graphics.
- Personalised e.g. relevant to each reader with customer specific data and issued in a timely manner to enable customers' to make informed decisions.
- Supports vulnerabilities e.g. takes into account any disabilities or vulnerabilities of customers.

Are there suitable digital options?

- Multi-channel e.g. web site and/or Apps and consistency of communication across online and paper.

Are customers engaging with the communications?

- Reaction e.g. if the communication is opened and read.
- Interaction e.g. the extent that customers use the information or interact further with Phoenix.
- Action e.g. if customers take action as a consequence of the communication.

Are the communications clear and well-presented?

Phoenix's communications are 'fit for purpose' and take into account customers' characteristics, needs and objectives. However, their overall 'readability' could be improved and they have a very low graphical/image content making them potentially less engaging to some customers.

In addition to the IGC seeking evidence regarding how each communication has been designed and/or presented to make it as accessible and appealing as possible, customer insight is critical to understanding the needs, feelings and feedback of customers in relation to all aspects of their experience with Phoenix. Phoenix therefore continues to collect insight from customers through their 'Customer Feedback' programme.

Key metrics coming out of their Customer Feedback is positive following telephone calls for 2023 at 86% rating 'good' or 'excellent'. We would like to see, however, Phoenix capturing more feedback from customers, particularly in terms of their general and digital communications.

Is there good utilisation of digital media?

Phoenix offers online functionality and through an App. However, their overall digital capability is fairly low compared to the market.

The number registered for digital solutions is growing and has gone from 3% to 5% of customers in 2023. Despite systems constraints preventing digital availability to some customer groups currently, we would still like to see considerably more customers engaged and utilising the services.

Are customers engaging with the communications?

It can be difficult to measure the true degree that customers are actually engaging with any communication, particularly if paper-based. We can, however, ensure that Phoenix hold both up-to-date physical and email addresses to ensure they are being received. Additionally, for digital communications, we can track 'open rates' and viewing data to determine if customers are opening the communications and their level of engagement.

The IGC is particularly interested in the efforts Phoenix goes to, to reunite customers with their pensions. Phoenix is no longer open for 'new business'. Companies who have older products often struggle with keeping up-to-date customer addresses and Phoenix is no different. Over 60% of the Phoenix IGC in scope customers have been analysed and of these 17% are considered 'gone away'. This is a significantly high proportion of customers and the IGC has urged Phoenix to improve its Gone Away tracing programme. During 2023 the firm trialed a new forensic tracing service with 9 'high value' gone away customers and identified 6 they could reunite with their pensions, showing the benefits of this approach. A project to enhance the Gone Away tracing process has now been agreed by the Board, and the IGC is expecting to see results later in 2024.

Email addresses are becoming more and more important in our digital world. They make it easier to communicate to customers in a more engaging way. Phoenix currently only has email addresses for less than 15% of their customers which needs to increase in order to be able to offer strong engagement.

We would also like to see more data to understand if customers are really engaging and taking action appropriately.

In addition to communications specific to your pension, we also encourage Phoenix to engage on wider, but relevant, financial matters. The IGC is conscious that events in the market and the wider economy can have a significant impact on members of workplace schemes. This was a particular cause for concern in relation to customers who were approaching retirement during recent market turbulence. We were very aware that many of these customers were likely to have been unable to delay taking their benefits in order to wait for calmer times.

There is clearly a limit to what any firm can do to protect its customers from the type of extreme conditions we saw during that time. As an IGC, our focus was therefore on what Phoenix did to make their customers aware of the situation, understand the impacts on their personal situation and take the best decisions in the circumstances. We were pleased to see that Phoenix made changes to retirement journeys and communications to support customers. This included changes to retirement webinars and support for vulnerable customers and, for example, enhanced call scripts. We were also pleased to note that they followed this internally with a 'lessons learned' approach to consider improvements for future communications.

Update of the Challenges we set last year

1. To ensure all outsourced providers are utilising the Fit for Purpose Protocol. Achieved.

2. To improve the speed of rollout and the digital offering for Phoenix customers to ensure that they are not left behind other parts of the Group. Not achieved. Digital capability is still relatively low compared to the market.

Challenges for the year ahead

The IGC has challenged Phoenix to make improvements In the following areas:

- Urgently improve the Gone Away process.
- Update the 'look and feel' of key communications, to make them more appealing and engaging to customers and reinforce the Phoenix branding.
- Phoenix's digital capability is currently behind the market so we would like to see further development of the functionality offered to customers. However, they are currently undergoing a transformation project which, until completed, will hamper development of their digital capability in 2024/25. In preparation to capitalise on future digital developments, we are challenging Phoenix to increase the number of emails held for customers (as currently only 15%) and take action to increase online registrations and usage with their current capability.
- Take action to increase online registrations and usage with current digital capability (ready for further digital development).

Further Commentary

ESG and Stewardship

Further Commentary

ESG and Stewardship

IGCs are required 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 and/or investment pathway funds. 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 (Financial Reporting Council) 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”).

The Phoenix Group, of which Phoenix Life is a part, takes its responsibilities to the environment and wider society very seriously. For many years, it has published reports of its activities in these areas, and these can be found on the Phoenix Group **website**. While setting a helpful context for the IGC’s assessment, our focus is narrower and concentrated on the adequacy and quality of the policies that impact the investment returns that in-scope customers receive.

In recent years’ reports, we have outlined the important steps that Phoenix Life had taken, as part of a wider initiative across the whole of the Phoenix Group, to ensure Responsible Investment principles were taken into account in their investment decision-making.

In 2023, significant further progress has been made to strengthen the policy framework that applies and ensure that it is robustly implemented. In particular:

- Phoenix has further strengthened its **policy framework**. The existing policies that deal with ESG and Stewardship considerations have been put through their annual review and updated as appropriate. In addition, the conflict of interest process has been strengthened, following an external review that Phoenix Group commissioned. A new Sustainable Investing Risk Policy is under development which will strengthen and centralise the monitoring and managing of the relevant risks.

- During 2023, Phoenix Group obtained a review of the governance infrastructure around Responsible Investment, to ensure that it is as effective as they think in ensuring that the policy intentions are definitely carried out, and can be seen to be. The review found no major issues with the framework. The ESG assessment framework covers all the asset managers that the Phoenix Group partner with, with enhanced oversight in place that applies to the Group's five strategic asset manager partners. The framework supports the evaluation of a manager not only on its ESG capabilities at the firm level, but also on how a relevant strategy integrates ESG issues into investment analysis and stewardship activities.
- During 2023, further improvements were made on extending the amount of reliable and relevant data available to Phoenix Life and the wider Phoenix Group in order to assess progress on their climate change targets and inform relevant decision-making. This data is key to the work of the team that oversees the investment decisions carried out on Phoenix's behalf by its fund manager external partners and the extent of scrutiny on ESG and Stewardship activity that they carry out. The data also forms a key foundation for the implementation of the Voting Policy that was first developed in 2022.
- Phoenix continues to improve the visibility of its ESG and Stewardship activities to you as customers. There is a whole suite of related documents available on the Phoenix Group website, including the annual **Group Climate**, **Sustainability** and **Stewardship Reports**, the **Group's Net Zero Transition Plan** (published In 2023) and, new this year, the **Phoenix Life Fund Climate Report** that gives, as at 31 December 2023, information on what climate change could mean for each of the unit-linked and with-profits funds that Phoenix Life offers. They also published a Climate Information Guide that aims to explain what many of the commonly-used terms and metrics mean, along with a helpful Responsible Investing "jargon buster".
- Phoenix Group carries out regular research on what customers want regarding ESG investment choices and associated communications. The findings are used to inform the range of funds made available to you and the publications produced. The results of the 2023 survey were published in May 2024 (available on the Standard Life **website**). The document includes an explanation of the actions that are being taken In response to the customer views expressed – one of which is the development of the "jargon buster" mentioned In the previous bullet.
- During 2023, no additional funds were added to the range of self-select responsible investment funds, leaving the total available to Phoenix workplace pension customers at 6. However, as noted earlier, significant progress was made on the development of a range of Climate Aware Equity Benchmarks that, in due course, will be used to protect Phoenix-designed policyholder portfolios against the risk of climate change.
- Last year's report contained two Key Challenges for 2023:
  - To widen further the range of Responsible Investment fund choices available to customers, and enhance the climate risk management within the investment approaches; and
  - To enable customers to see more easily the beneficial Impact on the environment and society of how Phoenix funds are invested.

The key development related to the first challenge was the development of the new Climate Aware benchmarks mentioned above. The first two benchmarks, covering UK and US equities, were launched in 2024 and these will soon be incorporated into the operation of Phoenix-designed funds. The IGC was pleased to see these new developments being implemented and are keen that they be incorporated into the operation of all Phoenix-designed workplace pension managed funds as soon as possible.

The key development related to the second challenges was the publication of the Fund Climate Report mentioned above. While a step in the right direction, the IGC is still keen to see the helpful ESG-specific reporting that has been introduced for a key Standard Life pension fund extended to Phoenix workplace pension choices.

- Phoenix Group is also continuing to take more of a leadership role in the industry, championing good practice in this important area. Amongst the key developments in 2023 were Phoenix Group being accepted by the Financial Reporting Council (FRC) as a signatory to the UK Stewardship Code, and also Phoenix Group signing up to the UK government's Mansion House Compact and supporting the opportunity to unlock more pension fund assets to stimulate growth and support progress to net zero whilst also keeping policyholder protection at its core.

The IGC has been pleased to see continued progress in 2023. There is still more to be done, particularly in the implementation of ESG-influenced investment choices in the workplace pension fund range and in the area of communication – helping customers to see the beneficial impact on the environment and society of how their pension pots and drawdown funds are being invested, and also responding to new FCA requirements concerning the ways sustainably-related investment strategies should be labelled. Nevertheless, 2023 has been another good year as far as ESG and Stewardship are concerned.

IGC conclusion

Phoenix's policy on ESG matters and Stewardship is 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.

The standards are linked to the United Nations Principles for Responsible Investment, which is a helpful reference point as to adequacy and quality. Another helpful reference point is the acceptance by the FRC of Phoenix Group's March 2023 application to become a signatory to the UK Stewardship Code, something that was repeated in 2024..

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.

In the comments above, the IGC has given a flavour of what has happened over 2023. 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 2024 will bring.

Supporting Material

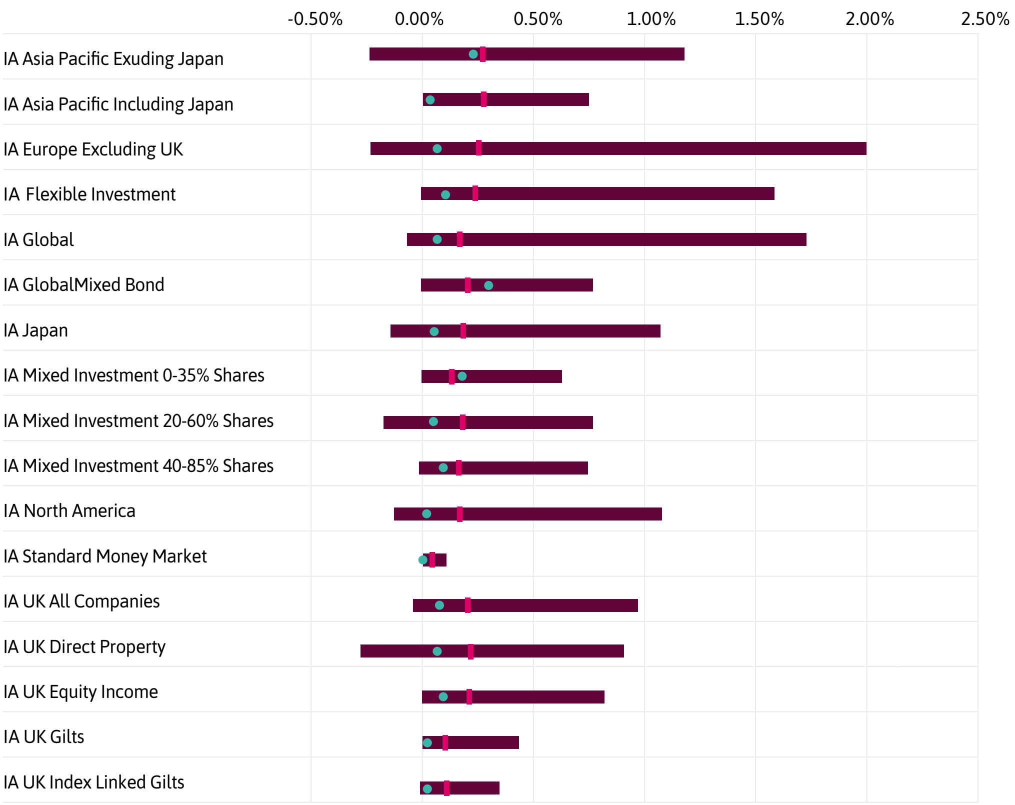
Supporting Material

Costs and Charges

Supporting Material

Costs and Charges

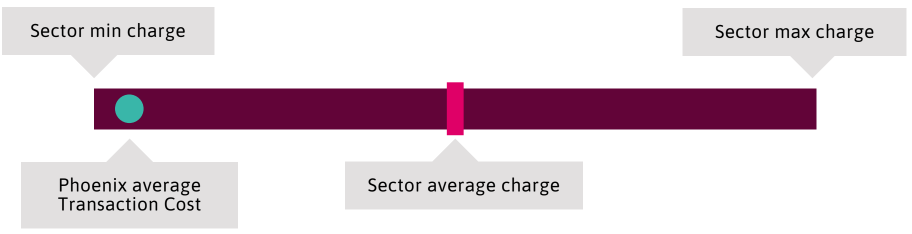
Transaction cost – benchmarking



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' pension pots 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 in which they are invested. For example, the table below 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 annum. Some customers are paying a lower ongoing charge with around 12% paying between 0.60% and 0.95% per annum and around 6% paying ongoing charges less than 0.59% per annum.

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. The data presented is before the value adjustment , as described earlier in the report, that will be applied in 2024 to some customers.

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%	1.01% – 1.25%	1.26% – 1.40%	>1.40%	
Abbey Life Pensions International	0.00%	0.00%	0.00%	0.00%	0.00%	50.83%	10.73%	38.44%	0.00%	0.00%	0.00%	0.0240%
Abbey Life Pensions Managed	0.00%	0.00%	0.00%	0.00%	0.00%	50.88%	9.68%	39.44%	0.00%	0.00%	0.00%	0.0620%
Phoenix BULA Pension Growth Fund	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%	0.00%	0.00%	0.00%	0.1287%
Phoenix NPI Pensions Managed	0.07%	0.00%	1.58%	4.27%	5.50%	4.35%	2.07%	82.17%	0.00%	0.00%	0.00%	0.0550%
Phoenix NPI Pensions Overseas Equity	0.00%	0.00%	9.69%	6.67%	6.10%	3.75%	2.41%	71.38%	0.00%	0.00%	0.00%	0.0509%
Phoenix NPI Pensions UK Equity Tracker	0.00%	0.00%	9.68%	8.65%	9.91%	11.48%	2.30%	57.98%	0.00%	0.00%	0.00%	0.0288%
Ex-RSALI Managed Growth Fund	0.00%	0.00%	0.00%	80.86%	7.89%	0.00%	0.00%	11.25%	0.00%	0.00%	0.00%	0.0810%
Pearl Pensions UK Equity	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%	0.00%	0.00%	0.00%	0.0571%
Phoenix Scottish Mutual Growth Pension	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%	0.00%	0.00%	0.00%	0.1177%

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 in which they are invested. The data presented is before the value adjustment, as described earlier in this report, that will be applied in 2024 to some customers.

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%	1.01% – 1.25%	1.26% – 1.40%	>1.40%	
Abbey Life Pensions International	0.00%	0.00%	0.00%	0.00%	0.00%	48.14%	15.28%	36.58%	0.00%	0.00%	0.00%	0.0240%
Abbey Life Pensions Managed	0.00%	0.00%	0.00%	0.00%	0.00%	48.28%	13.86%	37.86%	0.00%	0.00%	0.00%	0.0620%
Phoenix BULA Pension Growth Fund	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%	0.00%	0.00%	0.00%	0.1287%
Phoenix NPI Pensions Managed	0.32%	0.00%	0.83%	4.20%	2.29%	1.66%	1.34%	89.36%	0.00%	0.00%	0.00%	0.0550%
Phoenix NPI Pensions Overseas Equity	0.00%	0.00%	5.22%	7.55%	8.09%	5.58%	4.14%	69.42%	0.00%	0.00%	0.00%	0.0509%
Phoenix NPI Pensions UK Equity Tracker	0.00%	0.00%	6.12%	9.49%	10.34%	6.75%	4.22%	63.08%	0.00%	0.00%	0.00%	0.0288%
Ex-RSALI Managed Growth Fund	0.00%	0.00%	0.00%	87.36%	5.85%	0.00%	0.00%	6.79%	0.00%	0.00%	0.00%	0.0810%
Pearl Pensions UK Equity	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%	0.00%	0.00%	0.00%	0.0571%
Phoenix Scottish Mutual Growth Pension	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%	0.00%	0.00%	0.00%	0.1177%

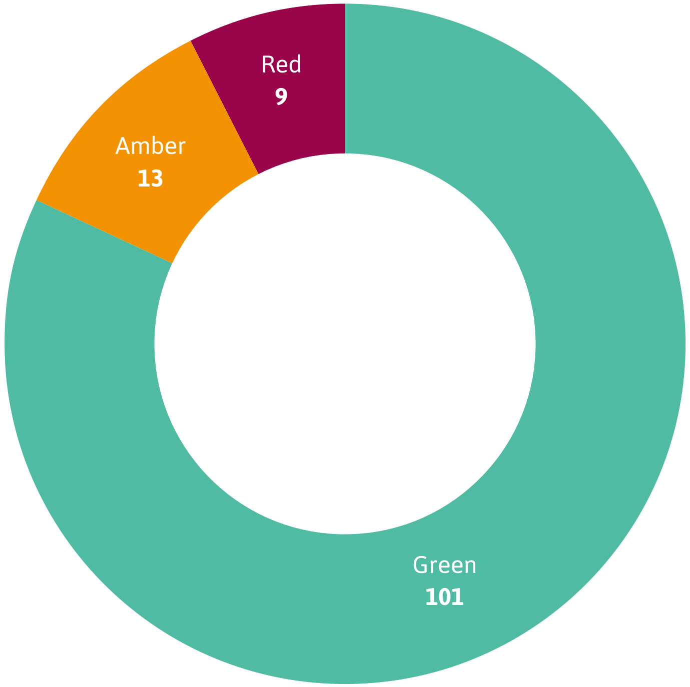
Supporting Material

Investment Performance and Services

Supporting Material

Investments

Performance RAG distribution (rated funds)



There were 5 (3%) unrated funds due to unavailability of data

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.

Summary (Proportion of overall fund range in each Quartile)	Quartile rankings				
	5 Year	10 Year	15 Year	20 Year	25 Year
PLL – Quartile Summary (% of Ranked funds in each quartile over stated periods)					
Quartile 1	12%	13%	14%	12%	13%
Quartile 2	32%	25%	27%	20%	21%
Quartile 3	27%	30%	21%	27%	28%
Quartile 4	29%	32%	38%	41%	38%
TOTAL number of ranked funds	146	138	138	131	110
Unranked (% of total number of funds which are unranked)	10%	15%	15%	13%	21%
Total number of funds in-scope	162	162	162	151	139

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..

Supporting Material

External Assessment of Value for Money in Investments

This sub-section gives some more details about the Redington study comparing some of the major workplace pension products from Standard Life, Phoenix Life and ReAssure alongside the offerings from a number of other major providers. Such an approach helps the IGC identify any default strategies or managed funds which may not be providing Value for Money (VFM).

Several years ago, IGCs began working with Redington, a firm of investment consultants. The aim was to devise a framework for assessing the ongoing VFM for relevant policyholders included in workplace pension arrangements. This comparative data study has developed over time; last year Redington worked with eight major pension providers, including Phoenix. Together these companies provide pensions for over 15 million people involving more than £300 billion of assets under management.

The purpose of the study is to make an assessment which can be used by IGCs as an input into the work required to comply with their regulatory duties as set out by the regulator, the FCA. It compares both investment and non-investment data using a variety of metrics, standards and disclosures, examining data supplied by Standard Life, Phoenix Life, ReAssure and the other major providers. In the Investments area, items covered in the study included: an assessment of flagship default strategies, active/passive building blocks, risk vs. return profiles, strategic asset allocation across all the major markets, and performance during the ‘growth’, ‘de-risking’ and ‘at retirement’ phases of investing. Performance data examined returns over different time periods, the volatility of returns and the maximum drawdown. Such industry benchmarking is very useful for the IGC, as it enables us to compare a variety of important issues across an array of key products or default funds.

The Redington report made some general conclusions which the IGC and Phoenix will consider. For example, currently full fund withdrawal is the most popular ways of accessing defined contribution pension savings (nearly 60% according to recent FCA data). Despite this, most policyholders in the study are invested in a default fund that targets flexible drawdown. This raises an interesting debate about whether default design should reflect current or future customer behaviour. The IGC will consider such issues in its future discussions with the company.

With-Profits funds underlying asset share performance vs CPI

The following table provides a comparison of the annualised investment return of various with-profits funds, after expenses and charges, against inflation as measured by the headline CPI, over the last 1, 3, 5 and 10 year periods. This gives an indication as to how portfolios underlying your with-profits policies have performed in terms of protecting the purchasing power of your fund over these various time periods. Headline inflation averaged 4.3% in the 5 years 2019-23, about 3% over the decade including 2023, and about 2.5% over the past 25 years.

It is important to remember that the details of each with-profits fund will differ, depending for example on whether there are any annual guarantees and the ability of the scheme to pay bonuses.

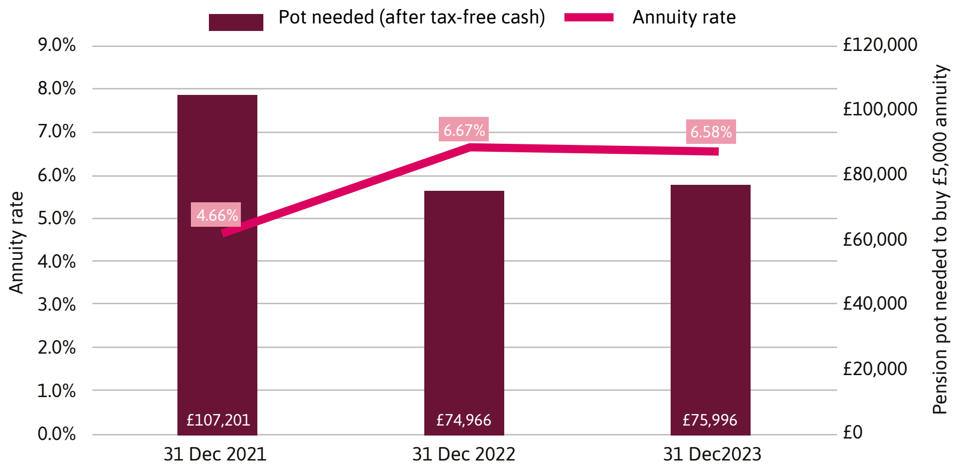
As the table shows, some funds have not performed well in relation to inflation. Others have achieved a higher return, such as some Scottish Provident (SPI) and Pearl funds. The outcome will depend on the mix of bonds, equity and property held within the fund, and how much risk it has taken in relation to the objective of providing a smoother return to the investor over time. The IGC continues to encourage the with-profits team at Phoenix to consider the importance of matching or exceeding inflation over the longer term.

Fund	IGC Bonus series	1yr	3yr	5yr	10yr
London Life	Trad pensions	1.6%	-10.7%	-5.0%	-1.5%
London Life	UWP pensions	2.8%	-7.7%	-2.4%	0.1%
NPL	Type 2 UWP (no min bonus)	2.4%	-5.8%	-1.1%	0.2%
NPI	UWP Group Pension	2.1%	-6.8%	-1.7%	1.3%
Pearl	Personal Pensions	2.3%	-6.6%	-1.1%	1.8%
SM	UWP RP 3 (no min bonus)	2.9%	-4.3%	-0.1%	1.8%
SPI	UWP Pension Series II (without min bonus)	2.6%	-3.8%	0.0%	1.9%
SAL	Goup UWP	3.8%	-7.7%	-1.6%	1.1%
SAL	Trade Regular Premium Pensions	2.1%	-4.0%	-0.9%	0.9%
Alba	Trad Pension BLL/FS series B	2.8%	-6.0%	-2.4%	0.2%
Alba	LASIA UWP Pension	1.5%	-8.9%	-4.4%	-1.0%
Alba	BL UWP Pension	2.7%	-6.1%	-2.5%	0.1%

Changes in annuity rates & pension pot (after tax-free cash) needed to buy £5,000 annual income (65 year old, single life, level, 5 year guarantee).

The following chart shows how changes in annuity rates as well as the size of any investment pot affects the amount of annuity which you could purchase at different points in time. In brief, although stock markets fell in 2022 and recovered in 2023, the higher annuity rates available in the market place were also important to determine final outcomes for those entering retirement.

Source: Phoenix Group (best in market rates for a 65 year old, single life, level contract with a 5 year guarantee at an average postcode).



Supporting Material

Communication and Engagement

Supporting Material

Communication 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 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; and

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.)?

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 the wider Phoenix Group have put in place during 2023. The purpose of what follows in this part of the report is to explain a bit more about the framework that is in place and what has been done to strengthen it in 2023 and why the IGC continues to be impressed with the progress made.

The Phoenix Group sustainability strategy

Phoenix Group, of which Phoenix Life is a part, is (to quote their 2022 Sustainability Report):

"a purpose-led organisation that strives to be an uncompromising force for good in our society, while maximising value for our customers and investors."

The 2023 Sustainability Report (published in March 2024 and available **here**) explains how the Group's purpose of **"helping people secure a life of possibilities"** and its vision **"to be the UK's leading retirement savings and income business"** is delivered through three strategic priorities **("Grow", "Optimise" and "Enhance")** and a three-component "sustainability strategy" encompassing:

1. **People:** "We want to help people live better longer lives. This means tackling the pension savings gap and supporting people to have better financial futures through promoting financial wellness and the role of good work and skills;
2. **Planet:** "We want to help shape a better future. This means delivering good outcomes for our customers, playing a key role in delivering a net zero economy by 2050 and reducing our impact and dependency on nature; and
3. **Building a sustainable business:** "We are committed to embedding sustainability and best practice governance to maintain high standards of oversight, integrity and ethics.

The Group's approaches to sustainable investing and stewardship are seen as key enablers to fulfilling its business strategy, purpose and vision. To quote from the **2023 Stewardship Report** (also published in March 2024 and available **here**):

- "We believe that considering ESG factors makes our portfolios more resilient over the long-term. This is why our series of policies defines our expectations of asset management partners on integration, engagement and voting practices."
- "We support effective stewardship of our customers' and shareholders' assets based on dialogue, feedback, relationships and clear outcomes-oriented objectives to foster more sustainable returns. This applies to us when we conduct activities through our stewardship team and it is part of our expectations of asset managers who undertake interactions with investee companies on our behalf."

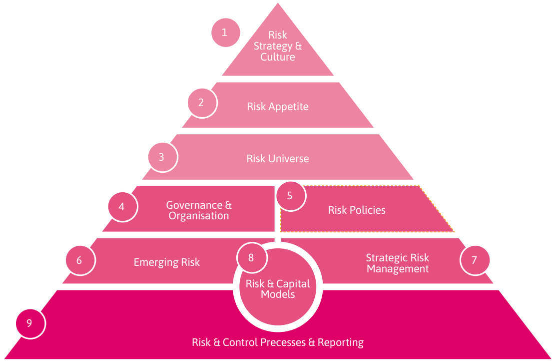
The IGC continues to be pleased to see such a strong "tone from the top" on ESG issues, with its strong focus on customer interests and outcomes.

Strengthened policy framework

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 sets out how the Group identifies, manages, monitors and reports on the risks to which it is, or could be, exposed, including climate-related risks. The diagram below summarises how climate change is reflected across the Group's RMF.

Phoenix Group Responsible Investment (RI)

Embedded within the Group Risk Management framework



1. Risk strategy and culture: The Group's Risk strategy is: 'To take rewarded risks which are understood, managed effectively and consistent with our overall Social Purpose and Enterprise Strategy'. This includes ensuring climate risk is appropriately considered and managed throughout the Group Strategy.

2. Risk appetite: Climate risk is considered as a key component of Sustainability risk, which is a Tier 1 risk in the Group's Risk Appetite Framework and has a defined risk appetite. Climate risk is also embedded into the risk appetites of other key risks to ensure it is considered throughout the business. A climate change specific risk appetite is to be developed over 2024.

3. Risk Universe: The Group considers climate change as a cross-cutting risk within the Sustainability Risk Management Strategy component of its Risk universe as the risk can manifest in many ways and can potentially impact all risk categories underlying the risk universe.

4. Risk policies: The Group Risk Policy Framework supports the delivery of the Group's Social Purpose and Enterprise Strategy by establishing the operating principles and the expectations for managing the key risks. This is supported by each material risk having an associated Group risk policy to ensure complete coverage of each of the Group's material risks.

5. Governance and organisation: Governance of climate risk is led by the Board Risk Committee and Board Sustainability Committee, plus supporting management committees. In addition, there is clarity on the roles and responsibilities across the three lines of defence model.

6. Emerging risks: Climate and sustainability risks continue to be monitored via the Group's established emerging risk processes. This currently includes nature risk and greenwashing risk as key emerging sustainability risks for the Group and the wider industry.

7. Strategic risk management: The impact of climate change is considered as part of the Line 2 oversight of strategic developments. This is largely performed via the Annual Operating Plan ('AOP'), Own Risk and Solvency Assessment ('ORSA'), contingent/management actions assessments and the Stress and Scenario Testing programme. Annual climate scenario analysis looks at a range of transition and physical risk scenarios to determine whether they would threaten the ongoing viability of the Group and how the Group would respond to them.

8. Risk and capital models: External tools and data have been sourced to support carbon footprinting and climate scenario analysis and models continue to be further developed to understand the potential implications of climate risk and Group's exposure to it.

9. Risk and control processes: A climate risk dashboard covering key climate risks is integrated into regular risk reporting for the Life and Group Board committees. Minimum control standards relating to climate risk are also in place for key policies. Deep dives have been performed to ensure the risk and control processes remain appropriate for the evolving climate risk environment. In 2023, this included an external/independent review to assess the greenwashing risks the business may face and the controls in place to mitigate those risks.

Phoenix Group Holdings plc Climate Report 2023.

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 must adhere to in order to operate within the stated risk appetite.

The Group has six "macro" Risk Appetite Statements that shape what is done across the whole Group. They set out the Group's approach to Capital, Liquidity, Shareholder Value, Control, Conduct and Sustainability. The Sustainability statement is particularly relevant to this section of the IGC report:

"Sustainability – The Group seeks to be a leader in informing system change on the key sustainability issues linked to our purpose and strategy. We want to use our position in the market to drive positive change for customers and wider society over the long term. Our Sustainability Strategy is designed to take advantage of sustainability opportunities and manage sustainability risks in a way that is transparent, affordable, and aligned with good customer outcomes and regulatory requirements."

The IGC sees this as particularly significant, as it puts sustainability (and hence ESG and Stewardship considerations) at the heart of how Phoenix Life, 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 **Sustainability Risk Policy** for the Group;
- A more detailed set of **Responsible Investment Principles and Practices** that apply to customer investment decisions;
- An **Investment Exclusion Policy** setting out the principles that should guide the focused use of portfolio exclusions alongside other ESG engagement and investment strategies;
- A **Stewardship Policy** for the Group.
- A set of **Global Voting Principles** that summarise Phoenix Group's high-level beliefs and expectations of good corporate governance, environment and social practices that should be followed by the Group's asset management partners;
- A **Human Rights Policy** for the Group, that includes reference to collaboration with the Group's asset management partners to integrate human rights considerations into the investment processes and support effective stewardship of assets;
- A document setting out **ESG expectations of companies on Key Sustainability Issues**, consistent with the expectations set out in the Global Voting Principles; and
- A **Sustainable Investment Risk Policy** for the Group.

All these documents were reviewed and updated in 2023. In addition, the following new documents and policies were introduced:

- A **Classification Framework for Private Markets** that applies to the investments in private markets for Phoenix Group; and
- A document entitled **Our Approach to ESG Integration** that sets out Phoenix's approach to integrating ESG into its investment analysis and decision-making.

The **Sustainability Risk Policy** sets the control objectives relating to the management of sustainability risks throughout the Group. The document is one of a group of risk policies and intends to identify and manage potential sustainability risks. Sustainability risk is defined as financial failure, poor customer outcomes, reputational loss, loss of earnings and/or value arising from a failure to manage the impacts of ESG matters on the Group strategy and the impacts of the Group on ESG issues. 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 maintain and continually evolve 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 that the Group's Responsible Investment Philosophy is reviewed, embedded, monitored, reported on, and action progressed in a timely manner across the Group, overseen by the relevant governance committees;
- It also requires the setting of sustainable investment targets, providing regular updates and tracking, continually striving for improvement in order to aid in the delivery of the overarching sustainability strategy; and
- The policy requires the Group to maintain a suitable level of expertise, relevant governance documentation, and appropriate management of investment activity within the business in order to integrate sustainability activities in the investment activities of the business.

The **Approach to ESG Integration** is a public document, available on the Group's **website**. It sets out Standard Life's commitment to Responsible Investment, and what that means in practice. The approach document 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 a signatory 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 therefore 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.

The Responsible Investment Principles and Practices were first published in 2020, building on the September 2019 Standard Life (another brand within the Phoenix Group) publication entitled: "Integrating a responsible approach to your pension investments". They set out a more clear and more 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. – See box to the right.

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 and our asset managers have considered and assessed financially material ESG risks and opportunities. 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 minimum requirements or align with them in an agreed timeframe. We ensure that existing and new asset managers keep enhancing their practices in alignment with our expectations through our due diligence processes.

Principle 4 – Active stewardship

We are responsible asset owners and actively foster effective stewardship of all investments that are managed on our behalf. We promote good ESG practices by investee companies through engagement activities conducted internally and through our asset managers. We monitor our asset managers' voting policies and practices.

Principle 5 – Disclosure and reporting

We seek appropriate disclosures on ESG issues and responsible investing practices 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.

- 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. Minor revisions were made to some of them in 2022, to improve clarity and emphasise the need for asset manager partners to continually enhance their practices in this important area.
- 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. Minor changes were made to some of the Practices in 2022, to reflect the escalation process with asset manager partners in case of poor performance on ESG practices, and also the current process for the customer survey on Ethical funds.
- 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 2022 changes were helpful developments, improving clarity and reflecting the strengthened framework that is now in place.

The **Investment Exclusions Policy** was first published in September 2021. It starts from the Phoenix Group's commitment to "putting Sustainability at the heart of its business by integrating environmental, social and governance factors (ESG) into the investment process", but recognises that there may be times when it is better not to invest at all in certain companies or industries, rather than investing and trying to push for positive change from within.

The policy sets out four principles which, if satisfied, would be expected to lead to those assets being excluded from investment portfolios controlled by Phoenix:

Principle 1: Sectors or companies that face acute social or environmental challenges that are very likely to translate into financially material risks;

Principle 2: Sectors or companies where Phoenix Group do not believe that engagement will be effective;

Principle 3: Sectors or companies that do not adhere to international standards of minimum acceptable behaviour as identified in relevant international treaties and United Nations initiatives; and

Principle 4: Sectors or companies that do not align with Phoenix's pledges and commitments, corporate values and present reputation risk.

"Exclusion" means that Phoenix will not make additional investments and will sell existing holdings from in-scope portfolios within 12 months. The policy also allows for a waiver process to be followed where particular extenuating circumstances suggest that a particular asset or sector should not be excluded at that time (for example, because the company is making good progress in responding to previous challenges from Phoenix and/ or further opportunities for engagement with management exist).

The policy applies to all assets where Phoenix Group (and hence Phoenix) has direct control over the investment mandate. For those assets where Phoenix does not have control (e.g. investment fund choices managed by third parties that Phoenix makes available to its customers), Phoenix will use whatever influence it has to engage with the relevant investment manager to encourage implementation of a consistent approach.

The initial list of potential exclusions was drawn up in July 2021 and included 544 issuers, covering such areas as:

- Manufacturers of controversial weapons;
- Tobacco producers; and
- Companies where more than 20% of revenues come from certain forms of fossil fuel production (e.g. thermal coal, oil sands and artic drilling).

Of these, 21 issuers were proposed for waivers, leaving 523 issuers on the final list. The Exclusions Policy was implemented for the majority of policyholder mandates by the end of 2022. In 2023, Phoenix Group updated the policy to introduce a 1% revenue threshold on tobacco production. (For a small number of UK and US equity tracker mandates, implementation was delayed in order to reduce tracking error – the Group's intention is, in early 2024, to introduce new climate transition benchmarks for these portfolios to track, and these new benchmarks will incorporate the Exclusions Policy.)

It is not the IGC's role to opine on what criteria are applied by Phoenix. Rather, we are looking for evidence that principles are in place to address climate-related and other factors that could lead to financially material risk, that the principles are based on a robust process of analysis and review, their approval is subject to appropriate internal governance, and they are implemented in a controlled and transparent way.

In the IGC's opinion, the Investment Exclusions Policy meets these standards, and plays an important role as part of the overarching approach to Responsible Investment that applies within Phoenix Group (and hence to Phoenix Life customers).

The development of the **Group Stewardship Policy** was another important milestone in recent years. Approved in November 2021, it sets out what Phoenix mean by "Stewardship" and their commitment to support effective engagement with the companies in which they invest (whether using customer money or shareholder money).

In terms of definition, Phoenix embraces the Financial Reporting Council's definition that:

"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."

For Phoenix, "Stewardship" refers to their "use of the rights and position of ownership to influence the activity or behaviour of the companies they invest in". Where they hold shares (i.e. equity) in a company, this means engaging with the company's management, influencing on issues of concern and voting on company resolutions at shareholder meetings. For other types of investment, voting may not be applicable, but Phoenix would still aim to engage as appropriate. The policy sets out what Phoenix sees as the characteristics of effective stewardship, including:

- robust ESG research on material risks and opportunities, using internal and external data;
- dialogue with corporate top decision makers;
- setting of goals;
- continuous evaluation of progress against objectives; and
- influence on investment decision-making.

The policy recognises that the majority of Phoenix's engagement activity with investee companies will be conducted by their asset manager partners. However, importantly, the policy also makes clear that Phoenix reserves the right to deal direct with investee companies and also join collaborative engagements with other investors.

The policy also recognises that Phoenix does not have the same influence over externally-managed investment fund choices (EFLs, external fund links) as it does over the investment funds where it chooses the investment strategy and fund manager partners implement it on Phoenix's behalf.

In 2023, Phoenix Group updated the document to add more information on its alignment with the UK Stewardship Code and its approach to monitoring EFL managers.

That Phoenix is definitely committed to such responsible behaviour can be seen, not just from this public policy, but also from the huge amount of work that went into the Phoenix Group submission to the Financial Reporting Council (FRC) in order to become a signatory to the UK's Stewardship Code in 2023. In May 2024, Phoenix Group published its second annual Stewardship Report, available on the Group **website**. After becoming a signatory to the UK's Stewardship Code in 2023, with its 2022 Stewardship Report, the Group submitted the 2023 report to the FRC with the aim of remaining a signatory to the Code which was confirmed by the FRC in July 2024.

In the IGC's opinion, the Phoenix Group policy on Stewardship, the application of which includes Phoenix pension contracts, is of a high quality and appropriately addresses Phoenix's Stewardship obligations. While it is still early days in its implementation, what is in place already would seem robust and effective to the IGC. The FRC's announcement, in August 2023, that Phoenix Group's application to become a Stewardship Code signatory had been accepted was important external validation of the effectiveness of the Phoenix Group's (and hence Phoenix's) approach.

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 (including those that apply to Phoenix pension contracts), 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, the Sustainable Investment Forum, that has been set up to provide direction, oversight, scrutiny and challenge on sustainable investment matters, including stewardship. The purpose of the Forum is to embed ESG issues into the investment process and decision-making used across the Phoenix Group in a way that is consistent and aligned with the Group's overall sustainability strategy.

The IGC receives regular updates on the oversight activity carried out by Phoenix on its 5 key fund manager partners and also the many other fund managers whose funds are made available to Phoenix Group customers. Where Phoenix is responsible for the investment decisions being made that impact IGC in-scope customer investment returns, we can confirm that Phoenix is keeping a careful eye on how its Responsible Investment framework is being implemented by its fund manager partners, and ensuring appropriate action plans are agreed and progressed wherever it perceives gaps exist that need closed.

Another key element of the governance framework around ESG and Stewardship is the Group Board's **Sustainability Committee**. First set up in 2020, the role of this Committee is to assist the Board in overseeing the achievement of the Group's sustainability strategy, including stewardship activities. A number of management committees and working groups feed into it, providing updates against strategy, KPIs and targets (as can be seen from the governance framework diagram set out on page 39 of the 2023 Sustainability Report). The Terms of Reference of this important Committee are available on the Phoenix Group **website** and cover such matters as:

- 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 consistently across all business within the Phoenix Group; and
- keeping up-to-date with sustainability 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 existence as a tangible sign that the "tone from the top" across Phoenix Group is consistent with, and supportive of, the developments seen in this important area.

The 2023 Sustainability and Stewardship Reports, both available on the Phoenix Group **website**, set out the breadth of activity that is underway across the Group in this important area and demonstrate the effectiveness of the framework that is now in place in delivering on the targets set and aspirations described.

Customer Research

Approximately every year, Phoenix Group carries out a Responsible Investing Survey to monitor how customers' attitudes to ESG and other Responsible Investment considerations are changing. While carried out amongst customers with Standard Life products (as noted earlier, another pension brand offered by Phoenix Group), the mix of customers surveyed was considered broad enough to be considered representative of Phoenix customers too. Amongst the findings from the 2023 survey were the following, where the equivalent results from the previous (2022) survey are shown for comparison:

- Customers surveyed still ranked "return" (88%) and "risk" (84%) as the most important factors to take into account when investing. However, "good corporate governance" was also rated highly (79%);
- 89% (down from 90%) of respondents believe that protecting the environment is important;
- 65% (down from 66%) of respondents believe that responsibly invested funds perform much or slightly better over the long term;
- 67% (down from 70%) of respondents believe that it is important to invest in a way to positively influence change in industries that need to improve their impact on society, corporate governance or climate impact;
- 67% (down from 70%) 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% (down from 64%) of respondents said that they want to invest in a way that commits to net-zero carbons emission status by 2050 (or earlier).

The consistency in findings since the previous survey is striking and confirms that Phoenix's emphasis on sustainable and responsible investment is well-placed and aligns with widely-held customer views.

The top 5 responsible investment issues according to surveyed Phoenix customers are:

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

In addition to this regular survey, in late 2023 the Phoenix Group commissioned an external agency to carry out research across Standard Life, Phoenix and ReAssure customers in order to explore customer understanding and attitudes towards sustainable/responsible investing, net zero and ESG factors and inform the Phoenix Group's approach to communicating to customers on these topics and what they may mean for them and their pensions saving. The research explored areas such as:

- Do customers expect Phoenix Group to be making decisions on their behalf and invest responsibly?
- Are customers aware of what proportion of their pension is invested responsibly?
- Which areas of responsible investing would customers be interested in hearing more about?
- How would customers like the Phoenix Group to communicate with them about these topics (e.g. website content, infographics, etc)?

The research also took the form of in-depth customer workshops and produced a lot of rich, in-depth feedback. In particular, the research confirmed 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. However, customers are increasingly worried about the future of the planet and are therefore taking actions to live more sustainably.
- For most Phoenix Group customers, their priority is to grow their money, but they want to avoid harm if they can.
- 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, particularly when this relates to "Social" activities. However, customers tend to balance this interest with their desire for good investment returns.
- Customers are open to more communications related to ESG considerations as it helps to build relevance with their products, with interest in the use of a range of content formats.

The insights from all the research undertaken 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 below – and the IGC is looking forward to seeing what further developments are put in place in 2024.

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, Phoenix Group, under the Standard Life brand, 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 fund aims to deliver good customer outcomes by investing predominantly in component funds that track ESG-oriented indices rather than whole of market indices.

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. At the time of writing this report, that percentage had risen to 83%.

The IGC welcomed this new initiative, and also the transition in 2022 of the over £13bn of pension savings invested in Standard Life's range of Active Plus and Passive Plus default funds into new funds with a more explicit focus on ESG considerations. However, we are keen that this increased focus on ESG is extended to the equivalent funds that Phoenix offers. As a key part of the preparations for this, 2023 saw significant progress being made on the development of new Climate Aware Equity Benchmarks.

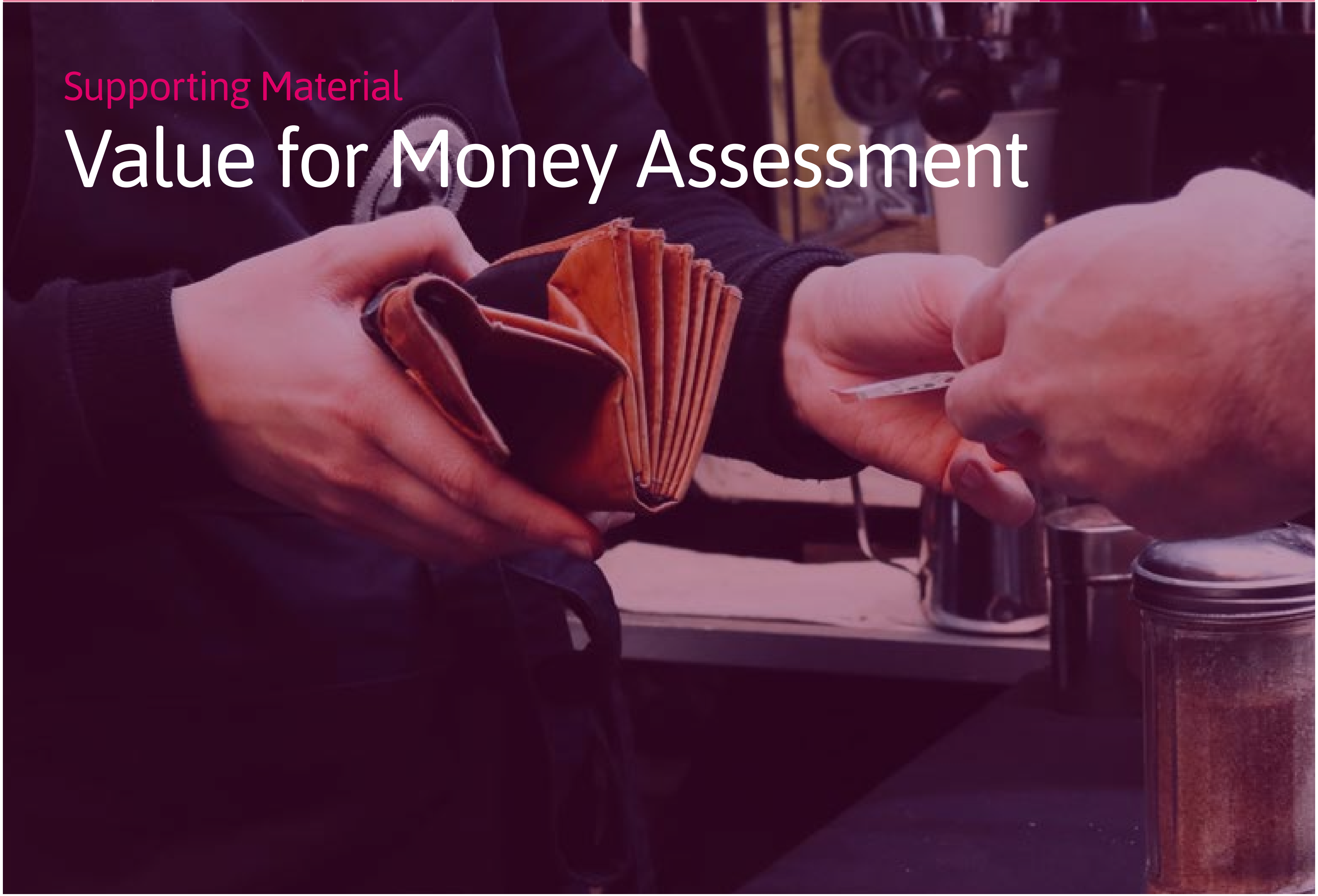
The first of these was launched in June 2024, as part of Phoenix Group's portfolio decarbonisation strategy. The index series, which was launched in collaboration with FTSE Russell, will focus on national and regional markets and will be grown over time. This launch forms part of Phoenix Group's decarbonisation strategy for equity investments, in line with its Net Zero Transition Plan published in 2023. The index series will enable Phoenix to introduce benchmarks that aim to increase the resilience of customers' portfolios to climate change related transition risks.

The indices and benchmarks developed with FTSE Russell aim to protect policyholder portfolios against the risk of climate change by reducing exposure to companies which might face negative impact for lacking well-developed plans on how to successfully navigate the climate transition. The construction follows core principles set by Phoenix which includes the pace of the decarbonisation trajectory and the inclusion of forward-looking data, ensuring that climate risk management and that engaging for change are at its core. Phoenix's exclusion policy is embedded within the design, removing companies engaged in products and business practices that are not aligned to Phoenix's principles.

The IGC receives regular updates on the progress of development of the index series, as a milestone within Phoenix Group's decarbonisation strategy after the launch of its Net Zero transition plan.

Supporting Material

Value for Money Assessment



Supporting Material

Value for Money Assessment

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 followed a VFM framework that is closely aligned to the VFM factors that the FCA now require IGCs to use, but with additional granularity in respect of the "quality of services". While two of the areas that were previously included in our 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 definition of VFM. Thus, our VFM framework covers the following 5 areas:

- Costs and Charges;
- Investment Performance;
- Investment Services;
- Customer Service; and
- Communication and Engagement.

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

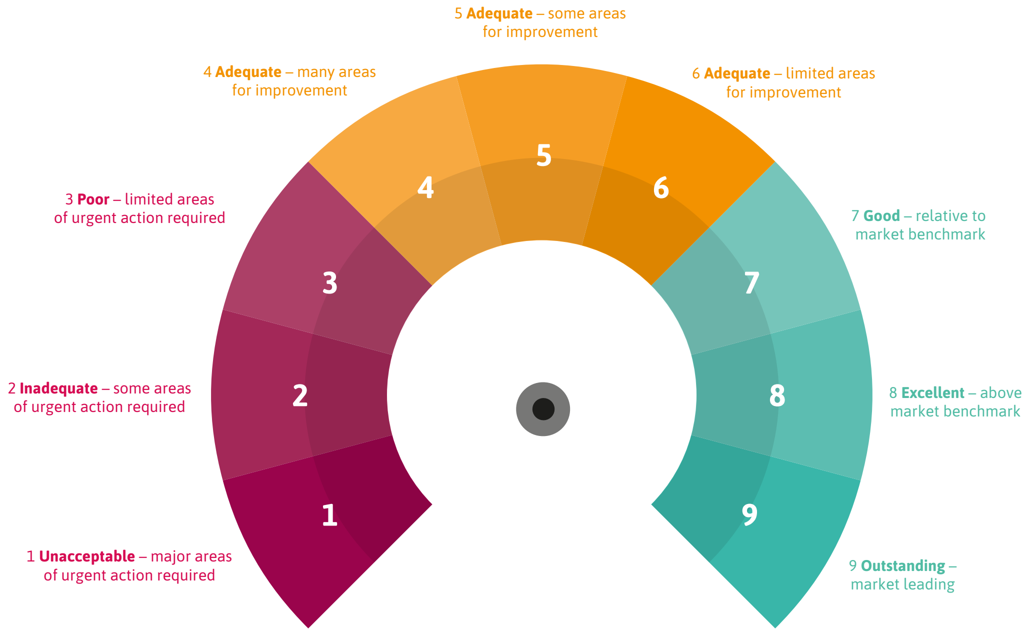
Rating provider performance

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 the wider Phoenix Group, and specially-produced information packs containing the results of detailed investigations that we request.

To the extent we can, we assess Phoenix's performance relative to other workplace pension providers, using data drawn from other IGC reports, industry publications and specially-commissioned benchmarking exercises. The information available tends to be at provider proposition level, rather than at a more granular, employer scheme level. However, where it is possible to identify different groups of customers that get different treatment (particularly on levels of charges), we make sure we are comparing "like with like" as far as we can, in order that any VFM challenges that we make are soundly based. We also use this approach to compare performance across Phoenix and the other pension providers within the Phoenix Group. As explained earlier in the report, the quality of communications and the extent of online facilities varies for different groups of workplace customers across the Group and we do what we can to encourage best practice to be available to all in-scope customers.

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.



The "Costs and Charges" and "ESG" areas are not currently scored in such a granular way as the four performance areas ("Investment Performance", "Investment Services", "Customer Service" and"Communication and Engagement"), 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 two of the four VFM areas for which we use this approach (Customer Service and Communication and Engagement), Phoenix's performance was rated on a numerical scale (from 1 to 9) 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. For the other two VFM areas for which we use a quantitative approach (Investment Performance and Investment Services), we have retained the 0 to 3 numerical scoring at sub-area level that we have used in previous years. However, for consistency, we have then expressed the aggregate score for each of the two areas out of 9, rather than present as a percentage as in the past.

By using a similar approach to last year's report, we are able to continue with the historic trend analysis that the previous Phoenix IGC was developing. 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.

We have retained the development introduced several years ago, to identify the key one or two performance sub-areas and give them double weighting in arriving at the final 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.

Investment Performance

1. Lifestyling approach and profiles are suitable.
2. Performance of all funds vs their stated goals.
3. Long-term performance of all funds vs peer group competitors.
4. With-profits fund performance vs inflation.
5. Performance of key default funds versus inflation over 15 and 20 years.
6. **Performance of key default funds versus inflation over 5 and 10 years.**

Investment Services

1. Design and description of default funds.
2. Regular reviews of funds, asset allocation and manager selection.
3. Adaptability of funds to changing circumstances.
4. Range and suitability of additional fund choices.
5. **Poorly performing funds identified and addressed appropriately.**

Service quality

1. Timeliness of service including performance against target service levels.
2. The quality of service including servicing of vulnerable customers and data security.
3. **Customer feedback on service including complain.**

Customer Comms and Engagement

1. **Good content.**
2. **Strong layout and presentation.**
3. Personalised and relevant to each customer.
4. Support for vulnerable customers.
5. Multi-channel and utilisation of digital solutions.
6. **Extent of customer engagement (reaction, Interaction and action).**

Independent Governance Committee

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