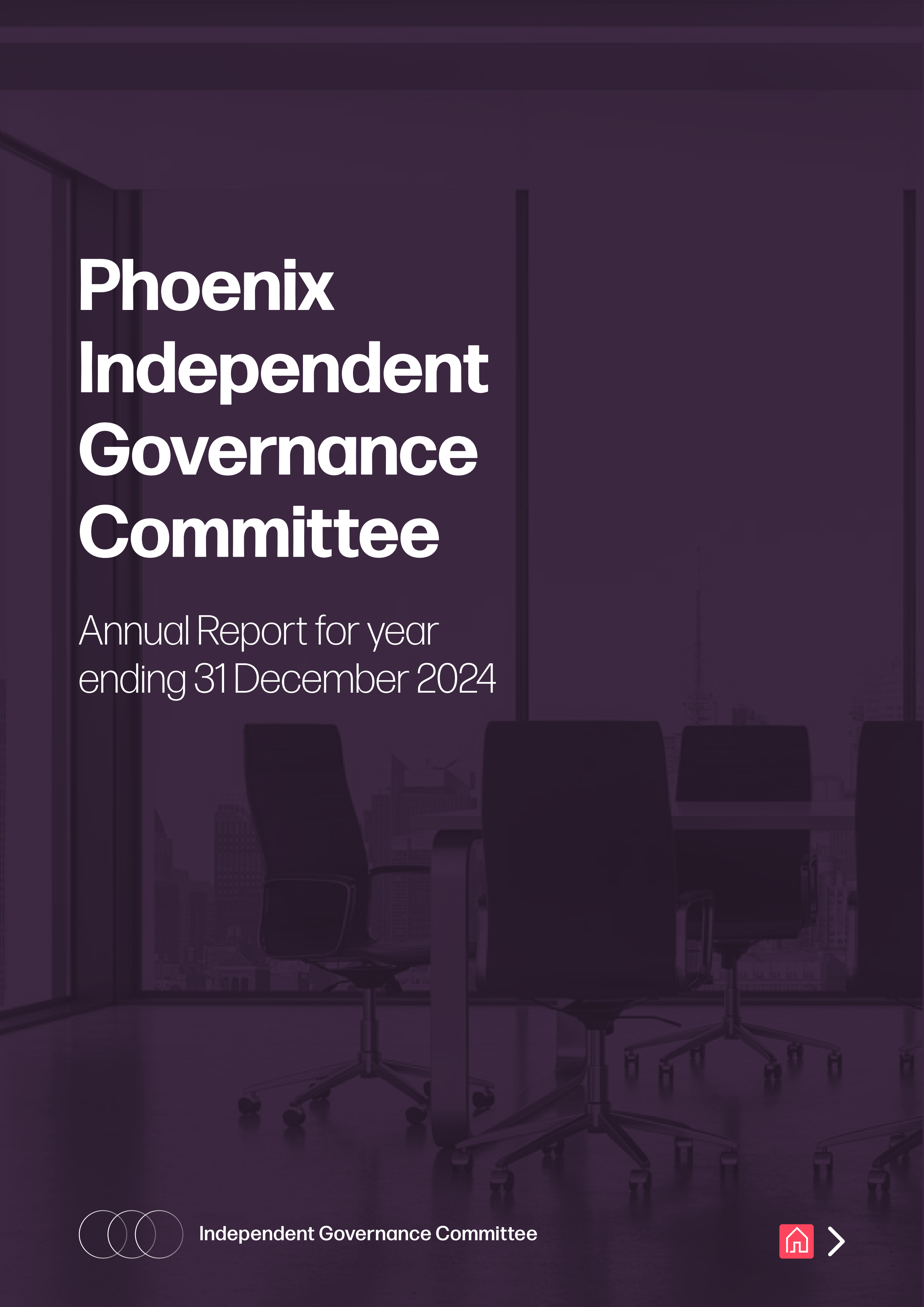


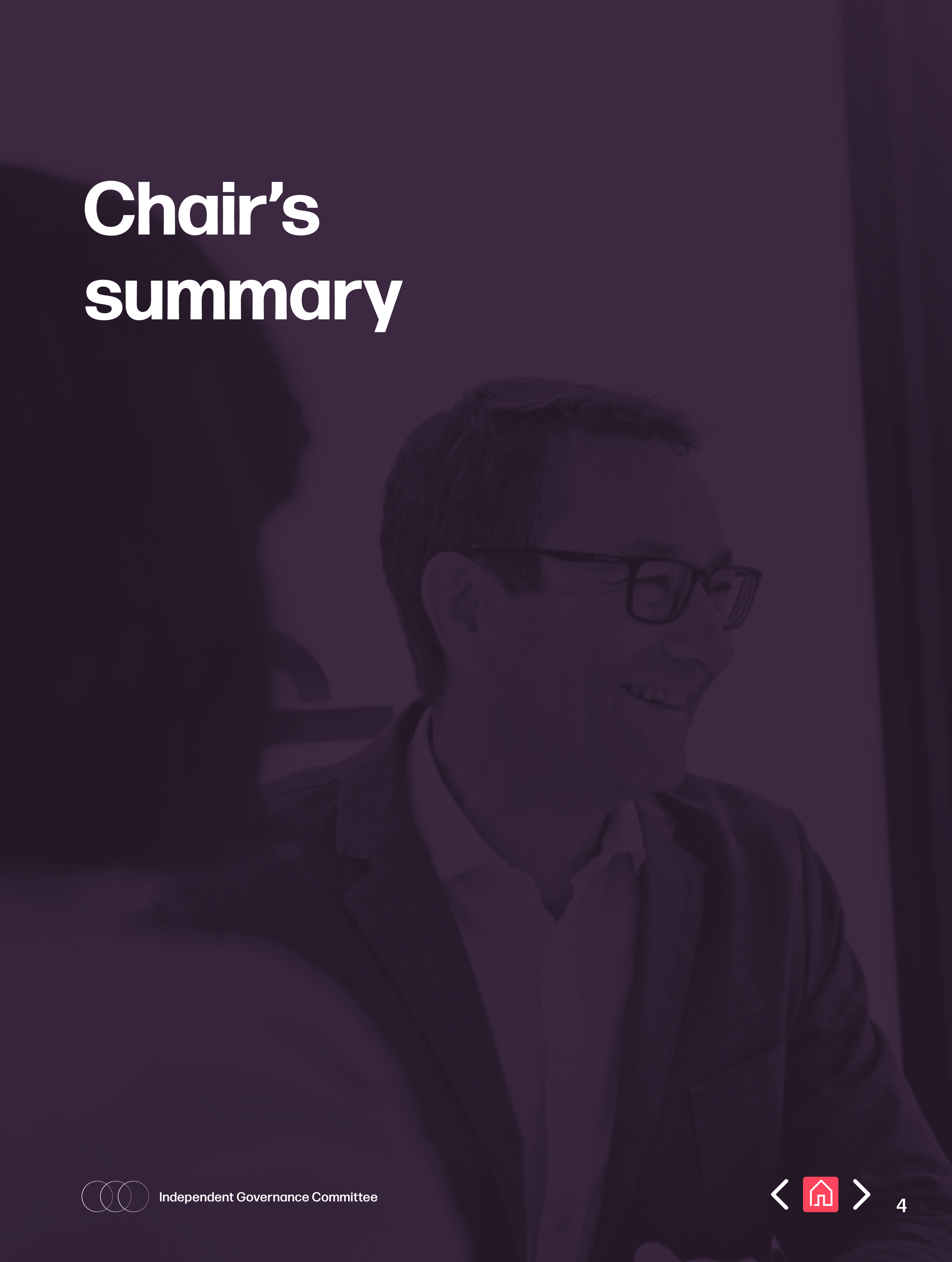
Phoenix Independent Governance Committee

Annual Report for year ending 31 December 2024

Contents

Supporting materials for this document are available here.

Chair's summary



Welcome to this year's annual report from your Independent Governance Committee (IGC)

I'm Andy Davies, the chair of the IGC. I am pleased to report that we believe customers get value for money from Phoenix.

Independent assessment of value for money

As a committee, our primary responsibility is to act in the interests of in-scope customers by independently assessing whether you are receiving value for money.

Each year, we evaluate the products and services offered by Phoenix. We consider a range of factors including:

- Investment performance and services
- Costs and charges
- Customer service
- Quality of communications
- Environmental, social and governance (ESG)

Our role is to ensure customers' pension policies are being managed fairly, transparently, and in alignment with their long-term financial goals.

This annual report outlines our assessment for 2024. It highlights areas where value is being delivered and where improvements are needed. We hold Phoenix to account to drive change and enhance customer outcomes.

We are committed to the highest standards of scrutiny and transparency, ensuring our oversight supports improving the financial well-being of policyholders.

Making a real difference

As well as assessing Phoenix's performance, we take pride in helping to improve value for money. We do this by challenging Phoenix to develop areas we believe need attention. The following pages shows the progress made against the 2024 challenges and the new challenges we have set for 2025. We would, however, like to highlight:

- The IGC challenged Phoenix as to why customers paying over 0.75% per year in ongoing charges without any guarantees or other valuable benefits were receiving value for money.
- Phoenix has reduced the maximum ongoing charge to 0.75% per year for customers without additional valuable benefits or guarantees from July 2024. We are extremely happy with this decision, resulting in a reduction for over 40,000 customers.

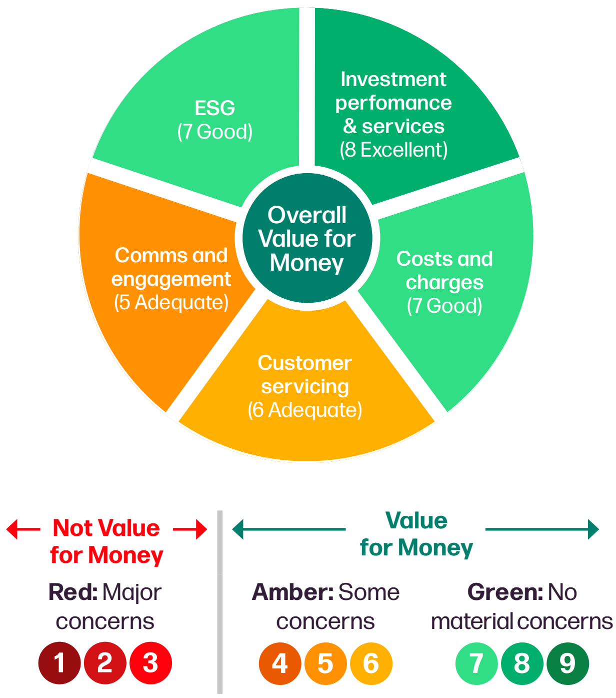
Our assessment

We assess each area above to determine if they are Red (not value for money), Amber (value for money but could be improved) or Green (value for money). We also decide whether they are low, medium or strong within each category resulting in a rating between one and nine.

Please refer to page 36 for more detailed information as to how we make our assessment.

Taking into account all areas, overall we believe customers get value for money from Phoenix. As you can see, we rate Phoenix as 'good' for their costs and charges and ESG with their investment performance being excellent overall. Their communications and customer engagement and servicing still represent value for money, but there are some improvements that we would like them to make in these areas.

The elements of this diagram are expanded and explained further, including how we have come to these conclusions in the next section of the report.



Summary by area

As mentioned, to assess if Phoenix are providing value for money to customers, we review five key areas. More detail can be found in the next section of the report but below is a summary of each and our rating from one (poor) to nine (outstanding).

Investment performance and services:
How are your investments performing and are they well managed?

Andrew Milligan
Independent Member

"The IGC is pleased with the overall performance of the main funds offered to customers and the overall governance of Phoenix funds."

The IGC has awarded a rating of GREEN (Excellent) for performance and for services

Investment performance

Investment services[1]

Performance has improved from rating of 7/8 whilst services unchanged

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

Steven Blight
Company Nominee

"We are extremely pleased that Phoenix has reduced ongoing charges to a maximum of 0.75% charges where customers have no additional guarantees or benefits."

The IGC has awarded a rating of GREEN (Good)

Improved from last year's rating of 4/5

Customer service:
What is the quality of the service Phoenix provides?

Rachel Haworth
Independent Member

"Phoenix service levels are adequate and customer satisfaction has improved on 2023, but customer service is yet to consistently meet target standards."

The IGC has awarded a rating of AMBER (Adequate)

Unchanged from last year's rating

Communication and engagement:
How well does Phoenix communicate with you and keep you up-to-date with your pension?

Andy Davies
Independent Member

"While Phoenix communications contain relevant information, they would be more engaging to customers if the design and layout was improved. Digital functionality remains limited with low levels of customers registered. There are also a considerable number of customers with out of date contact details."

The IGC has awarded a rating of AMBER (Adequate)

Improved from last year's rating of 4/5

Environmental, social and governance (ESG):
Is enough allowance made for ESG considerations in how your pension savings are invested?

Barry Butler
Independent Member

"Phoenix takes its responsibilities to the environment and wider society seriously. The framework and policies have been updated to make sure ESG and stewardship are appropriately considered when making investment decisions."

The IGC has awarded a rating of GREEN (Good/Excellent)

Unchanged from last year's rating

[1] Investment services include the processes and management of the funds and fund managers

Update on 2024 challenges

In order to improve the value for money that customers receive, each year we set specific challenges to address areas that could be improved.

Below are the challenges we set Phoenix for 2024 and our update in terms of progress made. We are pleased to report that the majority were either fully or partially met. We will continue to focus on those not met to our satisfaction to ensure they are progressed in 2025 as appropriate.

Challenges met to our satisfaction

Costs and charges

- Implemented a value adjustment for customers paying above 0.75% per year (with no additional valuable guarantees or benefits or access to lower charging funds) and developed a longer term solution for other options that may be available to improve value for money for customers.

Investment performance and services

- Procedures deal correctly and swiftly with under-performing funds.

Communication and engagement

- We challenged Phoenix to take action to increase online registrations and usage with their current digital capability (ready for further digital development). They have increased registrations during 2024 by almost 30,000 users, ending the year with over 120,000.

ESG and stewardship

- Sped up application of more explicit responsible investment considerations to default funds.

Challenges partially met to our satisfaction

Customer service

- We wanted improved customer service standards. Customer satisfaction has improved on 2023 and overall service levels are adequate, but are yet to consistently meet target levels.
- We challenged Phoenix to roll out digital access to all workplace customers. Most customers did gain access to improved digital functionality, with roll out to the remaining customers due in 2025.

Communication and engagement

- The number of email addresses held for customers need to increase. While moving in a positive direction with a marginal increase from 15% to 17% this remains an important area of focus.

Challenges not met to our satisfaction

Communication and engagement

- We wanted to see improvement to the 'Gone-away' process and reconnecting with customers who have moved. We are disappointed to report this still remains high at 30%. Phoenix have, however, established a new tracing solution but results will not be achieved until 2025.
- The IGC challenged Phoenix to update the 'look and feel' of key communications to make them more appealing and engaging. However, due to systems constraints (Phoenix are migrating to new technology), there has been limited development beyond regulatory changes.

Customer service

- Although volumes are low and so skewed by a small number of highly complex cases the bereavement process is still too long for customers, taking an average of 118 days.

Challenges for 2025

We continue to identify and encourage areas where Phoenix could improve their value for money to customers. These are monitored and reviewed in our quarterly committee meetings.

If we evaluate any specific area with a score less than seven (Amber) we prioritise actions required to move the rating back to Green. These are then escalated to senior management within Phoenix to ensure they are addressed.

Challenge 1
Costs and charges: For customers at the start of 2024 paying more than 0.75% per year in annual charges (without additional valuable benefits), continue to progress the move to a more modern product with wider proposition benefits.

Challenge 2
Customer service: Consistently meet target levels for processing times/quality.

Challenge 3
Customer service: Improve the bereavement claims process to reduce average time taken to the target of 45 days.

Challenge 4
Communication and engagement: Improve the 'look and feel' and modernise key communications to make them more engaging to customers.

Challenge 5
Communication and engagement: Urgent attention to reduce gone-aways and increase the number of email addresses held.

The IGC continually looks at how we can improve our approach on behalf of customers. We are keen to hear what you think. Please do get in touch with us at: igc@thephoenixgroup.com

Colin Williams, Chief Executive of Pensions and Savings responds to the challenges that we have set.

We are committed to putting our customers first as part of our values, and we are always striving to improve their retirement outcomes and maintain leadership in the pensions industry.

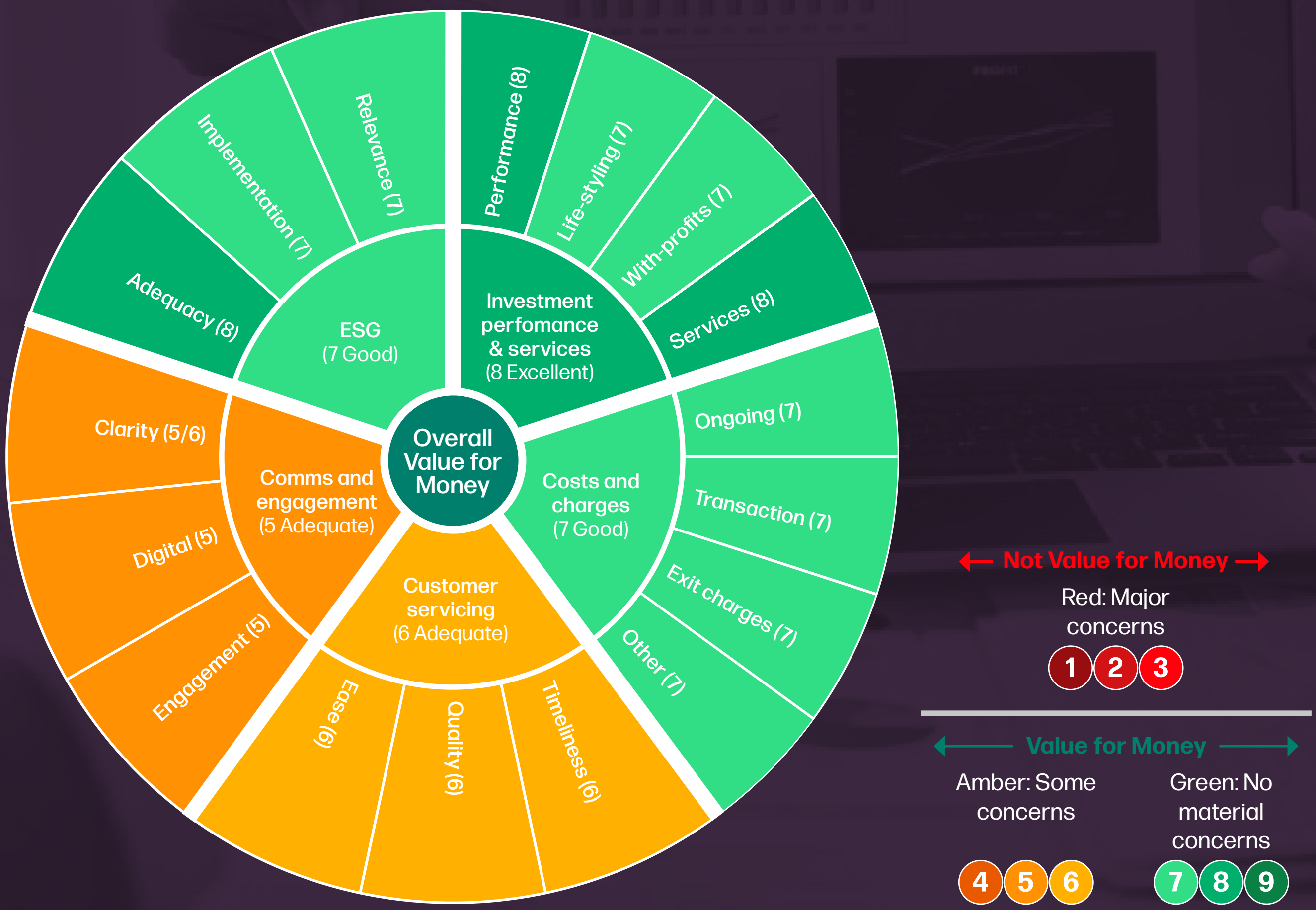
We are always seeking to go the extra mile for our customers and look for ways to improve our proposition. The IGC's rigorous scrutiny of our pension performance and the value for money that we provide is a catalyst for further improvement.

We value enormously the challenges that we receive from the IGC – alongside the acknowledgements of where we are doing well! Their assessment of our in scope workplace customers is empirical and invaluable. It is also balanced and fair in calling out areas of success and areas that need 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 consider the needs of all our customers when prioritising new initiatives and developments.

We continue to be in the middle of a very ambitious development programme, designed to improve outcomes for customer across a number of areas. We will embed the IGC's challenges into that plan at the appropriate points and with the appropriate priorities.

Assessment details



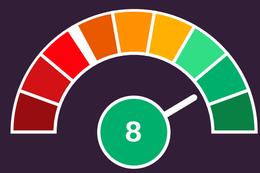
Investment performance

"The performance of the main Phoenix default funds has been reasonable when compared to benchmarks and competitors so represents value for money.

"Phoenix does, however, have a large number of smaller funds which do not compare so well, particularly over the medium and longer term. You may be able to get better performance in different funds, so we encourage you to review your personal investments."

"The IGC is pleased with the overall performance of the Phoenix funds, and has given the firm a rating of Green (Excellent) for Investment performance."

Andrew Milligan, Independent Member



Summary

Why we gave this score

The performance of the nine key default funds offered to Phoenix customers has been reasonable when compared with benchmarks, the funds offered by competitors, or inflation over the medium term.

Our score also reflects the work in hand to improve future long-term performance of the managed funds, and the performance of the range of with-profits funds.

Key areas of strength and weakness

The IGC is pleased that the performance of the main default funds is generally good when compared with benchmarks or competitors or inflation over most of the time periods which we examine.

However, Phoenix has a large number of smaller or older funds which often do not compare well with those of competitors. This can be seen through the Red/Amber/Green (RAG) assessment or the Quartiles ranking of fund performance.

The main funds were sharply affected by the surge in consumer prices seen in 2022 and 2023, but their long-term 'real' or 'inflation adjusted' performance is much more acceptable.

Long-term with-profits performance remains good with some funds demonstrating very positive returns.

Improvements made over the last year

We challenged Phoenix in 2024 to:

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

The IGC has been reassured by the steps taken by Phoenix to address under-performance in various funds. These included, for example, altering the active equity components in multi-asset funds as well as changes to strategic asset allocation positions.

The IGC is also monitoring carefully the proposals to enhance the exposure to private assets in the larger managed funds, bearing in mind the increased costs which might arise alongside the potential for improved fund performance.

The IGC was pleased that Phoenix has put more effort into ensuring customers are suitably informed as and when Market Value Reductions might affect their with-profits policy.

The IGC was pleased that Phoenix has begun preparatory work on a long-term review of with-profits funds, with the objective of improving customer outcomes and the long-term performance of such funds.

Areas for improvement

As we have rated Phoenix 'good' for investment performance, we are not setting specific investment performance challenges for 2025.

During the coming year, the IGC will, however, encourage the company to continue its programme of work intended to improve the long tail of funds offered to Phoenix customers, where long-term performance is reasonable but could be improved through better design and management.

Further commentary

The term 'Investment performance' covers a variety of ways to assess the historical and projected performance of the range of funds which is offered to Phoenix customers. This analysis includes unit-linked funds and with-profits policies. Such an assessment is separate from the oversight and governance of the various funds, which is covered in the 'Investment services' section.

Your IGC is responsible for determining whether the performance of such funds offered by Phoenix is fit for purpose, and properly takes into account different customers' characteristics, needs and objectives.

We hope to find that key managed and default funds are delivering sufficient returns on your retirement savings over the medium and longer-term so as to provide a decent outcome when you retire, without taking too much investment risk and after taking inflation into account.

Although value for money is mainly about what you might get in the future when you retire, we also look at how your investments have performed in the past to confirm our findings.

How we assess value for money

We examine in detail several aspects of Investment performance:

A Fund performance

- **How your funds have performed against the set benchmark,** for example, whether to match or exceed a stock market index.
- **How your funds have performed against the competition,** particularly examining how the larger important default funds have performed, are designed and managed, against their major competitors.
- **How the returns from your funds compare after taking inflation into account** over different time periods.

B Life-styling

- **Checking whether the lifestyling approach and customer profiles are suitable**. In addition, we consider the strategic asset allocation of the main funds to assess whether they are likely to provide decent returns across potentially different market regimes.

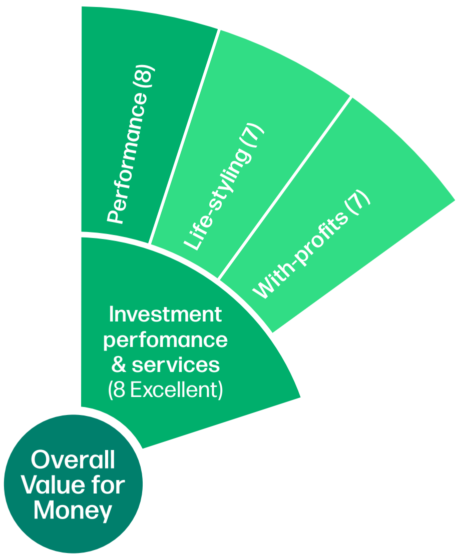
C With-profits

- **Comparing the long-term performance of with-profits funds against inflation** while also taking account of such factors as annual guarantees, estate distribution or market value reductions.

Within these areas, our detailed analysis takes into account:

- **The market background** – global equity markets performed very well in 2024, led by a second year of very strong performance from the USA. Other stock markets also showed positive growth, less so for the UK, more so for Europe and parts of Asia. Real estate, corporate debt and private market assets also generally demonstrated positive returns.
- **The nature of market movements** – this was very difficult for many 'active' fund managers to match. This reflected the dominance of the global stock market surge led by a small selection of stocks, especially the so-called 'Magnificent 7' technology companies based in the USA.
- **The economic backdrop** – this was particularly supportive for those portfolios which included higher levels of risk. Investors became more confident that economic growth would be buoyant in 2024, while decelerating inflation would allow central banks to cut interest rates.
- **Consumer inflation** – The IGC monitors this as it can reduce the purchasing power of your pension. Over the past five years headline inflation in the UK has averaged 4.6% a year.

Our assessment



A. Fund performance

Performance against benchmarks

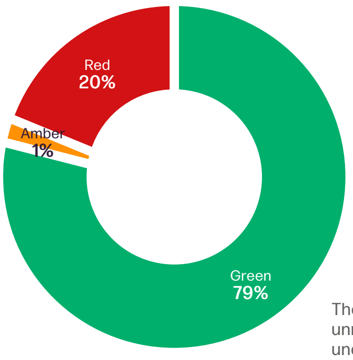
The IGC pays particular attention to the nine large default funds which the majority of Phoenix customers are invested in. Of course, you may be invested in other funds that have performed differently, funds that either you or your previous employer selected some time ago.

The asset allocation underpinning these funds mattered particularly for performance in 2024, and indeed in recent years. Hence, those funds with a predominance of UK equity only returned 7% in 2024 while those funds with more overseas, especially US, equity exposure returned 15% last year.

The IGC also examines other default funds offered by Phoenix, to assess whether their performance is providing suitable returns for customers.

As well as historical performance, the IGC also examines how all available funds, almost 160 of them, are performing against the benchmarks which have been set. The benchmark could be a published market index like the FTSE All Share, or a customized benchmark, or an ABI (Association of British Insurers) comparator.

Performance RAG distribution



There were 6(4%) unrated funds due to unavailability of data

We use a Red/Amber/Green (RAG) performance system in the above pie chart. Green represents those funds that have out-performed over the past three years, Amber those funds which have under-performed by up to 1%, and Red those funds where the under-performance is greater than 1%.

The proportion of funds rated Green has remained relatively constant in recent years, although it has dipped slightly from 82% in 2023 to 79% in 2024. However, about 20% of those funds were rated Red, indicating that there is a large tail of funds where performance has not been as good as we would have hoped to see.

Performance against competitors

We compare the performance of all Phoenix funds, about 150 of them, against similar competitors, where possible. The results are shown in the chart of Quartile Rankings below. Quartile 1 reflects the best performing funds, while quartile 4 represents the worst performing group.

Over recent time periods, and once again in 2024, about 40% of Phoenix funds are in the top half of the table. There is a possibility therefore that better results could be obtained elsewhere if you or your previous employer made different policy choices.

It is, however, difficult to know how much investment risk such competitors have taken to achieve such an outcome. For example, one possibility is that other competitor funds invested more aggressively in fast-growing equity markets outside the UK.

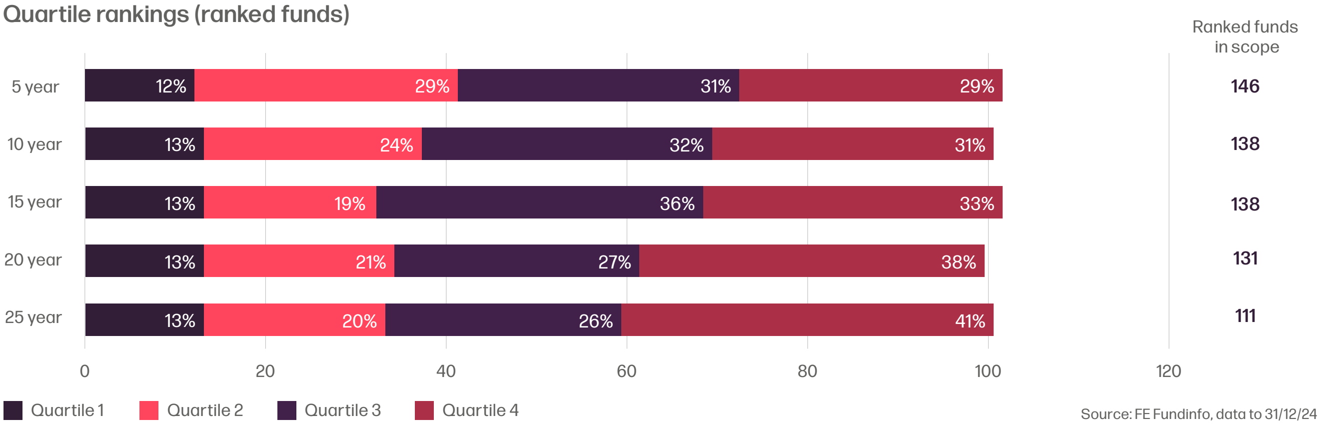
Taking inflation into account

Bearing in mind the surge in consumer inflation seen in recent years, which has affected the short-term 'real' performance of many default funds, the IGC was reassured to see the performance of the large default funds with equity holdings generally exceeded inflation over the past 10 years. Indeed, the out-performance versus inflation over one to two decades was very positive in many cases.

B. Life-styling

The IGC regularly checks on the strategic asset allocation (SAA) processes underpinning the design of many of your funds, ensuring that they are fit for purpose. This will include examining how the asset allocation will alter over the lifetime of a product – taking on board more risk through equity and private assets in the growth phase, and moving towards a more conservative portfolio with higher bond and cash weightings as retirement approaches. In addition, the SAA has to be flexible enough take into consideration potentially very different investment regimes, say high or low inflation, during the lifetime of a fund.

Quartile rankings (ranked funds)



Source: FE Fundinfo, data to 31/12/24

C. With Profits

With Profits fund performance

The IGC examines the with-profits funds offered by Phoenix. By their very nature these are long-term investments, so we check historical performance over one, two, or even three decades, as well as carefully considering the impact of inflation.

While it is the case that the surge in consumer prices has dampened 'real' performance over a period of five years, and the outturn is mixed for some funds over 10 years, we are pleased to report that the nominal and the inflation adjusted returns on premiums for someone retiring in 2024 after 15 or 20 years of contributions were at least reasonable and sometimes very good.

The table in the **Supporting materials** document shows the outturns for the most important with-profit funds.

It is important to note that the details of each particular scheme will matter. Annual guarantees, estate distribution or the rules surrounding Market Value Reductions (MVR) will differ considerably between each policy. For example, the importance of estate distribution in some schemes is shown in the charts in the **Supporting materials** document.

The IGC continues to monitor the situation surrounding MVRs very closely. In a small number of cases these can be high, to ensure fairness across the different generations of policy holders. We have been reassured that any potentially affected customer cashing in their plan is given suitable information beforehand, while the differences between transfer and retirement values are clearly explained in your annual statements.

During 2024, the company began initial preparations for a with-profits modernisation programme, intended to deliver better customer outcomes. The IGC will monitor this during the next few years.

D. Other considerations

Addressing issues

Looking across all the funds, unit-linked and with-profits, offered to customers by Phoenix, then where there was evidence of noticeable under-performance during the past year, the IGC discussed the various causes with Phoenix.

We welcomed activity to address these issues, for example altering the active equity components in multi-asset funds, but also the steps taken in a strategic asset allocation review such as the relevant weighting towards UK vs. overseas assets.

Fund reviews

We also consider changes to the structure of the funds which might affect future performance. The Phoenix Group is considering proposals to enhance the role of private assets, such as equity, debt or infrastructure, in the managed funds.

The company has launched UK and global Long Term Asset Funds (LTAFs) which will comprise some of the vehicles used to provide such exposure. The IGC will monitor these plans carefully as there are increased costs to assess alongside potentially superior performance.

Conclusion

We conclude that the majority of the default funds, other unit-linked funds, and with-profits policies, offered by Phoenix are still delivering value for money and should be able to provide decent long-term returns to help you build up a pension pot for your retirement.

During the coming year, the IGC will encourage the company to continue the programme of work which it has already started, focused on the long tail of funds offered to Phoenix customers where long-term performance is reasonable but could be improved through better design and management.

Phoenix continues to provide a range of default funds and other funds to its customers whose performance is good value for money. The IGC awards the firm a Green rating.

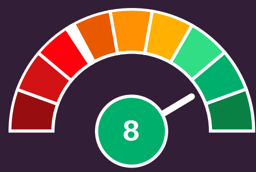
Investment services

"We regard the principles, framework and processes that Phoenix use to oversee asset managers and funds for customers as fit for purpose and represent value for money.

"Following our challenge last year, Phoenix have tightened up the process to deal with any under-performing funds."

"The IGC is pleased with the overall governance of Phoenix funds, and has given the firm a rating of Green (Excellent) for Investment services."

Andrew Milligan, Independent Member



Summary

Why we gave this score

The default funds offered to Phoenix customers are well-designed, well-managed and administered in order to meet your expectations.

Our score reflects a regular assessment of the reports from the governance teams, particularly focusing on actions taken to address any performance or process issues which are uncovered.

Key areas of strength

The relevant parts of the Phoenix Group, namely the Policyholder Investment Office, and within that the Manager Research and Selection team, demonstrate an in-depth knowledge and oversight of the major fund managers, the global strategic partners, responsible for Phoenix funds, focusing on Aberdeen investments, which is the most important manager overseeing the largest default funds.

The IGC was reassured that such analysis found that there were no major concerns regarding the key strategic partners in relation to four Red/Amber/Green rating (RAG) aspects which are considered, namely operations, incidents, ESG and performance.

There is a suitable range of other funds which Phoenix customers can self-select from, standing alongside or instead of the main default funds.

Improvements made over the last year

We challenged Phoenix for 2024 to:

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

The IGC was pleased that the processes to deal with under-performing funds have been tightened up, following a deep dive review which was carried out in 2023.

Actions continue to be underway to implement Phoenix's Responsible Investment Policy in funds where Phoenix controls the mandate.

Areas for improvement

As we have rated investment services as 'good', there are no major challenges for Phoenix for 2025.

Further commentary

The term 'Investment services' covers a variety of ways in which the creation, oversight and development of your funds is carried out to ensure they are fit for purpose. This is separate from the actual management of the various assets, and how they perform, which is covered in the Investment performance section.

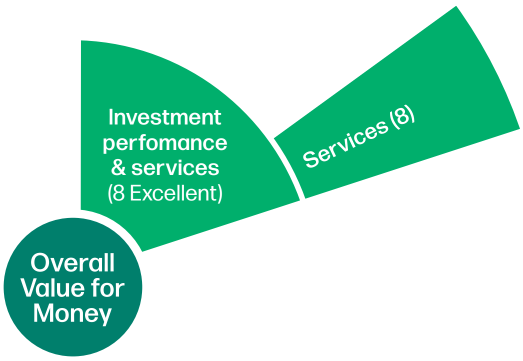
Your IGC is responsible for determining whether the servicing of such funds by Phoenix is fit for purpose, and properly taking into account different customers' characteristics, needs and objectives.

How we assess value for money

We examine several aspects in the Investment services area:

- Whether the funds are designed in the interests of customers and clearly described.
- Whether there are regular reviews of the suitability of default funds, asset allocation and manager selection.
- Whether there is adaptability of defaults and other funds to changing circumstances.
- The range and suitability of alternative fund choices.
- The processes to identify and address poorly performing funds.

Our assessment



The IGC was reassured by the extensive work of the Policyholder Investment Office, and within that the Manager Research and Selection team, which demonstrates an in-depth knowledge of the global strategic partners who generally manage your money, in particular the larger and more important managers such, as Aberdeen investments, in terms of your default funds.

The governance team looks at all of your major fund managers in four areas: operations, incidents, ESG and performance. It uses a Red/Amber/Green or RAG rating system. The IGC was reassured that no significant issues were discovered during such in-depth reviews.

During 2024 several reviews of a number of key strategic partners were carried out in a variety of areas. The results were helpful, for example, whether triggering a change of investment strategy or mandate or manager, or new processes put into place within the strategic partner's operations.

Where Phoenix controls the mandate, the governance teams 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, while poor performance might be highlighted, ultimately you or your employer would need to make the necessary fund switch.

Conclusion

After such analysis, we concluded that the principles, framework and processes through which the asset manager capabilities and funds managed for Phoenix customers look fit for purpose. There is also clear evidence of regular, ongoing manager and mandate reviews, and suitable changes being implemented where there is evidence of under-performing funds.

In particular, the IGC was reassured that analysis found that there were no major concerns regarding the key strategic partners in relation to the four important RAG areas.

Our scoring found that all these areas rated very good, that is a score of eight.

Phoenix continues to provide a range of default funds and other funds to its customers which are generally well managed and maintained, and appear suitable for the needs of its customers. The IGC awards the firm a Green rating.

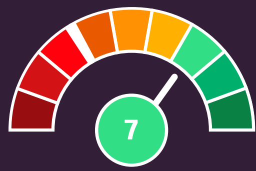
Costs and charges

"We are extremely happy that, following the challenge from the IGC, from July 2024 Phoenix has reduced ongoing charges to a maximum of 0.75% per year (for customers without additional benefits or guarantees).

"This has reduced charges for over 40,000 customers and means the vast majority of you will be paying less than 0.75% each year in ongoing charges which we consider is good value for money."

"We are extremely pleased that Phoenix has reduced ongoing charges to a maximum of 0.75% per year where customers have no additional guarantees or benefits. The IGC has given Phoenix a rating of Green for costs and charges."

Steven Blight, Company Nominee



Summary

Why we gave this score

The level of costs and charges from Phoenix provide good value for money, with the majority of you now paying 0.75% or less per year.

From July 2024, Phoenix has reduced ongoing charges to a maximum of 0.75% per year for customers without additional valuable benefits or guarantees following previous IGC challenges. We are extremely happy with this decision from Phoenix with this resulting in a reduction in charges for over 40,000 customers.

These actions have driven an improved rating for costs and charges when considering the ongoing charges you paid in 2024, and will pay going forward, with us giving a good value for money rating.

Key areas of strength

Phoenix has costs and charges which offer good value for money in the following ways:

- A maximum ongoing charge of 0.75% per year, unless you have additional valuable benefits or guarantees.
- Transaction costs remain low for all the main unit linked and with-profits funds and in line with peers.

Improvements made over the last year

Phoenix has taken actions in response to our challenges:

Reduction of charges over 0.75% per year

- The IGC had challenged Phoenix as to why customers paying over 0.75% per year with no additional benefits were receiving value for money.
- Recognising this has been a complex piece of work, we are extremely pleased with the plans developed over the past year. Charges will be retrospectively reduced from July 2024 for those without additional valuable benefits or guarantees. These will be implemented in the form of a refund of charges and be implemented by the end of 2025.
- You will now pay a maximum of 0.75% per year unless you have additional valuable benefits or guarantees.

Areas for improvement

Despite Phoenix being good for Costs and charges, there remain actions still to be completed.

Progress the switch to a modern, lower charging product

For customers previously paying more than 0.75% per year in annual charges (without additional valuable benefits), complete the move of them to a more modern product with wider proposition benefits during 2025 and through 2026.

Further commentary

Why we gave this score

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

- **A** **Ongoing charges:** Regular charges deducted to cover the costs of administration and investment of your funds.
- **B** **Transaction costs:** Deductions to cover the costs of buying and selling the investments within the plan.
- **C** **Exit charges:** There also may be an 'exit charge' taken if your pension is transferred to another provider.
- **D** **Other charges:** Some of you have other additional benefits or services on your plan. These can include certain guarantees that apply to with-profits investments; protection benefits (e.g. life insurance or waiver of contribution cover); specialist customers' investments; or advice from an adviser.

The main factor to determine if the costs and charges you pay provide you with value for money is assessment against reasonable scheme comparators that are available to you. These comparators can be within the Phoenix Group as a whole or available in the wider open market. This is in line with Financial Conduct Authority (FCA) rules.

For you to be receiving good value for money, we believe that your ongoing charges should not be above 0.75% per year unless there are additional benefits provided.

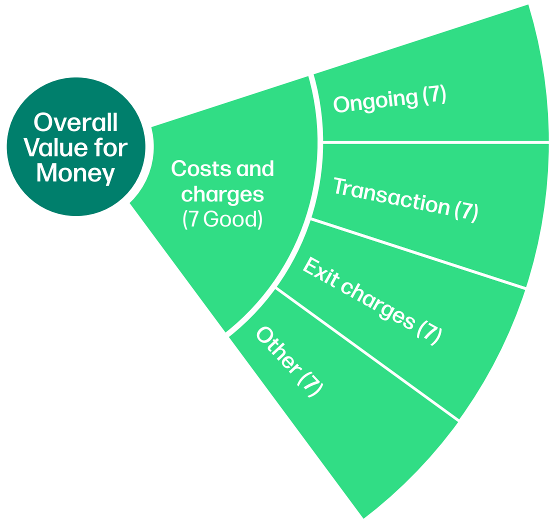
Where customers are paying above 0.75% per year and are not receiving additional benefits, we believe your value for money should be improved.

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.

We are concerned if **exit charges** are above 1% of the value of the plan.

Where customers pay **other charges** for other additional benefits and services, then we consider this to be reasonable provided customers know they are paying them, they 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 they remain appropriate.

Our assessment



A. Ongoing charges

We reported to you last year that Phoenix had agreed to apply a 'value adjustment' with effect from July 2024 which effectively reduced the ongoing charges for customers paying above 0.75% per year, with no additional valuable guarantees or benefits.

The ongoing charges for these customers would be reduced to 0.75% per year for a period while Phoenix considers what other options may be available to improve outcomes for these customers.

We are extremely happy to report that Phoenix has concluded that these customers would receive better value for money by moving into a more modern, lower charging product. This means customers paying above 0.75% per year, with no additional valuable guarantees or benefits, will now pay 0.75% per year permanently and also benefit from a more modern product with better digital access and communication. Phoenix is aiming to complete this work by the end of 2026.

Prior to these changes, the ongoing charges you pay would have remained in line with previous years, with the vast majority of you paying no more than 1% per year 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%
Total	**80,699**	**100%**	**1,081**	**100%**

Following the changes described above, over 40,000 customers who are paying over 0.75% per year, have had their charges reduced to 0.75% per year permanently with effect from July 2024. The remaining customers who continue to pay over 0.75% per year have additional valuable guarantees or benefits. We consider this position to provide good value for money.

Our review from other IGC's reports show that an ongoing charge of 1% per year is becoming less typical among other firms with 'legacy' workplace pension policies. Providers are looking to restrict charges for 'legacy' business to 0.75% per year where these did not have additional valuable benefits and other certain exclusions.

This demonstrates that Phoenix compares reasonably among its peers.

B. Transaction costs

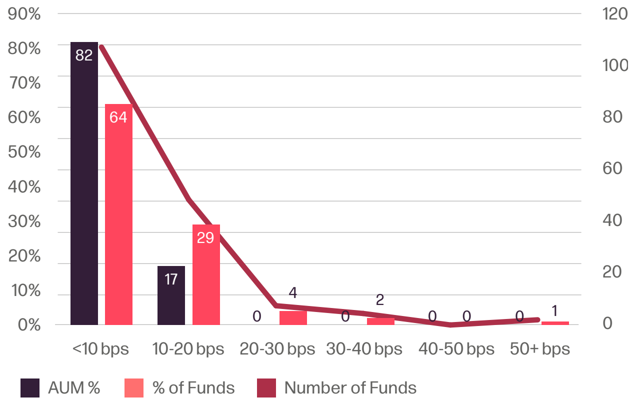
The quality of transaction cost reporting to the IGC has continued to be high over the course of 2024. This reflects a continued high level of data coverage, Phoenix continuing to provide analysis of costs, including how these change from period to period, and investigating funds where charges appear particularly high.

Transaction costs for all relevant unit-linked funds

Transaction costs for all 168 unit-linked funds offered by Phoenix to customers who are within the scope of the IGC are available in the IGC section of the Phoenix website. The chart below provides a summary view of costs split into bands.

This shows that 93% of funds (96% in 2023) saw transaction costs below 0.20% and 97% (97% in 2023) below 0.30%. The chart also illustrates that higher costing funds tend to have lower levels of assets in them on average.

Q4 2024 Phoenix breakdown of transaction costs



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 two funds with transaction costs over 0.50% for 2024.

Within the **supporting material** we contain further detail on transaction costs in relation to:

- Transaction costs by type of asset.
- Transaction costs for the relevant with-profits funds that you invest in.
- Transaction costs for the main unit linked funds.
- Benchmarking of transaction costs against the wider market.

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.

C. Exit charges

The majority of Phoenix plans have no exit charges, with others capped at a maximum of 1% of the plan value.

D. 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 year which is deducted from the plan value). Many plans within that fund have guaranteed bonus rates of up to 4% per year which applies at retirement age which is a valuable feature. We remain comfortable that the charges paid by customers are reasonable given the guarantees provided.

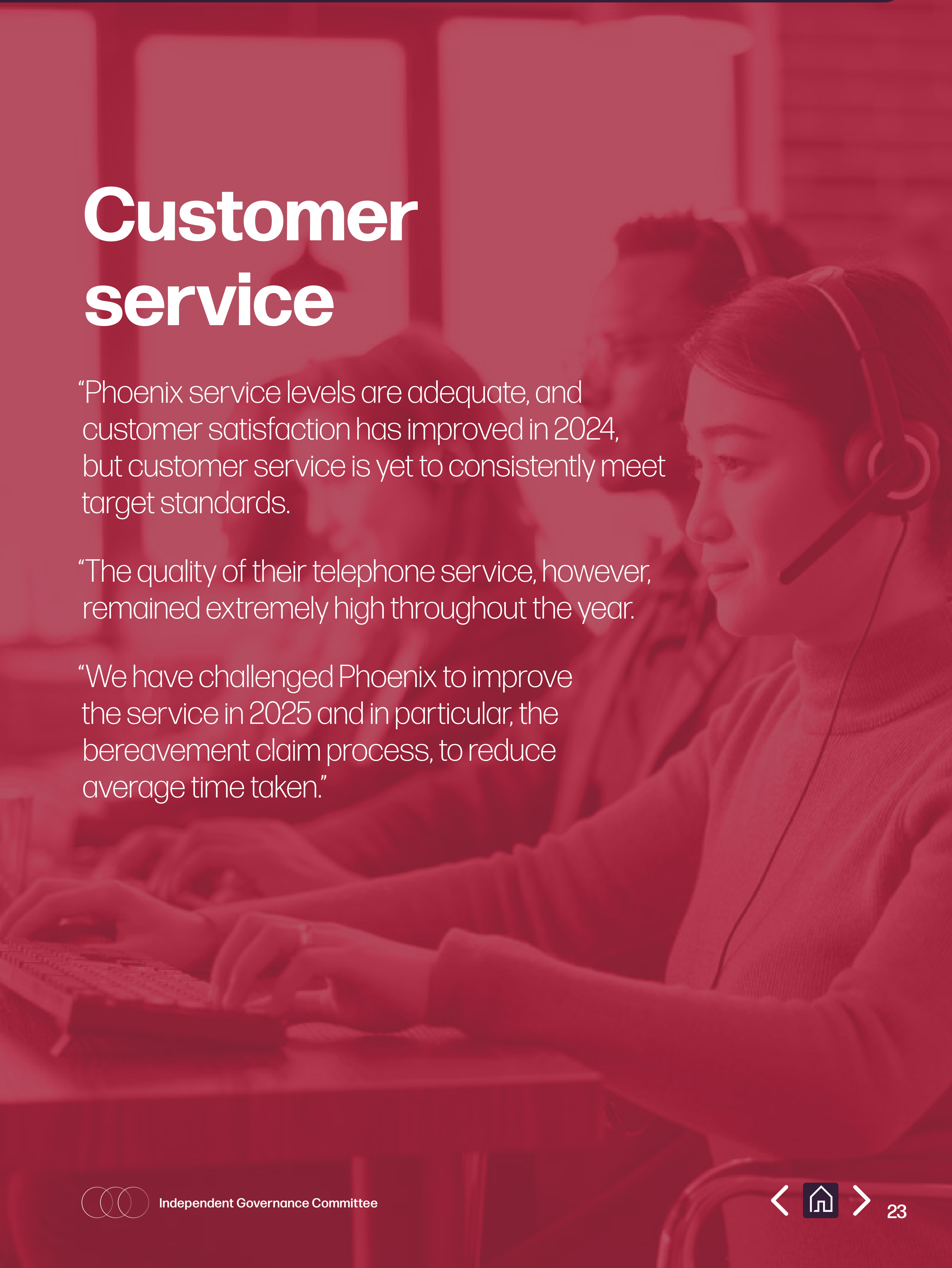
There are a small number of customers who have protection benefits, the majority of which is waiver of contribution benefit which ensures that contributions to your plan continue if you are unable to work for an extended period through long-term ill health or disability. We remain comfortable that Phoenix 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 year. 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, while 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.

Conclusion

Phoenix has taken positive action in response to the challenge we previously provided them around customers paying over 0.75% per year. From July 2024, only customers with additional valuable benefits will be paying over 0.75% with the changes proving over 40,000 of you a reduction in the ongoing charges you pay. Following this action, we are pleased with the costs and charges you pay and so award them with a Green rating.



Customer service

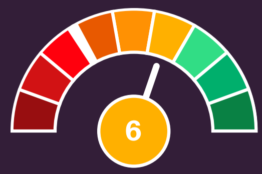
"Phoenix service levels are adequate, and customer satisfaction has improved in 2024, but customer service is yet to consistently meet target standards.

"The quality of their telephone service, however, remained extremely high throughout the year.

"We have challenged Phoenix to improve the service in 2025 and in particular, the bereavement claim process, to reduce average time taken."

"Phoenix service levels are adequate and customer satisfaction has improved on 2023, but customer service is yet to consistently meet target standards. The IGC has given Phoenix a rating of Amber (Adequate) for Customer service."

Rachel Haworth, Independent Member



Summary

Why we gave this score

All Phoenix IGC customers are serviced through external providers, mainly Diligenta. During 2024 Phoenix worked well with these providers to progress the service you received. As a result, there was an improving trend across 2024 particularly in the time taken to answer your calls.

Average processing times were also close to, or above target throughout the year, following a focus on customer outcomes with Diligenta. But there are some processes that remain slow which cause complaints, and quality assurance shows improvements are needed.

Alongside Phoenix's telephone and postal channels, they also provide you with the ability to view your pension online and send in online forms. Some customers now have access to additional digital functionality, with full roll-out expected in 2025.

The IGC monitors customer feedback against a target of 88% customer satisfaction. Phoenix fell slightly below this target in all but one month of 2024, but never below 85% satisfied.

The IGC has been pleased with the firm's focus on Customer service and to see improvement plans progressing to safeguard customer outcomes.

For these reasons the IGC has given an 'Amber' adequate rating for 2024.

Key areas of strength

Phoenix are committed to delivering higher quality service and are particularly strong in these areas:

- 88% of callers have their query resolved in the first contact and call quality remains high.
- The speed in which transactions are processed improved on 2023, with 90% completed within 10 days.
- Phoenix remained in the top quartile for Transfers Out using the electronic Origo Transfer Service taking 11.65 days in Q4 vs. an industry average of 13.5.

90% of transactions processed within 10 days

86% of customers satisfied

Progress made over the last year

We challenged Phoenix across three areas of customer service in 2024:

Improve customer service to target levels.

- Overall service levels in the call centre and processing areas are adequate, and customer satisfaction has improved on 2023, but they are yet to consistently meet target levels.

Roll out digital access to all workplace customers and increase functionality

- Most customers did gain access to improved digital functionality, with roll out to the remaining customers due in 2025.

Improve the Bereavement process for customers, to reduce overall time

- Although volumes are low and so skewed by a small number of highly complex cases, Bereavement claim timescales continue to be extended, taking an average of 118 days.
- We are pleased to see Management initiate a Bereavement project to drive improvements to this experience.

Areas for improvement

The key challenges we have set for 2025 are:

- Consistently meet target levels for processing times and quality.
- Improve the Bereavement claim process, to reduce average time taken to the target of 45 days.

Further commentary

The IGC's responsibility 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 2024 we looked at customer service across 18 customer journeys.

How we assess value for money

We scored each of the 18 journeys on a quarterly basis; 7-9 for good-outstanding, 4-6 for adequate but with areas for improvement and 1-3 for poor customer service.

Representatives from different parts of the Phoenix Group meet on a quarterly basis to compare and calibrate their customer service offering and their scores, to ensure consistency of approach.

To inform our assessment we look across these three lenses, considering a variety of information in each including:

A Did you receive timely service?

- Performance against target service levels.
- How complaints are dealt with.
- Call centre answer and abandonment rates.

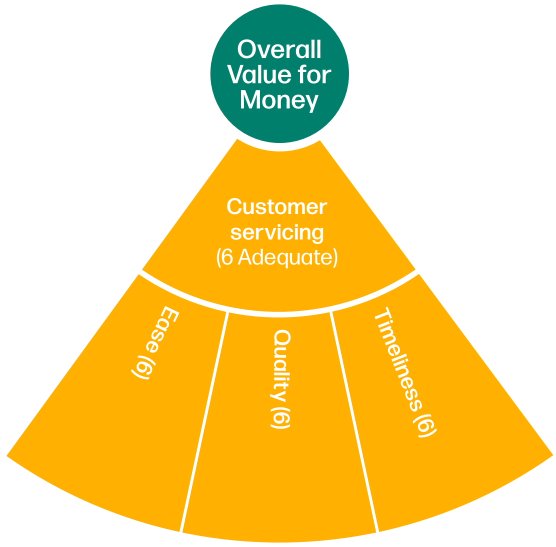
B Was the quality to expected standards?

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

C 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.

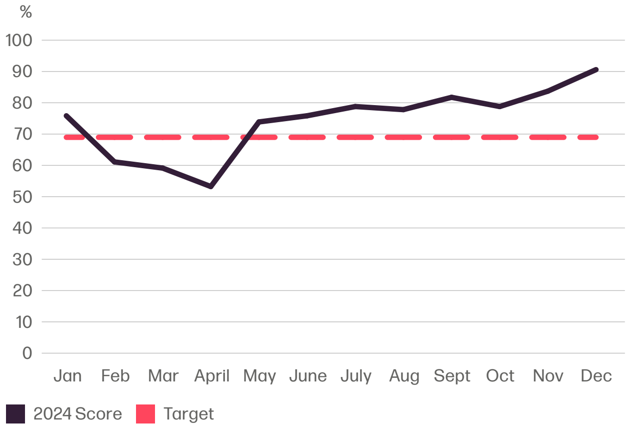
Our assessment



A. Did you receive timely service?

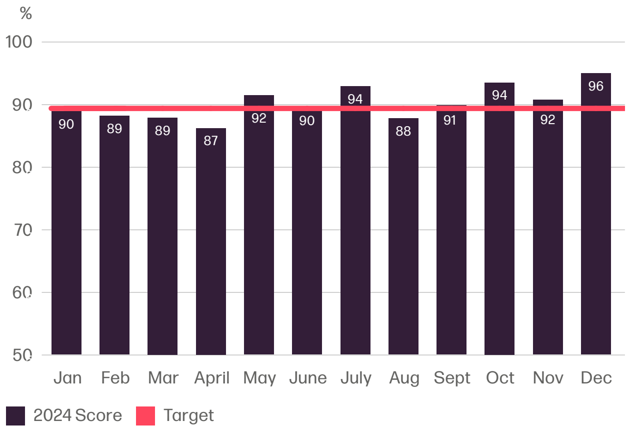
Following an under performing Q1, Phoenix made some good improvements to the service you receive on the telephone through 2024. In the following months, calls were answered quickly, with an average of 75% answered within 20 seconds.

Calls answered in 20 seconds



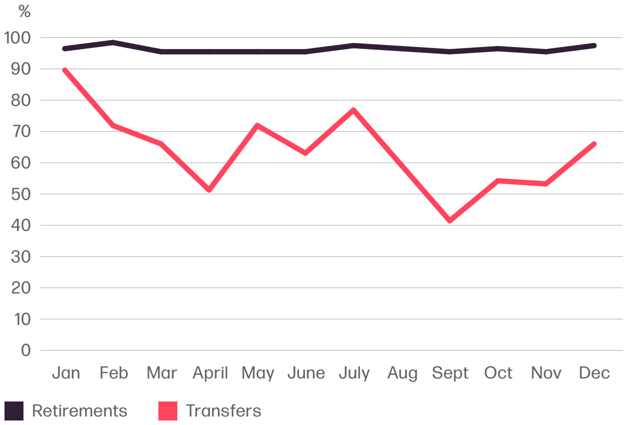
They slightly missed their processing target in 6/12 months, but still averaged 90% of transactions processed within 10 days.

Transactions processed within 10 days



Those customers wishing to take money out in retirement received good customer service, with over 95% of requests being processed in under six days. But those wishing to transfer their pension to another provider often experienced delays, particularly in Q2 and Q3, with an average time across the year of 104 days to complete the transfer.

Retirements and transfers completed in six days

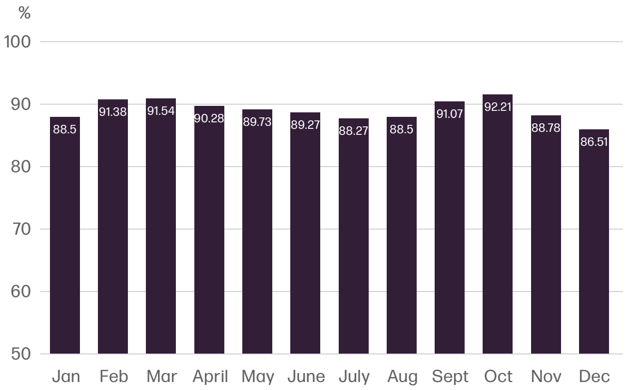


The time it takes to complete a Bereavement claim also remains extended. Although the IGC accepts that volumes are low and claims are often complex, an average time of 118 days against a target of 45 days needs improvement. The IGC is pleased to see that following IGC challenge, this is now high on Senior Management's agenda and hope to see improvements in 2025.

Alongside the telephone and postal channels, Phoenix provides you with the ability to view your pension online and submit online forms. Through 2024 and into 2025, all customers will be given additional online access and functionality. These services remained fit for purpose throughout 2024.

Complaint volumes regarding service (as a % of transactions) remained similar to 2023 and overall complaints were handled in a timely manner, with c.45% closed within three days. However, complaint resolution times did increase in the second half of the year, with 13% of those complaints resolved in December taking eight weeks or more.

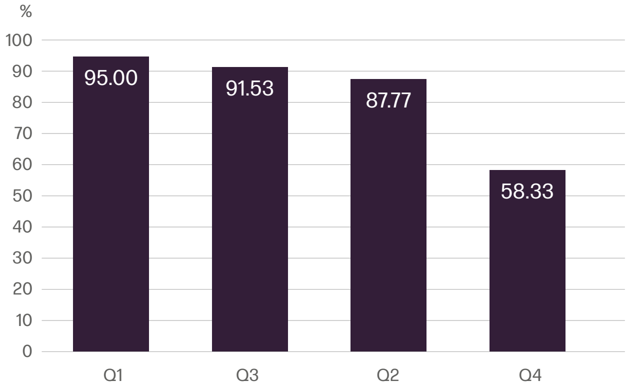
Complaints resolved in under 8 weeks



B. Was the quality to expected standards?

Sample testing of calls confirmed that the quality of telephone service remained extremely high throughout the year. Quality assessment of processing, however, found increasing issues as the year went on, with only 58% of those checked in Q4 passing quality standards. Any errors were corrected to ensure no customer detriment and this is an area senior management are focused on with the outsourced providers.

Processing quality assessment



The IGC has had regular updates regarding the treatment of Vulnerable Customers throughout 2024. In the last three months of the year, a review found that Diligenta need to improve how they identify and assist vulnerable customers, particularly through the bereavement process.

A Group-wide task force has been formed to review the end-to-end Bereavement process to improve the customer experience and additional Vulnerable Customer training is taking place.

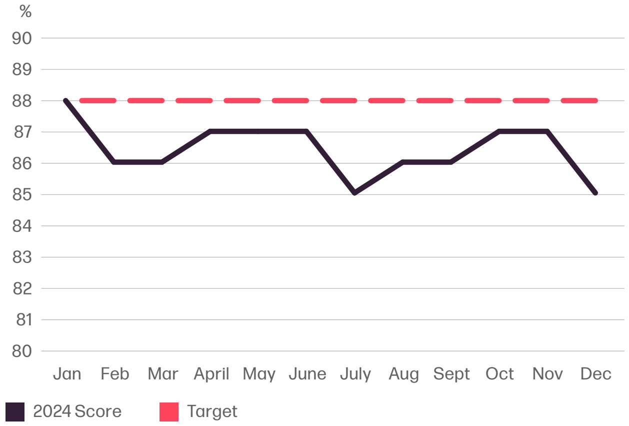
Throughout the year, the IGC has also continued to monitor the controls the Phoenix Group has in place to protect your information and money. Our conclusion is that Phoenix Group continue to have an acceptable Information Security strategy and, although they have improvements to make, are taking appropriate action to keep your data and money safe.

C. Did you feel it was easy to service your pension?

The IGC places significant importance on your opinions of the service you receive and give this a double-weighting in our assessment scoring.

Phoenix chose to reduce their target for Customer Satisfaction in 2024 from 88% to 86% satisfied. However, the IGC have continued to monitor satisfaction against the original 88% target. The surveys showed that you were happy with the service throughout the year. The average was 86% satisfied, with a low of 85% in December.

Customer satisfaction



Those of you who used the online services also provided positive feedback, with 97% of customers stating they are satisfied with it. The IGC will continue to pursue future development of digital options for you to service your pension.

Although Phoenix is currently unable to provide us with the volumes of complaints specifically for IGC customers, the volume of complaints for all Phoenix Life customers reduced in 2024 averaging 53 complaints per month for every 100,000 policies (compared to 65 in 2023).

Customers are generally complimentary and happy with the service they receive from colleagues, but the time it takes to complete retirement processes and pension transfers continue to cause complaints. A project has commenced to identify solutions to these issues and the IGC hopes to be able to report an improved situation for 2025.

The IGC also monitors those complaints that get referred to the Financial Ombudsmen Service (FOS). Approximately 3% of all Phoenix complaints are referred to FOS, of which 37% were overturned vs. the industry average for 2024 of 42%, indicating Phoenix's approach to complaint management is more in line with FOS' expectations than its peers.

We are pleased with Phoenix's ongoing focus on customer service and that a revised organisational structure has been introduced which places further Senior Management attention on developing the customer experience.
We expect this to deliver further improvements over the course of 2025.

Conclusion

Phoenix have made strong improvements to call centre answer times and processing times throughout 2024, which has helped to raise customer satisfaction.

Key journeys have been identified for improvement including Bereavement and Vulnerable Customers. Management have increased their focus on the causes of customer dissatisfaction and complaints, to safeguard customer outcomes.

We continue to award them with an Amber rating.

Communication and engagement

"Phoenix has kept its communications up to date from a regulatory perspective. We do not, however, consider some of them to be very engaging for customers due to an outdated design and low use of graphics and personalisation.

"Despite having some good digital capabilities these are behind the market and have not yet been made available to all customers. We recognise the system constraints Phoenix have until they move to their new technology and are confident that once the upgrade is completed things will improve.

"The most urgent action is to reduce the number of 'gone-aways' where they do not hold up to date contact details and also to increase the number of email addresses held."

"While Phoenix communications contain relevant information, they would be more engaging to customers if the design and layout was improved. Digital functionality remains limited with low levels of customers registered. There are also a considerable number of customers with out of date contact details. The IGC has therefore given Phoenix a rating of Amber (Adequate) for Communication and engagement."

Andy Davies, Independent Member

Summary

Why we gave this score

Most communications from Phoenix provide comprehensive and relevant information for customers. Our key concern is the outdated layout and low use of pictures, charts and personalisation to make them more engaging.

Phoenix offers online functionality through its website portal and the MyPhoenix app. These provide some good capability which has been further developed this year. The digital functionality and usage is, however, behind the market, with customer registrations very low.

Overall, due to systems constraints, there have been limited development to their communications this year beyond regulatory changes. We have therefore kept the same 'adequate' rating as last year.

Key areas of strength

The Phoenix public and secure websites have been accredited by the Plain English Campaign. Phoenix are also working towards accreditation for their accessibility features and information.

Improvements made over the last year

We challenged Phoenix in 2024 to:

- **Urgently improve the Gone Away process**
  Phoenix are aware they do not have the contact details for about 30% of their customers. Following strong challenge from the IGC, they have now established a new 'best in class' tracing solution which should reconnect them with many of these customers. Results will not be achieved until 2025 so we will provide an update next year.

- **Update the 'look and feel' of key communications to make them more appealing and engaging**
  The IGC challenged Phoenix to update the 'look and feel' of key communications to make them more appealing and engaging to customers. However, due to systems constraints (Phoenix are migrating to new technology), there has been limited development to their communications this year beyond regulatory changes.

- **Increase the number of email addresses held for customers**
  Email addresses being held marginally increased in 2024 from 15% to 17% of customers. While moving in a positive direction this remains an important area of focus as this is still too low.

- **Increase online registrations and usage with their current digital capability (ready for further digital development)**
  Phoenix have marginally increased their online registrations from 4.8% of customers within the IGC scope to 5.4%.

Areas for improvement

- Improve the 'look and feel' and modernise key communications to make them more engaging to customers.
- Urgent attention to reduce 'gone-aways' and increase the number of email addresses held.

Further commentary

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

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

How we assess value for money

We evaluated specific communication material across each stage of a customer's journey from joining, through accumulation to leaving or retirement. Using a scoring system of 7-9 for good-outstanding, 4-6 for adequate but with areas for improvement and 1-3 for poor, we rated the communications against each of the following:

A 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.
- Clear 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.

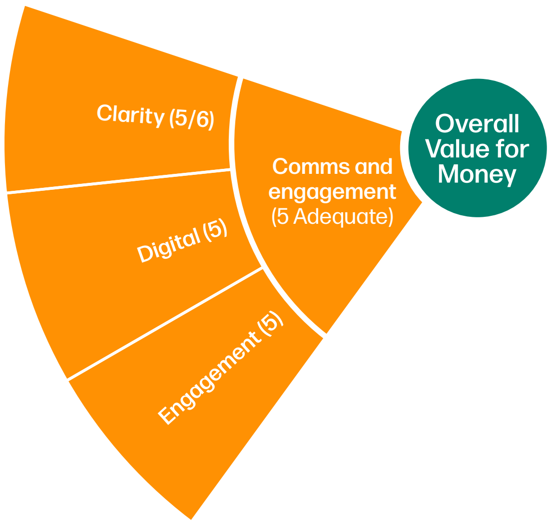
B Are there suitable options to engage digitally?

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

C 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 Life.
- Action e.g. if customers take action as a consequence of the communication.

Our assessment



A. Communications are clear but not well presented

Phoenix's communications take into account customers' characteristics, needs and objectives and contain relevant information. However, their overall 'readability' could be improved and they have a very low use of charts, pictures and diagrams making them potentially less engaging to some customers.

In addition to the IGC seeking evidence regarding how each communication is presented, 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.

Customer Feedback is overall positive following telephone calls for 2024 with 87% rating 'good' or 'excellent'. We would, however, like to see Phoenix capturing more feedback from customers, particularly in terms of their general and digital communications.

B. There are some options to engage digitally

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

Phoenix's digital strategy continues to focus on building new features and broadening access to existing tools. There are plans to open up access to some of the best tools from within the Standard Life digital estate. However, we do not yet have firm timescales so will report back next year when we have more clarity.

Phoenix have marginally increased their online registrations from 4.8% of customers within the IGC scope to 5.4% which remains very low.

Despite systems constraints preventing digital availability to some customer groups, we would still like to see considerably more customers engaged and using the digital services.

C. Some customers are engaging with the communications

It can be difficult to measure the extent 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 at least being received.

'Gone aways'

The IGC is particularly interested in the efforts Phoenix goes to, to reunite customers with their pensions.

We estimate that about 30% of customers are considered 'gone away' where they do not have up to date contact details.

Phoenix Life no longer accepts 'new business'. Companies who have older products often struggle with keeping up-to-date customer addresses and Phoenix is no different. Having said that, this is a significant proportion of customers and higher than we would expect. The IGC has urged Phoenix to improve its 'Gone Away' tracing programme.

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 2025.

Email addresses

Email addresses are becoming more important in our digital world making it easier to communicate to customers in a more engaging way.

Phoenix currently has email addresses for only 17% of their customers (up from 15% in 2023). This needs to further increase to be able to offer strong engagement.

Engagement levels

The IGC reviews the percentage of customers to have taken a specific action in the last 12 months.

This can include updating important information such as their contact details, beneficiaries or retirement date. Additionally, it can include changing contribution levels or accessing various decision making tools.

8% of registered customers have changed their personal details through the digital self-service functionality.

	Total across all life stages	
	31 Dec 23	**31 Dec 24**
Interacted with Phoenix Life in the last 12 months (Inbound call, Written service request, Digitally registered customers)	**11.17%**	**12.22%**
Inbound - Calls at least once in the last 12 month period (based upon the actively engaged population)	**6.54%**	**6.34%**
Digital enabled members (Volume of digitally registered customers)	**2.75%**	**3.76%**

How we measure and monitor 'engagement' levels with customers is something we will be reviewing in 2025. We will hopefully have some positive news on this in next year's report.

Conclusion

Phoenix has kept its communications up to date from a regulatory perspective. We do not, however, consider some of them to be very engaging for customers.

Despite having some good digital capabilities these are behind the market and have not yet been made available to all customers.

We recognise the system constraints Phoenix have until they move to their new technology. We are confident that once the upgrade is completed things will improve. In the meantime, however, we award them with an Amber Adequate rating.

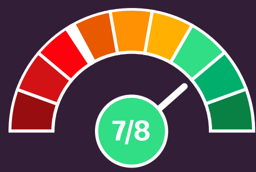
Environmental, Social and Governance (ESG)

"Phoenix takes its responsibilities to the environment and wider society seriously.

"The Phoenix Group continue to take an ESG leadership role in the industry. They participate in various industry initiatives to advance collective thinking, raise awareness of various issues, and champion good practice. The Group continues to be a signatory to the UK Stewardship Code."

"Phoenix takes its responsibilities to the environment and wider society seriously. The framework and policies have been updated to make sure ESG and stewardship are appropriately considered when making investment decisions. The IGC has given Phoenix Life a rating of Green for ESG and stewardship."

Barry Butler, Independent Member



Summary

Why we gave this score

Phoenix Group ('the Group') continues to have a strong policy framework that sets out clearly how Environmental, Social and Governance (ESG) and stewardship considerations should be taken into account in investment decisions that impact customer outcomes.

We have seen evidence of the evolution of its policy framework to keep pace with the latest standards and the Group's understanding of ESG matters.

We scored them highly in 2023 and they have responded well to the challenge that we set last year so have retained an excellent rating.

Key areas of strength

The Group ESG and stewardship policy framework covers factors that can influence the financial return from investments. It 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 policy intentions are carried out.

All investment decisions the Group takes are required to meet certain minimum ESG standards. As the product range is further simplified, there is expected to be a stronger emphasis on ESG considerations.

The Group continues to take a leadership role in the industry, and participates in various industry initiatives to advance collective thinking, raise awareness of various ESG issues, and champion good practice. The Group continues to be a signatory to the UK Stewardship Code.

Improvements made over the last year

In June 2024, the Group launched climate aware decarbonising equity benchmarks for its North America equity portfolio. This will help to protect customers against the risk of climate change. These benchmarks will be rolled out to other regions over time.

Areas for improvement

As Phoenix Life are strong in this area we are not setting a specific challenge for 2025, however, we are encouraging them to continue to embed responsible investment considerations across the fund range.

The priorities include:

- Using benchmarks for other regions.
- Embedding the responsible investment governance and oversight infrastructure.
- Integrating nature into investment decisions.

Further commentary

Your IGC is 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 customers' pension pots and/or investment pathway funds.

This is an important part of the UK Government's strategy to ensure that pension savings play their part in combating climate change and promoting good outcomes for society as well as good outcomes for pension savers.

How we assess value for money

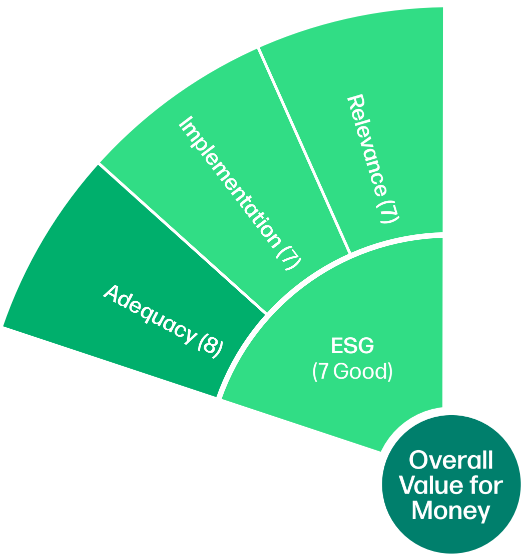
Our role is to review three key areas of investment considerations, looking at what the provider intends to do regarding each (i.e. their 'policy') and how good they are at doing it (i.e. 'implementation'). The three areas are:

A **ESG financial considerations:** ESG factors (including climate change) that are material to the sustainability of an investment;

B **Non-financial matters:** Factors which may influence a firm's investment strategy or decision, and are based on the views (including ethical concerns regarding ESG issues) of the firm's clients or relevant policyholders; and

C **Stewardship:** The Financial Reporting Council (FRC) state 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".

Our assessment



The Group 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 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 the Group has taken to ensure Responsible Investment principles were taken into account in their investment decision-making. In 2024, significant further progress has been made to strengthen the policy framework and ensure it is robustly implemented. In particular:

- Further strengthened and evolved its policy framework. The existing policies that deal with ESG and stewardship considerations have gone through an annual review and update as appropriate, with nature considerations now more explicitly considered. A new Sustainable Investing Risk Policy to strengthen and centralise the monitoring and management of relevant risks was agreed in 2024 and is now operational.
- 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 Group website, including Group TCFD disclosures in the **Group Annual Report**, **Group Sustainability Report**, **Stewardship Report**, **Net Zero Transition Plan** (published in 2023) and fund-level climate reporting for **Phoenix Life**. They also published a **Climate Information Guide** that aims to explain what many of the commonly-used terms and metrics mean.
- Carried 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 2024 survey were **published in November 2024**. Key messages include:
  - 89% of customers say returns are their top priority, and managing financial risk comes a close second.
  - 64% consider it important to exclude investment in companies that have a negative impact on society or the environment.
  - 64% of customers consider it important to influence companies to improve their impact on people and the planet.
  - Over half of customers want the Group to invest in a way that commits to net zero by 2050 or earlier.
- In 2024, the Group tested the level of alignment between its asset management partners' voting records and its Global Voting Principles. The Group asked five of its asset management partners to share their voting records for selected portfolios, and commissioned external research to analyse how the Group's voting record compares. Outcomes of this vote-testing analysis was shared with managers and led to engagement on specific areas of inconsistencies.

- The Group enhanced its ESG data oversight and due diligence in 2024, and conducted a formal review of the performance of its ESG data providers. The review focused on capability and innovation, quality and format of data, technology and system processes, and client service. This ensures the quality of services that the Group receives is aligned with expectations.
- The Group continues to take a leadership role in the industry, and participates in various industry initiatives to advance collective thinking, raise awareness of various ESG issues, and champion good practice. This includes acting on the Institutional Investors Group on Climate Change Board, the Climate Action 100+ Global Steering Committee, and the Transition Pathway Initiative Board. The Group continues to be a signatory to the UK Stewardship Code.

Progress against the 2024 Key Challenge

Last year's report contained one key challenge for 2024 to:

"Speed up the application of more explicit responsible investment considerations to workplace pension funds".

The IGC considers 'responsible investment considerations' to capture particular exclusions, stewardship, asset manager oversight, and decarbonisation strategy. In 2024, the Group's policy framework continued to evolve as part of its annual review cycle, resulting in good progress with respect to exclusions, stewardship and asset manager oversight.

The key development with respect to decarbonisation strategy was the launch in June 2024 of the climate aware decarbonising equity benchmark for the policyholder North America equity portfolio. The Group is developing plans to roll out these benchmarks to other regions over 2025 and beyond.

The IGC is pleased to see these new developments being implemented, as they are a key step in the delivery of the Group's decarbonisation journey.

Conclusion

The Group's policies on ESG and stewardship are clearly set out. They cover the key financial risks and opportunities arising from ESG considerations, set out clear standards that must be followed in the investment of in-scope customers' savings, and highlight the importance of being responsible investors.

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 IGC is able to confirm that the Group policy framework on ESG financial and non-financial matters, along with stewardship, is both adequate and of an appropriate quality. Peer benchmarking suggests that the Group is one of the industry leaders in ESG and stewardship, so we award them a Green rating.

Measuring Value for Money

How we assess Value for Money

Assessing value for money 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 our assessment takes into account a number of different aspects of your workplace pension experience, to form a holistic view of the value for money that Phoenix is providing.

We have developed a value for money framework that is closely aligned to the factors the regulator (FCA) require us to use, but with additional granularity in respect of the 'quality of services'. Our framework covers and reports on the following areas:

- **Investment performance and services**
- **Costs and charges**
- **Customer service**
- **Quality of communications**

Environmental, social and governance (ESG) factors are also reviewed and reported by the IGC, but as a separate assessment alongside the value for money analysis.

The IGC carries out a rigorous and wide-ranging analysis of Phoenix performance reviewing lots of different information. We also compare Phoenix Life to other pension providers using data from other available reports and specially commissioned benchmarking research. We also use this approach to compare performance across the other pension providers within the wider Phoenix Group (Standard Life, ReAssure and Phoenix Life of Canada).

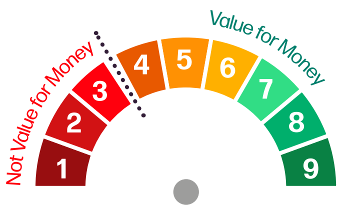
We recognise that assessing value for money is not an exact science as some aspects are more difficult to measure than others and individual customers value things differently. Nevertheless, we try to be as objective and fact-based as possible.

For each area, Phoenix Life's performance is rated on a numerical scale (from 1 to 9) based on the data, evidence and our own knowledge of the workplace pension market. We are also able to look at the historic data to track the trends.

We use 'speedometer gauges' to show their performance as either Red (not value for money), Amber (value for money but could be improved) or Green (value for money).

For each area, we measure several different aspects:

Area	Criteria
Investment performance and services	▪ Fund performance ▪ Life-styling ▪ With-profits ▪ Investment services
Costs and charges	▪ Ongoing charges (with and without additional benefits) ▪ Transaction costs ▪ Exit charges ▪ Other charges
Customer servicing	▪ Timeliness ▪ Quality ▪ Ease
Communication and engagement	▪ Relevance and clarity ▪ Digital capability ▪ Engagement
ESG	▪ Relevance ▪ Implementation ▪ Adequacy



← Not Value for Money →

Red: Major concerns

1 **Unacceptable** - major areas of urgent action required

2 **Inadequate** - some areas of urgent action required

3 **Poor** - limited areas of urgent action required

← Value for Money →

Amber: Some concerns

4 **Adequate** - many areas of improvement

5 **Adequate** - some areas for improvement

6 **Adequate** - limited areas for improvement

Green: No material concerns

7 **Good** - relative to market benchmark

8 **Excellent** - above market benchmark

9 **Outstanding** - market leading

Who we are

The role of the Independent Governance Committee (IGC) is to ensure customers are receiving value for money from their provider.

To perform this role, it is essential we operate independently from Phoenix. The majority of the Committee are therefore independent, although from time to time, we select company-nominated members to bring valuable in-depth policy-specific knowledge. In these cases they do not have a direct link to any areas they are scrutinising.

We carefully identify all of the different skills, knowledge and expertise required to perform our role. All IGC members are selected to ensure a complementary fit against these requirements. We also continually monitor and deliver training and personal development needs.

This 2024 value for money report has been prepared and written by the following Committee members:

Andy Davies
Chair, Independent Member

Andy joined the IGC as an independent member in September 2023 and was appointed as the Chair in January 2025. Andy is an experienced strategist, marketeer and business development professional with a strong customer focus. His career of over 35 years spans the breadth of Financial Services covering pensions, wealth management, life, healthcare and general insurance. He has held a wide range of senior management positions including Director of Marketing Strategy & Customer Insight for AXA UK & Ireland during which he established their first customer centricity strategy. While Head of Strategic Development for AXA Life, Andy created the initial strategy, and was one of the founder members of the Elevate investment platform (now Aberdeen Elevate).

Andy is also an independent non-executive trustee for the Standard Life Master Trust Co Ltd. He also runs his own management consultancy business specialising in strategic change and business transformation and chairs a business 'Mastermind' group for leaders of small/medium businesses in the South West.

Andy has qualified as a Chartered Insurer and Financial Planner in addition to holding separate professional Project and Proposal Management qualifications and is an Accredited Professional Trustee with the Pensions Management Institute.

Rachel Haworth
Independent Member

Rachel joined the IGC as an independent member in August 2022. She is a customer-focussed strategic leader with extensive experience in the financial services industry, including Marketing and Digital roles with HSBC First Direct and Product, Proposition and Customer Experience Director roles for Coventry Building Society. Rachel's expertise spans strategy, marketing, digital transformation, risk management, ED&I, ESG and cultural leadership.

She holds a number of other non-executive roles within financial services, currently as a Non-Executive Director and Chair of Remuneration Committee for Mansfield Building Society and the Mortgage Advice Bureau.

Rachel has a personal passion for ensuring customers are treated fairly and is particularly keen to make sure consumers, including those considered vulnerable, get value for money and good outcomes from their pension decisions. Rachel's wide-ranging experiences will help the IGC build on its assessment of the value offered in both retirement products and investment pathways.

Steven Blight
Company Nominee

Steven joined the IGC as an Employee Member in September 2021. He is a qualified actuary who has been with the Phoenix Group for over 20 years with his current role being the Deputy Chief Actuary for the UK Life Companies of the Group, focused on overseeing the reserving calculations, managing risk, ensuring compliance with regulatory requirements and developing strategic financial policies within the life companies of the Group.

Steven's previous roles at Phoenix have mainly been within the Actuarial team where he was responsible for pricing of new business for annuities and protection products, managing the Group's exposure to longevity, mortality, expense and persistency risks. He also has experience in developing the Group's approach to determine the amount of regulatory capital required to be held given the type of business and risks the Group has on its books and also the workings and management of with-profits funds within the Group, and therefore has a broad experience across the business.

Andrew Milligan
Independent Member

Andrew joined the IGC as an independent member in July 2022. He is an independent economist and investment consultant, who has 35 years' experience in financial markets, most notably at Aviva Investors as Head of Economic Research and Business Risk and then Aberdeen/ Standard Life Investments as Head of Global Strategy. He currently has a portfolio of roles, including trustee to the Central Board of Finance, one of the three national bodies which handle the investments of the Church of England, sitting on the investment committee of the Health Foundation endowment, an investment adviser to the financial services company, the Progeny Group, and an Advisory Board member for the Devlin Mambo consultancy, especially concerned with ESG advice.

Maggie Craig
Independent Member

Maggie joined the IGC in January 2023. She spent all her executive career in the financial services industry. She has worked in the industry with Standard Life and Aegon, lobbied for the industry when at the Association of British Insurers and regulated the industry when at the FCA where she led pension policy during the pension freedom years, led the strategy for the FCA Scotland's Office and set up the FCA Devolved Nations team. She was a Trustee on the Board of the FCA's Pension Plan for two years. Alongside her day job at the FCA, Maggie regularly lectured on financial services regulation at Glasgow College and Heriot Watt University.

Maggie is an honorary Fellow of the Institute and Faculty of Actuaries, sits on the Board of the Scottish Courts and Tribunal Service where she chairs the Audit and Risk Committee and is on the Board of Glasgow Credit Union. She is also a member of the Scottish Government's Ministerial Advisory Group on the Scottish National Investment Bank.

Maggie has been active on Diversity and Inclusion issues for several years with particular focus on mental health issues in part because she lives with a significant mental health condition.

Barry Butler
Independent Member

Barry joined the IGC as an independent member in February 2025. He is a qualified actuary with over 35 years of experience in the insurance industry, most notably at MetLife as EMEA Head of Product, Underwriting & Sustainability, and Zurich as Global Head of Savings & Investment Propositions. He is an accomplished professional with extensive experience in products, customer propositions, risk management, sustainability and cultural leadership. Currently he is a non-executive and consumer duty champion with MetLife, and a trustee and committee chair for Cotswold Lakes Trust. He is also studying for his Masters in Sustainable Development at the University of Sussex.

Barry is passionate about the customer and will use his expertise in products, investments and sustainability to support the IGC in ensuring customers get good value for money.

Changes of Membership

Dr David Hare
Outgoing Committee Chair

As highlighted in last year's report, Dr David Hare, the Committee Chair, reached the end of his term in December 2024.

We would like to take this opportunity to thank David for his expert and unwavering leadership of the Committee over the previous 10 years and the great work he has achieved in getting the Committee to where it is today.

Andy Davies took over as Chair from January 2025 and we were very pleased to welcome Barry Butler as a new independent member effect from February 2025.