



PHOENIX LIFE

Part of Phoenix Group

Our stewardship approach to influence positive change



Contents

Introduction 3

Stewardship and our approach 4

Working with asset managers and researchers 6

Our priorities for engagement 8

Performance and accountability 9

Introduction

Phoenix Life Limited is a closed life insurance business, trusted to look after the life and pension policies of our customers.

We're part of Phoenix Group, the UK's largest long-term savings and retirement business. Together we share an ambition to help every customer enjoy a life of possibilities. As an insurer and long-term global investor, we have a duty of care to act in the best interests of all of our customers, shareholders and stakeholders.

Stewardship is an important part of our responsible investment approach. Responsible investment allows us to focus on financial returns, risks and opportunities while at the same time having a positive impact on society.

We believe that together with our asset managers, it is our responsibility to engage with the companies we invest in to drive better behaviour and influence positive change.

Stewardship and our approach

Phoenix Life is part of Phoenix Group, the UK's largest long-term savings and retirement business, and harnessing that scale and power for good is what stewardship is all about.

Good stewardship can influence the long-term performance, corporate governance and sustainability of the companies we invest in. We believe that stewardship is one of the drivers to stronger and more sustainable financial outcomes for our customers, although it's important to remember that the value of investments can go down as well as up.

We believe that stewardship strategies and approaches should not be significantly different across different types of investments – for example in equities and bonds, in developed and emerging markets, in property and in private markets.

For investments in equities, **engagement** and **shareholder voting** are the two main tools of stewardship.

For other asset classes, the focus is on engagement only – since there is no voting.

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

We believe that engagement, voting and **ESG integration** are interlinked and they should be central parts of the investment decision making process.

We consider these to be the key factors to focus on to ensure engagement can influence corporate behaviour:

- Researching into material ESG risks and opportunities
- Using internal and external data
- Using geographical and sector expertise
- Meeting with decision makers within companies and getting the timing right
- Setting goals
- Evaluating progress against objectives on a regular basis
- Influencing investment decision making
- Committing to continuous dialogue

ESG

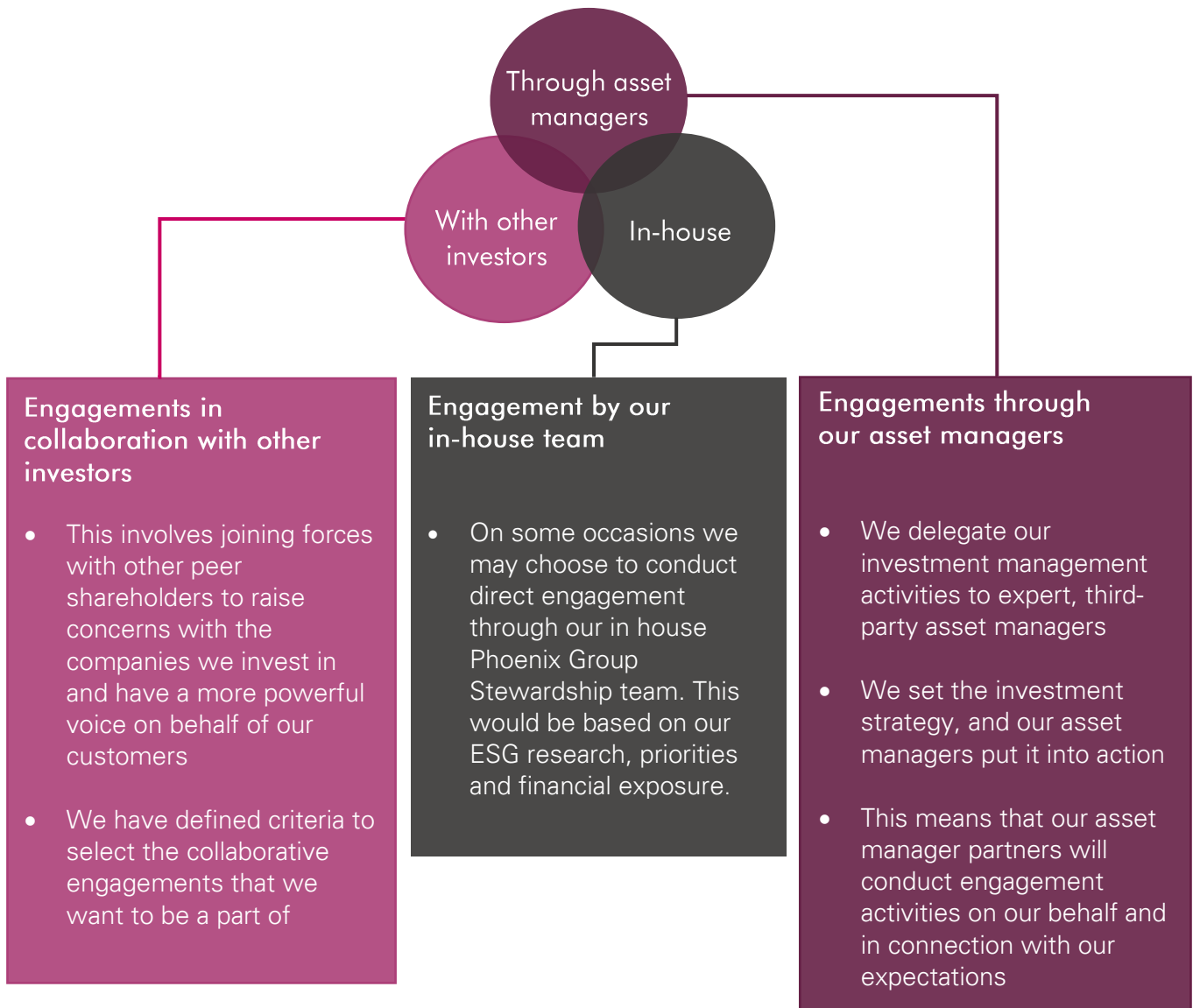
Environmental, social and governance factors

ESG integration

Inclusion of ESG information in financial analysis

Stewardship approaches used at Phoenix Life:

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



What this approach covers

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

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

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

Internal insured funds

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

External fund link

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

Working with asset managers and researchers

When it comes to stewardship and responsible investment, we want to ensure that our asset managers are on the same page as us.

We monitor our asset managers' activities on voting and engagement using the Phoenix Group Voting Principles and Responsible Investment philosophy as a framework of reference.

Monitoring

We have a strict selection process for asset managers and we monitor their ESG performance annually. Every year, we evaluate their stewardship approach and consider whether it is meeting our expectations. These are the expectations we have of asset managers on stewardship:

Objective

Use stewardship to influence the long-term performance, corporate governance and sustainability of the companies we invest in to provide good outcomes for our customers.

Sign up

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

Focus

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

Research

Use internal and external ESG research to monitor and assess companies

Vote

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

Engage

Set engagement objectives and Escalate if progress isn't made

Report

Update us regularly on all engagement and voting activities

Target net zero

Support our net-zero strategy and implement our exclusion policy

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

The value of investments can go down as well as up and may be worth less than paid in.

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

Selecting service providers to help us with ESG research and monitoring

We use data from a group of service providers to carry out ESG research into the companies we invest in, for example to identify businesses affected by particular risks or opportunities.

These third parties provide us with data, ESG scores and thematic research on firms, funds, companies, factors and sectors. They use companies reported data and also take into consideration the views of other parties such as trade unions, media and non-governmental organisations.

When selecting and monitoring ESG research providers we consider the following:

- The research team – who they are, how many team members there are, their qualifications and their expertise in particular asset classes, industry sectors or countries
- The quality and type of underlying data used for their research
- The method used for any ESG scoring
- How their service compares to industry peers

Our priorities for engagement

We've listened to customers, colleagues and other stakeholders, as well as carrying out our own analysis to identify key themes to be addressed by stewardship activity.

These are our ESG engagement priorities for 2023:

- **climate change** – climate change presents both risks and opportunities for the companies we invest in
- **human rights** - we believe that the responsibility to respect human rights applies to all companies
- **nature** – we recognise the need for companies to protect and restore the planet's natural resources
- **controversies linked to United Nations Global Compact (UNGC) breaches** – we expect companies to adhere to international standards on human rights, labour rights, environmental and climate change issues, and anti-bribery and corruption efforts.

Example – climate change

We expect the companies we invest in to meet clear expectations for each priority theme. For example, on climate change we expect companies to:

- Put in place their own clear and measurable plans to reach net zero emissions by 2050
- Publish climate information that is consistent with recognised frameworks, including the Taskforce on Climate related Financial Disclosure (TCFD)
- Link their board director pay to the company's performance on climate change

You can find out more about our expectations for each priority in our document:

[Our expectations of companies on key sustainability issues](#)

Conversations with policy makers – our wider role

As well as engaging with individual companies, we call for action from policymakers and governments.

To do this, Phoenix Group participates in industry initiatives and policy consultations at national, European and international level, including for example:

- Make My Money Matter (MMMM)
- Institutional Investor Group on Climate Change (IIGCC)
- Climate Action 100+
- The Net-Zero Asset Owners Alliance (NZAOA)
- Glasgow Financial Alliance for Net Zero (GFANZ)

Performance and accountability

We are working with our asset managers to enhance their reporting on stewardship activity. In addition, Phoenix Group's first **annual stewardship report** has been published. This will enable us to be open and honest about the work we conduct internally and through asset managers and its impact.

Through our website, we share our asset management partners' voting and engagement policies and stewardship reports.

You can also expect to see regular stewardship updates on the Phoenix Life website. The Phoenix Group **annual sustainability report** includes a section on stewardship.

Governance, roles and responsibilities

Responsible investment is a fast changing area so our stewardship approach will be reviewed annually at Group level to make sure our processes stay up to date. This is undertaken by Phoenix Group on behalf of Phoenix Life. Policy updates are approved by Phoenix Group's Board Investment Committee and noted by the Board.

Role	Responsibility
Phoenix Group Board	Approves the Group sustainability strategy
Life Companies Board Investment Committee and relevant subcommittees	Approves the Group Responsible Investment strategy. Responsible for the implementation and monitoring of our Responsible Investment practices, including stewardship
Group Chief Investment Officer	Accountable for the Group's Responsible Investment activities, including stewardship
Asset management risk and compliance	Regular review and critical challenge of Stewardship policies and activities
Stewardship team	Phoenix Group team responsible for conducting and coordinating dialogue with companies and supporting colleagues to embed stewardship into the organisation and the relationship with asset management partners

Escalation – when engagement isn't working

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

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