



# Our stewardship approach

Stewardship means using our power as investors to encourage companies to improve. It's an important part of our overall responsible investing approach. We believe in engaging with the companies we invest in to try to drive better behaviour or influence positive change.

# Contents

Who we are 3

What stewardship means at Phoenix Life 4

Engaging with companies 5

Working with asset managers and researchers 6

Our engagement priorities 8

Stewardship reporting and responsibilities 10

# Who we are

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

As an insurer and long-term global investor, we have a duty of care to act in your best interests. Our shared ambition is to help every customer enjoy a life of possibilities.

This means that we aim to invest your money responsibly, focusing on financial returns, risks and opportunities.

We believe in engaging with the companies we invest in to try to drive better behaviour and influence positive changes. This process is called **stewardship** and it's an important part of our responsible investing approach. We use this approach along with the asset managers who run the funds your money is invested in.

This approach only applies to our **internal insured funds**.

If your investment uses an **external fund link (EFL)**, then some of our processes are different when monitoring stewardship by external asset managers, but our expectations are still the same.

## Internal insured funds

Funds where we control the investment strategy, but we appoint asset managers to put this into action and make day-to-day investment decisions.

## External fund link

These invest in existing funds run by external asset managers. We have no direct control over the way these funds are run.

# What stewardship means at Phoenix Life

Phoenix Life is part of the Phoenix Group, a long-term savings and retirement business. For us, harnessing that scale and power to help us deliver value for you, manage risk in your investments and drive positive change is what stewardship is all about.

Good stewardship can influence how companies behave and how they perform over the long term. It can also affect how sustainable they are. According to the UN, sustainability means meeting the needs of the present without compromising future generations' abilities to meet their own needs.

## Our stewardship beliefs

1. We think that stewardship is one of the tools that can help lead to better long-term financial outcomes for our customers. Although it's always important to remember that the value of investments can go down as well as up.
2. We try to make sure that our stewardship approach is similar across different types of investment and different regions and markets. The main investment types are shares in companies (equities), loans to governments or companies (bonds) and property.
3. When it comes to equity investing, there are two main stewardship tools:
  - **Voting** - As company shareholders, our investment managers can vote for or against company proposals at meetings. For example, it may be necessary to vote against management boards who lack independence, or where their salaries/rewards are not clearly linked to achieving the financial success of the company.
  - **Engagement** - talking to companies to understand how they're run and the risks and opportunities they face. Also setting out standards we expect them to meet in working towards a more sustainable and financially successful future. An example would be talking to a company about its climate plans and how it sources certain products.

For other types of investment, we focus on engagement only, because there's no voting or shareholder meetings.

Voting and engagement are an important part of responsible investing. This is how we consider environmental, social and governance (ESG) risks and opportunities when we invest our money.

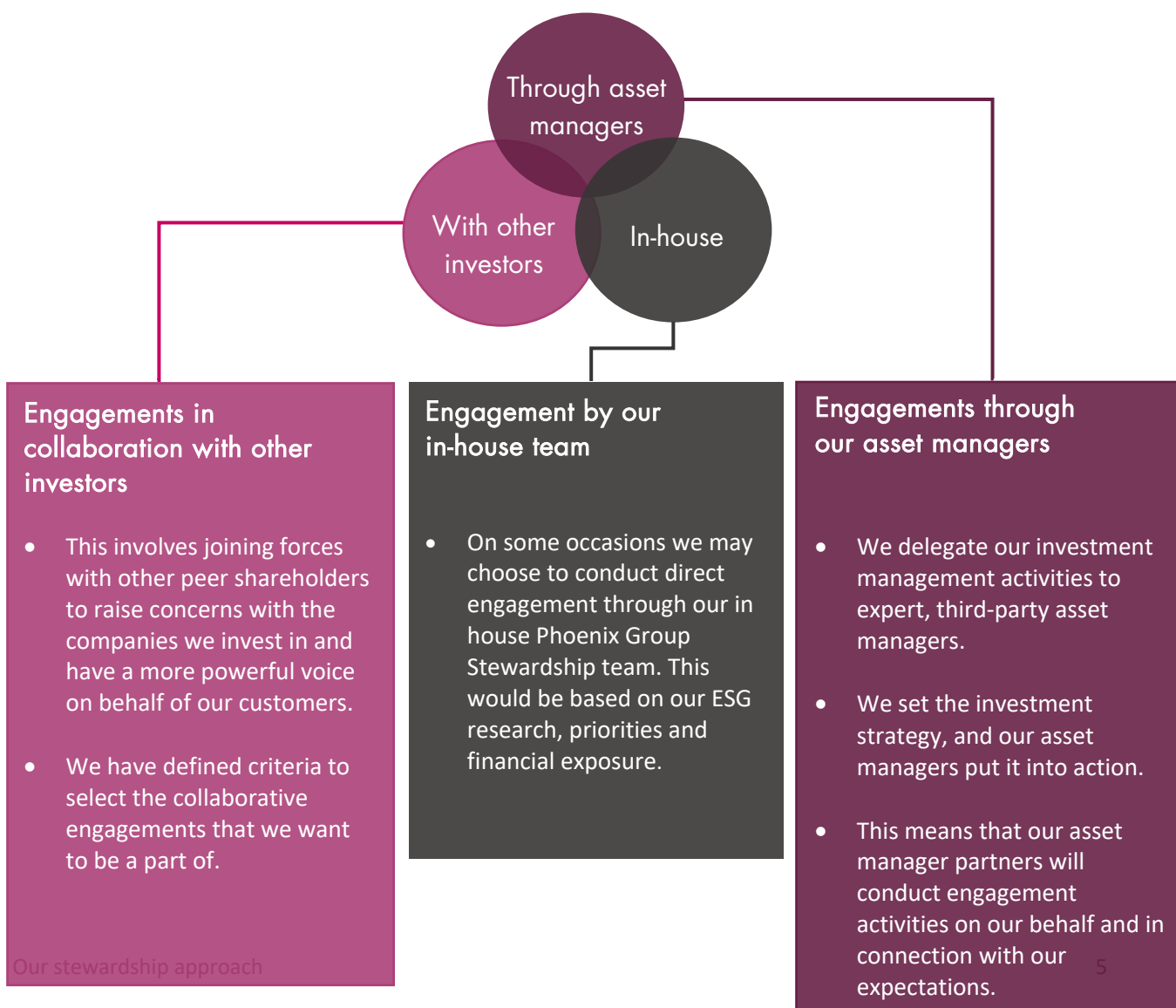
# Engaging with companies

## What engagement means

- Researching financial ESG risks and opportunities
- Using both internal and external data
- Looking at risks and opportunities across different geographical areas and industries
- Meeting with key decision makers at companies and getting the timing right
- Setting measurable goals
- Regularly assessing progress towards those goals
- Influencing investment decision making
- Keeping up an ongoing dialogue

## 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:



# 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, The Phoenix Group's in-house Stewardship Team evaluates their stewardship approach and considers 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.

## Choosing other partners to help with ESG research and monitoring

The Phoenix Group Stewardship Team uses data from a group of service providers to carry out ESG research into the companies we invest in. This might include identifying businesses affected by particular risks or opportunities, for example.

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

When we choose and review our ESG research partners, we think about the following:

- Who their team members are, how many they are, their qualifications and their expertise in different areas, investments and regions
- The quality and type of data they use for their research
- The method they use for any ESG scoring
- How their service compares to their peers.

# Our engagement priorities

To identify our engagement priorities, we've listened to you, our customers, as well as colleagues and other stakeholders. We also carry out our own analysis.

Here are our environmental, social and governance (ESG) engagement priorities:

- **Climate change** – climate change presents both risks and opportunities for the companies we invest in.
- **Human rights** - we believe that all companies should respect human rights.
- **Nature** – we think there's a need for companies to protect and restore the planet's natural resources.
- **The UN Global Compact** – we think the companies we invest in should not breach 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. When looking at climate change we expect companies to:

- Put in place their own clear and measurable plans to reach net zero<sup>1</sup>
- Publish climate information that's consistent with recognised frameworks
- Link their board directors' 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](#)

<sup>1</sup> Net zero is a state where we no longer add to the total amount of greenhouse gases in the atmosphere. Emissions output is balanced with removal of carbon from the atmosphere.

# Our engagement priorities - continued

## The Phoenix Group's journey to becoming a net zero business

Along with the pensions industry, we're on a journey to becoming a net zero business. The Phoenix Group is targeting 2050. Our first priority is to support a better financial future for our customers, but we want to support wider, impactful change at the same time.

To do this, we're taking the actions that we think can help to tackle the climate crisis and manage financial risk for our customers. We're thinking carefully about where we invest in carbon-emitting sectors and are engaging with those contributing the most to the climate crisis - we want to encourage real change.

Find out more about our [Net zero Transition Plan](#). It's important to note that Phoenix Life is part of phoenix Group, so the data shown is for all the Phoenix Group brands combined.

## What we do when engagement isn't working

Our first step is always to engage and collaborate with the companies we invest in through our asset managers. But if our engagement efforts with a company aren't working, then the Phoenix Group Stewardship Team will consider further actions. These might include:

- Collaborating with other shareholders to increase pressure on the company to improve
- Voting against management at a shareholder meeting
- Presenting a statement or resolution at a shareholder meeting
- Issuing a public statement
- As a last resort - decreasing or removing our investment.

## 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 takes part in industry initiatives and policy consultations at national, European and international level, including for example

- Institutional Investor Group on Climate Change
- Climate Action 100+
- The Net-Zero Asset Owners Alliance
- Glasgow Financial Alliance for Net Zero.

# Stewardship reporting and responsibilities

We're working with our asset managers to enhance their reporting on stewardship activity. The Phoenix Group also produces an [annual Stewardship Report](#). The report details the work that Phoenix does internally and through asset managers, and its impact.

We also share our asset managers' voting and engagement policies and their stewardship reports on our website. You can find them [here](#).

You can also expect to see regular stewardship updates on the [Phoenix Life website](#).

## Governance, roles and responsibilities

Responsible investment is a fast-changing area, so we review our stewardship approach annually to make sure it stays up to date. This is undertaken by Phoenix Group on behalf of Phoenix Life. Policy changes are noted by the Phoenix Group's Board and approved by the board's Investment Committee.

Here's our roles and responsibilities:

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.

Phoenix Life Limited No.1016269 and Phoenix Life Assurance Limited No.1419 are authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Both companies are registered in England and Wales and have their registered office at: 10 Brindleyplace, Birmingham, B1 2JB.