

Integrating a responsible approach to your pension and investments

This document outlines Standard Life International dac's approach on how we incorporate environmental, social and governance (ESG) factors into our investment funds.

Standard Life

There's a lot to look forward to



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Who we are

Standard Life International dac is a life savings company with over 550,000 policy holders and €29 billion in policy holder assets. Headquartered in Dublin, we've been in Ireland since 1834. We are part of the Phoenix Group.

The Phoenix Group has around 14 million policies, and circa £324 billion¹ of assets under administration and is the UK's largest long-term savings and retirement business. 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.

What is responsible investment?

Responsible investment is the practice of incorporating environmental, social and governance (ESG) factors into investment decisions and active stewardship.

ESG issues can take many forms and cover a wide range of topics.

Here are a few of the many examples:

- Environmental: climate change, resource depletion, waste, pollution, deforestation
- Social: human rights, modern slavery, child labour, working conditions, employee relations
- Governance: bribery and corruption, executive pay, board diversity and structure, political lobbying and donations, tax strategy

¹ As of June 2020.

This document aims to tell you how we incorporate Responsible Investment practices into the management of our company assets as well as the funds that you are invested in. It covers all our funds and all asset classes in all markets including equities, fixed income, property, as well as alternative asset classes.

While we don't expect our Responsible Investment approach to change often, we may change this at any time to reflect the needs of our customers, shareholders, and stakeholders.

We do expect our approach to evolve as the business environment changes.

At Standard Life, we delegate all of our investment management activities to third-party asset managers. They are responsible for the day-to-day investment management activities.

Committing to a sustainable future

Our vision, 'Committing to a sustainable future' sets out how we are integrating ESG considerations into our everyday operations. Fostering responsible investment is one of the six key sustainability commitments and is central to our mission of improving outcomes and delivering value for customers. Our six sustainability commitments are outlined below.

Fostering Responsible Investment

We are committed to factoring ESG matters into our investment decision-making process. We will play a vital role in decarbonising the capital markets and financing the transition to a sustainable, low carbon economy.

We will achieve net-zero carbon in line with a 1.5 degree Paris aligned Science Based Target by 2050.

Delivering for our customers

We will focus on product innovation, financial education and digital solutions that will help customers enjoy a secure financial future.

Reducing our environmental impact

We are committed to minimising our impact on the environment and to promoting good environmental practice.

We will attain net zero carbon emission in our operations by 2025.

Investing in our people and culture

We are committed to fostering a sense of belonging for all employees, building a truly diverse workforce and adapting our ways of working to match the best interests of our employees.

Supporting our communities

We are committed to addressing pressing societal issues through developing our community engagement programmes.

Working ethically with our supply chain

We are committed to working with our suppliers to address key environmental and social issues in our supply chain.

You can find out more information on our sustainability commitments and our Group Responsible Investment philosophy [on The Phoenix Group website](#).

Our approach to responsible investment



We place our customers at the heart of our decisions. This lets us manage risks, support informed investment decisions and help generate long-term results for you.

To make sure that Responsible Investment factors are incorporated into investment decisions and how our assets are managed, we have adopted the approach described below.

What are ESG risks?

With any investment, there are associated risks. Risk is simply a way to measure the level of uncertainty of an investment getting the returns that an investor might be expecting. Risks can come from many sources such as economic, political, market or, of course, ESG.

There are many ESG risks, which include those related to climate change, environmental management practices, human rights issues, and anti-bribery and corruption practices.

Climate change is one of the biggest risks that we all currently face, and it also poses risks and opportunities to your funds.

In December 2020, the Phoenix Group announced the commitments for its operations being net zero by 2025 and its investment portfolio net zero by 2050. We will be working with our strategic partners in the years ahead to look at all our solutions, our benchmarks, and stewardship, with our important net-zero 2050 commitments front of mind.

Our asset managers are responsible for monitoring and managing these risks, read on for more information on how we ensure this is managed appropriately and consistently with our approach.

Opportunities

We believe that incorporating ESG considerations into investment-making decisions can boost returns over the long term. You could try to take advantage of opportunities like this by investing in our range of ESG-focused funds.

What is ESG integration?

ESG integration is an approach which aims to identify and quantify the effect of ESG risks and issues on companies and their performance. At Standard Life, we believe that considering important financial ESG issues in the investment process improves the decision making and delivers better outcomes for our customers.

Warning: The value of your investment may go down as well as up.

Warning: If you invest in this fund you may lose some or all of the money you invest.

Warning: This fund may be affected by changes in currency exchange rates

All funds will be managed in one of two ways: 'active' or 'passive'.

A fund that is **'active'** will have its asset manager actively manage the assets in it.

A fund that is **'passive'** will track an investment market or benchmark as closely as possible.

Passive and active investing

We expect both active and passive managers to use effective stewardship to positively influence the companies within our funds. Our active funds must consider ESG factors when selecting assets for investments. There may be some passive funds that take ESG factors into account in a more direct way, usually by tracking a revised benchmark index.

Different approaches to ESG investing

Non-financial matters

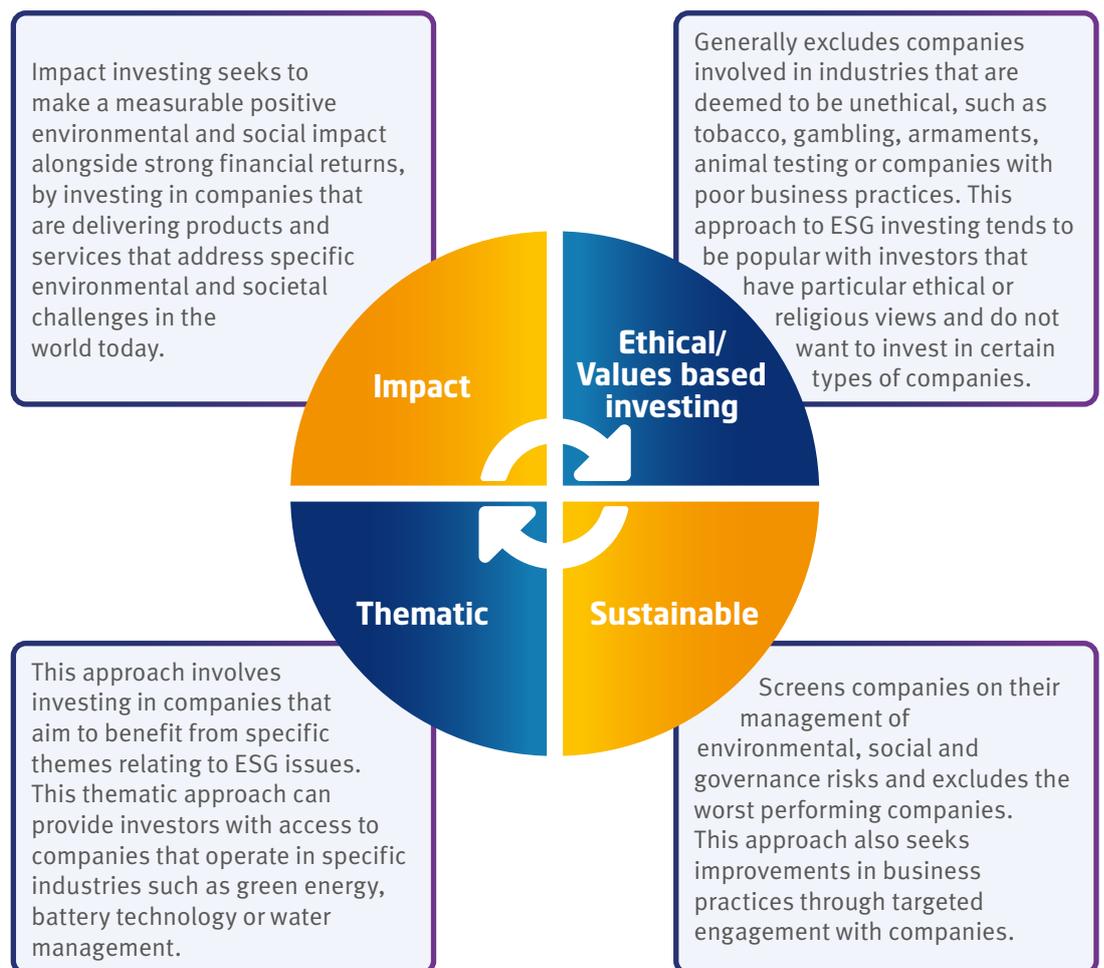
When handling your investments, we understand that there are matters to consider that cannot be quantified and categorised as a financial matter. These can reflect non-monetary and long-term values important for all our policyholders.

These non-financial matters are arguably just as important as the financial matters that we have discussed previously. These can include, but are not limited to:

- Ethical and religious considerations
- Social and environmental considerations

We understand that many of our customers wish to invest in ways that reflect their own personal values.

We have identified four distinct categories of ESG investing that may provide the potential for investors to align their values with their investments. For more information on our fund offerings please visit our website.



Due diligence on our asset managers

Due diligence

We carry out due diligence for all potential asset managers to make sure that they are fit for purpose and suitable for managing funds. This includes assessing their capabilities, investment processes, financial reports, business structure and alignment with regulatory and industry bodies, including the United Nations supported six Principles for Responsible Investment (UN PRI).

We also conduct annual ESG due diligence exercise on our current asset managers to evaluate how they approach Responsible Investment.

How we assess for ESG

We carry out an assessment process whereby we closely monitor our asset managers' Responsible Investment processes. Standard Life requires regular reporting on the efforts made by asset managers.

If managers of our funds fall short of our Responsible Investment standards, Standard Life will first proactively engage with them and seek rapid improvements. If this doesn't lead to improvements then we would decide to stop working with them.

If we find poor Responsible Investment behaviours when monitoring and reporting on our asset managers, it will factor into our manager selection and due diligence process.

Our approach to ESG due diligence



Active stewardship

What is stewardship?

Stewardship is the responsible allocation, management and oversight of money invested to create long-term value for you and leading to sustainable benefits for the economy, the environment and society. There are two key aspects to stewardship: voting (where rights exist) and engagement, which is applicable more broadly across asset classes.

Stewardship is an integral part of ESG management and it's our responsibility to engage with our asset managers to make sure they are carrying out effective stewardship to influence them to make positive change where possible.

Driving improvement

We continuously engage with the asset managers of our funds to encourage them to always improve their Responsible Investment practices. We also expect our asset managers to report to Standard Life on Responsible Investment activity regularly.

Engagement process

As stewardship activity is delegated to our asset managers, Standard Life doesn't engage directly with the companies they invest in on ESG issues. We expect our asset managers to incorporate ESG considerations when they engage with these companies and make sure they meet our ESG requirements.

We engage with our asset managers, looking for evidence of how they have engaged with the firms that they choose to invest in.

Our asset managers

You can find out more about the engagement and voting activity of our asset managers on their websites. Below are links to the managers who manage our funds:

[Aberdeen Standard Investments](#)

[Vanguard](#)

Voting policy and process

As mentioned, as part of our stewardship role, asset managers vote on our behalf and we make sure all of our asset managers have a voting policy in place.

How we disclose and report on responsible investment

Standard Life is committed to reporting on goals, actions and results we take to meet our Responsible Investment approach. We are also committed to making sure that our asset managers' report on any responsible investment activities they take when managing your money.

We are and will continue to work with our asset management partners in developing and improving ESG and stewardship reporting.

Industry leadership

We're committed to talking to and working with other institutions, national as well as international associations, and trade bodies to promote Responsible Investment and raise standards across the industry.

The Phoenix Group is currently part of the Institutional Investors Group on Climate Change and The Green Finance Institute.

Promoting responsible investment

As a minimum, we expect all new asset managers to be signatories to the UN PRI. This makes sure that they follow the UN PRI principles when managing our funds.

Industry engagement

The Phoenix Group is a member of a number of industry bodies and is committed to open dialogue and collaboration with other institutions, national as well as international associations, to promote Responsible Investment. The Group is part of the following industry bodies:

United Nations Principles of Responsible Investment

The Phoenix Group principles are aligned to the United Nations supported six Principles for Responsible Investment ('UN PRI') and we are a signatory to the UN PRI, which means that the Group will be committed to complying with and will report annually on actions taken to adhere.

Institutional Investors Group on Climate Change ('IIGCC')

The IIGCC is the European membership body for investor collaboration on climate change. The Group joined the IIGCC in 2019 and has been an active member; contributing to various working groups and discussions of the Paris Aligned Investment Initiative programme.

Standard Life

There's a lot to look forward to

Standard Life International dac is regulated by the Central Bank of Ireland. Standard Life International dac is a designated activity company limited by shares and registered in Dublin, Ireland (408507) at 90 St Stephen's Green, Dublin 2. Standard Life International dac is part of the Phoenix Group and uses the Standard Life brand under licence from the Standard Life Aberdeen Group.

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