# Standard Life International dac

**Principal Adverse Impact Statement** 



# Why choose Standard Life?

Standard Life is a life savings company. That means we provide pensions, retirement solutions, savings, investments and funds for each stage of your life journey. We've been working in partnership with financial advisers helping people plan and enjoy their futures for more than 180 years in Ireland.

Operating internationally, our team of 400 people in Ireland delivers products and services to support customers and advisers.

#### Global investment expertise

**abrdn** manage the majority of our funds. Headquartered in Edinburgh, they are a leading global asset manager and manage over €586 billion of assets for clients. With hundreds of talented and experienced investment professionals in over 20 locations, they are deeply rooted in every market in which they invest.

Source: abrdn, 31 December 2023.

Standard Life is part of the Phoenix Group, the UK's largest long-term savings and retirement business. You can find out more about the asset management partnership between Phoenix and abrdn at www.thephoenixgroup.com

Vanguard is one of the world's largest fund managers with over €7 trillion in assets under management. They established the world's first index fund for individual investors in 1976 and have been one of the leaders in low-cost index investing ever since.

Source: Vanguard, 31 July 2023.

Vanguard manage the underlying funds in our Standard Life Global Index and Standard Life Vanguard range of funds, and the passive underlying funds of the Standard Life Ireland MyFolio Market funds.

#### You have a wide choice

You can choose from a wide range of funds. You also have the option of deposits and execution-only stockbroking.



We'll provide regular information on your investment and if you need help at any stage, call us on (01) 639 7000.

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#### **Summary**

Standard Life International dac (SLI dac) (MU1J7DTC8IC8VMFT8818) consider the principal adverse impacts of their investment decisions on sustainability factors.

This document summarises our investment due diligence policy in respect of the principal adverse impacts of our investment decisions on sustainability factors and we will update it from time to time.

Phoenix Group's responsible investment philosophy guides our investment decisions on sustainability factors, aligned to our position as an asset owner with investment management activities delegated to a our asset management partners.

The majority of SLI dac's investments are managed asset manager partners abrdn.

abrdn has a framework for considering principal adverse impacts (PAI).

#### abrdn's Principal Adverse Impacts Statement

SLI dac also offer a number of investment funds that are managed by Vanguard.

#### Vanguard's Principal Adverse Impacts Statement

We believe an investment manager investing on our behalf should publish a PAI disclosure statement.

#### Description of the principal adverse impacts on sustainability factors

#### Overview

REFERENCE PERIOD 01 01 2023 - 31 12 2023
PORTFOLIO TYPE MIXED
AVERAGE SOVEREIGN ELIGIBLE 11.07%

AVERAGE AMOUNT INVESTED 8,323,042,184 EUR

AVERAGE REPORT COVERAGE 60.88%

AVERAGE NOT ELIGIBLE FOR PAI EVALUATION 39.75%

AVERAGE NO. OFHOLDINGS 899.75

AVERAGE CORPORATE ELIGIBLE 49.18%

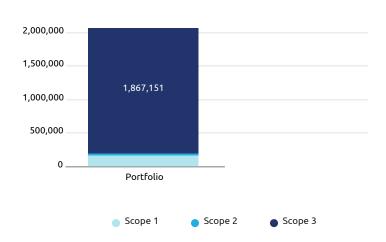
ISS ESG has reviewed the Regulatory Technical Standards (RTS) pertaining to the EU SFDR and mapped the principal portfolio adverse impact requirements to data points covered by its proprietary ESG data. Financial market participants will have to use the core mandatory indicator comprising of 14 indicators for investments in companies, and two indicators for investments in sovereigns and supranationals. Moreover, they will have to choose at least one indicator each from the additional environmental and social indicator sets.



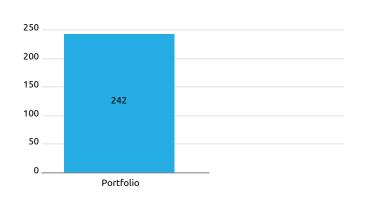
#### **Principal Adverse Impacts - Corporate Assets**

Primary Indicators - Energy and Emissions

#### **Emissions Exposure Analysis (tCO2e)**

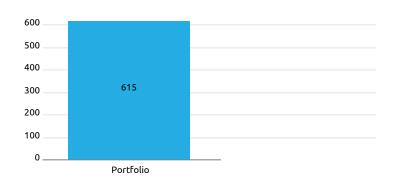


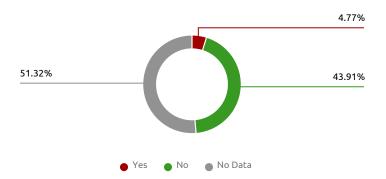
#### Carbon Footprint (tCO2e/Mio EUR EV)



#### GHG Intensity of Investee Companies (tCO2e/Mio EUR Revenue)

#### Exposure to Companies Active in the Fossil Fuel Sector







#### Primary Indicators - Energy and Emissions Continued

Indicator	ISS ESG Factor	Portfolio Current	Coverage (Applicable Coverage)*
1.GHG Emissions*	GHG Emissions - Scope 1 per Mio EUR Enterprise Value	158,742.94 (t)	48.86%
	GHG Emissions - Scope 2 per Mio EUR Enterprise Value	35,840.61 (t)	48.86%
	GHG Emissions - Scope 3 per Mio EUR Enterprise Value	1,867,151.00 (t)	48.86%
	GHG Emissions -Scope 1+2+3per Mio EUR Enterprise Value	2,061,734.55 (t)	48.86%
2.Carbon footprint*	GHG Emissions - Scope 1+2+3per Mio EUR Enterprise Value	242.30 (t/Mio EUR)	48.86%
3.GHG intensity of investee companies	GHG Emissions – Emissions Intensity – Scope 1,2,&3 Emissions (EUR)	615.50 (t/Mio EUR)	49.15%
4.Exposure to companiesactive in the fossil fuel sector	Fossil Fuel - Involvement (PAI)	4.77%	48.68%

Indicator Notes

1. Metric(s) - GHG Emissions - Scope 1 GHG emissions, Scope 2 GHG emissions, Scope 3 GHG emissions, Total GHG emissions.

Action Taken - Please refer to the Phoenix Group Holdings plc Net Zero Transition Plan and Sustainability Report for an update on actions taken in 2023.

#### 2. Metric - Carbon footprint.

**Explanation -** The displayed number is calculated using the value of all investments in the denominator.

**Proxy Justification -** Since the reporting on Scope 3 GHG emissions shall apply from 1 January 2023, ISS ESG offers two factors to calculate carbon footprint: one based on scope 1 and 2 emissions, and the other based on scope 1, 2, and 3 emissions.

Action Taken - Please refer to the Phoenix Group Holdings plc Net Zero Transition Plan and Sustainability Report for an update on actions taken in 2023.

3. Metric - GHG intensity of investee companies.

**Explanation** - The displayed number is calculated using the value of all investments in the denominator.

**Proxy Justification** - Since the reporting on Scope 3 GHG emissions shall apply from 1 January 2023, ISS ESG offers two factors to report on GHG intensity: based on scope 1 and 2 emissions, and based on scope 1, 2, and 3 emissions.

Action Taken - Please refer to the Phoenix Group Holdings plc Net Zero Transition Plan and Sustainability Report for an update on actions taken in 2023.

 $\textbf{4. Metric -} \ \text{Share of investments in companies active in the fossil fuel sector.}$ 

**Explanation -** The displayed share is in relation to all investments.

Action Taken - Please refer to the Phoenix Group Holdings plc Net Zero Transition Plan and Sustainability Report for an update on actions taken in 2023.

<sup>\*</sup>Coverage considers all investments, while applicable coverage only considers corporate assets within industries for which the metric is considered material in the context of the ISS ESG Corporate Rating. For more information, see the Methodology page at the end of the report.



#### Primary Indicators - Energy and Emissions Continued

Indicator	ISS ESG Factor	Portfolio Current	Coverage (Applicable Coverage)*
5. Share of non-renewable energy consumption and production	Non-renewable energy consumption	18.40%	26.36%
	Non-renewable energy production	1.30%	48.22%
6. Energy Consumption intensity per high impact climate sector	Energy Consumption intensity (GWh/mEUR)	See table on next page	See table on next page

Indicator Notes

5. Metric - Share of non-renewable energy consumption and non-renewable energy product of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources.

**Explanation** - The displayed number is calculated using the value of all investments in the denominator.

**Proxy Justification -** The PAI indicator shall encompass "non-renewable energy sources' defined as energy sources other than those defined as renewable sources as referred to in Article 2(1) of Directive (EU) 2018/2001 in directive referred to above. ISS ESG includes the following as non renewable energy sources: coal, nuclear, oil and natural gas. Minor discrepancies may arise due to regulatory definition being inclusive but not limited in nature.

Action Taken - Please refer to the Phoenix Group Holdings plc Net Zero Transition Plan and Sustainability Report for an update on actions taken in 2023.

6. Metric - Energy consumption in GWhper million EUR of revenue ofinvestee companies, per high impact climate sector.

**Explanation -** The displayed numbers are calculated using in the denominator the value of all investments, including investments not related to investee companies in the respective high impact climate sectors.

Action Taken - Please refer to the Phoenix Group Holdings plc Net Zero Transition Plan and Sustainability Report for an update on actions taken in 2023.

<sup>\*</sup>Coverage considers all investments, while applicable coverage only considers corporate assets within industries for which the metric is considered material in the context of the ISS ESG Corporate Rating. For more information, see the Methodology page at the end of the report.



## Primary Indicators - Energy and Emissions Continued

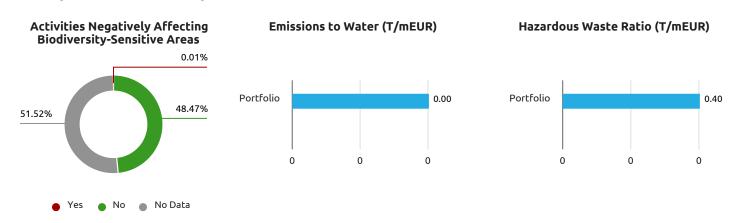
Indicator	ISS ESG Factor	Portfolio Current	Coverage (Applicable Coverage)*
Agriculture, Forestry, and Fishing	Energy consumption intensity (GWh/mEUR)	0.00	25.56% (99.98%)
Mining and Quarrying	Energy consumption intensity (GWh/mEUR)	0.04	25.93% (99.94%)
Manufacturing	Energy consumption intensity (GWh/mEUR)	0.08	28.53% (98.63%)
Electricity, Gas, Steamand Air Conditioning Supply	Energy consumption intensity (GWh/mEUR)	0.03	25.87% (99.06%)
Water Supply, Sewerage, Waste Management and Remediation Activities	Energy consumption intensity (GWh/mEUR)	0.00	25.60% (100.00%)
Construction	Energy consumption intensity (GWh/mEUR)	0.01	25.62% (100.00%)
Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	Energy consumption intensity (GWh/mEUR)	0.00	26.26% (99.35%)
Transportation and Storage	Energy consumption intensity (GWh/mEUR)	0.00	25.71% (99.69%)
Real Estate Activities	Energy consumption intensity (GWh/mEUR)	0.01	25.77% (99.87%)

<sup>\*</sup>Coverage considers all investments, while applicable coverage only considers corporate assets within industries for which the metric is considered material in the context of the ISS ESG Corporate Rating. For more information, see the Methodology page at the end of the report.

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#### Primary Indicators - Biodiversity, Water, and Waste



Indicator	ISS ESG Factor	Portfolio Current	Coverage (Applicable Coverage)*
7.Activities negatively affecting biodiversity-sensitive areas	Companies negatively affecting biodiversity-sensitive areas	0.01%	48.48%
8.Emissions to water	COD Emissions Per Mio EUR EVIC	0.00 (t)	0.41% (23.31%)
9. Hazardous waste and radioactive waste ratio	Hazardous Waste Per Mio EUR EVIC	0.40 (t)	4.95% (70.79%)

Indicator Notes

7. Metric - Share of investments in investee companies with sites/operations located in or near biodiversity-sensitive areas where activities of those investee companies negatively affect those areas.

**Explanation -** The displayed share is in relation to all investments.

**Proxy Justification -** ISS ESG links controversies to some, but not all, of the standards referenced in the PAI definition of 'activities negatively affecting biodiversity-sensitive areas'. However, the standards/directives referenced in the regulation overlap with those applied in the proxy to a large extent.

Action Taken - Please refer to the Phoenix Group Holdings plc Net Zero Transition Plan and Sustainability Report for an update on actions taken in 2023.

8. Metric - Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average.

**Explanation -** The displayed number is calculated using the value of all investments in the denominator.

**Proxy Justification** - The PAI indicator refers to various types of emissions to water. ISS ESG collects chemical oxygen demand (COD), a commonly used indicator measuring emissions to water which can serve as a proxy to the PAI indicator's requirements. ISS ESG collects data only for companies in most relevant industries.

Action Taken - Please refer to the Phoenix Group Holdings plc Net Zero Transition Plan and Sustainability Report for an update on actions taken in 2023.

9. Metric - Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average.

**Explanation** - The displayed number is calculated using he value of all investments in the denominator.

**Proxy Justification -** ISS ESG collects company reported hazardous waste, relying on companies' own definitions, which may differ from the definition adopted in the regulation. Radioactive waste may or may not be included as a sub-sector of hazardous waste.

Action Taken - Please refer to the Phoenix Group Holdings plc Net Zero Transition Plan and Sustainability Report for an update on actions taken in 2023.

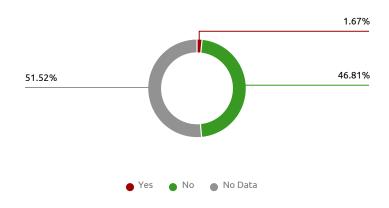
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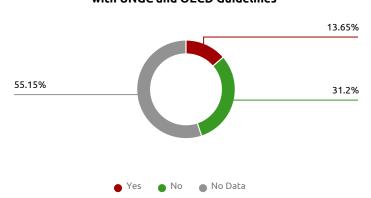


#### Primary Indicators - Social and Employee Matters

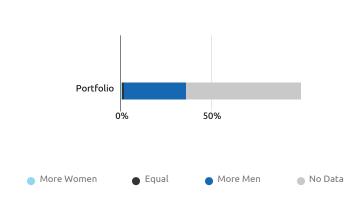




## Lack of Processes and Compliance with UNGC and OECD Guidelines



#### **Board Gender Diversity**



#### **Exposure to Controversial Weapons**





#### Primary Indicators - Social and Employee Matters

Indicator	ISS ESG Factor	Portfolio Current	Coverage (Applicable Coverage)*
10. Violations of UN Global Compact (UNGC) principles& Organization for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	UNGC/OECD Guidelines Violations	1.67%	48.48%
11. Lack of processesand compliance with UN Global Compact principlesand OECD Guidelines for Multinational Enterprises	Lack of processes monitoring UNGC and OECD Guidelines compliance	13.65%	44.85%
12. Unadjusted genderpay gap	Unadjusted Gender Pay Gap (Mean)	0.10%	1.11%
13. Board gender diversity	Women on Board (%)	12.45%	35.98%
14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Controversial weapons involvement (APM, CM, Bio, Chem)	0.02%	48.70%

Indicator Notes

10. Metric - Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises.

**Explanation -** The displayed share is in relation to all investments.

Action Taken - Please refer to the Phoenix Group Holdings plc Net Zero Transition Plan and Sustainability Report for an update on actions taken in 2023.

11. Metric - Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handlingnechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises.

**Explanation -** The displayed share is in relation to all investments.

Proxy Justification - Interpretations of the indicator may differ.

Action Taken - Please refer to the Phoenix Group Holdings plc Net Zero Transition Plan and Sustainability Report for an update on actions taken in 2023.

12. Metric - Average unadjusted gender pay gapof investee companies.

Explanation - The displayed number is calculated using the value of all investments in the denominator.

Action Taken - Please refer to the Phoenix Group Holdings plc Net Zero Transition Plan and Sustainability Report for an update on actions taken in 2023.

13. Metric - Average ratio of female to male board members in investee companies, expressed as a percentage of all board members.

**Explanation -** The displayed number is calculated using the value of all investments in the denominator.

Action Taken - Please refer to the Phoenix Group Holdings plc Net Zero Transition Plan and Sustainability Report for an update on actions taken in 2023.

14. Metric - Share of investments in investee companies involved in the manufacture or sellingf controversial weapons.

**Explanation -** The displayed share is in relation to all investments.

Action Taken - Please refer to the Phoenix Group Holdings plc Net Zero Transition Plan and Sustainability Report for an update on actions taken in 2023.

<sup>\*</sup>Coverage considers all investments, while applicable coverage only considers corporate assets within industries for which the metric is considered material in the context of the ISS ESG Corporate Rating. For more information, see the Methodology page at the end of the report.

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#### Additional Indicators - Emissions

Indicator	ISS ESG Factor	Portfolio Current	Coverage (Applicable Coverage)*
2. Emissions of air pollutants	Total air emissions (Metric Tonnes) per Mio EUR EVIC	0.00	1.13% (17.34%)
4. Investing in companieswithout carbon emission reduction initiatives	Companies without carbon emission reduction initiatives	23.79%	48.64%

Indicator Notes

2. Metric - Tonnes of air pollutants equivalent per million EUR invested, expressed as a weighted average.

Explanation - The displayed number is calculated using the value of all investments in the denominator.

Proxy Justification - ISS ESG collects data on most, but not all, types of emissions referred to in the PAI definition.

Action Taken - Please refer to the Phoenix Group Holdings plc Net Zero Transition Plan and Sustainability Report for an update on actions taken in 2023.

4. Metric - Share of investments in investee companies without carbon emission reduction initiatives aimed at alignining with the Paris Agreement.

**Explanation -** The displayed share is in relation to all investments.

**Proxy Justification -** For the purpose of this PAI indicator, ISS ESG considers companies to have carbon emission reduction initiatives aimed at aligning with the Paris Agreement only if they have set themselves or are formally committed to setting themselves carbon reduction targets approved by the SBTI.

Action Taken - Please refer to the Phoenix Group Holdings plc Net Zero Transition Plan and Sustainability Report for an update on actions taken in 2023.

<sup>\*</sup>Coverage considers all investments, while applicable coverage only considers corporate assets within industries for which the metric is considered material in the context of the ISS ESG Corporate Rating. For more information, see the Methodology page at the end of the report.



#### Additional Indicators - Water, Waste, and Material Emissions

Indicator	ISS ESG Factor	Portfolio Current	Coverage (Applicable Coverage)*
6. Water usage and recycling	Freshwater use intensity (cubicmetres per Mio EUR of revenue)	33.27	5.34% (43.05%)
7. Investments in companies without water management policies	Lack of water management policies	7.18%	23.87% (92.47%)
13. Non-recycled wasteratio	Total Waste per Mio EUR EVIC	58.18 (t)	13.43% (82.61%)
14. Natural Species and Protected areas	Controversies affecting threatened species	0.15%	48.48%

Indicator Notes

6. Metric - Average amount ofwater consumed by the investee companies (in cubic meter) per million EUR of revenue of investee companies.

**Explanation** - The displayed number is calculated using the value of all investments in the denominator.

Proxy Justification - ISS ESG collects data on freshwater use but does not collect information on reclaimed water.

Action Taken - Please refer to the Phoenix Group Holdings plc Net Zero Transition Plan and Sustainability Report for an update on actions taken in 2023.

7. Metric - Share of investments in investeecompanies withoutwater management policies.

**Explanation -** The displayed share is in relationto all investments.

Proxy Justification - ISS ESG assesses performance related to water management, not merely the presence of related policies.

Action Taken - Please refer to the Phoenix Group Holdings plc Net Zero Transition Plan and Sustainability Report for an update on actions taken in 2023.

13. Metric - Tonnes of non-recycled waste generated by investeecompanies per million EUR invested expressed as a weighted average.

**Explanation -** The displayed number is calculated using the value of all investments in the denominator.

Proxy Justification - ISS ESG collects total waste volumes including recycled and non-recycled).

Action Taken - Please refer to the Phoenix Group Holdings plc Net Zero Transition Plan and Sustainability Report for an update on actions taken in 2023.

14. Metric - Share of investments in investeecompanies whose operations affect threatened species.

**Explanation -** The displayed share is in relation all investments.

Proxy Justification - ISS ESG tracks controversies that affect IUCN Red List species. While overlap may exist, national conservation lists are not separately tracked.

Action Taken - Please refer to the Phoenix Group Holdings plc Net Zero Transition Plan and Sustainability Report for an update on actions taken in 2023.

<sup>\*</sup>Coverage considers all investments, while applicable coverage only considers corporate assets within industries for which the metric is considered material in the context of the ISS ESG Corporate Rating. For more information, see the Methodology page at the end of the report.



#### Additional Indicators - Social and Employee Matters

Indicator	ISS ESG Factor	Portfolio Current	Coverage (Applicable Coverage)*
Investments in companies without workplace accident prevention policies	Companies without workplace accident prevention policies	5.21%	43.61%
2. Rate of accidents	Employee Injury Rate	0.03	3.18% (36.35%)
4. Lack of a supplier code of conduct	Lack of supplier code of conduct	7.69%	43.61%
6. Insufficient whistleblower protection	Insufficient whistleblower protection	0.49%	43.61%
8. Excessive CEO pay ratio	CEO / Median Employee pay ratio	79.79	15.92%

Indicator Notes

1. Metric - Share of investments in investee companies without a workplace accident prevention policy.

**Explanation -** The displayed share is in relation to all investments.

Action Taken - Please refer to the Phoenix Group Holdings plc Net Zero Transition Plan and Sustainability Report for an update on actions taken in 2023.

2. Metric - Rate of accidents in investee companies expressed as a weighted average.

**Explanation** - The displayed number is calculated using the value of all investments in the denominator.

Proxy Justification - ISS ESG delivers data only where the company reports according to standardised metrics, i.e. Total Recordable Incident Rate per 200,000 working hours.

Action Taken - Please refer to the Phoenix Group Holdings plc Net Zero Transition Plan and Sustainability Report for an update on actions taken in 2023.

4. Metric - Share of investments in investee companies without any supplier code of conduct (against unsafe working orditions, precarious work, child labour and forced labour).

**Explanation -** The displayed share is in relation to all investments.

Action Taken - Please refer to the Phoenix Group Holdings plc Net Zero Transition Plan and Sustainability Report for an update on actions taken in 2023.

**6. Metric -** Share of investments in entities without policies on the protection of whistleblowers.

**Explanation -** The displayed share is in relation to all investments.

**Proxy Justification** - ISS ESG considers companies to have a policy on protection of whistleblowers if they disclose a anonymous or confidential hotline and/or express a commitment to not retaliate.

Action Taken - Please refer to the Phoenix Group Holdings plc Net Zero Transition Plan and Sustainability Report for an update on actions taken in 2023.

8. Metric - Average ratio within investee companies of the annual total compensation for the highest compensated individual to the median annual total compensation for all employees (excluding the highest compensated individual).

**Explanation -** The displayed number is calculated using the value of all investments in the denominator.

Proxy Justification - ISS ESG data point utilizes the pay of CEO, not the highest paid employee, however this will normally be the same in over 95% of cases.

Action Taken - Please refer to the Phoenix Group Holdings plc Net Zero Transition Plan and Sustainability Report for an update on actions taken in 2023.

<sup>\*</sup>Coverage considers all investments, while applicable coverage only considers corporate assets within industries for which the metric is considered material in the context of the ISS ESG Corporate Rating. For more information, see the Methodology page at the end of the report.

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#### Additional Indicators - Human Rights, Anti-Corruption, and Anti-Bribery

Indicator	ISS ESG Factor	Portfolio Current	Coverage (Applicable Coverage)*
9. Lack of a human rights Policy	Lack of human rights policy	22.77%	43.61%
10. Lack of due diligence	Lack of human rights due diligence procedures	16.07%	43.61%
16. Cases of insufficient action taken to addressbreaches of standards of anti-corruption and antibribery	Insufficient action taken to address anti-corruption breaches	0.01%	48.48%

Indicator Notes

9. Metric - Share of investments in entities without a human rights policy.

**Explanation -** The displayed share is in relation to all investments.

Action Taken - Please refer to the Phoenix Group Holdings plc Net Zero Transition Plan and Sustainability Report for an update on actions taken in 2023.

10. Metric - Share of investments in entities without a due diligence process to identify, prevent, mitigate and address adverse human rights impacts.

**Explanation -** The displayed share is in relation to all investments.

Action Taken - Please refer to the Phoenix Group Holdings plc Net Zero Transition Plan and Sustainability Report for an update on actions taken in 2023.

16. Metric - Share of investments in investee companies with identified insufficiencies in actions taken to address breaches in procedures and standards of anti-corruption and anti-bribery.

**Explanation -** The displayed share is in relation to all investments.

Action Taken - Please refer to the Phoenix Group Holdings plc Net Zero Transition Plan and Sustainability Report for an update on actions taken in 2023.

<sup>\*</sup>Coverage considers all investments, while applicable coverage only considers corporate assets within industries for which the metric is considered material in the context of the ISS ESG Corporate Rating. For more information, see the Methodology page at the end of the report.



## Principal Adverse Impacts - Sovereign and Supranational Assets

#### Primary Indicators - Environmental Metrics

Indicator	ISS ESG Factor	Portfolio Current	Coverage
15. GHG Intensity	Sovereign Emissions - Production Intensity (tCO₂e/Mio EUR GDP)	32.31	10.94%

Indicator Notes

15. Metric - GHG intensity of investee countries.

Explanation - The displayed number is calculated using the value of all investments in the denominator.

**Proxy Justification -** The definition of the GHG intensity of investee countries in the regulation includes scope 1, 2 and 3 emissions. This is not the traditional way sovereign emissions are accounted for and available data is limited in this regard. ISS ESG's data factor provides information on production emissions, using the same boundary setting as UNFCCC.

Action Taken - Please refer to the Phoenix Group Holdings plc Net Zero Transition Plan and Sustainability Report for an update on actions taken in 2023.

\*Coverage considers all investments, for more information see the methodology page at the end of the report.



## Principal Adverse Impacts - Sovereign and Supranational Assets

#### Primary Indicators - Social Metrics

Indicator	ISS ESG Factor	Portfolio Current	Coverage*
16. Investee countriessubject to social violations	Countries subject to social violations	3.45% (12)	10.69%

Indicator Notes

**16. Metric -** Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law.

**Explanation -** The displayed relative number is calculated using the denominator the value of all investments. The displayed absolute number is calculated based on direct exposures to investee countries only. Indirect exposures through investments in funds are not considered.

Proxy Justification - Interpretations of the indicator may differ.

Action Taken - Please refer to the Phoenix Group Holdings plc Net Zero Transition Plan and Sustainability Report for an update on actions taken in 2023.

#### Additional Indicators - Social Metrics

Indicator	ISS ESG Factor	Portfolio Current	Coverage*
18. Average income inequality score	CtR Topic - Income inequality (Num)	0.22	10.94%
19. Average freedomof expression score	CtR Score - Status of freedom of speech and press (Num)	0.27	10.94%

Indicator Notes

**18. Metric** - The distribution of income and economic inequality among the participants in a particular economy including quantitative indicator explained in the explanation column.

Explanation - The displayed number is calculated using the value of all investments in the denominator.

Proxy Justification - The rating scale applied is a numerical scale ranging from 1.00 (worst rating score) to 4.00 (best rating score).

Action Taken - Please refer to the Phoenix Group Holdings plc Net Zero Transition Plan and Sustainability Report for an update on actions taken in 2023.

19. Metric - Measuring the extent to which political and civil society organisations can operate freely including quantitative indicator explained in the explanation column.

**Explanation -** The displayed number is calculated using the value of all investments in the denominator.

Proxy Justification - The rating scale applied is a numerical scale ranging from 1.00 (worst rating score) to 4.00 (best rating score).

Action Taken - Please refer to the Phoenix Group Holdings plc Net Zero Transition Plan and Sustainability Report for an update on actions taken in 2023.

 ${}^{\star}\text{Coverage considers all investments, for more information see the methodology page at the end of the report.}\\$ 



## Principal Adverse Impacts - Sovereign and Supranational Assets

#### Additional Indicators - Human Rights Metrics

Indicator	ISS ESG Factor	Portfolio Current	Coverage*
20. Average human rights performance	Safeguarding of civil and political rights (Num)	0.28	10.94%

Indicator Notes

20. Metric - Measure of the average human rights performance of investee countries using quantitative indicator explained in the explanation column.

**Explanation -** The displayed number is calculated using the value of all investments in the denominator.

Proxy Justification - The rating scale applied is a numerical scale ranging from 1.00 (worst rating score) to 4.00 (best rating score).

Action Taken - Please refer to the Phoenix Group Holdings plc Net Zero Transition Plan and Sustainability Report for an update on actions taken in 2023.

#### Additional Indicators - Governance Metrics

Indicator	ISS ESG Factor	Portfolio Current	Coverage*	
21. Average corruption score	CtR Score - Corruption Perception Index (Num)	0.18	10.94%	
22. Non-cooperative tax jurisdictions	EU list of non cooperative jurisdictions	0.00%	10.69%	
24. Average rule of law score	CtR Score - Rule of law (Num)	0.19	10.94%	

Indicator Notes

21. Metric - Measure of the perceived level of public sector corruption using quantitative indicator explained in the explanation column.

Explanation - The displayed number is calculated using value of all investments in the denominator.

Proxy Justification - The rating scale applied is a numerical scale ranging from 1.00 (worst rating score) to 4.00 (best rating score).

Action Taken - Please refer to the Phoenix Group Holdings plc Net Zero Transition Plan and Sustainability Report for an update on actions taken in 2023.

22. Metric - Investments in jurisdictions on the EU list of non-cooperative jurisdictions for tax purposes.

**Explanation -** The displayed share is in relation to all investments.

Action Taken - Please refer to the Phoenix Group Holdings plc Net Zero Transition Plan and Sustainability Report for an update on actions taken in 2023.

24. Metric - Measure of the level of corruption, lack of fundamental rights, and the deficiencies in civil and criminal justice using a quantitative indicator explained in the explanation column.

**Explanation -** The displayed number is calculated using the value of all investments in the denominator.

Proxy Justification - The rating scale applied is a numerical scale ranging from 1.00 (worst rating score) to 4.00 (best rating score).

Action Taken - Please refer to the Phoenix Group Holdings plc Net Zero Transition Plan and Sustainability Report for an update on actions taken in 2023.

\*Coverage considers all investments, for more information see the methodology page at the end of the report.



#### Methodology

This portfolio report draws on ISS ESG's SFDR Principal Adverse Impact Solution, which includes data on corporate, as well as sovereign and supra-national, issuers in line with the mandatory, as well as additional, SFDR Principal Adverse Impact (PAI) indicators. ISS ESG's SFDR Principal Adverse Impact Solution builds on a variety of ISS ESG research products, leveraging justifiable proxies in the absence of reported and disclosed data. Portfolio-level metrics are calculated in accordance with the specifications of the Regulatory Technical Standards (RTS) published by the European Commission as well as additional guidance published by the European Supervisory Authorities (ESAs).

In accordance with recommendations from the ESAs, the PAI metrics displayed in this report have been calculated usings a denominator the value of all investments, including those investments for which the respective PAI indicator is not applicable as well as investments where data is missing. Since this calculation approach is equivalent to imputing value of 0 for any position without data, PAI metrics displayed in this report may be small compared to a calculation approach which limits the scope of the denominator to the value of investments to which the respective PAI indicator is applicable and for which data is available. The "coverage" column displays the share of positions for which data is available per PAI indicator, expressed as a percentage of all investments.

Pursuant to ISS ESG's Corporate Ratingmethodology, some PAI indicators are material only for certain industries. Coverage may therefore be lower for these PAI indicators, as data is typically only disclosed by companies in relevant industries. In such cases, the report provides an additional applicable coverage value in parenthesis which only considers corporate assets within industries for which the metric is considered material in the context of the ISS ESG Corporate Rating.

While most quantitative metrics included in ISS ESG's SFDR Principal Adverse Impact Solution are sourced directly from corporate disclosures, some quantitative metrics, including GHG emissions and non-renewable energy production data, is either reported or estimated/modelled in the absence of trustworthy company disclosure.

The PAI indicators displayed in this report either refer to point in time assessments (e.g., share of investee companies with certain characteristics), or to outcomes over a given time period (e.g., average emission intensity is calculated for a fiscal year).



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# Information about our due diligence policy on the identification and prioritisation of principal adverse sustainability impacts and indicators

Phoenix Group's Responsible Investment Policy sets out sets out our approach to integrating Environmental, Social and Governance ("ESG") considerations, aligned to our position as an asset owner with fiduciary duty; with investment management activities delegated to a variety of asset management partners.

At Phoenix Group, our approach to responsible investment centres around four key pillars

- 1. Strategy and Governance
- 2. Stewardship
- 3. Integrated ESG Management
- 4. Portfolio Decarbonisation and Low Carbon Transition

Information on our Approach to ESG integration **here**.

We work very closely with our asset management partners in implementing our investment approach to ESG factors as outlined within this document and related policies. For clarity, we apply the standards/approaches set out to our own practices as well as our external managers.

We have a dedicated and experienced team to undertake these asset manager assessments and areas related to ESG which we review include, but are not limited to:

- ESG data, metrics and integration;
- stewardship, including engagement and voting;
- exclusion policies;
- staff expertise and resources;
- membership of global forums and investor groups;
- awareness of the regulatory landscape;
- the transition to net zero; and
- governance and reporting.

We appreciate that our asset management partners may have their own approach to responsible investing. However, partners that fail to adhere to our standards will be put on notice to improve on the understanding that a cessation of new investments or a termination of the mandate may be required should they fail to improve as agreed.

# A description of the principal adverse sustainability impacts and of any actions taken or planned Engagement and stewardship

Different interpretations of engagement exist in the market. Phoenix Group believes that engagement refers to a two-way interaction between the investor and investees in relation to the corporate business strategy and ESG practices. Engagements are undertaken to influence (or identify the need to influence) corporate practices and improve disclosure. Asking a question on ESG issues during a meeting does not necessarily characterise the interaction as an engagement. Providing feedback on information collected, sharing best practice by peers and defining engagement objectives with focus companies better define an engagement activity.

We believe that effective stewardship is characterised by robust ESG research on material risks and opportunities using internal and external data, dialogue with corporate top decision-makers, setting of goals, continuous evaluation of progress against objectives and influence on investment decision-making. Solid preparation, geographical and sector expertise, correct timing and commitment to continuous dialogue are other strategies we support to increase the possibility to influence business practices.

We believe that engagement, voting and ESG integration are interlinked and, when relevant for a specific strategy, they should be intrinsic parts of the investment decision-making process. This is why stewardship should not be a delegated function for specialised ESG professionals only, but it should be equally undertaken by investment professionals with ESG knowledge and experience alone or in collaboration with sustainable investing/ stewardship teams and be efficiently documented.

#### Growing our stewardship capabilities

Becoming signatories to the UK Stewardship Code was an important step as we continue to grow our stewardship capabilities. Our Stewardship Report sets out our focus on ambitious and outcomeoriented engagement, with tangible examples of how we seek to have a positive effect on investee climate change action and other ESG priority topics.

#### Our approach to stewardship

As a large asset owner, we embrace the concept of effective stewardship outlined above. While we ordinarily conduct dialogue with investee companies through our asset management partners, we also:

- undertake direct engagements with corporate representatives; conducted by members of our Stewardship team; and
- join collaborative engagements with other investors.

#### Direct engagement with companies

Our direct climate engagement programme now covers 25 companies in high transition risk sectors at year-end 2023. We held 44 meetings with 23 companies in 2023, conducting both individual and collaborative engagement though organisations such as Climate Action 100+ and the Net Zero Engagement Initiative ('NZEI'). After less than 12 months of dialogue of our three-year engagement strategy, we have seen progress or commitments on nearly 40% of our engagement objectives, which are based on the TCFD.

Our asset management partners are at the forefront to interact with companies in our portfolios and we will seek full co-ordination of efforts on key ESG strategic priorities through the exchange of information and views. The majority of our engagement activities with investee companies is conducted by our asset management partners. We have set out of Global Voting Principles that we want our asset management partners to align to. However, we might consider to join direct and/or collaborative engagements with companies based on our financial exposure and internal research on priority ESG issues. Collaborative engagements can be an efficient strategy to channel investors' concerns to investee companies. However, lack of co-ordination and preparation by coalitions could hamper the quality of dialogue.

We will consider joining a collaborative engagement if the following criteria are met:

- We share the objectives of the initiative and support identified recommendations to companies;
- We are supportive of existing rules in terms of public external communications;
- We have the resources to positively contribute to the dialogue with focus companies; and
- Collaborating with peers is permitted by existing regulation.

#### ESG priorities for engagement

ESG priorities for direct and collaborative engagements and assessments of asset management partners are defined and reviewed on an annual basis.

Focus themes are defined by taking into consideration:

- customer views collected through both qualitative and quantitative research;
- insights from Phoenix Group's materiality assessments using inputs from multiple stakeholders;
- the nature and materiality of the topic as representing a negative externality to portfolios across regions and sectors;
- availability of data to monitor and assess companies' performance; and
- existence of collaborative initiatives which intend to tackle the issue by supporting a co-ordinated action from investors.

We make our expectations of companies in relation to these priority ESG risks and opportunities publicly available on our **website**.

#### ESG research

We use leading third-party suppliers which provide ESG scores and/ or thematic research on firms, funds, companies, factors and sectors in order to:

- conduct and complement our ESG research for stewardship activities;
- identify companies in our portfolios with high ESG risks and opportunities; and
- monitor the integration and stewardship practices of our asset managers.

We rely on ESG research covering both the analysis of companies' reported data and controversies as documented by media, international and civil society's organisations.

We source this data from three main providers, S&P, Sustainalytics and ISS.

# Selecting, appointing and monitoring our asset managers to support stewardship

We recognise the value of engaging with investee companies to promote best practices and do so through our asset manager partners. As a long-term investor, we believe that it is important for our asset manager partners to exercise constructive influence on companies and other issuers in our investment portfolios to encourage long term performance, good corporate governance and sound sustainability practices.

We require asset manager partners to:

- rely on internal and external research to monitor and assess investee companies' strategies; capital structure; financial and nonfinancial performance and risk; ESG risks and opportunities and impact
- define a relevant engagement focus list based on the above monitoring system
- engage with identified priority companies, set engagement objectives and, in case of lack of progress, escalate engagement to drive better medium and long-term performance from the business as a whole
- exercise voting rights on our behalf in companies in which we have holdings through the application of a customized voting policy
- which is regularly updated to reflect clients' views and monitored
- track systematically and report regularly on their engagement activities, including details on the factors they discuss, company representatives they met, investment professionals involved, outcomes achieved and investment implications, when applicable
- track systematically and report regularly on their voting activities including details on use of proxy advisors, votes against management, topics addressed by voting, support of ESG shareholder resolutions and voting rationales.

Information on our Stewardship Policy is here.

#### Integration and exclusions:

We believe that considering ESG factors in the investment analysis and decision-making process helps to deliver better risk management and strong long-term financial returns for our customers and shareholders.

Combining a top-down approach coupled with bottom-up analysis is more effective than either approach in isolation, which is why we also consider ESG factors in the Group's investment framework including in the design of investment strategies, manager selection and ongoing monitoring and reporting. Our overall approach to ESG integration is described in our Responsible Investment Philosophy and further described in our Group Exclusion Policy (introduced in 2022) and Asset Management Partner Open Letter.

Responsible Investment Philosophy

**Group Exclusion policy** 

**Asset Management Partner Open Letter** 

Alongside ESG integration and engagement, we apply our Group exclusion policy as a high-profile and forceful way of evidencing commitment to responsible investment. Whilst our overarching approach remains 'engagement first', a focused exclusion policy has been adopted. The exclusion policy is driven by four key principles and is applied to either revenue thresholds or an involvement in the sectors. We expect the thresholds to tighten and the sectors excluded to widen over time. In this way, exclusion will become an important part of our engagement strategy and a way of forcing the pace of decarbonising investment portfolios in line with our climate ambitions. Effective integration of ESG considerations into portfolio monitoring and screening is dependent on good-quality data and analytics. We obtain ESG data from a range of third-party vendors, which we then analyse. consolidate and integrate into our own data system. This provides us with a central platform from which we can extract the ESG data we need to support us with investment monitoring and stewardship. We recognise that the quality and coverage of our ESG data will continue to evolve, particularly as additional datasets become available and as our understanding of the ESG credentials of different asset classes continues to mature. We work closely with our asset management partners and data providers to ensure that the ESG data we use is in line with emerging best practice.

More Information on the actions Phoenix Group has taken or planned can be found in our **Sustainability 2023 report**.

#### Reference to international standards

We use our insight and knowledge to lead the debate on key climate related challenges: working with government, non-governmental organisations and across our industry and the economy to remove the barriers to net zero investment and define best practice.

At a local level, Standard Life International dac is a member of the the Sustainable & Responsible Investment Forum (SIF) Ireland.

Phoenix Group's various sustainable investment strategies are further aligned with a broad range of international norms and conventions, including but not limited to:

# the Principles for Responsible Investment (PRI)

UN PRI The leading proponent of responsible investment, supporting its signatories to understand and incorporate ESG factors into investment decision making.

#### **Paris Aligned Investment Initiative**

PAII translates the goals of the Paris Agreement into practical guidance for asset owners and asset managers, establishing a common understanding of approaches and methodologies to guide action.

#### Climate Action 100+

An investor-led initiative to ensure that the world's largest corporate greenhouse gas emitters take necessary action on climate change including aligning with the goals of the Paris Agreement.

# the Institutional Investors Group on Climate Change (IIGCC)

IIGCC is the European membership body for investor collaboration on climate change and the voice of investors taking action for a prosperous, low carbon future.

#### **UN Global Compact**

The world's largest corporate sustainability initiative. The United Nations Global Compact is a call to companies to align their operations and strategies with Ten Principles in the areas of human rights, labour, environment and anti-corruption

# UN Sustainable Development Goals (SDGs)

Our sustainability activity is supporting the delivery of the following Sustainable Development Goals:

- · Industry, innovation and infrastructure
- · Responsible consumption and production
- · Climate action
- · Life below water
- Life on land

Partnerships for the goals The SDGs are a collection of 17 non-legally binding interlinked global goals set forth by the UN for countries and governments. These are included only as indicative guidance for Phoenix's ambition to align its strategy to the UN SDGs. Phoenix makes no representation, warranty, or assurance of any kind, express or implied, or takes no responsibility or liability as to whether Phoenix's strategy furthers the objective or achieves the purpose of the indicated SDG.

# OECD Guidelines for Multinational Enterprises

As an asset owner we endeavour, where appropriate, to align with the OECD Guidelines for Multinational Enterprises, a set of responsible business conduct standards for multinational enterprises, as well as the OECD guidance on responsible business conduct for institutional investors.

## Using climate-related scenarios to inform investments

The Group's approach to modelling climate-related financial risk is in line with its overall approach to stress and scenario testing – a key feature of which is the feedback loop from the scenario results through to developing and refining management actions, as shown below.

#### Review risk profile

We first consider the areas of our business that may be the most exposed to climate risk impacts. We then consider where detailed stress and scenario analysis would add the most value in better understanding their climate-related risk exposures.

#### Select and define scenario test

The next step in our approach is to select and define climate scenarios. Climate scenarios each explore different possible climate changed riven pathways over the long term and depend on aspects such as government policy and the transition speed.

How and when climate risk will emerge remains highly uncertain. The scenarios have been chosen as they cover a wide range of possible outcomes, but each cover only one possible pathway through which climate risk may emerge and they are not comprehensive. Real-life impacts may be more or less severe than those explored.

#### Analyse scenario

The third step in our process is the scenario analysis itself. For quantitative scenarios we use counterparty-specific data to build up the potential impact on our investment portfolios of the scenarios emerging. This is combined with estimated liability impacts to assess the overall effect on our balance sheet.

#### Validate and report results

The projected impact of the five quantitative scenarios indicates that we must act to reduce risk or there may be significant losses in investment asset value arising due to climate change.

These impacts do not take into account mitigating actions we may take to decarbonise and meet our net zero targets or the expected changes in our asset mix over time.

Climate change presents opportunities as well as risks. As our investment portfolio has exposure to a wide variety of sectors and counterparties, there will be 'winners' that gain value as the scenarios unfold and 'losers' that lose value as the scenarios unfold. This leads to offsetting movements in values within the portfolio.

Average impacts at portfolio level hide the turbulence between, and within, the key sectors that produce the highest levels of emissions and so present the greatest risks and opportunities.

# Feedback and mitigating management actions

Within the current quantitative analysis, no allowance is made for the expected impact of management actions designed by Phoenix to limit the impact of climate change on the business. It is expected that actions taken to deliver the Group's net zero targets will progressively reduce our exposure and significantly dampen the impact of climate change shocks on the asset portfolio. Our Net Zero Transition Plan is therefore key to the Group's strategy and our future resilience to climate risks. Insights from the scenario analysis are incorporated in strategy, risk management and investment decisions.

Further details of The Group's scenario testing are included in the **Climate Report 2023**.

#### **HISTORICAL COMPARISON**

Due to lack of data availability for the year 2022, a historical comparison is not available at this time. A historical comparison will be published at the earliest opportunity.