

How we support effective stewardship of assets for our clients

Background Information

The 2022 Department for Work and Pensions (DWP) Stewardship Guidance¹ defines the responsibility for trustees of occupational pension schemes to understand and consider financially material Environmental, Social and Governance (ESG) factors and stewardship approaches in their schemes' investments. Trustees are also required to produce an Implementation Statement (IS) and a Statement of Investment Principle (SIP) describing voting and engagement activities in relations to their schemes' assets. While the guidance does not introduce new regulation, it emphasizes the need for trustees to take a more proactive approach to stewardship activities even if often outsourced and delegated to underlying investment managers.

As a large savings and retirement business, we believe that stewardship is a core tool to ensure corporate management receives feedback, support, and constructive challenge in order to protect sustainable financial performance. Our stewardship strategy builds on our commitment to promote effective voting and engagement activities in the best interest of our clients through direct, collaborative, and delegated activities.

We support our clients through the application of our stewardship and investment governance

frameworks, which are fully embedded within our business. These policies, combined with the expertise of our clients' supporting functions and internal Stewardship Team offer trustee clients the assurance that we are representing their long-term interests in our dialogue with investee companies and oversight activities with asset managers.

Our role as provider

ReAssure provides a range of long-term savings and retirement products. These products use insurance-based pooled investment funds.

ReAssure leverages its position as part of Phoenix Group, a business committed to making a positive contribution to society for the benefit of all stakeholders, in line with the purpose of helping people secure a life of possibilities. In this context, one of the most impactful areas of responsibility for us is promoting effective stewardship of our customers' and clients' assets as well as supporting our trustees to fulfil their fiduciary duties.

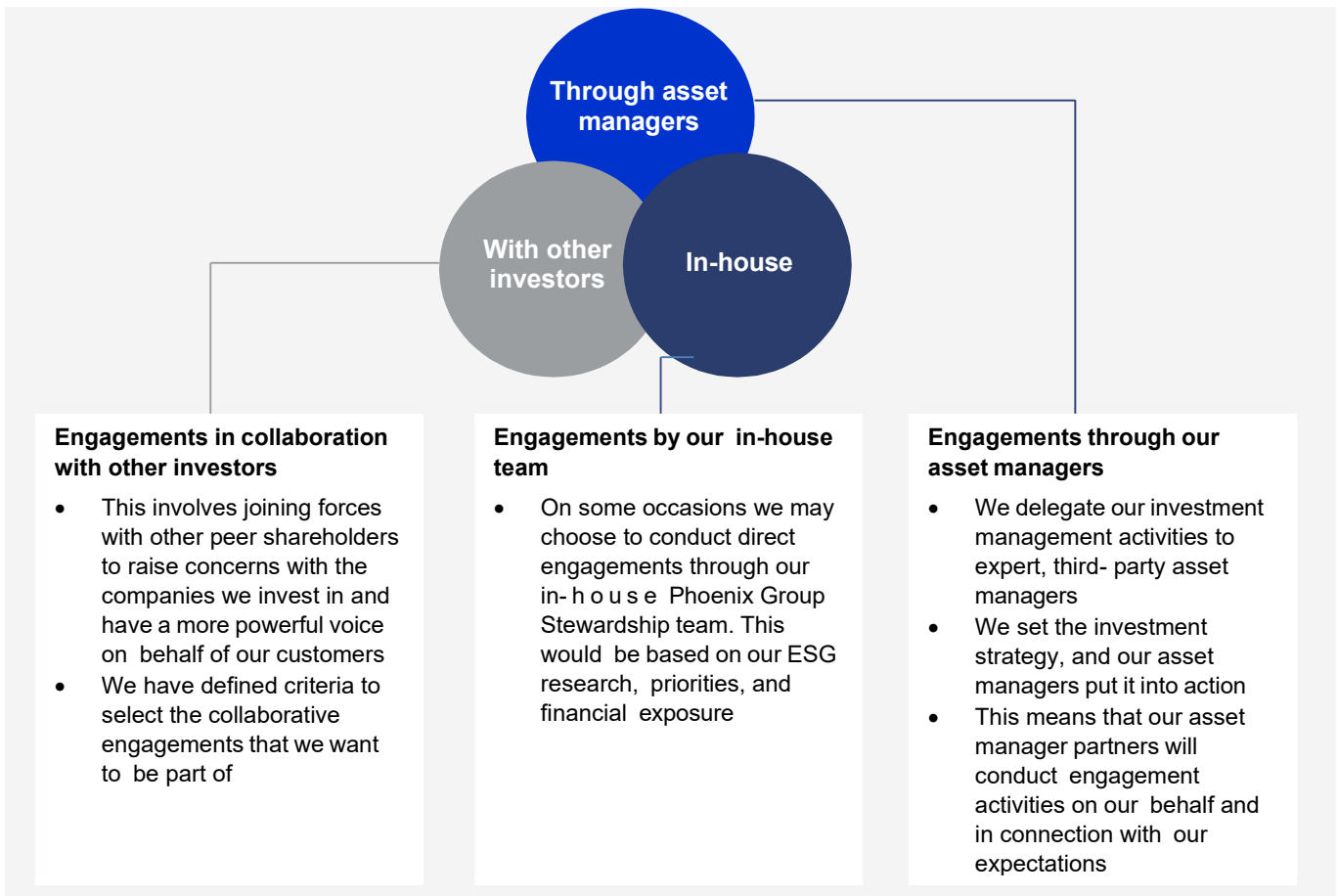
ReAssure's approach to stewardship is aligned with our parent company's vision. **Phoenix Group's stewardship policy** sets out our key priorities, agenda and vision on the responsible allocation, management, and oversight of capital on behalf of our clients.

¹Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement: Statutory and Non-Statutory Guidance"

Our approach to engagement

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

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



This approach applies to the funds managed by asset managers we have an investment management agreement with.

ReAssure controls the investment strategy for these funds, while our asset managers are responsible for day-to-day investment decisions and delegated stewardship activities.

If there is investment through an External Fund Link (EFL), then it's important to note that some of our processes are different. EFLs are set up and managed by external asset managers who are responsible for setting the investment strategy and guidelines. ReAssure doesn't have direct control over how the funds are managed by the external asset managers. However, we expect these funds to be aligned with our high standards of stewardship.

Our stewardship priorities:

We 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. Our current engagement priorities are:

- **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.
- **UNGC (UN Global Compact) controversies:** We expect companies to adhere to international standards on human rights, labour rights, environmental and climate change issues as well as anti-bribery and corruption effort.

Our expectations of asset managers on effective stewardship

When it comes to stewardship, ReAssure wants to ensure that our asset managers are on the same page as us.

We have a strict selection process for asset managers linked to internal insured funds and we monitor their ESG performance annually. Every year, we evaluate their stewardship approach and consider whether it is meeting our expectations. We assess the voting performance of some of our asset management partners by measuring alignment with Phoenix Group Global Voting Principles.

These are the expectations we have of asset management partners on stewardship:

- Be a signatory to the United Nations-supported Principles for Responsible Investment and adopt the 2020 UK (United Kingdom) Stewardship Code or an equivalent in their jurisdiction
- Use their influence to drive performance, governance, and sustainability of the companies they invest in on our behalf for the long-term benefit of our customers, including our trustee clients
- Use internal and external ESG research to monitor and assess companies
- Place votes on our behalf, applying a proxy voting policy that takes our high-level voting principles into consideration
- Set engagement objectives, track progress, and escalate if positive progress is not made
- Update us regularly on all engagement and voting activities

ReAssure assesses sustainable investment standards of managers for the assets under management in EFLs through a combination of tailored due diligence processes, third-party assessments, and ratings. If the managers do not meet our standards, we would look to engage with them further to seek improvement and influence positive change. In case of unsuccessful progress, this assessment will be taken into consideration with other factors and may result in further actions to escalate our concerns to protect the long-term interests of our customers, including our trustee clients.

What can you expect from us?

Trustees can select the fund managers for their insured investments and do this by deciding the default arrangement for their scheme along with any self-select investments available to their members.

Trustees of occupational pension schemes served by ReAssure can benefit from the scale and expertise of our teams who are active in the industry to conduct stewardship activities and monitor the work delegated to our asset management partners.

ReAssure aims to support trustees in delivering on their fiduciary duties linked to stewardship by offering:

- an off the shelf stewardship policy template aligned with Phoenix Group Stewardship policy and Global Voting Principles to better leverage and be aligned with the work conducted by their insurance provider
- representation in collaborative engagements selected by Phoenix Group' Stewardship team (for assets of insured funds)
- oversight of stewardship practices of asset managers linked to insured funds and EFLs²
- coordination of requests for reporting on engagement and voting activities by relevant asset managers in order to complete Implementation Statements.
- an annual webinar which covers ReAssure's stewardship policy, position and approaches based on the evolving regulatory changes in relation to stewardship

ReAssure is committed to reviewing periodically the needs of trustee clients to fulfil the expectations of the DWP guidance. Please contact your account manager to communicate your requests and views.

² As explained in this document, the oversight approach differs in depth and

Supporting documents

For more information on our approach and activities on stewardship, please refer to:

- **Phoenix Group Stewardship Policy**: The policy covers all investments and outlines our definition of effective stewardship across asset classes. The document includes information on our approach to stewardship through direct, collaborative, and delegated engagements, use of ESG research, monitoring voting practices, escalation strategies, expectations of managers and assessment of their practices, and transparency on our stewardship practices. A template stewardship policy for trustees is available upon request.
- **Phoenix Group expectations on company's Key Sustainability Issues document**: This document provides a set of expectations of corporate management on key priority topics for stewardship activities: climate change; nature; human rights; and UNGC-related controversies.
- **Phoenix Group Global Voting Principles**: Our global voting principles summarise our high-level beliefs and expectations of good corporate governance, environmental and social practices. The document also describes our approach to engagement, escalation, and conflict of interest in addition to setting expectations of our asset management partners on voting. We are not involved in voting decisions directly. We monitor the voting practices of our asset managers using our voting principles as a framework of reference after the votes are cast. We are also not in a position to pass through votes to underlying asset managers on behalf of trustees.
- **Phoenix Group 2022 Stewardship Report**: This annual report provides information and several case studies on how we promote effective voting and engagement activities across asset classes and ESG issues in collaboration with our asset managers.