

Standard Life International dac

Principal Adverse Impact Statement

Standard Life

Part of Phoenix Group

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 €448 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 2022.

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, 30 April 2022.

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.

Summary

The EU Sustainable Finance Disclosure Regulation (“SFDR”) requires Standard Life International dac (SLI dac) to consider the principal adverse impacts of our 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.

This document is divided into three sections:

1. Information about our due diligence policy on the identification and prioritisation of principal adverse sustainability impacts and indicators
2. A description of the principal adverse sustainability impacts and of any actions taken or planned
3. Reference to International Standards

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 SLI dac's approach to identifying, monitoring and implementing our approach to ESG. The consideration and prioritization of identified principal adverse impacts are further defined in accompanying procedures to the policy.

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 Responsible Investment Policy is [here](#).

As an asset owner operating an outsourced investment management model, we recognise that thorough due diligence on our asset managers as well as ongoing monitoring is vital to ensure that the assets are managed in line with Phoenix Group's philosophy and expectations. We expect all of our asset managers to be able to implement our approach to responsible investment and to integrate ESG considerations into their investment processes.

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.

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.

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. 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 2022 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

PAIL 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.

Our involvement in COP27

Ahead of COP27 Phoenix Group, alongside hundreds of investors around the world, signed the 2022 Global Investor Statement to Governments on the Climate Crisis. The statement called on governments to entrench five priority climate asks into their national legislation. Effective policies, in line with limiting global warming to no more than 1.5°C, are essential for accelerating and scaling up private capital flows needed for a climate-resilient, net zero transition.

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 2022](#).

HISTORICAL COMPARISON

As 2023 is the first year of reporting, there are no comparative periods to report. A comparison between the 2022 and 2023 PAI indicators will be provided in the 2024 PAI Statement which will be available in June 2024.