

Update

A responsible approach to your offshore bond investments

Information on how we deal with sustainability criteria in our investment decisions

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 billion 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.

The value of investments can go down as well as up and you may lose some or all of the money you invest.

As a long term asset owner we at Phoenix act on behalf of our policy holders and shareholders to invest responsibly. We are committed to factoring Environmental, Social & Governance (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. Standard Life International as part of Phoenix Group will comply with the investment philosophy and process being developed.

Our Areas of Focus

Strategy and governance

We will work with our best-in-class asset management partners to deliver our customers and stakeholders' expectations. We will increase investment in assets that support a sustainable world, aligned with the UN Sustainable Development Goals (SDGs), within the shareholder and policyholder business.

In 2020 we became a signatory to the United Nations-Supported Principles of Responsible Investment ('UN PRI'). This demonstrates the Group's commitment to including ESG factors in investment decision making and ownership. The UN PRI is the world's leading proponent of Responsible Investment. It works to

understand the investment implications of ESG factors and to support its international network of investor signatories in incorporating these factors into their investment and ownership decisions.

The governance for the development, implementation and monitoring of our Responsible Investment philosophy is managed by the Investment Committee. Our Investment Philosophy will be refreshed at least annually or more frequently if required. In order to allow a sufficient level of attention to Responsible Investment (RI), a separate management committee to review ESG-related risks and opportunities across all portfolios is in place. This working group reports to the Investment Committee and the Group Board Sustainability Committee.

On our website we provide further information to customers on how we incorporate ESG factors into investments processes. These can be accessed via the link below.

<https://www.standardlife.co.uk/investments/guides/sustainable-investing>

Integrated ESG management

We will continue to review and enhance ESG integration within our investment processes. We will embed best-in-class data analytics and capability to support us in this process.

We work with a network of asset management partners, all of whom are signatories to UN PRI and UK Stewardship Code. Initial due diligence as well as ongoing monitoring is vital to ensure that assets are managed in line with the Group's philosophy and expectations. We require all our asset management partners 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 asset manager assessments. We have appointed external consultants to support us with the selection and monitoring of our asset management partners' RI processes. We are committed to continue and deepen this work ourselves.

As part of this assessment, we issue formal requests to enable us to gather necessary information. We not only review the policies and

frameworks of the asset management partners, but equally, assess the factors affecting implementation. These findings are then presented to our governance committees. Partners who fail to meet our minimum requirements will be put on notice to improve within agreed timelines or cessation or termination of mandate may occur.

Stewardship

Active stewardship is critical to the delivery of our ambitions, and to meet our net-zero commitment. As a large asset owner, we recognise our stewardship responsibilities and will adopt an “engagement first” approach with the objective of using our position of influence to bring about change. Inaction post sustained engagement will, however, ultimately lead to disinvestment.

For funds and portfolios where we set the investment strategy and guidelines we delegate to our asset management partners the responsibility for integrating shareholder engagement in the investment management and decision making processes. We take into account the capability of asset managers to vote on our behalf as part of the manager selection process, and this is also formally delegated to them in the contract between them and us.

The delegated Stewardship responsibilities include:

- Monitoring resolutions and making sure that voting rights are carried out in line with investment objectives.
- Engaging with companies they invest in and monitoring the investee companies on relevant matters.
- Capital structure.
- Social and environmental impact and corporate governance.
- Escalating activities to the management of companies they invest in as necessary.
- Acting collectively with other investors and shareholders, including communicating with those where relevant or necessary.

Stewardship in Action

Our asset management partners on our behalf strive to use our influence as significant investors to achieve progress. In instances where our standards have not been met, divestment is both appropriate as responsible stewards of our clients' capital and aligned to our goal of investing for better outcomes. An example of where one of our asset managers have put stewardship into action in 2020 includes:

Boohoo Group plc is a UK-based online fashion retailer. Our asset management partner, Aberdeen Standard Investments (ASI), divested from Boohoo from our responsible investment funds in response to allegations of slavery and poor conditions within the company's supply chain. Having spoken to Boohoo's management team a number of times our asset manager was of the view that their response was inadequate in scope, timeliness and gravity which led to this decision.

Decarbonising our investment portfolio

We are committed to decarbonising our investment portfolio and achieving net zero GHG emissions by 2050. To do this we will actively engage with decarbonisation alliances, initiatives and policy makers. In addition, we will enhance our internal capability by acquiring and developing tools to perform portfolio analysis using best in class metrics, taking into account both physical and transitional risks.

This is consistent with the objective of limiting the temperature rise to no more than 1.5°C above pre-industrial temperatures and is in line with the Paris Agreement and the commitment of the UK Government.

We recognise that there are many considerations in delivering this target and our immediate focus is on our equity and liquid credit portfolios.

For more information on how we Foster Responsible Investing please access via the link below

<https://www.thephoenixgroup.com/sustainability/reports>

Standard Life International's ESG mission

At Standard Life International, we believe that considering important financial ESG (Environment, Social and Governance) issues in the investment process improves the decision making and delivers better outcomes for our customers. Fostering responsible investment (“RI”) is one of the four key sustainability commitments and is central to our mission of improving outcomes and delivering value for customers. Our six sustainability commitments are outlined below.

Delivering for our customers

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

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.

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.

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. An ESG risk means an environmental, social or governance event or condition that could cause a negative impact on the value of the investment. There are many ESG risks, which include those related to climate change, environmental management practices, human rights issues, and anti-bribery and corruption practices.

Our approach

This section covers how we integrate sustainability into investment decision making for our company assets.

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 International, we believe that considering important financial ESG issues in the investment process improves the decision making and delivers better outcomes for our customers.

We require all our asset managers to be signatories of the United Nations Principles of Responsible Investment (UN PRI), have the necessary resources and operational structure to embed ESG considerations into their investment and decision-making processes. ESG factors will also be taken into consideration in our investment framework including the design of the investment strategies, ownership practices and on-going monitoring and reporting.

Exclusions

Our portfolios currently exclude cluster munitions, anti-personnel landmines and other controversial weapons.

As our philosophy on sustainability-related issues develops, our exclusion policy will evolve. Any proposals for future exclusions will follow standard governance procedures and assessment based on our responsibilities.

Oversight and due diligence

Our asset managers are responsible for monitoring and managing these ESG opportunities and risks as part of their RI practices.

Standard Life International has a governance framework in place to oversee asset management activities. As part of this we conduct annual due diligence exercise on all of our current asset managers to evaluate how they approach RI practices.

We carry out a thorough initial due diligence exercise for all potential asset managers to make sure 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 6 Principles for Responsible Investment.

We also conduct annual ESG due diligence exercise on all of our current asset managers to evaluate how they approach RI.

Part of the assessment process means that we closely monitor all our asset managers' RI processes. We also engage them in deeper joint planning and implementation of their RI. Standard Life requires regular reporting on the efforts made by external managers. If managers of our discretionary mandates fall short of our RI 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 RI behaviours when monitoring and reporting on our asset managers, it will factor into our manager selection and due diligence process.

The different aspects of our asset management ESG due diligence process

- ESG integration in investment process.
- Membership of global forums and investor groups.
- Stewardship policy including engagement proxy voting.
- Governance, ongoing monitoring and reporting.
- Awareness of regulatory landscape.
- Staff expertise and organisational culture.

Integrating sustainability into our approach to remuneration

Sustainability is at the heart of our business as a key strategic priority. We align our performance goals to our Phoenix one team goals. Our targets are closely aligned to these goals of being a customer obsessed, purpose led organisation led by a diverse and talented workforce all connected by common values.

A reward framework, remuneration policy and best practice is established and regularly reviewed by the Remuneration Committee against a board approved terms of reference. Remuneration must be competitive enough to motivate, retain and attract quality staff.

Our Annual Incentive Plan performance measures are based on the achievement of strategic (including sustainability), personal and business performance goals. Long term Incentive Plans are also offered to business and executive leadership over a 3-5 year outlook. This helps us to be the "best place our colleagues have ever worked" which is core to achieving our sustainability aspirations.

How sustainability is incorporated into the management of your selected investment option

At Standard Life International, we delegate all of our investment management activities in relation to our unit-linked fund options to third-party asset managers. They are responsible for the day-to-day investment management activities. The following information details the fund managers available on our insured fund range and the role ESG has within each fund.

(A) Funds that incorporate ESG considerations

The Investment Managers for the following funds integrate sustainability risks and opportunities into its research, analysis and investment decision-making process. They believe that the consideration of sustainability risks and opportunities of a company can have a material impact on a company's competitive position and future success and as such on long-term investment returns for investors.

The funds are managed using an investment process that integrates environmental, social and governance ("ESG") factors but does not promote ESG characteristics or have specific sustainable investment objectives. This means that whilst ESG factors and risks are considered, they may or may not impact portfolio construction.

ESG integration requires, in addition to its inclusion in the investment decision making process, appropriate monitoring of sustainability considerations in risk management, portfolio monitoring, engagement and stewardship activities.

Combining the integration of sustainability risks and opportunities with broader monitoring and engagement activities may affect the value of investments and therefore returns.

Furthermore, investments within these funds do not take into account the EU Taxonomy criteria for environmentally sustainable economic activities.

SL Intl ASI MyFolio Managed I Fund
SL Intl ASI MyFolio Managed II Fund
SL Intl ASI MyFolio Managed III Fund
SL Intl ASI MyFolio Managed IV Fund
SL Intl ASI MyFolio Managed V Fund
SL Intl ASI MyFolio Multi-Manager I Fund
SL Intl ASI MyFolio Multi-Manager II Fund
SL Intl ASI MyFolio Multi-Manager III Fund
SL Intl ASI MyFolio Multi-Manager IV Fund
SL Intl ASI MyFolio Multi-Manager V Fund
SL International ASI Dynamic Distribution Fund
SL International ASI Global Real Estate Fund
SL International ASI High Yield Bond Fund
SL International ASI Investment Grade Corp Bd Fund
SL International ASI UK High Income Equity Fund
SL International ASI UK Opportunities Equity Fund
SL Intl SLI Global Index Linked Bond Fund
SL Intl SLI UK Real Estate Fund
SL Intl Standard Life Cautious Managed Fund
SL Intl Standard Life Deferred Distribution Fund
SL Intl Standard Life Managed Fund
SL Intl Standard Life Mixed Bond Fund
SL Intl Standard Life Sterling Liquid Assets Fund
SL Intl Standard Life UK Equity Fund
SL Intl Vanguard UK Government Bond Index Fund
SL Intl Vanguard UK Inflation Linked Gilt Index Fund
SL Intl Vanguard UK Investment Grade Bond Index Fund
SL Intl Ninety One Cautious Managed Fund

SL Intl Janus Henderson Cautious Managed Fund
SL Intl Janus Henderson European Opps Fund
SL Intl Janus Henderson Sterling Bond Fund
SL Intl BNY Mellon Multi-Asset Diversified Return
SL Intl BNY Mellon Multi-Asset Growth
SL Intl BNY Mellon UK Income Fund
SL Intl BNY Mellon Oriental Fund
SL Intl Invesco Global Equity Fund
SL Intl Invesco Corporate Bond Fund
SL Intl Invesco UK Equity High Income Fund
SL Intl Fidelity American Fund
SL Intl Fidelity European Fund
SL Intl Schroder UK Mid 250 Fund
SL Intl Baillie Gifford American Fund
SL Intl Baillie Gifford Japan Fund
SL Intl Artemis European Growth Fund
SL Intl Artemis High Income Fund
SL Intl JPM Natural Resources Fund
SL Intl Jupiter Corporate Bond Fund
SL Intl Jupiter European Fund
SL Intl Jupiter Financial Opportunities Fund
SL Intl Jupiter Income Trust Fund
SL Intl Jupiter Merlin Growth Portfolio Fund
SL Intl Jupiter Merlin Income Portfolio Fund

(B) Funds that do not incorporate ESG considerations

The Funds detailed below do not incorporate Environmental, Social or Governance (ESG) considerations into the investment strategy, nor do they promote ESG characteristics or have specific sustainable investment objectives.

These funds predominantly invest in funds that are passively managed. These passively managed funds aim to track the performance of a specified index by holding a portfolio of all or similar securities held in the index itself. The index that each underlying fund tracks is not an ESG aligned index and does not incorporate ESG criteria when considering securities for inclusion in the index itself.

As such these funds do not incorporate Environmental, Social or Governance (ESG) considerations into the investment strategy. Furthermore, investments within this Fund do not take into account the EU Taxonomy criteria for environmentally sustainable economic activities.

The fund managers of the underlying funds believe that active stewardship helps to create long-term value for investors. They believe that being an engaged shareholder and speaking directly with the companies the funds invest in on ESG matters, is essential to the health of the company, driving the potential for sustainable investment returns.

SL Intl ASI MyFolio Market I Fund
SL Intl ASI MyFolio Market II Fund
SL Intl ASI MyFolio Market III Fund
SL Intl ASI MyFolio Market IV Fund
SL Intl ASI MyFolio Market V Fund
SL Intl Vanguard FTSE Dev World ex UK Equity Indexed Fund
SL Intl Vanguard FTSE UK Equity Income Index Fund
SL Intl Vanguard US Equity Fund
SL Intl Vanguard Emerging Market Stock Index Fund
SL Intl Vanguard FTSE UK All Share Index Fund

(C) Investing in Mutual Funds and Discretionary Fund Managers

If you have selected a fund option from our mutual fund platform or have invested with a Discretionary Fund Manager, we recommend you speak to your adviser to find out more about how ESG is being considered for your investment choice.

We do expect our approach to evolve as the business environment changes. For the latest information on how we are integrating ESG considerations into our everyday operations please see website <https://www.standardlife.co.uk/investments/guides/sustainable-investing>

www.standardlife.co.uk email: service@standardlife.ie

Standard Life International dac is part of the Phoenix Group and uses the Standard Life brand under licence from the Standard Life Aberdeen Group. You can find out more about the strategic partnership between the Phoenix Group and Standard Life Aberdeen Group at www.thephoenixgroup.com

Standard Life International dac is authorised and regulated by the Central Bank of Ireland. Deemed authorised by the Prudential Regulation Authority. Subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. The nature and extent of consumer protections may differ from those for firms based in the UK. Details of the Temporary Permissions Regime, which allows EEA-based firms to operate in the UK for a limited period while seeking full authorisation, are available on the Financial Conduct Authority's website.

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. www.standardlife.co.uk/international-bond

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