

Our approach to fair value

1. Background

Phoenix Group companies have been trusted to look after people's life, savings and retirement needs for over 240 years. We have a long history of delivering products and services designed to improve customer outcomes. Today, as the UK's largest long-term savings and retirement business, our strategic objectives focus on delivering good customer outcomes. We consistently put our customers at the heart of everything we do. Ultimately, we're here to help people secure a life of possibilities and we're fully supportive of the direction and intent of Consumer Duty.

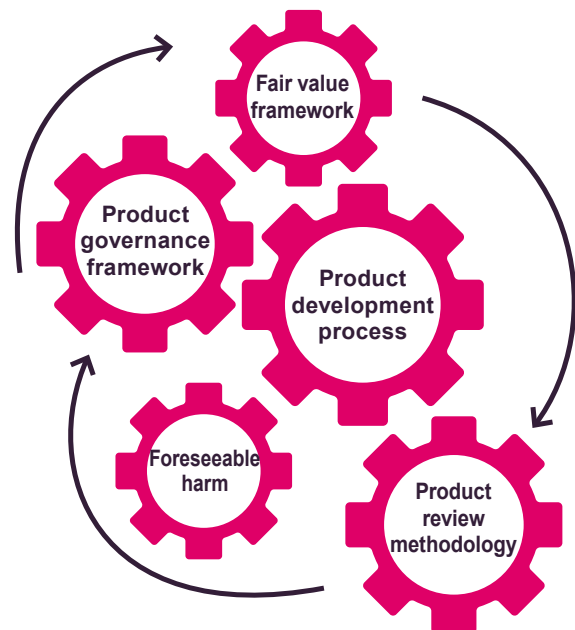
2. Product grouping and products

In line with Consumer Duty implementation dates, we have assessed fair value for all open and closed product groupings. This statement provides a summary of our rationale and approach to fair value for our products.

3. Our approach to Consumer Duty and fair value

Consumer Duty builds on evolving industry regulatory initiatives and guidance, from Retail Distribution Review through to the platform paper, structured products, legacy review and general insurance pricing practices. Delivering good outcomes and fair value to customers are central requirements of the Duty. Our track record and long-term focus on delivering good customer outcomes means we are well placed to meet our Consumer Duty requirements.

Fair Value is a key component of Consumer Duty, but it's not new to us. It's been embedded in our group's product review methodologies since 2005 and has evolved in line with regulatory guidance during this time. Our group-wide Consumer Duty programme continues across the key areas of the Duty: Fair Value; Foreseeable Harm, Customer Understanding and Customer Communications and Customer Service and Support.



Our fair value definition

Value is the relationship between the cost of a product and benefits a retail customer can reasonably expect to get. A product provides fair value where the amount paid for the product is reasonable relative to the benefits provided. We monitor this throughout the life of our products but it only forms part of our overall fair value assessment. We also ensure that:

- We design products and services that meet the needs of target market customers, providing clear and transparent product literature, sales and servicing materials to support customers understanding of the relative costs and benefits.
- We give our customers the support they need to help them make the right decisions at the right times to meet their needs, and they can easily change or exit if the product no longer suits them.

Our approach to fair value assessment

The approach we take to fair value assessment considers design, distribution and delivery.

We assess and monitor a range of dimensions and criteria throughout the product lifecycle of our products.

Dimensions of fair value



Our fair value principles

- All costs associated with products, services and benefits are transparently disclosed or included in the price of the product
- Our prices reflect our costs, and customers are not charged for specific transactions/services unless we directly incur those explicit costs ourselves
- We actively consider the different drivers of value and cost across customer segments, ensuring each segment receives value for money
- We will only facilitate 3rd party charges in respect of adviser remuneration at point of product purchase, where agreed with the customer
- We embed fair value and value for money considerations across our activities including investment management, product development and acquisitions

4. How we measure fair value

We conduct Fair Value Assessments every year in line with Consumer Duty timelines and requirements.

To measure fair value we use three pillars of assessment: Financial value, Non-financial value and Price benchmark. The metrics used within the three pillars vary according to the product being assessed.

Pillars

1

Financial value

Looking at the financial outcomes experienced by customers. For example, investment performance after charges, or assessing the value of a guaranteed lifetime annuity income.

2

Non-financial value

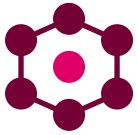
Assessing non-financial benefits experienced by customers. For example customer experience and satisfaction levels; product flexibility and options; prompt payments; communications testing results.

3

Price benchmark

Monitoring that product charges or annuity rates satisfy internal, regulatory and market benchmarks, including competitor analysis and positioning.

We then use three core tests for fair value principles across all products.



Test 1.

Design and distribution

- Product features benchmarking
- Product Development Process for new products
- Target market monitoring
- In-force customer outcome testing to ensure effective engagement and product promises are being met



Test 2.

Benefits and costs

- Price benchmarking
- Product benefit monitoring and benchmarking
- Maintain cost/benefit relationship



Test 3.

Customer support

- In-force customer outcome testing
- Consideration of differing customer needs including vulnerable customers
- Exit/alteration barriers identified and managed
- Monitor customer behaviours and decisions

These tests and pillars of assessment are not stand-alone. They work together to ensure our assessments consider the full range of fair value criteria. The metrics shown in this diagram reflect some of those used for unitised pensions and savings and annuities. Other products may use different or additional metrics.

5. Identifying areas of concern in our assessments

If an assessment identifies any concern on whether a product offers fair value, we'll investigate the cause and address the concern.

- We will consider if the concern has had a material impact on the customer outcome and take appropriate action where needed.
- If a customer is identified as materially impacted, we'll inform distributors of the situation and next steps.

thephoenixgroup.com

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