



# Assurance Report on Internal Controls AAF 01/20 & ISAE 3000

Report for the year to 30 June 2023

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## SECTION 1 INTRODUCTION

We are pleased to present this assurance report which describes the control environment within our Investment Operations department. The Investment Operations team provide investment administration services, including unit pricing and fund dealing for the investment only platform clients of Phoenix Corporate Investment Services. This report describes the control environment and control objectives with regard to the administration of our unit linked funds, and sets out the control procedures established to meet those objectives.



# LARGEST

LONG-TERM SAVINGS AND  
RETIREMENT BUSINESS IN THE UK



“I am delighted to share our 2023 assurance report with you, demonstrating the robust processes and controls we have in place and the high standards to which we operate when administering investments on our platform.

“Over the past 12 months, we have continued to deliver change for our clients, enabling them to meet the evolving needs of their schemes and members. This has included a strong focus on incorporating more sustainable investment options into scheme portfolios, and access to private markets offering higher investment growth potential. We are also supporting our DC clients to develop at- and post-retirement solutions that meet the needs of members moving into the decumulation phase of their savings journey.

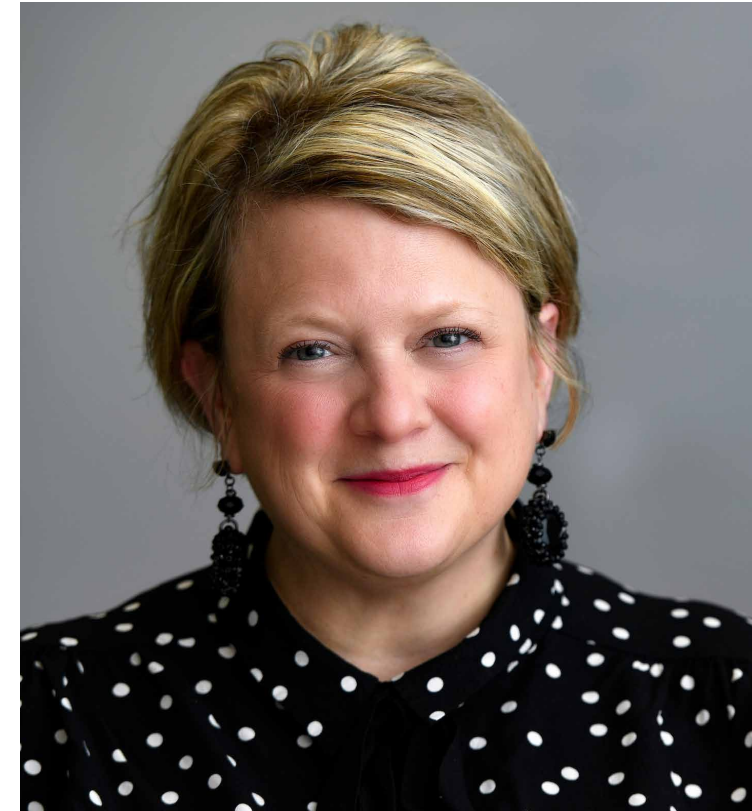
“This year’s report is a testament to the continuing strength of our operating effectiveness and the expertise of our dedicated investment operations oversight and service teams, whose commitment to client delivery and service excellence are at the heart of our success as a leading UK investment only platform.”

**Jess Williams**

Head of CIS and Relationships

The intention of this report is to allow our clients and their auditors to understand the means by which we conduct our business and how we control and manage risks in the provision of investment administration services. This report is based upon the framework set out in the technical releases International Standards for Assurance Engagements (ISAE) 3000 issued by the International Auditing and Assurance Standards Board (IAASB) and the Audit and Assurance Faculty (AAF) 01/20 on assurance reports on the internal controls of service organisations made available to third parties, issued by the Institute of Chartered Accountants in England and Wales (ICAEW).

We believe this report demonstrates the very highest standards of investment administration, covering all aspects of our operations. This report covers the relevant control procedures together with the related control objectives which operated during the period from 1 July 2022 to 30 June 2023 and contains an independent opinion on the operating effectiveness, as well as the existence and effectiveness of design, of those controls.



If you have any queries, or would like to discuss any aspects of this report, please contact Jess Williams using the contact details below:

**Jess Williams**

Head of CIS and Relationships

07810 754068

[jess.williams@phoenixcis.co.uk](mailto:jess.williams@phoenixcis.co.uk)

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## SECTION 2

### STATEMENT BY THE DIRECTORS OF PHOENIX LIFE LIMITED

On behalf of the directors of Phoenix Life Limited I am pleased to share this assurance report for the provision of investment administration services to clients of Phoenix Corporate Investment Services and the controlled environment in which we operate.

This assurance report details the identification of control objectives relating to Phoenix Corporate Investment Services customers' assets and related transactions and the design, implementation and operation of the control procedures of Phoenix Life Limited to provide reasonable assurance that the control objectives are achieved.

In carrying out those responsibilities we have regard not only to the interests of customers but also to those of the owners of the business and the general effectiveness and efficiency of the relevant operations.

The control criteria, as relevant to Investment Administration activities provided to Phoenix Corporate Investment Services clients, as set out in Appendix 1, have been applied, covering the period from 1 July 2022 to 30 June 2023.

We have evaluated the effectiveness of Phoenix Life Limited's control procedures having regard to the Institute of Chartered Accountants in England and Wales Technical Release AAF 01/20 and the criteria for investment administration set out therein.

We set out in this report a description of the relevant investment administration control procedures together with the related control objectives which operated during the period from 1 July 2022 to 30 June 2023

and can confirm that:

- The report describes fairly the control procedures that relate to the control objectives referred to above which were in place during the period from 1 July 2022 to 30 June 2023;
- The control procedures described are suitably designed such that there is reasonable assurance that the specified control objectives would be achieved if the described control procedures were complied with satisfactorily; and
- The control procedures described were operating with sufficient effectiveness to provide reasonable assurance that the related control objectives were achieved during the period from 1 July 2022 to 30 June 2023.



**Bríd Meaney**  
Director, Phoenix Life Limited  
Signed on behalf of the Board of Directors  
Date: 19 January 2024



**Bríd Meaney**  
Director, Phoenix Life Limited

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## SECTION 3

# INDEPENDENT SERVICE AUDITOR'S ASSURANCE REPORT ON CONTROL ACTIVITIES AT PEARL GROUP MANAGEMENT SERVICES LIMITED T/A PHOENIX CORPORATE INVESTMENT SERVICES (THE 'SERVICE ORGANISATION')

Independent Service Auditor's assurance report on Control Activities at Pearl Group Management Services Limited t/a Phoenix Corporate Investment Services (the 'Service Organisation')

To the Senior Management of Pearl Group Management Services Limited t/a Phoenix Corporate Investment Services

### Scope

We have been engaged to report on Pearl Group Management Services Limited t/a Phoenix Corporate Investment Services ("Phoenix CIS")'s Description of its investment administration services function throughout the period 1 July 2022 to 30 June 2023 in Appendix 1 (the 'Description'), and on the suitability of the design and operating effectiveness of Control Activities to achieve the related Control Objectives.

The Description indicates that certain Control Objectives specified in the Description can be achieved only if Complementary User Entity Controls contemplated in the design of the Service Organisation's Control Activities are suitably designed and operating effectively, along with related Control Activities at the Service Organisation. We have not evaluated the suitability of the design or operating effectiveness of such Complementary User Entity Controls.

While the Control Activities and related Control Objectives may be informed by the Service Organisation's need to satisfy legal or regulatory requirements, our scope of work and our conclusions do not constitute assurance over compliance with those laws and regulations.

### The Service Organisation's responsibilities

The Service Organisation is responsible for: preparing the Description in Appendix 1 and the accompanying Management Statement set out in Section 2, including the completeness, accuracy and method of presentation of the Description and the Management Statement; providing the investment administration services function covered by the Description; specifying the Criteria and stating them in the Description; identifying the risks that threaten the achievement of the Control Objectives; and designing, implementing and effectively operating Control Activities to achieve the stated Control Objectives.

The Control Objectives stated in the Description in Appendix 1 include the internal Control Objectives developed for investment administration services function as set out in ICAEW Technical Release AAF 01/20.

### Our Independence and Quality Control

In carrying out our work, we complied with the Institute of Chartered Accountants in England and Wales (ICAEW) Code of Ethics, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. We also apply International Standard on Quality Management (UK) 1 and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### Service Auditor's responsibilities

Our responsibility is to express an opinion on the fairness of the presentation of the Description and on the suitability of the design and operating effectiveness of the Control Activities to achieve the related Control Objectives stated in that Description based on our procedures. We conducted our engagement in accordance with International Standards on Assurance Engagements 3000 (Revised) and ICAEW Technical Release AAF 01/20. Those standards and guidance require that we comply with ethical requirements and plan and perform our procedures to obtain reasonable assurance about whether, in all material respects, the Description is fairly presented and the Control Activities were suitably designed and operating effectively to achieve the related Control Objectives stated in the Description.



An assurance engagement to report on the Description and design of Control Activities at a Service Organisation involves performing procedures to obtain evidence about the presentation of the Description and the suitability of design of the Control Activities. Our procedures included assessing the risks that the Description is not fairly presented and that the Control Activities were not suitably designed or operating effectively to achieve the related Control Objectives stated in the Description. Our procedures also included testing the operating effectiveness of those Control Activities that we consider necessary to provide reasonable assurance that the related Control Objectives stated in the Description were achieved. An assurance engagement of this type also includes evaluating the overall presentation of the Description, the suitability of the Control Objectives stated therein, and the suitability of the Criteria specified by the Service Organisation and described on in Appendix 1.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Inherent limitations**

The Service Organisation's Description is prepared to meet the common needs of a broad range of User Entities and their auditors ('User Organisations') and may not, therefore, include every aspect of the Service Organisation's activities that each individual User Entity may consider important in its own particular environment. Also, because of their nature, Control Activities at a Service Organisation may not prevent or detect and correct all errors or omissions in processing or reporting transactions. Our opinion is based on historical information and the projection to future periods of any evaluation of the fairness of the presentation of the Description, or the suitability of the design or operating effectiveness of the Control Activities would be inappropriate.

### **Opinion**

In our opinion, in all material respects, based on the Criteria described in the Service Organisation's Management Statement in Section 2:

- a) the Description in Appendix 1 fairly presents the Service Organisation's investment administration services function as designed and implemented throughout the period from 1 July 2022 to 30 June 2023;
- b) the Control Activities related to the Control Objectives stated in the Description were suitably designed to provide reasonable assurance that the specified Control Objectives would be achieved if the described Control Activities operated effectively throughout the period 1 July 2022 to 30 June 2023 and User Entities applied the Complementary User Entity Controls referred to in the scope paragraph of this assurance report; and
- c) the Control Activities tested, which together with the Complementary User Entity Controls referred to in the scope paragraph of this assurance report, if operating effectively, were operating with sufficient effectiveness to provide reasonable assurance that the Control Objectives stated in the Description were achieved throughout the period from 1 July 2022 to 30 June 2023.

### **Description of tests of Control Activities**

The specific Control Activities tested and the nature, timing and results of those tests are detailed on in Appendix 1.

### **Other information**

The information included in sections 4-10 describing the Service Organisation's group structure, background and general activities is presented by the Service Organisation to provide additional information and is not part of the Service Organisation's description of Control Activities that may be relevant to User Entities' internal control. Such information has not been subjected to the procedures applied in the examination of the

Description of the Service Organisation, related to the investment administration services function, and accordingly, we express no opinion on it.

### **Use of our report**

This report and the description of tests of Control Activities and results thereof on in Appendix 1 are made solely for the use of the Service Organisation and solely for the purpose of reporting on the Control Activities of the Service Organisation, in accordance with the terms of our engagement letter dated 6th March 2020 (the 'agreement').

Our report must not be recited or referred to in whole or in part in any other document nor made available, copied or recited to any other party, in any circumstances, without our express prior written permission. We permit the disclosure of this report, in full only, including the description of tests of Control Activities and results thereof by the Service Organisation at its discretion to User Entities using its investment administration services function and to the auditors of such User Entities, to enable User Organisations to verify that a Service Auditor's Report has been commissioned by the Service Organisation and issued in connection with the Control Activities of the Service Organisation, and without assuming or accepting any responsibility or liability to User organisations on our part.

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Service Organisation for our work, for this report, or for the opinions we have formed.



Hillier Hopkins LLP  
Chartered Accountants  
Radius House  
51 Clarendon Road  
Watford  
WD17 1HP  
Date: 19 January 2024

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## SECTION 4

### PHOENIX GROUP

Phoenix Group is the UK's largest long-term savings and retirement business. We offer a broad range of pensions and savings products to support people across all stages of the savings life cycle. Our purpose is helping people secure a life of possibilities, which drives everything we do.

#### **Our Purpose: Helping people secure a life of possibilities**

Our vision is to grow a strong and sustainable business to help more people on their journey to and through retirement.

We have c.12 million customers and c. £270 billion of assets under administration. As a purpose-led organisation we are committed to delivering better outcomes for all of our stakeholders, including our customers, colleagues, investors and wider society.

As the country navigates a shifting pensions landscape, we will continue to support people on their journey to and through retirement by providing solutions to their long-term savings and retirement needs.

This means providing the right guidance and products, at the right time, to support the right decisions. As a market leader, we believe we have a core social purpose, to help as many people as possible secure a life of possibilities.

This of course means taking responsible and sustainable investment decisions, but also using our presence and voice to create a national conversation and advocate on behalf of the UK's savers.

#### **Fulfilling our purpose**

Our strategy exists to ensure we fulfil our purpose and provide customers with the best outcomes possible. We execute our strategy through our three strategic priorities:

- Optimise our in-force business
- Grow organically and through Mergers and Acquisitions (M&A)
- Enhance our operating model and culture





## What makes Phoenix different?

Our expertise has been built over 240 years from our beginning in 1782. We are a strong and trusted business, with the scale to make a difference.

Our strength comes from the scale of our in-force business, which provides us with three unique competitive advantages of capital efficiency, customer access and cost efficiency.

We have a large customer base in the UK and offer a broad range of long-term savings and retirement products which means we can support people across all stages of the savings life cycle.

We are the market leader in managing in-force business for cash and resilience, and we are also investing in our growth businesses, which are focused on meeting more of our customers' needs through best in class propositions as well as attracting new customers. We are also market leading in M&A, with a strong track record of identifying, executing and integrating acquisitions.

At Phoenix, the whole is greater than the sum of the parts, with significant cost and capital efficiencies as well as access to c.12 million customers.

## Listening to our customers

Millions of customers trust Phoenix Group to manage their funds effectively and communicate clearly and honestly with them. To ensure we honour this trust, we have created a wide-ranging programme of customer research to solicit and respond to customers' views.

Our rolling programme of telephone and face-to-face surveys by independent research companies, complemented by engagement through our digital customer channels, ensures we are in touch with customer needs. The findings help us continually refine our customer proposition.

## Our strategy

We have a clear strategy that drives growth by meeting more of the evolving needs of our existing customers and acquiring new customers.

Our in-force business is the £270 billion of assets we look after for our c.12 million existing customers. It delivers high levels of predictable cash that both funds our dividend over the very long term and generates surplus cash to reinvest into both organic growth and inorganic growth through M&A.

Organic growth comes from meeting more of our existing customers' needs as they save for, transition to, and secure an income in retirement. And we also acquire new customers, who we can then help through their savings lifecycles.

We have attractive M&A growth opportunities too, where we acquire new customers at scale and deliver better outcomes for them. In the process, we transform the acquired businesses to deliver significant cost and capital synergies, creating significant shareholder value.

## Our strategic priorities

If our strategy is the what, then our strategic priorities are the how. These are the key programmes and initiatives that will differentiate us, building distinctive capabilities to win in our chosen markets, and support us in delivering on our strategy and our purpose.

Our three strategic priorities are as follows:

### 1. Optimise our in-force business

Optimising our in-force business is the bedrock of what we do. This is about leveraging our scale, to become ever more capital efficient, and deliver higher returns. We do this by delivering management actions, through our actuarial expertise, risk management, and asset management capabilities. We are also committed to investing in a sustainable future.

### 2. Grow organically and through M&A

We will grow our business organically and through M&A as we engage our c.12 million existing customers and acquire new customers, and this enables us to leverage and enhance our competitive advantage of customer access. We are investing and innovating across our business so that we can meet more of the evolving needs of our customers as we help them on their journey to and through retirement.

### 3. Enhance our operating model and culture

Underpinning both of these, we will continue to enhance our operating model and culture. This will maintain and enhance our cost efficiency, by completing our planned migrations, and through driving simplification, to a "single best way of doing things". We are also committed to being a leading responsible business, which attracts and retains the best talent, through a diverse and inclusive high-performance culture.

“Phoenix is the UK’s largest long-term savings and retirement business and our purpose is ‘helping people secure a life of possibilities’. This is embedded in everything that we do and informs our single strategic focus, which is to help customers journey to and through retirement.

“We do this by offering a broad range of pensions, savings and retirement income products, and the education and advice they need, to support customers across all stages of their savings life cycle.”

**Andy Briggs**

CEO of Phoenix Group

**Our Values**

What we do, and how we do it, is crucial to our success. We encourage and reward the right behaviours whilst ensuring colleagues feel connected by our Group-wide values. Our values are informed by our past and are a key part of our future. Through these values, we want colleagues to feel empowered to make a difference at Phoenix.

**Passion**

We’re passionate about understanding – and acting on – what’s important to our customers, colleagues and society.

**Responsibility**

We build trust by taking accountability and empowering others to do the right thing.

**Growth**

We grow our business through finding new ways to develop our expertise and innovate.

**Courage**

We’re ambitious in the challenges we solve and we always speak up.

**Difference**

We collaborate across boundaries and embrace difference to deliver the best customer and colleague outcomes.



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## SECTION 5

### PHOENIX GROUP – COMMITTING TO A SUSTAINABLE FUTURE

Phoenix Group is a purpose led organisation that strives to be an uncompromising force for good in our society, while maximising value for our customers and investors. This means our purpose of helping people secure a life of possibilities is at the centre of our strategic priorities and is shaping how we do business.

We have a significant opportunity to make a difference in creating the sustainable future we all want. Our sustainability strategy is embedded in our Group strategic priorities and aims to deliver positive outcomes for our customers and society.

The three pillars of our sustainability strategy define **how** we deliver impact and are aligned to the Group strategic priorities. Our priority ESG themes are **what** we focus on across our pillars.

#### Our sustainability strategy pillars

##### 1. Investing in a sustainable future

Our customers and shareholders trust us to reflect their priorities in how we invest. That means keeping their money safe and providing them with strong, long-term financial returns, while using our scale to play our part in delivering a secure and sustainable future.

##### 2. Engaging people in better financial futures

We are committed to meeting our customers' needs through innovative product offerings and fund solutions, and engaging them in their financial futures by providing the right education, tools and guidance that promote financial wellness and inclusion for all.

##### 3. Building a leading responsible business

It is important that we adopt the highest sustainability standards across our business and lead by example for the stakeholders we engage with to drive real-world change and deliver positive impact.

We are doing this by investing in our people and culture, reducing the environmental impact of our own operations, building a sustainable supply chain and making a positive and lasting difference within the local communities where we operate.



"We have a vital role to play in the lives of our customers and I am pleased with all we have achieved so far in supporting them with their financial wellbeing – from our work on digital literacy to tackling the gender pension gap.

"We also recognise that in order for our customers to enjoy a full life, it is vital that we continue to tackle the big global issues such as climate change, nature loss and human rights."

**Karen Green**

Board Sustainability Committee Chair



## Our priority ESG themes

### 1. Planet

By transitioning our business to net zero and nature positive, we aim to deliver better outcomes for our customers and stakeholders and play our part in tackling the climate and nature emergency.

Our climate ambition is to optimise value for our customers and play a key role in delivering a net zero economy by: decarbonising our investments, operations and supply chain to manage risks; investing in the growing sectors of the future to take advantage of the opportunities; and being a leading voice in calling for action and driving change.

Our Net Zero Transition Plan sets out the actions we are taking to become net zero by 2050 and achieve our stretching interim targets in 2025 and 2030 across our investment portfolio, operations and supply chain.

## 2022 Highlights

<b>24m tCO2e</b> our expanded 2019 financed emissions footprint	<b>25</b> high-emitting companies targeted by our climate change stewardship programme	<b>£1bn</b> origination of sustainable investments in shareholder funds <sup>2</sup>
<b>82%</b> of key suppliers committed to SBTi or Race to Zero targets	<b>80%</b> reduction in operational carbon emission intensity since 2019 (market-based)	<b>A –</b> CDP score increase from B

<sup>1</sup>Baseline expanded to include new asset classes (real estate and sovereign debt)

<sup>2</sup>Includes environmental and social-related sustainable investments

## 2. People

We want to help people live better longer lives. This means tackling the pension savings gap and supporting people to have better financial futures through promoting financial wellness and the role of good work and skills.

Just 14% of direct contribution pension savers are on track for a retirement income that maintains their current standard of living. We are tackling the pension savings gap and supporting financial wellness by advocating for broader societal action and supporting customers in their journey to and through retirement. To help more people to save enough for their future, we are also championing the importance of good work and skills.

We are integrating social sustainability considerations into our investments and are focused on regional development and investing in critical infrastructure. We are also taking Group-wide action to respect human rights.

We are supporting our communities through our charity partnerships and continue to monitor and respond to the societal challenges facing our customers, colleagues and wider communities.

## 2022 Highlights

### Phoenix Insights research

contributed to the debate on economic inactivity among over 50s in the UK

### 'Let's Get Ready'

campaign launched challenging stereotypes around retirement

**1.2m**

customers directly offered chance to review our digital literacy material

### Mid-life MOT

pilot launched for colleagues

**39%**

of senior leadership is female

**7.7**

out of 10 for colleague engagement

**42%**

of colleagues involved in community engagement activities

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## SECTION 6

### PHOENIX CORPORATE INVESTMENT SERVICES

Phoenix Corporate Investment Services is a marketing brand of Phoenix Life Limited, which in turn is part of Phoenix Group, and is regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

#### History

Our investment only platform business was first established in 1998, as part of Winterthur Life UK Limited, providing services to corporate clients. The platform was then bought by AXA in 2006, and a strategic decision was taken to use the investment platform for new clients, leading to the development of a best of breed proposition for corporate clients.

In 2010, AXA sold the bulk of their corporate book of business, retaining the investment only platform and clients under the AXA Wealth brand. Following this decision in 2010, a dedicated Corporate Investment Services business was established and has successfully grown assets from £2.2 billion to circa £10 billion at the end of June 2023.

Phoenix Group acquired part of the AXA Wealth business, including the investment only platform, in 2016. Since then, Phoenix Group has continued to expand, purchasing Standard Life Assurance Limited and ReAssure.

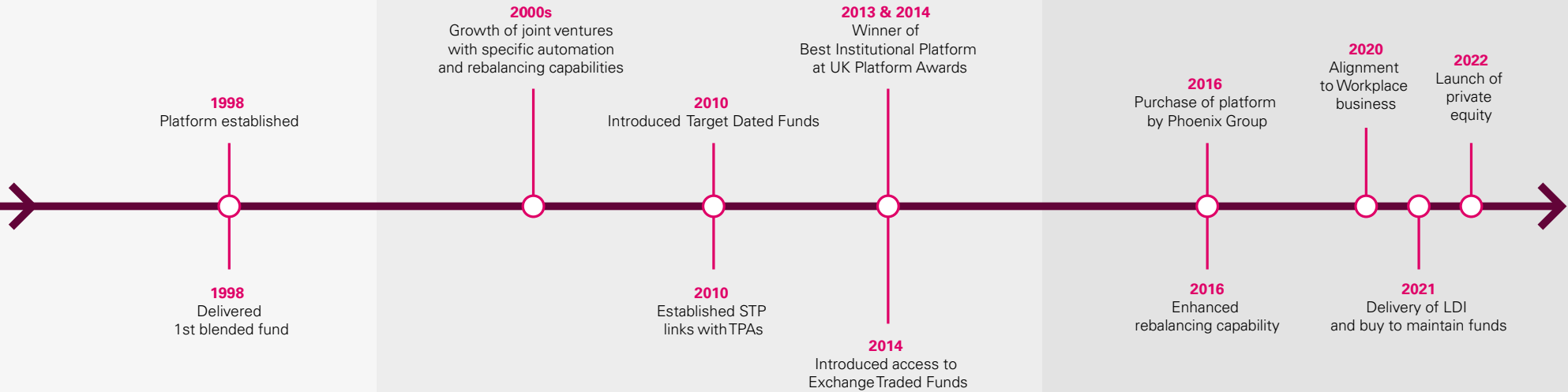
The purchase of Standard Life provides us with a significant presence in the corporate marketplace and, since December 2020, Phoenix Corporate Investment Services have been an integral part of Phoenix Group's Workplace business.



MARKET-LEADING EXPERTISE,  
BACKED BY THE PHOENIX GROUP –  
A FTSE 100 COMPANY.



winterthur



“The Phoenix Corporate Investment Services (CIS) investment only platform is integral to the success of our Workplace business, and this year’s report offers Phoenix CIS clients confidence in the strength of our operating effectiveness as we continue to enhance platform capability and service delivery to meet the evolving needs of the unbundled trust based corporate pension market.

“Within Phoenix, helping people secure a life of possibilities is at the heart of what we do, and the Phoenix CIS business has a key role to play in delivering the innovative solutions that will drive better outcomes for the trustees we work with and their scheme members. We continue to invest in the growth of the platform so that clients have access to the widest possible fund range and best in class reporting, transition and governance support, enabling them to deliver changes to their investment strategy that support improved outcomes for their members in retirement.”

**Gail Izat**

Managing Director, Workplace



**Business Overview**

The sole focus of our business is to provide investment only solutions to unbundled trust based corporate pension clients, including own trust Defined Contribution (DC), Defined Benefit (DB) and MasterTrust clients. Our platform has been developed specifically for the Institutional investor and our services include:

- Adding specific fund links
- Creating pension scheme specific blended funds
- Offering bespoke rebalancing strategies
- Facilitating fully automated StraightThrough Processing for trading

- Managing change for clients in tailoring transition plans
- Providing Trustees with tailored performance, regulatory and value add reporting.

We administer circa £10 billion of assets for around 36 schemes, and our platform is recognised as being one of the most significant institutional investment only platforms in the UK. We have a 20 year heritage of providing investment solutions, working in partnership with clients to form long standing trusted relationships and provide bespoke services, to the benefit of trustees and members alike.

With a high level of automation within the investment administration function, we are able to deliver sophisticated investment solutions to scale, supported by the use of effective capacity modelling.

This underpins our ability to offer clients a wide range of solutions and services, including sustainable investment solutions, blended funds, white-labelled funds, target dated funds (TDFs), exchange traded funds (ETFs), liability driven investment (LDI), managing transitions, fund factsheets and fund reporting.

## Our People

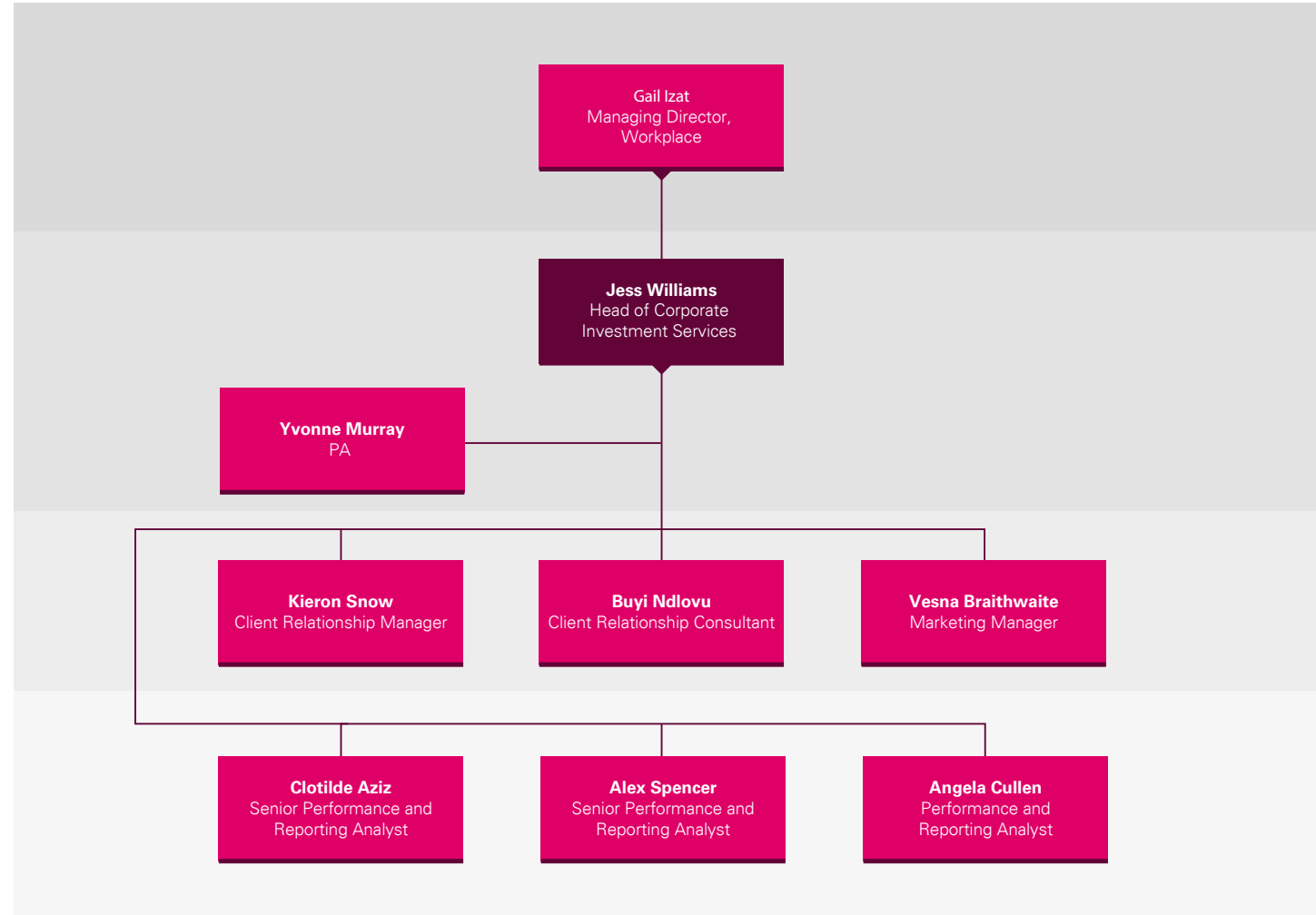
The investment only platform is powered by two distinct and specialist teams within the business.

The Corporate Investment Services team is responsible for the marketing, distribution, product development and reporting services for our client base.

The Investment Operations Department is part of Phoenix Group's wider Unit Linked team and is responsible for the day to day operation of the platform for our clients. At the end of Q3 2023, we migrated many of our fund administration and fund accounting services to HSBC, one of the world's largest fund services networks, while retaining in-house expertise to oversee the outsourced functionality and ensure compliance with service level agreements within the existing robust controls environment. Policy administration, Unit Linked fund changes and transition planning and support also continue to be managed by our dedicated in-house team.

The organisation charts for these parts of the business for the year ending 30 June 2023 (prior to the migration of fund administration and fund accounting services to HSBC) are detailed here. Following these charts, a brief description is given of each individual and their core responsibilities.

## Corporate Investment Services





**Jess Williams:**

Head of Corporate Investment Services

Jess manages the Phoenix Corporate Investment Services team and is responsible for the strategic direction of the investment only platform. Working closely with a number of large DC, DB and MasterTrust clients and their consultants, she oversees key propositional and service enhancements to meet the ongoing needs of schemes and their members.

**Kieron Snow:**

Client Relationship Manager

Kieron oversees the entire client journey for a number of DC, DB and MasterTrust schemes on the platform, including on-boarding, future fund restructures and ongoing client servicing. Working one-on-one with clients, their consultants and fund managers to establish requirements from the outset, he plays an integral role in supporting them to meet their strategic and investment objectives. Kieron also works with our EBC partners to identify and deliver new opportunities in our market.

**Vesna Braithwaite:**

Marketing Manager

Vesna develops and delivers our strategic marketing and communications plan to meet business objectives. She is responsible for our market facing website and activity that increases awareness and consideration for our brand, people and solutions, utilizing a range of media. This includes responding to client and consultant RFPs and questionnaires, positioning CIS as the investment only platform of choice.

**Buyi Ndlovu:**

Client Relationship Consultant

Buyi works with multiple stakeholders to ensure high levels of service delivery for clients on our platform. She responds to and manages a range of client requests, communicates changes to pensions regulation, and works with fund managers and consultants to ensure our platform offering reflects the latest investment trends and is aligned to client need. She also assists with RFP responses and pitch presentations to support new business opportunities.

**Clotilde Aziz:**

Senior Performance and Reporting Analyst

Clotilde is responsible for delivering timely and accurate fund performance reports and fund factsheets to our clients and consultants. She also manages the relationship with our third party data providers, implements process change for continuous improvements, oversees complex and technical reporting tasks and leads on reporting development projects and activities.

**Alex Spencer:**

Senior Performance and Reporting Analyst

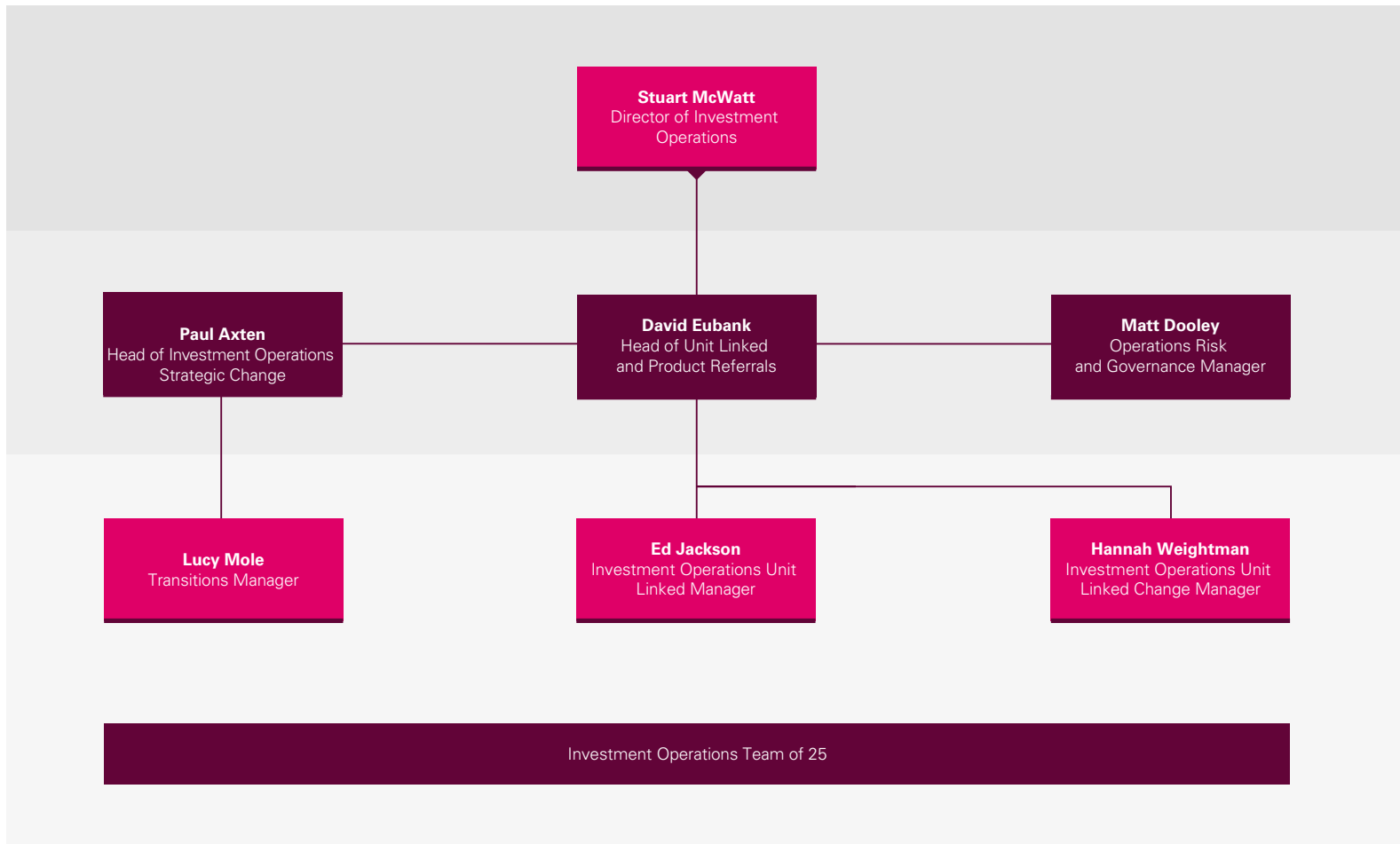
Alex is responsible for generating timely and accurate fund performance reports for clients and consultants, and supports the provision of scheme-specific fund factsheets on a quarterly basis. He also fulfils client queries, investigates any performance or benchmark discrepancies that arise, and supports fund governance activities when adding new funds and managers to the platform.

**Angela Cullen:**

Performance and Reporting Analyst

Angela generates timely and accurate fund performance reports for clients and consultants and supports the provision of scheme-specific fund factsheets on a quarterly basis. She also coordinates voting and engagement information for pension schemes' implementation statements, supplies static data to our third-party data providers for factsheet production, and documents all processes and procedures followed within the CIS business.

## Investment Operations



**Stuart McWatt:**

## Director of Investment Operations

Stuart joined Phoenix Group on 1 November 2022 as Director of Investment Operations for Phoenix Group life companies, covering Phoenix Wealth, Standard Life Assurance Limited, ReAssure and Phoenix Life Limited. He sets the strategic direction of the multisite Investment Operations function with c.80 employees, developing ideas and solutions to evolve the operating model. He is responsible for managing operational risk for processes and controls across the function, including investment administration, unit pricing, box management and dealing.

**Paul Axten:**

## Head of Investment Operations

During part of the reporting period, Paul led the Investment Operations department of 32, including the administration of the investment only platform that powers the Phoenix CIS business. He oversaw operating models, processes and controls for the Unit Linked Investment operation functions, including Unit Pricing, Box Management and Investment dealing. Paul is also responsible for managing operational risk and ensuring customers are treated fairly. He plays a significant role in the strategic direction of the Investment Operation functions, developing ideas and solutions to evolve the Phoenix operating model and solutions available to clients.

**David Eubank:**

## Head of Unit Linked and Product Referrals

David is an actuary with more than 30 years' experience in the insurance industry and provides technical advice on matters affecting unit linked pricing and related administration. Reporting to the Director of Investment Operations, he heads up a team of 25 looking after the pricing of in-house and outsourced unit linked funds in Phoenix Life Limited and Phoenix Life Assurance Limited.

**Lucy Mole:**

## Transitions Manager

Lucy is responsible for the daily servicing and administration of corporate clients, including fund activities and transitional activity. She coordinates all fund activity through the department and wider business, such as new fund launches, fund closures and fund changes. She manages all corporate client transitional activity, including transfers on and off the platform, to new investment providers, as well as delivering fund restructures and creating bespoke blended fund restructures.

**Ed Jackson:**

## Investment Operations Manager

Ed leads and manages the Phoenix Group Investment Operations Unit Linked teams, ensuring that all functions are compliant with regulatory requirements. He is responsible for delivering accurate unit pricing and accounting for our clients, and managing change initiatives to ensure the team is well positioned to support changing market conditions and propositional activity. He also manages external vendor relationships to ensure agreed service levels are set and maintained.

**Matt Dooley:**

## Investment Operations Risk and Governance Manager

Matt leads the Risk and Governance team, looking across the unit linked investment operations within the Phoenix Group. He oversees the implementation of, and adherence to, the Group risk management framework, and provides regular governance reporting to Investment Operations management and relevant governance forums. Matt has more than 30 years' experience in the insurance industry, including 20 years in risk management.

**Hannah Weightman:**

## Investment Operations Unit Linked Change Manager

Hannah is a Project Manager for Phoenix CIS and Investment Operations department projects. She has led on projects to provide more functionality and flexibility for clients, including changes to our rebalancing methodology and the introduction of a new Client Admin system. She ensures all applications are working as expected, and is a key contact to liaise with the IT Application Support Team on any issues and the prioritisation of new change work. Hannah holds an APM Project Management Qualification (PMQ), Business Analysis Practice and Business Analysis Requirement engineering certificates as well as the CISI Investment Administration Qualification (IAQ).

## Our Services

Our core capability is the delivery of investment solutions to unbundled trust based corporate pension clients, for DC, DB and MasterTrust schemes. Different clients require different solutions, and we work closely with their investment consultants to deliver the services required by Trustees for their scheme members. Even across a niche client base of around 36 schemes, the required solutions can be wide ranging, however, a flavour of what our clients require from an investment only platform can be summarised as follows:

- **Comprehensive fund manager relationships**

We have long established relationships with over 70 external fund manager groups, helping clients access the specific funds they require, when they need them.

Our fund offering has evolved, as we have added a greater range of investment solutions to the platform, driven by client and consultant demand.

As a platform, we are happy to link to our clients' preferred investment vehicles and those offering the most favourable terms in any domicile, provided they meet permitted link rules. This means that we are happy to link to life funds, OEICs, SICAVs, FCPs, AUTs, ACSs, TTFs, as well as Target Dated Funds (TDFs), Exchange Traded Funds (ETFs) and other broker funds, such as Investment Trusts.

In recent years, we have seen the rapid development of sustainable investment solutions from the external fund manager groups that we work with. We have helped clients incorporate Environmental Social and Governance (ESG) considerations into their default options for members. For members self-selecting their funds, we offer a wide range of sustainable investment options that are aligned to members' beliefs and values. Such strategies include sustainable water, climate targeted fixed income funds, gender equality and smart energy.

As a platform, we have always sought to offer our clients innovative fund solutions, in anticipation of the future needs of Trustees and their members. We recently worked with a key MasterTrust client to introduce private equity into their default target date funds, overcoming the challenges associated with investing in an illiquid asset class. We created a blended fund structure with both liquid and illiquid components to support daily cash flow management, while giving fund managers control over the asset allocation into the private equity investment trusts.

We can also accommodate Long Term Asset Funds (LTAFs) as they become available to the market and are already working with a number of leading providers to map out processes which we are comfortable we will be able to accommodate.

With a significant number of fund manager relationships already in place, we can add chosen funds quickly to help meet the Trustees' investment objectives. Typical timescales for adding a new Unit Linked fund onto our investment only platform is approximately 6-8 weeks, providing the fund meets permitted links rules and we have an existing agreement in place with the fund manager group. For a Unit Linked fund from a new fund manager group, we would need to enter into a fund link agreement with the new fund manager. The process for completing the agreement and our due diligence on the manager and fund would ordinarily take around 3-4 months.

We continue to invest in solutions to give our clients access to a wider and more relevant fund offering, working in partnership with Trustees and their advisors to understand current and future challenges as the needs of the market evolve.

- **Blended funds and white-labelling expertise**

The majority of our clients utilise the fully automated blended and white-labelled fund solution capability of the platform, enabling us to blend multiple underlying funds to multiple levels. We currently operate 207 blended and white-labelled funds for our clients, with one blended fund having no fewer than 18 underlying funds.

The Trustees and their investment consultant are able to determine the underlying funds and target asset allocations for each blended fund, specifying their preferred asset mix in writing. We will then create a single private fund on the platform, which is fully automated based on actual asset allocations. Each blended fund has its own daily unit price and this means that we can generate fund performance reporting for Trustees and bespoke factsheets for members.

It is this blended fund capability that has been utilised to successfully operate TDFs for the past decade. As well as providing bespoke TDF solutions, our ability to rebalance funds with Dynamic Asset Allocation changes has provided clients with an agile and flexible blended fund solution.

We can create blended funds consisting of other blended funds, with the ability to blend up to six levels of hierarchy. This helps Trustees and their consultants deliver and create a best of breed solution for schemes and their members. This means that any changes to individual blended funds are automatically reflected in more complex blended structures, making communication and member administration simpler and more efficient.

The complete end to end automation of our white-labelling, blended funds and rebalancing capability means that there is minimal administrative impact on establishing or operating blended funds on behalf of our clients.

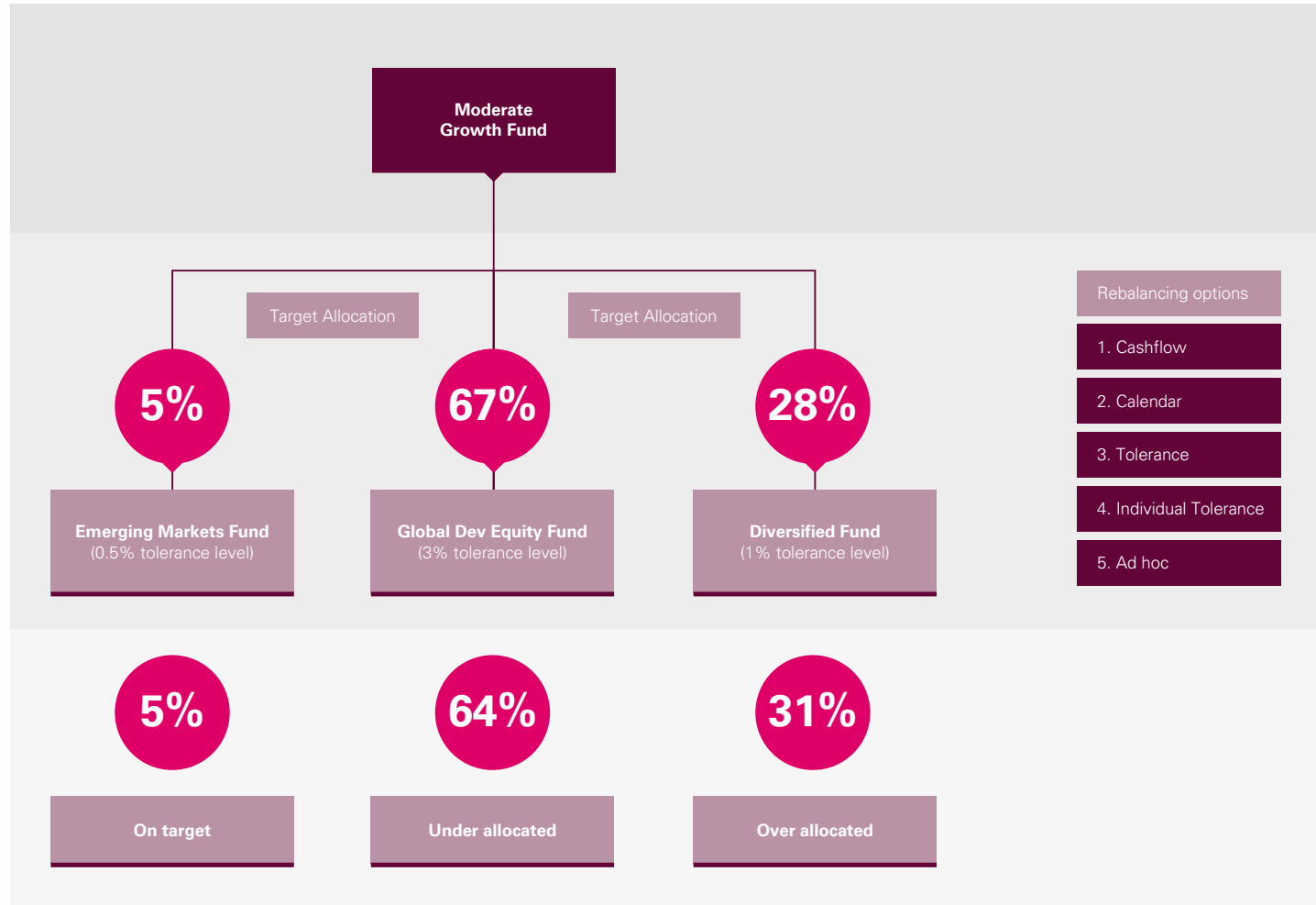


- **Flexible rebalancing functionality**

Having established blended funds for our clients, we then use a combination of the following rebalancing options to help ensure the funds continue to meet their investment objectives:

- 1. Cashflow** – any new contributions will be allocated to the underlying funds that are below their target allocation
- 2. Tolerance level** – the fund will rebalance once the defined tolerance level has been exceeded and this can be checked daily or at agreed intervals, e.g. monthly
- 3. Calendar based** – will occur on set dates, regardless of the weightings of the underlying funds. This can be any regular period chosen by the Trustees, e.g. daily, weekly, monthly, every two months, quarterly, etc.

We also have the option to set individual tolerance levels for underlying funds within a blended fund structure. This feature allows clients and their advisers to set a smaller tolerance level for smaller fund allocations, e.g. a 0.5% tolerance for a 10% holding, alongside a larger tolerance level for larger allocations, e.g. a 2.5% tolerance for a 50% holding. Similarly, clients and their advisers can set larger tolerance levels for more volatile funds, e.g. emerging market equity funds.



In addition, we can accept ad hoc rebalancing instructions and have used this successfully in operating Dynamic Asset Allocation (DAA) for TDFs on the platform, or for adjusting the target allocations for underlying funds within a blended fund.

With the multiple rebalancing options available to consultants and clients, we can purpose build a rebalancing strategy that works for each client. We can have pre-set tolerance levels for clients that will trigger rebalancing automatically at agreed dates. We can also receive ad-hoc instructions and have extensive experience of managing dynamic asset allocation changes with another third party provider.

By implementing a bespoke, automated rebalancing strategy, we can help ensure that the scheme's investment options continue to meet the fund objectives set by the Trustees, and this will help facilitate investment in private markets in the future.

- **Fully automated straight through processing**

With automation at the heart of our investment only platform solutions, Straight Through Processing (STP) is pivotal to the services we provide to our clients, utilising ISO 20022 SWIFT messaging. We have long established STP links with leading Third Party Administrators (TPAs), including: Willis Towers Watson, Mercer, Barnett Waddingham, XPS, Capita and Aon, having first set up STP in 2010. Currently, 99.4% of all our instructions received are via fully automated STP, as are over 99% of our deals with fund managers. This automation across our business minimises any manual intervention, improves processing timings and eliminates potential dealing risks.

We are experienced in working with TPAs and clients to introduce STP into their business for the first time. STP delivers greater accuracy, speed and automation with trade instructions, helping to maintain efficient administration, which benefits Trustees and members alike.

- **Transition management expertise**

Our bespoke transitions capability service enables our dedicated transitions team to work with the client and their investment consultant to meet specific objectives. Our approach is consistent, whether we are helping to transition assets on to the platform, off the platform, or restructuring an existing client's investments.

When transitioning assets, our objectives will include helping to mitigate out of market risk or double exposure, minimise cost, deliver to set timescales and minimise the impact on the administrator.

We will discuss and agree project management responsibilities with all parties and then tailor our transition approach to meet the critical success factors identified for the project. This approach will initially commence as a five stage planning process as follows:

1. Confirm the funds (and share classes) to be transferred, agreeing fund mapping and white-labelled/blended fund structures.
2. Investigate transition options for each individual fund transfer, with our preferred method being the re-registration of units. Where a client is mapping to different funds, in specie transfer options will be explored, with the feasibility of this depending on stock commonality, the underlying fund manager and the level of assets.
3. Where neither the re-registration of units nor an in-specie transfer is possible, we will transition assets as cash, helping to mitigate out of market risk. For pre-dealing, we will pre-invest 95-100% of the estimated value of units transferring. The actual percentage level of pre-investment will be determined by the accuracy of the estimate value, the number of days prior to trade date, the size of the trade and the expected volatility of the fund in question.
4. Analyse cash settlement periods and, where applicable, utilise a pre-funding facility available within the Phoenix Group.
5. Obtain agreement to the transition plan from all parties and instigate the necessary legal agreements.

Prior to any transition, we would provide an estimated cost analysis, showing the potential impact of bid/offer spreads when purchasing or selling units. Post transition, when the size of trades and pricing basis of funds are known, we will provide a full cost analysis to the consultant and the client.

With a focused client base of around 36 schemes, we are able to deliver bespoke transition plans to meet client timescales and help Trustees and their members mitigate cost and risk.



- **Bespoke reporting and support with scheme governance**

We have a dedicated in-house reporting team who specialise in the provision of fund factsheets and reports for our corporate clients. We work in conjunction with our chosen data provider, FE fundinfo, who, over a number of years, have gained an understanding of our clients and their requirements, enabling us to continually enhance our services.

In total, we deliver 172 bespoke fund factsheets each quarter and these are available to clients within 30 working days of the quarter end.

Our fund factsheets are bespoke to each client, displaying their specific charges, providing transparency with the Annual Management Charge (AMC), Fund Expenses and Total Expense Ratio (TER) disclosed. Our factsheets also display aggregated geographical, sector and asset allocations for client specific blended funds.

We can also tailor the fund factsheets for each client to include logos and corporate colours in accordance with specific brand guidelines. Factsheets are available on the client's chosen online site, whether that is an automated link to an intranet site, or the TPA's microsite.

In conjunction with our data partner FE, we have designed a suite of scheme specific microsites for some of our clients. This provides members with greater functionality and a more dynamic way to view and monitor their scheme specific funds' performance.

The site gives members four distinct features: Fund Information and Filters, a Performance Charting Tool, Performance Tables and details of Charges and Useful Documents. An example of the improved site can be found via this link.

<https://investorhub.financialexpress.net/phoenixcis>

As the regulatory environment evolves, we are working closely with trustees and their advisors to understand the reporting challenges they face and ensure we can provide them with the data they require in order to demonstrate regulatory compliance.

We have developed a suite of new reports to meet these changing needs, including climate metrics for the compilation of their scheme's TCFD report, Net Investment Returns for Value for Member assessments, volatility reporting and voting and engagement data to support effective stewardship.

We're also seeing increased demand for non-mandatory ESG reporting, as schemes and their members look to understand the environmental, social and governance impact of the funds they invest in. To support our clients in this area, we've developed a new type of report – aimed at pension scheme members – that delivers key ESG metrics in a clear and consistent format that's easy to understand and uses real life comparisons.

We anticipate further changes to scheme governance in the near future, with regulation that supports workplace pension schemes to invest sustainably, consider their ESG impact and support the transition to Net Zero. One such example is the Taskforce on Nature-Related Financial Disclosures – or TNFD – which is providing a framework for how organisations can address and disclose nature-related risks and opportunities. We will continue to work closely with clients to ensure we can support them with any new reporting requirements that are introduced in future.

- **Dedicated relationship management**

Clients will have a dedicated and highly experienced Client Relationship Manager or Consultant, who will work with them from the outset to understand and develop the bespoke investment solutions they require. We partner with our clients and their investment consultants to deliver both new scheme transitions and enhancements for our existing schemes.

We constantly review with our clients and their advisers all aspects of our service delivery, to ensure that investment and reporting requirements are met. Our Relationship Managers and Consultants recognise the complex challenges that face Trustees and can build tailored solutions to address these. By working with clients from the very beginning, we understand the nuances of each individual scheme and how we can best support.

The Client Relationship team will lead on transitional activity, working in partnership with the client, investment consultant and our transition team along with other third parties. By fully understanding each client's objectives, we play an integral part in helping the project team achieve the key deliverables of any transition project.

- **Flexible and transparent fee structure**

We also offer a range of charging options, so our clients can implement a fee structure that works for both the trustees and scheme members.

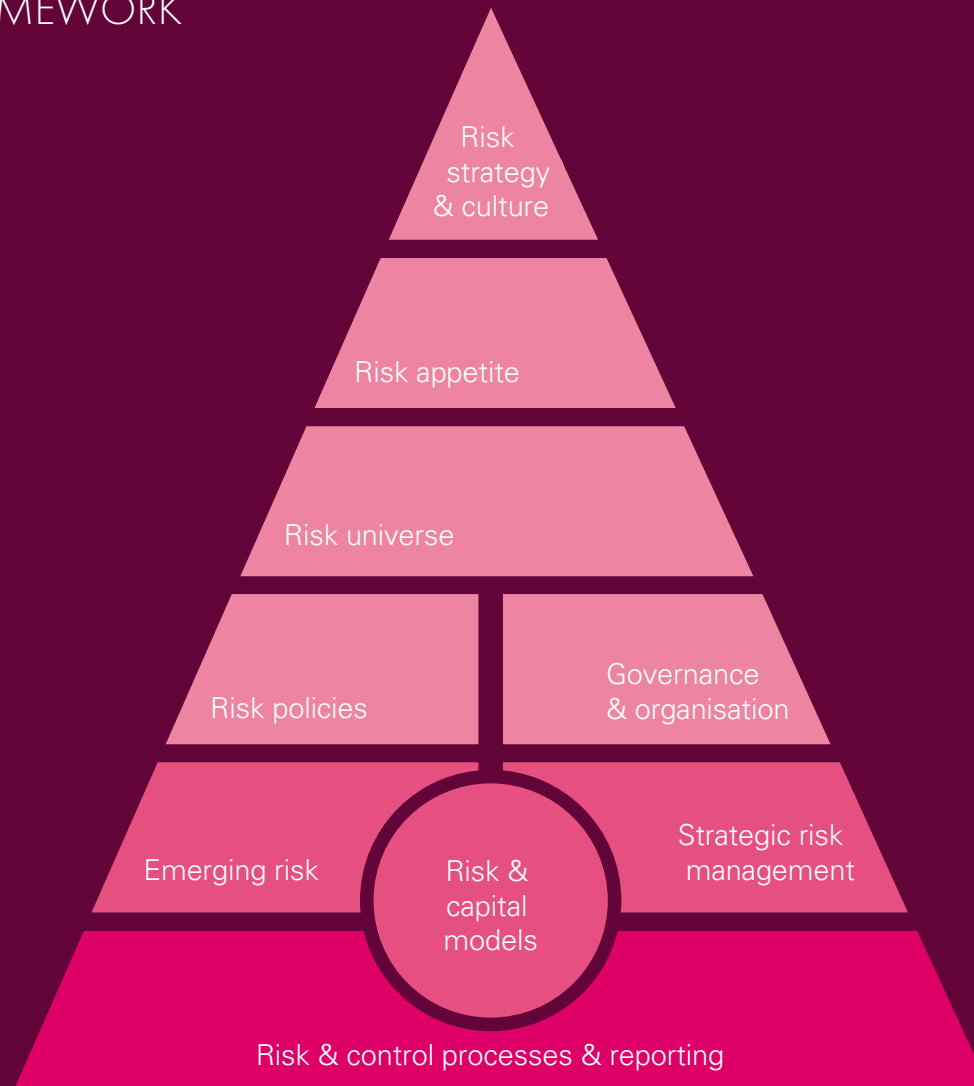
We operate a transparent platform fee that is deducted through the daily unit price for the majority of clients, which covers all investment only platform services.

A small number of individual clients have requested a more bespoke fee structure, on either a tiered basis or monetary amount, which has helped provide greater certainty of future costs to clients. We also have the capability for fees to be invoiced directly to the Trustees, rather than deducted through the members' unit prices.

## SECTION 7 PHOENIX GROUP RISK MANAGEMENT FRAMEWORK

Phoenix operates a Risk Management Framework (RMF) that seeks to establish a coherent and interactive set of provisions and processes to support effective management of risk throughout the Group.

The investment only platform and the services provided by Phoenix Corporate Investment Services are fully integrated in the RMF and adhere to the policies and risk approach outlined in this section. The following diagram illustrates the Group's RMF.





## Risk Strategy and Culture

The Group's Risk Strategy is to take rewarded risks which are understood, managed effectively and consistent with our overall Social Purpose and Enterprise Strategy. It supports a more stable, well-managed business with improved customer, shareholder, colleague and societal outcomes in line with the Phoenix Story. Our risk culture aims to support informed decision making and controlled risk-taking in the pursuit of these outcomes.

## Risk Appetite

Our risk appetite is used to define the amount of risk that Phoenix Group is willing to accept in the pursuit of enhancing customer and shareholder value and the attainment of the Group's strategic objectives. It establishes the risk boundaries within which the Group is prepared to operate, sets the tolerance for delivery against its objectives, and is a key tool in balancing the interests of different stakeholders.

## Risk Universe

The complete set of risks which the business is exposed to is categorised by the Group Risk Universe, which segments the risks across the Group into seven risk categories:

- Strategic
- Market
- Credit
- Insurance
- Financial Soundness
- Customer
- Operational

## Risk Policies

Our risk policies establish the operating principles and expectations for managing the key risks to the Group's business. They are managed by our Group Risk function and define how we as a company manage risk to an acceptable level on a Group wide basis. At an operational level, many policy areas have associated standards and guidance documents detailing both how the policies are implemented in business units and the responsibilities of employees.

## Governance and Organisation

To achieve the governance and organisation elements of the risk management framework the Group has put in place an effective committee structure aligned with a three lines of defence model:

- First line: Management of risk is delegated from the Phoenix Group Holdings Plc Board to the Phoenix Group Executive Committee and through to business managers, who are responsible for ensuring the risks associated with their business's activities are identified, assessed, controlled, monitored and reported.
- Second line: Risk oversight is provided by the Group Risk function, business unit risk functions and the Board Risk Committees, which are collectively responsible for the oversight of risk and the effective operation of the RMF across the Group.
- Third line: Independent assurance as to the adequacy and effectiveness of the internal control environment is provided by the Group Internal Audit function for Board Audit Committees.

The Phoenix Group RMF defines the roles and responsibilities for effective management of risks in providing investment administration services, with clear delegation through the "three lines of defence" model. There are control mechanisms which interact to identify risks and minimise the occurrence and materiality of errors.

## Emerging Risk

The Group defines an emerging risk (or opportunity) as an event that is perceived to be potentially material but is not yet fully understood. Emerging risks could either be novel or connected with existing risks but where the context, conditions and/or constraints are subject to material changes. We capture emerging risks, and emerging opportunities, in a dashboard covering time horizons, impacts, likelihoods, risk ratings and our selected risk response (i.e. seek, transfer, reduce, accept or watching brief).

## Strategic risk management

Strategic risks threaten the achievement of the Group strategy through poor strategic decision-making, implementation or response to changing circumstances. The Group recognises that core strategic activity brings with it exposure to strategic risk. However, the Group seeks to proactively review, manage and control these exposures.

## Risk & Capital Models

A continuous process is followed for the identification and assessment of risk types and the corresponding resilience of the Group's capital position. The Group continually strives to enhance its internal risk and capital models and the related modelling must be sufficiently accurate to enable appropriate ranking and management of risks. The Group Internal Model has been approved by the Prudential Regulation Authority for use in calculating the Group's regulatory risk and capital.

## Risk & Control Processes and Reporting

The identification, assessment, management and reporting of risks, including learning lessons from incidents, is undertaken across the three lines of defence, and reported through business and management committees to the relevant Boards and Committees. Across Phoenix Group, risks are considered from both a high level ('top down approach') and a more detailed level ('bottom up approach') to ensure full coverage of the risks the Group faces. This also enables analysis, review and challenge when differences in risk identification are spotted.

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## SECTION 8

### DETAILED CONTROL STATEMENTS AND UNDERLYING OBJECTIVES AND EXCEPTIONS

The primary purpose of this report is to review and certify the processes, systems and controls that are fundamental to the day to day operation of our investment only platform. The core investment administration services that we provide to all clients is the daily pricing of their unit linked funds and completing transaction requests; primarily the purchase, sale or switch of units on behalf of members.

In summary, the control objectives that will be described in this report with regards to our investment administration services are as follows:

#### 1. Box Management and Dealing

Box Management and Dealing takes place on a daily basis and is the process of matching assets to liabilities and then placing market trades where pre-defined box limits have triggered their tolerance level. It has to be completed before the commencement of unit pricing can start. On a daily basis assets and liabilities are collected by the Automated Matching and Pricing System (AMAPS) as part of the Box Management process.

#### 2. Manual Trade Instructions

The majority of trades (99.4%) are received from TPAs via STP via Altus Funds Gateway (AFG). However for those TPA's without swift capability trades are received manually by email or post and Phoenix create a manual trade file to load into Altus Instruction Gateway (AIG) which then follows standard STP processes.

#### 3. Transaction Processing

Following the Box Management and Dealing process, a contract note is received to confirm the units and price that were received for each trade. The contract note will also state any dilution levies or charges that have been applied to the trade. All contract notes need to be processed to HiPortfolio in a timely manner to ensure they are captured within the appropriate valuation point for the Unit Pricing cycle.



#### **4. Collective Income Processing & 5. Equity Income Processing**

Income accruals and settled income postings are required to be posted to HiPortfolio in a timely manner to ensure they are included within the daily unit linked fund NAV, at the correct valuation point. The income processing cycle consists of three main stages; 1) ex-dividend date (ex-date); 2) revised accrual stage; and 3) settlement, which is completed on receipt of a tax voucher/income statement. The income schedule for each fund is prepared on a monthly basis, with controls in place to prepare all income entitlements which are due to go ex-dividend in the upcoming month. Preventative controls are performed on the day that the income entitlement is posted to HiPortfolio, for each stage of the income processing cycle.

#### **6. Corporate Actions**

A Corporate Action is an ad-hoc activity that brings change to the structure of an asset. This is processed at unit linked fund level and often requires units to be reapportioned within the existing fund, or the target fund. All corporate actions are processed to align with the timing of the market event to ensure that the fund impact is correct, and realised on the correct valuation date. The Fund Activities team will be notified directly by the Fund Manager when a corporate action occurs.

#### **7. Unit Pricing**

Unit prices are calculated for all Phoenix CIS funds on a daily basis and are subject to a number of preventative and detective controls prior to the fund prices being issued to external counterparts. The Unit Pricing function commences only following the completion of all transactional activity, including Box Management and Dealing for the relevant valuation date. On a daily basis, external asset prices are received via a secure file transfer from Six Financial and directly imported into the ASPIRE system.

#### **8. Cash Reconciliations**

All transaction records that are captured within HiPortfolio, the investment administration system, are reconciled against the appropriate bank accounts on a daily basis. Phoenix uses a combination of CitiBank, HSBC and Natwest (RBS) accounts for the daily cash management process. The cash reconciliation process is a key detective control, performed to ensure the accuracy of all settled positions for trade settlements, income postings, fees and rebate payments, and bank account transfers.

#### **9. Stock Reconciliations**

On a monthly basis all stock positions within HiPortfolio are reconciled against the registered unit position, held by the third party fund manager.

#### **10. Fund Launches**

Funds are launched for Phoenix CIS on client request. The fund launch documentation is subject to a control to ensure that the information provided is accurate, reviewed and approved prior to sending to the Investment Operations department for launch and set up on the appropriate systems. A legal agreement between Phoenix and the underlying Fund Manager will be in place prior to any client investment into the new fund.

#### **11. Fund Changes**

Fund changes are communicated by external fund managers. The fund change documentation is subject to a control to ensure that the information provided is accurate, reviewed and approved prior to sending to the Investment Operations department to make the necessary changes on the appropriate systems.

#### **12. Fund Closures**

Funds are closed as a result of an external fund manager making the decision to close a fund or if a Phoenix CIS client is restructuring assets or transferring off the platform and there is no longer a business need for the fund. The fund closure documentation is subject to a control to ensure that the information provided is accurate, reviewed and approved prior to sending to the Investment Operations department, and closing the fund on the appropriate systems.

#### **13. Management Fees and Rebates**

For a number of our unit linked funds we have negotiated a preferential rate against the standing charge for the share class we are invested which results in a rebate being paid to Phoenix. As the policyholder has already received the benefit through the AMC any rebate received is due to the shareholder and is recorded in HiPortfolio. For our corporate clients we also receive a Phoenix platform fee that is not deducted via the fund price but is invoiced to Trustees. Phoenix also pays fees to a number of different fund, investment and custody managers. These fees are either invoiced by the receiving party or paid directly by Phoenix on an agreed date throughout the year. The 'Fee and Rebate Accrual' spreadsheet is used as a tool to identify when fees and rebates are due throughout the year, and supports the processes and controls listed below.



## 14. Cash Management

Processes and controls are in place to ensure the timely and accurate fulfilment of settlement to third party recipients. During the reporting period, banking arrangements were in place with CitiBank and HSBC (for the settlement of Unit Linked Fund trading) and RBS/NatWest (to facilitate settlement to corporate clients and Trustees).

## 15. CIS Payments

TPAs on behalf of corporate client members send trades to Phoenix daily through STP or manually by email or post. All disinvestments are settled to the TPA on T+4 and these payments are generated automatically through CIS Admin.

## 16. ETF Trading Controls

Within our fund offering, there are a number of ETFs. Phoenix has appointed Morgan Stanley as broker for the execution of ETF trading, on exchange.

## 17. Information Security

Phoenix operates an information security framework aligned to the ISO27001 standard, which is reviewed annually and approved at Board level. Ownership of the framework resides with the Group Chief Operating Officer. Compliance is measured through a number of processes including control self-assessment, operational assurance reviews and internal and external auditing. Information Security champions are appointed by individual business functions to ensure compliance with the Phoenix Information Security standards.

These processes are explained and reviewed in more detail in Appendix 1 of this document.

As outlined in section 6, the provision of investment services to clients is provided by both our Investment Operations team and Corporate Investment Services (CIS) team. The CIS team are responsible for the ongoing servicing of our clients and the nature of these client requests tend to be more ad hoc and can be bespoke for each individual client. The processes listed below are not part of the core investment administration services delivery and therefore for the purposes of this report are considered out of scope.

Processes that are out of scope;

- i.** Producing tenders for prospective new clients
- ii.** Updating client documentation.
- iii.** Responding to scheme audits
- iv.** Notification of significant scheme disinvestment
- v.** Marketing communications
- vi.** Documentation for changes to existing private funds
- vii.** Notification of fund additions
- viii.** Review of platform charge
- ix.** Client servicing requests
- x.** Propositional management process
- xi.** Client on-boarding
- xii.** Client Reporting

## Third Party Provider exclusions

We use a combination of in-house developed systems, alongside strategic partnerships with the system providers listed below. We have adopted a “best of breed” approach to providing the systems that underpin our investment administration services. The strategic partnerships that we have in place are as follows;

- SS&C – for the provision of its HiPortfolio investment administration system and supporting professional services.
- Altus Ltd – for the provision of its Straight-Through Processing and integration application. Altus also provides us with strategic consultancy using their broad and deep experience of the investment administration industry.
- Bottomline Technologies – providing access to SWIFT messaging services for interaction with clients and fund managers.
- SIX Financial – provision of financial data (e.g. equity prices).
- FE fundinfo – compilation, presentation and distribution of fund performance fact sheets.
- Tradeweb – for trading ETFs.
- Morgan Stanley – broker used for trading ETFs.

The purpose of this report is to review the control objectives for our investment administration services. The procurement and ongoing monitoring of the third party providers listed above is out of scope for this report.

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## SECTION 9 BUSINESS CONTINUITY

Phoenix Group is committed to ensuring its ability to plan for and respond to incidents and business disruptions, in order to continue business operations at an acceptable predefined level.

Phoenix Group is accredited to the ISO22301, which is the international standard for Business Continuity Management. It is designed to help Phoenix prevent, prepare for, respond to and recover from unexpected disruptions.

### We do this in the following ways:

**Frameworks:** Having robust frameworks in place for business continuity and crisis management setting out the purpose and clear roles and responsibilities.

**Business Continuity Planning:** Business continuity plans identifying all our critical processes and resources that underpin them to underpin our recovery.

**Training:** Training people with roles in business continuity so they are prepared for any disruption.

**Exercising & Testing:** Building the skills and capabilities of our people and testing the effectiveness of our plans.

The Business Continuity Framework is owned by the Phoenix Group Chief Operating Officer (COO) and is overseen by the Business Resilience Team. It provides a top-level overview of how business continuity planning and requirements are managed, and an umbrella guide to the Business Continuity Management System

Structure, the core documentation set and knowledge base that exists within Phoenix.

Our Business Continuity objectives are:

1. Recover key operational activities in a timely, controlled manner.
2. Minimise the financial and reputational impact of a disruptive event.
3. Protect people, premises, information and resources.
4. Link plans within the Business Continuity Management System to Important Business Services where applicable.
5. Horizon scanning to identify and mitigate emerging risks.
6. Continual improvement and integration of activities supporting the resilience function.

Each business function will conduct a Business Impact Analysis (BIA) at least annually and maintain business continuity plans for all business critical activities. For our investment administration function, our Business

Continuity Plan is focused on work station recovery and managing people displacement in order that services can be maintained. Our system works seamlessly with our disaster recovery function to allow staff to be able to work from home, or from another remote location.

The strategy for our suppliers is also managed through our Business Continuity Policy and a robust Supplier Management Model, driven through operational governance and our relationship management functions.

Our Business Continuity Management System is subject to regular oversight and governance across a number of levels, including scheduled internal audits. Continual improvement is a key objective running through the business continuity management system with an overall aim of developing a more resilient organisation.

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## SECTION 10

### TECHNOLOGY AND INFRASTRUCTURE

The Group employs systems to support the assessment and reporting of the risks it faces as a business and to enable management to document its key risks and controls, and evidence the assessment of them at a frequency appropriate to the operation of the control.



The Technology and Infrastructure that underpins our investment administration services is largely determined by the Group's policies and processes. This section provides a summary of the Group's policy in a number of key areas relating to our Technology and Infrastructure.

Where there are processes and controls that are performed locally, and which are specific to the provision of investment administration services, these control objectives are detailed in Appendix 1.

## Information Security Framework

Phoenix operates a framework in place to govern information security. This framework has been designed using the requirements of multiple frameworks including Cyber Essentials, ISO 27001 the international standard for Information Security Management, COBIT, NIST and the Information Security Forum Standard of Good Practice. Our framework includes the Information Security Strategy, Information Security Policy and supporting policies, controls, standards and guidance. Ownership of the framework resides with the Group Chief Operating Officer within Phoenix, and is overseen by the Chief Information Security Officer for day-to-day activities. Compliance is measured through a number of processes including control self-assessment, operational assurance reviews and internal and external auditing. IS compliance and risk MI is presented to the Phoenix Life Risk Committee on a regular basis.

## Data Storage and Disposal

All Phoenix data is hosted in UK data centres which operate appropriate physical controls such as access management, CCTV, perimeter fencing, alarms, visitor management processes and physical security guards. These are subject to periodic physical review and audit. Data storage is encrypted using a risk-based approach which provides appropriate protection. Data backups are held within the UK

and where this is on physical media, encryption is in place. Secure disposal facilities are in place for both paper based and electronic based data using appropriately certified third parties. Personal data may however be processed outside of the EEA as explained below.

## Data Transfers

Where any personal data is processed outside the EEA, we have put in place appropriate safeguards such as the EU standard contractual clauses. Standards are in place covering the actual security of data in transit, including industrial strength encryption (AES256 minimum standard).

## Network Controls

Phoenix deploys a variety of technical security controls to provide an in-depth defence approach to security. This includes multiple firewalls, DMZs, proxies, anti-virus, user authentication and access management. Annual penetration tests are conducted by an independent third party and internal vulnerability scans are run on a regular basis with an associated vulnerability management programme. Data Leakage Prevention (DLP) controls operate continuously.

## Monitoring

Phoenix deploys a number of monitoring technologies, including advanced threat protection/detection, and uses a specialist third party Security Operations Centre (SOC) whose role it is to identify malicious activity on our network and support any incident responses.

## Portable Devices

Portable storage media devices are prohibited unless explicitly authorised by Information Security Management. This is enforced through technical controls and enforced

encryption applied for any authorised use. Other portable devices such as smartphones and laptops are protected through mobile device management policies which include enforced encryption and passcode access.

## Remote Working and Access

Phoenix supports remote working for its staff through a remote access solution that requires two factor authentication, a secure (encrypted) connection and prevents data being shared to personal devices.

## Staff Awareness

Staff are required to undergo annual online training for security best practice which includes a test of knowledge and completion rates are actively tracked. Staff in higher risk positions are provided with additional training specific to their role. Phoenix operates a multi-channel awareness programme to keep staff up to date with best practice and any new risks and responsibilities.

Phishing testing is undertaken six times a year on a companywide basis and also through targeted campaigns for specific high-risk groups such as senior staff, privileged users and staff with increased access to personal data and financial systems.

## Supplier Management

Phoenix operates a programme of third-party supplier due diligence for new suppliers and ongoing oversight of existing suppliers. On a risk justified basis this comprises questionnaires, regular management information, positive assurance testing and site visits, where appropriate.



## Incident Management

We have an incident management framework, plans and recovery procedures designed to cover the full range of security incidents that could occur, including the theft, loss or compromise of a device. Phoenix holds on retainer a specialist Cyber Response organisation that is able to assist with an incident response should it be needed. Cyber Response plans have been tested at many levels from operational IT teams through to Executive level.

Disaster recovery and business continuity plans are regularly tested to ensure they meet the agreed recovery time objectives.

## Actual Cyber-Attacks, Incidents or Privacy Breaches

In common with most other large organisations, Phoenix suffers a series of low level, generally non-specific attacks on an ongoing basis and our defences are continually reviewed and updated in order to address these. We do not disclose details of specific instances but we can confirm that, to date, Phoenix has not suffered any major business disruption as a result of any such activity.

## Cyber Insurance

Phoenix has a cyber insurance policy in place and this provides cover for a range of areas and different event scenarios.

## Physical Security and Visitor Access

A visitor is defined as any individual who is not permanently based on Phoenix premises. Individuals who have an established 'formal' relationship with Phoenix and are permanently based on site (e.g. Contractors, Consultants, resident OSP staff, resident supplier staff or resident trusted third party staff) do not fall under the definition of a visitor. The wearing of ID badges is mandatory. All staff and visitors must visibly display their ID badges/passes while on Phoenix premises. Visitors must be registered at reception and staff must escort visitors at all times whenever visitors are on the premises.

Phoenix operates a clear desk policy to ensure the following good practice is adhered to:

- All sensitive documents, data and media are locked away whenever a member of staff is away from their desk.
- Mobile devices are locked away or taken home with the employee.
- Desk/Cabinet keys are kept with the employee or stored in a key safe.
- Passwords are not documented or left in the office.

Periodic clear desk checks are performed by the functional Information Security Champions.

## Data Classification

The process of classification is applied to all information irrespective of the media on which it is held – including paper based such as printouts, letters or reports and electronic such as data in applications, on USB sticks or stored on the network. There are four data classification categories: Public, Internal, Confidential, and Restricted. The Data Owner is the individual who created or has responsibility for the safeguarding of data within their business area. All individuals are responsible for ensuring the data is classified in line with the published guidelines on the Phoenix Intranet.

## Data Transfer

All Phoenix data classified as confidential or restricted must be encrypted in transit to third parties.

There are three options in place to ensure that data is encrypted when it is sent to a third party:

- The recipient is included within the secure email partners list to ensure 'always on' encryption is in place.
- The data is sent using 'WinZip' encryption.
- The data is sent using the secure email portal.

Departmental data transfer registers are maintained.

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## APPENDIX 1 – CONTROL OBJECTIVES, CONTROL PROCEDURES AND SERVICE AUDITOR'S TESTS

### 1 – BOX MANAGEMENT AND DEALING

Box Management & Dealing takes place on a daily basis and is the process of matching assets to liabilities and then placing market trades where pre-defined box limits have triggered their tolerance level. It has to be completed before the commencement of unit pricing can start.

On a daily basis assets and liabilities are collected by AMAPS as part of the Box Management process.



Process	Control
<p>An automated email alert (717) is received from PSI confirming whether the price collection from AMAPS was successful. The alert is reviewed for any exceptions. If any exceptions have been reported or the price collection failed the SSRS Report UP042 – Price Exception Report should be run. The missing prices should tally back to any closures or suspension of prices from the previous day. If not IAS (Investment Application Support) and the Change Team should be contacted to investigate the issue.</p>	<p>A control owner confirms that the email alert has been reviewed and that any exceptions have been cross-referenced to the UP042 SSRS report (and any known exceptions) or that it has been raised with IAS (Investment Application Support) and the Change Team. The 'Box Management Checklist' is signed by the control owner, as evidence.</p>
<p><b>Tests performed</b></p> <p>For a sample, confirmed the email alert 717 was sent and confirmed the 'Box Management Checklist' was signed by a control owner.</p> <p>No relevant exceptions noted.</p>	
Process	Control
<p>An automated email alert (4000) is received from PSI confirming that all liabilities have been successfully collected from the Policy Administration systems.</p> <p>The alert is reviewed for completeness, checking no exceptions before being saved as a pdf, or email, to support the Unit Matching Audit Pack.</p> <p>A control owner confirms that the email alert has been reviewed and signs the 'Box Management Checklist', as evidence.</p> <p>In the event that there are any failures an alternative automated alert email (4001) is received detailing the issues.</p>	<p>The alert is reviewed for completeness, checking no exceptions before being saved as a pdf, or email, to support the Unit Matching Audit Pack.</p> <p>A control owner confirms that the email alert has been reviewed and signs the 'Box Management Checklist', as evidence.</p> <p>In the event that there are any failures an alternative automated alert email (4001) is received detailing the issues.</p> <p>If the 4001 alert is received this should be raised with IAS and the Change Team to be resolved.</p> <p>Evidence of the resolution is kept with the Unit Matching Audit Pack.</p>
<p><b>Tests performed</b></p> <p>For a sample, confirmed the email alert 4000 was sent and confirmed the 'Box Management Checklist' was signed by a control owner. Confirmed in the event of a failure, email alert 4001 was sent. Confirmed the emails were saved.</p> <p>No relevant exceptions noted.</p>	

Process	Control
<p>The home page of the AMAPS web screen is reviewed to see if the liabilities have successfully fed into AMAPS from PSI. If successful, the status should be amber with the last updated date being current day.</p> <p>Unknown series included in the liability feed will be displayed. Any zero value should be closure/launch related and can be ignored if evidence is available.</p> <p>Any value greater than zero should be investigated.</p> <p>A screen print showing the status as amber is taken and added to the Unit Matching Audit Pack with any back up for the unknown series.</p>	<p>A control owner signs the 'Box Management Checklist' to confirm that the system is at the correct amber status to proceed and where necessary that all series exceptions have been investigated by the processor and the appropriate back up to support the exceptions provided.</p>

#### Tests performed

For a sample, inspected the screen prints of the AMAPS web screen and confirmed the status as amber. Confirmed the 'Box Management Checklist' was signed.

No relevant exceptions noted.

Process	Control
<p>The 'BMT019 – DEAL010 Deal Exception Report' is run from SSRS.</p> <p>The report shows any deal recommended by AMAPS that has been manually adjusted.</p> <p>All adjustments must be evidenced using the 'Exception List' or other back-up evidence that has been provided e.g. an email from the Fund Activities Team.</p>	<p>A control owner signs the 'Box Management Checklist' to confirm that any manual dealing exceptions are for funds on the known 'exception' list or suitable backup has been provided to support the dealing exception.</p>

#### Tests performed

For a sample, reviewed BMT019 reports. A sample of adjustments were traced to confirm an explanation was included in the report and included on the 'Exceptions List'.

Confirmed the 'Box Management Checklist' was signed.

No relevant exceptions noted.

Process	Control
<p>The 'BMT019 – DEAL010 Deal Exception Report' is run from SSRS.</p> <p>The report shows any deal recommended by AMAPS that has been manually adjusted.</p> <p>All adjustments must be evidenced using the 'Exception List' or other back-up evidence that has been provided e.g. an email from the Fund Activities Team.</p>	<p>A control owner signs the 'Box Management Checklist' to confirm that any manual dealing exceptions are for funds on the known 'exception' list or suitable backup has been provided to support the dealing exception.</p>

#### Tests performed

For a sample, reviewed BMT019 reports. A sample of adjustments were traced to confirm an explanation was included in the report and included on the 'Exceptions List'.

Confirmed the 'Box Management Checklist' was signed.

No relevant exceptions noted.

Process	Control
<p>The 'BMT014 – Deals For Today Report' is run from SSRS.</p> <p>The report shows all deals recommended by AMAPS.</p>	<p>A control owner signs the 'Box Management Checklist' to confirm that the report has been run and all recommended trades are as expected.</p>

#### Tests performed

For a sample, reviewed the BMT014 reports. Confirmed the 'Box Management Checklist' was signed.

No relevant exceptions noted.



Process	Control
<p>The 'BMT016 – DEAL016 – Deals for Today Greater Than £1,000,000' is run from SSRS.</p> <p>The report shows any recommended deals that are greater than £1,000,000.</p> <p>Supporting evidence will be obtained to back-up the trade value. This could be from the PSI system or an email from the Fund Activities Team if the trade forms part of transitional activity.</p>	<p>A control owner signs the 'Box Management Checklist' to confirm that all deals greater than £1,000,000 have sufficient backup to confirm its validity. The control owner, by signing, also confirms they will seek an appropriate signatory to countersign the report if any deals are over their authorised limit – in line with the board approved delegated authority limits.</p>

### Tests performed

For a sample, reviewed the BMT016 reports. For a sample of trades over £1,000,000, traced to supporting documentation and confirmed counter-signed for deals over the limits.

Confirmed the 'Box Management Checklist' was signed.

No relevant exceptions noted.

Process	Control
<p>The 'BMT004 – BANKHOL – Bank Holiday Report' is run from SSRS.</p> <p>The report shows any Funds that are impacted by a non-UK holiday and therefore no trading would be accepted.</p>	<p>A control owner signs the 'Box Management Checklist' to confirm that the bank holiday report has been run using the correct date. The 'Fund Holiday Report' can then be used as backup for downstream controls to validate trade amendments.</p>
<h3>Tests performed</h3> <p>For a sample, reviewed the BMT004 reports. Confirmed the 'Box Management Checklist' was signed.</p> <p>No relevant exceptions noted.</p>	

Process	Control
<p>The 'BMT012 –TodaysTriggered Rebalances Report' is run from SSRS to highlight any digression from the standing data held within the system.</p> <p>This report displays the funds that have triggered their rebalance cycle in AMAPS that morning with the individual trade values of each allocation.</p>	<p>A control owner signs the 'Box Management Checklist' to confirm the 'Todays Triggered Rebalances Report' has been run for the correct date.</p>
<p><b>Tests performed</b></p> <p>For a sample, reviewed the BMT012 reports. Confirmed the 'Box Management Checklist' was signed.</p> <p>No relevant exceptions noted.</p>	
Process	Control
<p>The 'BMT013 – DEAL004 –Todays Realignments – NetTransactions Report' is run from SSRS.</p> <p>This report displays the net trades required that day as a result of any rebalance activity.</p>	<p>A control owner signs the 'Box Management Checklist' to confirm the 'Todays Realignments – NetTransactions Report' has been run for the correct date.</p>
<p><b>Tests performed</b></p> <p>For a sample, reviewed the BMT013 reports. Confirmed the 'Box Management Checklist' was signed.</p> <p>No relevant exceptions noted.</p>	

## Process

The 'UP016 – PRICE005a – Fund of Fund Holding Report' is run from SSRS. The report will highlight any issues with the underlying holdings following all dealing activity as a result of the Auto-matching.

This report will display data if:

- The current allocation is different by greater than the 5% tolerance, to the target allocation
- There are any negative holdings
- There are any units on allocations where the target is set to zero

Known exceptions are documented on the Box Management Exception List. Any other funds, not on the Exception List, should be investigated and backup must be obtained.

If the exception is not on the list the 'BMT033 report' is run as it may be due to an ongoing or completed rebalance.

If a fund appears on the report that is not related to rebalance activity and is not on the Exception List then the fund administrator should be contacted (through the Fund Activities team) to advise them of the situation, thus giving them the option to instruct the rebalance of their fund. If they require no action then the fund can be added to the Exception List.

## Control

A control owner signs the 'Box Management Checklist' to confirm the Fund of Funds listed on the 'Fund of Fund Holding Report' are valid, with appropriate backup obtained.

## Tests performed

For a sample, reviewed the UP016 reports. A sample of exceptions were agreed to have been included on the Exceptions List or BMT033 report.

Confirmed the 'Box Management Checklist' was signed.

No relevant exceptions noted.

Process	Control
<p>The Box Management Checklist details the tasks which must be completed to ensure that all the proposed deals are processed correctly in AMAPS and that all the items on the control reports have been produced and reviewed by a control owner.</p> <p>All reports and any additional evidence is stored in a central location. On completion of Box Management the processor electronically signs alongside each control to confirm it has been completed.</p>	<p>A control owner signs 'Box Management Checklist' to confirm completeness and accuracy of each component part and suitable backup is saved in a central location.</p>
<p><b>Tests performed</b></p> <p>For a sample of 'Box Management Checklists', confirmed each process had been signed off by the processor and confirmed the 'Box Management Checklist' has been signed by a control owner.</p> <p>The Checklist was saved in an accessible location.</p> <p>No relevant exceptions noted.</p>	
Process	Control
<p>The processor saves the automated e-mail alert sent to the PricingTeam mailbox that confirms that the TLM file has successfully uploaded into EFM.</p> <p>The alert states the number of trades and the net value. These are checked to the "Deals for Today" BMT014 report that is in the Box Management report.</p> <p>In the event that the numbers do not agree these are investigated and evidence provided.</p>	<p>A control owner signs the 'Dealing Audit Checklist' to confirm that the e-mail alert stating that the AMAPSTLM file has been successfully created and the number and value of the trades imported into EFM agree to the Box Management "Deals for Today" report. And if there are any exceptions these are checked to the evidence provided.</p>
<p><b>Tests performed</b></p> <p>For a sample, confirmed automated e-mail alerts have been saved and the details agreed to the BMT014 report.</p> <p>Confirmed the 'Dealing Audit Checklist' had been signed.</p> <p>No relevant exceptions noted.</p>	

Process	Control
<p>The “EFM002 – PricingTrade Status Detailed Report” is run from SSRS for each Trading Method – Auto Fax, EMX, ETF, and ViaNova.</p> <p>These reports display the details of each trade imported into EFM for each trading method –with a total number of trades and net trading value.</p>	<p>A control owner signs the ‘Dealing Audit Checklist’ to confirm that all trades stated on the EFM002 reports agree to the total number of trades from the TLM email alert.</p>
<p><b>Tests performed</b></p> <p>For a sample, reviewed the EFM002 reports and confirmed the number of trades agrees to the TLM email alert.</p> <p>Confirmed the ‘Dealing Audit Checklist’ had been signed.</p> <p>No relevant exceptions noted.</p>	
Process	Control
<p>The “EFM011 –Trading Confirmation Report” is run from SSRS when there are deals over £20m as indicated on ‘BMT016 – DEAL016 – Deals for Today Greater Than £1,000,000’ report.</p> <p>This report displays the details of any trades greater than £20 million that require authorisation by a signatory with the relevant level of sign off – in line with the board approved delegated authority document.</p>	<p>A control owner signs the ‘Dealing Audit Checklist’ to confirm the validity of any trades over £20m.</p> <p>The control owner, in signing, also confirms that the trade value is within their predefined authorisation limits – in line with the board approved delegated authorities.</p>
<p><b>Tests performed</b></p> <p>For a sample, reviewed the BMT016 reports. Confirmed the ‘Dealing Audit Checklist’ had been signed.</p> <p>No relevant exceptions noted.</p>	



Process	Control
<p>EFM Dealing will highlight any trades that are in a foreign currency and will require a Foreign Exchange (FX) prior to dealing.</p> <p>A processor keys an FX into Citi FX Pulse/HSBC Evolve, using the relevant EFM002 report to source the trade details and the EFM010 report to reference the fund details.</p> <p>The Bank Holiday report is also used to ensure any bank holidays are captured within the settlement cycle.</p> <p>A processor keys, using the CitiBank/HSBC Evolve FX receipt, the value of the foreign currency to EFM.</p>	<p>A control owner will authorise the FX transaction within CitiFX Pulse/HSBC Evolve using the EFM002, EFM010 and Bank Holiday reports as backup. A control owner confirms that the Account Details, Settlement Date, and Currency are all correct. The FX should always be trading GBP to buy/sell the foreign currency.</p> <p>A control owner, using the CitiBank/HSBC Evolve receipt, approves that the foreign value keyed to EFM agrees with the value raised with CitiBank/HSBC Evolve and signs the 'Dealing Audit Checklist' to confirm its validity.</p>

#### Tests performed

For a sample, reviewed EFM002 report and for a sample of FX trades confirmed amount agreed to CitiBank/HSBC Evolve. Confirmed the 'Dealing Audit Checklist' had been signed.

No relevant exceptions noted.

Process	Control
<p>The processor checks that the autofax trades displayed in EFM agree to those shown on the 'EFM002 – Pricing Trade Status Detailed Report'.</p> <p>The processor with the appropriate signatory level in line with the board approved delegated authorities then 'part approves' the trades in the EFM system.</p>	<p>A control owner checks that the autofax trades displayed in EFM agree to those shown on the 'EFM002 – Pricing Trade Status Detailed Report'.</p> <p>A control owner then 'approves' the trades in EFM – in line with the board approved delegated authorities.</p>

#### Tests performed

For a sample, reviewed EFM002 reports and for a sample of autofax trades, confirmed processor 'part approved' and a control owner 'approved' the trade in EFM.

No relevant exceptions noted.

Process	Control
<p>Once the autofax trades have been approved the processor 'releases' them and this will send the Fax instructions in an email to the shared mailbox for faxes in PDF format.</p> <p>Once the faxes have been received into the PricingTeam Faxes mailbox the processor will send the trade instructions to the relevant Fund Managers. All trades are confirmed for successful receipt with the Fund Manager.</p> <p>Once confirmation has been received within EFM the trades should be manually marked as 'Sent'.</p> <p>This will time stamp when each Trade was confirmed to verify that all Trades were placed prior to the Dealing cut-offs.</p>	<p>Once the confirmation email has been received to confirm each fax has been sent a control owner confirms with the fund manager, prior to the dealing cutoff, the following:</p> <ul style="list-style-type: none"> <li>• Receipt of the dealing fax</li> <li>• Deal Type (Subscription/Redemption)</li> <li>• Trade Value</li> <li>• Asset/Fund Trading</li> </ul> <p>The name of the person who confirmed the Dealing fax and the time it was confirmed are recorded on fax receipt.</p>

#### Tests performed

For a sample of autofax trades, confirmed email was sent to PricingTeam Mailbox.

Confirmed EFM was updated as Sent.

No relevant exceptions noted.

Process	Control
<p>The processor checks that all trades to be placed via EMX are displayed in EFM and agree to those shown on the 'EFM002 – PricingTrade Status Detailed Report'.</p> <p>The processor with the appropriate signatory level in line with the board approved delegated authorities then 'part approves' the trades in the EFM system.</p>	<p>A control owner checks that the EMX trades displayed in EFM agree to those shown on the 'EFM002 – PricingTrade Status Detailed Report'. A control owner then 'approves' the trades in EFM – in line with the board approved delegated authorities.</p>

#### Tests performed

For a sample, reviewed EFM002 reports and for a sample of EMX trades, confirmed a processor 'part approved' and a control owner 'approved' the trade in EFM.

No relevant exceptions noted.

## Process

Once the EMX trades have been approved the processor 'releases' the trades so that they can be included in the EMXTrade Upload Files created by EFM.

The processor creates an EMXTrade Upload File using the 'Actions' screen and clicking on the 'Create EMXTrade Upload File'. This will generate an e-mail alert '[Success] EMXTrade Process' which is sent to the Pricing Team mail box.

## Control

A control owner signs the 'Dealing Audit Checklist' to confirm that the email alert confirms the number of Trades/Rows match the expected number of Trades (Trades at 'Released' status).

## Tests performed

For a sample of EMX trades, confirmed these were released confirmed emails were generated.

Confirmed the 'Dealing Audit Checklist' had been signed.

No relevant exceptions noted.

## Process

Once the file has confirmed as being correct the processor clicks 'Upload file' within EMX. This will highlight the status of the upload detailing how many trades have been 'Uploaded/Accepted'. The processor takes a screen print of the 'Upload' tab to evidence the correct number of trades have been uploaded and accepted by EMX.

Once the trades are uploaded into EMX they need to be released within the 'Dual Authority' tab to send the trade instruction to the Fund Manager/TA. The processor approves the trades for release. The processor must be a different person to the one who has uploaded the trades to EMX.

The processor saves a screen print of the 'Dual Authority' tab to evidence there are no trades still awaiting approval with all trades being sent to the Fund Managers.

Once uploaded the processor confirms that all trades have been placed prior to the dealing cut-off. This is done by checking all trades have been booked with references received from EMX. The total number of orders displayed should match the corresponding number on the EFM002 report. The references are downloaded into EFM from EMX, matching the reference to the corresponding deal and marking the Trade as 'Sent' status.

## Control

A control owner signs the 'Dealing Audit Checklist' to confirm the screen print shows the correct number of trades have been uploaded and all trades have been released prior to the dealing cut off. The control owner, by signing, confirms the number of EMX trades match the number of trades stated on the EFM002 report, with no errors.

## Tests performed

For a sample, reviewed screen prints of the Upload tab showing the correct number of trades. Reviewed Dual Authority tabs showing no trades awaiting approval.

Confirmed trades marked as 'Sent'. Confirmed the 'Dealing Audit Checklist' had been signed.

No relevant exceptions noted.

Process	Control
<p>The processor checks that all trades to be placed via ViaNova are displayed in EFM and agree to those shown on the 'EFM002 – PricingTrade Status Detailed Report'.</p> <p>A processor with the appropriate signatory level in line with the board approved delegated authorities then 'part approves' the trades in the EFM system.</p> <p>Once the ViaNova trades have been approved the processor 'releases' them which sends the trade instructions to the Fund Manager/TA via STP.</p>	<p>A control owner checks that the ViaNova trades displayed in EFM agree to those shown on the 'EFM002 – PricingTrade Status Detailed Report'.</p> <p>A control owner approves the trades in EFM – in line with the board approved delegated authorities.</p>
<p><b>Tests performed</b></p> <p>For a sample, reviewed EFM002 reports and for a sample of ViaNova trades, confirmed a processor 'part approved' and a control owner 'approved' the trade in EFM.</p> <p>No relevant exceptions noted.</p>	

Process	Control
<p>Once all trading activity has been completed, the following reports are generated:</p> <p>The "EFM001 – PricingTrade Status Summary Report" is run from SSRS for all trading methods.</p> <p>The "EFM002 – PricingTrade Status Detailed Report" is run from SSRS for each Trading Method – Auto Fax, EMX &amp; ViaNova.</p> <p>The "EFM003 – DailyTrade Exceptions Report" is run from SSRS.</p> <p>These reports display the details of each trade placed for that day and the status of those trades.</p>	<p>A control owner signs the 'Dealing Audit Checklist' to confirm that the reports have been run and all trades are at the correct status prior to the dealing cut-off times.</p>
<p><b>Tests performed</b></p> <p>For a sample, reviewed the EFM001, EFM002 and EFM003 reports. Confirmed 'Dealing Audit Checklist' was signed.</p> <p>No relevant exceptions noted.</p>	



Process	Control
<p>The processor goes into the EFM 'Actions' screen and selects the 'Create CHAPS File'.</p> <p>This generates an e-mail alert '[Success] CHAPS Process' to the Pricing Team email inbox that the processor saves confirming that the CHAPS file has been successfully created.</p>	<p>A control owner signs the 'Dealing Audit Checklist' to confirm that the e-mail alert '[Success] CHAPS Process' was created prior to the cut off time.</p>
<p><b>Tests performed</b></p> <p>For a sample, reviewed email alerts and confirmed the 'Dealing Audit Checklist' was signed.</p> <p>No relevant exceptions noted.</p>	
Process	Control
<p>Once all Deals have been confirmed for the current day, the 'Creation &amp; Deletion file' can be created.</p> <p>The processor goes into the EFM 'Actions' screen and selects 'Create HiPortfolio Creation and Deletion File'.</p> <p>This generates an e-mail alert '[Success] HiPortfolio Creation and Deletion Process' to the Pricing Team email inbox that the processor saves confirming that the Creations &amp; Deletions file has been successfully created.</p>	<p>A control owner signs the 'Dealing Audit Checklist' to confirm that the e-mail alert '[Success] HiPortfolio Creation and Deletion Process' was created successfully, with no errors.</p>
<p><b>Tests performed</b></p> <p>For a sample, reviewed email alerts and confirmed the 'Dealing Audit Checklist' was signed.</p> <p>No relevant exceptions noted.</p>	

Process	Control
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The Dealing Audit Checklist details all tasks that need to be completed to ensure the successful placement of deals in the market place. On completion of each process (guided by external fund managers dealing deadlines), the processor signs the Checklist to evidence the completeness & accuracy of the deals placed.

A control owner signs 'Dealing Audit Checklist' to confirm the completeness and accuracy of each component part of the dealing process and that the appropriate backup has been provided.

**Tests performed**  
 For a sample, confirmed the 'Dealing Audit Checklist' was signed by a processor and a control owner.  
 No relevant exceptions noted.

Process	Control
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When required, pricing may be asked to trade on AXLTNP which is unique as it settles on the same day it trades. Phoenix use this fund to ensure the cashflow process never has an excess of cash in the bank (or not enough). Once the instruction is received by email the details are entered into EFM under 'Manual' and checked/approved by a second user. Once the trade is approved it is sent via Fax and confirmed by phone. The trade is then cancelled in EFM to ensure it is not included in the C&D file or CHAPS.

The checker confirms the details in EFM to the email instruction and approves the trade in EFM. An email will be sent to confirm successful receipt of the instruction and the name of the person who confirmed the trade over the phone.

**Tests performed**  
 For a sample, reviewed the email trail from the checker confirming the instructions and approving the trade.  
 No relevant exceptions noted.

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## **APPENDIX 1 – CONTROL OBJECTIVES, CONTROL PROCEDURES AND SERVICE AUDITOR’S TESTS**

### 2 – MANUAL TRADE INSTRUCTIONS

The majority of trades (99.4%) are received from Third Party Administrators (TPA) via Straight Through Processing (STP) via Altus Funds Gateway (AFG), however, for those TPAs without swift capability, trades are received manually by email or post and Phoenix create a manual trade file to load into Altus Instruction Gateway (AIG) which from there follows standard STP processes.

Process	Control
<p>On receipt of a manual trade, it is reviewed to ensure it is a valid instruction from an approved sender. A check on the sender is performed:</p> <ul style="list-style-type: none"> <li>• If a letter, that it has been signed by authorised signatories for the scheme</li> <li>• If an email, it has been sent by the TPA</li> </ul> <p>If the instruction is valid, a manual trade file is created. The manual file is for AIG and is a specific csv format with the following data columns:</p> <ul style="list-style-type: none"> <li>• Trade type, i.e. subscription, redemption or switch</li> <li>• Notes</li> <li>• Policy number</li> <li>• Fund id</li> <li>• Units or Value to be traded</li> <li>• Switch % (if a switch trade)</li> </ul> <p>Once created by the processor the manual trade file is sent to a control owner along with any supporting paperwork.</p>	<p>The control owner reviews the manual trade file to the supporting paperwork and confirms that the following details are correct:</p> <ul style="list-style-type: none"> <li>• Trade type, i.e. subscription, redemption or switch</li> <li>• Notes</li> <li>• Policy number</li> <li>• Fund id</li> <li>• Units or Value to be traded</li> <li>• Switch % (if a switch trade)</li> </ul> <p>Once confirmed as correct the manual trade file is sent to the Unit Pricing team to load into AIG.</p> <p>An additional end of day control is performed by extracting the manual trades from AIG and checking them back to the manual trade files.</p>
<p><b>Tests performed</b></p> <p>For a sample of manual trades, confirmed email received containing manual trade file and confirm loaded into AIG.</p> <p>No relevant exceptions noted.</p>	

Process	Control
<p>When a manual trade file is received a processor ensures the trade file is in the correct format and uploads the trade file into AIG, checking that all trades (number and value) have loaded successfully.</p> <p>The processor saves the instruction (email and attachment) and advises that the next step can be carried out.</p>	<p>A control owner checks that the all trades (number and value) have been loaded to AIG and are at a pending status. Trades are then approved and released to AFG.</p> <p>A control owner then checks that all trades (number and value) have been received by AFG and are at an 'accepted status'. A screen print is taken before an email is sent back confirming that the trades have been received and processed. The screen print and email are saved as evidence of the control.</p>
<p><b>Tests performed</b></p> <p>For a sample manual trades, agreed the STP manual trade email and attachment. Confirmed manual trade loaded into AIG and confirmed accepted. Agreed email sent confirming trades received and released.</p> <p>No relevant exceptions noted.</p>	

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## **APPENDIX 1 – CONTROL OBJECTIVES, CONTROL PROCEDURES AND SERVICE AUDITOR’S TESTS**

### **3 – TRANSACTION PROCESSING**

Following the Box Management and Dealing process, a contract note is received to confirm the units and price that were received for each trade. The contract note will also state any dilution levies or charges that have been applied to the trade. All contract notes need to be processed to HiPortfolio in a timely manner to ensure they are captured within the appropriate valuation point for the Unit Pricing cycle.



Process	Control
<p>A report is generated to establish all trades that are due for action, called 'EFM009 Trade Confirmation: Price Exception'. This report seeks to highlight any discrepancies between the price we have received for the trade and the equivalent asset price.</p> <p>Any discrepancies of greater than 0.001% are investigated by the processor and backup is obtained.</p>	<p>A control owner will sign the daily 'Single Asset Audit Checklist' to confirm that the trade price matches the asset price and for any discrepancies, the backup provides suitable acceptance. For any discrepancies that remain unexplained, these are investigated directly with the fund manager.</p>

**Tests performed**  
 For a sample of EFM009 reports, reviewed a sample of discrepancies and agreed to backup. Confirmed the 'Single Asset Audit Checklist' was signed.  
 No relevant exceptions noted.

Process	Control
<p>Once all daily trades are confirmed in EFM, a report is run called the 'EFM012 – Back Office Pricing Trade State Detailed'. This report compares units from contract note to calculated units based on asset price/consideration (value). Differences between the contract note units and those calculated by the report of greater than 0.01 are investigated by the processor and backup is obtained.</p>	<p>A control owner will sign the daily 'Single Asset Audit Checklist' to confirm that contract note units match those based on the underlying trade details and for any discrepancies, the backup provides suitable acceptance. For any discrepancies that remain unexplained, these are investigated directly with the fund manager.</p>

**Tests performed**  
 For a sample of EFM012 reports, reviewed a sample of differences were agreed to backup. Confirmed the 'Single Asset Audit Checklist' was signed.  
 No relevant exceptions noted.

Process	Control
<p>For all trades confirmed via EMX or Calastone, a check is completed to ensure the proposed settlement consideration on the contract note matches the consideration for the initial trade instruction. Both sets of data are imported into the 'Settled Cash Check' spreadsheet to capture rounding differences, and any unknown dilution levies or charges – and backup is obtained. For ETF trades, a difference in value is expected due to being traded on exchange, and is therefore not investigated.</p>	<p>A control owner will sign the daily 'Single Asset Audit Checklist' to confirm their approval that the settlement amounts reconcile and for any discrepancies, the backup provides suitable acceptance. For any discrepancies that remain unexplained, these are investigated directly with the fund manager.</p>
<p><b>Tests performed</b></p> <p>For a sample of trades, reviewed 'Settled Cash Check' spreadsheets.</p> <p>Confirmed the 'Single Asset Audit Checklist' was signed.</p> <p>No relevant exceptions noted.</p>	
Process	Control
<p>A daily report is generated called the 'EFM008 – Back Office Trade Status Summary'. The report summarises all trading that has occurred in EFM that will be uploaded into HiPortfolio. The report also captures any cancelled trades in EFM, these cancellations are validated and backup is provided.</p>	<p>A control owner will sign the daily 'Single Asset Audit Checklist' to confirm their approval that all required trades are captured and for any cancellations, the backup provides suitable acceptance. For any discrepancies that remain unexplained, these are investigated directly with the fund manager.</p>
<p><b>Tests performed</b></p> <p>For a sample of EFM008 reports, confirmed the 'Single Asset Audit Checklist' was signed.</p> <p>No relevant exceptions noted.</p>	

Process	Control
<p>The trade details from EFM are exported to create a file called the 'COLO file', which will be uploaded to HiPortfolio once the EFM008 report has been checked to confirm the data is correct.</p>	<p>A control owner will sign the daily 'Single Asset Audit Checklist' to confirm the number of trades being uploaded into HiPortfolio in the COLO file, matches the total number confirmed trades in EFM, displayed within the EFM008 report.</p>

**Tests performed**  
 For a sample of EFM008 reports, confirmed the 'Single Asset Audit Checklist' was signed.  
 No relevant exceptions noted.

Process	Control
<p>For deals that have been placed in a foreign currency fund, a separate FX trade will have been processed with CitiBank/HSBC Evolve to convert to GBP. The FX rate from this transaction is required to be added to the trade record within HiPortfolio.</p>	<p>A control owner will sign the daily 'Single Asset Audit Checklist' to confirm that the FX rate has been correctly added to the HiPortfolio trade record, confirming the rate to the source CitiBank/HSBC Evolve FX rate.</p>

**Tests performed**  
 For a sample of deals placed in a foreign currency, confirmed the 'Single Asset Audit Checklist' was signed.  
 No relevant exceptions noted.

Process	Control
<p>A 'DELDAV' report is generated from HiPortfolio to identify all transactions that have been deleted since time and date when the prior day trade confirmation process was completed. This is to ensure that there have been no deletions that have taken place in error that could impact the fund valuation. For all deletions, backup is obtained.</p>	<p>A control owner will sign the daily 'Single Asset Audit Checklist' to confirm their approval that the 'DELDAV' report is either blank, or for any deletions the backup provided ensures that the deletion should have occurred, and was not done in error.</p>
<p><b>Tests performed</b>            For a sample of DELDAV reports, confirmed the 'Single Asset Audit Checklist' was signed.            No relevant exceptions noted.</p>	

Process	Control
<p>A 'TRNENT' report is generated from HiPortfolio which include the units, consideration and the trade price calculated within HiPortfolio. This is automatically exported into the 'TRNENT check' spreadsheet. The 'ASP004 Asset Prices' report is then run from Aspire listing all fund manager published prices captured the prior working day, which is automatically imported into the 'ASP004 Asset Prices' spreadsheet. The spreadsheet compares the prices from each source – the data is then filtered to highlight any discrepancies, for which backup is obtained.</p>	<p>A control owner will sign the daily 'Single Asset Audit Checklist' to confirm their approval that the asset price and HiPortfolio trade price either match exactly or are within the agreed tolerance of 0.001% price difference. If the discrepancy is outside of the 0.001% tolerance, backup will be required to explain the difference which will require sign off from the control owner. If this backup is not sufficient the Fund Manager will be contacted directly.</p>
<p><b>Tests performed</b>            For a sample of TRNENT reports, confirmed the 'Single Asset Audit Checklist' was signed.            No relevant exceptions noted.</p>	

## Process

The 'SAcash' report is generated from HiPortfolio to identify all funds that are holding a cash position.

All funds are fully invested and should therefore not hold any cash, unless this is for a previously identified reason such as an income or tax adjustment; PID tax; or because it is an ETF trade – these values are then captured within the fund valuation.

For any cash values that are reported, and not static from the previous valuation point, backup is obtained.

## Control

A control owner will sign the daily 'Single Asset Audit Checklist' to confirm that the cash values within the 'SAcash' report are either zero, or remain static since the prior day valuation point which would have been approved at the point the cash position commenced.

Backup for any new cash positions will be reviewed and a control owner will sign to confirm that the fund should be priced with the new cash position included.

## Tests performed

For a sample of SAcash reports, confirmed the 'Single Asset Audit Checklist' was signed.

No relevant exceptions noted.

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## **APPENDIX 1 – CONTROL OBJECTIVES, CONTROL PROCEDURES AND SERVICE AUDITOR’S TESTS**

### **4 – COLLECTIVE INCOME PROCESSING**

Income accruals and settled income postings are required to be posted to HiPortfolio in a timely manner to ensure they are included within the daily unit linked fund NAV, at the correct valuation point. The income processing cycle consists of three main stages; 1) ex-dividend date (ex-date); 2) revised accrual stage; and 3) settlement, which is completed on receipt of a tax voucher/ income statement. The income schedule for each fund is prepared on a monthly basis, with controls in place to prepare all income entitlements which are due to go ex-dividend in the upcoming month. Preventative controls are performed on the day that the income entitlement is posted to HiPortfolio, for each stage of the income processing cycle.



Process	Control
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On a monthly basis, all active holdings are extracted from HiPortfolio and cross referenced to the 'Div & Ex rates' dividend diary spreadsheet which contains all of the asset accounting periods; ex-dividend dates, and settlement dates. This process identifies all funds that are due to go ex-dividend in the coming month which are then used as the basis for future processing controls. An additional check is performed to ensure any funds that have been subject to a recent fund launch, change or closure are included within the monthly list, which would have been omitted from the preceding annual review.

A control owner confirms that asset/fund list from HiPortfolio reconciles to the list held within the 'Div & Ex rates' spreadsheet. A control owner signs the 'Monthly Accruals Checklist' to confirm its accuracy.

**Tests performed**  
 For a sample, confirmed 'Div & Ex rates' spreadsheets were completed. Confirmed 'Monthly Accruals Checklist' was signed by a control owner.  
 No relevant exceptions noted.

Process	Control
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On a monthly basis, a snapshot of all funds with an ex-date in the coming month is taken from the 'Div & Ex rates' spreadsheet to create a monthly dividend schedule, called the 'Monthly Div & Ex rates' spreadsheet. All ex-dates that fall on non-working days (i.e. weekends and bank holiday) are adjusted so ex-dates occur on the next available working day.

Funds with a pricing deferral are also adjusted to align to the correct valuation point – i.e. a one day deferred fund would be moved forward by one working day.

A control owner reviews the monthly spreadsheet versus the master 'Div & Ex rates' spreadsheet and signs the 'Monthly Accruals Checklist' to confirm that all funds due to go ex-dividend in the coming month are included within the dividend schedule.

Upon signing the Checklist, a control owner is also confirming that all ex-dates have been adjusted to fall on working days.

**Tests performed**  
 For a sample, confirmed the 'Monthly Div & Ex rates' spreadsheet were completed. Confirmed 'Monthly Accruals Checklist' was signed by a control owner.  
 No relevant exceptions noted.

Process	Control
<p>On a monthly basis, estimated accrual rates are gathered using the confirmed dividend rates from previous distribution periods. For funds that distribute income on a monthly basis, the prior month's dividend rate is used for the accrual. Except in the case of a final distribution which would normally indicate an enhanced dividend rate – in this scenario the final rate from the previous year is used. For funds that distribute income on a quarterly, biannual, or annual basis – the rate from the equivalent period from the prior year is used. If the asset is new to Phoenix and we do not hold any historical data within HiPortfolio, the estimated accrual rate is sourced from external data providers – Bloomberg or SIX Financial. If the rate is unavailable via these vendors, the fund manager will be contacted directly for an estimated accrual rate.</p>	<p>A control owner reviews the source data and signs the 'Monthly Accruals Checklist' to confirm that the estimated accrual rates have been obtained using the appropriate previous distribution period, or via a third party data.</p>
<p><b>Tests performed</b>  For a sample, confirmed the 'Monthly Accruals Checklist' was signed by a control owner.  No relevant exceptions noted.</p>	
Process	Control
<p>On a monthly basis, the estimated ex-dividend rate, based on the prior period, is entered into the 'dual keyed' spreadsheet which is later used to populate the income schedule within HiPortfolio. The Ex-Dividend date and Pay Date are also populated in the spreadsheet. To ensure the accuracy of the dividend rate, Ex-Dividend date, and Pay Date, this process is repeated by a second person and the spreadsheet then compares both entries to confirm that they either match, or there is a discrepancy which requires investigation.</p>	<p>A control owner signs the 'Monthly Accrual Checklist' spreadsheet to confirm that there are no discrepancies in the dual keyed ex-dividend rates.</p>
<p><b>Tests performed</b>  For a sample, confirmed the 'dual keyed spreadsheet' were complete and entries matched. Confirmed the 'Monthly Accrual Checklist' was signed by a control owner.  No relevant exceptions noted.</p>	

Process	Control
<p>On a monthly basis, once all rates have been confirmed within the 'dual keyed' spreadsheet, they are manually keyed to the dividend announcement within HiPortfolio. The dividend rate is added to the income schedule within HiPortfolio which already holds the Ex-Dividend date and Pay Date details.</p>	<p>A control owner signs the 'Monthly Accruals Checklist' to confirm that all dividend announcements have been set up correctly in HiPortfolio, ensuring the rate matches the approved rate within the 'dual keyed' spreadsheet.</p>
<p><b>Tests performed</b>  For a sample, confirmed the 'Monthly Accruals Checklist' was signed by a control owner.  No relevant exceptions noted.</p>	
Process	Control
<p>On the scheduled ex-dividend date, an accrual is raised within HiPortfolio which is created from the pre-populated dividend announcement. The monthly 'Div &amp; Ex rates' spreadsheet is used to ensure the team are aware of any accruals that need to be created. Once the dividend accruals have been added to HiPortfolio, the data is imported into the 'Single Asset accrual' spreadsheet which forms the basis for the following checks:</p> <ul style="list-style-type: none"> <li>• The dividend rate is correct. This is reviewed against the 'Div &amp; Ex rates' spreadsheet.</li> <li>• Any tax posting has been accounted for within the accrual at the correct rate.</li> </ul> <p>The 'Single Asset Accrual' spreadsheet contains the tax value which requires to be posted to HiPortfolio as a separate transaction.</p> <p>The 'Single Asset Accrual' spreadsheet also includes the fund NAV data which is used to calculate the expected fund impact. This spreadsheet is included within the data sent to Unit Pricing.</p>	<p>A control owner signs the 'Ex Date Collectives' Checklist to confirm the following:</p> <ul style="list-style-type: none"> <li>• The correct number of accruals have been processed for the current date</li> <li>• The correct dividend rates have been used for the HiPortfolio accrual</li> </ul> <p>A control owner confirms that the tax transaction has been posted to the correct account within HiPortfolio, for the correct fund, and the correct value.</p>
<p><b>Tests performed</b>  For a sample, confirmed 'Div &amp; Ex rates' spreadsheets were completed. Confirmed 'Ex Date Collectives' checklist was signed by a control owner.  No relevant exceptions noted.</p>	

Process	Control
<p>Upon receipt of a revised accrual rate from a fund manager, it is manually keyed to the monthly 'Div &amp; Ex rates' spreadsheet. This initial input of the updated rate is imported to the 'dual keyed' spreadsheet. A second processor will then manually enter the revised accrual rate to ensure the initial import is correct.</p> <p>The spreadsheet then returns details to confirm that they either match, or there is a discrepancy which requires investigation.</p>	<p>A control owner signs the 'dual keyed' spreadsheet to confirm that there are no discrepancies in the dual keyed revised accrual rates.</p>

### Tests performed

For a sample, confirmed the revised 'dual keyed spreadsheet' were complete and entries matched. Confirmed the 'Monthly Accrual Checklist' was signed by a control owner.

No relevant exceptions noted.

Process	Control
<p>The initial ex-date accrual is deleted and replaced with the revised accrual rate. The new rate is added to the dividend entitlement within HiPortfolio which is used to generate a new accrual. Once the revised dividend accruals have been added to HiPortfolio, the data is imported into the 'Single Asset Accrual' spreadsheet which forms the basis for the following checks:</p> <ul style="list-style-type: none"> <li>• The revised dividend rate is correct. This is reviewed against the 'Div &amp; Ex rates' spreadsheet</li> <li>• Any revised tax postings have been accounted for within the accrual at the correct rate.</li> </ul> <p>The 'Single Asset Accrual' spreadsheet contains an updated tax value which requires to be posted to HiPortfolio as a separate transaction. The initial ex-date tax posting is deleted.</p> <p>The 'Single Asset Accrual' spreadsheet also includes the fund NAV data which is used to calculate the expected fund impact. This information is included within the data sent to Unit Pricing.</p>	<p>A control owner signs the 'Ex Date Checklist' to confirm that the correct number of accruals on the correct rates have been raised in HiPortfolio.</p> <p>A control owner signs the 'updated accruals template' to confirm the following:</p> <ul style="list-style-type: none"> <li>• The correct number of accruals have been processed for the current date</li> <li>• The correct dividend rates have been used for the revised HiPortfolio accrual.</li> </ul> <p>A control owner confirms that the tax transaction has been posted to the correct account within HiPortfolio, for the correct fund, and the correct value. A control owner also confirms that the ex-date tax transaction has been deleted.</p>

### Tests performed

For a sample, confirmed initial ex-date accrual was deleted and replaced in 'Single Asset Accrual' spreadsheet. Confirmed the 'Ex Date Checklist' was signed by a control owner.

No relevant exceptions noted.

## Process

Upon receipt of a tax voucher from the fund manager, the tax voucher 'preparation' process is completed. This includes an initial review of the following information:

- The unit holding stated on the tax voucher matches the unit holding in HiPortfolio which was used to raise the ex-date/revised accrual.
- The group 2 units stated on the tax voucher matches the total number of group 2 units within HiPortfolio. This is obtained from HiPortfolio by running a transaction report to show all units purchased during the accounting period.

## Control

A control owner signs the 'Tax Voucher Checklist' to confirm that the unit holding data on the tax voucher matches the HiPortfolio records. Any discrepancy is investigated before the tax voucher processing stage.

## Tests performed

For a sample, confirmed the 'preparation' element of the 'Tax Voucher Checklist' was complete and signed by a control owner.

No relevant exceptions noted.

## Process

Once the tax voucher 'preparation' stage has been completed, the tax voucher can be processed in HiPortfolio. The HiPortfolio dividend announcement is updated to include the following information:

- The confirmed dividend rate
- The confirmed equalisation rate. This is the first stage of the income cycle where equalisation will be posted to HiPortfolio, where applicable. For income funds the dividend transaction in HiPortfolio must be also 'settled'. This creates a cash amount which replaces the previous income accrual within the fund valuation. The cash amount within HiPortfolio will feed into the downstream cash reconciliation controls.

Once the tax voucher details have been added to HiPortfolio, the data is imported into the 'Single Asset Accrual' spreadsheet which forms the basis for the following checks:

- The HiPortfolio dividend rate and value matches what is stated on the tax voucher.
- The equalisation amount in HiPortfolio matches the amount stated on the tax voucher.
- The tax credit/tax recoverable amount in HiPortfolio matches the tax voucher value. The 'Single Asset Accrual' spreadsheet contains an updated tax value which requires to be posted to HiPortfolio as a separate transaction. The initial ex-date/ revised accrual tax posting is deleted. The 'Single Asset Accrual' spreadsheet also includes the fund NAV data which is used to calculate the expected fund impact. This information is included within the data sent to Unit Pricing.

## Control

A control owner signs the 'Tax Voucher Checklist' to confirm that the details posted to HiPortfolio match the values reported on the tax voucher.

A control owner confirms that the tax transaction has been posted to the correct account within HiPortfolio, for the correct fund, and the correct value.

A control owner also confirms that the ex-date/revised accrual tax transaction has been deleted.

## Tests performed

For a sample, confirmed the 'Tax Voucher Checklist' was complete and signed by a control owner.

No relevant exceptions noted.



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## **APPENDIX 1 – CONTROL OBJECTIVES, CONTROL PROCEDURES AND SERVICE AUDITOR’S TESTS**

### **5 – EQUITY INCOME PROCESSING**

Income accruals and settled income postings are required to be posted to HiPortfolio in a timely manner to ensure they are included within the daily unit linked fund NAV, at the correct valuation point. The income processing cycle consists of three main stages; 1) ex-dividend date (ex-date); 2) revised accrual stage (if required); and 3) settlement, which is completed on receipt of the income payment. The income schedule for each fund is recorded on an ‘events diary’ and reviewed daily for required actions. Preventative controls are performed on the day that the income entitlement is posted to HiPortfolio and for each stage of the income processing cycle.

Process	Control
<p>On a daily basis all reporting from CitiBank/HSBCnet is reviewed to confirm that all HiPortfolio accruals are processed in a timely manner and held accurately.</p>	<p>A control owner signs the 'SSDT Daily Checklist' to confirm the following:</p> <ul style="list-style-type: none"> <li>• Any equities that go XD today have an accurate accrual raised in HiPortfolio</li> <li>• All existing HiPortfolio accrual values match those projected to distribute at Pay Date</li> <li>• Income that has been paid is settled in HiPortfolio.</li> </ul>
<p><b>Tests performed</b>  For a sample, confirmed 'SSDT Daily Checklist' spreadsheet was completed and signed by a control owner.  No relevant exceptions noted.</p>	
Process	Control
<p>When prompted by CitiBank/HSBCnet reporting, an accrual is raised in HiPortfolio using a rate derived from the projected income distribution and our unit holding at XD.</p>	<p>A control owner signs the 'Ex Date Equity' Checklist to confirm the following:</p> <ul style="list-style-type: none"> <li>• The correct number of accruals have been processed for the current date</li> <li>• The correct dividend rates have been used for the HiPortfolio accrual.</li> </ul>
<p><b>Tests performed</b>  For a sample, confirmed the 'Ex Date Equity' spreadsheet were completed and signed by a control owner.  No relevant exceptions noted.</p>	
Process	Control
<p>Upon receipt of income at CitiBank/HSBCnet the current accrual is reviewed for accuracy in HiPortfolio and then settled if matching the amount received.</p>	<p>A control owner signs the 'Equity Tax Voucher Checklist' to confirm:</p> <ul style="list-style-type: none"> <li>• That the details posted to HiPortfolio match the value received at CitiBank/HSBCnet.</li> <li>• A control owner also confirms that the ex-date/revised accrual tax transaction has been deleted and the accrual settled.</li> </ul>
<p><b>Tests performed</b>  For a sample, confirmed the 'Equity Tax Voucher Checklist' was completed and signed by a control owner.  No relevant exceptions noted.</p>	

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## **APPENDIX 1** – CONTROL OBJECTIVES, CONTROL PROCEDURES AND SERVICE AUDITOR'S TESTS

### 6 – CORPORATE ACTIONS

A Corporate Action is an ad-hoc activity that brings material change to the structure of an asset. This is processed at unit linked fund level and usually requires units to be reapportioned within the existing fund, or the target fund. All corporate actions are processed to align with the timing of the market event to ensure that the fund impact is correct, and realised on the correct valuation date. The Fund Activities team will be notified directly by the Fund Manager when a corporate action occurs.

Process	Control
<p>Upon notification from the Fund Activities Team of a corporate action, a control owner will populate the information into the 'CAC Template'. This information is then used to set up the corporate action within HiPortfolio, as an 'event'. The following details are added to the event:</p> <ul style="list-style-type: none"> <li>• The effective date</li> <li>• The processing date</li> <li>• The apportionment ratio</li> <li>• Pre and post market holding.</li> </ul> <p>The details above are contained within a contract note or event notification received from the fund manager.</p>	<p>A control owner signs the 'CAC Process Template Form' confirming that all event details are correct in the 'CAC Template' and the event has been created accurately within HiPortfolio. This control is performed prior to the impacting transaction within HiPortfolio, which is timed to be completed on the correct valuation date.</p>
<p><b>Tests performed</b>  For a sample, confirmed 'CAC Process Template Form' was complete and signed by a control owner.  No relevant exceptions noted.</p>	
Process	Control
<p>When processing the corporate action event within HiPortfolio – screen prints are taken of the asset/fund prior to any action being performed as a reference point. Then a capital event transaction is completed in HiPortfolio using the apportionment factor calculated during the preparation, and already populated within the event details. Once the transaction has been posted to HiPortfolio, screen prints are taken of the asset/fund and the following checks are performed:</p> <ul style="list-style-type: none"> <li>• The unit position is confirmed to the contract note.</li> <li>• The fund market value is checked to the contract note where possible and a secondary check is performed to ensure the post event fund valuation is equal to the pre event valuation.</li> <li>• The post event fund book cost value is checked to ensure it remains unchanged from the pre event value.</li> <li>• If the old asset is to cease, a check is performed to ensure that the unit holding, valuation and book cost has been cleared to zero.</li> </ul>	<p>A control owner signs the 'CAC Process Template Form' to confirm that the event has been accurately processed within HiPortfolio and that the new asset/fund details are correct prior to downstream daily unit pricing activity.</p>
<p><b>Tests performed</b>  For a sample, confirmed 'CAC Process Template Form' was complete and signed by a control owner. Confirmed updates to HiPortfolio.  No relevant exceptions noted.</p>	

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## **APPENDIX 1 – CONTROL OBJECTIVES, CONTROL PROCEDURES AND SERVICE AUDITOR’S TESTS**

### **7 – UNIT PRICING**

Unit prices are calculated for all Phoenix CIS funds on a daily basis and are subject to a number of preventative and detective controls prior the fund prices being issued to external counterparts. The Unit Pricing function commences only following the completion of all transactional activity, including Box Management and Dealing for the relevant valuation date.

On a daily basis, external asset prices are received via a secure file transfer from Six Financial and directly imported into the ASPIRE system.

Process	Control
<p>Asset price movements are analysed to highlight variances outside of predefined tolerances.</p> <p>Price movements of more than 3% are highlighted within the ASPIRE system for further investigation. Price movements of 0% are also highlighted for further investigation.</p> <p>Exceptions are compared to expected market/sector movements.</p> <p>Where variances still remain, the fund manager is contacted for explanation.</p>	<p>For each exception the evidence and explanations obtained are retained in a central location. This could be an indices report or an email confirmation from the Fund Manager.</p> <p>All exceptions are summarised in the 'Asset Movements 0%' and 'Asset Movements +/- 3%' reports, which are signed off by processor and control owner. These form part of the daily 'Pricing Audit Checklist'.</p>

#### Tests performed

For a sample, reviewed price movement exceptions. Confirmed the Unit Pricing Control Checklists were signed off by a processor and control owner.

No relevant exceptions noted.

Process	Control
<p>For re-issued/revised prices received from Six Financial, ASPIRE will identify this as an exception requiring further authorisation.</p> <p>Evidence of the revised price is obtained as back up for the amendment.</p>	<p>The processor and the control owner approve the ASPIRE action screen report to confirm the amended price is as per the revised information received.</p>

#### Tests performed

For a sample, reviewed ASP010 action screen reports. Confirmed the 'Unit Pricing Control Checklist' was signed.

No relevant exceptions noted.

Process	Control
<p>On a daily basis exception reports are generated to highlight any missing asset prices.</p> <p>ASPIRE confirms that all asset prices have been received with any missing prices being highlighted as an exception.</p> <p>Any exceptions noted are validated with the fund manager or TPA. Where satisfactory explanations are obtained these items are marked as 'Stale priced/Bank Holiday'.</p> <p>In certain circumstances during market volatility pricing can be 'suspended' for asset prices that are missing. In this situation pricing is completed the following working day.</p>	<p>A control owner approves the outstanding prices report on the 'Unit Pricing Control Checklist' to confirm that all assets have been imported into ASPIRE and any assets still outstanding have been investigated and marked as 'Stale priced/Bank Holiday'.</p> <p>In the case of pricing suspension the assets are not marked and left ready for pricing the next business day.</p>

#### Tests performed

For a sample, reviewed ASP003 Outstanding Asset Prices reports. Confirmed the 'Unit Pricing Control Checklist' was signed.

No relevant exceptions noted.

Process	Control
<p>The validated asset prices from within the ASPIRE system are directly imported into HiPortfolio which then calculates the value of the market holdings within each fund.</p> <p>A reconciliation is created within Microsoft Excel, comparing the two sets of data.</p>	<p>A control owner approves the Microsoft Excel reconciliation, on the 'Unit Pricing Control Checklist', to confirm that the prices imported into ASPIRE match those that have been uploaded into HiPortfolio.</p>
<h4>Tests performed</h4> <p>For a sample, confirmed the Microsoft Excel reconciliation agreed to HiPortfolio and ASPIRE.</p> <p>Confirmed the 'Unit Pricing Control Checklist' was signed.</p> <p>No relevant exceptions noted.</p>	



Process	Control
<p>The value of the market holdings, cash position, income and interest on cash reports prepared from HiPortfolio are directly imported into AMAPS, a process called 'Valuation Merge'.</p> <p>AMAPS collates this information and it is used to calculate a 'Unit Linked Fund NAV' and the daily 'Unit Linked Fund Price'.</p>	<p>A processor and a control owner approve the 'Key Attribute Movement Report', on the 'Unit Pricing Control Checklist', to confirm the accuracy of any movement that occurs in the component parts of the Unit Linked Fund NAV:</p> <ul style="list-style-type: none"> <li>• Cash</li> <li>• Income</li> <li>• Tax Recoverable</li> </ul>

### Tests performed

For a sample, reviewed the UP0027 Key Attribute Movement Reports and confirmed the 'Unit Pricing Control Checklist' was signed.

No relevant exceptions noted.

Process	Control
<p>Once a daily price has been calculated within AMAPS, if there are any subsequent alterations to this price it is flagged and identified for further investigation and approval.</p> <p>Reasons for the change in price are obtained and authorised within AMAPS.</p> <p>Any such price changes are logged on the 'Re-issue screen' within AMAPS and once resolved and authorised, as above, are cleared. Subsequently the price is recalculated and the data reimported into ASPIRE.</p>	<p>The 'Re-issue screen' within AMAPS is reviewed to ensure that all items have been cleared. Sign off to confirm this is included on the 'Unit Pricing Control Checklist'.</p>

### Tests performed

For a sample of one, the 're-issue screen' was verified live. Confirmed the 'Unit Pricing Control Checklist' was signed.

No relevant exceptions noted.

Process	Control
<p>Once the Unit Price calculations have been completed within AMAPS for all Mirror Fund and Fund Of Funds the movement of those prices then needs to be verified.</p> <p>Mirror Fund prices are directly imported into the ASPIRE system, where a comparison in daily price movements is undertaken between the underlying asset and the AMAPS calculation. ASPIRE identifies instances where the price movement of the Mirror Fund versus the Asset Price is different by greater than 1 basis point, which are investigated and back up is obtained.</p> <p>For Fund Of Funds, there are two different tolerances depending on the underlying components of the fund:</p> <ol style="list-style-type: none"> <li>1. For Fund Of Funds invested wholly into a mirror fund, the tolerance is 1 basis point</li> <li>2. For Fund Of Funds that hold a blend of either Mirror or Fund Of Funds, the tolerance is 10 basis points.</li> </ol> <p>The “UP020 – Fund of Fund Movements Report” is generated from SSRS to identify any price movement differences outside of the prescribed tolerances when compared to the underlying price movement.</p>	<p>For Mirror Funds, explanations for each exception are noted within the ASPIRE system in a comments field for each line item. Approval of the explanations for differences is made through an electronic hierarchical sign off within the ASPIRE system.</p> <p>For Funds Of Funds, a control owner confirms that any explanations for differences have been reviewed.</p>

### Tests performed

For a sample, reviewed UP020 Fund of Fund Movements Reports and explanations noted. Confirmed the 'Unit Pricing Control Checklist' was signed.

No relevant exceptions noted.

Process	Control
<p>Once the movement of all of the Unit Linked Fund prices has been validated, each fund is verified and authorised within AMAPS. The verification and authorisation of all Unit Linked Funds is required to enable the dissemination of prices to third parties.</p>	<p>The verification and authorisation process within AMAPS is completed by two control owners. A summary report is approved by a control owner to confirm that all funds are at the required status.</p>

### Tests performed

For a sample, reviewed UP003 summary report to confirm funds have been authorised. Confirmed the 'Fund Pricing Status' report was signed.

No relevant exceptions noted.

Process	Control
<p>On a daily basis, all components of the Unit Pricing function are saved into a central location ready for a control owner to provide final approval and sign off.</p>	<p>The 'Unit Pricing Control Checklist' is signed by a control owner to confirm that all underlying controls have been completed.</p>

**Tests performed**

For a sample, confirmed tasks within 'Unit Pricing Control Checklist' were signed by both a processor and a control owner.  
 Confirmed the 'Unit Pricing Control Checklist' was signed. No relevant exceptions noted.

Process	Control
<p>On a daily basis prices are sent to third parties.            The delivery of these files are scheduled for specific times each day, but can be re-scheduled should there be any delays to the Unit Pricing process.</p>	<p>Automated emails confirm the 'success' or 'failure' of the price file delivery. If the file delivery has 'failed', it will be investigated by the IT Investment Application Support team and once the accuracy has been confirmed, the file will be rescheduled or delivered manually.</p>

**Tests performed**

For a sample, confirmed email alerts 717 were sent. No 'failure' noted.  
 No relevant exceptions noted.

Process	Control
<p>Once the Go Ahead is received from Data Management the Pricing team will price both AB Private Equity funds in AMAPS. These funds are segregated portfolios that have multiple underlying holdings, these are not held in ASPIRE. Once Priced, a valuation verification will be carried out ensuring the daily movement, Settlement attributes, Investment Total, Income, Cash and NAV are all moving as expected.</p>	<p>A checker will ensure the verification spreadsheets for both AB Private Equity assets are populated correctly, the movements tie up between AMAPS and the verification spreadsheet, any differences are investigated and backup is saved down.</p>

**Tests performed**

For a sample, confirmed the AB verification spreadsheets were within tolerance and were evidenced as checked with reference to the checkers approval email.  
 No relevant exceptions noted.

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## **APPENDIX 1 – CONTROL OBJECTIVES, CONTROL PROCEDURES AND SERVICE AUDITOR’S TESTS**

### **8 – CASH RECONCILIATIONS**

All transaction records that are captured within HiPortfolio, the investment administration system, are reconciled against the appropriate bank accounts on a daily basis. Phoenix used a combination of CitiBank, HSBC and Natwest (RBS) accounts for the daily cash management process. The cash reconciliation process is a key detective control, performed to ensure the accuracy of all settled positions for trade settlements, income postings, fees and rebate payments, and bank account transfers.

Process	Control
<p>The daily cash reconciliation spreadsheet is populated with the following information:</p> <ul style="list-style-type: none"> <li>a. HiPortfolio bank accounts balances</li> <li>b. CitiBank, HSBC and RBS bank account balances</li> <li>c. Prior day HiPortfolio cash transactions</li> <li>d. Prior day CitiBank, HSBC and RBS cash transactions.</li> </ul> <p>A comparison is then performed to ensure that the bank account balances at the bank match those in HiPortfolio and that all data is included in the reconciliation spreadsheet. A review is performed to ensure the only differences between the two balances are the new HiPortfolio journals and bank transactions that have not yet been reconciled (i.e. prior day). Backup is collected to evidence any bank account balance discrepancies.</p>	<p>The backup is reviewed by a control owner to ensure that the current reconciliation breaks are understood and agreed. The 'Reconciliation Control Log' is approved by a control owner to confirm the accuracy of the data.</p>

#### Tests performed

For a sample, reviewed daily cash reconciliation spreadsheet and confirmed reconciles to balances at bank. Confirmed 'Reconciliation Control Log' was signed.

No relevant exceptions noted.

Process	Control
<p>All transactions at bank are matched to a corresponding HiPortfolio posting. A processor reviews the matched items to ensure that the net balance equals zero.</p> <p>A secondary review is performed to ensure that no two bank entries, or no two HiPortfolio entries have been incorrectly matched together which would report an incorrect zero balance.</p>	<p>A control owner confirms that all of the completed reconciliations are accurate and signs the 'Reconciliation Control Log' as evidence.</p>

#### Tests performed

For a sample, confirmed transactions were matched. Confirmed 'Reconciliation Control Log' was signed.

No relevant exceptions noted.

Process	Control
<p>Once all reconciling transactions have been matched, the account balances are checked again to ensure that they still reconcile. An additional review is performed to ensure the only differences between the two balances are the new HiPortfolio journals and bank transactions that have not yet been reconciled (i.e. prior day which are due to settle at a future date.</p>	<p>A control owner signs the 'Reconciliation Control Log' to confirm that the bank versus HiPortfolio balances match, or any discrepancy is understood and agreed.</p>
<p><b>Tests performed</b>  For a sample, confirmed account balances reconcile to HiPortfolio. Confirmed 'Reconciliation Control Log' was signed.  No relevant exceptions noted.</p>	
Process	Control
<p>An 'exception report' of all unreconciled bank transactions is compiled for distribution to the Investment Operation department teams. Once completed and digitally signed, the forms are sent daily via email to each team within the department for review and prompts the necessary investigation process for any discrepancies. Screen prints showing the unreconciled bank entries are checked back to the exception report to ensure all entries are reported.</p>	<p>A control owner from each business unit digitally signs to confirm that any item on the exception report regarding their team is either clean, or any reconciliation breaks are confirmed as under management control with appropriate investigation actions documented.</p>
<p><b>Tests performed</b>  For a sample, reviewed exceptions reports and vouched exceptions to explanations. Confirmed 'Reconciliation Control Log' was signed.  No relevant exceptions noted.</p>	

Process	Control
<p>If a cash item remains unreconciled for a period of over five working days, an audit form is created to support management actions in resolving the break. The audit form contains details of the original reconciliation break and a timeline of the investigation/esolution.</p> <p>Note; there is an extension to the standard five working day SLA for CTIP premium transaction, to fifteen working days. This is due to the timing of the unit transactions versus the cash settlement, which will always extend the 5 day period as part of the BAU process.</p>	<p>A control owner reviews the details and confirms their approval of the remediation approach detailed within the audit form. Upon the final reconciliation, a control owner will sign the audit form to confirm closure.</p>
<p><b>Tests performed</b></p> <p>For a sample, reviewed exceptions reports and vouched exceptions to explanations. One audit form was raised on the sample selected. Verified that exceptions ongoing were included in the Audit Form Log. Verified completion of the audit form and was signed to confirm closure.</p> <p>No relevant exceptions noted.</p>	



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## **APPENDIX 1** – CONTROL OBJECTIVES, CONTROL PROCEDURES AND SERVICE AUDITOR'S TESTS

### 9 – STOCK RECONCILIATIONS

On a monthly basis all stock positions within HiPortfolio are reconciled against the registered unit position, held by the third party fund manager.

## Process

A stock reconciliation spreadsheet is compiled on a monthly basis which combines the following:

- a. Unit valuations extracted from HiPortfolio
- b. Fund manager unit valuations which are obtained from one of the following sources; EMX; DST Portal; direct from the Fund Manager Website; or via an email direct from the Fund Manager.

Any difference between the HiPortfolio stock valuation and the fund manager position is investigated.

Where the fund manager uses an unsettled valuation screen prints are taken from HiPortfolio to support the unit differences caused by this 'in-flight' trade, which is an accepted difference and will reconcile once settled

The process incorporates an acceptable tolerance level to allow for the difference caused by the rounding rules applied to trades over time.

This tolerance can be no greater than 1 whole unit or the equivalent of 1 basis point impact on the funds unit price. Any discrepancy outside of tolerance is investigated with the fund manager to establish the root cause.

## Control

Once all HiPortfolio holdings are reconciled to the fund manager record, the 'stock reconciliation spreadsheet' is signed by two control owners to confirm that all positions either reconcile, or are within the pre-agreed tolerance levels.

## Tests performed

For a sample of stock reconciliation spreadsheets, confirmed the reconciliation is signed by two control owners.

No relevant exceptions noted.

Process	Control
<p>An 'exception report' of all unreconciled stock positions is compiled for distribution to the Investment Operation department teams. This forms the basis of discussion at a daily review meeting and prompts the necessary investigation process for any discrepancies. Screen prints showing the unreconciled stock positions are checked back to the 'exception report' to ensure all entries are reported.</p>	<p>A control owner from each business unit confirms that the 'exception report' with regards to their team is either clean, or any reconciliation breaks are confirmed as under management control with appropriate investigation actions documented.</p>
<p><b>Tests performed</b>  For a sample of exception reports, confirmed the reconciliation is signed by two control owners.  No relevant exceptions noted.</p>	
Process	Control
<p>If a stock item remains unreconciled for a period of over five working days, an audit form is created to support management actions in resolving the break. The audit form contains details of the original reconciliation break and a timeline of the investigation/resolution.</p>	<p>A control owner reviews the details and confirms their approval of the remediation approach detailed within the audit form. Upon the final reconciliation, a control owner will sign the audit form to confirm closure.</p>
<p><b>Tests performed</b>  For a sample of stock reconciliation spreadsheets, no unreconciled items noted and therefore no audit forms noted.  No relevant exceptions noted.</p>	

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## **APPENDIX 1 – CONTROL OBJECTIVES, CONTROL PROCEDURES AND SERVICE AUDITOR’S TESTS**

### 10 – FUND LAUNCHES

Funds are launched for Phoenix CIS on client request. The fund launch documentation is subject to a control to ensure that the information provided is accurate, reviewed and approved prior to sending to the Investment Operations department for launch and set up on the appropriate systems. A legal agreement between Phoenix and the underlying Fund Manager will be in place prior to any client investment into the new fund.

Process	Control
<p>The 'Fund Launch Control Form' is populated using source data supplied by the underlying fund manager; for example, the fund Checklist, prospectus, fund fact sheet and any other supporting information.</p> <p>Key fields within Fund Launch Control Form' are:</p> <ul style="list-style-type: none"> <li>• Fund Name</li> <li>• Sedol/ISIN/Fund Manager identifier</li> <li>• AMC</li> <li>• Bank account details</li> <li>• Dealing &amp; pricing cycle</li> </ul>	<p>A control owner signs the 'Fund Launch Control Form' to confirm the data aligns to the fund manager source material.</p> <p>The 'Fund Launch Control Form' is then emailed to the relevant teams in the department for set up on the appropriate systems.</p>

#### Tests performed

For a sample of fund launches, reviewed the 'Fund Launch Control Form' and confirm signed by a control owner. Confirmed 'Fund Launch Control Form' emailed to relevant teams.

No relevant exceptions noted.

Process	Control
<p>The asset details are required to be set up within HiPortfolio. A new 'security' set up is created within HiPortfolio using the asset details captured on the 'Fund Launch Control Form'. In some instances, additional underlying asset data is obtained for the fund in question – this data is checked and included as part of the audit pack. Screen prints are produced from the HiPortfolio Security Maintenance screen to show the core data required for comparison.</p>	<p>A control owner signs the 'Fund Launch Checklist' to confirm that the data shown in the HiPortfolio Security Maintenance screen prints matches the data held within the 'Fund Launch Control Form'.</p>

#### Tests performed

For a sample of fund launches, reviewed the 'Fund Launch Control Form' and confirm signed by a control owner.

No relevant exceptions noted.

Process	Control
<p>In addition to the asset details, HiPortfolio requires an additional set up for the fund itself. The information provided on the 'Fund Launch Control Form' is used to set up a new 'subportfolio' in HiPortfolio. Screen prints are produced from the HiPortfolio Portfolio Maintenance screen to show the core data.</p>	<p>A control owner signs the 'Fund Launch Checklist' to confirm that the data shown in the HiPortfolio Security Maintenance screen prints matches the data held within the 'Fund Launch Control Form'.</p>

Tests performed
<p>For a sample of fund launches, reviewed the 'Fund Launch Control Form' and confirm signed by a control owner.</p> <p>No relevant exceptions noted.</p>

Process	Control
<p>If the new fund distributes income, the 'Div Ex &amp; Rates' spreadsheet is updated to reflect the asset details and the fund's accounting periods as stated on the 'Fund Launch Control Form'.</p>	<p>A control owner signs the Fund Launch Checklist' to confirm that all asset details and the accounting period details are entered correctly into the 'Div Ex &amp; Rates' spreadsheet from the source data included on the 'Fund Launch Control Form'.</p>

Tests performed
<p>For a sample of fund launches, reviewed the 'Fund Launch Control Form' and confirm signed by a control owner.</p> <p>No relevant exceptions noted.</p>

Process	Control
<p>To ensure that an asset price is received from the price vendor SIX Financial, HiPortfolio needs to be updated. The 'user defined fields' within HiPortfolio must be populated to ensure the asset is added to the SIX Financial price universe, and a notional unit holding is also required in HiPortfolio to activate the price collection process. This is an interim unit holding which is deleted upon the processing of the first trade.</p>	<p>A control owner signs the 'Fund Launch Checklist' to confirm that the correct asset details were entered into the 'user defined fields' within HiPortfolio from the source data included in the 'Fund Launch Control Form'. A control owner also confirms that the notional unit holding has been keyed to HiPortfolio on launch date.</p>

**Tests performed**  
 For a sample of fund launches, confirmed user defined fields updated, reviewed the 'Fund Launch Checklist' and confirm signed by a control owner.  
 No relevant exceptions noted.

Process	Control
<p>The fund details are required to be set up in the following systems to support Unit Pricing activity; AMAPS, EFM and PSI. A processor enters the information from the 'Fund Launch Control Form' into the relevant systems in and obtains backup for review by a control owner.</p>	<p>A control owner signs the 'Fund Launch Checklist' to confirm that the data shown in AMAPS, EFM and PSI matches the data held within the 'Fund Launch Control Form'.</p>

**Tests performed**  
 For a sample of fund launches, reviewed the 'Fund Launch Checklist' and confirm signed by a control owner.  
 No relevant exceptions noted.

Process	Control
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AMAPS also requires the pricing series information to be added to the system. If a new series is launched as part of the fund launch, it forms part of the 'Fund Launch Control Form' process and control. If it is a brand new series on an existing fund, the processor enters the information from the 'Series Launch Control Form' into AMAPS.

The processor obtains for review by a control owner.

A control owner signs the 'Series Launch Control Form', which is part of the 'Fund Launch Control Form', to confirm the series setup in AMAPS is correct, ensuring the Series Descriptions, Attributes, & Mappings have all been entered as stated on the 'Series Launch Control Form' and that it is launched on the correct basis.

**Tests performed**  
 For a sample of fund launches, reviewed the 'Fund Launch Control Form' and confirm signed by a control owner.

No relevant exceptions noted.

Process	Control
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Additional information is required within AMAPS and PSI for a new Fund of Fund (FoF) launch.

The processor enters the information from the 'Fund Launch Control Form' and obtains backup for review by a control owner.

A control owner signs the 'Fund Launch Control Form' to confirm that the following information that has been added to AMAPS and PSI matches the information contained within the 'Fund Launch Control Form':

- FoF Holdings details
- Fund & Series Descriptions
- Attributes
- PSI FoF Attributes
- All mappings in PSI

**Tests performed**  
 For a sample of fund launches, reviewed the 'Fund Launch Control Form' and confirm signed by a control owner.

No relevant exceptions noted.



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## **APPENDIX 1 – CONTROL OBJECTIVES, CONTROL PROCEDURES AND SERVICE AUDITOR’S TESTS**

### **11 – FUND CHANGES**

Fund changes are communicated by external fund managers. The fund change documentation is subject to a control to ensure that the information provided is accurate, reviewed and approved prior to sending to the Investment Operations department to make the necessary changes on the appropriate systems.

Process	Control
<p>The 'Fund Change Control Form' is populated using a mixture of source data supplied by the underlying fund manager and data currently held in the Phoenix systems.</p> <p>Fund changes can include:</p> <ul style="list-style-type: none"> <li>• Name changes</li> <li>• AMC changes</li> <li>• Share conversions/mergers</li> <li>• Administrator changes</li> </ul>	<p>A control owner signs the 'Fund Change Control Form' to confirm the data is correct when compared to the existing system data and the source data from the underlying fund manager.</p> <p>The 'Fund Change Control Form' is then emailed to the relevant teams within the department to instruct systems to be updated.</p>

### Tests performed

For a sample, reviewed the 'Fund Change Control Form' and confirmed signed by a control owner. Confirmed 'Fund Change Control Form' emailed to relevant teams.

No relevant exceptions noted.

Process	Control
<p>The information provided on the 'Fund Change Control Form' is used to amend the relevant 'security' and/or 'subportfolio' details within HiPortfolio. Screen prints are produced from the appropriate modules within HiPortfolio Portfolio to evidence the updated data.</p>	<p>A control owner reply's to the email from the Fund Activities team which included the 'Fund Change Control Form' to confirm that all updates in HiPortfolio have been completed and the data matches the source data held within the 'Fund Change Control Form'.</p> <p>If a corporate action is required, the processes and controls set out in section 6 are adhered to.</p>

### Tests performed

For a sample, reviewed email responses to the 'Fund Change Control Form' emails.

No relevant exceptions noted.

Process	Control
<p>The fund change data included in the 'Fund Change Control Form' is required to be updated in AMAPS, EFM and PSI. The type of fund change will determine which systems require updating – it will not always be the case that all systems are subject to change.</p> <p>The processor updates the information in the applicable system and obtains backup for review by a control owner.</p>	<p>A control owner replies to the email from the Fund Activities team which included the 'Fund Change Control Form' to confirm that all updates in AMAPS, EFM and PSI have been completed and the data matches the source data held within the 'Fund Change Control Form'.</p>
<p><b>Tests performed</b></p> <p>For a sample, reviewed email responses to the 'Fund Change Control Form' emails.</p> <p>No relevant exceptions noted.</p>	

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## **APPENDIX 1 – CONTROL OBJECTIVES, CONTROL PROCEDURES AND SERVICE AUDITOR’S TESTS**

### 12 – FUND CLOSURES

Funds are closed as a result of an external fund manager making the decision to close a fund or if a Phoenix CIS client is restructuring assets or transferring off the platform and there is no longer a business need for the fund. The fund closure documentation is subject to a control to ensure that the information provided is accurate, reviewed and approved prior to sending to the Investment Operations department, and closing the fund on the appropriate systems.

Process	Control
<p>If the fund has policy holder investment the client must be identified and the CIS team informed. CIS will then liaise with the corporate client to advise of the closure date and to determine from the scheme trustees or investment consultant the alternative fund.</p> <p>The 'Fund Closure Control Form' is populated using source data from the Investment Operations systems; for example, AMAPS, HiPortfolio, PSI, and EFM.</p> <p>Key fields within the 'Fund Closure Control Form' are:</p> <ul style="list-style-type: none"> <li>• Fund Name</li> <li>• Fund Code</li> <li>• Sedol/ISIN/Fund Manager identifier</li> <li>• Mapping data</li> <li>• Last deal date</li> </ul>	<p>A control owner signs the 'Fund Closure Control Form' to confirm the data aligns to the source material held within the Investment Operations systems.</p> <p>The 'Fund Closure Control Form' is then emailed to the relevant teams in the department for closure on the appropriate systems.</p>
<p><b>Tests performed</b></p> <p>For a sample of fund closures, reviewed the 'Fund Closure Control Form' and confirm signed by a control owner. Confirmed 'Fund Closure Control Form' emailed to relevant teams.</p> <p>No relevant exceptions noted.</p>	
Process	Control
<p>The information provided on the 'Fund Closure Control Form' is used to close a 'security' and/or 'subportfolio' in HiPortfolio. Screen prints are produced from the appropriate modules within HiPortfolio Portfolio to evidence the updated data.</p>	<p>A control owner signs the 'Fund Closure Checklist' to confirm that the screen prints of the HiPortfolio data has been amended in-line with the 'Fund Closure Control Form'.</p>
<p><b>Tests performed</b></p> <p>For a sample of fund closures, reviewed the 'Fund Closure Checklist' and confirm signed by a control owner.</p> <p>No relevant exceptions noted.</p>	

Process	Control
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The fund closure data included in the 'Fund Closure Control Form' is required to be updated in AMAPS, EFM and PSI. The processor updates the information in the applicable system and obtains backup for review by a control owner.

A control owner signs the 'Fund Closure Checklist' to confirm that the data shown in AMAPS, EFM and PSI matches the data held within the 'Fund Closure Control Form'. For policyholder funds, A control owner is also confirming that the final closing deal was placed to align with the policyholder switch-out date and the price has tracked its underlying asset. This ensures the policyholder receives the correct price.

**Tests performed**  
 For a sample of fund closures, reviewed the 'Fund Closure Checklist' and confirm signed by a control owner.  
 No relevant exceptions noted.

Process	Control
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AMAPS also requires the pricing series information to be updated in the system. The 'Series Closure Control Form' is included as part of the 'Fund Closure Control Form' – which is used for the source data to update AMAPS. The processor obtains backup to be provided to the control owner.

A control owner signs the 'Series Closure Control Form', which is part of the 'Fund Closure Control Form', to confirm the series data in AMAPS has been closed correctly. A control owner also confirms that the price has tracked its underlying assets & all mappings have been removed from PSI.

**Tests performed**  
 For a sample of fund closures, confirmed a "Series Closure Control Form" was completed where applicable, and the control owner responded to the processor's AMAPS email.  
 No relevant exceptions noted.

Process	Control
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<p>If a Fund of Funds is closed, AMAPS and PSI need to be updated. The processor updates the relevant systems using the information from the 'Fund Closure Control Form' and obtains backup for review by a control owner.</p>	<p>A control owner signs the 'Fund Closure Control Form' to confirm that the Fund of Funds has been successfully closed in AMAPS and PSI ensuring that the underlying holdings were disinvested at the current % allocation, the price has tracked its underlying assets &amp; all mappings have been removed from PSI.</p>
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<p><b>Tests performed</b>            For a sample of fund closures, reviewed the 'Fund Closure Control Form' and confirm signed by a control owner.            No relevant exceptions noted.</p>	
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Process	Control
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<p>When a fund closes, the final deal is placed using a unit value rather than the normal cash value instruction to ensure there are no residual units left in the fund. The processor creates a 'dummy EMX trade file' for the fund which is closing. The cash value is then removed from the EMX trade file and replaced with the final unit position.</p>	<p>A control owner signs 'Fund Closure Checklist' to confirm that the cash amount has been removed and the correct unit value has been keyed to the relevant column, when compared to the cleared reconciled unit position.</p>
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<p><b>Tests performed</b>            For a sample of fund closures, reviewed the 'Fund Closure Checklist' and confirm signed by a control owner.            No relevant exceptions noted.</p>	
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## **APPENDIX 1 – CONTROL OBJECTIVES, CONTROL PROCEDURES AND SERVICE AUDITOR’S TESTS**

### **13 – MANAGEMENT FEES AND REBATES**

For a number of our unit linked funds we have negotiated a preferential rate against the standing charge for the share class we are invested which results in a rebate being paid to Phoenix. As the policyholder has already received the benefit through the AMC any rebate received is due to the shareholder and is recorded in HiPortfolio. For our corporate clients we may also receive a Phoenix platform fee that is not deducted via the fund price but is invoiced to Trustees.

Phoenix also pays fees to a number of different fund, investment and custody managers. These fees are either invoiced by the receiving party or paid directly by Phoenix on an agreed date throughout the year. The ‘Fee and Rebate Accrual’ spreadsheet is used as a tool to identify when fee’s and rebates are due throughout the year, and supports the processes and controls listed below.



Process	Control
<p>Upon receipt of a rebate into the designated bank account the following is checked before being keyed to HiPortfolio:</p> <ul style="list-style-type: none"> <li>• If Phoenix has created the invoice, the amount received matches our invoice.</li> <li>• If Phoenix has not created an invoice, is the payment received within the acceptable tolerance limit of 5%, when compared to the amount calculated within AMAPS. If the 5% tolerance is breached:</li> <li>• The AMAPS value is recalculated using the fund manager’s own methodology of calculation to create an expected rebate amount.</li> <li>• If the recalculated AMAPS amount is still greater than the 5% tolerance the fund manager is contacted to establish how they have calculated the rebate received.</li> </ul> <p>Both amounts are recorded on ‘Rebate Analysis’ spreadsheet for accounting purposes.</p>	<p>A control owner signs the ‘Rebate Checklist’ confirming that the rebate received from the fund manager matches the invoice amount, or is acceptable to the 5% tolerance, and has been keyed to HiPortfolio correctly.</p>
<p><b>Tests performed</b></p> <p>For a sample of rebates, confirmed that differences are within acceptable tolerance limit. Confirmed amounts are recorded on rebate analysis spreadsheet and confirmed checklist signed by a control owner.</p> <p>No relevant exceptions noted.</p>	
Process	Control
<p>Upon receipt of an invoice for a fee from a fund manager the following is checked before being keyed to HiPortfolio and payment being made:</p> <ul style="list-style-type: none"> <li>• The invoiced amount is within the 5% tolerance when compared to the expected amount calculated within AMAPS. If the 5% tolerance is breached:</li> <li>• The AMAPS value is recalculated using the fund manager’s own methodology of calculation to create an expected fee amount.</li> <li>• If the recalculated AMAPS amount is still greater than the 5% tolerance the fund manager is contacted to establish how they have calculated the invoice received.</li> </ul> <p>Both amounts are recorded on the ‘Fee Analysis’ spreadsheet for accounting purposes.</p>	<p>A control owner signs the ‘Fee Checklist’ confirming that the fee invoice received from the fund manager matches our records, or is within the acceptable 5% tolerance, and has been keyed to HiPortfolio correctly.</p>
<p><b>Tests performed</b></p> <p>For a sample of fee invoices received, confirmed invoice amount is within 5% tolerance and included on the ‘Fee Analysis’ spreadsheet. Confirmed ‘Fee Checklist’ was signed.</p> <p>No relevant exceptions noted.</p>	

Process	Control
<p>Once validation of the fee invoice is completed, a payment instruction will be generated to enable the fee to be settled. A banking CHAPS form is created, and the following information is populated and checked:</p> <ul style="list-style-type: none"> <li>• The monetary amount matches the invoice.</li> <li>• The settlement date is correct.</li> <li>• Any references requested are included. The following information is confirmed to the invoice as correct:</li> <li>• Recipient account details.</li> </ul>	<p>A control owner will then provide written approval to confirm that the information is correct – in line with the board delegated financial authority limits.</p>
<p><b>Tests performed</b></p> <p>For a sample of fees, confirmed written approval exists.</p> <p>No relevant exceptions noted.</p>	

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## **APPENDIX 1 – CONTROL OBJECTIVES, CONTROL PROCEDURES AND SERVICE AUDITOR’S TESTS**

### 14 – CASH MANAGEMENT

Processes and controls are in place to ensure the timely and accurate fulfilment of settlement to third party recipients. Banking arrangements are in place with HSBC and CitiBank for the settlement of Unit Linked Fund trading with third party fund managers; and with NatWest to facilitate settlement to corporate clients and Trustees.

Process	Control
<p>Phoenix must ensure that settlement is made to third party fund managers for all subscription orders, in line with the asset settlement period. Once all daily market trades have been confirmed a settlement file is created from EFM to upload into CitiDirect BE pre 30/06/23 and into HSBCnet post 30/06/23. This file contains all upcoming subscription order payments to fund managers for the trades placed each day.</p> <p>An automated email alert is generated once all deals are complete, which prompts the processor to upload the payment file to CitiDirect BE, the CitiBank electronic banking system or HSBCnet, the HSBC electronic banking system. The email alert is then forwarded to an authoriser who will approve the payments in CitiDirect BE or HSBCnet.</p>	<p>A control owner confirms that all the payments loaded into CitiDirect BE or HSBCnet are accurate when compared to the trade details generated from EFM, and written confirmation is provided via email to evidence completeness of the control and signs the 'Cashflow Checklist'.</p> <p>An authorisation hierarchy is maintained for each individual user within CitiDirect BE &amp; HSBCnet – ensuring that control owners can only authorise those payments within their pre-approved authorisation limits.</p> <p>All payment instructions within CitiBank or HSBCnet are subject to dual authorisation.</p>

### Tests performed

For a sample of CitiDirect payments, confirmed payments are dual authorised and amounts greater than authorisation limits are subject to further authorisation. Vouched to email confirmations. Confirmed 'Cashflow Checklist' was signed. No relevant exceptions noted.

Process	Control
<p>With regards to payments to Corporate Clients/Trustees, payments are facilitated using RBS Bankline. A settlement file is created from CIS Admin and an email detailing the required payments is sent to Data Management Team. This file is then loaded to RBS Bankline and the email is forwarded to an appropriate authoriser to approve the payments within RBS Bankline.</p>	<p>A control owner confirms that all the payments uploaded to RBS Bankline are accurate when compared to the CIS generated report. Once authorised within RBS Bankline, A control owner provides written confirmation by return email to evidence the completeness of the control.</p> <p>An authorisation hierarchy is maintained for each individual user within RBS Bankline – ensuring that control owners can only authorise those payments within their preapproved authorisation limits.</p> <p>All payment instructions within RBS Bankline are subject to dual authorisation – processor and approver. For payments greater than £2m, a second approver is required to authorise the instruction within RBS Bankline.</p>

### Tests performed

For a sample of RBS payments, confirmed payments are dual authorised and amounts greater than £2m are subject to second authorisation. Vouched to email confirmations. Confirmed 'Cashflow Checklist' was signed. No relevant exceptions noted.

Process	Control
<p>Once all payments instructions have been individually approved within HSBC, CitiDirect BE and RBS Bankline, a processor will confirm that all payments are showing the correct status within the online banking systems.</p> <p>For those payments due to settle same day, these should show as settled, and for those with future date settlements should show pending settlement.</p> <p>The purpose of this summary 'tick back' control is to capture any payment errors or omissions.</p>	<p>A control owner signs the 'Cashflow Checklist' to confirm that all payments loaded on that day have been accepted by the bank, with no errors, and are displaying the correct status.</p>
<p><b>Tests performed</b></p> <p>For a sample of payments, confirmed 'Cashflow Checklist' was signed.</p> <p>No relevant exceptions noted.</p>	

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## **APPENDIX 1 – CONTROL OBJECTIVES, CONTROL PROCEDURES AND SERVICE AUDITOR’S TESTS**

### 15 – CIS PAYMENTS

Third Party Administrators (TPA) on behalf of corporate client members send trades to Phoenix daily through Straight Through Processing (STP) or manually by email or post. All disinvestments are settled to the TPA on T+4 and these payments are generated automatically through CIS Admin.

## Process

Each day CIS Admin creates the payments for all disinvestment trades which have confirmed the previous evening. One payment is generated per corporate client (payments are combined using trade effective date, settlement date and confirmed date).

The "CIS011 Claims Payments Report" is generated from SSRS and this is checked back to the payments within CIS Admin:

- Client
- Value of payment
- Settlement Date
- Bank details

Within CIS Admin the processor 'ticks' against each payment either 'Authorise' or 'No Payment'.

If no payment is required a reason for this must be populated in the notes field.

The processor then selects 'Save' and passes to a control owner.

## Control

A control owner reviews each payment in CIS Admin to the SSRS report and confirms that those ticked as 'Authorise' are correct when compared to the SSRS report by selecting 'Create Payment File'.

Authorisation limits are held within CIS Admin for individual users to ensure only those control owners who have been assigned the necessary limits can authorise the payments.

The "CIS012 Claims Authorisation Report" is then extracted from SSRS detailing each payment which is passed to Data Management to process the payments at bank – see section 14. Cash Management.

## Tests performed

For a sample of payments, confirmed that CIS011 was generated and confirmed checked to CIS012. Process authorised via email.

No relevant exceptions noted.

Process	Control
<p>There are many reasons for 'No Payment' to be selected, such as:</p> <ul style="list-style-type: none"> <li>• A switch processed as a buy/sale and therefore no payment is required</li> <li>• The payment is made to a bank account not held in CIS Admin</li> <li>• A change of bank details for a specific payment due to transitional activity</li> </ul> <p>In some scenarios a manual CHAPS is created by the processor to ensure the payment is made to the correct bank. Using the SSRS report detailing the disinvestment value and any source data from the client instructing the bank account details. The manual CHAPS form is passed to a control owner to approve.</p>	<p>A control owner checks each field within the manual CHAPS form:</p> <ul style="list-style-type: none"> <li>• Debiting bank account</li> <li>• Payment value</li> <li>• Settlement date</li> <li>• Receiving bank account</li> </ul> <p>A control owner signs the manual CHAPS to confirm their approval and it is passed to Data Management to make the payment.</p>
<p><b>Tests performed</b></p> <p>For a sample of manual CHAPS forms, confirmed forms were complete and confirmed manual CHAPS forms were signed by a control owner. Confirmed forms were authorised by email.</p> <p>No relevant exceptions noted.</p>	



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## **APPENDIX 1 – CONTROL OBJECTIVES, CONTROL PROCEDURES AND SERVICE AUDITOR’S TESTS**

### **16 – ETF TRADING CONTROLS**

Within our fund offering, there are a number of Exchange Traded Funds (ETFs). Phoenix has appointed Morgan Stanley as broker for the execution of ETF trading, on exchange.

(For AB funds holding ETFs, Phoenix uses Northern Trust as the broker. These funds are segregated portfolios and are excluded from these controls as they are subject to different processes).

Process	Control
<p>All ETF Trade Instructions are created by EFM and can be displayed by simply applying a filter to the Trading Method column.</p> <p>The processor checks that all ETF trades agree to those shown on the 'EFM002 – Pricing Trade Status Detailed Report' as generated during the Box Management process (as detailed in Section 1).</p> <p>The processor with the appropriate signatory level in line with the board approved delegated authorities then 'part approves' the trades in the EFM system.</p>	<p>A control owner checks that the ETF trades displayed in EFM agree to those shown on the 'EFM002 – Pricing Trade Status Detailed Report'. A control owner then 'approves' the trades in EFM – in line with the board approved delegated authorities.</p>
<p><b>Tests performed</b></p> <p>For a sample, reviewed the EFM002 reports and confirmed processor 'part approved' and a control owner 'approved' the trade. Confirmed the 'Dealing Audit Checklist' had been signed.</p> <p>No relevant exceptions noted.</p>	

Process	Control
<p>To ensure a consistent dealing approach and valuation point, the processor keys the trade to the Tradeweb system at midday, using the details from the EFM002 report. During the placement of the trade, the processor will share their screen with the authoriser to ensure that it is still subject to a dual authorisation – the system doesn't allow for two stage authorisation and there is also a requirement to time the trade instruction as close to midday as possible.</p> <p>Once placed, a PDF trade confirmation is saved to evidence the trade has been placed. The processor will also manually adjust the deal within EFM to show a 'sent' status.</p>	<p>A control owner who witnessed the trade being entered to Tradeweb will sign the 'Dealing Audit Checklist' to confirm that the trade details match the EFM002 report.</p>
<p><b>Tests performed</b></p> <p>For a sample, reviewed the EFM002 reports. Confirmed the 'Dealing Audit Checklist' had been signed.</p> <p>No relevant exceptions noted.</p>	

Process	Control
<p>On a daily basis a processor runs the SSRS report 'EFM015 – ETFTrade Report' to identify if any ETF market trades have occurred. If so, a stock settlement file will be created out of EFM. This file is then uploaded manually into CitiDirect for Securities/HSBCnet, an online banking system. At this point the trade and settlement details are confirmed against the 'EFM015 – ETFTrade Report'.</p>	<p>A control owner signs the 'ETF DailyTask Log' to confirm that the settlement and trade information within CitiDirect for Securities/HSBCnet matches the details on the 'EFM015 – ETFTrade Report'.</p>
<p><b>Tests performed</b>  For a sample, reviewed the EFM015 reports. Confirmed 'ETF DailyTask Log' was signed.  No relevant exceptions noted.</p>	
Process	Control
<p>On a daily basis, a scheduled report is received from CitiBank/HSBCnet displaying current stock position and any unsettled positions. The CitiBank/HSBCnet stock positions are compared to the Phoenix record of the ETF stock position. This is maintained in a manual spreadsheet called the 'ETFTrading Controls', within individual trade data manually extracted on a daily basis.</p>	<p>A control owner signs the 'ETF DailyTask Log' to confirm that the Phoenix stock position in the 'ETFTrading Controls' spreadsheet matches the Custodian stock position. Any unsettled positions or stock discrepancies are investigated with the Broker and Custodian and the reason is annotated as part of the control. If there is a discrepancy that cannot be resolved, management acceptance is required and will be documented within the control pack.</p>
<p><b>Tests performed</b>  For a sample, reviewed 'ETFTrading Controls' spreadsheet and confirmed 'ETF DailyTask Log' was signed by a control owner.  No relevant exceptions noted.</p>	

Process	Control
<p>An asset price is sourced from SIX Financial who provide a price that is available in the market, as close to midday as possible. When Phoenix execute a trade, the trade price is compared to the asset price within the 'ETFTrading Controls' spreadsheet. The spreadsheet calculates a gain/loss which is driven by the difference in asset price versus trade price.</p> <p>It also calculates the impact on the unit price, as a result of this expected difference which is reported to the Unit Pricing team.</p>	<p>A control owner signs the 'ETF DailyTask Log' to confirm trade data is correctly reported to the Unit Pricing team so that the gain/loss and unit price impact can be used as part of the downstream unit pricing controls.</p>
<p><b>Tests performed</b></p> <p>For a sample, reviewed 'ETFTrading Controls' spreadsheet and confirmed 'ETF DailyTask Log' was signed by a control owner.</p> <p>No relevant exceptions noted.</p>	
Process	Control
<p>Because ETFs are traded on exchange, stock can only be traded in whole units – which means the cash value of the initial trade instruction will not match the value of the confirmed trade. This cash difference is captured in the 'ETFTrading Controls' spreadsheet.</p> <p>The 'UP034-Daily Cash Percentage' report is run to display the overall cash position that will be held in the fund following the settlement of the trade.</p> <p>If the control identifies any of the following scenarios, a trade is required to bring the cash back within tolerance:</p> <ol style="list-style-type: none"> <li>1. If the cash position is below zero,</li> <li>2. If the cash position is greater than £5k, or</li> <li>3. If the cash position is greater than 2% of the Fund NAV.</li> </ol> <p>Any of the above tolerance breaches are reported to the Unit Pricing team who will make adjustments within the next dealing cycle.</p>	<p>A control owner signs the 'ETF DailyTask Log' confirming that the cash position is within tolerance, and any exceptions have been reported to the Unit Pricing team.</p>
<p><b>Tests performed</b></p> <p>For a sample, reviewed 'ETFTrading Controls' spreadsheet and no differences over tolerance limits were noted. Confirmed 'ETF DailyTask Log' was signed.</p> <p>No relevant exceptions noted.</p>	

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## **APPENDIX 1 – CONTROL OBJECTIVES, CONTROL PROCEDURES AND SERVICE AUDITOR’S TESTS**

### **17 – INFORMATION SECURITY**

Phoenix operates an information security framework aligned to the ISO27001 standard, which is reviewed annually and approved at Board level. Ownership of the framework resides with the Group Chief Operating Officer within Phoenix. Compliance is measured through a number of processes including controlled self-assessment, operational assurance reviews and internal and external auditing. Information Security champions are appointed by individual business functions to ensure compliance with the Phoenix Information Security standards.

Process	Control
<p>Systems access for new joiners and leavers is controlled centrally by the IT Service Desk. A ServiceNow ticket is required for all changes to systems access and is passed to the IAS team for facilitating.</p>	<p>To obtain a ServiceNow ticket authorising access, or a change of access, sign off is provided by an approved authoriser. For revoking access, a ServiceNow ticket is provided by a line manager.</p>
<p><b>Tests performed</b>  For a sample, confirmed ServiceNow ticket was raised for joiners and leavers and signed off by an approved authoriser.  No relevant exceptions noted.</p>	
Process	Control
<p>User Access Reviews for core systems, e.g. AMAPS, HiPortfolio are reviewed on a monthly basis. The IAS Team maintain a list of individual users' access rights and application owners.</p>	<p>Every month the list of users' access rights is provided to an approved authoriser. Any changes to access levels requires a ServiceNow ticket authorising access level changes.</p>
<p><b>Tests performed</b>  For a sample, confirmed the list of users' access rights is provided to an approved authoriser. Confirmed 'User Access Request Form' completed and ServiceNow ticket raised for any changes.  No relevant exceptions noted.</p>	
Process	Control
<p>Most system changes are controlled by the centralised IT Change Management Policy. Exceptions to this are the Documentation Changes and Business Changes, which are both controlled locally by the IAS Team.</p> <p>Any systems development is released into the live environment following the process owned by the IAS Team.</p>	<p>Each systems change that is proposed is subject to the following sign off, before a release can be made into the live environment:</p> <ul style="list-style-type: none"> <li>• Confirmation of completed peer review by the IAS Team</li> <li>• Sign off that any User Accepting Testing is complete</li> <li>• Confirmatory email from Business Change Team</li> </ul>
<p><b>Tests performed</b>  For a sample of system updates, reviewed peer review confirmation via email, completed User Accepting Testing, confirmation email and ServiceNow tickets.  No relevant exceptions noted.</p>	

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## **APPENDIX 2**

### TERMS OF RELEASE OF THE 2023 AAF 01/20 ISAE 3000 REPORT TO PROSPECTIVE CLIENTS

## **ISAE 3000/AAF 01/20 Type II Service Auditors' Assurance Report.**

We attach a copy of a confidential Independent Service Auditors' Report (the "Report") on certain aspects of our internal controls environment and processes, which has been prepared by Hillier Hopkins LLP ("HHLLP") in accordance with the specific terms of reference agreed between Pearl Group Management Services Limited t/a Phoenix Corporate Investment Services ("the Company") and HHLLP.

HHLLP has agreed that we may disclose the attached Report to you, on the basis set out in this letter, to enable you to verify that a report has been commissioned by the Company and issued by HHLLP in connection with our internal controls, subject to the remaining paragraphs of this letter, to which your attention is drawn.

HHLLP wishes you to be aware that the work it carried out for the directors of the Company was designed to meet our agreed requirements and particular features of the engagement determined by our needs at the time. The Report should not be regarded as suitable to be used or relied on by any party wishing to acquire any rights against HHLLP other than the Company for any purpose or in any context.

In consenting to the disclosure of the Report to you HHLLP does not assume any responsibility to you in respect of its work for the Company, the Report or any judgments, conclusions, opinions, findings or recommendations that HHLLP may have formed or made and, to the fullest extent permitted by law, HHLLP will accept no liability in respect of any such matters to you. Should you choose to rely on the Report, you will do so at your own risk.

The Report will be issued on the basis that it must not be recited or referred to or disclosed, in whole or in part, in any other document or to any other party, without the express prior written permission of the Service Auditor. HHLLP permit the disclosure of The Report, in full only, to customers of the Organisation using the Organisation's financial services ('customers') and to the auditors of such customers, to enable customers and their auditors to verify that a report by Service Auditor has been commissioned by the Directors of the Organisation and issued in connection with the internal controls of the Organisation without assuming or accepting any responsibility or liability to them on our part.

Yours faithfully



**Brid Meaney**

Heritage CEO

Director, Phoenix Life Limited

Date: 19 January 2024

Signed on behalf of the Board of Directors



**Phoenix Life Limited**, trading as **Phoenix Corporate Investment Services**, is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. **Phoenix Life Limited** is registered in England No. 1016269 and has its registered office at: **1 Wythall Green Way, Wythall, Birmingham, B47 6WG**