



Good governance is central to our investment proposition

For investment professionals only

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Important - Please note that this guide talks about governance for Standard Life's insured life and pension funds only.

We invest a great deal in governance

Governance is vital for consumer protection, and we believe that the best companies consider it a core part of their business. As a fund provider, we want our customers to feel confident that we're working to ensure that the funds they're invested in deliver outcomes in line with their expectations. We therefore have robust procedures in place, both for fund selection and for ongoing monitoring and reviewing.

This guide outlines how we put governance into action, and gives you a clear insight into our processes.

When we refer to 'Standard Life', we mean Phoenix Life Limited, trading as Standard Life.

Good governance allows you to choose our fund range with greater confidence.

What is governance?

Governance involves working to ensure that funds operate in line with our expectations, and with those we set for customers.

At Standard Life, our governance process has two key components – we look both at the fund groups which manage the funds on our insured platform and at the funds themselves. The key aims of our governance process are to check that:

- the fund groups which manage the funds on our insured platform meet our requirements
- there are no significant structural or organisational problems that could affect performance
- we have a thorough understanding of the funds that we're making available to customers
- funds are being run in line with their stated objectives (where applicable) and in a way that's compatible with Standard Life's operational requirements
- customers are treated fairly



Governance is about helping us to better meet customer expectations.

Why is good governance so important?

Good governance puts customers' interests at the heart of our business, and helps providers and advisers comply with their responsibilities.

- We believe that a strong governance process is essential for the peace of mind of our customers, their advisers and our corporate clients
- It helps to ensure that we only have companies on our insured platform that we have confidence in
- A robust governance process helps us set more accurate expectations for our customers by increasing our understanding of how funds are managed
- Governance increases our understanding of the factors, both positive and negative, which drive performance, and aims to reduce the risk of funds underperforming due to structural problems
- Governance helps to ensure that we have an effective process with good controls and an audit trail

Governance is designed to benefit everyone - customers, advisers, trustees and Standard Life.

How does the governance process work at Standard Life?

The Investment Solutions Forum

The Investment Solutions Forum provides a formal setting for the senior people within Standard Life who are accountable for our fund range to review any developments or problems that have arisen. One of their key responsibilities is to ensure that any customer expectations that we set are aligned to likely outcomes.

We have an extensive framework in place to ensure that our fund range is designed, developed, marketed, monitored and changed appropriately. The Investment Solutions Forum allows those accountable to review the output from this framework. This helps them to oversee the key policies, processes and controls which govern selection and monitoring of fund groups and our fund range.

In addition to this, investment-related issues which could affect our ability to meet our customers' expectations are referred to the Forum. Any significant governance issues can be escalated through the Forum directly to our Executive. The Forum meets regularly to discuss risks that have arisen, and to make decisions on what action should be taken.

Some of the governance activities overseen by this Forum are discussed below.

Fund selection

We recognise how difficult it is for customers to select funds from an increasingly wide and complex fund universe. Our fund range aims to be up to date and relevant, offering a broad selection of styles and sectors. We therefore continually review it and, where appropriate, launch or remove funds from our platform.

We currently offer over 1,100 insured funds covering a wide range of management styles and asset classes, including equities, bonds and property.

All new funds that we are asked to add to our platform go through our fund launch process, which has been designed to ensure that all relevant due diligence is carried out as early as possible. The process looks at both the fund group that manages the fund, and the fund itself. We will only add a fund to our platform when we are confident in the fund group. All new funds also go through our due diligence process.

A man with dark hair, wearing a white long-sleeved button-down shirt and light-colored trousers with a brown belt, is smiling broadly. He is holding a silver mobile phone to his ear with his right hand and a dark tablet with his left hand. The background is a bright, modern office space with large windows and a green pendant light hanging from the ceiling.

We dedicate significant resources to selecting funds.

As part of our due diligence process, we make sure that almost all new funds meet a number of operational criteria, including that:

- they're priced on a daily basis
- there's a same day dealing cycle, with prices delivered before market close
- they're UCITS or NURS compliant
- the underlying fund and share class have already been launched, and have been available for at least one month
- the investment strategy of the underlying fund is clear

We also consider:

- previous operational experience with the fund manager in question
- our research and knowledge of the fund group
- known changes planned for the fund (e.g. a merger involving the fund group)
- potential liquidity issues with the fund
- suitability of the fund for our customers
- how the fund fits with our range as a whole

Ongoing monitoring and governance

Ongoing monitoring of our fund range is carried out at two levels. We carry out regular, in-depth due diligence on the fund groups who manage the funds on our insured platform, and we also continue to monitor individual funds once we've added them to the platform.

Fund governance

Monitoring (looking and questioning)

Fund performance is only one of the criteria we look at within the fund management process. We also analyse risk controls, structural issues, and any other underlying causes of performance anomalies. We escalate any issues which need to be resolved to the Investment Solutions Forum every month.

We look at funds with mandates, where we set specific restrictions and limits on what can and cannot be invested in, as well as external fund links (EFLs) funds, where we are providing a link to a fund managed by other fund managers. Our processes include ensuring the funds are behaving as we and our customers would expect, but also that we have set appropriate expectations within our literature.

In addition, there are dedicated individuals within Aberdeen Standard Investments whose role it is to ensure that any discretionary fund-related governance issues are raised and resolved.



More information on our unit-linked pricing controls can be found in our 'Understanding unit-linked funds' guide (GEN569).

As part of our regular processes we look at:

- **Performance** – we look at long- and short-term performance of each fund, both in absolute terms and relative to its peers, benchmark and market trends
- **Risk** – we consider how each fund is performing against various risk measures
- **Attribution** – where necessary, we look at what is driving returns, and ensure this is consistent with the way the fund is supposed to be managed
- **Commentary** – we often request commentary from the fund manager on how the fund is being managed, what they believe has driven any underperformance, and how they expect the fund to perform in future market conditions
- **Interaction** – where we need further information, we discuss concerns and issues directly with the fund management group
- **Governance (escalation and resolution)**
 - Formal fund review** – At these formal meetings with the fund management group, we focus on issues highlighted by our analysis. We try to understand the root cause of any problems, and whether there are any structural problems with the fund. Issues include performance, whether the fund is being managed consistently with any style or size criteria, and whether appropriate and adequate controls are in place
 - Investment Solutions Forum** – recommendations for change or action for any issues which can't be resolved are escalated to this Forum. The forum aids those accountable in deciding what action should be taken

We look way beyond performance when researching funds.



Fund group governance

- **Information gathering** – we ask the fund groups to complete a regular questionnaire. This gives us in-depth information, which includes how they're run and the risks they're facing
- **Follow up** – where we have any further questions, we follow up with the fund groups. This can include face-to-face meetings to discuss specific issues if necessary
- **Heat maps** – in some cases we'll use heat maps to assess the likelihood and impact of a risk materialising for a fund group

We look at a wide variety of risks and categorise them by the type of risk:

- **Business risk** – the culture of the group, likely growth and change in the organisation, their strategic planning and any keyman risk and succession planning
- **Financial risk** – the total funds under management, an analysis of the group's balance sheet including the amount of debt it has taken on, the amount of cash available to the firm
- **Product & operational risk** – whether the group has an investment committee and its roles and responsibilities, the structure of its internal controls, the product development and marketing processes and how concentrated the group's assets are
- **Regulatory risk** – we check the company's regulatory permissions and conduct risk policies, as well as any litigation against it

Any areas of concern are reported to our Investment Solutions Forum, which assesses what action, if any, needs to be taken.

Corporate actions notifications - keeping you informed

Where there are changes to funds and fund groups which may have a significant impact on our customers, we'll make sure they're kept fully informed:

- A senior-management group meets weekly to review all corporate actions received
- This group assesses the impact on our customers, including whether the actions meet TCF principles. We inform our customers when we believe there's a significant impact
- We also post information about fund and fund group changes on our website: www.standardlife.co.uk/investments/funds/news-updates

Fund closures

We may decide to remove a fund from our insured platform for commercial reasons, due to an external fund closing or due to concerns around the fund or management group. Most fund managers will underperform at some point due to the ebb and flow of the markets, so we don't remove funds solely due to short-term underperformance. Instead, we look at the circumstances around the underperformance, to determine whether it's attributable to fundamental problems. These could include poor internal risk controls, significant change within the investment team, or failing to follow stated processes. Most issues can be addressed through fund change or providing clarity through communications. However, where problems are significant and seem unlikely to be rectified we would expect to remove the fund.

If we decide to remove a fund, we select a replacement fund which has, in our opinion, the closest investment objective to the fund we're closing. Where possible we give customers three months' notice of our intention to close the fund to give them the opportunity to move to another fund of their own choice. In some circumstances for External Funds it may not be possible to provide the full 3 months notice however we will provide as much notice as possible. After three months, if they haven't moved to another fund, their holdings are automatically switched into the replacement fund. However, even after the automatic switch has taken place, customers can usually choose to move to a fund of their own choice at any time.



What does governance not do?

The governance process does not:

- advise on the suitability of a fund, product, or otherwise provide financial advice
- provide any guarantees about the funds on our insured platform and how they're managed
- prevent fraud

**Good governance
is business as usual
for Standard Life.
We understand the
benefits it brings
to our customers
and advisers.**

Find out more

To find out more about our funds, please contact your
Standard Life account manager or visit

www.adviserzone.com

Call us on 0345 279 2000

(Mon to Fri, 9am to 5pm). Call charges will vary.