

Hello
We're building value
by acting responsibly



GROWING RESPONSIBLY

Friends Provident Corporate Responsibility Review 2009

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Our Corporate Responsibility Review

Welcome to this year's printed review. This document provides a summary of the issues facing our business, which are covered in more detail online – including further information on our progress, performance and targets. The responsibility section of our website also provides comprehensive information on our policies and approach as well as previous reports that show our progress to date. www.friendsprovident.com/crreport



This is our summary report; you can read our full report and find out how we are **GROWING RESPONSIBLY** at www.friendsprovident.com/crreport



FAST FACTS ABOUT US

Friends Provident is the trading name of a number of UK-based life and pensions companies. The Friends Provident group traces its origin back to 1832 when the company was established to alleviate the hardship of Quaker families facing misfortune. Today, Friends Provident's award-winning strengths in product design, technology and servicing are available worldwide.

Friends Provident's UK business has developed strong offerings in pensions and protection to complement its historic With Profits business. Friends Provident International offers competitive protection, savings, investment and pensions products for a broad and diverse range of markets including Hong Kong, Dubai and Germany. It distributes its products primarily through business partners and intermediaries in the UK and around the world.

2.8m
customers

2,800
employees across Asia, the Middle East, Continental Europe and the UK

1832
We were founded in 1832, to alleviate the hardship of Quaker families facing misfortune

2009
Friends Provident became a subsidiary of Resolution Limited

WELCOME – A message from our CEO

2009 was a tough year for businesses and individuals alike. Many commentators forecast that, faced with difficult choices, companies would forego the principles of responsible business. But this hasn't happened and many companies are increasingly recognising what Friends Provident has known since 1832 – that acting responsibly builds trust, trust builds reputation, and reputation builds value.

Despite the challenges of 2009, I am delighted that Friends Provident has continued to demonstrate its commitment to all stakeholders, living up to our heritage.

Our programme

Our corporate responsibility (CR) programme touches on some really big issues that are key to the way we do business – including how we look after our customers; how we invest their money and engage with those who supply products and services on their behalf; and how we treat our employees and our business partners.

This is something that I am passionate about and believe in, not only because it is an integral part of Friends Provident's heritage, but also because it provides us with a key differentiator in the marketplace. I am very proud of Friends Provident's high standing in the corporate responsibility arena, reflected by the standards and awards documented in this review and in our online report.

Meeting the challenges

On a personal note, 2009 was my first full year with Friends Provident and I welcomed the opportunity, as the board member responsible for CR, to become personally involved with a number of our key issues. In May I attended The Prince of Wales' May Day summit and signed Friends Provident up to five of the May Day network pledges, which focus on reducing carbon emissions and engaging other stakeholders to do the same. Through our involvement in ClimateWise, I again met with HRH The Prince of Wales to discuss progress by the insurance industry in responding to climate change. And as part of our involvement with the Life Academy, I was invited to deliver their annual lecture in November, discussing the challenges ahead for people thinking about retirement and what our industry can do to help. Finally, I thoroughly enjoyed getting involved in our company's fundraising day for Children in Need – as a customer consultant on the call centre phones!

Trevor Matthews, Chief Executive Officer, Friends Provident

Our vision

To be a specialist life and pensions group, most admired for our progressive approach, our customer experience and our sustainable profitable growth

Our core purpose

We exist to give people more freedom to enhance and enjoy their lives

“ I believe Friends Provident will continue to grow and flourish in years to come and that our approach to corporate responsibility will continue to contribute to our future success.

Trevor Matthews ”



CR MANAGEMENT SYSTEM

Business **CORPORATE RESPONSIBILITY INDEX 2009**
Community

During 2009, we maintained our Gold rating in Business in the Community's CR Index

ENVIRONMENT

Total CO₂ emissions (tonnes)



6%

reduction in our Scope 1 and 2 carbon emissions (2% reduction in total emissions)

OUR PEOPLE

Avoidable staff turnover (%)



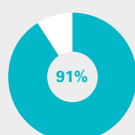
3.2%

less employee turnover for avoidable reasons

OUR CUSTOMERS

Service satisfaction

91%



of Customer Impact Survey respondents were satisfied with our service

OUR SUPPLIERS

Recycled paper content used

100%



of our printer and photocopier paper had 100% recycled content

OUR COMMUNITY

3,058 hours

were volunteered in 2009 by over 390 employees, to support local charities and voluntary organisations through Friends in the Community

OUR CUSTOMERS

Trust is crucial to the relationship between a business and its customers, and nowhere is this more apparent than in the life and pensions industry. At Friends Provident, we recognise that when it comes to long-term savings, consumers want to be confident that they can trust their provider to deliver on its promises and guide them through often complex financial decisions.

We recognise that building relationships with our customers is critical to our future success. We approach this issue in two ways: by doing all we can to meet customers' needs; and by increasing their understanding of how to manage their money.

Treating customers fairly

We are continually working to improve our products and services to ensure that we are fair to our customers and meet their needs. One of the ways we do this is through the Financial Services Authority (FSA) initiative, Treating Customers Fairly.

Over the course of 2009, we continued with quality control checks and audits to ensure all customer communications are clear and provide the required information. We improved over 200 documents and began a review of all 'key features documents' following updated guidance from the FSA. We also piloted a new approach to obtaining customer feedback and our process for handling complaints was strengthened with deeper analysis, and improved management information.

Customer impact

Our annual Customer Impact Survey helps us to monitor how we engage with customers and to develop strategies for continuous improvement in this area. Our 2009 results will be published by June 2010 and will be available on our website at www.friendsprovident.com/reports. Top-line findings include 91% satisfaction with our service among respondents, and 83% rating the quality of our products and services as good, very good, or excellent. These results are broadly in line with industry scores.

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Financial capability

Financial capability is concerned with giving people the tools they need to manage their money, plan ahead, choose financial products and stay informed about financial matters. Friends Provident's current focus is on the financial education of our UK customers and employees.

In 2009, we launched a new financial education service, My Money and Me™. The programme builds on our existing work with the Life Academy, an educational charity with specialist expertise in retirement planning. It also includes interactive workshops, facilitated by experts from Friends Provident, which reached 136 end customers during 2009. We offer our customers an educational website, e//learn, that covers subjects ranging from budgeting fundamentals to pensions. We also offer e//tutor, an online interactive educational tool, which provides customers with information to help them make the most of saving for retirement.

In response to customers' changing needs, Friends Provident is also developing a 'corporate platform' – a system similar to online banking where members of our company pension schemes can view and make transactions on their financial benefits, helping them to better understand their financial priorities and develop the habit of saving.

83%

of Customer Impact Survey respondents rated the quality of our products and services as good, very good, or excellent

Treating Customers Fairly is a key issue on our agenda



330

members of our company pension schemes participated in our in-depth financial education programme

The new FRIENDS My Money and Me™ service – available through the workplace – aims to increase the financial awareness of the UK workforce



RESPONSIBLE INVESTMENT

As a life and pensions provider, Friends Provident's most significant impact on society is the influence we can exert through the investments we hold on behalf of our policyholders. We are also a market leader in offering responsible investment solutions for customers.

275

companies engaged by our asset manager F&C on our behalf

Friends Provident is committed to the principle that investors should accept a degree of responsibility for the actions of the companies they invest in and we are a key player in the field of responsible investment through our 'Stewardship' range of ethically screened funds and products.

Impact of the financial climate

The economic downturn affected investment funds across the board, and the performance of socially responsible investments (SRIs) was no exception.

Nonetheless, the end of 2009 saw a marked recovery in the SRI market. During the fourth quarter of 2009, sales increased to the highest level since 2007, according to figures from the Investment Management Association.

This reflects research in 2009 by Friends Provident, which found that the British public continues to rate the importance of responsible investment. Over half (54%) think it is far more important than it was 25 years ago. In addition, nearly 75% of the British public agreed it is important that companies take social, ethical and environmental issues seriously – in particular issues such as pollution, energy conservation and climate change.



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Influencing for change

In 2009 we continued to apply the Responsible Engagement Overlay (*reo*[®]) to our equity investment portfolio with our asset manager, F&C. *reo*[®] aims to encourage the companies in which people invest to improve their management of a range of important social, ethical and environmental issues to enhance shareholder value. More information on F&C's recent engagement activity can be found at www.fandc.com.

Friends Provident demerged with F&C in 2009 and this year we shall review our approach to responsible investment to ensure it continues to reflect our fund management strategy moving forward.

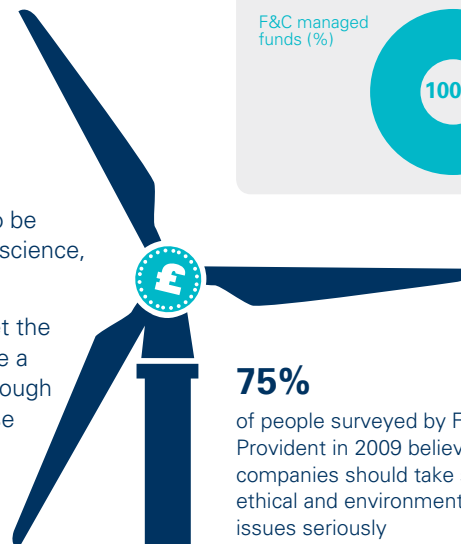
Ethical funds

2009 was the 25th anniversary of the Stewardship retail ethical fund, the first to be launched in the UK. Stewardship gives investors the option to invest with a conscience, something that has become increasingly important to people in recent years.

In 1984, the aims of Stewardship were: to exclude companies that do not meet the ethical standards of the funds or harm society; to support companies that make a positive contribution to society; and to encourage better business practices through shared ownership and dialogue. These aims are still in place, though the precise criteria used to select companies has evolved.

In 2009 F&C exercised Friends Provident's voting right across 100% of our holdings. A total of 8,822 resolutions were voted on at 828 company meetings

F&C managed funds (%)



75%

of people surveyed by Friends Provident in 2009 believe companies should take social, ethical and environmental issues seriously

THE ENVIRONMENT

54%

waste recycled during 2009

6%

reduction in Scope 1 and 2 carbon emissions during 2009



In addition to protecting the environment by investing our customers' money responsibly, we have an obligation to reduce the impact of our operations on the environment.

Tackling climate change

We take our responsibility to tackle the issue of climate change very seriously and believe we must work with our partners in industry to achieve common goals. As a leading member of ClimateWise, the insurance industry's response to the threat of climate change, Friends Provident signed the Copenhagen Communiqué on Climate Change in September 2009.

Friends Provident was also awarded the Carbon Trust Standard in 2009, recognising the importance we place on carbon management and our success in reducing our carbon footprint year on year. In partnership with Global Action Plan, an employee 'behavioural change' programme was piloted in the Isle of Man office and achieved a 17% decrease in electricity use. This programme will be rolled out across our UK offices in 2010.

Environmental performance

In 2009, energy use reduced by 2%, from 23,085 MWh to 22,711 MWh, exceeding our target to maintain energy use at 2008 levels. Carbon emissions have also reduced once again, from 12,178 tonnes (2008) to 11,960 tonnes. We also achieved our target of reducing waste to landfill by 5% and were recognised with the Best Green Initiative in a Travel Programme award at the 2010 European Travel Buyer Awards.

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20%

reduction in paper use

98.74%

of our marketing paper spend was through ISO 14001-accredited paper suppliers



OUR SUPPLIERS

We are committed to managing risks and improving environmental and social performance in our supply chain. We look to do business with partners who adhere to values and principles compatible with our own. We also work with key suppliers across our entire supply chain to encourage them to develop responsible business practices.

Responsible procurement

Since 2007, Friends Provident has had a centralised procurement team which has responsibility for managing the tender process for all large suppliers. Our procurement team is an active member of the Financial Services Purchasing Forum and contributed to a series of guides to help assess the sustainability credentials of potential suppliers of goods and services. These guides were used when selecting major outsourcing partners such as IBM for IT and Mitie for facilities management.

Sustainable marketing materials

In 2009, Friends Provident was the first financial services firm in the UK to produce a sustainable mail campaign under PAS 2020 accreditation. This is an independently accredited environmental standard to provide the direct marketing industry with the means for certifying the environmental performance of a direct marketing campaign.

In 2009, all the paper sourced by Williams Lea for our marketing literature was accredited by the Forest Stewardship Council, 84% of which had at least 80% recycled content.

Our suppliers

OUR PEOPLE

Friends Provident's employees are central to our present and future success and we have a responsibility to provide a positive working environment for them.

In 2009 we conducted a thorough review of our pay and benefits to help drive our ambition to become a progressive, performance-driven company with a sharp commercial edge, willing and able to meet the high expectations of today and tomorrow. Although necessary changes have been made, we have kept key elements such as the employee bonus scheme and final salary pension scheme.

Managing change

As a result of challenging market conditions, we continue to make changes to the size, shape and cost of running our business. When undertaking such difficult and sensitive initiatives, we seek to minimise the number of compulsory redundancies through voluntary turnover and redeployment. Recognising that this is a difficult time for those people affected, we provide outplacement support for those leaving to equip them with the skills and techniques to help plan their future career and to find alternative employment.

Investors in People

We were pleased to retain our Investors in People status in 2009. Our assessor commented that although this was a time of enormous change for the company, we had clearly put in a great deal of effort to keep our staff informed.

As a result of our revised strategic focus, we continue to make significant changes to the size, shape and cost of running our business



Our people

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OUR COMMUNITIES

Friends Provident believes that building and maintaining relationships of trust in the local community is vital to the sustainable future of its business. Our community investment programme – Friends in the Community – is centred on our employees, enabling them to support the communities in which they live and work.

Employee-led giving

As part of the Friends in the Community programme, we encourage tax-free payroll giving to charitable causes by matching employee donations up to £20 per month. In 2009, we achieved the Gold Payroll Giving Quality Mark, which recognises that over 10% of our people gave regularly to charity through Give As You Earn. We also encouraged employee fundraising through pound-for-pound matched funding, raising a further £125,000 for charitable causes.

Partnerships in the community

We continued to support a wide range of local community-based events and programmes including Chance to Shine (a sporting programme to promote cricket in state schools), the Children's Great West Run in Exeter, the Salisbury International Arts Festival and the Exeter Positive Steps Fund, which awards grants to local good causes.

Strategic partners

include organisations such as Global Action Plan, Life Academy and Mind, whose work links to other aspects of our corporate responsibility programme

£1,136,070 in-kind and cash donations made during 2009*

* including donations made by the Friends Provident Foundation

Our communities



STAKEHOLDER ENGAGEMENT

Every year, we take part in syndicated research with the Reputation Centre at Ipsos MORI to understand how we are perceived by independent experts in corporate responsibility and members of various non-governmental organisations. In 2009, we were very encouraged to find that for the fourth year running, we were ranked best in sector when compared to our peers. Friends Provident also continued its membership of Business in the Community and achieved Gold in the Top 100 Companies that Count.



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Don't just take our word for it

Friends Provident's long history of social responsibility is underpinned by the management systems that govern our behaviour and conduct. We work with numerous organisations to develop our corporate responsibility programme and annually seek certification by external assessors, of the validity, meaningfulness and completeness of our data and reporting process.

AECOM Sustainable Development Group undertook the verification of CO₂ emissions as outlined in the Greenhouse Gas (GHG) Protocol.

Corporate Citizenship provided assurance on our community investment data. The assurance process consists of a broad review of our London Benchmarking Group data, including the systems and processes used to collect it. It also provides assurance that the model is being correctly applied.



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