

Workingtogether

Corporate Responsibility Report 2010

to give people more freedom and choices to flourish and enjoy their lives. Use the links below to find out more...

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Overview

We have transformed our business, creating Friends Life: a new company with new values.

→ [Read more](#)



Materiality review

In 2010, we completed a materiality review to identify and evaluate the key economic, social and environmental issues we face.

→ [Read more](#)



Performance

Highlights of 2010 include achieving Platinum rating in Business in the Community's Corporate Responsibility Index.

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Overview



Our vision at Friends Life is set in the context of a future where business and communities thrive in a world that's environmentally sustainable and socially just.

Trust creates value

Corporate responsibility (CR) is increasingly important in today's commercial environment. Since the economic downturn and banking crisis, big businesses in general and the financial sector in particular face public scrutiny as never before – and, right now, trust in business remains fragile.

So in this context, winning consumers' trust is now not just good for business but, for those that can build on it, a major source of competitive advantage. At Friends Life, we understand that responsible business practices inspire trust, which builds reputation and ultimately creates value. That's why earning and maintaining consumer trust is at the heart of everything we do.

There are many challenges to meet. Consumers want to know whether companies treat people well – including their own employees – and are making the transition to a low-carbon economy. Consumers also want to know that their money is being invested responsibly and that they can feel secure about the financial decisions they make.

In a time of economic uncertainty, we believe we have a great opportunity to play a part in building consumer confidence in our sector, and positioning our business at the forefront of responsible practices. As a new organisation, we're drawing on the many strengths of our constituent parts to forge a new identity and define our comprehensive commitment to CR. This report details the first steps in this journey.

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Chief Executive's welcome

Since our last report, the business has been transformed. By bringing together three UK life assurance businesses, we have created Friends Life: a new company with new values.

Our core purpose is clear: 'To give people more freedom and choices to flourish – and to enhance and enjoy their lives.' It underpins everything we do: the products we develop, the services we offer, and the relationships we forge with our stakeholders.

Securing and enhancing the reputation of Friends Life is essential. In recent years, aggressive sales, pensions mis-selling, disappointing endowments and high commission rates have regrettably undermined confidence in the financial services industry – as has the greater focus on new business rather than on established customers. We're working hard to play our part in restoring public confidence in our sector by clearly demonstrating our values at all times, not only to our customers, but to all our stakeholders.

The value of our products and services is often clearest when things in life don't go according to plan. It is especially at these moments when people can rely on Friends Life as a reputable and responsible business, one which is focused on helping customers navigate uncertainty and protect themselves against financial risks. In such circumstances, our products can make a real and positive difference to people's lives.

Given this extraordinary period of change – to our industry, the economy, and Friends Life itself – our corporate responsibility (CR) programme faces many challenges. We were delighted, therefore, to achieve a Platinum rating in Business in the Community's CR index for 2010.

This report contains examples of improvements we've made in process and performance, as well as detail on how we intend to advance our CR programme across our wider Group in 2011.

There are many ways in which we're working to build a truly sustainable and responsible business, detailed throughout this report. These will continue to evolve as we define and develop our strategic approach to CR for our new organisation. At all levels of our business, we're committed to building trust and demonstrating our integrity. I hope you'll find the work we've detailed in this report supports this claim, and that you can share with us the optimism we have at Friends Life about the journey ahead.

Trevor Matthews,
CEO, Friends Life

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About us

Friends Life is a leading UK financial services group, with five million customers.

It has been created by parent company, Resolution, with the aim of setting new standards in the financial services market and delivering greater returns to shareholders.

Below is an overview of the Group structure.

Resolution Limited

- Capital markets expertise/mergers and acquisitions capability
- Project oversight
- Integration skills/synergy extraction



Friends Provident Holdings (UK) plc

- Group Board
- Focus on day-to-day operations



Friends Life

UK business

- Friends Life UK Corporate and Individual businesses
- Sesame Bankhall Group

International business

- Friends Provident International
- fpb AG
- Lombard
- AmLife (30% stake)



Useful links

[→ Resolution Limited's Annual Report](#)

The core elements of the business are:

- UK Corporate, which markets products and services to companies and other organisations. Its main focus is group pensions but it has a growing involvement in corporate protection schemes. Distribution is predominantly through Employee Benefit Consultants.
- UK Individual, which markets products and services to individual customers – primarily through distribution agreements. Its focus is on protection plans, although it also markets individual pensions, savings and investment plans, and annuities.
- Friends Provident International, which mainly offers savings plans but is increasingly diversifying into pensions and protection plans. Distribution is focused on three key regions: Asia, the Middle East, and Continental Europe. It is primarily conducted through specialist independent financial advisers and strategic partnerships.
- The Group also owns the Luxembourg-based company Lombard, a specialist in life assurance for high net-worth individuals; and Sesame Bankhall Group, a leading UK supplier of intermediary support services to more than 12,000 financial advisers. The Group has a 30% stake in AmLife – an insurance subsidiary of AmBank Group – which operates in Malaysia.

The Group has a strong, ongoing focus on both cost control and the release of capital. For further information view Resolution Limited's [Annual Report](#).

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Governance

Friends Life is committed to proper and effective corporate governance as is its parent, Resolution. This includes:

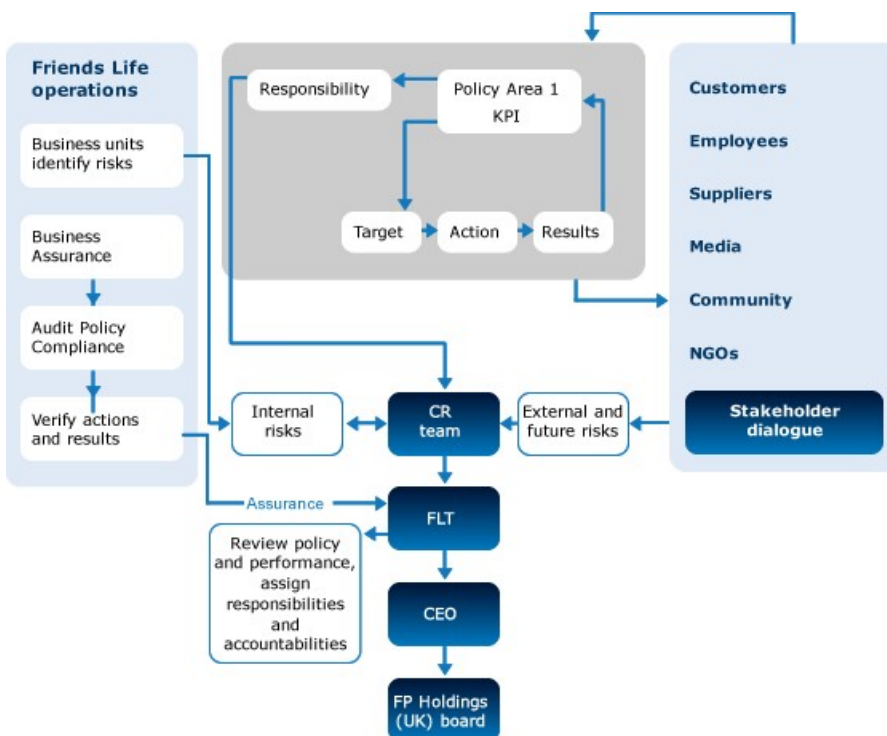
- ensuring that the accountabilities and processes through which the organisation is controlled are clearly defined, regularly monitored and conform fully to the requirements of relevant legislation, regulation and accepted convention
- obeying the letter of the law as well as respecting its spirit
- respecting the confidentiality of information held by the business
- observing high standards of transparency, including reporting regularly and honestly on our performance, both internally and externally.

Useful links

- [Statement of business principles](#)
- [Human rights and diversity](#)
- [Environment](#)
- [Strategic sourcing and sustainability](#)
- [Policy statement on Climate Change](#)
- [Charitable giving](#)
- [Macmillan Cancer Support](#)

We see each of these behaviours as a cornerstone of the trust we seek to earn from our customers and stakeholders.

Friends Life liaises closely with Resolution on its corporate responsibility (CR) vision and strategy, ensuring alignment with Resolution's own CR core policy. We are already working hard to embed responsible business practices in each area of the new company through our governance and management structures.



The Chief Executive of Friends Life is responsible for implementing the CR strategy through the senior management team, with the support of the CR function. The split of responsibilities is shown below.

Friends Life Board is responsible for:

- CR strategy and policy
- overall supervision of the CR programme
- risk management
- compliance with Resolution Group CR Policy.

The Friends Leadership Team is responsible for:

- discussing strategic CR issues
- setting priorities
- CR performance.

The CR team is responsible for:

- formulating CR strategy and policy for the Board
- implementing CR strategy through work with business operations
- managing CR performance through CR Key Performance Indicators
- stakeholder engagement
- benchmarking international best practice
- communications.



2010 review

Since the creation of Friends Life, we have worked hard to harmonise the Group's CR policies – clarifying responsibilities and accountabilities across the business. Through conversations with senior managers, and by formalising previously informal processes, we have made changes to improve the overall structure and rigour of our programme. We want our stakeholders to have confidence in every aspect of Group operations.

We have issued a new [policy statement on Climate Change](#), which clearly sets out our approach to carbon reduction, sourcing renewable energy and offsetting. Friends Life commits itself through the statement to collaborating with our industry and to incorporating climate change considerations into our risk, investment and governance frameworks.

As part of the same process, we reviewed our overarching Statement of Business Principles and all associated policies – including those covering human rights and diversity, the environment, and strategic sourcing and sustainability.

We have also streamlined our approach to [charitable giving](#). Friends Life will focus on building longer term more substantial partnerships with clear and measurable objectives that extend beyond simple fundraising. Our people will help choose our charitable partners. In 2011, Friends Life is proud to be partnering [Macmillan Cancer Support](#).



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Stakeholder engagement

To grow and prosper, Friends Life needs a sustainable business model that meets the needs of our customers and all other stakeholders.

We're working to build strong, mutually beneficial relationships with all these different parties, from our business suppliers through to the wider financial sector and government. We want to create better ways to engage with our employees and the communities where our offices are located. We're also looking to build stronger links with financial advisers, charities, non-governmental organisations (NGOs) and corporate responsibility (CR) experts as part of our comprehensive approach to CR.

We have set out our responsibilities to our many stakeholders in a Statement of [Business Principles](#) and provided a summary below.

We intend to earn the trust of [Our Customers](#) by treating them fairly, offering high-quality service and value-for-money products.

We will strive to remain leaders in [Responsible investment](#).

We will pursue policies and practices that seek to improve our [Environmental Performance](#) and aid the transition to a low-carbon economy.

We are committed to providing for [Our Employees](#) a fair, rewarding and enjoyable environment in which to work, with shared goals and ethics.

We aim to be a good corporate citizen in all the [Communities](#) where we operate and beyond – through participation in charitable, cultural, educational and recreational activities.

We seek to work only with [Suppliers](#) who adhere to values compatible with our own.

Changing behaviours

Society faces significant challenges, which impact our business: record levels of debt, increasing average lifespans, low levels of financial capability, and an unwillingness to save for the long term. These challenges have placed an unaffordable burden on the state, which must drive greater individual responsibility for protecting income, funding long-term care for the elderly and those people with chronic illnesses or disabilities, and saving for retirement.

This transition will require both a change in public behaviour and in its attitude towards financial services – where reform is necessary to restore confidence.

The Coalition government has launched a series of consultations and proposed reforms including changes to the regulation of financial services, the Retail Distribution Review, the removal of the default retirement age, auto-enrolment, early access to pensions, simplified products, the Long Term Care Commission and the Working Retirement Income Commission. There is much more to come.

Public affairs

These reforms will significantly change the market in which Friends Life operates. It is essential that we share our insight and expertise to help influence the development of public policy and accompanying regulation and legislation.

During 2010, we worked harder to help shape areas of public policy relevant to our business. Our Pensions Manifesto, for example, offered specific policy ideas on long-term savings and we responded to many consultations to highlight the potential consequences of proposed reforms, which may have been to the detriment of consumers.

Feedback

Stakeholders tell us how well we're performing on CR-related issues through surveys and other channels.



Useful links

- [Statement of business principles](#)
- [Our Customers](#)
- [Responsible Investment](#)
- [Environmental Performance](#)
- [Our Employees](#)
- [Communities](#)
- [Suppliers](#)

We participated, for example, in two research projects undertaken by Ipsos MORI to better understand the views of MPs, CR experts and leading NGOs.

MPs rated Friends highly on honesty and integrity, ranking us among the top five organisations measured overall.

The cloud map below indicates the issues that CR experts and NGOs identify as most relevant to our business. This research has fed into the development of our materiality matrix, which identifies our key CR issues.



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Targets and performance overview

Given the amount of change across the business, we are still in the process of developing Group-wide medium-term targets.

The table below reports Friends Provident's progress against the Corporate Responsibility (CR) targets it set for 2010.

CR management

Objective	2010 Targets	Achieved (Y/N)	Notes
Further develop our management system.	Achieve at least a Silver banding in Business in the Community's CR Index.	Y	Achieved Platinum rating in the CR Index. We will work with Business in the Community during 2011 to benchmark our approach across the Group.

Customers

Objective	2010 Targets	Achieved (Y/N)	Notes
Increase consumer trust in, and understanding of, our products and services.	Increase number of average monthly hits on etutor retirement site to 250 per month, and deliver eight face-to-face seminars, reaching 140 customers.	Y	Eight seminars were delivered to 140 customers and the average monthly hits on etutor increased to 360 per month.

Environment

Objective	2010 Targets	Achieved (Y/N)	Notes
Reduce energy consumption and waste generation at our operations and promote re-use and recycling.	Reduce waste generation across UK and Isle of Man sites by a further 5%.	N	Total waste generated reduced marginally by 1%, from 550 to 544 tonnes.
	Increase recycling across UK and Isle of Man sites by 5%.	Y	Recycling levels increased from 43% of total waste (2009), to 56% of total waste (2010).
	Reduce buildings' energy use per employee by 5% through improved efficiency and employee behavioural change programme.	N	Energy used reduced considerably by a further 10%. Nonetheless, employee numbers also reduced and as a result the target was missed.

People

Objective	2010 Targets	Achieved (Y/N)	Notes
Respect the provisions of the United Nations Universal Declaration of Human Rights (UNUDHR), in particular those articles that relate to discrimination, equal terms of employment, work-life balance, and standard of living.	N/A	N/A	Friends Provident did not set people-related targets owing to the restructuring of the business.

Community

Objective	2010 Targets	Achieved (Y/N)	Notes
Increase staff involvement in community investment.	Develop new community programme in line with Resolution's Group Corporate Social Responsibility Policy.	N	A new community investment programme was developed but roll out was delayed until April 2011. This has now been completed.
	Maintain Gold Award for employees donating through Give As You Earn (GAYE) – 10% participation rate.	Y	Friends Provident achieved a participation rate of 11% and retained its Gold Award.

Suppliers

Objective	2010 Targets	Achieved (Y/N)	Notes
Work with suppliers to improve the social and environmental performance of our supply chain.	Work with Forum for the Future to develop a strategy for ongoing engagement with new outsourcing partners, including the development of a sustainability roadmap.	Y	A strategy was developed. However, this will need to be revised to reflect the combined supply chain (including outsourcing partners and contractors) of Friends Life.
	Measure and report the complete carbon footprint of our marketing material.	Y	The carbon footprint of marketing material was also used to make informed choices in the Friends Life re-branding process.



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About the data

Friends Life is a new organisation created by bringing together three UK life assurance businesses. The first acquisition of Friends Provident was made in November 2009. This followed a further acquisition in September 2010, which added three large sites (Basingstoke, Coventry and Bristol) and doubled the number of employees. The last of the acquisitions was completed in January 2011 and is not therefore included in this year's reporting.

Due to these changes, we are reporting Friends Provident's figures independently from the newly acquired sites to allow comparison with previous years.

The data reported for the newly acquired sites is only for the period after the acquisition i.e. September to December 2010.

We will provide consolidated Group-wide data for the 2011 report and use that as a baseline for future reporting.

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Assurance

At Friends Life, we seek third-party assurance on the materiality, completeness and responsiveness of our published data.

CO₂ emissions

AECOM Sustainable Development Group has verified our reported carbon dioxide (CO₂) emissions. Its process is consistent with the [Greenhouse Gas \(GHG\) Protocol](#) and includes a rigorous examination of methods used to record, collate, calculate and audit emissions. Its verification statement and their full analysis can be accessed here: [Verification of Emissions Reporting Calendar Year 2010](#).

Community investment

Corporate Citizenship has provided assurance of our community investment data in accordance with the [London Benchmarking Group \(LBG\)](#) model – as well as our correct use of the model itself. The assurance statement can be accessed here: [LBG Assurance Statement](#).


Useful links

- ⇒ [Greenhouse Gas \(GHG\) Protocol](#)
- ⇒ [Verification of Emissions Reporting Calendar Year 2010](#)
- ⇒ [London Benchmarking Group](#)
- ⇒ [LBG Assurance Statement](#)

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Key issues



We focus our corporate responsibility reporting on the issues that are most important to our business and our stakeholders, and those issues we are able to influence.

These issues are identified through a 'materiality analysis', which is based on various sources including stakeholder feedback, competitor analysis and horizon scanning. The analysis identified the continued relevance of issues such as customer understanding, climate change, responsible investment and employee wellbeing. It has also prompted us to reconsider the importance of issues such as confidence and trust, and good governance as well as the impact of the recession.

Key issues

Materiality review

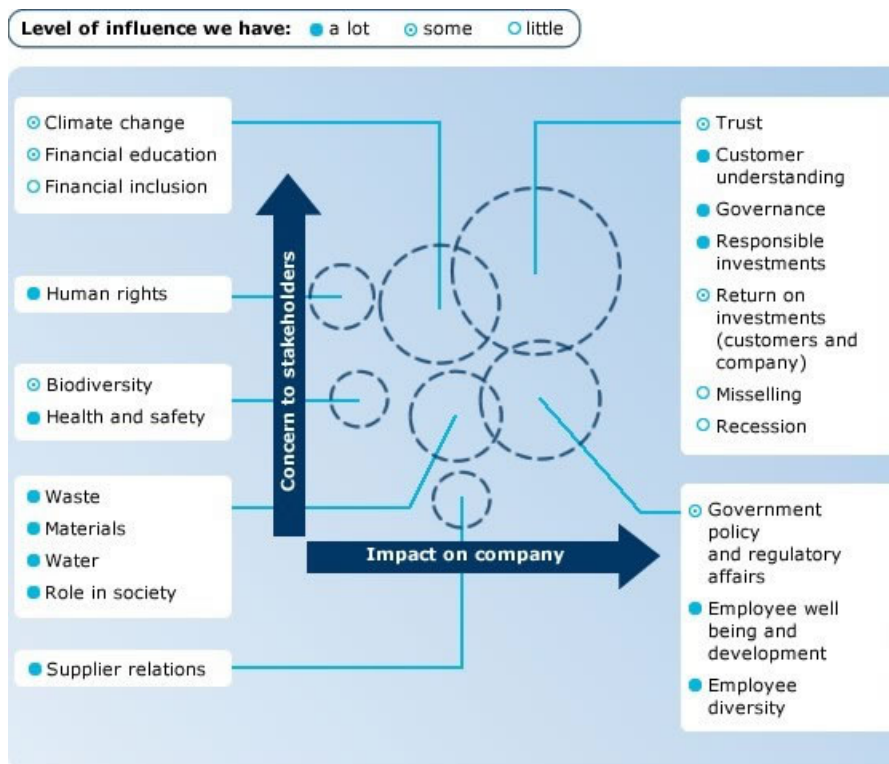
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Materiality review

Towards the end of 2010 we undertook a further materiality analysis to identify and evaluate the key economic, social and environmental issues we face. These key issues include important challenges to our business, matters of greatest concern to our stakeholders and areas where we can have most influence.

The analysis consisted of three broad stages: identifying issues from a range of stakeholders and other sources; ranking them in order of significance; and then using them to inform our strategic direction.


The outcome is a visual representation of key issues showing their relevance to our stakeholders and their importance to the commercial success of Friends Life.



Our customers

Meeting the needs of our customers

Financial capability

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Customers



Our values of customer understanding, accountability, respect and enterprise inform everything we do at Friends Life.

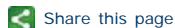
The life and pensions industry is complex. It requires long-term commitments from consumers, who often depend on expert advice before making important financial decisions.

Our values are therefore essential to winning customers' trust – and to improving consumer confidence in financial services more generally. Without that confidence, people find it that much harder to plan for a brighter future. Friends Life wants to give people the freedom to flourish, secure in the knowledge that by using our products they are better placed to look forward with optimism and can trust us to deliver on our promises.

Our customers

Meeting the needs of our customers

Financial capability



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Meeting the needs of our customers

The Friends Life business model focuses on bringing added value to our current customer base. Our goal is to offer products that meet customers' needs and improve their lives. At the same time, we continually seek to treat customers fairly and help them to boost their own financial skills.

Understanding our customers

Nothing is more important than understanding what customers really need. Friends Life is developing new methods of doing this beyond more familiar transaction-based feedback and the Association of British Insurers (ABI) Customer Impact survey.

Our new Customer Satisfaction project is one way in which we are identifying ways for Friends Life to become more customer focused and to monitor our progress over time. We successfully completed a pilot initiative in 2010, and our research will continue in 2011.

Treating customers fairly

We created a new Friends Life Customer Committee to ensure that fair treatment of customers remains at the heart of all we do. The Committee will directly influence our customer strategy, aided by the creation in 2011 of a senior position focused on customer standards.

We remain firmly committed to the Financial Services Authority's Treating Customers Fairly (TCF) initiative and are closely following the development of the new ABI customer strategy.

During the past year, we revised more than 200 communications to make them clearer and easier to understand. We also reviewed online services so that customers have more information about their policies and what they can expect from them.


The majority of our customer-facing staff attended workshops to improve their communication skills, and all employees completed compulsory training on the principles of TCF. We'll continue to make TCF an integral part of our approach throughout 2011 and beyond, helping to ensure our customers are always at the heart of our decision-making processes.



Our customers

Meeting the needs of our customers

Financial capability

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Financial capability

Financial education has a major role to play in reducing the uncertainty that surrounds the industry and in making people's lives more secure. It's an important way of helping to rebuild consumer trust and confidence in the financial sector, which we've identified as one of our key material issues. Consequently, we're working hard to make a real difference in this area – demonstrated by the examples below, which form part of our ongoing strategy.

Individuals' financial needs change over time. Our newly redeveloped customer website takes a look at the different stages of life and suggests options to consider as individuals' priorities change. It contains comprehensive guides on money basics, as well as where to access independent financial advice. It also links to the many tools developed by the Financial Service Authority's Money Advice Service (previously the Consumer Financial Education Body), such as the financial health check tool, debt test and budget calculator.

In addition to these, we have developed our own range of online resources aimed at helping our customers understand money and the importance of effective financial planning. For example, [our elearn website](#) contains guides on Pensions, Savings and Investments, Protection, Borrowing and Tax.

We also offer online distance-learning to all members of our group pension schemes. The modules on our etutor site help customers with some of the key decisions they need to make about retirement planning. They were produced in association with the Friends Learning & Development team – the first financial industry body accredited by the [Financial Services Skills Council](#) (FSSC). In 2010, our Chief Executive, Trevor Matthews, was appointed Chairman of the FSSC.

In addition to these online resources, we continue our partnership with the [Life Academy](#), the national centre for life planning, to offer face-to-face pre-retirement and life planning courses to individuals who are members of our corporate pensions schemes.

Friends Provident Charitable Foundation


Our work on financial capability is undertaken independently of the [Friends Provident Charitable Foundation](#), which works to improve access to appropriate financial services for people who are currently excluded.

The Foundation is a grant-making charity, which supports groups involved with those on low incomes or who are otherwise vulnerable to market failure. It awarded grants totalling £850,000 last year.



Useful links

- [Our elearn website](#)
- [Financial Services Skills Council](#)
- [Life Academy](#)
- [Friends Provident Charitable Foundation](#)

[Responsible investment](#)
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Responsible investment



Friends Life believes that investors are increasingly interested in where their money is invested.

Responsible investment gets to the heart of our values – it is one of the key issues we identified as part of our [Materiality review](#) in 2010. We rigorously evaluate potential investment choices from environmental, ethical and corporate governance perspectives – considering performance in these different areas alongside financial performance. We believe that this approach helps to build consumer confidence, focusing investments on companies which demonstrate long-term sustainability over short-term and potentially risky gains.


When Ipsos MORI conducted [research](#) for Friends Life among corporate responsibility experts and leading non-governmental organisations, it corroborated our position. Both sets of stakeholders stress the need to offer sustainable investment solutions to customers and to influence the companies in which we invest to develop responsible and sustainable business models.

We are already a key player in the responsible investment market through our 'Stewardship' range of ethically screened funds. They are an important source of the confidence placed in us by our customers.

Responsible investment

[Ethical funds](#)

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Ethical funds



Stewardship was the first range of retail ethical investment funds in the UK. It continues to be the market leader, with more than 30 percent total market share, and assets under management exceeding £3 billion.

More than 200,000 customers have chosen to invest in Stewardship. By doing so, they support companies that make a positive contribution to society and reject those that achieve financial gains at the expense of other people or the planet.

Stewardship distinguishes itself from other ethical fund providers by the rigour of its ethical screening process. Stewardship is the only range of funds that has an independent Committee of Reference, which is responsible for determining ethical criteria and the acceptability of potential stocks.



Useful links

[→ Stewardship](#)

[Responsible investment](#)
[Ethical funds](#)
[Influencing for change](#)


Influencing for change

For all funds, we make sure that our asset managers incorporate environmental, social and governance (ESG) risks into our investment strategies. This is achieved through:

Voting – As a major shareholder, we encourage good governance, transparency and risk management.

Analysis – Our major investment houses have dedicated responsible investment teams that provide high-quality research and recommendations to fund managers. These cover the performance of companies on issues including environmental management, human rights and business ethics.

Dialogue – As well as considering stock selection against ESG risks, we recognise the need to engage with the companies in which we invest. Our investment managers maintain constructive dialogue on our behalf, encouraging companies to adopt more responsible business practices. We also encourage companies to use external indices, which leads to greater levels of disclosure.

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Environment



We recognise that supporting the transition to a low-carbon economy provides financial opportunities as well as presenting potential risks.

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At Friends Life, environmental issues are key considerations in our approach to responsible investment. At the same time, we are firmly committed to recording, managing and improving the direct environmental impacts of our own operations. Today's consumer often expects companies to have sound environmental policies in place as a condition of becoming – or remaining – a customer.

Environment

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Carbon reduction

Friends Life is a new organisation created by bringing together three UK life assurance businesses. The first acquisition of Friends Provident was made in November 2009. This followed a further acquisition in September 2010, which added three large sites (Basingstoke, Coventry and Bristol) and doubled the number of employees. The last of the acquisitions was completed in January 2011 and is not therefore included in this year's reporting.

We have therefore reported Friends Provident's numbers independently from the newly acquired sites to allow comparison with previous years.

The data reported for the newly acquired sites is only for the period after they were acquired i.e. September to December 2010.

Energy consumption

Friends Provident's energy consumption decreased from 22,711 MWh in 2009 to 20,436 MWh in 2010. This represents a 10% reduction in electricity and gas use. This equates to 7.18 MWh of energy per employee, against 7.14 MWh in 2009. 94% of electricity was sourced through a green tariff.

Emissions

We use the [Greenhouse Gas Protocol](#) to report emissions. The Protocol groups sources of emissions into three 'Scopes'.

Gas, fuel, oil and company cars (Scope 1) and purchased electricity (Scope 2)

Our combined CO₂ emissions in these areas reduced from 11,457 tonnes in 2009 to 9,581 tonnes of CO₂ in 2010, which equates to a 16% reduction.

Reporting under Scope 1 was improved by separating petrol and diesel vehicles.

Indirect transport use (Scope 3)

Reporting significantly improved in this area by recording emissions from hire cars. This has increased emissions from 503 tonnes of CO₂ in 2009 to 1,996 tonnes in 2010.

Overall carbon footprint

Friends Provident's overall carbon footprint for 2010 was 10,501 tonnes of CO₂, compared to 11,960 tonnes in 2009, a reduction of 12%.

The footprint of the newly acquired sites for the last four months of 2010 was:

- Scope 1: 1,976 tonnes
- Scope 2: 11,798 tonnes
- Scope 3: 231 tonnes

See our [CO₂ emissions data](#)

The table below provides indicative figures of the impact of the enlarged business. It is worth noting that individual sites gathered data in different ways, so the total figure cannot be taken to represent a benchmark for the future. From this year, and at the earliest opportunity, we will apply consistent measures across the entire Group. We will also establish a baseline and continue to clearly report the effect of any significant changes to emission sources.

	2010	2009	2008
CO ₂ tonnes	52,518	11,960	12,178
Employees	5,033	3,179	3,770
Tonnes of CO ₂ per employee	10.4**	3.8*	3.2*

*Friends Provident only



Useful links

- [Greenhouse Gas Protocol](#)
- [CO₂ emissions data](#)
- [Climate Change Communication Statement](#)

**Friends Provident and the three new sites

We are revisiting both our Environmental Strategy and our Carbon Reduction Plan in 2011.

In 2010, we produced a [Climate Change Communication Statement](#), which sets out our position on carbon offsetting, and our policy on purchasing renewable energy. It also explains our governance and risk framework in relation to climate change.



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Environment

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Resource use and waste management

Besides managing our energy consumption, we seek to reduce waste from our operations and promote re-use and recycling.

Friends Life brings together the UK operations of three separate Life and Pension businesses. In the last quarter of 2010, our property portfolio grew considerably. To increase the completeness of reporting, resource use data has been captured and reported below. To aid comparison with previous years, however, we start by reporting data as it relates just to Friends Provident.

In 2010, our waste levels were similar to previous years – with a marginal reduction of six tonnes (from 550 tonnes in 2009 to 544 tonnes of waste produced in 2010).

At the same time, however, Friends Provident significantly increased recycling by a further 13 percentage points – recycling 56% of waste in 2010, against 43% in 2009.

Paper and water

Friends Provident achieved a reduction in the amount of office paper used from 215 tonnes in 2009 to 191 tonnes in 2010. All our paper is sourced from ISO 14001 vendors, while 98% of it is either recycled or certified by the [Forest Stewardship Council](#) (FSC).

Friends Life is keenly aware of the importance of water as an indirect issue in our investment portfolio, but we are also committed to reducing our own consumption. However, our use of water per employee increased from 57 litres in 2009, to 65 litres in 2010. This increase might be related to the migration of employees among our office sites, but to be certain, we are investigating the issue further. Water will form one of the main strands of the Friends Life environmental strategy.

Additional office sites

Our newly acquired offices in Bristol, Coventry and Basingstoke jointly produced 399 tonnes of waste from September to December 2010, and managed to recycle 77% of that total. We expect a further decrease in waste generation and an increase in recycling as we apply lessons from these sites to Group operations as a whole.

The same three sites consumed 18.35 tonnes of paper from September to December 2010, of which 99% is sourced from ISO 14001 vendors. Historically, these sites did not set targets in relation to FSC-certified or recycled products. This will now be reviewed, in line with the Group's approach.

With regards to water usage, the sites consumed 50 litres per employee per day in the last quarter of 2010.

As an illustration of the impact of the enlarged Friends Life portfolio, from September to December our offices in Bristol, Coventry and Basingstoke jointly produced 399 tonnes of waste of which 77% was recycled.

[See our resource use data.](#)



Useful links

- [Forest Stewardship Council](#)
- [Resource use data](#)

[Environment](#)
[Carbon reduction](#)
[Resource use and waste management](#)
[Environment champions](#)
[Industry engagement](#)
[Environment data](#)

Environment champions

Friends Life is committed to encouraging employees to support its environment programme.

Our grass-roots network of Environmental Champions developed various local initiatives during 2010, from planting trees and vegetable plots to installing nesting boxes and beehives.

Friends Provident International colleagues sponsored a community drama group, Moving Sounds, to produce and perform a play about climate change at all senior schools on the Isle of Man.

Employee-led activities and recycling schemes gained real momentum during 2010. In the coming year, we will channel this drive and enthusiasm across all of our sites under the umbrella of our Sustainable Friends Network, through which all our employees can contribute and participate, on a local level.


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[Environment](#)
[Carbon reduction](#)
[Resource use and waste management](#)
[Environment champions](#)
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Industry engagement

The insurance industry has a critical role to play in helping society mitigate against, and adapt to, climate change. We are members of [ClimateWise](#), a collaborative initiative, which seeks to advance the role of the insurance industry in tackling this issue and explores specific opportunities and threats.

Along with fellow members from Europe, North America and Southern Africa, we have committed to support the ClimateWise Principles. These are to:

- lead in risk analysis
- inform public policy making
- support climate awareness among our customers
- incorporate climate change in our investment strategies
- reduce the environmental impact of our business
- report and be accountable.


We report on our progress every June, through a dedicated [ClimateWise review](#).

We have also participated in the [Carbon Disclosure Project](#) for the past four years as a signatory and a discloser of information. Our participation provides valuable, investment-relevant information to current and prospective investors, allowing them to assess the potential risks and opportunities relating to climate change.



Useful links

- [ClimateWise](#)
- [ClimateWise review](#)
- [Carbon Disclosure Project](#)

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Environment data

Energy use

Friends Provident energy use (gas and electricity)

MWh

2010	<div></div>	20,436
2009	<div></div>	22,711
2008	<div></div>	23,085

	2010	2009	2008
Friends Provident energy use (gas and electricity)	20,436	22,711	23,085

Energy use (gas and electricity) at the newly acquired sites

MWh

	Sep – Dec 2010
Energy use (gas and electricity)	32,570

Friends Provident energy use per employee

MWh/employee

2010	<div></div>	7.18
2009	<div></div>	7.14
2008	<div></div>	6.45

	2010	2009	2008
Friends Provident energy use per employee	7.18	7.14	6.45

Note: This figure is based on the number (2,847) of Friends Provident employees at the end of the year, prior to the formation of Friends Life.

Energy use per employee at the newly acquired sites

MWh/employee

	Sep – Dec 2010
Energy use per employee	14.90

Note: This figure is based on the number (2,186) of additional employees joining in September, and based at Bristol, Coventry and Basingstoke.

Friends Provident electricity obtained from renewable sources

% total electricity

2010	<div></div>	94
2009	<div></div>	94.03
2008	<div></div>	95

	2010	2009	2008
Friends Provident electricity obtained from renewable sources	94	94.03	95

Electricity obtained from renewable sources at the newly acquired sites

% total electricity

	Sep – Dec 2010
Electricity obtained from renewable sources	50

Note: The newly acquired sites at Bristol, Coventry and Basingstoke, have an electricity supply contract with British Energy, which guarantees that 50% will come from non-fossil fuel sources, including wind power, geothermal, photovoltaic (solar panels) and hydroelectric power.

CO₂ emissions

Friends Provident Scope 1 emissions (gas, fuel oil and company cars) Tonnes



	2010	2009	2008
Friends Provident Scope 1 emissions (gas, fuel oil and company cars)	2,282	2,903	3,300

Note: Emission factors used were gas (0.1836kgCO₂/kWh), oil (3215.9kgCO₂/tonne), diesel (0.31627kgCO₂/mile), and petrol (0.331kgCO₂/mile).

Additional Scope 1 emissions (gas) from newly acquired sites Tonnes

	Sep – Dec 2010
Additional Scope 1 emissions (gas)	1,976

Note: Emission factor used to convert gas was 0.1836kgCO₂/kWh.

Friends Provident Scope 2 emissions (electricity) Tonnes



	2010	2009	2008
Friends Provident Scope 2 emissions (electricity)	7,299	8,554	8,878

Additional Scope 2 emissions (electricity) from newly acquired sites Tonnes

	Sep – Dec 2010
Additional Scope 2 emissions (electricity)	11,798

Friends Provident Scope 3 emissions Tonnes



	2010	2009	2008
Friends Provident Scope 3 emissions	920	503	0

Note: Emission factors used were private cars (0.33kgCO₂/mile), hire cars (0.33kgCO₂/mile), domestic air travel (0.17kgCO₂/mile), short international air travel (0.10kgCO₂/mile), long international air travel (0.11kgCO₂/mile), domestic rail travel (0.57kgCO₂/mile).

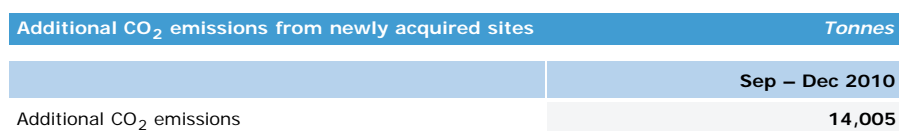
Additional Scope 3 emissions from newly acquired sites Tonnes

	Sep – Dec 2010
Additional Scope 3 emissions	231

Note: Emission factors used were: private cars (0.33kgCO₂/mile), domestic air travel (0.24kgCO₂/mile), short international air travel (0.1kgCO₂/miles), long international air travel (0.11kgCO₂/mile), domestic rail travel (0.1kgCO₂/mile), international rail travel(0.03kgCO₂/mile).



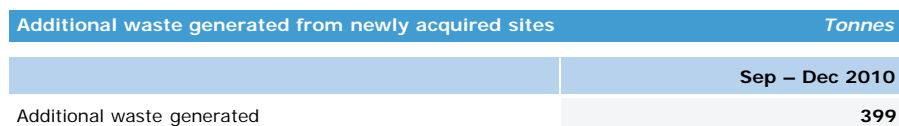
	2010	2009	2008
Friends Provident total CO ₂ emissions	10,501	11,960	12,178



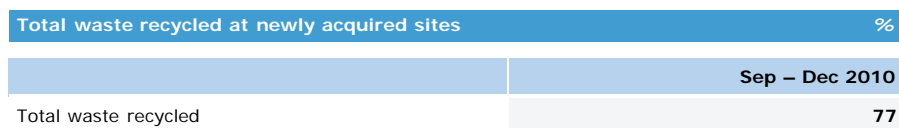
Resource use



	2010	2009	2008
Friends Provident total waste generated	544	550	746



	2010	2009	2008
Friends Provident waste recycled	56	43	50



	2010	2009	2008
Friends Provident office paper consumption	202	260	318

Note: We do not currently have data from Sep – Dec 2010 on office paper consumption at the newly acquired sites. This will be captured going forward.

Friends Provident marketing print		Tonnes
2010		191
2009		215
2008		385

	2010	2009	2008
Friends Provident marketing print	191	215	385

Additional marketing print produced at newly acquired sites Tonnes

	Sep – Dec 2010
Additional marketing print produced	18.35

Note: We do not have reliable data for the offices in Coventry and Basingstoke so this figure only represents the Friends Centre in Bristol.

Friends Provident water usage		Litres/employee/day
2010		65
2009		57
2008		49

	2010	2009	2008
Friends Provident water usage	65	57	49

Additional water usage at newly acquired sites Tonnes

	Sep – Dec 2010
Additional water usage	50



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People

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People




Friends Life is a new business with a new brand and values. As such, we are at an exciting stage where we can have a profound influence on how we grow and evolve over the years ahead.

Our leaders play a critical role in galvanising change through their vision of the new organisation, role modelling great leadership behaviours, driving the transition, and challenging behaviours that do not support the culture.

In 2011, we will continue to see a significant amount of change across our business. Our people are central to our success, so we are committed to providing them with the rewards and recognition they deserve, alongside the opportunities and working environment to support them in their career.

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Managing change

Managing change effectively is key as we all settle into a larger, integrated business. Our charter with the trade union [Unite](#) now operates across the whole organisation.

Representatives from across the business have been working together to provide support to all members and to consult collectively on behalf of the employees they represent. In 2010, we also created a new Management Consultative Body. Previously, management had had no formal representation.

We continue to actively involve employees in shaping our views and responses on various aspects of the organisation. 'Shaping FRIENDS Future' was our 2010 employee opinion survey at Friends Provident. During 2011, we will be rolling out a new survey across the entire Friends Life population. Among other things, the survey will measure employees' engagement, which can be defined as employees' willingness to invest their personal effort in the success of the organisation.

Useful links

[→ Unite](#)

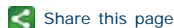
People

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People data



Employee well-being and development

In 2010, we launched our Employee Assistance Programme – a free benefit provided to all employees as policyholders of our Group Income Protection.

Provided by Workplace Options, this confidential service covers a range of issues, which may affect employees in work or outside. These include:

- health, well-being and work-life balance
- stress, anxiety and depression
- manager support and workplace pressures
- family issues, dependant care and relationship help
- debt management.



Harnessing talent

During 2010, we continued to recruit to our Graduate Leadership Programme, as well as specialist graduate programmes in scarce skills areas, such as Actuarial. We recognise the importance of investing in such potential to strengthen our leadership and technical expertise in our business for the future.

We are proud to have been accredited as an Investor in People (IiP), since 1999, in recognition of the way we train and develop our people. Our corporate IiP recognition is valid until March 2012, meaning that we will have accreditation throughout the corporate integration programme.

We encourage managers to engage with and inspire their teams, and we support all employees to take control of their own self-development. We offer:

- clear and easy performance management documentation and guidance
- an online career management toolkit
- podcasts and online learning courses
- end-of-year support for managers
- professional qualifications support, including exam awards
- leadership development programmes for talented individuals
- shadowing and secondments.


People

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Equal opportunities and diversity

In 2010, we developed a combined [Human Rights and Diversity policy](#), which applies to the enlarged Group. In the UK, we also made all necessary revisions to our policy and practice in accordance with the new Equality Act.

We recognise that respect for human rights is fundamental to the integrity of our business and that the diversity of our people is a valuable business asset. As such, we seek to create working environments in which our people feel valued and respected, and which are free of discrimination of all kinds.

Useful links

[→ Human Rights and Diversity policy](#)

People

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People data

Employee figures

	Friends Provident number of employees	Headcount
2010		2,759
2009		3,179
2008		3,377

	2010	2009	2008
Friends Provident number of employees	2,759	3,179	3,377

Additional number of employees after integration

	Headcount
	Sep – Dec 2010
Additional number of employees	2,169

Note: This figure is the average Friends Provident business employee head count for the calendar year 2010, prior to the formation of Friends Life.

Friends Provident absenteeism

	% working time lost
2010	 2.34
2009	 2.8
2008	 3.16




	2010	2009	2008
Friends Provident absenteeism	2.34	2.8	3.16

Absenteeism amongst additional employees after integration

	% working time lost
	Sep – Dec 2010
Absenteeism amongst additional employees	2.92

Note: Absence excludes those on income protection.

Friends Provident employee turnover

	%
2010	 10.1
2009	 7.7
2008	 10.9

	2010	2009	2008
Friends Provident employee turnover	10.1	7.7	10.9

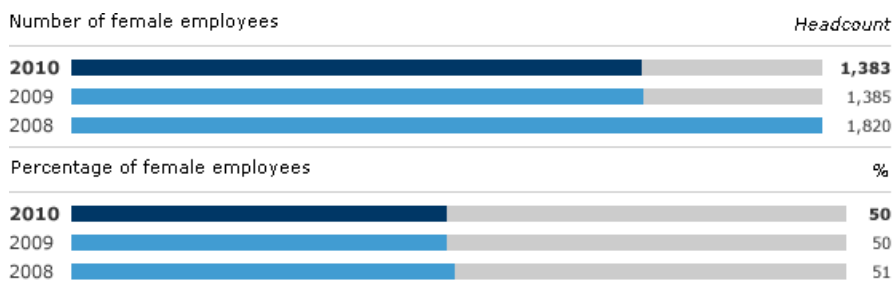
Employee turnover amongst additional population joining after integration

	%
	Sep – Dec 2010
Employee turnover amongst additional population joining	11.2

Note: Turnover figure stated is 'avoidable turnover' – i.e. turnover for reasons not including retirement, death, redundancy, temporary staff, dismissal, secondment to another company, transfer of business, or resignation during disciplinary.

Diversity

Friends Provident number and percentage of female employees

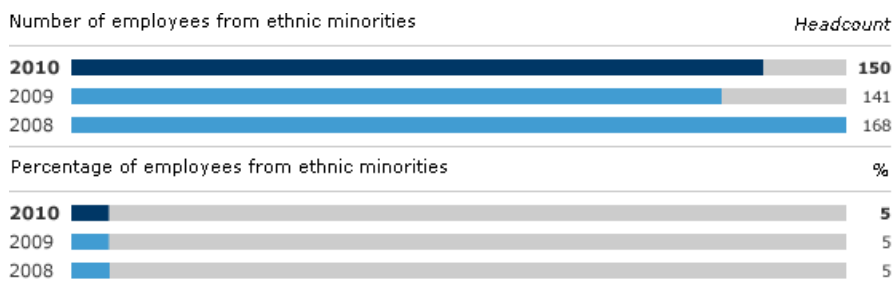


	2010	2009	2008
Friends Provident female employees (headcount)	1,383	1,385	1,820
Friends Provident female employees (%)	50	50	51

Additional number and percentage of female employees joining after integration

	Sep – Dec 2010
Female employees (headcount)	1,179
Female employees (%)	54

Friends Provident number and percentage of employees from ethnic minorities



	2010	2009	2008
Friends Provident employees from ethnic minorities (headcount)	150	141	168
Friends Provident employees from ethnic minorities (%)	5	5	5

Additional number and percentage of employees from ethnic minorities joining after integration




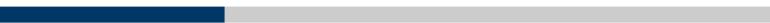
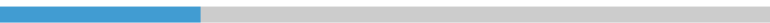
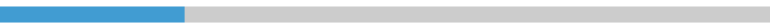
	Sep – Dec 2010
Additional employees from ethnic minorities (headcount)	121
Additional percentage of employees from ethnic minorities (%)	6

Friends Provident number of managers









	2010	2009	2008
Friends Provident number of managers	262	253	257

Additional managers joining after integration		% working time lost
		Sep – Dec 2010
Additional managers		252

Friends Provident number and percentage of female managers		
Number of female managers		Headcount
2010		75
2009		66
2008		61
Percentage of female managers		%
2010		29
2009		26
2008		24


	2010	2009	2008
Friends Provident female managers (headcount)	75	66	61
Friends Provident female managers (%)	29	26	24

Additional female managers joining after integration		
		Sep – Dec 2010
Additional female managers (headcount)		75
Additional female managers (%)		30

Friends Provident number and percentage of managers from ethnic minorities		
Number of managers from ethnic minorities		Headcount
2010		8
2009		8
2008		7
Percentage of managers from ethnic minorities		%
2010		3
2009		3
2008		3

	2010	2009	2008
Friends Provident managers from ethnic minorities (headcount)	8	8	7
Friends Provident managers from ethnic minorities (%)	3	3	3

Additional managers from ethnic minorities joining after integration		
		Sep – Dec 2010
Additional managers from ethnic minorities (headcount)		0
Additional managers from ethnic minorities (%)		0

[Communities](#)
[Community investment](#)
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Communities



At Friends Life, we believe we have an important contribution to make to our neighbouring communities, empowering our people to make a positive difference in and around the places where they work.

We have a strong record of community investment, which is set to continue following the introduction of a new Group-wide programme in April 2011.

The programme has three core elements:

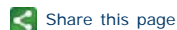
- a charity of the year, chosen by employee vote
- volunteering opportunities, principally based around team events
- a payroll giving scheme, matching employees' donations up to £20 per employee each month.

The new programme will create more substantial charitable partnerships, while aiming to retain high levels of employee participation.

Communities

Community investment

Community data



Community investment

Employee-led

We believe that as far as possible corporate community programmes should be employee led. Our programme provides opportunities for employees to fundraise, volunteer, and collectively pick the cause they wish to support. We provide matched funding for those donating to other charities through our well-supported payroll scheme.

Overall community giving

In 2010, the Group invested more than £1.1 million in the community (calculated in accordance with [London Benchmarking Group](#) guidelines).

More than 900 employees participated in fundraising, volunteering or giving around the world, and we invested more than 4,500 hours of company paid time in the communities local to our main office sites.

During 2010, we supported national appeals including Sport Relief and Children in Need. More than 100 employees volunteered their time on the BBC Pledge Line at the Friends Life Centre in Bristol, raising £58,200 in donations from the public.

See our [community giving](#) and [employee volunteering data](#).

Friends Provident International (FPI)

FPI retains a programme relevant to its business. It is sponsoring the 2011 Commonwealth Youth Games on the Isle of Man – aiming to encourage participation in sports and raise the island's profile. Employees from our offices in Hong Kong and Singapore have volunteered to help the teams from Asia.

Friends Provident International continued to back Junior Achievement programmes, which prepare young people for the world of work. Members of the management team took part in 'Dragons Den' sessions for Junior Achiever entrepreneurs.

Lombard

Our Luxemburg-based company, Lombard, is continuing its partnership with SOS Villages D'Enfants. Its work in 2010 included the construction of two new homes for children in Laos and sending emergency supplies of food, shelter and medicine to Haiti and Pakistan.

Recognition

We achieved the Government's Gold Payroll Giving Quality Mark for the fourth year running, which recognises that more than 10% of our people give regularly to charity through payroll.

Friends Provident International (FPI) won The IOMA Group Award for Charity, Cultural and Social Enterprise at the Isle of Man Newspaper's Awards for Excellence 2010. The award celebrated the dedication of FPI staff in supporting their local community.

FPI's Hong Kong office retained the Caring Company accolade for 2009–2010, awarded by the Hong Kong Council of Social Service. This award recognised the office's community involvement and its commitment to being a good corporate citizen.



Useful links

- [London Benchmarking Group](#)
- [Community giving data](#)
- [Employee volunteering data](#)

[Communities](#)
[Community investment](#)
[Community data](#)

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Community data

Community investment

Friends Provident total community giving £'000



	2010	2009	2008
Friends Provident total community giving	1,334	1,256	1,465

Additional community giving from sites joining after integration £'000

	Sep – Dec 2010
Additional community giving from sites	33

Note: This is the total value of contributions, including cash, time, and management costs.

Friends Provident cash donations £'000



	2010	2009	2008
Friends Provident cash donations	1,138	1,084	1,313

Additional cash donations made by employees joining after integration £'000

	Sep – Dec 2010
Additional cash donations made by employees	23

Employee participation

Friends Provident volunteered working hours Hours



	2010	2009	2008
Friends Provident volunteered working hours	4,375	2,317	2,897

Additional hours volunteered among employees joining after integration Hours

	Sep – Dec 2010
Additional hours volunteered among employees	164

Friends Provident employees participating in Friends in the Community (excluding Give As You Earn)	%
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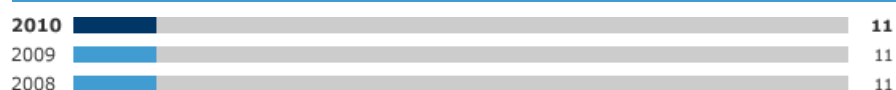


	2010	2009	2008
Friends Provident employees participating in Friends in the Community (excluding Give As You Earn)	16	14	8.66

Additional percentage of employees participating in community activities after integration	%
--	---


	Sep – Dec 2010
Additional percentage of employees participating in community activities	4

Friends Provident employees participating in Give As You Earn	%
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	2010	2009	2008
Friends Provident employees participating in Give As You Earn	11	11	11

Note: This figure represents a total of 282 participants, from a total population of 2,654 employees working in Friends Provident's UK operations, prior to the formation of Friends Life. A further 97 colleagues, who joined after integration, also donated money to charity through a separate payroll giving scheme. From April 2011 onwards, the new Friends Life scheme will include all employees, and will match donations up to £20 per employee, per month.


Suppliers[Responsible procurement](#)[Managing suppliers](#) [Share this page](#)

Suppliers



We are committed to managing risks, and improving environmental and social performance in our supply chain.

We work closely with our suppliers to develop strong partnerships based on transparency, mutual trust and responsible practices, helping to build confidence in our industry sector and provide the highest level of services to our end customers.

[Suppliers](#)[Responsible procurement](#)[Managing suppliers](#) [Share this page](#)

Responsible procurement


Last year, a new Strategic Sourcing and Sustainability Policy was developed for the Group. It created a focus on sustainability throughout the procurement process, examining whole-life cost analysis, as well as environmental, social and governance criteria in the selection of suppliers. Key contracts include risk assessments against sustainability criteria. Where appropriate, management actions and improvement targets are set.

Friends Life is an active member of the Financial Services Purchasing Forum, which is affiliated to the [Chartered Institute of Purchasing and Supply](#). The Group focuses on responsible supply chain management, including improving the sustainability of suppliers' products and services.

During 2010, [Forum for the Future](#) carried out research to understand the risks associated with climate change for the business, investors and suppliers. They then used the research to deliver a training day to relevant senior managers.

Useful links

⇒ [Chartered Institute of Purchasing and Supply](#)
⇒ [Forum for the Future](#)

[Suppliers](#)
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Managing suppliers

In 2009, Friends Provident signed the [May Day pledge](#) to work with suppliers to reduce their carbon emissions. This led to a partnership with our paper and print supplier, Williams Lea, to map and monitor the entire CO₂ journey of our literature. Together, we carried out a marketing collateral audit. We evaluated the relative merits of recycled and certified paper and are likely to move to certified products, keeping the sourcing of recycled paper under review.

At our Bristol site, we have an active environmental management partnership, Workplace Solutions, composed of facilities managers, contractors and suppliers. The partnership is composting all food waste from the restaurant area, recycling garden waste, and conducting employee education campaigns. Our site managers in Bristol, Carillion, have both reduced waste and increased recycling.

We have also worked closely with Capita, one of our main outsourcing partners, on community and charitable initiatives. A large number of Capita employees participated in our fundraising and volunteering activities, while our employees supported Capita's chosen charity for 2010.



Useful links

[→ May Day pledge](#)