

# ClimateWise Report

Friends Life June 2011

## Introduction

This year has been a transformational year for our business, culminating in the creation of our new company, Friends Life. Friends Life draws on the many strengths of our constituent parts to help our 5 million customers plan a better, financially-secure future.

Given this extraordinary period of change, we've had an opportunity to reflect upon our existing practices, and perhaps more importantly, re-define what it takes to ensure our continued long term success.

Over the last year, the focus has been on preparation and planning. From a sustainability perspective, this has meant the creation of our new policy statements on Climate Change, Responsible Investment, Strategic Sourcing and the ongoing development of our outward-looking Environmental Strategy. This builds on the work of Friends Provident, and the growing voices of both the insurance industry, and national governments in supporting the transition to a low carbon economy.

We have also taken concrete actions and improvements in process and performance, outlined throughout this report. We look forward to the next twelve months; as our strategies start to take shape, and we advance our environmental agenda across our wider Group.

Friends Life's key business lines remain corporate benefits and individual protection. As the ClimateWise principles are intended to cover the whole insurance sector, there continues to be some elements that do not apply to our business – these are mostly linked to short-to-medium term risks around the physical manifestation of climate change which, as our research shows, do not currently relate to the materiality of our more long-term products of pensions, protection and investments. However, we support the principle behind all of the six standards and will continue to review their relevance to Friends Life.

Friends Provident was a founding member of ClimateWise, now as Friends Life we remain committed to incorporating climate change considerations into our risk, investment, governance and operational frameworks, as well as collaborating with our industry and wider society, to tackle this pressing issue.

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## 1 Lead in risk analysis (continued)

As a life and pensions provider we analyse long-term risks and opportunities arising from issues such as climate change, new technologies and advances in medical science, and their effects on morbidity and mortality, primarily in the UK and other developed countries.

We are committed to collaborating with other life and pensions companies to develop our research on emerging risks. This is mainly achieved by our participation in the ClimateWise Health Working Group, which is considering the impact of climate change on morbidity, which affects our critical illness and income protection products.

As we are not a general insurer we do not foresee taking a lead on the most immediate risks derived from climate change, but we will continue to share best practice in the most appropriate forums, and keep abreast of new knowledge and developments.

Sub principle	Commentary and progress	Proposed actions
<p><b>1a</b> Support and undertake research on climate change to inform our business strategies and help to protect our customers' and other stakeholders' interests.</p>	<p>The risks and opportunities associated with climate change are assessed in two ways: via specific research tailored to our business, and also integrated into the multi-disciplinary company wide risk management processes.</p> <p><b>Analysis of Sustainability Trends</b></p> <p>Our latest commissioned study was carried out in October 2010 (next edition to be completed in 2012), by the leading environmental organisation, Forum for the Future. The study of sustainability trends (including climate change) are analysed in relation to four potential impact areas: customers, investments, products and operations.</p> <p>The aspects of climate change that could potentially have an impact in our business strategy are as follows: regulatory changes, new businesses and technological advances, weather related events (indirect impact on health), greater public understanding and demands for radical change, weak climate negotiations shifting onus to business, mainstreaming of sustainability in business, life style choices, etc.</p> <p><b>Embedding analysis across the business</b></p> <p>All of the aforementioned results are shared in a structured way with senior risk and operational management teams. Forum for the Future hosted a workshop to discuss the potential implications of the research findings, resulting in an embedded materiality matrix. Any issues that are deemed material and outside risk appetite are then escalated into the group risk and operational management process, as described in Resolution's CSR policy: <a href="http://www.resolution.gg/about-us/~media/Files/R/Resolution/pdf/CR_policy-new.pdf">http://www.resolution.gg/about-us/~media/Files/R/Resolution/pdf/CR_policy-new.pdf</a>.</p>	<ul style="list-style-type: none"> <li>As the integration of the business continues, we will work with all business units to ensure risk management processes are broad enough to include sustainability risks in short, medium and long term basis.</li> </ul>

**1 Lead in risk analysis  
(continued)**

Sub principle	Commentary and progress	Proposed actions
	<p><b>Impact on strategy</b></p> <p>In the short term, strategy components that have already been influenced by climate change include: defining our total footprint of newly enlarged portfolio; benchmarking performance of different sites and setting Group-wide targets; conducting gap analysis; and plan of activities to close gap between performance and targets.</p> <p>Other components that may relate to future (much longer term) strategy include: investment strategies embracing longer-term, lower-risk assets; consideration of longer-term risks (e.g. increased likelihood that we will reach a tipping point of dangerous climate change, with potential implications for health, and morbidity related to temperature extremes). The management of our operations in all likelihood will also reflect climate change considerations in the long term (e.g. awarding of contracts, new office space, site review, etc.) However, no material risks have been identified, which require immediate action in terms of pricing or capital reserves (please see 1.c).</p> <p><b>Identified opportunities</b></p> <p>We believe that driving all of these climate change considerations into our business will also bring the following opportunities: branding and reputational opportunities, capturing the value from sustainability in investments, performance relative to peers, offer options to customers to invest responsibly, different routes to ideas, markets and consumer trust.</p>	
<p><b>1b</b> Support more accurate national and regional forecasting of future weather and catastrophe patterns affected by changes in the earth's climate.</p>	<p>We are not a general insurer and so the needs of our business do not warrant such extensive research. Therefore this principle does not apply to Friends Life.</p>	<ul style="list-style-type: none"> <li>• Review the relevance of this principle to Friends Life and take action where appropriate.</li> </ul>
<p><b>1c</b> Use research and improve data quality to inform levels of pricing, capital and reserves to match changing risks.</p>	<p>Our research to date (please see 1a) indicates that climate change is not yet a material factor in the life insurance and pensions industry's models for pricing, capital and reserves.</p>	<ul style="list-style-type: none"> <li>• Review the relevance of this principle in relation to risk analysis (1a) and take action where appropriate.</li> </ul>

## 1 Lead in risk analysis (continued)

Sub principle	Commentary and progress	Proposed actions
<p><b>1d</b> Evaluate the risks associated with new technologies for tackling climate change so that new insurance products can be considered in parallel with technological developments.</p>	<p>Products such as insurance for renewable energy technology, carbon markets, or forests do not match our expertise in long-term life insurance and pensions; consequently we do not provide such products and it is highly unlikely we would diversify into this arena. Therefore this principle does not apply to Friends Life.</p>	<ul style="list-style-type: none"> <li>Review the relevance of this principle to Friends Life and take action where appropriate.</li> </ul>
<p><b>1e</b> Share our research with scientists, society, business, governments and NGOs through an appropriate forum.</p>	<p>In cooperation with other ClimateWise members and business partners, we participated in the following research projects:</p> <ul style="list-style-type: none"> <li><b>Climate as a driver of European morbidity risk: Implications for protecting health in the future.</b> This research and further round table discussions examined how health problems independent of climate change are exacerbated or intensified by changing weather patterns. Even though further research is needed to better understand the linkages, there is enough evidence to show that weather-related events are likely to have enough material impact on health insurance and IP claims – particularly around mental health. Therefore, we will continue to participate in any collaboration aimed at sharing information, data and understanding of this issue.</li> <li><b>The role of the global insurance industry in responding to the challenge of climate change.</b> Promoted and disseminated research produced by Forum for the Future for ClimateWise, and analysed ways in which Friends Life may support their eight key recommendations for the global insurance industry, as well as the pathways for implementation.</li> <li>Our Public Affairs function looks at other relevant topics such as the ABI's idea of a Resilient Society, and our Senior Corporate Responsibility Manager is a member of the independent Committee of Reference, which determines the ethical criteria for our responsible investment funds, known collectively as Stewardship.</li> </ul>	<ul style="list-style-type: none"> <li>Continue our participation in the Health collaboration strand of ClimateWise.</li> <li>Inform and influence any new commissioned research such as the proposed preliminary analysis of protection insurance claims data in relation to temperature and weather-related hazards.</li> <li>Liaise with our public affairs function in any relevant discussions</li> </ul>

## 2 Inform public policy making

As a life and pensions provider, the impact of climate change on our core business is limited in the short and medium term, and so therefore are the opportunities to inform public policy making at the present time. Nonetheless, climate change could potentially impact us as an investor and also as a provider of socially responsible investment products. We therefore continue to engage in discussions through joint forums to keep abreast of new knowledge and developments. We are not, however, in a position to take a lead on debate.

Sub principle	Commentary and progress	Proposed actions
<p><b>2a</b> Work with policymakers nationally and internationally to help them develop and maintain an economy that is resilient to climate risk.</p>	<p>According to our risk analysis, the impact of climate change on our core business is negligible in the foreseeable future. Given that we commit to only engage in public policy work to support our core business, we do not feel it is appropriate for us to lobby on this particular area. Therefore this principle does not currently apply to Friends Life.</p>	<ul style="list-style-type: none"> <li>Review the relevance of this principle to Friends Life and take action where appropriate.</li> </ul>
<p><b>2b</b> Promote and actively engage in public debate on climate change and the need for action.</p>	<p>The nature of our engagement is wide and varied, and has taken the following forms: being signatories to international calls for business/government actions, sponsoring research, taking part in round table discussions/workshops, answering consultations, publishing policy statements and manifestos, senior management representation/speaking at events and conferences, instructing asset managers to communicate with investee companies on our behalf, communicating with customers, and participating until very recently, in the ClimateWise management committee. Specific actions in this reporting period include:</p> <ul style="list-style-type: none"> <li>Signing and fully supporting the Cancun Communiqué on Climate Change</li> <li>Climate Change talks with our Chief Executive Officer and Will Day, then Chair of the former Sustainable Development Commission, and Alice Chapel, Director of Sustainable Financial Markets at Forum for the Future.</li> <li>Our Chief Executive joined twenty four other industry leaders in examining the progress, and future strategy of ClimateWise, in a meeting conveyed by His Royal Highness the Prince of Wales.</li> <li>Senior Corporate Responsibility Manager is part of a panel of experts (Committee of Reference) that convene quarterly to review and update the ethical criteria for our responsible investment range of funds.</li> </ul>	<ul style="list-style-type: none"> <li>Our new Chief Executive Officer, Andy Briggs has joined Friends Life at the beginning of June 2011. We will work with him, and his new senior management team, to identify engagement opportunities on climate change and calls for action.</li> </ul>

## 2 Inform public policy making (continued)

Sub principle	Commentary and progress	Proposed actions
<p><b>2c</b> Support work to set and achieve national and global emissions reduction targets.</p>	<p>As a business operator we have a responsibility to manage and reduce our carbon emissions, and encourage others to do so. We continue to engage in dialogue and recognise and comply with emission standards and targets.</p> <ul style="list-style-type: none"> <li>• We have been accredited with the Carbon Trust Standard. To gain accreditation, a company has to demonstrate absolute reductions in CO2 emissions and commit to reducing them year on year.</li> <li>• We have actively participated in the Carbon Disclosure Project as a signatory and a discloser of information. Our participation in the Carbon Disclosure Project provides valuable, investment-relevant information to current and potential investors, allowing them to assess the potential risks and opportunities relating to climate change.</li> <li>• Our reporting on environmental performance takes into account the GHG guidelines and data is collected according to DEFRA guidelines. This year, we have expanded our reporting to cover newly acquired businesses during the reporting period.</li> <li>• Maintained "platinum" rating in BITC Corporate Responsibility Index.</li> </ul>	<ul style="list-style-type: none"> <li>• Build longer-term emission reduction targets into our updated Environment Strategy.</li> <li>• Work with the Carbon Trust to verify our environmental management frameworks across the newly enlarged business, and achieve reaccreditation against the Carbon Trust Standard.</li> </ul>
<p><b>2d</b> Support Government action, including regulation, that will enhance the resilience and reduce the environmental impact of infrastructure and communities.</p>	<p>The risks associated with the physical impacts of climate change, such as storm damage or flooding are negligible for the life and pensions industry for the foreseeable future. Therefore, this principle is more relevant to general insurers and does not currently apply to Friends Life.</p>	<ul style="list-style-type: none"> <li>• Review the relevance of this principle to Friends Life and take action where appropriate.</li> </ul>
<p><b>2e</b> Work effectively with emergency services and others in the event of a major climate-related disaster.</p>	<p>There are currently no major weather-related incidents that we believe would apply to our core business. Furthermore, there have been no such incidents in the past year. Therefore this principle does not currently apply to Friends Life.</p>	<ul style="list-style-type: none"> <li>• Review the relevance of this principle to Friends Life and take action where appropriate.</li> </ul>

## 3 Support climate awareness amongst our customers

Our customers are divided into two key groups: our business customers, who are the intermediaries who distribute our products, and our end customers, who are the consumers who purchase our products. We can use this client base to raise awareness of climate change overall. However, the business benefits of doing so primarily relate to maintaining a good reputation as a responsible business, rather than having a direct impact on our core products. However, there can be indirect opportunities for us through promoting responsible investments.

Sub principle	Commentary and progress	Proposed actions
<p><b>3a</b> Inform our customers of climate risk and provide support and tools so that they can assess their own levels of risk.</p>	<p>From a product proposition perspective, there is a less obvious link between our products and climate change than those of a general insurer. Furthermore, key product lines are mainly sold through intermediaries; which makes it difficult to reach our end customers directly.</p> <p>We believe that as a life and pension provider, Friends Life most significant impact on climate change is the influence we can exert through the investments we hold on behalf of our policyholders, and as a leading provider of responsible investment solutions for our customers.</p> <p>We believe that this is where our emphasis on climate change should be best placed, and continue to communicate our investment beliefs and strategy on climate change to intermediaries, end customers and shareholders regularly. Please see sub principle 4d.</p>	<ul style="list-style-type: none"> <li>Identify appropriate communication mediums through which to further engage distributors and end customers on climate change issues (please see sub principle 4d).</li> </ul>
<p><b>3b</b> Encourage our customers to adapt to climate change and reduce their greenhouse gas emissions through insurance products and services.</p>	<p>This principle does not currently apply to Friends Life. Our life insurance products and services are based around morbidity and mortality risks. Currently, there is no established short-term link between these risks and climate change in the UK, and consequently no realistic opportunities to develop our products to encourage customers to adapt to climate change.</p>	<ul style="list-style-type: none"> <li>Review the relevance of this principle to Friends Life and take action where appropriate.</li> </ul>
<p><b>3c</b> Increase the proportion of repairs that are carried out in a sustainable way through dialogue with suppliers and developers and manage waste material appropriately.</p>	<p>Our life and pensions products have no link with repairs or waste. Consequently this principle does not apply to our business.</p>	<ul style="list-style-type: none"> <li>Review the relevance of this principle to Friends Life and take action where appropriate.</li> </ul>
<p><b>3d</b> Consider how we can use our expertise to assist the developing world to understand and respond to climate change.</p>	<p>Given our expertise is in life and pensions product design, as they relate to high net worth investors, primarily based in developed economies, there are no opportunities for us to use our expertise in projects such as weather risk insurance, or providing low-cost general insurance to the developing world. We do not currently foresee diversifying into this area.</p>	<ul style="list-style-type: none"> <li>Review the relevance of this principle to Friends Life and take action where appropriate.</li> </ul>



## 4 Incorporate climate change into our investment strategies

Our most significant impact on climate change is the influence we can exert through investments that support carbon management and discourage activities which may prove harmful to the environment. Our market-leading position in responsible investment includes climate change and environmental protection as fundamental criteria.

Sub principle	Commentary and progress	Proposed actions
<p><b>4a</b> Consider the implications of climate change for company performance and shareholder value, and incorporate this information into our investment decision-making process.</p>	<p>We are aware that the successful management of risks, including those related to sustainability; correlate to overall performance, and ultimately, shareholder value.</p> <p><b>Materiality Review</b></p> <p>Towards the end of 2010 we undertook a materiality analysis to identify and evaluate the key issues we face as a business, the matters of greatest concern to our stakeholders, and the areas where we can have most influence. The study highlighted a number of environmental (including climate change), social and governance (ESG) issues, which are relevant and material to our operations and investment strategies. In turn, the mix of results categorised in order of importance, urgency and influence, will shape direction of our overall Corporate Responsibility strategy and associated policies.</p> <p><b>Dedicated research and analysis</b></p> <p>As it relates to investment decisions in particular, we consider ESG issues alongside the financial performance of investment stock. Our major investment houses have dedicated responsible investment teams that provide high-quality research and actively engage with, and make recommendations to fund managers, and the Stewardship Committee of Reference, described below. These cover the performance of companies on issues including environmental management, human rights and business ethics.</p> <p><b>Stewardship’s independent Committee of Reference</b></p> <p>The Stewardship range of funds positively screens companies actively addressing climate change, for example through renewable energy or energy efficiency, and negatively screens companies with poor environmental practices.</p> <p>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 solely responsible for determining ethical criteria and the acceptability of potential stocks; informed by member’s expertise, and analysis produced by the F&amp;C Ethical Investment team.</p> <p>During 2010, the Committee of Reference conducted a review of its policies in respect of animal welfare, extractive industries, waste, sustainable mobility, human rights and indigenous peoples.</p>	<ul style="list-style-type: none"> <li>Review the relevance of this principle to Friends Life and take action where appropriate.</li> </ul>

**4 Incorporate climate change into our investment strategies (continued)**

Sub principle	Commentary and progress	Proposed actions
<p><b>4b</b> Encourage appropriate disclosure on climate change from the companies in which we invest.</p>	<p>We encourage appropriate disclosure on ESG risk management, including Climate Change. We believe that an important first step for companies in addressing climate change risk is to publicly report these risks and their carbon emissions (through requirements to monitor performance, gather data and information, ensure the robustness of that information, etc).</p> <p><b>Responsible ownership model</b></p> <p>We encourage good governance, transparency and risk protection amongst our investments by exercising our right to vote. As explained above (4.a) our investment managers fully understand the circumstances of each company, and use this knowledge to vote accordingly. They encourage companies to provide explanations if their policies deviate from good practice, and also engage with companies both before the vote, to explain the standards we expect, and afterwards, to explain the reasons for any votes against management. During 2010, F&amp;C voted on all resolutions on our behalf, and contacted 100% of companies following an abstention or against vote being lodged against management.</p> <p><b>Engagement with companies</b></p> <p>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.</p>	<ul style="list-style-type: none"> <li>• Encourage investee companies to disclose their carbon emissions and exposure to climate change risks and opportunities.</li> </ul>

**4 Incorporate climate change into our investment strategies (continued)**

Sub principle	Commentary and progress	Proposed actions
<p><b>4c</b> Encourage improvements in the energy-efficiency and climate resilience of our investment property portfolio.</p>	<p>Friends Life has little direct investment in property apart from the offices from where it runs its operations. Indirectly, F&amp;C's PropertyGreen approach to responsible property management is applied to the Friends Life Property Fund. Through PropertyGreen, our Property Fund continues to seek to:</p> <ul style="list-style-type: none"> <li>• Maintain safe and environmentally responsible buildings</li> <li>• Monitor use of energy and set targets for reduction</li> <li>• Use natural resources wisely</li> <li>• Ensure staff have a sound understanding of the issues and are aware of their own responsibilities</li> <li>• Encourage tenants in managed buildings to reduce their own environmental impacts.</li> </ul> <p>F&amp;C has a robust property investment policy, strategy, and objectives and publish progress against these in their annual property sustainability report: <a href="http://www.fandc.com/new/property/Default.aspx?id=83243">http://www.fandc.com/new/property/Default.aspx?id=83243</a>.</p>	<ul style="list-style-type: none"> <li>• As part of the integration project, there is a review in operation, which will result in a future property strategy. Energy-efficiency and climate resilience will be intrinsically factored-in to the analysis undertaken and key recommendations.</li> </ul>

## 4 Incorporate climate change into our investment strategies (continued)

Sub principle	Commentary and progress	Proposed actions
<p><b>4d</b> Communicate our investment beliefs and strategy on climate change to our customers and shareholders.</p>	<p>We continue to communicate our investment belief, strategy and activities to our customers and shareholders.</p> <ul style="list-style-type: none"> <li>• Since the creation of Friends Life, we have made changes to improve the overall structure and rigour of our Corporate Responsibility programme. We have issued a new policy statement on climate change, which clearly sets out our approach to carbon reduction, sourcing renewable energy and offsetting.</li> <li>• Our new redeveloped Customer website includes an Ethical Investment section, which explains all ESG considerations, including climate change that influences our investment decisions choices.</li> <li>• Stewardship's Committee of Reference conducted a series of public consultations, which in turn informed the consequent review of its policies in respect of animal welfare, extractive industries, waste, sustainable mobility, human rights and indigenous peoples.</li> <li>• Customers, shareholders and the general public can receive regular updates on the performance of Stewardship funds via the fund's monthly fact sheet.</li> <li>• We publicly disclose our strategy and performance via Resolution's AR&amp;A and our stand alone CR Report. We also communicate via external benchmarking indices, including CDP, and the BITC Corporate Responsibility index.</li> <li>• As the main operational business, Friends Life also informs Resolution's participation in both the Dow Jones Sustainability and FTSE4Good.</li> </ul>	<ul style="list-style-type: none"> <li>• Our communications and marketing teams are going through an extensive integration process. Once the result of this exercise are completed, we will liaise with the relevant senior managers to influence communications, ensuring that ESG messages are integrated into investment communications.</li> <li>• Integrate both internal and external communication requirements into the new, overarching Environmental Policy for the Group.</li> </ul>
<p><b>4e</b> Share our assessment of the impacts of climate change with our pension fund trustees.</p>	<p>The Friends Provident Pension Scheme (FPPS) Board of Trustees understand the impact of climate change. The majority of assets are managed by F&amp;C, and a minority with Aviva – both are signed up to the UNPRI and are therefore, managed in the same way described above.</p> <p>Members of our Pension Scheme are able to manage their account on-line, and are able to select how they invest their money in a wide range of funds, according to their personal circumstance. All customers have the opportunity to invest in a range of specialised funds, which take climate change considerations along side financial performance. These include, but are not exclusive to the Stewardship range of funds.</p>	<ul style="list-style-type: none"> <li>• Liaise with FPPS's fund managers to understand their plans for future engagement.</li> </ul>

## 5 Reduce the environmental impact of our business

We continue to manage the environmental impact of our operations, harnessing the participation of employees.

Sub principle	Commentary and progress	Proposed actions
<p><b>5a</b> Encourage our suppliers to improve the sustainability of their products and services.</p>	<p>We are committed to managing risks, and improving environmental and social performance in our supply chain.</p> <p><b>Ethical Sourcing Policy</b></p> <p>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.</p> <p>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.</p> <p><b>Managing Suppliers</b></p> <p>Last year, we worked in 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.</p> <p>At our larger newly-acquired site, the Friends Centre in Bristol, 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.</p>	<ul style="list-style-type: none"> <li>• Review procurement Sustainability Questionnaires, and Contract Agreements to embed sustainability considerations amongst major supplier, contractors and outsourcing partners.</li> <li>• Identify and categorise major suppliers for the newly enlarged group in relation to spend, location, and sustainability impact.</li> <li>• Develop programme of engagement with any new suppliers identified.</li> </ul>

**5 Reduce the environmental impact of our business (continued)**

Sub principle	Commentary and progress	Proposed actions
<p><b>5b</b> Measure and seek to reduce the environmental impact of the internal operations and physical assets under our control.</p>	<p>The recent corporate restructuring has impacted our environmental programme reporting, i.e. the addition of three large sites, and doubling the number of employees.</p> <p><b>Friends Life development of emissions management systems</b></p> <p>As a result of these changes, we are in the process of conducting a review of management systems, processes and controls across the Group. We will then produce a seamless data collection process for all business units, and establish a new base line year, to implement short and long term targets around CO2 emissions. These will reflect national and global targets.</p> <p><b>Environmental impacts 2010</b></p> <p>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%. In addition to these emissions, 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.</p> <p>As mentioned above, from this year, and at the earliest opportunity, we will apply consistent measures across the entire Group.</p>	<ul style="list-style-type: none"> <li>• Following the formation of the new company Friends Life, we will re-launch our Environmental Strategy for the Group.</li> <li>• Publish newly-developed short and long term carbon reduction targets</li> </ul>
<p><b>5c</b> Disclose our direct emissions of greenhouse gases using a globally recognised standard.</p>	<p>Friends Life has, and will continue to develop robust data collection procedures to enable us to measure our carbon footprint accurately. We have measured and reported externally the carbon emissions from all our head office sites since 2001 (please see 6b below).</p> <p>Our reporting on environmental performance takes into account the Greenhouse Gas Protocol and data is collected according to DEFRA guidelines. For the fourth year running, we received external independent validation of our emissions figures from AECOM. The latest copy of their full verification report is available in our CR micro site: <a href="http://www.friendslife.co.uk/assets/fp/cr_microsite/">http://www.friendslife.co.uk/assets/fp/cr_microsite/</a>.</p>	<ul style="list-style-type: none"> <li>• Report against progress achieved in 2011</li> </ul>

**5 Reduce the environmental impact of our business (continued)**

Sub principle	Commentary and progress	Proposed actions
<p><b>5d</b> Engage our employees on our commitment to address climate change, helping them to play their role in meeting this commitment in the workplace and encouraging them to make climate-informed choices outside work.</p>	<p>Our newly acquired site in Bristol, the Friends Centre constitutes one of the larger sites the company now owns, employing over 1500 people on site. Preliminary analysis show that the Friends Centre consumes more than twice the energy of all other sites put together. Therefore, we have decided to extend our Environmental Champions Campaign amongst Bristol based employees. This includes an audit of the site to understand environmental impacts, identification of efficiencies, and a series of communication campaigns to influence behaviour internally.</p> <p>Our partners, Global Action Plan, have now recruited new environment champions at the Friends Centre, and have conducted the initial environmental audit of the site and sport fields. They have also conducted a series of training events with champions, to discuss the results of their audit, and understand areas of influence. They are currently developing the relevant communication strategy for raising awareness and influencing behaviour.</p>	<ul style="list-style-type: none"> <li>• Progress an engagement campaign at our largest site.</li> <li>• Dependent on the success of the above, launch further campaigns on other sites.</li> </ul>

## 6 Report and be accountable

Our overall CR programme is recognised at board level, represented by our CEO. We will continue to report on progress, including this report for ClimateWise.

Sub principle	Commentary and progress	Proposed actions
<p><b>6a</b> Recognise at Board level that climate risk has significant social and economic impacts and incorporate it into our business strategy and planning.</p>	<p>Our main board has an executive member responsible for environmental performance, which is one of six material issues that make up our overall CR strategy. The CEO acts as the main board member with CR responsibility. The executive management team reporting directly to the CEO meet weekly, and consider CR issues when appropriate to ensure they are incorporated into Friends Life's business strategy.</p>	<ul style="list-style-type: none"> <li>• Monitor performance via CR governance framework</li> </ul>
<p><b>6b</b> Publish a statement as part of our annual reporting detailing the actions that have been taken on these principles.</p>	<p>We have published progress against these principles in the Report and Accounts of our parent company, Resolution, as well as on their website, and in other voluntary communications such as the Friends Life Report. Furthermore, we provide a link to our full annual ClimateWise progress report via the Friends Life web pages.</p>	<ul style="list-style-type: none"> <li>• Dependant on the success of the above, launch further campaigns on the other sites.</li> </ul>