

Corporate responsibility report 2011

Protecting our future

Our vision is set in the context of a future where business and communities thrive in a world that's environmentally sustainable and socially just. In our corporate responsibility report 2011, we tell you what we have achieved this year and describe some of our responsible business ambitions for the future.



A social purpose

Our aim is to be a successful, new kind of financial provider. Genuinely dedicated to helping customers navigate uncertainty, protect themselves against day-to-day financial risks and build a better future.

[→ Read more](#)



CEO welcome

An introduction from Friends Life Group Chief Executive, Andy Briggs.

[→ Read more](#)



Materiality review

We have updated our materiality matrix to include the economic, social and environmental issues that matter most to our stakeholders and to our business. Find out what those issues are here.

[→ Read more](#)

Performance

We've developed a strong and consistent corporate responsibility policy for the Friends Life Group. Here we summarise our achievements in 2011 and our targets for 2012.

[→ Read more](#)

Highlights

We have picked out some of our highlights from 2011. Take a look at a snapshot of our projects, events and achievements from the past year.

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Downloads

You can choose to download individual sections of the report here

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Overview: A social purpose

We have a critical social purpose, helping people to have a good standard of living in retirement and helping people protect their loved ones should they die or fall ill. Businesses do better over the longer term if they have a clear social purpose.



Vision, change and constancy

Our vision is to be a successful, new kind of financial provider. Genuinely dedicated to helping customers navigate uncertainty, protect themselves against day-to-day financial risks and build a better future.

This still resonates with the original aims of the founders of this company Samuel Tuke and Joseph Rowntree back in 1832. Many things change, not least the complexities of life, but somethings remain constant. Friends life remains constant in its purpose, to the origins of the company.

In this section:

CEO welcome

Andy Briggs comments on our first CR report under his leadership and draws attention to how the values of the business are evident in how we run the business.

[→ Read more](#)

Governance

The commitments contained within the CR policy, division of accountabilities and structure to ensure delivery, monitoring and reporting.

[→ Read more](#)

Material issues

CR strategy addresses issues that are material to the business. We updated our materiality matrix and describe the outcomes of that work.

[→ Read more](#)

About us

Origins of the Friends Life Group, our vision and strategy. Find out about our values and what they mean in practice.

[→ Read more](#)

Stakeholder engagement

We rely on key stakeholders to inform the CR strategy and agenda. Partnership is an important feature of our stakeholder engagement.

[→ Read more](#)

Highlights of the year

We pull out a number of business events, publications, partnerships and efforts by our people that bring the CR agenda to life.

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Group CEO welcome

Corporate responsibility is a phrase often bandied around these days and not always with much meaning behind it. I am determined that we are clear on what it means to Friends Life and are able to demonstrate that it's integral to our business strategy and the values of the company, that it's not just a vague and kindly intention.

I'm struck by how our values, 'Customer Understanding', 'Accountability', 'Respect' and 'Enterprise' (CARE) are evident in how we address our business risks and opportunities throughout the report. In addition, our current focus on 'Actions Speak Louder than Words' allows us to show that the actions we take in the running of our company are done so responsibly.

It is the first year for which we have aggregated data that includes all the heritage businesses that were acquired and make up Friends Life. This creates a new baseline from which we will measure and report on our future performance.

We are largely an office-based business. Most of our direct environmental impacts stem from managing our buildings and business travel. Although we have a relatively low carbon footprint compared to some, we still want to do more to reduce our emissions. Included in the actions we have already taken are making our buildings more efficient, taking personal responsibility for our own behaviours (as illustrated by the excellent success of our Sustainable Friends in the Friends Life Centre, Bristol) and reducing business travel. It is a shame that the change in our corporate structures over the last 12 months means we will lose our Platinum status in the Business in the Community CR Index, but this is unavoidable as we have been combining our heritage business data meaning we now must rebuild up to that goal.

Corporate responsibility is about more than the environment, however.

At Friends Life we are very eager to engage fully with all our stakeholders, from Westminster to our local communities and have in place plans to ensure we gather perceptions and reactions from a very diverse set of interested parties. Our Community Programme and other initiatives all have a renewed vigour as we try to encourage even greater involvement of colleagues in being good corporate citizens.

Looking to the future and being financially prepared for what life throws at us is part and parcel of who we are, founded on our origins nearly 200 years ago. Our Visions of Britain 2020 research provides thought leadership around some key social issues. The series of reports on Pensions – 'The Root Problem', 'Crisis and Reforms' and finally 'The Solutions' [[link to website](#)] – are prime examples of how we seek to understand risks and opportunities so that we can meet the expectations of our stakeholders and the wider society at the same time.

Sustainability is about sustainable families, communities and society as well as the planet and how we work for it. Financial security and resilience have been shown in the past few years to be a social issue of increasing importance. This is where Friends Life's corporate responsibilities are inextricably linked to business strategy and it's an area in which we can excel.

The rest of this document describes a number of activities we've engaged in over the past year that build on our rich heritage of corporate responsibility. I hope you enjoy reading it.

CEO Welcome

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About us

Friends Life provides a range of financial products and services. We focus on ways of helping people achieve greater long-term financial security for themselves and their families. Friends Life brings together over 200 years of experience in looking after customers.

We started life in March 2011, formed from the integration of three businesses acquired by Resolution Ltd – Friends Provident, most of AXA’s UK life and pensions business, and Bupa Health Assurance.

Our vision is to be a successful, new kind of financial provider, genuinely dedicated to helping customers to navigate uncertainty, protect themselves against day-to-day financial risks and build a better future.

Our strategy focuses on developing Friends Life as a highly profitable and sustainable company that delivers market-leading products and services to our customers and value to our shareholders.

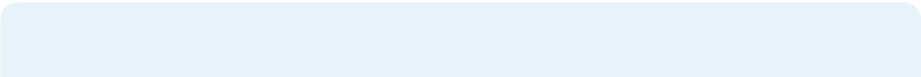
We have four corporate values, which underpin everything we do.

<p>Customer understanding</p> <ul style="list-style-type: none"> Being insightful Thinking differently Listening to customers 	<p>Accountability</p> <ul style="list-style-type: none"> Doing what we say Acting with integrity Delivering 	<p>Respect</p> <ul style="list-style-type: none"> Valuing people Treating people fairly Doing the right thing 	<p>Enterprise</p> <ul style="list-style-type: none"> Thinking commercially Being innovative Collaborating to win
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Our [current structure](#) includes six different companies, employing over 5,700 people and operating in eight countries across Europe, Asia and the Middle East.

Resolution Limited

- Owner of Friends Life Group Plc.
- Listed on the London Stock Exchange, and part of the FTSE 100 index.
- Board comprises ten independent directors.
- No employees, all administration and operational responsibilities are contracted out to Resolution Operations Limited.
- Responsible for oversight of Friends Life, the integration of skills and synergy extraction.
- Holds capital markets expertise and capability in mergers and acquisitions.



1832

Friends Provident created by two leading Quakers, Samuel Tuke and Joseph Rowntree

Friends Life Group Plc

- Board comprises eight independent directors, four non-executive directors and four executive directors.
- Focus is on strategic and day-to-day operations (UK business, international business, distribution business).
- Prepares for re-listing.

Comprises:

Friends Life

Provides protection, corporate benefits and retirement income products.

Sesame Bankhall Group

UK's largest distributor of Retail Financial Advice.

Friends Provident International

Specialises in life assurance, pensions and investment products for Asia, Middle East, Africa, Europe and UK.

Lombard

Creates life-
assurance-based tax and estate planning solutions for high and ultra-high net worth individuals.

fpb AG

Provides services to German independent financial advisers.

AmLife (30%)

Offers life insurance products to the Malaysian market.

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Governance

Accountability is one of our four corporate values, and we have developed a strong governance structure to oversee the way we do business. Our parent company, Resolution Limited, has an overarching [corporate responsibility policy](#) outlining the Group's commitment to all aspects of corporate responsibility (CR).

Friends Life's [Statement of business principles](#) sets out our key responsibilities to our many stakeholders:

- 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 place 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.

Resolution Limited has created a Corporate Responsibility Committee to oversee CR at the highest level. The Committee leads the development of our CR vision, policy and strategy, and has three core members: the Senior Independent Director of Resolution Operations, the Company Secretary and the CR Director (for both Resolution Limited and Friends Life Group).

The Chief Executive of Friends Life is responsible for implementing the CR strategy through his senior executive team, supported by the Friends Life Corporate Responsibility team. The split of responsibilities is shown below.

Resolution Limited Corporate Responsibility Committee is responsible for:

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

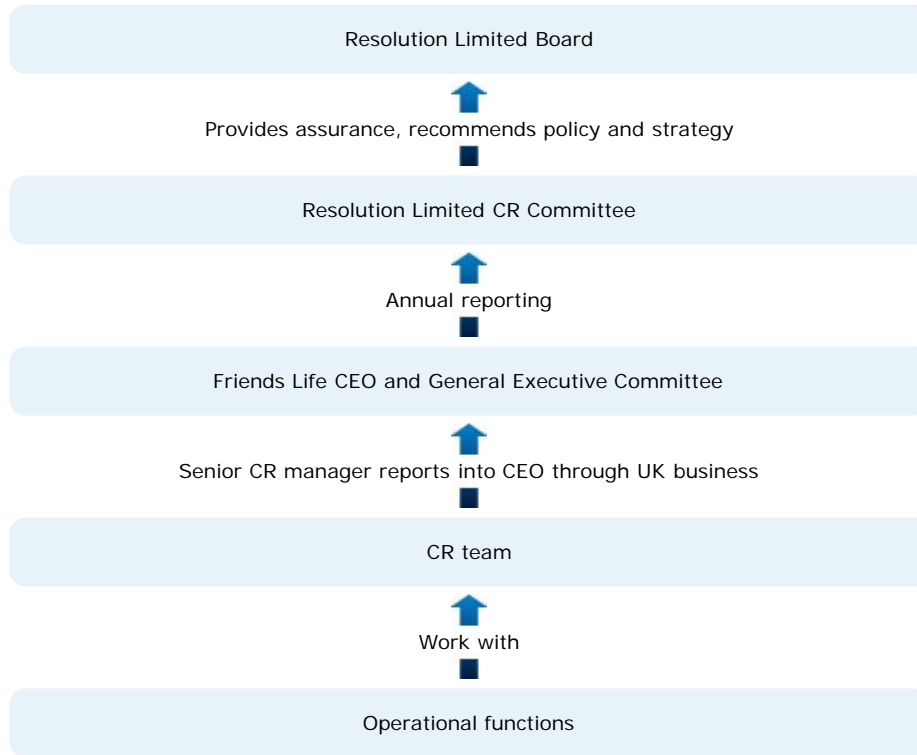
The Friends Life General Executive Committee (GEC) is responsible for:

- setting priorities
- managing strategic CR issues
- overseeing CR performance.

The CR team is responsible for:

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

- CR communications.



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Stakeholder engagement



Understanding our customers is one of our four corporate values. We value feedback from our stakeholders and we consider their views and concerns when we develop our strategy, performance management and business response to key issues.

We gain considerable insight into our risks and opportunities through engagement with 'critical friends'.

During 2011, [Forum for the Future](#) presented an 'exploration of sustainability trends' to our Risk Managers Forum, providing valuable insight and training for the Friends Life team. We also used opinion research by Ipsos MORI to understand the issues of importance to stakeholders specifically related to the life assurance and pensions sector. Within the verbatim feedback from the [Ipsos MORI](#) research, specific to the question:

“ Which two or three issues do you think it is most important for Friends Life to focus on? one CR expert said: “Engaging consumers with the big impact that their products have. So if we are talking about health insurance, life assurance and pensions, it is making sure that they are educating their consumers on what their products do, what they need to do to make sure that they are saving for their old age or their ill health, and potentially life-style advice on how to avoid that, etc, etc.

”

We invite external stakeholders to scrutinise our performance and future plans. Our annual environmental performance is audited by AECOM Sustainable Development Group. We have a long-standing relationship with AECOM, and have worked together to develop the systems and controls necessary for our enlarged organisation. For 2011, our community investment data has been assured by the London Benchmarking Group.

To improve our business operations, we listen to customer feedback and publish complaints data on our website. We participate in partnership schemes aimed at ensuring high standards of customer service in our industry, including schemes with the Financial Services Authority and the Association of British Insurers.

Our employees are one of our most important stakeholder groups. We make high-quality employee engagement a priority. We engage with employees through numerous channels including our Group-wide intranet and through networks of Community Ambassadors and Sustainable Friends at each of our main offices. Our annual employee survey is an opportunity to listen and learn from the views of our employees to inform and strengthen the way we do business.

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Useful links

- [Products and services](#)
- [Employee engagement](#)
- [London Benchmarking Group \(LBG\) assurance statement](#)
- [Ipsos MORI website](#)
- [Forum for the Future](#)

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Material issues

During 2011, Resolution Limited commissioned leading sustainability specialists Forum for the Future to help identify the environmental, social and governance trends that are likely to impact on our business. Many of the trends identified impact directly on Resolution's core strategy and they are addressed in the company's strategic responsibility framework, which guides future activity.

“ Customers expect evidence of value for money, institutional investors focus more on long-term drivers of value, governments require more innovative solutions to help build a more resilient society, new technology enables more active communication, and stakeholders demand greater transparency of companies' operations. ”

Forum for the Future, 2011

Useful links

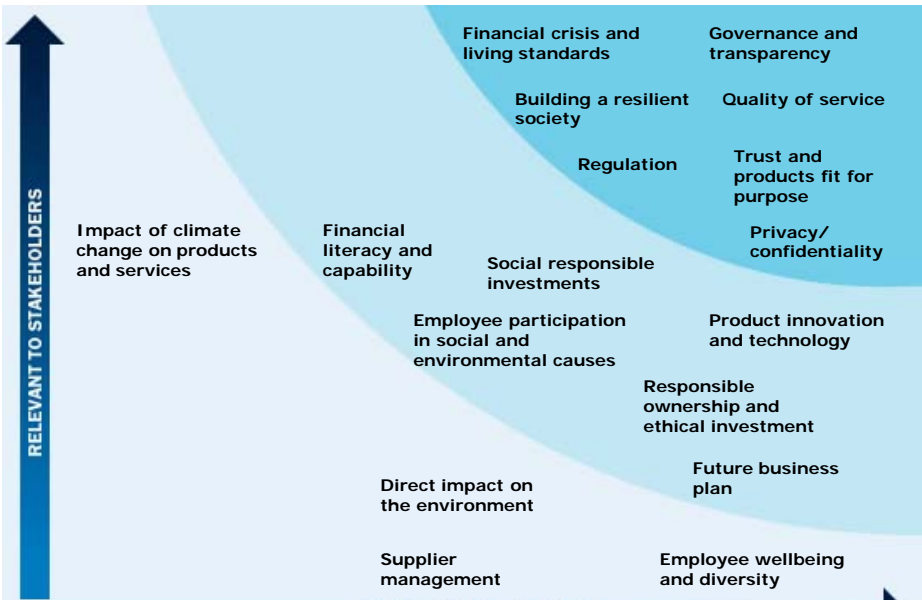
→ [Forum for the future](#)

In 2011, we updated Friends Life's materiality analysis to identify the key economic, social and environmental issues most relevant to our business and our stakeholders, and most important to our ability to create a sustainable business, and maintain public and private value.

A focus session with our Corporate Responsibility team was facilitated by an independent third party and we used information from a wide range of sources including stakeholder feedback, commissioned research, independent surveys, competitor analysis and horizon scanning.

Governance and transparency, quality of service and trust all remain high on our agenda, and the following issues have become increasingly important to our business over the past year:

- financial crisis and living standards
- building a resilient society
- regulation
- privacy/confidentiality.



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Highlights of the year



We launched UK Heritage, our new business looking after customers of products we no longer actively market, in August.



We published *Pensions: The Root of the Problem* in November, the first of three research reports focused on pensions as part of a wider Visions of Britain 2020 series.



In partnership with the Life Academy, we supported 133 people through pre-retirement and financial education in 2011.

**WE ARE
MACMILLAN.
CANCER SUPPORT**

We worked with Macmillan Cancer Support to improve the claims processing experience for cancer sufferers.



Mind distributed or sold nearly 2,000 copies of their *Guide to mental health in the workplace*, a publication sponsored by Friends Life.



In September 2011 we were reaccredited with the Carbon Trust Standard.



ClimateWise
REDUCING THE RISK FOR TOMORROW

We scored 100% for integration and 98%



From April to November we ran an extended

for application of the ClimateWise Principles.



We were awarded the 'Positive about disabled people' symbol by Jobcentre Plus in September.

Sustainable Friends campaign to reduce people's environmental impacts at work.



In June, 94% of people taking part in our employee opinion survey told us they believe customers are treated fairly by their team.



We took part in the World's Biggest Coffee Morning on 30 September and raised over £5,000 for our official charity, Macmillan Cancer Support.



Our teams entered the Bristol Dragon Boat race in June and raised £4,000 to support cancer sufferers.



The Friends Provident International Ironman team raised over £4,500 for Marie Curie and achieved 13th place out of 70 teams in Singapore in March 2011.



A sponsored bike ride by Friends Life employees in September raised over £5,000 for Macmillan Cancer Support.



We launched a new Give As You Earn payroll giving scheme with matched giving, across the Friends Life Group.



In December, Friends Provident International staff based in the United Arab Emirates donated 66 charity bags containing essential items for poorly paid labourers.

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Performance outlook

Over the past year, the significant change we have carried out has given us the opportunity to develop strong, consistent CR policy and baseline data across the Group. In 2012, we will continue to develop our Group CR programme, including carbon management and targeted improvements in other priority areas.



Responsible Products and Services

Areas of focus	2012 targets
<ul style="list-style-type: none"> Ensure our new in-house asset manager, Friends Life Investments, recognises and develops the appropriate mechanisms and processes to fully comply with the UK Stewardship Code. Develop our Customer Strategy to support the robust quality assurance framework we put in place, so that our customers always receive fair and consistent outcomes. Continue our working partnership with the mental health charity, Mind, including supporting a second publication, <i>How to Survive Working Life</i>, helping to improve the financial capability of our customers. 	<ul style="list-style-type: none"> Asset managers to be voting on 100% of our holdings worldwide by year end. Identify and adopt new customer experience measures relevant to each business unit within the Friends Life Group. Support the development and distribution of 3,500 copies of <i>How to Survive Working Life</i> guides.

Climate Change and the Environment

Areas of focus	2012 targets
<ul style="list-style-type: none"> Integrating facilities management across the entire Group. Maintaining and developing employee participation in the Sustainable Friends Network. 	<p>Across all Friends Life sites, we will:</p> <ul style="list-style-type: none"> reduce energy consumption by 3% reduce water consumption by 3% increase waste recycling to a minimum of 60%.

Employee Engagement and Citizenship

Areas of focus	2012 targets
<ul style="list-style-type: none"> Increase employee engagement focusing on four priority areas – making people feel valued, senior leadership and change, personal development and growth, making people feel they have done something worthwhile. Work in partnership with our recognised union, Unite, and support our people through organisational change and outsourcing plans. Increase employee participation in community and environmental activities. 	<ul style="list-style-type: none"> Achieve an employee engagement index score of at least 62%. Launch our new Learning, Performance and Talent Management platform. Achieve 20% employee participation in community and environmental activities. Apply for CommunityMark, Business in the Community's national standard that publicly recognises excellence in community investment. Achieve accreditation as a 'Living Wage' employer.

Overall CR Management

Areas of focus	2012 targets
<ul style="list-style-type: none"> Further develop Friends Life CR Strategy to achieve a strong position for the future beyond Resolution's ownership. Take part in private benchmarking, for example Business in 	<ul style="list-style-type: none"> Implement changes to address gaps identified in private BitC CR Index submission. Develop the process for setting and reviewing CR KPIs.

the Community's (BitC) CR Index, to determine what gaps exist that we can address to work towards the 'Platinum' status achieved by the last Friends Provident CR Index submission.

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Economy and regulation

Future business plan

Business and economy

We are proud of our role in providing customers with financial security and helping to build a more resilient society.



Amid continued global economic uncertainty, we believe Friends Life has a key role to play in providing our customers with financial security and helping to restore trust in financial services. Addressing issues such as increased longevity, the lack of a savings culture and the funding requirements for long-term care are core to our business strategy and our products.



In this section:

Economy and regulation

How we are playing our part in implementing changes and influencing government policy to build a more resilient society.

→ [Read more](#)



Future business plan

What we are doing to organise our business around our customers, colleagues and shareholders.

→ [Read more](#)

Economy and regulation

Future business plan

Economy and regulation



In 2011, the UK Government introduced automatic enrolment of employees into workplace savings as part of changes to build a more resilient society. We are using our extensive experience to support the development of the new workplace pension scheme. Due to come into effect in October 2012, the National Employment Savings Trust will see a step change in long-term saving, especially among lower paid workers. In November 2011, we were invited to

give evidence to the Work & Pensions Select Committee hearing on auto-enrolment. More recently, we launched our auto-enrolment hub to help employers manage their new responsibilities. We believe education and communication are key to achieving better levels of engagement with employees, and we plan to build on our work in these areas in the future.

In 2011, the Dilnot commission on Funding of Care and Support highlighted the urgent need to reform the current care funding system and made a number of recommendations. Friends Life is one of the few remaining providers in the long-term care market, and we have been supporting work in this area. We eagerly await the Government's response to the recommendations and we plan to remain close to this debate, helping to find a sustainable solution.

As a responsible operator, we believe it is our duty to use our voice and our influence to help address long-term social issues, building our relationships with the Government, and attending events and working parties. We are working directly with government and industry representative bodies and, in 2011, we responded to a large number of public policy consultations including:

- HM Treasury consultations on financial regulation
- National Employment Savings Trust corporate regulations 2011 consultation
- Simple financial products consultation
- Early access to pensions savings consultation.

We will respond to further policy developments in 2012, including the restructure of our regulatory operating environment, the delivery of changes as a result of the Retail Distribution Review, the introduction of gender neutral pricing for some of our products, and the new EU Solvency II regulations.

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Economy and regulation

Future business plan

Future business plan

The aim of Resolution Limited is to acquire and restructure companies operating in the UK Life sector to build a more efficient and sustainable business. Enterprise is one of our four corporate values, and we base our future business planning on thinking commercially, being innovative and collaborating to win.

Our purpose is to look after our customers and help them:

- enjoy a financially secure and prosperous retirement
- reduce risk and protect their loved ones should they fall ill or die
- make their money work hard for them.

Our vision is to be a leading player in our chosen UK and international markets by:

- delivering strongly for customers, colleagues and shareholders, both in the short term and long term
- demonstrating capabilities not shared by our competitors
- evidencing a strong track record of delivery
- being best placed to benefit from further consolidation of the UK Life sector.

In 2011, we split our operations and established a new business unit, UK Heritage, to manage all customers who have products that we are no longer actively marketing. The remainder of our business actively markets products, known as 'Go to Market' business, and is made up of a number of separate business units. Financial discipline is a key driver and financial targets are delivered across all our business units.

Business unit	Company	Products/Services
Corporate benefits	Friends Life	<ul style="list-style-type: none"> ▪ Life insurance ▪ Group income protection ▪ Corporate pensions
Protection	Friends Life	<ul style="list-style-type: none"> ▪ Life cover ▪ Critical illness cover ▪ Income protection cover ▪ Mortgage income protection cover
Retirement income	Friends Life	<ul style="list-style-type: none"> ▪ New business unit providing annuities and retirement income products
UK Heritage	Friends Life	<ul style="list-style-type: none"> ▪ New business unit managing all products, which are no longer actively marketed
Friends Life investments	Friends Life	<ul style="list-style-type: none"> ▪ New in-house asset management capabilities

CARE

Useful links

→ [Friends Life Annual Report](#)

Distribution	Sesame Bankhall	<ul style="list-style-type: none"> ▪ The UK's largest distributor of retail financial advice
International	<ul style="list-style-type: none"> ▪ Friends Provident International ▪ fpb AG ▪ Amlife 	<ul style="list-style-type: none"> ▪ Group savings ▪ Individual savings ▪ Lump sum investments ▪ International protection

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Improving customer services

Meeting customers' needs

Partnerships

Ethical investments

Ownership and engagement

Products and services

We have over five million loyal customers and we aim to retain every one of those customers by providing products and services that meet their needs and exceed their expectations.



Our new business, UK Heritage, is improving the service we provide to our customers. Our Visions of Britain 2020 series is raising awareness and helping to change attitudes towards saving, and we are building capability to enable our customers to meet their financial goals.



In this section:

Improving customer services

We've taken major steps to improve our service to customers, and we've maintained our high standards of service throughout a year of change.

[Read more](#)



Customer strategy

We're aiming to establish Friends Life as a leader in the UK market by looking after our customers in ways others don't.

[Read more](#)



Meeting customers' needs

We are supporting customers during continued economic uncertainty, making responsible selling a priority and building financial capability.

[Read more](#)



Partnerships

We're working in partnership with leading not-for-profit organisations to offer greater understanding and support for our customers.

[Read more](#)

Ethical investment

We apply strict ethical criteria to identify the companies we will invest in, and our Stewardship funds are based on strong governance and policies.

[Read more](#)

Improving customer services

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Improving customer services



Given the long-term nature of our business, over 80% of our products are no longer actively marketed. Our new business unit, UK Heritage, will provide a first-rate service to customers of these products, improving retention and managing costs more effectively. Friends Life is the first company to create a dedicated business unit led by a management team fully accountable for this element of its business portfolio. With few competitors in this market, we

aspire to be the UK's leading 'back book' life assurance manager with a lean and scalable business model ready for further consolidation in the market.

As a logical extension to the creation of UK Heritage, and building on our proven success in outsourcing, Friends Life has entered into a partnership with the leading IT and customer services specialist, Diligenta. Effective from March 2012, this long-term partnership involves outsourcing most of our IT and customer service functions to enhance our customer service capability, manage costs more effectively and minimise exposure to operational risk. Around 1,900 roles will transfer to Diligenta and continue to service Friends Life customers, ensuring continuity of service and expertise.

Throughout this process of change, delivering for our customers has been Friends Life's number one priority. Guided by the principles of Treating Customers Fairly, our customer experience measures monitor quality and speed of service, and complaint volumes. They show that we have been successful in maintaining consistently high standards. We have introduced a common set of customer experience metrics across the Friends Life Group and each business unit is setting targets against which they will report.

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CARE

Over 5 million

Friends Life customers

80%

Friends Life products managed by our new business, UK Heritage

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Customer strategy



The financial services sector is undergoing unprecedented change. New regulations and economic forces are reshaping our sector, and technology and social networking are fundamentally changing the way we interact with customers. We anticipate customers will want to engage more actively with the financial sector in the future, requiring more detail about products and services, and a greater transparency about companies' activities, and actively seeking recommendations and the opinions of others.

Our business strategy aims to establish Friends Life as a leader in the UK market by looking after our customers in ways that others don't. We want to build longer-term relationships and increase customer engagement by clearly showing how our products and services deliver value, both for the short and long term. Our core purpose is to help our customers enjoy a financially secure and prosperous retirement, protect their loved ones, and make their money work harder for them.

To strengthen our capability and performance, we have included four new customer measures in the Friends Life Group Scorecard. The measures focus on customer experience, performance, quality and customer satisfaction. Individual businesses are developing detailed targets and will report their performance against these four measures annually.

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“ I felt I needed to let you know how grateful I am for your prompt response to the recent loss of my husband and settling up so quickly. You made a terrible time so much easier as I knew I wasn't about to lose my family home. ”

Customer feedback, February 2011

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Improving customer services

Meeting customers' needs

Responsible selling
Financial capability

Partnerships

Ethical investments

Ownership and engagement

Meeting customers' needs



The UK's social and economic outlook continues to create challenge and opportunity for customers, businesses and the Government. As economic and social shifts unfold, individuals will have to take greater responsibility for their future and rely less on support from the State, which is increasingly unable to provide for those who have the financial means to take care of themselves.

Friends Life is well placed to provide solutions to the challenges faced by our customers and businesses. Our products allow customers to reach their financial goals by investing their money for the long term, and by protecting themselves and their loved ones against unforeseen circumstances.

There is increasing evidence, including our own sponsored report, *Pensions: The Root of the Problem* and our Workplace Savings Index, that people are failing to make adequate provision for themselves and their families for the future. Figures released by the Department of Work and Pensions at the end of 2011 show the number of working-age people saving into a private pension has fallen sharply. Also in 2011, the National Association of Pension Funds (NAPF), which represents almost 1,200 pension schemes in the UK, described the exodus of savers as astonishing. They warned that Britain is on a collision course with its own old age.

The UK Government is leading the reform of the pensions industry, which will see most employees of companies of all sizes automatically enrolled into a pension scheme with their employer. Many companies are independently choosing to provide a greater range of employee benefits, partly because it is the right thing to do and partly to manage their business risks.

In January 2012, we launched our new auto-enrolment hub, which will help employers manage their new responsibilities when they come into effect from October 2012. The hub enables employers to enrol eligible employees into a Friends Life pension scheme, helping them identify the best pension options for their employees and fulfilling their reporting and regulatory responsibilities.

CARE

32%

people in employment who are not currently saving for a pension, rising to 48% among the under 35s

50%

people who do have a pension but don't know how much they contribute

57%

people who are not aware of how and where their pension is invested

Useful links

- [Products and services](#)
- [Visions of Britain 2020](#)
- [Workplace savings index](#)
- [Auto-enrolment](#)
- [UK Pensions Reform](#)

Case study – Visions of Britain 2020

In our first report, *Pensions: The Root Problem*, we looked at how a culture of expectation has led to a climate of individual irresponsibility with not enough people taking ownership of their financial future.

In our second report, *Pensions: Crisis and Reforms*, we looked at the forthcoming pensions reform, and how older households will cope if pensions reform is not embraced and saving for retirement remains below adequate levels.

In the third report of our mini-series on pensions we look at the possible solutions. Moving beyond the imminent auto-enrolment reforms, we explore what other policies future British governments might consider, from mainstream and worthy solutions to more innovative or provocative ideas. We then look at what else the pensions industry itself could do to stimulate engagement, including the benefits technology, tracking and feedback.



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Meeting customers' needs

Responsible selling

Financial capability

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Responsible selling

Following a number of mis-selling scandals in recent years and a drop in consumer confidence in financial services, the finance industry is now more tightly regulated to ensure a fair deal for consumers. Our regulatory body, the Financial Services Authority (FSA), sets out six key outcomes we must consistently demonstrate to ensure we are treating customers fairly:

Outcome 1: Consumers can be confident that they are dealing with firms where the fair treatment of customers is central to the corporate culture.

Outcome 2: Products and services marketed and sold in the retail market are designed to meet the needs of identified consumer groups and are targeted accordingly.

Outcome 3: Consumers are provided with clear information and are kept appropriately informed before, during and after the point of sale.

Outcome 4: Where consumers receive advice, the advice is suitable and takes account of their circumstances.

Outcome 5: Consumers are provided with products that perform as firms have led them to expect, and the associated service is of an acceptable standard and as they have been led to expect.

Outcome 6: Consumers do not face unreasonable post-sale barriers imposed by firms to change product, switch provider, submit a claim or make a complaint.

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CARE

15

independent financial advisors benefiting from Friend's Life training in first year of new school

Useful links

[→ Financial Services Authority](#)

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Financial capability



Financial capability remains a significant issue in the UK. As a financial services company we clearly have a responsibility to ensure people have access to, and understand, our products and services. The term financial capability covers a wide spectrum of issues including financial education, financial planning and financial exclusion.

Financial products are becoming more complex. There is more choice available, people are living longer and financial decisions need to be taken at a younger age. But large numbers of people are not buying financial products such as pensions, or saving adequately for their later years or unforeseen life-changing events, including many who could afford to and many who know they need to.

Friends Life is taking action to help manage the risks and to act on the opportunities presented by this situation. We want to help increase the number of people in the UK who have the ability to understand their own financial circumstances, know how to invest, save and borrow responsibly, and are motivated to take appropriate action. This includes making financial products more accessible to everyone, helping customers understand the products available and changing the current debt culture to promote savings and pensions.



Through our partnership with the [Life Academy](#), the national centre for life planning, we offer face-to-face pre-retirement and life-planning courses for members of our corporate pensions schemes. Our financial education and

support service also helps our corporate clients to engage with their employees and build understanding of effective money management. Our 'My money and me' service, available through the workplace, complements other educational tools offered by Friends Life and provides a series of independent and impartial modules designed specifically to increase financial awareness.

Our Visions of Britain 2020 series of reports provide thought leadership to the issue of financial capability and resilience. They help raise awareness of the issues and possible implications for employers and employees, and generate and inform the general debate. So far, we have published reports on 'The Workforce', 'The Workplace', 'Ageing and Retirement', 'Health and Wellbeing', 'The Coping Classes', 'Working Women' and 'Pension Reform'.

Case study – Life Academy: Supporting our customers to develop financial capability

Since 2008, we have worked with the Life Academy to offer all our customers access to an online financial education programme. Approximately 980 people have taken advantage of the available courses so far. The programme includes information on key issues including:

- Money basics – understanding the basic principles of money and how it works
- Saving and investments – exploring the different options available when saving money
- Pensions – highlighting the importance of long-term savings for retirement
- Tax – understanding how tax affects individuals



41%

people with a pension who claim not to be at all or very aware of its value

980

people accessing support through our partnership with the Life Academy

Useful links

- [E//tutor](#)
- [Life Academy](#)
- [Visions of Britain 2020](#)
- [The Financial Advisor School](#)



- Protection – identifying the need for protection and understanding the different types available
- Borrowing – discovering purposes and methods of borrowing. We also provide a financial planning tool for customers, e//tutor, an easy-to-use online interactive educational tool to help people make the most of saving for retirement.

Case Study – Financial Adviser School

Sesame Bankhall Group's Financial Adviser School launched its prospectus and opened its doors to applicants in April 2011 ahead of the first intake of students on to its new programme.

The Financial Adviser School has been established to help attract, nurture and develop the next generation of professional financial advisers. Students will benefit from a clear career path through a programme that encompasses both practical business skills training and qualifications support.

This will enable students to acquire the technical competence, business acumen and people skills to become successful and well-rounded professionals. Training is delivered through a combination of virtual and face-to-face learning support.

The initial pilot phase involved training 15 students up to full competent adviser status and QCF Level 4 standard within 18 months. Potential candidates are put through a robust selection process to assess their aptitude, commitment, experience and qualifications held. Assessments took place in May, with successful students joining The Financial Adviser School in June.

Ivan Martin, Sesame Bankhall Group's Executive Chairman, commented: "The lack of clear entry routes and career paths for people coming into our profession is a real issue and The Financial Adviser School delivers a practical solution. We will be equipping people with the all-round skills to become the advice professionals and entrepreneurs of the future. It is this holistic approach that really sets The Financial Adviser School apart from many other industry initiatives.

We are working closely with our members to build a vibrant and prosperous future for our profession. We will be looking to place graduates of The Financial Adviser School with adviser firms, offering our members a route to help grow their business and put succession plans in place, whilst saving significant amounts of time and money on recruitment. Working together we will ensure that people continue to benefit from expert financial advice for generations to come."

IFA firm The Chester Partnership has been actively involved in the development of The Financial Adviser School. **Director, Steve Riddiough** commented: "It's a pleasure to be associated with such an exciting initiative and the whole industry should recognise Sesame Bankhall Group for its incredible effort to get the School to this point. For too long now the question has been who would step forward and offer new people the support and guidance needed to create the next generation?"

Sesame Bankhall Group is ideally placed to fulfil this role and over the last 18 months its team has used their skills, knowledge and experience to build a top-quality training academy. The Financial Adviser School recognises all the vital elements that are needed and incorporates them into a joined-up programme that I believe will enable people to fulfil their potential as modern professional advisers. Students can commit to this programme with absolute confidence in their future success."

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Partnerships

Through our products, we offer a wide range of added value services designed to help customers take control of their financial future and promote health and wellbeing. We provide services such as a dedicated health line, employee assistant programmes and online information platforms as part of our corporate benefits proposition. To maximise our ability to provide support to individuals, we have developed a number of partnerships with leading not-for-profit organisations, which provide us with specialist advice to help us deliver more for our customers.



According to [Macmillan Cancer Support](#), nearly 300,000 people are diagnosed with cancer every year in the UK. It is estimated that more than one in three people will develop cancer in their lifetime. This experience is mirrored by the high number of cancer-related claims we receive.

However, with earlier detection and improvements in medical therapies, people are living with cancer for longer.

“ Macmillan is delighted to have worked with Friends Life Critical Illness and Income Protection teams to provide an insight into how the experience of cancer may affect their clients physically, emotionally, socially and financially, enabling them to support their clients with greater empathy throughout their cancer illness and signposting them to the practical, medical and financial support that Macmillan provides. ”

Charles Byrne, Head of Corporate Partnerships at Macmillan Cancer Support

During 2011, we worked with Macmillan Cancer Support to develop training for our specialised claims department so that we are able to have a more sensitive and meaningful conversation with customers affected by cancer. The understanding we gained about the emotional effects of cancer diagnosis complements our medical knowledge and expertise. We now signpost our customers to Macmillan support services through our new claimants pack and our customer website. Our web pages receive on average 250 hits per month and we distribute approximately 50 new claim packs per month.

Case study – Supporting employers to manage mental health

Partner: Mind

An important health trend associated with our business is the high incidence of mental health problems. The leading mental health charity, [Mind](#), estimates that one in six workers are experiencing depression, anxiety or stress – issues that are all too often ignored in the workplace. In 2011, we worked with Mind to produce a guide *Mental Health in the Workplace: An Employers' Guide* for corporate clients, which provides pull-out guides and information sheets to show employers how thinking about mental health in the workplace can benefit both their business and their employees. It covers:

- the advantages of considering mental health at work
- the nature of mental health problems
- creating a mentally healthy work environment
- supporting employees to remain in, and return to, the workplace after a period of mental ill health
- recruiting people with mental health problems
- employment law around mental health
- support for employers.

CARE

250

hits per month on our customer website signposting people to Macmillan Cancer Support services

3,500

copies of the guide, *Mental Health in the Workplace*, sold or distributed in 2011

Useful links

- [Macmillan Cancer Support](#)
- [Mind](#)

Mind distributed or sold nearly 2,000 copies of the guide in 2011, and we distributed an additional 1,500 guides to our corporate clients. During 2012, we will continue our partnership with Mind and we are supporting a second publication, *How to Survive Working Life*, part of a series aimed at people returning to work after suffering mental health problems, experiencing work stress or trying to maintain a healthy working life.

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Ethical investments

Friends Life helps pensions and investment customers invest in portfolios that are socially, ethically and environmentally sound. We offer a range of ethical funds, which have undergone a strict screening process. We launched our Stewardship funds in 1984 to give investors the opportunity to invest in line with their conscience. It was the first range of UK ethical retail funds to be set up, and it paved the way for growth of the retail ethical investment market in the UK.

Today's Stewardship funds invest in shares and bonds from a wide range of companies around the world. Stewardship's ethical policies, covering issues such as climate change, environment, diversity, supply chain labour standards and corruption, are constantly evolving. For example, in 2011, an updated Stewardship policy for extractive industries was approved.

We apply strict [ethical criteria](#) to identify the companies we will invest in. Our Stewardship funds are overseen by an independent Committee of Reference, responsible for determining ethical criteria and the acceptability of potential stocks. Our Senior Corporate Affairs Manager is a member of the Committee of Reference to ensure we consider external policy issues in our decision-making process. The Committee, supported by the Friends Life Governance and Sustainable Investment (GSI) team, applies, interprets and regularly reviews our ethical policies and investments.

Setting these criteria and determining our investment portfolio is a three-step process:

1. Ethical policies and company approval

The GSI team gathers information and best practice from a wide range of sources including specialist research agencies, non-governmental organisations and academia.

2. Ethical assessment of potential investments

An Investment Sub-Committee considers all potential Stewardship fund investments against Friends Life's ethical policies before deciding which companies are acceptable for investment.

3. Selection of investments

Stewardship fund managers select companies for investment based on the views of the Committee of Reference and the companies approved by the Investment Sub-Committee. Companies which become unacceptable for ethical reasons must be sold by the fund managers within six months.

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Useful links

- [Stewardship Policy for Extractive Industries](#)
- [Stewardship Funds](#)

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[Ownership and engagement](#)

Ownership and engagement

Friends Life manages funds of £108 billion and we make it our duty to invest these funds responsibly. We know that the management of environmental, social and governance (ESG) risks relates directly to performance and shareholder value, so we incorporate these issues right across our investment decision-making processes.

In 2011, we announced the launch of Friends Life Investments, our new in-house asset management business. The business will launch in the second half of 2012 with £8 billion of recaptured fixed income assets and the potential to manage £61 billion in the future. We are working with the new in-house fund management team to develop strong responsible investment policies.

Our two main asset managers comply with the UK Stewardship Code, which states that institutional investors should:

- publicly disclose their policy on how they will discharge their stewardship responsibilities
- have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed
- monitor investee companies
- establish clear guidelines on when and how they will escalate their activities as a method of protecting and enhancing shareholder value
- be willing to act collectively with other investors where appropriate
- have a clear policy on voting and disclosure of voting activity
- report periodically on their stewardship and voting activities.

Dedicated research and analysis

The Responsible Investment teams of our major investment houses provide high-quality research covering the performance of companies on issues such as environmental management, human rights and business ethics. Research results and recommendations are shared with fund managers to inform their decisions.

Voting

We exercise our right to vote to encourage good governance, transparency and risk protection across our investment portfolio. Our investment managers use their knowledge of each company to vote accordingly. They engage with companies before the vote to explain the standards we expect, and afterwards to explain the reasons for any votes against management. During 2011, F&C Management voted on all resolutions on our behalf, and contacted 100% of companies where we abstained or voted against. AXA Investments, our other major asset management company, voted on all holdings in Europe, the US and Japan and will vote on all holdings worldwide in 2012.

Engagement with companies

Our two investment houses continuously engage with the companies we invest in, maintaining constructive dialogue and encouraging companies to adopt more responsible business practices. We urge companies to use external indices and to increase their levels of public disclosure.

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£108 billion

funds managed by
Friends Life

Useful links

- [→ Friends Life Investments](#)
- [→ UK Stewardship Code](#)

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Environment

We make it a priority to manage our effect on the environment. Arguably, our biggest impact is through our investments, so we influence others to manage their impacts and we carefully consider the investments we make.



Our ethical purchasing approach ensures we manage our supply chain, focusing on three areas – supplier assessment, contractual terms and ongoing supplier management. We actively manage our own impacts by reducing our energy consumption, business travel, resource use and waste generation.



In this section:

Climate change

How we are managing the risks and opportunities, including our work with ClimateWise and the Carbon Disclosure Project.

[→ Read more](#)

Our operations

What we are doing to manage our impacts, and the progress we are making in reducing our carbon emissions, water use and waste.

[→ Read more](#)



Environmental data

Our 2011 performance data.

[→ Read more](#)

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Climate change

Although it continues to be debated, there is clear consensus that the threat posed by climate change is heightening. Friends Life recognises it has a responsibility to respond to this threat, both through managing our own impacts and influencing the behaviour and practices of others.



Externally, the nature of our engagement has been wide and varied. In 2011, we signed the [2°C Challenge Communiqué](#), calling on governments to break the deadlock on international climate change negotiations and take action at a national level. We successfully retained the Carbon Trust Standard for our carbon management programme and we supported the [Carbon Disclosure Project](#), both as a signatory and as a reporting company.

In 2011, Friends Life was one of only four companies to be awarded a [ClimateWise](#) integration score of 100%, equivalent to a gold rating, and we achieved an overall score of 98% for the application of the ClimateWise principles.



100%

our 2011 ClimateWise integration score

Useful links

- [ClimateWise report and scorecard](#)
- [Carbon Trust](#)
- [Carbon Disclosure Project](#)

Case study – ClimateWise

We are working with others in our industry to respond to the risks and opportunities presented by climate change. Through [ClimateWise](#), we are committed to working with over 40 of the largest insurance companies in the world and to building climate change considerations into our risk, investment and governance frameworks. We report every year on our progress against the six main ClimateWise principles:

1. Lead in risk analysis
2. Inform public policy making
3. Support climate awareness among our customers
4. Incorporate climate change into our investment strategies
5. Reduce the environmental impact of our business
6. Report and be accountable.

You can read our most recent ClimateWise report [here](#)

Case study – Investing in energy efficiency

Throughout 2011 and early 2012, we have invested over £100K replacing lighting in our Dorking office. A new state-of-the-art low-level 14-watt T5 lighting system has improved the working environment for staff and reduced carbon emissions for the site by 13.6kg CO₂ per hour.

In 2012, we also started a seven-month project to upgrade the electrical systems at the office. The works include replacing existing computer-room air-conditioning equipment with a highly efficient free air-cooling system, bringing Friends Life's data centre up to the very latest resilience and industry-leading standards. The Free Air Cooling system represents a significant investment of over £135k and will significantly reduce the carbon emissions being produced in cooling our Data Centre.

Climate change

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Climate risks and opportunities

As a life and pensions company, it is our business to analyse long-term risks and opportunities and to understand the implications for our customers and our products. We assess the potential impacts of climate change in a number of ways, including through specific research tailored to our business, by working with the ClimateWise Health Working Group, and by reviewing public policy developments relevant to our business.

During 2011, we continued our partnership with the leading sustainability organisation, [Forum for the Future](#), who carried out a study of sustainability trends in relation to four potential impact areas of our business: customers, investments, products and operations.

In the short term, issues relating to climate change that could impact on our business include regulatory changes for business and public demand for mainstreaming sustainability in business. The immediate risks (mortality and morbidity) to our products are limited, and we have not identified any action that is required in terms of re-pricing products or altering capital reserves. Nonetheless, we recognise that climate change will impact on our business indirectly through increasing the cost of capital, changing investment strategies and the implications of temperature extremes on health.

Case study – Understanding weather and health

We are working with others to build understanding of the potential long-term impacts of weather patterns on the insurance industry. In 2011, we carried out research with ClimateWise partners into the potential implications of climate change for future morbidity risk across Europe. We also looked at how health problems, independent of climate change, are affected by changing weather patterns. While further research is needed, we now have enough evidence to show that weather-related events are likely to have a material impact on health insurance and income protection claims, particularly around mental health, should changes in weather patterns intensify in the future.

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Useful links

- [→ ClimateWise](#)
- [→ Forum for the Future](#)

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We recognise that reducing our emissions is not only good for the environment, but can deliver important efficiencies and is essential for our long-term sustainability in a low-carbon economy. That is why we are committed to reducing the impacts of our own operations and improving the environmental performance of our supply chain.

This is the first year we are reporting as Friends Life and we have undertaken a significant amount of work to set up robust environmental management systems and report procedures, including Greenhouse Gas (GHG) Reporting Protocol across the enlarged company.

As a first step, we have reviewed our new corporate structure and defined our organisational boundary for emissions reporting. We have opted for a control-based approach, accounting for 100% of the CO₂ emissions from the operations over which Friends Life has financial or operational control, regardless of equity interest.

To establish a robust data collection system, we have engaged with all business units across the Friends Life Group. We have assessed each business unit's capacity to report and the resources we will need to standardise the reporting process across the business. Initial guidance and recommendations are already achieving results where immediate improvements can be made.

The initial data we will report is based on current reporting practices and the availability of data across business units, as well as our aspirations for improving transparency.



100%

our 2011 ClimateWise integration score

Useful links

- [→ Environmental data](#)
- [→ Carbon emissions](#)
- [→ Natural resources and waste](#)

Scope	Description	Examples
Scope 1 Direct emissions	Direct emissions occur from sources that are owned or controlled by the organisation.	<ul style="list-style-type: none"> ▪ Direct fuel and energy use (for example gas or oil). ▪ Transport fuel used in organisations' own fleet vehicles.
Scope 2 Indirect emissions	Emissions from the generation of purchased electricity consumed by the organisation.	<ul style="list-style-type: none"> ▪ Purchased electricity.
Scope 3 Other indirect emissions	Emissions which are a consequence of the activities of the organisation but occur from sources not owned or controlled by the organisation.	<ul style="list-style-type: none"> ▪ Procurement ▪ Commuting ▪ Water ▪ Waste ▪ Staff business travel.

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Carbon emissions

Friends Life overall carbon footprint for 2011 was 27,131 tonnes of CO₂. This is equivalent to 4.72 tonnes of CO₂ per employee and 0.18 tonnes per square metre of occupied operational space. 2011 data will form the baseline for monitoring our progress in reducing emissions in future years.

Scope 1 emissions accounted for 17.8% of total emissions, equalling 4,830 tonnes of CO₂ emitted from the use of oil, gas and company cars. Scope 2 emissions represented 64.2% of our carbon footprint and totalled 17,408 tonnes of CO₂ produced from the electricity we consumed. Scope 3 emissions, predominately relating to business travel, accounted for the last 18% of emissions, equalling a total of 4,894 tonnes of CO₂.

Our preference is to source green tariff electricity wherever possible and practical. In 2011, we purchased about 85% of the electricity we used through a green tariff. Where we have acquired buildings not yet on a green tariff energy supply, we switch them to green tariff as soon as contracts come up for renewal, to achieve our aim of 100% coverage.

In this first year, we have allowed for a degree of estimation in our emissions from business travel owing to issues relating to data collection and record keeping. However, we are confident that the level of accuracy in our estimates is within the bounds of best practice.

CARE

27,131 tonnes

total Friends Life CO₂ emissions in 2011

Around 85%

energy purchased through a green tariff

Case study – Reducing our carbon footprint

Partner: Global Action Plan

We continue to work with leading environmental behaviour change organisation [Global Action Plan](#) to reduce our carbon footprint and develop greener ways of working. In 2011, we extended our environmental champions campaign, which includes all Bristol-based employees, to reduce people's environmental impacts at work.



The campaign included an audit of the site to understand our environmental impacts and identify efficiencies that employees can help to achieve. We set up a network of 'sustainable friends' and ran training recognised by the United Nations Environment Programme to help them design and carry out a series of communication campaigns.

Campaigns ran from April to November 2011 and focused on reducing paper use, switching off computer monitors and developing a viable alternative to disposable drinking cups. While we encourage people to re-use the drinking cups supplied from the vending machines, we also trialled a 'Keep Cup' campaign, supplying 200 branded cups and installing facilities to enable them to be washed up. Targeted communications are estimated to have reached almost 3,000 employees, including Friends Life employees and other contractors working on site. We saw a 20% increase in computer monitor switch-off rates. If the changes achieved can be maintained, we will achieve a reduction of over 45 tonnes of CO₂ per annum, and a £10,000 financial saving each year. Following the 'Keep Cup' trials, we are planning to purchase 2,000 more cups to enable all employees to take part in the campaign and further reduce our impacts. We are considering asking for a small donation for each cup, which will go to our charity partner, Macmillan Cancer Support, based on the psychology that a financial contribution will lead to greater use of the Keep Cups.



Useful links

- [Sustainable Friends – employee engagement](#)
- [Global Action Plan](#)

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Natural resources and waste

We are taking action to reduce waste from our operations, increase re-use and recycling, and reduce the water use in the properties we manage. During 2011, Friends Life generated a total of 4,886 tonnes of waste, 56% of which was recycled. We used a total of 89,908m³ water, equivalent to 15,600 litres per employee. We are aiming to reduce our water consumption by 3% (or 468 litres per employee per year) in 2012 and to increase waste recycling to a minimum of 60% across the Friends Life sites.

To reduce the impacts of print and paper use, we have agreed minimum environmental requirements with our suppliers including recycled paper for office use, certified paper stock for marketing and all other purposes, vegetable-based inks as default and avoiding special finishes in our literature and printed materials. We routinely consider the environmental impacts of all large print and paper-intensive projects.

CARE

56%

waste recycled

Useful links

[→ Global Action Plan](#)

Case study – Increasing levels of recycling

Partner: Global Action Plan

One of the three campaigns agreed by the Sustainable Friends network in our Bristol office with the help of Global Action Plan, was to increase the levels of recycling in the office. The Friends introduced new bin signage, resulting in a 12% increase in recycling and 5% reduction in waste. This will save around 29 tonnes CO₂ equivalent in a year.



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Environment data

We take into account the Greenhouse Gas Protocol in monitoring our environmental performance, and all our data is collected according to The Department for Environment, Food and Rural Affairs (DEFRA) guidelines.



Scope 1 and 2 emissions



	tCO ₂
Electricity	17,408
Natural gas	4,003
Oil	201
Company cars	626

Scope 1, 2 and 3 emissions



	tCO ₂
Electricity	17,408
Natural gas	4,003
Oil	201
Company cars	626
Domestic flights	101
International flights less than 3,700km	212
International flights more than 3,700km	167
Domestic rail trips	405
Fuel claimed on expenses and fuel cards	2,704
Unaccounted travel spend	1,304

Measure	Unit
1. Total Scope 1 CO ₂	4,830 tCO ₂
2. Total Scope 2 CO ₂	17,408 tCO ₂
3. Total Scope 3 CO ₂	4,894 tCO ₂
4. Total Scopes 1 & 2 CO ₂	22,238 tCO ₂
5. Per employee	3.87 tCO ₂
6. Per m ²	0.15 tCO ₂
7. Total Scopes 1, 2 & 3 CO ₂	27,131 tCO ₂
8. Per employee	4.72 tCO ₂

9. Per m ²	0.18 tCO ₂
10. Waste recycled	2,726 tonnes
11. Per employee	0.47 tonnes
12. Waste landfilled	2,160 tonnes
13. Per employee	0.38 tonnes
15. Water purchased	89,908m ³
16. Per employee	15.6m ³

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We have contracted AECOM Sustainable Development Group to carry out verification of our emissions reporting in line with the Greenhouse Gas Protocol. They have been verifying our reporting since 2007, but with the recent expansion of the Friends Life Group, and the need to achieve consistency across all business units, we have widened the verification remit to include our reporting methodology as well as our performance data.

Useful links

[→ AECOM's verification statement](#)[↑ back to top](#)

Organisational
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Employee wellbeing and
diversity

Employee engagement

Community development

People and community data

Assurance

Our people

2011 was a year of significant change for the people who work at Friends Life, so we made supporting and engaging with them a priority.



In 2011, we set out to support people through change and to minimise the number of compulsory redundancies. We also took the opportunity to strengthen our employment policies, improving areas such as flexible working, diversity, and health and safety.

Our employee survey highlighted what we are doing well and where we need to improve, and we continued to build on our efforts to engage our employees. We encouraged all our employees to take part in Friends Life community development activities, either by volunteering their time or by helping to raise money towards our official charity partner, Macmillan Cancer Support.

In this section:

Organisational development

How we are improving our organisation and supporting people through change.

[→ Read more](#)

Employee engagement

Our progress in engaging employees, including results from our annual employee opinion survey.

[→ Read more](#)



People and community data

Our 2011 performance data.

[→ Read more](#)

Employee wellbeing and diversity

What we are doing to provide first-class policies, support and benefits for our people.

[→ Read more](#)



Community development

How we are contributing to supporting active, prosperous communities.

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As Friends Life continues to evolve, we have seen significant changes in 2011 including the creation of our new in-house asset manager, Friends Life Investments, and a new business unit, UK Heritage. Other operational changes have included a number of new outsourcing projects, and consolidating into a smaller number of locations in the UK to achieve a more profitable and sustainable business.

Case study – Improving services and efficiency through outsourcing

Our new partnership with outsourcing specialist Diligenta will see us transfer much of our IT and in-house Customer Services functions to Diligenta. The 15-year contract involves transferring around 1,900 roles to Diligenta in the first quarter of 2012. All employees transferred as part of this agreement will continue working on site, and their terms and conditions of employment are protected under The Transfer of Undertakings (Protection of Employment) Regulations (TUPE), so their continuity of service and other rights are preserved. We informed and consulted with the employees affected by the project at the first available opportunity.

“Unite @ Friends have been appreciative of the degree of involvement and consultation we have had throughout the many, often difficult, changes we have seen in 2011.”

Russ Braithwaite,
National Seconded
Union Rep, Friends
Life

Useful links

- [Diligenta](#)
- [Unite](#)

Our approach to managing change seeks to minimise the number of compulsory redundancies. In 2011, approximately 600 employees were made redundant. Our overriding concern during periods of change is to provide colleagues with as much certainty as we can, as soon as we can. We engage voluntarily with the union, Unite, and we provide ongoing support for our people affected by change.

Recognising that change can be difficult for the people affected, we provide independent outplacement support for our employees, helping them understand and identify options such as alternative employment, training, self-employment or even retirement. We also provide resource centres with information on local vacancies and PCs with internet access. We tailor additional support and engagement to different situations, including career and information events, face-to-face briefings, regular intranet communications and newsletters. We aim to equip employees affected by change with the skills and techniques necessary to achieve their future career aspirations.

We continue to operate a recognition agreement and an outsourcing charter with the union, Unite. These agreements create a framework for Friends Life and Unite to use when working together to deal with structural change.

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Employee wellbeing and diversity



Our aim is to provide equal opportunities for all without discrimination. Our Diversity and equal opportunities policy sets out our commitments and the standards we expect from all Friends Life employees.

In 2011, we carried out a major review of employment policies across the Friends Life Group, creating a consistent suite of integrated employment policies including flexible-working, diversity and equal opportunities, and health and safety. We offer a range of flexible benefits, including financial advice and access to independent specialists such as solicitors, health visitors, welfare rights advisers, disability specialists and counselling services.

Friends Life supports the Living Wage campaign, which calls for every worker in the country to earn enough to provide their family with the essentials of life. We will be rolling out the living wage programme to cover all colleagues, including those who work on a regular basis at our offices but who are employed by subcontractors, such as cleaning, maintenance and security companies.

During 2011, we were awarded the 'Positive about disabled people' symbol by Jobcentre Plus for our commitment to employ, keep and develop the abilities of disabled staff.

In 2012, we plan to use ClearAssured, a self-assessment and development programme that helps organisations remove potential barriers to disabled people from their recruitment policy, process and practice.

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30.1%

women in our senior managers' group

Useful links

- [Flexible working policy](#)
- [Health and safety policy](#)
- [Living Wage campaign](#)
- [Positive about disabled people with Jobcentre Plus](#)

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In June 2011, we invited all Friends Life colleagues to take part in 'Have your say', our employee opinion survey. We achieved a response rate of 79% and an overall engagement index of 52%.

The engagement index is a measure of people's commitment to Friends Life and can be defined as willingness to invest personal effort in the success of the organisation. Our overall engagement score was lower than our industry average. We would expect this during a year of significant ongoing change across the business, and subsequent high levels of uncertainty among employees. The Friends Life Group (FLG) executive management team has set itself the task of increasing the engagement index by ten percentage points in the next survey scheduled for April–May 2012.

Survey results highlighted some key strengths for the business:

- 94% of people believe customers are treated fairly by their team
- 86% consider treating customers fairly to be a priority for Friends Life
- 85% said the people in their team work together to achieve results.

Areas for improvement include the way we manage change, visibility of leadership and people feeling a strong sense of belonging to the organisation.

We are driving improvements through action plans focused on four key areas:

- making people feel valued
- senior leadership and change
- personal development and growth
- making people feel they have done something worthwhile.

Raising organisational capability and retaining talent will be a priority during 2012 and beyond. We will be launching a new Learning, Performance and Talent management system early in 2012, providing access to all mandatory learning and a learning library. This will be followed later in the year by online performance management.

Case study – Sustainable Friends Network

Friends Life is supported by a network of 'Sustainable Friends' at our Friends Centre in Bristol. Our Friends Centre is our most energy-intensive site and one of our largest offices, housing around 2,500 employees. The Sustainable Friends help us identify improvements and engage colleagues to reduce our environmental impact. The programme has involved all teams working on site. It has improved relationships with key contractors and suppliers and helped to develop better environmental knowledge, team working, innovation, communication and leadership among employees. During 2012, the Sustainable Friends Network will continue to operate in Bristol and will extend to other office sites, commencing with our London-based headquarters.

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94%

employees believe customers are treated fairly by their team

Useful links

[→ Global Action Plan](#)

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We recognise that building trusting relationships and supporting active and prosperous communities is vital to the sustainable future of our business.

In 2011, the Friends Life Group invested more than £1.48 million in community investment activities. We revamped our Community Programme, moving away from smaller local donations towards more strategic charity

partnerships. We now focus our energy and resources on large-scale charity partnerships that make a significant difference to people's lives. Selected through a company-wide vote, we support causes that are relevant to our business and to which we can offer meaningful, long-term strategic involvement. In 2011, Macmillan Cancer Support was chosen by Friends Life employees as our first official charity partner and the decision has been taken to continue the partnership for 2012.

For the first time this year, we introduced match funding from Friends Life through our 'Give as you earn' scheme. Rather than matching the more ad hoc employee fundraising activities we have supported in the past, we now match employee contributions through this formal scheme. A key part of our community programme, the scheme supports tax-free giving and Friends Life matches employee donations by up to £20 per month or £240 in a full year. Employees are able to choose which charity they wish to support. During this first year, 409 employees (7.9%) signed up and donated nearly £139,000 to charity. Including match funding, our total donations through the scheme amounted to over £198k. We aim to increase the number of employees involved in 2012.

We moved our focus this year away from literacy mentoring towards encouraging employees to volunteer as School Governors through a poster and intranet recruitment campaign. School governance is one of the most important volunteering roles in education. Governors support school staff and enable them to provide the best possible standards of education. At any one time there will be around 40,000 vacancies for School Governors across the country.

In 2011, over 1,000 Friends Life employees based around the world took part in fundraising, volunteering or giving to support social and environmental causes, investing more than 6,000 hours of company paid time and taking part in 35 community challenges with our partner, Community Service Volunteers (CSV). 18 employees regularly undertook school governor duties and 6 continue to be engaged in literacy mentoring.

“ The team from Friends Life are exceptional. They came in and took on all that was asked of them. They are caring, professional individuals who enjoy giving something back to the local community. Thank you. ”

Hop, Skip & Jump, Bristol

“ The team were brilliant. They were hard-working, committed and got stuck in. A nice group of individuals as well who worked together as a team. Many thanks. ”

The Woodland Trust, Bristol

Case study – Friends Life charity of the year

Partnership: Macmillan Cancer Support

CARE

6,000 hours

paid company time invested through volunteering

£198,000

donated to charities through our Give as you earn scheme

£1.48 million

our total community investment

Useful links

- [Macmillan Cancer Support](#)
- [Community Service Volunteers \(CSV\)](#)

Among their many vital services, Macmillan offer advice and support to help people deal with the sometimes unexpected financial effects of cancer. Throughout 2011, Friends Life employees, supported by a network of community ambassadors, undertook fundraising activities and raised over £40,000 to support our official charity partner. In June, Friends Life teams took part in the Bristol Dragon Boat Race and raised £4,000 for Macmillan Cancer Support; in July a sponsored bike ride from John O'Groats to Land's End raised over £5,000 and in September we raised £5,175 by supporting the world's biggest coffee morning event. The money raised for Macmillan Cancer Support will go towards funding a Welfare Benefits room at University College Hospital London, where people living with cancer, their loved ones and carers can speak to an expert for confidential financial advice.



Case study – Friends Provident International (FPI) staff improve Christmas for labourers in the United Arab Emirates

In the United Arab Emirates (UAE), the majority of building and infrastructure projects are completed by labourers from the sub-continent, men who work 12-hour shifts, six days a week for poor pay and living conditions.

In 2011, staff at FPI's UAE office provided 33 Christmas bags containing items such as shaving cream, bed linen and towels, and sweets, drinks and biscuits. FPI matched the donation so that, in total, 66 bags were donated to the scheme to support workers over the Christmas period.



Case study – Friends Provident International (PFI) FPIronmen support cancer sufferers

After months of training, on Sunday 20th March 1,600 athletes congregated at the East Coast Park in Singapore ready to tackle the 70.3 mile race divided across three disciplines – swimming, biking and running. Three of our own intrepid athletes, Matt, Chris and Joel teamed up to swim 1.9km in open water, cycle 90km in temperatures around 28–30 degrees Celsius and run 21km between them. Out of 70 teams, we finished in 13th place in 5 hours 18 minutes and 57 seconds, beating our target by over 10 minutes and raising over £4,500 for Marie Curie. Well done to our FPIronmen.



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Diversity

Metric	Measure
Number of employees (headcount)	5,753
Number of female employees	2,966
% female	51.5%
Number of employees from ethnic minorities	377
% ethnic minorities	5.7%
Number of managers	738
Number of female managers	222
% female	30.1% of the managers' group



Gender pay gap

Metric	Measure – average female pay relative to average male pay
Non-management levels (A-E)	-19.3%
Management levels (F-G)	-8.7%
Executive levels (H and above)	+27.4%

The number of people involved reduces with higher-pay grade levels and figures can be skewed by a small number of highly paid females, so we don't give too much weight to the percentage of females in the highest levels of management. What is more important in the above figures is the direction of the gap as women progress within the organisation. Our figures are in contrast to the results in a survey from the Chartered Management Institute (CMI), which show females at junior executive level out-earning males, although this changes dramatically higher up the career ladder with pay rises for males outstripping those for females.

Turnover

Metric	Measure
Avoidable turnover	10.7%

Note Turnover figure stated is 'avoidable turnover' – turnover for reasons other than retirement, death, redundancy, temporary staff, dismissal, secondment to another company, transfer of business or resignation during disciplinary.

Absenteeism

Metric	Measure
Days lost	32,967
Average FTE	5,713.63
Number of days absence per employee	5.77

% absent	2.29%
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Health & Safety

Metric	Measure
Number of accidents	82
Number of RIDDOR reportable accidents	1
Incidence rate (number of RIDDORs divided by average headcount multiplied by 100,000)	18.674

Community

Metric	Measure
Total community giving	£1,486,994
Cash donations	£1,139,870
Volunteered working hours	Over 6,000
Participation in community programme (excluding Give as You Earn)	Over 1,000 employees*
Participation in payroll giving scheme	An average of 409 over the year, 7.9% of eligible workforce

* this figure includes some employees participating in more than one activity

Our community investment data is reported in line with London Benchmarking Group (LBG) guidelines and assurance provided by LBG

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We compile our Community Investment data in line with London Benchmarking Group (LBG) guidelines and submit it to them annually for their assurance that the guidelines have been followed. The LBG Assurance statement can be viewed [here](#).

Useful links

→ [London Benchmarking Group \(LBG\)](#)