

Corporate Responsibility report 2012

Protecting our future

Our vision is set in the context of a future where business communities thrive in a world that's environmentally sustainable and socially just. In our corporate responsibility report 2012, we tell you what we have achieved this year and describe some of our responsible business ambitions for the future.

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Overview



We have a critical social purpose, to protect people and their loved ones should they fall ill or die, and make their money work harder for them to provide a prosperous retirement.

CEO Welcome	Governance
Andy Briggs, who has overall responsibility for corporate responsibility within the Friends Life Group draws attention to our core purpose and how we deliver on that day in day out.	Key responsibilities within our statement of business principles, division of accountabilities and structure to ensure delivery, monitoring and reporting.
About Us	Stakeholder Engagement
Origins of the Friends Life Group, our vision and strategy. Find out more about our values and what they mean in practice	We rely on key stakeholders to inform our CR strategy and agenda. Partnership is an important feature of our stakeholder engagement.

Group CEO Welcome



In 2012 our industry changed. The Retail Distribution Review, automatic enrolment, gender neutral pricing, and much more, were all challenges that Friends Life met with professionalism and enthusiasm.

We maintained our high customer service standards even though we were going through significant internal change. I pay tribute to the whole team I have around me. They demonstrate a very high level of personal responsibility for how we run Friends Life, as reflected in the stories in this CR Report.

Trust

Over the last year, events have demonstrated that all financial institutions must continue to work hard to grow and retain the trust of their key stakeholders - be it customers, colleagues or shareholders.

Social purpose

During this prolonged economic downturn, it is worth reminding ourselves of our social purpose. It's the same as it was 200 years ago: helping people to have a good standard of living in retirement and helping people protect their loved ones should they fall ill or die. This is why we are in business, and why there is real meaning in our work on a daily basis.

Business in the community

This year we will make a public submission for Business in the Community's CR Index, and changes in our Board structure will change our CR Governance. Responsibility for the operational management of our CR agenda will be aligned to a common strategy and framework designed by our new CR Strategy Committee which I will chair.

Carbon footprint

We are not a business with a large carbon footprint but we recognise the need to carefully manage our impacts. I am sure the outsourcing of our facilities management to a single contractor in 2012 is already paying dividends and we can ensure continued reductions in our impacts in all areas of measurement. With greater confidence in the data, we have been able to increase the parameters of our Scope 3 emissions reporting, to include waste and water on top of the business travel previously reported.

Engagement

Employee engagement is an important aspect of our business. The transformation of Friends Life has stalled the progress we were making but I am determined to ensure the Group is a great place to work. I am certain I have the talent and commitment around me to make this happen.

About us

Friends Life social purpose could be summed up by the phrase, ‘financial resilience’. We provide a range of financial products and services that 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 business strategy focuses on developing Friends Life as a highly profitable and sustainable company that delivers market-leading products and services to customers, value to our shareholders and is a great place to work for all our colleagues.

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

Customer understanding	Accountability	Respect	Enterprise
• Being insightful	• Doing what we say	• Valuing people	• Thinking commercially
• Thinking differently	• Acting with integrity	• Treating people fairly	• Being innovative
• Listening to customers	• Delivering	• Doing the right thing	• Collaborating to win

Friends Life and Friends Provident International

Our current structure includes five different companies, employing over 3,700 people and operating in eight countries across Europe, Asia and the Middle East.

Division	Business unit	Major products/services
UK	Corporate benefits	Corporate pensions Workplace savings
	Protection	Life cover Critical illness cover Income protection cover (for group and individual customers)
	Retirement income	Annuities and retirement income products
Heritage	Heritage	Products which are no longer actively marketed
	Friends Life investments	New in-house asset manager
International	Friends Provident International	Individual savings Lump sum investments Protection
	Lombard	Life-assurance based estate and wealth planning
Distribution (reports in to CEO - international)	Sesame Bankhall Group	The UK's largest distributor of retail financial advice

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 in which 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 created a Corporate Responsibility Committee to oversee CR at the highest level. The Committee lead the development of our CR vision, policy and strategy, and had 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).

Andy Briggs, the Chief Executive of Friends Life was 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, 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), responsible for:

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

The CR team, 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

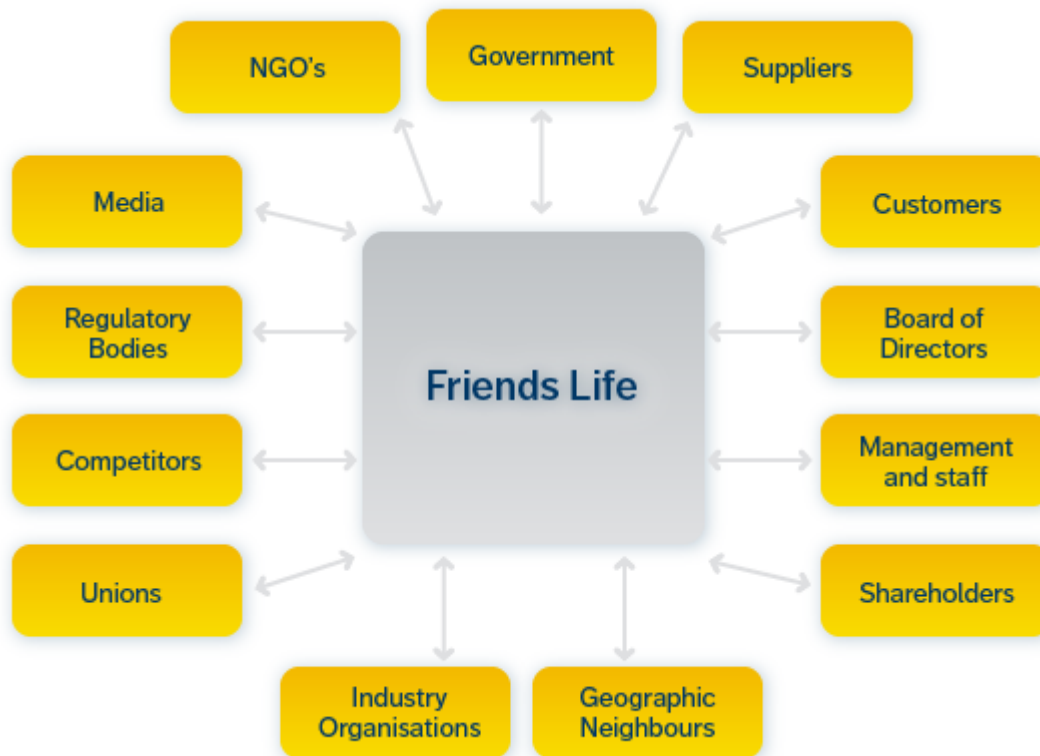
During 2012 new plans were developed to devolve and strengthen the internal governance of the CR programme, including the creation of a new CR Strategy Committee chaired by CEO Andy Briggs and made up of the Group Executive Committee and the senior non-executive director, Phil Hodgkinson.

Reporting into them will be a CR Leadership Team, comprised of senior leaders with operational responsibilities for the different strands of activity within the programme. The chair of the leadership team will attend the quarterly meetings of the strategy committee. It is envisaged that ad hoc cross-functional 'Issues' groups will be convened to either help drive change or provide an internal stakeholder group with whom we can enter into dialogue. This new CR governance infrastructure will be implemented in the second quarter of 2013.

Stakeholder dialogue

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 actively engage with a wide variety of stakeholders as indicated by the stakeholder map and specific examples below.



- Engagement with our customers assisted us in developing our Auto Enrolment 'Hub' for pensions, with large client implementations ongoing in early 2013. The Hub helps employers to meet their new auto enrolment duties underpinning our commitment to evolve customer propositions. We responded to employer concerns that auto-enrolment and salary sacrifice needed to be compatible to make arrangements simpler and more workable for them as they engage with the new pension legislation. There was a fear that if an employee cancelled a salary sacrifice arrangement for the auto-enrolled pension provision, they would not be entitled to a refund of their contributions. Following questions raised by Friends Life directly with HMRC and via the Association of British Insurers (ABI), HMRC confirmed that its guidance on salary sacrifice would be changed. Employees auto-enrolled via salary sacrifice will not be held to the arrangement if they subsequently opt out of the pension scheme and will be entitled to a refund of the salary they sacrificed, subject to tax and National Insurance, returning them to their pre-sacrifice salary level and ensuring they are not left out of pocket.
- Through our dialogue with Fairpensions and the Living Wage Foundation, as reported last year, we committed to the Living Wage. Following successful dialogue and negotiations with our on-site contractors, Friends Life has been accredited as a Living Wage Employer.

- In an attempt to help restore trust and confidence in financial products and services, following past scandals, Government set up a task force – the Simple Products Steering Group to come up with recommendations on simpler easier to access financial products. At Friends Life, we chose to respond to this particular challenge by listening more to our customers and being prepared to start with a ‘clean sheet’ rather than ‘shoe-horn’ something into existing platforms. Through the extensive research we conducted, we concluded it wasn’t the products that were complicated, although the language needed to be simpler, it was the processes themselves that needed simplifying. We therefore designed a simpler products proposition, very much with the customer and user-friendliness in mind, enabling multi-channel access. This has proved popular and is winning us business.

We invite external stakeholders to examine our performance and discuss 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. Additionally, AECOM have helped us formulate our emissions reporting boundaries, this year expanding our Scope 3 reporting. For 2012, 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 colleagues are one of our most important stakeholder groups. Employee engagement is a priority for us. We engage with colleagues through numerous channels including our Group-wide intranet and through networks of Community Ambassadors and Sustainable Friends at each of our main offices. Although close attention is paid to the outcome of our ‘Have Your Say’ survey, particularly the trends, our CEO and his GEC team hold regular informal contacts with colleagues throughout the business. These take place at a series of open invitation sandwich lunches at each site held throughout the year and a number of smaller group- listening sessions that Andy holds.

Material issues

The environmental, social and governance trend analysis that Forum for the Future prepared for the Company in 2011 remains largely unchanged but has been internally reviewed to re-assess the potential impacts of the issues on the Company.

With the continued work on organisational restructuring, which included the outsourcing to Dilgenta back in March and Friends Life's announcement of a further 150 redundancies, wellbeing and diversity take on even greater significance and has been moved up the 'stakeholder relevance' axis. Additionally, for much the same reason, employee engagement has been included as a material issue for us.

The new combined Resolution/Friends Life Group Board structure will provide greater clarity of governance for our key stakeholders.

The Corporate Responsibility Committee has incorporated the outcome of the materiality analysis into the Company's strategic corporate responsibility framework, which guides the format of the remainder of this report.

Governance, transparency, quality of service and trust all remain high on our agenda, and the following issues continue to be important to our business:

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



Highlights of the year



We were re-accredited with the '[Positive about disabled people](#)' symbol by Job Centre Plus.



Re-accredited with the [Carbon Trust Standard](#) as recognition of our carbon measurement, management and reduction over the past two years.



Friends Life raised and donated £122,000 to fund the Welfare Benefits Service at UCH [Macmillan Cancer Centre](#).

18 months on from opening its doors, the school now have over 65 students studying on the programme with a further [90 planned for 2013](#).



FPI sponsored the '[Dare to Dream](#)' program for a second year, to continue developing the concept of saving money among teenagers.

FPI received the [Caring Company](#) logo for the third consecutive year in 2012.



Friends Life sponsored Mind's '[How to be mentally healthy at work](#)' employee booklet.



Friends Life sponsored the 2012 [Mind Media Awards](#).

Performance outlook

Areas of focus within our CR programme are detailed throughout this report. We detail here the outcome of our 2012 targets and a number of new targets for 2013. As for 2012, we recognise the need to develop this aspect of our CR governance during 2013, which the new CR Leadership Team will address.

Responsible Products and Services

2012 targets	Outcome	2013 targets
Identify and adopt new customer experience measures for each business unit	Ongoing	Identify and adopt new customer experience measures for each business unit
Support development of employee booklet	Achieved (publication 2013)	Continue to work with Mind to influence employer attitudes to mental health
		Provide cancer awareness training for protection claims team

Climate Change and Environment

2012 targets	Outcome	2013 targets
Reduce energy consumption by 3%	Achieved 6.6% reduction	Reduce energy consumption by 3%
Reduce water consumption by 3%	Achieved 12.8% reduction	Reduce water consumption by 3%
Minimum of 60% waste recycling	Achieved 63% recycled	Minimum of 60% waste recycled
		Reduce carbon emissions by 3% compared to 2012

Employee Engagement and Citizenship

2012 targets	Outcome	2013 targets
Achieve an employee engagement score of at least 60% (from 52% base)	Missed (achieved 61% in April, missed with 56% in Nov)	Achieve employee engagement score of 62%
Launch new learning, Performance and Talent Management platform	Achieved	Launch Management Development
		Introduce new leadership model and 360

		degree feedback process for senior leadership
Achieve 20% employee participation in community & environmental activity	Achieved	25% participation rate
		Increase employee fundraising by 50%
Apply for BitC Community mark	Missed	
Accreditation as a Living Wage employer	Achieved Living wage Employer Accreditation	

Overall CR Management

2012 targets	Outcome	2013 targets
Implement changes to address gaps identified in BitC CR Index private submission	Ongoing (awaiting outcome of public submission)	Achieve Silver status in first public submission as Friends Life
Develop the process for setting and monitoring CR KPI's	Missed	Retain 2012 target
		Implement new CR governance infrastructure by end of Q2

Business and economy



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

Economy and Regulation	Automatic Enrolment
With the economy as it is and likely to be for some years yet, the need for people to make financial provision for the future is even greater.	Our research highlights the lack of public awareness about this.
Retail Distribution Review	Future Business Plans
The Retail Distribution Review (RDR) was launched by the FSA in June 2006 to tackle 'insufficient consumer trust and confidence in the products and services supplied by the market'.	What we are doing to organise our business around our customer, colleagues and shareholders.

Economy and regulation

The UK government's response to the global and national economic climate continues to throw into sharp focus, the fragility of our financial resilience, as individuals, families and a society. The need to deal with the budget deficit has led to government re-examining significant areas of expenditure, including welfare benefits and pensions.

The constraints of welfare benefits and the expected slow economic recovery work against people making adequate financial provision for the future that would enable them to:

- Enjoy a reasonable degree of comfort and leisure in retirement
- Cope with 'Care' costs in old age or ill health
- Remain financially resilient in the event of a critical illness or death of a major household budget contributor.

People are expecting to have less disposable income for years to come and putting money into savings, health insurance or income protection may seem a luxury they cannot afford. It is however, probably more important that they do so, precisely because of ongoing austerity and limited growth.

In last year's CR Report we referred to the inability of Government to provide the financial 'safety net' at levels that many have come to take for granted. The evidence of this is increasing all the time and individuals need take more responsibility for their own and their family's future financial resilience.

A number of new, although long-trailed pieces of legislation became a reality in 2012, pension auto-enrolment and retail distribution review to name but two.

Automatic enrolment

In September 2012, a month before automatic enrolment, our research showed:

- Only 6% of Britons knew they were going to be automatically enrolled
- Almost two thirds had no idea what it was
- Only 42% of people are members of a company pension scheme, highlighting that less than half of the population are taking advantage of workplace benefits, potentially limiting their future retirement income.

Ahead of automatic enrolment, Friends Life successfully lobbied HMRC to change the salary sacrifice guidance, ensuring employees opting out of the scheme did not lose out financially and employers' sacrifice schemes could not be called into question from a tax and National Insurance perspective.

Commenting on the change, Martin Palmer, Head of Corporate Benefits Marketing at Friends Life, said:

"Employers have been telling us that automatic enrolment and salary sacrifice needed to be compatible to make arrangements simpler and more workable for them as they engage with the new pensions legislation. The clarification we've received from HMRC that salary sacrifice guidance will be changed is great news. It's also a commonsense move that ensures consumers won't be left out of pocket if they decide not to remain in their employer's scheme. Salary sacrifice is an effective and efficient means of helping employees participate in their company pension schemes and this change ensures it remains so"

Retail Distribution Review

The Retail Distribution Review, (RDR), was launched by the FSA in June 2006 to tackle 'insufficient consumer trust and confidence in the products and services supplied by the market'. The FSA indicated that they wanted to tackle the root causes of the problems in the industry, not just treat the symptoms.



RDR has significantly changed the financial services landscape. The fact that the mandatory changes resulting from RDR were scheduled to take effect on 31 December 2012 illustrates the level of work required to be compliant. Throughout our own preparations, our intention was to keep the changes to our systems and processes to a minimum to ease the transition for advisers, customers and our own people. We wanted to minimise the potential impact on our customers, so have not withdrawn any products as a direct result of RDR. We do expect an increase in the number of 'orphaned' customers, (customers who have lost access to financial advice), so have set up a guidance team to support these customers.

Throughout an extensive RDR programme, we took great pains to ensure our own people, who would be significantly impacted by the changes, were kept fully informed of how it would impact their area of the business, progress on all the necessary elements of the various projects and trained to ensure they would be comfortable with and embrace the changes.

Similarly, independent advisors were kept completely up to speed on the changes we were implementing and where possible we offered variants of adviser charging on a range of products to support them and their customers.

One potential risk arising out of RDR is a reduction in the number of IFA's and their level of qualification, which would have negative impacts on the market and customers. This risk was tackled head-on with the creation of the Financial Advisor School by Sesame Bankhall Group (read more under [Financial Capability](#))

Future Business Plans

2012 has been a year of simplification. We announced in August that Resolution Limited would no longer seek a specific exit event from its ownership of Friends Life Group. Instead we intend to align the boards of Friends Life Group and Resolution Limited at the end of March 2013, subject to shareholder approval.

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. Within Friends Life Group, we are continuing to embed our three division management structure, dividing our activity in to UK, Heritage (closed businesses in the UK market) and International, to ensure accountability across our business.

The UK division competes in selected UK product lines where our cost efficient platforms and pricing expertise allow us to meet customer needs while providing suitable returns for investors. We are focusing on improving our at-retirement product offering, to compete in this growing market. Alongside this we have prepared for a number of regulatory initiatives affecting UK customers, including implementation of the FSA's Retail Distribution Review and gender-neutral pricing of insurance products. In particular, in 2013 we expect auto-enrolment in to workplace pensions to introduce substantial numbers of new customers to our business.

Because the Friends Life Group has brought together customers who originally bought their policies from a host of different companies, our Heritage operations are complex and we aim to simplify the structure of our business. In 2012 we completed a number of insurance business transfers, aligning policies from a number of different companies into one, Friends Life Limited (FLL). Simplifying our group structure will enable us to run our business more efficiently, with clearer reporting for investors and with more coordinated governance processes, for example by bringing all but one of the With Profits funds within the Group in to FLL. We also enacted a major policy administration outsourcing deal, contractually securing service and expense levels across our Heritage business. We launched Friends Life Investments in mid-2012.

We recently reviewed the strategy of our International division. We will refocus on our core customer propositions, operating in markets offering attractive growth prospects at appropriate levels of risk. As part of this process we negotiated the sale of our stake in our Malaysian joint venture, AmLife, to our partner.

Our current structure includes five different companies, employing over 3,700 people and operating in eight countries across Europe, Asia and the Middle East.

Division	Business unit	Major products/services
UK	Corporate benefits	<ul style="list-style-type: none">• Corporate pensions• Workplace savings
	Protection	<ul style="list-style-type: none">• Life cover• Critical illness cover• Income protection cover (for group and individual customers)
	Retirement income	<ul style="list-style-type: none">• Annuities and retirement income products
Heritage	Heritage	<ul style="list-style-type: none">• Products which are no longer

		actively marketed
	Friends Life investments	<ul style="list-style-type: none"> • New in-house asset manager
International	Friends Provident International	<ul style="list-style-type: none"> • Individual savings • Lump sum investments • Protection
	Lombard	<ul style="list-style-type: none"> • Life-assurance based estate and wealth planning
Distribution (reports in to CEO - International)	Sesame Bankhall Group	<ul style="list-style-type: none"> • The UK's largest distributor of retail financial advice

Product and services



Our product development in the past year or so, has been geared around our core purpose and making access to products simpler for customers. We have this year enhanced our protection products by broadening the scope of illnesses covered.

Treating Customers Fairly	Meeting Customer Needs
Treating Customers Fairly (TCF) remains high on our agenda at Friends Life.	As economic and social shifts unfold, individuals will need to take greater personal responsibility for their future and rely less on support from the state.
Partnerships	Financial Capability
We help people take control of their financial futures and support public health and well-being through our partnerships.	The lack of financial capability in the IL presents a long-term risk for many. It creates a sense of inertia when preparing for the future, leading to a lack of financial resilience

Treating Customers Fairly

Treating Customers Fairly (TCF) remains high on our agenda at Friends Life. Delivery of positive outcomes for customers remains a core focus across the Friends Life Group – from development and distribution of new propositions in our UK and International businesses to customer retention in our Heritage business.

The Friends Life Group CEO and executive management team is committed to ensuring the principles of TCF remain embedded. Employees have at least one performance objective linked to their personal delivery of positive customer outcomes and our corporate values include a specific customer focus. To monitor our ongoing TCF delivery and to mitigate emerging customer risks, performance against a consistent set of measures is reported by each business unit (including our suppliers). These reports enable our executive management teams to take timely actions and decisions to protect customer outcomes.

A robust governance model is in place to monitor customer-impacting activity across the group, through a range of policies and processes designed with the customer at the heart of them. These range from development and review of our propositions to customer service processes, complaint handling and quality assurance controls.

Regular training and testing of employees' understanding and application of TCF principles is conducted. To assess ongoing employee engagement of our employees in the principles of TCF and to invite improvement suggestions, we undertake regular surveys.

Examples of key performance indicators used by Friends Life to monitor TCF performance and customer risk include:

- **Claims Paid** – we recognise that our customers rely on us to provide products that will both invest their money to meet future needs and provide protection when they and their loved ones need it most. In 2012 Friends Life received more than 8,000 claims in respect of protection products and was able to pay the sum due for c.98% of them.
- **Complaints overturned by the Financial Ombudsman Service** - Friends Life target that less than 30% of referrals made to the Financial Ombudsman Service (FOS) (where customers are unhappy with Friends Life's decision following a complaint) result in a change of decision in favour of the customer. This is known across the industry as a 'change in favour rate'. The 30% target was set in 2011, below the industry average for that time period. Friends Life has reported a change in favour rate of below the industry average throughout 2012.
- **Speed and Accuracy Targets** - prompt and accurate responses to customer requests are essential factors in delivering a positive customer service experience. Targets for speed and accuracy of customer service were exceeded during 2012; 96% of customer requests were processed within target timescales and almost 99% were completed without error.
- **Unclaimed Asset Management** – tracing customers with unclaimed funds is a challenge faced across the financial services industry. Industry-wide, the total unclaimed asset value is estimated to be in the region of £1 billion. Friends Life is investing heavily to repatriate customer monies through more creative solutions to trace beneficiaries. To date, we have paid out c. £15 million to customers we have proactively traced.

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.

Meeting customer needs

As previously mentioned, 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 need to take greater personal responsibility for their future and rely less on support from the State, which is meeting its challenges by systemic far reaching changes to the welfare mechanisms society has until recently, come to take for granted.

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. However, a common complaint, and one government has sought to address by setting up an industry group – The Simple Products Steering Group, is that financial products are too complicated.

Friends Life has taken the time to really listen to its customers on this issue and we concluded that it wasn't the product design that is complex; it is the customer journey – how easily products can be understood and accessed. As a result, we've focused the development of a simpler product range in 2012 around the customer journey.

Mark Anders, sales and marketing director for individual protection at Friends Life, explained in an interview for Health Insurance and Protection that a typical application process would take 25 to 30 minutes through an intermediary using an online application, and said: "The focus for us is creating propositions for customers that are easier to access online and easier to understand, and journeys that take five to 10 minutes." How we're addressing this is by planning to introduce simpler question sets and easier to follow screens. We have begun to test out our simple product propositions with some of our distribution partners, such as the AA.

Financial capability



The lack of financial capability in the UK presents a long-term risk for many, creating a sense of inertia in preparing for the future, leading to a lack of financial resilience. 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, (see Case Study below). 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.

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.

Case study



The issue of financial capability is a global one. 2012 was the second year FPI sponsored the "Dare to Dream" program to continue developing the concept of saving money among teenagers. As last year, the beneficiary NGO was Hong Kong Student Aid Society and it was kicked off by a financial planning seminar in January, followed by a short-listing period in February. After submitting the proposal, the shortlisted students needed to develop a three-month saving plan to achieve their goals. Candidates who were successful in meeting their goals were matched by FPI's matching fund as reward.



In July 2012, FPI held the Dare to Dream prize presentation ceremony, in which we rewarded those students who had been successful in achieving their savings targets. It was so wonderful to see these students achieve their savings targets and the happiness that they attained from the experience. This was a rewarding event that FPI definitely plans on continuing next year and in the future.

Caring Company recognition

FPI received the Caring Company logo for the third consecutive year in 2012 and continued to be recognized as a good corporate citizen for the community. We will continue to support the community through different CSR programs.



Sesame Bankhall Group - 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.

18 months on from opening its doors, the school have now over 65 students studying on the programme with a further planned intake of 35 in April 2013 and 55 in October 2013. In January 2013 we saw our first pilot of students graduate successfully from the programme, and become qualified and competent Financial Advisers. The students currently studying come from varying backgrounds and experience, with one common focus on becoming a Financial Adviser.

The school has had a high profile in the trade press which has helped share stories about the school and its students. Further work in 2013 is underway in working more closely with universities to first accredit the programme as a foundation degree with Manchester Metropolitan University, but also to work in partnership with universities to become part of the curriculum for business studies degrees in respect of financial planning. We have embarked on a pilot of this process with Huddersfield University.

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."



Partnerships

Our products need to be designed in ways that help our customers take control of their financial future as well as promoting better health and wellbeing. It is through a wide range of 'added value services' that we meet this latter aspect, services like a dedicated health line, employee assistance programme and online information platforms integral to our corporate benefits proposition.

One such service follows a long-term agreement signed in November 2011 with Best Doctors, an expert medical information service for policyholders and their families. Founded in 1989 by doctors from the renowned Harvard University School of Medicine, they established a unique worldwide database of 50,000 leading medical specialists in over 400 different disciplines, who can provide expert advice and recommendations to members facing serious medical conditions. Best Doctors is available to all Friends Life Group Critical Illness Cover scheme members and their dependants at any time and not just at the claims stage. These new enhancements make it easier for the employer to communicate this valuable benefit to their employees by introducing an employer microsite toolkit that hosts all of the information regarding the services of Best Doctors in one convenient place.

There are two new additions to the existing Best Doctors Inter-Consultation service which provides a second opinion from a world leading expert:

- **'Ask The Expert'** is for those situations that do not require a full collection of medical records. It offers a streamlined process that provides access to a world-leading specialist for the specified condition, within a few days.
- **'Ask Best Doctors'** gives access to Best Doctors' expertise and knowledge at the click of a mouse for all members including use of an exclusive online Multimedia Library hosting on-demand videos with detailed explanations about medical conditions, treatments and testing.

David Williams, Director of Group Protection at Friends Life said:

"These enhancements reinforce the quality of Friends Life's Group Critical Illness offering. Our critical illness product is an attractive benefit option for employers to offer their staff, providing members with access to expert medical opinion and a potential financial benefit when they are at their most vulnerable through illness."

Macmillan Cancer Support and Mind

Throughout 2012 we have continued our close ties with both Macmillan Cancer Support and the mental health charity, Mind.

During 2012 we have been working with Mind on an employee booklet, entitled 'How to be mentally healthy at work', building on the earlier sponsorship of the employers' guide "Mental health in the workplace". Mental ill health accounts for significant claims against our Income Protection products, so it makes good sense for us to support Mind's goal of educating employers to understand the issue of mental health and be more supportive of affected employees. The shared aim is to help keep employees in work or return to work as soon as is practicable, because in general work is beneficial to peoples' mental health and general wellbeing. To further support the work of the charity, Friends Life was lead sponsor of the 2012 Mind Media Awards held in November at the British Film Institute.



We reported last year on training that Macmillan had provided for our Critical Illness and Income Protection teams to provide insight into how cancer patients can be affected financially as well as physically, emotionally and socially. This was designed to enable our claims teams to show more empathy as well as signpost our customers to other services available to them. Macmillan will repeat this training in the spring of 2013.

In the first two years of our partnership with Macmillan Cancer Support, our colleague-led fundraising and company matched funding was targeted to the cost of the two welfare benefits rooms in the University College Hospital Macmillan Cancer Centre, a total of £122K. We agreed this direction of our fundraising because the issue of financial resilience is important to us and Macmillan state that, after pain, financial worries, is their second concern. 2013 will be the third year of our partnership, which we are now extending to 2018, and we shall be exploring similar opportunities to target our fundraising efforts.



During 2012 we have been working with Mind on an employee booklet, entitled 'How to be mentally healthy at work', building on the earlier sponsorship of the employers' guide "Mental health in the workplace". Mental ill health accounts for significant claims against our Income Protection products, so it makes good sense for us to support Mind's goal of educating employers to understand the issue of mental health and be more supportive of affected employees. The shared aim is to help keep employees in work or return to work as soon as is practicable, because in general work is beneficial to peoples' mental health and general wellbeing.

To further support the work of the charity, Friends Life was lead sponsor of the 2012 Mind Media Awards held in November at the British Film Institute.

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. We are represented on 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. The team is also subject to scrutiny by our Unit Linked Investment Team.

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.

Ownership and Engagement

Friends Life manages funds of approximately £100 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.

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.

In addition, they comply with the Ottawa and Oslo conventions and companies associated with the production of Anti Personnel Land Mines & Cluster Bombs are included in the list of prohibited investments.

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 2012, F&C Management voted on all resolutions on our behalf, and contacted 100% of companies where we abstained or voted against. AXA Investment Managers Ltd, our other major asset management company, voted on all holdings in the UK, 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.

Environment



We endeavour to reduce our impact on the environment through operational efficiencies and galvanizing the imagination and enthusiasm of our people to tread more lightly on this earth

Climate Change	Engaging our people
As part of a worldwide response to climate change, people are looking to business to set an example, expecting them to create less detriment and do more good.	Unlike many companies whose sustainability agendas are promoted from the top, we encourage the growth bottom-up, with employee-led environmental campaigns.
Our operations	Environmental Data
What we are doing to manage our impacts, and the progress we are making in reducing our carbon emissions, water use, and waste.	Our 2012 Performance Data.

Climate change

The public's expectation of business with regard to reducing or otherwise mitigating negative environmental impact, particularly around carbon emissions is increasing. At Friends Life, we're conscious that, despite having a relatively low direct environmental footprint, we have an equal responsibility to reduce that impact in percentage terms as any other business. It isn't about absolutes but continuous incremental improvement, making our contribution to a global effort.

There may be dissenting views and arguments about climate change. However, in the insurance industry, a precautionary approach is a model we're used to adopting and one we advocate in relation to climate change and environmental degradation.

We hold the Carbon Trust Standard for our continued efforts to manage our emissions, and fully support the Carbon Disclosure Project, both as a signatory and reporting company.

In 2012, Friends Life was awarded an 86% integration score for our ClimateWise report, equivalent to a silver rating, and an overall score of 90% (down 8% points) for the application of the ClimateWise principles. We are ceasing membership at the end of the current year, having taken the view in the current economic climate, that it is no longer a cost effective driver of influence nor impacting our efforts to reduce our environmental impacts, to which we remain committed.

Engaging our people

We continued working with the leading environmental behaviour change organisation Global Action Plan (GAP) during 2012, in our Bristol and London offices. We encourage the growth of beneficial environmental behaviour, bottom-up with colleague-led environmental campaigns.

Our Sustainable Friends network expanded to include our London office during 2012 and GAP has trained some 25 Sustainable Friends over the two offices. A variety of topics were the subject of complimentary campaigns, including water and paper consumption, eco-driving, reusable cups and switching off monitors, as reported in last year's report.

Case study - Sustainability on two wheels

Everyone needs a buddy

- Thinking of cycling to work?
- Not sure how to get started?
- Let a bike buddy (experienced regular cyclists) help you take your first journey

For more information take a look at the community pages of the Friends Life Intranet or email: the Friends Life Community Team, G4-LIFE Friends Community (Friends Life)

FriendsLife

Our own Bristol based Cycling Action Group helped organise the Sustainable Friends Bike Buddy scheme as part of National Bike Week, supported with advice and encouragement by Global Action Plan. A Bike Buddy is someone colleagues can team up with to provide encouragement and show them the best route. They can also share safety tips and discuss their experiences with clothing and equipment. Friends Life supplied 50 more lockers, improved drying space and upgraded bicycle parking infrastructure.

Using online mapping software, colleagues could upload their daily route for all to see. This allowed other commuters with similar routes to share their journeys and encouraged fence-sitting staff to make the leap from their cars to bikes by decreasing the perceived danger of cycling.

The analysis of the success of the campaign was very encouraging:

- The average bicycle journey of Friends Life colleagues was 4.5Km

- 9% increase in colleagues cycling to work in Bristol office
- 250 additional bicycle journeys between June and July
- £1,350 saved in commuting costs each year
- 2,250 Kg of carbon dioxide mitigated each year

Further support for cyclists was provided during the year. A number of free bicycle servicing sessions were pre-booked with Dr. Bike, test riding of new models and big discounts were available from Zero G and the Sustainable Travel team from Bristol City Council were handing out free cycle maps and discussing the benefits of alternative ways to commute to work.

Friends Life were also part of a collaborative initiative in South Gloucestershire, with more than 20 firms along the A4174 ring road - which represent around 40,000 staff members and 30,000 students. We cooperated with the other businesses to deposit specialist kits at workplaces. These included essential cycle maintenance tools and spare equipment such as lights, locks and high-visibility jackets, to help out riders who might otherwise be stranded when they forget something.

The employers involved include Airbus, HP, Mitie, Friends Life and the Bristol & Bath Science Park, as well as the University of the West of England and NHS Blood & Transplant.

The scheme was introduced by North Bristol SusCom, which stands for 'Sustainable Commuting' and is a partnership between local businesses.

SusCom Director Ann O'Driscoll said: "We all recognise the importance of sustainable transport, such as cycling, as a way of reducing congestion and promoting healthy lifestyles.

Our operations

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.

Last year, we made the decision to adopt 2011 as the new base year for environmental comparisons. This was partly due to a lack of confidence in the quality or comprehensiveness of the data from the newly acquired businesses and virtual doubling in size of our office space and workforce numbers. This year, we compare our 2012 data with 2011 but have included absolute emissions data going back as far as 2008, in a separate table. We recalculated the emissions for 2010 after identifying the source of the error in the indicative figure we reported in our 2010 CR Report.

We have expanded the boundary of our Scope 3 reporting for 2012, to include waste and water as well as the travel reported on in 2011. This is in line with our desire to continue to make our environmental reporting as comprehensive as possible.

Emissions which are a consequence of the activities of the organisation but occur from sources not

Scope	Description	Examples	Friends Life Group Reporting
Scope 1 Direct emissions	Direct emissions occur from sources that are owned or controlled by the organisation.	• 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.	• 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.	• Procurement	• Not reported
		• Commuting	• Not reported
		• Water	• ✓
		• Waste	• ✓
		• Staff business travel	• ✓

owned or controlled by the organisation.

Carbon emissions

Friends Life overall carbon footprint for 2012 was 24,395 tonnes of CO₂, a 10% decrease on 2011's emissions. This is equivalent to 6.46 tonnes of CO₂ per employee and 0.21 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 16% of total emissions, equalling 3,903 tonnes of CO₂ emitted from the use of oil, gas and company cars, a 19.2% reduction on 2011. Scope 2 emissions represented 68.3% of our carbon footprint and totalled 16,664 tonnes of CO₂ produced from the electricity we consumed, a 4.3% reduction on 2011. Scope 3 emissions, predominately relating to business travel, accounted for the last 15.7% of emissions, equalling a total of 3,829 tonnes of CO₂.

Our preference is to source green tariff electricity wherever possible and practical. In 2012, we purchased about 95% of the electricity we used through a green tariff, up from 85% in 2011.

Natural resources and waste

We are continuing to take action to reduce waste from our operations, increase re-use and recycling, and reduce the water use in the properties we manage. During 2012, Friends Life generated a total of 3,570 tonnes of waste, 63% of which was recycled. We used a total of 78,428m³ of water, equivalent to 20,842 litres per employee per year. We aim to reduce our water consumption by 3% in 2013 and to maintain waste recycling above a minimum of 60% across the Friends Life sites.

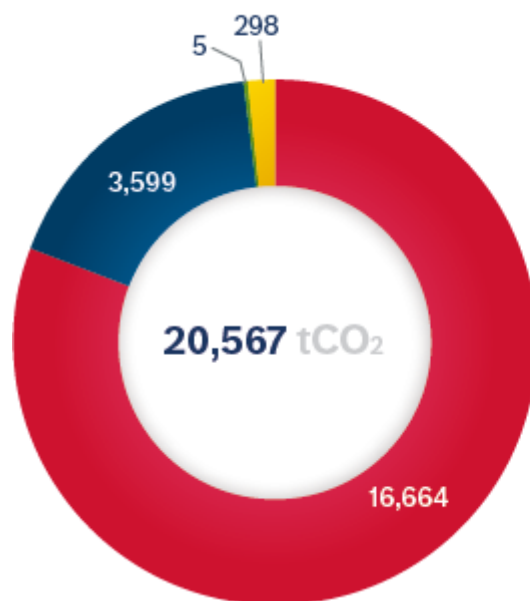
To reduce the impacts of print and paper use, we have agreed minimum environmental requirements with our suppliers including recycled paper for office use, certified paper stock for marketing and all other purposes, vegetable-based inks as default and avoiding special finishes in our literature and printed materials. We routinely consider the environmental impacts of all large print and paper-intensive projects. We set our suppliers a target of a minimum of 98% spend with ISO 14001 vendors and a minimum of 98% FSC or recycled paper for our office supplies, which has been exceeded in each of the last three years. Due to the near doubling of office space and employees with the acquisition of the Axa Life Insurance and Bupa Health Assurance businesses, 2011 and 2012 data for tonnes of plain office paper used, excluding letterhead supplies, (assuming purchases equal use), provide like for like comparisons. We have been very successful in reducing our tonnage, to some degree helped by the focus on this issue by our Sustainable Friends network campaigns in our largest office, Bristol and in our London office.

Year	Paper tonnage	Change
2011	28.14	
2012	20.79	-26%

Environmental data

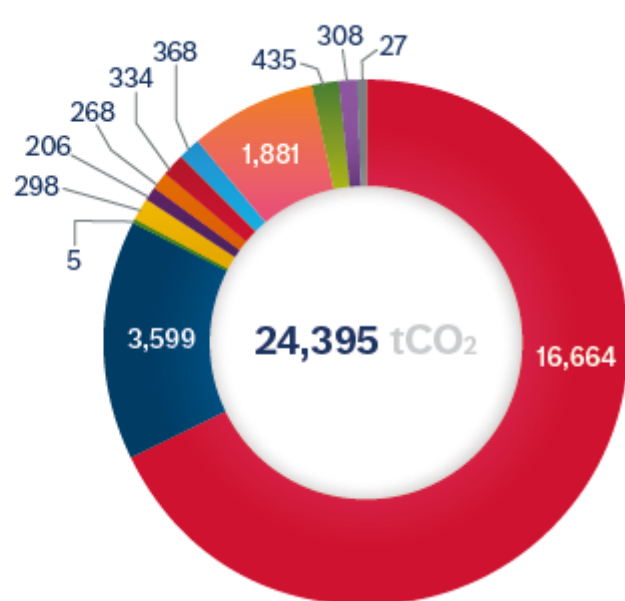
We take into account the Greenhouse Gas Protocol in monitoring our environmental performance and all our data are collected according to The Department for Environment, Food and Rural Affairs (DEFRA) guidelines.

2012 Scope 1 and 2 emissions



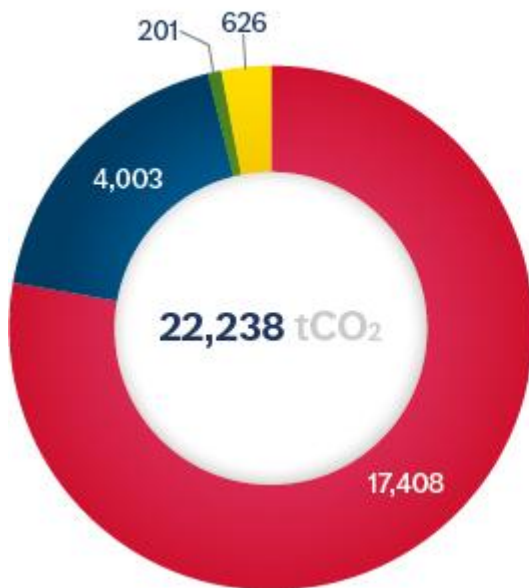
	tCO ₂
Electricity	16,664
Natural gas	3,599
Oil	5
Company cars	298

2012 Scope 1,2 and 3 emissions



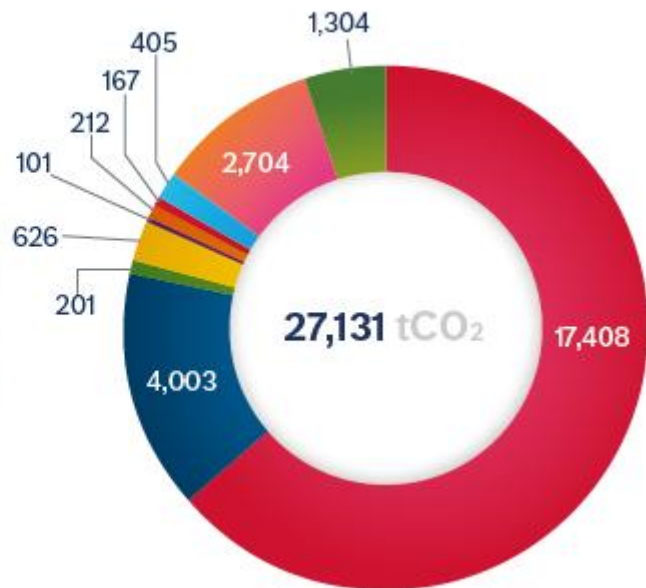
	tCO ₂
Electricity	16,664
Natural gas	3,599
Oil	5
Company cars	298
Domestic flights	206
International flights < 3,700km	268
International flights > 3,700km	334
Domestic rail trips	368
Fuel claimed on expenses and fuel cards	1,881
Unaccounted travel spend	435
Waste	308
Water	27

2011 Scope 1 and 2 emissions



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

2011 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 < 3,700km	212
International flights > 3,700km	167
Domestic rail trips	405
Fuel claimed on expenses and fuel cards	2,704
Unaccounted travel spend	1,304

Measure	2012 unit	2011 unit
1. Scope 1 CO ₂	3,903tCO ₂	4,830tCO ₂
2. Scope 2 CO ₂	16,664tCO ₂	17,408tCO ₂
3. Scope 3 CO ₂	3,829tCO ₂	4,894tCO ₂
4. Scope 1+2 CO ₂	20,567tCO ₂	22,238tCO ₂
5. Per employee	5.71tCO ₂	3.87tCO ₂
6. Pm ²	0.17tCO ₂	0.15tCO ₂
7. Scope 1+2+3 COPm ²	24,395CO ₂	27,131tCO ₂
8. Per employee	6.48tCO ₂	4.63tCO ₂
9. Pm ²	0.21tCO ₂	0.18tCO ₂

Measure	2012 unit	2011 unit
10. Waste recycled	2,257 tonnes	2,726 tonnes
11. Per employee	0.60	0.47 tonnes
12. Waste landfill	1,313 tonnes	2,160 tonnes
13. Per employee	0.35 tonnes	0.38 tonnes
14. Water purchased	78,428m ³	89,908m ³
15. Per employee	20.84m ³	15.6m ³

More historical environmental data

2012 and 2011 environmental data is for the Friends Life business. The 2010 data below includes the emissions data for the AXA life insurance business, but excludes its waste and recycling due to a lack of confidence in the accuracy of the data provided. 2009 and 2008 is for the heritage Friends Provident business only.

Measure	2010 unit	2009 unit	2008 unit
1. Scope 1 CO₂	3,827tCO ₂	2,903tCO ₂	3,300tCO ₂
2. Scope 2 CO₂	15,218tCO ₂	8,554tCO ₂	8,878tCO ₂
3. Scope 3 CO₂	1,604tCO ₂	503tCO ₂	Not measured
4. Scope 1+2 CO₂	19,045tCO ₂	11457tCO ₂	12,178tCO ₂
5. Per employee	3.86	3.60	3.40
6. Scope 1+2+3 CO₂	20,649	11,960	Not measured
7. Per employee	4.19	3.76	Not measured
8. Waste recycled	305 tonnes	237 tonnes	373 tonnes
9. Per employee	0.06 tonnes	0.07 tonnes	0.10 tonnes

Assurance verification

We have contracted Davis Langdon, an AECOM company to carry out verification of our emissions reporting in line with the Greenhouse Gas Protocol. They have been verifying our environmental data reporting since 2007.

[You can read their full report here.](#)

[You can read the Verification statement here.](#)

Our people



Our people are at the heart of everything we do and essential to the success of our business. Around the Friends Life group we remain focused on employee engagement.

Learning and Development	Employee Wellbeing
Friends Life's Group Learning and Development team provides flexible, innovative and cost-effective learning solutions for all member of staff.	Employee wellbeing is an issue we care about, both for the benefit of our own people and also because of the implications it has for us as a business.

Employee metrics	Community data
We report on a wider range of metrics, taken from the Business in the Community Workwell reporting framework.	How we are contributing to supporting active, prosperous communities.

Group learning and development

The role of Group Learning and Development is to provide flexible, innovative and cost effective learning solutions for all members of staff.

The team also focus on supporting our highest performing team managers on how they engage, manage and motivate colleagues, customers and other key stakeholders.

Engagement is a huge driver that supports our future success. An engaged and motivated workforce has a positive ripple effect on our customer experience, financial performance and shareholder confidence. Similarly, consistently strong financial performance ensures a sustainable business for customers, shareholders, and colleagues alike.

Having a successful Management Development Programme in place is one of the ways we can achieve this. To support these aims a new L&D function was set up and recruited during 2012, these roles included a new L&D Partner, an L&D Programme Manager, a Learning System Adviser, and two e-learning technicians.

In 2012 Friends Life introduced a new twice yearly Talent review and succession planning process to:

- Enable the development of colleagues to their potential
- Retain talent within the business
- Provide greater visibility of career pathways.

This will be employed to strengthen our management of Diversity, which forms part of a broader Corporate Responsibility strategy. Extensive diversity statistics are already included in the GEC monthly meeting documents.

Talent reviews and the succession planning process will be supported using the functionality of the Learning Performance and Talent System (LPTS) in 2013.

A new development proposition was also designed during 2012/2013, including management development for approximately 120 managers which will be rolled out in 2013. Around 40% of these selected managers are female.

Computer Based Training modules (CBT) were re-launched in 2012 using the LPTS. This included:

- Treating Customers Fairly
- Fraud & Bribery Awareness
- Anti Money Laundering and many more.

It is a requirement that all colleagues complete certain compulsory modules annually. 10,125 mandatory exams were passed in 2012 by over 3,000 members of staff.

The LPTS also contains a Learning Library containing a wealth of Learning which is immediately available to colleagues, including e-books and online courses.

Some examples include Pocketbooks on Problem Solving and Assertiveness, and video modules on Report Writing, Successful Influencing and other topics to improve personal skills.

During 2012 570 unique users (18% of the LPTS user population) accessed non-mandatory learning material including over 33 different books.

During 2013 there are plans to review and expand the content on the LPTS.

Reward

Throughout 2012 we have continued to offer a competitive pay, bonus and benefit structure that is linked to market comparators, personal performance and overall division and/or Group performance. A new Performance Management platform was introduced making it easier for our people to record and track their individual performance against objectives.

Towards the end of the year, a new Flexible Benefits Scheme was launched giving our people the opportunity to choose and/or buy benefits more tailored to their individual needs. Benefits available included:

- Tax efficient benefits such as childcare vouchers, a Cycle to Work cycle hire scheme and regular tax efficient charity donations via the Give As You Earn scheme
- Health related benefits such as health assessments, critical illness cover
- Purchase of up to 5 days additional annual holiday

The Friends Life Employee Discount Site continues to be another popular benefit with increased usage in 2012. The site offers discounts and cashback across a wide range of retailers and service providers and users have the chance to donate cashback earned to charity if they so wish.

We will continue to regularly review and benchmark our reward package to ensure that we are competitive and rewarding our people in a fair and consistent manner.

Employee wellbeing

Employee wellbeing is an issue we care about, not just for our own people, but more generally because it has implications for us as a business. Within our income protection business, it is in our interest that all employers pay particular attention to the wellbeing of their workforces. Much of the support services built into our protection products is geared towards keeping employees fit for work or helping them back to work as soon as is practicable.

We provide income protection to all our colleagues as a standard element of their Terms and Conditions. This cover gives them access to an Employee Assistance Programme, (EAP) with free counselling and access to a wide range of other specialist support. We have an Occupational Health provision, working with HR, Health & Safety and line managers to support colleagues in work and help them back to work where they are absent for extended periods.

The support for the work of the mental health charity Mind is illustrative of our approach towards employee wellbeing. We need to ensure we look after our own, whilst seeking to influence the behaviour of our corporate customers towards their people, partly because it is the right thing to do, but also because it makes commercial sense for us as a business.

Rob Barnett, HR and Business Services Director Friends Life Group, joined the Business in the Community Workwell Leadership Team during 2012, with Jonathan Wright, Organisational Development Director joining the practitioner group.

With a sharper focus on employee wellbeing, we report on a greater number of metrics than past years in this report, drawing upon the BitC Workwell Public Reporting Guidelines and metric framework, as far as our database will enable.

In 2011 we committed to the Living Wage and after successful negotiations with suppliers with on-site employees, the Living Wage Foundation has, (March 2013), accredited Friends Life as a Living Wage Employer.

Diversity

In 2012 we were recredited with the 'Positive about disabled people' symbol by Jobcentre Plus for our commitment to employ, keep and develop the abilities of disabled people.

Our twice yearly Talent Review and succession planning process is an aid to our ongoing diversity management. Whilst we believe our policies and practices are appropriate and effective, we recognise the need to get smarter in terms of our data monitoring and reporting. We produce a diversity report on a quarterly basis for our GEC, detailing age, disability and ethnic profiles as well as workforce, salary, starters and turnover by gender, some of which we include in this report. Currently, 11% of FLG's GEC population is female. During the year, female representation in the broader leadership population, which represents part of the Group's talent pipeline, increased from 22% to 26%. The gender split across all job grades in the Group remained at around 50%.

The Company's Board, which discussed and considered ways of increasing gender diversity during the year, would fully support initiatives to increase the pool of female senior management, in the context of executive director succession planning, to increase the percentage of women on the Board and on the GEC.

Employee engagement

Research shows a strong link between Employee Engagement and business performance. We quantify the levels of employee engagement via our colleague feedback survey, 'Have Your Say', aggregating the scores of a sub-group of the survey questions. In 2012 we decided to conduct the survey twice a year to enable us to monitor engagement more closely. We reported last year of an overall engagement score of 52% in 2011 and a determination by our GEC to increase this by ten percentage points in 2012. In our April 2012 survey we achieved a 61% score. Unfortunately, this fell back in October, to 56%, which was disappointing but not unexpected, having announced some further re-structuring plans and the potential redundancy of 150 employees. We are still some way short of the financial services industry benchmark, which at the end of 2012 was 73%. Action plans to address the low scores were finalised in February 2013.

Our CEO and his senior leadership team are determined to cultivate a work environment and company culture that makes Friends Life a better place to work.

They have themselves been much more visible across the whole of the group during 2012, communicating the business strategy and listening to colleagues concerns. All the fundamental drivers of employee engagement are being addressed and will enable us to achieve our ambition over the next couple of years.

Employee wellness and engagement report metrics

We are this year adopting a different approach to our people reporting, choosing to follow the metrics in the BitC Workwell reporting framework, as far as our database information will allow as well as metrics of particular interest to our wider CR agenda, e.g. Diversity and gender pay gap. We are this year giving greater granularity to the gender pay gap, by reporting on all grades, as opposed to lumping grades together as in our 2011 report.

Workforce Profile

Metric as at 31/12/2012	2012 Measure	2011 Measure
Employees	3,763	5,753
Percentage FT v PT contracts	97.4% FT, 2.6% PT	
No. of female employees	1,848 (49.1%)	2,966 (51.5%)
No. of employees from ethnic minorities	135 (4.5% of UK workforce)	377 (5.7% of UK workforce)
No. of Managers (grade F and above)	493 (excludes SBG and Lombard)	738
No. of female managers	151 (30.6%)	222 (30.1%)

N.B. A third of our workforce are of undeclared ethnicity

Gender Pay Differential – in ascending grade order

Grade	2012 - Average female pay relative to average male pay	2011 - Average female pay relative to average male pay
A	+7.6%	-19.3%
B	+4.6%	
C	-1.2%	
D	-4.8%	
E	-4.7%	
F	-4.9%	-8.7%
G	-3.8%	
H	+7.1%	+27.4%
I	-3.1%	

N.B. Office of National Statistics states that for full-time employees, women are paid 9.6% less than men in 2012. Taking full and part-time workers, the gap is 19.7% overall.

Better Work

Metric	2012 Measure	2011 Measure
Employee survey response	83% in Oct, 88% in April	79%
Employee engagement	56% in Oct, 61% in April	52%
Length of tenure 20-29yr age group	2.7 years	Not available
Length of tenure 30-39yr age group	6.9 years	Not available
Length of tenure 40-49yr age group	10.5 years	Not available
Length of tenure 50-59yr age group	11.9 years	Not available
Length of tenure 60-65+ age group	15.4 Years	Not available
Proportion of senior posts filled internally	25% of recorded hires	Not available

Better Relationships

Metric	2012 Measure	2011 Measure
Women returning from maternity leave	80.9%	Not available
Volunteering hours	>6,734 hours	>6,000 hours
Average days volunteering per employee	Approximately 0.24 days	Approximately 0.14 days

N.B. Women not returning from maternity leave was 9.8% avoidable and 9.3% unavoidable (e.g. by reason of redundancy or transfer of business)

Better Specialist Support

Metric	2012 Measure	2011 Measure
Sickness absence rate	1.9%	2.29%
No. days absence per employee	4.58	5.77
EAP contacts	301 up until end of Nov	

Better Physical & Psychological Health

Metric	2012 Measure	2011 Measure
No. of accidents involving injury	59	82
No. of RIDDOR reports	0	1
Incidence rate (RIDDOR's divided by average headcount x 100,000)	0	18.674

Working Well

Metric	2012 Measure	2011 Measure
Avoidable staff turnover rate	9.6%	10.7%

N.B. Avoidable turnover target rate <12.4%

Community engagement

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

In 2012, the Friends Life Group invested more than £1.213million in community investment activities. During our annual UK 'Challenge Fortnight' volunteering event 18 - 29 June, we had a record number of colleagues involved in team challenges, 850 (over 30% of the UK workforce), undertaking 54 different projects.

Fundraising for Macmillan Cancer Support continued apace, towards our commitment to meet the cost of the two welfare benefits rooms in the University College Hospital London Macmillan Cancer Centre. Colleagues raised just over £78K over the first two years of our partnership. And Friends Life contributed £44K to meet the outstanding cost.

Apart from random 'dress down' days, book stalls, cake sales etc. we had a team of nineteen from the Friends Life Salford Quays office battle terrible weather conditions and a very early morning start to complete the Yorkshire Three Peaks Challenge in ten hours, raising almost £3,000 for Macmillan Cancer Support.

Out doing them in terms of numbers, was our office in Bristol, where over forty employees took part in the Bristol 10k on behalf of Macmillan.

Community data

The level of community investment in 2012 is down on previous years, reflecting the outsourcing of some 1,900 employees to Diligenta in March of this year as well as the general economic climate. We did nonetheless see an increase in the number of colleagues taking part in our Challenge Fortnight team volunteering.

Metric	2012 Measure	2011 Measure
Total community investment	£1,213,741	£1,486,994
Cash donations	£832,066	£1,139,870
Volunteered working hours	Over 6,730	Over 6,000
Participation in community programme, excluding Give As You Earn	Over 850 colleagues (>30% of UK workforce)	Over 1,000 colleagues (includes some participation in more than one activity)
Participation in GAYE scheme	267 (10.6% of eligible UK colleagues)	409 (7.9% of eligible UK colleagues)

Assurance

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](#).

Prosecutions

During 2012 we were subject to no sanctions or fines by the Financial Services Authority.

There were no Health & Safety Executive or Local Authority actions against any of our UK sites.

There were no environmental incidents in 2012. An oil leak from pipe work to our generator at our Exeter office 22nd December 2011 which caused actual pollution on a controlled watercourse, was attended by the Environment Agency. Due to the prompt action we took and minimal impact, no action was taken against Friends Life.