

# Corporate Responsibility report 2013

Aligning  
and **practice  
purpose**

Since 1810, we have helped people by protecting them and their loved ones should they fall ill or die. We have made their money work harder for them to provide a prosperous retirement. This remains our core purpose.

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# Overview

**Our critical social purpose is 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.**

## GCE welcome

Andy Briggs, who has overall responsibility for corporate responsibility in Friends Life Group, outlines our 2013 focus and successes.

## About us

The heritage of Friends Life core social purpose, our vision, values and what they mean in practice for colleagues and customers.

## Governance

Our new CR governance structure is illustrated, with key roles and responsibilities explained.

## Highlights of the year

Within our areas of focus for 2013 we had some notable achievements and third-party recognition, spurring us on into 2014.

# Overview

## Friends Life Group Chief Executive welcome

The Corporate Responsibility Strategy Committee designed and delivered our 2013 CR agenda, which focused on our four strategic priorities: Workplace, Community, Environment and Marketplace.

This year, in our first public submission as Friends Life, we achieved Silver in the Business in the Community (BitC) CR Index.

Our primary focus in 2013 has been on developing new activities within Workplace and Community, aiming to improve colleague engagement and reinforce the importance of our core purpose. As a result, I was delighted that our colleague engagement score increased by 11% points during 2013, from 56% to 67%.

### Marketplace

The market has seen some unexpected developments in Q1 2014, with pension annuity changes announced in the budget and the Financial Conduct Authority's decision to carry out a review of how people with older policies are being treated. We take our responsibility to treat all our customers fairly, incredibly seriously, and engage with them on a regular basis. We believe that annuities will continue to play an important role for those who value a guaranteed income throughout increasingly long retirement periods as life expectancy extends. It is vital that consumers have access to the right guidance to help them to make an informed decision at retirement. In 2011, we established Heritage, a stand-alone division with a dedicated management team specifically focused on meeting the ongoing needs of customers with legacy products.

### Environment

Looking at our environmental impact, we were recredited with the Carbon Trust Standard, demonstrating continued effort and success in managing our Green House Gas emissions, and we are now planning to apply for the Carbon Trust Waste Standard in 2014. Our Sustainable Friends champion network raised colleague awareness around the importance of energy conservation and reducing our carbon footprint. As a result, 61% of colleagues believe we are environmentally responsible – an 11% point increase on our 2012 engagement survey score.

### Community

We enhanced our Community Investment Strategy in 2013, increasing our total community investment from £1.2m to £1.9m. This included completing our second fundraising challenge for Macmillan Cancer Support – this time raising £140k to fund the Information Centre, incorporating Welfare Benefits Services at the £3m rebuild of the Lister Hospital cancer facility. We established four new Community Foundation Friends Life endowment funds to support community projects around all our UK office locations. Outside the UK, other fantastic community projects continued, including our 'Dare To Dream' programme in Hong Kong, aimed at encouraging children to save money and learn the importance of financial resilience. Pleasingly, 81% of our colleagues at Friends Life now believe we are socially responsible – a 24% point increase on our 2012 engagement survey score.

# Overview

## Workplace

We listened and responded to the feedback from our 2012 colleague engagement survey and enrolled more than 300 colleagues into our 'Champion Programmes'. They helped us to share the Friends Life story amongst their peers and colleagues, make Friends Life Group a better place to work and reduce our environmental impact. We also enrolled 120 managers into our new Management Development Programme, delivered our first 'Wellbeing Fairs' and improved our colleague communications, for example, by appointing Site Sponsors and sharing more customer stories. Career development was another key focus and we set ourselves a long-term goal of recruiting 40% of all our vacancies from internal candidates which resulted in internal recruitment increasing by 8% points from 26% to 34%.

I set up a Diversity Forum in May to establish an action plan to improve the number of women in senior roles and our awareness of disability. To support and inform these ambitions, we became Champion members of Business in the Community (BitC) Opportunity Now and Race for Opportunity campaigns and completed their gender and race benchmarking surveys, achieving Bronze in each, a solid starting point on our journey. As a member of BitC's Workwell Leadership Team, we became a founding member of the Mental Health Champion group, which aims to 'break the silence' on mental health and is closely aligned to the work our Protection business has led with the leading mental charity Mind, in recent years. Rosie Harris, my Chief Risk Officer, has volunteered to be the Friends Life mental health champion.

All of these fantastic improvements are a vivid indicator of the link between responsible business and employee engagement. I hope you enjoy reading more detail in the following pages, and please let us know what you think by emailing us at [Corporate.responsibility@friendslife.co.uk](mailto:Corporate.responsibility@friendslife.co.uk)



# Overview

## About us

Our social or core purpose has remained essentially unchanged for over 200 years. It is to help people, should they or their family fall ill or die, and to make their money work harder for them to provide for a prosperous retirement.

At the heart of Friends Life's social purpose is '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 colleagues and 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.

## Vision

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.

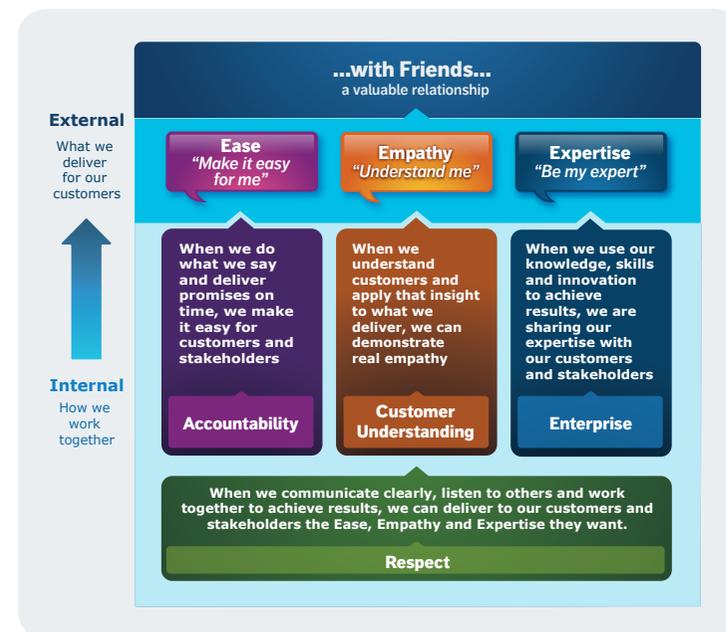
Our business strategy focuses on developing Friends Life as a highly profitable and sustainable company that delivers market-leading products and services to customers, value to our shareholders and is a great place to work for all our colleagues.

## Values

Ease, Empathy and Expertise – three words that describe what the Friends Life brand stands for. It's the experience we aim to deliver for our customers, and helps us define what we do and how we do it.

Underpinning how our brand is delivered, are the values that influence our behaviours in work. For 2014 we will be including a question in our colleague survey to quantify the extent to which our values are being discussed and made relevant to individual roles:

**'I have had discussions with my line manager about our CARE values and what they mean to me in my role.'**



# Overview

## Friends Life and Friends Provident International

Our current structure includes five different companies, employing over 3,850 people and operating in eight countries across Europe, Asia and the Middle East.



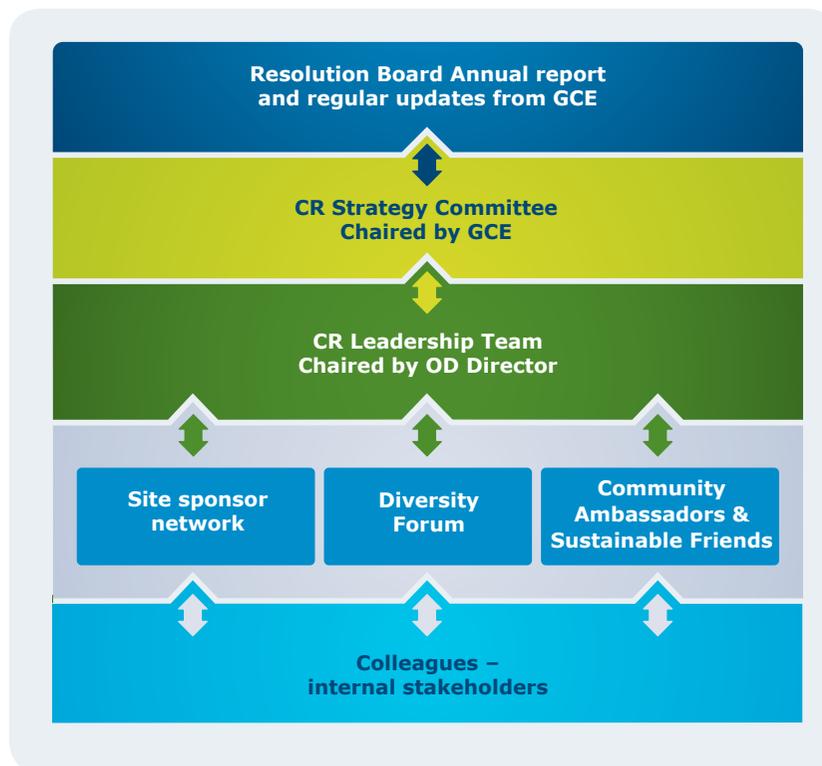
# Overview

Division	Business unit	Major products/services
UK	<b>Corporate Benefits</b>	Corporate Benefits manages retirement savings for customers investing through their employer’s sponsored pension schemes. Customers benefit from tax relief on their contributions and employer contributions. Corporate Benefits has 1.1m customers.
	<b>Protection</b>	Our Protection business unit provides a range of protection products that offer members and/or their families, security and peace of mind. We help protect 0.2m customers with products including life assurance, income protection and critical illness cover.
	<b>Retirement Income</b>	The Retirement Income business unit provide income for retirees investing their pension savings. The most common type of policy is an annuity, which provides an income guaranteed for the policyholders’ lifetime. Retirement Income has 0.1m customers.
Heritage	<b>Heritage</b>	The Heritage division manages policies in business lines that are no longer actively marketed. These include With Profits, investment and individual pensions books.
	<b>Friends Life Investments</b>	New in-house asset manager.
International	<b>Friends Provident International</b>	Our international customers are from the growing upper middle and mass affluent markets in Hong Kong, Singapore and Dubai, and also expatriates globally. Products which are sold, range from unit-linked savings and single-premium bonds to protection products.
	<b>Lombard</b>	Life-assurance based estate and wealth planning.

# Overview

## Governance

Following integration of the Resolution and Friends Life Boards in March 2013, the new CR Governance infrastructure outlined in last year's report was put in place. Marian Glen, our newest independent non-executive director joined the CR Strategy Committee late 2013.



In May, our GCE, Andy Briggs, convened the first cross-functional 'issues' based group to report into the CRSC, a Diversity Forum. You can read more about their activity under **Diversity** later in this report.

### The CR Strategy Committee is responsible for:

- Setting CR policy and priorities
- Overall supervision of the CR programme
- Risk management
- Compliance with the Group CR Policy.

### The CR Leadership Team is responsible for:

- Developing CR policy and Programmes
- Managing strategic CR issues
- Overseeing CR performance.

### The CR Team, which sits on the Leadership Team, responsible for:

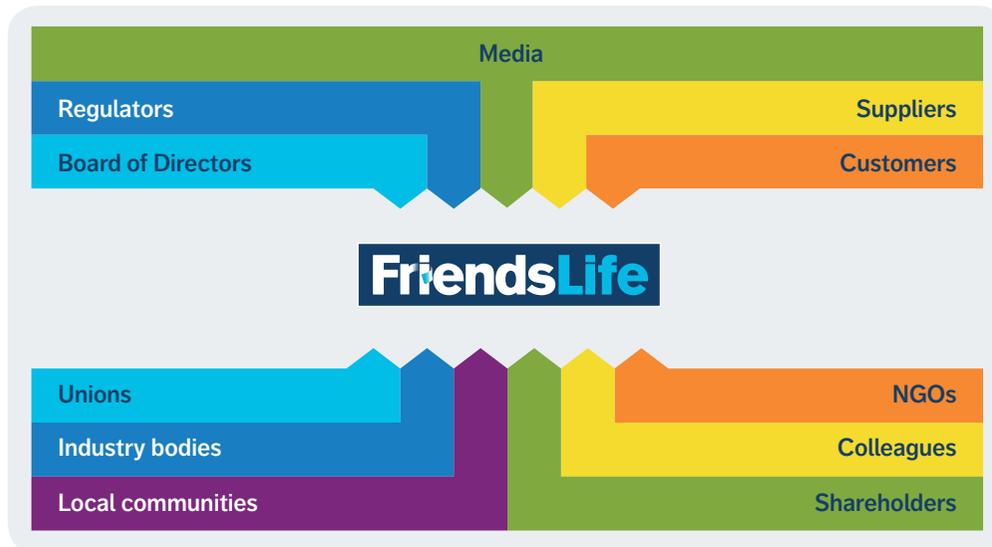
- Developing CR strategy and policy for the Board
- Implementing CR strategy through work with business operations
- Monitoring CR performance through Key Performance Indicators
- Stakeholder engagement
- Benchmarking best practice overall and against specific issues
- CR Reporting.

# Overview

## Stakeholder dialogue

Business does not operate in isolation, but within a variety of systems involving different stakeholders. The point of any dialogue is to be 'open' to influence. We listen to what our stakeholders have to say and, where it makes business sense to us, we act on their input as illustrated by a few examples below. We actively engage with a wide variety of stakeholders as indicated by the stakeholder graphic and specific examples below.

Our stakeholder map:



## Public Affairs

During 2013 a key focus area for us has been the clarity, transparency and level of workplace pensions charges. We have worked with the ABI (Association of British Insurers) and other insurance companies to develop a programme of changes designed to ensure that pensions customers are very clear on what charges are being taken from their pensions, and why. During the latter stages of the year, we have also worked with the OFT (Office of Fair Trading) to design a legacy charge audit that will run across the industry during 2014, to identify any schemes that are not delivering value for money for their members, and enable corrective action to be taken. Finally, we have contributed to the DWP (Department for Work & Pensions) consultation on workplace pension charges, whose conclusions are due to be announced in early 2014.

We have also contributed to the political debates around long-term care and the reform of the annuity market – engaging directly with government and via the ABI. Our engagement here has been informed by the positive feedback that we have received from customers, as we have started to roll out our new propositions for retirement products and services. For example, we have argued strongly that insurance companies such as Friends Life have a crucial role to play in informing and guiding customers on their options as they approach retirement. We expect that these discussions will continue into 2014, and look forward to new approaches being designed that benefit the market and consumers.

# Overview

## Cancer claimants

We work with our charity partner, Macmillan Cancer Support, on a number of fronts. We asked them to provide our Claims team colleagues with greater insight into the concerns, fears, impacts and behaviours of people diagnosed with cancer, to heighten their empathy and make the whole claims' experience easier for claimants with a cancer. Additionally, with greater awareness, the team are able to signpost the claimant to additional services available directly from Macmillan.

The Protection business are continually looking for innovative interventions to help claimants back into work where that is the desired outcome. Macmillan's professional support was sought in the design of a service developed by our reinsurer, Swiss Re and the company, 'Working towards Wellbeing', which is now in operation.

Other examples are covered under [Automatic pension enrolment](#) and [Meeting customer needs](#).



# Overview

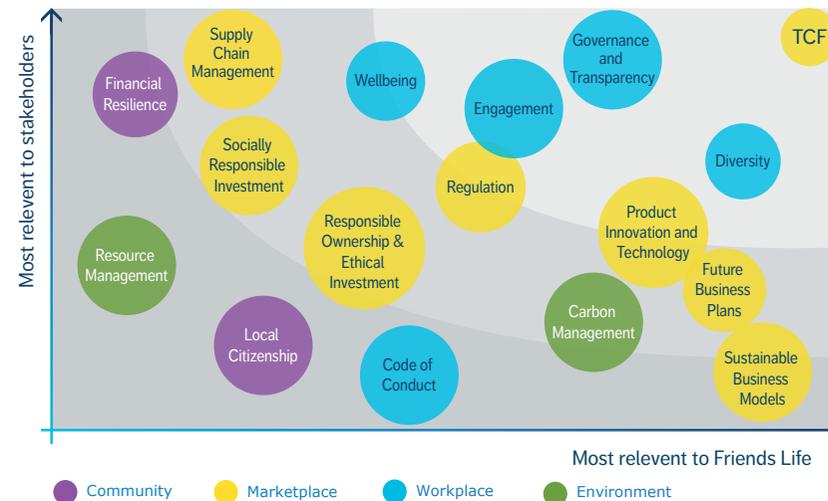
## Material issues

With the new CR governance in place, our material issues were reviewed and prioritised by the CR Strategy Committee and Leadership Team. They have been restated in terms of what we need to attend to at a functional level, to give greater immediate relevance and build understanding throughout the organisation.

Governance, transparency, quality of service and trust all remain high on our agenda. Financial capability is still an important social issue and is brought to life within our Community investment/charity partnership with Macmillan Cancer Support. New volunteering opportunities being developed for 2014 with The Prince's Trust, as well as the new money management platforms described in **Meeting customer needs**, also respond to this social issue.

In 2013, we took the decision to focus our efforts on those issues that would reinforce our brand and core business purpose as well as enhancing employee engagement. There was also an intention to rebalance the virtuous circle between Customers, Colleagues and Shareholders, to clearly demonstrate that business performance and growth are delivered when the organisation attends to the needs of its workforce.

Throughout the previous couple of years, the necessary organisational restructuring to put us in a position to win in our marketplace, was also a period of uncertainty for our colleagues. Nothing impacts employee engagement more than uncertainty. We therefore concentrated our programmes on Workplace and Community areas, whilst continuing to effectively manage Environmental and Marketplace activity as normal. The key stories picked up later in this report to illustrate this are around **Diversity**, **Employee wellbeing**, **Employee engagement** and changes to our **Community strategy**.



## CR strategy

Taking account of the material issues, our environmental, social and governance issues, the overall corporate responsibility strategy can be summed up as:

Workplace	Environment	Community	Marketplace
<ul style="list-style-type: none"> <li>• Colleague engagement</li> <li>• Wellbeing</li> <li>• Diversity</li> <li>• Skills development</li> <li>• Health &amp; Safety</li> </ul>	<ul style="list-style-type: none"> <li>• Carbon management</li> <li>• Travel – business and commuting</li> <li>• Water usage</li> <li>• Waste and recycling</li> </ul>	<ul style="list-style-type: none"> <li>• Community volunteering</li> <li>• Charity partnerships – fundraising and strategic collaboration</li> <li>• Friends Provident Foundation</li> </ul>	<ul style="list-style-type: none"> <li>• Socially responsible investment</li> <li>• Supply chain management</li> <li>• Treating customers fairly (TCF)</li> <li>• Code of conduct</li> </ul>

# Overview

## Highlights of the year

The images below provide a snapshot of a number of 2013 corporate responsibility highlights. Some reflect the completion of a particular challenge, but most are about positive early steps on a number of interconnected journeys that Friends Life colleagues are purposefully taking, together.



Friends Life colleague fundraising led the way in helping to achieve our fundraising target of £140,000 for Macmillan Cancer Support to fund the redevelopment of the Welfare Benefits Service at the Lister Hospital in Stevenage.



Friends Life colleagues raised nearly £33,000 for BBC Children in Need over the course of 2013. Colleagues undertook a huge variety of activities to raise this fantastic amount, including the 9 Lakes Challenge and a sponsored abseil at our Bristol office, the Friends Life Centre.



Friends Provident International in Hong Kong has received the 'Caring Company' logo, for the fourth consecutive year, for its commitment to responsible corporate citizenship.



In 2013, Friends Life was accredited as a Living Wage Employer for the first time.



Reaccredited with the Carbon Trust Standard as recognition of our carbon measurement, management and reduction over the past two years. Friends Life has held this since 2009.



We became Champion members of Opportunity Now in 2013, completed the gender and race benchmark surveys for the first time, achieving Bronze level in both.



Reaccredited with the Payroll Giving Quality Mark, Gold Award. This reflects the fact that more than 11% of Friends Life colleagues participate in our GAYE scheme with matched funding of donations and charges paid by Friends Life to further enhance the amount that charities receive.



We became a signatory to the Government Equalities Office 'Think Act Report' campaign. We have published our gender pay gap since 2011.



We sit on the BitC Workwell Leadership Team. In 2013, we ran Wellbeing Fairs across our offices, showcasing the services and support, in line with the Workwell model, that supports our colleagues' wellbeing.

# Overview

## Performance outlook

### Marketplace

2013 targets	Outcome	2014 targets
<b>Identify and adopt new customer experience measures for each business unit.</b>	Achieved.	90% of colleagues have at least one objective/goal aligned to TCF.
<b>Continue to work with Mind to influence employer attitudes to mental health.</b>	Achieved. Mind published 'How to be mentally healthy at work' in 2013.	90% of colleagues believe TCF is a priority for Friends Life Group.
<b>Provide cancer awareness training for Protection Claims team.</b>	Achieved. Mental health training also delivered by Mind.	95% of customer requests are processed with accepted timescales. 95% of customer requests are completed without error.

### Environment

2013 targets	Outcome	2014 targets
<b>Reduce energy consumption by 3%.</b>	Missed target. 0.1% increase.	Reduce energy consumption by 3%.
<b>Reduce water consumption by 3%.</b>	Missed target.	Reduce water consumption by 3%.
<b>Minimum of 60% waste recycling.</b>	Achieved 65% recycled.	Minimum of 65% waste recycled.
<b>Reduce carbon emissions by 3% compared to 2012.</b>	Achieved. 4.9% reduction (-10.6% like-for-like reduction).	Reduce carbon emissions by 3% compared to 2013.
		Achieve Carbon Trust Waste Standard.

# Overview

## Community

2013 targets	Outcome	2014 targets
<b>Achieve 25% employee participation in community and environmental activity.</b>	Missed. Over 22% of UK and Isle of Man workforce participated.	30% participation rate among UK and IoM workforce in community and environmental activity.
<b>Increase employee fundraising by 50%.</b>	Achieved.	Develop and deliver a training package for Prince's Trust xl Club on 'saving' as part of their Managing Money unit.
		Continue to grow the % level of employee involvement in payroll giving.
		Launch Pennies from Heaven payroll-giving mechanism.
		Raise/Donate £160k to fund the Macmillan CAB Team in Bristol.



# Overview

## Workplace

2013 targets	Outcome	2014 targets
<b>Achieve employee engagement score of 62%.</b>	Achieved. 67%.	Achieve 69% employee engagement score.
		Increase employee engagement score for women by 2% points to 70%.
		Increase employee engagement score for disability group by 2% points to 71%.
		Increase Opportunity Now benchmarking score from 37% to 40%.
		Increase Race for Opportunity benchmarking score from 31% to 34%.
<b>Launch Management Development.</b>	Achieved. 120 managers enrolled.	Launch next phase of management development – Leading for Growth programme (250+ managers).
<b>Introduce new leadership model and 360 degree feedback process for senior leadership.</b>	Achieved.	360 degree feedback process deployed to all Senior Leadership Team.
		Achieve a minimum of 50% in the BitC Workwell survey 2014 submission.
		33% of senior management grades (G+) held by females by end of 2017.

## Overall CR management

2013 targets	Outcome	2014 targets
<b>Achieve Silver status in first public submission as Friends Life.</b>	Achieved.	Achieve CR Index 2.5 star rating by 2015.
<b>Develop the process for setting and monitoring CR KPIs.</b>	Achieved. Annual review with functional managers.	
<b>Implement new CR governance infrastructure by end of Q2.</b>	Achieved.	Develop 'Marketplace' elements of CR strategy to address business relevant long-term sustainability issues.



# Marketplace

We are proud of our role in providing customers with financial security and helping to build a more resilient society. What we do as a business meets this critical social purpose. How we do it is defined by our brand values.

## Economy and regulation

The UK economy has shown welcome signs of starting to emerge from its long period of recession and slow growth. However, the benefits have not yet been felt by many families, with 'cost of living' a major issue.

## Customer strategy

We understand how customer needs are evolving as today's workforce and retirees must take a greater share of responsibility for retirement planning than previous generations.

## Meeting customer needs

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.

## Partnerships

Working towards Wellbeing is a new partnership involved in a new service called Cancer Work Support and is designed to support employees who are ready to return to work or need support to return to work in the future.

# Marketplace

## Economy and regulation

In late 2013 and early 2014, the UK economy has shown welcome signs of starting to emerge from its long period of recession and slow growth. However, the benefits have not yet been felt by many families, with 'cost of living' a major issue when earnings are rising only very slowly.

The continued pressure on government finances and the welfare budget, in particular, means that there is a drive to place more onus on individuals to take responsibility for their financial resilience, in the form of savings and insurance.

However, individuals are not necessarily well placed to deal with this responsibility, either from the perspective of understanding what they need to do, or in terms of having the disposable income they would need to make appropriate provision.

Insurers such as Friends Life therefore have a significant role to play, alongside government and other stakeholders, both in terms of informing consumers, and in providing products and services that deliver benefits in an affordable way for the mass market.

During 2013 we have been active on a number of fronts, such as:

- Working to ensure the successful implementation of regulatory initiatives such as the Retail Distribution Review and Automatic enrolment. The latter in particular is bringing pension savings to a much wider audience, through the workplace.

Helping to influence political debates on the next stages of reform, including in the areas of:

- Improving clarity and transparency of pension charges.
- Ensuring that the annuity market works in the best interests of customers.
- Developing new solutions for retirement and long-term care provision.

We expect that the activity in these areas will increase during 2014, and look forward to solutions being developed by the industry, in co-operation with government and regulators, which help to address the challenges faced by consumers and by employers.

# Marketplace

## Automatic pension enrolment

As part of its auto-enrolment proposition for employers, Friends Life developed a range of in-house default investment solutions. In designing these solutions (the 'My Future investment programmes'), we conducted research amongst a group of members representing a broad cross section of Friends Life's corporate pension scheme membership.

Two key findings from the research were:

- 1 Members wanted someone to look after their investment from the day they joined to the day they retire.
- 2 Members wanted risk to be managed and that significant 'ups and downs' in the values of their pension funds were undesirable and caused a great deal of stress.

Combining the findings from our research and our interpretation of the guidance on default funds issued by the Department for Work & Pensions (DWP), the 'My Future investment programmes' were therefore designed as risk-managed solutions, which invest in a diversified range of assets, and are managed by an experienced investment team. The solution also includes a 15-year 'de-risking' period during which member pension funds are moved into lower risk investments in preparation for retirement. This 15-year period was selected as a result of detailed analysis of the effects on member pension funds of using different 'de-risking' periods, specifically looking at the time to recover losses from market shocks. This analysis showed that a 15-year de-risking period represented the most appropriate duration.

Friends Life also closely monitors the solutions to ensure they remain suitable for members and provides materials to both employers and members clearly explaining how the 'My Future investment programmes' are managed, their objectives, risk profiles and the member's journey to retirement.



# Marketplace

## Future business plans

Friends Life Group ('the Group') is a leading scale player in the UK Life and Pensions market, focused on the retirement provision and legacy products segments. It is built on the foundation of three businesses acquired over 2009-2011. Following the successful completion of the restructuring of these businesses and the realignment of governance between operating and holding companies in 2013, in March 2014 we announced the intention to rebrand the holding company name from Resolution Limited to Friends Life Group Limited. This aligns the trading and listed brands of the Group. The business philosophy of the Group remains unchanged, with a commitment to simple, transparent reporting of the Group's activities. The Group has identified its key future opportunities as being in the retirement provision (accumulation, at retirement and decumulation) and legacy product segments of the UK market.

We operate in a three-division structure:

### UK Division: addressing increasing individual responsibility for retirement provision

There is a growing need for individuals to take more responsibility for their financial wellbeing in retirement, driven by demographics and reduced provision by employers and the state. This sea change is likely to be greatly reinforced by the recent announcement by the Chancellor of far-reaching changes to the rules around private pensions in the UK. These changes will increase flexibility for customers at retirement and we expect this to support the attractiveness of pension saving. There will be a negative implication for new business flows in the individual annuity market, but new services

and products will also be needed to cater for the wider freedom of choice for retiring customers. There is an ongoing consultation on these changes. We already have an ambition to do more to help customers through their transition to retirement and we are considering how our plans should fit into the likely future market landscape.

### Heritage Division: specialists in legacy products and investment management

The legacy products market has been built up over decades. These are products that are no longer actively marketed. The customer assets administered through these products will naturally reduce over time as policies mature. We have service partnerships in place to contractually secure both customer service and cost levels across our Heritage Division as policy numbers gradually reduce. We also have a large-scale Service Improvement Programme ongoing to transfer policy administration onto a modern IT platform. With-profits products are one of the largest and most complex categories of business within the legacy products segment, requiring careful management to balance policyholder outcomes and risk appetite. In 2013, we negotiated transfer of a book of annuity business between funds so that shareholders, not with-Profits policyholders, bear the risk and rewards of standing behind this book. There are other annuity books within the Heritage Division we could similarly address. We expect that there will be drivers for consolidation in the legacy products market, and our proven capability in the Heritage Division means we would be well-placed, although we are only beginning to consider these possibilities.

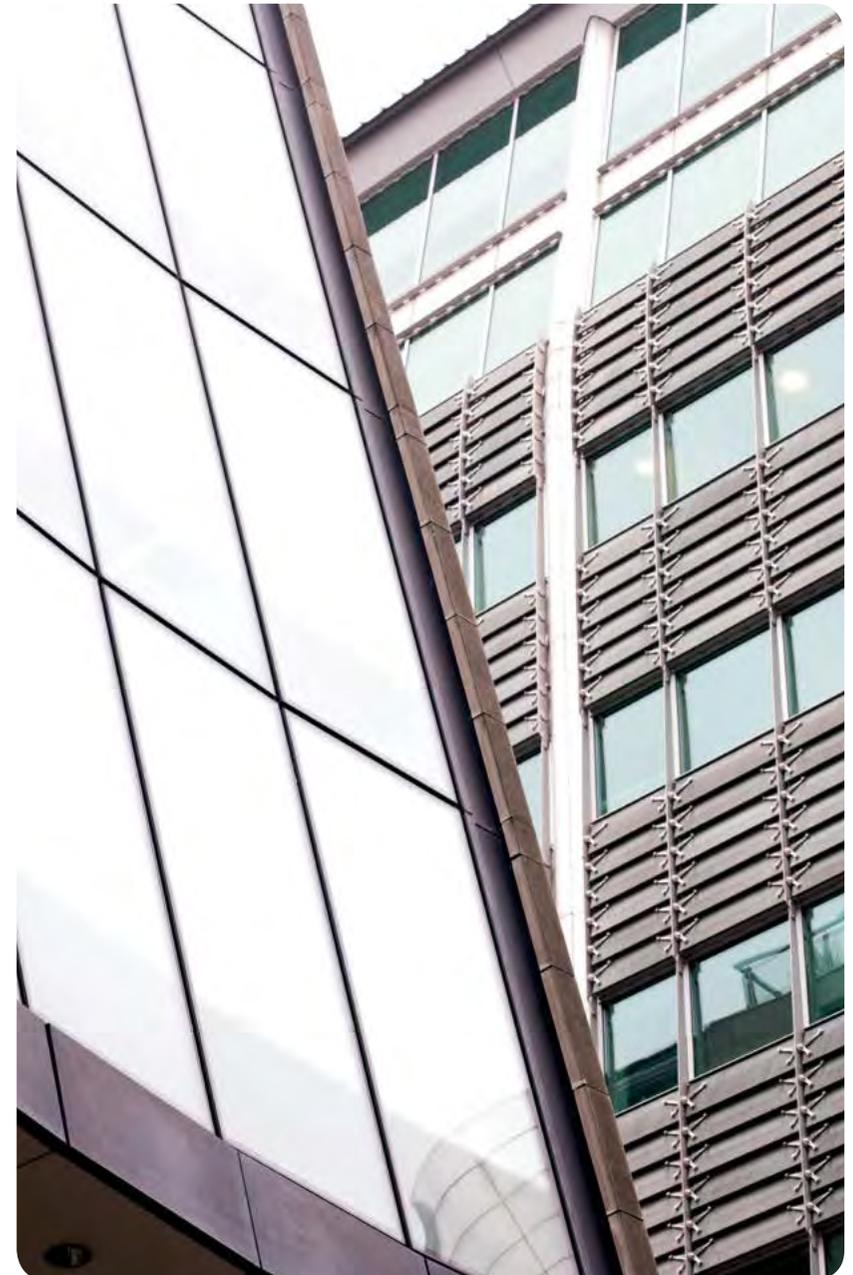
# Marketplace

## Investments

Our Group Investments function provides investment governance and oversight across the group, using a 'Best of Breed' approach. We set up Friends Life Investments (FLI), our fixed income investment manager, in mid-2012. It now has around £17bn of funds under management for Group businesses. For certain asset classes, such as commercial real estate and infrastructure investments, we use specialists in those fields. For assets managed under contracts where we have discretion over manager choice, including with-profits assets, we select managers and enter long-term agreements to secure expertise at competitive cost. We recently negotiated a new partnership which will result in transfer of around £12bn of assets to Schroders and £2bn to FLI, expected to complete by the end of this year. We also offer access to around 100 different investment managers through our open architecture propositions.

## International Division: two major businesses in distinct market niches

Following a year of strategy execution across our International Division in 2013, we have two major international businesses, Friends Provident International and Lombard. We completed the exit of several non-core business lines and will manage overseas business written in the UK operating companies through the Heritage Division from 2014. We are implementing a major programme to re-platform Friends Provident International business to give it better capability to compete in its core Asian and Middle East markets. We are in discussions regarding the potential sale of Lombard.



# Marketplace

## 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 are 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 2013, Friends Life received more than 8,000 claims in respect of protection products and was able to pay the sum due for c. 94% of them. These totalled in excess of £300m to support our customers at their time of need.
- **Product developments** – during 2013 Friends Life has launched a number of enhancements to our critical illness cover proposition. We want to offer propositions that customers value, covering relevant conditions that they expect to claim on. We are already one of only a handful of providers to offer cover on congenital conditions, and further enhancements have been made including cover for our customers' children, and future children, regardless of how old they are. We'll now pay claims even where the diagnosis is made during pregnancy or soon after birth.
- **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 2013. More than 96% of customer requests were processed within target timescales and more than 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. £20 million to customers we have proactively traced.

# Marketplace

## Customer strategy

Our core purpose is to help people should they fall ill or die and to make their money work harder for them to provide for a prosperous retirement. We understand how customer needs are evolving as today's workforce and retirees must take a greater share of responsibility for retirement planning than previous generations. Our UK businesses are set up to address the needs of these customers. At the same time, the industry must carefully manage the interests of the millions of customers holding legacy products. Our Heritage business has a dedicated management team to ensure suitable focus on these customers. We want to build longer-term relationships and increase customer engagement by clearly showing how our sustainable business meets customer needs.

The wider financial services sector is undergoing unprecedented change. New regulations and economic forces are reshaping our industry, with technology and social networking 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.

To strengthen our capability and performance, we have included four customer measures in the Friends Life Group Scorecard. The measures focus on customer experience, speed of service, quality and customer satisfaction with complaints handling.



# Marketplace

## Meeting customer needs

The UK's social and economic outlook continues to create challenge and opportunity for customers, businesses and the government. This is unlikely to change in the near future. 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.

### e-community

Listening to employers' concerns assisted us in identifying that new ways were needed to engage with customers in the modern workplace. e-community is a new way to reach people by using social media techniques, bringing employees together to discuss their employee benefits in a modern, familiar way. Communities include interactive discussion groups and forums, complemented by our financial education team's webinar deliveries and financial education pages. A large number of customers are now being auto-enrolled into their pension scheme and e-community gives customers the opportunity to share their experiences in a secure environment as well as gain access to financial material. It is an engagement tool that will bring pensions into the forefront of people's minds and hopefully create a more informed workforce for employers. The networking site is designed to bring pensions into the modern world, which is reinforced by us making the site accessible 24/7 from PCs, tablets and mobile phones.

### eValuate

Customer feedback identified that employees wanted an easy way to see what their potential income at retirement could be, taking into account the amount they pay into their pension as well as their attitude towards risk. eValuate is modern and engaging. We completed market research to ensure the screens are simplistic and easy to use, testing them with customers and modifying as a result. The tool encourages customers to take control and responsibility of their own retirement package. eValuate uses stochastic modelling to help retirement forecasting but in a straightforward format, showing the most likely outcome based on the customer's attitude to risk, for which there is a simple questionnaire to establish their outlook. Customers model various scenarios and changes to see what impact this could have on their retirement income. It is designed to assist customers in making the right decisions for their personal circumstances and understand the various issues that might affect what they receive.

# Marketplace

## Financial capability

### Retirement Income

Despite the importance of the irreversible decision when it comes to the purchase of an annuity, there still remains a worrying lack of understanding around retirement options. 36% of UK adults don't know what an annuity is and 28% of people purchasing an annuity don't know enhanced annuities even exist (according to recent research commissioned by the ABI).

At Friends Life we are driven to improving customer understanding and we are working to not only enhance the communications that our customers receive, but also to focus on improving the support and information that can be accessed through all our customer touchpoints. From the service we provide over the phone, to delivering a comprehensive retirement planning approach online, our aim is to provide support for our customers in the areas they find most challenging, improve their awareness in these areas and to ultimately deliver better outcomes for them in their retirement.

During 2013 we have progressed with the development of our customer engagement activities, providing focused retirement support and information for customers as they approach this milestone.

Our dedicated Retirement Income team, coupled with our customer retirement packs and new online interactive tools, factsheets and information pages, now provides a wide range of support to customers in their run-up to retirement. This activity is designed to help the customer feel better informed and aware of information that can help them to make the most from their retirement.

Our new online support centre for customers provides a range of information to support customers in their retirement planning, including:

- Interactive retirement timeline – which helps customers understand where they are on their retirement journey and the important things they should be considering at that point and the support and information they will receive from Friends Life along the way.
- People like me – our 'People like me' page brings to life some of the options available to customers, helping them relate to real examples.
- Tools and calculators – from helping customers to calculate their State Pension age to supporting their budget planning.

Visit [www.friendslife.co.uk/retirementincome](http://www.friendslife.co.uk/retirementincome) for further information.

The Retirement Planning microsite was also delivered last year, as part of our broader campaign to help engage our customers earlier in their retirement planning – from 10 years before they retire. This contains a wealth of material including a retirement planning toolbox.

[www.friendslife.co.uk/futureplanning](http://www.friendslife.co.uk/futureplanning)

We continue work on developing our Retirement Programme, where we are building regular engagement opportunities with customers as they progress through their journey to retirement. A range of factsheets on retirement planning is available in our online support centre for all to access and covers information such as: budgeting, discounts and concessions, and retirement checklists.

# Marketplace

## Sesame Bankhall Group – Financial Adviser School

Sesame Bankhall Group launched The Financial Adviser School in 2011 to attract, nurture and develop the next generation financial adviser.

The Financial Adviser School's 18-month financial adviser training programme equips its students with the skills and knowledge and provides them with the supervision required to achieve full Competent Adviser Status as Financial Adviser. Students are enabled to begin providing financial advice on general insurance and financial protection products in six months and mortgages by month 10 of the programme.

The programme is structured to allow people in full-time employment to participate, and has attracted career changes from a wide range of industries, as well as university graduates. It is taught by a combination of distance learning with online support and scheduled virtual classrooms with a dedicated tutor online. Unlike more traditional qualification routes, The Financial Adviser School's programme doesn't just concentrate on the technical elements of the job, it also teaches the necessary practical adviser skills which are developed during monthly weekend face-to-face classroom events.

Post-graduation, the school's students are able to take advantage of a guaranteed self-employed contract within Journey Financial Advice Ltd, which is the business that was set up alongside the school to ensure that graduates could immediately transition into the role of an adviser, work alongside or within any established adviser firm or set up their own adviser firm.

By the end of 2013, The Financial Adviser School had enrolled 125 students, the recruitment of which illustrated that there exists a real sense of the true value of genuine and appropriate financial advice and a passion from newcomers to the industry to be part of a service culture which can have such a beneficial impact on the financial wellbeing of others.

Many of the school's students have already established their first career and are entering the world of financial advice with transferable skills and their own life experiences. There is also a proportion who found that the career goals they aspired to as employees within the financial services industry were no longer available to them and they chose to engineer their own route to the achievement of those goals. Finally, there is the segment of students whose first career choice has been to become a financial adviser and who have found that the school provided the most clearly defined route of professional training and subsequent entry into the profession.

A student of the school, who was formerly a business manager of 15 years' standing, said he had always been interested in personal finance and was delighted to learn that he could pursue a career in the industry and be his own boss at the same time. Mr Walsh said:

'When I learned about The Financial Adviser School, I became very interested in the possibility of becoming a qualified financial adviser. I was worried about my sales and management background, and my philosophy degree being considered irrelevant, but advisers are working with such a diverse client base that the school is also interested in the diversity of its students.'

# Marketplace

Sean Procko, another student of the school, said he was 'keen to build on the passions' that had led him to teach for seven years, but that he wanted to take a step 'out of his comfort zone' and learn something new. He said: 'While searching for traineeships in the financial sector, I came across The Financial Adviser School and noted strong transferable skills between teaching and providing financial advice, such as planning, addressing change and educating others with prudent consideration and planning.' Mr Procko said that six months and two exams later he does not regret his decision to become a financial adviser.

The school has seen 5 intakes of students since the pilot group which has so far resulted in 22 students who have passed the exams and competency assessments to be able to advise within the general insurance and protection market, a further 17 students who have passed the exams and competency assessments to be able to advise in the mortgage market as well as general insurance and protection and in addition 8 Designated Investments advisers with full Competent Adviser status.

As for life as an advising graduate of The Financial Adviser School, Emma Steed says:

'I am really enjoying life as an adviser, embracing the variety of work and different challenges I face each day, evaluating clients' needs and helping them to achieve their goals from buying their first home to safeguarding their family's futures.'



# Marketplace

## Partnerships

Throughout 2013 we have continued our close ties with both Macmillan Cancer Support and the mental health charity, Mind. Both charities provide a close link with our Protection side of the business as cancer and mental health are two of the most common causes of protection claims for Friends Life.

We also commenced a new relationship with Working towards Wellbeing as part of our innovative Cancer Work Support initiative. This service provides much needed support for Group Income Protection (GIP) members who have been diagnosed with a cancer-related condition and who are looking to return to the workplace.

Our close relationship with RehabWorks, an independent company specialising in musculo-skeletal and mental health conditions, has helped the Group Protection team in helping to get Group Income Protection members back to health and back to work.

### Mind

Working with Mind, Friends Life helped to produce an employee booklet, entitled 'How to be mentally healthy at work'. The booklet helps employees about staying well at work, whether they are trying to maintain a healthy working life, experiencing work stress, or trying to make a success of their job in spite of mental health problems. As Mental health is one of the most common causes of claims on our Income Protection products, it therefore was fitting for us to support Mind's goal of educating employers to understand the issue of mental health and be more supportive of affected employees.

In addition, Mind provided training to our Group Protection Claims team providing helpful, practical advice on how best to discuss mental illness with claimants.

The training provided expert insight about the impact of mental health conditions on an individual's ability to engage with the workplace in a productive and consistent manner. It also covered recovery, rehabilitation and relapse issues as well as the standard treatments currently offered and the common side effects associated with those treatments.

### Macmillan Cancer Support

In 2013, Macmillan provided training to our Group Protection Claims team. The training provided greater understanding of the symptoms of cancer, primary treatments and palliative care and the physical, social and financial impacts of cancer. It also provided skills for claims assessors to demonstrate greater empathy and support, and highlighted how signposting to additional support can be done more effectively. The training resulted in our claims assessors having enhanced skills to approach and discuss a claimant's illness without upsetting or patronising them.

Kate McDowell, Group Protection Claims Manager at Friends Life said:

'The training that we received from both Mind and Macmillan has proved invaluable when speaking to claimants with mental health or cancer-related conditions. The training has enhanced our ability to communicate with a claimant about their illness allowing us to provide greater understanding and support, whilst at the same time obtaining the information we need to manage a claim.'

# Marketplace

## Partnerships

### Working towards Wellbeing

We introduced a new service called Cancer Work Support for all Group Income Protection members. The package has been designed by leading rehabilitation experts Working towards Wellbeing and is designed to support employees who are ready to return to work or need support to return to work in the future. It was designed to meet the growing incidence of cancer in the UK and will provide much needed support for some of the 60,000 employees diagnosed with cancer each year who return to work and who are not getting enough emotional, social and medical support after treatment. The service will also provide employers with much needed support in managing a sensitive issue with a returning employee. The service provides access to a case manager with expert cancer knowledge who can offer specialist information and advice. They can also provide access to additional support including face-to-face counselling, physiotherapy and return-to-work support.

David Williams, Director of Group Protection, said:

‘This package enables employees returning to work after cancer to speak candidly about their condition, enabling an open discussion with their manager and HR teams. This can help support their return to work by removing any concerns either party has about discussing a sensitive situation. The aim is to ensure that those returning to work after cancer do not feel isolated or ignored, but instead continue to feel a valued and respected member of staff. This builds on the specialist support that we already provide to mental health and musculo-skeletal cases through our Group Income Protection product.’

### RehabWorks

Our Group Income Protection proposition focuses on supporting members back to health and back to work through early intervention. To assist in this process, we use a specialist provider called RehabWorks. This provider supports our claims team by providing end-to-end solutions for members suffering from musculo-skeletal and mental health conditions. The results have been very positive for our members. For those members who are off work at the start of the intervention around 85% of them return to work after their intervention support is completed. Feedback from patients on the service has been very positive with a 94% satisfaction rating.

# Marketplace

## 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 2013, the policies on coal, PVC and roads were updated.

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 F&C 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 conducts in-depth research on key environmental, social and ethical issues 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 that have been approved by the Committee of Reference and the Investment Sub-Committee. Companies which become unacceptable for ethical reasons must be sold by the fund managers within six months.

# Marketplace

## 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 landmines and 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 2013, F&C Management voted on all resolutions on our behalf, and provided detailed comments on the reasons for votes against and abstentions. AXA Investment Managers Ltd, our other major asset management company, voted on all resolutions proposed at the meetings of companies held on our behalf in 2013 and exercises voting rights globally.

### 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 have an obligation to manage our business efficiently to minimise negative impacts on the environment. We will continually work to reduce GHG emissions from all sources, and other natural resources.

## Climate change

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.

## 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.

## Carbon emissions

Friends Life's overall carbon footprint for 2013 was 23,353 tonnes of CO<sub>2</sub>, a 4.9% decrease in absolute terms on 2012's emissions.

## Environmental data

As a result of changes in Defra reporting guidelines, our emissions going back to our base year of 2011 have been restated. We increased the boundary of our Scope 3 emissions.

# Environment

## Climate change

The impacts of climate change are becoming apparent in the UK, with the frequency of extreme weather conditions increasing. There may be dissenting voices and arguments about the causes of 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.

2013 was an unfortunate year in terms of weather conditions, with a long colder winter and unusually, followed by a long hot summer. This resulted in a need to heat offices longer in the winter and cool them down for longer in the summer, which provided a challenge to our emissions reductions target. The investment in efficiency measures outweighed the challenges and we continued our downward trajectory

We were reaccredited with 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 2014, we will be submitting an entry for the Carbon Trust Waste Standard.

We make every attempt to reduce our environmental impacts by reducing our consumption through ongoing efficiency measures and behavioural change. However, for reporting purposes, we have once again widened the boundaries for our emissions reporting, to include our F Gas emissions from our restaurant chillers and air conditioning and water waste. Despite the carbon emissions value of these additions to our reporting boundaries, we still reduced overall absolute emissions, exceeding our target reduction. Expanding what we include in our different emission scopes, provides additional granularity and ensures that we pay attention to and can therefore manage more factors contributing to our emissions going forward.



# Environment

## 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.

Each year, we undertake a review of our boundaries for emissions reporting. This year, we have expanded our Scope 3 boundary to include F-Gas and Waste Water emission equivalents. This added 1,405 tonnes CO<sub>2</sub> not previously reported. Despite this significant addition, relative to our overall emissions, the efficiency measures we have taken during the year outweighed the increase, enabling us to once again reduce our absolute

emissions. On a like-for-like basis, we reduced emissions year-on-year by 10.6%. Even with the expanded reporting boundary, we still achieved a 4.9% decrease in absolute terms, compared to our target of 3% reduction.

Due to changes in the Defra guidelines, which necessitated the reallocation of a proportion of our electricity consumption between Scopes 2 and 3, we have recalculated and restated the emissions for 2012 and 2011, (our baseline year). [See Environmental data page.](#)

These are emissions, which are a consequence of the activities of the organisation but occur from sources not owned or controlled by the organisation.

Scope	Description	Examples	Friends Life Group Reporting
<b>Scope 1 Direct emissions</b>	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	✓
		F-Gas	✓
<b>Scope 2 Indirect emissions</b>	Emissions from the generation of purchased electricity consumed by the organisation.	Purchased electricity for buildings owned and occupied by Friends Life	✓
<b>Scope 3 Other indirect emissions</b>	Emissions which are a consequence of the activities of the organisation but occur from sources not owned or controlled by the organisation.	Purchased electricity for leased buildings occupied by us, or owned buildings leased to a third party	✓
		Procurement	Not reported
		Commuting	Not reported
		Water	✓
		Waste Water treatment	✓
		Waste	✓
Staff business travel	✓		

# Environment

## Carbon emissions

Friends Life's overall carbon footprint for 2013 was 23,353 tonnes of CO<sub>2</sub>, a 4.9% decrease, in absolute terms on 2012's emissions. This is equivalent to 6.03 tonnes of CO<sub>2</sub> per employee and 0.19 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 20% of total emissions, equalling 4,579 tonnes of CO<sub>2</sub> emitted from the use of oil, gas (we no longer have company cars), a 17.3% increase on 2012.
- **Scope 2 emissions** represented 57% of our carbon footprint and totalled 13,262 tonnes of CO<sub>2</sub> produced from the electricity we consumed in owned/occupied buildings, a 10% reduction on 2012.
- **Scope 3 emissions**, now relating to electricity and gas consumption in buildings occupied under operating leases and business travel, accounted for the last 23% of emissions, equalling a total of 5,512 tonnes of CO<sub>2</sub>.

Our preference is to source green tariff electricity wherever possible and practical. In 2013, we purchased 100% of the electricity we used through a green tariff, up from 95% in 2012.

## Natural resources and waste

We are continuing to take action to reduce waste from our operations, increase reuse and recycling, and reduce the water use in the properties we manage. During 2013, Friends Life generated a total of 4,361 tonnes of waste, (a 22% increase), 65% of which was recycled compared to 63% in 2012. The reason for the increase is being investigated but is believed to be as a result of office refurbishment activities and the resultant 'clear-outs' that accompany them.

We used a total of 104,491m<sup>3</sup> of water, (a 33% increase), equivalent to 26,986 litres per employee per year. The increase is believed to be due to the unusually long hot summer and ground maintenance at our larger offices with extensive landscaped grounds.

We had a target to reduce our water consumption by 3% in 2013, which we've clearly missed.

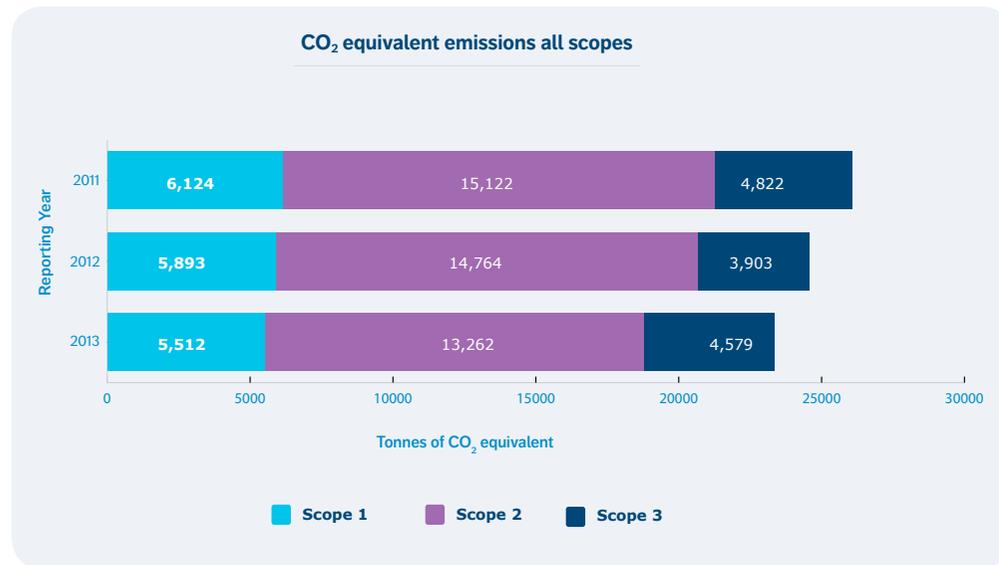
We aimed to maintain waste recycling above a minimum of 60% across the Friends Life sites, which was exceeded in 2013. The recycling target has been increased to 65% for 2014.

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.

# Environment

## 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 & Rural Affairs (Defra) guidelines which due to recent changes has necessitated restatement of our 2012 and 2011 data and movement of emissions between Scopes 2 and 3.



Measure	2013	2012	2011
<b>1 Scope 1 CO<sub>2</sub></b>	4,579tCO <sub>2</sub>	3,903tCO <sub>2</sub>	4,822tCO <sub>2</sub>
<b>2 Scope 2 CO<sub>2</sub></b>	13,262tCO <sub>2</sub>	14,764tCO <sub>2</sub>	15,122tCO <sub>2</sub>
<b>3 Scope 3 CO<sub>2</sub></b>	5,512tCO <sub>2</sub>	3,893tCO <sub>2</sub>	6,124tCO <sub>2</sub>
<b>4 Scope 1+2 CO<sub>2</sub></b>	17,841tCO <sub>2</sub>	18,667tCO <sub>2</sub>	19,943tCO <sub>2</sub>
<b>5 Per employee</b>	4.76tCO <sub>2</sub>	4.96tCO <sub>2</sub>	3.09tCO <sub>2</sub>
<b>6 Pm<sup>2</sup></b>	0.15tCO <sub>2</sub>	0.16tCO <sub>2</sub>	0.13tCO <sub>2</sub>
<b>7 Scope 1+2+3 tCO<sub>2</sub></b>	23,353tCO <sub>2</sub>	24,560CO <sub>2</sub>	26,067tCO <sub>2</sub>
<b>8 Per employee</b>	6.03tCO <sub>2</sub>	6.36tCO <sub>2</sub>	4.04tCO <sub>2</sub>
<b>9 Pm<sup>2</sup></b>	0.19tCO <sub>2</sub>	0.21tCO <sub>2</sub>	0.17tCO <sub>2</sub>
<b>10 Waste recycled</b>	2,851 tonnes (65%)	2,257 tonnes (63%)	2,726 tonnes (56%)
<b>11 Per employee</b>	0.76 tonnes	0.60 tonnes	0.47 tonnes
<b>12 Waste landfill</b>	1,510 tonnes	1,313 tonnes	2,160 tonnes
<b>13 Per employee</b>	0.40 tonnes	0.35 tonnes	0.38 tonnes
<b>14 Water purchased</b>	104,491m <sup>3</sup>	78,428m <sup>3</sup>	89,908m <sup>3</sup>
<b>15 Per employee</b>	26.97m <sup>3</sup>	20.84m <sup>3</sup>	15.6m <sup>3</sup>

### Assurance

We have contracted AECOM 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.](#)



# Community

The key outcomes from our engagement with local communities and society are improving financial resilience, building employee engagement and brand reputation.

## Friends in the community

Our community engagement is categorised in three ways: Give, Raise and Volunteer, all supporting financial resilience in some form or another.

## Community data

Overall community investment rose during 2013, aided by a broader CI strategy to include more company donations to local communities and causes our colleagues care about.

# Community

## Friends in the community

2013 was a year of significant development in our community engagement programme. The Friends Life Group invested close to £1.9 million in community investment initiatives.

### Financial resilience

Much of our community investment in the UK was targeted to contribute to financial resilience for individuals and communities. Our colleague-led fundraising for Macmillan Cancer Support is targeted to help people living with cancer access additional income and benefits. In 2011–12, our fundraising contributed to the development of the Welfare Benefits & Information Service at the new Macmillan Cancer Centre at UCL Hospital in London. 2013's **fundraising** helped to fund a similar development in Lister Hospital in Stevenage.

Additionally, our investment in endowments with Community Foundations local to each of our UK offices is intended to provide grants to support work to provide money management and debt advice to the most vulnerable members of our communities.

One of our biggest community investments, however, is our colleagues' time. In our annual Team Challenge programme, teams of colleagues spend a day providing free, enthusiastic labour to support local community and charity organisations. By making our time and effort available to these organisations, we are directly contributing to their financial resilience; saving them significant labour costs on repair, maintenance and improvements to their facilities that enable them to maintain or improve the service they offer to the local community.

This focus on financial resilience will continue into 2014, with volunteers from Friends Life providing workshop sessions for groups from the Prince's Trust xl Clubs. The sessions will focus on the benefits of saving compared to borrowing, in the hope that this will encourage young people to develop a habit of saving for the future; a crucial first step to improving individual financial resilience in the long term. This idea is a development of the 'Dare to Dream' programme that has run for the last four years from our Hong Kong office.

### Colleague engagement

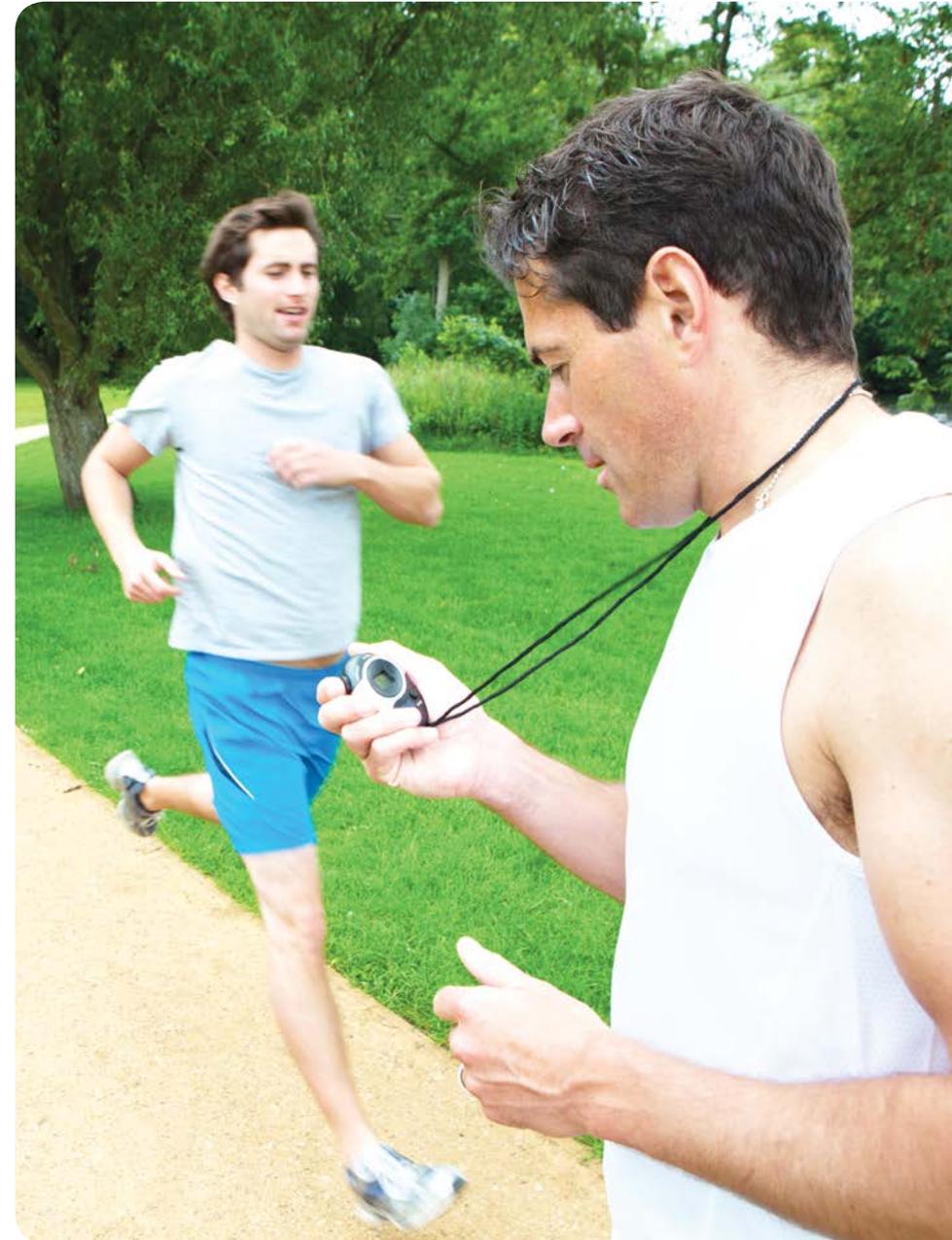
Community engagement was a key focus for activity throughout 2013 as part of wider efforts to build colleague engagement, with a view to making Friends Life a great place to work.

To support this aspiration, we introduced new, annual Community and Environment Champion Awards to celebrate and congratulate colleagues who give their time and energy to support a huge variety of great causes, both at work and in the wider community, in company time or outside of it. In its first year, the awards drew significant interest from across the UK and in other territories. In total there were 38 nominees from 8 different offices, with the overall winner being chosen by Andy Briggs, our GCE. The winner, Neil Garlick, has served as retained fire fighter in the Isle of Man for over 17 years. His colleagues in the Isle of Man office nominated him to celebrate his enormous commitment to the island community, and the huge amount of time and energy he has committed to this work over such a long period of time.

# Community

## Community sponsorship

Additionally, for the first time, Friends Provident International in the Isle of Man sponsored the 'Heroes in the Community' Awards, a ceremony focused on celebrating the success and adversities faced everyday by community heroes, with the event raising around £12k for the **Dream Catcher** appeal. Friends Life also sponsored the Business in the Community '**Seeing is Believing**' alumni network for the third consecutive year. This sponsorship has given rise to the research report 'Developing Responsible Business Leaders', produced by Ashridge Business School and Business in the Community.



# Community



**Raise**



**Volunteer**



**Give**

## Raise

Overall, Friends Life colleagues raised over £233k for charity in 2013. This includes nearly £33k raised for BBC Children in Need throughout the year. However, more colleague-led fundraising went towards our official charity partner, Macmillan Cancer Support.

With our partnership with Macmillan in its third year, and now agreed to run until at least 2018, this year saw the agreement of our second fundraising challenge for Macmillan, with a target of £140k set to be raised by the end of 2014. The money is to fund part of the building of a new Macmillan Cancer Centre at Lister Hospital in Stevenage. Our donation is specifically funding the new Information Centre and Welfare Benefits Service, which again, connects with our core purpose to promote financial resilience. Happily, this target has been met a year early thanks largely to colleague fundraising for the year totalling almost £39k, as well as additional money diverted to the appeal by Friends Life.

Colleague fundraising activity to reach the target was undertaken at all UK sites. Apart from the usual book stalls, 'bake-offs' and 'dress-down days', a group of 24 colleagues from the Friends Life Salford Quays office entered the 'Tough Mudder' event in October, raising in excess of £4.6k for Macmillan. In addition, a charity football match was organised in May by colleagues in our Salisbury office, which raised £2.7k.

## Volunteer

In total across Friends Life in 2013, 833 colleagues volunteered 7,309 hours in company time, which is equivalent to an investment of more than £133k. Our annual UK 'Team Challenge' programme (focused around Challenge Fortnight from 24 June–04 July), saw 708 colleagues undertake 65 team challenges throughout 2013, an increase of 20% on 2012 in terms of the number of team challenges undertaken, and representing an investment of colleagues' time of over £105k.

Three different teams from our London office supported the **Selby Trust** in North London, undertaking a range of tasks, such as ground clearance, painting, and the construction of a new office in their staff room, to help them develop the community centre in which they are based.

In addition to the Team Challenge events, our colleague-led fundraising is driven by a network of community ambassadors across our UK offices. Throughout 2013, 74 community ambassadors volunteered 1,776 hours of time which has been instrumental in making colleague fundraising the success it has been.

Colleagues from Friends Provident International collectively volunteered over 575 hours (or £11,500 worth of their time) to 18 separate charities local to offices in the Isle of Man, Hong Kong, Dubai and Singapore.

For the third year running, our Hong Kong colleagues supported the 'Dare to Dream' programme run by the **Hong Kong Student Aid Society**. The programme engages with children from disadvantaged backgrounds, offering a project to help give them some basic financial education and to teach them the value of getting into the habit of saving. Largely as a result of involvement in activity like this, Friends Provident International in Hong Kong has received the 'Caring Company' accolade for the fourth consecutive year, for its commitment to responsible corporate citizenship.

# Community

## Give

Another facet of our focus on the community was to re-emphasise Friends Life's commitment to addressing significant, relevant social issues in the communities within which we live and work – linked to financial resilience, at the core of our purpose. To this end, we invested over £45k to set up named endowments with Community Foundations local to our UK offices. This augmented existing endowments local to our Salisbury and Bristol offices, bringing the total invested to over £140k (including government matched funding), with income from these investments funding grant-making in these communities. We have asked, where possible, for these to be directed towards projects that address money management and debt advice issues.

More than 11% of eligible UK colleagues opted to donate to charity through our Give As You Earn (GAYE) payroll giving scheme. They donated more than £166k to charity (including matched funding and admin costs from Friends Life totalling nearly £50k). This continued commitment on the part of Friends Life colleagues led to our retaining the Gold level accreditation in the **Payroll Giving Quality Mark**. We incorporated our already popular Give As You Earn scheme into our flexible benefits scheme at its launch in January 2013 with new joiners and those changing their donation amount being set up with their own individual Charities Aid Foundation (CAF) account. This approach allows people the option of controlling their own giving directly and allowing a more flexible approach to making donations. The inclusion of GAYE within the Flexible Benefits offering helped us to increase the number of donors by 60 in the enrolment window at the end of 2013.

2014 will see two additional developments. Firstly, monthly enrolment windows for GAYE will allow colleagues to join throughout the year, enabling them to respond more quickly to the urge to support charities close to their hearts, rather than waiting until the end of the year. The second development of our payroll giving scheme is that we will introduce **Pennies from Heaven** to augment the GAYE scheme, directing this money to a single charity recipient.

In addition to GAYE, 2013 also saw the reintroduction of an annual budget (£25k) for matched funding of colleague fundraising for causes other than our official charity partner, Macmillan Cancer Support. This was in direct response to colleague demand, and is intended to refocus our community engagement to provide more direct support to local or national causes that Friends Life colleagues care about, usually for very personal reasons.

# Community

## Community data and assurance

The level of community investment in 2013 is significantly up on previous years, reflecting the increase in time spent by our colleagues in organising and delivering community/charity activity, additional company charitable donations and the setting up of four additional Community Foundation Endowments, to support the communities local to each office. Our GAYE participation continues to rise, aided by inclusion of the GAYE facility within our Flexible Benefits options.

Metric	2013 measure	2012 measure	2011 measure
<b>Total community investment (£)</b>	£1,864,055	£1,213,741	£1,486,994
<b>Cash donations (£)</b>	£1,525,891	£832,066	£1,139,870
<b>Volunteered working hours</b>	Over 7,710	Over 6,730	Over 6,000
<b>Participation in community programme, excluding Give As You Earn</b>	Over 800 colleagues (>22% of workforce)	Over 850 colleagues (>30% of UK workforce)	Over 1,000 colleagues (includes some participation in more than one activity)
<b>Participation in Give As You Earn</b>	314 (11.2% of eligible UK colleagues)	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. Read the [LBG Assurance Statement](#).



# Workplace

**Good work needs to support the physical and mental wellbeing of colleagues by being meaningful, energising, enabling all to flourish as individuals and in their careers.**

## Learning and development

We successfully delivered a management development programme which balanced the importance of minimizing time out of the office with the need to transfer and develop skills in a compelling and sustainable way.

## Employee wellbeing

'Wellbeing' Fairs were held across all UK and Friends Provident International sites, designed to showcase the services, facilities and opportunities available to support colleague wellbeing.

## Employee engagement

Research shows a strong link between high performance, employee engagement and business performance. 2013 saw an 11% point increase in our engagement score.

## Diversity

Our GCE, Andy Briggs, champions our diversity agenda. We became Champion members of BitC Opportunity Now and a member of Race for Opportunity.

# Workplace

## Group learning and development

The role of Group learning and development is to provide flexible, innovative and cost-effective learning solutions for all colleagues that address specific business needs.

The team also supports the development of FL leaders and managers enabling them to drive the colleague performance to support delivery of the business vision.

Engagement is also 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. The recognition that our managers and leaders also play a pivotal role in developing an engaged workforce has meant a particular focus on their development in 2013. We successfully delivered a group management development programme aimed at our top 120 high potential managers last year. This programme focused on developing the core soft skills managers needed to effectively manage others at FL.

Partnering with an external supplier (Mind Gym), we successfully delivered a programme which, through its design, balanced the importance of minimizing time out of the office with the need to transfer and develop skills in a compelling and sustainable way. It combined short bite-size modules with practical application and was actively supported by senior leaders from the business.

The 2014 programme will take a more inclusive approach developing the additional skills and behaviours our leaders will need more broadly to support the FL growth vision. It will apply the same successful design principles used in 2013 including bite-size format, leader led and highly interactive, practical elements.

## Talent reviews

Friends Life runs a twice yearly talent review and succession planning process to:

- Enable joint discussion around key talent colleagues across the Group.
- Enable the further development of colleagues to their potential through formal training opportunities and through current and future challenging role assignments.
- Support activity to ensure talent within the business is retained.
- Provide greater visibility of career pathways which extend across the Group.

These reviews will also enable the strengthening of 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 were supported using the functionality of the Learning Performance and Talent System (LPTS) in 2013. Further opportunities to leverage the system to support the process will be identified and implemented in 2014.

# Workplace

## Induction

A new Friends Life corporate induction was launched in November 2013, including a monthly face-to-face induction event hosted by our Group Chief Executive, Andy Briggs. The event is a great opportunity for new starters to meet members of our leadership team, learn more about our company vision and strategy, and what this means for them and their role. Since its launch in November 2013, 99 new starters have attended the event and 550 are expected to attend in 2014.

## Online learning

Computer Based Training modules (CBT) delivered by the LPTS were refreshed and relaunched in 2013. This included revalidating and integrating solutions where this supported learning.

New titles delivered in 2013 included Compliance, Securing the Business and Preventing Financial Crime as well as Diversity.

It is a requirement that all colleagues complete certain compulsory modules annually. Four mandatory annual exams were passed in 2013 by over 3,000 colleagues. Four of the original modules were combined and replaced by two more effective versions. Two additional modules (ERM – Enterprise Risk Management and Root Cause Analysis) were designed and assigned to 725 colleagues, targeted for specific learning. A refreshment of the new starter curriculum is planned for 2014.

The LPTS also holds a Learning Library containing a wealth of Learning which is immediately available to colleagues, including e-books and online courses. Additional learning programmes supporting business needs will continue to be developed and deployed via the LPTS in 2014.

Some examples of learning solutions provided on the LPTS include Pocketbooks on Decision Making and Mentoring, and video modules on Presenting, Assertiveness and other topics to improve personal skills.

During 2013, 1,432 unique users accessed non-mandatory learning material including over 55 different books, an increase of 77% from 2012.

2014 will also see an increased focus on the use of social networking as a platform for supporting development and collaboration across the Group. The LPTS is being considered as a provider for this. The system will also be used more routinely as a mechanism for colleagues to enrol themselves directly onto formal learning programmes (and for managers to also nominate specific individuals).

# Workplace

## Performance and reward

We continue to offer competitive and flexible pay, bonus and benefits. Each year we review external market analysis of our total reward package and how this compares with other organisations within the Financial Services sector. This year, we have undertaken an additional review of UK and Isle of Man benefits.

As a result and with immediate effect, all UK- and Isle of Man-based colleagues are now entitled to 30 days' holiday a year (pro rata and exclusive of public holidays), which is significantly ahead of the market. We no longer calculate holiday entitlement based upon grade and length of service.

At the time of integration in 2011, we agreed that we would ring-fence existing benefit entitlements where harmonised terms were less generous. It was always our intention to convert any differences to benefit allowances when we launched flexible benefits and embedded processes. We are now putting steps in place to make this a reality.

The driving force for the changes we have agreed is to ensure fairness and consistency for all colleagues, (whilst taking into account the impact of all of the change in recent years including the removal of formal flexitime). As well as enhancing the overall benefits offering, the direction we are taking reinforces our commitment to transparency and equality.

Furthermore, we will be undertaking an equal pay audit during 2014.

Our reward package is linked to personal and overall company performance. We want our colleagues to feel valued and are motivated to continue developing our reward and benefits offering.

We have designed our benefits proposition to provide access to Friends Life products and a range of additional benefits that appeal and will be valuable to colleagues.

Individuals can tailor their benefits to their personal circumstances through our flexible benefits scheme, My Flexible Benefits. The first annual renewal of the

scheme has proven to be a great success. The uptake of the suite of benefits we offer is influenced by communications and improving understanding of the options available – for many, we have seen increased participation levels this year. As an example, 598 UK-based colleagues are now members of our group Critical Illness Insurance scheme (approximately 23% of our UK population). This equates to an uplift in membership of nearly 43% from the previous scheme year.

Membership of our pension plan, the My Money Flexible Retirement Account has increased during 2013 as a result of automatic enrolment and we recognise the importance of educating colleagues in planning for retirement. Our current scheme membership is approximately 94% of our UK population.

In addition, we introduced two new benefits for 2014: a range of partner health assessment options and membership of The Gourmet Society, a discounted dining and leisure card. These new additions complement the existing range of benefit choices.

2013 has included a renewed focus on wellbeing, protecting the health of our colleagues and helping individuals get greener and healthier with the benefit options available. We have been able to introduce enhancements to our Critical Illness Insurance provision to colleagues this year, earlier than planned and, for the first time, will offer an additional mid-year enrolment window for cycle to work.

The Friends Life Employee Discounts scheme continues to be popular with significantly increased engagement in 2013 from the previous year. Competitions throughout the year have raised awareness of the discount and cashback offers available all year round. Colleagues have the opportunity to donate cashback earned to charity.

We are committed to regularly reviewing and benchmarking our reward package to ensure that we are competitive and are rewarding our colleagues in a fair and consistent manner.

# Workplace

## Employee wellbeing

Employee wellbeing is an issue we are passionate 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 support their employees' wellbeing. Much of the support services built into our protection products is geared towards keeping employees fit for work or helping them back to work from a period of ill health, as soon as is practicable. Providing for and promoting our own colleagues' wellbeing is a matter of authenticity in our business model and as a member of the BitC Workwell Leadership Team. The virtuous link between Colleague, Customer and Shareholder has been articulated by our GCE internally and externally, within the Annual report and accounts.

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 tailored to different conditions. We have an Occupational Health Service provision who work 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. Colleagues and eligible dependants also have access to a BUPA Healthline, a nursing helpline available 24/7. We are actively promoting all these support services and will continue to monitor uptake and any general lessons we can learn to improve Health, Safety and Wellbeing for our colleagues.

Rob Barnett, HR and Business Services Director, Friends Life Group, has overall accountability for wellbeing for Friends Life. We joined the Business in the Community Workwell Leadership Team during 2012. We are a founding member of the Workwell Mental Health Champions group, which developed thought leadership geared towards the Big Conversation on mental health taking place during 2014 Responsible Business Week. Our Chief Risk Officer, Rosie Harris, is our GEC champion on mental health.

We are continuing to improve the value of colleague feedback on all aspects of working for Friends Life, including wellbeing. In 2014, we have added new questions to more directly quantify colleague experience/perception of how well we support their wellbeing:

- I believe the Friends Life Group cares about my health and wellbeing.
- I feel energised by my work.

There are several new questions focused on colleague development and the extent to which we actively support it.

# Workplace

## Business in the Community



As a Mental Health Champion company we sponsored the production of **video case studies** for the 2014 BitC Responsible Business Week. We will be signing the Time to Change pledge to eliminate discrimination against mental health during 2014. A suite of training options are being rolled out during 2014 for colleagues and managers around general awareness of mental health, stress and mental resilience. These range from online, to face-to-face

workshops and extended courses. Intranet articles by our new GEC mental health champion will contribute to creating a workplace environment where it is easier for colleagues to talk about previously taboo topics like stress and mental health issues.

That in itself, if we are successful, will bolster preventative measures in place. We have again, expanded our public reporting on wellbeing and engagement, drawing upon the BitC Workwell Public Reporting Guidelines and metric framework. We signed up for the Benchmarking support package when completing the 2013 Workwell benchmarking survey and will use the insights and guidance from Towers Watson to achieve best practice in public reporting.

During 2013, we organised 'Wellbeing' Fairs across all UK and Friends Provident International sites. These were designed to showcase the services, facilities and opportunities available to support colleague wellbeing. A new online health assessment tool, our Colleague Health Gateway, was demonstrated at the Fairs and launched shortly afterwards. It provides a way of individuals discovering their 'health age' and ways of improving it. During 2014 we will be providing opportunities for colleagues to have their cholesterol, blood pressure and body mass index measures, which will improve the information for the Health Gateway tool. We will use anonymised management information from the tool to assess specific health and wellbeing interventions we could make, generally or geographically, going forward.

## Living Wage



In 2011, we committed to the Living Wage and after successful negotiations with suppliers with on-site employees, we were accredited as a Living Wage Employer by the Living Wage Foundation in March 2013. We have included a question on the Living Wage within an updated prospective supplier questionnaire, which is a modest way of emphasising the importance of this issue.

# Workplace

## Diversity



We made a real step change on diversity during 2013. Our GCE, Andy Briggs, champions our diversity agenda and initiatives. He set up and attends a Diversity Forum of 12 senior managers from across the business, including our overseas offices, who meet monthly. They were tasked by Andy, to examine 'where we are', recommend 'where we need to be' and determine how we could get there.

The Forum developed two hypotheses, one on supporting women into senior roles and the other on unconscious bias with a focus on disability. Adopting an inclusive approach, Andy invited colleagues to take part in focus groups to explore these hypotheses. Over 300 colleagues took part in 20 focus groups. The subsequent report with recommended action plans was reviewed by the Board and GEC, and published on the intranet for all colleagues to read. 70 colleagues from the focus groups volunteered to help the Forum members develop and deliver initiatives to help us improve gender balance.

We have chosen to focus initiatives on gender and disability to begin with rather than try to tackle too many 'protected groups' all at once. We want to be successful and transfer any learning to future diversity initiatives, e.g. ethnicity. We already include a couple of questions within our colleague survey relating to respecting individual differences, (e.g. cultures, working styles, backgrounds, ideas) and our equality of career progression. We have added a question to our colleague survey for 2014 to assess whether colleagues are 'energised' by their work, which is a very good proxy to assess levels of stress.

We believe the focus and high profile we have, and will continue to give to diversity, will not only have a positive impact on employee engagement, but ultimately on overall business performance also. It all contributes towards our ambition to make Friends Life a great place to work.

## Gender equality



To support our ambitions, we became Champion members of Business in the Community's Opportunity Now campaign and members of Race for Opportunity. We also became signatories to the Government Equalities Office, Think Act Report campaign. We completed both BitC's diversity benchmark surveys for the first time, achieving Bronze in both.

We began holding networking lunches in 2013 for female colleagues, hosted by Rosie Harris, Chief Risk Officer and our single female representative on the GEC. These have continued in 2014. We are increasing the focus on mentoring for female colleagues and developing a suite of training options for both gender and disability, with a particular focus for the latter on mental health, (the unseen disability) and accessibility.

Our diversity data is shown with the **Employee wellness and engagement metrics** section of this report. Whilst the gender balance overall is still good, we have maintained 26% female representation among our senior leadership group, compared with 22% in 2011, and expect to build on this as initiatives bear fruit. We have set ourselves a target of 33% females in our senior leadership group by the end of 2017. We have this year applied a gender lens to a wider variety of **employee wellbeing and engagement metrics**, e.g. absence, grievance and employee engagement.

We were overall winner of the **BitC Opportunity Now Transparency Award**, co-sponsored by the Government Equalities Office, presented at the Annual Diversity Awards Dinner in April 2014.

# Workplace

## Employee engagement

Research shows a strong link between high performance, 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 2013, we delivered two full surveys and one 'Pulse' (a much shorter and targeted snapshot survey) which enabled us to more closely monitor engagement levels as well as the progress of action plans. The survey questions were also reviewed in 2013 to increase clarity and to better understand opinions affecting engagement levels. We reported in November 2013 an overall engagement score of 67% a significant increase from 56% at the same time the previous year. An intent to continue this positive upward trajectory in 2014 and increase this by a further two percentage points to 69% is planned. We have also significantly closed the gap on the financial services industry benchmark, which at the end of 2013 stood at 73%.

Group level and team action plans which specifically target findings from the survey have been created. Actions include a focus on career development. Continuing to build a greater awareness amongst colleagues of the range of products and services across Friends Life also remains a high priority. A validation of the manager and customer-related questions in the survey is planned for 2014.

## Engagement champions

The Organisational Development team have also initiated a group project in 2014 to better understand and implement solutions and processes which address the career development question. A recognition from the 2013 survey that involvement and contribution is a key driver of engagement has led to the setting-up of cross group colleague communities and forums. Business and engagement champion roles comprising volunteer colleagues from all levels and business areas are now in place. Engagement champions have played a significant role in driving the engagement agenda and supporting managers in the creation of action plans.

The work of the business champion community in helping bring the FL vision and story to life for colleagues, continues to have a significant impact on engagement. Both communities will be realigned and their role will be fundamental in supporting the growth vision for FL as it evolves in 2014.

# Workplace

## Employee wellness and engagement report metrics

Research shows a strong link between high performance, employee engagement and business performance. 2013 saw an 11% point increase in our engagement score.

### Workforce profile

Metric as at 31/12/2013	2013 Measure	2012 Measure	2011 Measure
<b>Colleague headcount</b>	3,852	3,861	5,577
<b>Colleague FTE</b>	3,706.8	3762.9	5367.5
<b>Percentage FT v PT</b>	89.8% v 10.2%	97.4% v 2.6%	
<b>Percentage on less than five day week</b>	8.6%	N/A	N/A
<b>Number of female employees</b>	48.96%	49.1%	51.5%
<b>Percentage of employees from ethnic minorities</b>	6.06% (known)	4.5% (known)	5.7% (known)
<b>Percentage of managers (Grade F and above)</b>	16.6%	13.1%	12.8%
<b>Percentage of female managers (Grade F and above)</b>	5.6%	4.0%	3.9%
<b>Number of managers (Grade G and above)</b>	138	140	N/A
<b>Percentage of female senior managers (Grade G and above)</b>	26.0%	26.0%	N/A

N.B. 2013 FT contract = 35hrs/week, PT = <35hrs/week (2012 calculated on a different basis – hence not comparable)

We only achieve about 70% declaration rate for ethnicity.

# Workplace

## Gender profile by grade in ascending order

Grade	Female % (31 Dec 2013)	Female % (31 Dec 2012)
B	65	65
C	59	58
D	54	52
E	38	40
F	37	33
G+	26	26

## Gender pay differential – in ascending grade order

Grade	2013 – Average female pay relative to average male pay	2012 – Average female pay relative to average male pay	2011 – Average female pay relative to average male pay
A	+28.1%	+7.6%	-19.3%
B	+2.9%	+4.6%	
C	-1.3%	-1.2%	
D	-4.5%	-4.8%	
E	-7.1%	-4.7%	
F	-8.6%	-4.9%	-8.7%
G	0.0%	-3.8%	
H	+9.0%	+7.1%	+27.4%
I	+12.4%	-3.1%	

N.B. Most grades contains a number of pay families and therefore a wide variety of roles, commanding different salaries (regardless of gender). The above is a topline grade gender comparison, not a full pay audit report.

The deterioration in the pay gap at grades E and F may be due in part to greater internal promotion of female colleagues into these roles, with more of the external recruits being men. A full pay audit is planned for the second half of 2014.

Office for National Statistics states that for full-time employees, women are paid 10% less than men.

# Workplace

## Better work

Metric	2013 Measure	% Male breakdown (declared)	% Female breakdown (declared)	2012 Measure	2011 Measure
Employee survey response rate	85%	43.6%	38.4%	83%	79%
Employee engagement score	67%	66%	68%	56%	52%
Length of tenure 20–29yr age group	2.6 years	2.7 years	2.5 years	2.7 years	Not available
Length of tenure 30–39yr age group	6.7 years	6.9 years	6.6 years	6.9 years	Not available
Length of tenure 40–49yr age group	9.9 years	9.7 years	10.1 years	10.5 years	Not available
Length of tenure 50–59yr age group	12.1 years	11.2 years	12.9 years	11.9 years	Not available
Length of tenure 60+ age group	13.8 years	9.5 years	17.2 years	15.4 Years	Not available
% of roles filled internally	34%			25%	Not available

# Workplace

## Better relationships

Metric	2013 Measure	2012 Measure	2011 Measure
<b>Proportion of flexible working arrangements (i.e. any variation on a 5x7hr day, standard 35hr/wk contract)</b>	16.4%	N/A	N/A
<b>Percentage of women returning form maternity leave</b>	56.9% of female colleagues who took maternity leave in 2012 returned to employment in 2013	80.9%	Not available
<b>Percentage still working after a year</b>	56% of female colleagues who took maternity leave in 2011 are still employed in 2013		
<b>Percentage still working after two years</b>	44% of female colleagues who took maternity leave in 2010 are still employed in 2013		
<b>Grievance cases as a spot rate and gender split</b>	44 (18 male, 26 female)		
<b>Percentage of grievances upheld</b>	8 (2 male, 6 female)		
<b>Number of employee tribunal applications</b>	0	0	
<b>Volunteering hours</b>	7,830	6,730	6,000
<b>Average days volunteering per employee</b>	0.27 days	0.24 days	0.14 days

N.B. Grievance claims breakdown: 7 cases bullying/harassment, 1 about grade, 21 on performance rating, 9 on reward, 4 for maternity/paternity and 2 on working environment.

# Workplace

## Better specialist support (Friends Life/FPI UK only)

Metric	2013 Measure	% Male breakdown (declared)	% Female breakdown (declared)	2012 Measure	2011 Measure
<b>Sickness absence rate</b>	1.5%	1.0%	2.1%	1.9%	2.29%
<b>Sickness absence rate for cancer/ tumours</b>	0.05%	0.01%	0.09%	4.58%	5.77%
<b>Sickness absence rate for musculo-skeletal</b>	0.15%	0.19%	0.10%		
<b>Sickness absence rate for all mental health issues</b>	0.29%	0.21%	0.38%		
<b>Sickness absence rate for stress</b>	0.26%	0.20%	0.33%		
<b>EAP utilisation rate per 1,000 colleagues</b>	5.92%	34.7%	64.3% (1% gender unknown)	2.39% (19.8 male, 77.9% female, 2.3% gender unknown)	1%
<b>Average duration of absences of over one month</b>	51.9 days	57.6 days	49.4 days	49.5 days	59.2 days

# Workplace

## Better physical and psychological health

Metric	2013 Measure	2012 Measure	2011 Measure
<b>Number of of accidents involving injury</b>	119	59	82
<b>Number of of RIDDOR reports</b>	0	0	1
<b>Incidence rate (RIDDORs divided by average headcount x 100,000)</b>	0	0	18.674

NB: Accidents include all onsite companies. Capita reported a series of paper cuts following a change in paper specification. Online Fire Safety and Office Safety training modules on our LPTS are mandatory courses with completion monitored.

## Working well

Metric	2013 Measure	2012 Measure	2011 Measure
<b>Avoidable colleague turnover rate</b>	10.0%	9.6%	10.7%
<b>Unavoidable colleague turnover rate</b>	9.3%	10.4%	12.0%

# Workplace

## Conduct issues

Sesame Bankhall Group was subject to a Financial Conduct Authority (FCA) fine of £6,031,200 for Keydata advice failings. Sesame failed to ensure that investment advice given to its customers was suitable, and failed in the systems and controls that governed the oversight of its appointed representatives (ARs), the FCA said.

Sesame Bankhall Group Chief Executive Officer, George Higginson said:

'We regret these past issues and, in co-operation with the FCA, we have undertaken an immediate past business review to ensure that any customers who received unsuitable advice on Keydata Products have been compensated.

'Through our multi-million pound investment in technology and improved systems and control framework, which includes the move to full file checking, we are working hard to ensure lessons are learnt and corrective actions implemented.'

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

There were no environmental incidents in 2013.

