

# 2004 Corporate Responsibility Report

## Contents

1. Introduction

---
2. Highlights, Vision and Strategy

---
3. Our areas of influence

---
4. Governance Structure and Management System

---
6. Marketplace

---
9. Environment

---
9. Community

---
10. Workplace

---
11. Performance Data

---
13. 2004 Objectives

---
13. Notes to the 2004 objectives

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**FRIENDS PROVIDENT**

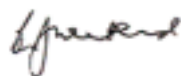
## Introduction

Following my retirement as a Director of Friends Provident plc in May 2005, I am delighted that the Group Chief Executive, Keith Satchell, will take over direct responsibility for the Group's Corporate Responsibility (CR) programme, reflecting its importance in our organisation.

I have led our programme since it was refreshed and relaunched in 2000 and I am proud of the excellent progress that has been made over the last five years. In 2004 specifically we officially launched the Friends Provident Foundation and became members of the Dow Jones World Sustainability Indices. And as I write, we have just been ranked in the Top 100 Companies that Count for the second year running, again achieving a top quartile position.

The Friends Provident Group has seen unprecedented growth and change over recent years, firmly establishing itself as one of the UK's leading financial services companies, but our long-standing commitment to social responsibility remains resolute.

This Report has been written with reference to the Sustainability Reporting Guidelines published by the Global Reporting Initiative and together with the Annual Report, it provides a comprehensive review of our economic, social and environmental performance.



For the Board  
**BW Sweetland**  
Director and Secretary

## 2004 Highlights

Highlights of our 2004 CR programme include:

- Achieved membership of the Dow Jones World Sustainability Index, which represents the top 10% of companies across 34 countries and 60 industries assessed for their leading position in sustainability;
- Maintained membership of the FTSE4Good Index;
- Placed joint 22nd in the Companies that Count list based on Business in the Community's CR Index;
- Voted one of the 100 Best Workplaces in the UK for the fourth year running;
- Reduced our energy related and transport CO2 emissions by 6%;
- Won the award for written CSR communications at the inaugural IVCA Clarion Awards;
- Retained our leading position in the Socially Responsible Investment market;
- Officially launched the Friends Provident Foundation with £20m endowment.

## Vision and strategy

Our Statement of Business Principles sets out our vision for corporate responsibility.

"We aspire to be one of the most successful and progressive UK financial services groups. Our success depends on the trust and confidence placed in us by our customers, shareholders, business partners, staff, the communities around us and society at large. We will win and deserve that trust and confidence by maintaining and living up to the distinct values and reputation that have underpinned our business since our foundation in 1832. We recognise that the long term interests of our stakeholders are best served by acting in a socially responsible manner, by good corporate citizenship, and by continuous improvement in all that we do."

Underpinning these principles is a framework of 7 CR-related policies which are regularly reviewed and updated:

- Human Rights
- Environment
- Community Investment
- Equal opportunities
- Health and Safety
- Working with Suppliers
- Green Travel

Friends Provident's vision of its corporate responsibilities is based on CR being part of good corporate governance in its broadest sense. Our CR programme has been integrated into routine business planning and decision-making, ensuring that it is balanced with other key business drivers. We encourage our people to think differently so that everyday decisions have regard to social and environmental issues as well as, for example, cost and quality. Opportunities to improve our social and environmental performance can then be pursued at little or no extra cost. Our vision is also based on the relative materiality of our different impacts, focusing our efforts where they can most make a difference.

We advocate corporate responsibility in the financial services industry and were among the first companies to sign up to the Corporation of London Sustainable Investment Principles. We also support and work with the United Nations Environment Programme (UNEP) and Business in the Community.

## Our areas of influence

### Business context

Friends Provident is one of the leading financial services groups in the UK and in the FTSE 100 Index of leading UK companies. It has two core businesses:

- Friends Provident Life and Pensions (FPLP), which markets a broadly-based range of life and pensions products, predominately in the UK, with a growing international focus, employing over 3700 people, with main office locations in Dorking, Salisbury, Exeter, Manchester and the Isle of Man; and
- F&C Asset Management (F&C), which manages funds exceeding £125 billion at the end of 2004, markets a wide range of investment products to personal and institutional customers and employs 840 people throughout Europe.

These core businesses operate within a highly regulated industry and are both in the top 10 of their respective sectors in the UK.

The life assurance industry is important from both an economic and social perspective, contributing to the generation of wealth and the social wellbeing of society. It allows consumers, for example, to transfer risk, buy protection and save for retirement. The industry pays out £222 million every day in pensions and life assurance claims. Friends Provident was founded in 1832 with the aim of alleviating the hardship of families facing misfortune. Today, as we pay out millions of pounds every working day, improving the quality of life of our customers and their families remains our aim and our core social responsibility.

### Direct and Indirect Impacts

Buying long-term financial products can be a complicated process and one in which we focus on treating our customers fairly. We are pleased to have been re-accredited under the Raising Standards Mark scheme, which aims to foster consumer confidence through improved disclosure and encourage more people to make adequate provision for their long-term financial needs. We also support pfeg (Personal Finance Education Group) to improve the financial literacy of future generations of customers. Connected to this, the Friends Provident Foundation has decided to tackle the complex issues surrounding financial exclusion and poverty, helpfully given prominence in the Chancellor's November 2004 Budget. (More details on the Foundation are available on page 9).

In addition to assuming social responsibility towards our customers, Friends Provident has other direct and indirect impacts on society.

Our direct impacts are:

- Environmental management
  - Emissions
  - Energy efficiency
  - Waste
  - Resource use (principally paper)
- Labour practices
- Community investment

Our indirect impacts occur through:

- Responsible investment and engagement
- Supply chain management

Friends Provident's most significant environmental impact is the indirect influence it can exert through responsible investing in its various forms. The Group is a pioneer of responsible investing. In 1984 we launched the UK's first ethical Unit Trust, the Stewardship Unit Trust. Our Stewardship range of products is still the market leader with 42% of the £4.3 billion screened fund market in the UK.

In 2000, the Group launched **reo®**, a state-of-the-art management system for engaging with companies on a range of social and environmental issues. We believe that companies that change the way they behave to address these issues also enhance their long-term shareholder value.

Finally, Friends Provident has fully disclosed the way it votes as a shareholder at other companies' meetings – worldwide. We publish monthly reports which list the way we have voted and include a brief explanation of every vote not supporting the recommendations of the Boards of those companies. We feel that making this information public reflects our desire to be open and accountable to our customers, policyholders and investors alike, whose money we are investing, and will raise industry standards on this issue.

## Governance structure and management system

Friends Provident has a well-developed and integrated CR management system, which includes the following features:

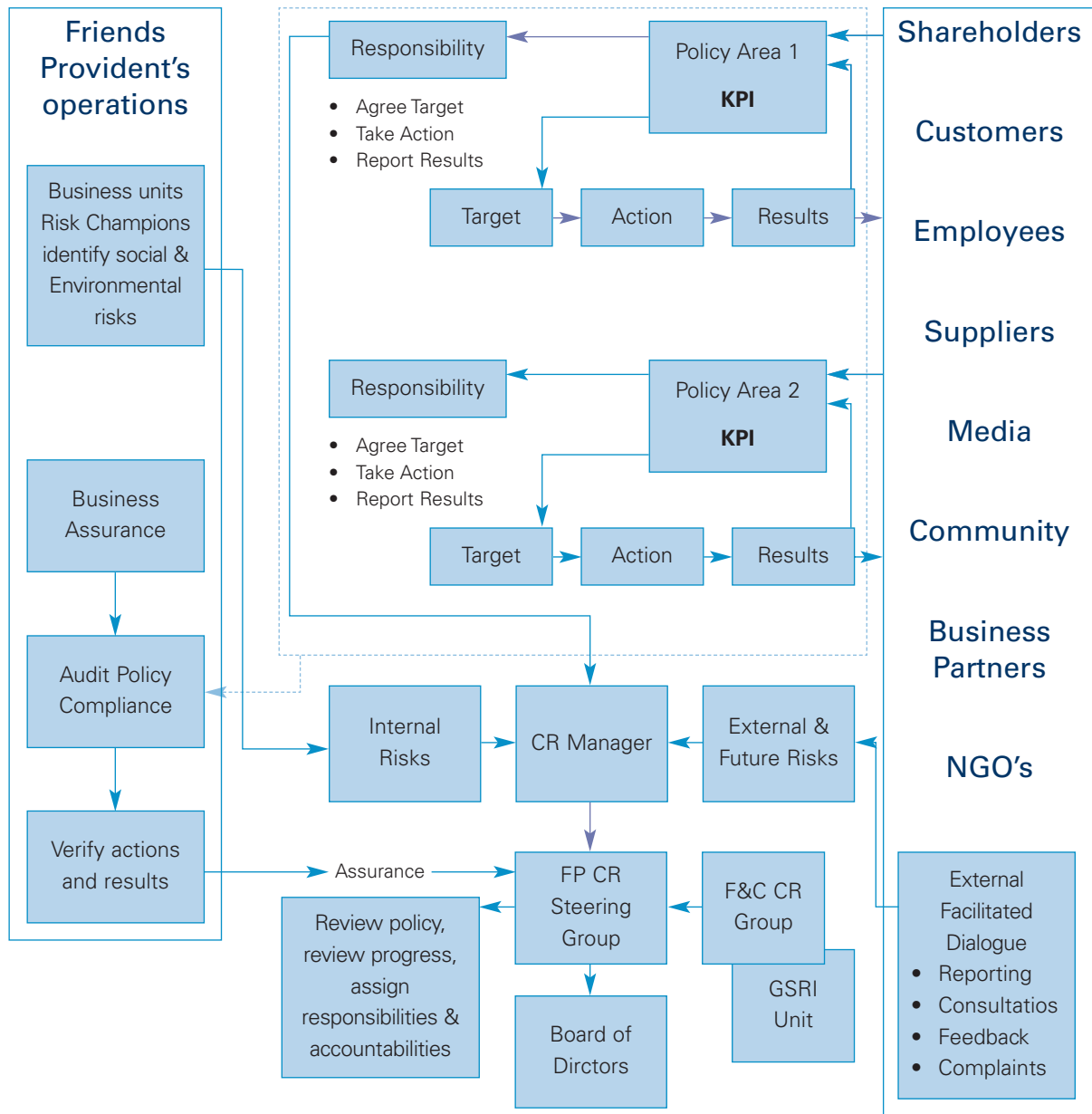
- Main Board responsibility
- A Group-wide Steering Committee which meets quarterly

- A CR manager
- Defined roles and responsibilities across the Group
- Performance indicators for all main impact areas
- An objective and target-setting mechanism built into the Company's strategic and business planning process
- An internal communication programme
- An internal verification process

CR risks and opportunities are routinely identified through the Group's risk management process. This process requires quarterly reports from each business unit specifically covering CR-related risks and opportunities, which embraces social, ethical and environmental issues. With regard to the ABI Disclosure Guidelines on Socially Responsible Investment, key CR-related risks that have been assessed include recruitment and retention of key employees, reputational issues, responsible investing, community relations, human rights, mis-selling issues and bribery and corruption. We will benefit, as a consequence, from the strengthening of our reputation and the growth of the responsible investment market for both screened funds and engagement services.

The scope of the performance data included in this report has been expanded to include our international operation in the Isle of Man. All data in marketplace sections relates to F&C, our asset management business, sections on environment, workplace and community relate to our life and pensions business, FPLP.

# Friends Provident CR Management System



## Indirect impacts Marketplace

Compared with some industries, the direct impact on the environment from an office-based life and pensions or asset management company is low. However, we can have a significant material impact indirectly through responsible investing. Customers who invest in our Stewardship range of products can be confident their money will only be invested in companies that have been screened by an independent Committee of Reference to ensure the selected investments have positive community and environmental benefits for the world and its people and minimise their negative impacts.

Through **reo@** we engage with companies on a range of social, environmental and ethical issues. **reo@** is applied to Friends Provident’s entire equity portfolio, including its staff pension fund. Each year, our 13-strong team of specialists select a specific number of topical issues on which to engage and target companies most exposed to the risks associated with those issues. Quarterly reports covering those issues and companies are published by our asset management business and can be viewed on [www.fandc.com](http://www.fandc.com)

Below are two case studies which illustrate how **reo@** can have an impact.

### Case study one: Biodiversity

Many companies derive important economic benefits from biodiversity, in the form of reliance on ‘ecosystem services’ such as provision of freshwater, natural drainage systems and food. In fact, companies have a two-way relationship with biodiversity, encompassing both their impact on biodiversity, and the impact of biodiversity on them. However, biodiversity-related risks are rarely captured by companies’ standard environmental management systems. In September, F&C published a 55-page report on this subject, entitled **‘Is biodiversity a material risk for companies? An assessment of the exposure of FTSE sectors to biodiversity risk.’** The report was researched and written in collaboration with Earthwatch Institute (Europe) and the UK government’s Department for International Development.

The report’s overall aim was to identify which sectors and individual FTSE 100 companies are most likely to be exposed to biodiversity-related risks, the sources of those risks, and whether they are material to the companies in which F&C invests. This supplemented two earlier reports published by F&C, on Palm Oil and the Extractive Sectors, forming part of our programme of biodiversity engagement.

#### Nine high-risk sectors – the ‘red zone’

The report identified nine sectors as high risk – described as the ‘red zone’ - indicating that most companies within these sectors will be exposed to biodiversity risks and that the risk level is relatively high. Other sectors are classified in the ‘amber zone’ and ‘green zone’, reflecting the fact that fewer companies in the sector face biodiversity risks, and risks are less likely to be significant.

Red zone	Amber Zone	Green zone
<p><i>High-risk sectors:</i> Most companies exposed to risks. Risks likely to be significant</p> <ul style="list-style-type: none"> <li>- Construction &amp; Building Materials</li> <li>- Electricity</li> <li>- Food &amp; drug retailers</li> <li>- Food producers &amp; processors</li> <li>- Forestry &amp; paper</li> <li>- Leisure and hotels</li> <li>- Mining</li> <li>- Oil &amp; gas</li> <li>- Utilities</li> </ul>	<p><i>Medium-risk sectors:</i> Some companies exposed to risks. Risks may be significant</p> <ul style="list-style-type: none"> <li>- Chemicals</li> <li>- Financial services</li> <li>- General Retailer</li> <li>- Household Goods &amp; Textile</li> <li>- Personal Care &amp; Household Products</li> <li>- Pharmaceuticals &amp; Biotech</li> <li>- Support Services</li> <li>- Transport</li> <li>- Tobacco</li> </ul>	<p><i>Lower-risk sectors:</i> Risk variable and significance unknown</p> <ul style="list-style-type: none"> <li>- Aerospace &amp; Defence</li> <li>- Automobiles &amp; Part</li> <li>- Beverages</li> <li>- Diversified Industrials</li> <li>- Electronic &amp; Electrical Equipment</li> <li>- Engineering &amp; Machinery</li> <li>- Health</li> <li>- Information Technology Hardware</li> <li>- Media &amp; Entertainment</li> <li>- Software &amp; Computer Services</li> <li>- Steel &amp; Other Metals</li> <li>- Telecom Services</li> </ul>

The report breaks down the concept of biodiversity into seven 'headline' business risks:

- **Access to land**

*Example:* Access to new sites is affected by a company's track record on protecting/restoring biodiversity and water resources.

- **Reputation:**

*Example:* A biodiversity-related campaign over an issue such as or dolphin-friendly tuna, reduces consumer confidence in a brand or company, resulting in lower sales.

- **Access to capital**

*Example:* Environmental credit risk is assessed as high due to a company's poor biodiversity track record or management plans, and cost of capital increases.

- **Access to markets**

*Example:* Inability to meet specifications from substantial buyers - such as government departments and agencies - for sustainably-sourced raw materials like timber, restricts access to a major market.

- **Security of supply**

*Example:* Reduction in the quality and availability of essential materials such as fish.

- **Relations with regulators**

*Example:* Concerns about a company's track record on biodiversity management, or lack of confidence in the quality of its biodiversity survey and management plans, leads to permit delays or fines.

- **Liabilities:**

*Example:* Unforeseen impacts of activities on biodiversity leads to financial liability even though a company's regulatory licences have not been exceeded.

### How well are companies doing?

From a survey of FTSE 100 companies in the red-zone sectors, we concluded that a significant majority (61% or about two-thirds) are not managing, or not taking substantive action to manage, their biodiversity risks effectively. However, a small number of companies across all sectors have developed good understanding and management in the area of biodiversity. Full details of the performance by individual companies can be found in the report.

### Actively engaging to promote change

The report concluded with a series of recommendations about how companies can better identify and manage the biodiversity risks they face. F&C has used these recommendations to approach the 'red-zone' companies, and in particular those companies that the analysis had highlighted as under-performing. To date:

- All red-zone companies in the FTSE-350 have been sent the report
- F&C has held a workshop to present the report's findings, and was joined by 20 companies, largely from the high-risk sectors
- We have recorded 11 companies engaged by F&C as having changed their
- policies or improved their performance on biodiversity since the reports' publication.

### Press extracts

'Top companies ignore risk from environmental damage'

Companies in the FTSE 100 are failing to assess or manage the risk to their business from their impact on the environment, according to a report published by F&C...Karina Litvack said the report should act as an early warning to companies about the effects on long-term shareholder value of failing to manage such risks...."As an investor we are concerned with the financial impacts of biodiversity issues and, under current proposals for forthcoming UK legislation, it may be a requirement for quoted companies to declare such risks in an Operating and Financial Review," she added. *Financial Times*, September 27 2004

## Case study two:

### Engaging the Information and Communication Technology (ICT) sector on labour standards

In January 2004, F&C published a detailed review of the economic impacts of key labour and environmental risk factors in the global hardware sector, i.e. manufacturers of computers, handsets and consumer electronics. Eleven leading companies were benchmarked against a set of eight criteria. These included policies, lines of accountability and monitoring processes, to determine how effectively the companies addressed the social and environmental risks inherent in their supply and disposal chains.

We concluded that poor performance on labour and environmental issues has the potential to impact the bottom line, through legal, compliance and reputation risks. Conversely, effective supply and disposal chain management can help companies alleviate some of the conflicting pressures they face both to cut costs and improve standards.

#### Poor performance on labour standards

The study highlighted how, as in many sectors, no single social or environmental issue represented a risk to all companies, but a mixture of social and environmental issues faced many companies in the sector.

Overall, the report concluded that while many ICT companies have developed a strong track record on environmental issues, their record on labour standards is significantly weaker.

#### Actively engaging to promote change

- During 2004, F&C held detailed individual feedback meetings with all the companies reviewed in our report. We paid particular attention to performance on labour standards and the ICT companies' supply chain policies.
- We have recorded 8 companies engaged by F&C as having changed their policies or improved their performance since the report's publication.
- Companies have improved in both the environment and labour standards.
- In addition to engaging individual companies, we have engaged at sector level to ensure that companies do not suffer from 'first-mover disadvantage'. In total, we engaged 36 ICT companies in 2004.
- In December 2004, a new industry-wide code, the Electronics Industry Code of Conduct (EICC) was announced, which sets labour and environmental standards for the industry's supply chain.
- This Code reflects many of the recommendations made in the F&C report.

## Direct impacts

### Environment

Friends Provident believe in managing responsibly the direct impacts our relatively benign business operations have on the environment. We have a structured programme of environmental housekeeping to manage all our direct impacts.

#### CO2 emissions

Global warming is arguably the biggest issue facing our planet today and we all share the responsibility to slow down this process. Friends Provident has focused effort on reducing the carbon dioxide emissions associated with running its business and this year signed another two-year contract for renewable energy. Over the last five years we have reduced our energy-related emissions by 80%. In 2004 emissions from company-cars were reduced by 12% from 3794 to 3,499 tonnes CO2 based on DEFRA (Department for Environment, Food and Rural Affairs) guidelines. Overall CO2 emissions were 4494 tonnes (4799 tonnes 2003), a 6% reduction on 2003.

In 2005 we will focus on opportunities to reduce energy consumption which should deliver continued improvement in this area. Acknowledging that it is not possible to eliminate all emissions resulting from our operations, we continued our initiative with Future Forests and Greener Solutions to recycle mobile phones and support reforestation.

#### Waste and recycling

Waste issues for Friends Provident are predominately paper based. We do produce, and track, a small amount of hazardous waste from the use of fluorescent light bulbs.

During 2004 we used 48 million sheets of plain paper (56 million sheets 2003), representing a 14% reduction. Waste generated was 1121 tonnes, a 5% increase, though this is partly due to improved data collection. The percentage of waste generated that we recycle increased from 28% in 2003 to 32.6% in 2004. A waste management audit, planned for 2004 was postponed and is now scheduled for completion by mid 2005. This will shape our actions for waste management improvements going forward.

## Community

### Charitable Giving

Our main charitable giving is channelled through the Friends Provident Foundation. The Foundation received its endowment in July, when £20 million worth of Friends Provident shares were transferred to the Foundation from the unclaimed shares resulting from the de-mutualisation of Friends Provident in 2001. The Foundation is managed by Trustees, independently of the business, which are determined to continue Friends Provident's long-standing commitment to social responsibility and ensuring the Foundation uses its resources imaginatively to address the social problems facing the UK today. To help shape the focus of the Foundation in the future and structure their work, the Trustees commissioned and published a book on the 'Right Use of Money'. Initially, the Foundation will focus its efforts on addressing financial exclusion and the first grants were made in October. For more information visit the Foundation website at: <http://www.friendsprovident.com/foundation>.

Friends Provident also supports numerous organisations local to our main office sites, especially the arts and grass roots sport to help our employees achieve a healthy work/life balance. Some examples of work we have supported include: Dorking Choral Society, Chameleon Brass, Dorking Cricket Club, Leith Hill Music Festival, Salisbury Playhouse, Salisbury Amateur Operatic Society, South Wilts Cricket Club, Exeter Gym Club, The Great West Run, Exeter Rugby Football Club and Exeter City Football Club. We also support local charities such as the Wiltshire and Swindon Community Foundation, Hope and Homes for Children and the Surrey Care Trust.

### Give as you Earn

We facilitate and promote payroll giving as a simple and cost-effective way in which employees can donate to their favourite charity. To support them, we match their donation £ for £ up to a maximum of £10 per person per month. In 2004 we increased the number of employees participating to 10.5%. As well as being able to support the charities of their choice, employees are also given the option of using payroll giving to sponsor a child in a third world country through a unique link-up with the aid agency, World Vision.

## Education

Education is a key focus area for our community support programme. Through our Volunteer Reading Scheme, our staff are given time out of work to visit primary schools to help young children develop their literacy and social skills. We partner Barnardo's in an initiative called Future Citizens, promoting citizenship to 11-14 year-old students across the country. During the three year project over 400 schools signed up to use the interactive CD Rom and dedicated website created by Barnardo's.

## Southampton Football Club and the Community

Connected with our sponsorship of Southampton Football Club and in association with Sportmatch, we sponsored a major grass roots sports initiative in Hampshire, Saints Play Soccer. Run by Southampton FC, the curriculum-time coaching programme is aimed at children aged 6-10 years old and will run for 2 years and reach 46 primary schools. The objective is to provide coaching to boys and girls to enhance their interest in football, in a safe and friendly environment. The project will also encourage children to participate in a physical activity to support an active and healthy lifestyle. The schools receive 12 weekly coaching sessions and a resource pack to sustain the programme beyond the initial 12-week period. We are also running the Friends Provident Fair Play Award for the sixth time. The Awards support grass roots football in Hampshire and reward fair play, endeavour and hard work.

## Workplace

### Employee welfare

Motivated employees are a key factor in the long-term success of any business and creating the right culture is crucial to recruiting and retaining the best people. Friends Provident has been rated as one of the UK's Best Workplaces for the last four years and as we write is awaiting the outcome of the 2005 survey. Our inclusion is again based principally on a confidential survey of 250 randomly selected staff and evaluates trust in management, pride in work and the company, and camaraderie.

We continue to seek employees' views and opinions and assess general satisfaction via our Opinion Survey, which this year was undertaken on-line. Employees are encouraged to share in our success through SAYE and incentive schemes.

We maintain a close working relationship with the recognised trade union, Amicus, with whom we liaise on employee-related business issues and encourage our people to become involved.

We have been recognized as an Investor In People, the national standard for training and development, since 1999. Our reaccreditation date is scheduled for February 2006 and the necessary preparations are already under way. Our four Explorer Centres were also reaccredited in February 2004 with the British Learning Association's Quality Mark. Friends Provident were the first financial services company to receive the award in 2000.

While ensuring that the needs of our customers come first, we try to help our people achieve their optimum worklife balance through homeworking, job sharing and flexible working.

## Equal Opportunities and Diversity

Friends Provident is an equal opportunities employer. We aim to mirror our workforce profile with the gender and ethnic demographics of the areas in which we operate without any form of positive discrimination. As part of our commitment to continuous improvement, we plan to introduce a bespoke training package for all staff and action all business units to produce diversity action plans. A board level champion for equal opportunities and diversity was appointed during the year who will help add momentum in this area.

We promote equal opportunities more generally through our support for Business in the Community's 'Opportunity Now', the Equal Pay Commission and the Employers Forum on Disability.

We have a strong track record on health and safety with Silver and Bronze awards from the Royal Society for the Prevention of Accidents.

## Performance data 2001 to 2004

	Measure	2000		2001		2002		2003		2004	
<b>MARKETPLACE</b>											
<b>Ethically screened funds</b>											
Screened funds	£'b, % equity funds managed	1.6	6.8	1.4	7.2	1.1	5.3	1.4	6.9	1.9	9.2
<b>Responsible engagement overlay</b>											
Full <b>reo</b> ® service provided	£'b, % equity funds managed	17.2	72.6	15.5	79.9	9.7	46.9	19.3	95.1	20.2	98.8
<b>reo</b> ® provided as standalone service	£'b	0		2.1		1.7		3.1		7.2	
Companies engaged with during year	Number	136		385		792		713		944	
<b>reo</b> ® engagement successes in year	Number			20		38		39		93	
<b>Investment properties</b>											
Properties under management	Value £'b, number	1.9		2.0	266	4.6	574	4.5	524	5.16	624
Total number of tenants	Number	1525		1458		3000		2710		3062	
PEG/BiE overall benchmark performance	%, relative to peer group mean	42		51	+16%	48	+13%	66	+32%	67	+19%
Legislative breaches	Number	0		0		0		0		0	
<b>Corporate Governance – Voting</b>											
Number of resolutions voted on during the year	Number	n/a		13976		14121		15253		22830	
Proportion of UK equities meetings at which voted	%	n/a		100		100		100		>99	
Major governance successes achieved	Number	n/a		4		10		44		41	

## Performance data 2001 to 2004 ...Continued

	Measure	2000		2001		2002		2003		2004	
<b>ENVIRONMENT</b>											
CO <sub>2</sub> emissions from gas and electricity	Tonnes	6124		7275		5650		1300		1419	
CO <sub>2</sub> emissions from company cars	Tonnes	7479		6074		3794		3499		3075	
Office paper consumption	million sheets	n/a		56		54		53		48	
Office and marketing paper manufacture – chlorine-free	% TCF, % ECF	n/a		84	16	84	16	84	16	84	16
Total waste generated	Tonnes	n/a		1030		910		1070*		1121*	
Waste recycled	%	n/a		29.6		32.4		28*		32.6*	
Water usage	Litres/employee/day	36.4		36.8		34.8		36.6		37.0	
<b>COMMUNITY</b>											
Total community giving	£'000	n/a		736		655		710		837	
Charitable donations	£'000	173		290		302		324		319	
Staff participating in GAYE	%	n/a		n/a		6		9.5		10.5	
<b>WORKPLACE</b>											
Number of employees	Headcount	4481		4390		4237		3947		3738	
Of whom - female	Headcount, %	2192		2198	50.1	2135	50.4	1992	50.5	1954	52.3%
- from ethnic minorities	Headcount, %	116		126	2.9	115	2.7	100	2.5	119	3.1%
Of whom, managers	Headcount	306		293		279		280		277	
Of those managers - female	Headcount, % of managers	63		61	20.8	64	22.9	62	22.1	61	22%
- from ethnic minorities	Headcount, % of managers	5		5	1.7	6	2.2	7	2.5	5	1.8%
Employee turnover	%	19.5		15.5		13.2		11.3		13	
Absenteeism (sickness)	% of working time lost	3.01		3.15		3.10		3.43		3.22	
Staff participating in annual satisfaction survey	%	76		82		81		76		86	
Staff satisfied to be working for FP	%	73		70		76		76		73	
Spend on training	£'000	1866		3541		3405		3498		3132	
Health and safety fines	Number, £	0	0	0	0	0	0	0	0	0	0

### Notes:

n/a not available

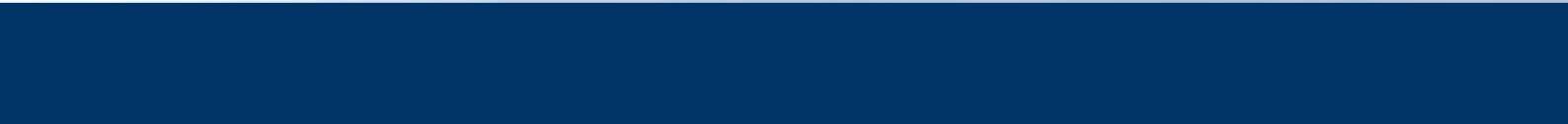
\* these figures have been restated to reflect improved data collection

## Objectives 2004

Area	Objective	2004 target	Achieved	2005 target
CSR Management System	Further develop our management system	<ul style="list-style-type: none"> <li>Maintain BitC Index Score</li> </ul>	✓	<ul style="list-style-type: none"> <li>Maintain BitC Index Score</li> <li>Evaluate benefit of ISO14001 accreditation</li> </ul>
Socially Responsible Investment	Use our influence to protect and enhance the wider environment	<ul style="list-style-type: none"> <li>Achieve &gt;35 reo@ successes</li> <li>Continue to vote 100% of shares held in the UK companies we invest in</li> </ul>	✓	<ul style="list-style-type: none"> <li>Achieve &gt;140 reo@ successes</li> <li>Continue to vote 100% of shares held in the UK companies we invest in</li> </ul>
Property portfolio	Manage the risks and reduce the impacts associated with our property portfolio	<ul style="list-style-type: none"> <li>BREEAM ratings on 100% of new office developments to be "very good" or better</li> </ul>	✓	<ul style="list-style-type: none"> <li>BREEAM ratings on 100% of new office developments to be "very good" or better</li> </ul>
Suppliers	Work with suppliers to improve the social and environmental performance of our supply chain	<ul style="list-style-type: none"> <li>Continue to work with priority suppliers on CR-related issues</li> </ul>	✓	<ul style="list-style-type: none"> <li>Continue to work with priority suppliers on CR-related issues</li> </ul>
Emissions	Reduce the consumption of energy and the environmental impact of inter-office travel	<ul style="list-style-type: none"> <li>Continue to look for opportunities in the energy market to buy electricity from renewable sources</li> <li>Develop a detailed analysis of energy consumption across the business and identify opportunities to reduce energy use</li> </ul>	✓	<ul style="list-style-type: none"> <li>Implement energy management recommendations in identified locations.</li> <li>Continue to identify opportunities to reduce energy use further</li> </ul>
Waste	Reduce waste generation at our operations and promote recycling and re-use. Seek to avoid the use of substances that may cause harm to the environment	<ul style="list-style-type: none"> <li>Undertake a waste management survey and establish a target for reducing the amount of waste going to landfill</li> </ul>	X <sup>1</sup>	Undertake a waste management survey and establish targets for the amount of waste generated and recycled
Charitable Giving	Increase staff involvement in community investment	<ul style="list-style-type: none"> <li>Increase percentage of staff participating in GAYE to 12.5%</li> </ul>	X <sup>2</sup>	<ul style="list-style-type: none"> <li>Increase percentage of staff participating in GAYE to 12.5%</li> </ul>
Turnover & Absenteeism	Continue to manage the downward trend in staff turnover and absenteeism	<ul style="list-style-type: none"> <li>Staff turnover not to exceed 12.5% in target areas</li> <li>Absenteeism not to exceed 3% of working time</li> </ul>	X <sup>3</sup>	<ul style="list-style-type: none"> <li>Staff turnover not to exceed 12.4% in target areas</li> <li>Absenteeism not to exceed 3.2% of working time</li> </ul>
Diversity	Mirror the ethnic mix of the communities from which we draw our employees	<ul style="list-style-type: none"> <li>To mirror the ethnic mix of the communities from which we draw our employees</li> </ul>	✓ <sup>5</sup>	<ul style="list-style-type: none"> <li>Continue to mirror the ethnic mix of the communities from which we draw our employees</li> </ul>

### Notes to 2004 Objectives:

1. Friends Provident committed to undertaking a waste management survey which has not been achieved. The survey has been postponed until mid 2005 when our third party contractor will be available for this important piece of work.
2. An increase in staff participating in GAYE was achieved though the target was missed by 2%. A Company-wide promotion of GAYE was completed in March 2005 and will form part of next years report.
3. Staff turnover for December 2004 was 13% which narrowly missed the target of 12.5%.
4. Last year there was a significant amount of change across the business, which negatively impacted on absenteeism. Progress was however achieved, with absenteeism falling from 3.48% in January 2004 to 3.22% as at December 2004. The target of 3% was narrowly missed. There will be further organisational change in 2005, which is why our targets have been revised upwards.
5. Overall in 2004 Friends Provident made progress in mirroring the ethnic origin of its workforce to reflect more accurately the areas from which our people may be drawn. The smallest of our four main office sites based in Manchester did not meet our target.



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