



2003 Corporate Responsibility Report

Friends Provident plc

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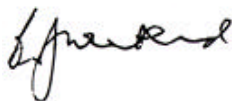
Introduction

Throughout 2003, the Friends Provident Group made significant progress in reinforcing our position as a leading financial services company in the UK despite the severe market conditions that have prevailed over the last two years.

We have a proud heritage that continues to influence the way we run our business and despite these difficult trading conditions I am pleased to be able to report that our Corporate Responsibility (CR) programme has maintained its momentum during 2003. As a result of our unwavering commitment to CR we were ranked as one of top 100 "Companies That Count" earlier this year.

This year, highlights include strengthening our policy framework, reviewing CR-related risks in our supply chain, being listed as one of the UK's Best Workplaces for the third year running and tackling perhaps the biggest environmental issue facing our planet today, climate change.

The 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
B W Sweetland
Director and Secretary

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 CR-related policies. Two new policies have been added this year: first, to formalise Friends Provident's approach to the increasingly important issue of Human Rights and, secondly, to develop a Green Travel Policy in line with a specific commitment in our Environmental Policy. This policy draws together various travel-related initiatives across the Group and will guide future actions by means of local travel plans.

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 educate our people to think differently so that their everyday decisions have regard to social and environmental issues as well as, for example, cost and quality. Therefore, our people can pursue opportunities to improve our social and environmental performance 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

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: Life and Pensions, which markets a broadly-based range of life and pensions products, and Asset Management, which manages funds exceeding £63 billion at the end of 2003 and markets a wide range of investment products to personal and institutional customers. These core businesses 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 £166 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.

Buying long-term financial products can be a complicated process and 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 a 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.

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, now partly operated through our Asset Management business, is still the market leader with 33% of the £4 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, from 1 January 2003, 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:

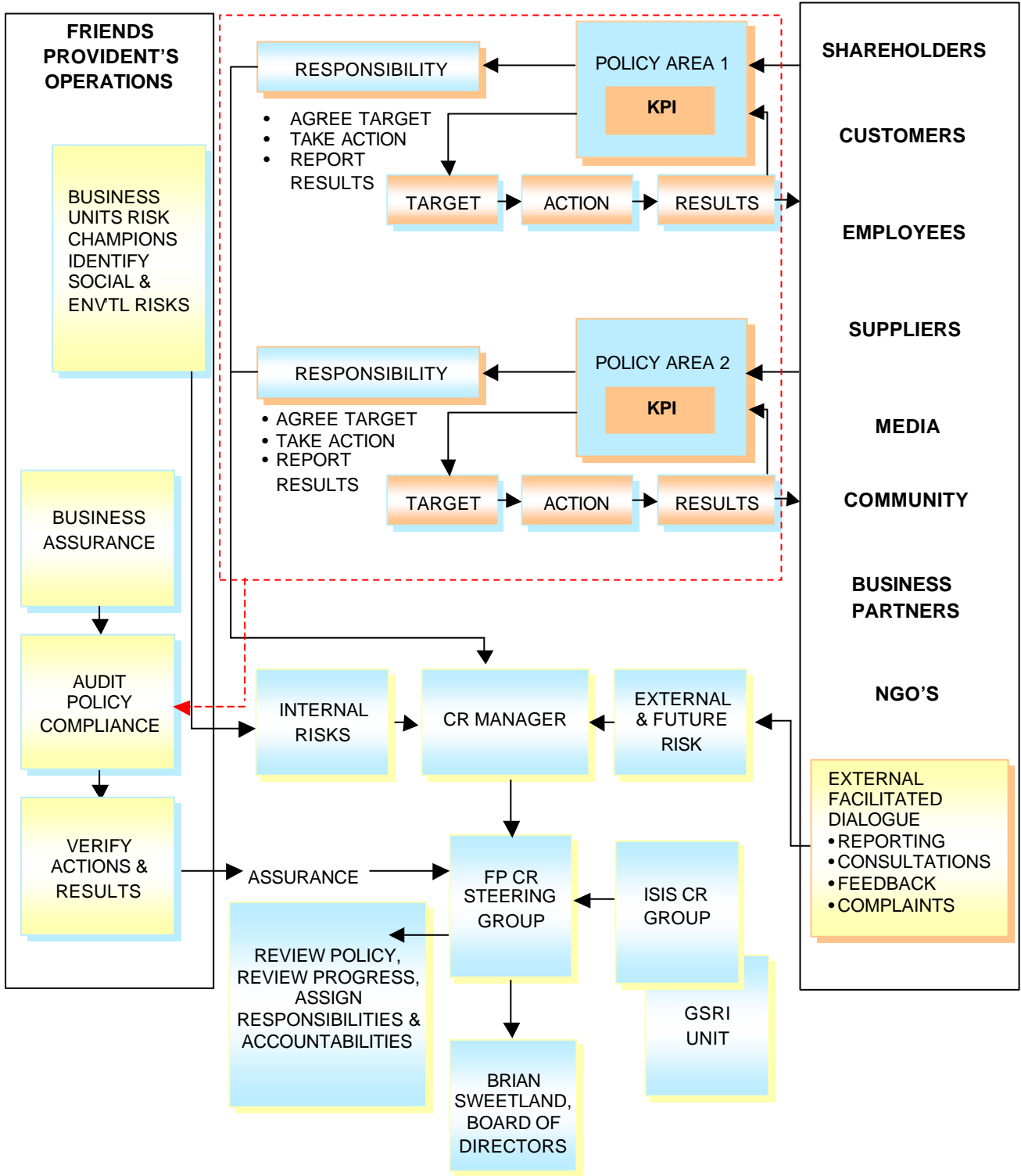
- Main Board responsibility
- A Group-wide Steering Committee chaired by a main Board director which meets quarterly
- A CR manager
- Defined roles and responsibilities across the Group
- Performance indicators for all main impact areas
- An objective and target-setting mechanism built into the Company's strategic and business planning process
- An internal education and communications 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 CSR-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.

To establish our principles, policy framework and performance indicators, we liaised with various groups of people who have a 'stake' in our business and have developed a matrix that maps issues against different stakeholder groups. We continue to talk with our stakeholders and take opportunities to link into existing research programmes to ensure this matrix remains up-to-date.

Our CR Management System is illustrated overleaf.

Friends Provident CR Management System



Marketplace

Indirect impacts

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 12-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.isisam.com

Two illustrations of how *reo*® can have an impact are below:

1. Biodiversity Engagement

Our investment in companies provides opportunities for influencing the activities of these companies, to encourage best practice management of environmental risks. Biodiversity is one important issue for companies that ISIS has invested in, with responsible palm oil sourcing an emerging issue for some of our holdings. In 2003, ISIS published the results of a survey of palm oil use and supply chain management in a report entitled: "New risks in oil supply chains: Where does your palm oil come from?"

Case Study

Intensive oil palm cultivation threatens biodiversity. Palm oil production has doubled in the last 10 years, and is expected to double again over the next 20, making it the most heavily traded oil on international commodity markets. Yet palm oil plantations have also been blamed for destruction of rainforests and pressure on indigenous communities, especially in Indonesia where, along with Malaysia, most of world production is concentrated. Palm oil and its derivatives are widely used in everyday food and household products, including margarine, crisps, mayonnaise and pastry, as well as cosmetics, soaps and detergents.

ISIS acts

These developments led ISIS to engage 27 investee companies that we considered likely to be significant users of palm oil, to find out which companies live up to their policies on sustainable development in their supply chains and are therefore well placed to respond to the growing pressure from environmental activists about sourcing palm oil sustainably. We conducted a short survey to ascertain which

companies are currently sourcing palm oil sustainably, the results of which revealed that many companies do not know where their palm oil comes from, how it is grown, or even how much they use.

Key findings

100% of companies acknowledged the potential risk associated with ecological issues in supply chains. However, only two-thirds stated they had systems that gave adequate protection. Despite this, 83% of companies had little or no knowledge of where their palm oil comes from.

The report's four recommendations

The survey showed us that there is a potential risk for ISIS as an investor among companies that are ignorant about their supply chains in an area subject to increasing public scrutiny. We have therefore issued four palm oil recommendations to the companies we invest in. All companies that use palm oil should ensure that their practices in relation to palm oil sourcing match their published quality, supply chain or sustainable development policies. Companies that use palm oil or palm oil derivatives should undertake an adequate assessment of the volumes that they use and whether these are significant. If they are significant users, or are in sectors that have a high risk of customer or consumer-related pressure, companies should ensure that they have adequate supply chain monitoring systems in place. Such at-risk companies, whether large, small or in-between can and should influence quality and production standards by participating in collaborative industry initiatives, such as the Round Table on Sustainable Palm Oil.

Results to date

The feedback from our engagement with companies suggests that ISIS has played an important role in highlighting this issue to companies. 21% of companies have told us that they are developing or considering developing supply chain policies specifically relating to palm oil. ISIS will continue to monitor progress against our recommendations.

2. Wal-Mart and equal opportunities

ISIS seeks to encourage the companies that it invest in to have strong workplace practices. In 2003, our engagement with companies has included discussion of issues such as HIV/Aids and diversity.

Case Study

ISIS's two-year dialogue with US retailer Wal-Mart is an excellent example of how persistence can turn an apparent impasse into a breakthrough. Past reports have chronicled our efforts to persuade Wal-Mart to enhance its non-discrimination policies, a question the company had carefully considered but rejected. Despite this, we and fellow investors continued to press for change and were delighted when the company announced in 2003, that it would take immediate action to prohibit discrimination in hiring, firing and promotion based on sexual orientation. The company has now included sexual orientation in its Equal Opportunities policies.

Background

Wal-Mart is the world's largest private employer with 1.3 million employees, over one million of whom work in the US. In the majority of US states today, it is still legal to discriminate in hiring, firing or promoting based on sexual orientation. While the US federal government outlaws many other forms of discrimination (e.g. based on age, race, gender, etc.) it still permits employers to discriminate against gay, lesbian and bisexual staff. There are a growing number of states and municipalities that prohibit such practice, which can lead to a patchwork of different human resource policies within one company.

Is it good for business?

The vast majority of large US firms have responded to this legal vacuum by voluntarily developing explicit non-discrimination policies. Over 90% of Fortune 100 companies, and a majority of Fortune 500 companies, have expanded their policies in this area. ISIS believes such expanded policies are necessary to ensure a fair, productive workplace that attracts and retains the best available candidates.

Timeline

January 2001: ISIS (then Friends Ivory & Sime) writes to Wal-Mart raising concerns about competitive disadvantage from weak non-discrimination policy. Encourages company to meet with investors. Other investors send joint letter.

September 2001: ISIS meets with Wal-Mart at Bentonville, Arkansas headquarters along with Trillium Asset Management, Walden Asset Management and the Pride Foundation. Investors make detailed presentation on evolving business standards, retail industry peers, evidence of need for enhanced protection for gay and lesbian employees and more.

Autumn 2001: Investors follow up with additional resources and information.

January 2002: Investors meet with company as it continues to study and discuss the issue internally.

March 2002: Wal-Mart Executive Committee takes decision to leave employment policies unchanged stating that company culture of "respect for individual" is sufficient.

April 2002: Investors send strongly-worded letter of objection to CEO. *May 2002:* Investors continue to press company on related areas, such as expanded disclosure of relevant anti-harassment training, timelines and goals. *August 2002:* Wal-Mart provides partial information requested by investors. *Autumn 2002:* Investors consider, but decide against, filing shareholder resolution for 2003 season, believing that opportunity exists for progress through dialogue.

March 2003: Investors send Wal-Mart information on new developments including other companies with new policies, states with new non-discrimination laws, and rising shareholder votes in favour of expanded policies. Investors state intention to file resolution for 2004 shareholder vote if no further progress is achieved.

June 2003: Letter from Wal-Mart to shareholders stating its intention to amend nondiscrimination and harassment policies.

July 2003: News becomes public, creating international headlines and widespread discussion of businesses and discrimination policies.

Other Marketplace

Our Supplier Statement outlines our progressive programme for addressing social and environmental issues in our supply chain. This year we developed risk profiles for different supplier groups and tightened our procurement procedures.

In 2003 Friends Provident became a signatory to the Better Payment Practice Code developed by the Better Payment Practice Group and endorsed by the Secretary of State. Signatories to the code promise to:

- Agree payment terms at the outset of a deal and stick to them;
- Explain your payment procedures to suppliers;
- Pay bills in accordance with any contract agreed with the supplier or as required by law; and
- Tell suppliers without delay when an invoice is contested, and settle disputes quickly.

Environmental Impacts

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 worked hard to reduce the carbon dioxide emissions associated with running our business, and have reduced our energy-related emissions by a further 80% in 2003. Emissions from company-cars were reduced by 8% from 3794 tonnes CO₂ to 3,499 tonnes based on DEFRA (Department for Environment, Food and Rural Affairs) guidelines.

However it is not possible to eliminate all emissions resulting from our operations and following feedback from shareholders last year we have been seeking ways to reduce the impact of our operations by offsetting some of these emissions through climate friendly technology or tree planting. We have teamed up with Future Forests, the carbon neutral specialists, and environmental service provider Greener Solutions to tackle two environmental issues at once.

In the UK, 15 million mobile phones are replaced every year, many simply to keep pace with changing technology and trends. Together, we are offering an opportunity for people to recycle their mobile phones and support Future Forests CarbonNeutral reforestation programme. Revenue received from recycling the phones will initially go towards the cost of reforestation in Balbair in Scotland. The planting will, in time, create a lush woodland with a selection of native tree species that will become home to, and support, a variety of wildlife.

If you would like to recycle your mobile phone visit Future Forests website at www.futureforests.com/recyclephone

Despite their relatively low significance, we still have a structured programme of environmental housekeeping to manage our other direct impacts. Last year we used a million fewer sheets of plain paper and generated 55 tonnes less of waste.

Social performance indicators

Workplace

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 three years (at the time of writing we were awaiting this year's result). 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. 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.

During 2003 we were also successfully reassessed against the Investor In People national standard for training and development electing to. Our assessor noted 'Friends Provident is an outstanding company with significant strengths. Benchmarking itself against other organisations has enabled it to identify where development needs to take place.' Our four Explorer Centres were also reaccredited 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.

We are an equal opportunities employer. Our aim is that our workforce should mirror the gender and ethnic demographics of the areas in which we operate without any form of positive discrimination. In 2003 we changed the comparative data we use to establish our performance as an equal opportunities employer to try and reflect more accurately the areas from where our employees may be drawn. In 2004 we will look to refine this measure further. Separately, as part of our commitment to continuous improvement, we will also be reviewing training needs across the business. 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.

Community

Our main charitable giving is channelled through the Friends Provident Foundation [add logo], a charity with wide grant making powers. The Foundation was conceived when Friends Provident ceased being a mutual company in 2001. Initially it provided a charitable 'option' for policyholders who wanted to donate their 'free' demutualisation shares. More significantly, Friends Provident decided, after three years, any shares still unclaimed would be donated to the Foundation, up to a value

of £20 million. This three-year period ends in July and so £20 million worth of Friends Provident shares will then transfer to the Foundation, enabling it to become a source of grants for a range of good causes. The Foundation is managed by Trustees independently of the business and we believe its influence for good will be considerable in the years to come.

The Trustees of the Foundation are determined to continue Friends Provident's long-standing commitment to social responsibility and ensuring the Friends Provident Foundation uses its resources imaginatively to address the social problems facing the UK today. To structure their work, the Trustees have stimulated a debate on the 'Right Use of Money' and have invited a number of influential people from a range of backgrounds to contribute their ideas on this subject. They include business people, think tanks, journalists, religious commentators, politicians and people with firsthand experience of poverty and homelessness. Their essays are helping the Trustees to shape the focus of the Foundation in the future. The Trustees have also commissioned a book on the 'Right Use of Money' containing these thought-provoking essays and this will be published as part of the Foundation's formal launch.

We have refreshed and redrafted our Community Investment Policy to better align our activities with the needs of the business and our people and to clarify what we will and will not support.

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 2003 we re-launched our payroll giving scheme and increased the number of employees participating by 58% to 9.5%. 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 is a key focus area for our community support programme. We partner Barnardo's in an initiative called Future Citizens, promoting citizenship to 11-14 year-old students across the country. In its first full year, 283 schools signed up to use the interactive CD Rom and dedicated website created by Barnardo's, while around £80,000 has been raised by participating schools towards Barnardo's childcare work. 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.

Connected with our sponsorship of Southampton Football Club, the Friends Provident Fair Play Awards are now in their fifth year. The Awards support grass roots football in Hampshire and reward, fair play, endeavour and hard work as opposed to skill.

We have teamed up with Southampton FC and Southampton City Council to tackle the challenge of keeping racism out of football through the 'Racism Just Ain't Sain'tly' initiative. We have also established a significant community trust jointly with Southampton FC to develop a football academy for primary school children.

Performance data 2000 to 2003

	Measure	2000	2001	2002	2003				
Marketplace									
Ethically screened funds									
Screened funds	£'b, % equity funds managed	1.6	6.8	1.4	7.2	1.1	5.3	1.4	6.9
Responsible engagement overlay									
Full <i>reo</i> ® service provided	£'b, % equity funds managed	17.2	72.6	15.5	79.9	9.7	46.9	19.3	95.1
<i>reo</i> ® provided as standalone service	£'b	0		2.1		1.7		3.1	
Companies engaged with during year	Number	136		385		792		713	
<i>reo</i> ® engagement successes in year	Number			20		38		39	
Investment properties									
Properties under management	Value £'b, number	1.9	288	2.0	266	4.6	574	4.5	524
Total number of tenants	Number	1525		1458		3000		2710	
PEG/BiE overall benchmark performance	%, relative percentile	42		51	16	48	13	66	32
Legislative breaches	Number	0		0		0		0	
Corporate Governance – Voting									
Number of resolutions voted on during the year	Number	n/a		13976		14121		15253	
Proportion of UK equities meetings at which voted	%	n/a		100		100		100	
Major governance successes achieved	Number	n/a		4		10		44	
ENVIRONMENT									
CO ₂ emissions from gas and electricity	Tonnes	6124		7275		5650		1149	
CO ₂ emissions from company cars	Tonnes	7479		6074		3794		3499	
Office paper consumption	million sheets	n/a	64		56		54		53
Office paper manufacture – chlorine-free	% TCF, % ECF	n/a	n/a	84	16	84	16	84	16

	Measure	2000	2001	2002	2003				
Total waste generated	Tonnes	n/a	1030	910	855				
Waste recycled	%	n/a	29.6	32.4	29				
Water usage	Litres/employee/day	36.4	36.8	34.8	36.6				
COMMUNITY									
Total community giving	£'000	n/a	736	655	710				
Charitable donations	£'000	173	290	302	324				
Staff participating in GAYE	%	n/a	n/a	6	9.5				
WORKPLACE									
Number of employees	Headcount	4481	4390	4237	3947				
Of whom - female	Headcount, %	2192	48.9	2198	50.1	2135	50.4	1992	50.5
- from ethnic minorities	Headcount, %	116	2.6	126	2.9	115	2.7	100	2.63
Of whom, managers	Headcount	306	293	279	280				
Of those managers - female	Headcount, % of managers	63	20.6	61	20.8	64	22.9	62	22.1
- from ethnic minorities	Headcount, % of managers	5	1.6	5	1.7	6	2.2	9	3.2
Employee turnover	%	19.5	15.5	13.2	11.3				
Absenteeism (sickness)	% of working time lost	3.01	3.15	3.10	3.43				
Staff participating in annual satisfaction survey	%	76	82	81	76				
Staff satisfied to be working for FP	%	73	70	76	76				
Spend on training	£'000	1866	3541	3405	3498				
Health and safety fines	Number, £	0	0	0	0	0	0	0	0

Note: n/a = not available

2004 Objectives

Area	Objective	2003 targets	Achieved	2004 targets
CSR Management System	Further develop our management system	<ul style="list-style-type: none"> • Improve BitC CR Index Score 	✓	<ul style="list-style-type: none"> • Maintain BitC Index Score
Socially Responsible Investment	Use our influence to protect and enhance the wider environment	<ul style="list-style-type: none"> • Achieve 32 significant <i>red@</i> successes 	✓	<ul style="list-style-type: none"> • Achieve >35 <i>red@</i> successes
		<ul style="list-style-type: none"> • Continue to vote 100% of shares held in the UK companies we invest in 	✓	<ul style="list-style-type: none"> • Continue to vote 100% of shares held in the UK companies we invest in
Property portfolio	Manage the risks and reduce the impacts associated with our property portfolio	<ul style="list-style-type: none"> • Achieve top 3 placing in peer group in the Property Environment Group / Business in the Environment benchmark 	✓	<ul style="list-style-type: none"> • BREEAM ratings on 100% of new office developments to be "very good" or better
Suppliers	Work with suppliers to improve the social and environmental performance of our supply chain	<ul style="list-style-type: none"> • Enhance procurement procedure • Ensure Supplier Statement is applied to all priority suppliers 	✓ ✓	<ul style="list-style-type: none"> • Continue to work with priority suppliers on CR-related issues
Emissions	Reduce the consumption of energy and the environmental impact of inter-office travel	<ul style="list-style-type: none"> • Reduce CO² emissions associated with energy use by 80% at targeted sites 	✓	<ul style="list-style-type: none"> • Continue to look for opportunities in the energy market to buy electricity from renewable sources • Develop a detailed analysis of energy consumption across the business and identify opportunities to reduce energy use
		<ul style="list-style-type: none"> • Extend existing measure to include all sites 	✓	
		<ul style="list-style-type: none"> • Develop a Green Travel Policy 	✓	
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"> • Further increase the % of waste recycled by 1% 	X ¹	<ul style="list-style-type: none"> • Undertake a waste management survey and establish a target for reducing the amount of waste going to landfill
		<ul style="list-style-type: none"> • Introduce measures to reduce paper consumption by 1% 	✓	
		<ul style="list-style-type: none"> • Remove all Halon 1301 	✓	
Charitable Giving	Increase staff involvement in community investment	<ul style="list-style-type: none"> • Increase percentage of staff participating in GAYE to 10% 	X ²	<ul style="list-style-type: none"> • Increase percentage of staff participating in GAYE to 12.5%
Turnover & Absenteeism	Continue to manage the downward trend in staff turnover and absenteeism	<ul style="list-style-type: none"> • Staff turnover not to exceed 11% in target areas 	✓	<ul style="list-style-type: none"> • Staff turnover not to exceed 12.5% in target areas • Absenteeism not to exceed 3% of working time
		<ul style="list-style-type: none"> • Absenteeism not to exceed 2.8% of working time 	X ³	
Diversity	Mirror the ethnic mix of the communities from which we draw our employees	<ul style="list-style-type: none"> • Continue to mirror the ethnic mix of the communities from which we draw our employees 	✓ ⁴	<ul style="list-style-type: none"> • To mirror the ethnic mix of the communities from which we draw our employees

Notes to 2003 Objectives:

1. Friends Provident generated 55 tonnes less waste overall but partly as a result of this reduction the percentage being recycled decreased.
2. A significant increase in staff participating in GAYE was achieved though the target was narrowly missed by 0.5%
3. Last year there was a significant amount of change across the business which negatively impacted on absenteeism. There will be further organisational change in 2004 which is why our targets have been revised upwards.
4. In 2003 Friends Provident changed the data set with which it compares the ethnic origin of its workforce to try and reflect more accurately the areas from which our people may be drawn. As a result, the smallest of our four main office sites based in Manchester did not meet our target. During 2004 we will consider whether the comparative data set needs further refinement.