

















# Corporate Social Responsibility report



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**Philip Moore**, Group Chief Executive

**The Friends Provident Group is more diverse and international than ever before, and our Corporate Social Responsibility (CSR) initiatives have evolved to reflect this. Each part of the business – UK Life & Pensions, International Life & Pensions and Asset Management – has its own approach appropriate to their business, underpinned by an overarching strategy from the Friends Provident plc board and our statement of business principles.**

**The Group aims to be one of the most successful and progressive international financial services groups. Achieving this depends on the trust and support placed in us by our stakeholders: our customers, shareholders, business partners, employees, local communities and society at large. We recognise that the long-term interests of our stakeholders are best served by acting in a responsible manner. Our business continues to live up to the distinct values and reputation that have underpinned it since our foundation. Acting responsibly not only gives us a competitive advantage, it will also ensure that our business continues to meet our stakeholder needs in the long term.**

**Following Keith Satchell's retirement, I am delighted to take over the leadership of our CSR programme. These pages pick out some of the highlights from this programme in 2006. I am eager to continue to drive the Group's CSR strategy forward, as it is fundamental to our future success and will further differentiate us in the marketplace.**

**For a full account of our CSR strategy and performance, please visit [www.friendsprovident.com/responsibility](http://www.friendsprovident.com/responsibility) to view our 2006 Corporate Social Responsibility Report.**



**Philip Moore**, Group Chief Executive  
19 March 2007

### Material issues

In 2005 the Group worked with Forum for the Future to identify our material issues. This year we have focused on the six key issues most aligned to the needs of our stakeholders. These are trust and confidence, responsible investment, financial capability, community, climate change and our people. These pages outline our approach to each of these issues.

In 2007 we are engaging with a number of opinion formers amongst our stakeholders about our material issues. We will then adapt our strategy accordingly, and further align our business strategy with our stakeholder needs.

### Governance

The Group has a well-developed and integrated CSR management system, which includes the following:

- Main Board responsibility
- Group-wide strategic execution
- Two CSR managers
- 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.

### Risk

CSR risks and opportunities are regularly identified through the Group's risk management process. Quarterly reports from each business unit specifically cover CSR-related risks and opportunities, embracing social, ethical and environmental issues.

In compliance with the ABI Disclosure Guidelines on Socially Responsible Investment, key CSR-related risks have been assessed and include recruitment and retention of key employees, responsible investing, community relations, financial literacy levels, climate change, mis-selling issues and bribery and corruption. Further information on the Group's investment controls and risk management can be found throughout this publication.

### Memberships

During 2006 the Group has maintained its inclusion in both the FTSE4Good and the Dow Jones Sustainability World Indices and was again rated in The Sunday Times 'Companies that Count' based on an annual assessment by the charity Business in the Community. In addition, F&C is listed separately in FTSE4Good and is a member of the Property Environment Group Index and the Corporate Leaders' Group on Climate Change.

We are working with a number of CSR expert bodies, such as Forum for the Future, PricewaterhouseCoopers and Context, to develop our CSR strategy and initiatives. We are active members of the CSR community and are members of the Corporate Responsibility Group, the London Benchmarking Group and Business in the Community.

**TRUST AND CONFIDENCE****2006 Highlights**

- Awarded Life Insurer of the Year at the British Insurance Awards 2006.
- UK Life & Pensions supports the Customer Impact Scheme and produced a Caring for Customers report, available at [www.friends Provident.com/reports](http://www.friends Provident.com/reports)
- UK Life & Pensions and F&C reviewed operations to verify alignment with the principles of Treating Customers Fairly (TCF).

**Treating Customers Fairly**

Friends Provident is committed to providing its customers with the highest level of service. TCF is one initiative that helps us to do this. UK Life & Pensions Sales has produced a 'TCF Toolkit' to use with our largest distributors, proactively promoting TCF. As a responsible insurer, we engage with our distributors to ensure our TCF principles are aligned. We have trained our sales managers on how to apply the toolkit in their relationships with our strategic partners to ensure TCF principles are embedded in our distributors' selling practices. This is one example of how we have moved from discussing products to providing longer-term business consultancy for our distributors, improving the end result for our customers.

**2007 Plans**

- Continue to place the principles of TCF at the centre of our activities.
- UK Life & Pensions to do further work and develop KPIs in response to the Customer Impact feedback.

**RESPONSIBLE INVESTMENT****2006 Highlights**

- The Group's Stewardship range of ethical funds for retail investors is still the market leader. For more information please visit [www.friends Provident.com/sri](http://www.friends Provident.com/sri)
- Winner of 'best ethical investment provider' award from Investment, Life and Pensions Moneyfacts.
- F&C engaged with 640 companies on a range of issues such as climate change and human rights.

**Shareholder engagement**

F&C's 'responsible engagement overlay' **reo**® service uses its influence as a shareholder to encourage the companies in which it invests to improve their corporate social responsibility practices, thereby improving business performance. For example, in anticipation of the 2006 football World Cup, F&C engaged with global sportswear brands, highlighting the potential risks associated with poor labour standards in their supply chains, and recommended a number of actions the companies could take. F&C continues to monitor this issue.

**2007 Plans**

- F&C to increase engagement on climate change, with focus on high-risk sectors including insurance.
- F&C to engage regulators and emerging markets companies over corporate governance standards for London listings.
- F&C to continue engaging on a range of issues. For full list please see the Group CSR report at [www.friends Provident.com/responsibility](http://www.friends Provident.com/responsibility)

**FINANCIAL CAPABILITY****2006 Highlights**

- Friends Provident Foundation donated over £800,000 in grants for financial capability programmes.
- Continued support for **pfeg**, an educational charity focused on providing financial literacy materials to schools.
- UK Life & Pensions, in conjunction with Life Academy, created a personal finance education website for group pension scheme members.

**Save yourself a fortune**

The Friends Provident Foundation is a grant-making charity focusing on the right use of money in society, with programmes initially centred on addressing financial exclusion. 'Save yourself a Fortune', run by the Public Service Broadcasting Trust, is one initiative that benefited from a grant this year. The project was designed to encourage a TV audience to save up to £100 per week by learning how to reduce the cost of their everyday household bills. It targeted people through the early evening news, inviting viewers to call and book a free money saving session plus a CD-ROM to help prevent them getting into debt in the future. Over 11,000 viewers attended these sessions.

Full details of the Foundation can be found on its website at [www.friends Providentfoundation.org](http://www.friends Providentfoundation.org)

**2007 Plans**

- The Foundation to research financial exclusion in the UK, enabling it to be more pro-active in its grant-making.
- UK Life & Pensions to provide web-based tools to help customers manage their finances.

<p><b>CLIMATE CHANGE</b></p> <p><b>2006 Highlights</b></p> <ul style="list-style-type: none"> <li>• Selected as a carbon champion by The Times.</li> <li>• Recycled paper now used across all UK sites.</li> <li>• Rolled out a new recycling and waste system across UK Life &amp; Pensions and FPI head offices.</li> <li>• Recycled 43% of waste across the Group.</li> </ul>	<p><b>COMMUNITY INVESTMENT</b></p> <p><b>2006 Highlights</b></p> <ul style="list-style-type: none"> <li>• Group commitment to work towards giving 1% of pre-tax profit to the community, targeting 0.5% in 2007.</li> <li>• Group charitable donations exceeded £1m in 2006.</li> <li>• Lombard has continued its relationship with SOS Villages d'Enfant through corporate donations and employee fundraising.</li> </ul>	<p><b>PEOPLE CAPABILITY</b></p> <p><b>2006 Highlights</b></p> <ul style="list-style-type: none"> <li>• UK Life &amp; Pensions successfully reassessed as an Investor in People.</li> <li>• UK Life &amp; Pensions attained the Business in the Community 'Opportunity Now' silver award.</li> <li>• Group employee absence was 2.95%.</li> <li>• F&amp;C launched Performance First, which includes a cultural change programme to challenge and motivate employees.</li> </ul>
<p><b>The Carbon Trust</b></p> <p>The Group has been working with the Carbon Trust to identify more ways it can further reduce the carbon footprint of its UK offices; the ultimate aspiration is to become carbon neutral. The Group's premises, IT services, transport policy and working practices have been studied and employees' awareness of energy efficiency checked. Recommendations have been novel but also realistic; replacing old boilers with solar panels or biomass boilers, upgrading IT systems to reduce energy consumption without compromising security, encouraging video conferencing and replacing some company cars with hybrid vehicles are just a few examples.</p>	<p><b>FRIENDS in the community</b></p> <p>FRIENDS in the community, our new community investment programme launched in December, represents a step change in UK Life &amp; Pensions and FPI's approach to charitable support, aligning company giving with employees' interests, and encouraging employees to help their communities in whichever way they choose. The programme comprises three schemes; FRIENDS raise, matching employees' fundraising up to £500 each year; FRIENDS give, doubling the matching of payroll giving from £10 to £20 each month; and FRIENDS volunteer, donating 'recognition grants' of £500 to volunteers for charitable organisations and co-ordinating team challenge days for employees to give something back to their community.</p>	<p><b>FPI recruitment</b></p> <p>Unemployment on the Isle of Man is extremely low, meaning recruitment and retention are key issues for FPI's office on the island. FPI continuously consider new initiatives to encourage people to work for, and stay with, Friends Provident. The office provides a subsidised minibus service for commuters from Douglas, an internet café for private use, and a gym and relaxation area. The Isle of Man office was accredited as an Investor In People for the first time in 2006 and there has been a large reduction in avoidable turnover – down from 20% in 2005 to 14% in 2006.</p>
<p><b>2007 Plans</b></p> <ul style="list-style-type: none"> <li>• Publish a 3-year carbon management programme for UK offices, based on our work with the Carbon Trust.</li> <li>• F&amp;C to offset carbon emissions from travel.</li> <li>• Lombard to implement a recycling programme as part of its environmental management programme.</li> </ul>	<p><b>2007 Plans</b></p> <ul style="list-style-type: none"> <li>• Extend F&amp;C's charitable donations policy to include 'charities of the year' and a schools programme.</li> <li>• UK Life &amp; Pensions to start a numeracy and financial literacy programme with a Tower Hamlets school.</li> <li>• F&amp;C to continue working with the UK Career Academy.</li> </ul>	<p><b>2007 Plans</b></p> <ul style="list-style-type: none"> <li>• Implement aspects of the UK Life &amp; Pensions and FPI's people strategy.</li> <li>• F&amp;C to extend their Performance First programme to include further initiatives in 2007.</li> </ul>