

CORPORATE RESPONSIBILITY

WE TAKE OUR RESPONSIBILITIES SERIOUSLY

Such difficult times highlight the importance of reputation, and remind us how hard it is to earn and how easy it is to lose. Evidence of its impact on the bottom line is unequivocal. And as we work through this period of change and uncertainty, expectations of business are changing and so, therefore, are the drivers of reputation. More than at any time before, the quality of the relationships we have with shareholders, customers, distributors, employees, journalists, politicians and regulators defines our reputation. We must work harder to engage and maintain relations with these stakeholders, seeking ways to align their often competing interests.

We are proud of our reputation, based on our Quaker heritage and built over many years of responsible behaviour in all our relationships. Fundamental to maintaining our reputation is our corporate responsibility programme, which is actively led by our Chief Executive on behalf of the Board, and which continues the Quaker legacy and forms an integral and differentiating element of the Friends Provident brand.

Despite wide-ranging changes within Friends Provident and exceptional market conditions, we have continued to make progress with corporate responsibility, linking our activities to the Group's wider strategic goals and focusing in particular on customers and employees. The 2008 highlights follow, and more details are available on our website at www.friendsprovident.com/responsibility

TREATING CUSTOMERS FAIRLY

Treating Customers Fairly is an initiative driven by the Financial Services Authority to create a fairer and more effective financial services industry. This programme helps us to keep the needs of our customers central to all we do and has led to a number of improvement initiatives during 2008 (see opposite).

FINANCIAL CAPABILITY

Companies are responsible for providing well-designed, personalised and flexible products, sold with effective and understandable advice. Customers need to be capable of making informed purchasing decisions. To support those of our customers least likely to receive financial advice, we have developed our work with the Life Academy, offering pre-retirement courses and launching an online tool, E-tutor, to deliver a range of financial capability materials. This online course can be delivered to customers anywhere in the world, in a way that best suits their busy lives. We have also supplied volunteers to support the Financial Services Authority's 'Making the Most of Your Money' initiative, which provides financial education and information direct to employees in their place of work.

SOCIALLY RESPONSIBLE INVESTMENT

We are committed to providing socially responsible investment solutions for customers so that they can invest in line with their conscience, and we have added new funds to supplement our range of market-leading Stewardship products. These include AEGON Ethical Corporate Bond, Credit Suisse Multi Manager



Although what is happening in the world is affecting our business, we are firmly resolved to continue doing all we can as a responsible corporate citizen to make a positive contribution to society, and to adapt our approach to business to stay in tune with the changing values and priorities of our stakeholders.

Nick Boakes
Director, Corporate Communications



Ethical and Jupiter Ecology. We also use our influence as a major shareholder to engage with companies on a range of corporate responsibility matters, that have the potential to improve business performance.

CARBON MANAGEMENT

As part of our three-year carbon management programme, we have continued to drive energy efficiency through our 'Switch it off' campaign, enabling employees to switch off PCs without impacting security or service. We estimate this will save £55,000 per annum and 300 tons of carbon. Overall, we have reduced our carbon footprint from 12,300 tons to 12,000 in 2008. We have also remained at the forefront of ClimateWise, the insurance industry's initiative to address the issue of climate change, and produced our first bespoke ClimateWise report in June.

SUPPLY CHAIN

Our Procurement team has been working with a number of other financial institutions through the Chartered Institute of Purchasing & Supply. This group has produced some tools, including a corporate responsibility procurement questionnaire that will be used by us and other financial institutions in their tendering procedures, and is also working towards a joint database of supplier information to capture data collected. A range of Sustainable Sourcing Guides has also been produced to accompany these tools, and these are being used across the business.

COMMUNITY INVESTMENT

Although our overall level of community investment has reduced, we maintained our commitment to the employee-led element of our investment programme, Friends in the Community. In 2008, 642 employees participated in the scheme donating £406,000 and almost 3,000 hours. We again achieved a Gold Payroll Giving Quality Mark Award from the Government in recognition of the number of employees donating through our Give As You Earn scheme.

CORPORATE RESPONSIBILITY INDICES

We retained our membership of FTSE4Good and the Dow Jones World Sustainability indices, again achieved Gold in the Top 100 Companies that Count list and, for the third year running, have been ranked best in sector when compared to our peers in syndicated research undertaken by Ipsos MORI. These achievements indicate the amount of work underway on every aspect of our corporate responsibility programme.

CUSTOMERS

The quality of our corporate responsibility communications has been recognised by awards from the International Visual Communications Association and the British Association of Communication in Business.

The latest results from the annual Customer Impact Scheme survey are available at www.friendsprovident.com/reports

TREATING CUSTOMERS FAIRLY

Through our work on Treating Customers Fairly our customers have benefited from:

- a review of literature for individual products, and the development of an annual review process informed by customer feedback
- a review of customer letters to ensure they are clear and fair
- the introduction of product suitability and responsibility statements for customers with supporting literature that is clear, fair and not misleading
- the adoption of a best-practice complaints handling process to ensure fairness
- a review of our retirement process and literature to provide relevant, simple and unambiguous information to our members
- extensive staff training and education to ensure that the fair treatment of customers remains central to the way we work.