

Climate Change communications statement

Although it continues to be debated, there is clear consensus that the threat posed by climate change is heightening. Friends Life recognises that it has a responsibility to respond to this threat. Reducing the emission of greenhouse gases associated with our business 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.

Risk management

Friends Life provides pensions and life assurance products. Therefore, the immediate risks (mortality and morbidity) to our products in the short to medium term are limited. Nonetheless, we recognise that climate change will impact on our business indirectly through increasing the cost of capital for example, or through our investment portfolio, and we have systems in place to manage such risks (for further information please refer to our separate Responsible Investment Communications Statement).

Governance

We address our environmental impacts by assigning resources and operational responsibility, adopting the necessary monitoring procedures and ongoing monitoring. Our corporate responsibility vision and strategy is debated at the Friends Life Group plc Board at least annually. The Friends Life executive leadership team, chaired by the Chief Executive, has overall responsibility for implementing our corporate responsibility strategy, including carbon management. Operationally, key managers have responsibilities for our environmental performance. All employees receive induction on our environmental policy and further needs based training is provided for specific roles. We also run a behaviour change programme to increase employees' interest in environmental issues and encourage their participation in helping us achieve annual carbon reduction targets. We review our performance twice a year. Our international offices set their own targets for reducing their environmental impact.

Carbon management plan

With the support of the Carbon Trust, we developed a carbon management plan in 2007. The plan focuses on four areas; buildings, IT, transport and employees. Our carbon management plan will be renewed during 2011.

Communication

We publish our performance and perspectives annually through our annual Corporate Responsibility Report as well as through external initiatives such as ClimateWise and the Carbon Disclosure Project. The materiality, completeness and responsiveness of our published data is verified by a third party.

Policy on renewable energy

Friends Life preference is to source green tariff electricity whenever possible and practical and we instruct our brokers accordingly. In 2010, we purchased 67% of electricity used through a green tariff.

Policy on offsetting

Friends Life currently does not purchase offset credits as part of our carbon management programme. We prefer not to offset even 'unavoidable' emissions as we are concerned it allows the transfer of responsibility for carbon reduction, rather than focusing on structural or behavioural change. We also have questions over the validity of many offsetting schemes, though note there have been considerable improvements in this area. We shall keep this policy under review.

Collaboration

We understand that greater progress can be made by working collaboratively with the insurance industry to influence and tackle this pressing issue. Our participation in ClimateWise, the insurance industry's response to climate change, fulfils this obligation.

Last reviewed March 2011