

Strategic Sourcing and Corporate Responsibility

At Friends Life we are committed to delivering high levels of service while also delivering shareholder value. A key aspect of this is our commitment to managing risks and improving the sustainability of our supply chain to protect shareholder value. For the purpose of this policy the definition of suppliers is limited to those external organisations that are contracted to provide products or services to Friends Life Group plc.

Selecting suppliers:

Friends Life aims to treat all potential suppliers fairly and ensure they have an equal opportunity to win contracts. Managing this process is our centralised Strategic Sourcing team, which is responsible for managing the tender process for new arrangements.

In summary, Friends Life wishes to do business with suppliers who:

- Adhere to values and principles compatible with our own. Friends Life reserves the right to undertake audits of suppliers' files to verify compliance or seek evidence of continuous improvement;
- Maintain effective policies and procedures covering:
 1. Health & safety - occupational and/or product and services
 2. Environment – including climate change
 3. Labour standards (e.g. child & forced labour, union membership, working hours, remuneration)
 4. Human rights
 5. Equality & diversity (workforce)
 6. Business conduct / ethics / integrity (including whistle blowing, bribery and grievance procedures)
 7. Suppliers code of conduct
 8. Community
 9. Supplier diversity.
- Treat Friends Life's customers fairly at all times and;
- Have systems and controls to monitor and manage risks which are of an equivalent standard to Friends Life.

Engaging suppliers after selection:

Once a supplier is selected, Friends Life will then help to manage the supplier, ensuring they deliver according to agreed criteria. Our CR team works with the business to ensure that existing suppliers maximise opportunities to improve the sustainability of key products and services. For products and services with a high sustainability impact, we will look to have regular contact with

the relevant supplier. Failure to engage with Friends Life in improvement initiatives may lead to a review of the contract.

Outsourcing:

When selecting an outsourcing partner, Friend's Life undertakes thorough due diligence to assess all material factors that might impact on the sustainability of its potential partners and their ability to perform the business activity. This will include CR related matters.

Responsible Investment:

For information on the provision of investment management, please refer to our Responsible Investment Policy.

Last reviewed March 2011