

ClimateWise Report

Friends Provident Group plc | June 2009



Introduction

Climate Change is arguably the biggest issue facing the world today. At Friends Provident, we know that tackling climate change is not only the right thing to do, it is essential for the long-term sustainability of our business, and can even provide competitive advantage. As a business operator, we have an obligation to reduce our impact on the environment, but we also know that as an insurer our biggest impact is made through the choices we make with our investments. The insurance industry has a significant role to play in influencing how the world tackles this pressing issue, which is why we continue to be committed to the role that ClimateWise can play in bringing the industry together and tackling it head-on.

As Friends Provident is not a general insurer, there continue to be some elements of the ClimateWise principles that do not apply to our business – these are mostly linked to short-to-medium term risks around weather pattern changes which, as our research shows, do not currently relate to our more long-term products of pensions, protection and investments. However, we support the thinking behind all of the principles and will continue to review all of their relevance to our business. Our Corporate Responsibility Senior Manager is a member of ClimateWise’s management committee, so we are still influential in shaping and driving the initiative.

Last year’s report positioned Friends Provident’s approach to each of the ClimateWise principles as well as our progress. This year’s report provides an update on our plans for 2008/09 and how we intend to move forward next year. Understandably, all activity over the past year is set against the backdrop of the recession and an internal strategic review. This has provided additional challenges, not least changes to senior management and reporting lines, which has meant delays to some projects. However, Friends Provident is still committed to ClimateWise, tackling climate change and its overall Corporate Responsibility (CR) agenda. We are very pleased that our new Chief Executive, Trevor Matthews, is now responsible to the board for Friends Provident’s CR strategy, and is becoming actively engaged in the issues, including attending the Business in the Community May Day summit, and Friends Provident is now signed up to five out of the six pledges.

Friends Provident is a founding member of ClimateWise, the insurance industry’s response to climate change, and one of a few initiatives that takes into account the strengths and the expertise of the insurance sector. Insurers help customers meet the costs of climate change and protect them against its threats.

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1 Lead in risk analysis

As a life and pensions provider we analyse long-term risks and opportunities derived from issues such as climate change, new technologies and advances in medicine, and their effects on morbidity and mortality primarily in the UK and developed countries. Research continues to report that morbidity and mortality rates will not be affected in the near future, but this is something we will continue to monitor.

As we are not a general insurer we do not foresee taking a lead on the most pressing risks derived from climate change, but we will continue to share best practice in the most appropriate forums, and keep abreast of new knowledge and developments.

Sub principle	Commentary and progress	Proposed actions
<p>1a Support and undertake research on climate change to inform our business strategies and help to protect our customers' and other stakeholders' interests.</p>	<p>We analyse long-term risks, including climate change, that apply to our business. These long-term risks are reviewed approximately every couple of years. Work presented to the Group Risk Committee at the end of 2007 identified the potential long-term risks and opportunities of climate change to the business, such as issues around raising new capital, and changes to mortality and morbidity rates. Due to the fragility of the economy over the past year, all focus has been on identifying and managing short-term risks in 2008/09.</p> <p>We keep up to date with the latest research through various channels, including the ClimateWise group, for example through reading reports such as the Lancet and UCL's recent publication on the health threat of climate change.</p> <ul style="list-style-type: none"> We conducted a piece of research with Forum for the Future, the leading sustainable development organisation, to explore sustainability issues, including the potential impacts of climate change, within our international business markets. Potential climate change risks were again of the mid to long-term range, involving issues such as pollution and disease. For further research to be cost-effective, we would need to collaborate with other life and pensions companies, which Forum is investigating for us. 	<ul style="list-style-type: none"> Present to the new Board Risk Committee a new review of long-term risks, including climate change. Consider how we might work with Risk to engage the International business on the outcomes from Forum's research, and encourage them to incorporate climate change as one of the criteria for assessment when investing in a new country. Investigate opportunities to collaborate with other life and pensions companies to develop our research on emerging markets.
<p>1b Support more accurate national and regional forecasting of future weather and catastrophe patterns affected by changes in the earth's climate.</p>	<p>We are not a general insurer and so the needs of our business do not warrant such extensive research. Therefore this principle does not currently apply to Friends Provident.</p>	<ul style="list-style-type: none"> Continue to review the relevance of these principles to Friends Provident and take action where appropriate.
<p>1c Use research and improve data quality to inform levels of pricing, capital and reserves to match changing risks.</p>	<p>Our research and data inform levels of pricing, capital and reserves to reflect changing risks. However all of our research to date indicates that climate change is a long-term risk so it is not yet a material factor in the life insurance and pensions industry's risk models.</p> <p>In the long-term, our research shows that changes to morbidity and mortality could impact levels of pricing, capital and reserves. In the medium-term, our research shows that the insurance industry as a whole could be impacted by climate change through more volatile weather, and thus higher general insurance claims. This may result in a much higher demand for capital from other insurance companies, thus making it more difficult for Friends Provident to raise new capital.</p>	

1 Lead in risk analysis (continued)

Sub principle	Commentary and progress	Proposed actions
<p>1d Evaluate the risks associated with new technologies for tackling climate change so that new insurance products can be considered in parallel with technological developments.</p>	<p>Products such as insurance for renewable energy technology, carbon markets, or forests do not match our expertise in long-term life insurance and pensions; consequently we do not provide such products and it is highly unlikely we would diversify into this arena. Therefore this principle does not currently apply to Friends Provident.</p>	<ul style="list-style-type: none"> Continue to review the relevance of these principles to Friends Provident and take action where appropriate.
<p>1e Share our research with scientists, society, business, governments and NGOs through an appropriate forum.</p>	<p>We will continue to share best practice and engage in dialogue.</p> <ul style="list-style-type: none"> We reviewed joining the Lighthill Network, which would give us some high quality data from which to identify and assess emerging risks that could potentially be a threat or an opportunity, however it was currently deemed not appropriate to join because of our restructure and focus on short-term risk this year. Our new Chief Risk Officer (CRO) was involved with setting up the European CRO Forum's Emerging Risks initiative, which aims to raise awareness of major emerging risks, including climate change, relevant to society and the insurance industry. She continues to take advantage of the research the initiative conducts when it is relevant to Friends Provident's business, and believes this is the forum for sharing research, rather than setting up something separate under the ABI. 	<ul style="list-style-type: none"> Continue to identify relevant forums and networks for life insurers and take advantage of them. Work with the Secretary of ClimateWise to investigate the opportunities to form a life assurer subgroup, which could then focus on climate change risks and opportunities specific to the life industry. Work with Forum for the Future to share our research on risks in developing countries with other life assurers.

2 Inform public policy making

As a life and pensions provider, the impact of climate change to our core business is rather limited. Nonetheless, it could potentially impact us as an investor ourselves, and as a provider of SRI products. Therefore, we continue to engage in dialogue through joint forums to keep abreast of new knowledge and developments. We are not however, in a position to take a lead on debate.

Sub principle	Commentary and progress	Proposed actions
<p>2a Work with policy makers nationally and internationally to help them develop and maintain an economy that is resilient to climate risk.</p>	<p>According to our risk analysis, the impacts of climate change on our core business are negligible in the foreseeable future. Furthermore, we mainly operate in the UK. It is therefore not productive for our engagements with policy makers to focus on climate change, and hence this principle does not currently apply to Friends Provident.</p>	<ul style="list-style-type: none"> Continue to review the relevance of this principle to Friends Provident and take action where appropriate.
<p>2b Promote and actively engage in public debate on climate change and the need for action.</p>	<p>Although climate change is not a short-term risk for our business, we believe that the insurance industry as a whole has a role to play in promoting debate and impressing the need for action on climate change. We therefore continue to share best practice and participate in dialogue.</p> <ul style="list-style-type: none"> Our Group Treasury Manager has taken part in the Prince's Rainforest Project, which is seeking to raise funds to preserve rainforests worldwide and so mitigate the effects of climate change. One element of the project is how the private sector could raise money through issuing specific bonds. We have been involved in educating the project leaders on how bonds work, what features a life office would be interested in, and how the bonds could be launched. Our Procurement team have engaged with various supply chain networks on how to reduce carbon in the supply chain, including through BITC and Heart of the City as detailed in principle 5.a. We have actively participated in the Carbon Disclosure Project for the past three years as a signatory and a discloser of information. We have participated in ClimateWise initiatives as details in 2.c. Our Chief Executive, Trevor Matthews, attended a meeting with HRH The Prince of Wales to discuss progress by the insurance industry in responding to climate change, the success of ClimateWise and future challenges and plans. 	<ul style="list-style-type: none"> With the first Rainforest Project bond being due to be issued at the end of 2009, we will investigate whether we should invest in this bond, as recommended by our fund managers, F&C. We will continue to identify appropriate networks, conference and events and ensure the appropriate Friends Provident representatives participate. We will improve our own carbon emissions disclosure by expanding our reporting to scope 3 emissions as set out by the Greenhouse Gas Protocol. Our Chief executive also agreed to attend a private dinner convened by The University of Cambridge Programme for Sustainable leadership to explore the opportunities, role and responsibilities for the financial services sector in the transition to a sustainable low carbon economy.

2 Inform public policy making (continued)

Sub principle	Commentary and progress	Proposed actions
<p>2c Support work to set and achieve national and global emissions reduction targets.</p>	<p>As a responsible business operator, we have a responsibility to manage and reduce our carbon emissions, and encourage others to do so. We continue to engage in dialogue, recognise and comply with emission standards and targets.</p> <ul style="list-style-type: none"> ● Through our participation in ClimateWise, we have contributed to producing the statement on the UNFCCC negotiations and the statement of support for The Prince of Wales's Corporate Leaders Group on Climate Change 'Copenhagen Communiqué'. ● Our reporting on environmental performance takes into account the GHG guidelines and data is collected according to DEFRA guidelines. ● Through our affiliate membership of the all-party parliamentary environment group, we are supporting the Climate Change Act. This is groundbreaking legislation that provides a framework for the UK to meet the target of reducing emissions attributed to the UK by 80% by 2050 in comparison with the 1990 baseline. ● We continue to participate in both the FTSE4Good and the Dow Jones Sustainability Indices. 	<ul style="list-style-type: none"> ● Continue to report according to national and international standards. ● Continue to engage and report to collaborative groups. ● We will participate in the Carbon Reduction Commitment and will use 2008 data as a baseline.
<p>2d Support Government action, including regulation, that will enhance the resilience and reduce the environmental impact of infrastructure and communities.</p>	<p>The risks associated with the physical impacts of climate change, such as storm damage or flooding, are negligible for the life and pensions industry for the foreseeable future. Therefore, this principle is more relevant to general insurers and does not currently apply to Friends Provident.</p>	<ul style="list-style-type: none"> ● Continue to review the relevance of these principles to Friends Provident and take action where appropriate.
<p>2e Work effectively with emergency services and others in the event of a major climate-related disaster.</p>	<p>There are currently no major weather-related incidents that we believe would apply to our core business. Furthermore, there have been no such incidents in the past year. Therefore this principle does not currently apply to Friends Provident.</p>	

3 Support climate awareness amongst our customers

Our customers are divided into two key groups: our business customers, who are the intermediaries who distribute our products, and our end customers, who are the consumers who purchase our products. We can use this client base to raise awareness of climate change overall. However, the business benefits of doing so primarily relate to maintaining a good reputation as a responsible business, rather than having a direct impact on our core products. However, there can be an indirect opportunity for us through promoting responsible investments.

Sub principle	Commentary and progress	Proposed actions
<p>3a Inform our customers of climate risk and provide support and tools so that they can assess their own levels of risk.</p>	<p>As all of our products are sold through intermediaries, this makes it difficult to reach our end customers directly. Furthermore, as there is a less obvious link between our products and climate change than those of a general insurer, it is more challenging to find clear ways to bring the issue of climate change into our communications with customers. Nonetheless, we will continue to encourage awareness raising of sustainability issues, including climate change, as appropriate.</p> <ul style="list-style-type: none"> We have used our regular communication channels with our distributors, who are our business customers, to engage them on the risks of climate change. This included an article in our monthly e-newsletter, Engage, which reaches over 22,000 distributors, and a podcast where our CR Manager discussed the impacts of climate change, which was made available to over 25,000 distributors online. Our CR and SRI teams engaged intermediaries face-to-face on the risks of climate change through a number of ethical investments workshops. Our fund manager's quarterly <i>reo</i>[®] reports discuss various issues around climate change and are made available to all customers through our website. As part of our corporate restructure, our communications strategy has moved away from end-customer communications. Consequently, we no longer have a customer e-newsletter or our SRI newsletter 'Principles,' and have not therefore been able to use this channel to raise awareness on climate change. 	<ul style="list-style-type: none"> We will explore opportunities to make our planned carbon calculator available online for distributors and customers, enabling them to assess and manage their levels of risk. We will continue to identify appropriate communications media through which to further engage distributors on climate change issues. Our ebusiness team will continue to investigate ways we can increase our online capability for all customers, thus reducing our impact on the environment and climate change. We will look to engage end customers through alternative media, including the customer website and our CR report.
<p>3b Encourage our customers to adapt to climate change and reduce their greenhouse gas emissions through insurance products and services.</p>	<p>This principle does not currently apply to Friends Provident. Our life insurance products and services are based around morbidity and mortality risks. Currently, there is no established short-term link between these risks and climate change in the UK, and consequently no realistic opportunities to develop our products to encourage customers to adapt to climate change.</p>	<ul style="list-style-type: none"> Continue to review the relevance of these principles to Friends Provident and take action where appropriate.
<p>3c Increase the proportion of repairs that are carried out in a sustainable way through dialogue with suppliers and developers and manage waste material appropriately.</p>	<p>Our life and pensions products have no link with repairs or waste. Consequently this principle does not apply to our business.</p>	
<p>3d Consider how we can use our expertise to assist the developing world to understand and respond to climate change.</p>	<p>We continue to consider how we can use our expertise in a direct or indirect way to assist the developing worlds. However, given our expertise is in life and pensions product design, we are unable to support the developing world through initiatives such as weather risk insurance, or providing low cost general insurance, so currently there are no opportunities for us to get involved with such projects.</p> <ul style="list-style-type: none"> More widely, we have used our expertise to support the Prince's Rainforest Project, as detailed in principle 2.b. 	

4 Incorporate climate change into our investment strategies

Our most significant impact on climate change is the influence we can exert through investments that support carbon management and discourage “wasteful” activities. Our market-leading position in responsible investment includes climate change and environmental protection as fundamental criteria. Our approaches include:

- Our Stewardship range of SRI products – negative and positive screening enables individuals to avoid investment in companies they would rather not be involved with or support companies that make a positive contribution to the world.
- *reo*[®] – engaging with the companies in which we invest to manage and improve their environmental and social performance
- PropertyGreen – fund managers work in partnership with stakeholders (communities, neighbours, suppliers, contractors, tenants) to reduce environmental impact of property portfolios and encourage improvement in environmental performance.

Sub principle	Commentary and progress	Proposed actions
<p>4a Consider the implications of climate change for company performance and shareholder value, and incorporate this information into our investment decision-making process.</p>	<p><i>reo</i>[®] was adopted by the Friends Provident board in April 2000 following mounting evidence that the financial performance of companies can be affected by social, ethical and environmental factors, and that good management of these factors is a contributor to business success. As part of <i>reo</i>[®], which applies across all Friends Provident funds that invest in equities, our fund manager F&C engages with companies to encourage them to manage their climate change risks.</p> <p>The Committee of Reference responsible for setting and reviewing Stewardship’s policies, and the Investment sub-committee, which reviews the companies that are acceptable for Stewardship, take climate change issues into account when making investment decisions.</p> <ul style="list-style-type: none"> • F&C understands the fact that managing the risks and opportunities of climate change can be a driver of value. Our investments team is in a continuous dialogue with F&C’s GSI team on matters relating to <i>reo</i>[®] and Stewardship, including exploring further the benefits of encouraging climate proofing through investment choices that encourage preventative measures. • In the past year, F&C has engaged a number of investee companies on the issue of climate change. Two key areas have been: <ul style="list-style-type: none"> – Encouraging companies in the transport sector to invest in sustainable transport solutions and introduce environmentally-efficient production methods. – Encouraging companies operating in Brazil, Russia, India and China to measure and minimise their own greenhouse gas emissions, and publicly report on their strategy to manage the risks and opportunities to their business posed by climate change. • The Committee of Reference has reviewed Stewardship’s criteria in the past year. These criteria continue to positively screen companies actively addressing climate change, for example through renewable energy or energy efficiency, and negatively screen companies with poor environmental practices. • Our involvement with the Prince’s Rainforest Project as detailed in principle 2.b. has meant we have helped investigate the opportunity for a bond designed to help save the rainforests, and therefore the impacts of climate change. • Through ClimateWise, we have co-funded the UNEP FI research into Public Finance Mechanisms to leverage private infrastructure investment for climate change mitigation and adaptation. 	<ul style="list-style-type: none"> • Continue to engage with F&C and other fund managers on encouraging investee companies to manage their climate change risks. • Continue to take climate change into account when selecting acceptable companies for our Stewardship investments. • Use the knowledge taken from the ClimateWise Investment Workshop to further inform our climate change investment strategy.

4 Incorporate climate change into our investment strategies (continued)

Sub principle	Commentary and progress	Proposed actions
<p>4b Encourage appropriate disclosure on climate change from the companies in which we invest.</p>	<p>Friends Provident believes that an important first step for companies addressing climate change risks is to publicly report these risks and their carbon emissions. Through F&C we encourage investee companies to do so.</p> <ul style="list-style-type: none"> • It is important for Friends Provident that its fund manager, F&C, continues to be committed to reducing its own environmental impact. F&C continues to be a member of the Carbon Disclosure Project and ClimateWise. • We encourage F&C to press investee companies to report their emissions – F&C continues to do this where appropriate – for example two key areas they have focused on are transport companies and those in emerging economies, as detailed above. 	<ul style="list-style-type: none"> • Continue our dialogue with F&C to ensure they engage companies in disclosing their carbon emissions and exposure to climate change risks and opportunities.
<p>4c Encourage improvements in the energy-efficiency and climate resilience of our investment property portfolio.</p>	<p>Friends Provident has little direct investment in property apart from the offices from where it runs its operations. Indirectly, F&C's PropertyGreen approach to responsible property management is applied to the Friends Provident Property Fund.</p> <ul style="list-style-type: none"> • Through PropertyGreen, our Property Fund continues to seek to: <ul style="list-style-type: none"> – Maintain environmentally responsible and safe buildings – Monitor use of energy and set targets for reduction – Use natural resources wisely – Ensure staff have a sound understanding of the issues and are aware of their own responsibilities – Encourage tenants in managed buildings to reduce their own environmental impacts 	<ul style="list-style-type: none"> • Continue to use PropertyGreen where appropriate.

4 Incorporate climate change into our investment strategies (continued)

Sub principle	Commentary and progress	Proposed actions
<p>4d Communicate our investment beliefs and strategy on climate change to our customers and shareholders.</p>	<p>We continue to communicate our investment strategy and activities to our customers and shareholders.</p> <ul style="list-style-type: none"> • We communicate our investment strategy to customers and shareholders on an annual basis through our report and accounts and CR report. • Customers, shareholders and the general public can receive regular updates on engagement with investee companies on climate change through quarterly <i>reo</i>[®] reports. • F&C's Spring 2009 investment newsletter, available to our customers and shareholders, discussed how Stewardship is managing within the current economic situation and the continued importance of climate change. • Our participation in CDP and the Dow Jones Sustainability and FTSE4Good indices, continues to communicate to customers and shareholders that we still uphold our responsible investment beliefs and practices with climate change. 	<ul style="list-style-type: none"> • Continue to communicate our investment strategy and activities to customers and shareholders through a variety of channels.
<p>4e Share our assessment of the impacts of climate change with our pension fund trustees.</p>	<p>Our Friends Provident Pension Scheme (FPPS) trustees understand the impacts of climate change. The majority of assets are with F&C, and a minority with Aviva – both are signed up to the UNPRU and are active members of the community.</p> <ul style="list-style-type: none"> • With a movement of the majority of FPPS's funds from equities to fixed interest securities, we have worked with the trustees to encourage our fund managers to extend their engagement policy across wider assets, which would therefore ensure that more of the institutions that FPPS's funds were invested in would be engaged on the issue of climate change. No progress has yet been made. • With the trustees currently undertaking the triennial review of principles, it was deemed not appropriate to enter the UK Sustainability Forum's (UKSIF's) pension sustainability survey this year, as the responses would be unclear until after the review. 	<ul style="list-style-type: none"> • Take part in UKSIF's pension sustainability survey. • Continue to engage FPPS's fund managers on extending their engagement policy.

5 Reduce the environmental impact of our business

In 2006 we featured in the Times as a Carbon Champion, and we continue to implement our carbon reduction plan created with the Carbon Trust, harnessing the participation of employees. This year we have become a member of the Prince's May Day network, the UK's largest group of businesses committed to taking action on climate change, signing up to five pledges, and continuing to monitor and report on progress.

Sub principle	Commentary and progress	Proposed actions
<p>5a Encourage our suppliers to improve the sustainability of their products and services.</p>	<p>Friends Provident is an active member of the Financial Services Purchasing Forum (FSPF) which is affiliated to the Chartered Institute of Purchasing and Supply. As part of this, the group focuses on responsible supply chain management, including improving the sustainability of suppliers' products and services.</p> <p>We have signed up to the May Day pledge to work in partnership with suppliers to reduce carbon emissions in the supply chain.</p> <ul style="list-style-type: none"> As part of FSPF, Friends Provident has built a series of guides to help assess the sustainability credentials of potential suppliers of goods and services. These are now being used as part of the tender process for any new supplier – for example it was used this year when tendering for the outsourcing of many of our IT functions. We have met with IBM, our new IT supplier, to discuss their sustainability credentials and plans for reducing the environmental impact of our IT systems. We have a continuous dialogue with our print and paper supplier, Williams Lea, and have put together a road map for how we will reduce the environmental impact of our print and paper supply. Capita Travel Management is running our new business travel system. They were selected because of their sustainability credentials and the opportunities available to help reduce the environmental impact of our business travel. We engage our stationery suppliers, Banner, on opportunities to improve their sustainability credentials, and they produce an annual green optimiser report for us. This year they have implemented a system where we can reuse the boxes in which stationery is delivered – saving carbon and trees. 	<ul style="list-style-type: none"> Engage all of our major first tier suppliers to better understand the environmental impact of our supply chain. Continue to liaise with suppliers to identify opportunities for improving environmental performance. Engage our catering suppliers, Eures, to produce a sustainability plan and reduce wastage. Deliver on our May Day pledge.

5 Reduce the environmental impact of our business (continued)

Sub principle	Commentary and progress	Proposed actions
<p>5b Measure and seek to reduce the environmental impact of the internal operations and physical assets under our control.</p>	<p>We have measured and reported externally the energy, water and resource use from all our head offices since 2001, and have reported on carbon emissions since 2007. Our full data and targets can be found at www.friendsprovident.com/responsibility. Since 2006 we have worked with the Carbon Trust and Faber Maunsell to identify, implement and measure the impact of ways we can reduce our carbon footprint, and our CR team works closely with our facilities team to realise this. The 3-year project has now been extended, as due to our restructure, budgetary cuts mean that it will take longer for us to meet our objectives.</p> <p>Our carbon emissions are primarily related to our buildings energy use and our transport practices. In 2008, we purchased 86% of electricity used through a green tariff. In 2008 energy use increased by 1%, from 22767 MWh to 23085 MWh, so unfortunately missing our target to reduce energy use by 5%. Reasons for this include an improvement in the completeness of our reporting figures, as well as the postponement of large capital investments projects for budgetary reasons.</p> <p>However, carbon emissions have reduced once again, from 12314 tonnes (2007) to 12028 tonnes, despite our figures now being more complete with the inclusion of fuel oil and more accurate through the elimination of building energy use estimations.</p> <ul style="list-style-type: none"> ● We achieved our 2008 target to install additional video conferencing systems. ● We are piloting an online meeting system, which enables employees to view and exchange information across sites via their computer screens. ● To manage costs, boiler and lighting upgrades and alternative cooling systems will now be implemented incrementally. For example, to upgrade all lighting in our Dorking office (including providing occupancy and absence detection) would cost £280,000 with a simple (ignoring the cut in emissions) payback of 9.9 years, which cannot be justified in the current economic environment. Instead new lighting will be introduced floor by floor over time as other scheduled work is undertaken. ● In 2009 we started working with Global Action Plan, an independent and practical environmental charity, to run an employee behavioural change project to reduce the business' environmental impact. 	<ul style="list-style-type: none"> ● Continue to implement our Carbon Reduction Plan. ● Continue with reporting, management and improvement of environmental performance, and introduce half year reporting on targets. ● Achieve 5% reduction in landfill waste from head office sites in 2009. ● With our restructure still underway, we are having a more realistic energy use target for 2009, which is to maintain current energy use levels at head office sites.

5 Reduce the environmental impact of our business (continued)

Sub principle	Commentary and progress	Proposed actions
<p>5c Disclose our direct emissions of greenhouse gases using a globally recognised standard.</p>	<p>We continually strive to improve the accuracy and completeness of our greenhouse gas reporting. In 2008 we reported “direct” emissions made by the company on its sites, and indirect emissions from purchases of electricity, heat and steam. These emissions are reported in terms of Scope 1 & 2 as set out in the Greenhouse Gas Protocol, which provides a basic level of compliance. In addition, our data is collected according to DEFRA guidelines.</p> <ul style="list-style-type: none"> • In March 2009 we implemented a company-wide online business travel management system for purchasing train tickets and flights, which is now providing the necessary data for use in emissions reporting. • For the second year running, we received external independent validation of our emissions figures from Faber Maunsell. 	<ul style="list-style-type: none"> • Revise our expenses systems so that the company can report on emissions created through the use of hire cars and private cars used for business purposes. • Report on Scope 3 emissions as part of our 2009 annual reporting.
<p>5d Engage our employees on our commitment to address climate change, helping them to play their role in meeting this commitment in the workplace and encouraging them to make climate-informed choices outside work.</p>	<p>Employee environmental awareness and behavioural change continues to be an area of focus for Friends Provident. Our Green Travel policy, available at www.friendsprovident.com/responsibility, explains how we promote green travel at Friends Provident, including initiatives to promote car sharing as well as incentives to cycle or use public transport. We run periodic company-wide communications to remind employees of these opportunities, as well as various initiatives encouraging employees to reduce waste.</p> <ul style="list-style-type: none"> • This year we have developed our “Switch it off” campaign encouraging employees to be more energy efficient at work. We have worked with IT to enable the majority of employees to turn their computers off at night on top of all the other activities we introduced the previous year. • We have widened our engagement activity to our International offices, who have now set their own ambitious targets for reducing their environmental impact. Our CR manager has monthly teleconferences with the leads from each office, which are an opportunity to discuss new initiatives and opportunities to enable them to achieve their targets. • We have launched an “environmental champions” behavioural change programme with Global Action Plan, to engage employees in reducing their impact on the environment when at work. This is currently being piloted in our Isle of Man office, and if successful it will be rolled out across the whole business. • We have worked with ClimateWise on developing a cross-member employee engagement initiative to raise awareness of ClimateWise and the issues around climate change. • Our new business travel management system informs every individual about the amount of carbon they are using when making their journey – a tool for encouraging employees to choose the most environmentally friendly form of transport for business travel. 	<ul style="list-style-type: none"> • If our Isle of Man environmental champions programme is successful, we will roll out the programme across all our sites. • Produce an online carbon calculator to engage employees in how they can reduce their carbon footprint at home. • Continue with our Switch it off campaign. • If enough ClimateWise members are willing to participate, we will take part in ClimateWise’s employee engagement initiative.

6 Report and be accountable

Our overall CR programme is recognised at board level and led by our Chief Executive. We will continue to report on progress, including this report for ClimateWise: June 2008 – June 2009.

Sub principle	Commentary and progress	Proposed actions
<p>6a Recognise at Company Board level that climate risk has significant social and economic impacts and incorporate it into our business strategy and planning.</p>	<p>Our main board has an executive member responsible for CR and our environmental performance is one of six material issues that make up our overall CR strategy. Trevor Matthews, Chief Executive, is our current board member with CR responsibility. Mr. Matthews' executive management team consider CR issues directly to ensure they are incorporated into Friends Provident's business strategy.</p> <p>Mr. Matthews himself has been involved in a number of climate change events as detailed in principle 2.b.</p>	<ul style="list-style-type: none"> Continue to monitor performance via our CR governance framework.
<p>6b Publish a statement as part of our annual reporting detailing the actions that have been taken on these principles.</p>	<p>Our annual report and accounts always has a section on CR, including our progress on environmental issues, and this year points to our carbon management activity and our involvement with ClimateWise. In addition, our online CR performance report provides detail on the actions we have taken around the ClimateWise principles.</p> <p>This year we have also been involved in putting together the ClimateWise guidance for reporting.</p>	<ul style="list-style-type: none"> Continue to publish externally our actions towards the ClimateWise principles.