

Royal London Corporate Responsibility report

January 2010 – September 2011

ROYAL
LONDON
FINANCIAL SENSE



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Introduction

This report provides more detail on our activities under each pillar of our CR programme from January 2010 to September 2011. During this reporting period our corporate responsibility activities have continued to support our aim to responsibly manage our employees, customers, the environment, the companies in which we invest and the communities in which we operate.

We are committed to putting our customers first and making sure we continue to improve our services. We develop products and services that help people take responsibility for planning and providing for their own financial affairs and we regularly monitor these products to ensure they offer good value. We take care to invest in a responsible manner and maintain systems to manage our risks effectively.

1.1 Treating Customers Fairly

TCF is a core Financial Services Authority (FSA) Principle intended to promote the fair treatment of customers from product inception, through to post-sales support. It's more than that though, it's good business sense and every financial services firm should be doing this.

To check how we're doing against our TCF promises we monitor and assess all aspects of our business on a regular basis in particular looking at the key drivers of leadership, strategy, decision making, controls, recruitment, training and competence and reward. Our businesses also conduct monthly assessments against the six TCF Outcomes which the FSA has defined for consumers. The results are presented to our Board and highlight areas for improvement.

We believe everyone in the Royal London Group impacts the fair treatment of customers. There is a mandatory computer based training programme for all employees, not just those that are customer facing, which must be taken and passed every 24 months.

1.2 Customer Impact Scheme

Our reputation with our customers is a prime focus for us all at Royal London. We take part in the annual Customer Impact survey led by the ABI (Association of British Insurers) to find out what our customers think of us. In 2011, three of our businesses, Bright Grey, Scottish Life and Royal London Plus, took part in the survey for the fifth time. Our newer business, Scottish Provident, took part this year for the third time. Our results remain strong but they also highlight some areas where we could enhance our service as part of our programme of continuous improvement. We have action plans in place so that we continue to build on our results and offer customers and even better service.

1.3 Institutional shareholders

Our asset management business RLAM reviews the governance arrangements of the companies in which we invest to check they are being properly directed and controlled. We aim to improve the long-term returns to shareholders and reduce the risk of very poor returns resulting from bad strategic decisions. This makes financial sense.

We are a signatory to the United Nations Principles of Responsible Investment, a framework for global best practice in responsible investment supported by over 800 institutions in 45 countries.

We are also a signatory to the Carbon Disclosure Project, which encourages the largest global businesses to report on and reduce their carbon footprint.

1.4 Responsible Investment

Royal London Group's financial assets are managed on our behalf by a wholly owned subsidiary Royal London Asset Management. RLAM is a fund management company that manages assets on behalf of a wide range of institutional, wholesale and private clients. As a large scale investor, currently managing over £43bn of assets, RLAM believes that they have a responsibility to use their investment strength to promote positive corporate behaviour for the benefit (in terms of long term performance) of their clients and the wider community.

During 2011 we published our adherence to the UK Stewardship Code. This can be found on the RLAM website at <http://www.rlam.co.uk/About/CSR/> This code aims to enhance the quality of engagement between institutional investors and companies to help improve long-term returns to shareholders and the efficient exercise of governance responsibilities by setting out good practice on engagement with investee companies to which the Financial Reporting Council (FRC) believes institutional investors should aspire.

In this reporting period, we have continued to bring pressure to bear on companies through an active approach to corporate governance, updating and publishing our voting track record every six months.

In 2011, we have actively engaged with several companies regarding lack of transparency on executive remuneration policies and our Chief Investment Officer, Robert Talbut acted as a commissioner on the High Pay Commission. Robert is also a founder member of the 300 Club, a group of investment professionals from around the world who have come together to raise 'uncomfortable and fundamental questions' about the very foundations of the investment industry and investing.

1.5 Managing risk

At Royal London we invest time and expertise in developing systems to manage our risks effectively. This has never been more important than since the introduction of Solvency II, an EU directive which comes in to force in 2013. Solvency II aims to provide better protection to consumers by reducing the risk that any regulated insurer cannot meet future claims. It is a substantial step in the further development of a single and more transparent market for insurance services across Europe

During 2011, we revised and updated our computer based training programme for employees and made its completion part of the Group's short term incentive plan (STIP). We also produced a detailed guide to Solvency II for all managers in our business. Both these actions were designed to ensure that everyone at Royal London fully understands the implications of the Solvency II directive and the part that we all play in ensuring full compliance.

97.5% of employees have completed our computer based training programme on Treating Customers Fairly

At Royal London we always strive to minimise our environmental impact wherever possible and have set in place a number of initiatives to reduce our carbon emissions, limit waste and develop sustainable environmental practices. This supports our approach to responsible business and makes good financial sense.

We have identified some key areas of focus for reducing our environmental impact which are:

- Reduction in business travel
- Reduction of waste and increasing recycling
- Reducing water usage
- Reducing energy usage through efficient management of heating, cooling and ventilation systems

2.1 Reducing the carbon footprint

The 2008 Climate Change Act set a target for the UK to cut greenhouse gas emissions by 34% by 2020 and 80% by 2050. **Since our records began in 2008, we have reduced greenhouse gas emissions by 2.5%.**

Across the Group this equates to a reduction in generation of 160 tonnes of CO₂.

- We are able to use less electricity having installed building management systems to improve the efficiency of our plant operations,
- We are replacing fluorescent lighting across all sites and installing automatic light sensors.
- Installation of data-loggers to our gas meters enable us to monitor our consumption more effectively
- We are maximising our recycling, which makes financial sense for Royal London and for the environment we operate in.
- Water reduction programmes are identifying more ways in which we might reduce our consumption

We continue to make a significant impact with our travel policy

- By making more use of video-conferencing and being more aware of our carbon footprint, we will continue to reduce our carbon usage
- We also encourage our employees to find more sustainable ways to travel to and from work. In 2011 we signed up for a year-long partnership with the Bike station, funded by the Scottish Government's Climate Challenge fund. Employees in Edinburgh benefited from free travel planning sessions and visits with the Bike Doctor, while in Wilmslow the Bike Doctor also attended to provide on-site safety checks and bike servicing.

Over the past year our efforts have helped us use less gas and less electricity and produce less CO₂ and less waste. This has helped to protect the environment. It has also helped to save a substantial amount of money.

2.2 Waste Management

Recycling and waste reduction is central to addressing the issue of creating a greener future. We put it at the heart of the way we operate. The following initiatives contribute to improving the environment:

- Hand dryer installation programme.
- Reduction in the reliance on waste collection by encouraging a recycling environment throughout our organisation.

We recycle paper, cardboard, plastics and aluminium.

- A toner recycling facility is available across all our sites.
- Increased levels of electronic transfer to reduce printing and paper usage.
- Utilising reusable packaging where possible.

2.3 Water Management

Over the last decade the demand for water in the UK has risen dramatically. With a trend towards lower average rainfall we can expect tighter restrictions on the use of water in the future.

To help reduce the amount of water we use, we've put save-a-flush bags in the toilet cisterns in Edinburgh and Wilmslow. These will save one litre of water each time the toilet is flushed.

During this reporting period we've also installed new touch sensor taps in our washrooms in Wilmslow. Compared to the old taps, these ones save two litres of water each time they are used.

In the third quarter of 2011 we used 10.01% less water than in the same period in 2010.

To the end of September we have:

generated 5.4% less travel related CO₂ than the same period in 2010

used 3.84% less electricity and 16.37% less gas than the same period in 2010

produced 12.49% less waste than in the same period in 2010.

We believe our people are our key asset. As an equal opportunities employer we offer career prospects without discrimination and have established policies for recruitment, training and development and flexible working. We go to great lengths to ensure our people have the help and support they need to stay healthy and safe, are rewarded for their contribution and have the opportunity to give feedback about working for Royal London. Ultimately we want everybody who works at Royal London to feel pride and a sense of ownership in the company.

3.1 Employee Assistance programme

We recognise that our employees may require help to deal with practical and emotional challenges. In 2011 we launched a new Employee Support Helpline, a free, confidential and independent service designed to provide professional help, information, support and advice for employees and their immediate families. The helpline is available 24 hours per day, 365 days a year.

3.2 Health and Safety

Looking after our people is crucial to us. We do our utmost to ensure Royal London is a safe place to work.

Our health initiatives continue to include:

- Free eye and hearing tests
- First aid support
- Risk assessments for all staff
- Free seasonal 'flu jabs' for employees

In 2011 we appointed 4See Risk Management as our providers of Health and Safety support and assistance. Since taking up the contract 4See have carried out compliance audits at all of our UK offices and are now helping us to put together a strategic plan to manage our health and safety in the future. We have also engaged FirstCare, one of the UK's leading occupational health and absence management specialists to deliver our Occupational Health support and advice services.

3.3 Learning & Development

In 2010, we ran 55 courses with a total attendance of 995 people. Every employee completed at least one of our e-learning courses.

We have just appointed a Head of Learning and Development who starts in December 2011. Here main priority will be to set out our learning and development strategy and ensure we have an approach which helps our people to develop to their full potential, achieve their ambitions and goals and support the growth of a strong and profitable business.

Development and recognition of our employee's talents is an integral part of working within Royal London. Our SMART performance management cycle ensures we set clear, measurable objectives for all employees, with the annual performance appraisal assessing employees against their set objectives. The output from the performance process is used throughout the year to assist with career development and remuneration.

3.4 Benefit and Reward

To demonstrate how much we value our people we are keen to make sure the reward package is as extensive and varied as possible. We offer a competitive remuneration package and bonus scheme.

Our benefits include holidays, pension schemes and private medical insurance as well as discounts on various products and services through our 'Lifestyle' package.

We also recognise the value of having some choice over benefits. Our voluntary benefits include dental and travel insurance and the tax efficient Cycle 2 Work scheme.

We have a range of family-friendly initiatives, including childcare vouchers and flexible working arrangements. So far we have helped over 400 people across the Group to alter their working pattern to help them balance their working life with other priorities.

3.5 Equal Opportunities Policy

At Royal London we are committed to providing a working environment in which everyone feels valued and respected and where they are able to pursue a rewarding career whilst contributing to the success of our business. We encourage diversity and are committed to recruiting, developing, promoting and training employees on the basis of individual competencies and performance. This is irrespective of gender, marital status, creed, colour, race, religion, ethnic origin, sexual orientation, age or disability.

We aim to ensure that each employee can enjoy equal opportunities in an environment free from bullying, victimisation or discrimination.

3.6 Recruitment

We are passionate about recruiting the right people to support our business. We look for the right attitude, not just the right skills.

We encourage our people to recommend Royal London as a good place to work and help us attract the best people. To further promote this, we operate an Introductions Policy that provides a financial reward to current permanent employees for introducing successful new recruits to the company.

3.7 Employee engagement

We talk to our people about the businesses in which they work and the wider Group. We ask for their views and ideas and update them regularly on our performance through various communication channels. 81% of people responded to our annual employee engagement survey in 2011.

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Royal London began life as an important part of the local community, helping people to help themselves. Over time our role in the community has evolved with our business model but we still firmly believe that we can be active citizens and share our skills and resources to make a positive impact on the wider community. To this end we provide encouragement and support to our employees in a wide range of volunteering and charitable fund raising activities.

4.1 Charitable giving

Charitable giving is an important and highly tangible part of Royal London's CR policy, with a number of initiatives in place to support good causes at a Group and individual level.

4.1.1 The Royal London Foundation

In April 2011 we launched The Royal London Foundation in honour of our founders, Henry Ridge and Joseph Degge, and the principles with which they set up Royal London.

The aim of the Foundation is to help people in UK communities in which our members live, by providing grants to charities and projects they support. Members of Royal London are able to nominate a cause to be considered for a grant of either £1k, £3k, £5k or £10k.

The Foundation focuses on three core areas which we believe encompass issues relevant to our members and UK communities:

Education

Causes which support the education of people of all ages, including skills to help those seeking employment

Elderly

Causes which help older generations who require assistance in their daily lives

Health

Causes that provide health and fitness activities to those who might not otherwise have access to such facilities

Each year we will also grant a £25,000 award, the 'Degge and Ridge Award', to one deserving cause under one of the three themes.

4.1.2 National charity partner

Each year, Royal London people vote to elect a national charity partner which will be the focus and beneficiary of a wide range of fund raising activity. In 2010, we raised £40,000 for Macmillan Cancer Research. In 2011 employees of the Group have elected to support Alzheimer's Research UK, the UK's leading charity specialist in finding preventions, treatments and a cure for dementia and to date we have raised over £38,000.

The Group is also happy to encourage other charitable fundraising activity towards more local causes to our various locations around the country.

4.1.3 Matched donations

People at Royal London are encouraged to apply for matched donations for money raised through charity fundraising events. Royal London will match pound for pound the amount that individuals raise up to a maximum of £250 and a maximum of £1000 per team per year. **Over £53,000 has been paid out in matched donations.**

4.1.4 Payroll giving

Give As You Earn (GAYE) is promoted throughout the Royal London Group, enabling employees to donate to charities of their choice in a tax efficient way. Royal London pays the 4% administration fee on each donation, meaning more of each donation goes direct to the charity.

4.2.5 Gifts in Kind

Wherever possible Royal London supports giving in kind through the provision of resources and other facilities to charities and community organisations which are based in the locality of our offices.

4.2 Community investment

4.2.1 Fun to Save

Royal London and six other mutuals teamed up on www.funtosave.org, a national initiative to encourage 4-7yr old children (key stage 1) to become more financially capable.

The website is the first national, free resource designed to help primary school children learn the importance of saving and to develop healthy attitudes towards money at an early age.

'Fun to Save' is the only website in the UK to take a holistic approach to savings by not only including games from which children can learn but also supporting activities for parents to enjoy at home and lesson plans for teachers which meet the national curriculum.

Royal London acquired Royal Liver's business in August 2011. Royal Liver worked with community partners and local education authorities to develop a financial education programme aimed at 9-11 year olds at schools in deprived areas of Liverpool and North Wales. As the new owner of the Royal Liver business, Royal London wishes to honour its commitment to the schools and communities which have benefited from A Bird's Eye View. As such we will seek to incorporate the assets and learning from A Bird's Eye View in to our own financial education programme.

The Royal London Foundation awarded grants worth £66,908 in its first year.

4.3 Employer supported volunteering

4.3.1 Stepforward

At Royal London Group we recognise that volunteering can have a positive impact on the local community at the same time as providing excellent opportunities for personal and career development.

Our employee volunteering programme, Stepforward, enables employees to take up to two days each year of company time to volunteer. **In this reporting period 665 people in Edinburgh and Wilmslow have taken part in team challenge volunteering projects.**

Volunteering opportunities range from environmental projects including beach clean ups and path restoration through to painting community centres or planting gardens for dementia patients.

In London volunteers from RLAM have been encouraged to share their skills, enthusiasm and time with the communities in Tower Hamlets, Hackney and Newham, three of the country's most deprived boroughs. In Edinburgh and Wilmslow our people have participated in the 'Number and Reading Partners' programme which aims to boost the learning skills of primary school children in Edinburgh.

4.3.2 Royal London Volunteering Awards

The Royal London Volunteering Awards were launched in 2011 and are designed to recognise the commitment, time and energy that many of our people give to the community, in their own time.

Successful applicants to the awards receive a certificate and a donation of £250 to the organisation for which they volunteer.

To date 25 people have been recognised and Royal London has donated £6250 to the organisations they support.

We will continue to develop our volunteering programme, aiming to grow the number of Royal London people involved in volunteering projects and the amount of time spent on these year on year.

4.4 Commercial initiatives

4.4.1 Moneyvista

Royal London has identified that there are an estimated 33 million UK adults who do not currently use any form of professional advisory service, to develop a clearer understanding of their financial position and make informed choices.

The Moneyvista website is a new commercial initiative for Royal London which has been developed in 2011 ready for launch in early 2012.

At launch the site provides a holistic, personal financial planning tool along with around 200 guides which can be accessed by any member of the public searching for information on the internet. Customers will also be able to pose questions to our panel of experts or make use of our Forum to discuss issues amongst themselves.

In launching the proposition, Royal London Group is taking a strong lead in addressing the advice gap that exists for UK consumers and is responding to the FSAs call for senior management of financial firms to run their firms for the benefit of society as a whole.

The functionality and content of MoneyVista will continue to be enhanced during 2012, taking into account feedback and suggestions from our growing customer base.



Further Information

If you would like more information on Royal London's CR programme, please email corporate.responsibility@royallondongroup.co.uk



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A group of specialist businesses where the bottom line is always financial sense.