We were established in Edinburgh in 1825. Today we’re an investment company employing 6,300 people - through operations in the UK, Europe, North America, Asia and Australia.

Our purpose is to invest for a better future. We do it to make a difference. For our customers and clients, our people and our shareholders. This takes the combined skills, expertise and collaboration of a team of people who are committed to excellence in all they do.

Our simple business model is designed to help us generate value over the long term. We manage, administer and advise on assets for customers and clients and our businesses are focused on meeting their investment needs.

Wherever we operate, we aim to make a positive long-term impact. Whether it’s by encouraging people to save for their future, by investing responsibly, or by providing support and expertise to benefit the communities around us.

How to navigate this report
For more information visit
standardlife.com/sustainability

Creating a world-class investment company

Keith Skeoch, Chief Executive

Our purpose is to invest for a better future. We do it to make a difference. For our customers and clients, our people and our shareholders.

Through a year of political and economic uncertainty, we have made good progress in creating a world-class investment company. I am pleased that we have continued to respond to macro-economic trends which impact on society and the long-term sustainability of our business. We have supported our customers and clients as they need to take increasing responsibility for their finances. We have helped protect their investments, and the wider world, through our responsible and long-term approach to investment. We have focused on building a culture that places importance on transparency and building trust with all our stakeholders. We have also made good progress in building a more diverse and inclusive business. We still have lots to do and I am committed to continue, and build on, our achievements.

I am delighted that our success over 2016 has seen us being recognised again by sustainability indices such as the Dow Jones Sustainability Index Europe and World, FTSE4Good and Climate Disclosure Project with our best scores so far, and a Silver class distinction from RobecoSAM.
Growing our business...

...to meet customer and client needs

Our businesses

Standard Life Investments

Overview

Standard Life Investments specialises in active asset savings and management. Our key markets are in the UK, Europe, North America and Asia. We offer a wide range of investment solutions and funds, all supported by a distinctive investment philosophy Focus on Change.

How we operate

Our investment funds and solutions are available to clients through two distribution channels.

Our Institutional channel manages assets for a wide range of institutions, such as pension fund clients, government authorities, corporates, charities and insurance companies.

Our Wholesale channel provides funds and solutions to retail investors through wholesale distributors and platforms.

We also provide active asset management services for life insurance books to the wider Standard Life Group and to strategic partners such as the Phoenix Group.

Our associate business, HDFC Asset Management, is a leading manager of mutual funds in India.

Operating profit

£383m (2015: £342m)

Outlook

We expect the low interest rate and compressed return climate in financial markets to continue.

We will continue to develop innovative investment solutions and global distribution to further diversify our business. This includes expanding our liability aware offering and range of multi-asset investment solutions. We are also strengthening our private markets capabilities.

We will continue to expand our geographic reach through developing our own distribution and building strong relationships with strategic partners.

Pensions and Savings

Overview

Our Pensions and Savings business is a leading provider of long-term savings and investment propositions. We are primarily based in the UK, with operations in Ireland and Germany and serve around 4.5 million customers and clients. Our main aim is to help people manage their money today and save for their future.

In the UK, through our Workplace channel, we offer pensions, savings and flexible benefits schemes to employees through their employers.

Our Retail channel is a mix of intermediary relationships (financial advisers), direct customer relationships and our own financial planning business (1825).

Our valuable mature book includes UK mature Retail as well as spread/risk products, such as annuities and protection.

In Ireland and Germany, we offer savings and investment products to a variety of customers and clients.

India and China

Through a combination of associate and joint venture business, we have extensive reach in the key savings markets in India and China. We also have a wholly owned business in Hong Kong. Across these businesses, we help to look after the life insurance needs of over 25 million customers.

HDFC Life, our associate business in India, sells individual and group life insurance policies via a network of around 400 branches as well as through a number of key bancassurance relationships.

Heng An Standard Life (HASL), our joint venture business in China has 82 offices offering life and health insurance products on both a group and individual basis. Sales are predominantly made direct to customers and clients. HASL also maintains relationships with bank and insurance brokers.

We operate as Standard Life in Hong Kong, selling insurance and savings products via insurance brokers.

Operating profit

£362m (2015: £357m)

Outlook

We believe the demand for financial advice will continue to grow. To meet that demand, we aim to continue growing our platform business and to pursue further opportunities to build scale in our 1825 financial advice business.

Our Workplace business is expected to continue to benefit from ongoing implementations from auto enrolment, securing a steady flow of regular contributions into our pension products.

We will respond to European Union developments in a way that takes into account the best interests of customers, clients and our business.

Following the announcement in August 2016, the aim is to complete the proposed combination of the life insurance businesses of HDFC Life and Max Life within the next 12 months, subject to necessary approvals being obtained.

We are well positioned for expected future growth in the life insurance markets in India and China. We continue to develop our future business strategy in mainland China and Hong Kong.

In China, HASL continues to work towards gaining a pensions licence from the China Insurance Regulatory Commission.

£36m (2015: £27m)
We have reviewed our approach against the UN Sustainable Development Goals. Our focus and activity aligns to the key goals shown below and also highlighted throughout the report.

During 2016 we asked our people, customers and clients, and investors to help us review our sustainability strategy so that we can continue to focus on the right areas. We asked them to provide their views on what is important to them in each of our four priorities. We sought further insight from other stakeholders including our internal experts, sustainability analysts, charitable organisations and our local communities.

This materiality review highlighted areas that matter most to our stakeholders, including:

- Trust and transparency
- Governance
- Sustainable economic growth
- Cyber crime
- Climate change
- Responsible investment and stewardship
- Financial inclusion
- Decent work and pay

We analysed this input along with what is important to our business using a matrix which shows us which areas we should be focusing on. This report describes what we are doing in these areas and our future aims.

Our priorities

Investing responsibly
We are a responsible investor and a steward of our clients’ investments

Supporting saving
We help people manage their money to support their lives and future ambitions

Engaging employment
We provide inclusive and meaningful employment

Responsible business
We operate ethically and with integrity
**Sustainability at Board level**

The role that investment companies like ours play in society remains an important one, and it’s vital our industry regains the trust of all those who rely on us. The Board is committed to high standards of corporate governance in directing the group’s affairs and in its responsibility to do the right thing and deliver long-term value for all our stakeholders. We will work hard to gain their trust through transparent, ethical practices and ensuring we are responsive to their expectations. To enable this, an update on internal and external ESG issues is provided for each Board meeting and non-financial measures, which monitor progress against our sustainability strategy, are also highlighted on a quarterly basis. Our company’s culture is built on a set of strong values and we will continue to reinforce these values in everything that we do.

Sir Gerry Grimstone, Chairman

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**Standard Life governance**

**Company Board**

- **Chief Executive**
  - Executive oversight of sustainability strategy

- **Chief People Officer**
  - Business-wide representatives driving the direction of our sustainability strategy

- **Sustainability Advisory Group**
  - Day-to-day management of sustainability strategy

**Standard Life Board**

- Sir Gerry Grimstone
- Noel Harwerth
- Martin Pike
- Colin Clark
- Paul Matthews
- Pierre Danon
- Kevin Parry
- Lynne Peacock
- Melanie Gee
- John Devine
- Luke Savage
- Keith Skeoch

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**Sustainability key performance indicators (KPIs)**

Our non-financial performance measures are aligned with our four priorities. They help us track how we are doing and drive positive change. Where relevant, we have also set ourselves targets. These KPIs have been independently assured by PricewaterhouseCoopers (PwC). You’ll also see our KPIs highlighted throughout this report wherever you see the icons.

**Responsible business**

<table>
<thead>
<tr>
<th>Measure</th>
<th>Guide to icons</th>
<th>2015</th>
<th>2016</th>
<th>Current target</th>
<th>Next target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total employee days volunteered</td>
<td>☑️</td>
<td>661</td>
<td>1,529</td>
<td>2016: 1,000 days</td>
<td>2017: 2,000 days</td>
</tr>
<tr>
<td>Carbon footprint</td>
<td>Ⓢ</td>
<td>25,553</td>
<td>24,996</td>
<td>2016: -9% (since 2013 baseline)</td>
<td>2017: -12% (since 2013 baseline)</td>
</tr>
</tbody>
</table>

**Supporting saving**

<table>
<thead>
<tr>
<th>Measure</th>
<th>Guide to icons</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total customer complaints</td>
<td>ⓞ</td>
<td>7,516</td>
<td>7,576</td>
</tr>
<tr>
<td>Annual movement in the Brand Net Promoter Score</td>
<td>📈</td>
<td>up 5</td>
<td>down 11</td>
</tr>
</tbody>
</table>

**Engaging employment**

<table>
<thead>
<tr>
<th>Measure</th>
<th>Guide to icons</th>
<th>2015</th>
<th>2016</th>
<th>Current target</th>
<th>Next target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total people directly employed through employability programmes</td>
<td>ⓘ</td>
<td>45</td>
<td>46</td>
<td>2016: 50</td>
<td>2017: 50</td>
</tr>
<tr>
<td>InterAction employee survey results (%)</td>
<td>📊</td>
<td>Engagement: 63</td>
<td>N/A</td>
<td>2016: improvement from 2016</td>
<td></td>
</tr>
<tr>
<td>Gender diversity of the talent pipeline (%)</td>
<td>☘️</td>
<td>F: 60 M: 40</td>
<td>F: 62 M: 38</td>
<td>2016: continued improvement</td>
<td></td>
</tr>
<tr>
<td>Gender diversity of leadership population (%)</td>
<td>Ⓒ</td>
<td>F: 20 M: 80</td>
<td>F: 25 M: 75</td>
<td>2016: continued improvement</td>
<td></td>
</tr>
</tbody>
</table>

**Investing responsibly**

<table>
<thead>
<tr>
<th>Measure</th>
<th>Guide to icons</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Voting at shareholder meetings of investee companies</td>
<td>☑️</td>
<td>1,732</td>
<td>1,569</td>
</tr>
<tr>
<td>Environment, social and governance engagements with companies</td>
<td>📉</td>
<td>659</td>
<td>595</td>
</tr>
</tbody>
</table>

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View our KPI definitions document
Business ethics

Behaving in an honest, ethical way is vital for building trust with all those we interact with. To help our employees understand what’s expected of them at work, we have a global code of conduct which we recently revised and relaunched. In the code, aspects of good conduct are framed as questions that challenge behaviour and thinking, eg “am I doing the right thing?” or “what would our customers and clients think?” We ask all our people to read the code, undertake a training module to check understanding and agree to abide by the code principles.

As part of the code of conduct relaunch, we promoted our independent Speak Up helpline. We actively encourage our employees to raise concerns about any wrongdoing – like fraud, danger or serious risk that might harm our customers, colleagues, shareholders, the public or the company’s reputation. We want our people to feel safe in speaking up as soon as they have concerns and to be confident that their concern will be taken seriously and treated confidentially. For occasions when an employee would rather raise issues anonymously, we provide an independent helpline. We commit to follow up all issues raised and to support and protect the caller. We have worked with the whistleblowing charity Public Concern at Work to ensure our procedures are best practice.

In 2016, we held a series of events to raise awareness of the importance and benefits of investing in an ethical culture. The events were in collaboration with the University of Edinburgh Sustainable Business Initiative, the Institute of Business Ethics, and the Institute of Corporate Responsibility and Sustainability. As a large business and an investor, we have a distinct perspective on ethical culture and used the events to further our learning and share best practice too.

Cyber crime and information security

Protecting personal and sensitive information for our customers, our clients and our people is a core responsibility in how we operate. As we move towards more digital operations, we continue to increase our focus on the risks associated with IT and data security, and the potential for online criminal activities. This is reflected in increased investment in resources and capabilities to ensure we continue to protect the assets and information of our customers and our clients. We also provide mandatory training for our people on how to protect data to ensure they know what is expected of them.

Responsible tax

We aim to provide long-term value to all our stakeholders and our tax responsibilities play an important role in this – helping us to grow our business sustainably and enabling us to contribute to wider society. We transparently disclose our approach on our website including our tax principles and details of our worldwide tax contribution – a summary of the taxes we pay on all of our company’s activities, as well as the tax we collect on behalf of tax authorities.

Human rights

We have a responsibility to protect and respect human rights as an employer, investor, procurer and provider of services and through our business partnerships. We have a statement on our website setting out our approach and commitment to human rights and will be reviewing and building on this during 2017 using the UN Guiding Principles on Business and Human Rights framework. We have also published our Modern Slavery statement, setting out the steps we are taking to help prevent modern slavery in our business and supply chains.

Find out more on our website

(responsible business)

Investing in a positive culture and having a shared set of values are key traits of a responsible business. We develop our culture by helping our people do the right thing, manage risk, volunteer in their local communities and reduce our impact on the environment.

“Being a responsible business sets the direction for everything else. There’s little point in being profitable, innovative, challenging, etc. if the business has questionable ethics and practices.”

Standard Life customer
Charity partners and community projects

Helping our local communities is a long-established part of our culture and demonstrates the positive impact our business has on society.

Charities our people are supporting across the globe in 2017

ARC Cancer Centres in Ireland – who provide therapies and counselling for people with cancer and their carers
Place2Be in the UK – provides emotional support to children in schools
Hilfe für krebskranke Kinder Frankfurt e.V. in Germany – supporting children with cancer
Österreichische Krebshilfe Wien e.V. in Austria – providing cancer support in Vienna
Let’s Get Ready in the USA – who run programmes to support low-income high school students
Hong Kong Society for the Protection of Children (HKSPC)

Raise and Match

We encourage our employees to raise funds for charities that are close to their hearts – and we’ll match any amount between £100 and £250 a year per employee. During 2016, we extended the scheme to provide full matching for charity partner fundraising. Between us, our Raise and Match total for 2016 was over £350,000.

Give as you earn

We continued to run a Give As You Earn (GAVE) scheme, where employees donate from their salaries to charities of their choosing. In 2016, our people donated over £225,000.

In 2016 our total charitable contribution was £2.6m*

*This total is made up of - time given to the community, Raise and Match, Standard Life’s Charitable Trust and fund, salaries to charities and our employability scheme funding.

Volunteering

We’re proud of our history as a company that supports and gets actively involved in the communities where we operate. We encourage employee volunteering through our #getinvolved campaign and a volunteering policy that provides three paid days leave a year.

Our employees donated 1,529 days for volunteering work in 2016 (2015: 661 days) beating our target of 1,000 days. In 2017, we are aiming to donate more time and have doubled our target again to 2,000 days.

Kenny Siu has devoted almost 30 years’ service to the Chung Sing Benevolent Society in Hong Kong. The society was formed in 1915 to provide care for the elderly and education for children. Kenny started as a member, then director, vice chairman for 12 years and, just recently, ended his tenure as chairman after four years. At our annual company Inspiration Awards, Kenny received an honorary Lifetime Achievement Award for his individual contribution and dedication to the Society.

“Volunteering in the community is important to me for a number of reasons; when I first got involved, it was a great opportunity for me to meet new friends from different backgrounds. As my volunteering continued I have learned new life skills and increased my self-confidence. My relationships with other volunteers and with the organisation have blossomed over the years and I’m very proud to be supporting an organisation that is revolutionising the way people receive care. Together, we give back to the community, care for others and encourage people to live more rewarding lives by sharing joy and helping those in need.

Standard Life has been supportive over the years, donating furniture and computer equipment and providing time for volunteers to participate in activities such as meal box distribution. Our interaction with the elderly brings great happiness to everyone involved, and reminds our elderly service users that you’re never too old to have fun!”

Poppyscotland

In 2016 we supported Poppyscotland through volunteering. Our employees, led and galvanised by members of our Armed Forces network, raised £5,312 selling poppies on Edinburgh Poppy Day, our single biggest volunteer day with over 100 people taking part. Members of our talent pipeline also volunteered to help support strategic projects to enable Poppyscotland to provide a range of welfare activities to veterans.

Family caring platform

Our joint venture in China, Heng An Standard Life, runs an initiative called the Family Caring platform to get people involved in helping their communities. They organise events and encourage employees and other stakeholders to donate items to charities and volunteer their time to support worthwhile causes and activities. The most recent event was in Limo, Shandong where employees, potential employees and customers visited elderly people who live alone. They took them food, cleaned their houses and spent time talking with them.

Case study – ARC Ireland

ARC Cancer Support offers support to anyone affected by cancer and those who care for them. What makes this partnership really special is that one of our employees Edwina Halpin was helped and supported through her cancer diagnosis and recovery by ARC. Edwina nominated ARC for our new Irish charity partner vote and campaigned to get them elected.

“This journey began as a passing thought one day whilst I was visiting ARC when I noticed they didn’t have a charity partner, it put me in mind of the phrase “great oaks from little acorns grow”. It has been a great experience getting to this stage; from my initial nomination to learning ARC made the shortlist for the staff vote, to ARC winning the vote and then making the telephone call to ARC to tell them the good news. My Standard Life friends and colleagues have been a huge support during this process.”

On 9 October Edwina was the torch bearer for the Torch of Hope relay which took place around Dublin bay.

“I was overwhelmed when I was asked by ARC to be the south side torch bearer for the Torch of Hope relay. ARC have been an immeasurable support to me so to be given this opportunity to help lead the celebration of cancer survivors and remembering those who have lost their lives to cancer is an honour to say the least. 9 October will be particularly poignant for me as it also marks the second anniversary of my cancer diagnosis. I can’t believe how far I have come in those two years and ARC certainly played a big part in helping me get to such a positive place.”

Employee volunteering (days)

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>1,529</td>
<td>661</td>
<td>331</td>
</tr>
</tbody>
</table>
We integrate environmental factors, including carbon and fossil fuel considerations, into our investment processes. For more information, see the investing responsibly section of this report.

We also measure, monitor, and take action to reduce our emissions from our global real estate portfolio. For more information, see the investing responsibly section of this report, or read our Sustainable Real Estate Investment Report.

In 2016 we ran and took part in a number of environmental activities and campaigns to promote what we do and influence others to do the right thing.

<table>
<thead>
<tr>
<th>2016</th>
<th>Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>March</td>
<td>Earth Hour: Our main offices participated and the Gherkin was the London landmark building for Earth Hour</td>
</tr>
<tr>
<td>April</td>
<td>Money Plus Blog: Published ‘Make a saving on your household bills’</td>
</tr>
<tr>
<td>June</td>
<td>Sustainable Travel Week: Travel survey and promotion of support for sustainable travel</td>
</tr>
<tr>
<td>July</td>
<td>Encouraging active travel: Consultation with our cycling, running and walking communities on improving our shower facilities</td>
</tr>
<tr>
<td>August</td>
<td>Money Plus Blog: Published ‘Top tips to reduce food waste and your weekly shopping bill’</td>
</tr>
<tr>
<td>October</td>
<td>Food Waste Events: Internal workshops and stalls, with Love Food Hate Waste</td>
</tr>
<tr>
<td>September</td>
<td>Communication on disposable cups: Including 600 re-useable cups given out and installations of our daily disposable cup use in our three largest offices</td>
</tr>
<tr>
<td>November</td>
<td>Home Energy Scotland: Employee session ‘Restore Warmth to your hard-to-treat property’</td>
</tr>
</tbody>
</table>

Energy

Our total energy consumption has decreased by 9% since 2013. In addition to prior investment in efficiency technologies and building management systems, this year we moved one of our data centres to a third party. This more energy-efficient solution, alongside equipment upgrades, has so far, reduced our electricity use by 17%.

We use 100% green electricity in our UK-owned and operated offices.

Waste and paper use

For our people, the most tangible areas of our environmental impact are the waste we create and the paper we use. We have reduced paper consumption by 32% since 2013. We have reduced our waste by 16% since 2013.

Vending cups

We want to reduce the amount of disposable vending cups used in our offices. We launched a promotional campaign to encourage employees to opt for re-usable drinking cups. We have developed a number of targeted interventions, for example, our UK onsite cafes offer a 25p discount on drinks using these cups.

In 2013 we set targets for a 20% overall reduction of Greenhouse Gas (GHG) emissions from direct operations by 2020. Our GHG emissions have since reduced by 5%, which includes the addition of emissions from F-gases, leased fleet, energy use from two UK sites, and energy and business travel from Boston. On a like-for-like basis our emissions are down 16%.

Beyond 2020, we will use intensity targets for reducing our GHG emissions per FTE. These have reduced 8% since 2013.

24,996 GHG emissions as tonnes of CO₂e (25,553 in 2015).

Travel

We are a growing global investment business and international travel is necessary to build effective business relationships. In 2015, we set a target for the year 2020 to reduce our air travel emissions by 15%. On a like-for-like basis, we are on target to achieve this with emissions from flights down by 15%. In the UK, we achieved this through promoting low-carbon travel, like rail, which has increased by 28% since 2013.

However, as we open more offices and expand existing ones, we are reporting emissions data from more locations around the world. We have included our Boston office for the first time in 2016, which has doubled in size and accounts for 14% of our emissions from flights this year. In doing so, our emissions are up 8% in comparison to our 2013 baseline.

Per employee, our absolute emissions from air travel have reduced by 6% since 2013 and on a like-for-like basis by 21%.

Travel survey

We ran a travel survey to see how our people travel to work and how we might be able to encourage them to travel more sustainably. The results show our people are more likely to commute in a sustainable way than the average person in the UK. Our Dublin office was most likely to opt for active travel to work and our London office was least likely to travel to work by car.

We will continue to promote an active and sustainable commute to work and sustainable travel options for business travel in all locations that we operate.

Carbon footprint (Tonnes CO₂e)

In 2013 we set targets for a 20% overall reduction of Greenhouse Gas (GHG) emissions from direct operations by 2020.
Employee proposition
We rely on highly skilled employees. We’re committed to policies that are progressive and attract and retain the talent we need to create a world-class investment company. We offer a range of benefits and financial rewards to our people. Because we’re all different, our people can tailor their package to suit their needs.

A key element of our people’s pay is based on both personal and business unit performance. We also give our people a wide choice of flexible lifestyle benefits and financial rewards which they can tailor to suit them. They can access a range of our investment products at discounted rates as well as having the option to invest in two company share schemes. One matches employees’ share purchases up to £50 per month (up from £25 in 2015) and the other is a fixed-term savings scheme with an option to buy shares (at a pre-set discounted share price) at the end of the term.

As at the end of 2016 73% of our employees are Standard Life shareholders through participation in our share plans (75% in 2015).

In 2015 the average employer pension contribution in the UK was 7.5% of pensionable earnings. For FTSE100 companies the average employer contribution for flat and matched defined contribution schemes in 2015 was 5.3%.

Within our defined contribution pension scheme we offer our people an employer contribution of 12% of their pensionable earnings - no core employee contribution is required for this. To encourage our people to save more we match employee contributions up to a 4% maximum when made through salary sacrifice and we also add a further 10% to all contributions made that way.

As at the end of 2016 over 95% of our employees are in our pension scheme.

Talent pipeline
A strong talent pipeline ensures we have our future leaders on the right path to achieve their career goals and help us achieve our business goals.

We provide opportunities for our talented people through our Accelerated Development Support and Emerging Leaders Development Support programmes. Participants are nominated by their local leadership team and then reviewed and confirmed by the Executive Team as part of our talent and succession conversations. The programme allows individuals and Standard Life to better understand and leverage their personal aspirations, potential and contribution in the context of our strategy.

Over 60% of senior managers and leaders enrolled in our non-Executive development programme now hold an external board post. We started the programme in 2015 to encourage our leaders to get more real-life board level experience, as part of their long term development goals and our overall succession planning. Many of these non-executive roles are with charities, and also contribute to our broader volunteering and community investment goals.

We want to provide a workplace that is inclusive, engaging and enables people to reach their potential so that we are the employer of choice.

Average contribution rates
(Flat and matched)

<table>
<thead>
<tr>
<th></th>
<th>Employer match</th>
<th>Employee match</th>
<th>Core employer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Core employee</td>
<td>16%</td>
<td>16%</td>
<td>14%</td>
</tr>
<tr>
<td>Employer match</td>
<td>20%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

“Employees are treated fairly this will pass through to the rest of the organisation and to customers.”

“It is most important to me that the businesses I use are responsible employers, that they have the right motivation for their employees and treat them with respect.”

Standard Life customers

Standard Life Sustainability report 2016
“We are fully committed to respecting equality and human rights and providing a workplace where everyone feels included and able to achieve their potential.”

Sandy Regan, Chief People Officer. Named the ‘Inspiring Role Model’ at the first-ever Scottish Diversity Awards in 2016.

Diversity

Our approach to diversity and inclusion is defined in its broadest sense including, for example, age, socio-economic background, gender, disability, sexual orientation, experience and ethnicity. We are committed to enabling all people to fulfil their potential and to providing an inclusive workplace where all forms of difference are valued. This covers our recruitment process, policies, working practices and our people networks.

A key priority over the last three years has been gender equality. Building on the progress we have made in increasing the gender balance through our talent pipeline, we have continued to focus on the representation of senior women in our industry. In July 2016 we became one of the first signatories to the HM Treasury Women in Finance charter. We have made firm and public commitments to support actions which will improve the representation of women in our industry, including progressive target-setting for our own leadership population. We will also develop wider targets incorporating other aspects of diversity across our people. We will report on these targets and our gender pay gap in the coming year.

Our talent pipeline, which we’ve been developing since 2011, is pivotal to attaining these gender targets. The numbers we report for our talent pipeline and our leadership population are not mutually exclusive, with the latter population being an important part in creating an inclusive workplace, raising awareness of the impact that making instinctive decisions can have.

We appreciate that everyday decisions play a significant part in creating an inclusive workplace, and in 2016 over 97% of employees completed unconscious bias training, raising awareness of the impact that making instinctive decisions can have.

People networks

People networks play a big part in our diversity and inclusion strategy. Around 1,200 of our people are members of one or more of our networks.

Our newest networks have made excellent progress in 2016: the Young Persons’ Development network has hosted 20 learning and development sessions, helped develop our lifetime ISA (LISA) which will launch in April 2017 and organised our first ever worldwide fundraising event ‘the Road to Rio’ raising over £7,000 for Scope.

Our Carers’ network has made a significant difference in the lives of our employees who are also carers. In October, we launched our own carers’ policy to support carers and give all employees a clear definition of what carers’ leave is and how it works.

This year our LGBT+ allies group (who are not necessarily lesbian, gay, bisexual or transgender but want to actively support inclusion for LGBT employees), have recruited over 130 allies across the business and launched in two countries. They have worked together with our LGBT+ network, playing an instrumental part in helping us with transgender awareness, including developing a new transgender policy with support from Stonewall, which will be launched in 2017, as well as hosting a session with a transgender speaker.

Our Women’s Development network continues to host regular learning and development sessions open to all. And our Armed Forces network continues to make a great impact with the external outreach work they do. As well as working with veterans and members of the forces through the Personnel Recovery Units to help prepare for ‘civvy street’, this year the network have supported work placements in Standard Life for people transitioning out of the forces.

Flexible working

We know that flexible working choices help our people to meet family needs, personal obligations, and life responsibilities meaning that they are more engaged and enabled at work. We continue to support flexible working, including part-time hours, flexitime, touch down stations and hot offices for employees who regularly work across our office sites, as well as remote access. We want to make sure this is working for all of our people so we have carried out a review to obtain feedback on how to improve.

Shared parental leave

In 2015 we introduced an enhanced shared parental leave Policy and in 2016 we ran an awareness campaign and enhanced our paternity pay making it available to all eligible employees, regardless of how long they’ve worked for us.

“By offering shared parental leave, Standard Life has supported me and my partner in getting a great start to our new family life while being able to maintain our respective career ambitions. We both felt it was important that I spend time early on looking after and getting to know my daughter, Ellie. It was a fantastic experience being able to enjoy the time without any pressure from work, including financial concerns as I received full pay for the duration. I regard it as time I would otherwise never have had to spend learning about my daughter and for this reason would wholly recommend it to anyone considering a period of shared parental leave.”

James Hatfield, Technician

85% of employees believe that we appreciate difference among employees

↑ 7%

Increase since our last employee engagement survey in 2015

25% of our leadership population is female

42% of our talent pipeline is female

By September 2017: 26–30% of our leadership population will be female

By September 2021: 30–35% of our leadership population will be female

By end 2025: our leadership population will represent the gender split of our workforce (currently 49% female)
We support the development of skills and work experience to enable people from all backgrounds to gain employment. We do this through our own in-house programmes and by supporting external organisations. This work helps to break down barriers that may prevent people from beginning, or sustaining, a career.

In 2016 we received accreditation from the UK Government as one of only 11 UK Social Mobility Business Compact Champions. This recognises our work to break down barriers to employment and these commitments:

- Outreach/volunteering which benefits young people
- Work placements for young people from lower socio-economic groups
- Recruitment practices which remove barriers for disadvantaged groups
- Regular monitoring and evaluation of our people’s socio-economic backgrounds to ensure diversity

We have committed a three-year £240,000 contribution to The Scottish Veterans Fund, working in partnership with The Scottish Government and charities, to support veterans in making a positive transition into employment.

Early careers

Our early careers strategy offers challenging and rewarding opportunities for school leavers and graduates, as well as internships for those in their penultimate year of study. Our aim is to attract, retain and develop young talent, helping them to fulfil their potential and grow their careers. We recruit people from all backgrounds, using a number of different approaches including gamification and qualification-blind assessment to ensure our process is fair and accessible.

We have increased the percentage of our people in the UK and Ireland who are 25 or under, from 0.5% in 2010 to 8% in 2016.

We partner with Career Ready, a charity that supports young people to fulfil their potential through mentoring and qualification. It focuses on young people in their last two years of school. In 2016 we provided a variety of support for the charity, including in-house administrative support to onboard all 750 of its mentors, rooms for events and interviews with young people and hosted advisory board meetings. 13 of our own people offered mentoring during the year, and we also provided four or ten-week work placements, paid at the UK Living Wage, to 17 young people.

We have continued our work with the Edinburgh Guarantee – a partnership between Edinburgh City Council and Edinburgh’s business community. In 2016, the programme helped 33 young people join us for work experience placements in Edinburgh, each lasting six months and paid at the UK Living Wage. We provided a similar scheme for two young people in Dublin. 97% of those who have been through these work placement programmes have moved on to full-time employment or further education with 67% securing permanent positions with Standard Life. We have also continued our work with the Investment2020 scheme, offering 12-month paid work experience placements to 15 young people.

Across our global employability programmes we have provided 46 jobs in total.

Supporting skills development

Through the Standard Life Charitable Trust (SLCT), an independent charity we set up in 2006, we provided over £1.4m in 2016 to fund support programmes focused on helping young people to develop skills and gain work experience. These include programmes delivered by Tomorrow’s People, Skillforce and The Prince’s Trust.

There’s more information on all of our UK community-related activity and support from 2013 to 2016 in our community impact report. In 2016 the SLCT was re-named the Standard Life Foundation and re-launched with a new focus on work that supports financial resilience and wellbeing. You can read more in our Supporting Saving section.

“...It has made a big difference and it’s helping me prepare for my future a bit more. I’m budgeting better and it’s helping me save for my future really, and it’s great to know I don’t have something behind me. I’m also enrolled into the company pension scheme, and it’s helping me save towards that too.”

Eilidh Reid (19) joined us as a marketing intern through the Edinburgh Guarantee Scheme in August 2016.

Supporting skills development

- Money donated by SLCT: £4.2m
- Number of people directly benefited: 303,408
- Awards: Investors in Young People Gold, Social Mobility Business Compact Champions, Corporate Responsibility Award of the Year at HR Network Awards

Read our community impact report
Healthy culture
To help our people in work and home life we provide a variety of support, from our people networks to our family-friendly policies, and providing our employee assistance programme called Solutions. It’s a free, confidential service available to our people and their families whenever they need it. This year we promoted Solutions with global awareness sessions to help our people understand that Solutions provides access to information, counselling and support on many issues including eldercare and childcare options, financial concerns and legal issues and consumer rights.

Healthy mind
To understand what health and wellbeing issues our employees are concerned about, we analyse a variety of data sources including private medical claims, occupational health referrals and absence data. In the UK one in four people experience a mental health problem in any given year. This was identified as one of the main areas of concern from our employees in 2016 so we took action to improve support for our people.

Engage for Success
We want our employees to be engaged in their work and give their best every day. We’ve collaborated with the voluntary movement Engage for Success (E4S) to focus on the best ways to make this happen. Their aim – like ours – is to improve employee engagement.

We hosted the first E4S event in Scotland to explore:
• how engagement impacts on business performance
• methods to achieve engagement
• case studies
• innovative, commercial ways to measure engagement

We also worked with the E4S Transnational to Transformational Engagement Consortium, part of a UK wide movement – to share ideas with a diverse cross-section of businesses and help inform our engagement strategy.

As a result of these collaborations, we have launched our own engagement network which will begin work early in 2017 to focus on our group-wide engagement priorities.

For the last six years our associate business HDFC Life has ranked by the Great Place to Work Institute among the top 50 places to work in India.

Wellbeing
Our people drive our business, so it’s important that they feel well. We base our ongoing wellbeing programme activities around three essential areas.

Healthy body
To support our healthy body strategy, we provide:
• lunch and snack choices for our people.
• with our on-site caterers to provide healthy, nutritious meals.
• World Health Organisation target of 10,000). We also work on
• the fifth Global Corporate Challenge – a 100-day walking challenge. We averaged 14,037 steps a day (well above
• To support our healthy body strategy, we took part in our
• our in any given year. This was identified as one of the main
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• we collaborated with the
• 2016, we made significant steps to address this by:
• launching a new group-wide intranet (employees voted to call it “Stan”) built on a social sharing platform (Microsoft SharePoint)
• running new engagement programmes where employees met and heard from senior leaders and subject matter experts covering all aspects of our business and the markets we operate in
• establishing SharePoint as our platform for closer collaboration on projects and sharing knowledge across our global locations
• funding a variety of employee-run social clubs, and supporting the launch of new clubs, including our own choir
• enabling people managers on a performance programme to improve their people management, coaching and development skills.
• In November 2016, 80% of our employees completed our most recent InterAction survey. The responses gave us a clear update on how our people feel about a range of topics. Our vision, social responsibility, and risk culture were our top three scoring themes. Our overall employee engagement score increased, however, our enablement score – how well employee skills are utilised and working environments facilitate productivity – has decreased, so this is a focus in 2017.
• Our InterAction scores were 65% for engagement and 62% for enablement, below the global financial services norm scores of 69%.

Employee engagement and wellbeing
We want our employees to be engaged in their work and give their best every day.

We want our employees to feel they can talk confidently about mental health issues, knowing it is within a supportive workplace environment. We signed up to the Time for Change pledge – a commitment to end the stigma, and raise awareness, of mental health.

We supported World Mental Health Day and also became a See Me in Scotland’s programme to tackle mental health stigma and discrimination and enable people who experience mental health problems to live fulfilled lives. In October 2016 we were recognised at the See Me Conference for the work we are doing in relation to mental health.

We run free regular mindfulness and meditation sessions, and at the See Me Conference for the work we are doing in relation to mental health. We want our employees to feel they can talk confidently about mental health issues, knowing it is within a supportive workplace environment. We signed up to the Time for Change pledge – a commitment to end the stigma, and raise awareness, of mental health.

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• employee associations and conversations with leavers.
• for Standard Life. The 2015 survey highlighted communication as something we needed to make more effective. We want to enable collaboration and, during 2016, we made significant steps to address this by:
• launching a new group-wide intranet (employees voted to call it “Stan”) built on a social sharing platform (Microsoft SharePoint)
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“As a pensions customer I want to protect my pension for the long term.”
Standard Life customer

Supporting saving

We support action which can make saving more inclusive and attractive to more people – it is vital in enabling people to become more financially secure and for our business success. In 2012 the UK government introduced auto enrolment – where employers are required to offer workers a workplace pension – which opens up long term saving into a pension to more people. This is an initiative that we have been advocating for some time. The Financial Conduct Authority has also been focusing on fostering a culture of access and inclusion throughout financial services.

Since 2012, we have helped over one million people to access saving through a workplace pension and look forward to their future with more confidence.

Seven million employees in the UK are now saving as a result of auto enrolment1, and one in six of them have done so with Standard Life.

Workplace pensions
Driving good retirement outcomes
In 2016 we sponsored a piece of research by the Pensions Policy Institute into value for money in defined contribution workplace pensions. The report concluded that, alongside contribution levels, the most important characteristics in driving good retirement outcomes are the investment fund default option, charges, governance and administration.

We support these findings. Achieving success in these areas could improve the value of people’s pensions, the security of their savings and, in turn, increase the overall trust that people place in their pension scheme.

Helping people make pension decisions
As defined benefit pension schemes close and auto enrolment steps up to fill the gap, we’re seeing a new generation of pension savers taking personal responsibility for their retirement provision. It also means there’s a greater need for financial support and guidance.

To help pension savers we’ve been working with the Behavioural Insights Team, an organisation supported by the Cabinet Office. This team has helped us gain real insight into how people think and behave, helping us to communicate in a way that allows more of our customers to make informed decisions that are right for them – before and after they retire.

Working in partnership with employers, we’ve used this insight to encourage people who were invested in older-style workplace pensions solutions to consider a switch to ones that fit their needs better and enable them to make the most of the new pension freedoms.

Helping employers support their employees
We ran over 200 days’ worth of pension and retirement presentations for 47 different employers in 2016. These are tailored for each employer and delivered UK wide or via webinar.

Presentations cover areas such as why it’s important to save for retirement, how investments work, how to access your money and online planning tools. We also provide employee engagement material to all employers at no extra cost to help with support and understanding.

Small-to-medium sized enterprises
In 2016 we introduced a newsletter for small to medium enterprises auto-enrolled with us called SL Buzz. This shares pensions knowledge and market insight to allow employers to support their employees in making the most out of their retirement savings.

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1 The Pensions Regulator, 12 December 2016
Financial inclusion
We support action which can make saving more inclusive for more people.

Financial capability
In 2015 we contributed to the UK Financial Capability Strategy, an initiative which aims to improve financial capability in the UK. This has been backed by the Money Advice Service who we have continued to work closely with.

We are a member of the UK Financial Capability Retirement Planning Steering Group and in 2016, as part of UK Financial Capability Week, our Head of Sustainability took part in a webinar with the Money Advice Service and the Institute of Corporate Responsibility and Sustainability on financial inclusion.

Vulnerable consumers
Since 2015, we have had a working group focusing on vulnerable consumers, looking at what we currently do and determining where we can have an impact. We made good progress in 2016:

▸ We held a public event in March with experts including the Financial Conduct Authority, charities and businesses to further understand the issues being faced and share best practice. A number of useful insights were:
  ▸ Vulnerability can strike anyone at any time, it is not always a static condition
  ▸ Firms need to be able to adapt, and be flexible across their services
  ▸ The response of front line staff is crucial to the customers’ experience; staff training to recognise and deal with vulnerability is vital
  ▸ Firms should have a consistent approach across all their business areas
  ▸ We now have a programme in place to take forward what we have learned, supported by our executive team.

▸ Our priorities are developing and launching a vulnerable consumers policy in 2017 and making specific training available to our people – using insight from charities and other external bodies.

▸ We are also a member of the Association of British Insurers’ retirement working group, aiming to develop a set of principles for vulnerable customers in retirement.

Customer inclusion
To look more widely at how we become more inclusive for all current and potential customers, we launched a Customer Inclusion panel – to help us develop practical ways that we can make our products and services more accessible. Representatives on the panel include internal and external specialists and charities including the Money Advice Service, Scope, Age UK and Poppy Scotland. The group has determined that we should focus specifically on accessibility and capability across four areas: product development, communications, customer experience, and employee training.

We also work with The Wisdom Council – an organisation which helps provide insight on our customers and clients. Most recently we have been looking at financial services jargon and what would help to make communications simpler and more accessible for customers.

Financial inclusion and our associate business HDFC Life
HDFC Life offers insurance products specifically to support rural and low income customers in India and have significantly exceeded the prescribed regulatory targets for their latest financial year ending 31 March 2016: rural business 24% versus regulatory requirement of 20% of overall business; and 1,534,302 social lives insured versus prescribed 55,000 social lives. The business is committed to digital innovation and widening accessibility, and over 86% of customers are now registered to make transactions online.

In 2016, HDFC Life launched its Click 2 Retire plan, a product that supports the growing number of customers accessing their savings online. They also launched the HDFC Life Cancer Care plan, which sold over 100,000 policies within 250 days of launch. This plan has filled a significant gap in the Indian market, and was recognised as a winner at the 2016 Finnoviti awards. HDFC Life has also used technology to improve controls and protect against corruption, using digital processes and verification rather than traditional paper processes.

HDFC Life has also launched two micro-insurance products, Jeevan Suraksha and Credit Suraksha to provide financial security at a nominal cost for those who have been traditionally underinsured. The aim is to contribute to a more financially inclusive society.

HDFC Asset Management has a large branch network which accepts cash transactions – increasing accessibility for those in remote communities and enabling those without access to the internet or a bank account to invest or save.

Standard Life Foundation
In 2017 we will further develop the Standard Life Foundation, an independent charity, with a focus on independent research to strengthen financial wellbeing and resilience in the UK. The charity is being funded using unclaimed cash entitlements and proceeds from the sale of unclaimed shares, which were as a result of Standard Life’s demutualisation in July 2006. During the past decade our business made continued efforts to trace those entitled to claim and was successful in uniting over 97% of people with their entitlements before the deadline of 9 July 2016.

Standard Life will make a gift of around £80m to the Foundation. Lord Darling, the former Chancellor of the Exchequer, is chair of the Foundation and is supported by a team of very experienced trustees. The Foundation will set out the priorities of its work over 2017.

“I just wanted to thank Standard Life for being patient with me and helping me through this difficult time. Yourself and the benevolence team have showed empathy and really helped me to sort out my dad’s pension in the easiest way. I just wish other organisations that I have contacted would be as efficient and polite as yourselves.”

Standard Life customer
Customer experience and guidance

As people have to take greater ownership of their financial futures, we believe it’s our responsibility to help provide them with guidance and information so that they can plan ahead. We also want our customers to have great experiences, so building strong relationships with them is our focus around the world.

Tools and blogs
In the UK we provide financial calculators, tools and guides on our Standard Life Savings website, which are open to all. These help people over a wide range of areas, from understanding if their pension savings are on track for retirement to how to stay safe online. Our tools were used over one million times during 2016.

Our MoneyPlus blogs have continued to prove successful in engaging with people on financial issues. In 2016, we focused on money saving tips, responsible investing, pensions and investments scams, and pensions understanding.

Pensions scams
We have been at the forefront of work to prevent pension scams, working closely with the industry group on pensions liberation and adopting rigorous checks on all pension transfers. With pensions freedoms, scammers know that people can now access all of their retirement savings from the age of 55. So they are luring savers into cashing in their pensions early and transferring their savings to an alternative investment. Often this alternative has very high charges or doesn’t even exist and the funds simply disappear through theft. The offer of investments with unrealistically high returns via cold calls is an ongoing scam that doesn’t even exist and the funds simply disappear through theft.

In 2016 the Financial Conduct Authority carried out a thematic review on pension scams and found 98% of people say that these events make decisions on how I would manage my pension pot.”

Sandra, London retirement roadshow

In Ireland, we held 15 customer investment evenings. Partnering with advisers we invited clients to these evening sessions, enabling them to get to know their fund managers, get an update on markets and also the performance of their Standard Life funds.

In the UK and Ireland we have Adviser Edge, a programme to support advisers in the overall development of their business models by providing industry insight and practical support. It helps advisers and our business to be well placed to provide better experiences for our customers.

“...There is a culture in Standard Life of working in partnership with IFA firms. They not only understand the challenges we face, but provide support and resources to overcome them. Working with them has been nothing short of a real success story.”

Adviser

Advice for our platforms
For the third year in a row we have been winners at the Schroders UK Platform Awards. We won the ‘Best Large Adviser Platform Provider’ (AUM over £1bn). This award is important to us as it is voted for by our advisers who use our Wrap platform every day. Elevate platform was awarded the ‘Best Smaller Adviser Platform’. This is a positive sign for us as we work towards bringing the two best platforms in the industry together.

Events and programmes for customers and advisers
We ran 18 retirement road shows up and down the UK in 2016. These events offer support and guidance to our customers, empowering them to make confident decisions that will allow them to achieve the best outcome at retirement. The agenda centres on making a plan for retirement, deciding where and how to take an income from pension savings, and the importance of investment choice. 98% of customers say the event met or exceeded their expectations so we’re increasing the amount of events in 2017 to reach out to more customers.

“Standard Life offered something invaluable. a chance to talk or think about an award that is available to those of us close to retirement. It was informative, with options simply explained in an amazing location! I left feeling positive that I could make decisions on how I would manage my pension pot.”

Sandra, London retirement roadshow

In the last year our UK brand NPS, measured by an independent survey, has decreased by 11.

We believe the reasons for this include the processes around pension freedoms – which some customers may have considered more complex – and lower customer confidence in financial services as a whole. We’ve planned a number of actions for 2017 to improve customer experiences.

Customer complaints
We aim to always do the right thing for our customers — and if something goes wrong, we are committed to putting it right. We carry out root cause analysis for any issue raised by a customer so we can understand what went wrong and take action.

In 2016 we received 7,576 complaints from our customers (2015: 7,516 complaints) which averages 17.8 complaints per 10,000 policies in force. 3% of these complaints went to the Financial Ombudsman Service (FOS) and, of these, the FOS was in agreement with our decision in 77% of complaint cases, against an industry average of 70%.

Complaint case
Mr A complained to Standard Life that we had stopped his pension payments and wanted to know why, as he desperately needed access to his money. When we investigated what had happened we discovered that recent payments had been returned to us marked “gone away”. When we spoke to the customer he explained that he had been working overseas but had forgotten to tell us about his change of address.

Although Mr A was in a remote location we were able to complete our security checks, and arranged for all back payments to be sent the same day to his bank account. We also set up Mr A to be able to use our online services for any future servicing needs.

Annuity review
In 2016, the Financial Conduct Authority carried out a thematic review into the sale of non-advised annuities. This showed that a portion of annuity sales that we made since July 2008 did not adequately explain to customers that they may have been eligible for an enhanced annuity. We are continuing the work to ensure we put things right for customers.

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Standard Life customer

The money that you manage is far greater than your direct operations. Sustainable/ethical investment therefore has the potential to leverage a much bigger impact.

Euan Stirling, Head of Stewardship and ESG Investment

As stewards of our clients’ investments we act responsibly in our investment activities. At Standard Life Investments we integrate ESG issues into our investment process as we believe these issues are significant components of investment risk and can have a fundamental impact on the achievement of sustainable long-term investment returns. We apply this approach throughout our investment processes and to mandates which have tailored sustainable, responsible investment (SRI) or ethical criteria.

Our dedicated and highly experienced ESG Investment team is responsible for research, analysis and engagement with companies on ESG issues in order to understand the risks and opportunities, while seeking to drive positive change. They provide our investment teams with expert knowledge and insights on the material ESG issues affecting the companies in which we invest. To be open and transparent, we disclose examples of our engagement activities and thematic reviews within our quarterly and annual update reports.

A focus on climate change

Our climate is changing, and the effects of this will be felt by global economies and societies for years to come. We have a responsibility to our clients to consider actively how climate change and associated regulatory trends will impact the value of their investments.

In 2016 we issued a new climate change statement. This sets out the ways we can influence the wider uptake of climate-related considerations and actions including through integration in our investment process, engagement with companies to understand how they are managing the risks and opportunities, our bespoke client solutions and our real estate management approach. We also highlight the influence we have on policy, in particular as signatories of the Global Investor Statement on Climate Change and the Paris Pledge for Action.

As part of our investment decision-making process, we actively consider the financial impacts of climate change on company profitability and long-term sustainability.

We are in a unique position to encourage effective capital allocation and promote a transition to a lower carbon economy. However, we also recognise that this investment area is evolving rapidly. We are working on our approach considering that:

• clients are increasingly interested in how climate change affects value and how they can support positive change

• greater regulatory intervention on climate change pertaining to the financial sector is likely

• climate change considerations can inform impact investing strategies

• carbon footprinting is an area of rapid growth and requires us to find the best solution for our clients’ mandates

• there are opportunities to develop a stock selection response to climate change risks, with a focus on the carbon value chain

Read our climate change statement
Analysis, engagement and voting

Engagement
Our engagement activities with investee companies, and the associated analysis, enable us to monitor, evaluate, challenge and constructively influence them. Our primary method is to meet with company representatives on a one-to-one basis to discuss a range of ESG topics. Other engagement activity will include correspondence, phone calls and attendance at collective investor meetings. Our governance engagement is generally at board level, where we address topics such as corporate governance, audit matters, remuneration and reporting. Our responsible investment engagement can be at both operational and board level, to discuss topics such as human rights, climate change or business ethics. The key insights received during our engagement are shared with colleagues to ensure that they form a part of our investment decisions.

Thematic review – Electric vehicles and cobalt
The rise in adoption of electric vehicles demonstrates an obvious opportunity to significantly reduce greenhouse gas emission levels. This is largely determined by the type of energy mix used. Those running on electricity produced by cleaner sources, such as natural gas or renewables, produce fewer emissions. However, it is also important that we consider the social and environmental impacts within the supply chain of battery production – such as the extraction of cobalt, which is present in the batteries. There have been a number of human rights issues relating to cobalt mining in the Democratic Republic of Congo, including the use of child labour, forced migration and poor working conditions. This demonstrates the importance for investors to consider issues in a holistic manner.

Influencing positive change
Alongside our regular company engagement, we are also involved in a range of initiatives contributing to the development of best practice standards in governance, sustainability and corporate social responsibility. For example, we are members of the Investment Association’s Governance and Engagement Committee, the Investor Forum, the UK Sustainable Investment and Finance Association, the UN Principles for Responsible Investment and the Extractive Industries Transparency Initiative. All of these activities allow us to exert a positive influence on companies’ direction.

Award-winning charity team
Standard Life Wealth’s charity team won the ‘Boutique Investment Management’ category at the 2016 Charity Times Awards. The judges were impressed with the team’s involvement in the sector, particularly their position as active thought leaders in the charity field – for example, by publishing blogs, media articles and social media content. Topics tackled by the team included charity investment-related areas of investment manager selection, fossil fuel divestment, legacy income and charity funding from unspent pension funds.

Voting at shareholder meetings
We actively use our influence through voting at shareholder meetings of investee companies – in order to hold boards to account and promote high standards of governance. We publish all of our voting records on our website to be open and accountable to our clients, and to meet industry best-practice standards.

We voted at 1,169 shareholder meetings of investee companies
As a significant, and more recently its largest independent shareholder, we have engaged with Sports Direct over many years, focusing on the company’s governance, its human capital management practices and use of zero-hour contracts. We released a public statement at the company’s Annual General Meeting in September 2016. In this statement, Euan Stirling, our Head of Stewardship and ESG Investment, outlined our concerns and explained why we voted against the company’s remuneration report and against the reappointment of the Chairman and non-executive directors: “We are longstanding shareholders in the company and have engaged with senior executives and non-executives over many years, sadly to little effect. The responses to our inquiries have been either unconvincing or non-existent.” We continue to engage with the company to improve governance and employee practices.

Environmental and social engagements themes

- Business ethics
- Environment
- Labour
- Human rights

Governance engagement themes

- Board matters
- Audit and reporting
- Strategy
- Other
- Remuneration
- Voting

31% 19.5% 19.5% 19.5% 19.5% 34% 27% 2% 1% 1% 1% 1% 1% 1%
Sustainable real estate

We believe that embedding sustainability within our real estate investments is vital to maximising value for our investors, and to the future success of our business. We have a comprehensive Sustainable Real Estate Investment (SREI) Policy and accompanying procedures that govern how we embed environmental, social and governance factors at all stages of a property’s life cycle. Our strategic priorities for SREI cover climate change, resource scarcity and the health, wellbeing and productivity of building occupiers.

During 2015/16 we performed well against our annual targets, reducing energy and water consumption in our like-for-like managed portfolio by 4% and 1% respectively. Our reduction in energy consumption contributed to an annual reduction in like-for-like greenhouse gas emissions of 10%. We also achieved a 99.8% diversion from landfill rate for the waste we manage across our portfolio.

These improvements contributed to Standard Life Investments’ achievement of 15 of our real estate funds being awarded GRESB ‘Green Stars’ in the annual assessment – the leading global benchmark for real estate sustainability. It means we’ve gained the highest number of all participants for the second consecutive year. Three of the funds which received Green Stars also attained GRESB’s new 5 Star rating – putting them in the top quintile of participants.

In 2016, Standard Life Investments became one of only a handful of investment houses to join the UK Green Building Council (UK-GBC). We are currently participating in the UK-GBC’s first ‘Wellbeing Lab’. This is a knowledge exchange programme that aims to transform thinking about the design and management of working environments, to better promote the health, wellbeing and productivity of building users.
Looking forward

Sandy MacDonald, Head of Sustainability

Over the past few years we’ve focused our sustainability strategy and priorities on areas that are both relevant and material to our business and also matter most to our stakeholders. Our approach has been methodical and includes targeted actions, increased transparency and clearer reporting, right through to how our business strategy aligns with ESG considerations and long-term macro-economic trends. In this way, we endeavour not just to do the right thing in terms of our responsibilities to wider society, but also to create long-term value.

We also recognise that our customers and clients are having to take ever greater responsibility for their financial futures, when interest rates and returns are historically low, and when society has little trust that big financial services companies have their interests at heart. This means we remain more acutely aware of our responsibilities than ever.

Standard Life has been supporting people to look forward to a better future for 191 years. As we consider the year ahead and the significant milestone of our 200th anniversary in 2025, we want to:

▸ Earn trust from our stakeholders that we will always behave ethically and act in their best interests
▸ Respond to expectations from customers, employees and others that we will have a positive impact on the wider world
▸ Be an inclusive employer that engages its people and treats them well, enabling people from all backgrounds to realise their potential
▸ Help savers to understand how we are investing money on their behalf and how we can support them to have greater confidence for their future
▸ Make a positive difference as a leading responsible investor and steward of our clients’ money, considering global issues including human rights and climate risk
▸ Put in place further stretching 2025 goals to help us achieve these aims.

As always, I’d like to thank all our people and the partners we work with to achieve our sustainability priorities. The most challenging problems we face in the world can best be solved by working in collaboration. I look forward to the privilege of continuing to work together to create a better future for all our stakeholders in the years ahead.
## Environment

<table>
<thead>
<tr>
<th>Segment</th>
<th>Measure</th>
<th>Unit</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Emissions</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GHG Scope 1</td>
<td>Emissions</td>
<td>Metric tonnes CO₂e</td>
<td>2,227</td>
<td>2,675</td>
<td>2,368</td>
<td>2,134</td>
<td>Scope 1 GHG emissions, from natural gas use and fluorinated gases (F-Gas).</td>
</tr>
<tr>
<td>GHG Scope 2</td>
<td>Emissions</td>
<td>Metric tonnes CO₂e</td>
<td>10,194</td>
<td>12,133</td>
<td>13,638</td>
<td>12,034</td>
<td>Scope 2 GHG emissions in metric tonnes CO₂e for the UK and CO₂ for non-UK locations. Scope 2 emissions are from purchased electricity.</td>
</tr>
<tr>
<td>GHG Scope 3</td>
<td>Emissions</td>
<td>Metric tonnes CO₂e</td>
<td>12,575</td>
<td>10,754</td>
<td>10,374</td>
<td>12,070</td>
<td>Scope 3 GHG emissions include all other indirect emissions which are not purchased energy.</td>
</tr>
<tr>
<td><strong>Waste</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Waste diverted from landfill</td>
<td>Emissions</td>
<td>Metric tonnes</td>
<td>736</td>
<td>718</td>
<td>869</td>
<td>608</td>
<td>Waste generated which has been re-used, recycled or used to produce energy from waste.</td>
</tr>
<tr>
<td>Waste sent to landfill</td>
<td>Emissions</td>
<td>Metric tonnes</td>
<td>10</td>
<td>7</td>
<td>54</td>
<td>276</td>
<td>Waste generated which is disposed to landfills.</td>
</tr>
<tr>
<td><strong>Paper</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Paper consumption</td>
<td>Emissions</td>
<td>Metric tonnes</td>
<td>407</td>
<td>466</td>
<td>496</td>
<td>603</td>
<td>Paper used including printing, packaging and marketing materials.</td>
</tr>
<tr>
<td><strong>Energy</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total energy consumption</td>
<td>Emissions</td>
<td>MWh</td>
<td>34,859</td>
<td>37,252</td>
<td>38,358</td>
<td>38,409</td>
<td>Total energy consumption.</td>
</tr>
<tr>
<td>Electricity used</td>
<td>Emissions</td>
<td>MWh</td>
<td>24,307</td>
<td>26,082</td>
<td>27,548</td>
<td>26,813</td>
<td>Total electricity consumption.</td>
</tr>
<tr>
<td>Natural gas used</td>
<td>Emissions</td>
<td>MWh</td>
<td>10,552</td>
<td>11,276</td>
<td>10,596</td>
<td>11,596</td>
<td>Total natural gas used by the company.</td>
</tr>
<tr>
<td><strong>Compliance</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of environmental fines</td>
<td>Emissions</td>
<td>#</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>Number of environmental fines paid by the company during the reporting period.</td>
</tr>
</tbody>
</table>
### People

| Labour practices and decent work |  |  |  |  |
|----------------------------------|----------------|----------------|----------------|
| **Number of employees** | # | 6,333 | 6,129 | 6,396 |
| **Employee turnover %** | % | 10 | 11 | 8 |
| **Employees represented by a staff association %** | % | 96 | 95 | 97 |
| **Employee average age Years** | | 41 | 42 | 43 |
| **Women in workforce %** | % | 49 | 49 | 50 |
| **Women in management %** | % | 41 | 41 | 40 |
| **Women in leadership population %** | % | 25 | 20 | 19 |
| **Minorities in workforce %** | % | 5 | - | - |
| **Disabled in workforce %** | % | 4 | 4 | 4 |
| **Contractors versus FTE %** | % | 5 | 6 | 4 |
| **Full time to part time FTE %** | | FT 84 PT 16 | FT 84 PT 16 | FT 84 PT 16 |
| **Part time female/male %** | | F 92 M 8 | F 92 M 8 | F 92 M 8 |
| **Workforce accidents employees #** | | 28 | 32 | 39 |
| **Fatalities #** | | 0 | 0 | 0 |

<table>
<thead>
<tr>
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<th>2016</th>
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<th>2014</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Training</td>
<td>Employee training cost</td>
<td>£m</td>
<td>5</td>
<td>4</td>
<td>4</td>
<td>Spend by the company for employee training.</td>
</tr>
<tr>
<td>Community</td>
<td>Employees in pension scheme %</td>
<td>%</td>
<td>95</td>
<td></td>
<td></td>
<td>Percentage of employees in the company pension scheme, data covers FTE in the UK which accounts for 88% of workforce.</td>
</tr>
<tr>
<td>Community</td>
<td>Employee share ownership %</td>
<td>%</td>
<td>73</td>
<td>75</td>
<td>65</td>
<td>The number of people on our payroll who are contributing to the employee share plan.</td>
</tr>
<tr>
<td>Community</td>
<td>Community spending £m</td>
<td></td>
<td>2.6</td>
<td>2.1</td>
<td>1.6</td>
<td>Total contribution including cash, time, in-kind giving, pro bono contribution of service and management costs.</td>
</tr>
<tr>
<td></td>
<td>Paid volunteer time Days</td>
<td></td>
<td>1,529</td>
<td>661</td>
<td>331</td>
<td>Total number of days employees have logged as paid volunteer time.</td>
</tr>
<tr>
<td><strong>Segment</strong></td>
<td><strong>Measure</strong></td>
<td><strong>Unit</strong></td>
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<td>661</td>
<td>331</td>
<td>Total number of days employees have logged as paid volunteer time.</td>
</tr>
</tbody>
</table>

1. Data covers our UK employees only and comes from voluntary data which covers 34% of our people, giving a confidence interval of 3.27.
2. 87% of our FTE are based in Scotland where the 2011 census data shows that 96% of people identify as White Scottish or White British.
3. Our definition of a ‘disability’ is ‘a physical or mental impairment which has a substantial and long term adverse effect on a person’s ability to carry out normal day to day activities’.
4. In March 2015 13% of the UK’s workforce was disabled. The UK represents 88% of our workforce.
### Investment and governance

<table>
<thead>
<tr>
<th>Segment</th>
<th>Measure</th>
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<th>2015</th>
<th>2014</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Investment</strong></td>
<td>PRI signatory</td>
<td>Y/N</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Whether the company is a signatory of the UN Principles for Responsible Investment.</td>
</tr>
<tr>
<td></td>
<td>SRI assets under management</td>
<td>£bn</td>
<td>2.5</td>
<td>2.0</td>
<td>1.7</td>
<td>Includes clients with specific ESG criteria, exclusions and engagement, and our Ethical and SRI Funds.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
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<th>2015</th>
<th>2014</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Governance</strong></td>
<td>Size of Board</td>
<td>#</td>
<td>12</td>
<td>13</td>
<td>13</td>
<td>Number of directors on the company’s Board.</td>
</tr>
<tr>
<td></td>
<td>Number of Independent Directors</td>
<td>#</td>
<td>7</td>
<td>8</td>
<td>9</td>
<td>Independent Board members are defined as directors who are not employees of the company, have not received a large sum of direct compensation from the company, and are not directly related to any of the company’s executives.</td>
</tr>
<tr>
<td></td>
<td>Women on Board</td>
<td>%</td>
<td>25</td>
<td>31</td>
<td>23</td>
<td>Proportion of the Board of Directors which is composed of female directors.</td>
</tr>
<tr>
<td></td>
<td>Board average age</td>
<td>Years</td>
<td>59</td>
<td>58</td>
<td>58</td>
<td>Average age of all members of the Board of Directors.</td>
</tr>
</tbody>
</table>

### Policies

<table>
<thead>
<tr>
<th>Policies</th>
<th>Measure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supply chain</td>
<td>Supplier code of conduct <a href="https://www.standardlife.com/dotcom/procurement.page">https://www.standardlife.com/dotcom/procurement.page</a></td>
</tr>
</tbody>
</table>
All figures have been calculated as at 31 December 2016 (unless otherwise indicated). This document has been published by Standard Life plc for information only. It is based on our understanding as at February 2017 and does not provide financial or legal advice.

Standard Life plc is registered in Scotland (SC286832) at Standard Life House, 30 Lothian Road, Edinburgh EH1 2DH.


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