

Sustainability report

Key performance indicators

Building a sustainable business



To manage our sustainability strategy and objectives effectively, we break down our activity into 5 themes: our customers and clients, our people, our community, our environment and operating responsibly. Each theme has one or more Key Performance Indicators (KPI) which we use to formally measure how we are doing in each area. These KPIs are as follows:

- ▶ Net Promoter Score ('NPS')
- ▶ Customer complaints
- ▶ Group Capital Surplus (IGD surplus)
- ▶ Voting at shareholder meetings of investee companies
- ▶ Environment, social and governance engagements
- ▶ Diversity in the talent pipeline
- ▶ InterAction employee survey results
- ▶ Carbon footprint
- ▶ Total direct employed through employability programmes
- ▶ Total funds raised by our people

Our KPIs are assured by independent experts - PricewaterhouseCoopers LLP (PwC).

All data, unless otherwise stated, is prepared for the reporting period 1 January to 31 December 2014.

The following pages provide detailed definitions for each of our KPIs and an overall assurance statement from PwC.

Our customers and clients

KPI - Net Promoter Score ('NPS')

The annual transactional NPS score for UK and Ireland customers, clients and advisers

NPS score: 40

Comparison: (2013: N/A)

Measure:

The annual transactional NPS score for UK (full period) and Ireland (from May 2014) customers, clients and advisers for 2014.

Description:

NPS is asked at the point of transaction on the telephone with a customer, client and adviser, whether they would like to participate in a survey. If the customer, client or advisor accepts they are transferred to ServiceTick which is an automated call service that asks a set of questions that the users then answer. The consistent question asked is: 'How likely is it that you would recommend our company/product/service to a friend or colleague?'. The question is administered by the third party ServiceTick.

The scoring for the answer is on a 0 to 10 scale. Promoters are those who respond with a score of 9 or 10, Detractors are those who respond with a score of 0 to 6. Scores of 7 and 8 are passives, and they will only count towards the total number of respondents, but not directly affect the formula. NPS is calculated by subtracting the percentage of customers who are Detractors from the percentage of customers who are Promoters.

KPI - Customer complaints

UK Standard Life Assurance Limited (SLAL), Standard Life Client Management Ltd (SLCML), Standard Life Savings Limited (SLSL), Standard Life Investments (SLI), Standard Life Wealth (SLW) and Standard Life Wealth International (SLWI) customers

Number of complaints received: 6,156
Comparison: (2013: 5,785*)

Measure:

The number of complaints received from customers of SLAL, SLCML, SLSL, SLI, SLW and SLWI in the UK and Jersey. The only exceptions are telephone expressions of dissatisfaction which were received and resolved on the same day as the call. This is in line with the Financial Conduct Authority's Dispute Resolution: Complaints requirements.

Description:

Complaints are counted as any expression of dissatisfaction, whether justified or not. Complaints are recorded by the Customer Relations team on the company's Complaints Logger system.

Complaints are accepted from the following methods:

- Email message
- Phone call
- Letter
- In person

If a customer does not get a satisfactory response from Standard Life, the complaints can be referred to the Financial Ombudsman Service for consideration.

* 2013 comparable figure does not include customers of the following entities: SLI, SLW, SLWI

Operating responsibly

KPI - Group Capital Surplus (IGD surplus)

IGD surplus: £2.9bn
Comparison: (2013: £3.8bn)

Measure:

The Insurance Groups Directive (IGD) surplus for the Group as defined by the INSPRU handbook as at 31 December 2014.

Description:

The IGD surplus is a regulatory measure which calculates surplus capital within the Group. It is defined as regulatory capital less the regulatory capital requirement, and represents the financial strength of the Group. This figure includes discontinued operations.

KPI - Voting at shareholder meetings of investee companies

Votes by Standard Life Investments at shareholder meetings: 1,633
Comparison: (2013: 1,939 votes)

Measure:

The number of active voting events.

Description:

As an institutional investor, through one or more of its funds, Standard Life Investments (SLI) - through a UK-based team - executes its governance responsibilities by actively voting at shareholder meetings of companies in which SLI is an investor.

Many shareholder meetings will contain votes on different resolutions but these are not counted separately in this measure of performance. Similarly, SLI will often execute its governance responsibilities in respect of several funds that are invested in the same stock. At the same shareholder meeting, these are also counted as one single vote.

SLI uses an independent proxy advisory service to administer and record our voting. Each shareholder meeting at which SLI votes is counted equally, whether the vote is in accordance with management, or against the resolution proposed.

ESG - Environment, social and governance engagements

Environmental, social and governance engagements: 644
Comparison: (2013: 511)

Measure:

The number of environmental, social and governance engagements made.

Description:

As an institutional investor, through one or more of its funds, Standard Life Investments (SLI) executes its governance responsibilities through a UK-based team actively engaging with companies in which SLI is an investor and also companies with whom investments may have been held in the past or may be held in the future.

An individual engagement on environmental, social and governance (ESG) matters includes any contact with an investee or potential investee of SLI that is recorded on the Corporate Governance database. Individual engagements include face-to-face meetings, attendance at company briefings, conference calls, letters or email correspondence. The subject matter covered by each individual engagement will vary and multiple correspondences related to a single activity are counted as separate engagements with the exception of voting and remuneration consultations.

Our people

KPI - Diversity in the talent pipeline

Gender split of participants in talent pipeline programmes: 33.3% female and 66.7% male
Comparison: (2013: 33.8% female and 66.2% male)

Measure:

The percentage split of male / female gender within the talent pipeline as at 31 December, excluding participants based in Canada or Germany.

Definitions:

Standard Life believes in a diverse make-up, including an overall balance of backgrounds, knowledge and experience. One of the key ways is by removing obstacles to progression into Executive levels via our talent programmes being Emerging Leaders Development Support (ELDS) and Accelerated Development Support (ADS). These programmes identify and develop those with the potential, performance and aspiration to progress to senior leadership roles.

Participants attending these programmes are nominated by their business unit leadership team and are reviewed and confirmed by the Executive Team as part of our ongoing talent and succession approach.

The population is based across our offices in UK, Ireland, Hong Kong, Singapore, China and USA.

KPI - InterAction employee survey results

- a. Engagement score of 65.0% (2013: N/A - no full survey in 2013)
- b. Enablement score of 64.0% (2013: N/A - no full survey in 2013)
- c. 51.0% of people answered favourably to the technology question (2013: 41.5% of people answered favourably to the technology question)

Measure:

- a. The overall engagement score for our employees from the 2014 Interaction survey
- b. The overall enablement score for our employees from the 2014 Interaction survey
- c. The percentage of employees who answered favourably to the question; 'The technology and systems we are investing in across the group are making a positive difference' in the 2014 and 2013 InterAction surveys

Definition:

In 2014, the InterAction survey was conducted by Hay Group, a third party organisation, on behalf of Standard Life. An invitation was sent by email from Hay Group to employees of Standard Life in the UK, Republic of Ireland, Canada, Germany, Austria, Hong Kong, Singapore, Dubai, USA, Australia, China, Japan, Korea, France and Netherlands, according to the criteria below. The survey was issued to employees working for Standard Life Group, including wholly owned subsidiaries, but not joint ventures.

For the purposes of this survey, 'employees' were considered to be those who, at the time of the survey, were:

- full-time permanent employees
- part-time permanent employees
- employees on maternity/paternity/adoption leave, with the exception of employees on maternity leave in Ireland
- employees on long-term absence, with the exception of Ireland and Canada-based employees, and employees in Germany whose absence exceeded six months
- direct temporary staff (whereby an employment contract exists between Standard Life and the person concerned)
- contractors are only included within the survey population if they have a permanent or direct temporary member of Standard Life staff reporting to them.

The returns were received and consolidated by Hay Group. The data excludes any incomplete survey returns or surveys received after the closing date. InterAction survey completion data was submitted to Standard Life by Hay Group, and this provides the basis of evidence to assure the survey completion rate.

In 2013 the InterAction survey was conducted internally by Standard Life using Vovici and Survey Monkey (varied by location) using the same approach as Hay Group adopted in 2014.

In 2014, 87% of the 8,597 employees invited to participate, submitted responses to the survey.

KPI - InterAction employee survey results (cont)

For each question, employees were asked 'To what extent do you agree or disagree with each of the following statements'. A score favourable is where the employee responded 'Strongly Agree' or 'Agree'; neutral where they responded 'Neither Agree Nor Disagree'; and unfavourable where they responded 'Disagree' or 'Strongly Disagree', with the exception of the question 'Given your choice, how long are you likely to work for this company?'. Favourable is a response of ' More Than 5 Years (or until retirement)', neutral is a response of '3-5 Years' and unfavourable is a response of 'Less Than 1 Year' or '1-2 Years'. Employees also had the option to respond 'Don't Know/Not Applicable'. These responses were not included in the calculation.

- a. Engagement score % is calculated by adding up the favourable responses to the following questions, and then dividing this by the number of questions:
 - I feel proud to work for Standard Life.
 - I would recommend Standard Life as a place to work to family and friends.
 - I feel motivated to go beyond my official job responsibilities.
 - Standard Life motivates me to contribute more than is required.
 - I am likely to work for this company for... Less than one year, 1-2 years, 3-5 years, More than 5 years (or until retirement)

- b. Enablement score % is calculated by adding up the favourable responses to the following questions, and then dividing this by the number of questions:
 - My job provides me the opportunity to do challenging and interesting work.
 - Conditions in my job allow me to be about as productive as I can be.
 - Any major barriers in the workplace are effectively managed in order to allow me to do my job well.
 - My job makes the best use of my skills, abilities and strengths.

- c. The percentage of people who answered favourably to the single specific technology question listed above.

Our environment

KPI - Carbon footprint

2014 GHG emissions reported as tonnes of CO₂e: 25,237*
Comparison: (2013: 26,238**)

Measure:

Annual total carbon emissions resulting from energy used in head office locations, data centres and as a result of air and rail miles incurred for business purposes (units: tonnes CO₂e). We also report on the emissions from transmission and distribution losses.

Definition:

The following sources are excluded from the carbon footprint:

- all regional offices which have less than 1% of our full-time equivalent (FTE) employees or are not data centres
- energy used and air miles resulting from joint venture operations in China and India
- energy consumed within properties we have invested in
- air and rail miles that are not booked through the national travel operators
- other employee travel including by road

Energy recording and calculation:

Energy consumption includes electricity and gas used in Standard Life's head office buildings (this includes owned and leased properties) in Edinburgh, London, Glasgow, Leamington Spa, Frankfurt, Dublin and Hong Kong and data centres in Edinburgh and Frankfurt. These properties together include in excess of 90% of the Standard Life FTE employees as at 31 December 2014.

Energy is metered and measured in kilowatt hours (kWh).

Business air miles:

Air miles include business air miles booked by Standard Life's third-party national travel operators in Ireland, Germany, Hong Kong and the UK. The travel operator records provide the basis for reporting. Each journey is classified as domestic, short haul or long haul (as per the 2012 Department for Environment, Food and Rural Affairs (DEFRA) guidance) based on travel records held by the travel operator. For Ireland, Germany, Hong Kong and the UK, each domestic, short haul and long haul flight is then further classified as either economy class, business class or first class for conversion to CO₂e, based on information received from the travel operator.

The travel event resulting in the emissions is recorded based on the date of booking. Cancelled bookings are subtracted from the operator records.

Business rail miles:

Rail miles include business rail miles booked by Standard Life's third-party national travel operators in Ireland, Germany and the UK. The travel operator records provide the basis for reporting. The rail distance travelled is converted into emissions using the 2014 DEFRA guidance on conversion factor for national rail travel is use.

Carbon emissions:

For electricity and gas, for all global operations in scope, the kg CO₂e is calculated by converting the consumption in kWh to kg CO₂e using the country specific guidance provided by DEFRA.

For air miles and rail miles, all calculation and conversion factors are obtained from 2014 DEFRA guidance.

For transmission and distribution, all calculation and conversion factors are obtained from 2014 DEFRA guidance.

* The 2014 figures present total greenhouse gases emission from continued operations only (Canada has been excluded).

** The 2013 figure has been updated for rail business miles booked by Standard Life's third-party national travel operators in Ireland, Germany, Hong Kong and the UK and exclude Canada.

Our community

KPI - Total direct employed through employability programmes

Number of people we have employed through Edinburgh Guarantee Programme, Modern Apprentice schemes, the Investment 2020 Trainee Programme and London Guarantee Programme.

Number of people: 53
Comparison: (2013: N/A)

Measure:

The number of people we have directly employed in the UK in 2014 as part of an employability programme.

Definition:

People employed by Standard Life on a fixed term contract through one of four employability programmes, to gain work experience and are paid the Living Wage. The specific employability programmes are those joining as part of Edinburgh Guarantee Programme (known as team members), Modern Apprentice schemes (known as modern apprentice), Investment 2020 Trainee Programme (known as trainee) and London Guarantee Programme.

KPI - Total funds raised by our people

Funds raised by our people for our charity partners.

Total: £156,080*
Comparison: (2013: N/A)

Measure:

The value in GBP of monies raised for charity partners in UK, USA, Hong Kong, Germany and Ireland by our employees.

Definition:

In May 2014, Standard Life established a number of new relationships with charity partners throughout the Group, specifically: Scope, Capability Scotland, Barnardos Ireland, Giovane Elber Foundation, Let's Get Ready, and Hong Kong Society for the Protection of Children.

Our employees are able to raise and donate money to these charity partners. Additionally, in the UK, our employees donate money through our staff lottery, our Christmas raffle and Give As You Earn. The charities provide a summary of funds received.

This relates to continuing operations only.

* Total consists of monies raised for the full year in USA and in UK, Ireland, Germany and Hong Kong for the period from May to December 2014.

Independent assurance report to the Directors of Standard Life plc

The Directors of Standard Life plc ("Standard Life") engaged us to provide limited assurance on the information described below and set out in Standard Life's 2014 Sustainability Report for the year ended 31 December 2014.

Selected Information

The scope of our work was limited to assurance over the following key performance indicators (KPIs) in Standard Life's 2014 Sustainability Report (the "Selected Information"):

- ▶ Net Promoter Score ('NPS')
- ▶ Customer complaints
- ▶ Group Capital Surplus (IGD surplus)
- ▶ Voting at shareholder meetings of investee companies
- ▶ Environment, social and governance engagements
- ▶ Diversity in the talent pipeline
- ▶ InterAction employee survey results
- ▶ Carbon footprint
- ▶ Total direct employed through employability programmes
- ▶ Total funds raised by our people

Our assurance does not extend to information in respect of earlier periods or to any other information included in the 2014 Sustainability Report.

Professional standards applied and level of assurance

We performed a limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 'Assurance Engagements other than Audits and Reviews of Historical Financial Information' with reference to the International Standard on Assurance Engagements 3410 'Assurance engagements on greenhouse gas statements', issued by the International Auditing and Assurance Standards Board. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

Our Independence and Quality Control

We applied the Institute of Chartered Accountants in England and Wales (ICAEW) Code of Ethics, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

We apply International Standard on Quality Control (UK & Ireland) 1 and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our work was carried out by an independent team with experience in sustainability reporting and assurance.

Understanding reporting and measurement methodologies

The Selected Information needs to be read and understood together with the Reporting Criteria, which Standard Life is solely responsible for selecting and applying. The absence of a significant body of established practice on which to draw to evaluate and measure non-financial information allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time. The Reporting Criteria used for the reporting of the Selected Information are as at 31 December 2014.

Work done

We are required to plan and perform our work in order to consider the risk of material misstatement of the Selected Information. In doing so, we:

- ▶ made enquiries of Standard Life's management, including the sustainability team and those with responsibility of the Selected Information and Group sustainability reporting;
- ▶ evaluated the design and implementation of key processes and controls over the Selected Information;
- ▶ assessed the source data used to prepare the Selected Information for 2014, including re-performing a sample of calculations;
- ▶ carried out analytical review procedures over the Selected Information;
- ▶ at a Group level, performed limited substantive testing on a selective basis of the Selected Information to check that data had been appropriately measured, recorded, collated and reported; and
- ▶ assessed the disclosure and presentation of the Selected Information.

Standard Life's responsibilities

The Directors of Standard Life are responsible for:

- ▶ designing, implementing and maintaining internal controls over information relevant to the preparation of the Selected Information that is free from material misstatement, whether due to fraud or error;
- ▶ establishing objective Reporting Criteria for preparing the Selected Information;
- ▶ measuring and reporting the Selected Information based on the Reporting Criteria; and
- ▶ the content of the 2014 Sustainability Report.

Our responsibilities

We are responsible for:

- ▶ planning and performing the engagement to obtain limited assurance about whether the Selected Information is free from material misstatement, whether due to fraud or error;
- ▶ forming an independent conclusion, based on the procedures we have performed and the evidence we have obtained; and
- ▶ reporting our conclusion to the Directors of Standard Life.

Our conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Selected Information for the year ended 31 December 2014 has not been prepared, in all material respects, in accordance with the Reporting Criteria.

This report, including our conclusions, has been prepared solely for the Board of Directors of Standard Life in accordance with the agreement between us, to assist the Directors in reporting Standard Life's sustainability performance and activities. We permit this report to be disclosed in the Sustainability Report 2014 for the year ended 31 December 2014, to assist the Directors in responding to their governance responsibilities by obtaining an independent assurance report in connection with the Selected Information. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board of Directors and Standard Life for our work or this report except where terms are expressly agreed between us in writing.


**PricewaterhouseCoopers LLP,
Chartered Accountants,
Edinburgh**

18 February 2015



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Sustainability
report.**