

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: customers, people, communities, 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:

- Customer complaints recorded
- Impact of technology on employee engagement
- Succession planning for critical roles
- Voting at shareholder meetings of investee companies
- Environment, Social, Governance engagements
- Carbon footprint (Greenhouse gas emissions reported as kg of CO₂e)
- Total community contribution

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

All data, unless otherwise stated, are prepared for the reporting period 1 January to 31 December 2013.

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

KPI - Customer complaints

UK Standard Life Assurance Limited (SLAL), Standard Life Client Management Ltd (SLCML) and Standard Life Savings Limited (SLSL) customers

Number of complaints received: 5,785

Comparison: (2012: 5,979)

Measure:

The number of complaints received from customers of SLAL, SLCML and SLSL in the UK, specifically excluding overseas customers and customers of Standard Life Investments. 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.

KPI - Impact of technology on engagement

41.5% of people answered favourably, 34.4% answered neutral and 24.1% were unfavourable in response to the question; 'The technology and systems we are investing in across the group are starting to make a positive difference' in our InterAction temperature check
Comparison: (2012: N/A)

Measure:

The number of employees who answered favourably, neutrally and unfavourably to the technology question listed above. This forms part of the temperature check InterAction survey which took place in August 2013 across the group. The favourable, neutral and unfavourable responses are added together and expressed as a percentage of the total number of responses to the question.

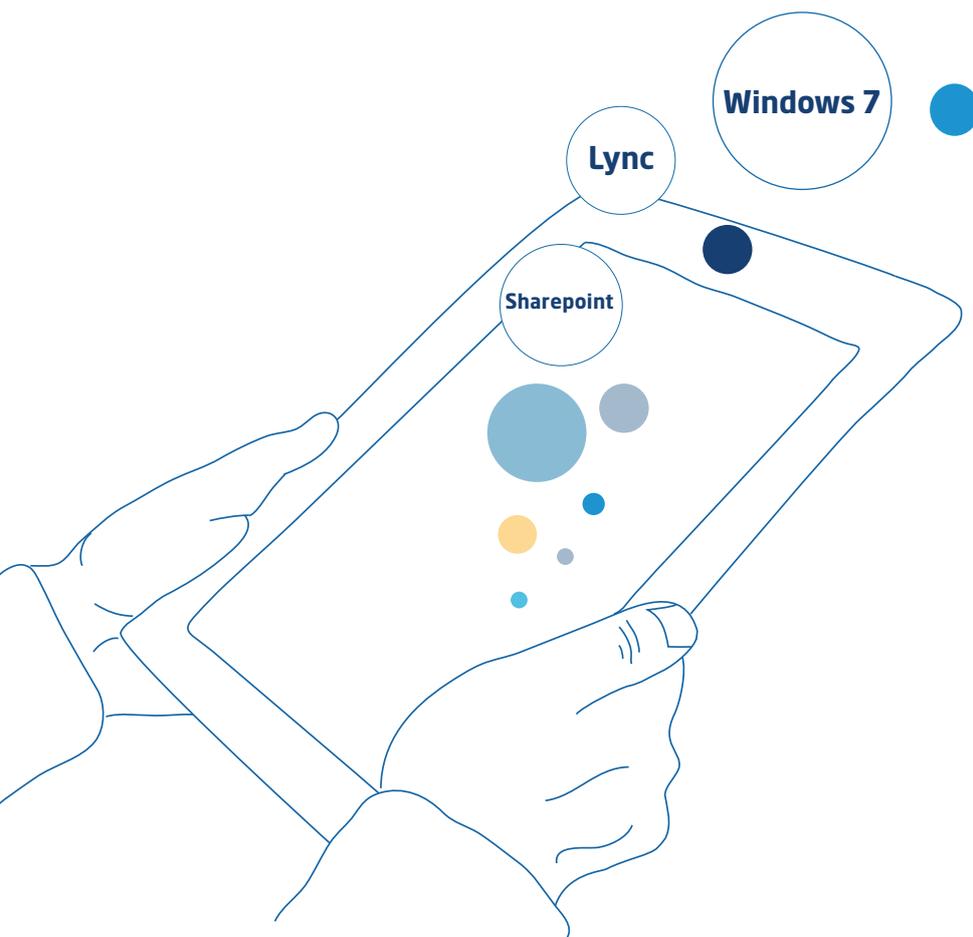
Definition:

The InterAction survey was conducted internally by Standard Life using Vovici and Survey Monkey (varied by location) and was anonymous to ensure confidentiality of responses. An invitation was sent by email to all employees*, of Standard Life in the United Kingdom and Republic of Ireland, Canada, Germany and Hong Kong. 52% of the 8,318 employees invited to participate responded to the survey.

Employees rate the question on a scale of 1-5 (5 being the highest). Favourable is a score of 4 or 5, neutral is a score of 3 and unfavourable is a score of 1 or 2. The returns are received and consolidated by Standard Life People function, who publish the results on the company intranet site. The data excludes any surveys received after the closing date and incomplete answers to questions.

* Employees were considered to be those who, at the time of the survey, were:

- Full-time permanent employees
- Part-time permanent employees
- Direct temporary staff (whereby an employment contract exists between Standard Life and the person concerned)
- The decision to include contractors was made at business unit level and therefore was not consistent across the group. There were 200-300 contractors employed by Standard Life at the time of the survey, which represents 2.5-3.5% of the total population surveyed.



KPI - Succession planning

Percentage of critical roles with a 'contingency successor': 96%; Percentage of critical roles with at least one 'ready now successor': 58%; Percentage of critical roles with at least one 'ready in 0-2 years successor': 89%

Comparison: (2012: N/A)

Measure:

The percentage of critical roles for which there is at least one named successor identified as either a 'contingency successor', a 'ready now successor' or a 'ready in 0-2years successor'. The percentages are calculated individually for each defined successor category and an individual successor can be included within more than one category (for example, ready now successors are also included in the ready in 0-2 years successor).

Definitions:

Succession planning is a component part of the group-wide Executive Succession & Talent Review (ESTR) which takes places from February to May annually. This involves a series of calibration meetings across each Business Unit which include:

- A Talent Review of individuals in the senior leadership group and our talent programmes (performance, potential, retention and development actions)
- A review of succession cover for contingency, ready now and ready in 0-2 year successors.

At these meetings, the Business Unit executive members collectively agree who the successors are, the successor category of each identified successor and the critical role against which each successor is mapped. These decisions are informed by track record of performance, the aspirations of the individuals themselves and any data held (e.g. YSC or Egon Zehnder assessment reports). This data rolls up to an overall calibration meeting with the group executive who discuss and confirm the outcomes of the process. These are then further overviewed by the Nomination & Governance Committee.

Succession planning may be used further down the organisation where there is a business need but this is not tracked centrally.

The objective of succession planning is to minimise business risk and ensure continuity by ensuring we have contingency plans in place for all critical roles. We also use Succession alongside Talent Review data to aid our decision-making in the appointment, development and deployment of the senior leadership group and talent pipelines across the group in line with business requirements.

Role and successor category definitions

- **Critical roles** - all senior leadership group / executive Job Family roles (excludes executive team roles that would not be replaced). These roles (rather than person) are defined as approved roles and/or those which are crucial to the achievement of group and business unit objectives. There are a total of 54 critical roles at present.
- **Contingency successor** - An individual who could 'caretake' the role on a contingency / short term basis but who may not be appointed to the role on a permanent basis. This could be for a number of reasons e.g. not likely to benchmark sufficiently against role requirements, does not have aspirations in this direction, may be a lateral move, etc. For one of the 54 critical roles, this succession category was deemed to be not applicable as the role would be split amongst a number of other roles in the short term.
- **Ready now successor** - If the role at the next level became vacant now, this individual is likely to be a candidate for appointment. For one of the 54 critical roles, this succession category was deemed to be not applicable as the role was being phased out.
- **Ready in 0-2 years successor** - If the role at the next level became vacant in the next 2 years, this individual is likely to be a candidate for appointment, subject to appropriate development in the meantime. For one of the 54 critical roles, this succession category was deemed to be not applicable as the role was being phased out.

KPI - Voting at shareholder meetings of investee companies

1,939 votes by Standard Life at shareholder meetings

Comparison (2012: 2,066 votes)

Measure:

The number of active voting events.

Definition:

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 two independent proxy advisory services 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.

KPI - Environment, social and governance engagements

511 environmental, social and governance engagements

Comparison (2012: 654 engagements)

Measure:

The number of environmental, social and governance engagements made.

Definition:

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.



KPI - Carbon footprint

32,796 in 2013 (GHG emissions reported as tonnes of CO₂e)

Comparison (32,263 in 2012, emissions reported as tonnes of CO₂e)*

Measure:

Annual total carbon emissions resulting from energy used in head office locations, data centres and as a result of air miles incurred for business purposes (units: tonnes CO₂e).

Definition:

The following sources are excluded from the carbon footprint:

- all regional offices which are not deemed to be head offices or data centres
- a multi-tenanted office in Edinburgh, which we occupied in phases from August 2012. The office does not have sub-metering to provide accurate data. This building represents 4% of our full-time equivalent presence in our head offices in Edinburgh
- energy used and air miles resulting from joint venture operations in China and India
- energy consumed within properties we have invested in
- air miles that are not booked through the national travel operators; and
- other employee travel including by road and rail

Energy recording and calculation:

Energy consumption includes electricity, gas and fuel oil used in Standard Life's head office buildings (this includes owned and leased properties) in Edinburgh, Montreal, Frankfurt, Dublin and Hong Kong and data centres in Edinburgh and Montreal. These properties together include in excess of 90% of the Standard Life full-time equivalent employees as at 31 December 2013

Energy is metered and measured in kilowatt hours (kWh) except fuel oil in Ireland where stock level is metered and measured in litres and gas in Canada which is recorded in cubic metres. Ireland's fuel oil and Canada's gas consumption data are converted from litres / cubic metres to kWh using standard conversion factors supplied by the Carbon Trust.

Business air miles:

Air miles include business air miles booked by Standard Life's third-party national travel operators in Canada, 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. For Canada, flights are further classified as economy class, business class or first class for conversion to CO₂e based on Standard Life travel policy.

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

Carbon emissions:

For electricity consumption of 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 gas and fuel oil the equivalent number of kilogrammes of carbon dioxide (kg CO₂e) is calculated using 2013 DEFRA guidance.

For air miles, all calculation and conversion factors are obtained from 2013 DEFRA guidance.

*The 2012 carbon emissions total was restated to align to the calculation method used for 2013. The restated calculation adopts more accurate carbon emissions conversion rates released by DEFRA and incorporates new travel data which provides a more accurate reflection of the emissions resulting from air travel by splitting the flight data by flight class for conversion to CO₂e.

KPI - Total community contribution

£1.56m total community contribution

Comparison: (2012: £2.11m total contribution)

Measure:

Total community contribution (£) by Standard Life group during the reporting year 2013.

Definition:

Conversions of contribution data denominated in other currencies are made using independent and publicly available exchange rates (Expendia.com). Local entries are converted to GBP at the time of capturing the data. For matched funding, all conversions are calculated on the same date they are paid, after the year end.

Community contribution is identified through our Corporate Community Investment (CCI) policy and the CCI Framework.

Community data is recorded for community work and contributions across all office locations and data centres and all staff in UK, Germany, Canada, Ireland and Hong Kong. The preparation of the community contribution data is in line with the London Benchmarking Group (LBG) guidance.

The community contribution comprises four categories:

Cash

Cash payments include sponsorships, donations (including to Standard Life Charitable Trust) and corporate memberships and subscriptions to community and or educational organisations. In addition Standard Life matches the funds raised on any staff fund-raising activity (up to an agreed level).

Time

Standard Life's people function provides a salary-based single global average hourly rate of £27.12 (2012: £26.54) which is used for all staff, regardless of level of seniority, committing time to the community activities.

Time spent includes:

- volunteering - e.g. Scout or Guide leaders, working with the Children's Panel, etc. Line managers sign off monthly time management returns, which include any volunteering time. The CCI team get a report from our people function, which is checked to validate the entries
- team challenges - e.g. decorating, landscaping, etc. These data are captured by the CCI team
- secondments to charities and community groups. Time is recorded by the CCI team and includes time for both the secondee and for related monthly reviews with their line manager during the secondment
- community investment time - an element of time for specific projects from the local CCI contacts, calculated at the group hourly rate. For the CCI team in the UK, as a percentage of their salary for these projects e.g. team challenges, secondments, etc.

Gifted 'in kind' items

These items include for example printing, free use of meeting rooms and donations of PCs and furniture to charities, community organisations and educational establishments. The monetary value for each category of item is established at group level.

Management costs

This consists mainly of management of the CCI team, strategic work and reporting. This involves calculation of time to manage our CCI programmes as a percentage of each person's salary. London Benchmarking Group has advised that our management fee should be no more than 8% of our community investment total. So total management fees were capped at 8% where they exceeded this amount.

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 2013 Sustainability report for the year ended 31 December 2013.

Selected Information

The scope of our work was limited to assurance over the following selected key performance indicators contained in Standard Life's 2013 Sustainability Report: (the "Selected Information")

- ▶ customer complaints recorded;
- ▶ impact of technology on employee engagement;
- ▶ succession planning for critical roles;
- ▶ voting at shareholder meetings of investee companies;
- ▶ environment, Social, Governance engagements;
- ▶ carbon footprint (GHG emissions reported as kg of CO₂e) ; and
- ▶ total community contribution.

Our assurance does not extend to information in respect of earlier periods or to any other information included in the 2013 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' (ISAE 3410), 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&I) 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. 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. The nature, methods and precision used to determine non-financial information can result in materially different measurements, affecting comparability between entities and over time. The Reporting Criteria used for the reporting of the Selected Information is at 31 December 2013.

Work done

Considering the risk of material misstatement of the Selected Information, we:

- ▶ made enquiries of Standard Life's management, including the sustainability team and those with responsibility for 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 2013, 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 2013 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

As a result of our procedures nothing has come to our attention that indicates the Selected Information for the year ended 31 December 2013 has not been prepared in all material respects with the Reporting Criteria.

This report, including our conclusions, has been prepared solely for the Directors of Standard Life as a body 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 2013 for the year ended 31 December 2013, to enable the Directors to show they have addressed 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 Directors as a body and Standard Life for our work or this report except where terms are expressly agreed between us in writing.

**PricewaterhouseCoopers LLP,
Chartered Accountants,
Glasgow**

27 February 2014



**Click here
to return
to the full
Sustainability
report.**