



FRIENDS PROVIDENT



Friends Provident Life and Pensions Ltd Statement of Commitment

Social Responsible Investing (SRI) is an important part of Friends Provident's business success. Friends Provident set up the UK's first range of retail ethical funds in 1984 – the Stewardship range of funds. These funds now exceed £3 billion under management and invest money on behalf of over 250,000 people.

Friends Provident have been involved in the Transparency Guidelines since 2005 and welcome the new European SRI Transparency Guidelines.

This is our second statement of commitment and sets out our current position, as at 1 May 2008. Our full response to the European SRI Transparency Guidelines can be accessed below and is also on our website (www.friendsprovident.com/sri).

FRIENDS[®] Compliance with the Transparency Guidelines

FRIENDS[®] is committed to transparency and to making available as much information as possible to ensure that investors make the right investment decisions. We aim to be as transparent as possible given the regulatory and competitive environments. FRIENDS[®] seeks to balance publishing information that is sufficiently detailed that it can usefully inform and educate interested - and often expert - readers whilst not being so lengthy that it is off-putting.

Although Friends Provident owns the Stewardship brand, what we are able to put into the public domain is in some respects dependant on the information supplied by the fund managers - F&C Asset Management - who manage the Stewardship funds on our behalf.

As such FRIENDS[®] SRI proposition is that of a retail product provider not a fund manager. This means we primarily operate in the retail 'green and ethical investment' arena not the institutional SRI market.

The response below relates to the Stewardship range of funds which are so synonymous with the Friends Provident name. The statement does not cover the other ethical funds which some of our products are linked to. With regard to the Stewardship funds FRIENDS[®] meets the full recommendations of the European SRI Transparency Guidelines with the exception of question 7a as we only usually publish the top ten holdings.

The European SRI Transparency logo signifies that Friends Provident commits to provide accurate, adequate and timely information to enable stakeholders, in particular consumers, to understand the Socially Responsible Investment (SRI) policies and practices relating to the fund. Detailed information about the European SRI Transparency Guidelines can be found on www.eurosif.org, and information of the SRI policies and practices of Friends Provident can be found at: www.friendsprovident.com. The Transparency Guidelines are managed by Eurosif, an independent organisation. The European SRI Transparency Logo reflects the fund manager's commitment as detailed above and should not be taken as an endorsement of any particular company, organisation or individual.



Guideline Categories

	<i>Section 1. Basic Details</i>	<i>FRIENDS® Response</i>
1	Signatories* should be clear about who they are and provide background information on the fund*, and the fund manager*.	<p>Friends Provident is a FTSE100 listed life office which offers green and ethical funds managed by a range of different fund managers.</p> <p>Friends Provident owns the 'Stewardship' brand. Stewardship was launched by Friends Provident in 1984 and is the UK's first and largest range of retail ethical funds in terms of funds under management.</p> <p>The Friends Provident Stewardship funds are managed by F&C Asset Management.</p> <p>Friends Provident owns 52% of F&C's shares.</p> <p>Pension, Protection and Investment products are sold in the UK by Friends Provident under the 'FRIENDS®' brand.</p> <p>The Green and Ethical funds that are sold by 'FRIENDS®' and not managed by F&C carry both the FRIENDS® name and that of their specific fund manager within our marketing materials.</p>
1a	Provide the name of the fund(s) and fund manager to which these guidelines apply.	<p>This response applies only to the "Stewardship" range of funds.</p> <p>FRIENDS® offers the following Stewardship life and pension options:</p> <p>Life: Stewardship, Stewardship Managed, Stewardship International, Stewardship Safeguard Optimiser, Stewardship Corporate Bond, Stewardship Income</p> <p>Pension: Stewardship, Stewardship Managed, Stewardship Income</p> <p>These are primarily invested through the following funds which are managed by F&C:</p> <ul style="list-style-type: none"> - Stewardship Growth OEIC - Stewardship Income OEIC - Stewardship International OEIC - F&C Ethical Bond fund <p>Fund Managers: Stewardship – Ted Scott, Stewardship Managed – Paul Niven, Stewardship International – Sophie Horsfall, Stewardship Safeguard Optimiser – Various, Stewardship Corporate Bond – Rebecca Seabrook, Stewardship Income – Ted Scott/Hilary Aldridge.</p>
1b	Provide contact details for further	For further information about these funds please

	information regarding the funds.	<p>contact your financial adviser.</p> <p>Additional information about the Stewardship funds is available from www.friendsprovident.co.uk/sri. This includes ethical policy details and performance information.</p> <p>Fund fact sheets are also available.</p> <p>Alternatively advisers can call: 0845 757 3036</p> <p>If you are a private investor please call: 0800 00 00 80</p>
1c	What is the size of the fund? In currency at a specified date.	<p>The Stewardship range was £3.2 bn at 31 March 2008. (source:F&C)</p> <p>Fact sheets: Life: Stewardship, Stewardship Managed, Stewardship International, Stewardship Safeguard Optimiser, Stewardship Corporate Bond (not available yet), Stewardship Income</p> <p>Pension: Stewardship, Stewardship Managed, Stewardship Income</p>
1d	Where can financial performance history data about the fund be found?	<p>A monthly SRI investment bulletin is available on our website. Fund fact sheets are also available.</p> <p>The monthly SRI investment bulletin sets out the structure of where each of the Stewardship life and pension funds invest including whether or not they invest via underlying OEIC funds or other assets.</p> <p>Unit prices of the underlying F&C Stewardship funds are quoted in the Financial Times.</p>
1e	Provide details of the content, frequency and means of communicating information to investors.	<p>Friends Provident carries up to date information on its website and issues periodic newsletters. There are also links available to the monthly Governance and Sustainable Investment (GSI) bulletin available on-line.</p> <p>In addition Friends Provident welcomes communications with investors. Queries relating to the ethical approach of the fund or companies held addressed to the Stewardship Committee of Reference (see 2c) are dealt with by the Committee who work closely with the F&C GSI analysts.</p> <p>In addition life and pension investors receive standard annual statements.</p>
Additional	Briefly describe the corporate responsibility policies of the	For information about the Friends Provident approach please see our website this includes

	<p>organisation that manages or promotes the fund(s), or give direction to where this information can be located.</p>	<p>details of our corporate social responsibility, including our CSR Report.</p> <p>The F&C CSR report is available via the following link: http://www.fandc.com/new/aboutus/</p>
--	---	---

	<p>Section 2. SRI Investment Criteria</p>	<p>FRIENDS[®] Response</p>
<p>2</p>	<p>Signatories should be clear about their purpose* and investment criteria*.</p>	
<p>2a</p>	<p>How does the fund define SRI?</p>	<p>FRIENDS[®] loosely defines SRI as ‘any investment fund which specifically takes into account ethical, social and/or environmental issues’.</p> <p>Our Stewardship range of funds offers a stringently screened investment choice. Stewardship defines ethical investment as investment in companies that make a positive contribution to society, while avoiding those whose activities can harm society or the natural environment. In addition the funds are covered by the F&C responsible engagement policy called reo[®].</p>
<p>2b</p>	<p>What are the SRI investment criteria of the fund?</p>	<p>Stewardship actively seeks out companies involved in the following:</p> <ul style="list-style-type: none"> ▪ Supplying the basic necessities of life such as food, housing, and clothing ▪ Offering product choices for ethical and sustainable lifestyles eg. fair trade, organic ▪ Improving quality of life through the responsible use of new technologies ▪ Good environmental management ▪ Actively addressing climate change e.g. renewable energy, energy efficiency ▪ Promotion and protection of human rights ▪ Good employment practices ▪ Positive impact on local communities ▪ Good relations with customers and suppliers ▪ Effective anti-corruption controls ▪ Transparent communication <p>Stewardship aims to avoid companies involved in the following:</p> <ul style="list-style-type: none"> ▪ Tobacco production ▪ Alcohol production ▪ Gambling

		<ul style="list-style-type: none"> ▪ Pornography or violent material ▪ Manufacture and sale of weapons ▪ Unnecessary exploitation of animals ▪ Nuclear power generation ▪ Poor environmental practices ▪ Human rights abuses ▪ Poor relations with employees, customers or suppliers <p>We recognise that Stewardship's core aim of investing only in those companies which, in what they do and the way they do it, on balance make a positive contribution to society cannot be fully captured in the policies described here. Accordingly, we may on rare occasions exclude companies which we judge conflict with that aim even when they do not fall foul of any of the negative criteria set out in this document.</p> <p>Detailed Stewardship policy information is available on the Friends Provident website. See http://www.friendsprovident.com/sri/ (please click on 'Methodology' button to access this area.)</p>
2c	How are the SRI criteria defined, and how frequently and by whom are the criteria reviewed?	<p>The Stewardship screening criteria are formulated, periodically reviewed and approved by an external panel of experts the Stewardship 'Committee of Reference', who are supported by the F&C Governance and Sustainable Investment (GSI) Team. (See website for further details).</p> <p>Before any significant changes are made to the ethical screening criteria, F&C undertakes extensive research of the particular policy area and considers our investors requirements.</p> <p>This process is ongoing and includes dialogue with advisers as well as formal investor research projects. An example of such research includes a questionnaire on investor attitudes to energy including nuclear which informed our revised policy.</p>
2d	How are criteria changes communicated to investors?	Significant criteria changes are communicated to investors through the website and newsletter

	Section 3. Research Process	FRIENDS® Response
3	Signatories should provide information on their research process.	
3a	Describe your SRI research methodology and process.	<p>Stewardship works as follows:</p> <p>Ethical Policies – Stewardship policy decisions are made by an external panel of experts, the Committee of Reference (the COR). The COR are supported by research provided by the F&C</p>

		<p>Governance and Sustainable Investment (GSI) Team.</p> <p>Company Selection - the Stewardship fund managers select companies for investment from the 'Approved list'. When fund managers find new stocks they wish to invest in, these are put to the GSI Team for initial assessment, and if likely to be appropriate are researched in detail and put forward to the Investment Sub Committee for approval prior to any investment being made.</p> <p>Company Research F&C's in-house GSI Team assess the company using independent research commissioned from specialist research agencies, supplemented by detailed proprietary research. This includes a review of publicly available documents and press, direct contact with the company and other research tools. Analysts compile a detailed profile of each company and a recommendation as to whether it meets the ethical criteria. A Director from the GSI Team oversees the recommendation.</p> <p>Company Approval - a Sub Committee of the Committee of Reference (the ISC), who meet quarterly, consider the GSI Team's profile and recommendation, then decide which companies are acceptable for the Stewardship funds. The ISC compares what a company does and 'how they do it' with the ethical policies of the fund in order to decide which companies should be acceptable for the Stewardship funds. Companies deemed by the ISC to be appropriate for Stewardship are added to the 'Approved Companies' list.</p> <p>Company Monitoring The ISC regularly monitors companies that are held in the ethically screened funds to ensure they continue to meet the ethical criteria. This is through support by the GSI Team, including monitoring through research providers, news services and company press releases. In addition, as an extra safeguard, all companies held in Stewardship undergo a full periodic review – typically every three to four years. If there is a significant change, the ISC may decide that a previously acceptable company should become unacceptable. Companies that become 'unacceptable' must be sold by the fund managers within six months.</p>
3b	Does the fund manager use an in-house research team and/or an external research team? Please	Stewardship uses both. Fund managers F&C use in-house equity and bond research to select companies based on their

	explain.	financial performance. The F&C in-house GSI Team assesses whether companies meet the Stewardship ethical criteria. The GSI Team uses independent research commissioned from specialist research agencies, supplemented by detailed proprietary research. Company approval decisions however sit with the Investment Sub Committee of the Committee of Reference.
3c	Is there an external control or external verification process in place for the research process? Where an Advisory Committee is used, please state its responsibilities.	<p>Yes. The Committee of Reference is an independent body of people that meets on a quarterly basis to set, review and keep up to date the ethical policies of Stewardship.</p> <p>A sub-committee of this group, the Investment Sub-Committee (ISC), also meet quarterly to consider how companies compare against these policies. The ISC reviews companies brought to their attention by the F&C fund managers and the Governance & Sustainable Investment (GSI) Team which may be appropriate for future inclusion, or may need to be removed from the fund. The final decisions are made by the ISC and form the approved list of companies from which the fund managers select Stewardship stocks.</p> <p>The Committee reviews the holdings in Stewardship and the source data used by the GSI Team to confirm this is accurate and correct. For example, this may include reviewing press articles, EIRIS research and company websites.</p>
3d	Does the research process include stakeholder consultation? If yes, please provide details.	<p>Yes. The Stewardship fund managers take into account the views of stakeholders. For example, following stakeholder consultation recently, they revised the research process for accessing biofuel companies to include an assessment of carbon savings and increased direct contact with companies. In addition, their key research provider, EIRiS, uses stakeholder consultation. See their website for more information: www.eiris.org/</p>
3e	Do companies have the opportunity to see their profile or analysis? If yes, how often?	<p>Not normally, although prior to making an overall assessment of a company on the ethical criteria, the GSI Team checks that its research is accurate with companies. This research (which is in addition to information received from research providers) focuses on contentious areas mainly relating to negative screens.</p> <p>F&C does not systematically send research reports of companies to them for review before making a decision, although some of the research providers do undertake this. The main reason for this is that this information is commercially valuable. The sheer volume of stocks that are assessed for Stewardship (roughly 60 each quarter) means that the time needed for</p>

		<p>consulting with companies on their profiles would create a time lag before the fund manager could purchase a stock, with potential performance implications.</p> <p>If a company asks F&C to outline and explain their rating of them for Stewardship, F&C aims to provide this. In exceptional circumstances, if a company requests a copy of our company profile report for a particular reason, F&C may share it on a confidential basis.</p>
3f	How frequently is the research process reviewed?	We seek continuous improvement in the research process and so F&C updates this on an ongoing basis. The research process is formally considered on a quarterly basis, with the independent Committee having the opportunity to advise on improvements needed.
3g	What research findings are disclosed to the public? How?	<p>Top 10 holdings are disclosed to the public on the website and fund fact sheets. F&C does not disclose company profile reports to the public as this is commercially sensitive information. Examples 'reasons to invest' are spotlighted in newsletters issued by FRIENDS as well as F&C, and we or F&C respond to investor queries individually.</p> <p>OEIC investors receive a list of holdings with their annual report, however this practice is not the norm in life and pensions as no annual report is produced. F&C will however respond in detail to any query with regard to whether or not a particular holding is held in Stewardship and the Committee of Reference welcomes the views of investors and will always take the time to respond to any enquiry put to them.</p>

	Section 4. Evaluation and Implementation	FRIENDS® Response
4	Signatories should provide information on how the research is used to build and maintain their portfolio*.	
4a	How are the results of research integrated into the investment process, including selection and approval of companies for investment?	<p>The request to ethically screen a stock is initiated by a Stewardship fund manager. When a Stewardship fund manager requests a company it is put forward for approval company research is carried out by the GSI Team and then put to the ISC for approval. Fund managers can only invest in companies that have been approved by the ISC and are given a list that informs them of approved stocks.</p> <p>The GSI Team meets regularly with the Fund Managers to highlight and discuss the reasons why particular companies are acceptable or</p>

		<p>unacceptable. In addition the Stewardship fund managers are also part of specific investment desks and receive standard financial company information via the normal channels. The GSI Team is integrated into the F&C investment process and communication mechanisms are in place to alert Fund Managers, as well as in-house equity and bond research analysts, to significant social, environmental and ethical risks of companies being considered for investment or already held.</p>
4b	<p>What internal or external measures are in place to ensure portfolio holdings* comply with SRI investment criteria?</p>	<p><u>Internal Measures:</u> Internal measures include the “Dealing Ban” system, which means that Fund Managers are physically unable to purchase or trade stocks that are Unacceptable for Stewardship. Internal processes also include reviewing companies on an ongoing and three-year basis to check held companies continue to comply with the SRI investment criteria. The GSI Team regularly monitors companies that are held in our ethically screened funds to ensure they continue to meet the ethical criteria, through our research providers, news services and company press releases. Held companies are typically fully reviewed every three years.</p> <p>We also commission an independent research provider to check holdings comply with the SRI investment criteria on a quarterly basis.</p> <p><u>External measures</u> External measures include the independent Committee of Reference, operating through the Investment Sub-Committee, viewing the acceptable universe of stocks and reviewing portfolio exceptions noted by the independent research provider.</p>
4c	<p>What is the policy and procedure for divestments* on SRI grounds?</p>	<p>Our policy is that if there is a significant change, a previously acceptable company may become unacceptable and we dispose of the stock. This may arise from new information coming to light, including a change in the company’s strategy, operations, disclosure or performance. In such cases, the GSI Team first conducts research to ascertain whether the company no longer meets the ethical criteria. The GSI Team’s research findings are reported to the independent Investment Sub-Committee, which decides whether the company breaches the ethical criteria. If the rating of the company is changed from Acceptable to Unacceptable for Stewardship, the Fund Manager is informed. The Fund Manager is required to dispose of the holding within six months. The GSI Team checks that the Unacceptable company has been disposed of.</p>

4d	Are investors informed about divestments on SRI grounds? If yes, how frequently and by what means?	This is not an area that we publish extensive information on. Information of this kind is occasionally carried in the F&C six monthly newsletter and the FRIENDS [®] SRI newsletter. The Committee of Reference advises F&C as to whether a divestment is “significant” or not.
4e	Does the fund manager inform companies of portfolio exclusions* or divestments due to non-compliance with its SRI policy and criteria?	If a company asks whether it is Acceptable for Stewardship or requests further information regarding divestments, then F&C provides this. We do not systematically inform all companies of divestment due to non-compliance with the ethical criteria or “name and shame” companies, as we do not believe that this benefits either the company or F&C as an asset manager. If a F&C considers prioritising it for engagement through the reo [®] programme, to encourage better practices. At times though, a company’s core business activity may mean that it remains Unacceptable for Stewardship, even if its practices are good, as may be the case for some tobacco manufacturers.
Additional	To what extent do any results of engagement* activities feed into company selection?	The findings and results of engagement activities are taken into account during company selection, but this is considered one of many sources of information. If a company clearly breaches an explicit negative screen it is rated as Unacceptable for Stewardship, regardless of prior or planned engagement activity. The F&C reo [®] engagement programme is applied to all F&C equity assets under management.

	Section 5. Engagement Approach**	FRIENDS[®] Response
5	Signatories should explain their approach to engagement if the fund has such a policy.	
5a	What are the aims of the engagement policy?	Our engagement policy reo [®] (responsible engagement overlay) covers all our in-house equity assets. reo [®] is carried out on our behalf by our fund managers F&C. reo [®] ’s objective is to protect shareholder value by using our influence as a shareholder to encourage companies to enhance their corporate governance standards and management of social, ethical and environmental (SEE) risks. We seek to do this by encouraging companies to achieve good practice in these areas. Further information about reo [®] is available on our website www.friendsprovident.com/sri . Additional information is available from F&C .
5b	How does the fund prioritise which companies it will engage with?	F&C considers a number of factors when prioritising companies including size of the holding, the sector, the issue and client concerns.
5c	Who undertakes engagement on	The F&C GSI Team conducts any engagement

	behalf of the fund?	that is undertaken with regard to F&C equity assets – which include the Stewardship ethical funds and our non-screened (standard) funds.
5d	What methods of engagement are employed?	Engagement is carried out largely through one-to-one contacts with companies, backed up by the voting process at companies' AGMs. The Governance and Sustainable Investment Team also undertakes or commissions proprietary research on key SEE issues to assess how material they are to companies and what can be done to manage the risks effectively. The GSI Team also actively participates in collaborative engagement exercises with other investors or with other expert (often NGO) groups. Please see the F&C website and quarterly reo® reports section on our website for further information.
5e	How is the effectiveness of engagement activity monitored/addressed?	An internal performance assessment system is in place to assess the effectiveness of the engagement activity.
5f	What further steps, if any, are taken if engagement is considered unsuccessful?	F&C will not divest if a company fails to respond to engagement. However, companies are not invested in unless they meet strict Stewardship criteria.
5g	How, and how frequently, are engagement activities communicated to investors and other stakeholders?	On a quarterly basis, through the F&C public reo® report and annual reports. These are available from our SRI website: www.friendsprovident.com/sri . The website also carries details of reports, which includes our full voting record .

Section 6. Voting Policy**		FRIENDS® Response
6	Signatories should make clear their policies on voting*.	
6a	Does the fund have a voting policy? If so, what is it?	The fund is managed by F&C and so applies the F&C voting policy, which reflects best practice. See our website, which details our voting policies .
6b	Does the fund disclose its voting practices and reasoning for decisions? If so, where can this information be found?	Yes. Friends Provident and F&C have pioneered disclosure in this area. Details are available via the FRIENDS® and F&C websites.
6c	Does the fund sponsor/co-sponsor shareholder resolutions?	The fund is managed by F&C and so applies the F&C voting policy in this area. F&C does occasionally sponsor/co-sponsor shareholder resolutions. Please see the F&C website, which details their approach towards shareholder resolutions.

Section 7. Periodical Activities		FRIENDS® Response
7	Signatories should periodically	

	disclose information about their activities. This should be done at least on an annual basis.	
7a	List the fund holdings at a specified date within the last 6 months.	Top 10 fund holdings of each fund can be found in our SRI Monthly Bulletin .
7b	What engagement activity has been carried out on behalf of the fund during the past year?	Our website carries the quarterly public reo [®] report from F&C which has been published since 2003. Hard copies of these are also available on request from F&C - please contact at enquiries@fandc.com for these.
7c	What voting actions occurred that were related to the SRI fund criteria?	These are detailed in the quarterly public reo [®] reports and also in the F&C Responsible Investment Report 2007. Please see www.friendsprovident.com/sri for the reo [®] report and the F&C website for the latter. Hard copies of these are also available on request - please contact enquiries@fandc.com
Additional	What divestments occurred in the past year related to the SRI fund criteria?	Ongoing monitoring identified four companies in 2007 that breached Stewardship criteria. We divested from: Ricoh, Metro, Gruppo Ferrovial and Air Partner.
Additional	What were the amount of donations and the percentage of management fees that the fund gave to charities this past year?	This is not the way we operate, and approaches of this kind are considered contentious by some UK advisers as the decision to support a charity should rest with the investor. We do not normally make donations relating to policy charges although occasionally promotions are agreed that aim to support specific charities. Instead our approach to play an active role in the community and to make charitable donations in support of a small number of named charities. F&C and Friends Provident both make charitable donations, which are listed in respective annual CSR Reports. In addition the Friends Provident charitable foundation which was set up in 2004. Please see the 'About Us' section of www.friendsprovident.com for further information.

** if applicable

Definitions of key terms used in the guidelines

Definitions of key terms have been included to assist those reporting in line with the Guidelines as well as consumers who will use the information reported. Words appearing in the guidelines that have definitions are cited by a * next to them.

Term	Definition
SRI Investment Criteria	The principle or standard of judgement used to determine what the fund can and cannot invest in from an environmental, social or ethical perspective.
Divestments	Companies that are sold from the fund portfolio.
Engagement	A long term process of dialogue with companies which seeks to influence company behaviour in relation to their social, ethical and environmental practices.
Exclusion	The exclusion of sectors or companies from a fund if involved in certain activities based on specific SRI fund criteria (i.e. no tobacco or no animal testing).
Fund manager	The entity responsible for overall management of the fund.
Fund(s)	A legal entity, the purpose of which is solely the acquisition of portfolio investments. This also includes compartments and sub-funds.
Holdings	Equities and/or bonds of companies that collectively comprise the fund portfolio.
Portfolio	A collection of investments managed by the fund manager.
Fund Purpose	The spirit and overall focus of the fund, but not the investment criteria employed.
Signatories	Fund(s) and/or fund manager that commits to disclose SRI information in line with the Guidelines.
Voting Policy	Policy of a fund to exercise its voting rights as investors to influence company behaviour.

National social investment fora to date include:

- Belsif, Belgium
- Forum Nachhaltige Geldanlagen, Germany
- Forum per la Finanza Sostenibile, Italy
- Forum pour l'Investissement Responsable, France
- Swesif, Sweden
- UK Social Investment Forum, UK
- VBDO (Vereniging van Beleggers voor Duurzame Ontwikkeling), The Netherlands

For further information contact Eurosif at +331 40 20 43 38 or at contact@eurosif.org.