

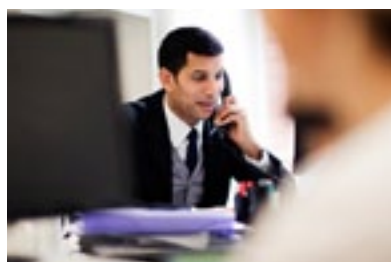
The background image shows a person in the foreground using a shovel to dig in a garden bed filled with dark soil. In the background, several other people are working in a similar garden area. The scene is outdoors with trees and a bright sky. A blue geometric pattern is overlaid on the right side of the image.

Our 2012 sustainability report

Standard Life

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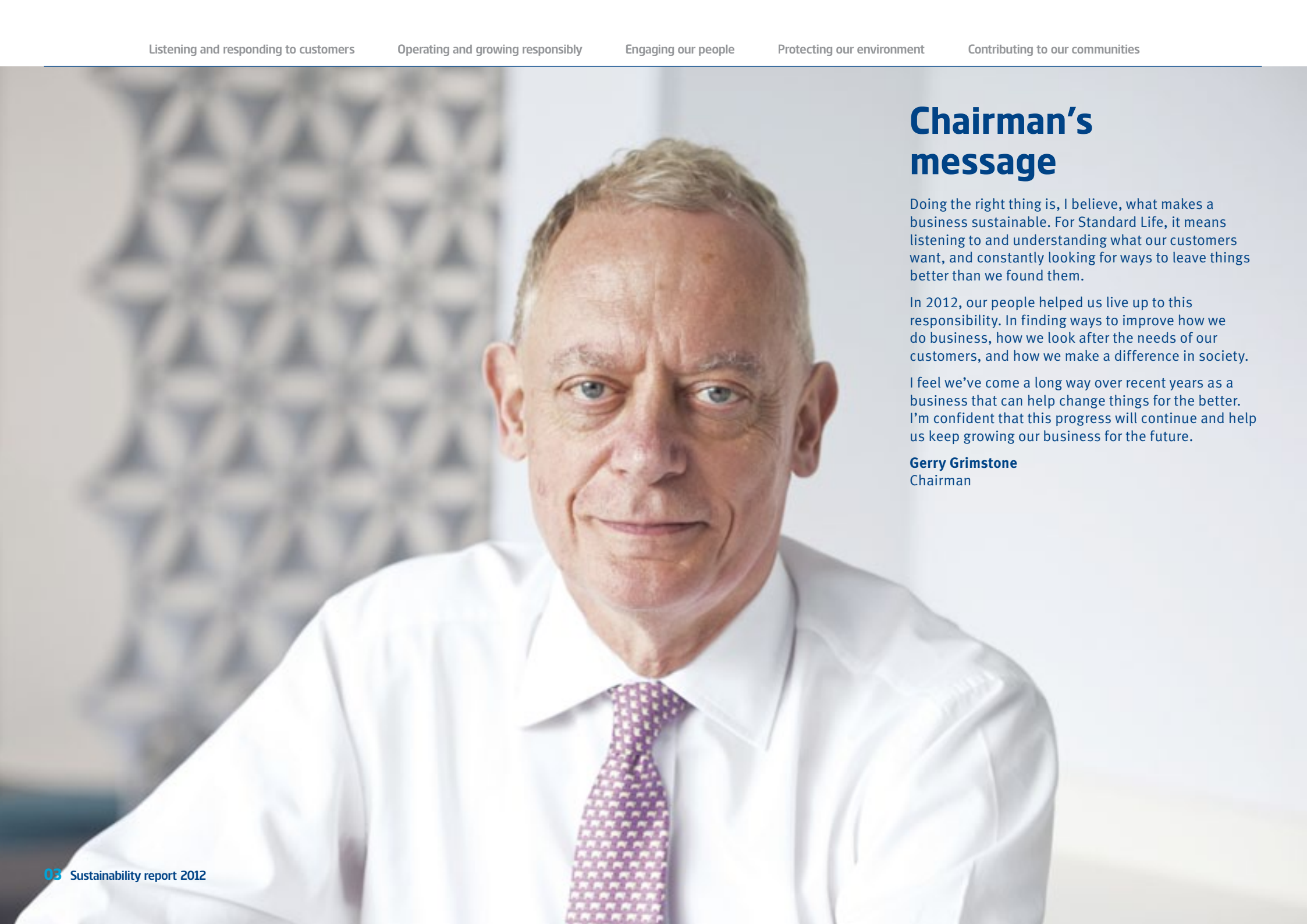
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A portrait of Gerry Grimstone, the Chairman, is positioned on the left side of the page. He is a middle-aged man with short, light-colored hair, wearing a white dress shirt and a purple tie with a small, repeating pattern. He is looking directly at the camera with a slight smile. The background behind him is a light-colored wall with a subtle, geometric pattern.

Chairman's message

Doing the right thing is, I believe, what makes a business sustainable. For Standard Life, it means listening to and understanding what our customers want, and constantly looking for ways to leave things better than we found them.

In 2012, our people helped us live up to this responsibility. In finding ways to improve how we do business, how we look after the needs of our customers, and how we make a difference in society.

I feel we've come a long way over recent years as a business that can help change things for the better. I'm confident that this progress will continue and help us keep growing our business for the future.

Gerry Grimstone
Chairman

Material issues**What it means to us and our stakeholders****Listening and responding to our customers**

- ▶ Building trust by listening and responding to customers
- ▶ Helping people to manage their money better and have confidence in their financial future

Operating and growing responsibly

- ▶ Conducting our business with integrity and to the highest standards of corporate governance

Developing and engaging our people

- ▶ Developing an engaging, inclusive culture that encourages and rewards people who embrace our values, delivering the best for our customers

Protecting our environment

- ▶ Reducing the environmental impacts of our business

Contributing to our communities

- ▶ Using our skills to invest in the long-term future of the communities where we operate

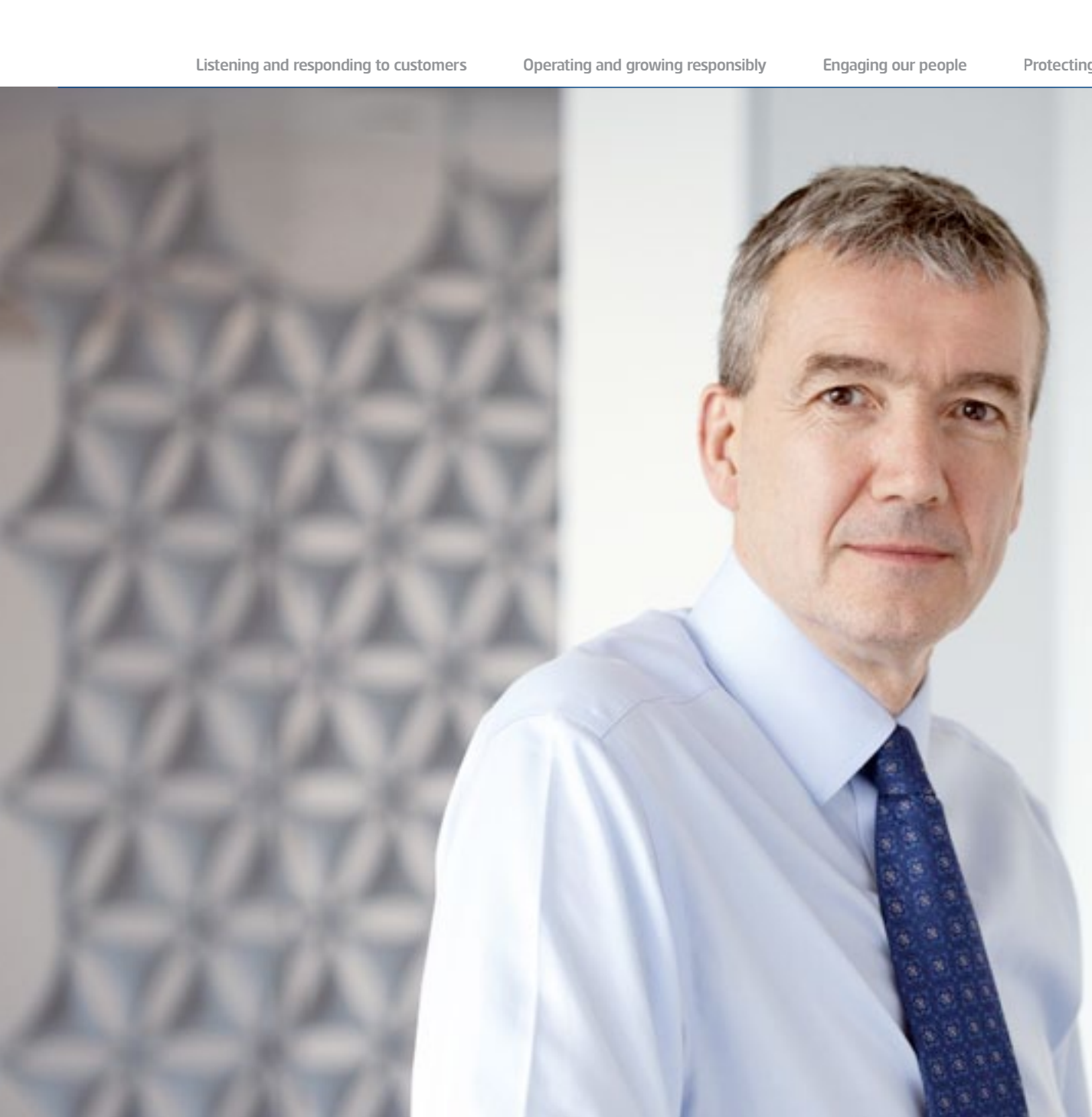


More details on our five material themes were included in our 2011 Report and this is available online at www.standardlife.com/sustainability

£218.1bn**Group assets under administration**

10% increase from 2011

Ethical funds**Joint second place in UK Fair Pensions survey****Talent programme of the year****Hr NETWORK (Scotland) award for our emerging leaders programme****Young people****Work placements for 20 young people through Edinburgh Guarantee Scheme****85%****of our people believe Standard Life has a clear and positive direction****£900m****Tax contribution worldwide including £600m in the UK****Carbon footprint reduced by 24% since 2006****Paying people fairly****We're a Living Wage employer****£2.11m****Invested in our local communities****£422,390****Charity funds raised by our people****4.86 out of 5****Our 2012 UK customer satisfaction rating based on real time feedback****700 of our people took part in our leadership development programme**

A portrait of David Nish, the Chief Executive, is positioned on the left side of the page. He is a middle-aged man with short, graying hair, wearing a light blue dress shirt and a dark blue patterned tie. He is looking directly at the camera with a slight smile. The background behind him is a blurred geometric pattern.

A message from our Chief Executive

We delivered a strong set of results for 2012. A large part of this is down to the progress we've made in transforming Standard Life into a business that's more efficient, less complicated and driven to meet the needs of its customers.

In addition to the achievements we've made in growing our profitability and assets under management, we've continued to focus on operating responsibly. We've made good progress on some of our long term sustainability targets, and we've taken important steps forward with our people strategy.

I'm very pleased with our progress in improving how we take care of our environment, our people and the communities where we operate. The independent results of the Dow Jones Sustainability Index and FTSE4Good sustainability indices reflect the ongoing positive work our people are doing.

Becoming a more sustainable business is a long-term goal that's shared right across our Group. I feel that we made real progress in 2012 and I'm very grateful to our customers and shareholders for their continued support.

David Nish
Chief Executive

Our priorities

Our priorities are defined by two things: listening to our stakeholders and identifying the issues that are critical to our business strategy. We define our priorities in five ways:

1	2	3	4	5
The risks and impacts to our business that people are most aware of, or that have the biggest effect on us	Issues frequently raised by our stakeholders	Sustainability reporting frameworks and guidance, both for our industry and globally	Future commercial opportunities such as new markets, or issues that may impact our business over the long term	Examples of best practice

The key issues identified were mapped against our business strategy, values, objectives and targets, so that we could define our sustainability priorities. This review also provided us with the specific topics to cover in this report.

Our strategy

Acting with integrity. Being a responsible business. Playing an important role in the communities where we work. They're all fundamental parts of how we do business.

We need to make sure we're getting it right. So, we listen to our stakeholders and act on what's important to them. By listening and understanding, we have developed the strategy to address five material issues:

1

Listening and responding to our customers

2

Operating and growing responsibly

3

Developing and engaging our people

4

Protecting our environment

5

Contributing to our communities

Responding to change in society

We continue to live in tough economic times. The idea of long-term saving, for many people, is not a high priority. In 2012 we continued our work to improve financial capability so we can help change this. We also put a greater focus on supporting young people and improving their long-term employment prospects.

We have a long-term relationship with the Scottish Book Trust (SBT) in developing financial education initiatives. This year, we supported two areas that expanded on our existing programmes. 'On the Money' is our programme for primary school children.

SBT has also been working very successfully in Scotland using 'Skint!', a graphic novel designed to engage young people in developing financial capability and basic skills. We've also supported SBT in testing the feasibility of taking 'Skint!' to England.

During 2012, we also continued our Customer Retirement Roadshows, running 12 over the year across the UK from Aberdeen to Brighton. The roadshows are designed to help people understand what to expect and how to prepare for retirement. Since they began, over 1,000 customers have attended.

Standard Life Charitable Trust

Standard Life Charitable Trust (SLCT) is an independent charity (Charity No: SC040877) that supports people to make positive and sustainable changes in their lives. In 2012 the focus was on funding advice services and education to improve financial capability.



For more information about the work of SLCT go to [Contributing to our communities](#) page 39

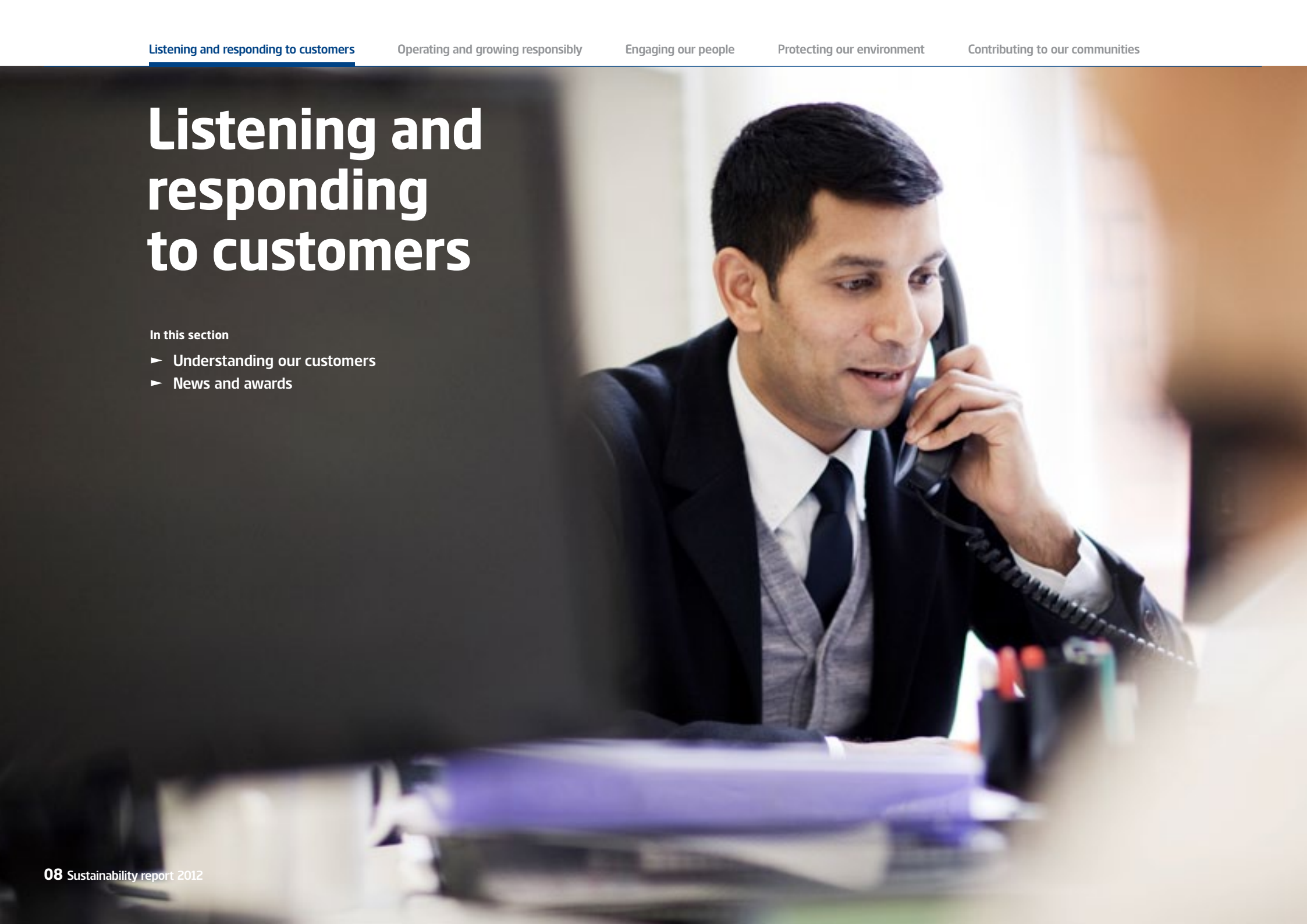
The way ahead

We believe that our strategy is the best way of driving value in our business. In 2013 we will continue to deliver against our strategy right across the Group.

Listening and responding to customers

In this section

- Understanding our customers
- News and awards



Understanding our customers

We will continue to respond to our customers by developing our digital services so we can keep adapting to what our customers want.

During 2012, we worked to better understand the changing needs of our customers across all our markets.

We gathered feedback from customers in a number of ways. As well as using questionnaires, our online customer community provides us with a useful source of direct information and feedback. We also held events for customers hosted by our senior leaders, giving them the chance to tell us their views in person.

Providing support

We offered customers clear communication on the important regulatory changes that are affecting them and our industry. We continued to provide comprehensive support to our adviser partners and employers to help them support their clients and employees through these changes.

Digital communication has become a popular way for our customers to engage with us. So we have continued to enhance our websites and platforms to provide a better online experience for our customers.

Financial education

Due to the success of our customer retirement roadshows in 2011, we made them a part of the retirement journey for our customers. In 2012, over 1,000 customers attended 12 events across the UK. Here's what our customers said about them:

- ▶ 'A helpful, useful and informative session setting out options available to me in an understandable manner'
- ▶ 'Sessions really make you think about things'
- ▶ 'I am now confident that my pension fits with my financial future'

Improving how we engage with customers

We responded to feedback from our customers about their changing needs and made a number of improvements to how we do business online. We introduced apps for accessing our products on the move and new educational videos covering topics such as "with profits". We also launched our Money Plus blog, which provides customers with expert perspectives on the latest financial news, investing, planning for the future and more.

Putting customer feedback into action

Customer feedback on our statements drove a project to change their look and content. New-look product statements were launched during 2012.

MyFolio is a range of five managed funds that offer customers a way to invest based on their attitude to risk. During 2012 MyFolio reached £2bn in assets under administration, making it one of the fastest-growing fund ranges in Standard Life Investments' history. The success of MyFolio reflects our continued efforts to provide investment solutions designed to help our customers meet their future financial needs.

Treating Customers Fairly

Our senior managers are committed to following the Financial Services Authority's Treating Customers Fairly (TCF) principles. We treat these principles as a minimum requirement and continue to invest in improving our customer processes. This includes our new customer conduct policy which was introduced during 2012.

Gender Directive

In March 2011, the European Court of Justice ruled that companies could no longer take gender into account when setting insurance premiums or annuity rates. The change came into effect on 21 December 2012. We let our customers know what this means for them.

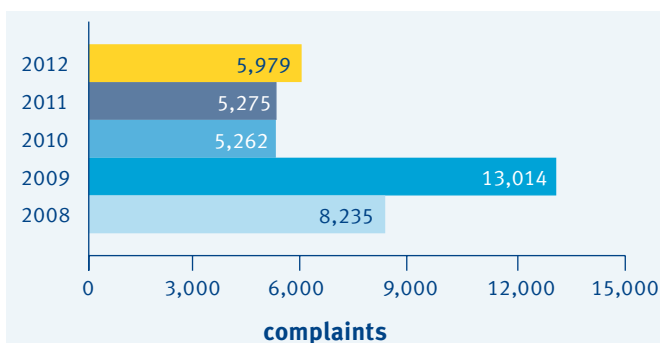
For example, annuity providers are no longer able to use gender when calculating annuity rates. Broadly this means that if a man and woman are the same age, share the same health conditions and live at the same address, an annuity provider has to offer them the same annuity rates.

Satisfied customers

We have redesigned the way the Group is structured so that it better supports our customers' needs and helps us build better relationships with them.

Customer complaints

In 2012, we received 5,979 complaints. Although it's a slight increase from our 2011 total, our complaint numbers are in line with the rest of the industry and the lowest in our peer group according to the figures published by the FSA for the first half of 2012.



In 2012, we received 5,979 complaints from our customers. These customers are from Standard Life Assurance Limited, Standard Life Client Management Ltd and Standard Life Savings Limited. This is an increase from our 2011 total of 5,275. Our complaint numbers are the lowest in our peer group according to the figures published by the FSA for the first half of 2012. In line with the rest of the industry, our 2012 volumes are up on the previous year but they remain low relative to our peers.

We aim to deal with complaints fairly, swiftly and effectively. It helps us to build customer trust and improve the services we offer.

In dealing with complaints we actively encourage our people to talk to customers over the phone and provide named contacts so that in trying to resolve the complaint, we can help check details and explain our decisions. When we get a complaint we aim to resolve it the same day.

News and awards

UK and Europe

We monitor our customers' views of the service we give. We improved our ratings for customer and intermediary satisfaction in 2012. Our average rating in the UK was 4.86 out of 5 (2011: 4.85) and for intermediary satisfaction it was 4.77 out of 5 (2011: 4.74).

In 2012, our UK and Europe business was recognised with several awards:

- ▶ 'Retirement Solutions Provider of the Year' at the Money Marketing Awards
- ▶ 'Bundled/ Full Service Defined Contribution Provider of the Year' at the Professional Pensions Awards
- ▶ Gold award for Direct Marketing effectiveness at the Marketing Society Star Awards
- ▶ 'European Pensions Communications Award' at the European Pensions Awards
- ▶ Awarded two five-star ratings for both the full Bespoke Discretionary Service and Managed Portfolio Services by independent financial research company Defaqto
- ▶ Standard Life Wealth was recognised twice in Citywire's 'Top 100 Brightest Wealth Stars' of 2012

Standard Life Investments

We achieved strong investment performance driven by the rigorous application of our 'focus on change' investment philosophy and very high levels of customer service. The work of our fund management teams has been recognised with many awards in 2012, including:

- ▶ Financial Adviser's special 'Best Investment Service Provider 1993-2011' award in recognition of our long-term commitment to the IFA community over the last 19 years
- ▶ Our Global Absolute Return Strategies Fund winning the Absolute Return category at the Investment Week Fund Manager of the Year awards
- ▶ Standard Life Investments' Global Index Linked Bond Fund being highly commended in the global bond category of the Money Observer Fund Awards 2012
- ▶ Our UK Smaller Companies Fund and the Corporate Bond Fund making it on to S&P Capital IQ's winners list of the best funds with a decade-long track record
- ▶ John Hancock GARS fund was awarded the US rookie fund of the year in the Wall Street Journal
- ▶ Standard Life Investments collected the Investment Manager of the Year award at the Irish Pensions Awards
- ▶ A five-star award in the Investment category at the FTAdviser Online Service Awards for the best website

Canada

In 2012, our client retention level increased to 94.3% (2011: 93.2%). We are constantly investing in efficiency, technology, training and processes to help us provide the level of service our customers need and expect. This includes continuing to improve how we do business with them online, making it easier for both sponsors and participants to administer our products.

Our customer focus has earned us a number of awards during 2012 including:

- ▶ Internet Advertising Competition award in the 'Best Mutual Fund Website' category from the Web Marketing Association, recognising Standard Life Mutual Funds' excellence in online advertising
- ▶ Environics Adviser Perception Study ranked Standard Life Canada first in adviser perception of segregated funds, and second in adviser perception of overall company and segregated funds division. It also ranked us in the top three mutual fund wholesaling team in Canada
- ▶ Four of our Meritas socially responsible investment (SRI) funds were included in the 2012 Corporate Knights Responsible Investing Guide's top 10 for 2012
- ▶ Insurance and Financial Communicator's Association (IFCA) Award of Excellence for the 2011/2012 RRSP Campaign for Group Savings and Retirement
- ▶ IFCA Honourable Mention for the 'Plan for Life' advertising campaign

Asia and Emerging Markets

In 2012 we developed additional digital services which helped us towards our goal of delivering exceptional customer services.

This commitment to customer service was acknowledged through receipt of three International Adviser Life Awards in 2012:

- ▶ 'Best for advisor/customer support' in the UK offshore category
- ▶ 'Best for advisor/customer support' in the Asia category, our first International Adviser award in HK
- ▶ 'Best regular premium investment product' in the UK offshore category

In addition, Standard Life Asia also won:

- ▶ Most Valuable Company award from MediaZone
- ▶ Outstanding achiever award in the Investment-Linked Assurance Scheme (ILAS) provider category by Benchmark magazine

Our Indian joint venture partner HDFC Life won a number of awards in 2012, including:

- ▶ 'Life Insurer of the Year' at the Bloomberg UTV Financial Leadership Awards 2012
- ▶ Indian Insurance Award for Product Innovation

Operating and growing responsibly

In this section

- ▶ 2012 highlights
- ▶ Responsible investment
- ▶ Fraud and malpractice
- ▶ Governance and stewardship
- ▶ Influencing policy
- ▶ Sourcing responsibly

2012

highlights



We voted at 2,066 shareholder meetings and had 654 engagements with companies that we've either invested in, or are thinking of investing in



In 2012, our total tax contribution (both paid and collected) was over £900m worldwide of which £600m was in the UK.



£218.1 billion worth of Group assets under administration at 31 December 2012

Managing our business

Responsible management means reducing and managing risk within our investment portfolios. We use our influence to encourage best practice in the companies we invest in.

We take our responsibilities as a long-term investor seriously and we build active and constructive relationships with companies that we invest in. We believe it's mutually beneficial for companies and long-term investors, like us, to have relationships based on accountability. We are also committed to communicating openly and clearly with our clients, so we keep a dialogue going and listen to what they want to know about the companies in their portfolios. This feedback shapes our approach.

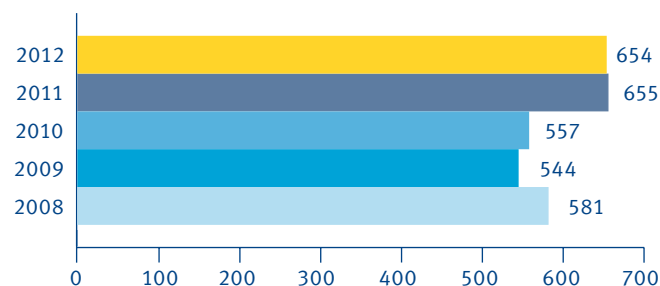
Members of the Remuneration Committee met with panels of individual shareholders at six sessions in three locations in the UK. This helped them become more aware of the views of our shareholders.

Responsible investment

Considering the environmental and social practices of companies is an integral part of our investment process. We use our influence to encourage companies we invest in to address environment, social and governance (ESG) issues. Examples of this include:

- ▶ questioning a construction and materials company about its health and safety standards
- ▶ discussing an oil and gas company's plans for reporting on environmental key performance indicators
- ▶ meeting with a FTSE100 utilities company to discuss its environmental management framework

Number of company engagements to discuss environmental, social and governance issues



We're involved in a number of best practice initiatives, including:

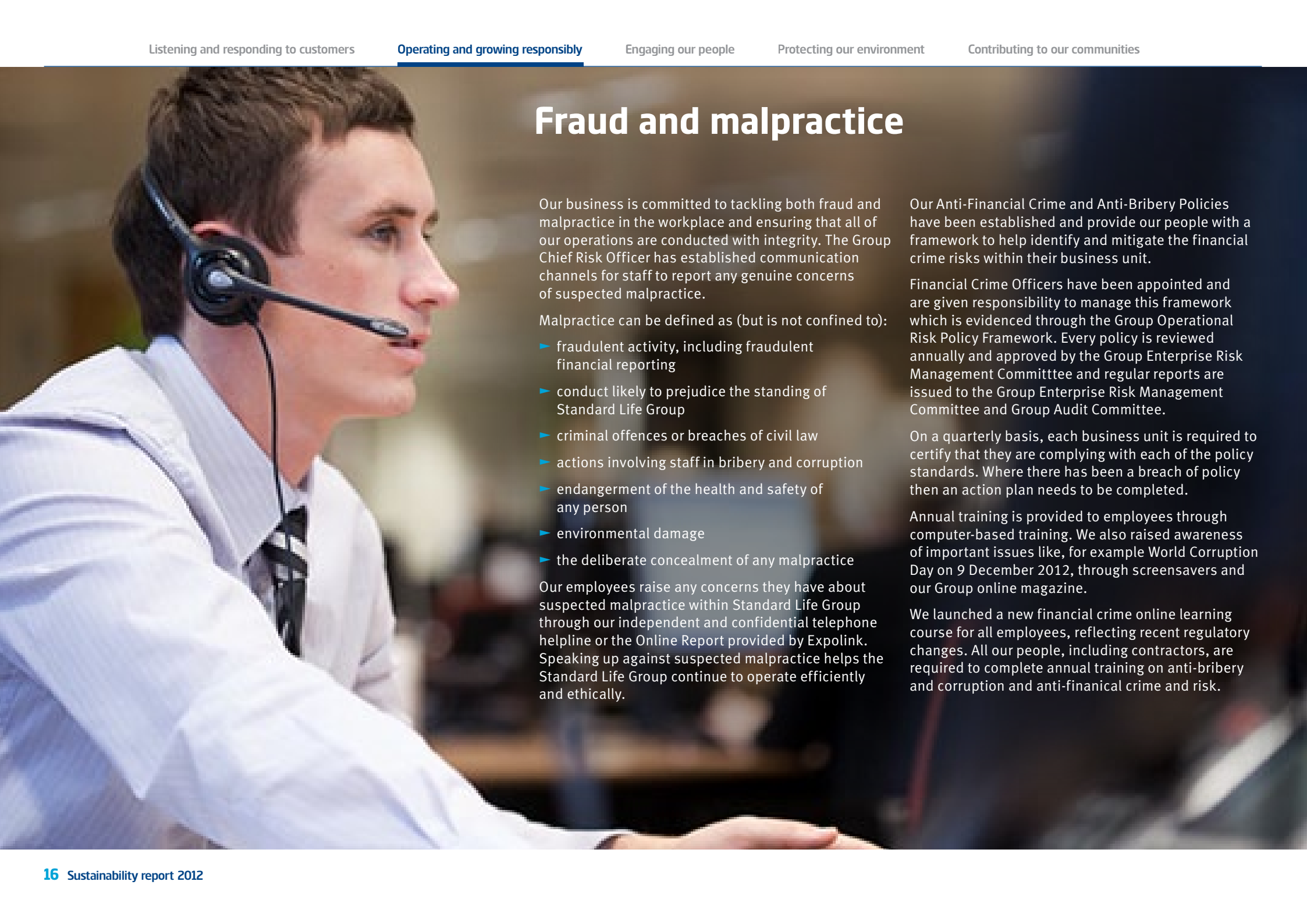
- ▶ the Association of British Insurers' (ABI) Investment Committee, the Confederation of British Industry (CBI) Companies' Committee and the Board of the Extractive Industries' Transparency Initiative (EITI)
- ▶ taking an active role in working groups of the United Nations' Principles for Responsible Investment (UNPRI), including the ESG investor briefing project, the sustainable fisheries initiative and the Corporate Fixed Income Working Group.

The Group risk strategy

Standard Life's Risk Strategy is linked to the Group's corporate objective of generating sustainable, high quality returns for our shareholders.

We recognise the need to manage long-term value creation, cash flow and risk in a holistic manner in order to make informed decisions to create and protect value in the Group's activities.

We are proactive in understanding and managing the risks to our objectives at every level of the Group and ensuring that capital is delivered to areas where most value can be created and the risks taken.



Fraud and malpractice

Our business is committed to tackling both fraud and malpractice in the workplace and ensuring that all of our operations are conducted with integrity. The Group Chief Risk Officer has established communication channels for staff to report any genuine concerns of suspected malpractice.

Malpractice can be defined as (but is not confined to):

- ▶ fraudulent activity, including fraudulent financial reporting
- ▶ conduct likely to prejudice the standing of Standard Life Group
- ▶ criminal offences or breaches of civil law
- ▶ actions involving staff in bribery and corruption
- ▶ endangerment of the health and safety of any person
- ▶ environmental damage
- ▶ the deliberate concealment of any malpractice

Our employees raise any concerns they have about suspected malpractice within Standard Life Group through our independent and confidential telephone helpline or the Online Report provided by Expolink. Speaking up against suspected malpractice helps the Standard Life Group continue to operate efficiently and ethically.

Our Anti-Financial Crime and Anti-Bribery Policies have been established and provide our people with a framework to help identify and mitigate the financial crime risks within their business unit.

Financial Crime Officers have been appointed and are given responsibility to manage this framework which is evidenced through the Group Operational Risk Policy Framework. Every policy is reviewed annually and approved by the Group Enterprise Risk Management Committee and regular reports are issued to the Group Enterprise Risk Management Committee and Group Audit Committee.

On a quarterly basis, each business unit is required to certify that they are complying with each of the policy standards. Where there has been a breach of policy then an action plan needs to be completed.

Annual training is provided to employees through computer-based training. We also raised awareness of important issues like, for example World Corruption Day on 9 December 2012, through screensavers and our Group online magazine.

We launched a new financial crime online learning course for all employees, reflecting recent regulatory changes. All our people, including contractors, are required to complete annual training on anti-bribery and corruption and anti-financial crime and risk.

Governance and stewardship

Our corporate governance principles mean that we:

- ▶ use clear corporate governance principles and policies to make sure our clients' investments are well looked after
- ▶ seek to increase shareholder value through purposeful discussion with companies about their strategy, performance, risk controls and governance
- ▶ aim to vote all our shares globally, in line with the best interests of our clients, unless circumstances make this impracticable (for example, shareblocking markets) or the costs outweigh the expected benefit
- ▶ are open and accountable to our clients about our governance and stewardship activities
- ▶ seek to contribute to the development of the corporate governance environment

We believe it benefits long-term investors such as Standard Life Investments and the companies we invest in to have relationships based on accountability, engagement and trust. It means there's an understanding of each other's views and expectations. It also means that where appropriate, we can use our influence on those companies we invest in to protect and enhance the long-term value of our clients' investments.

It's also important that we're accountable to clients for our stewardship of their assets, so we are open and transparent about the way we deal with the companies in their portfolios. We listen to what our clients think, and their feedback helps to shape our views and approach.

Taking part

Standard Life Investments actively supports the principles of good stewardship set out in the Financial Reporting Council's UK Stewardship Code. It sets out principles to enhance how institutional investors and investee companies engage with each other, aiming to improve long-term returns for shareholders and promote good corporate governance.

We set the direction for further work on responsible investment in last year's Standard Life Investments publication 'Stewardship & The Investment Process'.

We are also active members of a number of industry organisations, including:

- ▶ the Asian Corporate Governance Association
- ▶ the Council for Institutional Investors
- ▶ the ABI Investment Committee
- ▶ the Enhanced Disclosure Working Group
- ▶ the CBI Companies Committee

United Nations Principles of Responsible Investment (UNPRI)

Standard Life Investments is a signatory to the UNPRI, which is endorsed by global investors representing over US\$10 trillion in assets. The principles provide a framework for investors to give consideration to Environmental, Social and Governance (ESG) issues.

We offer ethical funds so customers can make sustainable investment choices. Our ethical funds are overseen by our ethical funds committee – and invested according to clear ethical criteria. In 2012, ethical funds represented less than 1% of our funds under management.

FairPensions survey of UK Ethical Fund providers

Standard Life Investments came joint second place in a FairPensions survey of UK ethical fund providers.

The report ranks providers on three dimensions:

- ▶ Transparency – whether providers disclose enough information about their screening and engagement practices to enable customers to make an informed choice of fund and to understand what is being done with their money
- ▶ Screening process – how providers ensure that their ethical criteria reflect their customers' values and are rigorously applied
- ▶ Stewardship and engagement – providers' policies and practices on engaging with investee companies both to protect the value of the fund's investments and to promote their customers' values

In addition, the report cites Standard Life Investments several times as an example of best practice:

- ▶ Awarded a 'Gold Star' for using formal and extensive customer surveys and for having direct customer representation on our advisory committee.
- ▶ Cited as an example of best practice because our responsible investment policy covers environmental and social issues
- ▶ Cited as an example of good practice for engaging with companies to promote the values of our ethical funds

For more information regarding Standard Life Investments' approach to sustainable and responsible investment please visit the following link:



**[www.standardlifeinvestments.com/
sustainable_and_responsible_investing/index.html](http://www.standardlifeinvestments.com/sustainable_and_responsible_investing/index.html)**

Influencing policy

We're responsible for looking after savings and investments for millions of people. We focus on matters that are important to our customers and to the sustainability of our business.

We have an active engagement programme with policy makers in [London](#), [Edinburgh](#) and [Brussels](#) and countries where we have a big presence, such as [Canada](#).

Policy activity in 2012

We are strictly non-political. We do not support any political party and we did not make any political donations in 2012.

Issue	Policy activity
Policy research	The introduction of automatic enrolment into pensions in the UK (called auto-enrolment) marked a big move towards encouraging people to save for retirement. Our report 'Now we're nudging', published in December, made six recommendations to help achieve positive outcomes for workplace pension schemes. 'Now we're nudging' was a follow-up to our October 2011 report on auto-enrolment called 'Keep on nudging'.
Europe	Changes to European regulations can have a big impact on our business. Our engagement focuses on areas where we have particular expertise, such as long-term savings and asset management. Throughout the year, our technical experts and senior leaders met with Members of the European Parliament and Commission officials to discuss areas of common interest and encourage effective regulation that supports greater levels of consumer protection and retirement saving.
UK	We held fringe events at all of the main political party conferences to discuss the introduction of auto-enrolment and how we can work with others to help support increased levels of saving through the workplace. We also attended a series of meetings organised by the Personal Finance Education Group and the All Party Parliamentary Group on Financial Education for Young People to discuss with Members of Parliament how we can best support the provision of financial education to school children and young people. As a company based in Edinburgh we are following developments in the Scottish constitutional debate very closely so we can understand the implications this may have for our customers and other stakeholders in our business.
Third party engagement	We work with a range of third parties to help ensure we are contributing to policy debates that impact on our customers and our business. For example, we're members of the Edinburgh Chamber of Commerce, helping to support the local business community and promote the important role of employers in helping to support their employees' financial futures.

Sourcing responsibly

In 2012, we spent £290 million on purchasing products and services including energy and IT. Making sure the products and services we buy are sourced responsibly is something we take seriously. For example, we continued to maximise the use of Forest Stewardship Council certified paper.

Representatives from our Group Procurement and Premises teams sit on the Financial Services Purchasing Forum Corporate Social Responsibility Sub-Group, through which we develop knowledge and share best practice. For example, we signed up to the Prompt Payment Code's 'Pay on Time' campaign, which helps build better supplier relationships as well as being the right thing to do.

Our Group Procurement team worked with colleagues in our Environment and Health and Safety teams to improve our due diligence process. We expect the same high standards of our suppliers that we place on ourselves so our suppliers are required to provide us with open and honest information about their environmental, health and safety, diversity and other social policies.

We introduced new questions relating to sustainability into two key parts of our procurement process – our Request for Information and Request for Proposal documents. We are also building relevant clauses into contracts with our key suppliers and using questionnaires in our supplier management reviews to ensure we capture relevant data.

Paying a living wage

Since March 2012, we have complied with the standards set by the Living Wage Foundation to ensure we pay our staff and any contractors regularly working in our premises the UK Living Wage. This is an independently calculated figure based on the cost of living. We also pay at least the Living Wage to everyone recruited into trainee posts, including those on the Edinburgh Guarantee programme which is described later in the 'Contributing to our communities' section of this report on page 43.

Developing and engaging our people

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- ▶ Strengthening our leadership
- ▶ Development framework
- ▶ Employee engagement
- ▶ Making performance matter
- ▶ Well-being, health and safety
- ▶ Diversity and inclusion

Our people strategy

Our people strategy is organised under four key themes:

1

Strengthening our leadership

Developing powerful and consistent leadership and identifying and growing tomorrow's leaders at all levels across the organisation.

2

Developing our organisational capability

Building the people resources, capabilities and behaviours we need.

3

Transforming the way we work

Designing and building an organisation that is fit for purpose and scalable for the future.

4

Building the environment we work in

Defining and building the high performance culture we aspire to.

Strengthening our leadership

We work hard to bring out the best in our people and enable everyone to fulfil their potential. Our starting point is to see all our people as 'talent', recognising the need for different development and learning opportunities for different needs.

To attract and retain the best talent, we know the importance of providing great development and career opportunities for our people at all levels and across all locations.

The Group Development Framework was created to provide development experiences for team members through to the Executive team. Taking part in the different elements is driven by business priorities and individual needs, and they are agreed as part of ongoing performance and development conversations.

Development framework

Executive and Senior Leadership Development

We want to have a sector-leading leadership team and we believe development is the key to success. In 2012 we continued to ensure all senior leaders have a stretching and meaningful development plan helped by internal coaching. In addition we provide access to external coaches and programmes where it meets the business and critical development needs. We also run 'espresso' learning sessions for those in senior leadership roles and in our talent pipeline where experts from inside and outside our company are invited to speak about current business topics.

Talent programmes

Our continued focus and investment in our talent programmes for senior leaders, emerging leaders and graduates demonstrates our commitment to develop internal talent as well as build our reputation as a company known for talent development. Both our senior leaders and emerging leaders talent programmes have been recognised by the HR industry with significant awards. Our emerging leaders programme was named the Hr NETWORK (Scotland) Talent Programme of the Year for 2012, after our senior leaders programme won the same award in 2010.

Accelerated Development Support

We continue to focus on developing and stretching our senior leaders with 67 senior leaders involved in the programme and nominations for the next group currently underway.

The main focus of the Accelerated Development Support programme is Breakthrough Leadership, equipping our senior leaders to go beyond what is currently predictable to achieve breakthrough results. They then apply their learning to business projects, which they work on either individually or in small groups.

Emerging Leaders

This programme is aimed at early career professionals who show the potential to become business leaders. In 2012, we introduced a new and different task for our Emerging Leaders group. We invited four of our charity partners to set challenges for them. This provided an excellent opportunity for them to think innovatively, to work as a team and deliver great outcomes for our charity partners.

We also worked with Strathclyde Business School to broaden the Group's knowledge of and exposure to business in support of their career aspirations.



Currently 57 Emerging Leaders have taken part in the programme, and another 32 will take part during 2013.

Graduates

We have a well-established graduate programme which recruits up to 45 graduates each year. In addition, we run a summer internship programme offering 12 to 15 penultimate year students paid work experience. This is a highly successful programme with a large number returning onto our graduate programme the following year.

Our graduates are supported through a programme of placements, professional qualifications and mentoring. We recently introduced a modular development programme which will bring the graduates together at key points during their time on the programme and support their development.

We currently have 42 graduates on our programme with further planned intake of 45 in 2013.

Mentoring

Mentoring is the backbone of our talent programmes. Part of the 'deal' in joining one of our talent programmes is to play an active role in supporting talent across the organisation. Leaders at each level support and mentor talent in other parts of the Group.

Leadership Development

One of our strategic priorities is to build leadership capability at all levels in the organisation. We've continued to run our Leadership Development programme during 2012, with over 700 people now taking part. The programme supports leaders in developing skills and greater self-awareness to perform effectively within their current role.

Employee engagement

What we stand for

Building on the work we did in 2011 to define what we stand for as an organisation, we started to bring to life what it feels like to be part of Standard Life when we're at our very best. In 2012 we worked to embed these themes in our day to day activity. For example, we had a colleague-led recognition event where our people could celebrate the great work of others.

InterAction

86% of our people responded to our employee engagement survey in 2011. The results from this survey helped us to agree three priority themes, which we have taken action to improve across the Group; Product Advocacy, Conditions in the Job and People Management.

Each theme was sponsored by a member of the Group Executive. Actions included a focus on improving performance management and introducing performance ratings.

We also provided better information about who our customers are, what they buy from us and what they think about us.



63% of our people responded favourably in response to three questions about leadership trust and confidence

A follow up survey was done in late 2012 and we saw some clear areas of strength. Of our people who responded to the survey:

85% > believe we have a clear and promising direction

83% > believe we have a strong risk management culture

79% > believe we have a clear commitment to quality and customer focus

Actions will be taken again at a Group and business unit level to continue to drive our employee engagement and enablement.

Making performance matter

We continued to make a clear link between performance and total reward. This is central to our performance management framework. We encourage our Executive Team to share as much detail from their scorecard objectives with their teams as possible to help all our people align their performance goals with the strategic and wider goals of the business.

We continue to make sure that individual performance is a key part of managers' conversations with their teams and that these conversations are ongoing throughout the performance year.



Well-being, health and safety

What we did in 2012

Promoting and ensuring health and well-being is central to being a responsible business.

The Group launched a new well-being strategy in February 2012. It has three themes:

- ▶ healthy body
- ▶ healthy mind
- ▶ healthy culture

We launched an employee website which brought health information together in one place and which links to information on useful resources including health assessments, counselling and employee discounts.

To embed the strategy, we focused on physical health in the first half of 2012 and mental health during the second half. We helped to create awareness using a variety of media and face to face sessions. We also completed our first group-wide Global Corporate Challenge in 2012; a 16-week campaign to encourage people to be more physically active.

We offer a range of services for our people, including:

- ▶ onsite gyms in Canada
- ▶ discounted gym memberships
- ▶ onsite seated massage
- ▶ flu vaccinations
- ▶ help to stop smoking
- ▶ blood donor drives

We continue to provide support through our employee assistance programme, which offers employees and their families telephone and face to face counselling. We also offer 'life management' services, for help and advice on things like debt, legal or caring issues.

Our Group Health and Safety policy helps us make sure we maintain a safe and healthy work environment, and is a key part of our well-being strategy.

Through our Group-wide operational risk and control system, we monitor compliance against the standards set in the policy. This is done four times a year. Each business reports on a range of metrics like accidents and absences, and monitors any patterns that might develop. Health and safety issues are raised and discussed through employee committees and forums in the UK, Germany and Canada.

We promote awareness of health and safety in a variety of ways including employee induction presentations, our intranets and e-learning. Training is provided on specific subjects such as first aid, fire safety and manual handling.



We ran a number of campaigns to promote safety in the workplace including; fire safety in April, bike safety week in June and driving safety in December.

The UK-based Health & Safety Committee made recommendations to help prevent accidents, for example, by adding non-slip flooring to entrances. This reduced our accident total in 2012.

Diversity and inclusion

Diversity is at the heart of who we are. We value the unique contribution everyone can make to our success. We do this by promoting a working environment that doesn't tolerate bullying, harassment or discrimination, and where our people are treated as individuals.

We know that having a diverse and inclusive culture can help deliver a great customer experience. Our employees feel engaged and able to be themselves, and we deepen our understanding of – and empathy for – different customer needs.

At a Group level our approach to diversity is based on three themes:

1

raising awareness

2

attracting a broad mix of talent

3

developing and retaining our people

For the past few years, we've integrated this approach into what we do across our business.

There are many examples of activities in 2012 which contribute to the diversity of our workplace.

In Canada we have continued to support the West Montréal Readaptation Centre which works with adults and children with developmental, intellectual and autism spectrum disorders. We offered work placements for 10 people with disabilities, including autism.

In the UK, we've broadened our direct recruitment strategy. This included a review of our approach to graduate recruitment to reduce potential barriers. And we've seen a positive impact on our age diversity as a result of taking part in the Edinburgh Guarantee Scheme for school leavers in the UK. More details of this scheme are found in the Contributing to our communities section.

The diversity of our Board continues to demonstrate good practice. We currently have four women on the Board, and we have a good representation of different nationalities.

In 2012 we took part in the Stonewall Equality Index which measures the inclusion of lesbian, gay and bisexual colleagues in the workplace. We received constructive feedback from this and will be looking at how to improve our rating in 2013.

We launched our Women's Development Network in April 2012. The network has grown to over 350 members and ran 11 development events in the space of eight months. Feedback has been excellent and membership will be expanded through the Group in 2013.



The Women's Development Network grew to over 350 members in 2012 and ran 11 development events in the space of eight months.

Protecting our environment

In this section

- ▶ 2012 highlights
- ▶ Managing our environmental issues
- ▶ Our environment targets
- ▶ Our environmental performance



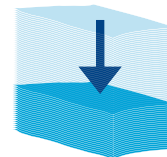
2012 highlights



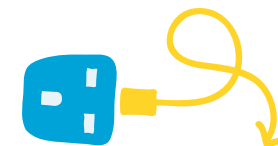
Our Group carbon footprint decreased by 3% to 24,200 tonnes from 24,929 in 2011 and is 24% lower than in 2006



Our Group energy use has reduced by 26% since 2006, from 75,587 to 56,288 MWh



Reduced our Group paper consumption by 22% from 1,314 tonnes in 2011 to 1,026 tonnes in 2012 and 41% reduction since 2006



In the UK, we exceeded our interim targets, reducing energy use by 31% and paper use by 53% since 2006 (our targets were 20% and 50% respectively)



We reduced our UK waste by 8% beating our 5% target



We are on track to achieve our Group long-term carbon emissions target - a 50% reduction by 2020



Awarded a second Carbon Saver Gold Standard™ award for energy efficiency

Managing our environmental issues

We aim to consume fewer of the world's resources, generate less waste, recycle more and sensitively dispose of what remains. We're working to reduce our carbon footprint, minimise our use of valuable resources like energy and water, and minimise waste in our business.

We believe the main environmental issues facing our business are:

- ▶ our carbon emissions
- ▶ our use of energy, paper and other resources
- ▶ business travel (in particular air travel)
- ▶ the amount of waste we produce

To keep up to date and share best practice, we take part in the Carbon Reduction Commitment, the Carbon Disclosure Project and the Dow Jones Sustainability Indexes.

Our governance structure

Our Group environment improvement team oversees our environment strategy, policy and direction. It also reviews performance indicators and progress against targets, ensuring our business areas have the right resources to meet our targets. This team reports performance on environment and climate change topics to the Corporate Responsibility Committee.

We also use a system of environmental champions, policy owners and green teams to roll out our environmental programmes across the Group and engage our people on environmental issues.

Our environment policy covers all our wholly owned businesses, and sets out the standards we use to identify opportunities around our environmental focus areas.



This section focuses on the impacts of our day-to-day operations, how we are performing and some of the important progress we have made. For further information on our responsible investments, see the 'Operating and growing responsibly' section on page 15.

Our environment targets

Our Group targets

We've made good progress on our Group 2020 long term carbon emissions target based on our 2006 baseline:

- ▶ We reduced carbon dioxide emissions by 24% and are on track to achieve our 50% reduction target in 2020 (to 15,854 tonnes of CO₂)

Our UK and Ireland targets

In 2012 we achieved our UK and Ireland interim targets against our 2006 baseline:

- ▶ 31% reduction (target 20%) in total energy used
- ▶ 17% (target 20%) reduction in total energy consumed per square metre of occupied office space
- ▶ 53% reduction (target 50%) reduction in paper consumed

We also performed well against our stretching 2012 annual targets that covered carbon dioxide (CO₂) emissions, energy, paper use, business travel and waste:

- ▶ Our UK and Ireland carbon footprint reduced by 2% close to achieving our 3% target but international business growth increased our air miles (see travel target)
- ▶ Our UK total energy reduced by 2%, achieving our 2% target
- ▶ We aimed for a 5% reduction in air miles, however significant international business growth increased our total air miles by 10%. We will work hard to mitigate against this development in 2013 and have already set clear targets

- ▶ Our UK paper consumption decreased by over 30%, beating our 10% reduction target
- ▶ We reduced the volume of waste produced by 8%, beating our 5% target for the year.
- ▶ We recycled 72% of our waste in 2012, close to our 75% target

Energy saving helps achieve the Gold Standard

We've been implementing energy saving initiatives for over 10 years and have seen a 26% decrease in the total amount of energy we use since 2006. It's led to a reduction in carbon emissions, and in 2012 we were again recognised for our efforts when we achieved the Carbon Saver Gold Standard.

We're continuing to drive our high performance in reducing carbon emissions. Our targets are ambitious, so we're committed to finding new and innovative ways of working that will help us achieve this.



We achieved our second Carbon Saver Gold Standard™ award

Our environmental performance

Climate change

It's important we continue to respond proactively and effectively to climate change. We're responding to new legislation, engaging with government and policymakers on issues such as taxation, regulation and carbon trading, and implementing programmes to reduce our carbon emissions.

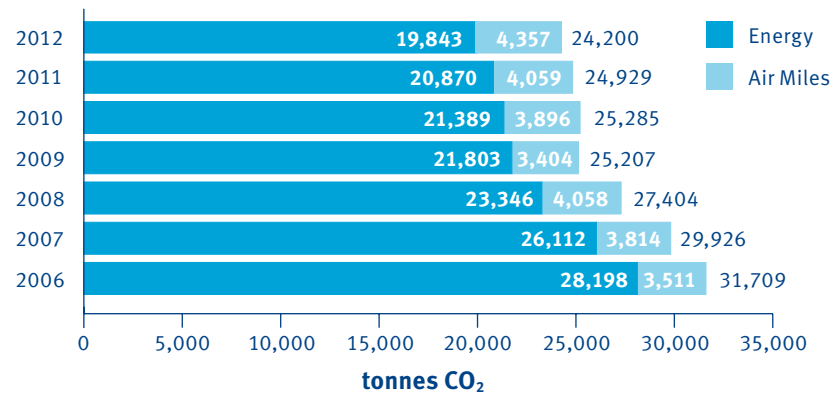
Our carbon footprint

Our carbon footprint is the measure of how much CO₂ we're emitting as a business as a result of our operations and activities. In 2012, our total Group carbon footprint, based on total energy and air miles travelled, was 24,200 tonnes of CO₂ (2011: 24,929 tonnes).

This comprised 19,843 tonnes from energy use and 4,357 tonnes from air travel, and represents a 24% reduction since 2006. This reduction has been achieved largely through the many energy-saving activities and programmes we've introduced across our business. To further reduce the carbon intensity of our operations, we have a 100% renewable electricity contract in the UK and Ireland.

We review the challenges to our own business operations from climate change as part of our overall risk management framework, ranging from the risk of flooding to the introduction of new legislation. For example, we will be replacing some of the chillers used in our UK buildings with energy-efficient alternatives ahead of legislation that will ban R22 (HCFC) refrigerant gas in the UK from 2014.

Carbon footprint



Carbon dioxide emissions updated to reflect changes in reporting methods and conversion factors.

Energy use

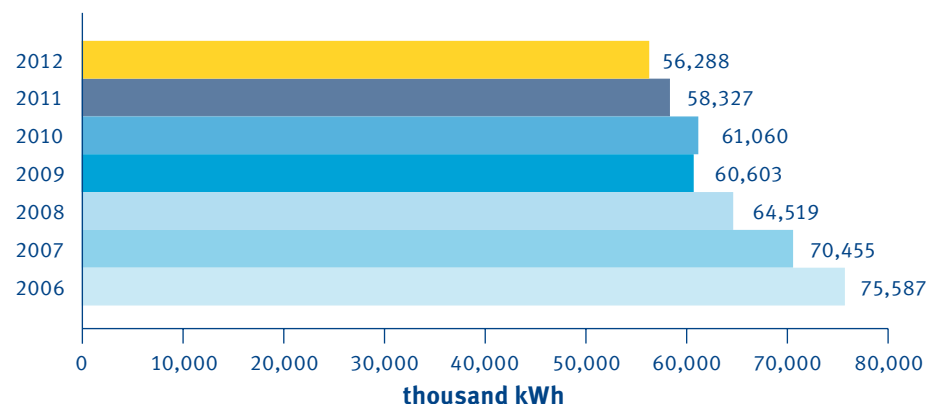
Since 2006, we've reduced our Group energy consumption by 26% through activities such as investing in energy-efficient equipment, lighting and chilling systems and running our building management systems more efficiently. Our total Group energy use in 2012 was 56,288 MWh, compared with 58,327 MWh in 2011 – a 4% reduction.

The UK accounts for around 65% of our energy consumption. In the UK, our electricity consumption decreased by 5% (from 27,467 MWh in 2011 to 25,988 MWh in 2012). This improvement was achieved largely through investments in capital projects to reduce electricity consumption. Our UK gas consumption was 7% higher than last year (from 10,710 MWh in 2011 to 11,438 MWh in 2012) due to a cold and wet summer. During 2012 we've continued with a number of projects to help us to reduce our energy consumption, including:

- ▶ upgrading our building management systems to run more efficiently
- ▶ investment in energy-efficient chilling in our Edinburgh head office buildings
- ▶ increasing the use of low-energy LED lighting across our head office estate
- ▶ installing gas economisers in our buildings in Edinburgh

We plan to invest further in energy saving technology in our buildings during 2013.

Energy consumption



We've reduced our total energy use across the Group by 4% since 2011.

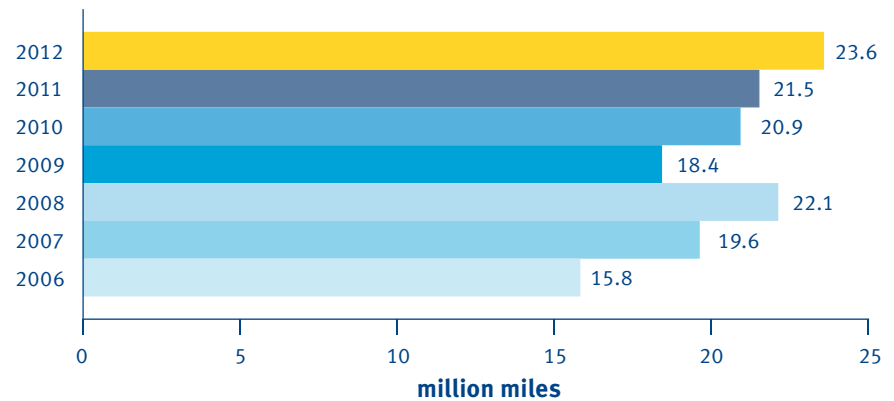
Business travel

Ours is a growing international business, so travel is essential. We're continuing to do all we can across the Group to help reduce our total carbon footprint, by focusing on improving and promoting our video-conferencing facilities and promoting new technology within our business.

Business travel by air contributes 16% of our total carbon footprint, so it's important that we manage our air travel effectively. However, in 2012, our total Group air miles increased by nearly 10% to 23.6 million miles (2011: 21.5 million miles).

We plan to reduce air travel in 2013 and will set targets for this. To achieve this, we continue to improve the management of our travel spend and adherence to our travel policy which promotes domestic rail travel and other lower carbon alternatives. We will also work to reduce greenhouse gas emissions and other air pollutants, reduce our dependence on fossil fuels, promote more sustainable travel options and support green initiatives at a local and regional level.

Business travel - air miles



Waste

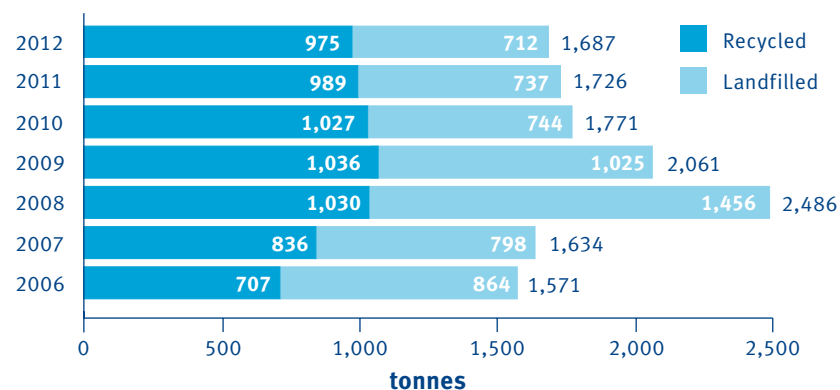
The waste we report on includes general waste (covers recyclates like paper, cardboard, plastic, metals and general waste that is sent to landfill), but does not include special waste (like hazardous waste) or construction waste.

Having extended our reporting to cover UK, Ireland, Canada and Germany, we produced 1,687 tonnes of waste Group-wide in 2012. In the UK, where the majority of our waste is produced, we reduced waste by 8% from 1,011 tonnes to 928 tonnes.

In 2012, we recycled 975 tonnes of waste, which was 58% of the waste we produced. In the UK, we recycled 72% (up from 51% in 2006), compared to 77% in Ireland, 60% in Germany and 37% in Canada. Our target is to recycle 75% of our waste.

These steady improvements have been a result of better awareness of, and engagement in, our environmental targets and our continued work with our waste services contractors to improve the recycling facilities available at our offices.

Waste produced



Paper consumption

As our business needs to communicate regularly with our customers, shareholders, intermediaries and analysts paper consumption is another key environmental impact. We ensure that the paper we use is manufactured from responsible sources, and that we make full use of technology to manage and reduce our paper usage where possible.

Performance in 2012

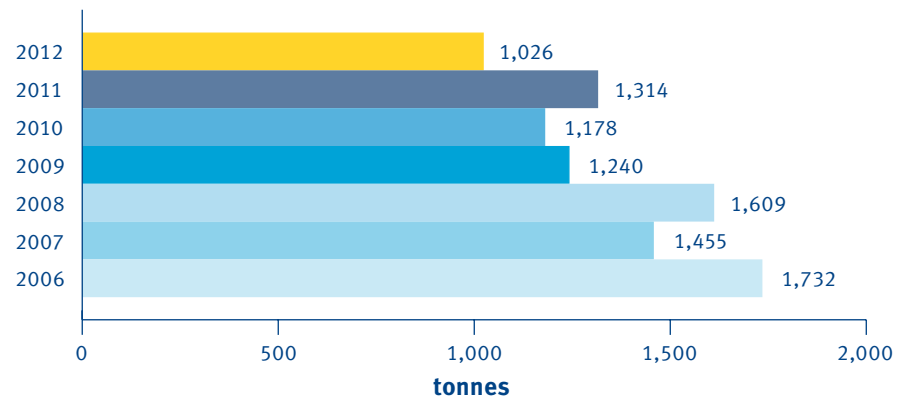
We used 1,026 tonnes of paper Group-wide during 2012, we decreased our consumption by 22% on 2011 levels and 41% less than in 2006.

In the UK alone, our paper consumption went down from 929 tonnes in 2011 to 645 tonnes in 2012, and we have achieved a 53% reduction since 2006. The increases in 2011 were a result of an increase in activity related to the launch of our repositioned brand.

What we've achieved so far in reducing paper usage has made us even more determined to improve our performance further. We're continuing to encourage more of our stakeholders to engage with us electronically.

We also continue to set high standards for all the paper we use. The Forest Stewardship Council® (FSC) runs a global forest certification system that allows us to identify, purchase and use paper produced from well-managed forests. In 2011 our business achieved the FSC's chain of custody standard, which demonstrates that we're committed to using FSC-certified paper products. FSC license number is C105301.

Paper use



We've reduced our paper consumption by 22% since 2011.

Contributing to our communities

In this section

- ▶ 2012 highlights
- ▶ Community engagement
- ▶ Increasing our focus on young people
- ▶ Standard Life Charitable Trust

2012 highlights



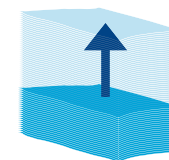
We invested
£2.11 million
in communities



Our people across
the Group raised
£422,390 for charities



The value of
secondments totalled
£90,103



Shareholders contributed
£295,740 to charities
through a share dividend
scheme called Scrip

We reached an impressive milestone when Cancer Research UK included us in their benefactors circle as one of the few partners to have raised over £1m for their lifesaving work.

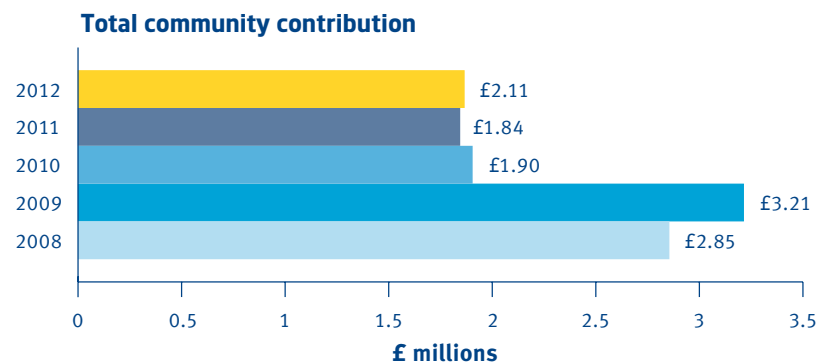
This demonstrates our commitment to making a positive impact in the communities where we work. For over 20 years we've been supporting community initiatives to help build a future we can all look forward to.

Community engagement

In 2012, we reviewed our Group's community investment policy to ensure it set the right guiding principles to enable us to make a positive difference. Engaging our people in supporting the wider community is important. It enables them to share skills and knowledge and it also helps them develop new skills.

In 2012 we started to focus increasingly on the challenging issue of youth employment. We continued to build on our work in the area of financial capability while engaging with more organisations with a strong track record in working with young people to build skills and confidence.

Our community investment for 2012 was £2.11 million, up from £1.84 million in 2011.



In 2010 we also donated £4 million to the Standard Life Charitable Trust.

We're part of the London Benchmarking Group, a member-driven group of more than 100 leading companies. It gives us a robust and transparent framework that we use to measure and report on our impact in our wider communities.

Staff engagement

We listen to our people and help them support the causes that are important to them.

We also measure the contribution they make and ensure they know how much it is valued.

Team challenges

Team challenges cover a range of community activities including interior design, decorating, gardening, landscaping and event management. In 2012, our employees took part in eleven team challenges, giving 949 hours to community groups and saving them £13,134.

Volunteering

Since 1992, we've encouraged all our people to volunteer time to good causes, both individually and in their teams. We offer our people up to one hour of paid time off a week to match their own contribution. In 2012, our people reported 841 hours of volunteer time. This suggests a reduction since 2011 but we know that changes to our flexi-time recording system has made us overly dependent on self-reporting. We aim to improve our data gathering to be able to report more accurately in 2013.

‘I have learned a lot about myself and my strengths and weaknesses. I’ve also learned about the hospice and palliative care and how charitable organisations are structured and funded’

**Kirsty Farquharson,
Standard Life secondee
to St Columbas Hospice**

Secondments

We set up a secondment programme in 1994. Secondments generally run for three to six months, and salary costs are covered by Standard Life. We calculated the value of secondments in 2012 to be £90,103.

Supporting charities

In 2012 our people raised £422,390 for a number of charities worldwide. In the UK our people’s donations were topped up with £146,200 donated by Standard Life to our charity partners Cancer Research UK and Alzheimer Scotland.

We encourage our people to give to charity using a number of channels including through the payroll using the Give As You Earn scheme, running regular appeals across the business and offering time off to work as a team on fundraising activities.

Standard Life also made a number of donations totalling £356,710 which included £199,360 to the Personal Finance Education Group for building a partnership project designed to map and improve skills work with young people, £40,000 to the housing and homelessness charity Shelter and £30,000 to Scottish Sports Futures.

New programmes in Canada

During 2012, our business in Canada launched a new community and employee engagement programme.

‘Together, in our community’ is designed to support greater employee volunteering and funding to the charities supported in Canada.

The programme has three components:

1

Raise and Match – when an employee raises at least \$100 for a recognized charity, Standard Life will match the amount up to \$200.

2

Community Action Day – Standard Life offers employees paid time off each year to volunteer with the charity or non-profit organisation of their choice.

3

Dollars for Doers – Standard Life will donate \$500 to a charity chosen by an employee who volunteers for a minimum number of 40 hours each year. What’s more, if the employee’s volunteering activities are directly related to the work he or she does at Standard Life, the Company may donate an additional \$250 to the organisation in question.

Increasing our focus on young people

In 2012, we continued to support young people by offering 84 mock interviews and feedback sessions to students and supporting 71 short work experience placements.

Edinburgh Guarantee

We made a commitment to help combat youth unemployment and partnered with Edinburgh City Council, providing a full-time secondee to help develop the range of work placements available to young people. We also employed 20 young people on paid work experience placements in teams across our business and provided additional support to build their skills and confidence. Of the first nine who completed their placement in 2012, four have secured permanent roles with Standard Life and others have had their contract extended and will be with us for longer. We plan to offer at least another 30 placements in 2013.

We funded a number of initiatives managed by Third Sector partners from a dividend scheme known as Scrip. Small residual amounts of shareholder money brought together made a significant difference to the following charities;

Princes Trust

We support the Trust's xl clubs, which provide personal development opportunities for 14 to 18 year olds at risk of underachieving or being excluded from school.

SkillForce

We invested in work with disengaged pupils, inspiring them to re-engage with school life. Students in six Edinburgh schools are benefiting from this programme over the next two years.

RNIB

We have helped with printing literature in England, Wales and Northern Ireland to help support visually impaired people gain employment. We also supported radio programmes for RNIB Radio and an online toolkit for SME's.

Scottish Sports Futures

Our support of this group has enabled 10 to 11 year olds from 10 Edinburgh primary schools to participate in the Jump2It programme. This supports our brand values by promoting a healthy lifestyle programme through basketball.

Other initiatives

Financial Education Partnership

The Financial Education Partnership (FEP) – managed by the Chartered Institute of Bankers in Scotland – runs financial education workshops in schools and colleges across Scotland. Standard Life is one of six financial services companies supporting the FEP. 13 of our staff are now trained facilitators for this programme.

Stock Market Challenge

The Stock Market Challenge is where young people get a chance to develop their decision-making skills in a ‘mock’ stock exchange. We completed our support for this event this year, with 800 16-17 year-olds from 36 schools taking part across Scotland. The final took place on 14 June 2012 with 16 students from eight schools. The winners were Dollar Academy.

Community initiatives

Our people support communities by donating time, facilities and other items, like computers and furniture, to schools, charities and other community groups. We also help by providing design, printing and copying facilities. In total, 33 printing and design projects were completed in 2012 at a cost of just over £9,191.

We donated 150 laptops to SkillForce to help their instructors deliver programmes throughout the UK. We provided enough office furniture to refurbish the offices of Cruse Bereavement Care, an organisation that promotes the well-being of bereaved people.

Looking forward

We’re continuing to explore opportunities to partner on projects that focus on improving employability in our communities wherever we work and looking to develop programmes to engage our people across the Group.

Our donation to Shelter helped the housing and homelessness charity to reach more people so they could get back on their feet.



Photograph taken by Simon Rawles and used with permission from Shelter

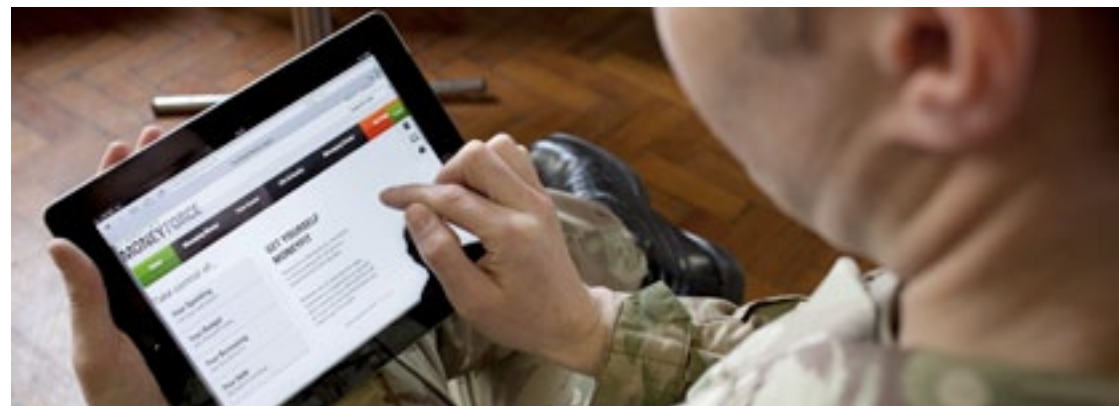
Standard Life Charitable Trust

Improving financial capability

Standard Life Charitable Trust (SLCT) is an independent charity (Charity No: SC040877) that supports people to make positive and sustainable changes in their lives. The Trustees continued to support the development of charity projects using £4 million funding donated by Standard Life in previous years.

In 2012 the Trust focused on funding advice services and education to improve financial capability, and made donations to:

- ▶ The Royal British Legion – SLCT is funding a major financial education programme and website, www.moneyforce.org.uk
- ▶ Shelter – SLCT supported the charity's debt advice provision across the UK
- ▶ Prison Reform Trust – SLCT funded a feasibility study into improving financial education in prisons



‘Standard Life Charitable Trust has enabled the Legion to respond even more effectively to the extra challenges that serving and ex-Service personnel and their families face when managing their money’

Sue Freeth,
Director Operations, The Royal British Legion



www.standardlife.com/slct

Performance overview

Performance on sustainable working practices

We have identified seven key performance indicators which we have used to measure our performance on selected sustainable working practices. PricewaterhouseCoopers LLP has carried out limited external assurance on these performance indicators.

We are committed to reporting our performance on sustainable working practices accurately and transparently. For the issues that are material to our business, we measure and report against a range of key performance indicators so that we can monitor our progress, assess what is working and identify where we need to improve.

In this section

- ▶ Stakeholder engagement
- ▶ Our governance
- ▶ Affiliations and memberships
- ▶ How we report
- ▶ Key performance indicators
- ▶ Assurance





Stakeholder engagement

Our customers include individuals, businesses, financial advisers and large institutions. Other important stakeholders include: our employees, shareholders, investors, analysts, partners, regulators and local communities.

We're always listening and learning from our stakeholders. We use a variety of ways to find out what they think about our industry, our business and the issues that are important to them.

We keep in touch with our stakeholders through regular activities such as surveys, feedback sessions and meetings. We also carry out one-off activities. For example, where there's a need to research a particular subject.

This year, our engagement included:

- ▶ receiving real-time feedback from 48,000 customers on the quality of our service
- ▶ reputational research with corporate responsibility experts and Non-Governmental Organisations (NGOs)
- ▶ participating in events including Green Monday™ Green Strategy



More details on how we engage with our stakeholders are available online at www.standardlife.com/sustainability

Our governance

To be a successful business, we need to be responsible. We have clearly defined roles and responsibilities for how we govern and manage the risks and opportunities our business faces.

PLC Board

The board governs the company and protects the interests of our stakeholders. This is done in line with the company's constitution and all relevant laws, regulations and corporate governance standards.

Corporate Responsibility

Board Committee

The Corporate Responsibility Board Committee supports the Board's leadership role in identifying material risks and opportunities.

The committee meets twice a year, or more often if required, and is chaired by our Chairman Gerry Grimstone. It also includes Group Chief Executive David Nish and two non-executive Directors, Lynne Peacock and Crawford Gillies.

Group Sustainability Team

The team supports our people in developing, managing and implementing programmes that address our material issues across the Group. It is responsible for reporting on how we meet the standards in our Environment and Community Investment Policies to the Group Enterprise Risk Management Committee. The team also supports the trustees of Standard Life Charitable Trust.

Engaging our people

Our people bring our Sustainability Strategy to life. We support secondments and paid time off for volunteering. We also offer training and advice. For example, for delivering workshops in schools, and for setting up internal groups such as our 'green teams' to promote effective action across the business.



Engaging our people yields significant returns. Just over 3,200 of our people voted in the charity partner vote and raised £422,390 for charities in 2012.

Affiliations and memberships

We can learn more about sustainability by working with other people and organisations, inside and outside our industry. We're also working to make our business and the financial sector more sustainable by sharing what we know.

We're signed up to a number of initiatives and we also work with a range of organisations that share our commitment to sustainability. Doing this helps us to develop our strategy, improve our performance, and influence change more effectively.

We support the principles of:

- ▶ United Nations Universal Declaration of Human Rights
- ▶ International Labour Organization core conventions

We have signed:

- ▶ United Nations Principles for Responsible Investment (via Standard Life Investments)

We are included in:

- ▶ Dow Jones Sustainability Indexes (World and Europe). We scored 74%, close to last year's 75% score, which means we continue to be one of the world's leading sustainability-driven listed companies
- ▶ FTSE4Good Index. Our supersector relative score was 77%

We are members of:

- ▶ Association of British Insurers
- ▶ Carbon Disclosure Project
- ▶ Confederation of British Industry
- ▶ Corporate Governance Forum
- ▶ David Hume Institute
- ▶ Edinburgh Chamber of Commerce
- ▶ Financial Future
- ▶ Global Investor Governance Network
- ▶ Industry and Parliament Trust
- ▶ Investment Management Association
- ▶ London Benchmarking Group
- ▶ Opportunity Now
- ▶ Royal Society of Edinburgh
- ▶ Scottish Business in the Community
- ▶ Scottish Council for Development and Industry
- ▶ Scottish Financial Enterprise
- ▶ Scottish Parliament and Business Exchange
- ▶ TheCityUK
- ▶ Whitehall and Industry Group

Standard Life Investments is actively involved with a number of organisations too, including:

- ▶ The Global Investor Governance Network
- ▶ The Asian Corporate Governance Association
- ▶ The Global Reporting Initiative
- ▶ Institutional Investors' Committee
- ▶ The Enhanced Disclosure Working Group



How we report

Our reporting

We've produced sustainability reports every year since 2005.

Our sustainability strategy continues to build on what we've already achieved, and this report reflects its role at the heart of our business.

In addition to this report, we also produce:

- ▶ a summary of our performance on sustainable working practices, which is part of the Company's annual report and accounts
- ▶ a shorter, digest-style printed report that includes the highlights of our sustainable practices

Scope and boundary

This is the 8th annual report of our performance on sustainable working practices. The information it contains covers the financial year 1 January – 31 December 2012 unless otherwise stated. There are some 'looking forward' statements included in the report too, where we feel it's appropriate to use them.

The report covers our multinational activities, and performance data is presented at a Group level unless otherwise stated.

Defined terms

All references to 'Standard Life', 'we', 'us' and 'our' relate to Standard Life plc, unless otherwise stated. The operations of our joint ventures are not included.

Content

To suit as many of our stakeholders as possible, our online sustainability reporting comprises this report, with some supporting information on the sustainability section of our website.

In this report, we describe how we manage and measure our performance. We report in detail on our key priorities, as determined by our materiality process: our customers, operating and growing responsibly, developing and engaging our people, contributing to our communities and protecting our environment.

Data

We've given full definitions for each of our seven selected Key Performance Indicators.

Reporting standards

In preparing this report, we've taken into consideration AccountAbility's principles of inclusivity, materiality and responsiveness, the Financial Services Sector Supplement (2009) and the third version of the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines (known as G3.1).

We've also assessed our reporting against GRI's Financial Services Sector Supplement and the AA1000 AS 2008 standard, to inform the development of our sustainability strategy and the reporting and communication of our performance.

The G3.1 guidelines define three application levels for reports and allow self-assessment against them; we've assessed this report at Level B.

External assurance

PricewaterhouseCoopers LLP has completed limited scope assurance procedures on selected key sustainability performance indicators for the year ended 31 December 2012. Please refer to PricewaterhouseCoopers LLP's assurance statement for further details of the scope, process and outcome of these assurance procedures.



Our GRI index is available online at
www.standardlife.com/sustainability

Key Performance Indicators

We've identified seven key performance indicators (KPIs) to measure our progress across the business.

In 2010, we had some interim measures in place following significant strategic changes throughout the organisation. In 2011, we developed some of these measures to be more meaningful for us as a business, whilst others have remained the same.

The 2012 measures are detailed below and have been assured by PricewaterhouseCoopers LLP.

Selected key performance indicators

This Reporting Criteria document supports the preparation and reporting of the following key performance indicators contained in the sustainability reporting prepared by Standard Life plc:

- ▶ **UK customer complaints**
- ▶ **Employee engagement survey**
- ▶ **Leadership questions from engagement survey**
- ▶ **Shareholder meetings at which we voted**
- ▶ **Environmental, social and governance engagements**
- ▶ **Group carbon footprint**
- ▶ **Total community contributions**

It is the responsibility of the management of Standard Life plc to ensure that appropriate procedures are in place to prepare its reporting in line with, in all material respects, this Reporting Criteria document.

All data, unless otherwise stated, are prepared for the reporting period 1 January to 31 December. Data are prepared on a 100% basis for all Standard Life's global operations.

The measuring and reporting of the data inevitably involves a degree of estimation. In exceptional circumstances restatements of prior year reported data may be required.

Restatements are considered where there is a change of greater than 5% of the consolidated Standard Life plc reported data. Restatements of prior year data are made where an error is identified which is material to the performance or an adjustment supports improved comparability.

General reporting principles

In preparing this guidance document, consideration has been given to the following principles:

- ▶ information preparation – to highlight to users of the information the primary principles of relevance and reliability of information; and
- ▶ information reporting – the primary principles of comparability/consistency with other data including prior year and understandability/transparency providing clarity to users.

Scope of reporting

For the data included in this Reporting Criteria document, the scope comprises all entities within Standard Life Group excluding joint ventures.

Details of the organisational reporting boundaries are summarised below and explained further in the individual data sections of this Reporting Criteria.

Organisational reporting boundaries

Standard Life plc comprises:

- ▶ long-term savings and investments business in the UK and Canada offering a range of products to both retail and corporate markets
- ▶ international business offering long term savings and investments. The international business is made up of four wholly owned businesses (based in Ireland, Germany, Austria and Hong Kong) and joint ventures in China and India
- ▶ global investment management business (Standard Life Investments)

KPI – UK 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: 5,979

Comparison: (2011: 5,275)

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 are received and resolved on the same day on the call. This is in line with the Financial Services 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 - Employee engagement survey

86% employees participated in the October 2012 InterAction employee engagement survey Comparison (2011: 86%)

Measure

The number of employees who completed and submitted an InterAction survey conducted in October 2012, expressed as a percentage. The survey was run by Hay Group.

86% responded (7,365 responses from 8,573 invites issued)

Definition

The InterAction survey is 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 United Kingdom and Republic of Ireland, Canada, Germany and Hong Kong, according to the criteria below. The returns were received and consolidated by the 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 the Hay Group, and this will provide the basis of evidence to assure the survey completion rate.

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 and, with the exception of Canada-based employees, long-term absence
- ▶ direct temporary staff (whereby an employment contract exists between Standard Life and the person concerned)
- ▶ contractors in the UK are only included within the survey population if they have a permanent or direct temporary member of Standard Life staff reporting to them
- ▶ temporary members of staff in Canada, Germany and Hong Kong are only included in the population if there is an employment contract between Standard Life and the person concerned

These questions were selected to ensure we are tracking trust and confidence in leadership at three key levels; direct line management, business unit and Group.

KPI - Leadership questions from engagement survey

An average of 63% of employees responded favourably across the following questions in our InterAction survey:

Q46: 'Rate the overall trust and confidence you have in your manager'

Q47: 'Rate the overall trust and confidence you have in your Business Unit Executives'

Q48: 'Rate the overall trust and confidence you have in Group Executives'

Comparison: (2011: 63%)

Measure:

The number of employees who answered favourably in the leadership questions listed above. These form part of the 'Confidence in Leadership' section in the October 2012 InterAction survey. The favourable responses are added together and expressed as a percentage of the total number of responses to each question. The overall KPI percentage is calculated by adding the favourable percentages from each question and dividing by the number of questions.

Definition:

The InterAction survey is 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 United Kingdom and Republic of Ireland, Canada, Germany and Hong Kong, according to the criteria for the employee engagement KPI.

Employees rate the question on a scale of 1-5 (5 being the highest). Favourable is a score of 4 or 5. The returns are received and consolidated by the Hay Group, who issue reports to management following the calculation taking place. The data excludes any surveys received after the closing date and incomplete answers to questions.

Leadership questions	Q46	Q47	Q48
Valid response	7,250	7,135	7,063
% favourable	75	60	56
% neutral	16	28	31
% unfavourable	9	12	13
2011	0	+2	-1

KPI - Shareholder meetings at which we voted

2,066 votes by Standard Life at shareholder meetings Comparison (2011: 2,102 votes)

Measurement:

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 through 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 - Environmental, social and governance engagements

654 environmental, social and governance engagements

Comparison (2011: 655 engagements)

Measurement:

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 recoded 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.

KPI - Group carbon footprint

24,200 tonnes of CO2

Comparison (2011: 24,929* tonnes of CO2)

Measurement:

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
- ▶ air miles that are not booked through the national travel operators
- ▶ 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 and Dublin 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 2012. Where there is combined occupancy with other tenants the energy consumption is pro-rated on an occupancy / floor space basis.

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 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. 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 2012. For gas and fuel oil the equivalent number of kilogrammes of carbon dioxide (kg CO₂e) is calculated by using 2012 DEFRA guidance.

For air miles, all calculation and conversion factors are obtained from 2012 DEFRA guidance.

*2011 data has been restated from 25,132 to 24,929 tonnes of CO₂ in order to take account of new greenhouse gas reporting conversion factors improving the accuracy of reporting.

KPI - Total community contributions

£2.11m total community contribution

Comparison: (2011: £1.84m total contribution)

Measurement:

Total community contribution (£) by Standard Life Group in the reporting year during the year 2012.

Definition

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

Community data are 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 plc 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 £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 includes any volunteering time. The Sustainability 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 Sustainability team
- ▶ secondments to charities and community groups. Time is recorded by the Sustainability 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 Sustainability contacts, calculated at the group hourly rate. For the Sustainability 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 Sustainability team, strategic work and reporting. This involves calculation of time to manage our Sustainability programmes as a percentage of each person's salary. London Benchmarking Group have 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 exceed this amount.

Currency conversion

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.

Assurance

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 2012 Sustainability report for the year ended 31 December 2012.

What we are assuring (“Selected Information”)

The Selected Information constitutes the following selected key performance indicators contained in Standard Life’s 2012 Sustainability report :

- ▶ UK customer complaints;
- ▶ Employee engagement survey;
- ▶ Leadership questions from engagement survey;
- ▶ Shareholder meetings at which we voted;
- ▶ Environmental, social and governance engagements;
- ▶ Group carbon footprint; and
- ▶ Total community contributions.

The scope of our work was restricted to the Selected Information for the year ended 31 December 2012 and does not extend to any other information in the 2012 Standard Life Sustainability report. To the extent that comparative information is reported, please refer to the prior year report for that information.

How the information is assessed (“Reporting criteria”)

We assessed the Selected Information using Standard Life’s Reporting Criteria as set out at: www.standardlife.com/sustainability

Professional standards appliedⁱⁱ and level of assuranceⁱⁱⁱ

We have used ISAE 3000 (limited level of assurance) and we have complied with the ICAEW Code of Ethics.

Understanding reporting and measurement methodologies

There are no globally recognised and established practices for evaluating and measuring the Selected Information. The range of different, but acceptable, techniques can result in materially different reporting outcomes that may affect comparability with other organisations. The Reporting Criteria used as the basis of Standard Life’s reporting should therefore be read in conjunction with the Selected Information and associated statements reported on Standard Life’s website.

ⁱ The maintenance and integrity of Standard Life’s website is the responsibility of the Directors; the work carried out by us does not involve consideration of these matters and, accordingly, we accept no responsibility for any changes that may have occurred to the reported Selected Information or Reporting Criteria when presented on Standard Life’s website.

ⁱⁱ We have complied with International Standard on Assurance Engagements 3000 – ‘Assurance Engagements other than Audits and Reviews of Historical Financial Information’ issued by the IAASB and with the applicable independence and competency requirements of the Institute of Chartered Accountants in England and Wales (ICAEW) Code of Ethics. To comply with those standards, our work was carried out by an independent and multi-disciplinary team of sustainability and assurance specialists.

ⁱⁱⁱ Assurance, defined by the International Auditing and Assurance Standards Board (IAASB), gives the user confidence about the subject matter assessed against the reporting criteria. Reasonable assurance gives more confidence than limited assurance, as a limited assurance engagement is substantially less in scope in relation to both the assessment of risks of material misstatement and the procedures performed in response to the assessed risks.

Assurance work performed

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 2012, including re-performing a sample of calculations;
- ▶ carried out analytical review procedures over the Selected Information;
- ▶ at a Group level, carried out limited substantive testing on a selective basis of the Selected Information to assure that data had been appropriately measured, recorded, collated and reported; and
- ▶ reviewed the disclosure and presentation of the Selected Information.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement under ISAE 3000. Consequently, the nature, timing and extent of procedures for gathering sufficient appropriate evidence are deliberately limited relative to a reasonable assurance engagement.

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 Standard Life's performance based on the Reporting Criteria; and
- ▶ the content of the 2012 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, in accordance with Standard Life's Reporting Criteria;
- ▶ 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 2012 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 2012 Sustainability Report for the year ended 31 December 2012, 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**

28 March 2013

Find out more

www.standardlife.com/sustainability

Have your say

sustainable_business@standardlife.com

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