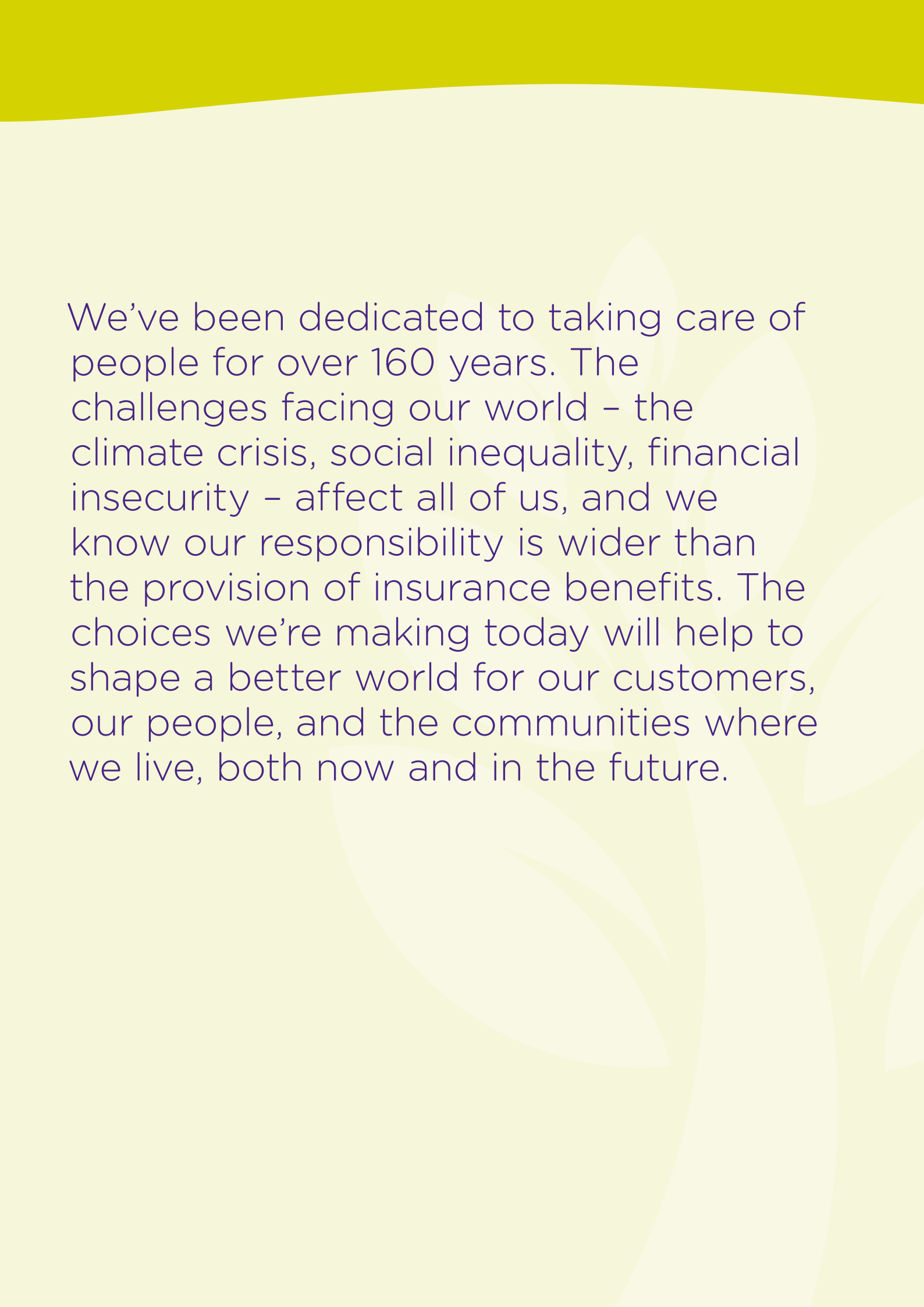




# Sustainability Report **2022**



We've been dedicated to taking care of people for over 160 years. The challenges facing our world – the climate crisis, social inequality, financial insecurity – affect all of us, and we know our responsibility is wider than the provision of insurance benefits. The choices we're making today will help to shape a better world for our customers, our people, and the communities where we live, both now and in the future.



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# Introduction from our CEO





## Making a Difference

Scottish Friendly's sustainability ambition sets out the steps we are taking to make a difference, and, by doing this, live up to our purpose for our customers, colleagues, and wider society.

As a mutual, and long-term insurer, doing the right thing is important to us. It's a fundamental strategic imperative for Scottish Friendly. It's also fundamental that we do things in a sustainable way, helping to ensure that we are there for our customers over the long-term.

It can be hard for any one person to know what they can do to improve things, but by working together we believe that we can collectively make a big difference.

**Stephen McGee**  
Scottish Friendly, CEO

# Our Sustainability Ambition

Our ambition is to do the right thing in the UK financial services sector by acting on climate change, helping to build stronger, more resilient communities and operating as a sustainable business.

This report sets out Scottish Friendly's progress against our sustainability ambition for the year ended 31 December 2022.



## At a Glance

We made real progress towards our sustainability targets in 2022, which align to three key focus areas.

### Climate Action

- Announced Net Zero by 2050 carbon emissions target.
- Procuring renewable energy and reducing carbon emissions in our own direct operations.
- Introduced a colleague Climate Action Group.
- Getting data for measuring and reporting energy usage.
- Setting targets for reducing energy and waste.
- 16% reduction in operational carbon emissions vs. 2021.
- Target to achieve Net Zero for own operations by 2030.

### Stronger Communities

- Board commitment to Action for Children Partnership and Wellbeing Practitioner funding in 2022 for 2023.
- Reached hundreds of schools and thousands of children through UK wide Children's Book Tour.
- Three apprentices joined us in 2022, via Developing the Young Workforce apprenticeship scheme.
- £24K donation to Action for Children in 2022, from 2021 Christmas campaign.

### Sustainable Business

- Rated 'One to Watch' in Best 100 Companies.
- Introduced purpose statement, with strong colleague engagement.
- Fostering a healthy culture, where colleagues can thrive.
- Supportive policies.

## Investments are the largest source of emissions

GHG emissions are categorised into three scopes. Scope 1 covers direct emissions generated from within our operations. Scope 2 covers emissions from purchased energy to power our operations. Scope 3 includes all other indirect emissions that occur within our value chain.

For Scottish Friendly, the investments we make for customers and shareholders are the largest source of emissions in our carbon value chain. Over 90% of our current emissions are indirect (Scope 3) and rely on us working with others to achieve carbon reduction.

A key element of our approach to ESG on investments is understanding the ESG footprint of the companies that we invest in. To date, our core focus has been in considering the implications of such factors on the investment portfolio.

Quantifying the impact of climate change is an emerging practice, with inherent uncertainty in the quality of available data. It is challenging to obtain consistent asset data from our investment managers and quantify the impact of carbon emissions from our scope 3 category financial investments. As such, we like many financial services organisations are continuing to gather information in support of scoping a plan within the next year that has clear and measurable objectives and timescales in order that we can meet our 2050 net zero ambition.

As part of our climate change commitments we:

- require key investment managers to report to us on ESG performance.
- monitor the overall ESG rating of investments and work with key investment managers to improve these.
- encourage our investment managers to exercise their voting rights on all eligible investments, and make sure their voting supports appropriate action on ESG issues.

We require our investment managers to be signatories to the UN Principles of Responsible Investment (“UN PRI”) and UK Stewardship Code or have plans in place to achieve this. For any new mandates to be awarded to any fund manager would require that these are already in place.





## Sustainable Development Goals

Whilst Scottish Friendly is supportive of all the United Nations Sustainable Development Goals, and can influence many of these through our work, we are concentrating on those which we have a material impact on.

### United Nations Sustainable Development Goals



## Our Material Impact

Action	Material issue	UN Sustainable Development Goals
<b>Climate Action</b>	Carbon reduction	11, 13
	Understanding the climate impacts of investments	13
<b>Stronger Communities</b>	Investing for good	4, 10, 11
	Community investment	8, 10, 11
<b>Sustainable Business</b>	Colleague health and wellbeing	3, 12
	Diversity, Equality, and inclusion	5, 10, 11

# Climate Action





# Climate Action



Alignment to UN SDGs

We're making good progress reducing our operational emissions that we directly control.

## Climate Action: Carbon Reduction in Our Own Operations

In March 2022, we set an ambition to become a Net Zero carbon business by 2050. To deliver this plan requires action on both our investments, which account for most of our current emissions, and in how we run and operate our business. This requires coordinated action across our industry, but also clear leadership and action by ourselves. We have split our efforts into two strands – own operations, doing as much of what we can that is within our control, and investments, where we acknowledge there is a longer road ahead.

Our progress against our own direct operations is as follows.

### Reducing What's in Our Direct Control

We've achieved a 16% reduction in our location-based carbon emissions against our 2021 baseline and we are focussed on making the scope 1 and 2 emissions from our own operations net zero carbon by 2030. Greenhouse gas emissions are categorised into three scopes. Scope 1 covers direct emissions generated from within our operations. Scope 2 covers emissions from purchased energy to power our operations. Scope 3 covers all other indirect emissions that occur within our value chain.

A specialist partner has helped us to identify the pathway to reducing our scope 1 and 2 emissions and to monitor reductions. Our objectives to achieve net zero carbon for our Scope 1 and Scope 2 emissions are to:




**Governance and Strategy**  
**01**

- Optimise our building services and ensure they are operating as efficiently as possible.
- Procure 100% green energy from natural renewable sources.
- Implement a Carbon and Energy Management System to drive, measure and report on the progress of the carbon reduction opportunities.



**Building Upgrades**  
**02**

- Improve the thermal properties of the building envelope to reduce heatloss.
- Install secondary glazing.
- Improve metering and reporting of energy.



**Low Carbon heat**  
**03**

- Transition away from fossil fuelled heating systems to low carbon, energy efficient heat pumps.



In 2022 key deliverables included implementing the governance and strategy strand of our glide path to net zero. This has involved:

- Procuring 100% renewable green energy (on an offsetting basis) for most of our building's energy supply,
- Creating a comfort policy to control the building temperature and reduce energy consumption,
- Creating a system for monitoring our energy usage in 2023.

We are now looking for ways to reduce energy consumption by exploring potential updates to our building.

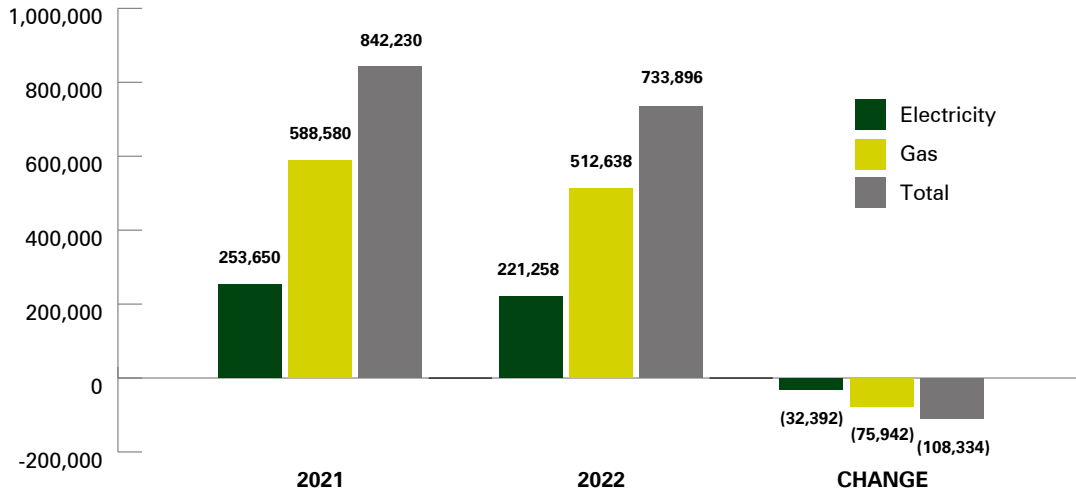
A Climate Action Group consisting of colleagues from across the business has been established to identify ways to reduce energy and consider waste reduction through improving our recycling. The Climate Action Group is supported by an ESG Steering Group consisting of members of the leadership team.

Our organisation's carbon emissions for the period 1st January 2022 to 31st December 2022 reflects emissions from our Glasgow office for which we are directly responsible.

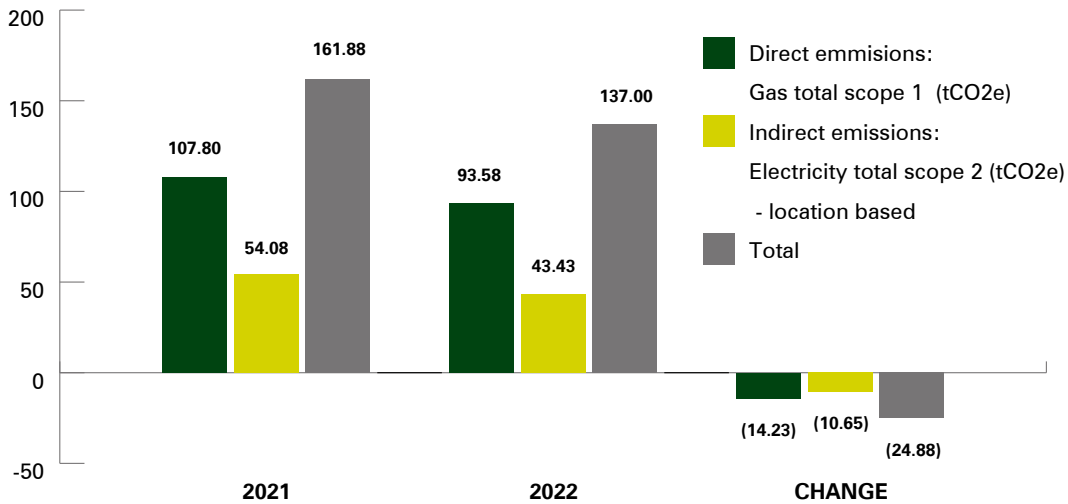
We reported our total emissions against our 2021 baseline year using the financial control boundary. Our methodology aligns with Defra's Environmental reporting guidelines (2019) and uses the government's greenhouse gas reporting conversion factors (2022) to quantify emissions. For the purposes of evaluating performance to date we have compared our emissions on a like for like basis against last year.

The movements in our energy consumption and emissions are as follows:

### Energy consumption has Decreased by 12.9% in 2022, Versus 2021



### Carbon emissions decreased by 15.4% in 2022, versus 2021



Notes: The emissions factors from the UK government-produced '2022 conversion factor guidance' has been used to calculate our scope 1 and 2 emissions. Reporting covers the financial year 2022 and reflects emissions from our Glasgow office for which we are directly responsible. GHG emissions are categorised into three scopes. Scope 1 covers direct emissions generated from within our operations. Scope 2 covers emissions from purchased energy to power our operations. Scope 3 includes all other indirect emissions that occur within our value chain. Location-based: A location-based method reflects the average emissions intensity of grids on which energy consumption occurs.



## Looking Ahead

### Goals

- Scope and consider building upgrades to reduce heat loss.
- Explore how we reduce emissions, that we don't directly control within our supply chain.
- Better understand and manage our wider environmental footprint and impact, including improving how we separate waste to increase our recycling and exploring ways to reduce water consumption and paper usage. In doing so, we will enhance our alignment with the 'responsible consumption and production' sustainable development goal. This is within the remit of our Climate Action Group, with full recognition that environmental sustainability extends beyond carbon and climate.



# Stronger Communities







## Stronger Communities

### Building Stronger Communities

As a financial services organisation with roots firmly founded in helping people in communities to support themselves, Scottish Friendly is proud to continue our tradition of community involvement. The charities and organisations we support are Action for Children, Scottish Book Trust, and Developing the Young Workforce.

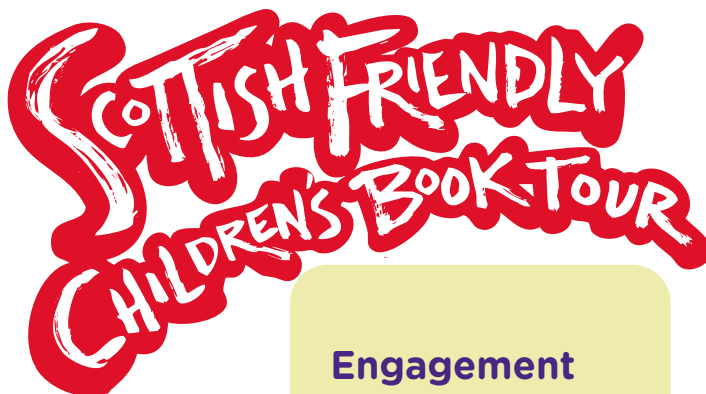
Our overall ambition is to create opportunities for financial inclusion for as many young people as we can. In doing this, we hope we can improve the lives and outlook of young people, particularly those who most need it, which can benefit the family unit and help the wider community prosper.

### Scottish Friendly Book Tour

For 24 years, The Scottish Friendly Children’s Book Tour has supported our main sponsorship partner, Scottish Book Trust, on their mission to help improve children’s literacy. Touring both throughout the UK and virtually the programme visits a vast range of communities and remote areas with top authors to help encourage a love for reading, writing and illustration. National statistics highlight the need for literacy support within deprived areas and the tour especially aims to reach these children.



Alignment to UN SDGs



**Engagement with thousands of young people in 2022.**

**8 tours reaching hundreds of UK schools.**

## Action for Children

Action for Children protects and supports children and young people. In 2022, we have been fundraising in support of this good cause and have also agreed to extend our reach in the local community with their help. In 2023, we will fund a new Wellbeing Practitioner role to improve the mental health and wellbeing of vulnerable secondary school pupils in Glasgow. The Practitioner role will deliver wellbeing support, led by the needs of the young people they work with. This targeted support will help to equip them to manage and improve their mental health and wellbeing, whilst helping them to develop coping strategies and resilience for the future.



**Wellbeing  
Practitioner  
support  
in 2023.**

**£24,000  
donation  
in 2022 to  
support young  
people.**



## Developing the Young Workforce

Developing the Young Workforce (DYW) work with partners, like us, to help schools and educational establishments support young people with the challenges they face in entering a rapidly changing economic, technological, and environmental reality. In 2022, three school leavers aged 16 - 17 years, joined us on an apprenticeship scheme for 18 months and we are funding their attainment of a Business & Administration Qualification.

# DYW

## Developing the Young Workforce

**3 apprentices  
in 2022 across  
Marketing, IT  
and Customer  
Services.**

**Funding their  
Business &  
Administration  
Qualification.**

## Looking Ahead

We will continue to work with our people, customers, and partners to build strong and resilient communities.

### Goals

- Increase colleague volunteering opportunities.
- Continued investment in good causes to support our community.
- Give three more apprentices the opportunity to work with us.
- Continued fundraising for our main charity partner, Action for Children.

# Sustainable Business





## Sustainable Business

Sustainability and good governance are integral to how we do business.

Sustainability is one of our strategic priorities, integrated in our leadership decisions and day-to-day business operations. We have a clear and robust governance structure in place, and we follow high standards of ethical conduct. We support our people’s physical and mental wellbeing and aim to support a diverse and inclusive culture.

We respect human rights, and the tax we pay helps support a sustainable economy.



Alignment to UN SDGs

### Our Purpose

“Dedicated to helping you and your family achieve financial wellbeing through friendly products and customer care.”

## Our Ambition

“To become the UK’s leading financial mutual insurer.”

## Our Values



**We're in this together**

- We collaborate and value each other’s opinions
- We’re a small team with a big impact
- We support each other to thrive and grow



**We care about our customers**

- Our customers are at the heart of everything we do
- We’re committed to doing the right thing for our customers
- We listen to and learn from our customers



**We keep moving forward**

- We always see change as an opportunity
- Our progress is based on careful management of our risks
- We have the courage to test new ideas and learn from them



## Looking After Our People

The wellbeing of our people is central to our business success. We offer extensive health and wellbeing benefits and continue to create a culture where everyone feels cared for. In 2022 key deliverables included:

- Our colleague Values and Promises (see below).
- A hybrid working arrangement means colleagues are in the office with greater regularity, whilst also gaining from the advantage of the material benefits from home working.
- A series of activities for Mental Health Awareness Week and Health Week designed to support our colleague’s well-being.
- A free Employee Assistance Programme (EAP) that gives a wealth of support and help, from counselling sessions through to financial advice, health advice and help with life events.





## Best 100 Companies - 'One to Watch'

Scottish Friendly colleagues completed the Best 100 Companies survey for the first time in 2022 and achieved the much sought after 'one to watch' status – a great starting score for good companies.

We're committed to making sure that Scottish Friendly is a great place to work for all our colleagues and will continue to take part in the externally benchmarked Best Companies survey in 2023.



## Diversity, Equality and Inclusion

Our culture welcomes diversity of all types and we treat all colleagues equally, regardless of their sex, race, ethnic origin, religion, age, sexual orientation, or physical ability. Our colleagues can thrive and be themselves at work, regardless of their background, identity, or circumstance. We are an employer of choice and one that aims to represent our local community.

We ensure everyone enjoys a positive work environment, with every individual taking personal responsibility for upholding the spirit and integrity of our Diversity, Equality, and Inclusion policy.

## Mutual Diversity Alliance

Scottish Friendly is a signatory of the Mutual Diversity Alliance (MDA), and we have committed to follow the practices set out below:

- Appointing a senior leader to lead our work on mutual diversity.
- Treating all customers and employees with respect, dignity, and courtesy.
- Making reasonable adjustments to, and maintaining, an appropriate working environment, where employees from diverse backgrounds enjoy an equality of opportunity, and to demonstrate this through equality of pay, the capacity of agile working, fair recruitment, and other HR policies.
- Maintaining an effective culture via our Board, that promotes diversity and set the right example
- Working with other members of the Alliance to support problem solving, to sponsor training of our people on inclusivity and diversity, as well as on conscious inclusion, and to share good practice as necessary.
- Reporting each year in September on how we have met the expectations of the alliance.





## Treating All Customers and Colleagues with Respect, Dignity, and Courtesy.

Training provided for our Customer Service colleagues in 2022 was designed to ensure that all our customers, no matter their background or health concern, felt supported when dealing with us, including:

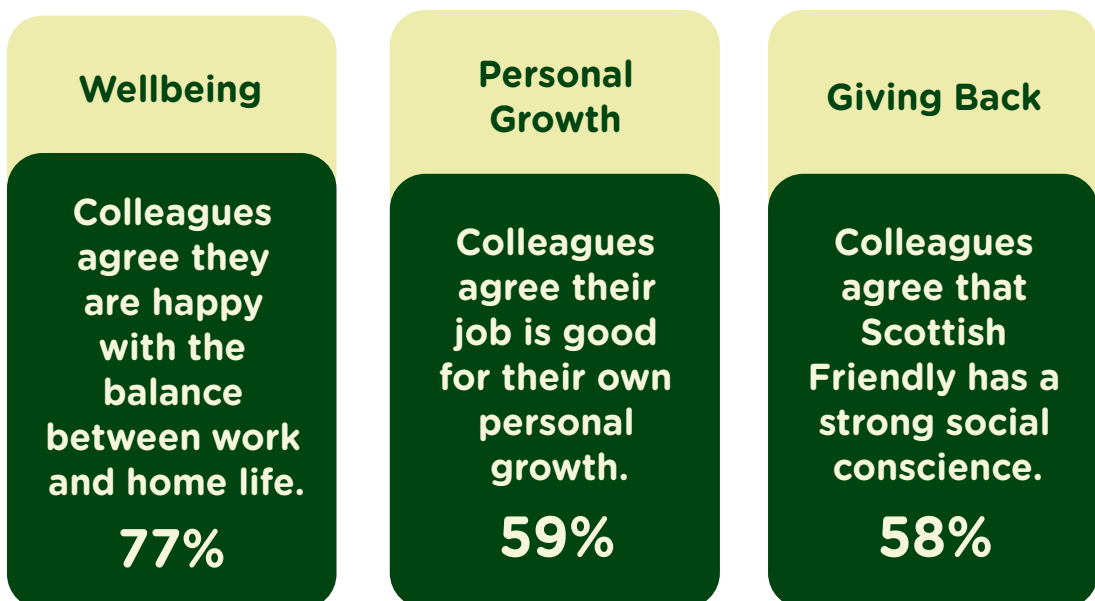
- Supporting customers with mental health concerns.
- Supporting customers with addictions.
- Supporting customers in vulnerable circumstances.
- Understanding and supporting customers with serious illness.
- Supporting customers with decision making limitations.

People Ambassadors for every department meet monthly with HR, to discuss a wide range of topics and any concerns they hear from their teams.

## Fostering a Healthy Culture

We're removing stigmas, raising awareness, and developing our people leaders around topics such as menopause, mental health, resilience and more. We do this through training from external specialists and HR run awareness events. This helps to create a supportive and open culture where people feel safe to share and ask for the support they need.

Our most recent engagement survey was launched in September 2022, and had an 80% completion rate. Here are some of the things colleagues shared:



## **Supportive Policies**

A broad range of policies support our wellbeing and inclusion agendas, including maternity and paternity leave and carers leave. We also promote flexible working.

## **Working with Our Suppliers**

We aim to conduct business with our suppliers in a sustainable and ethical manner. As part of our climate change commitments, we will achieve net zero in our supply chain by 2050.

Our supplier policy contains requirements for suppliers to be assessed for employment, business standards and ESG standards.

## **Our Tax Policy**

Our tax policy is to pay the right amount of tax in the right place at the right time. Making sure that we pay our fair share of taxes is a specific requirement of our Business Ethics Code.

We don't use tax planning schemes, artificial arrangements, or transfer profits to low tax jurisdictions to reduce our tax bill. We do not accept tax incentives which aren't set out in law and generally available to all companies. We work openly and constructively with tax authorities to make sure that we pay the right amount of tax in accordance with both the letter and the spirit of all tax law.

## **Human Rights and Modern Slavery**

Our modern slavery policy sets out the Group's commitment to respect human rights.



## Scottish Friendly - At a Glance

Number of UK  
colleagues:  
**>240**

Male : Female  
employee ratio:  
**47% : 53%**

We are a Glasgow  
Living Wage  
employer and  
have been  
since 2022.

Male Female  
manager role ratio  
**43% : 57%**

Colleagues who  
have worked  
with us for more  
than five years.  
**>40%**

**6 Non Executive  
Directors -  
3 male and  
3 females.**

## Looking Ahead

The facts above mainly focus on gender and we recognise that there is more that we need to do here. Looking ahead we are focussed on:

### Goals

- The launch of our new HR system which will allow us to strengthen our reporting tools for demographics.
- Producing a gender pay gap report.
- Introducing a Diversity Equality & Inclusion calendar in 2023 that focusses on Disability, Gender, LGBTQi+, Mental Health and Wellbeing.

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