



INNOVATION GROUP – SUSTAINABILITY, ANNUAL REPORT 2010

Our Values

We are defined by our values. They underpin everything we do, and particularly how we interact with our business partners:

- We act with **integrity**;
- Our solutions are innovative and **sustainable**;
- We **respect** our clients, their customers, our colleagues and suppliers; and
- We are reliable.

These values inform our business strategy and guide us in the active management of the risks faced by the business. We also believe they will help us create and realise opportunities as the importance of sustainability increases.

Importance of sustainability to Innovation Group

The Board at Innovation Group recognises that sustainability is fundamental to achieving our long-term strategic business objectives. The environmental, economic and social implications of our activities impact our relationships with all our business partners; clients, suppliers, employees and shareholders.

The Group is aware that sustainability issues, such as climate change, have the potential to impact our long term business continuity and that associated extreme weather events, such as flooding and storm damage, will directly impact our insurance clients in the short and medium terms. As a responsible company and business partner it is crucial that we develop a clear understanding of the potential business implications of sustainability, both risks and opportunities, and that we demonstrate to our clients and other stakeholders how the Group is working to manage and reduce its climate change impact. We also recognise that process efficiency, doing more with less, reducing our energy intensity and doing things right first time, will drive both cost and carbon efficiency, with benefits for us and for our business partners.

We believe that the Group's own direct sustainability impacts (driven mainly by building occupancy, business travel and IT) are less significant than those across our supply chain and service partner network (environmental impacts such as waste generation, greenhouse gas and other emissions, and occupational health & safety impacts). Innovation Group therefore intends to use its influence as a purchaser of services to engage with its supply chain and service partner network to mitigate and reduce these impacts where we can.

Focusing on what matters

During 2010 Innovation Group retained specialist external advisors to increase its understanding of the importance and specific relevance of aspects of sustainability. This understanding is the foundation of our new strategy to address the risks and opportunities presented and have allowed us to:

- Determine at Executive level our strategic positioning on Sustainability and the priority areas of focus, recognising the business opportunities as well as the need for suitable risk mitigation;
- Develop a Group level sustainability framework as a first step towards implementation our sustainability strategy across the Group's operations; and
- Improve the content of our reporting to ensure that it covers our sustainability activities and meets the requirements of a Communication on Progress (CoP), a requirement of our ongoing commitment to the United Nations Global Compact (UNGC)

The initial review has identified examples of good practice, which the Group will look to build on in the future. The review has also identified opportunities to improve both performance and the way in which it is measured and communicated.





Our challenges

Our global reach means that our sustainability strategy, whilst grounded in our values and applicable globally, also requires flexibility to adapt to local conditions, cultures and priorities. The Group's development in emerging economies such as South Africa, India and Pakistan provides a variety of environmental, social and governance challenges that our sustainability strategy is designed to address.

The Group's sustainability 'foot print' involves both direct operations and those of our service partner network and covers three key areas:

1. Environmental

Increasing constraints on the availability and use of natural resources, penalties associated with waste and emissions releases, and community and customer concerns about environmental degradation mean that companies which can do more with less are more likely to succeed in the future.

Environmental issues relating to the Group's direct operations principally include:

- Indirect carbon emissions associated with energy use in office buildings and IT infrastructure (particularly data centres);
- Carbon emissions resulting from business travel, fuel use in cars and air travel; and
- Waste and hazardous substances – the IT industry generates substantial quantities of redundant/end-of-life IT hardware, which contains a variety of environmentally-hazardous materials

Environmental issues relating to the Group's indirect operations principally include:

- Regulatory compliance (e.g. WEEE⁽¹⁾, REACH⁽²⁾, RoHS⁽³⁾, Health and Safety); and
- Environmental issues associated with the Group's service partner network, including emissions associated with vehicle maintenance, repair and salvage operations (oils, fuels, other technical fluids, solvent emissions from spray-painting including VOCs).

2. Social

There is increasing interest from consumers, the media and regulatory authorities on businesses that do not meet minimum legal requirements or expectations on social issues such as labour standards, health & safety and community engagement. These issues are beginning to impact the value and profile of businesses.

Social issues relating to Group's direct and indirect operations principally include:

- Employee-related: working conditions, diversity, representation, remuneration, equal opportunities, health & safety, training and development;
- Human rights such as freedom of association, equality and discrimination (Compliance with Black Economic Empowerment (BEE) legislation in South Africa); and,
- Occupational health and safety: occupational driving, H&S compliance and risk management in vehicle repair, maintenance, salvage operations, and in property maintenance (asbestos, hazardous substances, working with electricity, working at height).

3. Governance

"Governance" in this context has come to encompass not only how companies maintain control of their direct operations, but also wider issues of business ethics, bribery and corruption externally – either in relation to customers or in the supply chain.

Governance issues relevant to the Group's direct and indirect operations include:

- Anti-corruption & bribery: contracts and tendering, codes of conduct, whistleblower etc (Compliance with Corruption and bribery legislation such as the UK Bribery Act); and,

¹ WEEE - The Waste Electrical and Electronic Equipment Directive

² REACH - Registration, Evaluation, Authorisation and Restriction of Chemicals

³ RoHS - Restriction of Hazardous Substances Directive





- Business relationships: corruption risks in joint ventures and business partnerships.

As a Group we recognise the importance of understanding how these issues impact our businesses and their wider relationships. We have taken significant steps to develop that understanding this year and have recognised a number of areas of good practice within our regional operating companies.

Current sustainability activities

At a Group level, we have developed a global Environmental Policy and Code of Conduct that all Regional Operating Companies are required to comply to. In addition, our regional operating companies are engaged in a range of initiatives as we strive to meet the expectations of our customers across our markets.

France

All suppliers are subject to the Code of Conduct and the company is aiming to have a sustainability clause included in 80% of its contracts by the end of 2010. In order to review performance against the criteria, the Group is developing a questionnaire that will be completed and distributed to suppliers. The French operating company is also actively encouraging its suppliers to adopt more efficient products and more efficient operating practices, such as innovative paint products that are more time and energy efficient.

The operating company has developed a Sustainability Action Plan for sustainability issues and is in the process of developing a number of performance metrics on paper usage, energy usage, waste and percentage of signed supplier contracts with a sustainability clause.

Germany

Our German operations are currently working to obtain the Eco-Management and Audit Scheme (EMAS) certification of their environmental management system, supported by a specialist environmental consultancy.

The operating company has also formed a multi-departmental team to identify key sustainability risks and to develop key performance indicators (KPI's).

Innovation Group Germany has also developed a supplier sustainability questionnaire. The questionnaire covers the following sustainability areas:

- Occupational health and safety, including accident records and lost time injuries, the provision of training and regular health and safety audits;
- Environmental management, including water pollution, waste management, heat recycling and storing and handling of hazardous materials;
- Compliance with local labour regulations, opposition to any form of discrimination and rights to become a member of a labour union;
- Formal guidance on bribery and corruption;
- Consideration of sustainability issues in product development and supplier selection criteria; and
- Employee travel.

Independent bi-annual supplier audits now include sustainability related criteria. The operating company will work with suppliers who do not meet the required criteria. For example, Innovation Group Germany is encouraging body shops to adopt new products that are more energy efficient and also more efficient methods of working.

South Africa

The South African operating company's sustainability activities are primarily focused on social issues and driven by the broad-based Black Economic Empowerment (BEE) legislation. In response to BEE legislation, Innovation Group South Africa has developed a number of initiatives, these include:

- Training employees, which is aimed at developing skills and sponsorship of previous beneficiaries of Enterprise Development grants;
- Increased efforts to procure from small businesses, in line with the Preferential Procurement policies of the South African government;





- HIV/AIDS and other health initiatives, including support for the construction of an HIV/AIDS Care and Treatment Centre and support to several groups providing advice and assistance to those suffering with HIV/AIDS; and
- In partnership with the Central Energy Fund in South Africa, the South African operating company is also involved in an initiative to replace conventional water heaters with solar water heaters. A similar initiative is to be launched with a large retailer to encourage sales of solar water heaters to make the product financially viable to all.

Our Strategy

Our sustainability strategy framework ('Partners in Progress') developed in 2010 demonstrates our commitment to manage our environmental, social and economic footprint, both from our direct operations and, where we can influence them, from those associated with our supply chain and service partner network. To monitor progress against this commitment, the Group is in the process of developing a number of Key Performance Indicators (KPIs) and associated targets against which our business operations will be assessed.

Environment – Own operations

Commitment	Target
1. Develop process to measure Innovation Group's carbon footprint.	Completed by end of 2011
2. Identify opportunities for reduction that deliver a return on investment.	Completed by end of 2011
3. Specific areas where reduction efforts will be focused are likely to include: <ul style="list-style-type: none"> • Data centres • Business travel • Office accommodation 	Confirm percentage reduction targets by end of 2011

Environment – Network Supply Chain

Commitment	Target
4. Survey the environmental performance of the top ten suppliers in each region by value.	Completed by end of 2011
5. Include environmental criteria in the selection of new suppliers	Completed by end of 2011
6. Include environmental performance criteria in service level agreements	Completed by end 2012

Social – Own operations

Commitment	Target
7. Develop and pilot a staff satisfaction survey to understand employee satisfaction across the Group and the extent to which we live our values.	Completed by end of 2011
8. Take appropriate actions to improve employee satisfaction.	Completed by end of 2012

Social – Network Supply Chain

Commitment	Target
9. Survey the compliance of the top ten suppliers by value for applicable employee-related regulations and Innovation Group's Code of Conduct.	Completed by end of 2011
10. Include employee-related criteria in the selection of new suppliers and in service level agreements.	Completed by end 2011





Economic – Supplier base

Commitment	Target
11. Communicate in our annual report the local community socio-economic benefits resulting from our work with our [top 50] suppliers globally.	Completed by end of 2011

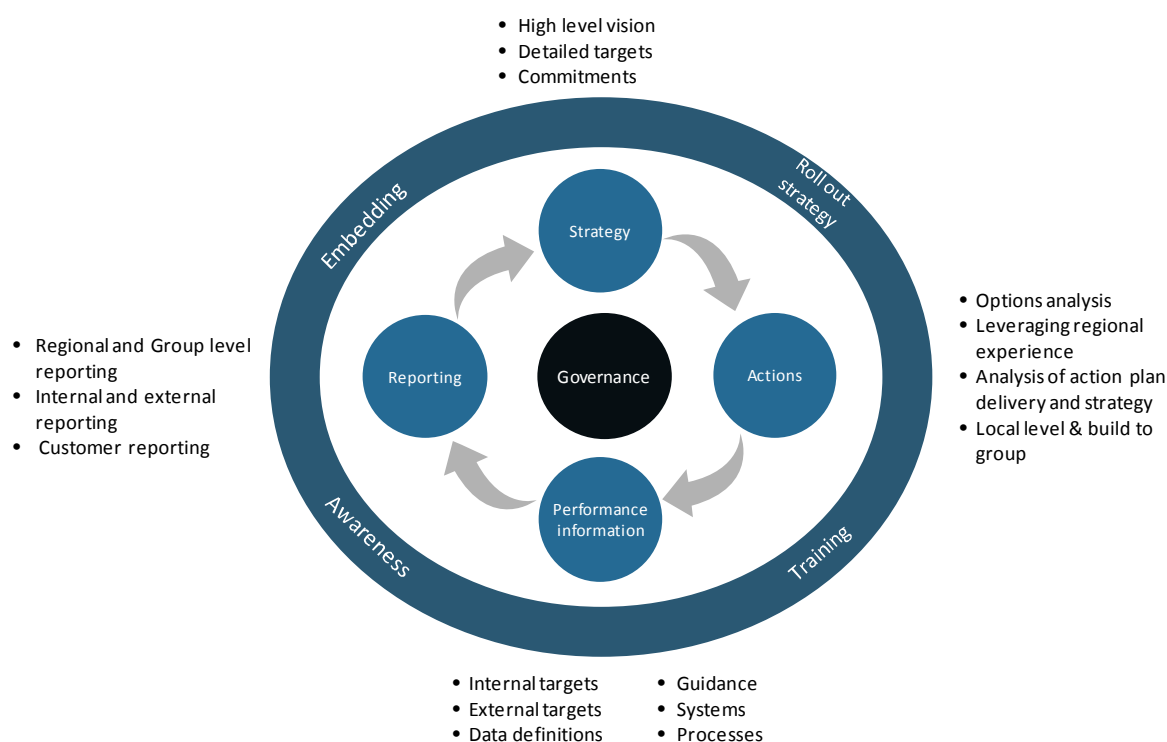
Governance – Own operations

Commitment	Target
12. Establish a new sustainability governance structure to implement the sustainability strategy.	Completed by end of 2011
13. Develop and pilot a Code of Conduct survey to assess compliance with the Innovation Group Code of Conduct.	Completed by end of 2011

Implementing the sustainability strategy

Implementation of the sustainability strategy across the business will require further awareness-raising and training for Innovation Group's employees. Figure 1 illustrates our key actions in 2011 to implement our sustainability strategy.

Figure 1 - Innovation Group's sustainability strategy implementation in 2011



Sustainability governance at Innovation Group

Innovation Group's board level commitment will be supported by a new sustainability governance structure that will be established over the next twelve months to ensure that our programme of initiatives is implemented throughout our business and that we are kept informed of progress. The proposed responsibilities and activities of these various bodies are outlined below.

<i>Governance body</i>	<i>Responsibilities</i>	<i>Members</i>
Board / Executive	<ul style="list-style-type: none"> • Set overall strategic direction for sustainability. • Approval of Sustainability Committee key decisions. 	<ul style="list-style-type: none"> • Board / Executive Management teams • Group Sustainability Manager
Sustainability Committee	<ul style="list-style-type: none"> • Determine actions required to deliver strategy. • Oversee design & implementation of processes to report data. • Review performance and determine actions required. • Determine internal and external needs and approve information to be reported. • Maintain membership of UNGC. • Monitor changing customer expectations regarding sustainability. 	<ul style="list-style-type: none"> • Regional MDs • Group Finance Director • Group Sustainability Manager
Working Groups (suggest Social, environment, economic, governance groups)	<ul style="list-style-type: none"> • Develop detailed action plans. • Liaise with regional sustainability committees to roll out actions plans. • Oversee training on sustainability. • Support Sustainability Committee in discharging its obligations. • Draw on experts from across group as necessary. 	<ul style="list-style-type: none"> • Regional sustainability leads • Group Sustainability Manager
Regional Sustainability Committees	<ul style="list-style-type: none"> • Implement Group actions and processes locally. • Oversight of reporting the progress to Group. • Oversee delivery of training locally. • Review changing customer, peer, regulatory, best practice expectations locally and report findings to sustainability committee. • Draw on expertise locally to meet Group strategy. 	<ul style="list-style-type: none"> • Regional MD • Regional sustainability lead • Other regional management as required