



UNITED NATIONS GLOBAL COMPACT

Communication on Progress 2016

SOVEREIGN

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CEO STATEMENT

Statement from the Interim Chief Executive Officer expressing continued support for the UN Global Compact and renewing Sovereign's ongoing commitment to the initiative.

In 2015, we were proud to declare our commitment to the United Nations Global Compact. By making this commitment, Sovereign has worked to integrate the ten principles on human rights, labour, environment and anti-corruption into our business, with the goal of making the Global Compact and the principles part of the strategy and operations of our company.

As New Zealand's largest life insurance company, Sovereign has a role to play in helping to make a difference to the lives of both our customers and wider New Zealand communities. As a values-based company, we understand that by integrating the ten principles into our day-to-day business, we are nurturing a climate of responsible, social and ethical principles in all that we do.

In this, our first annual Communication on Progress, we outline our actions to integrate the Global Compact and its principles into our business, and our ongoing commitment to the initiative.

Sharron-Moana Botica

Interim Chief Executive Officer
Sovereign



Sharron Botica
Sovereign Interim Chief Executive Officer



ABOUT SOVEREIGN

At Sovereign, we help to build and protect the lives, health and wealth of New Zealanders.

As New Zealand's leading life insurer we have been taking care of New Zealanders for the past 25 years, there when they need us the most, in life's moments of truth.

As a values-based company, we believe in putting people first. That means not only our customers, but also our staff and the wider community. We have a focus on supporting New Zealanders to take charge of their health by encouraging healthy lifestyles, so they may enjoy a better quality of life and prevent health problems before they occur.

We also have an important role to play where we can make a difference at a global level. In February 2015, Sovereign was proud to become a signatory of the United Nations Global Compact, the world's largest corporate sustainability initiative.

This communication on progress outlines our commitment and progress in the areas of human rights, labour, environment and anti-corruption.





HUMAN RIGHTS

Principle 1: **Businesses should support and respect the protection of internationally proclaimed human rights; and**

Principle 2: **Make sure that they are not complicit in human rights abuses.**

Our commitment

This statement affirms our responsibility and commitment to respect human rights.

Human rights are universal and fundamental rights that preserve the inherent freedom, dignity and equality of all human beings. The basis of international human rights law and norms are set out in the International Bill of Human Rights and the International Labour Organisation Declaration on Fundamental Principles and Rights at Work. Our commitment to respect human rights is guided by the United Nations Guiding Principles on Business and Human Rights, as well as the New Zealand Human Rights Act 1993. According to these principles, governments possess the primary duty to protect human rights; our responsibility is to respect human rights.

We seek to understand and improve human rights impacts throughout the extent of our reach within New Zealand. As part of our existing feedback channels, we maintain employee, customer and external stakeholder grievance mechanisms and acknowledge our responsibility to ensure that they are fair, accessible and transparent. Where we are made aware of adverse human rights impacts, and where appropriate, we will actively support their investigation and resolution.

Policies and processes to support our commitment

Diversity and Inclusion

Sovereign recognises the value of diverse backgrounds and abilities. We work actively to show zero tolerance for discrimination on the grounds of race, colour, ethnic or national origin, gender, marital

status, disability, religion, sexual orientation or age, and to reduce bias and drive equality in the workplace.

In 2010 our diversity programme began with an initial focus toward women in leadership. We recognised that while more than 60% of our workforce was female, we had poor representation of females in leadership roles. To improve these statistics, we implemented a range of programmes that would focus on mentoring, leadership development, maternity leave reviews and having company-wide conversations around what mattered to women in the workforce. Sovereign is a member of the Equal Employment Opportunity (EEO) Trust, a signatory to the United Nations Women's Empowerment Principles (UNWEP), and is dedicated to providing an inclusive work environment for all employees. Our Diversity and Inclusion policy ensures that all employees enjoy a working environment free from harassment, bias and discrimination.

We have embraced diversity and inclusion to enable our people to bring their whole selves to work and reach their full potential. Our practices related to diversity and inclusion include hiring based on merit, fairness at work, flexible working options and continuing to build a culture that is respectful of all customers, suppliers and business partners along with staff members. These practices relate to all aspects of employment including recruitment, remuneration and other rewards, career development and work conditions.

Unconscious Bias Training

To help us achieve our diversity and inclusion strategy, Sovereign has rolled out unconscious bias training sessions to the Senior Leadership Team, and subsequently made the training available to the wider organisation. The sessions focus on building an inclusive culture that values differences in employees and raising awareness of how natural bias can influence views and decision making.

LGBTI

Approximately 3% of Sovereign staff have self-identified as LGBTI (lesbian, gay, bisexual, transgender and intersex). We have established relationships with the LGBTI communities of our shareholder, CBA (The Commonwealth Bank of Australia) and our sister company ASB Bank. We are partners with ASB's LGBTI support group in order to provide Sovereign's internal LGBTI community with a support network. Overall, our aim is to create and maintain an inclusive workplace that is free from bullying, harassment and discrimination.

Sovereign recently introduced the gender definitions MX and Gender X into our recruitment system. MX is a salutation used by those who do not wish to identify as Mr, Miss, Mrs, etc. Gender X is now a gender option available for applicants who do not identify as M or F. Sovereign is working on introducing these gender definitions across our internal and external systems, which will allow our existing staff to update their information if required.

Age

In 2015, Sovereign established an intern programme in partnership with AUT (Auckland University of Technology) as part of the focus on valuing all generations, leveraging diverse thinking from younger workers, and building a younger talent pool. In April 2015 a 'transition to retirement' initiative was launched, designed to support employees who are considering retirement by offering access to planning tools and resources. Opportunity exists to improve Sovereign's employee age spread in both the younger and mature worker groups.

Complaints Processes

At Sovereign, our customers, employees and the wider New Zealand public have access to meaningful, legitimate and effective complaints mechanisms. If a human rights complaint is made, we follow a robust process to investigate and resolve the complaint.

Our customers have access to an unbiased complaint resolution process, which provides an opportunity for the customer to articulate concerns in a staged process. Throughout any liaison with our customers, ensuring their personal information remains safe and secure is of the highest priority for every Sovereign staff member, and our customers can be confident that their situation and details will remain confidential and handled with care.

In terms of employment issues, Sovereign follows a standard process

for receiving, investigating and resolving complaints, including alleged discrimination in breach of the Human Rights Act 1993.

In 2015 Sovereign raised awareness of the international Human Rights Day through our internal communication channels, providing staff with the opportunity to learn more about the birth rights of all human beings.

Overall, Sovereign stakeholders, including customers and staff, have access to a range of external sources of information on their rights and obligations, including the Human Rights Commission, IFSO (the Insurance and Financial Services Ombudsman), the Citizens Advice Bureau, Community Law Centres and the Privacy Commissioner.



Lion Dance Group performing for Chinese New Year celebrations at Sovereign

Achievements

Sovereign resolves 98.7% of customer complaints at the frontline, in total 99.7% of complaints are resolved. The small number of customers whose complaints are unable to be resolved by Sovereign can approach the Insurance & Financial Services Ombudsman (IFSO) for an independent review of their concerns, completely free of charge.

Sovereign has achieved well with gender balance in governance, with 30% or greater levels of women on key governance groups at Sovereign and almost 50% representation of women in Senior Leadership roles or higher. Positive results for women have been achieved around inclusivity and flexible working practices, tracked through Sovereign's Employee Engagement Survey. In the 2015 survey, 87% of female employees agreed that their manager allows them the flexibility they need to achieve their work goals and personal needs.

White Camellia Award In September 2015, Sovereign was awarded a White Camellia Award for leading gender equality initiatives, such as the Rethinking Leadership programme. The White Camellia Awards celebrate New Zealand organisations who implement the UN Women's Empowerment Principles (WEPs), a joint initiative of UN Women and the UN Global Compact aimed at empowering women to participate fully in economic life across all sectors. Sovereign was upheld as a leading example of a New Zealand organisation that promotes education, training and professional development for women in the workplace.



Interim Sovereign CEO Sharron Botica receiving the White Camellia Award from Auckland Chamber of Commerce CEO Michael Barnett

"It's clear Sovereign is engaging in a programme to actively empower female employees. There were a number of strong entries in this category, but Sovereign demonstrated its commitment through its training and the programmes embedded in the business that work to

deliver tangible outcomes for the company and its people." Dr Gail Pacheco, Director of AUT's New Zealand Work Research Institute and member of the judging panel.



Rainbow Tick

In August 2015, Sovereign became the first insurance company in New Zealand to be awarded the Rainbow Tick. The Rainbow Tick is a certification mark awarded to organisations that complete a process which tests whether a workplace understands, values and welcomes sexual and gender diversity.

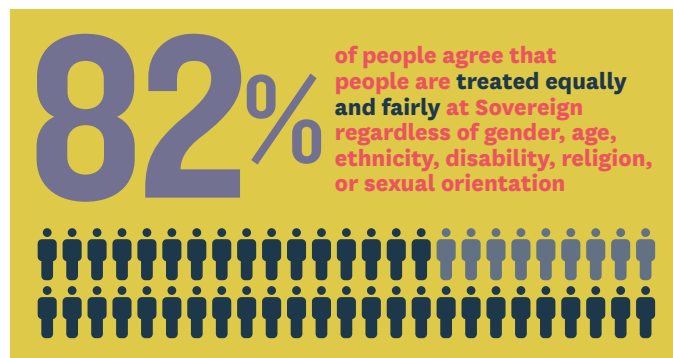


Rainbow Tick Director Michael Stevens presenting Sovereign with the Rainbow Tick

Within the audit report, Rainbow Tick said "We believe Sovereign is a company that is showing true leadership and commitment to this ideal in the New Zealand workplace. We know that when people can be themselves at work without fear of negative

reactions they are better able to work, happier and more productive. This was not just a box-ticking exercise, but a reflection of Sovereign's culture. Sovereign has set a great example for others to follow."

Rainbow Tick Programme Director, Michael Stevens.







Sovereign staff at the New Zealand EEO Trust Diversity Awards

The Five Ways of Wellbeing are an evidenced based model designed to improve the wellbeing of individuals, communities and nations through five key behaviours. Initially constructed by the New Economics Foundation (United Kingdom) and later incorporated by the New Zealand Mental Health Foundation, the five ways relate to simple everyday actions that individuals can take to improve their own wellbeing. In 2014, Sovereign adopted the model as part of the framework for our wellbeing strategy.



Sovereign staff competing in the Sovereign Tri Series

Sovereign Tri Series

A highlight on our Five Ways of Wellbeing calendar is the Sovereign Tri Series. Our partnership with Triathlon New Zealand gives our staff the opportunity to connect, be active and take charge of their wellbeing.

Flexible work policy

Sovereign supports the principle of flexible working practices to improve business outcomes and to support work/life balance for employees.

We are committed to the wellbeing of all employees and all eligible employees are able to apply for flexible working arrangements.

Sovereign's leadership programme champions an approach of 'Start with Yes' as a mind-set for all leaders when considering flexible working arrangements within their teams. Starting with 'yes' encourages leaders to think about 'how could flexibility work' instead of starting with a mind-set of 'it won't work'.

Sovereign regularly conducts employee surveys on our Parental Leave policy and benefits. Key findings indicate our employees place high value on flexible working arrangements, especially new parents. As a result of these findings, Sovereign is rolling out further enhancements to our Flexible Working Policy and Parental Leave Policy.

Remuneration Band & Salary Reviews

Sovereign uses remuneration bands to ensure fairness. The system standardises salary processes to remove any bias or unfair advantage. Sovereign also reviews salary levels annually for any gender based discrepancies and is committed to removing any bias that may occur in determining fair pay for all employees. A 2015 analysis of employee wages has ensured that all employees receive a living wage.

The Employee Assistance Programme (EAP)

The Employee Assistance Programme (EAP) is an expression of Sovereign's continuing interest in the wellbeing of its employees and represents recognition of the reality of issues in and out of the workplace. It gives employees the opportunity to obtain professional help in an atmosphere of privacy and confidentiality. Employee's immediate family members (spouses, children) can also use this service.

Collective Bargaining

Sovereign upholds the freedom of association, complying with relevant legislation around union participation and collective bargaining. Sovereign currently has one union operating within the business that is covered by a collective agreement.

Procurement Policy

Sovereign is committed to sustainable procurement, meaning the labour conditions of the producer and the human rights of the workforce are considered as part of the evaluation and decision making process. We use The United Nations Environment Programme Finance Initiative (UNEPFI) questionnaire to assess potential vendors, which includes questions around workforce policies and human rights.

Achievements

Work Life Balance Award

In August 2015, Sovereign was awarded the Work-life Balance award at the New Zealand EEO Trust (Equal Employment Opportunity Trust) Diversity Awards in recognition of our effort toward building an inclusive work environment with a focus on wellbeing and diversity. The EEO Trust Diversity awards celebrate organisations across New Zealand that are leading the way in workplace diversity.



ENVIRONMENT

Principle 7: **Businesses should support a precautionary approach to environmental challenges;**

Principle 8: **Undertake initiatives to promote greater environmental responsibility; and**

Principle 9: **Encourage the development and diffusion of environmentally friendly technologies.**

Our commitment

To ensure the efficient, effective and ethical use of resources, we embrace social and environmental sustainable procurement where practicable. This means Sovereign must consider long-term economic viability, minimising environmental impact and being socially responsible when procuring products and/or services.

Sovereign's environmental initiatives are targeted at supporting our health and wellbeing focus. For example, we know it is just as important for Sovereign volunteers to be active while planting trees, as it is for the tree to be planted.

Our policies and procedures to support our commitment

Sustainable Business Network (SBN) Membership

The Sustainable Business Network (SBN) is a membership-based social enterprise. There are four key pillars of focus for the SBN, these are renewables, community, mega efficiency and restorative. As a member of the SBN, we are provided with a platform where we can collaborate, learn and get involved. This allows Sovereign to play a role in making New Zealand a more sustainable nation.

Sustainable Business Council (SBC) Membership

As a member of the SBC, Sovereign seeks to actively demonstrate business leadership in sustainable business. Our membership with SBC shows our commitment to the balanced pursuit of economic growth, ecological integrity and social progress.

Paperless where possible

To help reduce the amount of paper being used at Sovereign we carried out an analysis of the business to see where we could make changes and as a result have an entire business unit that is now 'paperless'.

Active commute

Over half of our staff live on Auckland's North Shore. With our head office also being based on the North Shore, we encourage our staff to actively commute by walking or riding to work. Sovereign signed up to the Auckland Bike Challenge that runs for the entire month of February. The challenge is to get more people riding bikes to work, which will have a positive effect on their health and carbon emissions.

Sovereign House

Sovereign House is our Head Office in Smales Farm. Sovereign House was the first commercial building in New Zealand to use multi-service chilled beam technology rather than conventional air conditioning, creating a massive reduction in energy consumption and a substantially healthier environment for staff.

Achievements

An analysis of our 2015 and 2014 environmental reports show decreases in our total energy consumption, paper consumption, greenhouse gas emissions and company air travel. Opportunities still exist to improve on company fuel consumption and waste levels.

Community Partnerships

Happiness Matters – Community Partnership Programme

In 2012 we established a community partnership programme with twin objectives.

Firstly, the programme was designed to make a difference to New Zealand communities in the area of mental health and wellbeing, with a specific focus on youth. Secondly, the programme was designed to help our staff better understand the different challenges faced by diverse individuals and groups.

As a life and health insurance company, Sovereign is there for customers in ‘their moment of truth’, when they need us the most. While these events usually occur to our customers and their families later in life, our community partnerships aim to encourage the younger generation to take charge of their health and wellbeing, with the overarching goal of equipping them better to deal with the challenges they may face throughout their lifetime.



The Hunger Project

The Hunger Project works to break the cycle of poverty. In partnership with affected communities, the Hunger Project provides leadership and support so empowered individuals can feed themselves and their families.

For The Hunger Project, leadership development is at the heart of who they are and what they do. Every single day their village partners around the world are making the courageous transformation from hunger and dependency to self-reliance. Through a pioneering methodology their Vision, Commitment, Action programme shifts pervading mind-sets from “I can’t” to “I can” to “we can”, mobilising entire communities to take ownership and change.

The Hunger Project is a unique partnership where the financial contribution made by Sovereign provides us with a McKinsey & Co backed leadership development programme. The leadership programme is a critical component to drive and support the achievement of our organisational goals and achieve our vision and purpose. In addition, Sovereign is afforded the opportunity to take a group of staff to one of the countries in which the Hunger Project operates (including Bangladesh, Malawi and India). In March 2015

a group of 20 Sovereign staff members travelled to Odisha in India to spend time with Indian women who hold EWR (Elected Women Representative) roles. In 2016 the leadership programme will take another group to India.

Sweet Louise

Sweet Louise was established in 2005 to support people living with secondary breast cancer. Of the 2500 New Zealanders who develop breast cancer each year, around 400 will advance to secondary cancer, for which there is currently no cure. The impact of this diagnosis is overwhelming for families. Through partnership with Sovereign, Sweet Louise is able to provide children with resources to help explain the disease, counselling and access to a team of nurses. Sovereign’s partnership with Sweet Louise allows us to be there in a moment of truth by helping provide support to the mental health of families going through difficult times.

SWEEET LOUISE | POSITIVE LIVES WITH BREAST CANCER

“Having a parent with an incurable disease can have a huge impact on children. With the support of Sovereign, Sweet Louise will be able to offer psychosocial support to children of Sweet Louise members via counselling, retreats and peer support,” says Sweet Louise CEO Fiona Hatton.

Sovereign employees also contribute to Sweet Louise through fundraising, volunteering activity and participation in a dedicated Sweet Louise week in August.



Youthline

Youthline has been supporting New Zealanders for over 42 years and is a first point of contact for young

people in New Zealand where they can access a wide range of youth development and support services. The organisation works alongside young people assisting them to achieve their goals, from adolescence to adulthood, from disengagement to engagement, transition through challenges and transition into leadership roles.



Youthline provide the 24/7 youth helpline (telephone, txt and email), counselling services, personal and leadership development programs, mentoring, an alternative school where mainstream schooling has failed, conduct research, inform policy development and deliver social enterprise activities.

Working alongside Youthline allows Sovereign to help make meaningful changes to the mental and physical health of adolescents in New Zealand. “The Youthline whanau is excited about the opportunity to partner with Sovereign and we believe it takes a village to raise a young person. This is an amazing opportunity to strengthen community through our shared passion in developing healthy, resilient and creative young people.” Stephen Bell, Youthline CEO.

The Sovereign Wellbeing Index

In 2012, Sovereign partnered with AUT’s (Auckland University of Technology) Human Potential Centre to produce the Sovereign Wellbeing Index, the first survey designed specifically to measure the wellbeing of New Zealanders. Traditionally, the success of a nation has been measured using economic indicators such as GDP and productivity. However, these provide a narrow and limited view of how society is functioning as a whole.



HUMAN POTENTIAL CENTRE
AN AUT UNIVERSITY RESEARCH CENTRE



The Sovereign Wellbeing Index reveals a snapshot of how New Zealanders are faring on a personal and social level. It delves into the key issues of employment, health, community, money and vitality to determine what makes people “awesome” and give us insights into how we can improve.

A national wellbeing index can help to show what it is to ‘be well’ across the entire population. We want to use this information to advocate change to ensure that New Zealanders are getting the most out of life – to help them take charge of their health. As a nation, we need to understand better what helps bring out the best in New Zealanders and how a changing society can adjust to achieve the goal of wellbeing for everyone. This new information will be vital in shaping policy at all levels, from community organisations to business to government.

All reports and data from the Sovereign Wellbeing Index can be located at www.mywellbeing.co.nz

Child Matters & Buddy Day

Sovereign want to make a difference to the wellbeing of young New Zealanders and ensure that our most vulnerable are protected. Buddy Day is centered around life-size cardboard children – ‘Buddies’ – which are decorated by school children and then ‘adopted’ by adults, who look after the buddies for the day – taking them into their communities and workplaces to raise awareness about child abuse and how every adult can play their part in protecting our children.



It takes a community to look after a child

The partnership helps to raise awareness of the significant economic, social and environmental impacts on our communities, businesses and individuals caused by child abuse. Together Sovereign and Child Matters work to show communities that everyone can play a role in speaking up for New Zealand kids.

Volunteering at Sovereign

By giving time through volunteering an individual not only helps others, they also improve their own personal wellbeing and those of their families and workmates. Volunteering also provides team building and personal development opportunities. Our operational staff has the opportunity to volunteer for Look Good Feel Better; Look Good Feel Better is the only worldwide cancer support charity, providing free, practical support to women undergoing treatment for cancer. Sovereign also partners with Conservation Volunteers, Volunteering Auckland, Volunteering Canterbury and Hurrah to provide a wide range of opportunities for our staff to get involved in.

Christmas Appeal for De Paul House

De Paul House provides housing and family support services for homeless families. The amazing work they do empowers families to re-establish themselves in the community. Through Volunteering Auckland, we connected with De Paul House. Throughout the year Sovereign staff have volunteered at De Paul House facilities, we continued this relationship with our 2015 Christmas Appeal. Our staff generously donated toys and food items which were formed into hampers for the families of De Paul House.



ANTI-CORRUPTION

Principle 10: **Businesses should work against corruption in all its forms, including extortion and bribery.**

Our commitment

Sovereign recognises that bribery and corruption have an adverse effect on communities wherever they occur. If endemic, they impede economic growth and undermine accountability, threaten laws, democratic processes and basic human freedoms, impoverishing states and distorting free trade and competition. Corruption is often associated with organised crime, money laundering and, on occasions, the financing of terrorism.

We are committed to securing the financial wellbeing of people, businesses and communities by embedding a culture of zero tolerance to bribery, corruption and facilitation payments across all areas and levels of the business.

Policies and procedures to support our commitment

Our anti-bribery and corruption policy supports our zero tolerance approach to bribery and corruption.

Our policy serves as a single and consistent anti-bribery and corruption standard across the Group. It is designed to comply with the New Zealand Crimes Act 1961; the Australian Criminal Code Act, 1995; the US Foreign Corrupt Practices Act, 1977 and the UK Bribery Act, 2010.

Sovereign's Code of Conduct, Procurement Policy, Whistleblower Protection Policy, and Gifts and Entertainment Policy play a supporting role in preventing corruption across our business operations. Our staff are required to complete a mandatory learning module on Anti-Bribery and Corruption. All staff are required to complete this module in the first three months of employment, with a refresher course if any of the content is updated.

Sovereign provides a range of channels and services to aid the business in identifying and preventing any form of corruption. Our investigation services team provides independent support and advice to the wider organisation where integrity or physical security issues arise. They coordinate and manage investigations around incidents of misconduct or suspected fraud. As part of the CBA Group, Sovereign employees have access to a 24-hour, dedicated phone line for the purposes of reporting suspicions around unethical or fraudulent behaviour. Sovereign use an Operation Risk Management Framework called RiskInSite, this allows for any compliance incidents, including corruption or bribery, to be captured. Sovereign have an internal audit system which can focus on any aspect of the business at any time. Sovereign are audited externally by Pricewaterhouse Coopers.

Achievements

Training - Every staff member who has worked at Sovereign for over three months has completed a training module on anti-bribery and corruption.

Recruitment

Our recruitment processes mean that every Sovereign employee with access to employee or customer financial information has gone through both criminal and credit checks.



S O V E R E I G N