

# SOVEREIGN CORPORATE RESPONSIBILITY REPORT 2017



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# CEO STATEMENT

As a leading life and health insurer, Sovereign is dedicated to protecting the health, wealth and lives of New Zealanders.

We are a values based company that strives to do the very best for our customers, staff and community through our actions. And we hold ourselves to account, tracking our customer experience (CX) and intermediary experience (IX) monthly and sharing the results, along with anecdotal feedback, across the company.

Over the last year, we have continued to focus on supporting New Zealanders to take charge of their health and wellbeing through our community partnerships, social innovation projects, volunteer programme and sponsorships.

We have also completed the first round of corporate responsibility materiality research to help us better understand what is important to our internal and external stakeholders and where they would like us to focus.

As CEO, it is particularly important to me that every single one of staff understands the role they play in making a difference to our customers, are respected in the workplace, and can balance work with the things that are important to them.

We are in the business of paying claims – over NZ\$350 million in the year ending June 30, 2016. A sustainable risk culture and strong financial rating ensure that our customers can trust we will be there for them in their moment of truth. We are proud of the difference we make at claims time through a case management approach, which ensures our customers get personal treatment, specific to their needs, until they no longer need us.

For us, it all comes back to our company values and commitment to “being the difference in life’s moments of truth”.

Through our commitment to the United National Global Compact we are sending a very clear message that human rights are a priority for Sovereign and we will continue to integrate the ten principles on human rights, labour, environment and anti-corruption into our company culture.

In this report, we outline our actions to integrate the Global Compact into our business and our ongoing commitment to the initiative.

**Nick Stanhope**  
CEO, Sovereign



# ABOUT SOVEREIGN

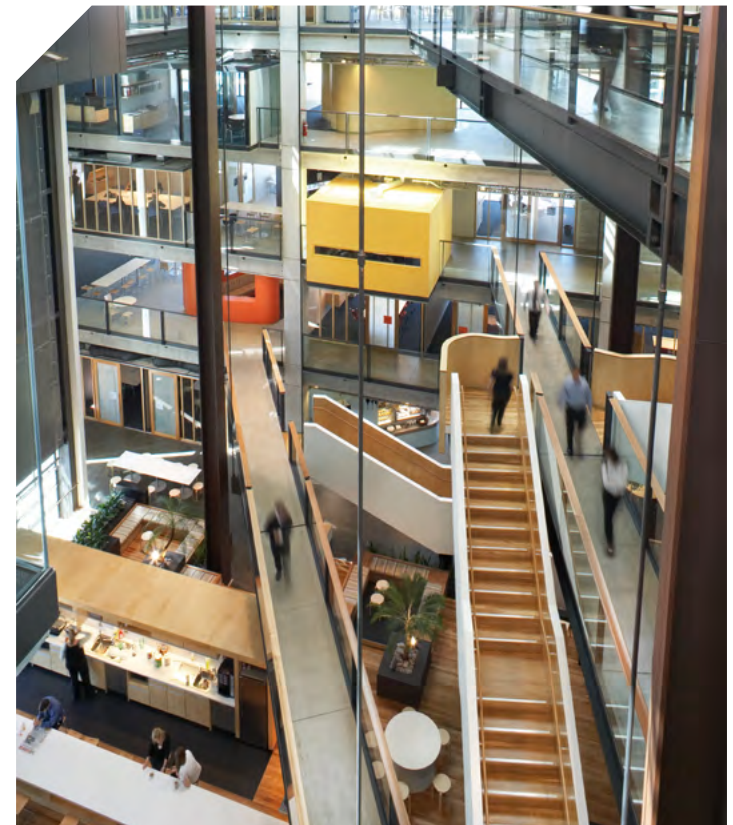
At Sovereign, we help to build and protect the lives, health and wealth of New Zealanders.

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

We are focused on helping New Zealanders take charge of their health by encouraging healthy lifestyles and rewarding people for their everyday good choices through our Healthy by Sovereign rewards programme.

This document describes Sovereign's corporate responsibility progress in regards to the way we do business and our role in society.

We encourage other New Zealand businesses to consider how they can support their people, customers and communities to be the best that they can be.



# MATERIALITY

In order to report corporate responsibility in a meaningful way, Sovereign conducted materiality research in early 2016 to determine which of its economic, environmental and social impacts are most relevant for its stakeholders.

This research helps to direct Sovereign's initiatives to deliver a corporate programme that supports the needs and requirements of our stakeholders.

## The materiality process

The Sovereign materiality process involved a mix of desktop research, internal review and phone surveys.

A media review was conducted to understand local issues relating to both Sovereign and the wider financial services landscape both internationally and in New Zealand. This review was complemented by publicly sourced desktop research to discover what issues were considered material by domestic and international financial services providers.

From this research an initial issue list was reviewed by members of Sovereign's senior leadership team. As a result, a survey was developed to help us understand which impacts were of low (rating 1) or high (rating 5) relative importance.

The survey also asked two open ended questions to help understand what issues were particularly important and if Sovereign should consider other issues. The two questions were:

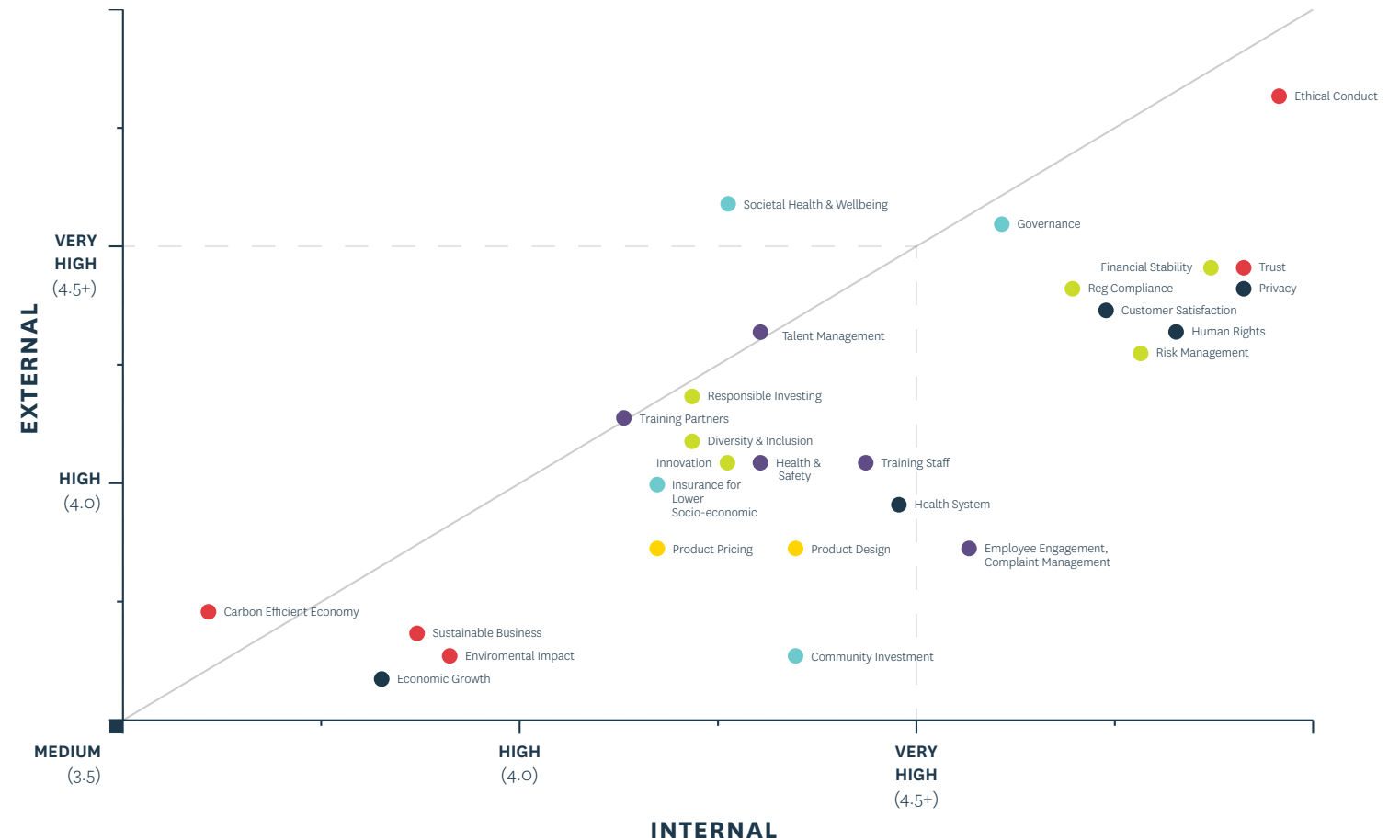
- > Which issue is the most important and why?
- > Should Sovereign consider any other issues?

A mixture of internal and external stakeholders took part in the survey including customers, advisers, economists, community partners (charities), the New Zealand Ombudsman, tertiary institutions, and industry groups.

The research discovered that four themes were of particular importance – customer, conduct, business foundations and community. Of secondary importance was the economy, innovation, investments, environment reporting and procurement.

The result from the interview process is presented on the materiality grid below by issue.

## Sovereign Corporate Responsibility Materiality Grid



The key insight from the research was that conduct is of paramount importance. The value of strong business foundations including governance and risk management was also apparent.

External stakeholders had an expectation that Sovereign has a role to play

in supporting societal health and wellbeing.

Based on the research, environment was not considered a major material issue – possibly due to the nature of the insurance product (i.e. no physical manufacturing process/limited transporting needs).

# SOVEREIGN CORPORATE RESPONSIBILITY APPROACH

The Sovereign Corporate Responsibility Approach reflects Sovereign's broad strategic direction.

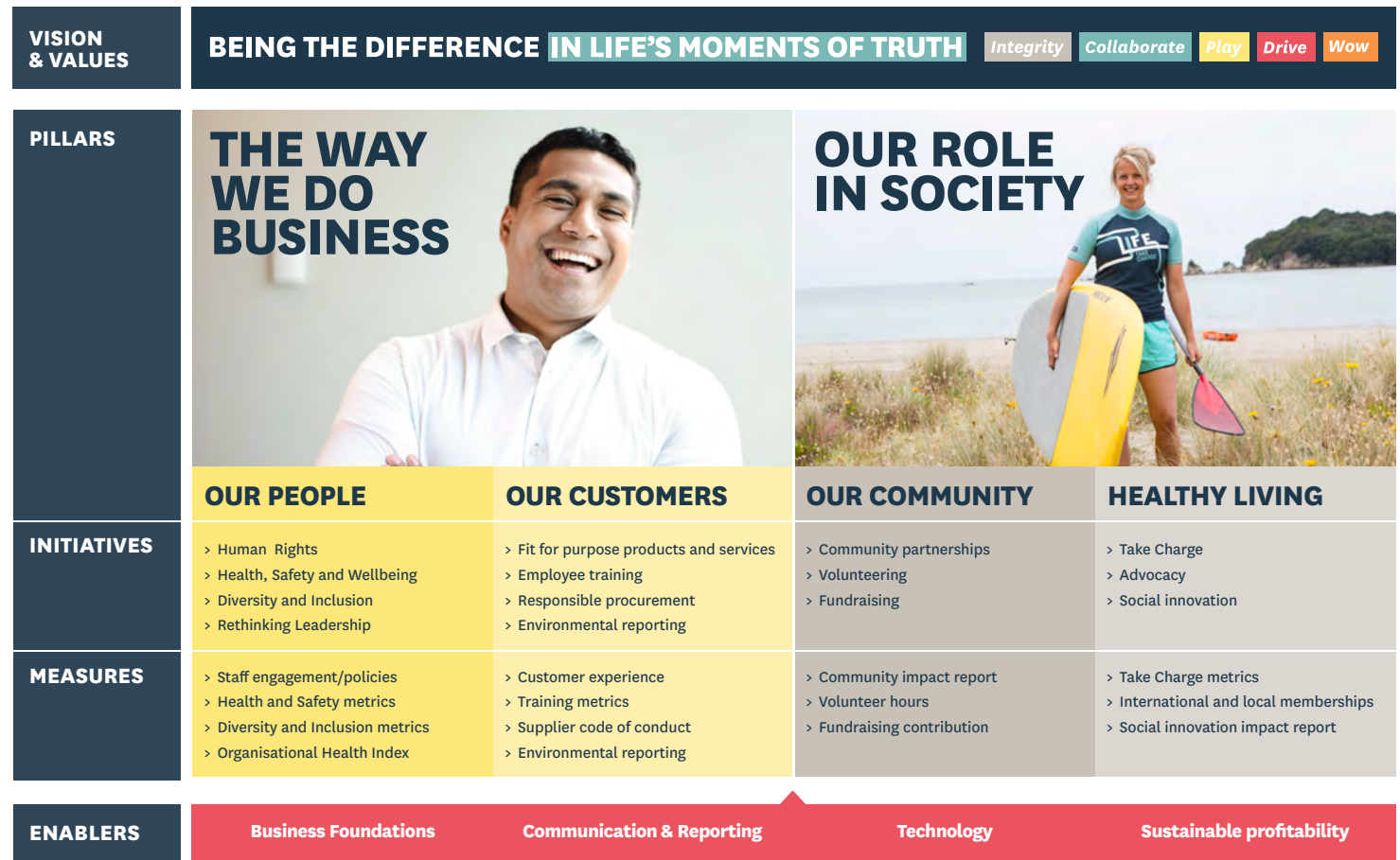
It is expected that Sovereign's Corporate Responsibility Approach will have an element of flexibility and different areas will receive levels of focus and resources as initiatives are launched, embedded, and optimised.

The approach is based on two key pillars – The Way We Do Business and Our Role In Society.

The initial focus for Sovereign is to ensure that our people and our customers are appropriately supported. Sovereign's vision is to focus on people and ensure we provide appropriate support.



## Sovereign Corporate Responsibility Approach



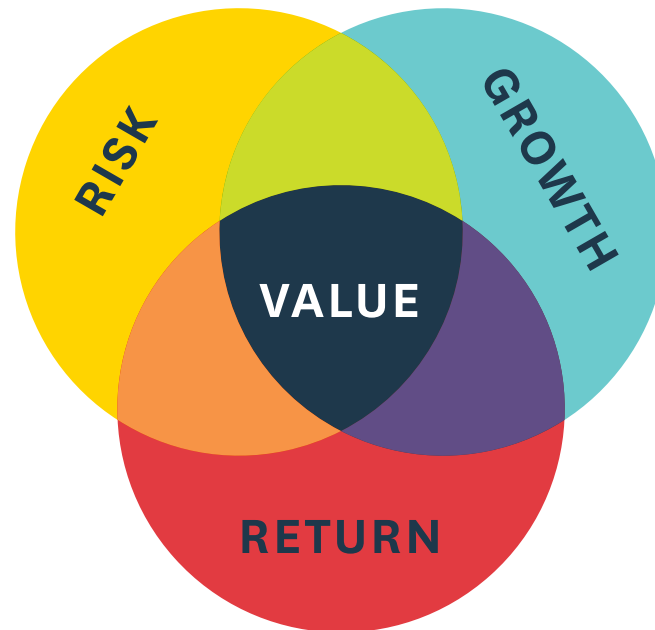


## Business foundations

Sovereign maintains a sound and sustainable risk culture to ensure we meet both customer and shareholder outcomes. This includes regulatory compliance, visible governance and an A+ financial rating.

## Risk management

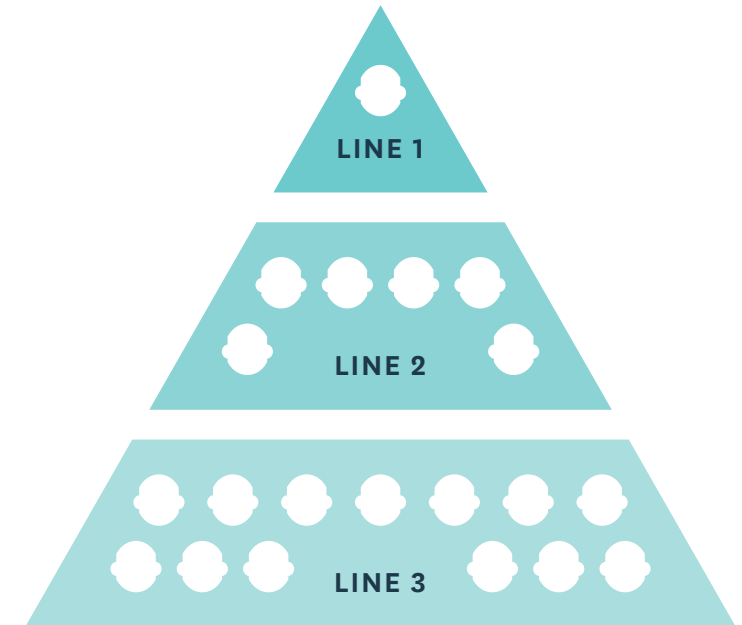
Sovereign's risk culture is influenced and guided by our Risk Management Framework and business processes. Two key components of the framework are the Risk Appetite Statement and Risk Management Programme. The Risk Appetite Statement articulates why we manage risk and it sets boundaries for business activities for risk-taking activities to reduce the likelihood that unacceptable business outcomes will occur.



Sovereign balances risk, return and growth within clear boundaries to maximise shareholder value.

Sovereign's Risk Management Programme describes how we manage risk and in line with our strategic objectives and business activities. It defines our material risks and how we manage these through appropriate governance, policies, risk reporting and systems.

Managing risk is everyone's responsibility at Sovereign. We apply the three lines of defence model to represent the three levels of accountabilities that exist for our management of risk.



**Line 1** - Business owns the risk: Undertakes risk management in day-to-day operations

**Line 2** - Risk Management Function: Supports Line 1 through review and challenge

**Line 3** - Audit and Assurance: Independent assurance of Line 1 & 2 actions and activities

## Regulatory compliance

Sovereign's compliance mandate is to fulfil our legal and regulatory obligations in all business activities. Our Compliance Risk Management Framework enables our people to manage, monitor and report against the compliance and regulatory risk and control environment.

As a licensed insurer under the Insurance (Prudential Supervision) Act 2010 we are subject to regulatory oversight from the Reserve Bank of New Zealand and the Financial Markets Authority.

## Visible governance

Sovereign's Board of Directors sets the "tone at the top" and our risk culture emanates from the Board via principles articulated in the Risk Appetite Statement. These principles are cascaded by management via risk policies and procedures, setting minimum standards for business activity. Sovereign's CEO is supported by executive management committees that govern and provide oversight of the key risk areas relevant to Sovereign. These committees also provide the conduit for reporting through to the Board's Audit and Risk Committee.

Divisional executives, the Chief Risk Officer and Internal Audit (representing First, Second and Third lines of defence) provide monthly reporting to the CEO and executive management.

## Financial stability

Demonstrating a strong ability to pay claims is essential to maintaining the confidence of customers and intermediaries. To support this objective Sovereign seeks to maintain its AM Best Financial Strength Rating at A+.

Sovereign is required to hold a level of capital that is consistent with regulatory requirements. As a licensed insurer we are also obligated to provide a written annual report from our appointed actuary assessing our financial soundness and addressing solvency standard requirements.



# THE WAY WE DO BUSINESS

## Human Rights

Sovereign is committed to the respect and protection of international human rights protocols.

### **Our commitment: Sovereign's statement on Human Rights**

This statement affirms Sovereign 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 influenced 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.

## New Zealand Human Rights Commission Forum 2016

In August 2016, Sovereign supported the New Zealand Human Rights Commission in bringing the leading experts on Business and Human Rights to New Zealand to facilitate a three-day forum.

The forum was invaluable to those businesses keen to improve their understanding and the benefits supporting of human rights. Businesses also had an opportunity to learn about the United Nations Guiding Principles (UNGPs) on Business and Human Rights and how to embed these guiding principles into business practices.



Sovereign's specific focus was on the Business and Human Rights workshop for practitioners which was attended by a range of business leaders from a diverse range of New Zealand businesses. The workshop was intended for those responsible for implementing respect for human rights within their companies, for civil society actors working on responsible business conduct, and members of the legal community working with clients to manage human rights related risks.

## United Nations Global Compact

As a member of the United Nations Global Compact, Sovereign aligns strategies and operations with universal principles on human rights, labour, environment and anti-corruption, and takes actions that make a difference to society.

### The ten principles of the United Nations Global Compact are:

- 1 Businesses should support and respect the protection of internationally proclaimed human rights; and
- 2 Make sure that they are not complicit in human rights abuses.
- 3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- 4 The elimination of all forms of forced and compulsory labour;
- 5 The effective abolition of child labour; and
- 6 The elimination of discrimination in respect of employment and occupation.
- 7 Businesses should support a precautionary approach to environmental challenges;
- 8 Undertake initiatives to promote greater environmental responsibility; and
- 9 Encourage the development and diffusion of environmentally friendly technologies.
- 10 Businesses should work against corruption in all its forms, including extortion and bribery.

Policies and processes to support these commitments are included within the relevant sections of this report.

As part of the CBA Group, Sovereign supports the following position statements:

- > CBA Group Human Rights Policy
- > CBA Slavery and Human Rights Trafficking Statement

## Sovereign's commitment to anti-corruption

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 processes 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. (Source)

Supporting policies:

- > Code of Conduct
- > Procurement Policy
- > Whistleblower Protection Policy
- > Gifts and Entertainment Policy

Sovereign provides a range of channels and services to identify and prevent 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 uses an Operation Risk Management Framework called RiskInSite, this allows for any compliance incidents, including corruption or bribery, to be captured.

Staff undergo mandatory fraud training and are encouraged to participate in Fraud Awareness Week.

Sovereign has an internal audit system which can focus on any aspect of the business at any time and is audited externally by PwC.



# OUR PEOPLE

## Health, Safety and Wellbeing

Sovereign is committed to the health, safety and wellbeing of our people. Occupational health and safety issues are a priority and all staff are encouraged to participate in health, safety and wellbeing initiatives throughout the year.

As an organisation that understands the importance of both mental and physical health, Sovereign implements the New Zealand Mental Health Foundation endorsed Five Ways of Wellbeing to build employee wellbeing.

Sovereign has a range of policies and processes to support our commitments. These include:

- › Health and Safety Policy
- › Harassment and Discrimination Free Workplace Policy
- › Code of Conduct

- › Flexible Work Policy
- › Parental Leave Policy
- › Employee membership of Healthy by Sovereign programme
- › The ACC Partnership Programme - The ACC Partnership Programme allows ASB and Sovereign to take direct responsibility for the administration and management of ACC work injury claims. Wellnz is the third party administrator who manages work injury claims for ASB and Sovereign. Sovereign maintains a high standard above legislative requirements under the ACC Partnership Programme by taking a proactive approach to health and safety. This includes early identification, elimination and/or minimisation of potential hazards or risks, fast and efficient management of incidents and accidents, management of pain and discomfort claims and proactive rehabilitation planning for our employees who return to the workplace after a home or work related injury. The Health and Safety Committee has a strong involvement in health and safety at and helps to ensure these standards are upheld across the business.
- › 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.
- › Employee Assistance Programme (EAP) - EAP is a professional and confidential service that has been implemented to assist employees who may be experiencing personal or professional difficulties. EAP

can help employees with general counselling, offering personal legal advice, gambling and other additions, health and life style issues and even budgeting and financial management. All Sovereign employees are entitled to three free EAP sessions per issue. EAP offers its services face to face, over the phone or via Skype

- > Safety Week - Safety Week (November 2016) was aimed at giving Sovereign employees a holistic view of wellbeing and how to reach it, enhance it and maintain it. Activities included fitness boot camps, smoothie bikes, lunchtime yoga, one on one wellbeing coaching and seminars with healthy living ambassador Nicola Smith. The creation of a Random Act of Kindness register enabled Sovereign employees to recognise colleagues for going over and above to help others.

## 2016 Achievements

Beyond its existing wellbeing programme, Sovereign delivered the following positive outcomes during 2016.

- > Sovereign reviewed the high risk role process in 2016 to ensure employee safety and wellbeing.
- > Following this review all employees in high risk and at risk roles have completed Personal Safety Awareness training.
- > As part of Mental Health Awareness Week the Sovereign Ready to Thrive module was shared publicly to enable other organisations to develop improved resilience amongst their employees. Sovereign also conducted a wide range of staff engagement activities to encourage employees to live the theme of the week – Connect With Nature – and improve their personal wellbeing.
- > Safety Week at Sovereign took place from 21-25 November 2016 with a specific focus on employee wellbeing. A range of activities were delivered throughout the week focusing on Mental, Physical and social wellbeing.
- > Diabetes testing provided to 60 Sovereign staff by the Diabetes Auckland mobile unit.
- > Wellbeing Shift Challenge - 152 staff members participated in setting step challenges to improve physical activity levels.
- > In partnership with Youthline Sovereign provided suicide threat call

training to 80 front line staff. The purpose of this training was to appropriately prepare Sovereign staff for the rare occurrence of an external customer call that included a suicide threat and also to raise awareness of suicide and the role that all New Zealanders have in supporting others.

**23** Sovereign employees that took primary parental leave in 2016

**15** Sovereign employees on parental leave

**15** Sovereign employees that returned to work after primary parental leave in 2016

**11** Sovereign employees that have received the Return to Work bonus after being back in the workforce for six months

Headcount 722, 30 June 2016

## Parental Care

Having a child is an exciting time in any parent's life.

Sovereign understands the importance of family and have implemented parental leave benefits to give primary and secondary caregivers the flexibility they need to make time for their new family during parental leave and after they return to work.

In July 2015 Sovereign introduced two new parental leave benefits, these included two weeks paid leave for secondary caregivers and a one off six week bonus payments for primary caregivers after they had been back in the workforce for six months following parental leave. Sovereign also offer a staggered return to work for Primary caregivers giving them the option to come back to work on reduced hours for a temporary period to soothe the transition.

## Health, Safety and Wellbeing measures

The Kenexa-Sovereign Engagement Index provides a metric that can be tracked as a way of assessing employee engagement – the extent to which employees are motivated to contribute to organisational success, and are willing to apply discretionary effort to accomplishing tasks important to the achievement of organisational goals. By acting on feedback from engagement surveys and improving employee engagement, Sovereign should be able to reduce turnover and absenteeism, gain greater discretionary effort from employees (improving productivity), increase the ‘speak up’ culture to mitigate risks, and ultimately see valued and engaged employees delivering a better experience for our customers.

Inclusion of disability self-identification in our Kenexa survey helps us to cater to, find gaps and improve work life of this demographic.

The last Sovereign Engagement survey (August 2016) had a response rate of 93% (657 permanent and fixed term employees).

Kenexa - Sovereign engagement index score for August 2016: 77%\*

\*The index shows the proportion of employees replying with a score of 4 or 5 to the four engagement questions that Kenexa use to measure employee engagement. These questions relate to satisfaction, retention, advocacy and pride on a scale of 1-5 (5 is “Strongly Agree”, 1 is “Strongly Disagree”).

### FY16

Absenteeism	2.76%
Lost-time injury Frequency Rate	1.54%
2 × Lost time injuries	
Turnover	13.44%
Headcount	722

### FY15

Absenteeism	2.74%
Lost-time injury Frequency Rate	2.21%
3 × Lost time injuries	
Turnover	14.86%
Headcount	700

## Diversity and inclusion

Sovereign is heavily committed to a strategy of all employees bringing their “full selves” to work. Over the last ten years, Sovereign has become a multi-cultural business that reflects the country we serve. If you take a walk through our offices you will see representatives from more than 50 ethnic backgrounds.

Diversity of thought benefits our customers, makes us more innovative as a business and helps us to develop new products.

Sovereign’s diversity strategy is based around three pillars – Diversity in Leadership, Inclusive Culture, and You Can Be You. Our strategy is based around creating an inclusive culture which values diversity of thinking, where all individuals feel comfortable to be themselves and is supported by a detailed work plan with objectives and metrics against each of the three pillars.

The Diversity strategy progress is reported to Board every six months, and tracked at regular leaders’ forums with our executive and senior leadership diversity sponsors.

Policies and processes to support our commitments:

- > Diversity and Inclusion Policy
- > Remuneration Band & Salary Reviews (HR) – 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 are committed to removing any bias that may occur in determining fair pay for all employee(s).
- > Harassment and Discrimination Free Workplace Policy

### Description of awards won

- > Finalist in the 2016 Diversity Works Women’s Empowerment category
- > Winner of two White Camellia Awards, celebrating 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. These awards include:

- Principle 5. Enterprise Development, Supply Chain and Marketing Practices
  - Principle 7. Transparency, Measuring and Reporting
- > Finalist in the Gold Category in the YWCA Equal Pay Awards



## LGBTI

Sovereign is Rainbow Tick accredited. 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.

Sovereign has also continued the process of integrating the “MX” salutation and “X” gender reference into both our customer and people systems. Including the “X” designation in our customer system will be managed as product and system upgrades occur.

These designations refer to individuals who either don’t identify as being of a particular gender, or for people who don’t want to be identified by gender. Our approach is making a difference to people who were previously excluded has made many people proud to be part of Sovereign and has been endorsed by the New Zealand Human Rights Commission.

## Unconscious bias

In 2015, Sovereign began rolling out unconscious bias training sessions to the Executive and Senior Leadership Teams (approximately 60 employees). The sessions were developed in-house by Sovereign's learning and organisational development team and included a mixture of interactive exercises, group discussions and practical application commitments. 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. Following the successful rollout of the sessions to the Senior Leadership Team, in 2016 they have now been made available to the wider organisation, and are highly popular sessions to attend, resulting in positive feedback from attendees.

In 2016, approximately 70 employees attended unconscious bias training sessions.

## Flexible working

The way we work continues to evolve and NZ workplaces are seeing a trend with employees looking for more flexibility in how, where and when they work. Flexible working is good for business and good for our people. It is proven to drive greater engagement, higher discretionary effort, and helps us to attract and retain talent.

As part of our ongoing commitment to this space, in late 2015 Sovereign ran employee focus groups to try and find ways to continually improve flexible working practices at Sovereign. Since then we have compiled a number of toolkits and resources to support and promote flexible working including the launch of our new Flex Hub on Sov Zone (intranet). This includes a manager guide, employee profiles and employee guide (including the process for requesting a flexible working arrangement).

During FY16 seven Sovereign staff returned to work under flexible working arrangements (staggered return to work) following parental leave.

## Age related activity

Sovereign proactively works to achieve age diversity in employees.

During 2016 Sovereign provided ten internships through the AUT Intern Programme with four interns ultimately being hired into full time roles.

Other initiatives included the AUT Shadow a Leader Day, and the Big Bus Tour employer visit. A new network group for Sovereign Young Professionals was also established this year. Acknowledging the other side of the spectrum, Sovereign also has a number of initiatives in place to recognise and gain insights from our 'wisdom workers'. A new diversity network group has been created at ASB for employees aged 55+, in which we have two Sovereign representatives. We also celebrated the UN World Day for Older Persons in 2016 by raising awareness of unconscious bias and ageism.

## Description of cultural activity

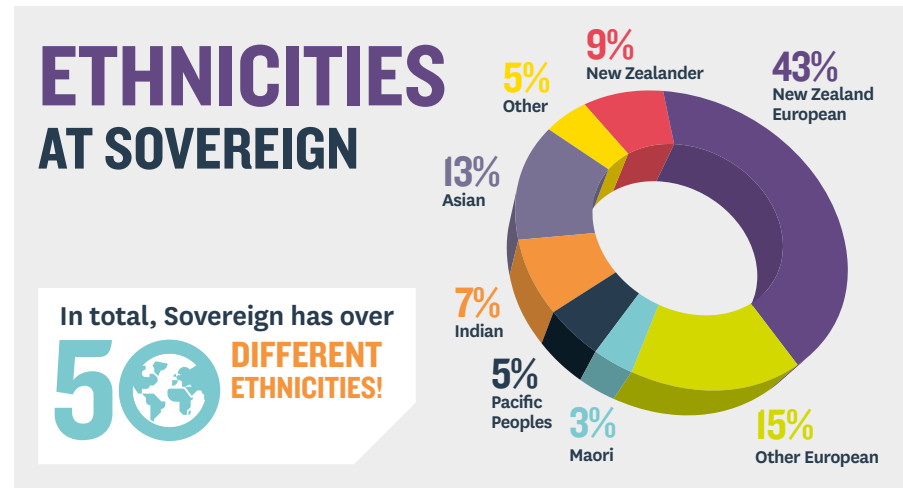
In 2016, Sovereign has held internal events to celebrate Maori Language Week, Eid al-Adha, Diwali, Christmas/Chanukah, and Chinese New Year. In addition, for the first time in May 2016, Sovereign celebrated the United Nations World Day for Cultural Diversity by encouraging employees to wear cultural dress and bring an item of food to share that represents their culture.



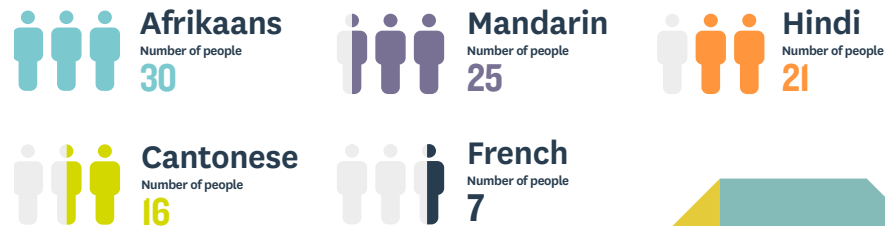


## Diversity and inclusion measures

An overview of Sovereign Diversity and Inclusion levels (August 2016) is presented below.



## SECOND LANGUAGES TOP 5



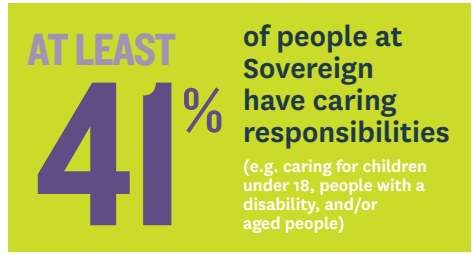
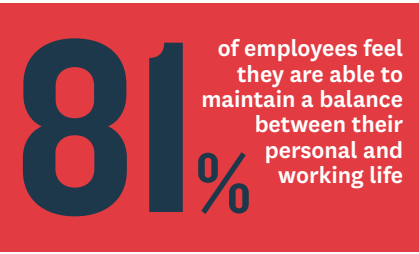
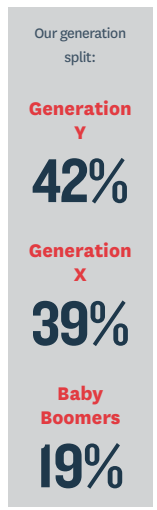
SOVEREIGN

Based on  
employee  
data as at  
July 2016

Headcount 722, 30 June 2016



52



## Rethinking Leadership

In 2014 Sovereign was facing a number of market challenges and needed to challenge internal thinking to maintain its place as one of the top insurance companies in New Zealand.

This opportunity resulted in Sovereign opting to deliver an internal Rethinking Leadership Programme (RLP) in partnership with The Hunger Project Australia to provide a unique leadership experience that developed change leaders throughout the business.

The philosophy of the programme, run in conjunction with McKinsey Consulting, is that to become change leaders, and be more expansive in our thinking, it is necessary to immerse ourselves in an environment that is both challenging and inspiring. The programme challenges the concept of who is a leader and who has the power in an organisation to invoke and inspire change. In order to achieve the desired outcome, the work of the programme is done on location in the rural villages of India. Here the group meets with rural women who have been elected to local government.



The position of these women is very difficult. As a group they are extremely marginalised, and have little inherent power to affect change. The Hunger Project works with these women and teaches them how to exert their leadership to act as agents of change in their communities. Through workshops/village visits and interaction with these women, the participants of the programme develop a deeper understanding of how the women approach their situations and how they are able to achieve success in transforming their communities for the better. This interaction gives the participants the opportunity for a renewed outlook in both their personal and professional lives and often they develop a different filter for the issues they face.



Each group of participants over the three year programme consists of 20 change leaders from throughout the business. The initial group were pre-selected for the trip, but the second and third cohorts have been selected through a self-nomination process. Each group contains a cross section of leaders from the business – from each business unit and every level of the organisation. This diversity encourages the removal of some of the barriers that might otherwise exist and creates the opportunity for a unique melding of ideas and viewpoints.

After two complete years of the programme there have been significant changes for the group of participants and positive impacts within the business.

The first group identified a vision for Sovereign which drove thinking at a senior management level of Sovereign's place as a market leader. The group identified collaboration as a key to success for Sovereign and began to institute a pathway where more authentic collaboration could take place. The mind-set shifting of "we can't" to "we can" became more prevalent in the organisation where people started to talk more of the possibilities rather than the constraints of budget/priority/time.



The cultural shift that is developed from this thinking has been measured through the change in Kennexa employee engagement results for Sovereign, and in particular an increase across the collaboration questions in the survey. In addition, in preparation for the second trip, the Organisational Health Index survey which was conducted prior to the first trip and prior to the second trip showed a dramatic shift in the health of the Sovereign measurements.

The second group followed on from the progress of the first group by identifying five further mind-set shifts that they wanted to embed in the organisation.

These shifts are critical to Sovereign as they change the way the business approaches problems and the way in which people within the business interact with one another. The work to embed these mind-sets has been underway throughout the last six months. This includes a speed networking programme which connects young professionals and new employees across the organisation in a socially interactive way – reflecting the desired "Federation" mind-set where people create a solid and unified front to address issues.

Many of the participants have also shared how their involvement in the programme has given them the determination to participate more effectively in the decision making of the organisation regardless of their position. This has approach has given individuals and team both the presence and the platform to speak up, share ideas, and challenge appropriately.



# OUR CUSTOMERS

## Customer experience

The focus for Sovereign as a business is ensuring that the experience of our customers is positive, particularly given the difficult personal situations faced by individuals when preparing a claim.

The Sovereign approach is demonstrated by our rehabilitation process.

## The Sovereign rehabilitation approach

Getting back to work in a safe and sustainable way is in the interests of both Sovereign and our customers.

Where possible, Sovereign will undertake a rehabilitation plan prior to accepting our clients claim and the start of the claim period. Sovereign Case Managers will continue working with customers until we have achieved a sustained return to work.

The Sovereign rehabilitation process follows a standard approach:

- › Our Senior Case Managers make home visits in order to get to know our clients better and to assess their situations.
- › We pay for a functional job description report/ vocational assessment to understand the client's pre-disability occupation; this is an important measure in determining what a client's role actually entails.
- › We will set up and manage a rehabilitation plan in conjunction with medical experts (this plan is aimed at returning our client to a sustained return to work.)
- › We will pay for treatment and rehab that is a result of this rehabilitation plan.
- › We will fly the client to see the most appropriate specialist (these are usually the experts in their profession) where necessary, if there is not one available for them locally.
- › Our providers/specialists work with the client and their employer to plan and monitor these rehab plans.



## Customer Story

# PETE'S MOMENT OF TRUTH

Pete, a self-employed orchardist, has been a Sovereign customer since 2006 with both Living Assurance and Total Permanent Disablement cover.

In 2012, at the young age of 42, Pete received the devastating news that he was developing Parkinson's disease. Approximately 1 in 500 people have Parkinson's disease. It is more common with older age groups and it is believed that 1% of people above the age of 60 have Parkinson's disease. At the initial diagnosis, Pete was able to claim a small lump sum from his Living Assurance policy to assist with medical bills and personal spending to help him through this time.

Unfortunately, Pete's condition worsened and by mid-2015 he could not work anymore. A senior case manager at Sovereign scheduled Pete for a combined occupational and specialist assessment to speed up the claim assessment for his insurance policies. No longer able to care for himself independently, Pete's remaining Living Assurance benefit of \$120,000 and Total Permanent Disablement benefit were approved and paid out just two months later.

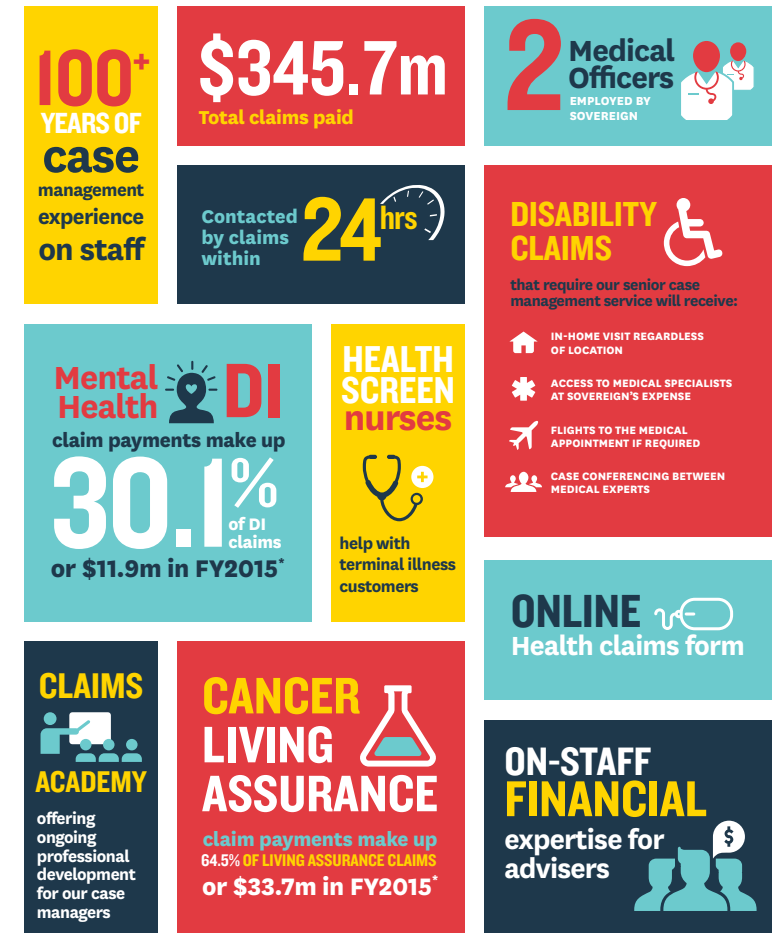
Sovereign's involvement didn't stop there. The case manager visited Pete at his home a month later to check how he was doing. The two talked about how Pete was in the process of closing his business down and that he was humbled not only by the help he has received from family and friends, but also the support from Sovereign.

Although his disease is irreversible and his condition will continue to deteriorate overtime, Pete remains positive that he is financially secure to remain in his own house, thanks to his insurance payments. A case manager will remain in regular contact with Pete to support and ensure payments are ongoing, which will cover him up until age 65.

The individuals and events depicted in this customer story are true examples. All names have been changed to protect the identity of the customer and their families.

## WE LOOK FOR WAYS TO PAY CLAIMS

It's our claims philosophy



\*Retail business only

## Customer Experience (CX)

How Sovereign performs in supporting its customers is measured by our customer experience score (CX).

### How is CX calculated?

Customer Experience is a national measure that is collected monthly and reported annually.

The Sovereign Customer Experience Survey is sent out to customers who have a recent interaction with Sovereign as an email survey that is completed online.

Three customer (journey) groups are surveyed – new customers, existing customers and customers who have made a claim. The three groups are broken down into seven surveys, depending on journey type or channel. The average score from the seven surveys combines to create the overall company score.

The main question is: “Overall, how strongly do you agree that dealing with Sovereign was a great experience?”. Customers rate us on a scale of 1–10 where 10 equals ‘strongly agree’.

The CX score is audited externally every 12 months as part of CBA Group reporting requirements.

## 2016 CX result

The overall company target for FY16 was 81, which is an average rating of 8.1 out of 10. The FY16 final reported CX score was 81.8.

## Complaints

Sovereign takes feedback from its customers, employees and wider community seriously and has a robust internal complaints process to ensure that any concerns raised are fully responded to. Sovereign views complaints as an opportunity to improve and has mechanisms in place to ensure a balanced complaint investigation is undertaken to enable appropriate resolutions to be found.

We make it easy for complaints to be made to us, in a variety of forms, and look to provide additional support for any person who may come up against barriers in making their complaint, such as language or physical barriers.

### The complaints process is outlined below:

All information obtained during a complaint investigation is treated as confidential ensuring that personal information is kept secure and treated with respect. Sovereign has a Complaints Committee which completes a review of the complaint independent from the area of the business initially involved and forms the last step in its internal complaints process.

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.

## Privacy

Sovereign takes privacy seriously and has processes in place to ensure customer's personal information is treated with care and respect.

In the past 12 months Sovereign's Privacy Team have continued to develop tools and processes to help make it easy for staff to protect personal information including an interactive disclosure tool which gives staff clear guidance on what information can be disclosed and to whom.

In addition Sovereign has created a centralised Privacy Access Request Process. Whilst this ensures that customers can easily and quickly request access to their personal information it also confirms that Sovereign is processing these types of requests appropriately and in line with the New Zealand Privacy Act.

## Employee training

To ensure that Sovereign employees provide an excellent customer experience and a high level of conduct mandatory learning is a focus for the Sovereign learning team.

Mandatory learning modules for all Sovereign employees include:

- > Health and Safety
- > Code of Conduct
- > Information Security
- > Privacy Act
- > Financial Adviser Regime
- > Anti Money Laundering
- > Anti Bribery and Corruption
- > Fraud (CBA Group)
- > Productivity
- > Complaints at Sovereign
- > Operational Risk

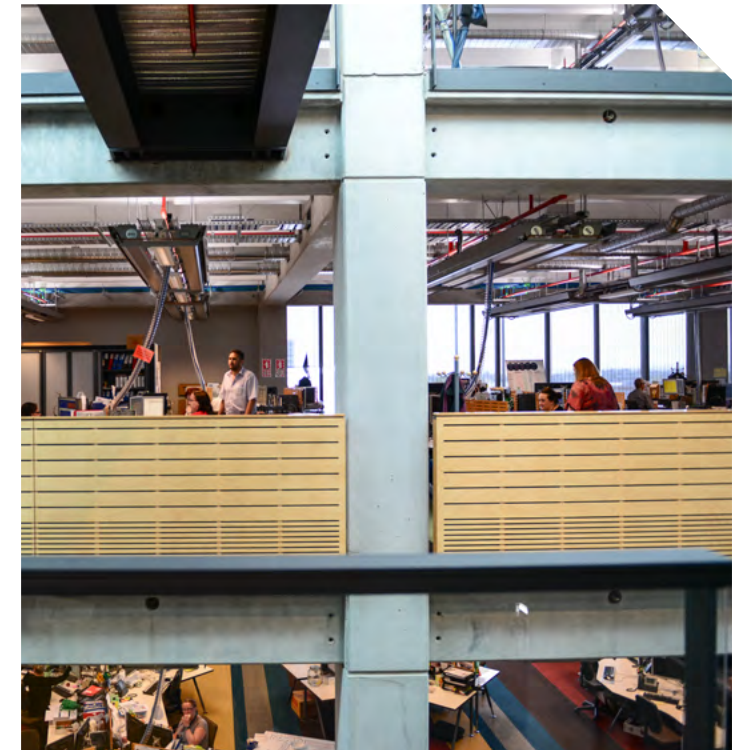
The majority of these modules are subject to an annual employee refresh.

People managers in Sovereign are supported with a comprehensive leadership framework. In the calendar year 2016, 55 people managers completed internal leadership programmes dependent on experience and capability level.

Sovereign also provides a range of Professional Development offerings to staff covering topics such as mentoring, wellbeing, coaching, personal and peer development, and conflict management.

## New learning technology

Sovereign is currently implementing a Learning Management System (LMS) to improve the scheduling, tracking, and reporting/auditing for our staff and our intermediaries.



# Responsible procurement

As a relatively large New Zealand business we purchase a wide range of products and services in the course of our everyday business, from catering and vehicles to computers and stationery. We need to know that our suppliers, and their suppliers in turn, are acting with integrity.

As a purchaser of products and services, we are in a position to make a positive impact by supporting suppliers that reflect diversity and a wide range of perspectives and capabilities.

We encourage our people to engage with suppliers that are equally committed to human rights and diversity, both locally and internationally.

We use The United Nations Environment Programme Finance Initiative (UNEPFI) questionnaire to assess potential vendors. This includes questions about workforce policies and human rights.

A large proportion of Sovereign procurement decisions are made in consultation with ASB Procurement. A joint ASB-Sovereign supplier code of conduct is expected to be finalised in early 2017.



# Environmental reporting

Sovereign tracks Scope 1, 2 and 3 emissions as part of our five year CBA Group Sustainable Property Strategy and regulatory NGER requirement.

During the 2016 financial year, our total carbon emissions have continued to trend downwards (positively). Water and waste results have both increased due to reporting scope expansion.

## Sovereign emissions data 2016

Metric	2016	2015	2014	2013	2012	2011	2010	2009
Environment - Greenhouse Gas Emissions (tCO <sub>2</sub> -e)								
Total emissions	1,343	1,396	1,644	1,221	1,208	1,570	-	-
Scope 1 emissions	385	554	593	222	202	188	-	-
Scope 2 emissions	280	265	359	246	276	377	-	-
Scope 3 emissions	678	577	692	753	730	1,005	-	-

# 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.





# OUR ROLE IN SOCIETY

## Community partnerships

At Sovereign we are passionate about healthy living, so we are on a mission to help ensure the future health and wellbeing of New Zealand communities.

As part of this approach we aim to help young people have the opportunity to be the best they can be. This is essential to the future of New Zealand – our focus is on making a difference to the youth of our country.

## Youthline



Youthline has been supporting New Zealanders for over 40 years and is a first point of contact for young people in New

Zealand seeking access to 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 programmes, mentoring, conduct research, inform policy development, deliver social enterprise activities, and an alternative school for youth where mainstream schooling has failed. Working alongside Youthline allows Sovereign to help make meaningful changes to the mental and physical health of adolescents in New Zealand.

Sovereign worked with Youthline to deliver a Youth Week programme to its employees on site. This included education on youth trends and anti-bullying support for parents of school aged children, fundraising activities, and initiatives designed to encourage employees to reflect on their youth such as an “advice I would give my 16 year old self” competition. Youth Week at Sovereign is supported by a dedicated PR plan.

Sovereign also actively promotes Youthline across Sovereign digital media channels including Facebook, Instagram, LinkedIn and the Sovereign blog.



## 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 its clients 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 extremely difficult times.

An annual Sweet Louise Week at Sovereign is the focal point for this partnership. In 2016 this week involved an education session by Sweet Louise trustee Janet Mikkelsen on the importance of empathy during times of support, a leadership seminar from Sweet Louise CEO Fiona Hatton, presentation from Sovereign Chief Distribution Officer Patrice de Marigny, a Look Good Feel Better workshop, and a range of fundraising activities.

Sovereign also sponsored the 2016 Sweet Louise Leadership Talk, a seminar featuring some of Australasia's premier business leaders, to help generate a successful fundraising outcome for Sweet Louise.

## Volunteering

Volunteering is actively encouraged by Sovereign. Everyone at Sovereign is given a day off each year to work on a range of community projects. By giving time through volunteering, our people not only make a difference in the community, they also improve their own personal wellbeing and foster good teamwork.

Our operational teams have the special opportunity to volunteer their time for Look Good Feel Better. This is the only worldwide cancer support charity, providing free, practical support to women undergoing treatment for cancer. Sovereign volunteer workshops for Look Good Feel Better are held on-site every eight weeks to allow Look Good Feel Better participants based on the North Shore ease of access to services.

Our other volunteer partnerships include Volunteering Auckland, Volunteering Canterbury, and environmental organisation Conservation Volunteers.

In FY16 Sovereign employees delivered:

- > 261 volunteer experiences
- > Supported 16 different organisations
- > 1311 volunteer hours to the community (excluding social innovation project time allocation)



## Fundraising

Four community weeks are held annually at Sovereign with the purpose of driving cause awareness, employee education, and fundraising. Each community week is linked to a social media plan to connect the cause with Sovereign customers and advisers.

In FY16 the four community week partners were Youthline, Sweet Louise, Child Matters (Buddy Day), and The Hunger Project (Rethinking Leadership).

Sovereign employees also contribute to a payroll giving programme and car park charity programme.

The car park charity programme was launched in August 2016 and involves staff with designated carparks providing the opportunity to other staff to hire the park for a day via an online booking system. All payments associated with hiring are directed to the six Sovereign payroll giving partners – Youthline, Sweet Louise, SPCA New Zealand, Conservation Volunteers, Child Matters, and The Hunger Project.

## Sovereign Christmas Appeal

The Starship Child and Family Unit (CFU) is the child and adolescent mental health inpatient unit for the Auckland District Health Board and for the upper region of the North Island for adolescents aged from 13 - 18 with significant mental health concerns or suspected mental illness.

It is also the inpatient facility for children under 13 years for the North Island and provides family centred care to children and young people throughout New Zealand and the South Pacific.

The CFU was selected as the recipient of the 2016 Sovereign Christmas Appeal. Sovereign employees provided product donations suitable for the young people at the CFU.

# HEALTHY LIVING

## Take Charge

As New Zealand's leading life and health insurer we believe have an important role to play in helping Kiwis take charge of their health and wellbeing. Through brand ambassadors, lifestyle experts, social media, summer activations, Sovereign Tri Series and the Healthy by Sovereign rewards programme we are doing what we can to help people understand the essential components of a balanced lifestyle – sleep, happiness, nutrition and exercise – and the every day things they can do to take charge of their lives. It's not about making radical transformations or extreme makeovers, it's about making small changes now that will have a big impact later.

## Healthy by Sovereign

New Zealand has the OECD's third highest obesity rate and one of the worst diabetes problems in the developed world. Scientifically linked with heart disease, obesity kills more New Zealanders than cigarettes\*.

Launched in April 2016, Healthy by Sovereign is NZ's first programme to reward New Zealanders for healthy behaviours, not purchases.

Every time a Healthy by Sovereign member works out, tracks steps, does a fresh food grocery shop, or gets a health related check-up, Sovereign aggregates the data into 'healthy points'. These points are then redeemed for an annual cash-back plus other fitness rewards to offset against premiums.

Sovereign has partnered with well-known brands including Fitbit, Garmin, New World, Noel Leeming and nine national gym brands including Les Mills to make health rewards accessible to anyone looking to live more healthily across key lifestyle factors. By rewarding people for movement, exercise, nutrition and general wellbeing we are helping to build a healthier New Zealand.

Members claim "health points" for achievable weekly adjustments in four behaviours:

- › Movement measured via daily steps recorded on a Fitbit or Garmin activity tracker, exercise tracked via attendance at one of nine gym

partners including Les Mills, Jetts and Club Physical;

- > Nutrition measured by uploading a New World shopping receipt that included fresh meat, fruit or veggies; and
- > General health and wellbeing measured by uploading a receipt for dental, optical or health check-ups.

Over the long term, Healthy by Sovereign will reduce health issues, claims, and could lower the burden on NZ's national healthcare.

Healthy by Sovereign is a step towards a shift into big data and customer centricity that can benefit the health of a nation.

## Sovereign Tri Series

The Sovereign Tri Series is national series of triathlons and duathlons, delivered by Triathlon New Zealand.

Over 3000 New Zealanders compete across six locations over the New Zealand summer. With a variety of distances for different abilities, the focus of the series is on providing an opportunity for all individuals aged 11 years old or higher to take charge of their health and set a challenge.

Sovereign provides training advice, staff engagement opportunities, and a charity cash prize to the organisation that has the most participants in the series. In the summer of 2015-16 over 150 Sovereign staff were involved in the series, the majority competing as part of a team.



## Healthy living ambassador

Sovereign has worked with healthy living expert Nicola Smith for more than two years to provide expert tips and advice about sleep, exercise, happiness and nutrition to New Zealanders.

Nicola works with us as a brand ambassador taking part in a range of events, appearances and media opportunities as well as providing coaching through her online wellness portal. Creating a range of tips, tools and advice that people can access through social media helps a wide range of people of all experience levels achieve their wellbeing goals and better understand what their body needs to thrive.

Nicola also plays an active role in staff events and wellbeing initiatives developing content, training programmes and providing coaching for staff.



## Advocacy

Sovereign has close connections with a wide range number of external organisations. Through collaborating Sovereign works to improve the financial, physical and mental health of New Zealand.

Advocacy relationships include:

- > Financial Services Council (member of)
- > Professional Advisers Association
- > Best Doctors
- > Mental Health Foundation

## Social innovation (pilot)

A corporate funded social innovation project can help to make a positive change to a community or not for profits that need support. It can also provide learnings that make a difference to how companies tackle challenges within their organisations.

In early 2016 Sovereign partnered with Youthline and Lifehack to help Youthline Manukau — located in the urban centre of South Auckland — recruit and retain volunteers.

Youthline is a Sovereign community partner that works with young people, their families and those supporting young people. It was established to ensure young people know where to get help and can access support when they need it. At the core of Youthline's work is the development of leadership and personal skills in young people. It does this by involving young people; both those who seek assistance and those who wish to develop themselves.





Lifehack is committed to youth wellbeing. It brings together people to develop new approaches, projects and ventures, with youth wellbeing at the centre of the process. It bridges backgrounds and skill sets to empower young people and communities to redefine their own version of success. In short, Lifehack is a research and development ground for Youth Wellbeing interventions.

The project sought to address the needs of all three of the participating organisations and test how social innovation may work between a corporate organisation (Sovereign), independent social design facilitator (Lifehack) and community organisation (Youthline) to tackle a grassroots social challenge.

In designing and facilitating this event the Lifehack team employed a range of social process tools and innovative strategies to enable the participants to connect with each other, to engage with the opportunity to create something new together, and to capture their ideas in an actionable format that can be developed further in the future.

The tangible outcomes of this partnership were a series of workshops involving twenty-five people from three organisations — Sovereign, Youthline, and Lifehack — and their respective communities.

This project demonstrated that when a diverse group of committed organisations and individuals are together it is possible to generate a wide range of ideas that can make a compelling difference to a social challenge.

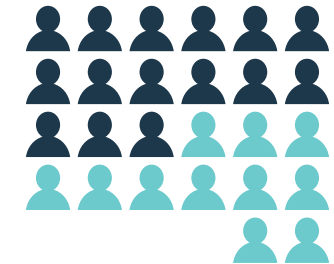
Ultimately, six months after project completion, Youthline had increased volunteer levels from 4 to 26.

## Youthline volunteers 6 months on

From 4 volunteers



To 11 counsellors and 15 trainees



This project, while primarily an opportunity to make a difference to a grassroots social challenge, resulted in a number of outcomes to Sovereign staff. This included higher engagement levels, leadership/talent development outcomes, improved decision-making skills and a closer connection to the community. The Sovereign-Youthline relationship also strengthened during this process as individuals for both organisations shared the experience.

Wellbeing is something that affects the lives of every single New Zealander, young and old, rich and poor. The mental health and wellbeing sector needs to harness the scale and business acumen of corporate organisations, the deep-rooted knowledge of the public sector, and the agility and entrepreneurial spirit of start-ups. At the same time the human dimension needs to be kept front of mind.

Through collaboration it is possible to help New Zealanders to take charge of their individual, family, community and societal health

For more information on this project please read the Social Innovation Evaluation Report.

We hope the collaborative approach outlined in the report leads other organisations to work together to help make a difference to the challenges facing New Zealand society today.



