

Corporate Responsibility Report 2006

...putting you in the picture



Contents

2



Message from the Chairman
Introduction from our Chairman, Gillian Bowler, explaining our approach to corporate responsibility and commenting on our progress in 2006.

3



Message from the Group Chief Executive
A statement from David Went highlighting some of our achievements in 2006 and commenting on the business environment.

4



The way we do business
An explanation of corporate responsibility – what it means and how we implement it in Irish Life & Permanent.

6



Focusing on customers and excellence in customer service
The latest results for our customer satisfaction indices. Complaints and concerns report. Customer protection, our business partners and complying with regulation.

12



Promoting accessibility for our customers and our employees
Progress in 2006 and plans for 2007 on making our buildings, branches, ATMs and websites accessible to people with disabilities.

15



Making our company a better place to work
The latest statistical data analysing our workforce. Our policy for employment of people with disabilities. Equality/diversity audit. Health, safety and well-being update. Results of employee surveys and training data for 2006.

21



Reducing our impact on the environment
Progress on energy and waste management in 2006. Latest available data on use of renewable energy and waste recycling. New initiatives to improve our work environment.

24



Developing partnerships with our local communities
Launch of major community programmes in 2006. Latest data on support for staff charities. Sponsorships and donations in 2006 and an update on student mentoring programmes.

29
GRI

Global Reporting Initiative (GRI)
Explanation of the GRI. Our summary assessment of our level of disclosure under the new Global Reporting Initiative “G3” guidelines issued in October 2006 and a guide to where we have reported on each section of them.

30



Group overview
An easy-to-follow summary guide to the Irish Life & Permanent group covering our history, our structure, strategy, markets and market share and latest financial results.

32
07

Our agenda for 2007
A chart summarising the plans we had for 2006, how we performed against them and our plans for 2007.

33
Business in the Community

External commentary by Business in the Community Ireland
A critical review of our 2006 Corporate Responsibility Report from Tina Roche, Chief Executive of Business in the Community Ireland.

Message from the Chairman

2



Gillian Bowler
Chairman
Irish Life & Permanent

Strategic vision

Our strategic vision in Irish Life & Permanent (IL&P) is to become the No. 1 provider of personal financial services in Ireland. To achieve this objective, we need to develop successful and sustainable businesses. Our approach, consistent with our group values, has been to develop innovative products, a wide range of distribution outlets and to focus on achieving excellence in customer service.

Dialogue with stakeholders

We also recognise the importance of continuous two-way dialogue with our stakeholders. Through our investor relations programme, we organise regular meetings between our senior executives, institutional shareholders, analysts and brokers. At our AGM, any shareholder can raise issues or questions directly with myself and the Board.

We also have policies and programmes in place throughout the group to promote two-way communication with stakeholders. We have taken a lead in Ireland in the use of customer satisfaction indices, we carry out regular employee surveys and we review supplier contracts and introduce new suppliers to the group. Indeed, we want this report to be an open dialogue with our stakeholders and we encourage feedback from readers.

Community involvement programme

One of the highlights of our corporate responsibility (CR) activities in 2006 was the development of a comprehensive community involvement programme with initiatives ranging from an Ageing Study and Care and Repair Services for older people to a major Youth Citizenship Programme and an innovative new venture – the first Ethnic Entrepreneur Awards held in Ireland.

Aiming for continuous improvement

Corporate responsibility is a process of learning, innovation and continuous improvement. The publication of our CR Report is a highlight in the process but by no means the end result.

We are happy with the progress made on our CR agenda in 2006. We now have a full CR programme in place throughout the group and we will be aiming for continuous improvement in CR performance in 2007 and beyond.

A handwritten signature in black ink that reads "Gillian Bowler". The signature is written in a cursive, flowing style.

Message from the Group Chief Executive



David Went
Group Chief Executive
Irish Life & Permanent

Increasing commitment to corporate responsibility

During the last two years, we have increased our commitment to CR throughout the group and the results of this are evident in this year's CR Report.

We have used the Global Reporting Initiative G3 Guidelines (see page 29) launched in October 2006 and we are one of the first companies in Ireland to adopt this new standard.

In our 2005 Report, we made a number of commitments for 2006 that we met during the year. These include publication of a policy for the employment of people with disabilities, improved disability access, development of a customer satisfaction index for **permanent tsb** and, as the Chairman has explained, the launch of some major community initiatives.

Recognition and awards

In 2006, we received a number of important awards that recognise the commitment of management and staff to continuous improvement in products and services. Awards included:

- the IBA Service Excellence Award for Irish Life from the Irish Brokers' Association;
- Best Mortgage Provider of the Year for **permanent tsb** from MoneyMate & Investor Magazine; and,
- the Investment Management Excellence Award for Irish Life Investment Managers at the KPMG Financial Services Excellence Awards.

Competitive business environment

The businesses that we are in are very competitive. We face continuous challenge from competitors and from new entrants to the financial services marketplace and from changing practices, for example, in banking charges where we have taken a lead in ending normal transaction fees. Extra competition offers customers more choice and in order to retain customers and win new ones, we need to continually offer value for money and to provide world-class levels of service.

Sustainable growth

In this challenging environment, the IL&P CR programme underpins the values of the company and helps us better serve our stakeholders and grow in a sustainable way. This report is a reflection of our activities, of our way of doing business – the IL&P way.

The way we do **business**

4

There are many different definitions of corporate responsibility but they all depend on two essential elements – stakeholders and business values.

Who are the most important people to our business? These are our stakeholders. Some of our most important stakeholders are:



These are the people who can influence how successful we are as a business.

What is important to us about how we carry out our business? These are our business values. In Irish Life & Permanent, we have chosen to adopt the following values:



Corporate responsibility is about running our business according to our values to create long-term value in a commercial context for our stakeholders. In Irish Life & Permanent, we put our values to work. In this report, we explain what we have done in 2006 to achieve these aims.

| Examples: |
|---|
| Providing excellent service to our customers (Customer Focus/High Standards) <i>See pages 6 to 10</i> |
| Using Customer Service Indices to track customer satisfaction levels (Customer Focus/Innovation) <i>See pages 7 to 9</i> |
| Being open and honest in our dealings with all stakeholders – use of Plain English, Employee Speaking Up Policy, transparency of charges etc. (Honesty) |
| Making the company a better place to work for our employees (High Standards) <i>See pages 15 to 20.</i> |
| Developing Health and Well-being Programmes for employees (Innovation/High Standards) <i>See page 19.</i> |
| Reducing our impact on the environment (High Standards) <i>See pages 21 to 23</i> |
| Developing partnerships with reputable community partners (Innovation/High Standards) <i>See pages 24 to 26</i> |

By living our values in practice, we make the company a better investment for our shareholders – creating value for them too.

How do we implement corporate responsibility in action in Irish Life & Permanent?



The Board of Irish Life & Permanent has responsibility for setting overall policy and objectives for corporate responsibility and receives regular updates on our CR activities and plans.

Our Group CR Manager, Gerry Loughrey, is responsible for the day-to-day management of our CR programme. We have a group CR Committee, chaired by our General Manager-Investor Relations with representatives from across our businesses. The Committee meets quarterly to review progress in implementing our CR programme and decide future direction. All employees are involved in implementing CR throughout the organisation.

In each section of this report, we summarise our policy*, explain the actions we have taken this year to implement policy and highlight challenges that remain. At the end of the report, we summarise our plans for 2007.

*Detailed policies are available on our group website: www.irishlifepermanent.ie.



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Corporate Responsibility Manager
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Focusing on customers and excellence in customer service

6

Customer focus is one of our core values. Our group policy is to have structures and programmes in place that support this.

We have more than one million customers in Ireland. These are personal customers who deal directly with us via branches, telephone or on-line services and through our extensive network of financial advisers and intermediaries. Irish Life Corporate Business provides services to employers and in our fund management company, Irish Life Investment Managers, about 50% of business comes directly from institutional clients.

Our main businesses – Irish Life Retail, Irish Life Corporate Business and **permanent tsb** – have customer satisfaction programmes in place. Irish Life Retail and **permanent tsb** use an independent research company – The Leadership Factor – to track customer satisfaction levels each year. Actions are taken to address the issues raised by customers in the research. Irish Life Corporate Business tracks service levels directly with brokers and also uses independent research from Milward Brown IMS.

In addition, we have taken a lead in the use of Plain English in our customer communications in both Irish Life and **permanent tsb**.

Irish Life Investment Managers (ILIM) operates as a separate company within the Irish Life & Permanent group. It has a stated commitment to service and communication with clients including daily pricing of investment funds and regular meetings with trustees and advisors.

Irish Life received The IBA Service Excellence Award 2006 from the Irish Brokers Association and The IBA Top Supporting Management Team Award 2006.

permanent tsb received two awards at the MoneyMate and Investor Magazine Awards – Best Mortgage Provider of the Year 2006 and Best New Product for the 3V credit card voucher.

ILIM also received two awards in 2006 – the Investment Management Excellence Award at the KPMG Financial Services Excellence Awards and the Best Pension Fund Manager 2006 at the MoneyMate and Investor Magazine Awards.

Customer Satisfaction Results

| | |
|------------------------------------|--------------|
| permanent tsb – 2005 | 82.0% |
| Irish Life Retail – 2005 | 79.1% |
| Irish Life Corporate – 2006 | 78.7% |



Bernie Healy, Irish Life Retail, Catherine Hayes, **permanent tsb** and John Alford, Irish Life Corporate Business.

Customer Satisfaction – Retail Life Business

| Irish Life Retail | | |
|-----------------------------|--------|--------|
| Customer Satisfaction Index | | |
| Year | Target | Actual |
| 2003 | **** | 72.9% |
| 2004 | 73.8% | 76.5% |
| 2005 | 77.4% | 79.1% |

intouch ... 2006

Our yearly survey of customer satisfaction was conducted in January and February 2006 and involved 1,700 customers, chosen at random. The result, at 79.1% satisfaction, exceeded target. The main elements contributing to this were:

- value for money and performance of our products;
- quality of advice given by staff; and,
- listening to our customers and treating them better.

The effective handling of problems and complaints emerged as the key area for action in 2006. During the year, the focus was on raising the responsiveness of staff to the problems of customers and the need to deal with them speedily. The target satisfaction level for 2006 is 80.0%.

Customer satisfaction levels in Irish Life Retail have shown consistent improvement over a three-year period

Making promises to customers

Since we began the Intouch programme three years ago, our goal has been to launch a set of customer promises. Ultimately we aim to process all transactions within 24 hours, getting it right first time for our customers. In the meantime, the challenge for us has been to develop a set of promises that are meaningful for our customers and that we know we can meet.

In 2006, we compiled a list of promises taking into account what customers told us was important to them from our customer satisfaction research. We invited customer focus groups to review the draft promises and to give their feedback.

We now have a set of 11 customer promises which were launched to customers in December 2006.

Examples are: “Responding to you promptly” – stated timeframes for responding to queries by telephone, email or in writing and “Worldclass financial advice” – advice to suit a customer’s personal needs and a personalised financial report.

Over 400,000 Intouch newsletters issued

In 2006, we updated our Intouch newsletter each quarter to keep customers up to date with the most recent improvements made in our business. In June, we researched the design and content with customers and made a number of changes as a result of this customer feedback. This included a snapshot of current market trends and information on tracking funds on line over any period. By the end of the year, we had issued 400,000 Intouch newsletters to customers.

24-hour customer information

In 2006, we introduced a 24-hour customer information line. Using a personal identification number (PIN), a customer can access a range of services, including:

- checking the value of their savings, pension or investment plan;
- listening to daily updates on the investment markets; and,
- leaving a message or, during working hours, speaking to a member of the customer service team.

SSIA website developed

Special Savings Investment Accounts (SSIA) began maturing in May 2006 and will continue to do so until April 2007. We understood that many people would be unsure of their responsibilities and options in the period coming up to maturity so we developed a website to help make things as clear as possible (www.ssiainoptions.ie).

We issued more than
400,000
Intouch newsletters
to life customers

Morgan Whelan, Manager, **permanent tsb** Dun Laoghaire branch with Brendan Lynott, Head of Branch Management Services, **permanent tsb**.



Customer satisfaction – Irish Life Corporate Business

| Irish Life Corporate Business | | |
|-------------------------------|--------|--------|
| Customer Satisfaction Index | | |
| Year | Target | Actual |
| 2004 | **** | 72.0% |
| 2005 | 74.0% | 73.7% |
| 2006 | 78.0% | 78.7% |

Most of the day-to-day business dealings in the division are with brokers, so improving service to brokers is a focus of attention.

Irish Life Corporate Business uses a customer service index of 13 key services calculated monthly. The overall outcome for 2006 was 78.7 %, ahead of the target of 78%. Further improvement is planned for 2007, with a target of 85%.

Irish Life Corporate Business increases lead in independent service satisfaction survey

Also, in a yearly independent survey of brokers carried out by Milward Brown IMS, the division was ranked first on service with a rating of 72% and also widened the gap from 6% to 7% between it and the second-ranked company, which scored 65%. Again, we take action, where necessary, to make improvements based on feedback from brokers.

Payments under the profit-sharing scheme for Irish Life Corporate Business employees are linked to the results of these two surveys.

Customer satisfaction – **permanent tsb**

In our 2005 Report, we said that we would be launching our 'Customer Central' programme in 2006 to focus on doing best at what matters most to customers of **permanent tsb**.

As a first step, the largest exercise in customer research ever undertaken by the bank was carried out during February to April 2006. A random survey of more than 2,500 customers produced a satisfaction score of 82%.

The priorities for action identified by the survey were:

- improve the branch experience;
- handle customer problems quickly and effectively; and,
- improve our relationship with mortgage account customers.

A series of actions were taken in response to the survey and these included the work outlined below:

Branch experience: Almost all of our branches have been upgraded to provide completely private meeting areas where customers can discuss their private finances. Our intention is to upgrade the small number of outstanding locations in 2007. In addition, state-of-the-art lodgement and withdrawal machines were installed in many branches to help relieve queues. We

are running a number of pilot programmes to explore the most effective way to improve the our telephone service levels.

Customer Central programme launched in permanent tsb following customer satisfaction research

Handling customer complaints and problems: In December 2006, we launched a Complaints Charter for customers (www.permanentsb.ie/contact-us/complaints-charter.asp). This sets out how a customer can make a complaint, what happens next and what a customer can expect under the complaints process.

Mortgage account customers: The main issue for mortgage customers was that they did not understand that they had the flexibility to change rates. We sent information to all mortgage customers on this with their rate change notification in October 2006 and their Mortgage Statement in January and February 2007.

Maturing rate customers are automatically sent a letter to let them know about their flexibility to change rates six weeks before their rate matures. And now all mortgage customers are phoned annually for the first five years of their mortgage, to discuss any queries they have including flexibility to change rates and Tax Relief at Source.

7,500

**Customer issues handled
by customer relations
departments**



Customer Complaints and Concerns

| Company | permanent tsb | | Irish Life | |
|------------------------------|---------------|-------|------------|-------|
| | 2005 | 2006 | 2005 | 2006 |
| Total Received | 3,536 | 3,211 | 2,637 | 4,316 |
| Ombudsman Decisions Received | 28 | 34 | 60 | 113 |
| Complaints Upheld | 7 | 2 | 5 | 7 |
| Not Upheld | 6 | 12 | 48 | 75 |
| Partly Upheld | 8 | 7 | 6 | 28 |
| Outside Terms of Reference | 3 | 12 | 1 | 3 |
| Resolved Amicably | 4 | 1 | 0 | 0 |

Current account customers: Current account customers did not realise that they could use ATMs at AIB, Bank of Ireland and Ulster Bank. We advised all current account customers of this in a newsletter that we sent them with their statements in the second half of 2006. ATM customers were also concerned that they could not use their ATM card abroad. We introduced this facility in November 2006. Now all ATM cardholders can use their existing ATM card where ever they see a Cirrus logo.

Customer complaints and concerns

permanent tsb introduced a revised complaints management system in 2006.

The Customer Feedback Management system was introduced to all our branches and to a number of our head office departments that deal directly with our customers. This system improves our tracking of, and reporting on, customer feedback. A comprehensive training programme was rolled out in conjunction with the new system.

Complaints to **permanent tsb** fell by 9% in 2006.

The significant increase in concerns and complaints recorded in Irish Life was as a result of us continuing to record both complaints and concerns. A concern is defined as when:

- a customer is upset or angry, disappointed or frustrated; or,
- we have made more than one attempt to deal with a customer's enquiry and have not dealt with it properly and the customer has had to contact us again; or,
- we miss a commitment we have made to a customer.

Towards the end of 2005 and in early 2006 almost all of our Irish Life Retail Customer Service staff (400) completed a Concern Handling Programme.

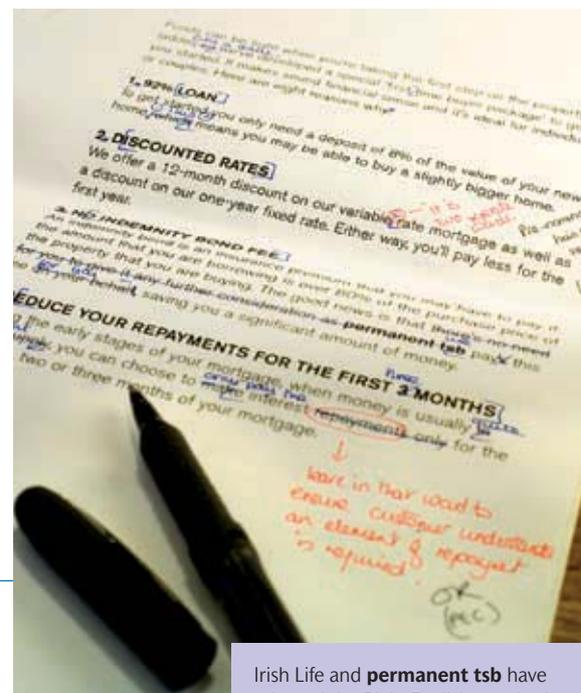
Irish Life received the award of Customer Complaints Team of the Year from the Institute of Customer Service in Ireland at its Customer Service Awards 2006.

Increase in number of customers switching banks

As a result of ending normal transaction fees in 2005, **permanent tsb** opened 84,500 new current accounts in 2006, compared with 67,000 in 2005. This benefit was also extended to all existing current account customers in 2006.

permanent tsb met Plain English targets

permanent tsb has now achieved the Plain English Crystal Mark for its core brochures and all new correspondence is now written to achieve the Crystal Mark. In 2006, our Customer Mortgage Statement was fully redesigned to make it easier for customers to understand. The majority of customer correspondence has now achieved the Plain English Crystal Mark.



Irish Life and **permanent tsb** have adopted the Plain English standard for customer communications.

permanent tsb opened

84,500

new accounts for customers switching from other banks

Protecting customers and employees

Internet Security

Irish Life & Permanent's customer online systems are designed to offer quick and easy access to customer accounts. They provide a 24-hour banking platform where customers can carry out an ever increasing number of transactions.

Examples are:

- getting the current value of an Irish Life savings or investment plan;
- switching between funds;
- post-dating bill payments on the **permanent tsb** OPEN24 website; and,
- international transfers under OPEN24.

We consider online security to be an integral part of transacting online and, as a result, we use up-to-date technologies and maintain rigorous security standards and procedures with a view to preventing unauthorised access to customer data.

Our customers also have a role to play in keeping their home PCs secure and in 2006 we ran two campaigns in **permanent tsb** to make customers aware of how they should protect their home PCs. The first campaign provided customers with a list of precautions that they should take when using the web and ATM machines. This was sent with 840,000 current account statements issued over a 12-week period.

As a result of an increase in phishing* internet fraud targeting financial institution websites, we issued approximately 70,000 letters to customers giving them advice on how to stay secure online. We also provide guidance on our **permanent tsb** website (www.permanenttsb.ie) and include warnings at the bottom of all of our statements.

ATM fraud

ATM fraud has become a real security issue as targeting of ATMs increases across the financial network. In an effort to provide increased security against card skimming to our customers who use **permanent tsb** ATMs, we upgraded the anti-fraud software on our network of through the wall ATMs in 2006. We have also added new security information screens on our ATMs.

Anti-money laundering

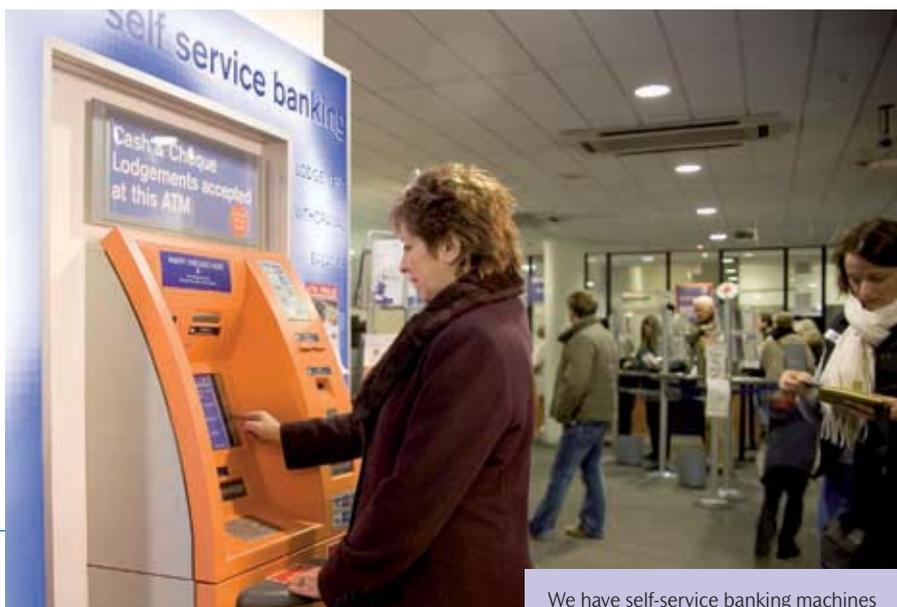
We have systems and controls in place in all of our businesses to comply with legal and regulatory requirements to combat money laundering. All employees receive anti-money laundering training every year.

Physical security

permanent tsb has a security policy in place and a dedicated security team. The bank is committed to the highest security standards for the safety of employees and members of the public using bank premises in the normal course of business and also for the assets of the bank. The security team is also responsible for protecting the bank against fraud.

Intermediaries

Irish Life & Permanent has always recognised its responsibilities to provide the best possible service while at the same



We have self-service banking machines in approximately half of our branches.

*Note: "phishing" is sending an e-mail to a user falsely claiming to be an established legitimate enterprise in an attempt to scam the user into surrendering private information that will be used for identity theft.

70,000
letters issued about
staying secure online



Anthony Maher, Head Porter, **permanent tsb**, receiving a delivery from John Goulding of Axis Office Supplies.

time respecting the relationship between the broker or intermediary and their client. In February 2007, Irish Life received the IBA Service Excellence Award 2006 from the Irish Brokers Association. Irish Life also received the Top Supporting Management Team Award.

Suppliers

We depend on a large number of suppliers to provide goods and services to us efficiently to keep our businesses running smoothly. During 2006, we reviewed 62 supplier contracts and introduced 12 new suppliers to the group.

These reviews are carried out by our Group Purchasing Department in consultation with the relevant business owners. All aspects of the contract are reviewed including service levels and value for money.

Complying with regulations

Our policy is to comply with all legal and regulatory requirements and to deal with regulatory authorities in an open and co-operative way.

During 2006, the Financial Regulator finalised two major sets of rules dealing with how financial services companies should deal with their customers.

Consumer Protection Code

This contains a complete set of rules setting out the how financial services companies should deal with their

customers. It covers the full cycle of customer service from the first contact point, to rules about advice and sale of financial products, to requirements for customer care and servicing and procedures for dealing with complaints. Many of the requirements have been standard practice for a number of years in our two main retail businesses (Irish Life Retail and **permanent tsb**). Where changes are needed, these are being made in the relevant business units.

Minimum Competency Requirements

These requirements apply from 1 January 2007 to individuals who give advice to consumers on retail financial products or who carry out certain other activities (for

example, being involved in the decision-making process in relation to insurance claims). The requirements are designed to set up minimum standards across all financial services providers and to make sure that consumers receive certain minimum levels of professionalism and expertise from their financial advisers.

The vast majority of our staff who provide advice or carry out the activities in question already have the minimum qualifications or meet with the minimum experience standards. Where there are any gaps – and for new staff being recruited – these staff will now begin studying for the appropriate examinations. We have put in place training courses and additional supervisory procedures to meet with the requirements in such cases.

We will also be making sure that our staff complete continued professional development using a combination of in-house courses and training and other courses provided by the relevant professional educational bodies.

Responsible selling and lending

As part of our planning for implementation of the Consumer Protection Code requirements, we started work in 2006 to introduce customer fact finds for banking products. This work will be finished during 2007.

Advertising

The Consumer Protection Code sets out a detailed set of rules on the advertising of financial services and products. The Code replaces a number of previous Codes and all our advertising observes the requirements.

Consumer Protection Code – August 2006

The Code is divided into sections as follows:

- General Principles
- Common Rules for all Regulated Entities
- Banking Products and Services
- Loans
- Insurance Products and Services
- Investment Products
- Advertising

The code is available on the website of the Financial Regulator (www.ifsra.ie)

Promoting accessibility for our customers and our employees

Our policy is to make our buildings fully accessible and to make our products and services accessible to all customers.

Disability access

We have an objective to achieve full accessibility within the constraint of reasonable cost. This is also a legal requirement under the Equal Status Act 2000. We are conscious that we have not yet fully achieved this aim and that it will take all of 2007 and 2008 to do so.

Achieving full accessibility is an important goal for us



Philip O'Neill, Manager, Tralee Branch – permanent tsb with Terry O'Brien and his wife Teresa O'Brien.

What does the law say? Equal Status Act 2000

In essence, the Act (Section 4(1)) requires the provider of a service to do all that is reasonable to accommodate the needs of a person with a disability.

The Act (Section 14 (b)) also allows for preferential treatment to promote equality of opportunity or to cater for people with special needs.

Buildings

During 2006, we focused on improving access to our group head office. It is located in the Irish Life Centre which is owned by Irish Life & Permanent. This is the largest premises in the group office portfolio. Prior to 2006, there was no disabled access from the underground car park in the Centre to street level or from street level to another office suite in the Centre.

| Type of distribution outlet | Number/Availability |
|--|--|
| Branches and agencies | 157 |
| Financial Advisers | 500 |
| Brokers and Intermediaries | More than 2,000 |
| OPEN24 | 24 hour self-service online banking. Help by telephone: Mon-Fri 8am-10pm Sat 10am-2pm |
| Online & Telephone access for Life customers | 24 hour online access for pension and investment customers. Help by telephone: Mon-Thu 8am-8pm Fri 8am-6pm Sat 9am-1pm |
| ATMs | More than 2,000 nationwide and 900,000 internationally |

€145,000

contribution to two new lifts for the Irish Life Centre



Liam Keighery, Irish Life Centre Manager in front of one of the two new lifts installed in 2006.

In 2006, with funds provided by all the tenants in the Centre (Irish Life & Permanent's share was 34%), we commissioned and installed two new lifts at a cost of €425,000 to provide full accessibility for people with a mobility impairment. Park Rite, which operates the car park in the Centre, has also provided a number of disabled car parking spaces beside the first new lift to accommodate people using the new facility. The lifts are monitored by camera from the Centre's security office nearby for the safety of users.

The second lift runs from ground floor level beside the Irish Life Mall to "Garden" level (first floor level) in the Centre. Tenants located here include The Food Safety Authority of Ireland and The Commission for Communications Regulation.

Focus on Group Head Office in 2006

In addition, we made changes to the reception desk in the Irish Life Building. Previously, the desk was at a uniform height but was unsuitable for visitors who are wheelchair users or of small stature. We reduced the height of the desk on either side and resurfaced it to make it suitable and appropriate for all users.

Plans for 2007

Apart from our head office, we also have 134 other office premises in the group, of which 103 are branch offices of **permanent tsb**. Nearly all of these premises are fully accessible but we have identified 11 branch premises that are not. Of these, six are in listed buildings. These are buildings that are listed as protected structures, for example, because of special architectural interest. All works to these buildings are subject to special control and approval under the Planning and Development Acts.

Focus will shift to branch offices in 2007

From surveying these branches, it is apparent that making some of them fully accessible will present a major challenge – particularly those that are in listed buildings. However, we intend to do what is possible within the constraints of reasonable cost in 2007.

During 2006, we completed major refurbishments of six **permanent tsb** branch offices, including Tralee Branch (pictured on the previous page). In a building where major refurbishment works are carried out, we are obliged by

law to make adequate provision to enable people with disabilities to use the building (Building Regulations S.I. No. 179 of 2000 – Part M). We make sure that we comply.

Hearing aid loop systems

A hearing aid loop system is a device that transmits sound directly from a microphone to a hearing aid. This allows for clear pick-up of what is said – there is no need for a raised voice and there is no interference from background noise. Loop systems are commonly used in cinemas, conference centres and other large venues. The range of the system can be set to suit the location and for business premises, e.g., in a bank branch, the range is typically set to a maximum of one metre.

In 2006, we installed loop systems in almost all of our premises including branches of **permanent tsb**. Some technical difficulties occurred with the installation in a small number of locations (approximately 12) and the intention is to address these early in 2007.



Hearing aid loop systems have been installed in our branch offices. Picture shows Liz O'Donnell, Senior Customer Adviser serving a customer in the Bandon branch of **permanent tsb**.

Hearing aid loop systems installed in nearly all of our offices



aWe have installed Browse Aloud software on six **permanent tsb** websites.

ATMs

We have 125 through the wall ATMs and we completed an assessment of these at the end of 2005. There are a number of internationally recognised guidelines for determining the accessibility of ATMs. One of the clearest set of guidelines that we have found is the set issued by the Australian Bankers' Association (ABA). These recommend a maximum PIN pad height of 950mm (as measured from floor or ground level to the centre of the PIN pad). Using these as a reference, we have determined that 73 of these machines are positioned above the level that would make them accessible for wheelchair users.

We also have 59 self-service banking devices located in our branches and another 111 convenience ATMs. All these machines are accessible as defined under the ABA guidelines.

A summary of the data relating to PIN pad height is set out on the table below. In total, 219 or 74% of our automatic banking machines meet the accessibility height guidelines.

| Height of PIN Pad | Number of Machines |
|-------------------|--------------------|
| 950mm or below | 219 |
| 951mm to 1100mm | 15 |
| 1101mm to 1200mm | 43 |
| 1201mm to 1300mm | 13 |
| Above 1300mm | 5 |
| Total | 295 |

During 2006, we received complaints about the height of two ATMs – those located in our branches in Castlebar and Letterkenny. We repositioned both machines at a more appropriate height.

We have set funds aside in 2007 to begin repositioning other machines.

74% of our automatic banking machines meet height guidelines for accessibility



Websites

During 2006, we installed new software, called Browse Aloud (www.browsealoud.com) on six **permanent tsb** websites. This software reads web pages aloud for people who find it difficult to read online. This is suitable for people with visual impairments, low levels of literacy or who do not have English as a first language.

In 2007, we plan to extend the use of Browse Aloud to Irish Life websites.

Our Irish Life & Permanent group website – www.irishlifepermanent.ie – complies with all of the Priority Level 1 criteria of the World Wide Web Consortium (W3C). (Web Content Accessibility Guidelines Version 1.0).



Paul O'Hara, Manager, Castlebar Branch of **permanent tsb** with customer Paul Burton.

Browse Aloud software installed on
6
permanent tsb websites

Making our company a better place to work

Our policy is to offer competitive terms and conditions of employment. We also have specific policies covering equality and diversity, health and safety, and speaking up.

On average, we are recruiting about 1,000 new employees every year.



Along with many other areas of Irish society, employment policy and practice have changed beyond recognition in the last 20 years. Flexible working practices are commonplace; representation of women in the workplace has increased hugely and equality of treatment for all employees is now a statutory obligation.

In responsible organisations, the bar that is used to measure employment standards keeps rising. In Irish Life & Permanent, our aim is to become an employer of choice and to be recognised as nothing less than a great place to work. Our progress along this path in 2006 is set out in this section of the report.

Items of note during the year include:

- publication of a policy for the employment of people with disabilities;
- completion of an equality/diversity audit;
- development of a health and well-being programme in **permanent tsb**;
- introduction of revised pension scheme arrangements for new employees; and,
- an increase of 25% in the number of training days.

A group of new employees in Irish Life on completion of induction training.



Recruitment and retention in 2006

| | 2005 | 2006 |
|---------------------------------------|----------|----------|
| Total number of employees at year-end | 5,147 | 5,458 |
| External applications for positions | 17,000 | 21,450 |
| New employees recruited ¹ | 981 | 1,167 |
| Seasonal employees recruited | 173 | 234 |
| Internal appointments and promotions | 200 | 225 |
| Average turnover ² | 13.6% | 12.8% |
| Average days absent | 7.5 Days | 6.8 Days |

- 1 Includes staff employed on fixed-term contracts but excludes seasonal staff.
- 2 Excludes staff employed on fixed-term contracts who joined and left within the year.

Because of our scale, the employment data for Irish Life & Permanent in many respects reflects the wider employment and economic landscape in the country. However, it is also an indicator of how we are seen by people looking for employment and whether or not we are regarded as an employer of choice.

Our recruitment and retention levels reflect both our scale and the wider economy

The number of job applications alone that we receive – averaging over 19,000 a year for 2005 and 2006 – indicates a huge level of interest by prospective employees in obtaining employment with us. As against that, the average turnover rate of 12.8% for 2006 (2005:13.6%) shows that there are challenges in retaining staff – particularly in some functions and departments. Turnover levels tend to be higher than average in telephone contact centres and lower in areas of the organisation offering flexible working arrangements.

We continue to recruit temporary employees during the summer to support our term-time flexible working policy. There was an increase of 35% in 2006 in term-time employees, reflecting our policy of maintaining customer service levels during the summer months.

At the end of 2006, 18.4% of our employees had some form of flexible working arrangement, compared with less than 18% at the end of 2005. The total number of staff with flexible working arrangements increased by almost 9% between 2005 and 2006.

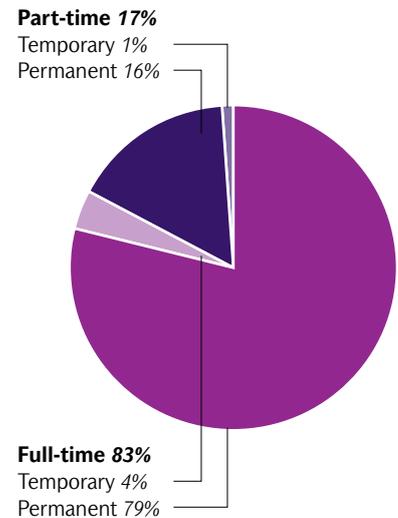
The increase in the level of internal appointments and promotions is consistent with our policy of offering career progression for suitable employees throughout the group.

Analysis of our workforce at the end of 2006

The data analysing our workforce at the end of 2006 is shown in the graphs below.

Our workforce is predominantly full time with a majority of employees over 30

By Contract and Type

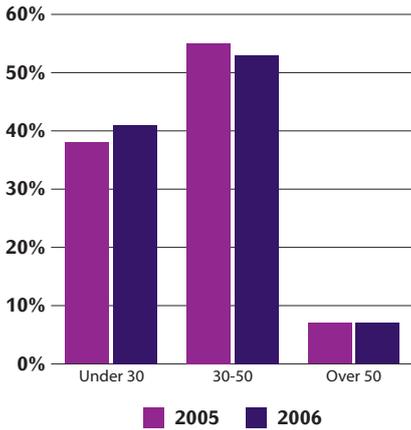


The vast majority (95%) of our employees are permanent. We recruit temporary employees mainly to support our flexible working policies.

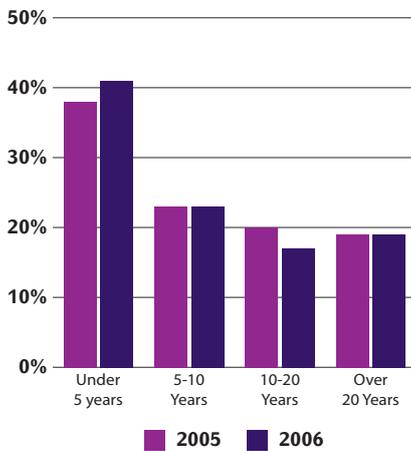
We recruited more than
1,000
new employees in 2006

95%
of employees have
permanent positions

By Age Profile



By Length of Service



The number of non-Irish nationals employed by the group has increased from approximately 2.5% at end 2005 to approximately 4.0% at the end of 2006. Non-Irish nationals also represented approximately 10% of all new employees recruited in 2005 and 2006.

Employment of people with disabilities

During 2006, we published a group policy for the employment of people with disabilities. This policy is summarised in the panel below.

Employment policy for people with disabilities

- We will focus on people’s abilities rather than their disabilities;
- we will make every effort to establish accessible workplaces; and,
- we will maintain a network of Disability Liaison Officers throughout the group to provide support and advice for people with disabilities.

Focus on abilities

When we say we will focus on people’s abilities, in reality that is what we do for all prospective employees. When interviewing candidates for a position in the group, we focus on their ability to do the job and we judge them on that basis.

Accessible workplaces

All new buildings must, by law, be fully accessible. In the case of older premises, some modifications may be required and there are, of course, grants available to assist with this. Our policy is to make all reasonable accommodations for

people with disabilities. This can include providing modified workstations or sign language interpreters for staff.

Disability Liaison Officers

In 2006, we appointed 17 fully trained Disability Liaison Officers throughout the group. Their role is to provide support and advice for employees with disabilities.

Soon after being appointed, one group of Disability Liaison Officers based in the **permanent tsb** Administration Office in Dublin completed a walk-through of the full premises, looking at it from the point of view of somebody with a mobility impairment. As a result, they identified a number of modifications required to make the building more accessible – for example, adjusting internal doors to make them easier to open and bringing office supplies down to a lower level in stationery cupboards.

To support the introduction of the new policy, we ran a programme of disability awareness training for over 144 employees in key roles across the organisation for example recruitment and selection, training and development, facilities, reception and health and safety.

At the end of 2006, we estimate that at least 3% of our employees have some form of disability. This compares with a statutory target of 3% for the Public Service under the Disability Act 2005.

4%

*of our employees
are non-Irish nationals*

Recruitment of graduates with disabilities

In our 2005 Report, we said that we intended to recruit six graduates through our participation in the Willing Able Mentoring (WAM) programme. This project was funded by the EU and was run in partnership with AHEAD (The Association for Higher Education Access and Disability). A graduate recruitment fair was held in Dublin in February 2006 with participation by five private and public organisations.

Candidates were asked to select an organisation and from 56 interested candidates, seven selected Irish Life & Permanent. By the end of 2006, we had taken on two people for work placement. We are open to further applications and we hope that other graduates will apply for positions with us. The WAM initiative continues in 2007.

Equality/diversity audit in 2006

In 2006, we completed an equality/diversity audit of our recruitment procedures that used 2005 data as its base. It was an EU-funded project – under the EQUAL initiative (www.equal-ci.ie/projects/dep.html) – to support competitiveness and promote equality in the private sector. The methodology used was as follows:

- review of recruitment campaigns and files;
- surveys of joiners (49% response) and unsuccessful candidates (11% response);
- three staff focus groups – male/female/non-Irish national; and,
- interviews with managers and employees with disabilities.

The data from the survey was self-declared by the participants.

The audit gave us a profile of our 2005 recruits and some of the data is shown in the panel.

Diversity Profile of 2005 Recruits

Sample data

- 21 nationalities
- 6% over 45
- 10% no religion
- 2% gay, lesbian or bisexual
- 6% with a disability

We recruited under all nine grounds covered by the Equal Status Act 2000.

Action points that arose from the audit included:

- ensuring that our job advertisements meet best practice standards for equality;
- providing equality compliance training for employees involved in recruitment;
- examining the use of application forms rather than CVs; and,
- reviewing the accessibility of interview locations and supports for people with disabilities.



Irish Life & Permanent took part in a graduate recruitment fair for people with disabilities held in the Mansion House, Dublin in February 2006.

At least
3%

of employees have
some form of disability



Campbell Catering provide restaurant facilities at our offices in Abbey Street, St. Stephen's Green and Blackrock, Dublin. Pictured here are Bernadette Brady and Jimmy Keogh.

Women in the workforce

| Gender analysis of the workforce | | | | |
|----------------------------------|------------|------------|------------|------------|
| | 2005 | | 2006 | |
| | Male | Female | Male | Female |
| Clerical | 29% | 71% | 30% | 70% |
| Specialist | 51% | 49% | 50% | 50% |
| Managerial | 72% | 28% | 72% | 28% |
| Total | 41% | 59% | 42% | 58% |

Our policy is to offer equal opportunities of advancement to both women and men. Although the representation of women in the workforce in Ireland has increased in recent years, the proportion of women in managerial roles has not. In Irish Life & Permanent, the proportion of *women* at managerial level (at 28%) is almost the same as the proportion of *men* at clerical level (30%).

As a major employer, we recognise that we have a responsibility to do what we can to redress this imbalance, although this must take place within an overall policy of equal opportunity. This is an issue that we intend to give more attention to in 2007 and coincides with the designation of 2007 by the European Commission as the 'European Year of Equal Opportunities for All'. As a first step, we will see if comparative data on gender balance is available for other organisations at home and abroad.

permanent tsb is currently working with FÁS on a programme designed to retain and regain the experience of women who may be returning to the workplace after some time or working outside the home for the first time. Following a six month

training programme delivered by FÁS in 2006, the participants will join **permanent tsb** in Dublin based branch and head office positions in early 2007.

Health, safety and well-being

In 2006, we continued our successful series of annual health and well-being weeks in Irish Life and we also extended this concept to **permanent tsb**.

In **permanent tsb**, the health and well-being week ran from May 29 to June 2, with a theme of 'Get fit for summer and fit for life'. The aim was to promote the benefits of physical exercise and good nutrition by emphasising that just a few small changes to eating habits or daily routines can make a significant difference.

Each staff member was issued with a pedometer, together with some useful hints on how to take first steps towards a healthier lifestyle, e.g., taking the stairs instead of the lifts, getting off the bus a stop earlier etc.

We also commissioned AFRESH, a company that has expertise in promoting well-being, to deliver workshops in three separate locations – Dublin, Cork and Galway. The themes of the workshops were 'Shaping-up', 'Re-energise through good nutrition' and 'Food labels: what they really mean'.

In Irish Life, the fifth annual health and well-being week took place from September 25-29, 2006 with a theme of 'Live well, feel great'. It was a week of varied activities, ranging from a get-fit workshop to a session providing information about food labelling. The week was also used to launch

a 'Green with envy' competition to promote a better working environment and to identify ways of reducing our environmental impact.

Irish Progressive Services International held their health and well-being week in March 2006. Activities included a soccer tournament and health screening.

New group Health and Safety Statement issued in 2006

As signalled in last year's report, a new group Safety Statement was issued following the new laws that came into force under the Safety, Health and Welfare at Work Act 2005. This statement is available to all employees on our intranets. In line with the requirements of the new law, its main focus is on identifying hazards and preventing accidents.

| Accidents/Incidents | 2005 | 2006 |
|---|------|------|
| Reported to Group Health and Safety Manager | 26 | 32 |
| Employees | 18 | 23 |
| Third Parties | 8 | 9 |
| Notified to Health and Safety Authority | 4 | 2 |
| Fatalities | None | None |

Children at Work Day

Irish Life Investment Managers and Irish Progressive Services International held a "Children at Work Day" in April 2006. Eighty children joined their parents at work from 12.30pm onwards. The visit included a brief tour of the office and some suitable entertainment.

28%

of managers are women

During 2006, we completed a total of 14,200 days of training for employees. Pictured here are trainers Sarah Slattery and Máire Ward.



Actions taken following employee surveys

| Division | Survey Response Rate |
|----------------------|----------------------|
| Irish Life Retail | 80% |
| Irish Life Corporate | 87% |
| permanent tsb | 80% |

During 2006, employee surveys were conducted in the three major businesses in the group representing almost 80% of group employees.

Following these surveys, key priorities were identified, such as:

- revamp of performance system;
- further investment in training and development; and,
- improved communications mechanisms.

Action is being taken on each of these.

New pension scheme arrangements

During the year, the group decided to close its defined benefit (DB) pension schemes to new staff starting employment after December 31, 2006.

Following negotiations with the unions representing employees, a revised set of pension scheme arrangements have been agreed with the various committees and are currently being voted upon by employees.

Under the agreed new arrangements, all employees will be required to enter a PRSA based defined contribution (DC) pension scheme at age 25 (or immediately on taking up employment if 25 or over).

After three years in the scheme, an employee will be offered a once-off irrevocable opportunity to convert to a hybrid DB/DC scheme where a DB arrangement covers the first €45,000 of salary (integrated with State entitlement) and the PRSA/DC arrangements apply to earnings over €45,000.

In both schemes, the group will also cover the cost of death-in-service and income continuance benefits for the employee.

Training and development

| | 2005 | 2006 |
|----------------------|---------|--------|
| Training expenditure | €4.5m | €5.2m |
| Training days | 11,400* | 14,200 |
| Average per employee | 2.2* | 2.7 |
| | Days | Days |

*as restated

In 2006, we increased the number of training days delivered by both our own training team and external trainers from 11,400 in 2005 to 14,200. This is accounted for partly by the increase in the number of group employees but also an increased emphasis on the development of staff across the group.

There was a 25% increase in the number of training days delivered groupwide in 2006

Some of the training programmes delivered are standard – for example, induction programmes for new employees. We also designed and delivered tailored staff and management development programmes to meet various business units' needs. In 2006, these included:

- mortgage system training for employees in the **permanent tsb** Intermediary Mortgage Centre;
- Assistant Branch Manager Development Programme in **permanent tsb**;
- Irish Life Customer Services Managers' Development Programme; and,
- Irish Life Intouch team interdependencies programme.

We are committed to continuous learning and development for employees and to support this, we provide the following resources:

- eLearning programmes in I.T., customer service, personal and management development;
- on-line Management pocket books;
- a dedicated learning centre in our training headquarters in Dublin – offering books, journals, videos, DVDs; and,
- access to Ashridge Virtual Learning Centre in the UK.

We also provide a range of resources and support for those who wish to acquire professional qualifications. Further details are available on our group website – www.irishlifepermanent.ie.

Staff survey response rates were

80%

or higher

We spent

€5.2m

on training and development

Reducing our impact on the environment

We recognise that we have a role in protecting our environment. Our environmental policy is to minimise our impact on the environment and to promote awareness of environmental issues among staff and the wider community.

David Brown and Natalie Meehan from Airtricity with Fred White, Engineering and Property Manager – permanent tsb.



Increasing use of green energy

We are committed to maximising our supply of electricity from renewable resources. In 2006, we added a further three premises to those being supplied by Airtricity including the offices occupied by our Group Treasury function in Dublin. Figures for green energy usage are not available yet for 2006, but we expect that they will continue the trend of recent years.

Green Energy usage:

2003 - 19%; 2004 - 21%;
2005 - 28%.

This compares with an EU target of 12% for 2010.

Irish Government Green Paper

'Towards a sustainable energy future for Ireland' (Oct 2006)

- Energy efficiency is a major priority for the EU and Ireland.
- The EU has set targets for renewable *electricity* (22%) and for energy from renewable sources (12%) by 2010.
- The Irish government has set itself a target of delivering 15% of *electricity* generation from renewable resources by 2010 and 30% by 2020.

We achieved

28%

*energy supply from
renewable sources
(2005 data)*



If all the A4 pages needed to produce our annual reports were used to make a paper chain, it would stretch from Ireland to Turkey.

Energy reduction

In 2005 and 2006, we took a number of actions that reduced our consumption of energy.

Lift modernisation

In 2005, we upgraded the five lifts in Irish Life & Permanent's head office in Abbey Street, Dublin. This resulted in a 50% reduction in the electricity consumed for operating these lifts between 2004 (the last full year of operation of the original five lifts) and 2006 (the first full year of operation for the modernised lifts).

Branch refurbishment

In 2006, we completed six branch refurbishments. By installing the most efficient lighting and air conditioning equipment, we have reduced energy consumed by 10% per branch resulting in a total saving of 45,000kWh per year.

Switch-off and save initiative

Following a PC upgrade project in 2006, our IT department is piloting a power-save scheme on laptops and desktop PCs to encourage energy saving. We will roll this out to the rest of the organisation in 2007.

Printing

In 2006, we completed the deployment of high specification print stations across our major office centres in Dublin. This reduced the number of network and personal printers by 50%. We estimate that this will generate an energy saving of 30% per year by 2008. Staff surveys show a high level of user satisfaction with the improvements, in particular with quality, availability, features and speed.

UN Intergovernmental Panel on Climate Change Report (Feb 2007)

- 10 hottest years since records began have occurred since 1994
- 90% probability that global warming is due to human activity
- Temperatures rose 0.7°C in the 20th century
- Best estimate for temperature increases this century are 1.8°C to 4.0°C (EU target is 2.0°C)
- Projected rise in sea levels 18-59cm

Strengthening our environmental management system

A successful environmental management system depends to a large extent on the accuracy of the data on which it built. During 2006, with the assistance of Vector Environmental Services Limited (VESL), we set up a new data recording system. This now gathers data monthly on environmental impacts. We had some difficulties in getting accurate monthly data retrospectively from the beginning of the year from a number of suppliers. For this reason, we are not releasing 2006 data with this report but we will publish it on our website as soon as we have completed a review with VESL.

Improving our work environment

In 2006, we launched campaigns in the Irish Life and **permanent tsb** head office buildings to improve the working environment – a “Green with envy” competition (Irish Life) and “Clean work environment” initiative (**permanent tsb**).

The objectives of these campaigns were:

- to improve the look and feel of our office environments;
- to make them cleaner, more comfortable and safer places to work; and,
- to encourage staff to take ownership for their own environment.

The Irish Life campaign went one step further, requesting staff to suggest ways to reduce our impact on the environment. Suggestions received included:

- assign responsibility to departments to track paper usage and identify ways to reduce it;
- the last person leaving each department to check that equipment and lighting are shut off; and,
- replace paper cups with mugs.

The “Green with Envy” competition was won by the Corporate Services Department in IPSI (Irish Progressive Services International).

We have just launched a follow-up “Power of One” campaign in Irish Life to develop a structured approach to making environmental improvements in the company. We are developing this using

Number of network and office printers reduced by

50%

(in major Dublin offices)

Martin Fagan of Irish Life compressing waste cardboard before it's collected by Greenclean for recycling.



the platform of the national campaign of energy efficiency for Ireland called "Power of One" (www.powerofone.ie).

Suppliers

In our 2005 CR Report, we said that we would review the environmental practices of 10% of our suppliers every year from 2006. We did this in 2006 and the suppliers in question confirmed that they are continuing to meet their commitment to follow best practice.

In 2006, we made some changes to the waste collection and disposal procedures for **permanent tsb**. Under the new arrangements:

- all paper waste is collected, shredded and recycled; and,
- non-paper waste in our major office locations is collected and segregated by the suppliers.

At present, we are also looking at a way of introducing a recycling service to our branches.

Shareholder communications

In 2006, we continued our campaign to encourage shareholders to register for electronic communication. By doing so, they can help us to reduce the huge volume of paper that we use to issue annual reports and letters to them. By the end of 2006, more than 7,800 shareholders had registered to receive reports and other documents by e-mail. However, this is still only a small proportion (6%) of our total shareholder base of nearly 135,000. We will continue this campaign in 2007.

Participation in indices

FTSE4Good

Irish Life & Permanent plc has retained its membership of the FTSE4Good index in 2006. This index measures the performance of companies which meet globally recognised corporate responsibility standards.

Since FTSE4Good was launched in July 2001, the inclusion criteria have been enhanced annually including:

- 2002: Environmental Criteria strengthened;
- 2004-2005: Supply Chain Labour Standards Criteria introduced; and,
- 2005-2006: Countering Bribery Criteria introduced.

Kempen/SNS Smaller Europe SRI Index

We also are now represented in the Kempen/SNS Smaller Europe SRI Index. This is the first sustainable index for smaller European companies and it rates business conduct and socio-environmental practice.

National Strategy on Biodegradable Waste

This sets a challenging target to reduce the amount of biodegradable municipal waste going to landfill to just over 450,000 tonnes by 2016. That will mean diverting about 80% of biodegradable municipal waste arising in that year. It also challenges businesses to recycle 61% of all their paper and cardboard waste by 2010. We are already meeting and exceeding this target.

Key performance indicators

| Energy consumption | 2004 | 2005 |
|---------------------------|-------|-------|
| Electricity – total (GWh) | 15.9 | 17.6 |
| Green electricity (GWh) | 5.0 | 6.5 |
| Gas (GWh) | 6.7 | 4.9 |
| Oil (GWh) | 0.8 | 0.6 |
| Total energy consumption | 23.4 | 23.1 |
| Green energy % | 21% | 28% |
| *CO2 emissions (tonnes) | 6,049 | 5,854 |

*Excludes company car emissions, which will be reported in our 2007 CR Report.

| Waste generation (tonnes)* | 2004 | 2005 |
|----------------------------|-------|-------|
| Total | 2,834 | 1,985 |
| Waste to landfill | 623 | 511 |
| Waste recycled or reused | 2,211 | 1,474 |
| Waste recycled | 78% | 74% |
| Hazardous waste | 14 | 8 |

* The level of waste we generate is dependent, among other things, on the number of premises refurbishments carried out each year. This can result in fluctuations in waste generated from year to year and in the proportion of total waste recycled.

We review the environmental management of
10%
of our suppliers every year

7,800
shareholders have signed up for electronic communication

Developing partnerships with our local communities

24

Our policy is to concentrate our community activities in Ireland. We aim to make a difference to whatever causes we select and to create volunteering opportunities for our employees.

We also recognise the huge contribution to communities made by staff charities and our policy is to provide appropriate support to them.

Major community programme now in place

One of the highlights of our CR programme in 2006 was the completion of a comprehensive community programme for the group. This programme divides into four parts:

- major programmes in targeted partnerships with community and other organisations;
- support for staff charities;
- sponsorships and donations on a smaller scale to a variety of organisations; and,
- mentoring programmes for second-level students.

Flagship community programmes are now in place in all of our main businesses

First longitudinal study of ageing in Ireland (TILDA)

In October 2006, the Minister for Health, Mary Harney, launched the first longitudinal study of ageing in Ireland. Irish Life, as anchor sponsor of the study is contributing a total of €4m over a 10 year period. This is the largest corporate gift to a research project ever made in Ireland.

Irish Life is the biggest provider of pension and related products in Ireland apart from the State, with invested funds of almost €20 billion. Our Corporate Business division is making the €4m donation.

The research will provide crucial insights that will help Irish Life Corporate Business serve their customers better.

The academic community in Ireland, led by Trinity College Dublin, will survey 12,000 people aged 55 or older as part of a 10-year study to chart health, social and economic progress during ageing.

The information from this study will be in the public domain and will be invaluable to policy makers and public sector service planners in health, social care, transport, pensions, the voluntary sector, private sector companies and service industries.

Why is an ageing study necessary?

- Over 50% of female children born in Ireland today will live to the age of 100 and beyond.
- By 2031, more than 20% of the population will be over 65 years old.
- Older Irish people are amongst the least healthy in Europe: 23rd out of 23 countries surveyed.
- Ireland has one the highest mortality rates in Europe. The factors that contribute to this are unknown.
- The proportion of older Irish people living in relative income poverty is almost 50%.

The study will provide data to develop policies that will enable successful ageing.

€4m

**committed to
study of ageing**



Donal Casey, Chief Executive, Irish Life Corporate Business; Mary Harney, Minister for Health; Roseanne Kenny, Professor of Geriatric Medicine, Trinity College, Dublin; and, The Provost of Trinity College, John Hegarty, at the launch of TILDA.

Care and repair services for older people

Continuing a focus on older people in our life business, Irish Life Retail has also selected Age Action Ireland as its partner to develop 'care and repair' services for older people in Ireland. There will be two services:

- home visiting service; and,
- small home-repairs service.

Irish Life is providing funding of €250,000 a year for three years to Age Action to set up the new services. The intention is to pilot them initially, in Dublin (Docklands) and Galway city and, if successful, to extend them across the country over the next three years.

These new services again focus on older people in Ireland and complement the ageing study. Research shows that the vast majority of older people want to, and do, live in their own homes. The main barriers preventing this are lack of social and personal support and inadequate accommodation. Help with small maintenance and repair jobs is a major topic for callers to the Age Action Ireland Information Service and it is largely an unmet need.

Age Action has been contacting other organisations in the pilot areas which provide similar services to identify areas of need and to make sure that the new services meet an unfilled need and do not overlap existing services. Research to-date indicates that there may be a major demand for these services, particularly the small repairs service. This will present a challenge to make sure that the services are sustainable in the long-term. The final scope of the services will be dependent to a large degree on securing tradespeople and volunteers to deliver them throughout the country.

During 2007, we plan to complete the pilot phase, decide the scope of the full services and launch them nationally.

Care in the Locality Awards

Linked to the launch of the 'care and repair' services, we ran a Care in the Locality Awards Scheme for staff in Irish Life.

We invited them to nominate a charity or initiative in their area to receive a once-off grant of €2,000 towards its work. The awards were presented at a function held in Dublin in December.

Thirty-six organisations from all parts of the country received a grant including East Wall Day Care Centre in Dublin, Cobh Meals on Wheels, Waterville Community Care in Kerry and Strangriff Nursing Home in Donegal.



Clare Aherne and Ciarán Long, Irish Life & Permanent; Mary Byrne and Colette Donovan, Cobh Meals on Wheels.

€750,000
for development of
Care and Repair services
for older people

36
organisations received
Care in the Locality Awards

Billy Freeley, Chairman, Foróige; Denis Casey, Chief Executive, **permanent tsb**; Noel Ahern, Minister of State at the Department of Community, Rural and Gaeltacht Affairs; Gillian Bowler, Chairman, Irish Life & Permanent; and, Sean Campbell, Chief Executive, Foróige at the launch of the **permanent tsb** Foróige Youth Citizenship Programme.



New partnership with major Irish youth organisation

In January 2007, **permanent tsb** launched a partnership with Foróige, a major Irish youth organisation – the **permanent tsb** Foróige Youth Citizenship Programme. The programme will consist of youth citizenship projects that young people around Ireland will carry out every year to improve their local communities.

Foróige (www.foroige.ie) is a leading national youth organisation in Ireland (see panel). Its slogan is 'Empowering Youth, Enriching Communities' and its fundamental purpose is to enable young people to involve themselves consciously and actively in their own development and in the development of society. Consistent with this philosophy, two members of Foróige Clubs serve on its National Council every year.

The partnership, which will run for at least three years, will build on a successful youth citizenship programme that Foróige has operated in Ireland for more than 30 years. The EU recently recognised this programme as an example of best practice in active citizenship in Europe.

Examples of projects that Foróige clubs and projects have carried out in the past include:

- the DIME project in Hardwicke Street in inner city Dublin organised a community day for residents;
- Castletara Foróige Club, Co. Cavan wrote, produced and staged a drama in local schools about drug awareness;

- Portlawn Foróige Club, Co. Waterford conducted a comprehensive survey of elderly people living on their own in order to identify their needs; and,
- Ardagh Foróige Club, Co. Mayo designed and built a website about their local area.

permanent tsb is investing more than €2 million to support the programme over a three-year period in cash, marketing support and volunteering. We view this sponsorship as an important opportunity for the bank to make a worthwhile contribution to the communities where we do our business and where our customers live.

Facts about Foróige

- Formed in 1952 as Macra Na Tuaithe
- Renamed Foróige in 1981 (from Forbairt Na h'Oige – the development of youth)
- Foróige has over 400 clubs and 125 projects around Ireland
- 40,000 young people take part in Foróige activities every year
- Since 2000, Foróige has operated the Big Brother, Big Sister mentoring programme
- Foróige's core funding comes from the Department of Education and Science

The injection of funding and resources by **permanent tsb** will be used to expand the Citizenship Programme in the following ways:

- developing regional structures for the awards around the country to support increased participation by young people in community work at regional level;
- identifying opportunities for **permanent tsb** staff to become involved with Foróige at both regional and national level;
- using the **permanent tsb** branch network to showcase the activities of Foróige clubs and projects; and,
- inviting other youth and community groups to get involved in the programme.

At present, approximately 20% (100) of Foróige clubs and projects take part in the Citizenship Programme every year. Under the expanded programme, we are setting an ambitious target to increase this involvement to approximately 70% by the end of our third year of support and to involve up to 50 other youth and community groups.

Billy Freeley, Chairman of Foróige says: "The support from **permanent tsb** will enable us to develop this programme dramatically in the coming years and engage with many thousands of young people".

€2m

for Youth Citizenship Programme



A Better Reflection of Youth: Chloe Walsh (16) and Padraig Heavin (16), members of Foróige.

Sarah Moyney, Anna Migal, Catherine Bolger and Sarah Hughes Doran from **permanent tsb** who took part in the Women's Mini Marathon to raise funds for Debra Ireland.



Increased support for staff charities

Staff charities in Irish Life and **permanent tsb** were set up and are run entirely by members of staff. The charities that benefit from support each year are selected by way of a staff vote. Any member of staff is entitled to nominate a charity for support and, in many cases nominated charities have some personal significance for the member of staff in question. Charities selected for support in 2006 were:

Irish Life:

- Belvedere Newboys Club (inner city Dublin); and,
- The Aisling Project (supporting homeless, isolated Irish people in the UK).

permanent tsb:

- Debra Ireland (The Dystrophic Epidermolysis Bullosa Research Association); and,
- The Irish Hospice Foundation.

A groupwide payroll deduction facility was introduced in March 2006 and approximately 15% of Irish-based staff have signed up for this new facility. We estimate that this will contribute €60,000 to the two staff charities in a full year.

In 2006, the total funds raised by staff for the Irish Life staff charities amounted to €68,000 and this was matched by the company. This compares with €40,000 raised in the previous year.

permanent tsb staff charities operate to a March 31 year-end. Total funds raised in 2006/2007 are expected to be €60,000 approximately, €48,000 of which will be matched by the company.

Irish Progressive Services International (IPSI), for the third year in a row, took part in the "Santa Letter Project" to provide Christmas gifts to students in a local primary school – Scoil Mhuire, in Whitechurch, Dublin.

In addition, events were held to support charities nominated by IPSI staff. These included:

- Kellogg's breakfast morning to raise money for Childline in November; and,
- collection in aid of Trocaire also in November.

Sponsorships and donations

Our policy is to support:

- organisations based in inner city Dublin where we have our group headquarters;
- organisations that provide support for people with disabilities;
- organisations that provide support for people with serious illness;
- access to education; and,
- the visual arts.

We have allocated funding of €250,000 for these purposes.

In 2006, we supported a wide range of organisations and causes (see panel).

Sponsorships and donations in 2006 included:

- Threshold
- Jobcare
- Get Ahead
- National Medical Rehabilitation Trust Limited
- The Children's Medical & Research Foundation, Our Lady's Hospital for Sick Children, Dublin
- All Ireland Cancer Foundation
- Ireland Canada University Foundation
- National Portrait Gallery
- Business2Arts

We also make donations to charity initiatives or events where members of staff raise some funds through their own efforts and either they, or a member of their family, has a direct involvement in organising the initiative or the event.

In 2007, we will be working with a number of third-level colleges to develop access programmes in Dublin and Cork.

Irish Life staff held a "Staff Wedding" to raise funds for their Staff Charities.



15%
of Irish-based staff making payroll contributions to Staff Charities

Sponsorship of first Ethnic Entrepreneur Awards

Rita Shah, President McAleese, and Denis Casey.



The Social Finance Foundation

In February 2007, the Minister for Finance, Brian Cowen, launched The Social Finance Foundation. This has been established as a not-for-profit company to act as a wholesale supplier of social finance for lending onwards to support social and developmental projects and social enterprise in local communities.

The Foundation has received seed funding of €25 million from the Irish banking sector for distribution to qualifying intermediaries. Irish Life & Permanent has contributed €3.1m to the Foundation.

Recognition for ethnic entrepreneurs

In 2006, **permanent tsb** agreed to become title sponsors of the first Ethnic Entrepreneur Awards to be held in Ireland. These awards were developed by Chinedu Onyejelem, publisher of Metro Eireann Newspaper. The purpose of the Awards is to encourage and recognise entrepreneurship among the new migrant communities. They also aim to develop a positive appreciation of the contribution of immigrants and to promote mutual respect among communities.

permanent tsb is the sponsor of the overall award. There are five categories from which the overall award winner will be chosen. These are:

- Best Business Idea of the Year, sponsored by The Irish Times;
- Service Entrepreneur of the Year, sponsored by The Bowen Group;
- Technology Entrepreneur of the Year, sponsored by Communicorp;
- Social Entrepreneur of the Year, sponsored by Newstalk; and,
- Emerging Entrepreneur of the Year, sponsored by Tullow Oil.

The first awards ceremony was held in Dublin in February 2007 and the awards were presented by President Mary McAleese.

The winner and the first **permanent tsb** Ethnic Entrepreneur of the Year was Rita Shah, a Kenyan businesswoman who set up Shabra Plastics in Monaghan in 1986. It has now become the main recycler of plastic waste in Ireland.

Continuation of student mentoring programmes

In 2006, we continued our mentoring programme with Patrician College in Finglas organised by Business in The Community Ireland (BITCI). We also took part in an e-mentoring pilot programme with Moyle Park College in Clondalkin organised by Trinity College, Dublin.

Our relationship with Patrician College has been building well and at the end of 2006, we agreed to sponsor a supervised study scheme for sixth year students that will operate until the end of the school year.

During the year, a number of employees took part in presentations to students in the school, including one former student who is now an employee in our corporate business division.

We have just begun the second year of the e-mentoring programme with Trinity College. The pilot scheme with Moyle Park College that we took part in last year identified a number of improvements that were needed – both to the software used for the scheme and to the structure of the programme. These have been included in the 2007 programme.



Martin Bennett, Irish Life Corporate Business and former pupil of Patrician College, Finglas, Dublin giving a talk to students in the school.

2

*mentoring
programmes*

Global Reporting Initiative (GRI)

This report was prepared with reference to the Global Reporting Initiative “G3” guidelines. These were issued in October 2006 and we are one of the first Irish companies to adopt them.

The “Global Reporting Initiative” (GRI) is a large network of thousands of experts, in dozens of countries worldwide, whose mission is to provide the global standards for sustainability reporting.

The GRI network has developed a Sustainability Reporting Framework, the core of which is Sustainability Reporting Guidelines. The Guidelines consist of principles for defining report content and ensuring the quality of reported information as well as standard disclosures comprising performance indicators and other disclosure items.

Organisations have the option of using independent, external assurance to provide opinions about a sustainability report. We have chosen not to do this. The first table below sets out our assessment of the level of disclosure in this year’s report. A “B” application level requires reporting on a specified range of criteria and reporting on a minimum of 20 performance indicators.

The second table below lists the sections to the guidelines that we have reported on and where we have reported on them. The full GRI Content Index is available on our website – www.irishlifepermanent.ie

| | | 2002 In Accordance | C | C+ | B | B+ | A | A+ |
|-----------|---------------------|--------------------|---|----|---|----|---|----|
| Mandatory | Self Declared | | | | ✓ | | | |
| | Third Party Checked | | | | | | | |
| Optional | GRI Checked | | | | | | | |

| Source | Strategy and Analysis | Organisation Profile | Report Parameters | Governance | Performance Indicators | | | | |
|---------|-----------------------|---|--------------------------------------|--|------------------------|-------------------------------|-------------------------------|----------------------|----------------|
| | | | | | Economic (EC) | Environment (EN) | Labour and Human Rights | Society (SO) | Products (PR) |
| CR '06 | 1.1, 1.2 | 2.1, 2.2, 2.3, 2.5, 2.6, 2.7, 2.8, 2.10 | 3.1, 3.2, 3.3, 3.4, 3.7, 3.10 | 4.4, 4.8, 4.9, 4.14, 4.15, 4.16, 4.17 | | 3, 4, 5, 16, 18, 22 | LA1, 2, 7, 8, 10, 11, 13, HR3 | | 3, 5, 6 |
| ARA '05 | | 2.8 | | 4.1, 4.2, 4.3, 4.5, 4.6, 4.7, 4.10, 4.11 | 1, 3 | | | | |
| Web | | 2.4, 2.8, 2.9 | 3.5, 3.6, 3.8, 3.9, 3.11, 3.12, 3.13 | 4.8, 4.12, 4.13 | MAD 4, 6, 8 | MAD 7, 17, 28 | MAD LA4, 5, 8, 12, 14, HR5 | MAD 2, 3, 5, 6, 7, 8 | MAD 3, 4, 7, 8 |
| NR | | | | | 2, 7 | 1, 2, 19 | HR 2, 4 | 4 | |
| NA | | | | | | 8, 11, 12, 20, 21, 23, 26, 27 | HR1, 6, 7 | 1 | 1 |

Legend:

- **CR '06:** Corporate Responsibility Report 2006
- **AR '05:** Annual Report and Accounts 2005
- **Web:** A copy of our complete GRI Content Index is available on our website – www.irishlifepermanent.ie
- **NR:** Not reported – this indicator is currently not being measured or has not been reported on in IL&P’s CR report
- **NA:** Not applicable – this indicator is not considered relevant or material to IL&P’s operational activities
- **MAD:** G3 Management Approach Disclosures



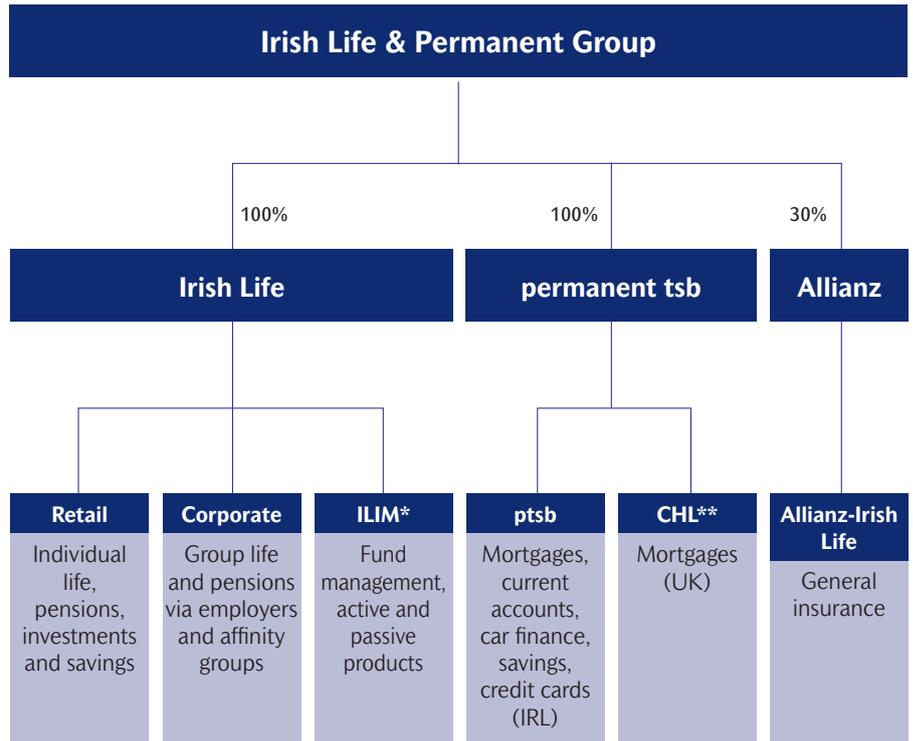
Group overview



Fountain and sculpture ("Chariot of Life" by Oisín Kelly) in the Plaza of the Irish Life Centre, Abbey Street, Dublin.

30

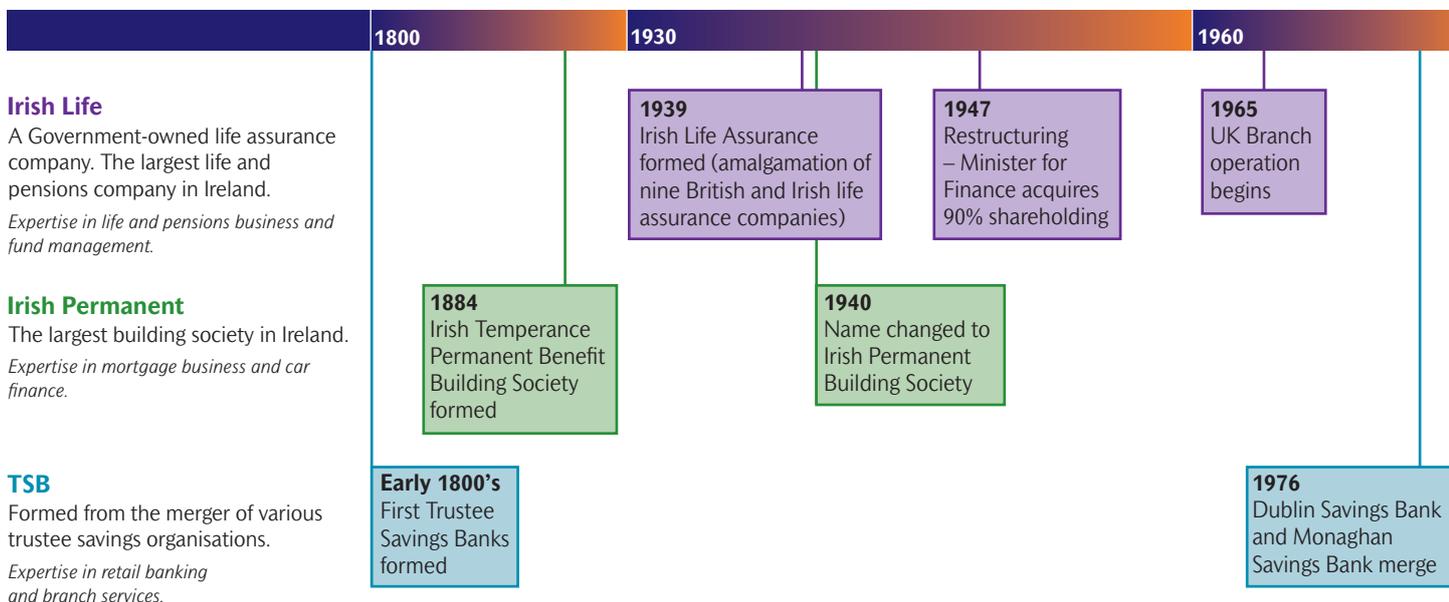
Irish Life & Permanent was formed in 1999 from the merger of Irish Life and Irish Permanent. TSB bank joined the group in 2001. The group has almost 5,500 employees and has a strategic focus on the Irish personal financial services market.



* Irish Life Investment Managers

** Capital Home Loans Limited

Note: Irish Life International, Irish Progressive Services International and Cornmarket Group Financial Services Limited are also group companies





permanent tsb Head Office,
Stephen's Green, Dublin 2.

Group Strategy

“Ireland First” strategy

We focus on personal financial services in Ireland.

Product strength and distribution reach

We have a wide range of financial products and a wide variety of access channels.

Opportunistic approach to acquisitions

We will consider acquisitions that fit our “Ireland First” strategy.

Markets and Market Share

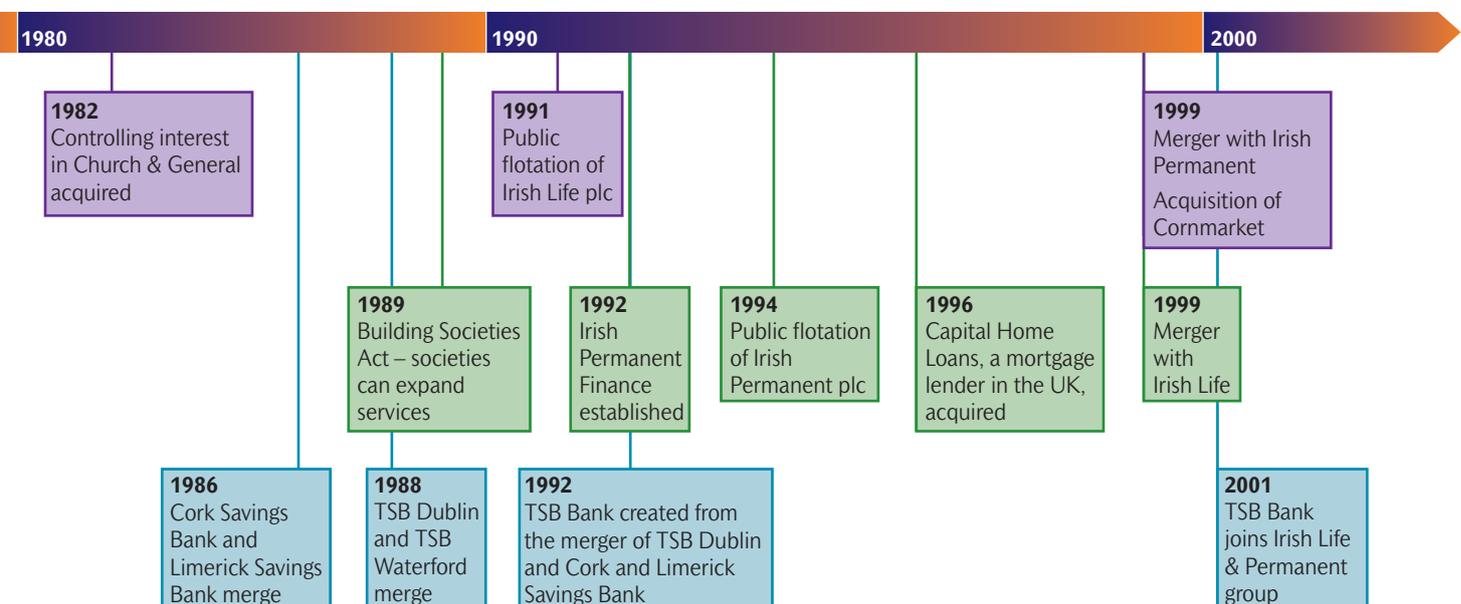
| Market Shares | 2005 | 2006 |
|------------------|-------|------------------|
| Retail Life | 22% | 24% ^E |
| Corporate Life | 37% | 40% ^E |
| Mortgages | 18.6% | 22% ^E |
| Current Accounts | c.11% | 11% ^E |
| Fund Management | 20%+ | 25.3% |

E = Estimate

Financial Results

| | Full Year 2005 | Full Year 2006 |
|----------------------------------|----------------|----------------|
| Operating profit | €420m | €529m |
| Profit after tax | €503m | €564m |
| New lending | €9.8bln | €12.9bln |
| Loan book | €26.2bln | €33.8bln |
| Life and investment new business | €520m | €706m |

This report covers the 12 month period to 31 December 2006. Our last report covered the 12 month period to 31 December 2005.



Our agenda for 2007

32

| Plans for 2006 | Progress in 2006 | Plans for 2007 |
|--|--|--|
| Customers | | |
| Publish results of Irish Life customer satisfaction survey 2005 | Completed (Page 7) | Satisfaction Index reporting for our three main businesses and actions on results |
| Develop a customer satisfaction index for permanent tsb | Completed (Page 8) | See above |
| Achieve Plain English Crystal Mark for all standard correspondence in permanent tsb | Partly completed (Page 9) | Complete training for permanent tsb staff in use of Plain English |
| Accessibility | | |
| Publish our group policy for the employment of people with disabilities | Completed (Page 17) | N/A |
| Recruit six graduates with disabilities under the AHEAD project | Partly completed (Page 18) | Maintain in excess of 3% employment level for people with disabilities |
| Improve disability access in a number of our premises | Completed (Pages 12/13) | <ul style="list-style-type: none"> ■ Reposition 10% of our ATM machines ■ Complete installation of loop systems |
| Employees | | |
| Complete an equality/diversity audit of our recruitment procedures | Completed (Page 18) | <ul style="list-style-type: none"> ■ Review job advertisements ■ Equality compliance training ■ Use of application forms ■ Review interview locations |
| Carry out employee surveys in Irish Life Retail and permanent tsb | Completed (Page 20) | Employee survey in Irish Life Retail (performance management), permanent tsb , Irish Life Investment Managers and Irish Life Corporate Business |
| Environment | | |
| Launch new environmental initiatives for staff | Not completed | <ul style="list-style-type: none"> ■ Launch awareness initiatives at individual business level |
| Strengthen environmental management system | Completed (Page 22) | <ul style="list-style-type: none"> ■ Move to monthly reporting of environmental data ■ Set target date for achievement of ISO14001 Standard |
| Review environmental practice of 10% of our suppliers | Completed (Page 23) | <ul style="list-style-type: none"> ■ Continue to review practices of 10% of our suppliers |
| Continue to promote electronic communications with our shareholders | Completed but results are somewhat disappointing (Page 23) | <ul style="list-style-type: none"> ■ Develop new approach to this issue |
| Communities | | |
| Launch major community involvement initiatives | Completed (Page 24) | <ul style="list-style-type: none"> ■ Pilot care and repair services ■ Seminars on ageing ■ Develop structures for regional Youth Citizenship Awards ■ Launch Employee Volunteering Policy and secure employee involvement in volunteering. |
| Match funds raised by Staff Charities up to €200,000 | Partly completed (Page 27) | <ul style="list-style-type: none"> ■ Match funds raised |
| Take part in mentoring initiatives with Patrician College and Moyle Park College | Completed (Page 28) | <ul style="list-style-type: none"> ■ Fund supervised study scheme for Patrician College ■ Mentor at least 20 students under the Trinity College e-mentoring scheme ■ Develop mentor training programme |

**Commendation for
Sustainability Reporting –
ACCA Sustainability
Awards 2006**

**Highly Commended –
AXA award for
Corporate Sustainability under
the European Business Awards 2007**

External commentary by **Business in the Community Ireland**

The business case for large companies to communicate on their corporate responsibility performance is widely recognised as evident and in recent years it has become an imperative for companies that aim to demonstrate openness and transparency in their operations. There are very few examples of stand-alone full spectrum corporate responsibility reports issued in Ireland, especially in the financial services sector.

This is the third such report by Irish Life & Permanent plc and the first one issued in accordance to the recently launched Global Reporting Initiative G3 Guidelines. The adoption of this set of internationally recognised guidelines demonstrates the company's commitment to transparency and comparability of their performance. Reports issued in accordance to the G3 guidelines are featured in the www.CorporateRegister.com website that includes over 2,000 reports issued by leading companies worldwide.

The report provides clear evidence of how practices and policies are embedded throughout the organisation. The report is quite balanced and covers major areas of impact clearly identified under the headings of marketplace, workplace, community and environment. There are quantifiable targets to achieve as part of the corporate responsibility agenda for 2007, a demonstration that the company will have to report further on progress in these areas in future communications.

Customer service is an area to which the report dedicates significant space and it is positive to read about innovative initiatives implemented in this area such as the campaigns in **permanent tsb** to inform customers on the safe use of ATMs and online services or the company's initiative to implement guidelines for accessibility of ATMs from the Australian Banker's Association. Other initiatives worth highlighting are the annual health and well-being weeks in Irish Life and **permanent tsb** and the launch of the group's community involvement activities that we hope will progress into successful flagship programmes.

We also highlight the need for this report to include more sources of external endorsement in the form of short case studies, quotes and commentaries by other stakeholders that are involved in specific practices. This is an essential element of any corporate responsibility communication and we will encourage the Group to incorporate external endorsements in future communications. In some cases, particularly in relation to workplace data, there is a need to provide industry sector benchmarks to better understand the figures presented. We are aware that data on staff turnover, absenteeism or workforce gender breakdown may not always be publicly available and we would like to see systems being developed at industry level to allow sharing and comparing of this type of data.

The commitment to communicate on a regular basis on the non-financial aspects of the operation is critical to any company serious about the implementation of its corporate responsibility agenda. By promoting an open dialogue with external and internal stakeholders, companies can have a better understanding of how they are perceived and how they impact on their major stakeholder groups, especially customers, employees, suppliers, investors and the community at large.

Business in the Community Ireland celebrates the publication of the Irish Life & Permanent plc Corporate Responsibility Report 2006 as another highlight in the process of development of a culture of transparency and accountability in Irish businesses.

Tina Roche

Chief Executive

Business in the Community Ireland

www.bitc.ie

