

UNITED NATIONS GLOBAL COMPACT COMMUNICATION ON PROGRESS (COP) 2013

Legal & General Group PLC (LGEN)

EVERY
DAY
MATTERS.®



➤ CEO COMMITMENT



I'm pleased to confirm that we have made good progress in our first year as signatory to the UN Global Compact. This report highlights our progress across the Group in a number of areas where the principles have enabled us to focus on improving our own standards and those of our investees, suppliers, tenants and employees through direct action and influence.

There is no doubt that signing the UN Global Compact standard has been of importance to our customers as a mark of simply doing business better. In particular we have seen a big interest from our institutional pension fund clients because of the extra scrutiny and transparency that it brings to our business.

Our business is one of scale and significant social and economic value. It covers Legal & General UK, Legal & General France, Legal & General Netherlands and Legal & General America who have responsibility for serving around 10 million customers and 10,000 employees. Our Group Corporate Responsibility and Ethics Committee have been leading the integration of the UN principles into the public targets and commitments that we make to our stakeholders. Throughout this report you will see a number of initiatives in our first year of reporting.

We welcome any feedback or collaborative efforts to support our work. My colleague graham.precey@landg.com, Head of Corporate Responsibility and Ethics would be pleased to hear your views.

Dr Nigel Wilson - Group Chief Executive

Legal & General Group Plc - Sept 2013

► OUR BUSINESS IN CONTEXT

Legal & General are a leading financial services company operating in the UK, Netherlands, France, and the USA. We help millions of our customers plan and build a secure financial future in these markets.

For over 175 years we have made sure that we are always here for our customers, providing our best possible products, a clear, fair service, and a safe pair of hands for our customers. Typically we provide life assurance, pensions and savings products for these customers to either to provide them with safety nets or a way of building up their finances.

OUR SIMPLE ROLE

Every day we essentially perform four simple but important functions, for our clients:

- **To enable customers to save for a pension this will provide them with an income in retirement for life.**
- **To provide investment and savings products which allow individuals and families to plan for the future.**
- **To pay out valid claims when a customer becomes ill, is unable to work or dies.**
- **To pay out valid claims when a customer's home and its contents are lost or damaged due to a variety of causes.**

We are recognized by three of the world's leading independent rating agencies for our financial strength, and our investment business is one of the biggest in the UK with responsibility for investing £413 billion worldwide (as of December 31, 2012) on behalf of our clients.

We employ around 10,000 people across our business in the UK, America, Netherlands and France. Around 7,000 of these are in the UK business which is the predominant market for us.

We also spend around £500 million per year in procuring products and services to run our businesses.

As well as being a successful business, we do our best to think about the things that matter to people every day; taking a stand on the issues that matter to us as a business, to our customers, and to broader society.

We have a number of points of influence in the way that we can practically apply the UN Global Compact Principles.

- **Directly in our own business operations**
- **Through our supply chain**
- **Through Investee companies as a major investor in UK PLC**
- **Through our joint venture businesses**

The Communication on Progress Report (COP) shows the progress that we have made in 2013 to improve our business in our first year of being part of the UN Global Compact movement.

HOW GROUP-WIDE POLICIES COMPLIMENT THE UNGC PRINCIPLES

We have a number of public policies which set out how we have started to integrate UN Global Compact Principles into our business as a direct employer, a procurer of services and as an investor.

- **Our Corporate Governance Policy** – shows how we bring UN Global Compact principles into our investee companies [here](#)
- **Our Sustainable Procurement Policy** – shows how we bring UN Global Compact principles into our supply chain [here](#)
- **Our Group-wide Ethics Policy** – shows how we bring UN Global Compact Principles into the way we run our own business [here](#)
- **Our Groupwide environmental policy** highlights our commitment as a business to good environmental performance [here](#)
- **Our Groupwide Health and Safety Policy** highlights the commitment to employees that we make to keep them safe and healthy at work [here](#)
- **Our Groupwide Antii Bribery Policy** shows how we integrate the UK Bribery Act into our operating model [here](#)

From a Governance perspective these policies are reviewed and updated by the Group Corporate Responsibility and Ethics Policy Committee (GRCE) which is a committee of the Group Board. Its role can be detailed [here](#)

UNITED NATIONS GLOBAL COMPACT – HUMAN RIGHTS AND LABOUR PRINCIPLES (3 TO 6)

“Businesses should support and respect the protection of internationally proclaimed human rights; and make sure that they are not complicit in human rights abuses.

Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; the elimination of all forms of forced and compulsory labour; the effective abolition of child labour; and the elimination of discrimination in respect of employment and occupation”

We have a number of ways that we can improve labour standards and human rights as a business.

- As a direct employer
- As a major investor
- As a provider of financial services safety nets to our customers
- As a procurer of products and services

Labour & Human Rights Public Targets that support UN Global Compact Principles

We are a socially useful business and can have a big impact on solving social problems in countries where we have business interests. The following are public targets in our first year of reporting against UN Global Compact principles which underpin their sentiment across our group. A full list of targets can be found [here](#) which are signed off by our Group Board.

Labour / Human Rights based Public Targets 2013 - 2014 for Legal & General Group Plc	
GCRE Committee Member responsible	Public Targets accountable on behalf of Group
GCRE Committee	<ul style="list-style-type: none"> • Campaign and produce market solutions which will enable access to Housing • Campaign and produce market solutions which will enable access to better Health choices • Campaign and produce market solutions which will enable improved Dignity in later Life
Peter Graham	Increase the product inclusivity against UK population.
Peter Graham	Increase diversity of talent within the business and with investee companies
Nicolas Stachowiak	Work with IMS Entreprendre pour la Cité to provide Financial Education programmes to young people via Legal & General France
Sacha Sadan	Proactively lead Shareholder activism activities in <ol style="list-style-type: none"> 1) Improving Gender Diversity in UK boardrooms especially in Mid-Cap listed companies 2) US Engagement - with focus currently on the technology sector on issues such as human rights in the supply chain and political spending.

Barb Esau	Improve the depth of relationships with NGO's to improve our sustainable supply chain standards and Health campaigning in Legal & General America
Sara Heald	Deliver a "Gearing up for Work" Programme to provide 200 people with access to work experience
Bill Hughes	Improve the social and community impact of all property investment portfolios
John Godfrey	Lead the retailisation of the Social Investment Market to give mainstream consumers in the UK access to this market
Sacha Sadan	Hold at least 350 ESG meetings with UK Plc of which 25% will be Environmental or Socially Driven to improve standards and decision-making.
GCRE Committee	Improve the 86% of employees who think we run an ethical business in our employee survey
Elaine Maclean (Rosemary Lemon)	Implement a wellbeing programme for employees which will increase employee resilience

OUR INFLUENCE AS A MAJOR INVESTOR

As a major investor in UK PLC with typically 4% of the FTSE Allshare and a total of £426bn worldwide invested on behalf of our clients we take our position of influence and intervention in other companies on Environmental, Social and Governance very seriously.

We provide a full report to our stakeholders of our investment activities and intervention called Good Governance [here](#)

Our core strategy is to intervene in publicly quoted companies if we see them doing things on Environmental, Social or Governance (ESG) grounds that will impact the current or future value of its share price.. In 2012 we set a target of having 300 meetings with investees of which 25% had to be led on Environmental and Social issues faced by those businesses. We exceeded this with 425 meetings held and 30.1% of these meetings on ES issues.

Monitoring NGO sentiment on human rights

We actively use data from SIGWATCH in our Group Risk management information packs to understand Non Government Organisations (NGO) sentiment around the way that we are operating our business and where we are operating on behalf of our clients. This often leads to meetings with individual NGO's to discuss developing issues around human rights and labour rights.

In 2013 we have has a number of meetings and interactions on human rights based issues including with Reprieve who have a number of allegations against US and UK listed companies involved in building cluster munitions, building components for drones and the misuse of pharmaceuticals in the US prison system.

There have also been a number of campaigns by organisations like [Survival International](#) who have asked a number of major investors including Legal & General to divest from the Canadian-Colombian oil company in order to protect Peru's uncontacted tribes. Survival International warned that both the uncontacted peoples

and the oil workers prospecting their lands are at risk: the former from imported diseases and the latter from attacks by indigenous communities defending their territory from invaders.

We currently understand the impact that this is having. We cannot divest as its our clients monies but we will look at the impact that this is having upon the underlying stock's risk and reputation and whether we need to intervene.

Future activity as an investor

In 2013 we have identified 6 areas in companies that we feel need improved governance. They have a strong grounding in the UN Global Compact principles and are public targets as published [here](#)

Three of the areas of campaign specifically relate to improving human rights and labour standards in publicly quoted companies or sectors which include:

- **Improving gender diversity in UK boardrooms especially in mid-cap listed companies**
- **US stock engagement with a focus currently on the technology sector on issues such as human rights in the supply chain and political spending.**
- **Focussing on the sustainability issues impacting UK listed mining companies.**

We will report on our progress against these targets in the 2014 COP.

EMPLOYEE STANDARDS

To give some context on our business we employ around 10,000 people across our business in the UK, America, Netherlands and France. Around 7,000 of these are in the UK business which is the predominant market for us

Our assessment is that violation of human rights in our work locations are low risk as our operations are based in the UK, France, Netherlands and the USA and benefit from tight legislation at country and EU levels where human dignity, equality and respect for the rules of law have been embedded in EU Treaties. We believe that EU and UK employment legislation exceeds the requirements of the UN Declaration of Human Rights.

Our public commitment to Human Rights is set out in our CSR Report where we explicitly state that

"Legal & General strongly supports the principles set out in the Universal Declaration of Human Rights and we are committed to promoting these principles, both within our organisation and our sphere of influence.

At Legal & General we believe that people who work for us should not be deprived of their basic human rights and we will not be complicit in condoning any breach of human rights; and through our employment policies and practices, our relationships with our suppliers, the distribution and use of our products and services, and our investments, our objective is to promote and respect internationally accepted human rights standards and principles".

Our Group wide Ethics policy outlines our commitments to these principles [here](#)

HUMAN RIGHTS AND LABOUR STANDARDS IN ACTION

There are a number of checks, balances and positive employee benefits that we offer our employees wherever they work in the business to bring a high standard of employment. We publicly report the steps we take with employees to improve working conditions and checks and balances on our workforce [here](#).

The following are a number of UN Global Compact Principles driven initiatives that we want to highlight that we believe show our commitment in our year 1 of this important international standard.

Detailed policies

We have a range of employment policies including a grievance policy, bullying and harassment grievance policy through which employees can raise a formal complaint. We carry out a review of formal grievances and complaints raised through the external Employment Tribunal system in order to identify any trends or areas of concern. We specifically ask a question in our annual employee survey about bullying and harassment and analyse the responses to identify business areas where the response is higher than the average. We share analysis of grievances and survey responses work with our recognised trades union, Unite, and work in partnership to resolve any issues.

Our Chief Executive and the Unite National Secretary (Legal & General section), declared the Board's zero tolerance stance towards bullying and harassment and this position is re-iterated in communications as appropriate.

Equality, Diversity and Inclusion

We also have an Equality, Diversity and Inclusion policy, and work in partnership with Unite our trades union to ensure the policy is practised. We ask a range of questions in our annual employee survey to find out whether employees believe they are treated fairly and share the response with Unite.

The results of the survey, from an equality, diversity and inclusion perspective are shared with the Equality, Diversity and Inclusion Steering Committee which reports to the CSR Committee.

A report on our Equalities Committee and their work can be found [here](#) which contains details of how we have delivered unconscious bias training to our leadership group and are looking at how we cascade this to managers in the organisation.

UK partnership agreement with Unite

Our partnership agreement with our Union, Unite, provides an important check and balance to how we develop standards as an employer. It has been in place for 14 years within our UK Business and continues to develop and thrive.

The Partnership Agreement is a collective agreement applying to both parties as defined in Section 178 of TUL(C)RA. Our partnership with Unite helps build a culture where customer-focused, responsible and ethical behaviours is embedded in our approach to employment and to business generally.

Legal & General and Unite both accept that future success depends on a profitable business and the key to this is the commitment and involvement of employees. The Agreement builds on the best aspects of our relationship and it depends on mutual trust. It is based on our commitment to the objectives, principles and practices set out below.

Legal & General inform and consult with Unite on a range of issues, including: Benefits; Equality, Diversity and Inclusion; Grievance and Disciplinary; Health and Safety; Pay; Terms and Conditions, Training and development policy and employability as well as issues specifically covered by legislation: Pensions, TUPE and redundancies. The relationship is based on shared information and open access to information and full and early participation in the decision-making process in areas of shared interest.

Both parties believe that the practice of partnership working exceeds the requirement of Information and Consultation legislation in the UK. Both parties accept and recognise the rights of each other in employment law, trade union legislation, company law and other regulatory matters.

Management Consultative Forum

Middle and senior management employees are collectively represented by the Management Consultative Forum (MCFO). Legal & General informs and consults with the MCF regularly on a wide range of issues as well as issues specifically covered by legislation: Pensions, TUPE and redundancies. MCF committees are made up of voted in employees by their colleagues.

US, Netherlands and France

We have signed a voluntary agreement with our European subsidiaries in France and the Netherlands to inform and consult on transnational issues. Employee reps from France and the Netherlands are invited to attend an annual briefing held in the UK at which our financial results are shared with employee reps in the UK. The Chief Executive also takes questions from employee reps.

In the US business we do not currently have a trade's union partnership agreement. Both France and the Netherlands have Domestic Work Councils for information and consultation on local issues, and one or more of the reps from these Councils are invited to the annual results briefing.

Health and Safety Policy

The health and safety of our employees is a high priority for us. Management is responsible to provide and preserve safe and healthy working conditions at each of its locations, under the relevant legal requirements. We display our written statement of general policy at each location, with the local safety policy.

A Groupwide Health and Safety Committee is held quarterly. The Unite Health and Safety rep sits on this committee. Local committees at each of our sites in the UK meet regularly attended by the local Unite Health and Safety rep. Unite conduct their own health and safety inspections and highlight any areas of concern. Our main areas of focus for health and safety are display screen assessments, stress management and driving on company business. We have policies in place to support employees in these three areas.

We provide a yearly update on progress against these core areas of concern [here](#)

2013 IMPROVEMENTS AS AN EMPLOYER

There are a number of specific improvement areas that we have made as a direct employer of people during 2013 which we would like to highlight:

UK Living Wage Standards Implemented

We have been working with Share Action and Fair Pensions here in the UK to be one of the first major companies to adopt and implement the [UK Living Wage](#) standards as an employer and as a contractor of services in our major locations. As an employer we were already paying a UK living wage but we are now paying around 120 people in our offices on contracts a living wage and have improved their lives and living standards as a result.

Groupwide Wellbeing Programme

We recognise the importance of having a workforce that is resilient. In the recession we have seen a number of research reports showing that in particular financial services organisations are more susceptible to stress and anxiety. We have been a core active supporter of the UK's Time to Change Campaign, campaigning against the stigma of mental health issues in the workplace. You can read more [here](#)

Independent Governance over joint ventures.

Legal & General Group has commercial joint ventures in Egypt, Bahrain and India where we have different financial levels of investment. We are typically the technical partner in these relationships providing expertise

to help these ventures provide basic financial services to local people working with a number of banking partners in these countries. We know that organisations like FTSE 4 Good would consider doing business in these countries from a human rights perspective as “High Risk”.

We have made considerable effort to look at how we have independent oversight on how these organisations are treating their workforce. In 2013 we have run our Groupwide employee survey run by ORC International as a way of working with the local MD’s of these businesses to look at whether there are employment equality, diversity and inclusion pressures within their businesses.

Measurement of outcomes

We publish a number of employee based measures to show that we are running our organisation the right way when it comes to human rights. You can see the underlying trend data [here](#)

We continue to have no alleged incidents of Human Rights abuses and there are no investigations or legal cases pending.

INCREASED PRODUCT INCLUSIVITY FOR OUR CUSTOMERS

As a major provider of financial safety nets to over 8 million customers (UK, Netherlands, France and US) through the provision of life assurance, savings and pensions we are acutely aware that with the recession making life difficult for people we need to be more inclusive with our products.

This is particularly important when nation states in these countries are reducing state benefits significantly with austerity cuts. We effectively plug the gap created. We actively monitor our product coverage and work with NGO’s to improve our understanding of harder to reach parts of the marketplace.

We are pleased to confirm that of the three consumer groups in the UK who were in danger of being further financially alienated we have increased our market coverage in 2013 to these vulnerable groups.

We publicly report on our abilities to serve the wider market [here](#)

The Future : Our Campaigns – Housing, Health and Dignity in Later Life

We are a company that campaigns for inequalities in society. Our board go through a yearly materiality analysis which informs us, through polling of our stakeholders, of the way that society is changing. Details of the process we go through [is here](#)

We have identified three major areas of inequality and improvements to living conditions that the Group aims to provide financial solutions and services to improve the situation. These areas include

We are a campaigner for better social mobility which is rapidly becoming a basic human right in the countries that we operate around the world. We strive to make sure that each generation has the opportunity to live a better life than the previous one. What concerns us is that a number of countries around the world there is strong evidence that this may not be the case in the areas of housing, health and providing dignity in later life. To take each area in turn:

- **Housing** - There are issues of lack of housing supply, homes unfit for purpose and housing wealth locking people into set lifestyles with little movement. Why?
- **Health** - The lack of equality in healthcare services means that choice and access to services is diminishing. Why?
- **Dignity in later life** - The level of dignity and choice when people are in the working population drops when people retire. Why?

We publicly report on how we work with NGO’s and Not for profit organisations to improve our understanding and service around these social issues.

You can see each campaign in turn here

- [Housing](#)
- [Dignity in Later Life](#)
- [Health](#)

In 2013 we have formalised these approaches in the way that we are theming our direct investments and shareholder funds and will be announcing a series of bolt on acquisitions in these areas to the business. We have already announced a number of intentions around how we aim to stimulate the Housing Market and play more of the nation states role in improving standards in welfare provision. You can see our views [here](#)

AS A PROCURER OF PRODUCTS AND SERVICES

We spend around £500 million in products and services to run our business. 9% of the spend is from FTSE 4 Good rated "High Risk" countries.

Our sustainable procurement policy outlines our expectations of our suppliers and the standards we expect from them. We have explicit expectations in the following areas of policy. We expect our suppliers to

- **Maintain effective policies and procedures to manage their environmental impact.**
- **Respect fundamental human rights including worker representation.**
- **Have a positive impact on the communities in which they operate.**
- **Maintain responsible health and safety practices.**
- **Be committed to equal opportunities in employment.**
- **Adopt ethical business practices.**

The latest versions of these policies can be found here [here](#)

We explicitly require our suppliers to have developed a code of conduct for employee relations, which requires them to uphold minimum commitments relating to labour standards. These standards should meet the four 'core' ILO conventions on labour rights, namely,

- **Freedom of association and the effective recognition of the right to collective bargaining**
- **The elimination of all form of bonded labour and compulsory labour**
- **The effective abolition of child labour**
- **The elimination of discrimination with respect to employment and occupation.**

Our approach is to apply a constantly improving set of standards, which we expect all of our suppliers to work towards and support collaborative. That way we're working together to mutually improve standards and processes.

We are seeking to influence and support a greater number of our suppliers to adopt, as a minimum, our CSR standards. To support this, we have revised our definition of a 'key supplier' to encompass a wider base of our suppliers, This has resulted in our key suppliers increasing to 140 in 2012.

UNITED NATIONS GLOBAL COMPACT - ENVIRONMENTAL PRINCIPLES (7, 8 AND 9)

“Businesses should support a precautionary approach to environmental challenges; undertake initiatives to promote greater environmental responsibility; and encourage the development and diffusion of environmentally friendly technologies”.

Our Business Context

We have for some time now understood the key areas of our business that impact on and are impacted by environmental performance. We try to understand our impact and manage our risks. We aim to minimise our impacts rather than to offset and to work with our partners to improve their performance rather than to disengage with them. Some of the key areas we have focussed on are:

- **A major investor:** We have a responsibility to govern the companies we invest in a responsible manner. We are a large investor in the UK stock market with around 4% ownership of the FTSE 350 All-Share. Our governance process ensures we monitor, and where appropriate challenge, those we invest in to help them understand and manage their own corporate governance - with particular emphasis on key issues such as climate change.
- **A major landlord:** We are the fourth biggest property landlord in the UK through our Commercial Property Investment Portfolio. We have worked hard to make the most of our property portfolio, to minimise our impact on the environment, and future proof them against climate change.
- **As an employer of over 7,000 people in the UK,** we make sure that our buildings are of a high standard, and we continue to look for new ways of making our occupied offices more efficient. We also recognise that to truly manage all our environmental impacts we need to engage with and support our employees in the development of their understanding of key environmental issues and how it affects their role within the organisation.
- **As a direct investor in infrastructure,** we are developing some innovative ways of matching our need for long term fixed income, with the need for the development of environmental technologies and sectors.

We recognise that we need to engage with experts to help us act more positively within our businesses. For example, a team of WWF speakers have come in to talk to our product teams and Group Environment Committee about climate change resilience amongst our customers. And the UNPRI (UN Principles for Responsible Investment) team have talked to us about overlaying ESG onto Fixed Income assets.

Environmental Management System

To help us deliver our improved environmental performance we operate certified environmental management systems (EMS) covering the areas where we can make a difference:

- **UK Facilities.**
- **UK Supply Chain.**
- **Legal & General Property.**

We were one of the first financial services companies to become certified to ISO 14001 and this programme has expanded to cover our supply chain and property investments.

Governance of Environmental Issues

We believe that good corporate governance underpins the long-term success of our company. It is an important part of the way we develop our products, select our suppliers and business partners and interact with companies in which we are shareholders. Our corporate governance process identifies risks at a company wide level, this includes how risks impact our three main business divisions and our vision to be the outstanding risk, savings and investment management group.

The very core of our approach to the identification and management of our environmental impacts is underpinned by our governance structure. Our Group Environment Committee has responsibility for

- **The reduction is use of natural resources to run our business**
- **To build climate change resilient products and services for our customers**
- **To use of impact and influence to change behaviour towards the environment in others (investees, suppliers and tenants)**

The GEC is a sub-committee of the Group Corporate Responsibility & Ethics (GCRE) Committee, which governs the strategy and implementation of public targets and manages environmental, social and governance risk across the business.

Our commitment to these issues is highlighted in the Groupwide Environmental Policy outlined [here](#)

Public Environmental Targets that support UN Global Compact Principles

Our strategy remains true to our commitment to reduce year-on-year our use of resources to run our business, as can be seen by our key environmental targets outlined in the table below.

The following are public targets in our first year of reporting against UN Global Compact principles which underpin their sentiment across our group. A full list of targets can be found [here](#) which are signed off by our Group Board.

Environmental Public Targets 2013 - 2014 for Legal & General Group Plc	
GCRE Committee Member responsible	Public Targets accountable on behalf of Group
Sacha Sadan	Hold at least 350 ESG meetings with UK Plc of which 25% will be Environmental or Socially Driven to improve standards and decision-making.
Bill Hughes	Adopt GRI reporting standards for the Legal & General Property Portfolio
Alex Wolny	With an expected business growth in customer policies of 4% over the period 2012 - 2014 reduce waste per policy across the UK Business by 10% on 2011/12 volumes.
Alex Wolny	With an expected business growth in customer policies of 4% over the period 2012 - 2014 reduce direct carbon dioxide emissions across the Group (UK and overseas) by 6% on 2011/12 volumes.
Alex Wolny	With an expected business growth in customer policies of 4% over the period 2012 - 2014 reduce paper consumption across the Group by 10% on 2011 volumes for the UK business whilst increase the online servicing levels (2.7%) of our customers.
Bill Hughes	Continue to improve data collection, management and interpretation and build expertise to reduce further energy use and landfill waste to run our portfolio of commercial properties. Specifically to reduce the energy used in

	the top 30 buildings accounting for 80% of energy use by 3%. In the year to April 2011 properties that LGP was responsible for generated 15,000 tonnes of CO2.
Sacha Sadan	Proactively lead Shareholder activism activities focussing on the sustainability issues impacting UK listed mining companies.
Bill Hughes	Reduce energy in the Top 20 buildings in LGP
Alex Wolny	Continue to Build Climate Change resilient solutions for our Clients (via GEC)

Environmental Policy and Strategy

We have a strong commitment to the environment and high expectations of our employees. This is set out in our Group environmental policy statement, which you can read [here](#).

In summary, we recognise that we have potential environmental impacts as a result of our activities and the services and products we provide. It is our aim to understand and manage these impacts to ensure that we promote sustainable business practices and to ultimately improve our performance. In order to demonstrate our performance to interested parties we publicly report our performance on an annual basis through our CSR report. We also produce a number of external publications which help to demonstrate our principles, performance and accountability.

A selection of these reports are listed below;

- Our environmental [policy](#).
- Our environmental [programme](#).
- Our [corporate governance work](#) around climate change.
- Our environmental work around our [commercial property portfolio](#).
- The interactions and [views from various stakeholders](#) on our business.
- As a major investor we have public views on emerging [environmental trends in China](#)

Initiatives to promote greater environmental responsibility

We believe that management of environmental risks and performance is something that impacts the very core of what we do, from annuities, to, institutional investment, and home insurance. We have been assessing and improving our environmental performance for over 10 years and continue to make positive steps in our aim to reduce our impacts rather than to offset them. Indeed during 2012, Legal & General occupied properties in the UK moved to renewable sources of energy.

We focus our internal environmental strategy on the key impacts associated with our activities, namely energy, transport, water and waste. We have recently changed how we report our environmental data. Traditionally we reported our performance by calendar year, but due to legislative changes we have consolidated our environmental data collection to run from April to April. We have also extended the scope of the data we gather, to include all Group properties: Suffolk Life (occupied properties and SIPP properties), Legal & General Surveying Services and Estate Agency Franchising offices (including voids), Legal & General Ventures, UK Facilities properties and UK investment property.

We monitor and continue to improve our environmental performance in other key areas and details of our performance are publicly reported within our CSR report. Take a look at the environmental [data pages](#) of our CSR report to review our performance;

We are pleased to report that during the reporting period there were no environmental incidents as a result of our operations.

Influencing environmental performance as an Investee

Through our influence as a major investor with £413bn FUM as at 31st December 2012 and as part of our Good Corporate Governance Programme we integrate environmental performance improvements into our investee companies. As well as managing our own performance we know we need to engage with others to seek to influence the policy making process. We deliver on these obligations in several ways:

- We are members of leading groups and think tanks surrounding the effective management of the environment and in particular climate change issues, such the **Carbon Disclosure Project (CDP) and the Institutional Investor Group on Climate Change (IIGCC)**.
- We engage in dialogue with government, non-government organisations (NGOs) and think tanks to share knowledge and to understand other approaches to various topics. We find it a valuable exercise that can bring mutual benefits by keeping our channels of communication open.
- We meet with policy makers and industry to seek to influence current and future policy. This is predominately done through our membership to the **IIGCC Policy Group**.
- We respond to consultations. In 2012 we responded to 19 consultations that will help to benefit the market as a whole. For example, we responded to the BIS - The Future of Narrative Reporting (November 2012), where LGIM played an active part in shaping the future of the Annual Report by providing our feedback. We also attended the **EU Energy Roadmap conference** to discuss the impacts of climate change on regulations in EU's energy provision.
- We participate in **events to raise the profile of climate change issues**. We attended the Business in the Community (BITC) AGM, where we presented to 400 business leaders and 300 BITC employees on an investor's view on responsible business, including climate change.
- We are taking part in research, with the BITC, to show that a **responsible long-term commitment to sustainable business practices adds to financial success**. Managing the environment is an important part in long-term thinking in businesses, and we encourage and promote companies to mitigate risks and take opportunities.
- We recognise that sometimes a larger impact can be achieved if we engage alongside other investors. Our combined assets carry even greater weight when we join up with other companies. By combining our knowledge and experience we can achieve significant change, and generate the best solution. During 2012 we participated in a number of **multi-investor meetings** with companies including BP, Barclays, BSKyB, Xstrata, Société Générale, L'Oréal, and Nestlé to discuss climate change.

Environmental Policy Influence

Here are some examples of where we have sought to influence and raise the profile of environmental issues with those who set and implement policy.

Institutional Investor Group on Climate Change (IIGCC) - We joined the IIGCC-led investor statement urging EU ministers to consider changes to the EU Carbon Emissions Trading Scheme (ETS). Three recommendations were proposed:

- **A change in the overall level of ambition of the EU's 2020 emissions target, with a change in the EU ETS allocations.**
- **An immediate action to define and implement a one-off set-aside of carbon credits, to remove the oversupply from the system.**
- **A pre-agreed review process to cope with unforeseen economic circumstances in future.**
- **We made a joint statement for the regulators to take effective action to minimise methane emissions from growing unconventional oil and gas production.**

- **We made a joint statement outlining the weaknesses in the property sector regulatory framework in driving energy efficiency improvements and made recommendations to improve its effectiveness.**
- *Climate Risk sub-group* - We joined the newly established sub-group that specifically looks at the risk of climate change in the future. The group aims to address the impacts of the increase in the global temperature on investors' assets, which is an important part of our commitment to addressing long-term issues that can impact our clients' assets. With this group, we have been actively engaging with broker house researchers on the impacts of regulatory shifts in addressing climate change, highlighted by the report of Carbon Tracker's [un-burnable carbon](#). We have also attended a series of meetings with the International Energy Agency (IEA) buy-side and sell-side analysts, to consider the impacts on our assets.

Encourage the development and diffusion of environmentally friendly Technologies

Management of environmental impacts affects many parts of our business – from health to commercial property assets and our customers' investment holdings. We know we need to effectively respond in both developing products (including pricing and who we insure) and the services that we deliver to our customers.

We have developed a number of products to help our customers (institutional and retail) to derisk against climate change or take advantage of it.

- For institutional Pension Funds we have the UK [Equity Carbon Optimised Fund](#) which aims to reduce exposure to financial risk from the transition to a low carbon economy and rising energy costs.
- For retail investors we have the [Global Environmental Enterprises Fund](#) aims to provide capital growth primarily through investment in companies that are profiting from global response to energy scarcity, pressures on natural resources and the shift to a lower carbon world economy.
- As the third biggest commercial property landlord on the UK, (Legal & General Property), we have been very vocal on the importance of sustainability within the industry. Bill Hughes, Managing Director, LGIM Property has been instrumental in this. We are leading the way in this asset class, to improve the environmental credentials of our commercial properties. We report on our sustainable property campaign progress [here](#)

Environmental Impact through the Investment of Shareholder Funds

Our CEO, Nigel Wilson, has been talking about the positive role that long-term institutions like Legal & General can play in UK infrastructure investments. This new way of investing for Legal & General started in 2012.

Having for many years been crowded out of infrastructure funding by banks, long-term institutions should now be able to re-enter this market. While banks, with their maturity transformation model, can efficiently borrow short and lend out to say five years, it is our sector that is best placed to 'borrow long, lend long', particularly where there is the security of a physical asset. This is not 'shadow banking', it is 'long banking'. It is what we used to do, several decades ago. In the last couple of years, Legal & General has invested £3 billion in this sort of infrastructure and there is potential to do many times that amount. Not all infrastructure products are investible, even by the longest of the 'long banking' institutions, as the decisions can often be found to be political rather than economic. For example, High Speed Rail 2 and offshore windmills.

As 2013 continues, we will be making further energy asset infrastructure investments. We will work on a Permitted Investments policy for shareholder funds, which will explicitly state the assets that we will and won't own. It will also include assets we see opportunity in owning, including energy assets.

You can see some of the reaction we are getting in these articles:

- [City AM article](#).
- [Bloomberg](#).

UNITED NATIONS GLOBAL COMPACT - ANTI-CORRUPTION PRINCIPLES (PRINCIPLE 10)

“Businesses should work against corruption in all its forms, including extortion and bribery.”

The reputation of Legal & General for open, fair, honest and lawful business activity is one of our greatest assets. We are committed to maintaining the highest standards of ethics and we do not tolerate any form of bribery or corruption.

Legal & General's Anti-Bribery & Corruption policy applies to staff, executives, contractors and consultants in relation to all activities undertaken by, or on behalf of Legal & General Group and its wholly owned subsidiaries. You can find these explicit policies [here](#)

We also work hard to ensure that Legal & General's interests in joint ventures in Bahrain, Egypt and India exercise significant management influence, no matter where they are located globally, are informed of the policy and encouraged to maintain equivalent standards or adhere to the principles in the policy.

Public Anti-Bribery and Corruption Targets that support UN Global Compact Principles

There are a couple of areas in 2013 that we have targeted to improve checks and balances on anti bribery and corruption policies in investee companies and within our supply chain.

The following are public targets in our first year of reporting against UN Global Compact principles which underpin their sentiment across our group. A full list of targets can be found [here](#) which are signed off by our Group Board.

Anti-Bribery and Corruption based Public Targets 2013 - 2014 for Legal & General Group Plc	
GCRE Committee Member responsible	Public Targets accountable on behalf of Group
Sacha Sadan	Proactively lead Shareholder activism activities in the following areas <ul style="list-style-type: none"> • Bring better board independence on Japanese listed companies • Create better UK reporting standards for shareholders. • Increasing Auditor independence for UK Plc.
Alex Wolny	Ensure that 100% of key suppliers comply with our standards in the UK business

Collaboration

To be more informed on our policy and implementation of on Anti-Corruption practices, in 2012 Legal & General became a member of Transparency International's Anti-Bribery & Corruption Forum. Anti-bribery & corruption training has been provided to all worldwide Legal & General staff, with comprehensive refresher training provided periodically. Legal & General maintain a whistleblowing policy and reporting channel for the reporting of any bribery & corruption concerns from employees or contractors. The details can be found [here](#)

Management information procedures are in place to inform senior management of any increasing bribery & corruption risks from around the Legal & General Group.

Measurement of outcomes

Legal & General has not been involved in any legal cases, rulings or other events related to corruption and bribery. Legal & General's books and accounts are subjected to statutory external audit annually. Furthermore, Legal & General's operational control framework, which includes the mitigation of bribery & corruption risk, is audited continuously by Legal & General's Group Internal Audit function.

We continue to be members of key investment indexes that take the governance of Anti-Bribery standards seriously as part of their governance including FTSE 4 Good, GS-Sustain, DJSI and the Business in the Community CR Index.

We know talking to these organisations that they would like to see more public disclosure on our anti-bribery and corruption controls and data that we use to run the business. Our current view is that we are limited in what we can publish because of the risk of "tip off" as our investigations typically work with a number of serious crime prevention agencies.