

# UN Global Compact

## Communication on Progress (COP)



### Year 2 Reporting

### Legal & General Group Plc

September 13 2013

#### Purpose

This report shows the progress that we have made against each principle in 2013 / 2014 to improve our business in our second year of being part of the UN Global Compact. It has been prepared by **Graham Precey**, Head of Corporate Responsibility and Ethics on behalf of the Group's Corporate Responsibility and Ethics Committee

The chair of this committee **Nigel Wilson** Group Chief Executive, Legal & General Group Plc comments on the publication of this COP:

*"In our second year of embedding the UN Global Compact into the Group we continue to benefit from feedback from key NGO's around the world to refine our approach. We quickly realised that our gift as a business is in our ability to influence others in adopting these principles as a procurer, joint venture partner and investor of significant capital.*

*In our retail business we continue to grow the number of financial safety nets to millions of customers in the UK and overseas, above what each nation state provides, to build people out of poverty and provide them with a strong sense of financial independence*

*Institutionally our 5 year commitment of placing £15bn of capital into UK infrastructure investments is starting to benefit sectors of society and the economy typically reliant upon short term funding.*

*The £4bn invested so far means that providers of healthcare, care homes, housing and energy can now have stable long term backing to providing their services to society for the next 10 – 50 years*

*For 2014 we have set a number of Environmental, Social and Governance targets across the Group that will continue to embed UN Global Compact Principles into our business"*

#### *Our Company 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 to 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 either to provide them with safety nets or a way of building up their finances.

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**.

**EVERY  
DAY  
MATTERS.®**

- 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 **£450 billion worldwide** (as of December 31, 2013) 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.

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.

### *A campaigner*

Legal & General is a campaigner for better social mobility in the countries in which 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 in a number of countries around the world there is strong evidence that this may not be the case. We worry about and want to solve the following systemic inequalities by simply doing business:

- **Housing** - There is strong public interest in UK housing; this is an area of potentially positive differentiation for us. As a business we have the opportunity to do everything from helping people to access a home through to insuring it once they have one. Read more [here](#)
- **Health** - We want people to live active lives, to enjoy their families and friends in good health, and to take part in the communities in which they live and work. Why? Because good health is a precious commodity; precious to customers, to their families and our employees who provide services for them. Read more [here](#)
- **Income in Later Life** - We want to help people achieve financial security in retirement. Helping customers choose the right pension products, investing their money wisely and giving them retirement income choices is the biggest part of our business. But our social commitment doesn't stop there. We also want to help governments deliver better retirements for everyone and we want those people who live on state pensions to also have dignity in retirement. Read more [here](#)
- **Sustainable Property** - Being one of the largest UK commercial landlords means that improving the positive community impact and environmental efficiency of our tenants' businesses keeps them with us. We also get to innovate new forms of property investment to help support regeneration and emerging sectors of the economy. Read more [here](#)
- **Good Governance** - Providing £450bn of our customer's capital to companies around the world whether equity or debt comes with great responsibility. We are a significant influence on how these businesses improve their Environmental, Social and Governance performance. Read more [here](#)

### *Business context for UN Global Compact*

When implementing improvements against the UN Global Compact Principles we have a number of ways we can do this

- 1) Directly in our own business operations
- 2) Through our supply chain
- 3) Through Investee companies as a major investor in UK PLC
- 4) As a direct investor of our underlying balance sheet

**EVERY  
DAY  
MATTERS.®**

- 5) Through our joint venture businesses in Egypt, Bahrain and India

The Communication on Progress report that follows shows the progress against each principle that we have made in 2013 / 2014 to improve our business in our second year of being part of the UN Global Compact. As you will see in the commentary we have taken a number of views from specialist NGO's (Non Government Organisation) to challenge our processes and performance during this reporting period.

### *Improvements against UNGC principles since Sept 2013*

There are a number of ways that we have enhanced our business as a result of looking at it through the principles of the UN Global Compact principles.

#### *Increasing policy transparency (Supporting Principles 1 to 10)*

As a founding member of the [www.responsible100.com](http://www.responsible100.com) network whose aim is to improve transparency amongst companies, we have worked with a number of NGO's to road test our current policies and practices as a business. This network is different because it provides head of policy within member businesses to meet together with peers and relevant NGO's to discuss important areas of NGO pressure with companies out of the heat of campaigning. The answers are then discussed and then ultimately published to consumers. We have been involved in discussions on policy on executive pay, diversity, taxation, human trafficking, investment in arms, whistleblowing and cyber security so far.

#### *Engaging NGO's to improve policies (Supporting Principles 1 to 10)*

We have been talking to a number of NGO's during 2013 and 2014 to improve our knowledge of policy in the areas of the UN Global Compact Principles including

- **Human Rights** -Amnesty International (UK) provided advice to our Group Corporate Responsibility and Ethics Committee in 2014 to discuss what an organisation like ours should worry about on a human rights agenda. This has informed our approach and targets in this area.
- **Environmental Performance** – Our Group Environment Committee have been working with WWF to help us to understand systemic risk within our business on climate change.
- **Anti Bribery and Corruption** – We continue to be an active member of Transparency International's Corporate Supporters network and have had feedback on our Whistleblowing policy and approach from Public Concern as part of the [www.responsible100.com](http://www.responsible100.com) network.

We continue to look for views that will enhance our understanding of inherent and emergent risk in the way that we do business with NGO's who are an important source of knowledge.

#### *Newly revised Ethics Principles (Supporting Principles 1 – 10)*

In 2013 the Group Corporate Responsibility and Ethics Committee reviewed the principles by which we hold ourselves to account for key stakeholder groups. These now also include new stakeholders including tenants in our commercial property portfolio, the media and NGO's. You can read the revisions [here](#)

#### *Monitoring NGO Sentiment on Human Rights (Supporting Principle 2)*

We actively use data from SIGWATCH in our Group Risk management information packs to understand 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. Every year we publish the main area of

**EVERY  
DAY  
MATTERS.®**

NGO pressure around the UNGC and our response as a company. For 2013 we highlight a number of areas [here](#). We continue to be a lower risk from an NGO perspective because of the nature of our business

*Human rights issues intervention in clients investments.(Supporting Principles 1-6)*

Our Investment Management colleagues have engaged in a number of ways on the Human Rights agenda within companies that we own on behalf of our clients in 2013. As an investor in 4% of the FTSE Allshare we are the only fund manager that has public targets on Environmental, Social and Governance engagements and campaign based engagements based upon issues that we feel need fixing in the ways that companies run and operate.

In 2013 we set targets on having at least 350 meetings on ESG performance and delivered 480 with 30% being ES led. We also suggested that a number of UN Global Compact areas needed some focus:

- Improving Gender Diversity in UK boardrooms especially in Mid-Cap listed companies
- US engagement – with focus currently on the technology sector on issues such as human rights in the supply chain and political spending.
- Focusing on the sustainability issues impacting UK-listed mining companies.

To show how we delivered this we have shared publicly a number of case studies in our annual report [here](#).

Some highlights of company and sector specific company engagements include:

- **G4S** - We attended a meeting with the new Chairman of the Corporate Social Responsibility Committee to get an update on the company's performance in this area. Issues that were discussed included the company's audit and compliance framework, whistle blowing programme, Health and Safety (including road safety), employee engagement, diversity and inclusion and the company's human rights framework. Furthermore, the company updated investors on the implementation of a global human rights policy and a procedures manual for all employees.
- **Board Room Diversity in the FTSE 250** - As an investor, we continue to focus on the FTSE 250 companies where there are too few or no women at board level to encourage the disclosure of a thoughtful gender policy. We will also engage with the five remaining FTSE 100 companies with all-male boards to help them move towards a gender diverse board. In addition to these targeted engagements, we discuss the issue of diversity in the workforce in all of its forms (not just gender) throughout the business in our normal engagement process. This includes at board level: when considering refreshment (Executives and Non-Executives), the pipeline below the board: talent, leadership and mentoring programmes and also to improve the level of disclosure on progress in the Annual Report and Accounts. For FTSE 100 Directors 19% Female in 2013 (12.5% in 2011) and for FTSE 250 Directors 14.9% (7.8%). This shows the progress towards the target of 25% in 2015.
- **Human Rights and Political Spending in the US IT Industry**– with focus currently on the technology sector on issues such as human rights in the supply chain and political spending. A key sector for engagement continues to be the technology sector where we request details on how companies manage their supply chain and human rights issues. We also ask for further disclosure on political spending activity. We will also be starting to engage with companies in the oil and gas sector on material issues. We have engaged directly with major US technology companies Microsoft, Dell, Intel, Apple and Oracle on these issues.

- **Sustainability issues impacting UK-listed mining companies.** - Environmental and Social issues can have a particularly significant financial impact in extractive industries. We assessed our asset exposures and decided to focus on the Mining Sector where the vast majority of companies are listed on the UK Stock Exchange which increases our clients' exposure. We identified key ESG risks and opportunities that are inherent in this sector and the ways in which our investee companies are managing these issues.

During 2013, we met with 19 of the largest mining companies with market exposures that covered 95% of the sector. We engaged with 12 of the 19 companies on environmental and social issues. In each of our meetings we raised topics that were pertinent to the company such as health and safety, local community relations, water management. These were identified by conducting research on their business exposures, including: commodity, geographical locations, employee base and social economic backgrounds.

- **Lonmin PLC:** - We have been engaging with Lonmin on sustainability and governance issues for a number of years. Our dialogue with the company has increased since the Marikana tragedy (over 40 deaths during impromptu wage negotiations), and the subsequent change of management during 2013. In September 2013, we visited Lonmin's mine in Marikana (Republic of South Africa) in order to better understand the company's relationship with its employees, local communities, and broad sustainability issues. We met directly with the new CEO, as well as most of the senior executives, including the Head of Mining. The conversations focused mainly on the relationship with the newly formed and dominant union, AMCU, with respect to the latest pay negotiations. We also had the opportunity to meet the mine workers directly in order to understand their perspective. We talked at length about the safety, community programmes and socio-economic backgrounds impacting the company's operations.

#### *Taxation transparency Matters (Supporting Principles 1-6)*

A clear and transparent taxation policy is a key way for businesses to contribute to national economies. Our improved public reporting on taxation can be found [here](#) along with our tax principles.

As part of our on-going commitment to tax transparency, 2013 saw continued engagement with a number of NGOs on how we improve our transparency and disclosure in this area. This encompassed discussions with Action Aid, UKSIF and Responsible 100 amongst others; participation in public consultations such as that issued by the House of Lords Economics Affairs Committee as well as speaking at seminars on the Legal & General journey in developing our own approach to tax transparency.

Responsible 100 is an organisation working on a tool for companies committed to real openness, honesty and dialogue in sharing how they manage their business and the competing demands of different stakeholders. As a pilot member we contribute to the development of the tool, its questions and discussions with other pilot members and interested stakeholders and will continue to provide responses on questions as they are released.

In our capacity as a significant investor in other companies we hosted a seminar with other investors to discuss current tax practices and future expectations. We started to engage with companies about their tax policy and management as part of our overall ESG engagement and continue to refine our understanding and approach on this issue.

Our success in moving towards increased tax transparency is reflected in PwC's "Building Public Trust" award where we were recognised for the third year running this year for tax reporting in the FTSE 100.

*Offering more value for money financial services increases social freedom and mobility  
(Supporting Principle 6)*

The current uncertain financial climate is a major concern for many people. Financial provision for everyday needs as well as protection against the unexpected is even more of a necessity.

The changing relationship between individual responsibility and the traditional welfare state means our industry has to provide socially useful products and act as a catalyst for broader economic improvement.

We believe that as well as delivering products to our customers and investment returns to our shareholders, we should use our economic expertise and investment strength to take a position of leadership in broader society. We relate to the day-to-day lives and concerns of our customers, and set new and higher standards of stewardship and engagement with the business in which we invest

As a business we provide pensions, life insurance, home insurance and savings products for millions of customers. These are typically financial products “just above” or “replacements for” the state benefits that the host nation state would provide itself in the countries in which we operate.

Increasing the amount of people we provide financial services to in a country and doing this more inclusively into harder to reach parts of a market provides valuable building blocks to create a better economy and society.

As a business we have delivered three things in 2013 that have increased the number of safety nets that we provide:

- In our **UK business** we now provide financial safety nets to **7.9** million customers (up **10%** on 2012)
- On harder to reach typically underserved parts of the **UK market** we have been **0.4%** more inclusive with our products. You can read more here <http://reports.legalandgeneralgroup.com/2013/responsibility/introduction/customers/market-inclusiveness.html>
- In our **overseas subsidiary businesses** in the US, Netherlands and France we have **12%** more customers in 2013 **versus 2012**
- In our **Joint Ventures** we have focussed upon micro finance / insurance provision for the first time. In Egypt, Commercial International Life (CIL), won the most Innovative Insurer at the 2014 MENA Insurance Awards for its new micro insurance product - 'GENEH 3ALA GENEH', meaning pound on pound. In 2014 we plan to have a similar model for our India First Business.

Providing financial safety nets for short and long term saving and protecting people's lives and houses is an important way we can build in more financial security within economies.

*The placement of long term, slow money (Supporting Principles 1 and 9)*

We have now invested **£4bn** of the **£15bn** commitment into UK infrastructure, and our direct investments (including through sale and leaseback, capital loans or equity stakes) are now providing long term capital – up to 50 years' duration - to the social and economic areas that are material to our business. For example:

- We have provided **£207m** of investment into the Care and Healthcare system providing stable forms of capital to a sector traditionally funded for 5 year time horizons. Partners such as AGE UK, Action on Elder Abuse and Elderly Accommodation Counsel have been valuable members of the decision making and governance team.



- We have provided **£58m** of capital into the Energy Sector with our first investments in renewables. We are continuing to work with a wide variety of stakeholders including WWF, Triodos, DECC, Crown Estate, to understand the deeper needs of this sector.
- We have invested **£1.2bn** into Housing including student accommodation, mainstream housing for sale or rent and social housing. We work closely with Shelter and others to help address the UK's chronic housing shortage.

We continue to find ways of providing systemic long term, patient capital to sectors which need direct funders like Legal & General to replace retrenching banks. By placing capital carefully and directly into parts of society and the economy that need stability we believe that key issues of housing, health and later life will improve social cohesion and stability.

You can read more here on our 2013 portfolio of investments [here](#)

### *Enhanced oversight of Joint Venture businesses (Supporting Principles 1 - 10)*

According to FTSE 4 Good criteria our joint venture businesses in India and Egypt are operating in "Higher risk Countries" from a Bribery and Corruption and Human Rights perspective. Our presence in these countries has social and economic value in that our financial products are providing simple savings and life insurance products for citizens within those countries where there are few state benefits.

Growing responsibly in these countries is important to us. As such we have a number of ways to work with them and monitor ESG performance beyond those of the lower risk subsidiaries.

2013 improvements in performance include

- **Business in the Community Global Benchmarking** provides Legal & General Group with an independent assessment of the workplace, marketplace, governance, community investment, environmental performance and policies of these businesses.
- In Q1 2014 our joint venture CIL in Egypt increased its score by **14%** since its first benchmark in 2012 going from a score of **49%** to **63%**.
- Our **India First** joint venture will be benchmarked in Q4 2014 and is hoping to improve its initial performance in the index.
- **Employee surveys** – As a Group we use independently carried out employee surveys to compare and contrast the working environment across all of our operations. This includes subsidiaries and joint ventures. Both India First and CIL have been through recent employee surveys which show high levels of participation (above 80%) and high levels of employee engagement. We continue to work with management teams within these business to address any standards that are out of line with group expectations on how those businesses should operate under our stewardship.
- **External Accreditations** – We also use external benchmarks on the fairness of our working environment. In the UK we were voted the **Sunday Times 19<sup>th</sup> Best Big Company** to work for in 2014 up from 25<sup>th</sup> the previous year. We were pleased that India First also was awarded **5<sup>th</sup> place** in the India's Best Companies to work for Awards 2014 for our work in making our performance management system fair and transparent. You can read more [here](#)

### *Creating a fairer place to work (Supporting Principles 1-6)*

As an employer of 10,000 people worldwide, three quarters of which are in the UK we continue to find ways of improving rights and diversity to get the best out of our people. For 2013 there are a few highlights

**What we said we'd do**

**What we achieved**

**EVERY  
DAY  
MATTERS.®**

What we said we'd do	What we achieved
Increase our employee engagement score in the 'UK What Matters' survey. We've set an overall engagement score of 80%.	The Group engagement score was down 2% to 78% due to the UK business restructure. All overseas businesses continued to perform at 80% plus. See <a href="#">here</a>
Improve our position in the Sunday Times Top 25 large employer awards.	Placed 19 <sup>th</sup> and achieved one star, plus a special award for innovation in employee engagement.
Improve the wellbeing of our workforce.	We have seen a 10% increase in score in the BITC Workwell 2014 Public Reporting Benchmark. See more details <a href="#">here</a>
Report our first year's progress in line with being a UN Global Compact signatory.	We've achieved this. Check out <a href="#">our report</a>
Increase our Leadership Index score in the 2013 'What Matters' survey worldwide.	Increased by 1% to 73% in 2013.
Ensure effective succession and talent management.	We have a programme available for all employees with some specific focus on female talent in our business. See <a href="#">here</a>
Implement the Living Wage standards for our UK business (employees, suppliers and contractors).	We are one of the few financial services providers who is a UK Living Wage employer.

You can read the detail behind these programmes in 2013 [here](#)

We have also increased the transparency of what we report to the outside world in two ways.

- In 2013 we improved the consistency of reporting data for all of our wholly owned subsidiaries – you can see an improved profile of our workforce [here](#)
- We have improved the disclosure on governance around people including our employment principles, collective consultation, performance management philosophy and health and safety record see [here](#)

#### *As a procurer of products and services (Supporting Principles 1-6)*

In 2013 we spent **£504m** in our UK business on procuring products and services to run our business. Our number of Key suppliers increased from just over **2,000** to over **2,600** in the past year as we extended our new and improved Supplier Code of Conduct to incorporate more of the UN Global Compact questions and upon taking advice from organisations like Finance Against Trafficking and Amnesty International. In 2013, 14% of spend with key suppliers was on contracts coming from higher risk countries as suggested by FTSE 4 Good which was an increase from the **9%** of spend in 2012.

The Code of Conduct is a shorter guideline setting out the minimum standards that a supplier must achieve to demonstrate compliance. The Code of Conduct now explicitly requires our suppliers to have their own code of conduct outlining employee relations, which requires them to uphold minimum commitments relating to labour standards. Their code of conduct should meet the four 'core' ILO conventions on labour rights, namely:

- The effective abolition of child labour.



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

We continue to assess the supply chain with a regular materiality assessment which has resulted in the number of key suppliers growing from **140** in 2012 to **185** in 2013. To govern this more effectively we have introduced a new Sustainable Procurement Committee who focus on monitoring compliance to CSR policies and driving the continuous improvement of CSR initiatives. An annual compliance check is undertaken against all Key Suppliers.

### **Supplier Inclusivity Agenda**

We have looked at a number of ways to diversify our supply chain including whether we should diversity through ownership models (i.e Women owned Businesses or through BME owned businesses) or simply through size of turnover. Our current strategy is to focus upon increasing the diversity contracts going to social enterprises who are typically small to medium enterprises with an explicit social or environmental impact in their purpose.

During 2013 we put procurement contracts into places that social enterprises can pitch for business. However, we found that our national contracts currently are too large for them to handle. So, due to the maturity of the market, we've decided to change our approach and stimulate the market in two ways:

- Early capital investment. We have a joint venture with CAF Venturesome, the Coast to Capital LEP and NESTA, to develop [www.se-assist.co.uk](http://www.se-assist.co.uk). This provides £330,000 of loan capital, mentoring and consultancy to businesses in need of support. Our involvement is helping us understand the barriers to trade with these organisations in our supply chain.
- Education. In 2013 we hosted a number of social enterprise events across our locations. We invited local and national social enterprises to show case their businesses at Legal & General.

So far we have placed a number of social enterprise contracts:

- We're trialling [www.clarityefbp.org](http://www.clarityefbp.org) products in our London office.
- We used [www.tier1.com](http://www.tier1.com) who works with prison inmates to recycle and achieve an NVQ qualification when we upgraded all our PCs in the UK business.

We hope, as the sector grows and becomes able to deliver national contracts, our investment in this sector will lead to us being able to contract with more organizations in our supply chain as this provides jobs and indirect social and environmental impacts for our business.

### *Environmental Policy, Challenges and Opportunities (Supporting Principles 7, 8 and 9)*

We're a services based company that uses natural resources to run our business. We're acutely aware that the climate impacts how customers live their lives and how investors invest money long term. Our strategy is to build resilience and do more each year with fewer natural resources rather than offset.

From 2008 to 2013 we haven't been subject to any breach of environmental regulations as a result of our business operating.

### **Climate and Environmental Risk**

The Group Environment Committee is responsible for the ongoing monitoring of forward looking risks and opportunities that the environment and climate change poses for the Group.

Our material environmental risks and opportunities can be summarised as:

- The efficient use of scarce resources as a business.
- The impacts on reputation and risk that our investment holdings have for our clients.
- The investment opportunities that climate change brings for us and for our customers.
- The impact of climate change on UK consumers and how they insure themselves (flood risk).
- Working with tenants in the commercial property portfolio to mitigate climate change risk to increase tenure.

The majority of our environmental risks and legislation is driven through our UK business as that's where the majority of our business and resource usage takes place. We operate under the Carbon Reduction Commitment legislation and, as such, in tax year 2012/13, paid **£418,884** to the Department of Energy and Climate Change for CO<sub>2</sub> emissions.

## Stakeholders

We work with a number of stakeholders to improve our knowledge and understanding of climate change. For example, in May 2013, we sought expert advice from the climate change specialists at the World Wildlife Fund (WWF). They helped us to understand how climate change will affect our product propositions over the longer term.

A number of partners help us with the disclosure of environmental performance:

- Institutional investors group on climate change ([IIGCC](#)).
- Employees within the Group who have views as consumers.
- Carbon disclosure project ([CDP](#)) and its disclosure of carbon.
- [Climatewise \(PDF, 1.49MB\)](#) and its support of working together to work with policymakers.
- Better Buildings Partnership ([BBP](#)) to support commercial property developments.

See our [latest performance](#).

## Building Resilience: Doing more with fewer natural resources

To look after our eight million UK customers and one million overseas, we focus on being more efficient with the key resources that we use to do business. We use these resources to attract new business, take care of our existing business and make payouts. These key resources are:

- Energy
- Transport
- Water
- Paper
- Waste

We currently set three year improvement targets for each of these key resources – the aim is to use less of them in relation to business growth. If we compare 2013 to 2012, our responsibility for UK customers has increased by 10% and is up 12% in overseas markets.

Since 2011, you can see in our [targets](#) section how we've reduced:

- waste by 19% per customer policy we look after
- CO<sub>2</sub> emissions by 4% per customer policy

**EVERY  
DAY  
MATTERS.®**

- paper per policy by 13%

## Investment in Environmental Technologies

We still have a number of investments available to customers big and small to reduce environmental risk as well as to invest in the climate change technology opportunities. Details are [here](#)

The need for alternative sources of energy within the UK is clear as it will boost growth and lower energy bills across the UK. We've taken great strides to find ways to buy and support renewable sources of energy in the UK. With great pressures on traditional sources of energy such as gas and oil it makes sense for us to play our role in stimulating the market for renewable energy.

We have done this in two ways

- Through changing to renewable tariffs for our own business
- To invest our direct balance sheet in renewable projects, initially solar farms

Further details can be found [here](#)

## *An enhanced Anti-Bribery and Corruption approach (Supporting Principle 10)*

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.

We also work hard to ensure that Legal & General's interests in joint ventures in Bahrain, Egypt and India exercise significant management influence, to encourage the maintenance of equivalent standards that adhere to the principles of the Legal & General Anti Bribery and Corruption Policy.

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

## Updated for 2013

There are a number of ways that we have improved our performance against this principle in 2013

- **In India First** – as the business grows, contracts between India First and the vendors setting up new sales offices now have explicit terms and conditions so they can't accept pay or bribes on India First's behalf. Financial controls were also tightened on cash payments for their products following the Cobra Post campaign in India to reveal the ease of laundering the proceeds of corruption which affected the whole banking industry. We have reduced cash payments for policies to a minimum which is far below regulatory recommendations but allows for the development of Micro insurance / finance products in the future
- **Across the Group** - we launched an updated Anti Bribery and Corruption Policy to all parts of the business reinforced through a yearly mandatory computer based training package. See [here](#)
- **Across the Group** we have launched a new Whistleblowing Policy available to all employees and contractors integrating feedback from the NGO Public Concern at Work who are part of the [www.responsible100.com](http://www.responsible100.com) network. See [here](#)
- **We continue** to be an active member of the Transparency International Corporate Network to provide insight into emerging themes and practices in Anti Bribery and Corruption

## 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. We know from 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.

## *Overall Summary for 2013*

We have made good progress to look at our business through the lens of the UN Global Compact in our second year as a signatory. Following NGO feedback we still have a couple of areas to work through in terms of influence and impact we can have. For example

- From a direct Investment perspective there are some sectors that we have invested money in I.e. care sector which they have highlighted as higher risk of forced labour. How can we use our governance meetings to improve standards?
- Within our supply chain, although mainly UK contracted and delivered are there ways that we can influence tier two suppliers?
- How can our public affairs efforts extend to improving human rights issues in higher risk countries?

Looking forward to 2014 and beyond we have a number of public targets set by the Group Board on Environmental, Social and Governance performance that will directly support the principles of the UN Global Compact. . The targets are set out publicly here in two pieces.

- Targets where we are campaigning for change see [here](#)
- Targets where we are simply doing business better see [here](#)

As ever we are open to ideas and feedback if we are missing any components of the UN Global Compact in the way that we run our business. Please contact Graham Precey, Head of Corporate Responsibility and Ethics who would be happy to hear from you [graham.precey@landg.com](mailto:graham.precey@landg.com)