

UN Global Compact
Communication on Progress (COP) Year 4 Reporting



On behalf of Legal & General Group Plc

September 13 2016

This report shows the progress that we have made in line with our commitment to the UN **Global Compact principles between Sept 2014 and Sept 2015**. It has been prepared by Graham Precey, Head of Corporate Responsibility and Ethics and Chair of the Group's Corporate Responsibility and Ethics Committee

CEO Statement



Our purpose is to be economically and socially useful by improving the lives of our customers, building a better society for the long term and creating value for our shareholders, suppliers and communities.

We pride ourselves on deep thinking and excellent execution. Our medium to long term strategy is driven based upon our five growth drivers of

- ageing populations
- welfare reform
- creating real assets
- globalisation of asset markets
- going digital.

Two important priorities for me are to increase the supply of affordable housing in the UK and improve customer's financial resilience by making financial services more accessible where we trade in the UK, US and in India.

Our achievements in 2015

I'm proud of a number of achievements to improve standards of doing business in the Group since we last reported. Highlights for me include...

- Our insight into the needs of **vulnerable customers** has helped us to create and improve products and services for harder to reach parts of the market.
- **Our direct investment programme**, where we have committed to put £15 billion into UK infrastructure, including urban regeneration programmes, has now reached £7 billion of investments.

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- We are investing in **urban resilience for UK families** to improve the problem of exclusion from the benefits of financial services is tackled. Better financial education plays an important role.
- We support the need to build a **low carbon future** through our own investments in clean energy, our commitment to low carbon business operations and put environmental issues high on the agenda of those companies we invest in.
- We have £746 billion in assets under management and we seek to **influence ethical board behavior** in the companies we invest in, including ensuring executive pay is in line with corporate performance.
- Diversity is also a vital issue, both in the boardroom and within our own management structure, where our **50/50 by 2020** gender diversity programme aims to increase the percentage of women in leadership and management positions across our business.
- Our US business continues to expand and a key success this year was to put in place **independent materiality assessments** of our US activities.
- **Achieving GRI-4** standards demonstrates our commitment to transparency

I believe we have embedded social responsibility into our culture. Our purpose is to help improve society and to reward our shareholders through our central goal of ensuring that we help customers build financial security.

However our belief in high standards of corporate responsibility mean little unless they are translated to build a better and financially more secure future for all of society.

We need to be trusted by all our stakeholders: our investors who seek fair returns on their investments, our customers who rely on us in times of need, our employees who look to us to provide for their families, our regulators who need to know that we will keep our customer promises, our suppliers whose businesses depend on us and our communities who benefit from our social investments.

The creation of economic value is vital for society. For example, our financial success in generating £1,355 million in profits in 2015 also meant that we made total tax contributions in 2015 of £813 million in the UK and £134 million overseas, which includes taxes borne by us and taxes collected from employees and customers. As well as providing employment for around 9,000 people we helped over 15 million people globally through insurance cover, building savings or by providing retirement income. Additionally we managed the investments of some 3,000 institutions, including some of the UK's biggest pension funds.

Our employees are crucial to our social responsibility strategy. The pattern of employment is changing. Our traditional retail insurance and savings businesses require fewer people as the businesses digitise and processes become automated. The changes to products and regulation have changed our business model. In 2015 we announced that our Kingswood office would close with the majority of jobs being transferred to Cardiff, Hove and London. However, we also are launching an important new business with many new employment opportunities. Our modular home construction business based in Yorkshire, creating more than 400 new jobs, can help solve the UK's housing shortage through the building of modern, digitally designed homes. Like many of our direct investments we are investing funds from our retirement businesses to enhance the risk adjusted returns available.

The future

During early 2016 the Group Corporate Responsibility and Ethics Committee reviewed a number of pieces of feedback on the Group's ESG performance from our stakeholders. These are around areas where we need to improve transparency in 2016 and beyond.

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- **Proving Social Value** - To attract more finance from social bond funds we were asked to come up with “One Number” for the social impact of our business on a yearly basis. This moved beyond the transparency on providing claims statistics and product performance data. The typical question being asked is “How many people’s lives were improved by you being in business in any given year” This thread of questioning is also increasing in the real asset world where the “Social return on Investment” for buildings is coming to the fore.
- **It’s in the balance** - We continue to see an increasing interest in the underlying investments made from the balance sheets in the Group and our subsidiary companies and the underlying assets in our pensions master trust default fund. The need to understand how those assets support decarbonisation in the economy has been raised by our customers and organisations like Share Action and Open Corporates who are campaigning to improve beneficial ownership transparency.
- **Service and Culture**- As a service business we have been asked a number of questions by analysts about the link between employee engagement and customer services levels particularly as we have had a lot of change around our business. There is increased scrutiny of the way that the culture of a business is measured particularly within financial services businesses. We are increasingly being asked for proof points and evidence of our culture as a business.
- **Working with Government** - We have become more active in using long term capital to provide products and services which benefit wider society, many stakeholders are keen to know whether this policy embraces market inclusiveness principles. This is also linked to an increased need for disclosure around taxation at a country by country level.

This feedback is being used to shape our ongoing policy work and has also informed our forward looking ESG public targets which line up with UNGC principles for 2016 and beyond.

Nigel Wilson

Group Chief Executive Officer

Legal & General Group Plc

Background: The company in context

Legal & General is one of the world's largest insurance and investment management groups. Established in London in 1836 we have been providing insurance for our customers for nearly 180 years. With over 6000 employees we guard and look after the financial security of over 10 million customers worldwide with a desire to provide excellent service.

Our goal is to deliver outstanding value and security for customers and sustainable growth for shareholders while taking a leadership role in the broader economy and in the provision of socially and economically useful products and services.

What we do

We enable our customers, who range from some of the world's largest companies and funds to millions of individuals and families, to manage their financial futures whether by protecting against unforeseen events, helping to save for retirement or investing money to deliver growth against time.

We deploy our strong balance sheet, our ability to understand and pool risk, our market insight and our capacity to create value customer propositions for every customer, large or small. Our strong social purpose means that we strive at all times to do the right thing not just for our customers and shareholders but for the broader economy and society at large.

Material changes since our last communication on progress

The Group no longer has companies in the Gulf, France and Egypt. We know that from a UN Global compact perspective we are now operating in fewer countries with a human rights risk as a result of these disposals.

Growth Drivers continue to underpin our strategy

The global growth drivers that we've identified influence the strategic direction of our business. As we continue to respond to these drivers, we're continually evolving our business as we react to changing customer needs. Our ambition is to challenge and change markets, assumptions and perceptions for the benefit of our customers, shareholders and society.

- **Ageing populations** - In the UK people are living longer and haven't saved enough for retirement. Yet the over 65s have around £1.4 trillion of housing equity, which could be accessed to help fill this saving gap.
- **Welfare reforms** - The pressure on public finances means we need to share the provision of welfare between the state, individuals and employers.
- **Creating real assets** - Provides us with opportunities to invest our long term "Slow money".
- **Globalisation of asset markets** - Our investment management business is 15th largest globally, we have opportunities for continued growth, still only holding 1% of global assets. .
- **Digital** - Using digital capabilities to generate scale and efficient can be the key to success.

The purpose of our business is to provide financial solutions to these drivers and turn them into opportunities.

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

Through our own business operations

- Through our supply chain
- Through our Corporate Governance Team who seek to influence those companies we invest in.
- Through our direct investments.
- Through our joint venture businesses in India. (Note that our other joint ventures in Egypt and Bahrain are no longer in our portfolio of companies)

Delivery against the UN Global Compact Principles in 2015 / 2016

1.0 - Giving more people financial resilience

In our retail business we continue to grow the number of financial safety nets to millions of customers in the UK and overseas, to help people and provide them with a strong sense of financial independence.

In our UK market we increased the number of customers whose financial safety nets we provide by 2% in 2015 compared to 2014. In our US and Dutch businesses we saw this increase by 5%..

We actively publish the performance of our products [here](#)

2.0 - Vulnerable Customers Programme

Our research shows that 1 in 4 of our retail customers has some form of vulnerability in their lives. We continued to provide very practical front line training to our employees from not for profit organisations to help them deal with current and future vulnerabilities.

<http://reports.legalandgeneralgroup.com/2015/responsibility/doing-business-better/improving-our-workplace/vulnerable-customers.html>

In 2016 we introduced mandatory training across the Group for all employees to deal with customer vulnerabilities from retail employees to fund managers.

3.0 - Critical Friends in reviewing our business

A major investment for us has been to look at how we increase the number of “critical friends” who help us to review existing products and services offered to customers. This complements our existing product life cycle management reviews. We are proud to have worked with the following organisations in 2015

- Our debt recovery processes have been critiqued and enhanced with suggestions from **StepChange**
- Our Power of Attorney processes have been critiqued and enhanced with suggestions from **Action on Elder Abuse**
- Our over 50s life insurance propositions have been critiqued and enhanced with suggestions from **Elderly Accommodation Counsel, Intergenerational Foundation and Royal Voluntary Service**
- The accessibility of our ISA and unit trust business have been critiqued and enhanced with suggestions from the **New Horizons Day Centre**
- Our Mature Savings website and call centre have been critiqued and enhanced with suggestions from **Engage and Create** who are experts at simulating Dementia

Critical Friends also help us with new product development. For example we have had a number of reviews in 2015 and 2016.

- A review of minimum savings limits on saving products with **Fair Finance, Credit Unions and Step Change**
- ‘Elder Care Services’ new product design with **Elderly Accommodation Counsel, Intergenerational Foundation and Royal Voluntary Service**

We will continue to use surveys and critical friends from the not for profit sector to help improve our service, processes and innovate new products.

4.0 - Market Inclusion

For a number of years we have been actively publishing and monitoring our market inclusion as a company. With governments spending less on financial safety nets for the citizens and with our ability to pool risk as insurers and to innovate new products we can measure our ability to include harder to reach markets.

	2011	2012	2013	2014	2015
Percentage of UK population according to Fresco	24.90%	26.90%	26.80%	26.40%	n/a
Percentage of our UK customer base	15.90%	14.20%	14.50%	15.30%	16.60%

We track the percentage of our customers in harder to reach groups. In particular we worry about three groups in particular.

- **Green shoots** are young students/first jobs and newcomers to financial services. We know that the pressure of finding jobs and getting a secure roof over their heads is getting more difficult.
- **Grey days** are low earners and only likely to use very basic banking and insurance services. Our work with credit unions shows that there has been a significant increase of people in this area.
- **Pink fizz** are mainly young singles with busy lives, private renting or mortgaged and credit users. We know getting that first step on the housing ladder can be difficult.

We are pleased to report that our retail business had 16.6% of its customers in these groups in 2015, which increased from 15.3% in 2014 which is a 1.3% increase year on year. For 2016 data we have had to rebase the segments we measure as Fresco has further segmented these harder to reach parts of the market. The current analysis of our customer base is as follows. We will be trending this information over time.

5.0 Inclusivity Case Study: Improving Standards and Lives in India

IndiaFirst is one of the youngest life insurance companies in India and has actually achieved significant success and growth in its short journey of six and a half years. We collected total premiums of over INR 1,900 crore* in the last fiscal year and we are looking at ambitious but steady growth over the next four to five years. IndiaFirst has the advantage of having strong promoters in the Bank of Baroda, Legal & General and Andhra Bank, where the two banks are also our distribution partners.

As a late entrant into the market, it was essential to establish a sound foundation and start acquiring scale. This was achieved through a focus on pension fund business and mass market protection coverage, which resulted in the following:

IndiaFirst had assets under management (AUM) of INR 9,061 crore* (approx. £1.0 billion) as at 31 March 2016. IndiaFirst covers over five million lives

Nearly 25 Lakh* lives are covered under the Government of India's Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) scheme

(*For those in the west who aren't so familiar with Indian numerology, a crore is 10 million and a lakh is 100,000. £1 sterling = 88 Indian rupees on 1 August 2016.)

Helping the mass market with micro insurance

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For insurance to reach the masses, India needs a financial inclusion model that is fair, transparent, cost effective, regulated and which leverages existing infrastructure. The Insurance industry needs to make insurance not only affordable, but also accessible and attractive for the mass market. We at IndiaFirst Life Insurance have embarked on a journey to provide fairly priced, simple, comprehensive and efficiently serviced insurance for the mass market.

Financially inclusive insurance (PMJJBY):

IndiaFirst is one of the insurance companies that participate actively in the financial inclusion scheme promoted by the government of India. PMJJBY is a bank account which is linked to group term assurance cover, with a fixed premium of INR 330 and cover of INR 200,000. IndiaFirst offers this scheme through our banks, using technology that has a completely integrated and low cost distribution model. Nearly 25 lakh lives were insured under this scheme in one full year, since its launch in June 2015.

IndiaFirst Life is proud to wear the mantle of inclusive development by entering into an agreement for distribution of its products through village level entrepreneurs (VLEs). The distribution process is completely seamless due to the amalgamation of the technology portals of both partners. IndiaFirst Life handholds these village-level entrepreneurs and hones the skills of rural India through the CSC movement, to play a crucial role in improving social and financial development.

Spreading insurance to remote rural communities

As part of IndiaFirst's micro and mass market insurance strategy, IndiaFirst recently tied up with 'IFMR Rural Channels', to distribute our life insurance policies in remote rural districts in India. We will offer life insurance policies through Kshetriya Gramin Financial Services (KGFS), in four centres serving five districts across Tamil Nadu, in India.

There are six units which cater to a clearly defined geographical area spread over a contiguous location with a population of over five million. These units have largely locally hired staff that understand the needs of the community, and speak the local dialect.

The geographic focus of the model makes sure that uniqueness of each service area is captured. This helps in getting better knowledge of the customer and the local economy, which in turn helps to provide better products for customers.

Our Mobile Medicare Unit

To support an initiative to provide health services to needy, poor and destitute elderly at their doorstep, earlier this year, IndiaFirst partnered with Legal & General's UK team to fund a Mobile Medicare Unit (MMU), in Mumbai. This MMU provided nearly 1,100 patients with access to free medicines and basic healthcare. This initiative has led to 8,500 treatments, in the last six months.

A patronage of nearly INR 24 Lakh was given to 'HelpAge India', a secular, apolitical, non-profit and non-government organisation working to provide care to disadvantaged older people.

We provided 4,500 diabetes patients, 4,000 hypertension patients and more than 2,500 joint pain patients with the benefits of this MMU van in 34 locations in Mumbai city.

The mobile medical unit also provided health services to many hundreds of beneficiaries, helping them to live a healthy life. It also runs special health camps and provides medical and hygiene counselling to families.

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6.0 - We are Campaigning for change

We continue to take a very public stance in opinions about the issues that matter to the countries in which we operate. We campaign in important areas which reflect our core corporate purpose of helping people achieve financial security. While these campaigns are predominantly UK focused, we are looking at ways to broaden their scope to better reflect our growing international focus.

6.1 - Solving housing inequality

Our work on housing aims to improve the supply of housing in the UK, for people seeking to buy homes, for people who need to rent homes and to provide accommodation for people in later life. The UK's housing crisis shows little sign of improving, with a severe housing shortage still causing house prices to rise artificially. An added problem is that some elderly people find it difficult to access accommodation suitable to their specific needs. We strongly support bodies that campaign on housing supply issues. One of the most prominent voices we support is that of Shelter, a charity who are dedicated to solving the problems of homelessness and raising housing issues. Read more [here](#)

6.2 - Solving Later Life inequality

Despite recent reforms affecting state pensions and workplace pensions, the UK still compares unfavourably with other countries in Europe, with a state pension of around £7,500 per annum compared to over £26,000 in Spain and Germany. Private pension provision is a transitory state. Government reforms are making workplace pensions available to more people, while at the same time higher value defined benefit (DB) pensions are being phased out. Huge levels of inequality exist. Although some people enjoy the benefits of good DB schemes, others struggle to survive on a state pension. Costs of elderly social care continue to rise, with people forced to sell their family homes to meet care home costs. We have a number of third sector partners who campaign on issues affecting the elderly such as Age UK, Alzheimer's Research UK and the Elderly Accommodation Counsel. Read more [here](#)

6.3 - Solving health inequality

While we do not provide health insurance, we are the UK's largest provider of life insurance and critical illness cover and provide cover both to individuals and through employee benefit schemes. As well as protecting people's families and lifestyles, we aim to improve the general health and wellbeing of the population, both through personal initiatives and through joint campaigns in the workplace with employers. We work with a number of charities who focus upon health issues. Read more [here](#)

6.4 - Behaviour of other companies matters

The world of governance continues to evolve rapidly. Our role is to help bring positive change to the companies we invest in, using our influence to ensure that companies integrate environmental, social and governance (ESG) factors into their culture and everyday thinking. We also aim to encourage markets and regulators to create an environment in which good management of ESG factors is valued and supported.

2015 corporate governance highlights

- Index investors, active owners: In 2015, we **voted against at least one resolution at 18% of UK companies**, highlighting how index investors are not necessarily passive owners
- International focus: 45% of our meetings were with non-UK companies last year, up from 31% in 2014, reflecting our increasing international focus
- Pay schemes: We have previously made companies aware that we would **vote against complex pay schemes**. The number of companies having more than one remuneration scheme is down from 43% three years ago to 18% today

- Diversity: We have **pushed hard on board diversity** and have been complimented by Lord Davies, who conducted the government review into the representation of women on FTSE boards. Five years ago only 12.5% of companies met the target for a quarter of female board members; today that figure is 26.1%. This is a pleasing result, but we are pushing for companies to go further on their talent pipeline
- Sustainability: **More than a third of meetings** in 2015 covered environmental and/or social topics

Thematic engagement highlights

We campaigned on a number of issues as an investor in 2015 / 2016 on our clients behalf.

Food waste

The cost of food waste in the UK is estimated to be around £12bn. This affects not only corporate profits, but has a wider environmental and social impact. LGIM has engaged with Tesco, Sainsbury's, WM Morrison and Marks & Spencer to find out what they were doing to tackle food waste and encouraged them to do more.

US board refreshment

Board refreshment and director succession planning are key board tasks and the foundations of a well-functioning board. However, over 100 companies in the S&P 500 have an 'independent' board director who has served for 25 years or more. This raises questions regarding the effectiveness and independence of the director. Our voting policy will evolve over time as we engage on this topic with companies, which may lead to this becoming a future voting issue.

The role of the senior independent director

In the wake of high profile governance failures such as Marconi and Equitable Life, the role of the senior independent director (SID) was established following the Higgs Review of the UK Combined Code in 2003. Thirteen years on, the role of the SID is well established and widely accepted. However, it is not always well understood. During 2015, we worked with the Zygos Partnership to develop a guide on expectations and best practice for the SID role.

The right to nominate directors

In the US market, proxy access was the voting issue of 2015. There is growing consensus among shareholders that proxy access is a key driver of enhanced shareholder value, as board accountability has important implications for long-term shareholder value. In 2015, 86 proxy access shareholder proposals came to a vote, 51 of which received majority shareholder support and that support averaged 54%, a clear indication of the importance of this issue. We supported 93% of these proposals. To date, over 100 of the largest companies in the US have introduced proxy access.

6.5 - The built commercial property environment

We are one of the UK's largest and most active institutional investors and, as such, we place an emphasis upon our role in owning and developing the built environment in a sustainable way.

Embedding sustainability best practice throughout our operations is crucial to our future success as a business, and, of course, to ensuring that we deliver maximum returns to investors while protecting the value of their holdings over the long term. We continue to make positive progress. Our strategies are creating value for our investors, landlords, tenants and the communities we serve; protecting our assets against future risk; engaging our stakeholders to ensure we listen and act on their feedback; and making our assets as sustainable as possible.

We have a target of a 20% reduction in energy, carbon and water by 2020 compared with our baseline.

Read more [here](#)

7.0 – Public opinions on key issues

During 2015 we have increased the amount of opinion we have out there on what we believe are the big issues that matter around housing, health, energy and an ageing population as our strategic objectives.

We do this in two ways

- Our [CEOs Blog](#) provides insight to some of the opportunities and solutions that we can play a part in improving the economy, society and the environment
- We [invite guest](#) blogs from partner organisations who we are working alongside to solve some of these opportunities

This provides our stakeholders with a sense of our purpose which brings us more opportunities from organisations looking to work with us and questions on how we operate.

8.0 - Scrutinising the way we run our business

During 2015 we continued to work within the www.responsible100.co.uk network to test our processes and policies with leading NGOs. This involves monthly meetings where NGOs set the standard of good transparency and then the business provide a draft answer to the questions. This gives the business a chance to get feedback on their policy area. In 2015 and early 2016 our policies in the following areas benefitted from NGOs feedback on their approach and performance:

- Whistleblowing
- Tax
- Contribution to a low carbon economy
- Approach to modern slavery
- Carers in the workplace
- Animal testing
- Green technology
- Employee representation
- Unionisation in the workplace
- This network provides us with an efficient way of getting feedback on our policy areas.

9.0 - Critical Friends in reviewing processes and products

As part of our vulnerable customers policy initiative we have increase the number of 'critical friends' to help us to review existing products and services offered to customers. This is very complementary to the Product Life Cycle Management Reviews we already carry out.

New policies developed or revised during 2015

- A revised whistleblowing policy
- A new groupwide vulnerable customer policy
- Our policy in response to the UK Modern Slavery Act
- A revised inducements policy
- A revised 'Working with Government policy'
- LGIM climate change policy
- Materiality on our US Operations

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During 2015 we focused on delivering an independent materiality analysis involving over 165 stakeholders in Legal & General America and Legal & General Investment Management America to recognise the increasing importance of these businesses in the group's growth plans. Full details of this work can be found in the [materiality](#) section.

10 0 - Creating a more equal place to work

We continued to make good progress in 2015 on engaging our employees in the purpose of the company, in their belief that we provide financial safety nets to our customers and their views that we do this in the right ethical way.

Our employees are crucial to our social responsibility strategy. The pattern of employment is changing. Our traditional retail insurance and savings businesses require fewer people as the businesses digitise and processes become automated. The changes to products and regulation have changed our business model. In 2015 we announced that our Kingswood office would close with the majority of jobs being transferred to Cardiff, Hove and London. However, we also are launching an important new business with many new employment opportunities. Our modular home construction business based in Yorkshire, aiming to create more than 400 new jobs, can help solve the UK's housing shortage through the building of modern, digitally designed homes. Like many of our direct investments we are investing funds from our retirement businesses to enhance the risk adjusted returns available.

In 2015 we established a strategy and action plan towards becoming a more diverse and inclusive business. We strive to be a vibrant business that values inclusiveness and embraces difference, where our employees are engaged and empowered to deliver business results because better business decisions come from a diverse set of views. There are a number of important highlights on our workplace in 2015

- We have around 6,000 employees in the UK and overseas. The number of people we employ in the **UK increased by 2%** in 2015.
- In the UK health and wellbeing is a core part of our engagement strategy. We launched new health and wellbeing proposals in 2015 under the 'My Health, My Money, My Life', wellbeing identity across the group. We want everyone to '**be better**' in the key areas of health, money, life and performance.
- Total investment in employee development in the UK is down to **£3.2 million** from £3.85 million in 2014. The Percentage of UK staff agree they have the opportunity to learn and develop at work in Employee Survey dropped as a result from 73% to 68%
- Employee engagement declined in the 2015 '**UK What Matters**' survey by **14% to 64%**. This reduction was driven, in the main, by people feeling somewhat unsettled due to the ongoing re-organization.
- The **Leadership Index**, focusing on managers and senior management behaviours and outcomes in the UK "What Matters" survey also declined 7% to 69%.
- Employee health and wellbeing was closely watched, with 71% of employees in the UK 'What Matters' survey **reporting a positive work life balance**.
- We have **continued the implementation of our 50:50 gender split** across all levels of the organisation by 2020. We currently have a representation of 35% women in middle management to senior leader roles and we have set a target to increase this to 40% in 2017 to help us achieve our goal of becoming a more inclusive workplace.

To support this shift we have initiated a number of activities including

- Creating a more flexible and agile work environment
- Championing our female role models
- Career sponsorship for pipeline talent

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- Making a shift in attracting female talent:
- One woman on every shortlist
- Interview training for hiring managers
- Unconscious bias training for everyone
- Support for working parents
- Maternity coaching
- Shared Parental Leave
- Advice and guidance

All UK employees and on-site contractors continue to be paid salaries that meet the UK Living Wage level.

We signed the “**Dying to Work**” charter to provide UK employees with protection from losing their job whilst terminally ill. One of the few financial services firms to do so.

11.0 - The Ethics of our business

One critical use of the data that this survey provides is as a way to understand employees’ views about company ethics and to monitor human rights and employee attitudes within our businesses.

We regularly poll employees so they can tell us how they think the business is performing. Data shows that there is a relatively stable and high level of belief (78%) that employees feel they’re working for an ethical company. However, 14% have a more neutral opinion, which we believe provides an environment of healthy scepticism.

The activity behind these continued good levels of positivity included:

- Sharing our ‘social purpose’ through video and written content
- Celebrating those who work hard at giving something back
- Sharing customer stories about how we helped them in their time of need
- Sharing longer term views on big social issues: housing, health and income in later life
- Showing the link between good corporate citizenship and good business
- Demonstrating how good governance develops good behaviours in the businesses we invest
- Increasing visibility about the ways our direct infrastructure investments are providing long term capital to parts of society and the economy that need stabilising

12.0 - Investment of long term, slow money for economic and social good

We have now invested **£8 bn 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

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 such as housing, energy, health and social care. 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. Some of our newer transactions in 2015 included

- NTR Wind Energy
- Solar Farms
- Build to rent investments
- London’s super port
- TFL East London Regeneration

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- Cardiff Regeneration
- Chorley Community Housing
- Walthamstow Private rented
- Crowthorne homes
- Barking Rail Terminal

13.0 - A procurer of products and services

We have also integrated the UK Modern Slavery Act into our business since April 2015 which involved working with a number of NGO's via the www.responsible100.co.uk network. Suppliers across the Group need to sign up to a sustainable procurement policy that now [prohibits slavery](#).

In 2015 we've reviewed the scope of our key suppliers to now include LGIM (Legal & General Investment Management). We also risk reviewed the categorisation to ensure that we are appropriately identifying and managing those suppliers whose social and environmental impact had increased and as a result we raised our key suppliers to 286. Our governance framework also continues to include the requirement for suppliers to report their environmental, social and governance performance improvements.

We have policies, processes and controls which reflect our commitment to:

- Protecting the environment
- Protecting the employee
- A safe and healthy workplace
- Equality, Diversity, Inclusion and Ethics
- Community Involvement
- Meeting our Customers' needs

We extend these policies, processes and controls to our suppliers and how we do business with them.

Improvements in governance and policy

The purpose of our Supplier Code of Conduct is to safeguard the relationships between us and our suppliers, to establish standards that ensure our suppliers operate ethically, are environmentally responsible and that workers are treated with respect and dignity. We expect all our suppliers to adhere to our code of conduct, have clear processes to maintain these standards and provide evidence of compliance when required. In 2015 we improved our work with suppliers in a number of areas including.

- We made further improvements to our Supplier Code of Conduct and incorporated the requirement to adhere to the **Modern Slavery Act 2015**. We also began the implementation of a new process which aligns with our finance processes and ensures that all new suppliers agree to adhere to our code of conduct prior to being set up.
- We made **enhancements to our online compliance assessment** which is issued to all key suppliers using an online portal. Suppliers are now able to load, review and amend their submissions via the portal making it even easier for them to independently evidence compliance with our policy.
- We were successfully **recertified for ISO14001** accreditation for Procurement and Supplier Management activities relating to our supply chain operations. This recertification requires the group to be externally audited against the standard.
- **Sustainable fish and Red Tractor certified meat**. We explored the implementation of a policy that mandates all fish and meat used on our premises is from sustainable sources. In

2015, we implemented agreements with our suppliers to first measure the use of sustainable fish with the objective of mandating its use. We will continue this work in 2016

- **'Drying out' rather than replacing goods.** A project specific to our general insurance business, we explored the feasibility of using drying techniques where appropriate on wood and plaster, for damage caused by water on household claims. In 2015, we commenced tender processes which continue into 2016.

14.0 - Environmental Policy, Challenges and Opportunities

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. More details on our inherent environmental risks and opportunities can be found [here](#)

From 2008 to 2015 we haven't been subject to any breach of environmental regulations as a result of our business operating.

In 2015 we continued to work with a number of stakeholders to improve our knowledge and understanding of climate change. 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.
- Better Buildings Partnership ([BBP](#)) to support commercial property developments.

Our Environmental Performance

All businesses require resources to enable them to operate. However, factors like climate change mean there is more pressure on energy, natural resources and the wider environment. Therefore we continue to monitor and govern our consumption of resources and remain committed to meeting the challenge of 'doing more business, with fewer resources and impacts'. Our 2015 Highlights include:

- The growth of our property investments has resulted in an increase in our overall carbon. However, our **operational energy has decreased by 10% since 2013**. This equates to a 15% reduction per policy.
- Our UK **business miles have reduced by 21%** when compared to our baseline year (2013). This equates to a 25% reduction of miles per policy.
- Carbon associated with our business travel and occupied properties has reduced from 1.62 to 1.44kg per policy, which is an **11% reduction**.
- During 2015 we've been unable to exceed our **12.5% reduction in paper consumption** in 2014, however, our paper consumed per policy is currently 5.5% lower than our baseline year of 2013.
- Whilst the overall volume of waste generated by our operations remains fairly constant, through gaining a better understanding of the makeup and value of our waste streams we have been able to **find alternative routes to landfill** and have increased our diversion of waste from landfill from 16.5% to 6.3%.
- We continue to procure all electricity for UK occupied locations and investment properties from **renewable tariffs**.

15.0 - Investment in Environmental Technologies

As a major global investor, LGIM has a fundamental interest in ensuring that shareholder value is not eroded by a company's failure to manage its impact on its natural and social environment. At the same time, LGIM believes that a company's value can be enhanced over time through taking advantage of opportunities which arise from identifying efficiency in its operations.

- We engage directly with companies. Environmental considerations, such as climate change, water, biodiversity, waste and other types of pollution, are assessed in their context of the financial materiality, regulatory compliance and industry best practices.
- We **influence policy decision-makers** on key global issues like climate change. We worked with other investors to ensure governments globally curb greenhouse emissions successfully through the United Nations Framework Convention on Climate Change.
- We integrate **environmental components in our investment process**. Our proprietary database allows for ranking of companies in each sector based on key risks to their performance.
- **We invest in renewables**. The Paris climate agreement (COP21) shows a global recognition that the world's energy system needs transformational change, but for this to happen, hard investment decisions need to be made to deliver reductions in carbon emissions and benefits to energy consumers. Legal & General sees clean energy including wind and solar power as key components to delivering lower cost and more secure energy in the long term both for the UK and globally.
- In 2015 we launched our [Climate Change Policy](#) as a major institutional investor which provided a clear statement from us on the role that our clients can make in decarbonizing the economy.
- In December 2015 Legal & General Capital **invested in a clean energy investment** and asset management business, NTR Wind Management Ltd and committed to build an onshore wind portfolio targeting assets worth up to £0.5bn. The generating capacity of the assets will be up to 270MW, which could generate sufficient electricity to power up to 170,000 homes and avoid more than 300,000 tonnes of CO₂ per annum across the UK and Ireland.

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. This came through as an opportunity for our Direct Investment business.

In 2015 we have put a public view out around our intention to support renewables energy with our own balance sheet investments in the support of [UK renewable energy](#)

16.0 - Anti-Bribery and Corruption approach

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 worldwide to our staff, executives, contractors and consultants in relation to all activities undertaken by, or on behalf of Legal & General Group, its wholly owned subsidiaries and firms where we are a majority shareholder.

During 2015 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.

**EVERY
DAY
MATTERS.®**

We have updated our approach to whistleblowing and gifts and hospitality across the group in 2015 in line with good practice. During the past 12 months we have had our Whistleblowing policy reviewed by NGO's as part of the www.responsible100.co.uk review process.

We continue to be members of key investment indexes that take the governance of Anti-Bribery standards seriously as part of their work.

17.0 - Where next with Targets and UN Global Compact Principles?

Our ESG Targets for the next few years are set out in relation to UN Global Compact Principles [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