

**LEGAL & GENERAL
GROUP PLC**

UN GLOBAL COMPACT

**COMMUNICATION ON
PROGRESS (COP)**

SEPT 2016 TO SEPT 2017

**EVERY
DAY
MATTERS.®**


**Legal &
General**

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INTRODUCTION TO BUSINESS AND STRATEGY

Legal & General is one of the world's largest insurance and investment management groups, with assets under management of £951bn (c.\$1.2 tn) at 30 June 2017. Established in London in 1836, we have been providing insurance for our customers for over 180 years.

We now offer much more than just insurance and are one of the world's top 10 asset managers. With around 8,000 employees we look after the financial security of over 10 million customers in the UK and US and manage investments for around 3,000 institutional clients. We have been listed on the London Stock Exchange since 1979 with the ticker: LGEN.LN and have an ADR programme as LGCNY. At 30 June 2017, our market capitalisation stood at £15.4 billion.

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 over time.

We deploy our strong balance sheet, our ability to understand and pool risk, our market insight and our capacity to create good value 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.

FIND OUT MORE ABOUT LEGAL & GENERAL

Group Website - www.legalandgeneralgroup.com

Annual Report and Accounts 2016 -

<http://www.legalandgeneralgroup.com/investors/reporting-centre.asp>

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If you would like to find out more information, have any questions, or would like to provide any additional feedback on this Communication on Progress please email our Head of Corporate Responsibility graham.precey@landg.com

DR NIGEL WILSON - GROUP CHIEF EXECUTIVE

Introduction

We've an important purpose which as well as delivering growth for our investors, is designed to help customers build financial security and the whole of society to benefit from our economically and socially useful activities.

Our six growth drivers, which inspire our strategy, mean we can create business opportunities directly linked to the main global trends which affect us all. These include the need to ensure that people enjoy secure and rewarding retirement years, the importance of helping people create financial resilience through insurance and saving, the urgency to build homes, improve our infrastructure, develop green energy and stimulate economic growth and the importance of harnessing digital opportunities.

Our growth drivers

- **Global demographics** - Ageing populations mean that pension savings need to last longer. The number of people in the UK aged 75 and over is projected to rise to 10 million by 2040.
- **Globalisation of asset markets** - Global wealth assets exceed \$70 trillion. Our share is only around 1.5%, so we're exporting more of our skills internationally.
- **Creating new real productive assets** - There's an urgent need to invest in infrastructure and urban regeneration. Pension assets need to be invested over the very long term and we can improve returns and benefit the economy by investing in this way.
- **Reform the welfare state** - Many families that rely on state benefits struggle to survive financially following death, disability or long-term sickness. Greater use of private insurance can help to build financial independence.
- **Technological innovation** - Consumers are increasingly seeking digital access and low-cost solutions for financial services products.
- **Providing today's capital** - In recent years, equity investment capital has been in short supply. Institutional funds need stable long-term returns. Investing in start-up businesses creates the companies of the future and stimulates economic growth.

I'm pleased that our achievements in 2016 were strongly aligned with our growth drivers and our aim to improve people's lives. Our annual report covers more aspects on our growth drivers.

Growing our business

We grew our business by increasing our total assets under management to £894billion, making us one of Europe's largest asset managers and giving us massive responsibility to care for the savings of people in the UK and the US, millions of whom are entrusting us with their future pensions. We also wrote record amounts of pensions risk transfer business, which

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means that many more people can be confident that their pensions will now be paid on time and in full.

Direct investments

Our total direct investments reached over £10 billion in total. We invested in new homes to rent and to buy, we expanded our urban regeneration projects in places like Salford, East London, Bracknell, Cardiff and Leeds, we put £250 million into onshore wind energy projects and we made a £500 million investment in UK small and medium-sized businesses.

New initiatives

I'm proud of our financial success, but I'm also delighted that 2016 saw so many new initiatives aimed at improving not only the way our business is run, but also business ethics in all the countries where we operate.

- We continued working with the Living Wage Foundation to ensure that we keep improving labour standards as an employer and as a procurer
- We've worked with Anti-Slavery International to fine tune our work around the Modern Slavery Act
- I had the privilege of chairing the 'Mission-led Business Review', which promotes businesses that can make a positive social impact in their work
- We signed the 'Women in Finance Charter' which aims to improve gender diversity and increase the number of women in senior leadership positions across the financial

Our people in the UK, the US and India work tirelessly to help those people in their local communities who can benefit from our financial and physical help, through our work with charities and third sector organisations. In 2016 we contributed over £3 million into UK and US non-profit organisations.

Our future

Looking to the future, we've set ourselves a number of challenging five year targets, to take measurable action on the economy, society and the environment. These cover four priority areas of sustainable behaviour.

1. Shifting to a low carbon economy

We want our business, the businesses we work with and governments in all the countries we operate, to help reduce the effects of climate change through low carbon solutions. We have already invested in green energy and want to provide capital for 5% of UK clean energy by 2021. We also aim to finance the building of low-carbon, energy efficient housing. We will engage with the boards of those companies in which we invest in the UK, the US and other regions to influence them to adopt low carbon policies.

2. Making society more resilient with our financial solutions

We aim to improve our insurance products and services to support emerging vulnerabilities in our customers' lives and design and distribute our products to make them more accessible, more transparent and simpler to buy. We want to invest in housing that benefits people who

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cannot afford to buy through institutionalising rental schemes, both through fairer private rental schemes and social housing.

3. Creating new investments for the future

We have already committed to invest £15 billion into long-term direct investments and aim to extend this further. We want to create jobs and economic growth by investing £10 billion of funding into small and medium-sized businesses and invest in major regeneration schemes in at least 10 UK cities.

4. Running our business to a higher standard in the next 12 months

In 2017, we will start out on the journey to build an even more customer focused culture. Our investment management business will informally invite external stakeholders to review and strengthen our corporate governance and sustainability policies. At the same time we will go further on our Environmental Social Governance policies by engaging with governments and companies on pay ratios, engaging with US companies on gender diversity and expanding on the Future World Fund to help clients decarbonise.

In 2016 we embedded a new corporate purpose, business principles and behaviours in our employees' ways of working. In 2017, we aim to go further by linking the performance of our six businesses to these principles and behaviours.

Nigel Wilson

Group Chief Executive Officer

Legal & General Group Plc

OUR PROGRESS IN 2016 / 2017

We have made some good progress against our commitment to deliver against the UN Global Compact. We also have a lot less exposure in our operations to “Higher risk” countries (as defined by FTSE4Good) with business in Egypt and Bahrain no longer part of the Group. We have also sold businesses in France and Holland in the past year.

We now improve life for people in our core markets of the UK, USA and through our joint venture in India (IndiaFirst Life). With these changes in context this is what we have delivered

UPHOLDING HUMAN RIGHTS

- **UN Global Compact Principle 1** -Businesses should support and respect the protection of internationally proclaimed human rights.
- **UN Global Compact Principle 2** - Business should make sure that they are not complicit in human rights cases.

As part of our commitment to doing business better we move forward with understanding customer vulnerabilities and supporting our people to better serve and support our customers.

Our research shows 25% of contacts with our customers contain some form of vulnerability. We are ultimately judged by our customers on our ability to deal with the obvious and hidden or emerging vulnerabilities affecting their lives.

Want to know more?

<http://reports.legalandgeneralgroup.com/2016/responsibility/responsible-business/vulnerable-customers.html>

Excluding controversial weapons companies

Working with Sustainalytics we published our policy committing to exclude investments in companies from around the world who are involved with the production of controversial weapons. So far 35 companies have been listed in our exclusion policy. These are companies where we have decided not to hold equity, provide debt financing, provide business to business insurance, provide pension products or be a landlord.

Having boundaries of where we will and won't invest is important for our employees, customers and investors. We wanted to send a strong message to these companies that we don't agree with what they are doing. You only have to see the news on a daily basis to see the terrible impact that cluster munitions, anti-personnel landmines, and biological and chemical weapons have upon people's lives.

We had very limited exposure to the companies that we have excluded in this policy but hope that customers big and small join us in the withdrawal of support for these types of businesses.

http://csr.legalandgeneralgroup.com/csr/servicepages/downloads/files/controversial_weapons_policy.pdf

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Market Inclusion

As a financial services business we are there to provide safety nets for the countries and populations which we serve. This currently covers the US, UK and through our joint venture in India.

We are increasingly seeing governments and shareholders asking us to play a stronger role in the provision of these safety nets to harder to reach parts of the population. We continue to track and act upon the market inclusion data in these markets, work with thought leaders typically from the not for profit sector to shape our views and deliver products and services that include more people.

UK Market Inclusion

We have had a number of changes to our business which has changed the shape of the products we offer the UK Population. For example we sold Cofunds, Suffolk Life and Legal & General International Ireland which tended to be businesses that provided financial services for higher net worth clients.

We have new business lines actively solving some of the UK's issues around health, housing and an ageing population including Legal & General Home Finance (Equity release mortgages) and Legal & General Homes (providing modular housing).

In 2016 we have taken the opportunity to relook at the segmentation of the UK population and contrasted it with how well our products provide financial safety nets serve people.

The harder to reach segments 'Struggling young families' and 'low income older couples' are a concern for us. We either do not have a suite of products to serve their needs or they are not in the market for any finance products. We are currently working with our marketing teams to challenge our distribution, product and services strategy with these groups.

In the US business we are still to develop a market inclusion model but expect to see a similar analysis by the end of 2017.

From a UK government policy perspective we have been working with the Financial Inclusion Commission to see how we can better serve the increasing population looking to travel through cancer treatment and continue to work with UK government to bring family resilience products into the market through employer payroll to help families in work financially deal better with redundancy, illness and disability.

Market Inclusion in India

Our joint venture business India First Life has made amazing progress at bringing traditionally under or non-insured events for rural communities into a situation where financial safety nets now exist for millions of people.

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Even as financial awareness gradually takes on a more important position among the Indian urban population, much is to be achieved in terms of shifting the attitude of bulk of the population residing in the country's rural pockets.

For insurance to reach the masses, India needs a financial inclusion model that is fair, transparent, cost-effective, regulated, and one that leverages existing banking and government infrastructure.

Where next?

Our segmentation work will continue to drive the need to innovate distribution and product design in our business. We are particularly focussed upon how we can innovate products and services to improve how people become more resilient to mental health problems.

We are looking to deliver this level of analysis for our US life Insurance Business to understand our market inclusion agenda as it grows.

There are also increasing opportunities to learn from our IndiaFirst business paying particular attention to the simplification of products and how those could be provided in UK and US markets.

Our approach to Modern Slavery and providing decent jobs

Whilst due to the nature of our business we consider that Legal & General remains low risk from a modern slavery perspective we are still remain vigilant and are paying particular attention to the following parts of our business in our assessment of Modern Slavery Risk.

- Our direct supply chain which is 100% UK procured but does result in services such as IT support and Software development being delivered from overseas locations.
- In our Home Insurance business due to the increased use of third parties when putting our customers' homes back together through the building trade.
- We are also a major commercial property landlord via Legal & General Real Assets who are responsible for approximately £21bn of commercial property. We are often responsible for those buildings and how they are run for services such as security, cleaning and catering.
- Legal & General Homes – We are now directly running a modular home factory near Leeds designed to build affordable homes across the UK.
- In our own offices, where we bring in expert firms such as security, catering and cleaning to keep our business running.
- And finally we are increasingly using employment agencies to bring in employees as our business grows on a full time and temporary basis.

What we expect from suppliers

We have taken the stance to focus upon all suppliers irrespective of whether they are over £36m turnover or not. The following controls are therefore applied to all suppliers, and are designed to ensure that Legal & General's supply chains are slavery free.

Directors and Principals of our suppliers are required to sign up to our sustainable procurement policy which guarantees that their businesses supplying product and service to Legal & General are slavery free.

For new and existing suppliers we are using NGO monitoring tools giving us risk scores as early warning systems to see how suppliers are doing against International Labour Organisation (ILO) principles as an indicator of non-compliance to our stance on Modern Slavery.

If evidence of higher social risk occurs around the ILO's indicators of forced labour we will escalate this through the supplier manager to understand whether this is indicative of breaching our Modern Slavery standards.

During 2016 we have delivered the following initiatives in order to ensure that our business continues to be slavery free.

- We have reviewed our processes and approach with the www.responsible100.com network to get feedback on our policy and approach from a number of leading experts on this area.
- We have also received feedback from the Business and Human Rights Centre on how our reporting benchmarks against other FTSE 100 companies. In the first year of operation we have scored in the middle of the pack with work to do.
- As a result we have organised a number of workshops with Key Suppliers, Supplier Relationship Managers and HR professionals across the Group in conjunction with Anti-Slavery International to ensure that everyone understands specific UK modern slavery risks. We think that it is important that both our own people and our suppliers should have access to the latest thinking from NGOs in this way.
- We have provided a communication awareness campaign to all employees to help them understand the signs of modern slavery.
- We continue to use a number of monitoring tools such as Reprisk and Sigwatch to provide early signs of lowering social standards in our suppliers which may provide an indication that modern slavery is more likely. If any risks are identified, we engage in supplier to supplier manager discussions to try to establish whether risks around modern slavery exist. To date, we have not identified any breaches of our Suppliers Code of Conduct.

Where Next?

There are a few areas of focus for us in 2017. As we move more into being a manufacturing and a services business with Legal & General Homes and Legal & General Communities we will be looking to adopt and adapt our policies to ensure that Legal & General continues to monitor and control the risk of modern slavery within its business.

Following workshops with our major suppliers and NGO Anti-Slavery International we will agree new data points and key questions to establish whether decent high standard jobs are being in our Tier 1 and 2 suppliers. We have a drafted a set of measures currently being used to test for signs of decent jobs or poor standards for workers within our suppliers (See below)

We have also seen increased questioning from our own clients such as Local Authority Pension Funds and financial institutions on our own Modern Slavery approach which shows that the regulation is working and will continue to refine our response to these requests.

Data and ratio's to ask for	Questions to ask
HMRC risk rating (Low = indicator that HMRC sees an organisation paying fair direct and indirect taxes)	When your businesses come under pressure for deadlines where do you get additional people from to deliver your contracts?
Indirect Tax per head Ration (Indirect taxes paid for employees NI divided by the number of employees (Temp and Permanent) (Shows whether workforce is too temporary)	What are the terms and conditions for those people?
Wage Inequality ratio: Contracted rates (Hour / day) divided by average worker Gross pay (Hour / day) (Shows how much margin is being made)	What influence do you have over where your employees live and how do you support them in living a comfortable life?
Permanent / Temporary mix. Percentage of workforce temporary versus permanent on deliver of our service? (Higher temp workforce need to ask question why? And what we could do to provide more permanent decent jobs)	Under what circumstances do you ask for money back from your workforce? What form of contract does a temporary worker have to pay to be on the recruitment agencies books? (training standards, payments, fees etc)
Percentage of workforce getting paid on time every week. (Indicates whether payments are prompt and undisrupted)	How do you deal with emergency payments of wages with your employees? How often does this happen in a typical week?
	Do you have zero hours contracts in your business. If you do how they are used within the workforce (Percentage of workforce, what benefit employees get from these contracts, what employee benefits these employees get on top of wages)

IMPROVING LABOUR STANDARDS

- **UN Global Compact Principle 3** - Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
- **UN Global Compact Principle 4** - Business should uphold the elimination of all forms of forced and compulsory labour.
- **UN Global Compact Principle 5** - Business should uphold the effective abolition of child labour
- **UN Global Compact Principle 6** - Businesses should uphold the elimination of discrimination in respect of employment and occupation.

All our businesses continue to uphold the freedom of association and the effective recognition of the right to collective bargaining, where permitted by local law.

Legal & General does not tolerate under any circumstances forced labour or child labour.

We remain committed to diversity and inclusion and we have a number of public targets in place to promote this.

Improving our diversity

Innovation and strong governance are key ingredients to the success of our business: that's the real value of diversity. We don't just get the same voices around the table. We value everyone's point of view and are open to new perspectives. We encourage a disruptive mind-set, a positive one which helps us to be thought leaders rather than followers.

Our hugely ambitious 50/50 by 2020 initiative which started in 2014, continues to push hard on gender diversity, ensuring our board is diverse and working hard to remove the barriers to women's progression throughout the organisation.

In 2016 our Equality, Diversity and Inclusion Committee were set a number of targets. Here's how we have done so far:

Target	Progress in 2016
<p>We aspire to 50/50 by 2020 – balanced gender diversity at all levels in the organisation. We will increase gender diversity at middle and senior management grades (grade 5-8 and LGIM grade 4-7) from 35% to 40% women by the end of 2017</p>	<p>In 2016 our progression against the 40% target remained unchanged (as shown in the employee data centre numbers) for a number of reasons. The main one is that our closure of our Kingwood office, which has a high proportion of senior women, meant higher than average number of female leavers. We hope that the interventions we have implemented will continue to move the gender mix back to a positive manner in 2017. This will bring us back on target.</p>
<p>We will create diverse shortlists when recruiting</p>	<p>At least one woman is on every shortlist for roles at grade 5+ (LGIM grade 4+). This is now in place with our recruitment teams and suppliers. Information on employee grades can be found in the data centre.</p>
<p>Divisional action plans will be in place for each business with gender diversity targets aimed at improving the female talent pipeline.</p>	<p>We encourage career sponsorship and mentoring for female talent. We have over 20 women receiving sponsorship from the leadership team. Our maternity coaching programme supports our female talent to manage the transition from professional to parent and back into the work environment.</p>
<p>Roll out unconscious bias training to all employees across the group in 2016.</p>	<p>We have rolled this out across the group.</p>
<p>Improve our diversity index from 78% to 85% across the group in 2016.</p>	<p>Diversity index scores measured by the employee survey increased from 78% to 81% in 2016. We will be working harder this year to achieve the 85% target.</p>

Additional achievements

- We also achieved a number of standards and joined a number of networks in 2016 to improve the diversity of our workforce.
- We achieved a BITC Gold Award in January 2016 for Gender
- We are an early signatory to the Women in Finance Charter. Setting gender diversity targets has ensured we remain focused, not just on board diversity but also on the diversity of our leadership teams and the pipeline of female talent within our organisation.
- We have achieved a 30% gender diversity at the senior executive level, in line with the Hampton Alexander Review
- We are members of both the Advisory and Steering groups of the Diversity Project – an initiative led by Helena Morrissey to increase diversity of all kinds in the asset and investment management industry.

Employee voice

Our independent employee survey included all our business units, with a participation rate of 85%. One critical use of the data is to understand employees' views about company ethics and to monitor human rights and employee attitudes within our businesses. Our worldwide Employee Engagement Index was up nine percentage points to 76%.

As a result of colleagues improving their resilience to change around the business, we have been pleased to see employee engagement levels rebound from the drop we saw in 2015.

Our data shows there is a relatively stable and high level of belief (82%) that employees agree that they understand their role in ensuring Legal & General is an ethical company. However, 13% have a more neutral opinion, which we believe provides an environment of healthy scepticism. We also were able to discover that 83% of colleagues say they feel committed to our purpose.

Improving Health and wellbeing

Our aim is to deliver a wellbeing programme across the Group that demonstrates our commitment and consistent approach to wellbeing at work, sharing ideas and measures of success.

In the UK

Over 3,000 colleagues took advantage of our free on-site BUPA health checks. Results show exercise levels are low, and over half of the people assessed are overweight. Smoking rates are also high across those screened, with higher numbers in Hove and Cardiff.

Our wellbeing programme will focus on showing how Legal & General can help people feel well and improve their performance at work.

The '1 in 4' campaign is our overarching campaign strategy for all our mental health initiatives supporting our employees. The first Mental Health First Aid courses completed at the end of December with approximately 30 first aiders now trained and able to offer support to colleagues as well as existing support systems such as our Employee Assistance Programme and our occupational health programme.

As a member of the Government's Department of Work and Pensions Mental Health and Employment Expert Advisory Group, we continue to work to inform policy on measures needed to support good mental health in the workplace. CEO Nigel Wilson was invited to attend the Charity Commission Annual meeting at the Royal Society on 9 January 2017 where Theresa May set out her vision for a shared society, the government's role within it and how to transform mental health support.

As a member of the City Mental Health Alliance (CMHA) we continue to work with them on sharing good practices with other members regarding supporting good mental health in the workplace.

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In the US

The goal of the Employee Wellness Program is to foster a community where every employee is encouraged to lead a healthy and enriched lifestyle.

We encourage healthy eating and weight loss, supported through 'It's a Weight of Life' (partnership with Weight Watchers) and the GET (Growing Effectively Together) programs.

Our annual health fair is an educational and interactive event designed for outreach to provide basic preventive medicine and medical screening to our employees at work.

Legal & General America was awarded the Gold Level Wellness at Work Award (previously The Healthy Workplace Award), on June 10, 2016

Improving Employee Financial Resilience

During 2016 we also set out to deliver two things to help our employees to become financially resilient:

1. Deliver a credit union savings and loans relationship in all of our UK offices as part of our employees' benefits package in 2016 - All of our UK offices have a credit union relationship available through payroll to save and borrow money.
2. Deliver a Shelter designed rental deposit product for all UK employees providing them with interest free finance in 2016 – This is now available to all UK employees.

Rolling out New ways of working

The world is changing and we need to change with it if we want to continue to grow. New ways of working are important to our future, help us connect, collaborate and provide flexibility for employees to ensure a work life balance.

How we use our locations and office space will be an important part of our new ways of working. We want our locations to become hubs for centres of excellence across our business so we can get closer to our customers and deliver a world class service.

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.

PROTECTING THE ENVIRONMENT

- **UN Global Compact Principle 7** - Businesses should support a precautionary approach to environmental challenges
- **UN Global Compact Principle 8** - Businesses should undertake initiatives to promote greater environmental responsibility.
- **UN Global Compact Principle 9** - Businesses should encourage the development and diffusion of environmentally friendly technologies.

We are committed to finding innovative ways of reducing our impact as a business on the environment. The Group Environment Committee is responsible for this strategy across the Group through our environmental policy: <http://csr.legalandgeneralgroup.com/csr/governance-and-policies/our-policies.html>

We address climate change in a number of ways

- Reducing our own direct emissions in our buildings and the ways in which we travel
- Reducing the environmental footprint of our commercial property portfolio
- Investing our own profit directly into UK and US Renewables and reducing the carbon intensity of traded assets
- Providing financial solutions for clients to decarbonise their money
- Helping customers in education and product design to adapt to climate change in protecting their home and their health

Our own energy usage

We have targets as a company in managing our own natural resources in the forms of energy, waste and water in our own properties and in our commercial property portfolio. In 2016 we made the following progress in these areas:

Our performance with environmental targets can be found in our reporting [data centre](#).

As a company we are committed in keeping our own house in order as well as improve the world around us moving towards a low carbon economy. Our new targets for the next five years are focussed upon providing a clear contribution to the sustainable development goals 'affordable and clean energy' and 'climate action'.

Practically that means that we are looking into some new areas in 2017 including

- How we set science based targets linked to a two degree world
- How we apply our environmental standards and principles to our new businesses Legal & General Communities and Legal & General Homes will start to push up our resource usage as a company because they are manufacturing and regeneration projects that we have direct responsibility for.
- How we directly mitigate climate change to our home insurance and life insurance customers beyond our approach and response to increased flood risk in the UK and US Markets.

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We haven't been subject to any breach of environmental regulations as a result of our business operating.

We continue 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.

Clean energy direct investment

The next five to ten years will see transformational change in the energy sector as technological advances and innovation deliver clean, affordable and reliable heat, power and transportation. We believe that electric vehicles, energy storage, smart grids and connected devices will optimise the use of low cost renewable power, while improvements in the energy efficiency of our buildings and local generation will reduce dependence on large expensive fossil-fuel power stations.

We encourage public policies, investment practices and corporate behaviour that address long-term risks associated with pollution, access to natural resources and impacts of climate change. We are committed to investing in clean energy, with a focus on low cost generation technologies such as wind and solar. Legal & General Capital is also looking to new technologies that are expected to bring about a significant change in the ways we will consume and pay for power in the future.

- We announced that the successful NTR wind investment fund, NTR Wind 1, would have the addition of a further €50m secured from Strathclyde Pension Fund and €35m from the Ireland Strategic Investment Fund, bringing the equity in the fund to €250m.
- The NTR wind investment fund has acquired 10 wind power assets with a capacity of 170MW.
- We invested in two Oxford-based businesses that are developing innovative technologies that have the potential to transform the energy system on a global scale in the medium and longer-term.

Further capital has been invested into climate change opportunities, including modern technologies that can be deployed locally and at scale, and will support UK jobs, skills and expertise. As we look ahead, we have a target to attract sufficient funding to provide up to 5% of the UK's clean energy by 2021.

Climate conscious: how we are helping to tackle the impact of climate change.

Governments across the world commit to keeping the global average temperature rise below 2°C, as part of the historic Paris Agreement. All companies, whether they emit carbon or not,

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need financing. They require banks, pension funds and insurance companies to buy their shares and debt.

Our annual corporate governance report, Active Ownership details our engagement activities with companies and other stakeholders on climate change and the energy transition.

- We wrote to 84 global companies under the Climate Impact Pledge to ask them their plans on how they will be shifting their business to prepare for a low-carbon economy
- We were elected to sit on the board of the IIGCC (Institutional Investor Group on Climate Change) who have been playing a pivotal role in shaping the climate and energy agenda in the UK and Europe
- We declared prior to the AGMs of Rio Tinto, Glencore and Anglo American that we were going to support the 'Aiming for A' shareholder resolutions, which called for additional disclosure on the risk and opportunities of climate change, and held one-to-one discussions with the Chairmen of Anglo American and Rio Tinto and with the Chief Executive of Glencore on the subject of climate change
- We encouraged companies such as ExxonMobil to demonstrate their business plans were in accordance with the Paris Agreement - a pact between the world's biggest companies and governments to reduce the rise in global temperatures, which can be harmful to the environment
- We collectively published 'An Investor's Guide to Methane' through UN PRI.
- We have been engaging with Spanish Oil & Gas Company Repsol on climate change issues for several years. Repsol is now providing the market with detailed information on their innovation and technological development programmes as part of their efforts to embed sustainability into their overall strategy
- We acted on our concerns over the environmental and social issues that are associated with the production of palm oil and the palm oil industry by joining an investor trip to meet with the largest palm oil companies in Indonesia and Malaysia. We pushed for companies to comply with the environmental and social criteria for producing Certified Sustainable Palm Oil and we are now seeing increased commitments from these major companies to protect forests, safeguard conservation areas and meet ambitious targets for improving crop yields, rather than expanding planted areas

The Climate Impact Pledge

Our new Climate Impact Pledge details LGIM's commitment towards engaging with the largest companies who hold the key to a low-carbon future. These companies will be assessed rigorously and ranked for the robustness of their strategies, governance and transparency. We will also engage directly with the companies with the aim of improving their performance.

After one year of engagement, some of the companies which fail to meet our minimum standards will be removed from our new Future World Fund range. In funds where we are unable to contractually divest, we will vote against the Chair of the Board of the same companies.

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This Pledge will be applied to all of the assets LGIM manages globally. We believe that the combined approach of ranking, engaging, voting and divesting can send a powerful message that investors are serious about tackling climate change.

Launch of the Future World Fund

Although climate change is a global issue, it will require individual action. During 2016, we made sure to bring climate change issues to the attention of LGIM's clients, including what it is, why it matters and what you can do to address it.

In May 2016, LGIM held its first climate change seminar to explain to clients how and why they should address climate change. We held several meetings with clients and consultants to explain ways the energy transition can be addressed in the investment portfolio.

We also published a public guide on carbon footprinting and green revenue exposure to help clients assess how exposed they are to climate risks and low carbon solutions.

We have a range of investment solutions to enable our clients to protect their investments from potential climate risks.

ANTI-CORRUPTION

UN Global Compact Principle 10- Businesses should work against corruption in all its forms, including extortion and bribery.

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 2016 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, our operational control framework, which includes the mitigation of bribery & corruption risk, is audited continuously by Legal & General's Group Internal Audit function.

We have updated our approach to whistleblowing and gifts and hospitality across the group in 2016 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.

WHERE NEXT WITH THE UN GLOBAL COMPACT?

Legal & General Group is committed to the major business frameworks that the UN offers to guide responsible business practice including the UN Global Compact, UN Sustainable Development Goals and the UN supported Global Reporting Initiative.

Our Targets - Delivering sustainable growth

To deliver growth sustainably for the future, the company has committed to a number of Environmental, Social and Governance targets.

We also recognise that beyond our own strategy we play a wider role in the world to improve society, the economy and the environment. As such we have linked these targets to the United Nations Sustainable Development Goals (SDGs) where applicable.

The Group Corporate Responsibility and Ethics Committee (GCRE) is responsible for monitoring and delivering these targets for the Group.

CAMPAIGN 1 - We will seek to influence stakeholders in the transition to a low carbon economy



In the next five years:

- reduce the number of carbon intensive companies that we own in our shareholder funds and replace them with less carbon intensive companies By the end of 2017 we will publish the carbon intensity of our own balance sheet.
- our Insurance business will deliver insurance solutions to support low cost energy efficient homes
- LGIM will engage with investee companies globally to build strong governance and strategies that are resilient and adaptive to changing policy and technology. In 2017 we will engage with 84 companies as part of Climate Impact Pledge.
- LGIM will help clients understand better the risk and opportunities created by the low carbon transition through education and then provide investment solutions to finance and benefit from the low carbon transition
- support the development of key technologies with the potential to accelerate the transition to a low carbon economy
- develop low carbon, energy efficient homes in our housing business

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- Legal & General Capital will provide capital for up to 5% of the UK clean energy market, enough to sustainably power 5% of all UK households by 2021

Whilst our business grows we continue to monitor and seek to reduce our operational impacts (carbon, waste, water and items we procure). Our operational environmental targets:

- By 2020 the Group will reduce carbon emission per policy by 20% based on 2013 baseline
- By 2020 the Group will reduce operational office water consumption per policy by 20% based on 2013 baseline
- By 2020 the Group will reduce total waste generation per policy by 25% based on 2013 baseline
- By 2020 the Group will reduce paper consumption per policy by 30% based on 2013 baseline
- In 2017 the Group will review the current approach to measuring resources and seek to reset these on a scientific basis out to 2030.

CAMPAIGN 2 - We will make society more resilient with our financial solutions



In the next five years:

- across our business, we will improve our products and services to support emerging vulnerabilities in our customers' lives
- we will be directly addressing the increasing mental health problems in the developed world through enhancing our products, services and investments available to customers
- we will design and distribute our retail products so they become more accessible, transparent and simpler to purchase by innovating product design, accessing big data and rationalising the way that we distribute products
- we aim to have 20% of the real assets we own or invest in, to have an economic and a social value generated based upon how we design and run them
- LGIM will engage with investees on key themes that will help to create more resilient societies, namely: diversity, health, technology, income inequality and financial inclusion. In 2017, we will: engage with governments and companies to promote more disclosure on income ratios and engage with US companies on gender diversity
- Legal & General Capital will integrate ESG performance into investment strategy, including investment selection, diligence and ESG policies for the companies we invest in
- the group will institutionalise long term investment into social housing
- by 2020 as a group we will deliver our 50:50 by 2020 gender mix through recruitment and retention initiatives

CAMPAIGN 3 - We will create new investments for the future economy



In the next five years

- as group, continue our strategy to invest £15 billion into sectors of the economy that are economically, socially and environmentally useful
- develop investment solutions via LGIM that are more clearly aligned to the UN Sustainable Development Goals (SDG's)
- LGIM will develop and enhance long-term investment offerings which integrate ESG themes.
- Legal & General Capital will enable over £10 billion of funding into small to medium sized enterprises (SMEs), supporting job creation and economic growth
- as a group will expand its divestment strategy from shareholder funds to then invest in new economy assets
- as a group we will support at least one development of a new economy asset classes to create economic and social value into our communities through mechanisms such as Social Stock Exchanges, Incubators and Community Share Schemes
- By 2021 as a Group, invest in major regeneration schemes in at least ten UK cities

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CAMPAIGN 4 - We will run our business to a higher standard in the next 12 months

There are a number of commitments we will make on a yearly basis to simply run our business better.

Relevant SDGs



In 2017 we will:

- deliver employee roadshows in all locations to test our performance with employees against business principles
- work with Open Corporates to improve our company structure disclosure to stay ahead of beneficial ownership transparency
- deliver the first local sustainability report for IndiaFirst Life and the US
- as a group we will provide financial education to at least 200 teachers and 3000 students to better prepare them for their future
- communicate externally our policy to stakeholders on big data usage to run our business
- LGIM will formally invite external stakeholders to at least two roundtables that strengthen our Corporate Governance and Sustainability policies

These targets are reviewed quarterly by the Group Corporate Responsibility & Ethics Committee and reported on once a year in line with our sustainability report.

LOOKING FORWARD

Legal & General is committed to the Global Compact's principles, the Global Reporting Initiative and the wider United National goals throughout our business.

Our public targets continue to be a challenging progression for us built on a responsible and ethical organisation.

Our long-term success depends on creating value for our customers and wider stakeholders. Knowing the issues that concern them allows us to respond and to see ourselves in a wider context. We can also ensure that our reporting is relevant and evolve our strategy with stakeholders in mind.

We focus on materiality each year as best practice for reporting and other corporate communications; but stakeholders' priorities and the social, environmental and regulatory context in which we operate, can change rapidly; so it is important that we listen and improve our processes.

We continue to work with Non-government organisations and not for profit partners to critique the services and products that we offer customers. In 2016 we committed to work with the Responsible 100 network to have at least six critical friend reviews with NGOs on material policies for the Group to check they are fit for purpose. We have delivered eleven of these resulting in scrutiny by over 200 experts through these forums to see if we are fit for purpose.

In 2016 we committed to get 'critical friends' to review of at least one product and process a month to improve our work with vulnerable customers. We have used a number of critical friends to help bring in challenges and ideas for serving these markets including The Age of No Retirement, Intergenerational Foundation, UK Active, Alzheimer's Research UK, Shelter, a number of Credit Unions and the Elderly Accommodation Counsel to name but a few. Our approach in 2016 has been to use this feedback to refine our existing products rather than bring out new ones.