

LEGAL & GENERAL GROUP PLC

CORPORATE RESPONSIBILITY REPORT 2013.



INSURANCE. SAVINGS.
INVESTMENT MANAGEMENT.



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GROUP CHIEF EXECUTIVE'S REVIEW.

Social and economic value at our core

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

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

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

We operate a sustained programme of corporate responsibility. We integrate this closely with our business so it permeates everything we do: this gives us a strong sense of social purpose.

Watch my video to see what we have achieved during 2013.



Long Term Macro Trends

Our business strategy is based on five key macro trends: ageing populations; digital lifestyles; welfare reform; globalisation of asset markets and retrenching banks.

Legal & General has [five strategic, commercial responses to these trends](#), but they also inform our CSR programme.

Focus on Materiality

Within this strategic framework, we have identified three areas which combine a high social impact with the ability for Legal & General to make a positive, long-term difference to people's lives.

- Providing more people with better access to housing
- Providing more people with an income in later life
- Providing more people with ways of coping with ill health

Delivering in these areas enables us to support greater social mobility, generate greater intergenerational fairness and help tackle the problems of an ageing population.

I have therefore challenged the organisation to campaign for and help provide positive outcomes in these areas in a number of ways. These include improving employee understanding of these issues, extending market inclusion through better product design, and direct investment in housing and infrastructure.

As well as new campaigns, we are well-placed to lead on Good Governance as a major investor, and on Sustainable Property as a major landlord. These therefore remain material areas of influence for our business.

Infrastructure Matters

Investors, NGOs and commentators increasingly want greater transparency about investments from financial services companies. This is particularly noticeable among Dutch and French investors. We have therefore published our strategy and performance for direct, principal investments made by the Legal & General Group and by our subsidiaries in Holland.

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

- We have provided **£207m** of investment into the Care and Healthcare system providing stable forms of capital to a sector traditionally funded for 5 year time horizons. Partners such as AGE UK, Action on Elder Abuse and Elderly Accommodation Counsel have been valuable members of the decision making and governance team.
- We have provided **£58m** of capital into the Energy Sector with our first investments in renewables. We are continuing to work with a wide variety of stakeholders including WWF, Triodos, DECC, Crown Estate, to understand the deeper needs of this sector.
- We have invested **£1.2bn** into Housing including student accommodation, mainstream housing for sale or rent and social housing. We work closely with Shelter and others to help address the UK's chronic housing shortage.

We continue to find ways of providing systemic long term, patient capital to sectors which need direct funders like Legal & General to replace retrenching banks.

In Direct Investments we see a strong pipeline of transactions. We have completed **£0.3bn** of investment in the first two months of 2014, including in both Affordable Housing and Student Accommodation. In 2014 we are developing potential initiatives in the Private Rented Sectors and expect to develop our private placement lending business to SMEs.

Accountability and Targets

Our Board sets environmental, social and governance targets on a three year basis which are split into two sections:

- Those which directly support our campaigns
- Targets which push us to do business better each year

Committing to public CSR targets is important in securing greater measurability and accountability.

Performance in 2013

We delivered against 22 of the 25 Environmental, Social and Governance targets set for 2013. Three areas still need work:

- We need to accelerate digital customer communications to reduce paper consumption
- We need to improve community cohesion where we are developing commercial properties
- We have done great work on female talent in our workforce, and now need to focus on customer diversity.

Commitments to External Standards

External Standards can help us shape our business performance and improve our decision-making. In 2013 we made good progress on:

- Becoming a UK Living Wage employer – our employees and suppliers need a stable, affordable incomes.
- Signing up to the UK Prompt Payment Code - paying on time is important to keep cash flowing to businesses of all sizes.
- Reporting our progress as a Year 1 signatory to UN Global Compact – as our influence as an investor and employer in overseas markets increases, we need to focus upon social impact.
- Signing up to the Time to Change Campaign in England and Wales recognises that promoting good mental health and reducing workplace stress for our own employees and our customers matters to us.
- Our continuing work with UNPRI as a major investor recognises the increased need for collaboration to improve governance standards.
- Our continuing work under the Responsible 100 network brings heads of policy together with NGO's to talk about standards of doing business, ratings and enables the general public to decide if performance is good or not.
- For the first time this report will be GRI compliant, allowing our business to be compared with other companies across sectors.

A sustained financial performance

Legal & General's financial strength enables us to play a full part in the broader economy:

- We have over **10 million** customers globally and in 2013 we paid **£4.9bn** in net claims to customers, including **£1.9bn** in pension annuity payments.
- We invest over **£450bn**, employ over **9,000** people and in 2013 paid **£877m** in tax.
- As a result of our strong cashflow and profitability, we are paying 2013 dividends of **£550m** and our shareholders earned a total return of **61%** in 2013.

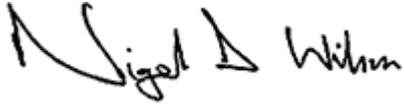
We believe that our commercial success is entirely consistent with our broader social purpose. We strive to be a company that performs well for all its stakeholders: customers, employees, suppliers and investors. Our experience tells us that companies that are socially and economically useful tend to also outperform financially over the long term. Social usefulness confers a “licence to operate” but scale and economic strength, properly aligned to social purpose, enable a well-intentioned company to make a real difference: to the economy, the environment and to the living standards of our customers. That, for us, is the “sweet spot”, where strategy and CSR align, and we can both “do good” and “do well”.

Summary

We continually evolve our CSR programme. It is not an “extra” - we align our activities more closely with, and often embedded in, the business. We apply the same rigour to CSR metrics as to any other business or financial metric. We work together with experts in the not-for-profit and NGO sectors where we can usefully learn from one another.

We are broadly optimistic about economic prospects for 2014, though some risks and areas of supply-side weakness remain. Our aim in 2014 and beyond is to provide more access to housing, to fund better infrastructure, to help more customers deal with bereavement, ill health, or property damage, and to help long term saving and investment.

Our CSR programme informs much of what we do, and how we do it, and I'd like to thank all our employees who played a part in delivering it in 2013, as well as the many partner organisations who bring us specialist knowledge and a fresh perspective on what insurance, savings and investment can achieve for broader society.

A handwritten signature in black ink that reads "Nigel Wilson". The signature is written in a cursive, slightly slanted style.

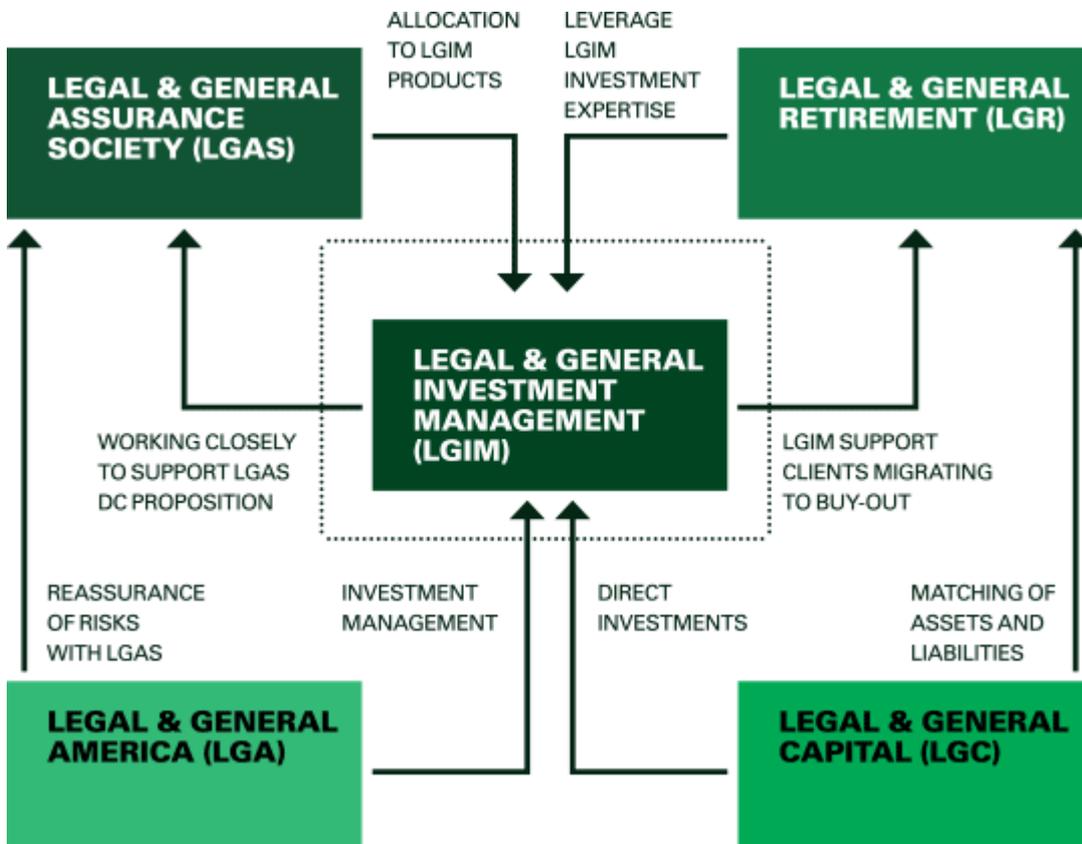
Nigel Wilson
Group Chief Executive

SYNERGIES BETWEEN OUR BUSINESSES.

The synergies between our businesses drive success.

We operate with LGIM at the heart of our business. Our businesses not only feed funds through to LGIM, but also work together to provide products and investment services for our customers. A key area is pensions, where LGIM not only manages pension fund assets and helps companies manage future liabilities with our market-leading liability driven investment (LDI) concept, but also work with LGAS' Corporate team to help schemes change from defined benefit (DB) to defined contribution (DC). LGIM also work with Legal & General Retirement (LGR) so that pension schemes can consider whether a buyout would be in their members' interests. Synergies are also important in individual business where, for example, our protection and corporate teams pool their ideas to help businesses provide complete solutions for employees and where our protection and retail savings teams work to provide integrated solutions.

MAXIMISING SYNERGIES ACROSS THE GROUP



- LGIM and LGAS corporate businesses are benefiting from using their combined strength to build our defined contribution (DC) footprint
- LGIM and LGR are forging stronger links to deliver solutions for existing clients
- LGIM works with LGC to expand its direct investment capabilities in property, commercial lending, asset finance and infrastructure investment
- We've started integrating Legal & General Investments (LGI) with LGIM. This allows our customers to benefit from LGIM's scale and low cost manufacturing

AREAS OF EXPERTISE.

The nature of our business is to manage risks. While we cannot fully eliminate all risks, we use our expertise to manage and mitigate our risks:

- **Risk selection.** The scale of our data, our long experience and market leading expertise make risk outcomes more predictable.
- **Investment expertise.** We're one of Europe's largest institutional fund managers and are the leading UK pension fund manager, managing diverse investment asset classes and investment capabilities.
- **Financial and strategic discipline.** Our high operational efficiency is underpinned by our strong solvency and asset derisking.
- **Scale positions in attractive markets.** We use our experience and scale in existing markets to grow in attractive international markets.
- **Corporate relationships and diverse distribution.** We're a leading pensions solutions provider to UK corporations and the principal provider of protection, savings and investment products to UK building societies. Our group synergies across insurance and asset management enable us to provide comprehensive client solutions.

INVESTMENT EXPERTS

Through LGIM we're one of Europe's largest institutional asset managers and a major global investor. We manage £450 billion in assets for more than 2,800 UK pension schemes. Throughout the past 40 years we've built our business through understanding what matters most to our customers and transforming this insight into accessible investment products and solutions. We provide investment expertise across a wide spectrum of asset classes including equities, fixed income, commercial property and cash. Our capabilities range from index-tracking and active strategies to liquidity management and liability-based risk management solutions.

£450bn

LGIM FUNDS UNDER MANAGEMENT

3,000

NUMBER OF CORPORATE PENSION SCHEMES WE MANAGE



We bring sustainability into the way we manage and steward the assets that we look after on behalf of our clients

- [Corporate governance campaign](#)
- [Sustainable property campaign](#)

LONGEVITY AND MORTALITY EXPERTS

We're recognised as a leading industry expert in the understanding of protection and annuity products and services. We're committed to continually developing this expertise. We're associated with a number of external longevity science institutions, such as our collaboration with University College London (UCL) on population ageing, where we sponsor two employees. We also support the Longevity Science Advisory panel (LSAP), an independent panel of leading authorities who are experts on longevity issues.

over £2bn

TOTAL GROSS WRITTEN PREMIUMS FOR LGAS AND LGA

1m

PENSIONERS RELYING ON US FOR RETIREMENT INCOME



See how we bring expertise into our business to understand trends in helping customers to cope with ill health and increasing income in later life

- [Health campaign](#)
- [Income in later life campaign](#)

OUR PURPOSE.

Our customers rely on us, whether its protecting against unforeseen circumstances, helping to save for retirement or investing money wisely so that it grows over time. We promise to continue to deliver what really matters to help millions of people manage their financial future. This is our social purpose: understanding people's financial needs, pooling risk and helping society by reducing the pressure on public finances. It demonstrates that we do the right thing and it sits at the heart of our business and is expressed through Every Day Matters.

HEALTH

“In the US, the UK and wherever we offer insurance, the State can't always be relied on to pick up the pieces if a breadwinner is no longer there to support their family. Our life insurance provides the funds to enable family members to carry on without their loved ones.”

JIMMY ATKINS, CEO LGA



Our recent '[Deadline to the Breadline](#)' report showed that the median amount that UK households have saved is just £1,010. We calculated that the average UK household had savings which would last just 26 days without a regular income. This means that within four weeks, without protection, they would need to rely on the state or friends and family for financial support.

UK LIFE PROTECTION CLAIMS PAID

£717m

(2012: £694m)



See how we bring expertise into our business to understand trends in helping customers to cope with ill health in our [health campaign](#).

PENSIONS



“Our social purpose means we aim to do the right thing for our customers. We think it’s the right thing to cap pension charges for people who are saving for a pension for the first time and extend this to existing customers. We want to help people build retirement savings and reaching one million workplace customers is a major testament to our beliefs.”

JOHN POLLOCK, CEO LGAS

We’re a market leader in auto-enrolment, with over one million members of workplace schemes, the UK’s largest investment manager for pension schemes, with over 2,800 schemes and a provider of £1.9 billion of annuity income. We want to ensure that the UK pensions industry provides value for money to consumers.

PENSION FUND ASSETS MANAGED BY LGIM

£304bn

(2012: £266bn)



See how we bring expertise into our business to understand trends in increasing income in later life in our [pensions income campaign](#).

HOUSING

“We need an innovative approach to housing, where there’s been a slow decline in homebuilding since the 1970s. Millions of young people have been priced out of the home buying market, while ‘last time buyers’ have limited access to suitable housing.”

**PAUL STANWORTH, MANAGING
DIRECTOR LGC**



We aim to provide the capital to stimulate the building of new homes. We're also one of the UK's largest mortgage intermediaries, arranging £28 billion in mortgages in 2013 and paying out over £132 million in household insurance claims. We are also working with English Cities Fund on a major regeneration project for Salford, in a scheme which is planned to deliver 849 new homes.

INFRASTRUCTURE AND DIRECT INVESTMENTS

£5.2bn



See how we bring expertise into our business to understand trends in helping provide access to homes for people in our [housing campaign](#).

COMMITMENT TO STIMULATING UK ECONOMY WITH CAPITAL INVESTMENT.

Our typical investment day starts with the question: "Which sector of the economy, society or the environment would benefit from 20 to 50 year stable capital?"

It's a big question and a big responsibility.

We have committed to provide £15 billion of investment in infrastructure in the next five years. Nigel Wilson, CEO, is a very strong advocate about our commitment and work in this area. We currently have **£2.6 billion** in infrastructure assets.

MORE INFORMATION

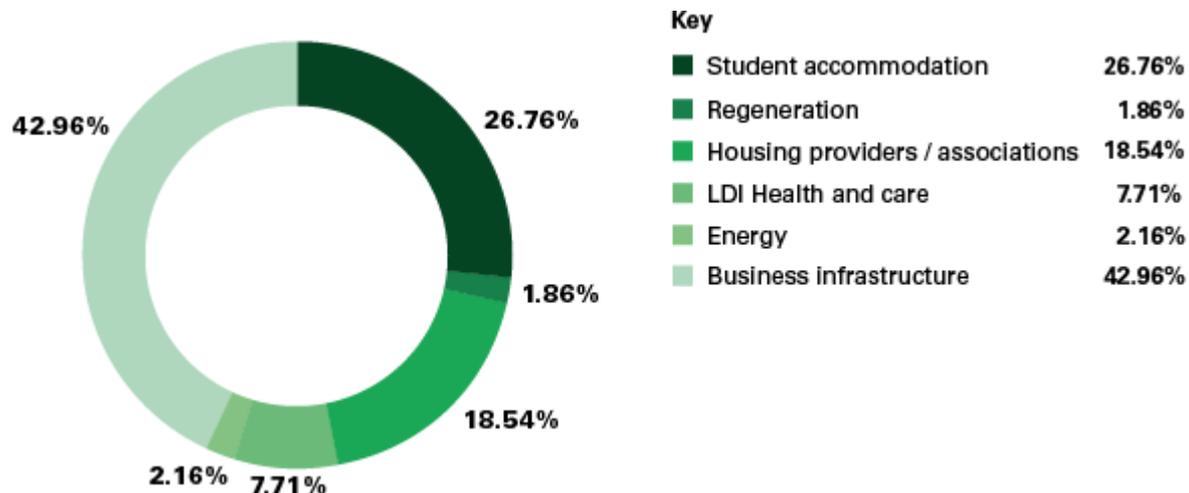
Our Capital business has the opportunity to provide stability of capital to sectors of society and the economy that would benefit from the provision of long term stable funding. As you can see, infrastructure funding has increased tenfold in the past four years.

	2010	2011	2012	2013
Investments of principle balance sheet in UK infrastructure assets	£130m	£468m	£700m	£1,338m

INFRASTRUCTURE NEAR YOU

In the UK, you'll see that you're never far from one of our interests or investments. Our current portfolio is invested as follows:

Sectors we've provided infrastructure funds 2010 to 2013



Here are the organisations that we've invested in and our [interactive map](#) shows you:

- Where we have business offices.
- Our Capital business's infrastructure assets.

LONG TERM COMMITMENT

A number of direct investments whether they're sale and leaseback, capital loans or equity stakes, are now providing long term capital to the social and economic areas that our Board has highlighted as material to our business.

- Access to health and income in later life. We've provided **£207 million** of investment into the **care and healthcare system** providing stable forms of capital to a sector traditionally funded for five year time horizons. Partners such as AGE UK, Action on Elder Abuse and Elderley Accomodation Counsel have been valuable members of the decision-making and governance team.
- We've provided **£58 million** of capital into the **energy sector** with our first investments in renewables. We're continuing to work with a wide variety of stakeholders including WWF, Triodos, DECC and Crown Estate to understand the deeper needs of this sector.
- Access to housing. We've invested **£1.2 billion into housing** such as student accommodation, mainstream housing building and social housing loans - all of which will lead to more houses being improved and built to provide people in the UK with a roof over their head.

We will continue to find ways of providing systemic long term capital to sectors of society and the economy which would benefit from a direct funder like us.

A POINT OF DIFFERENCE.

We are a company that develops economic value and a positive benefit for the economies in which we operate. We are at the center of many transactions and financial flows in the UK and overseas. The table below outlines our economic value as a result of doing business in a single year and a comparison against what we disclosed in 2012.

In 2013 Legal & General played a key role in providing **£465bn** of financial transactions in the Global Economy up 10% from 2012 (£420bn).

Area of funding	2012	2013	Year on Year progress	Further information
Taxation The total taxes borne and collected in 2012 and paid to UK and overseas governments as a result of us doing business.	£660m	£877m	+33%	Read more in our annual report and accounts 2013 .
Investment The amount of investment going into businesses, on behalf of our customers, that representing around 4% of capital to the FTSE Allshare.	£406bn	£450bn	+11%	Our good governance programme provides more details of how we use this influence to improve others environmental, social and governance performance.
Commercial property investment The amount we invest, on behalf of our clients, our property business, to provide space for businesses to operate and grow. We're the third biggest UK commercial property landlord including regeneration such as the English Cities Fund .	£10.4bn	£11bn	+6%	Read more about our work in our sustainable property section or the English Cities Fund
Employment The total net salaries we pay our UK employees, which is spent on products and services in the economy.	£238m	£289m	+21%	Read more about the contribution that our people make to our customers and business in our our employees section.

Area of funding	2012	2013	Year on Year progress	Further information
Procurement The amount that we spend with suppliers to run our businesses in the UK.	£446m	£504m	+13%	Read more in our sustainable supply chain section.
As an investment for our shareholders The amount in dividends that we paid to big and small shareholders as a result of doing business.	£394m	£479m	+21%	Read more in our annual report and accounts about our dividend policy and approach.
Being there for our customers The total amount paid out to our customers in their time of need whether that's home insurance claims, pensions customers paid retirement income, life assurance customers paid out or group protection customers paid out and rehabilitated.	£2.19bn	£2.28bn	+6%	Read more in our product performance section.
Contributions to local communities We actively contribute to the Third and not-for-profit sectors in the UK, France, Netherlands and the USA businesses.	£3.8m	£4m	+5%	Read more about how we did this in our community section.
Total economic contribution of the Group	£420bn	£465bn	+10%	

PAYING TAX.

Companies paying the right level of tax wherever they operate is one of the biggest sources of consumer mistrust of the corporate sector. We understand that consumers expect the same level of tax transparency and practice that they adopt when doing their own tax affairs such as a self assessment in the UK.

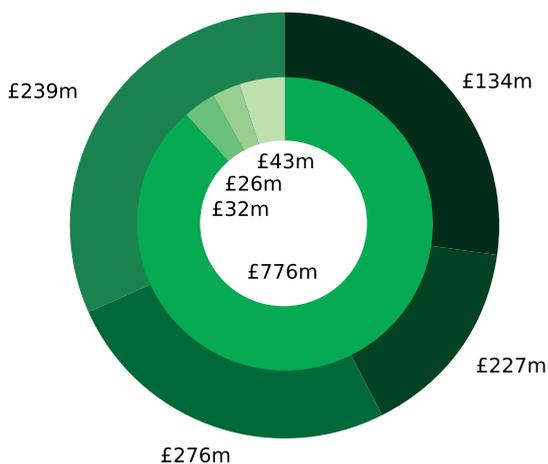
According to NGO monitoring experts SIGWATCH, Tax havens, avoidance & financial transparency remains the key area of campaigning for improvement in the Financial Services Sector Globally in 2013.

Our Approach

We have been clear for a number of years on our [taxation principles and policy publicly](#)

Total Tax Contributions

Our contribution to the UK Exchequer is significantly more than the UK corporation tax that we pay on profits. The total taxes borne and collected in 2013 were £877m (2012: £660m).

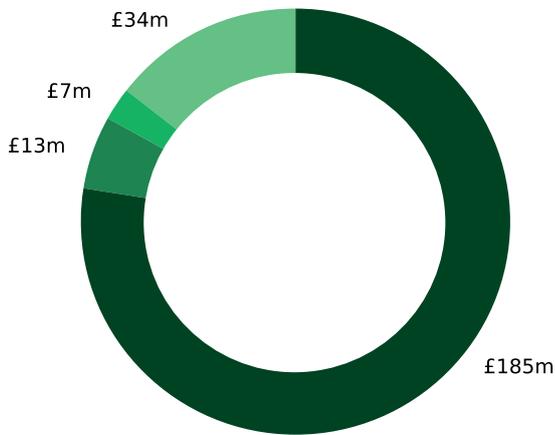


Key

■ Profits taxes borne	£134m
■ Other taxes borne (Property, VAT, social security)	£227m
■ PAYE collected from annuitants	£276m
■ Other taxes collected (Property, payroll, premiums VAT)	£239m
■ UK & Ireland	£776m
■ USA	
■ Netherlands	
■ France	

This is how each piece of the outer doughnut breaks down

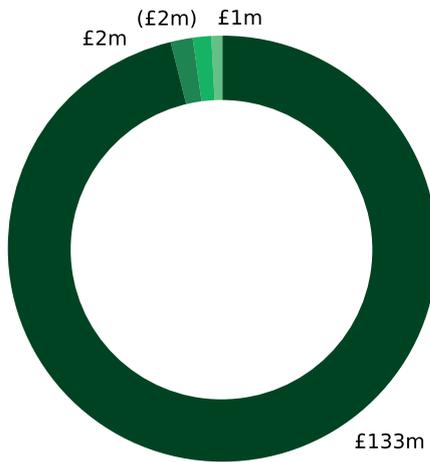
Other taxes collected (Property, Payroll, Premium, VAT)



Key

■ Total UK and Ireland	£185m
■ USA	
■ Netherlands	
■ France	

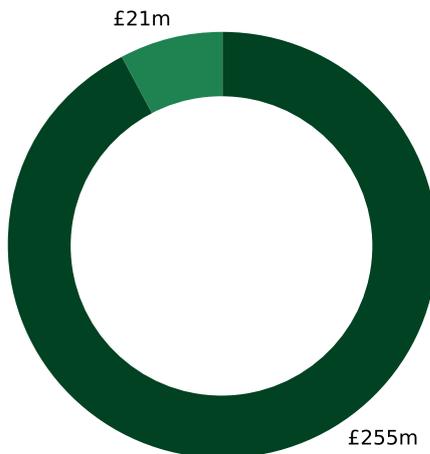
Profits taxes borne



Key

■ Total UK and Ireland	£133m
■ USA	
■ Netherlands	
■ France	

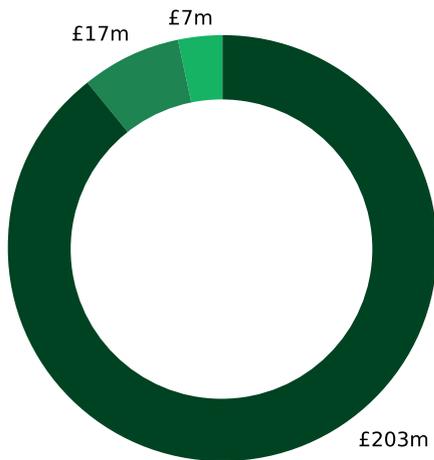
PAYE collected from annuitants



Key

■ Total UK and Ireland	£255m
■ Netherlands	

Other taxes borne (Property, VAT, Social Security)



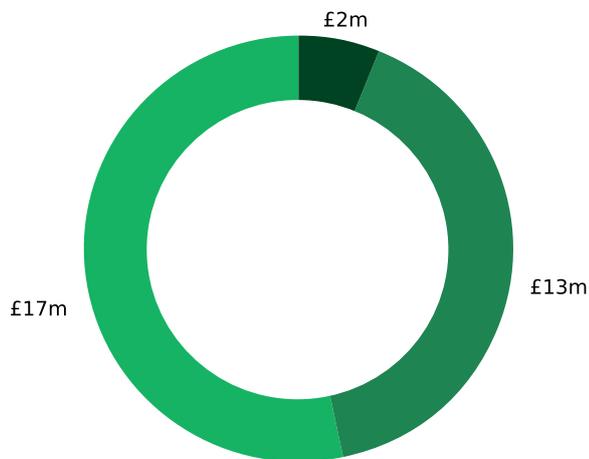
Key

■ Total UK and Ireland	£203m
■ USA	
■ France	

Country by Country Tax Reporting

We have also been working hard in line with emerging NGO suggested best practice as to show how we pay tax as a result of doing business in other countries such as the US, Netherlands and France where we have subsidiaries. These are our tax contributions by country. We understand the importance of operating in a country serving local markets and customers and paying appropriate tax in that country to invest in the further development of social security safety nets

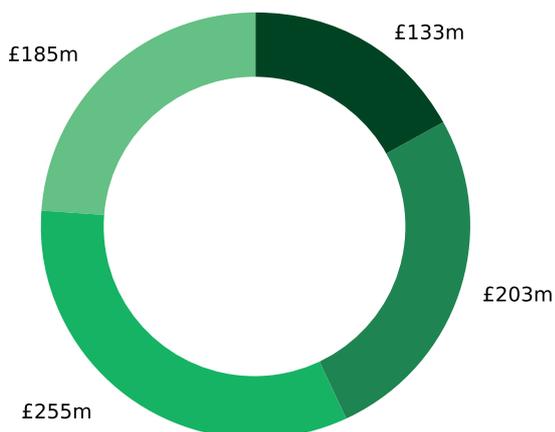
USA



Key

■ Profits taxes borne	
■ Other taxes borne (Property, VAT, Social Security)	
■ Other taxes collected (Property, Payroll, Premium, VAT)	

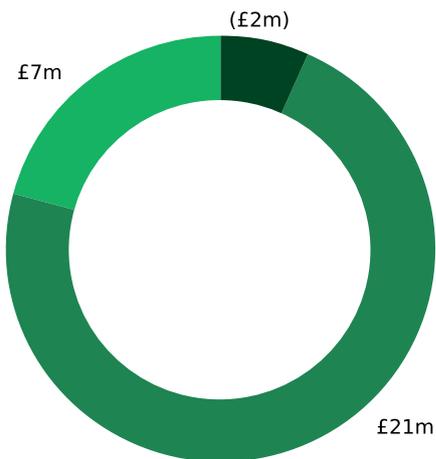
Total UK and Ireland



Key

■ Profits taxes borne	£133m
■ Other taxes borne (Property, VAT, Social Security)	£203m
■ PAYE collected from annuitants	£255m
■ Other taxes collected (Property, Payroll, Premium, VAT)	£185m

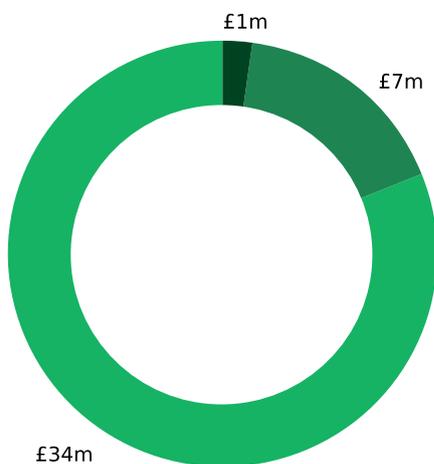
Netherlands



Key

- Profits taxes borne
- PAYE collected from annuitants
- Other taxes collected (Property, Payroll, Premium, VAT)

France



Key

- Profits taxes borne
- Other taxes borne (Property, VAT, Social Security)
- Other taxes collected (Property, Payroll, Premium, VAT)

Improving tax disclosure and influence

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

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

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

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

Helping Consumers understand Tax better

Tax can be a complicated concept to grasp for many customers and can lead to confusion and distress. We work with the charity [Tax Help for Older People](#) (TOP). TOP provides free, expert, caring and independent advice for older people (60 years+) who live in households with an income of less than £20,000 a year. The partnership between L&G Retirement and TOP provides insights into our customers' common tax questions regarding pensions. TOP have trained our employees to better deal with customers in these circumstances and have also dealt directly with customers whose pension tax affairs that needed negotiating with HMRC.

Mr F's story

Mr F wrote to us in August 2013 asking for our help as he had received a demand from HMRC for underpaid tax. This caused Mr F great concern, distress and financial worry.

We began by making sure we had done everything we should have for Mr F, writing to confirm that everything was correct on our side and better explaining how the taxation of his pension works.

Mr F phoned shortly after to thank us for the letter and our help and given how concerned and distressed he was about the demand, we wrote to HMRC on his behalf to help clarify and explain matters. With Mr F's permission we also referred his case to the charity - Tax Help, who took his case on and challenged the tax demand directly with HMRC.

The result – HMRC admitted fault, wrote off over £3,000 of underpayments and paid Mr F £75 by way of apology. Mr F was very grateful to Tax Help and our colleagues in Retirements.

Mrs C' story

Mrs C, an elderly lady who complained about an underpayment of tax on her annuity, struggled to understand or deal with such matters after losing her husband. She was very distressed, when we initially spoke a few weeks ago.

We had to refute her complaint as we had acted correctly. However, we offered a referral to Tax Help in our final response letter. Mrs C went directly to them rather than through us, but later called to advise that after Tax help got involved, HMRC wrote off the underpayment. She really was so happy and relieved and so thankful. Mrs C later wrote to us saying, "When I received your letter I was overwhelmed when I read it. Your input on my behalf was so prompt and efficient. My sincere thanks, the relief is wonderful!"

To take this message wider we also launched a new free TaxFacts app which contains key dates, information, calculators. The app is available free from the Apple and Google play App store.

MACRO TRENDS DRIVE STRATEGY.

Five big themes underpin long term growth and innovative solutions.

- [Ageing populations](#)
- [Welfare reform and austerity](#)
- [Retrenching banks](#)
- [Globalisation of asset markets](#)
- [Digital lifestyles](#)

ECONOMIC RECOVERY?

The UK achieved 1.9% GDP growth in 2013, but output is far below the pre-financial crisis level. Structural economic weaknesses remain such as low productivity levels, low real-wage growth and sizeable government deficits. Global markets have been boosted by US asset purchases, but this support is likely to diminish in 2014. In the eurozone, growth is still anaemic. Interest rates are just 0.5% and unemployment worryingly averaged over 12% across the EU, reaching over 28% in Spain.

REGULATORY CHALLENGES

Regulation and policy uncertainty pose major challenges for the financial services industry. In 2013, we adjusted our business model to regulatory changes from the EU Gender Directive and Retail Distribution Review (RDR). We are concerned that RDR has limited access to advice for less wealthy consumers.

The EU has now provided more clarity on Solvency II, but issues remain to be resolved. We are generally much happier with the outcome from the trialogue process and the proposed treatment of capital for insurers who provide long term guarantees. But new impending UK and EU regulation on annuity sales, 'money markets', retail investments and insurance mediation give us a challenging outlook for 2014.

AGEING POPULATIONS.

Ageing populations are an inescapable reality that will affect western economies in the first half of this century. Commentators often say that we should celebrate the fact we are living longer. And that's true, especially if we provide for old age by using private retirement savings to supplement state benefits.

The world's getting greyer

The transfer of welfare, pension and savings provision from the State to individuals will continue. The success of auto-enrolment can provide a model for other products and services; long term care, life insurance, critical illness cover, more flexible annuity products and many others.

Global over 60s

800m
today

2bn
by 2050

The explosion in the number of over 60s will change the whole structure of society. In Europe, by 2050 around one third of the population will be over 60. Can governments afford to provide generous state pensions, free healthcare and elderly care?



See how we have worked with experts to understand the ageing population and what we have done about it in our [Later life campaign](#).

WELFARE REFORM AND AUSTERITY.

The global meltdown beginning in 2008 shocked us into realising that the years of increasing wealth were over. When the Welfare State was born in the middle of the last century, we believed that governments could afford to provide universal benefits for all. Now we know that the state simply can't meet all our financial needs.

Austerity across the EU

In 2012, the total budget deficit for EU countries was €510 billion, a huge figure, but a staggering reduction of €293 billion compared to 2010. The effect of austerity on ordinary people has been painful, with subsequent political fallout affecting several governments.

UK government planned benefit cuts

£18bn

yearly by 2014/15, compared to 2010/11

The Coalition's welfare reform programme aims to save £18 billion a year from the social security budget by 2015, with a further £4 billion a year saved from tax credits. Some of the biggest areas of cuts are housing benefit, child benefit and disability living allowances.



See how we have worked with leading health experts to help people to cope with ill health better in our [Health campaign](#).

RETRENCHING BANKS.

The 2007-8 financial crisis and Basel 3 have combined to severely reduce global credit. A short term focus has disrupted many financial markets and many economies. The model is changing as the capital provided by banks is diminishing as banks retrench.

Making space for others to lend

We believe long term institutional investors can step up, providing long term competitively priced capital based on long term risk assessment and long term economic needs. We can see this happening in infrastructure, especially in the housing sector. We've committed to play an increasing role in these new businesses.

Reduction in homes built in the UK

426,000
homes built in 1968

144,000
homes built in 2012

Shelter said: "We need to build at least the 250,000 homes per year in England needed to meet the growing number of households. Building these homes will reduce the pressure caused by the growing housing shortage and so help stabilise prices."



See how we have provided long term capital to the UK economy and society to stabilise and grow them in our [Direct investment](#) section

GLOBALISATION OF ASSET MARKETS.

In the US we've seen the same move towards passive investments as the UK. Assets in passive investment funds more than doubled in four years to \$1.3 trillion of US investors' assets. Similar issues are seen in other major economies. For example, the rising costs of defined benefit (DB) pension schemes affect companies in the US, the Eurozone and the UK.

Global markets

Market globalisation helps us to diversify our business. Some US firms operate successfully in the UK. Until very recently, UK asset management companies had little penetration of US markets. Through our US liability driven investments (LDI) business we're becoming a strong player in this important segment of the US market. However, the total North American market has \$33 trillion in assets, with \$19 trillion in US pension fund assets.

Growth in US pension assets

\$18.9tn

US pension fund assets 2013

\$9.9tn

US pension fund assets 2003

We're a top 25 global asset manager, having increased international AUM by 302% from £15 billion in 2008 to £59 billion at the end of 2013. The US is a core market for our asset management business and we aim to build on our recent growth.



We bring sustainability into the way we manage and steward the assets that we look after on behalf of our clients.

- [Corporate governance campaign](#)
- [Sustainable property campaign](#)

DIGITAL LIFESTYLES.

Our industry needs to move from an analogue world dominated by face to face meetings in physical buildings, legacy processes and spreadsheets to one where rich data analytics using 'big data' is used to develop customer insights so that we can better understand customer requirements and behaviour.

Developing digital solutions

These changes will allow us to provide better value digitally guided solutions for customers, as is increasingly common in many other industries. We already provide instant underwritten quotes for annuities, our straight-through processing in retail protection exceeds 80% and we're approaching £80 billion of assets on our digital savings platforms.

Growth in UK mobile internet usage

94%

16-24s in 2013 who use mobile devices to access the internet

The widespread use of mobile devices to access the internet has changed the nature of internet usage. Consumers are willing and able to buy from, and communicate with, product providers throughout their waking hours.



See how we are [designing programmes to learn from the next generation](#)

WE PROMISE TO MAKE FINANCIAL SECURITY EASIER TO ACHIEVE.

HOW WE'RE DOING

We have the highest rate of customer commitment amongst our insurance peers in the UK.

In 2013, through pension's auto enrolment, annuities and our acquisition of Cofunds, we increased the number of our UK customers by **10%**. Overseas, in the Netherlands, France and USA, we've increased the number of our customers by **12%**.

- In 2013, customer complaints dropped to 0.53%.
- However, loyalty amongst existing customers dropped by 4% from 69% (2013) from 73% (2012)^[1].

	2009	2010	2011	2012	2013	2013 versus 2012
Number of UK customers	7,045,034	7,053,446	6,854,062	7,190,925	7,923,467	10%
Number of UK policies	7,886,412	8,053,293	7,701,911	8,109,422	8,849,465	9%
% of customers loyal to our brand in that they are likely to re-purchase the product/service in the future	67%	61%	74%	73%	69%	-4%
UK complaints (reportable and non-reportable) as a percentage of customers	0.53%	0.47%	0.56%	0.58%	0.53%	-8%
Number of overseas policies (France, USA, Netherlands)	N/A	N/A	1,090,034	1,159,205	1,294,671	12%

Source: UK RDSI Brand Tracking research.

UNDERSTANDING ATTITUDES AND NEEDS

We do lots of customer research to help us improve our products, services and communications. It's often very specific and focused, and we realise that we sometimes lack the ability to think at a high level about the attitudes and needs of customers. To remedy this, in 2013 we carried out a large research-based customer project helping us to understand different customer attitudes to financial services and their needs. We're now communicating the results of this to colleagues and using it to inform and enhance our decision-making, allowing us to build better processes, communications and interactions for our customers.

PRODUCT PERFORMANCE 2013

We deal in life, death and everything in between. We put real life at the centre of what we do, making products that people need and actually want for their day-to-day lives.

We perform four very simple, but very important functions each and every day:

- Enable customers to save for a pension to provide them with an income for life in retirement.
- Provide investment and savings products allowing individuals and families to plan for the future.
- Pay out valid claims when a customer becomes ill, is unable to work or dies.
- Pay out valid claims when a customer's home and its contents are lost or damaged.

It's important that our customers can see, over time, how we deliver on our promises, and this is how they did in 2013.

[1] Question: "How likely are you to repurchase a product or services in the future?"

MARKET RESEARCH 2013.

We have a number of ways we listen to consumers to make sure we're doing the right things. We actively monitor market trends and consider the implications for our business. We're using this insight to help us understand the things that really matter and influence customer decision-making. This sharpens our focus as we build our relationship with them.

YOUR VOICE

Established in March 2011 and run by independent, research experts, this is a community of more than 2,000 actual customers aged between 18 and 80, with varying levels of confidence in financial matters. The community helps us keep us in touch with customer needs.

Over the past three years, customers have interacted with us, and we've discussed more topics ranging from testing product propositions, communication testing to mini-ethnographic studies, which involved us sending five customers camcorders to capture moments from their everyday lives. The research carried out through the community has enriched our knowledge about customers and their needs, and enabled us to take informed decisions about product and service development.

Some of the recent topics we discussed on the community are shown below.

- **State of the nation** (December 2013). We wanted to understand how customers were feeling in terms of their finances and asked them what advice they would give to their younger self. We also asked for their view on how our performance in 2013, and finally how much they were aware of our CSR activity.
- **Savings and ISAs** (April-May 2013). We explored customer savings behaviours and awareness and use of ISAs, so that we could identify any areas of confusion and focus on making our communications even more relevant, clear and simple.
- **Multi-channel journeys** (August 2013). To help us plan for the future, we asked customers their expectations and preferences in relation to multi-channel access for life assurance, investments and pensions, and explored several aspects of dealing with companies such as ourselves using non-traditional channels.

If you'd like to join our research please let us know: [Your voice](#).

PENSIONERS VISIT US IN HOVE.

The personal retirement plan team invited four customers for a 'closeness' session in our Hove office to understand more about them and their journey with us.

Here are some of the things they had to say:

- **"I am not expecting perfect, it's how you deal with us as people that counts."** Customers were positive about most aspects of our performance; they thought our literature was clear and helpful, and the customer service team was warm, helpful and informative.
- **"At this stage, it's less myself that I am concerned about financially; it's my children so anything that would help them out would be great."** Customers felt their main relationship was with their adviser rather than us, however, they'd be happy to interact more with us and made a few suggestions as to how we might do this.
- **"I feel I have been shoe-horned in to online, which I resent slightly."** Customers were quite traditional in their communication channel preference, and while they were open to emails, they would often require letters for important information and formal documents.

- One area customers felt we could do better was in giving advice, and most did not realise that our customer service team is not allowed to provide it.

Employees found the session useful too and walked away with several clear actions:

- Talking to customers about products that may be suitable to discuss with their children.
- Proactively contacting customers more regularly to see how they are getting on and to offer them the chance to discuss other products if appropriate and welcomed.
- Actively promoting our advice service; being clear what the customer service team can help with.

CONNECTING WITH YOUNGER CUSTOMERS.

Young people are our customers, colleagues, key partners and business relationships of the future. We want to understand what makes them tick.

In 2012 and 2013 our 'Step Up for Success' programme brought in 150 bright young people with the aim of providing:

- Insight into how to engage with this market.
- 'Young consultants' with a level two qualification and a FTSE company reference.
- Personal development for our future leaders about leading a team.
- Work experience with purpose and value - giving them real topics that we're grappling with.

In 2013 we chose two topics:

- The company of the future, sponsored by Mark Wybrow, head of pooled client team, LGIM
- Doing business digitally, sponsored by Peter Graham, managing director, LGAS.

"The digital, customer and marketing team acted as the 'client' for the recent step-up for success event - setting the challenge and judged the presentations. We were very impressed with the quality of the presentations that the young 'consultants' gave and the range of ideas they demonstrated with real enthusiasm and passion. We're now looking at some of the common themes that came up, to see if and how we could incorporate these into our digital plans. We hope that during 2014 we may see some of these come to fruition as part of our delivery programme."

Ross Jones, Development director

The programme's inspired our business to look at how we better engage with younger people.

"In Retail Savings we've spent a large part of 2013 understanding and developing a proposition for paraplanners who perform the essential role of research, analysis, report writing and influencing business. With the typical demographic of people in these roles being aged 25 and 35, a much younger profile than advisers who have an average age range of 55-60, we've had to take a fresh approach to how we develop our proposition. Paraplanners are time poor but thirsty for knowledge and sharp facts. They want webinars and podcasts that they can view or listen to in their own time. They also often feel isolated - typically being the only person performing the function of their role - so finding ways to connect with others from the paraplanning community is welcome. We've been taking these things on board in defining our paraplanner proposition. We've launched the paraplanner hub, which has been well received.

We've run webinars exclusively for paraplanners and are making greater use of social media to build virtual relationships with them. Being a manager on the Step Up for Success programme provided me with an insight into how young people like to communicate. Seeing their confidence and ideas grow in response to how we could use digital to engage better with young people and their families has really opened my eyes to social media and technology being at the heart of future communication. And, we are able to translate this into our paraplanner proposition. The winning edge will be delivering technological communication solutions whilst still retaining personality."

Nino Sheikh-Thompkins, head of adviser propositions, Retail Savings



Check out some of the campaigns coming from the business as a result of work like this

- [#Every Day Matters](#)
- [The Professionals](#)
- [Skyman 2](#)
- [Best UK city to be young](#)

MANAGEMENT APPROACH TO STAKEHOLDER GROUPS.

As a 30 year business our aim is to have long term relationships with key stakeholders important to our organisation's future. The stakeholders we deem as priority for the Group are as follows:

- Customers (Current and Future)
- Regulators and Government agencies (UK and European)
- NGO's
- Financial Intermediaries
- Employees
- Relevant not for profit organisations with expertise in Housing, Health and Income in Later Life
- Key Suppliers
- Investors (Mainstream and SRI)

New for 2013: we have added the following stakeholders as the business evolves in its strategy

- Communities around our major property developments as our commercial property business expands
- UK Local Enterprise Partnerships (LEP's) as they play a key role in UK infrastructure planning
- Overseas NGO's dealing directly with overseas subsidiaries in France, Holland and the USA

Key Stakeholder Feedback in 2013

Key engagements with NGO's in 2013

Responsible 100

We are pleased to be a founder member and funder of the Responsible 100 network alongside KPMG and BAE Systems. The network provides a mechanism to get heads of business policy together across member companies with NGO's out of the heat of campaigning to talk through the ways that businesses have policies on key topics such as:

- taxation,
- investment in arms,
- lobbying,
- whistleblowing,
- diversity.

The Responsible 100 platform then allows concerned consumers to critique each company's response.

We believe that the combination of getting specialist policy makers across businesses together with policy makers to shape and evaluate their individual management processes and then providing the general public with a chance to rate and challenge the companies response is unique and the future of transparent co-creation of company policies.

WORK WITH NON-GOVERNMENT ORGANISATIONS.

There have been a number of joint NGO campaigns and discussions in 2013. We use SIGWATCH to quantify the reputational impact of these campaigns. Our three year trend on reputational impact according to SIGWATCH is as follows. The aim is to be as close to zero or to have a positive score.

2010	2011	2012	2013
-6.25	-18.75	0	-98.62

In 2013 we saw three distinct trends in NGO interactions

1. An increased focus upon underlying balance sheet investments for financial institutions. Traditionally a focus for banks but now applying also to insurance companies
2. NGO's providing sophisticated tools to their supporters to drive high volumes of traffic to their financial services product providers.
3. Community consumer activism particularly around UK property development

These are campaigns that we have been involved with in 2013.

Campaign	Legal & General
<p>Dutch investment company NGO evaluation</p> <p>Dutch investment companies 'graded' by NGO's, 'must do better' - Dutch investment banks, asset managers and insurance companies "vary widely" in how they screen and assess stocks for ethical and social responsibility, two NGO's claimed. Eerlijke Bankwijzer (Fair Bank Guide) and Eerlijke Verzekeringwijzer (Fair Insurance Guide) compared leading Dutch banks and insurance companies on how they invest ethically.</p>	<p>Working with our colleagues in Legal & General Netherlands we have disclosed our underlying investment strategy for Dutch customers so that there is better transparency on underlying use of their funds.</p> <p>For customers outside the Netherlands, we have a Corporate Governance Programme with LGIM.</p> <p>We have also produced a permitted investment policy for the Group's Principle Balance Sheet.</p>
<p>Huntingdon Parking</p> <p>We had a community campaign from residents in Huntingdon (UK) on where we had a leisure complex with parking enforcement.</p>	<p>Legal & General Property have a formal target to improve community relations some of it most publicly used properties in 2014.</p> <p>The situation on parking has been resolved by reimbursing those who paid large parking fines.</p>
<p>"Land grabs"</p> <p>In the UK, Friends of the Earth (FOE) was asking supporters to email leading pension fund managers demanding data on investments in large-scale agricultural schemes in developing countries (known by NGOs as "land grabs"), on the grounds that their pensions could be exposed to a speculative bubble.</p>	<p>We provided a response to FOE and concerned customers.</p> <p>We do not make direct investments of this type on behalf of pensions or other customers, nor as a company do we invest our own funds in these types of assets.</p> <p>FOE highlighted some share ownership the Group had in Sime Darby and Wilmar International. "Friends of the Earth has been monitoring the performance of these companies and we are concerned about a number of cases involving land grabbing that have recently come to our attention."</p> <p>Our response is that we have no direct exposure to companies involved in the issue.</p>

Campaign	Legal & General
<p>Possible UK Ministerial links with fossil fuels</p> <p>In the UK, World Development Movement (WDM) claimed that up to a third of all ministers in the current coalition government may have past or present links with fossil fuel companies, or with financial and services companies supporting oil or gas projects, and that these ties are “perpetuating” dependence on a high carbon energy policy.</p>	<p>We will ensure our affairs are in order on Climate Change which involves.</p> <ul style="list-style-type: none"> ■ Providing customers with climate resilient products i.e the Legal & General Global Enterprises Environmental Fund ■ Legal & General invests into areas what we believe are socially, economically and environmentally useful areas. The Group CEO announced our commitment to invest £15bn in UK Infrastructure including Housing, Health, Care and Energy. You can read more here ■ There are a number of sectors, including energy, of the UK economy which we believe would benefit from a long term investor like Legal & General providing stable funding.. Our first investment in this sector has been to finance Solar Farms in the UK which are less carbon intensive. ■ We are a major landlord in the UK through our commercial property fund. We are working hard to reduce the energy use within these properties as the build environment accounts for nearly 40% of the UK’s Carbon Emissions. It’s a lot of work particularly to refurbish old buildings but as you can see here we are getting there.
<p>UK Living Wage</p> <p>The Living Wage Foundation supports, recognises and celebrates the leadership shown by Living Wage Employers in the UK. We believe that work should be the surest way out of poverty.</p>	<p>Legal & General have moved to paying a Living Wage and publicly supported Fair Pensions in their launch of their call for other employers and government to adopt UK Living Wage Standards in the UK</p> <p>Elaine MacLean Group HR Director said: "Our business is there to provide people with safety nets to support them through the bumps and scrapes that life creates. This is certainly so at the moment with hard working families under increasing financial pressure. So, if we know it's important to our customers, if it's something that affects families up and down the country, why wouldn't these same pressures exist for our own employees and within our supply chain?"</p> <p>"As a direct employer of over 7,000 UK employees we were already paying the Living Wage. However, we worked out that in our supply chain 120 people were not on a living wage. That's why in April this year, those 120 people received their first Living Wage into their monthly pay packet.</p> <p>"The 120 are those who work to keep our offices running smoothly in catering, security and cleaning. We rely upon these vital people to keep our business running on a daily basis. They deserve to be treated with respect, dignity and a living wage – like we all should."</p>
<p>Developing world environmental issues</p> <p>In the UK, Survival International, in support of the Matses indigenous people of Peru, called on the shareholders of Pacific Rubiales, including Citigroup, JP Morgan, General Electric, Blackrock, HSBC, Allianz, Santander and Legal & General, to divest from the Canadian-Colombian oil company in order to protect Peru's uncontacted tribes</p>	<p>Beyond the initial discussions we have had few further conversations on this topic.</p>
<p>'Tax havens'</p> <p>In the UK, ActionAid continued its campaign against tax havens by publishing the report, “How Tax Havens Plunder the Poor”, repeating claims that tax havens allow companies to deprive developing countries of vital tax revenue and calling on Prime Minister Cameron to take action.</p> <p>Legal & General were praised for avoiding such tax schemes and for a high level of disclosure.</p>	<p>We have worked with Action Aid to develop our own tax policy and disclosures, which can be found in the Paying tax section at a country by country level.</p>

EMPLOYEE FEEDBACK AND INVOLVEMENT.

We are a services-based business where people employ technology and work together to deliver the financial safety nets to our customers at their time of need. In the world of intangibles, we believe that having engaged employees connected to the social and economic value that we produce for our customers is key to delivering better service.

We believe that by solving major social and economic issues that matter to employees, and to our customers, we can inspire loyalty in both.

There are number of ways we do this:

- We involve employees' views in the way that we run the Corporate Responsibility strategy. Unite, our Trade Union, represents employees on a number of governance committees including the Group Health and Safety Committee and the GRCE Policy Committee.
- We have a significant community programme involving employees across the group designed to engage employees in the areas of social inequality important to them and also important to the business such as housing, health and income in later life.
- We regularly poll employees for views on how the business is performing in their view and supporting our customers.

2013 Employees' views matter

To supplement the partnership agreements that we have in place with Unite, our Trade Union and Works Councils outside the UK, the 'What Matters' employee survey delivered by ORC International continues to provide a key way of getting feedback on the performance of the business around the world.

During 2013, we continued to use this employee survey as a key way to understand our employees' views on amongst other things, the ethics of our organisation. For our joint venture businesses overseas, it also provides us with an independent mechanism for us to monitor human rights and employee attitudes within those businesses. The participation rate for the survey was 87% worldwide.

The trends continue to show that the number of employees across the Group feel supported in terms of the ethics of the business with 85% of employees worldwide believing that they work for an ethical company. The remaining 15% who have a more neutral opinion, which we believe provides a healthy scepticism in our culture to challenge.

We also see a significant shift between 2012 and 2013 of +2 percentage points in employees agreeing or strongly agreeing that Legal & General makes a positive difference to people's lives.

We see further evidence of this in the "Giving Something Back" scores in the UK-focused 2014 Sunday Times Best Big Companies to Work For survey, where scores improved by **+12 percentage points** and for the second year running was the most positive survey topic area for the Group. We saw a pleasing shift from relatively high degrees of employee neutrality in the past. We can attribute these shifts to continued efforts to

- Increase in exposure of real customer stories of how we helped them in their time of need – sharing our social purpose through real examples
- Expose and train employees in the issues that our customers face as a result of the illness or death of someone close to them
- Have longer term views on big social issues such as the housing, health and income in later life
- Celebrate for those who work hard at giving something back

- Join up the work between corporate citizenship and good business and demonstrate how our good governance develops good behaviours in businesses we invest in and in our business.
- Provide increased visibility for employees on the ways that our direct infrastructure investments are providing long term capital to parts of society and the economy that need stabilising. Make it clear we're not just doing it for commercial gain.

	Worldwide ¹ Scores (agree/ strongly agree)	MENA (Middle East and North Africa)	Legal & General America	Legal & General Netherlands	Legal & General France
Employee engagement scores	77% (80% 2012)	81%	86%	84%	84%
"I work for an ethical company."	85% (87% 2012)	87%	92%	96%	86%
"I understand my role in working for an ethical company."	82% (82% 2012)	93%	95%	91%	87%
"Legal & General makes a positive difference to people's lives."	78% (76% 2012)	79%	88%	72%	65%

¹ Except India First.

The strong link between CSR and Employee engagement

The GCRE Committee have also done a separate analysis on the link between a strong responsible business culture and employee engagement.

Working with ORC International, who run our 'What Matters' Employee Survey, we've looked at the correlation between those people in the business who are 'CSR active' - involved in volunteering, community projects and raising money for charities.

Survey findings

Employees who get involved in CSR activities outperform their peers in key areas of the employee survey. The analysis suggests that CSR active employees:

- Are more engaged by **+2 percentage points**
- Take more ideas and informed risks by **+6 percentage points**
- Have a better work life balance by **+6 percentage points**
- Believe that they perform at their best by **+5 percentage points**
- Are more likely to speak up and challenge by **+4 percentage points**

Employees do not necessarily have improved view on us as an ethical company, where they remain neutral.

CSR programmes provide perspective and insights into real life which can give employees a better understanding of work problems and issues.

It also tells us that employees don't judge how ethical we are as a company on the amount of time and money in our communities - it's about whether the decision making, our stance on issues, our reputation and the performance of our products works for our customers.

INVESTOR FEEDBACK ON ESG IN 2013.

There have been a number of external discussions and analysis by investors and specialist NGO's focused upon the Group's ESG performance:

- We are in the Robeco SAM Sustainability Index (Voluntary)
- We are a signatory to the UN Principles for Responsible Investment (Voluntary)
- We are a signatory to the UN Global Compact (Voluntary)
- We are a signatory to Climatewise (Voluntary)
- We are a founding members of the Responsible 100 (Voluntary)
- We are in the FTSE 4 Good index (Obligatory)
- We are in the ECPI Index (Obligatory)
- We are a Business in the Community Platinum rating (Voluntary)
- Sustainalytics rates Legal & General as low impact level and an overall controversy assessment of category 2 out of 5. (Obligatory)

There are a number of areas that these organisations have highlighted collectively that they would like to see improved in terms of transparency and disclosure. These have been discussed at the Group Corporate Responsibility and Ethics Committee.

Theme	Trending issues	See how we have responded
Corporate Governance	How is the executive paid on long term ESG factors?	Have a look at our Governance section
Environmental Reporting	Why have you moved from calendar year to fiscal year reporting?	We are now back with Calendar Year Reporting because it makes more sense to line up with our financial results. We publish Carbon Reduction Commitment data separately.
Labour Practice Indicators & Talent	Can we see some more measures and KPI's	Have a look at our Human Rights and People Data
Supplier Standards	What do you differently for suppliers in higher risk countries in how they are governed?	This is our response
Principle Balance Sheet Investments	How are you factoring in ESG into due diligence and ongoing governance? What are permitted investments?	Have a look at our Permitted investment policy
Tax Havens and Policy	Where do you have them and what's their purpose? What's your taxation by country you operate in?	See our Tax Policy and disclosure
Regulation and interactions with Government?	What's your Lobbying Policy and on which topics do you interact with regulators and governments?	Have a look at our Public affairs policy

Our approach is to enhance our reporting each year to improve disclosure in line with trends that analysts raise.

2013 HIGHLIGHTS: DELIVERY OF PUBLIC AFFAIRS.

In 2013, we responded to over **38** Government and regulatory consultations, either directly or through our membership of trade associations and industry bodies. There were fewer consultations in which we can participate this year, primarily as a result of the UK's new regulatory framework having being established in April, and therefore a reduction in the number of regulatory reform consultations.

As well as formal consultations on specific changes being proposed, we have also had significant discussions with policy-makers in areas where we think policy needs to be evolved. We have commented on issues such as:

- regulatory reform
- banking reform
- corporate governance
- financial regulation
- pension legislation
- welfare reform.

Our main areas of discussion with Government in 2013 have included:

Pensions Reform	<p>We are closely engaged with the Department of Work and Pensions on delivering and supporting auto-enrolment and related pension reforms. We have been strong advocates of ensuring that the legislation promotes good value, well-governed pension schemes in the UK. That is why we have called on the UK Government to create a meaningful cap of 0.5% on auto-enrolled pensions. We have also taken radical steps to prevent customers from 'predation' by pension liberation schemes.</p> <p>We have been closely engaged with policy-makers about the options available to people as they look to take an income from their assets – whether an annuity, through equity release, down-sizing or looking to fund their long-term care needs.</p>
Financial Regulation – UK and EU	<p>We are closely engaged with the relevant EU and UK authorities on reforms to both prudential and conduct regulation. This includes Solvency II, UK and EU banking reform proposals and other EU and UK legislation. Our aim is still to ensure that the regulatory response to the credit crisis of 2008/9 is proportionate and, while adding to financial stability, does not damage the interests of consumers, investment or the broader economy. We have also contributed to consultations by the new regulatory bodies as they transitioned from the FSA to the FCA and PRA with the aim of ensuring that regulation under the new regime is proportionate and constructive.</p>
Infrastructure Investment	<p>As a long-term investor, we need to invest both our shareholder and customer funds in long-term assets such as infrastructure – from university accommodation, hospitals, social housing and the care sector to commercial and residential property. We have continued to engage with policy makers to help ensure that we can invest in the UK, for the benefit of the UK, making sure that the legislative framework allows insurers to play their full part in the economic recovery.</p> <p>This has also meant that we have engaged heavily with the EU's work on looking at the long-term financing of the Union.</p>
Risk sharing	<p>As the UK Government seeks to rebalance the economy, we have discussed with policy-makers the opportunities for insurers, both as long-term investors and managers of risk, what more can be done to support the UK and the financial resilience of its citizens.</p>

OUR CUSTOMERS.

We deal in life, death and everything in between. We put real life at the centre of what we do, making products that people need and actually want for their day-to-day lives.

We perform four very simple, but very important functions each and every day:

- Enable customers to save for a pension to provide them with an income for life in retirement.
- Provide investment and savings products allowing individuals and families to plan for the future.
- Pay out valid claims when a customer becomes ill, is unable to work or dies.
- Pay out valid claims when a customer's home and its contents are lost or damaged.

It's important that our customers can see, over time, how we deliver on our promises, and this is how they did in 2013.

CUSTOMERS FIRST

We must provide customers with the confidence that if they have a policy with us, we'll do our job. This is how each of our product areas has delivered on their promises over the past seven years.

In 2013, when customers needed us, we paid out **£2.28 billion** to customers compared to **£2.19 billion** in 2012.

INSURING HOMES.

Our general insurance business pays out valid claims when a customer suffers loss or damage to their home. This is how we've done this over the past five years with commentary on current trends.

	2009	2010	2011	2012	2013
Number of in force customer home insurance policies	1.2m	1.4m	1.5m	1.6m	1.8m
Amount in claims that we paid out to customers to restore/replace homes and possessions	£150m	£135m	£160m	£135.7m	£132.5m

In 2013, our general insurance business grew by 11.8%, which means that 1.8 million customers now rely upon us for home and or contents insurance.

In the UK, flooding is a big issue and significant weather events have affected our customers over the last six years. In 2013 the weather was relatively benign until late in the year where many have suffered from a winter of repeated Atlantic storms.

We believe that the predictions for more volatile weather in the future are accurate, however, mainstream climate scientists are not pinning the current weather on climate change, and neither should we.

The increased problems UK households are having with flooding are not associated with an increase in the recent extreme weather. January rainfall did break records, but only for PARTS of southern England – not for the UK as a whole, and the records only go back 100 years. Overall, the UK was a good 10% below the prior peak in 1928.

There are LOCAL extremes, Boscastle 2004, for example. But that's to be expected over a fairly large area like the UK, there will be extreme events from time to time (as there always have been, and always will be). The advantage of insurance customers, is that we can pool the risk and be there should the unlikely happen.

Flooding problems may be caused by other factors such as changes in land use, environment agency policy changes and building in flood prone areas. [The insurance industry is working with the government](#) and has agreed that, in return for investment in flood defences, insurers will cover even the high risk properties.

Ultimately, we're [judged on our ability to quickly help customers' put their homes back to normal](#).

HEALTH.

CRITICAL ILLNESS CLAIMS

This year we paid our highest ever value on a death claim, which amounted to £7.5 million. It took our claims team just 38 days to assess from start to finish. Our median response times for paying claims from notification to payment totals just 20 days.

Our individual protection business provides people with life insurance for their health, critical illnesses and death.

	2009	2010	2011	2012	2013
Percentage of Critical Illness claims paid out to our customers	93.60%	91.80%	93.00%	93.10%	93.60%
The amount of money we paid out to our critically ill customers	£152m	£147m	£177m	£209m	£242m
Do we always pay out to our customers?	<p>Only 2.2% not paid due to misrepresentation (4.2% of claims had no cover for the condition suffered).</p> <p>During 2013, we paid 52 claims even though the medical information we received did not prove whether our critical illness policy definitions had been met. 48% of these claims were made under the heart attack definition. These are cases where we apply the spirit of the contract rather than the precise terms and conditions and on all of these; we've had the full backing of our reinsurers to pay our customers.</p>				

When customers unfortunately pass away.

We also have customers who unfortunately pass away. Our role is to work with the family or their representatives to pay out their life insurance as quickly as possible.

The amount we paid out to beneficiaries when someone has unfortunately passed away with life insurance cover	£217m	£226m	£264m	£274m	£262m
The percentage of claims paid when someone passes away	98.20%	97.80%	97.80%	97.70%	98.20%
Do we always pay out to our customers?	<p>Only 1.6% not paid due to misrepresentation (another 0.2% weren't paid due to the first year suicide exclusion).</p>				

PROTECTING INCOME WHEN YOU CAN'T WORK

Customers rely on us when they are unable to work because of their health. The following table shows how well we kept our promises to enable them to keep paying their bills.

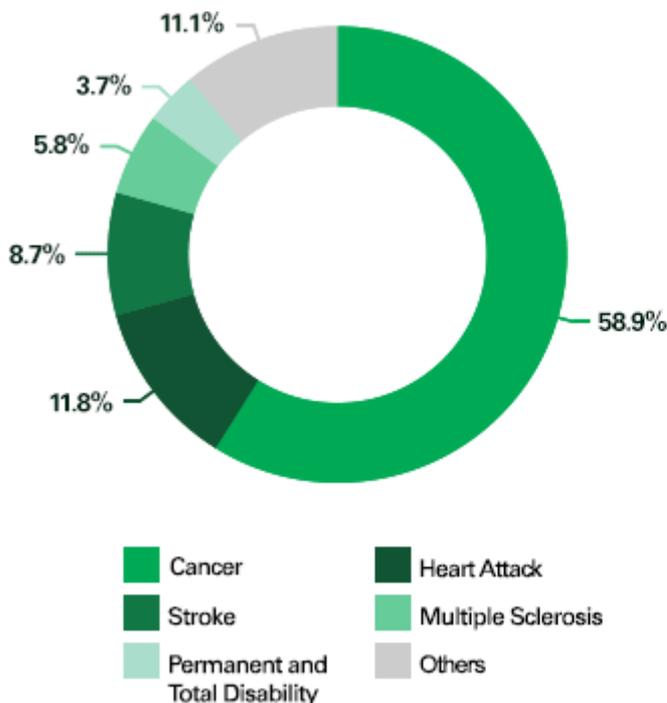
	2009	2010	2011	2012	2013
Percentage of claims paid to customers who are unable to work because of health issues	77%	82%	92%	91%	92%
Total paid out to supplement incomes while clients are too ill to work	£1.34m	£1.57m	£1.35m	£1.36m	£1.40m

EMERGING AREAS OF HEALTH

Our understanding and reaction to the health conditions that our customers face particularly - at claims stage continues to develop. And, in 2013, we've seen a number of claim related trends emerging including:

- Angioplasty continues to reduce in claims as it is no longer considered a critical illness.
- Thanks to the success of major charities helping UK consumers to become much more aware of cancer symptoms, people are getting checked out earlier by medical professionals.
- All other health conditions remain constant.

Currently, these are the major health conditions affecting our customers who were diagnosed with critical illnesses:



OTHERS	%
Benign Brain Tumour	2.1
Heart Valve Replacement	1.5
Coronary Artery By-pass Surgery	1.0
Parkinson's Disease before age 65	0.9
Angioplasty	0.8
Cardiomyopathy	0.8
Coma	0.6
Major Organ Transplant	0.4
Alzheimer's Disease / Dementia	0.4
Kidney Failure	0.4
Motor Neurone Disease	0.3
Aorta Graft Surgery	0.2
Traumatic Head Injury	0.2
Blindness	0.2
Undefined	1.1

HELPING PEOPLE SAVE FOR RETIREMENT OR A BIG EVENT.

Our purpose is to provide investment and savings products that help people plan for the future and for retirement. We offer a number of ways for customers to do this with a large range of products and funds to invest in depending upon their needs and approach to risk. Each customer's circumstances are different in terms of how they were advised, what they are saving for and the risks they are prepared to take with their money. The table below shows how well our customers regard us as a safe place to invest their money and also their level of satisfaction with our savings products.

	2009	2010	2011	2012	2013
Assets under administration value for customers whose (pension and non-pension) savings we are responsible for (£m)	54,786	64,057	64,915	70,181	108,900
Percentage of customers who are not happy with their savings product and have complained to us	N/A	N/A	0.29%	0.30%	0.28%

By operating at scale, we can offer people low cost savings products. In 2013, we did a number of key things to encourage more saving - whether for a rainy day or for long term pension plans - to provide a source of income in later life.

- **We reduced our pension fees** so more people can access pensions for the first time.
- **We reduced our index tracking fees** so customers can put their hard earned savings into cheaper products.
- **We fully acquired Cofunds**, the UK's largest investment platform, which has assets of £64 billion and helps people invest for their future.
- Our workplace savings business looks after **903,000 employee savings or pensions**. People opting out on employee based pensions remained low at under 10% in aggregate.
- Our SIPP business, **Suffolk Life**, continues to grow and, as a result, **assets increased by 29%** in the year to £6.6 billion.
- We also look after **£36.3 billion** (2012: £36.2 billion) of our customers' money in [investments](#) such as ISAs, bonds and endowments.

We know that life is tough for many families. Our [deadline to the breadline research](#) has shown that on average, UK households estimate that they could get by on their savings for 72 days – almost three times what our figures show. **The shocking fact is that the 26 days overall figure only applies to those who have savings.** With a third of the population not having any money put away, in the event of a financial disaster, a significant number of people on the breadline tomorrow.

PROTECTING EMPLOYERS AND THEIR EMPLOYEES.

Our group protection business provides services to employers who want to protect the wellbeing of their employees. **We provided 6,706 cognitive behavioural therapy sessions to help individuals recover and return to work has improved our performance in this area.**

We've now started working with small to medium enterprises that have fewer safety nets when a member of their workforce is sick. We're providing them with [quick access to cover and pensions](#) for their workers

The main areas of [health affecting all our corporate customers](#) are:

- Mental health claims: **85.1% returned to work in 2012* within the first year of absence.** We worked with Rethink to provide 6,706 cognitive behavioural therapy sessions to help individuals recover and return to work has improved our performance in this area.
- Musculoskeletal claims: **87.5% returned to work in 2012* within the first year of absence.**
- Cancer claims: **55.5% returned to work within the first year of absence 2012*.** This is an increase from the figures in 2011 which were 30.6% and 38.7% respectively. We're generally seeing cancer rehabilitation services improve and helping customers living with cancer get back on their feet.

* Data is one year in arrears because of the rehabilitation cycle.

Here's the numbers behind the story.

	2009	2010	2011	2012	2013
Number of employees of businesses whose lives we insure	2,337,537	2,350,115	2,415,758	2,265,875	2,322,374
Number of people rehabilitated back to work in that year	N/A	800	875	2,019	Data is one year in arrears because of rehabilitation cycle
Percentage of employees in rehabilitation who return to work in the first year of absence	72.4%	75.3%	79.4%	82.3%	Data is one year in arrears because of rehabilitation cycle
Amount invested in rehabilitating people back to work	£3.4m	£2.9m	£3.1m	£3.9m	£3.8m
Amount paid out to clients per annum for critical illness cover	£8,802,762	£7,474,000	£8,167,000	£7,105,839	£7,231,000
Amount paid out to clients whose income we are protecting when they are unable to work	£29,204,313	£31,304,287	£32,360,477	£30,552,060	£28,200,000
Amount paid out to customers who have died	£186,889,177	£195,619,000	£213,745,228	£201,499,061	£201,346,000
Percentage of clients we pay out to on critical illness cover	79.9%	73.0%	80.6%	79.0%	75.0%
Percentage of clients we pay out to when the client dies	95.3%	97.0%	99.3%	99.1%	99.4%
Percentage of clients we pay out to when our clients are unable to work	95.6%	97.0%	97.8%	99.2%	99.1%

MARKET INCLUSIVENESS.

The governance of this KPI is the responsibility of our Group equalities, diversity and inclusion committee.

In 2013 we increased the number of our UK customers by 10%. But we know that there are some people who are struggling to plan their finances. We're particularly worried about three social groups, which we believe are under more pressure than other to make ends meet let alone worry about the future:

- **Green shoots** are young students/first jobs and newcomers to financial services. We know that the pressures 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 is almost impossible now.

In 2013, these three segments accounted for **26.8% of the UK population**, which is down from 26.9% in 2012 (a 0.1% decrease).

Our business had **14.2%** of its customers in these groups in 2012, which increased to **14.5%** in 2013.

This means that our products have grown in inclusivity by **0.4%** in 2013.

	2010	2011	2012	2013
Percentage of UK population according to Fresco	25.0%	24.9%	26.9%	26.8%
Percentage of our UK customer base	14.0%	15.9%	14.2%	14.5%

There are number of product lines in our retail business that have looked at different ways of distributing and reaching these vulnerable customer groups. Highlights include:

- Our success at providing auto enrolled pensions to large employers and now small to medium enterprises means that an additional **one million pension savers have selected us as a pension provider**. All employees irrespective of salary within these organisations now have access to a workplace pension.
- **Reducing our pension fees** means that more people can access pensions for the first time.
- **Reducing index tracking fees** means that customers will be able to access markets more easily.
- Our network business **facilitated £28 billion, or approximately 1 in 6 of all UK mortgages**.
- Our home insurance business provided 28 housing associations who 112,500 homes with an estimated 200,000 tenants in social housing that we insure.

OVERSEAS MICRO FINANCE AND INSURANCE.

Our subsidiaries in France, USA and Netherlands are working towards introducing market inclusiveness KPIs. They've made good progress working with joint ventures to develop markets such as Commercial International Life in Egypt and India First Life where micro insurance is fast becoming a reality for us.

Commercial International Life, our majority owned joint venture in Egypt has been awarded 'Most Innovative Insurer' at the 2014 MENA Insurance Awards against strong international competition.

Bringing protection to those who need it most Commercial International Life won the award for launching a new micro insurance product - 'GENEH 3ALA GENEH', meaning pound on pound.

"MENA Insurance Awards ceremony for 2014 was glorious, well organized and motivating. The MENA insurers ranked Commercial International Life (CIL) as a winner among international insurers, which is of great delight for CIL and recognition for our hard working team. The award encourages us to put our best efforts in keeping the momentum for innovation and the hard work."

Mike Newton, Managing Director, CIL

"I'm delighted for Mike and his team that they have received this well-deserved recognition for their innovation in the exciting new field of micro insurance. We are seeing an increasing appetite for micro insurance in all our emerging markets which is allowing people on very low incomes, normally ignored by the financial services industry, to obtain access to savings and protection."

Simon Burke, Managing Director, Legal & General

Working with Planet Finance, a microfinance non-profit organisation, to develop the insurance product, Commercial International Life conducted a survey that showed that the Egyptian market could be ready for death and disability protection in addition to an appetite for saving schemes.

Contributing to the community and welfare of customers. Egypt is a country of 88 million people, 30 million of which make up the current work force. There are over 40 million people living below the international poverty level of US\$2 per day. Commercial International Life's new product gave them the opportunity to not only boost the insurance penetration rate, but to contribute to the development of the Egyptian economy and increase awareness of vulnerable Egyptians with the benefits of insurance.

To help provide dignity in later life in Mumbai, we've been sponsoring the mobile medicare unit for three years now which operates in some of the largest slum areas in Mumbai working with our partners India First Life and Help AGE International.

The focus of the service is for older people who could neither access nor afford existing health services. Nearly 1,200 patients receive health benefits and treatment from this unit every month. Mark Gregory, Group chief financial officer recently visited the unit and heard first-hand about the service from the medical staff and some of the beneficiaries.

The service is providing us with much needed insight into healthcare in India. Longer term, India First has recently announced that they will be looking to develop micro insurance products and services to help ordinary people build small businesses to earn a living.

"It was incredibly moving to meet some of the older people whose only access to medical care comes from this mobile unit which can reach them where they live. Over three quarters of the beneficiaries suffer from arthritis and so having the mobile unit makes a huge practical difference."

Mark Gregory, Chief Financial Officer, Legal & General

HELPING MORE PEOPLE ACCESS A HOME.

Every Day Matters means we help people achieve financial security. It sits at the heart of our business and drives operational excellence and societal performance. In a complex global environment, it helps us break down functional barriers in our business; transforming how we operate, shaping consumer engagement and smart public policy.

SO FAR WE'VE:

- **Directly invested into the sector from Social Housing to Private Rented**
- **Provided 4% of capital to FTSE listed house builders on behalf of our clients**
- **Increased the insurance available to 1.8 million households**
- **Learnt a lot from the experts such as HACT, Shelter and EAC**
- **Understood how our employees live in their own homes**

“We’ve got about £3 billion of investment in infrastructure in the UK, but we probably have up to £15 billion to put into UK infrastructure and direct investments from our annuities portfolio.”

Nigel Wilson, CEO

HOUSING IS IMPORTANT TO SOCIETY AND TO US.

There is strong public interest in UK housing; this is an area of potentially positive differentiation for us. As a business we have the opportunity to do everything from helping people to access a home through to insuring it once they have a home.

We operate across different types of tenure, with specialisms among different demographic groups and clear to other parts of our business:

- **BUILD TO SELL** fits with our aim to fund infrastructure projects that are socially useful in the housing sector that deliver high rates of return. We’ve made a direct investment of £65 million in CALA Group Ltd, the UK’s premium major home builder.
- **BUILD TO RENT** activity is insufficient in the UK with no industrial-scale landlords. There is widespread recognition that this is needed, and an enthusiasm on the part of some Councils. This is an opportunity for our property business to provide an asset class suitable for shareholder funds (direct investments) or against their existing assets.
- **BUILD FOR SOCIAL HOUSING** includes originating and underwriting loans for the social housing sector. Deals have included a £102 million, 15 year debt facility to The Hyde Group, and a £225m, 50 year financing for Places for People (PfP).

“We’d like to see lots of young people get on the housing market. We’d like it to be more affordable. And, we’d like a lot more innovation in finance and a lot more innovation from local authorities in freeing up the lands of land we have available to build houses. Over the last 20 odd years we’ve increased the greenbelt from 1.5 million acres to four and a half million acres. If you freed up 1% of the greenbelt, that’s enough to build 350,000 new houses.”

Nigel Wilson, CEO

- **SPECIALIST HOUSING SEGMENTS** deals include forward funding with Imperial College, University of the Arts London, Southampton University and Greenwich University. We also financed the University of Hertfordshire's 3,000-bedroom student accommodation scheme through an index linked unwrapped private bond placement; having previously secured a £121 million, 10-year debt facility to UNITE and acquired two new student accommodation schemes. One backed by Aberystwyth University and another let to Newcastle University, for a total consideration of £130 million. Our commitment to student accommodation is over £750 million.
- **URBAN REGENERATION** includes English Cities Fund's (ECF) portfolio, which comprises five schemes (Salford, Canning Town, Plymouth, Wakefield and Liverpool) with an estimated total completed development value of around £2 billion. Together these are delivering over 5.4m square feet of mixed-use floor space, including hundreds of new homes - bringing back into productive use acres of brownfield land. ECF was created by the government; the three partners are Muse Developments, Legal & General Property and the Homes & Communities Agency.
- **CROSS FERTILISATION** involves holding (either directly or through funds) multiple strategic land bank sites with house building potential and various levels of planning approval granted or in progress. The build could be for sale and potentially for rent. There is estimated total capacity for 10,000 houses pa, given planning approvals. Current major schemes include Croydon (>250 units) and Crowthorne (1,000 units). We have aspirations to create homes for specific sectors, for example, retirees ('last time buyers').
- **INSURING MORE PEOPLE ONCE THEY HAVE A HOME** our home insurance business has increased the number of people whose homes we insure in the UK by 11.8% in 2013 which means that 1.8 million customers now rely upon us for home and or contents insurance. We are also pleased that our work with a number of Housing related NGO's and associations means that has provided 28 housing associations that provide 112,500 homes with an estimated 200,000 tenants in social housing with insurance.

CREATING STABILITY AND CERTAINTY.

Shelter analysis shows that the UK faces a housing shortage. Prices have risen exponentially, home ownership is declining and there's clear inter-generational unfairness. To add to this, it's widely recognised that the planning process needs reform, 'help to buy' risks further worsening the supply-demand imbalance and the private rented market has been slow to develop.

By taking a leadership position, influencing public policy, we believe we can support a number of changes needed to revive the market for owner-occupiers, private tenants and in social housing.

"We're committed to investing in the fabric of the UK. There is a chronic shortage of housing in the UK, and we want to help to address this problem."

Paul Stanworth, MD

- **MASSIVE EXPANSION OF HOUSE BUILDING.** 250,000 homes per year, with the focus on the South East where job markets are strongest. Modern technology means that affordable 1,000 square foot housing units can be constructed for £80,000 to £100,000. Housing needs to be designed for different tenures and demographic segments.
- **FASTER, EASIER PLANNING.** Processes have to speed up, including in the Green Belt via swaps. Concurrently, pressure needs to be brought to bear where developers hold back on developing on land banks while they wait for price rises. Go-ahead local authorities need encouragement to re-develop and use block planning approvals and CPOs where needed.

- **MORTGAGE AFFORDABILITY.** Rather than injecting additional money into the mortgage market through buy-to-let, which should be stopped in London, government should consider alternatives that help the market develop in ways that better reflect affordability. For example, longer-dated mortgages, encouragement of MBS securitisations as well as rent-to-buy formats.

We're concerned about the impact on mortgage sustainability of a rate rise, which is why our view differentiates between measures that encourage building as part of the financial support package, for example, new buy-style equity loans for new build property and those that merely add money/guarantees to an overheated market.

- **INSTITUTIONAL PRI AND SOCIAL HOUSING.** The private rental market needs consolidation and scale. This is an obvious area for institutional involvement. For the social housing sector, we're questioning whether the current mix of (non-commercial) social housing providers is large or diverse enough.
- **EQUITY RELEASE.** This market will need to be grown alongside the planned local authorities' schemes to pre-fund care costs. Clarity on equity release assets is required under Solvency II, and a suitable advice regime is needed. A secondary market for equity release assets could be built, with the local authority as the distribution mechanism. The government should move from being neutral to a positive endorsement to help create a fully functioning large scale market.
- **DOWNSIZING AND RETIREES.** More specialised housing is needed for retirees looking to downsize, some with domiciliary care needs. The Department of Health working parties on long term care called for much better pre-retirement and in-retirement planning. Estate agents could help people downsize by linking with conveyancers to provide deals on legal work, advice about annuities, equity release and more. In addition, the Intergenerational Fairness campaign suggestion of stamp duty relief for older people who move to smaller houses is attractive.

Here's some of our most visible work.

At the Party Conferences

Our Chief Executive, Nigel Wilson discussed key policy issues at the Conservative and Labour conferences in Manchester and Brighton.

In Manchester, Nigel took part in a roundtable discussion with Crispin Blunt, MP, and the Campaign to Protect Rural England, among others, and explained how we can help to address the housing crisis: "So the UK housing market in my view is in many ways badly flawed. We need to take action... but I worry that we won't do enough. If you look at party election manifestos for the post-War period, almost a third of Attlee's, Churchill's or MacMillan's promises related to housing. Now you get a couple of paragraphs at most. We need to change."

The roundtable also included Stephen Smith, our Director of Housing and External Affairs, and Roger Harding from Shelter.

Closing the protection gap

In Brighton, Nigel spoke about another key issue - how we can help the government close the protection gap. Nigel shared a panel with the Rt Hon Stephen Timms, Labour's spokesman on Employment and Welfare Reform. Jim Islam, our Managing Director, Group Protection also attended the meeting. Nigel took the chance to show how risk sharing can help this and future governments address the challenge of the ageing workforce and help to close the protection gap.

Nigel said: "So government needs to enter into a full dialogue about how to use insurance to share risk better – for the benefit of the taxpayer. I recognise that the industry will have to be sure it can deliver low cost, good value, simple products to do this. We want to rise to the challenge. Auto-enrolment is a useful template: we want to build on it, working in partnership with government and regulators".

When Nigel met Campbell

Our CEO and Campbell Robb from Shelter met to talk about the real issues with the housing market – from access for first time buyers and planning constraints to the availability of mortgages.

How we're helping

The opportunity to meet came up because Campbell had seen our public commitment to build low cost affordable housing using our land, our home contents insurance cover for social housing tenants through GI and now our loans to social housing providers through LGIM.

You never know what you will get when you get the meeting of great minds in the form of CEO's, face to face and speaking frankly about the issues and opportunities around the housing market.

Stephen Smith, Director, Housing & External Affairs, Legal & General Network described what happened...

"The discussion focused on the recent comments Nigel made in the full year results briefing, and when he spoke at the Building Societies Association Annual Conference about the UK's housing problems, and the potential role that Legal & General may be able to play in helping resolve these.

"It is true to say that there was a real meeting of minds - both in agreeing the scale and nature of the housing problems we face, and in some of the solutions that could make a difference. For example, the lack of new houses, which is the fundamental problem the market faces, and the potential for us to be part of the solution, helping across all tenures - from funding Housing Associations through to actually building homes - for sale or to rent - on the land that we already own."

This long term partnership with Shelter has meant that their expertise and networks plus our scale is starting to create market changes to give more people the hope of an affordable home. They have been valuable in providing us commercial insights into the Social Housing sector the economy amongst other organisations in the outside world.

We've already pumped over 700 million pounds into student accommodation and now want to build retirement homes.

Talking publicly about Housing needs

Nigel Wilson, our chief executive told BBC Radio 4's Today Programme what prompted our move into investing in house building: "The Treasury did an outstanding job in changing regulation that was forward looking and allows us to invest in infrastructure.

"We started with student accommodation because that in many ways was the easiest for us to get into. We've invested so far about a billion pounds in student accommodation but we want to apply those similar financial techniques to other sectors of the housing market including affordable housing. Including long-term care ... including urban villages for retired people."

Affordable housing for the 'last time buyer' market

Affordable housing isn't only important for the first time buyer. What about the 'the last time buyer market'?

Nigel explains, "Last time buyers are the retired people in the UK - there's about four and a half million people want to move into more affordable homes for retirement. They've got a large amount of housing equity - over a trillion pounds for them to get access to income from. But they're not getting access to this income because they have to compete with the first time buyer.

“We should building purpose built housing for retired people where they can enjoy a very enjoyable life style plus having an income from the previous house that they owned.

20 million unoccupied bedrooms in the UK

“It would free so many houses. We have 20 million unoccupied bedrooms in the UK. A lot of those bedrooms are owned by all the people who want to move to a smaller more economical house.”

Is our investment helping fuel a housing bubble?

Nigel says that as we’re creating a new supply of affordable housing we’re not helping fuel a bubble: “One of the great British problems over the last 20 or 30 years an absence of supply and excessive house prices inflation, which has made it unaffordable to large parts of our communities.

“We don’t want house price inflation. We want steady growth in house prices.

What about the government’s Help to Buy Scheme?

“That just fuels house price inflation. It’s not the right solution to the problem that we have. We have to massively increase supply.

What we’d like to see in the future

“We’d like to see lots of young people get on the housing market. We’d like it to be more affordable. And we’d like a lot more innovation in finance and a lot more innovation from local authorities in freeing up the lands we have available to build houses. Over the last 20 odd years we’ve increased the greenbelt from 1.5 million acres to four and a half million acres. If you freed up one percent of the greenbelt, that’s enough to build 350,000 new houses.

We can’t do it alone

Looking to the year ahead Nigel says he sees “a continuation of the boom”.

He goes on to say: “I think the introduction of, not just ourselves, but many of our fellow insurance companies and pension funds is the right approach to financing in the housing market. Too much of it is very short-term financing looking for very high return.”

WORKING TOGETHER.

The strength of our business is in the sharing of expertise and resource. The pursuit of our social purpose and the delivery of Every Day Matters requires a joined up effort. This synergy enables us to deliver better products, making the best use of all the resources that exist across the company, and deliver better services and returns for customers and shareholders, for each individual customer or corporate client.

We also know that we can’t work alone so we’re collaborating with a number of NGOs and experts to build our understanding of the housing sector. Some highlights in 2013 include:

- By working with the Housing and Communities Trust, on model to attract institutional finance to the social housing sector and show a return, we’ve increased our understanding of sector.
- To increase the amount of thinking and action to stimulate the housing market, we’re involved with a number of external bodies, such as the Labour Think Tank and the HACT.
- As part of the [SMART programme](#), a number of senior managers serve on the boards of social housing organisations. This improves their governance skills and their understanding of the housing market.

- Working with Shelter on public policy means that valuable debates on the economic case for housing take place across the industry. The 'Forgotten Families Report' shows that the 'squeezed middle' families in England, typically earning between £20,000 and £40,000 a year, are facing the prospect of years of private renting or being trapped on the first rung of the property ladder. Shelter estimates 1.8 million families in England fall into this category, and with house prices rising at the fastest rate in seven years, home ownership is even further out of reach for many.
- The [Elderly Accommodation Counsel](#) provided valuable insights to our property and insurance business about how older peoples' housing needs are different from what the market currently offers. Our financial education programme, 'Money Money Money', highlights that just 13% of 14-16 year olds believe that housing is a priority for government spending with healthcare and education accounting for 47% of respondents. Interestingly 61% of young people we surveyed said that saving for a house was something for the long term "when they were 35."
- **The cost of market failure** – We sponsor the West Sussex Court Desk Service which provides about 200 people a quarter with access to a representative in court to help fight to keep their home. A number of our employees volunteer and this provides a valuable insight into the failure of the housing market to provide everyone with a roof over their head.
- It's important that we realized that Housing is an issue for our employees as well as for our customers. Shelter provided **an independent voluntary survey on our employees**, almost 750 of our employees took up. The collective results have helped the Wellbeing programme to understand some of the housing pressures in different parts of the country. We also now know how we compare to the general population and this information has helped us look for ways to improve how we can support employees. Shelter has provided us with some observations around the results of what was found.
 - 40% of our employees have struggled, in one way or another, to keep up with their mortgage or rent in the past year.
 - Around 75% of our employees have saved less or used an unauthorised overdraft to help meet rent or mortgage payments.
 - There are some gaps in our employees knowledge when it comes to thinking about where they go for free independent advice when thinking about finances.

Collaboration of this type drives the insight in to many of our consumer campaigns which diagnose how people are living their own lives:

- **The 'Professionals'** looked closely at the lives of young professionals identifying the key milestones on the road to financial independence. Research found that 'professionals' reach financial independence aged 25 years, seven years later than their parents' generation. The campaign launched in May 2013, dominated the news agenda with coverage in both national and regional newspapers, and lots of debate on social media. Mike Lawler, director of our insurance business and TV broadcaster Jennie Bond, who has a 'professional' daughter, launched the campaign with over twenty interviews across national and regional radio.
- **Best cities to be young campaign.** This ranked Britain's biggest 20 cities on the 'quality of life' they offer to young people, based on a survey of 18-30 year olds. It revealed Cardiff, Coventry and Newcastle lead the way and leave the UK's capital city wanting - ranked only 15. Yorkshire's Sheffield and Wakefield ranked joint lowest. This campaign was the talk of all cities across the UK both nationally and regionally.
- **Job security index.** Our index uses consumer research to take a snapshot of how the nation is feeling about job security. It provides regular coverage across consumer and business media, establishing us as the 'go to' voice on job security.
- **Digital criminal insta-grabbers campaign.** Working alongside reformed burglar and security expert Mike Fraser, this highlighted the risks **people expose themselves** to when posting personal information on photo sharing social networks. The campaign encouraged people to use social networks safely and positioned us as thought leaders who understand peoples' lifestyles.

"Seldom do a commercial organisation and a charity share such similar views on issues of such national importance. There is an urgent need to increase the stock of affordable housing while navigating choppy policy and social issues that frequently gain high profiles in our national media.

We believe this has the makings of a natural partnership whereby Legal & General's commercial ambitions in housing would benefit from not only from the strength of our brand association but also directly from our experience and expertise."

Campbell Robb, CEO Shelter

LOOKING TO THE FUTURE.

Housing is a fundamental infrastructure that the UK need long term thinking and systemic changes. Therefore, we will continue to:

- Continue to bring innovative forms of direct investment finance to the housing market of all tenures with particular attention on "Last Time Buyer", affordable housing and private rented investments.
- Work with relevant NGOs to understand the changing nature of housing and how we build expert solutions.
- Continue to grow our home insurance business to support and insure people to protect the things they care about.

INCOME IN LATER LIFE.

HELPING PEOPLE LIVE WITH DIGNITY IN RETIREMENT

Our social purpose means that we want to help people achieve financial security in retirement. Helping customers choose the right pension products, investing their money wisely and giving them retirement income choices is the biggest part of our business. But our social commitment doesn't stop there. We also want to help governments deliver better retirements for everyone and we want those people who live on state pensions to also have dignity in retirement.

Working with government to improve people's lives

We understand that with ageing populations in most advanced economies, it's becoming increasingly important that individuals take responsibility for funding their own retirements. Governments globally are struggling to meet the rising costs of pensions and healthcare for their elderly populations.

A large scale retirement business

In 2013 we helped over one million people in our workplace pension schemes save for retirement. This included around 550,000 people who started building pension income for the first time under the UK government's new auto-enrolment initiative. We also have over one million people who rely on us for pension income, paying these customers an annual total of £1.9 billion in annuity income. The recent budget proposals may mean that more people with defined contribution pensions will want to invest their retirement savings rather than buying annuities. Our capabilities mean that we are ideally placed to help people invest their pensions or buy annuities.

Our investment capabilities

We're the UK's largest manager of pension fund assets, looking after investment management for 2,800 UK pension schemes, with total assets of £304 billion. And we've also started to invest into retirement accommodation, recently purchasing 13 care homes let to Methodist Care Homes for just over £70 million. We followed this up, in January 2014, with a purchase of five care homes in Suffolk, with Care UK, for £31 million. The UK government has admitted that we suffer from poor quality social care for the elderly, with some people having to spend all the assets they have accumulated over a lifetime. We are committed to help the government improve the funding and quality of care for the elderly. As well as investing in care homes, we've been working with the Association of British Insurers (ABI) and the Department of Health to develop long term care funding solutions.

Improving the lives of pensioners

We also realise that many people struggle to survive on limited pension income. 33% of pensioner couples and 45% of single pensioners rely solely upon state benefits. That's why we partner with organisations such as Age UK, Care UK and the Elderly Accommodation Counsel to help improve the lives of retired people.

We believe that because helping people to have long and happy retirements is such an important contributor to our own business success, we have a duty to ensure that UK consumers get value for money from retirement products. That's why we've been helping the ABI to deliver a better framework for annuity purchase and we've been championing the cause of lower management charges for auto-enrolled pensions, ensuring that our customers pay no more than 0.5% of their investment in charges.

Inter-generational fairness

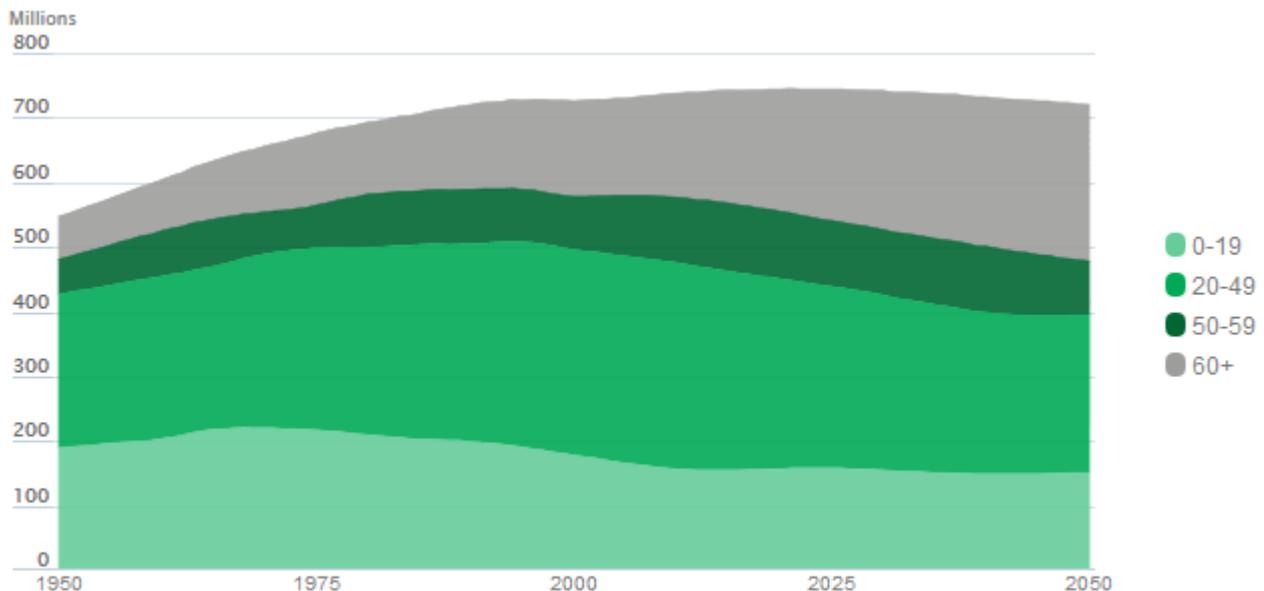
We are strongly committed to inter-generational fairness and believe that each generation should have the opportunity to live a better life than the previous one. This can even mean that we will sometimes support government policies that encourage the transfer of wealth from older generations to younger ones. We are strongly aware of the huge levels of wealth inequality that exist for retired people. While there is a section of society that has benefited from increasing housing wealth and generous defined benefit pensions, there are others who struggle to meet daily living costs. Pensioner poverty affects the level of dignity and choice for people when they retire. We have a number of initiatives that we have delivered in 2013 to enable us to support an agenda which focuses on dignity in later life.

AGEING POPULATIONS: A CHALLENGE FOR SOCIETY.

In global terms, there will be over 1 billion over 60s by 2020 and over 2 billion by 2050. One third of the European population will be over 60. 30% of people in the UK will be over 60. And the UK's over 85 population is expected to double by 2030, with the number of people needing elderly care forecast to increase by 30% in the next 10 years.

What makes it so difficult for governments to provide state benefits for an ageing population is the falling ratio of working people to retired people. In Europe this ratio is forecast to fall from four to one in 2010, to less than two to one by 2050. This puts pressure on state expenditure on pensions, healthcare and social care. We believe that it's vital that individuals save for retirement costs to supplement state benefits. In this way, the state can be better placed to help the poorest in society.

European population



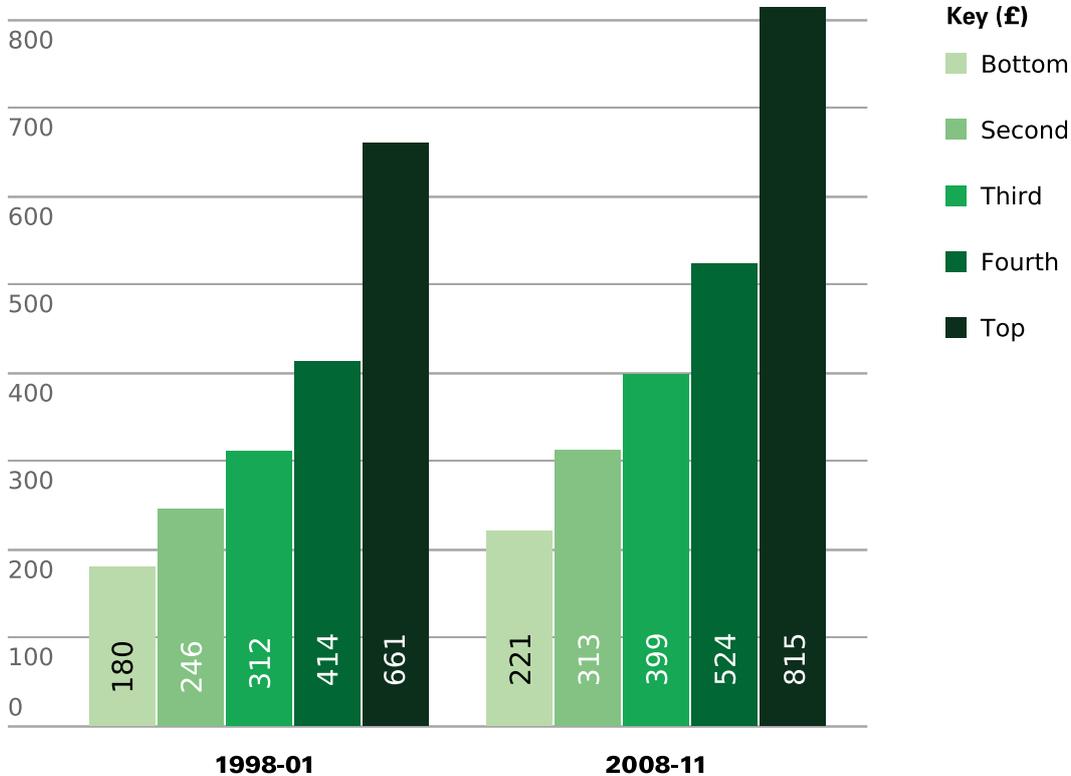
Source: United Nations

Inequality in retirement

Many retired people in the UK have to live on low levels of retirement income. Latest UK government statistics show that pensioner couples receive an average weekly income of £610 compared with £345 for single men and just £279 per week for single women. Even these averages are distorted by wealthy people with high levels of private pensions. Median income from occupational pensions was just £172 per week for

pensioner couples and £81 per week for single pensioners. For personal pensions it was £42 per week for couples and £33 per week for single pensioners. This means that the bottom 20% of single pensioners need to live on £129 a week, with the lowest 20% of couples living on £221 a week.

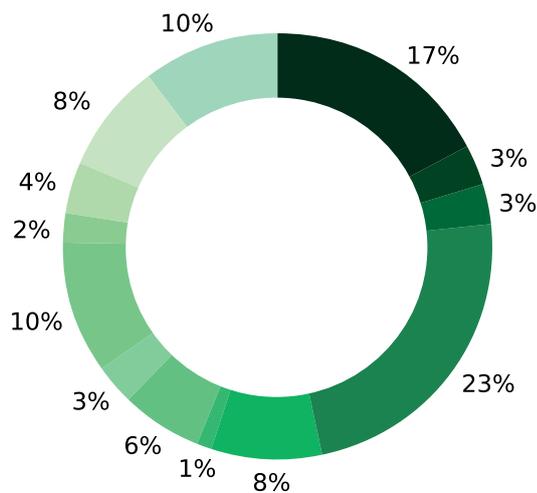
Median net income for UK pensioner couples



Elderly people spend more on essentials

In 2010, the average weekly UK expenditure for retired people was £365 per household for under 75s and £240 per week for over 75s. Elderly people spend a proportionately higher proportion of income on food and non-alcoholic drink, domestic energy bills, housing and council tax. These essentials take up 33% of income for under 75s and 41% for over 75s.

Household expenditure for retired couples



Key

Food & non-alcoholic drinks	17%
Alcoholic drinks, tobacco & recreational drugs	3%
Clothing & footwear	3%
Housing (net), fuel & power	23%
Household goods & services	8%
Health	1%
Transport	6%
Communication	3%
Recreation & culture	10%
Education	2%
Restaurants & hotels	4%
Miscellaneous goods & services	8%
Other expenditure items	10%

Source: ONS

The role of the private sector

Our role is to help society by enabling people to save more for retirement and to safeguard their retirement income by converting their pension savings into sustainable retirement income products such as annuities. By helping people build up private pension resources we enhance people's lives and maintain their levels of dignity and choice in retirement. It is generally accepted by all political parties that the only way to provide people with adequate retirement income is for the responsibility for pensions provision to be shared between the state and the private sector.

Private pension provision in the UK has been historically very weak and before auto-enrolment started in October 2012, it was estimated that only 53% of UK adults had any form of private pension saving in place. With successive governments allowing state pensions to fall below the levels of state pensions provided in other EU countries, UK pensioner poverty remains a reality.

Poverty affects 14% of UK pensioners

Age UK estimate that 1.6 million pensioners or 14% of all older people are living in poverty in the UK. Many older people are making difficult choices everyday about how to stretch out limited resources, particularly with the rising costs of basics like energy and food. Currently one third of older people are failing to claim benefits such as Pension Credit.

In response to this, we have run a number of campaigns to highlight the difficulties of surviving on state pensions alone. In October 2013, many of our employees marked Older People's Day by partnering with Age UK by scaling down their lifestyles for a week and living on a budget of £75 a week, which is equivalent to that available to a pensioner living on a state pension. Money raised through the programme helped Age UK ensure that older people access all the support and benefits that they're entitled to.

HOW WE GIVE PEOPLE A BETTER RETIREMENT.

One of our key strengths is how we help our customers enjoy secure and financially stable retirements. This includes running pensions schemes, looking after pension fund investment and paying retirement income.

Investment management for pension schemes

We are the UK's largest investor in pension schemes, providing investment management services for over 2,800 UK pension schemes. In total, we invest over £450 billion on behalf of our customers, with pension fund assets counting for £304 billion; we're responsible for around 4% of the UK stock market, making us one of the largest investors on the London stock market.

We offer pension schemes a broad range of services and our investment capabilities span the full spectrum of asset classes. An important way we help pension schemes ensure their members' pensions are paid is through our liability-driven investment (LDI) capability, which helps pension schemes manage liabilities, while seeking to maximise returns from assets.

A market leader in workplace pensions

We have over one million people in our workplace pensions schemes, looking after the schemes for some of the biggest names in UK retail business such as Alliance Boots, Marks & Spencer, ASDA and IKEA. We were one of the pioneers of auto-enrolment, working with the UK government to open up pension saving to around 11 million people who previously didn't have any form of pension saving. We've already enrolled 550,000 people into our workplace pensions, with fewer than 10% of these people currently deciding to opt out.

John Pollock, Legal & General Assurance Society's CEO said: "We've delivered a low cost, effective auto-enrolment process and this is being well received by employers and employees alike. Passing our half a million milestone is a major contribution to the nation's longer term savings' needs as well as a significant percentage of the registration data for numbers auto-enrolled to date. To have delivered such large scale in what is a relatively short time in the pension world reflects the robustness of our 'WorkSave' platform."

Clients completing auto-enrolment already range from among the largest employers to companies with round 250 eligible staff members. We will be forging ahead with auto enrolment for SMEs (small and medium-sized enterprises) as we prepare for the next phase of staging."

We were named 'Auto-Enrolment Provider of the Year' by the FT Pensions and Investment Provider Awards (2013), Corporate Platform/Wrap Provider of the Year in the Professional Pensions Awards (2013) and Workplace Savings Provider of the Year in the Workplace Savings and Benefits Awards (2013).

Helping people build individual pension funds

The proposals in the March 2014 budget are likely to make individual pensions more attractive. Through Suffolk Life we are a major provider of SIPP's (self invested personal pensions). SIPP's enable people to build up their own retirement fund, choosing a much wider range of investment assets than in traditional personal pension schemes. SIPP's have also been widely used by people post-retirement, enabling them to take retirement income through drawdown facilities, while keeping the remainder of their fund invested.

The importance of annuities to give people predictable incomes

In the UK, on average, approximately 54% of the income pensioners receive is provided by the state and so for many consumers, particularly those with smaller pension funds, their private income is merely a top up to state scheme benefits. The pension annuity has been the core product in the UK retirement income market and it provides the guarantee of a secure income for life that many consumers, especially those with smaller

pots, desire. As we are all gradually living longer, the reassurance of a lifetime income guarantee is becoming even more important, especially with an increasing need to cater for long term care. So the value annuities provide should be measured primarily in the context of insurance against living much longer than expected. We are a market-leading annuity provider, with £34 billion in annuity assets, one million annuity customers, paying annual income of £1.9 billion.

How bulk annuity and longevity insurance help pensioners

We are also a market leader in bulk buyout and bulk buy-in products, which enable defined benefit pension schemes that encounter funding problems or companies that become insolvent, to continue paying pensions to their workforce. This important role means that we take over the liability for paying pensions from the employer and give their employees the reassurance of knowing that whatever financial difficulties their company faces, their retirement income will continue.

Investing in accommodation for retired people

With the growing number of people that need social care in later life, there is a vital need to ensure that elderly people's accommodation needs are met. We see our role as encompassing three areas.

1. Housing for last-time buyers

In the UK, 49% of owner-occupied homes are, according to the English Housing survey under occupied. A quarter of UK homes have just one person living in them; these are mostly over 60s. Just 1% of elderly people in the UK live in specially adapted homes, compared to 17% in the US and 13% in Australia and New Zealand. There are 25 million empty bedrooms in England. We need to build more homes for first time and last time buyers, encouraging the elderly to move to smaller homes. Our role is to influence local and central government to facilitate the building of more homes for retired people and use our investment strength to finance building schemes.

2. Equity release

We see equity release as an important solution for people in later life who want to enhance their retirement incomes. Equity release also enables funds to be released which can be used to modify their homes or use to meet care costs in late retirement.

3. Care homes

In January 2014 we announced the forward funding and purchase of five high quality care homes in Suffolk with Care UK for £31 million. This followed our initial purchase of 13 care home for Methodist Care Homes.

Our care home investments

The Suffolk development forms the second phase of Suffolk County Council's deal with Care UK, to outsource care services for the elderly. Located in Bury St Edmunds, Eye, Stowmarket and Ipswich, each of the homes will provide between 60 and 80 beds, in addition to an on-site day centre. On practical completion, each property will be let to Care UK on a new 30-year lease with annual rental increases, and will be underpinned by Suffolk County Council's 25-year contract. With work having already started at one of the Bury St Edmunds' sites, target completions are staggered for delivery between autumn 2014 and spring 2016.

Mark Russell, our property team's senior fund manager commented: "The growing needs-based demand for residential care and nursing services for the elderly is well documented. By entering into this transaction with Care UK, we will facilitate a small part of the supply response required in the sector, whilst accessing long, sustainable income streams with in-built growth for our investors."

Paul Humphreys, group finance director of Care UK, said: "Care UK's long-term contract with Suffolk County Council will result in the highest quality of residential care provision to Suffolk residents in modern, sustainable, purpose built care facilities. We are delighted to be partnering with Legal & General for the delivery of this project."

This followed the acquisition of 13 care homes from Prestbury Investments, for a total consideration of just over £70m. These homes are let to Methodist Homes (MHA), a leading care home provider. The benefit to Methodist Care homes was that we lowered the current rents for 13 care homes by providing Methodist Homes with long term stable financing, with leases that have annual RPI-linked rent reviews, creating stability and certainty.

Roger Davies, chief executive of Methodist Homes, said: "It's great to see Legal & General investing in our sector and in MHA particularly. We foresee a growing need of a range of accommodation, support and care services for Britain's older people and are committed to playing a full part in meeting this need. Legal & General and MHA share a long term commitment and a strong values-base and we look forward to a long and successful relationship."

Legal & General has been working with a number of leading third sector organisations that campaign for better standards of care as part of the due diligence on this deal. Amongst them is Elderly Accommodation Counsel (EAC), a national charity that advises older people and their families on care and housing options in later life. Its service is underpinned by a detailed knowledge of all care homes and specialist housing facilities in the UK, and of their providers and managers.

Commenting on Legal & General's investment into the Care Sector, John Galvin, EAC's chief executive, said: "Stable and responsible long term funding is crucial to develop both traditional and new models of care for increasing numbers of frail older people, to guarantee continuity and quality of service provision and to enable providers to deliver at a cost that older people can afford.

"For these reasons EAC was delighted to be invited by Legal & General to contribute initial advice as it shaped its financing arrangement with MHA and to then be part of this innovative arrangement which will see L&G taking a hands-on approach to help MHA enhance its reputation for delivering top quality services into the future."

INFLUENCING POLICYMAKERS.

Capping pension charges

We're convinced it's important for pension schemes to have a charge cap of 0.50%, not only for new auto-enrolment schemes, but for existing pension schemes as well. We were very active in commenting upon the Department of Work and Pensions (DWP) consultation on pension charging which closed at the end of November 2013. In this consultation, the government proposed a pensions cap at 0.75%.

We said that the proposed 0.75% cap would be ineffective in driving down costs, and not tackle the big problem of legacy pension schemes where savers could be getting a poor deal.

John Pollock, CEO, LGAS said: "A pension charge cap at 0.75% is a poor idea by the government. Not only will it potentially cost legacy scheme pension savers £4.3bn in lost savings, it will also be ineffective in driving down pension charges for millions of savers.

The Office of Fair Trading state typical new auto-enrolment schemes are actually around 0.51%.

The DWP estimates that a 0.25% higher charge will cost these employees (1.7million) around £2,500 each, which would amount to £4.3 billion over payment during a lifetime of saving in a legacy pension scheme.

Better retirement income choices

We strongly believe that annuities are important in helping people, some with limited financial resources, to ensure that they do not outlive their retirement savings.

The fall in annuity rates witnessed in recent years brought the difference in rates between providers sharply into focus. In addition, many providers have not been making their pension customers aware of the importance of comparing rates and seeking a better deal where they have limited longevity. Consequently, The UK wastes £1 billion a year in pension income from people not reviewing all their options at retirement.

We have been strong supporters of the 'Retirement Choices Code' established by the ABI to ensure that customers approaching retirement have an informed conversation about their retirement options. We raised the proposal of the industry introducing the opportunity of people approaching retirement to have 'at least a 15 minute conversation'.

We believe that offering customers approaching retirement the opportunity to receive impartial advice or guidance, particularly if it is not possible for them to receive independent financial advice, or to have a conversation with their provider, will help people to understand the importance of the decisions that they are taking and for them to become more engaged in arranging their retirement income.

Providing solutions for long term care funding

We were strong supporters of the 2012 Dilnot Report which proposed a cap on certain long term care costs and suggested that the care industry introduced better quality standards. We have been active in working with the Department of Health and the ABI is developing joint initiatives between the industry and government to help people plan for care costs. In March 2014, the industry and the ABI drew up on joint initiative on how to improve the funding of care costs. To support this initiative we issued a statement on care:

"Legal & General is committed to helping government by developing workable financial products to help individuals finance long-term care. Likely solutions will involve a mix of products reflecting different individual and family circumstances. In the short term, for people who are already retired or coming up to retirement, releasing housing equity to fund care will be important. Over the longer term, we can work to develop savings products that enable a 'pot' to be built for funding care costs. Annuities are also a product with potential applications for care funding, and we want to work alongside government to introduce more flexibility."



See [Next steps](#) section for more details

WORKING WITH THIRD SECTOR TO IMPROVE LIVES.

The Elderly Accommodation Counsel

Our work with the Elderly Accommodation Counsel (EAC) aims to answer the question: 'Why is it that when you retire there is less choice? Less choice around health, money and time. Our partnership campaigns to bring more choice around housing in later life. We've been working with them for four years now. The EAC have provided:

- 'Helping Mum and Dad' seminars for our employees making difficult decisions on their parents housing choice when more care is needed.
- Advice on how to build retirement housing to Legal & General Property.
- And together, we make the 'National Housing for Older People Awards' happen.

Building dignity and choice

Stephen Smith, director of housing and external affairs for Legal & General Network explains why we're involved:

"As a business, every month we are responsible for paying over 600,000 pensioners their pension. It's a big responsibility to ensure that the hard earned money that they have saved over their working lives is paid into their bank account every month and on time.

We love working with the Elderly Accommodation Counsel. EAC bring more dignity and choice into later life. They campaign for older people's rights."

"There are around 12.2 million pensioners in the UK and that number will grow. Companies like us need to better understand how pensioners want to live their lives. We have a generation gap. The average age of our employees is 36, and our challenge as a business is to help 36 year olds know what it's really like to be in a pensioner's shoes."

Nia Wales, head of annuities operations (broker), said: "It was a fantastic opportunity to spend time with older people and representatives from care providers.

"My team were very proud to share the practical training that we deliver in the area. It was of real interest to those we spoke to. Quite a few of the wardens and managers of care homes told us that they'd like to do similar training with their staff. There was a real appreciation of the value of putting younger staff in the shoes of older people to really understand them better."

Insights for employees on retirement challenges

The EAC team have also provided valuable training and understanding for our employees called 'In the Family – Anticipating Needs and Aspirations in Later Life'. This helps our employees to understand the challenges they may face as the children of ageing parents when looking at retirement housing needs and options for their loved ones.

We've jointly worked together to research the needs of older people when they select their annuity provider. The housing options for older people (HOOP) was re-launched in 2012 and provides valuable insights into the ways that over 55s are living their lives.

EAC and its partners have also provided some valuable insights into the long-term needs in retirement housing to our Home Insurance, Commercial Property and Mortgage Club businesses.

The Royal Voluntary Service

Over the last few years the Annuities team in Cardiff have developed a close relationship with the Royal Voluntary Service, supporting a number of events which engage older people from the local community. The RVS help support older people all over the country to stay independent and active in their communities.

Recently volunteers from Annuities supported their jubilee party, Christmas lunch and in June this year supported their 'Holiday at Home' event - providing a four day 'holiday' for older people, which was based at the church hall. During the four days there were quizzes, nail painting, refreshments and a good old sing song with a local school choir. This year, with additional support from Annuities, a day trip to the Mumbles, Swansea, for afternoon tea was also on the agenda and was a highlight of the event.

The volunteers from the Annuities team not only provided practical support throughout but were also great company for the older people to talk to.

Nia Wales said: "As we know, loneliness in older people is a major concern and providing events like this where older people can come together to socialise and remain active is of great value to them. As a business it's also of great value to us, as we get to have direct contact with people who are the same age as our customers, which in turn gives us a better understanding of some the issues they face on a daily basis. Plus, it's great fun for everyone involved."

Age UK

With 51% of those aged 75 and over living alone, growing old can be isolating. Together with Age UK, our employees are making a real difference.

The facts

- Isolation is a huge problem for many people in later life:
- 51% of those aged 75 and over live alone.
- Over one million older people in the UK often go for a whole month without seeing a friend or family member.
- Over five million older people consider television as their main form of company.

Making a friend

Our employees have joined the Age UK 'befriending service'. Each week they spend an hour phoning their contact, finding out how they are and forming a friendship. They're also trained in how to spot any problems with their new friend such as if they've not eaten, or are feeling low. This information is then fed back to Age UK who can intervene.

The Age UK living on £75 a week challenge

The challenge, in its second year, was a huge success. 150 people took part, with 94% getting through the week within the £75 budget. The average spend was £69 and we donated £8,175 to Age UK. Anthony Davies (Head of Compliance policy savings) shared his thoughts on taking part for the second year.

"I provide guidance on regulatory matters and help the business areas I support look past the profits we make, to the people who pay for these profits – our customers. The challenge gives a real insight into the value that saving for retirement may give our customers in future."

Pensioners evenings

Following last year's event, we recently held another social evening for our own pensioners who were either former employees or their dependants. 300 people attended the event held in our offices in London and Kingswood.

The evening gave everyone the opportunity to meet up with old colleagues and friends over a glass of wine and some food. The events were arranged by our Pensions and Benefits Team and were hosted by our Chairman, John Stewart and John Pollock, Mark Gregory. Elaine MacLean also attended.

Age UK, WRVS and a representative of The Anchor Community Band were also present each evening.

Simon Elliott, Pensions and Benefits Manager said, 'This provides a great opportunity for us to meet our customers and hear stories about the old days at Legal & General. Its clear such events are valued and they demonstrate that we care about our pensioners too. Feedback has been very positive with many already looking forward to next year's event!'

PROVIDING DIGNITY IN LATER LIFE IN MUMBAI

We've been sponsoring a Mobile Medicare Unit (MMU) in India for three years now which operates in some of the largest slum areas in Mumbai, working with our partners India First Life and Help AGE International. The focus of the service is for older people who couldn't access or afford existing health services. Nearly 1,200 patients receive health benefits and treatment from this MMU every month. Mark Gregory, group chief financial officer visited the unit and heard first-hand about the service from the medical staff and some of the beneficiaries

Speaking afterwards Mark said, "It was incredibly moving to meet some of the older people whose only access to medical care comes from this mobile unit which can reach them where they live. Over three quarters of the beneficiaries suffer from arthritis and so having the mobile unit makes a huge practical difference."

The service is providing us with much needed insight into the healthcare safety nets in India. Longer term India First has recently announced that they will be looking to develop Micro Insurance products and services to help ordinary people build small businesses to earn a living.

NEXT STEPS: HELPING PEOPLE WITH THEIR CARE NEEDS.

As a diverse financial services group, we are exceptionally well-placed to contribute to the growing debate on how to solve the UK's care crisis and develop solutions to help people in the last years of their retirement. Care costs place a huge financial burden upon individuals, their families and local and central government.

The coalition government's Care Act establishes a new framework for care. In April 2015, people who have less than £23,250 in assets excluding their home will be able to defer care costs under a new universal deferred payments scheme. In April 2016, most of the remaining provisions of the Act will be implemented. These include:

- A lifetime cap on care costs of £72,000 of eligible costs. This excludes costs above the agreed local authority rate and any costs related to living and accommodation.
- A national eligibility threshold
- The ability to transfer care packages from one local authority to another

We believe that there is no single solution to helping people with long term care and have proposed a wide range of solutions to help people who need care:

1. We will continue to invest in care homes and seek to encourage the building of specialist accommodation for last time buyers
2. We believe that the most realistic way to finance care costs is through using existing housing equity. Equity can be made available through downsizing, selling, or equity release.
3. We can help customers use their pension assets, especially if the government is introducing greater flexibility around retirement income products.
4. We can seek to encourage people to invest their tax-free cash at retirement and to use their ISA allowances to save for future care costs.
5. We can help our customers plan for care costs through awareness and communications in the run up to retirement (either direct or in the workplace).
6. We will work with the Pensions Advisory service (TPAS) and the Money Advice Service (MAS) to help people understand better how to carry out financial planning in retirement.
7. We will continue to foster relationships with organisations that support the elderly such as the Elderly Accommodation Counsel, Age UK and Carers UK.
8. We believe that in the long term, saving for care costs is the only sensible option. It is worth investigating how the success of auto-enrolment in workplace pensions can be used to design a scheme to help people save for future care costs.

HEALTH.

Our customers' good health is crucial to us for the following reasons:

- **Good health is good for society and will help the UK get back on its feet.**
- **Good health means fewer claims for critical illness or income protection policies, which is good for our customers, our shareholders and future customers.**

We want people to live active lives, to enjoy their families and friends in good health, and to take part in the communities in which they live and work. Why? Because good health is a precious commodity; precious to customers, to their families and our employees who provide services for them. That's why we're committed to:

- Helping people stay healthy, preventing poor health creeping in as they age.
- Protecting people from the worry of not being able to provide for loved ones in the event of illness or injury.
- Helping people to navigate as best they can through the services offered by healthcare providers and to help share the burden of healthcare on the State.
- Supporting people to take responsibility for their own future wellbeing, both financially and in terms of their physical and emotional health.

THE IMPACT OF POOR HEALTH ON SOCIETY.

The key to a mobile, modern, dynamic UK economy is a fit and healthy workforce. Work and health are inextricably linked. Some people are unable to work due to ill health or disability, others have no work but have generally good health, and those who are working can face the considerable strains of a working life alongside family, money, housing and day-to-day worries.

Some of the primary demographic and social factors that influence health are:

- **We're getting older.** By 2035, the UK Office of National Statistics projects that 23% of the population will be aged 65 or over (ONS, 2012) and we will retire when we are at an older age (HM Government, 2013).
- If we have had good health, we have **high expectations of wellbeing** and good health for the future. Health satisfaction influences our quality of life after age 60 (Low, Molzahn and Schopflocher, 2013).
- We're being encouraged to **take more responsibility** for our own health, wellbeing and the prevention of future disease through a balanced diet, moderate exercise, enough rest, and an acceptance that we must manage the levels of stress we have in everyday life.

The workforce in the UK is ageing, so that by 2046 the state pension age will increase to 68. By 2020, it is predicted that people over 50 will make up 32% of the working age population and 48% the adult population (DWP, 2013).

Whilst this situation provides the nation with a long-term plentiful labour supply, it also brings with it the health challenges associated with work and later life.

As we age, the incidences increase of some of the five main causes of death in the UK: coronary heart disease, stroke, lung diseases such as chronic obstructive pulmonary disease, cancer and liver disease (Lancet, 2013).

People unable to work through poor health or challenging economic conditions may start to make poor choices in terms of their health and nutrition, driven by their financial situation.

Evidence suggests that the poorer people are in the UK, the worse their diet and the more diet-related diseases they suffer from (Faculty of Public Health, 2005). The stress and financial burden of being without work can encourage individuals to seek solace in junk food, smoking, alcohol and drugs and can bring on anxiety and depression. This can take its toll on the family and housing situation and have an unpredictable outcome for households. Our [‘Deadline to the Breadline’ report 2014](#) reported that 23% of households where someone was suffering from serious illness or injury relied on state benefits for financial support. In the UK, funding for the welfare system is under pressure and we believe that it’s important for people to put in place plans to protect their income against the financial consequences of a serious or life-threatening illness.

“In turn, in the UK, we have to design care and support for people that will match the needs of our rapidly changing society, with better integration of healthcare provision, personalised care approaches that put the individual in control of their own independence, and an increased role for new technology solutions to deliver better, faster information and efficient services, such as improved research and development for drugs, surgical procedures and diagnostic devices.”

Centre for Workforce Intelligence, 2013

OUR STORY.

We are responsible for looking after more people’s health in the UK than ever. We provide individuals and companies with the safety nets that should their health fail we will be there to support and cope better with ill health and in some cases rehabilitate people back to normality.

We recognise the difference it makes to our customers if we have healthy employees. In 2013, we signed the Department of Health’s ‘Health at Work’ pledge. The pledge, known as the Public Health Responsibility Deal, aims to tap into the potential for businesses like ours and other influential organisations to make a significant contribution to

“I am delighted that we have been recognised for the work that we have done and our commitment to health and wellbeing. Our business challenge is to improve the lives of our customers – our personal challenge is to improve our own lives and those of our family.”

Nigel Wilson, CEO

improving public health. Jeremy Hunt MP, Secretary of State for Health, wrote to us in January 2014 to thank us for helping to raise awareness and create the right environment to empower and support employees to make balanced and informed choices that can help them lead healthier lives.

In 2013, we launched activities to help colleagues to improve their health and wellbeing around the business such as:

- The healthy living tool, a health assessment service designed to help people to identify areas for improvement and monitor progress in their health and wellbeing over time. Healthy living is available to our Group protection customers and is now available to colleagues, their friends and family.
- Employees can schedule an appointment with a nurse to test their cholesterol levels and blood pressure and to discuss healthier diet, exercise and lifestyle choices.
- We've signed up to the UK Government and Welsh Assembly's 'Time to Change' initiative that is designed to reduce the stigma attached to people who have experienced mental health issues. We hold events such as the 'Spot it to Stop it' day in conjunction with World Mental Health Day in October 2013 to raise awareness of the issues in our Kingswood location. We also held a 'Time to Talk' day held in February 2014 in partnership with Unite, our union, in Hove.
- We took part in the Business in the Community Workwell 'Benchmarking on Engagement and Wellbeing' public reporting exercise, developed in response to research showing a correlation between resilient, high-performing businesses and healthy and engaged workforces. We achieved a top quartile score across the categories of Work, Relationship, Specialist Support, Physical and Psychological Health (Source: Business in The Community, 2013).

RETHINK – Helping us define our approach to mental health issues

Surprisingly, work can be regarded as both a driver of poor mental health and as beneficial to mental health (van Stolk, Hofman, Hafner and Janta, 2014). We have developed a rehabilitation programme to help our customers get back to work after experiencing symptoms of mental health issues such as anxiety, depression, post-natal depression and post traumatic stress disorder. We've been working in partnership with Rethink Mental Illness, the charity whose mission is to help people affected by mental illness by challenging attitudes and changing lives. Working with Rethink, who provide us with expert clinical and practical insight, we have produced a focused, simple and low-cost toolkit for managers and individuals, featuring Rethink factsheets, detailing the causes, symptoms and management ideas for conditions such as stress, depression and anxiety disorders. Initial feedback has been very positive and work continues with focus on other mental health conditions such as chronic fatigue conditions.

ADVISORY PANEL OF EXPERTS – Protection products

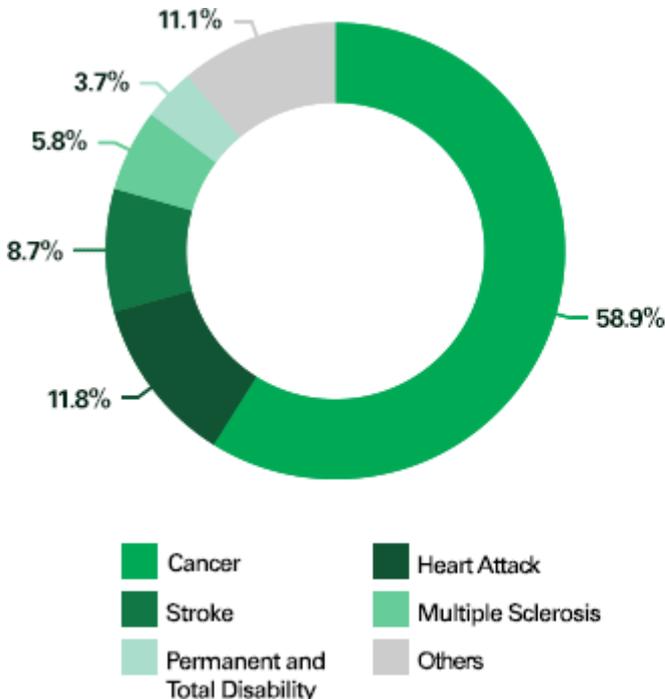
In 2013, we set up an advisory panel, made up of experts from a number of medical fields, Government and the charity sector (Rethink Mental Illness and Mind) to help us extend our insight and strategic thinking, to provide external input into our planning and to help us develop our Group protection propositions in line with the latest research findings. We're also building awareness of our specific campaigns with Government and other companies. This group has been fundamental in informing decisions around sickness absence review policy, support for improvements to the counselling component of our employee assistance programme and meets regularly to debate key issues and share learnings and best practice.

CUSTOMER SERVICE EXCELLENCE – Technology improving efficiency – GP reports

We've been working with a software provider and the British Medical Association to improve our claims processing speed. Instead of a lengthy and expensive full doctor's report, we use a slimmed down subject access request format, which means we can pay claims quicker and more efficiently.

SPOTTING A GAP IN SERVICE – Provision for terminally ill customers

Our understanding and reaction to the health conditions that our customers face particularly at claims stage continues to develop. These are the major health conditions affecting our customers who were diagnosed with critical illnesses in 2013



OTHERS	%
Benign Brain Tumour	2.1
Heart Valve Replacement	1.5
Coronary Artery By-pass Surgery	1.0
Parkinson's Disease before age 65	0.9
Angioplasty	0.8
Cardiomyopathy	0.8
Coma	0.6
Major Organ Transplant	0.4
Alzheimer's Disease / Dementia	0.4
Kidney Failure	0.4
Motor Neurone Disease	0.3
Aorta Graft Surgery	0.2
Traumatic Head Injury	0.2
Blindness	0.2
Undefined	1.1

We have seen a number of trends in 2013 relating to claims including

- Angioplasty continues to reduce in claims as it is no longer considered a critical illness
- Cancer – Thanks to the success of major charities helping UK consumers to become much more aware of symptoms they get checked out earlier by medical professionals.

We see a real gap in end of life services for our clients. This is what we have done with the charity Legacare.

“Our partnerships with charities such as Legacare help us improve our understanding of the challenges that our customers face when they are dealing with a serious illness.”

Duncan Finch,
Executive Director, Insurance

Legacare is a charity based in the North East of England offering free legal assistance to vulnerable people whose lives have been affected by cancer and other life-threatening illnesses. They've been operating since 2011, when they only had two part time solicitors working for them. In 2013, we sponsored a solicitor and will continue to do so into 2014. Legacare helped 353 people in 2013 in the Northumbria NHS Trust. Some 70% of their clients are in the palliative care stage of their illness and aged between 40 and 55. Often, the primary concern of clients is the welfare of the children they will leave

behind, and Legacare also help them with housing, employment, mortgage and debt issues, will-writing and probate.

Hilary Sadler, a Macmillan Clinical Nurse specialist from the North Tees and Hartlepool NHS Foundation Trust said, “If a patient worries less, then this can have an impact on their psychological and physical wellbeing. Having plans and feeling organised helps give people peace of mind, this then allows patients to focus on the here and now.”

A final word from one of the people who benefited from the LegaCare service, “I can now close my eyes peacefully – thank you.”

INVESTING IN HEALTH.

Direct investment in health infrastructure

Our direct investments business supports our social purpose in helping to provide good health outcomes for society in general. In February 2014, we announced an investment of £89 million over a 32 year term as part of a consortium to build the new Royal Liverpool University Hospital.

“We’re committed to investing in the fabric of the UK. A better infrastructure includes better healthcare and the new Royal Liverpool will help quality of life in the city and contribute to economic growth in the North West.”

Paul Stanworth, Managing Director

HOW WE SERVE IN HEALTH

Some of the lifestyle factors associated with poor health and long-term conditions such as high blood pressure, depression, dementia and arthritis (UK Government, 2013) can be monitored and actively managed to ensure that the quality of life for people with these conditions is as good as it can be. Over a quarter of the UK population have a long-term condition, and an increasing number of these people have multiple conditions. People with long term conditions use a significant proportion of health care services (50% of all GP appointments and 70% of days spent in hospital beds), and their care absorbs 70% of hospital and primary care budgets in England (NHS England, 2014). Our role is to help protect for when these conditions start to impact on people’s ability to work. For example, we paid for 6,706 sessions of cognitive behavioural therapy in 2013.

DOING THE RIGHT THING – Health claims

We pay all valid claims – that’s a given. We also pay some claims when we follow the spirit that the policy was intended to cover. Some of these ‘grey claims’ may not technically meet our own definition of a condition. Our experienced claims teams use their judgment to inform a decision that is taken in this ‘grey’ area. In 2013 we paid out £2.7 million in ‘grey claims’ to 47 people. For example, our multiple sclerosis definition requires the person to have six months of continuous symptoms. But if we can see the person has a definite diagnosis, we may not always insist on this. Another example relates to major organ transplant. Our major organ transplant cover requires you to be on the waiting list for a transplant, but one claimant wouldn’t have survived the operation so wasn’t able to join that list. We paid his claim.

And, when we decline a claim due to misrepresentation, which is when the customer does not give us the full story around the claim, we pass it through our Claims Review Committee to make sure we’re making the right decision. We have a Justice of the Peace and several members of our compliance department on this committee. In 2013, they reviewed 206 claims. This is a good example of doing the right thing and taking the time to think carefully about our actions, as these actions have far-reaching consequences for our customers and their families.

The future

We will continue to find ways of building better ways of supporting our customers directly and with our direct investments the wider UK economy with our investment in medical infrastructure for the long term. Our role is to help more people to cope with ill health.

SUSTAINABLE PROPERTY.



Being one of the largest UK commercial landlords means that improving the positive community impact and environmental efficiency of our tenants businesses keeps them with us. We also get to innovate new forms of property investment to help support regeneration and emerging sectors of the economy. [Here's our story...](#)

CORPORATE GOVERNANCE.



Providing £450bn of our customers capital to companies around the world whether equity or debt comes with great responsibility. We are a significant influence in how these businesses improve their Environmental, Social and Governance performance. [Here's our story...](#)

HUMAN RIGHTS.

We are a signatory to the UN Global Compact and have produced our Year 1 [Communication on Progress](#).

The majority of our influence on human rights can be made in the following ways as a result of us doing business

- In our direct workforce based in the UK, US, Netherlands and France
- Through our influence as a joint venture partner
- In our supply chain where we deal with suppliers from high risk countries
- As a major investor in UK PLC

We are working with organisations like Transparency International and Amnesty International to improve our performance in this area.

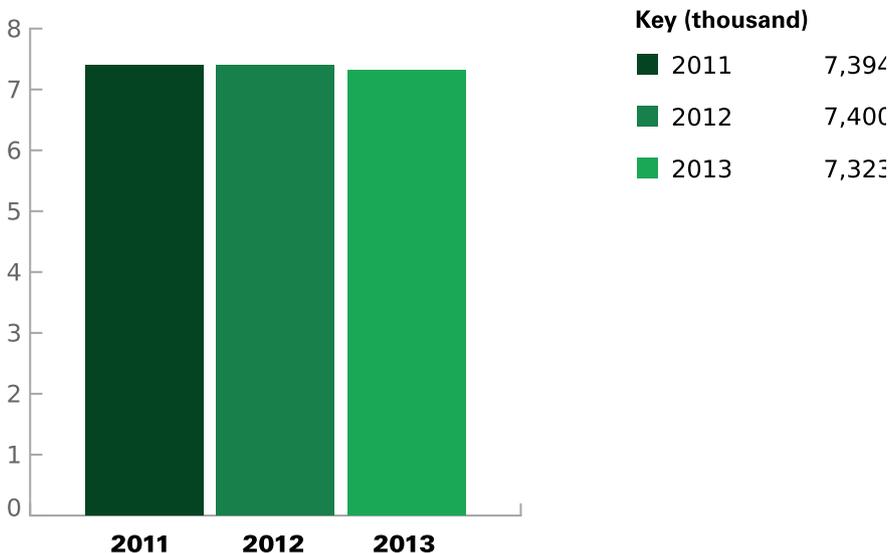
PEOPLE MAKE THE DIFFERENCE.

Health and wellbeing is a core part of our people strategy and what we do to support customers. Why? Because we need deeply engaged employees in order to drive performance and deliver our business strategy. We recognise that health is an essential factor to our success and we want employees to lead by example, to care about their health and wellbeing, so that they can perform to the best of their ability at all times for our customers. We want them to feel confident and be happy.

Our Employees in Numbers

Each year we provide data on our employees so that you can judge for yourself what sort of company we are. We try and evolve what we share each year based upon requests from our stakeholders. Have a look at the [employee data](#).

Number of UK employees



Our Focus in 2013

Our priority is to improve the environment in which our people work and support them as, through the year, we complete the organisations restructure.

In June we announced that a new division, Legal & General Assurance Society (LGAS), would be established, combining our former protection and savings divisions. We've structured the LGAS business into four businesses and announced the senior leaders for each accordingly. In October, the executive director, LGAS, explained to colleagues that there was duplication of roles and that this action would address this. The integration would make sure the business continued to offer value to customers and ensure faster decision-making and action.

Employees were informed that the company had started consultation with Unite and the management consultative forum about the proposal to reduce headcount by approximately 600 across LGAS and ensure the process was fair. Agreed steps were taken to mitigate redundancies as much as possible and many colleagues were redeployed into new roles.

2013 SUMMARY

Within this context this is what we said we would do

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

UK LIVING WAGE ACCREDITATION

For many years, we've paid living wage levels, or better, to our direct employees in the UK.

From April 2013, we paid a living wage (set at 38% above the government's national minimum wage) to those people who work to keep our offices running smoothly. This means that around 120 of our on-site contractors are now included

We worked with the [Living Wage Foundation](#), [ShareAction](#), [Citizens UK](#) and Unite who helped and supported us in achieving this.

EMPLOYEE ENGAGEMENT.

We have an ongoing employee engagement programme. 2013 was a year of great change for our UK business. We saw how resilient and engaged our employees were in the face of a programme of changes to restructure our LGAS division around customer groups. We saw high participation and positivity in our engagement surveys; line and senior managers' demonstrated strong leadership through their visibility, approachability and communication throughout the change programme. We've seen superb performances in terms of engagement and leadership survey scores in divisions large and small with some excellent management practices coming through from fresh leadership talent.

By delivering a coherent, consistent and compelling series of communications throughout the year, we've been able to reinforce the unifying objectives of our business, share our brand and communicate in detail the behaviours that will help drive business growth and successfully deliver our vision of becoming the outstanding risk, savings and investment management Group.

There was a strong focus on our 'Wellbeing' programme in 2013, which helps people to make proactive choices regarding their health, money and work/life balance (including charitable work and donations). Our maiden Fun Day, held in Kingswood, saw thousands of employees from around the UK enjoying family fun activities on one of the hottest days of the year.

LEADERSHIP VISIBILITY

We were pleased that in our 2013 employee survey our Leadership Index increased by 1%.

Nigel Wilson's (CEO) world tour started in early July and he's visited the majority of our worldwide offices. He met 50 people at a time, in small groups, over lunch in each location, presented and took questions from much larger audiences in his 'town hall' sessions. Feedback has been positive and the theme 'capability + confidence = growth' has resonated with colleagues of all grades and in all locations. Key themes for discussion in the 'town hall' sessions have been our commitment to ethical business practices, our strategic mega-trends, our digital strategy, international expansion plus mergers and acquisitions.

TALENT, LEARNING AND DEVELOPMENT.

We spent £3.68 million on training and development for our employees.

In order to meet the needs of the business, we're committed to training and developing employees to ensure they have up-to-date skills to serve customer needs. We have structured programmes for skills development through our Leadership Academy. This includes the Everyday Leadership programme for current and new managers at all levels. Employees are offered study support (financial support and study leave) for job-related and wider work-related study/qualifications. We also provide financial support to employees for wider (non work-related) learning.

We offer a number of learning and development programmes including:

- **LEARNING HUB.** In January 2013 we launched our new Learning Hub. Following the introduction of Every Day Learning in 2012, we saw the potential of creating a one-stop-shop for learning and development – an easy-to-use hub where all employees can access articles, workbooks, videos, podcasts, training catalogue, booking forms and information about our Leadership Academy. During the year usage has increased significantly with over 5,000 log-ins.
- **PERSONAL DEVELOPMENT PROGRAMME.** The Learning Hub also has a brand new personal development planning (PDP) tool to help employees identify what learning they might want to do to meet their objectives in 2013. Managers can view and download their team's PDPs.
- **FUTURE LEADERSHIP PROGRAMME.** Was successfully launched in October 2013. Participants attend six modules over two days working together in small groups to deliver against strategic business projects in line with our need to campaign for improves access to housing, increase income in later life and help customers to deal with ill health.
- **PERFORMANCE MANAGEMENT.** Following a highly successful trial during mid-year reviews, we launched our new five-point rating scale through a series of business briefings. These ratings were used in the end of year performance review meetings and combine an evaluation of behaviours and an evaluation of delivery against objectives. All our employees receive regular performance reviews and personal development reviews.
- **IN FRANCE** due to the higher turnover in the business, we increased our investment in employee development, particularly management and sales training.

“One of the ways that we can better understand the big issues that go on around us - in areas such as dignity in later life, housing and health - is for our senior managers to serve on boards of charities. We'll get better at governance and we'll learn a thing or two along the way about how these organisations try to solve some of these inequalities. Who knows, this may lead us, as a business, to build big solutions to these issues as a result of just simply doing business and innovating.”

John Stewart, Chairman, Legal & General and Chairman, Guide Dogs for the Blind

- **IN THE USA** 79% of employees agreed with the employee survey question that they had the opportunity to learn and develop at work. We invested US \$276,000 in employee education and development. This included on-site courses offered through the Learning Network, a behaviours event, the Future Leaders Programme, industry sponsored courses, external seminars and college/university tuition reimbursement. In 2013 we held formal learning sessions for all employees to introduce and embrace the six core behaviours. In 2014, a cross-functional review team developed a new performance appraisal form to include the behaviours in performance reviews.
- **SMART PROGRAMME.** This was originally set up three years ago as SMART – Senior Managers as Recruited Trustees - with 10 senior leaders. The Chairman's charitable network has since grown to include 25 senior leaders across the Group. They serve on the boards of charities and not-for-profit organisations as part of their development and to learn a thing or two about life for people trying to access housing, cope with ill health and survive on lower incomes in later life. The network meets quarterly to share experiences, discuss issues and work together to resolve them. This a joint venture with Charity People.

WELLBEING.

Health and wellbeing is a core part of our people strategy. We want our employees to be fit and healthy and at work and able to perform at their best, so they can provide an excellent service to our customers. We align our employee well-being benefits with the approach we adopt for our customers, that is, we try to support employees throughout all stages of life. As a result, we've organised our benefits into three areas in respect of an individual's overall wellbeing: My health, My money, My life.

EMPLOYEE FEEDBACK

Not unexpectedly, because of the reorganisation of LGAS, our UK employee survey shows that the majority of the wellbeing indicators decreased slightly.

- 82% agreed 'My manager cares about my wellbeing' (82% 2012).
- 74% agreed 'I am able to achieve the right balance between my work/home life' (76% 2012).
- 66% agreed 'I am under an acceptable level of pressure in my job' (68% 2012).

EMPLOYEE RESILIENCE 2013

We've delivered a number of enhancements to our employees working environment beyond what we provided already in terms of benefits:

- [UK: Why work for us?](#)
- [FRANCE: Why work for us?](#)
- [NETHERLANDS: Why work for us?](#)
- [AMERICA: Why work for us?](#)

MY LIFE, MY HEALTH UK

- **Healthy living tool.** We launched a [health assessment service](#) to all employees. It gives people the chance to monitor and improve their fitness and health. Over 1,300 people have used the tool so far.
- **Better training.** We've delivered manager training on wellbeing, preventative care, changes to the sick pay policy and our new absence process across all UK locations.
- **Early intervention.** We have a new occupational health provider who focuses on preventative health. It's already paying dividends. In the first six weeks, over 77 referrals were made, including some employees who were referred while still at work to help prevent absence.

- **Communications.** We ran 'My money, My life, My health' communications internally to provide employees with access to services.
- **Bringing in experts.** We've started using not-for-profit partners to understand how our external campaigns issues of access to housing, dealing with ill health and income in later life are affecting our employees own lives as well as our customers. Shelter has been fundamental to helping us understand how easy or difficult it is for our employees to pay their mortgage or rent each month. The Elderly Accommodation Counsel helped us understand the challenges our employees face in helping parents through the difficult decisions of retirement choices in later life.
- **Onsite healthy living service.** This launched in June 2013, supported by visits from nurses in various office locations for cholesterol and blood pressure testing.

PUBLIC COMMITMENTS

In 2013, Nigel Wilson, CEO, signed the Time to Change pledge with Rethink and MIND. It's a commitment to reduce the stigma associated with mental health. We ran an internal 'Spot it to stop it' campaign to raise awareness and encourage employees to take time to talk to one another.

We've made a commitment to the UK Government's Responsibility Deal chaired by Dame Carol Black. It aims to tap into the potential for businesses and other influential organisations to make a significant contribution to improving public health by helping to create healthy work environments.

MY MONEY

- **Pension challenge.** In October 2013, 150 employees volunteered to live on the basic state pension for a week - £75 for seven days. The challenge highlights the importance of saving for retirement as well as providing empathy with older customers, relatives and friends. For every person who successfully completed the challenge, we donated £75 to Age UK.
- **Pension benefits statement.** We informed employees in the defined contribution pension scheme that they could maximise the company's matching contributions and use our on-line tool to manage their account.

MY LIFE, MY HEALTH USA

- Employees have access to a calendar of upcoming on-site seminars, links to health related newsletters and external sites for information on healthy eating and proper exercise.
- In 2013 we hosted several employee wellness clinics, for example, flu shot clinics, pulmonary function tests, vision screening, dermascan screenings and stress management plus how to make quick and healthy meals.
- Our latest initiative was an interactive eight-week walking challenge organised through our social media forum. More than 56% of American employees got involved.

MY LIFE, MY HEALTH NETHERLANDS

- A successful home-working pilot has led home-working being offered to all employees. This programme focussed on absenteeism prevention and led to sickness absenteeism improving by 1.4% (1.7% 2013 compared to 3.1% in 2012).

19th OUT OF 100 BEST COMPANIES TO WORK FOR

“A terrific achievement for us! I’m really proud of our position as 19th ‘Best Big Company to Work For’. Our move up into the one star category demonstrates the importance of everyone’s efforts to keep customers at the heart of what we do, every day.”

Nigel Wilson, CEO

We’re delighted that, once again, we made it in to the Sunday Times ‘25 Best Big Companies to Work For’ list. We’re ranked 19th, six places above our listing in 2012. They also awarded us an accreditation as a ‘one star’ company with a score of 674.9, up 28.8 points on our 2012/13 score.

Then, on top of that, we won a special award for ‘Innovation in Engagement Practice’, in recognition of the work across the business such as ‘One Day’ in late 2012, the Fun Day we held last summer and the number of CSR-related activities undertaken.

EMPLOYEE SURVEY.

As a services company, it’s essential that people and technology work together to deliver our customer promise to help make financial security easier to achieve. Having engaged employees connected to the social and economic value we produce is vital to delivering better service and creating loyalty.

To help measure the working environment, we run an independent global employee survey. In 2013, we included three new territories; Netherlands, Gulf and CIL in Egypt. In total, 7,737 people around the world participated, representing an increase of 1,194 people versus 2012.

We also use this survey as a way to understand employees’ views about company ethics and to monitor human rights and employee attitudes with our joint venture businesses. 87% of our global employees participated in the survey.

These are the headlines:

1. Worldwide employee engagement index: 77% (-2) versus 2013
2. Worldwide leadership index: 73% (+1 percentage point versus 2012)

We run a significant community programme across the Group that focuses on the issues of housing, health and income in later life. Employees are encouraged to get involved in the areas of social inequality that are important to them aligned to these issues.

We regularly poll employees so they can tell us how they think the business is performing. Data shows there’s a continuing, and increasing, trend that employees feel they’re working for an ethical company. However, 15% have a more neutral opinion, which we believe provides a healthy scepticism.

From 2012 to 2013 we also saw a 2% increase in employees who agree or strongly agree that we make a positive difference to people’s lives.

We see further evidence of in the 'giving something back' scores from the 2014 Times 'Top Big Employers'. They improved by more than 12% and, for the second year running, this score was the highest for the Group. We saw a pleasing shift from relatively high degrees of neutrality in the past because of continued efforts to:

- increase visibility of customer stories about how we helped them in their time of need;
- exposing and training employees on the issues customers face;
- sharing longer term views on big social issues: housing, health and income in later life;
- sharing our 'social purpose' through examples;
- celebrating those who work hard at giving something back;
- showing the link between good corporate citizenship and good business; demonstrating how good governance develops good behaviours in the businesses we invest; and
- increasing visibility about the ways our direct infrastructure investments are providing long term capital to parts of society and the economy that need stabilising – we're not just doing it for commercial gain.

	Worldwide ¹ Scores (agree/ strongly agree)	MENA (Middle East and North Africa)	Legal & General America	Legal & General Netherlands	Legal & General France
Employee engagement scores	77% (80% 2012)	81%	86%	84%	84%
"I work for an ethical company."	85% (87% 2012)	87%	92%	96%	86%
"I understand my role in working for an ethical company."	82% (82% 2012)	93%	95%	91%	87%
"Legal & General makes a positive difference to people's lives."	78% (76% 2012)	79%	88%	72%	65%

¹ Except India First.

A STRONG LINK: CSR AND EMPLOYEE ENGAGEMENT.

We believe CSR programmes provide perspective and insights into life that can give employees a better understanding of work problems and issues.

Our GCRE committee commissioned analysis to test this belief, investigating the link between a strong responsible business culture and employee engagement.

Working with ORC International, we've investigated the level of employee engagement by looking at the correlation between those people in the business who are 'CSR active' - involved in volunteering, community projects and raising monies for charities and those that weren't. Here's what we found:

Employees who get involved in CSR activities outperform their peers in key areas of the employee survey.

Employees don't judge how ethical we are as a company on the amount of time and money in our communities. It's about decision making, our stance on issues, our reputation and the performance of our products all working for our customers.

The analysis suggests that CSR active employees:

- Are more engaged by +2%
- Have a better work life balance by +6%
- Believe they perform at their best by +5%
- Have ideas and take informed risks by +6%
- Are more likely to speak up and challenge by +4%
- Interestingly, they don't necessarily have different view about us as an ethical company, they remain neutral!

EQUALITY, DIVERSITY AND INCLUSION.

Our Equality, Diversity and Inclusions Committee remit for diversity includes gender, age, religion, disability, sexuality and life style choice. Diversity improves the quality of our decision-making and, because of this; in 2013, we increased its to consider:

- Employee profile versus customer profile
- Diversity of supply chain
- Diversity of investees in our investment portfolio

This is an important committee that, in 2013, delivered:

- The committee reviewed employee's answers from our engagement survey about annual salaries. These answers were critically analysed by gender, ethnicity and age. The findings were discussed, as were the responses to the questions in the survey covering bullying and harassment and other equality-related questions.
- We train all employees on discrimination and equalities legislation to introduce the concept of unconscious bias, counteract this, and show the business benefit in valuing everyone.

FOCUS ON FEMALE TALENT

We're trying to improve diversity in middle management (what we call level five) because the mix between men and women has become unbalanced. We're committed to finding innovative ways to improve this pinch point within our organisation. So far, we've delivered the following to start to address this:

- **A female talent forum** has been established, with senior business sponsorship, to increase identify the talent pool and ensure visibility by directly linking the forum with the chief executive and the chairman.
- **Focus groups** are held that target women in the first stage of their management career to learn more about the barriers to progression.
- **The Opportunity Now Project 28-40 Listening to Women study.** This is a ground breaking study that called for 100,000 women to participate in and talk about their experiences at work.

- Our female employees participated and, following the survey, the data was used to help us create new initiatives to improve the gender balance at all levels in the organisation.
- **Think, Act, Report.** We're supporting this Government initiative, which provides us with a step-by-step framework to think about gender equality in our workforce - particularly in relation to recruitment, retention, promotion and pay.
- **In our French business,** to increase the number of female candidates for level five equivalent positions, we require one woman to be on all short-lists.

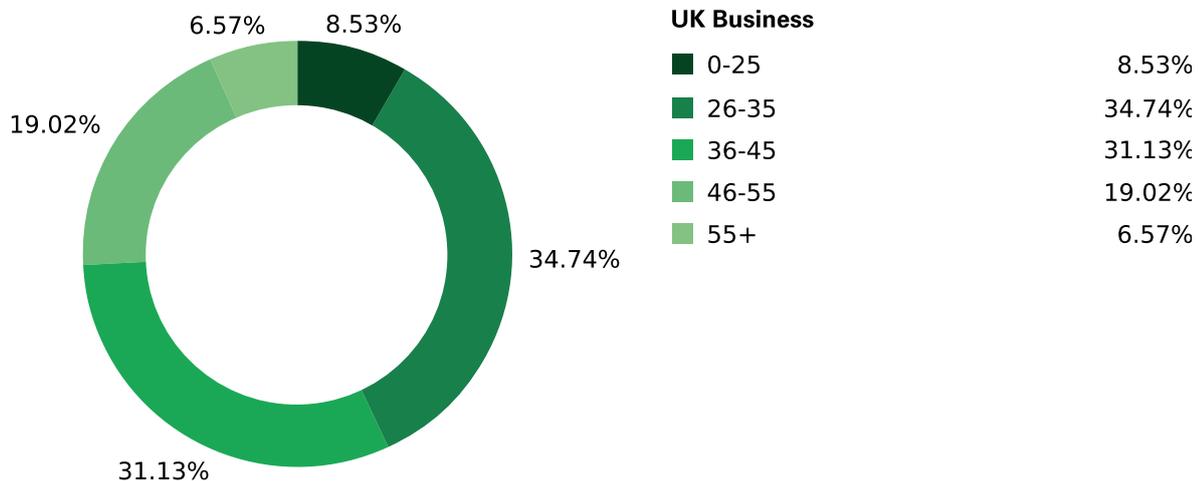
WORK EXPERIENCE.

In most of the countries in which we operate, we've seen youth unemployment reach the highest levels for a number of years. We play a key role in providing the next generation with an insight into the working environment:

- In the UK, our investment management business is a member of [Investment2020](#). This was designed to give those exiting education the opportunity to gain a year's paid work experience. We have trainees in across variety of areas including legal, compliance, HR, institutional business and investment operations. Trainees are encouraged to undertake development activities to help equip them with the skills to work in their chosen profession and industry. They also get the opportunity to network with trainees from other organisations and to attend 'industry insight events'.
- Each year, our Netherlands business, offers traineeships to a number of school pupils/students to meet its wider commitment to society of good employment practices.
- In France, we have been working with 'IMS Entreprendre pour la Cité' to help employees encourage young people to achieve their aspirations by working with us.
- In the UK, our 'Step Up for Success' programme worked with 150 bright young people with the aim of:
 - unearthing insight into a market that we struggle to engage;
 - providing 'young consultants' with a Level 2 qualification and a FTSE company reference;
 - providing our future leaders with a personal development opportunity of leading a team;
 - providing work experience with purpose and value, by giving participants real topics that we're grappling with as a business.

The programme has inspired our business to look at how we can engage younger audiences. As a result we've seen an increase in campaign activity across the Group – check out [#everydaymatters](#).

Age bandings: UK business



BUYING SUSTAINABLY.

WHAT WE BUY

To run our service based business effectively, there are a number of 'raw materials' that we need to bring together. Our focus is buying these in the right way to ensure they'll be available in the future.

- We need a good supply of people.
- We need transport to move our people around.
- We need natural resources to run the business such as energy, paper and water.
- We need good IT systems to ensure information is available at the touch of a button.
- We need good relationships with other financial services providers to move money/data around.
- We need buildings to work from. They need to be clean, tidy and provide a pleasant working environment.

"Our suppliers form an essential part of our strategic direction, they help us serve our customers and drive innovation in both our products and how we process our business. We use the £500m we spend with our supplies to help support our continued efforts with our supply chain to improve on both our environmental and social targets.

Our commitment to helping our supplier's improve and supporting them when they face difficulties remains a key priority."

Alex Wolny, Director, Group Procurement & Supplier Management and Chair of the Group Environment Committee

SUPPLY CHAIN IN NUMBERS

	2009	2010	2011	2012	2013	2013 versus 2012
Spend with suppliers	£316m	£369m	£439m	£446m	£504m	+13%
Number of suppliers	2,284	2,102	2,077	2,005	2,638	+32%
Number of key suppliers	50	40	40	140	185	+32%
Percentage of supplier spend operating in high risk countries (as defined by FTSE4Good)	2%	15%	16%	9%	14%	+55%

SUPPLY CHAIN RISK

We use best practice processes to identify suppliers that meet or exceed our (and our customers') requirements in terms of quality, value and speed of delivery. At the same time, we ensure we minimise our impact on the environment, maintaining international standard of workers welfare and actively encourage improving their local communities.

Continuous improvement is at the heart of what we do. By working in partnership with our suppliers, our constantly evolving standards help us to support and guide the delivery of goods and services.

We play closer attention to companies that deliver their services from higher risk countries.

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

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

INCREASING INFLUENCE

In 2012 we revised our key supplier criteria so it included a greater number of our suppliers. We've continued this work through 2013 with the number of our key suppliers increasing to 185. We've implemented a key supplier governance framework that includes the requirement for key suppliers to report their environmental, social and governance performance improvements.

In the Netherlands and France, we've further localise their versions of our sustainable procurement policy. The UK business remains the largest procurer of products and service by far.

GOVERNANCE AND POLICY

All suppliers must comply with our [sustainable procurement policy](#) (PDF). We continually review our governance model and policies to ensure they remain relevant in today's market, whilst maintaining standards such as anti-bribery and corruption.

The Group-wide corporate responsibility and ethics committee expects suppliers to:

- maintain effective policies and procedures to manage their environmental impact;
- respect fundamental human rights including worker representation;
- have a positive impact on the communities in which they operate;
- maintain responsible health and safety practices;
- be committed to equal opportunities in employment; and
- adopt ethical business practices.

BENCHMARKING PERFORMANCE

In 2013 we retained our ISO14001 accreditation within our supply chain operations.

Our procurement environmental management system represents our commitment to improving the way we manage our direct and indirect supply chain impact. We continue to validate and improve our approach to supplier management against external organisations, including the:

- Financial Services Purchasing Forum
- Business in the Community Corporate Responsibility Index
- Dow Jones Sustainability Index
- EIRIS
- UN Global Compact
- FTSE4GOOD
- Suppliers such as Bureau Veritas and SGS

INCREASE TRAINING AND EDUCATION

We've created a new sustainable supply chain committee whose remit includes optimising our supply chain. They do this by working with suppliers and internal and external subject matter experts to influence Group Environmental, Social and Governance targets.

Our commitment to CSR improvement continued in 2013, key supplier relationship managers received training and a handbook, which established governance of our CSR policies and standards.

SUPPLY CHAIN DIVERSITY – SOCIAL ENTERPRISES

Social enterprises are an essential part of the UK economy. We'd like to increase the diversity of our supplier base to include social enterprises.

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

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

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

We're trialling www.clarityefbp.org products in our London office.

We used www.tier1.com who works with prison inmates to recycle and achieve an NVQ qualifications when we upgraded all our PCs in the UK business.

We hope, as the sector grows and becomes able to deliver national contracts, our investment in this sector will lead to us being able to contract with more organisations in our supply chain.

2013 STANDARDS IMPROVED

We implemented a couple of key standards to improve the lives of people in our supply chain:

- **Adoption of UK living wage.** We've been working with Share Action and Fair Pensions to be one of the first major companies to adopt and implement the [UK Living Wage standards](#) as an employer and as a contractor of services in our major locations. As an employer, we're already paying a UK living wage, but we're now paying around 120 contract workers a living wage and have improved their lives and living standards as a result.
- **Adoption of the UK Prompt Payment Code.** This ensures that timely payments provide our suppliers with much needed cashflows to small to medium sized businesses in the UK.

THE FUTURE

We're planning to deliver a number of things, some of which will become targets, others ensure that we are simply doing business better:

- We'll enhance the sustainable procurement policy to further include equality, diversity and inclusion and waste reduction elements.
- We'll work with our supply chain to minimise our use and consumption of vulnerable raw materials. Without paper our business cannot operate. We've established a Print Buyers Forum that ensures our use of our most significant commodity that impacts the environment, paper, is only ever sourced using sustainable or recycled materials. The Print Buyers Forum focuses on reducing our paper requirement and helps us move to the digital delivery of communications.

COMMUNITY INVESTMENT CSR APPROACH.

As a responsible leading financial company we understand how important “Every Day Matters” is in our communities around where we work and live. Community involvement has always been paramount to our organisation. Our employees volunteer to support local initiatives where they can make a real difference to the lives of others. In 2013, we committed to invest 3 Million into the third sector and 1750 employee volunteering working days.

Our Communities

Though our main UK locations (Birmingham, Cardiff, Central London, Kingswood, Hove, and Ipswich), and overseas locations, Netherlands, France and the USA, we build community relationships. Our employees get involved at a local level with volunteering and fundraise to help tackle some real community issues. We encourage close links between Schools, Charities, Community groups and local authorities.

Our approach

We welcome third and not for profit sectors with their expertise and knowledge to help us improve the way we do business in line with our products. In exchange for funding we look at innovative approaches to training our employees, challenge our product designers or understanding a particular market that we may think differently about. These relationships help us understand our customers and build upon the richness of our organisation.

We don't have a charity of the year. We give our employees to choice to nominate the charities we support in each location. There are a number of national charities we support from Macmillan, Prostrate and Breast Cancer charities, Children in Need and Comic/Sport Relief.

This year over 25% of our workforce volunteered during work time and in their communities to support local issues. (This amounts to over 2000 days). Our employee volunteering policy allows employees to volunteer during work time for a minimum of one day a year.

“I am very proud of our employee's giving time to be involved with our communities. Their commitment both in and outside work brings “Every Day Matters” alive.

Sara Heald, Manager, Corporate Social Responsibility.

We continue to support sponsorship matching for employees fundraising efforts, matching up to £25 for give as you earn, grants for schools for employees who are School Governors and matching for all our dress down days in our locations.

EVENTS DIARY.

11 February 2014

Legal & General Support HACT (Housing Association Charity Trust)

Legal & General Property, together with HACT, hosted talks with 40 social housing professionals, talking Social Return on Investment (SROI) for the industry.

The recent financial crisis has led to the public expecting those managing the pensions and investments of others to look deeper than financial returns, and to look at how their capital can be used to benefit society. This requires social impact to be evaluated by every investment professional, in every investment decision.

We're pleased to support HACT's initiative to measure the social impact of housing providers, so investors can make informed decisions.

22 February 2013

FRANCE

Legal & General France held 'One day at work', enabling secondary school students from underprivileged areas to learn about new professions, the world of work and the opportunities available to them. In partnership with the Ministry of National Education, 20 teenagers from Modigliani College in Paris come along to talk to employees.



23 March 2013

Kingswood and Hove choirs debut at the Choral Festival

Legal & General Choir from Kingswood and Hove, made their first public debut at the Surrey Choral Festival Gala Concert.

The concert, took place at the Harlequin Theatre in Redhill. The packed audience were treated to a diverse music programme including pieces ranging from modern to Mozart. All choirs involved are part of the Reigate and Redhill Choral Society's (R&RCS) 'Music and Wellbeing' section of the [Community Development Programme](#). Since it launched, the programme, which we sponsor, has positively impacted hundreds of local people of all ages and backgrounds.

28 March 2013

Learning from RNLI to understand flood victims.

Employees from Ipswich and Birmingham claims and operational support teams travelled to the Olympic White Water Rafting centre at Lee Valley in Essex to spend a day with the Royal National Lifeboat Institution (RNLI) Flood Rescue Team and observe them as they underwent their intensive flood rescue training.



The aim of the day was to help the teams understand exactly what happens before they get a customer's call to say their house has been flooded. Our teams were given a fascinating insight into how the charity approaches different flood situations, the techniques they use and the backgrounds of the volunteers in the team.

16 April 2013

BITC has rated Legal & General Group a Platinum Big Tick.

This is the third year in a row that we've performed at this level, and we've shown how we:

- Do business fairly for our customers and in our marketplace.
- Work with our suppliers.
- Use our investment influence to improve standards in others (Corporate Governance).

One important area we do well in is how we work with our communities and Non-Governmental Organisations (NGO's). We work with them to improve our understanding of dignity in later life and health and housing equality (our social purpose) - so we can make sure that our products work towards solving these issues.

24 April 2013

FTSE4Good Index

We've scored four out of five in the FTSE4Good Index for our approach to doing business responsibly. The FTSE4Good Index is the responsible investment index, calculated by global index provider the FTSE Group.



It gives investors a guide to companies that operate within globally recognised corporate responsibility standards, and recommends investors to invest in our shares. We also use the index to understand our suppliers ethical performance before we work with them.

FTSE4Good

24 May 2013

Time to change

We joined the growing number of companies committing to end the stigma and discrimination against people with experience of mental health problems by signing a pledge with Time to Change, which is a programme run by the charities Mind and Rethink Mental Illness. The signing ceremony took place at Coleman Street. Nigel Wilson, CEO, and Jim Islam the Managing Director of Legal & General Group Protection pledged their support to 'Time to Change', promoting a better understanding of mental health problems while offering support and welfare advice to their staff.



Nigel Wilson said: "I am delighted to sign the Time to Change pledge on behalf of Legal & General. It is vitally important that we talk about mental health and face it head on. The workplace is the best place to do this and I am proud to be showing our commitment to addressing the stigma of mental health today."

Jim Islam said: "With one in four of us likely to be affected by a mental health problem in any given year, we

must work together to address this challenge. Legal & General have already made efforts to raise the awareness of mental health issues through our own research and Stress in the City campaign. Signing the pledge today demonstrates our continued commitment to tackling mental health.”

08 May 2013

Living wage

Legal & General has joined a growing number of major employers looking to do the right thing in this area by becoming an accredited Living Wage employer.

From April 2013 we will now also pay a Living Wage to those people who work to keep our offices running smoothly. This means that around 120 of our on-site contractors will now be paid in line with this standard, which is set at a level up to 38% above the government's national minimum wage.

We have worked with the [Living Wage Foundation](#), [ShareAction](#) and [Citizens UK](#) who have helped and supported us in achieving this.

17 July 2013

Legal & General recognised at this year's BITC Arts and Business Cymru Awards

We've once again been recognised for the work we do in the community at the Arts and Business Cymru Awards, held at the Wales Millennium Centre, Cardiff Bay.

The Arts and Business Cymru Awards celebrate the very best of partnerships that exist throughout the country. From staff training to engaging some of the most vulnerable members of society.

We won the Arts, Business and the Community Award in recognition of two of our newest sponsorships, which stood out as "models of effective engagement of some of the hardest to reach communities". By sponsoring UCAN Production's annual festival for visually impaired young people, the business effectively reached over 600 of the arts organisations members across Wales.

Our Business Adviser of the Year is...

Mary Sinclair-Porter, Relationships and Operations Manager, Medical Underwriting, was presented with the Business Adviser of the Year Award. Since joining the Board of Hijinx Theatre in 2005, Mary has made a major contribution to the company's success. Her extensive business skills and experience have been invaluable, especially during the past year when she played a significant role in the appointment of a new Executive Director. While her advice and clear focus have been valued by the company, Mary says working with Hijinx has given a totally different business perspective, appreciating the challenges of running a small business in the cultural sector. Mary says its a privilege to work with Hijinx and her exemplary commitment was praised by the judges who felt she was a clear winner.

12 July 2013

70 employees from Hove, Kingswood and London, took part in the Legal & General Community Games, at our Kingswood location.

We welcomed 215 pupils and their teachers from four local schools. The day was run in partnership with, [SportInspired](#), who aim to build the confidence, passion and life skills of young people through sport. Every competitor got to try seven different sports, and take part in a healthy living session.

The emphasis was put on team spirit, taking part and supporting your team mates. The aim of the day was for the young people to find a team sport they enjoyed. An amazing 99% of them found a sport they would like to play again.

01 August 2013

Brighton Pride

This year marked our first time taking part in Brighton Pride. 23 employees marched through the streets of Brighton sporting umbrellas, t-shirts and fancy dress outfits. The streets were full to bursting, the atmosphere was electric and a sea of umbrellas was met by the cheers of 140,000 people.



September 2013

Legal & General America Charitable Campaign

Legal & General America holds a Charitable Giving Campaign through America's Charities. The 2013 Charity Campaign raised \$531,432 and will provide assistance to over 230 charities.

During the campaign, employees have the opportunity to participate in fundraising events at work that encourage teamwork and create excitement about giving. Employees are also encouraged to pledge donations by payroll deduction to the charities of their choice and our company matches every dollar.



03 October 2013

Hundreds of L&G music fans gather at Koko in Camden for the fifth annual OctRock gig for an evening's entertainment provided by Inexecs, Wandering Foxes and Priority1. All three bands did themselves proud with a diverse set list to say the least.



Throughout the year, employees have cycled, swum, run and walked a combined 2,700 miles to raise money for charities dear to them in the name of the OctRock appeal. Our grand total for 2013 was £81,500 which was donated to nine different charities. We've donated over £117,000 to charities over the years.

03 October 2013

The Warrior Programme

Our Kingswood location hosted "The Warrior Programme" for 20 spouses of ex armed forces personnel for a very unique rehabilitation programme, never been done before in the UK. The three day programme helped these partners and family members to better manage the stresses of caring for veterans struggling with mental health issues, including post-traumatic stress.



The three day coaching programme teaches participants practical, effective tools, techniques and coaching strategies to improve performance and motivation and overcome the above. The course outcomes are to improve: Confidence, Self-Reliance, Resilience, Independence, Self-belief and managing self, mood and emotions.

10 October 2013

Legal & General Netherlands support International Older People's Day.

10 employees from [Legal & General Netherlands](#) did something special for the older clients of Sherpa - a foundation who look after physically and mentally disabled people. They spent the day at Sherpa, running several activities from playing games and singing to playing bingo. They also treated the older people at Sherpa with tea and cakes. The activities were appreciated by everyone, especially those Sherpa supports, who enjoyed the attention, and their carers. And also by our colleagues - who's horizons were broadened.

INSPIRING YOUNG PEOPLE.

Money Money Money

In 2013, over 90 employees volunteered in the class room to guide students on money in the real world. This year we visited schools in Ipswich, Cardiff, London, Hove, Leatherhead and Reigate. Our Birmingham event was moved to 2014.

In the classroom volunteers worked in small groups. These sessions help increase confidence about key financial demands a student faces in the future and gives them a better understanding of how they can manage these financial demands.

It has given us valuable insight into the attitudes of the next generation to money and savings and helps us understand the next generation of future customers.

Since the start of Money Money Money in May 2010, 31 events have been delivered which L&G employees have volunteered with. This covers over 6,000 students.

"Money Money Money, has been a great example of how we work in partnership to make a real difference in the community and encourage our employees to take a wider interest. This project has helped students to think about thier attitude to saving and the impact this could have on their future. It fits well with our social purpose as a business and to better understand the attitudes of the next generation. Employee volunteers guide the studetns through a range of activities to get them thinking about things, such as, earning their first

salary, taxes and the cost of food and rent. By sharing their own experiences with money, the volunteers help the students feel more confident about money management and the challenges they will face as they enter the world of work". Frances Borrer, Community Investment Manager, Hove.

Comments from our employees:

"It was quite a different experience to my daily job at work. I was a bit nervous at the beginning but really enjoyed the day. Some students were very sharp and quick talking but some were not participating as much as I would like to see."

"It was a much nicer experience than I thought it would be so I am glad I had the chance to do it."

Step Up For Success

In June and July we invited 30 students from three different schools to join us for one week in our Cardiff, Kingswood and London locations. School that took part in our "Step up for success programme" were St Teilos Church in Wales High School, The Warwick in Redhill and Islington Arts & Media School (IAMS) from London. This provided them with a unique opportunity to help build confidence and an understanding of the workplace.

Each location has twelve employees help mentor and manage the students for the week. The students were given different challenges at the beginning of the week to present to an audience of up to 60 people. IAMS students were split into small groups to interview Nigel Wilson (L&G CEO) which for many became the highlight of the week. Other senior managers throughout the three locations enthusiastically gave their time to be interviewed by the students on a range of subjects from social media to being a responsible company.

"Step up for Success helps prepare students for the world of work by providing them with real work experience, whilst gaining an accredited qualification. Students have the opportunity to engage directly with our employees, who help raise the confidence, self-esteem and aspirations of students over the course of the programme. Our employees also make them aware of what it's like to work in business and the skills employers look for. Often young people lack focus when it comes to thinking about employment and direct access to businesses is a powerful way to make students more excited about what their future could be. This programme gives them the practical advice and support to help them on their way". Lynne Sheehy, Community Investment Manager, Cardiff.

Beacon School mentoring schemes

We continue to run two mentoring schemes in partnership with Surrey Enterprise Business partnership (EBP) covering years 10 and 11 at the Beacon School, Banstead. In 2013 we had 39 employees involved giving 518 hours reaching 110 young people.

On average a mentor meets with their mentee every other week during term time for one to one advice and support. Each pupil is identified by the school, to help them build confidence and reach their full potential. We feel it is an important role within our business to offer a sympathetic adult ear and the insight into the world of work.

John Hillman comments "I mentored now for nearly 8 years and seen the mentoring scheme go from strength to strength. Experiencing the benefits that the scheme brings and the value it has not only the school and pupils we mentor but also to the mentors themselves I consider a privilege to be able to help promote and keep the scheme going. Year after year the feedback from the school on the impact on the young people we

engage with is always positive and the feedback from mentors is equally positive. So for relatively little work on my part it is good to help L&G continue to run a scheme that does so much for the local community and fits with our values.”

Regular Reading and Number Partners

At each location we encourage employees to volunteer to either hear children read in primary school or play structured games to help with their maths. Some locations organise both. This is a great way for employees to get out the office for an hour, fortnightly to give back to the community. In London, at the end of the summer term invites all the children from Moreland Primary School who have taken part in this programme, to the office for lunch. The children can see a large city office and the desk where their mentor works and usually treated to a hot chocolate or two.

Career Academies UK

We currently have a number of employees committed to mentoring students over two years offering advice and information in the form of a workplace visit.

Career Academies UK help raise young people’s aspirations and bridge the gap between education and work by giving them access to real experiences of the world of work.

Paul McGill the organiser comments “When I started at L&G there was a very clear mechanism for ‘training the next generation’. I was a trainee reporting to a junior programmer who reported to a senior programmer. I could clearly see how I was being stretched and encouraged to step up. Unfortunately, a few years ago, that seemed to disappear in a number of sectors. I see the Career Academies UK programme as a way of giving something back and encouraging the next generation.”

School Governors

Our school governor programme has been running for over 10 years. We feel this is one of the best ways an employer can help education in their community. The aim is to encourage people with transferable skills to volunteer.

With the help of “the school governors’ one-stop shop”, a registered charity dedicated to recruiting governors across England, we have placed a number of employees in vacant posts. In Wales we work with the local authority in the employee’s area to find vacancies.

Within the scheme we are able to ask questions of other school governors and share any ideas and best practice. A post recent topic has been “setting up academies”. We offer each of our governors the opportunity to apply for a grant for their school. This year we had 77 employees representing 74 schools. (In some cases we have more than one governor at a school).

In total we have provided grants totalling £48,750.00 for these schools to use forwards a specific maths programme.

EMPLOYEE ENGAGEMENT.

Making a difference in our communities is part of our DNA. Each year we set ourselves a challenging target for volunteering and each year we are blown away by the commitment our staff had to smashing this target.

Our performance

In 2013, our employees contributed £1.3 million through their own giving and fundraising. This shows the importance our employees feel about their communities and causes close to their hearts. We continue to offer sponsorship matching schemes, matching payroll giving, grants for employees who are school governors and donations to employee charities.

In 2013, 25% of our employees took part in volunteering at work and in their community. Overall, employees contributed more than 2,000 days of time and skills. We firmly believe volunteering can help improve confidence and improve health. For this reason we actively encourage our employees to take part in organised volunteering events and try something new. Regardless of the motivation what unites them all is that they find it both challenging and rewarding.

Our own analysis taken from the annual "What matters employee survey 2012" took over 300 most active volunteers and compared them to all our UK employees. The results confirmed what we already knew. (Our employee survey takes place in the last quarter of the year).

- Are more engaged by +2%
- Take more ideas and informed risks by +6%
- Have a better work life balance by +6%
- Believe that they perform at their best by +5%
- Are more likely to speak up and challenge by +4%
- Interestingly they do not necessarily have different view on us as an ethical company, where they remain neutral!

What next

Our priority is maximising volunteering support. This includes team days linked to our CSR campaigns so employees understand our customers and bring Every Day Matters to the forefront of everything they do.

We will also be engaging with community stakeholders to find out how we can do more and measure our impacts. We are determined to make it easy and rewarding to give, and will apply employee insights to make this happen.

Voice from our volunteers

Jatinder (London)

Why Volunteer?

“When I was at school, there were areas that needed more attention such as English, having not being given the level of support to make the necessary improvements has had an impact on my development. It was with this in mind that I took up the opportunity to volunteer as it offers me the chance to make a difference to the future generation. Mentoring allows me to give back to the community by supporting childhood development through basic language and reading skills. It also provides a bit of escapism from the mundane grind of the city and allows me the opportunity to spend quality time away from work and the busy lifestyle I lead. Hopefully I make a difference to each and everyone of the children I support, by giving them the opportunity that I was deprived off.”

What volunteering do you do?

“Each fortnight, I visit the Moreland Primary school where I take part in Reading Partners. This is a programme that has been set up to aide the development children that require support in improving their English and reading skills in particular enabling them to meet the required standard and increase their confidence.

During the summer, I joined the Sports Inspired team, who organisation hosts Community Games, which enables children to participate in a number of sports and allowing them to then pursue the one which they enjoyed the most. This community based charity helps tackle obesity, apathy and antisocial behaviour, the social benefits of which are increased sports participation. Each project positively impacts the mind, body and ‘heart’ of its youth and adult participants.”

How do you view a company that allows you time to volunteer during work hours?

“It’s great to be part of an organisation that fosters the core values that enable it’s work force to contribute via volunteer work and Charity contributions.”

Lin (Hove)

"I'd thought about volunteering for a while and was considering a few options when I was sent a sponsorship link by a colleague to the Martlets Hospice, in Hove. That was back in 2011 and I've volunteered there ever since.

I look after the 'In Patients Unit' reception from 5pm - 8pm one evening a week. I man the phones, deal with visitors, write up the next day's rotas and do various bits of admin. My being there gives the Hospice Staff more time to concentrate on patient care during what can be a busy part of the day.

Recently the Martlets asked if I would help them make a film to promote Volunteering. It was terrifying but hopefully it will inspire someone to click on the 'Join Us' link too.

For two years, around 20 of us have spent our 'Volunteer Day' in early December at the Martlets, doing various gardening and maintenance jobs, stringing lights up in the grounds and decorating Christmas trees. It's a full on day but very rewarding and we all leave wanting to go back again the next year.

The comments I hear from visitors, patients and staff over the next few weeks about the beautiful trees, lights and grounds make me realise how valuable having and using this day is. Not just because we've ticked some jobs off the Martlets 'to do' list but because it has provided some normality and a welcome distraction for people at a very difficult time.

I think it's fabulous that L&G allows us to do this."

Paul (Cardiff)

"Employee volunteering is an excellent idea, and having experienced it first hand, I would strongly recommend others to get involved. There's a great camaraderie amongst the volunteers, as well as a strong desire to get a worthwhile job done, and done well – and the sense of satisfaction at the end of the exercise really makes it all worthwhile. You really feel like you've done something good that has made a real difference."

CHAIRMAN'S COMMUNITY AWARDS.

These awards showcase the amazing employees we have in our company, who give their time to help others. Nominations this year include employees from France, Netherlands, United Kingdom and USA.

These employees spend their own time helping inspire young people, volunteering in their community and fundraising for causes close to their hearts. They lead our Every Day Matters culture and I hope their stories inspire you to follow their lead.

The winners for the Chairman's Community Awards were announced on Wednesday 22 January 2013, at the awards ceremony in Coleman Street. The shortlist included employees from the UK, US, France and Netherlands.

"This event celebrates employees' passion and enthusiasm to do the right thing which is so important to Legal & General's culture. The people you voted for are the cream of the cream. Those people who not only do a great job for L&G but go the extra mile and improve the lives of others."

John Stewart, Chairman

For the first time, family and friends were given the opportunity to vote – resulting in over 2500 people voting. 35% of friends and family voted and 3% of customers voted. Votes came in from Poland, Israel, New Zealand, Australia, Spain, India, Canada, Zimbabwe and South Africa.



See our [community awards](#) website

TOP 10% OF THE WORLD'S SUSTAINABLE BUSINESSES.

STRATEGY

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.

GOVERNANCE

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

The Group Environment Committee is responsible for managing the Group's views on climate change. It's responsible for managing (and reducing) environmental impacts across the Group. Its scope covers the following areas and targets are set accordingly:

- UK direct operations and subsidiaries
- Commercial property portfolio
- Investment management activities
- Capital and direct investment strategies

CLIMATE AND ENVIRONMENTAL RISK

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

Our material environmental risks and opportunities can be summarised as:

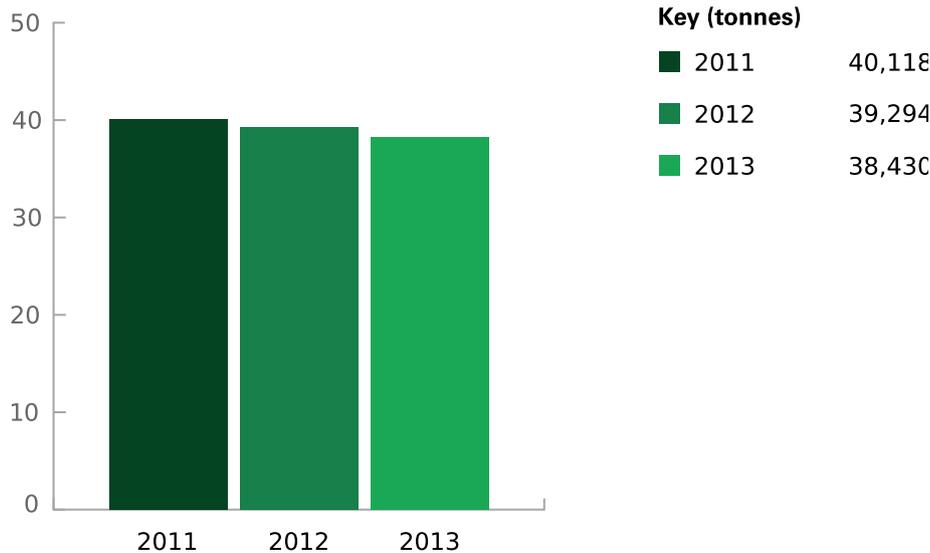
- The efficient use of scarce resources as a business.
- The impacts on reputation and risk that our investment holdings have for our clients.
- The investment opportunities that climate change brings for us and for our customers.
- The impact of climate change on UK consumers and how they insure themselves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

The majority of our environmental risks are legislation is driven through our UK business as that's where the majority of our business and resource usage takes place. We operate under the Carbon Reduction Commitment legislation and, as such, in tax year 2012/13, paid **£418,884** to the Department of Energy and Climate Change for CO₂ emissions.

"The market upheavals and high debt levels of the last few years should remind investors that a long term view of the world and the markets is essential. The Dow Jones Sustainability Indices combine that kind of long run focus on sustainability with index investing to empower investors."

David Blitzer, managing director and chairman, S&P Dow Jones Index Committee

CO₂ Total Group Emissions



STAKEHOLDERS.

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

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

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

LATEST NGO CAMPAIGNS

We're very aware about a number of environmental impact debates between consumers and non-government organisation (NGO). In particular, NGOs are debating Arctic oil drilling, land grabs in Africa, carbon stranded assets and fracking. All of which are typically raised through our investment management business because of our investment holdings.

Our response can be found in the [NGO's](#) section of this report.

IMPACT OF FLOODING

The impact from the world's changing climate continues to be a focus for our UK business. And, given the recent UK weather patterns, it's clear that these impacts, such as flooding, are a key concern for our customers as much as for us.

We continue to make progress in better understanding how climate change impacts the very core of our services and we're developing climate resilient products to help our customers. We recognise that when events such as flooding occur, they can be catastrophic for our customers. To improve our understanding of the impact of these events, our employees attend the Royal National Lifeboat Institution (RNLI) for flood stimulation training.

REALLY UNDERSTANDING FLOODING

28 March 2013, employees from our general insurance claims and operational support teams travelled to the Olympic White Water Rafting centre at Lea Valley in Essex. They spent the day with the Royal National Lifeboat Institution (RNLI) flood rescue team to observe them as they underwent their intensive flood rescue training. The aim of the day was to help employees understand exactly what happens before they get a customer's call to say their house has been flooded.

We were given a fascinating insight into how the charity approaches different flood situations, the techniques they use and the backgrounds of the volunteers in the team. The experience confirmed our policy that, in the long-term, managing the risk of flooding will always be the best way of securing available and affordable flood insurance for our customers.

“What better way to bring the feeling and emotion around flooding than having the RNLI, who work with customers in flooded houses, spend time working alongside our claims teams, who do exactly the same thing - forgive the pun - downstream.

For me the key conversation during the day was when the RNLI crew was asked, 'What could we do as an insurance company to make it easier for our customers to cope with flooding?' Their response was quite simple, 'If a customer lives in a higher flood risk area tell them. Don't just price it into their insurance. You could also give your customers a grab bag with some survival tips and advice, with your insurance contacts firmly emblazoned on them.' This is an approach we are now implementing.”

Graham Precey, Head of Corporate Social Responsibility



BUILDING RESILIENCE: DOING MORE WITH FEWER NATURAL RESOURCES

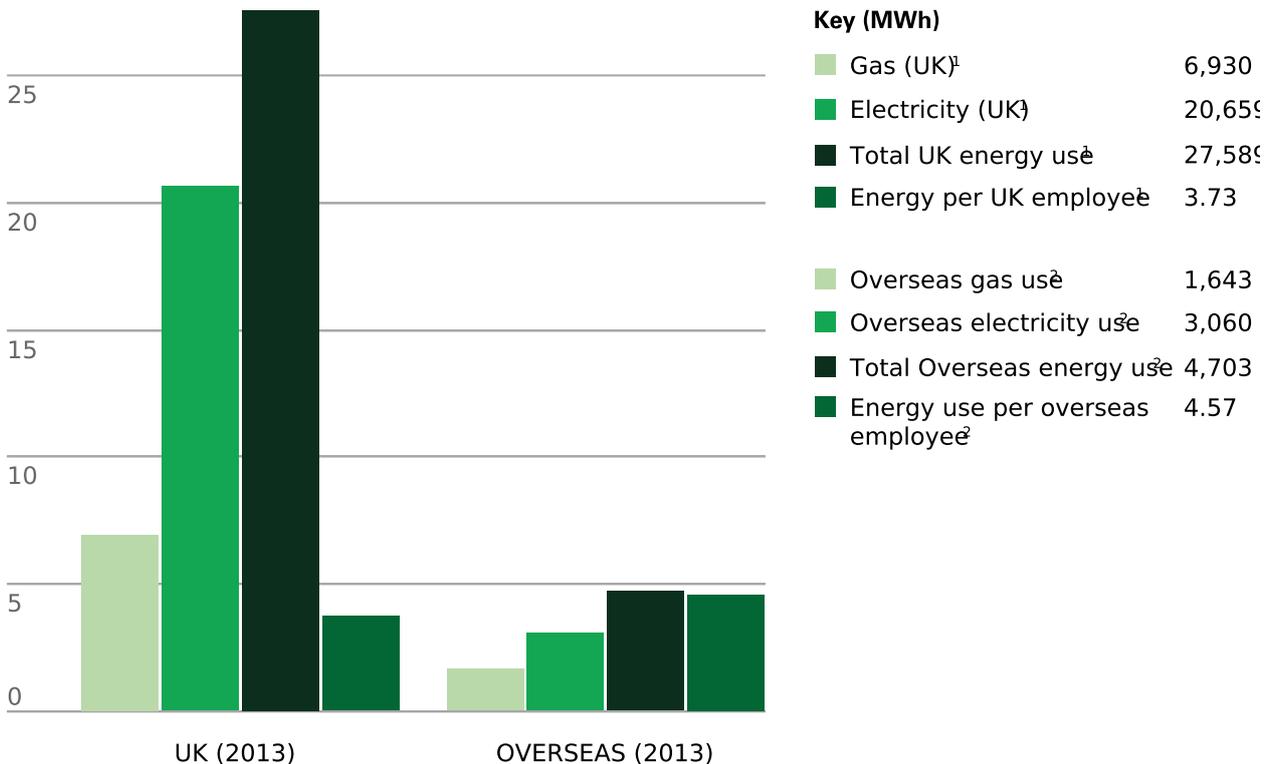
To look after our eight million UK customers and one million overseas, we focus on being more efficient with the key resources that we use to do business. We use these resources to attract new business, take care of our existing business and make payouts. These key resources are:

- Energy
- Transport
- Water
- Paper
- Waste

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

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

- waste by 19% per customer policy we look after
- CO₂ emissions by 4% per customer policy
- paper per policy by 13%



¹ Includes all group occupied properties: Suffolk Life (occupied properties & SIPP properties), Legal & General Surveying Services and Estate Agency Franchising offices (including voids), Cofunds, and UK Facilities properties.

² Includes overseas properties Legal & General America (LGA), Legal & General Netherlands (LGN) and Legal & General France (LGF).

2013 AND BEYOND.

DIRECT INVESTMENT IN THE ENERGY MARKET

We are still formulating an opinion on these sensitive issues as to its impacts upon homeowners and their ability to insure their homes.

BACKING RENEWABLES

The need for alternative sources of energy within the UK is clear as it will boost growth and lower energy bills across the UK.

We've taken great strides to find ways to buy and support renewable sources of energy in the UK. With great pressures on traditional sources of energy such as gas and oil it makes sense for us to play our role in stimulating the market for renewable energy.

We have done this in two ways:

ENERGY GENERATION

"Solar farms and the land that they sit are a good long term investment for us – as the long term stable cash flows generated are a good match for our annuity customer payments over the same period."

Laura Mason, Director of Investment

ENERGY BUYING

Our UK offices now have renewable energy tariffs and, with the energy, we buy within our £11.5 billion property portfolio. This means we're buying around 47,000 megawatt hours (MWH) of renewable electricity per annum at a cost of £5 million. According to OFGEN, the average consumer in the

"There is a need to build a modern infrastructure. The world is awash with liquidity. The insurance sector has just pledged £25 billion, and there is potentially more. We need to move quickly on energy, transport, health and education projects that create productive new jobs and make essentials like travel and electricity cheaper. The Northern Rail Hub project, new airport runways, road improvements and five new efficient natural gas power stations alongside fracking all make sense."

Nigel Wilson, CEO

Our Capital business has provided a £60 million long-term finance loan to Melina Solar (owned by the Foresight Group) to finance solar farms and the Renewable Finance Company. This will provide debt to finance the running of a number of solar parks in the UK. These investments in energy infrastructure mean that we're helping secure the supply of renewable energy for UK consumers for the foreseeable future.

"Buying renewables makes sense. It's currently more economic than carbon intensive forms of energy and makes a small contribution to changing the UK energy mix away from traditional sources of energy."

Paul Mills, UKF

UK spends £531 per year and uses 3,300 KWH of energy. We use 12,500 homes worth of energy a year to run our business.

CLIMATE RESILIENCE AND INVESTMENT OPPORTUNITIES

All of our assets are covered by our investment management business's corporate governance programme, which intervenes in companies on a debt or equity holding basis to improve the environmental, social or governance performance of their business irrespective of the mandate given by the clients.

We also offer a number of direct funds to our clients who are climate concerned; these can be accessed through our subsidiaries, Cofunds and Suffolk Life. These clients tend to be either retail consumers or pension funds that are starting to understand how climate change poses risks to their investments or opportunities to back new climate resilient technologies.

Global Environmental Enterprises Fund. This innovative fund aims to provide long-term growth by investing in companies at the forefront of producing solutions to global energy and environmental issues.

The fund is highly selective. It features companies that generate more than half of their revenue from products or services relating to the efficient use of natural resources or reducing the effects of climate change. These companies are divided into three main sectors:

- Energy efficiency and energy management
- Low-carbon energy production
- Water, waste and pollution control

Ethical UK Equity Index Fund 3. This fund aims to track the Sterling total returns of the FTSE4Good UK Equity Index (including reinvested income, less withholding tax) to within +/- 0.5% per annum for two years in three.

Ethical Global Equity Index Fund 3. This fund aims to track the sterling total returns of the FTSE4Good Global Equity Index (including re-invested income, less withholding tax) to within +/- 0.5% per annum for two years in three.

PENSION FUNDS

We also offer funds for pension funds to invest in products focused upon environmental and social impacts. These are:

Carbon Optimized Fund. Designed for pensions investors concerned about carbon risk, which in turn is a good proxy for energy risk. The fund aims to achieve returns close to the FTSE All-Share index while reducing exposure to financial risk from the transition to a low carbon economy and rising energy costs. The fund is sector neutral weighted compared to the FTSE All-Share but is around 20% less carbon intensive.

Pension Jupiter Ecology Fund 3. The aim of this fund is to achieve long-term capital appreciation together with a growing income consistent with a policy of protecting the environment. The fund invests worldwide in companies that demonstrate a positive commitment to the long term protection of the environment. The fund invests in companies on a global basis that are responding positively to the challenges of environmental sustainability and are making a positive commitment to social well-being.

Ethical Trust R Class Accumulation. The fund's objective is to provide growth by investing in a portfolio of companies whose business meets a range of ethical and environmental guidelines.

THE FUTURE

Our strategy remains two-fold:

- Reduce year-on-year use of resources to run our business
- Create environmentally aware and climate resilient products and services.

We know that this knowledge is increasingly being demanded by the Group and also by investors to create climate resilient decisions around the ownership of assets. As a company, we are also looking to further directly invest in UK energy assets which are in need of stable long term capital.

KEY PERFORMANCE INDICATORS.

Data Matters - We appreciate that our stakeholders also want to have a look at our long term data on our performance. Take a look at our underlying numbers. If you have any questions, please [get in contact](#)

- [Product and customer data](#)
- [Employee data](#)
- [Investor data](#)
- [Supplier data](#)
- [Environmental data](#)
- [Community data](#)

PRODUCT AND CUSTOMER DATA.

	2009	2010	2011	2012	2013	2013 versus 2012
Number of UK customers	7,045,034	7,053,446	6,854,062	7,190,925	7,923,467	10%
Number of UK policies	7,886,412	8,053,293	7,701,911	8,109,422	8,849,465	9%
% of customers loyal to our brand in that they are likely to re-purchase the product/service in the future	67%	61%	74%	73%	69%	-4%
UK complaints (reportable and non-reportable) as a percentage of customers	0.53%	0.47%	0.56%	0.58%	0.53%	-8%
Number of overseas policies (France, USA, Netherlands)	N/A	N/A	1,090,034	1,159,205	1,294,671	12%

Source: UK RDSI Brand Tracking research.

	2009	2010	2011	2012	2013
Number of customers whose pension we're responsible for paying every month	514,248	556,494	613,015	653,184	680,870
Total pension payments per annum	£890,000,000	£1,018,000,000	£1,126,000,000	£1,333,602,135	£1,410,387,060
Average pension payments per year	£1,731	£1,829	£1,837	£2,041	£1,831

	2009	2010	2011	2012	2013
Number of in force customer home insurance policies	1.2m	1.4m	1.5m	1.6m	1.8m
Amount in claims that we paid out to customers to restore/replace homes and possessions	£150m	£135m	£160m	£135.7m	£132.5m

	2009	2010	2011	2012	2013
Percentage of Critical Illness claims paid out to our customers	93.60%	91.80%	93.00%	93.10%	93.60%
The amount of money we paid out to our critically ill customers	£152m	£147m	£177m	£209m	£242m

	2009	2010	2011	2012	2013
Do we always pay out to our customers?	Only 2.2% not paid due to misrepresentation (4.2% of claims had no cover for the condition suffered). During 2013, we paid 52 claims even though the medical information we received did not prove whether our critical illness policy definitions had been met. 48% of these claims were made under the heart attack definition. These are cases where we apply the spirit of the contract rather than the precise terms and conditions and on all of these; we've had the full backing of our reinsurers to pay our customers.				

When customers unfortunately pass away.

We also have customers who unfortunately pass away. Our role is to work with the family or their representatives to pay out their life insurance as quickly as possible.

The amount we paid out to beneficiaries when someone has unfortunately passed away with life insurance cover	£217m	£226m	£264m	£274m	£262m
The percentage of claims paid when someone passes away	98.20%	97.80%	97.80%	97.70%	98.20%
Do we always pay out to our customers?	Only 1.6% not paid due to misrepresentation (another 0.2% weren't paid due to the first year suicide exclusion).				

	2009	2010	2011	2012	2013
Percentage of claims paid to customers who are unable to work because of health issues	77%	82%	92%	91%	92%
Total paid out to supplement incomes while clients are too ill to work	£1.34m	£1.57m	£1.35m	£1.36m	£1.40m

	2009	2010	2011	2012	2013
Assets under administration value for customers whose (pension and non-pension) savings we are responsible for (£m)	54,786	64,057	64,915	70,181	108,900
Percentage of customers who are not happy with their savings product and have complained to us	N/A	N/A	0.29%	0.30%	0.28%

	2009	2010	2011	2012	2013
Number of employees of businesses whose lives we insure	2,337,537	2,350,115	2,415,758	2,265,875	2,322,374
Number of people rehabilitated back to work in that year	N/A	800	875	2,019	Data is one year in arrears because of rehabilitation cycle
Percentage of employees in rehabilitation who return to work in the first year of absence	72.4%	75.3%	79.4%	82.3%	Data is one year in arrears because of rehabilitation cycle
Amount invested in rehabilitating people back to work	£3.4m	£2.9m	£3.1m	£3.9m	£3.8m
Amount paid out to clients per annum for critical illness cover	£8,802,762	£7,474,000	£8,167,000	£7,105,839	£7,231,000
Amount paid out to clients whose income we are protecting when they are unable to work	£29,204,313	£31,304,287	£32,360,477	£30,552,060	£28,200,000

	2009	2010	2011	2012	2013
Amount paid out to customers who have died	£186,889,177	£195,619,000	£213,745,228	£201,499,061	£201,346,000
Percentage of clients we pay out to on critical illness cover	79.9%	73.0%	80.6%	79.0%	75.0%
Percentage of clients we pay out to when the client dies	95.3%	97.0%	99.3%	99.1%	99.4%
Percentage of clients we pay out to when our clients are unable to work	95.6%	97.0%	97.8%	99.2%	99.1%

	2010	2011	2012	2013
Percentage of UK population according to Fresco	25.0%	24.9%	26.9%	26.8%
Percentage of our UK customer base	14.0%	15.9%	14.2%	14.5%

EMPLOYEE DATA.

Employees Length of Service	0-5	6-10	11-15	16-20	21-25	25+
Legal & General UK	42.10%	26.12%	18.39%	5.03%	4.00%	4.35%
Legal & General France	59.67%	10.28%	11.52%	5.76%	10.28%	2.05%
Legal & General America	48.40%	31.49%	9.96%	3.20%	2.31%	4.63%
Legal & General Netherlands	38.86%	33.16%	18.13%	3.11%	4.15%	2.59%

Number of Employees	2009	2010	2011	2012	2013	2013 versus 2012
UK employees	7,729	7,101	7,323	7,400	7,394	-0.1%
Overseas Subsidiary Employees (France, Netherlands, USA)	N/A	N/A	809	944	1,030	+9.1%

Employee absence	2009	2010	2011	2012	2013	2013 versus 2012
UK Sickness as percentage of UK Workforce	3.6%	3.3%	3.0%	3.4%	3.1%	-0.3%
Legal & General Netherlands Sickness as percentage of workforce	3.2%	2.8%	4.6%	3.1%	1.7%	-1.4%

Employee turnover by country	2009	2010	2011	2012	2013	2013 versus 2012
UK Turnover as a percentage of UK Workforce	15.0%	13.7%	8.5%	8.1%	10.4%	+2.3%
Legal & General America Turnover as a percentage of LGA Workforce	6.70%	8.75%	7.30%	6.30%	7.90%	+1.60%
Legal & General France Turnover as a percentage of LGF Workforce	45.27%	49.72%	32.50%	33.00%	19.80%	-13.20%
Legal & General Netherlands Turnover as a percentage of LGN Workforce	7.9%	6.1%	6.4%	4.6%	8.8%	+4.2%

UK employee union membership	2009	2010	2011	2012	2013	2013 versus 2012
Percentage of UK Employees who are members of Unite	36.0%	31.2%	35.5%	34.0%	33.8%	-0.2%

Please note: Our management consultative forum, an internal body, that collectively represents grade 6 and above employees (although LGIM is grade 5 and above).

Workforce flexibility	2009	2010	2011	2012	2013
Percentage of UK Workforce on Full Time Contracts	83.27%	86.00%	85.00%	86.00%	85.40%
Percentage of UK Workforce on Part Time Contracts	16.77%	14.00%	15.00%	14.00%	14.60%
Percentage of Legal & General America Workforce who work on a full-time basis	98.0%	98.0%	95.0%	95.0%	95.2%
Percentage of Legal & General America Workforce who work on a part-time basis	2.0%	2.0%	5.0%	5.0%	4.8%
Percentage of Legal & General Netherlands Workforce on Full Time Contracts	65%	64%	60%	62%	58%
Percentage of Legal & General Netherlands Workforce on Part Time Contracts	35%	36%	40%	38%	42%
Percentage of Legal & General France Workforce on Full Time Contracts	97.00%	96.00%	97.00%	97.00%	98.35%
Percentage of Legal & General France Workforce on Part Time Contracts	3.00%	4.00%	3.00%	3.00%	1.64%

Employee development	2009	2010	2011	2012	2013	2013 versus 2012
Percentage of UK staff agree they have the opportunity to learn and develop at work in Employee Survey	52%	56%	71%	76%	76%	+0%
Percentage of Legal & General America staff agree they have the opportunity to learn and develop at work in Employee Survey	N/A	73%	78%	81%	79%	+2%
Total Investment in Employee Development UK (£m)	3.3	2.1	4.1	1.7	3.6	+47%
Total Investment in Employee Development Legal & General America (\$m USD)	N/A	N/A	N/A	0.3	0.3	+7%
Total Investment in Employee Development Legal & General France (Euro's m)	N/A	0.42	0.316	0.36	0.15	-58%
Total Investment in Employee Development Legal & General Netherlands (Euro's m)	0.16	0.24	0.21	0.28	0.31	-10%

Age Bandings	0-25	26-35	36-45	46-55	55+
UK Business	8.53%	34.74%	31.13%	19.02%	6.57%
Legal & General America	3.02%	24.20%	31.67%	25.10%	16.01%
Legal & General Netherlands	2.07%	24.87%	37.31%	28.50%	7.25%
Legal & General France	6.17%	35.39%	27.16%	23.45%	7.81%

Legal & General UK Gender Split	2009	2010	2011	2012	2013
Male	49.10%	50.10%	50.30%	50.66%	51.00%
Female	50.90%	49.90%	49.70%	49.34%	49.00%

Legal & General France Gender Split	2009	2010	2011	2012	2013
Male	55.30%	57.44%	59.52%	55.65%	54.17%
Female	44.70%	42.56%	40.48%	44.35%	45.83%

Legal & General America Gender Split	2009	2010	2011	2012	2013
Male	N/A	N/A	N/A	34.49%	34.52%
Female	N/A	N/A	N/A	65.51%	65.48%

Legal & General Netherlands Gender Split	2009	2010	2011	2012	2013
Male	55.20%	57.00%	59.00%	59.00%	58.03%
Female	54.80%	43.00%	41.00%	41.00%	41.97%

UK Employee Gender by Grade		
Staff Grade Number	Staff Gender	
	Female	Male
1	59.70%	40.30%
2	61.90%	38.10%
3	53.00%	47.00%
4	47.90%	52.10%
5	40.60%	59.40%
6	34.50%	65.50%
7	23.50%	76.50%
8	20.80%	79.20%
	49.00%	51.00%

Key:

- 1 General Employee Grades
- 2 General Employee Grades
- 3 General Employee Grades
- 4 General Employee Grades
- 5 Management Grades
- 6 Management Grades
- 7 Senior Management
- 8 Senior Management

Legal & General Netherlands Gender by Grade		
Gender	Staff Gender	
	Female	Male
Scale 3-4 (UK 1-4)	50.00%	50.00%
Scale 5-6 (UK 5)	32.65%	67.35%
Scale 7-9 (UK 6)	62.10%	37.90%
Scale 10+ (UK 7 and 8)	82.05%	17.95%

Legal & General America Gender by Grade		
	Female	Male
Senior Officer	25.00%	75.00%
Officer	26.67%	73.33%
Manager/High Level Technical	45.58%	54.42%
Professional	69.92%	30.08%
Staff	80.24%	19.76%

UK ethnicity	2009	2010	2011	2012	2013
Bangladeshi	1.70%	1.90%	1.70%	1.72%	1.73%
Black	0.70%	1.00%	0.80%	0.85%	0.84%
Indian	2.70%	2.50%	2.30%	2.27%	2.22%
Mixed	1.30%	N/A	1.70%	1.28%	1.24%
Other or undisclosed	2.60%	7.50%	15.20%	14.93%	16.38%
Pakistani	0.70%	0.80%	0.70%	0.64%	0.54%
White	90.20%	86.10%	77.30%	78.03%	76.76%
Grand Total	100.00%	100.00%	100.00%	100.00%	100.00%

Legal & General America Ethnic Origin		
Ethnicity	2012	2013
American Indian or Alaskan	0.19%	0.00%
Asian	9.63%	9.79%
Black or African American	22.16%	21.17%
Hispanic or Latino	3.66%	3.20%
Two or more races	2.12%	2.14%
White	62.24%	63.52%
Hawaiian/Pacific Islander		0.18%

Our people – Health and safety statistics					
	2009	2010	2011	2012	2013
UK employees	7,729	7,101	7,323	7,400	7,394
UK reportable accidents*	5	5	5	6	6
UK incident rate**	78	70	68	81	81
UK fatal accidents	Nil	Nil	Nil	Nil	Nil
UK prosecutions	Nil	Nil	Nil	Nil	Nil
UK dangerous occurrences*	1	Nil	Nil	Nil	Nil
UK reportable diseases*	Nil	Nil	Nil	Nil	Nil
UK prohibition notices	Nil	Nil	Nil	Nil	Nil
UK other enforcement notices	Nil	Nil	Nil	Nil	Nil

* As defined by RIDDOR Regulations 1995.

** Reportable incident rate per 100,000 employees.

We continue to monitor health and safety performance via local committees, which report into the Group health and safety committee. The local health and safety committees meet regularly and represent a cross section of departments and also encourage staff to participate and raise awareness across the business. The health and safety committees also include representation from Unite.

INVESTOR DATA.

FUM and ESG Engagement Trend by LGIM	2011	2012	2013
Environmental and socially led engagements	82	128	144
Governance led engagements	238	297	336
Total funds under management (£bn)	371	406	450

For more details see the [LGIM Corporate Governance Report](#).

SUPPLIER DATA.

	2009	2010	2011	2012	2013	2013 versus 2012
Spend with suppliers	£316m	£369m	£439m	£446m	£504m	+13%
Number of suppliers	2,284	2,102	2,077	2,005	2,638	+32%
Number of key suppliers	50	40	40	140	185	+32%
Percentage of supplier spend operating in high risk countries (as defined by FTSE4Good)	2%	15%	16%	9%	14%	+55%

ENVIRONMENTAL DATA.

Performance indicator	Unit	2013	2012/13	2011/12	2010	2009
CO ₂ Total Group Emissions (Scope 1,2,3) ¹	tonnes	38,430	39,294	40,118	N/A	N/A
CO ₂ Scope 2 renewable energy ²	tonnes	20,856	N/A	N/A	N/A	N/A
CO ₂ Scope 1 & 2 non-renewable energy ³	tonnes	13,016	N/A	N/A	N/A	N/A
CO ₂ UK occupied properties	tonnes	9,182	N/A	N/A	N/A	N/A
CO ₂ UK occupied properties per employee ³	tonnes	1.24	1.51	1.77	2.74	2.69
CO ₂ UK occupied properties per policy ³	kgs	1.04	1.95	1.68	1.81	1.94
CO ₂ UK employee business travel ⁵	tonnes	3,810	2,986	2,923	2,654	2,950
CO ₂ UK occupied properties and business travel	tonnes	12,992	13,117 ⁶	15,887	17,230	18,244
CO ₂ per UK employee	tonnes	1.76	1.95 ⁶	2.16	2.47	2.51
CO ₂ per UK Policy	kgs	1.46	1.62 ⁶	2.06	2.14	2.31
CO ₂ Overseas properties ⁶	tonnes	1,367	1,884	1,950	N/A	N/A
CO ₂ Overseas employee business travel	tonnes	747.80	N/A	N/A	N/A	N/A
CO ₂ per overseas employees	tonnes	1.33	1.87	2.41	N/A	N/A
CO ₂ per overseas policies	kgs	1.06	1.85	1.79	N/A	N/A
Fugitive emissions	tonnes	571.24	N/A	N/A	N/A	N/A

1

Total CO₂ emissions data is based on Legal & General's UK CRC Energy Efficiency Scheme disclosed emissions, Overseas property emissions and UK travel emissions. Calculated following the GHG reporting protocol (2013) and emission factors from UK Government's GHG Conversion Factors for Company Reporting 2013.

2 100% of UK Facilities and 100% of Investment Property electricity supply is under a renewable energy tariff.

3 Suffolk Life (occupied properties), Cofunds, Legal & General Surveying Services and Estate Agency Franchising offices (including voids) and overseas properties Legal & General America (LGA), Legal & General Netherlands (LGN) and Legal & General France (LGF).

4 Energy per UK employee and per UK policy includes UK occupied buildings, Suffolk Life (occupied properties), Cofunds, Legal & General Surveying Services and Estate Agency Franchising offices (including voids).

5 Data is collected from rail, air and road transport.

6 Includes overseas properties Legal & General America (LGA), Legal & General Netherlands (LGN) and Legal & General France (LGF).

Performance indicator	Unit	2013	2012/13	2011/12	2010	2009
Car based business mileage (UK) ¹	miles	6,397,657	6,409,907	6,737,381	7,050,767	8,188,152
Car based business miles per UK policy	miles	0.72	0.84	0.87	0.88	1.04
UK car based business miles per employee	miles	865	N/A	N/A	N/A	N/A
Average CO ₂ rating of UK fleet vehicles	g/km	121	123	134	146	153
Overseas car based business mileage ²	miles	859,423	1,573,607	566,693	588,107	585,992
Overseas car based business miles per employee	miles	834	1,560	700	766	763
Overseas car based business miles per policy	miles	0.66	N/A	N/A	N/A	N/A

1 UK business miles excludes Suffolk Life, LGIM, Experience and Surveying Services.

2 Overseas data for Legal & General America (LGA), Legal & General Netherlands (LGN) and Legal & General France (LGF).

Performance indicator	Unit	2013	2012/2013
Electricity (UK) ¹	MWh	20,755	19,623
Gas (UK) ¹	MWh	6,930	6,557
Total UK energy use ¹	MWh	27,685	26,180
Energy per UK employee ¹	MWh	3.74	3.90
Energy per UK policy ¹	KWh	3.13	3.41
Overseas electricity use ²	MWh	3,060	3,421
Overseas gas use ²	MWh	1,643	625
Total Overseas energy use ²	MWh	4,703	4,046
Energy use per overseas employee ²	MWh	4.57	4.01

1 Includes all group occupied properties: Suffolk Life (occupied properties & SIPP properties), Legal & General Surveying Services and Estate Agency Franchising offices (including voids), Cofunds, and UK Facilities properties.

2 Includes overseas properties Legal & General America (LGA), Legal & General Netherlands (LGN) and Legal & General France (LGF).

Performance indicator	Unit	2013	2012/13	2011/12	2010	2009
Direct to landfill (UK) ¹	%	16.5%	18.0%	28.0%	31.0%	38.5%
Total UK waste ¹	tonnes	916.57	1,027	1,024	961	1,212
Total waste per UK policy	grams	104	134	132	119	154
Waste to landfill per UK employee	kgs	20.5	29	53	58	70
Total Overseas waste ²	tonnes	81.37	N/A	N/A	N/A	N/A

1 Includes UK occupied buildings, Suffolk Life (occupied properties), Cofunds, Legal & General Surveying Services and Estate Agency Franchising offices (including voids).

2 Includes overseas properties Legal & General America (LGA), Legal & General Netherlands (LGN) and Legal & General France (LGF).

Performance indicator	Unit	2013	2012/13	2011/12	2010	2009
Metered ¹	CuM	53,602	50,506	58,901	63,571	56,519
Estimated total (metered + estimated) ¹	CuM	64,486	54,556	63,590	74,343	68,639
Total water (metered + estimated) per employee	CuM	7.66	6.91	8.68	12.82	10.98
Water Recycled and Reuse ²	m ³	1,362	N/A	N/A	N/A	N/A

1 Metered and estimated water from UK and International occupied buildings, including newly accured businesses such as Cofunds.

2 Grey water is only used at our Hove office.

Performance indicator	Unit	2013	2012	2011
UK paper purchased	tonnes	3,201	2,768	2,809
Paper purchased per UK policy	kgs	0.36	0.38	0.41
Paper purchased per UK employee	kgs	432.92	374.05	383.59
Overseas paper purchased	tonnes	88.25	N/A	N/A
Paper purchased per overseas employee	kgs	85.68	N/A	N/A
No. of occupied sites with biodiversity action plan	No.	2	2	2

COMMUNITY DATA.

Total contributions into non profit organisations

	2010	2011	2012	2013
Amount donated	£3.2m	£3.8m	£3.8m	£4.0m
Year on year change	-7%	17%	0%	5%

Management time

	2010	2011	2012	2013	2013 versus 2012
Group CSR function costs	£266,945.00	£261,561.00	£217,479.00	£232,477.00	7%

Charitable UK investments

Total Contribution	2010	2011	2012	2013	2013 versus 2012
GAYE, SM, Fundraising	£1,346,241.53	£1,584,210.00	£1,572,850.30	£1,802,132.45	15%
Group campaign projects and gifts in kind	£568,034.76	£632,707.00	£618,346.65	£815,600.00	32%
Volunteering costs	£219,480.59	£183,750.00	£252,546.00	£330,382.50	31%
Community projects	£723,874.79	£437,729.00	£351,699.71	£430,709.59	22%
School Governors	£38,750.00	£46,500.00	£52,000.00	£48,750.00	-6%

Our overseas employees raised monies for 'not for profits' organisations

	2010	2011	2012	2013	2013 versus 2012
USA	£538,609.00	£674,200.00	£742,688.00	£797,481.09	7%
Netherlands	-	£0.00	£5,234.15	£8,519.00	63%
France	-	£4,082.00	£6,585.37	£5,940.00	-10%
Total		£678,282.00	£754,507.52	£811,940.09	8%

GROUP CORPORATE RESPONSIBILITY AND ETHICS COMMITTEE PUBLIC TARGETS 2013 – 2015.

So how did we do on our commitments in 2013?

Of the 25 Environmental, Social and Governance targets we set we delivered against 22 of them and there are 3 areas that still need work including

- The need in Legal & General America to develop stronger relationships with NGO's and Not for profits to improve
- The need to accelerate digital communications faster than we are currently for our customers which will lead to reductions in natural resources such as paper consumption
- The need to improve community cohesion where we are developing commercial properties
- To build on the great work that we have achieved on female talent we need to start looking at how diverse we are in relation to our customers versus employees.

Target summary	Status
Met/exceeded target	22
Missed Target	3

CAMPAIGNING TARGETS.

As a campaigner			
GCRE Committee Member responsible	Public Targets accountable on behalf of Group	Commentary	Met/ Exceeded target or Missed Target
All	<ul style="list-style-type: none"> ■ Campaign and produce market solutions which will enable access to Housing ■ Campaign and produce market solutions which will enable access to better Health choices ■ Campaign and produce market solutions which will enable improved Dignity in Later Life 	<p>Our three long term material campaigns have been refined by our Executive Committee and continue to solve problems and provide market solutions in the areas of</p> <ul style="list-style-type: none"> ■ Providing access to housing ■ Helping people deal better with ill health ■ Providing Income in later life <p>Our strategy has been to widen the ways we involve stakeholders in these debates and to also provide systemic investment to some of these sectors of the UK economy:</p> <p>We have:</p> <ul style="list-style-type: none"> ■ established a consistent 'house view' across the Group on the long-term areas important to our customers; ■ partnered with recognised experts in the public, private and third sectors to improve our understanding and knowledge of these issues and invest in these organisations so they can do more of their good work; ■ volunteered our time to immerse our employees in the big debates around the topic to improve their empathy and understanding of these issues; ■ researched how the issues affect our own employees and current customers; ■ widened the debate with joint campaigning with key points of influence such as investees, suppliers, tenants and government on the issues; and ■ Produced a set of new or existing products which solve the issue for our customers and employees. <p>You can read our campaign progress during 2013 in the campaign section of this report.</p>	Met Target

Campaigning targets			
GCRE Committee Member responsible	Public Targets accountable on behalf of Group	Commentary	Met/ Exceeded target or Missed Target
Dr. Mike Smith	Increase product inclusivity against UK population.	<p>We have grown the number of people in the UK we help with their financial security in 2013 by 10% to over 7.9 million customers.</p> <p>On the specific segments we worry about for inclusiveness namely</p> <ul style="list-style-type: none"> ■ “Green shoots” – who are young students/first jobs and newcomers to financial services. ■ “Grey days” – who are low earners and only likely to use very basic banking and insurance services. ■ “Pink fizz” – who are mainly young singles with busy lives, private renting or mortgaged and credit users. <p>These three segments accounted for 26.8% of the UK population in 2013, which is down from 26.9% in 2012 (a decrease of 0.1%). Our business had 14.2% of its customers in these groups in 2012, which increased to 14.5% in 2013. This means that our products have grown in inclusivity by 0.4% in 2013.</p> <p>How did we do this?</p> <p>There are a number of business decisions made to improve the inclusiveness of our organisation. Highlights are</p> <ul style="list-style-type: none"> ■ Our success at providing auto-enrolled pensions to large employers and lately to Small to Medium Enterprises, means that an additional 1 million pension savers have selected Legal & General as a pension provider. All employees within these organisations now have access to a workplace pension irrespective of how much they earn. ■ Campaigning to reducing pension fees as well as other providers means that more people can access pensions for the first time. ■ Dropping management fees for Index Tracking funds means that customers will be able to access investment markets more cheaply. ■ Our Mortgage club facilitated £28BN or approximately 1 in 6 of all UK mortgages. We have experienced a real increase in higher Loan to Value Mortgages available through our Mortgage Club and the Government’s Right to Buy programme is taking hold. ■ Our Home Insurance business provided over 200,000 tenants in 28 social housing schemes with insurance. 	Met Target

Campaigning targets			
GCRE Committee Member responsible	Public Targets accountable on behalf of Group	Commentary	Met/ Exceeded target or Missed Target
Peter Graham	Increase diversity of talent within the business and with investee companies.	<p>We focus on various characteristics of the diversity agenda in our business including Gender, LGBT, and Disability.</p> <p>We have increased its scope in 2013 to also focus on</p> <ul style="list-style-type: none"> ■ The nature of the employee profile as compared to our customer profile ■ The diversity of our supply chain ■ The diversity of investees in our investment portfolio <p>You can read more about our progress in our Equalities Section</p> <p>As an investor, we continue to focus on the FTSE 250 companies where there are too few or no women at board level to encourage the disclosure of a thoughtful gender policy. We will also engage with the five remaining FTSE 100 companies with all-male boards to help them move towards a gender diverse board.</p> <p>In addition to these targeted engagements, we discuss the issue of diversity in the workforce in all of its forms (not just gender) throughout the business in our normal engagement process. This includes at board level: when considering refreshment (Executives and Non-Executives), the pipeline below the board: talent, leadership and mentoring programmes and also to improve the level of disclosure on progress in the Annual Report and Accounts.</p> <p>For FTSE 100 Directors 19% Female in 2013 (12.5% in 2011) and for FTSE 250 Directors 14.9% (7.8%). This shows the progress towards the target of 25% in 2015.</p>	Initial Focus upon Female Talent and Investment activities now widening Missed Target
Nicolas Stachowiak	Work with IMS Entreprenre pour la Cité to provide Financial Education programmes to young people via Legal & General France.	<p>Legal & General France now have a CSR programme and a Non-Executive Director (M. Jean Amiel) overseeing progress for this part of the Group.</p> <p>Legal & General France has been working with "IMS Entreprenre pour la Cité" to get employees involved in Paris to encourage young people and their aspirations. A number of 15 year olds selected by IMS "worked" at Legal & General France.</p> <p>This also led to Legal & General France setting up a customer and employee charitable foundation with the help of the NGO "Fondation de France". Based upon an employee and customer vote, it will be investing funds into issues of children and or the disabled.</p> <p>Legal & General France has also begun working with Legal & General Investment Management (LGIM) on its Permitted Investment Policy for underlying funds invested.</p>	Exceeded Target

Campaigning targets			
GCRE Committee Member responsible	Public Targets accountable on behalf of Group	Commentary	Met/ Exceeded target or Missed Target
Sacha Sadan	Proactively lead shareholder activism activities in five key areas.	<p>1) Improving Gender Diversity in UK boardrooms especially in Mid-Cap listed companies</p> <p>We continue to focus on the FTSE 250 companies where there are too few or no women at board level to encourage the disclosure of a thoughtful gender policy. We will also engage with the 5 remaining FTSE 100 companies with all-male boards to help them move towards a gender-diverse board.</p> <p>In addition to the targeted engagements, we discuss the issue of diversity in the workforce in all of its characteristics (not just gender) throughout the business in our normal engagement process. This includes at board level: when considering refreshment (Executives and Non-Executives), the pipeline below the board: talent, leadership and mentoring programmes and also to improve the level of disclosure on progress in the Annual Report and Accounts.</p> <p>For FTSE 100 Directors 19% Female in 2013 (12.5% in 2011) and for FTSE 250 Directors 14.9% (7.8%). This shows the progress towards a target of 25% in 2015.</p> <p>2) US engagement – with focus currently on the technology sector on issues such as human rights in the supply chain and political spending.</p> <p>A key sector for engagement continues to be the technology sector where we request details on how companies manage their supply chain and human rights issues. We also ask for further disclosure on political spending activity. We will also be starting to engage with companies in the oil and gas sector on material issues. We have engaged directly with major US technology companies Microsoft, Dell, Intel, Apple and Oracle on these issues.</p> <p>3) Better board independence on Japanese-listed companies</p> <p>We attended the ACGA (Asian Corporate Governance Association) delegation in Tokyo to meet key associations, such as Keidanren, FSA and Ministry of Economy, Trade and Industry, to discuss corporate governance reforms in Japan. We were asked to present as a keynote speaker at the JCGN (Japan Corporate Governance Network) conference, the UK's perspective on Japanese governance. We gave our stance on the need for further governance changes to 160 corporate delegates in Tokyo and 55 in Osaka and received very positive feedback. We took both of these opportunities to highlight our stance on the Japanese corporate governance summarised in our latest ESG Spotlight.</p> <p>Toyota, the largest company, Cannon and Nippon Steel to name a few have now appointed outsiders to the board for the first time.</p>	

Campaigning targets			
GCRE Committee Member responsible	Public Targets accountable on behalf of Group	Commentary	Met/ Exceeded target or Missed Target
		<p>4) Better UK reporting standards for shareholders.</p> <p>The Department for Business, Innovation and Skills (BIS) has asked the Financial Reporting Council (FRC) to prepare non-mandatory guidance supporting the strategic report requirements. The FRC believes that they should act as a catalyst for companies to prepare more concise and relevant narrative reports. The proposed guidance is, intended to encourage preparers to consider how the strategic report fits within the annual report as a whole and help enhance the quality of narrative reporting more generally. LGIM responded to the consultation in October 2013.</p> <p>Also LGIM contributed to the FRC Lab Project report on Audit Committees (published October 2013) which shows examples of good Audit Committee reporting.</p> <p>5) Increasing Auditor independence for UK Plc.</p> <p>In March, we responded to the Competition Commission's consultation on possible remedies to improve the audit market and to reduce conflicts of interest. This included our proposals to have a back-stop of 15 years in relation to auditor tenure and mandatory rotation, non-audit fees being below 50% as a percentage of audit fees and increased accountability to shareholders. We also responded to the FRC's consultation on improvements to ISA (UK and Ireland) 700 - International Standard of Auditing. This included enhancements in the level of disclosure in the auditor's report with regards to key risks, materiality and audit process.</p> <p>In addition, during engagement with companies, we request details with regards to auditor tenure, non-audit fees paid, the tender process, how conflicts of interest are managed between auditors and senior management and the activities of the Audit Committee.</p> <p>Companies have changed their auditors as a result of this activity include: BG Group, Aviva, Land Securities, Hargreaves Landsdown, HSBC, Henderson Group and Unilever.</p>	

Campaigning targets			
GCRE Committee Member responsible	Public Targets accountable on behalf of Group	Commentary	Met/ Exceeded target or Missed Target
		<p>6) Focusing on the sustainability issues impacting UK-listed mining companies.</p> <p>Environmental and Social issues can have a particularly significant financial impact in extractive industries. We assessed our asset exposures and decided to focus on the Mining Sector where the vast majority of companies are listed on the UK Stock Exchange which increases our clients' exposure. We identified key ESG risks and opportunities that are inherent in this sector and the ways in which our investee companies are managing these issues.</p> <p>During 2013, we met with 19 of the largest mining companies with market exposures that covered 95% of the sector. We engaged with 12 of the 19 companies on environmental and social issues. In each of our meetings we raised topics that were pertinent to the company such as health and safety, local community relations, water management. These were identified by conducting research on their business exposures, including: commodity, geographical locations, employee base and social economic backgrounds.</p> <p>Lonmin PLC:</p> <p>We have been engaging with Lonmin on sustainability and governance issues for a number of years. Our dialogue with the company has increased since the Marikana tragedy (over 40 deaths during impromptu wage negotiations), and the subsequent change of management during 2013.</p> <p>In September 2013, we visited Lonmin's mine in Marikana (Republic of South Africa) in order to better understand the company's relationship with its employees, local communities, and broad sustainability issues. We met directly with the new CEO, as well as most of the senior executives, including the Head of Mining. The conversations focused mainly on the relationship with the newly formed and dominant union, AMCU, with respect to the latest pay negotiations. We also had the opportunity to meet the mine workers directly in order to understand their perspective. We talked at length about the safety, community programmes and socio-economic backgrounds impacting the company's operations.</p>	Exceeded Target
M. van Dam	Work with (VBDO) The Dutch Association of Investors for Sustainable Development (VBDO) to build a sustainability strategy for Legal & General Netherlands.	<p>We now have a "Permitted Investment Policy" available to Dutch customers and investors which shows how we invest the underlying assets within the business.</p> <p>The result is that Legal & General Netherlands made the biggest improvement in the benchmark of all participants by rising from 21st place to 12th place. Legal & General Netherlands ended as 4th in the ranking of medium-sized insurance companies in Holland. We are working with the Fair Insurance Guide Eerlijke Verzekeringswijzer to develop this policy further.</p>	Exceeded Target

Campaigning targets			
GCRE Committee Member responsible	Public Targets accountable on behalf of Group	Commentary	Met/ Exceeded target or Missed Target
Barbara Esau	Improve the depth of relationships with NGO's to improve our sustainable supply chain standards and Health campaigning in Legal & General America.	<p>Supplier Sustainability</p> <p>We have focused upon the suppliers in our Corporate Services department where we spend \$763,489 on products or services to run our business in 85 suppliers. 100% of these suppliers are in the US.</p> <p>We have a Sustainable Procurement Policy now available and used within the organisation. We continue to improve our relationships with our suppliers in the area of sustainability including conversations on sustainability expectations with XPEDX, Cigna Insurance and Dell.</p> <p>Many of our critical suppliers have very detailed Supply Chain policies in place; we still have a few vendors that do not typically have this because they are small businesses. We will be contacting them to determine if they have plans on developing sustainable policies and when they expect to have them implemented.</p> <p>Employee Wellbeing</p> <p>Our employee survey in Legal & General America during 2013 showed that the percentage of respondents agreeing or strongly agreeing to the statement "I am able to achieve the right balance between my work and home life" reduced from 72% in 2012 to 64% in 2013. This compares to 74% in the UK business.</p> <p>As a result we have implemented a Legal & General America wellness program for employees to foster a community in which every employee is encouraged to lead a healthy and enriched lifestyle. Through the active engagement and mutual support of our employees, we continue to improve overall awareness and health at our Company.</p> <p>We have a number of practical activities developed to support this including annual flu shots, seasonal Dermascan screenings to pinpoint sun damage, vision testing including Glaucoma screening, pulmonary function testing, "Stress Management 101", "Quick and Easy" similarly attracted employees on the move searching for nutritional, 20 minute meals, quick and healthy snacks, and desk-ready exercises.</p> <p>NGO Engagement</p> <p>As a major US Life insurer, we are still talking to a number of health-related NGO's regarding the knowledge that we can share particularly when it comes to healthcare prevention and claims. This will be a focus for us in 2014.</p>	<p>Sustainable Procurement Policy Delivered</p> <p>Employee Wellbeing Delivered</p> <p>NGO Engagement on Health – carried forward to 2014</p>
Sara Heald	Deliver a "Gearing up for Work" Programme to provide 200 people with access to work experience.	<p>In July 2012 and July 2013, we ran a Step up for Success programme in Kingswood, Cardiff and London, providing 150 Young Consultants the chance to gain a qualification, a reference and to provide the business with some real feedback on two key business topics:</p> <ol style="list-style-type: none"> The company of the future (its role, its funding and its purpose) Engaging young people on digital technology <p>Additionally, we ran two Warrior Programmes to support Post Traumatic Stress Disorder (PTSD) improvements in ex-armed forces personnel in the working environment which was provided to 85 people over the period.</p> <p>A total of 235 people benefitted from these programmes.</p>	Exceeded Target
Sara Heald	Deliver 1,750 working days of volunteering into communities to develop our employees.	<p>We delivered 2,247 working days of volunteering in 2013 in our UK, US, Dutch and French businesses.</p> <p>This has been an essential part of us achieving our understanding of material areas of the market including how customers cope with ill health, get access to housing or generate an income in later life.</p>	Exceeded Target

Campaigning targets			
GCRE Committee Member responsible	Public Targets accountable on behalf of Group	Commentary	Met/ Exceeded target or Missed Target
Sara Heald	Continue to Invest at least £3m in not-for-profit organisations worldwide.	<p>Investment into the not-for-profit sector worldwide totalled £4m in 2013, with the aim of:</p> <ul style="list-style-type: none"> ■ Supporting employees on the social, environmental and economic issues important to them ■ Investing in communities local to our offices or commercial property developments ■ To seek opinions from not-for-profit organisations to improve the quality of decision making in our organisation 	Exceeded Target
Bill Hughes	Improve the social and community impact of all property investment portfolios.	<p>From Q1 2013, our managing agents produce a report for each of our 133 managed properties. This includes comments on community engagement and tenant liaison activities that have occurred in the last quarter. The reports are discussed with our asset managers at their quarterly fund meetings and each property is reviewed.</p> <p>We are also undertaking a project with the New Economics Foundation (NEF) to quantify Social Returns at our Liverpool scheme in English Cities Fund (ECF), which is innovative in the property sector.</p> <p>Reports on community engagement and tenant liaison are provided quarterly by our managing agents on every property.</p> <p>We have just invested in apprenticeships in Northampton jointly between the Group and Legal & General Property.</p>	Met Target – We have some improvement but needs some focus for 2014 on priority developments

Campaigning targets			
GCRE Committee Member responsible	Public Targets accountable on behalf of Group	Commentary	Met/ Exceeded target or Missed Target
John Godfrey	Lead the 'retailisation' of the Social Investment Market to give mainstream consumers in the UK access to this market.	<p>Social Investment is a developing market in the UK for investors. We have carried out a number of activities in 2013 to support the development of this market. As a business, we continue to look for opportunities to "Socially Invest" directly as an investor through Legal & General Capital as well as "Invest Socially" through others.</p> <p>Taking Practical Action</p> <p>We have a joint venture with Charities Aid Foundation (CAF), The Coast 2 Capital Local Enterprise Partnership (LEP) and NESTA which provides £300,000 of loan capital into SE-Assist to help jobs growth to the Social Enterprise sector in the UK to stimulate the sector. This continues to be a unique mix of support of interest-free loans, mentoring and consultancy for UK social enterprise.</p> <p>We also had a number of conversations with Social Banks in 2013 to see if they could become deposit taker for a number of our Structured Products which would provide them with five to six year loan capital to cash flow the not-for-profit sector. We found two challenges with this approach which resulted in us having to rethink this approach:</p> <ol style="list-style-type: none"> 1. There was a significant gap between the capital amounts we could provide and the amounts that the social banks could cope with. 2. We decided to review our position in the market on Structured Products and ceased manufacturing them as of mid-2013. <p>Informing the market debate</p> <p>We continued to do our bit to contribute to the thinking behind the Social Investment Market. In July we launched a piece of public policy research on the state of the Social Investment Market with CAF Bank, Bridges Ventures, CAF Venturesome and Big Society Capital.</p> <p>You can download a summary of the thinking on the CAF website</p> <p>We also fed our views into the UK Treasury on the Taxation of Social Investments where we believe that the benefits of existing tax wrappers would help attract social investors.</p> <p>Nigel Wilson, Group CEO presented at the G8's Social Investment Task Force on the differences between "Social Investment" and "Investing Socially" where we called for a number of stimulations in the Social Investment market including by sharing intellectual capital, financial capital and social capital.</p> <p>We called for two things from the Social Investment Market</p> <ol style="list-style-type: none"> 1. Provide us with a way, as a mainstream investor, to buy social impact bonds to stimulate the market or create "Super Social Impact Bonds" that help large institutions hedge against claims outcomes. 2. Support more programmes like SE-Assist, where we are seeing a financial return from the social enterprise loans we are already giving. Returns that can be recycled back into the system many times over. 	Focus changed mid year to investing socially and creation of our Social Investment fund with CAF

TARGETS IN OUR ROLE AS AN INVESTOR.

Targets in our role as an investor			
GCRE Committee Member responsible	Public Targets accountable on behalf of Group	Commentary	Met/ Exceeded target or Missed Target
Sacha Sadan	Hold at least 350 ESG meetings with UK plc of which 25% will be Environmental or Socially Driven to improve standards and decision-making.	<p>The Corporate Governance Team in Legal & General Investment Management (LGIM) delivered 480 meetings with UK plc on their Environmental, Social and Governance (ESG) performance on behalf of our customers.</p> <p>30% of the conversations were on Environmental and or Social issues within the businesses that we own.</p> <p>Full details of our voting and the changes we achieved in our work as an active shareholder can be found on the LGIM website.</p>	Exceeded Target
Bill Hughes	Adopt Global Reporting Initiative (GRI) reporting standards for the Legal & General Property Portfolio.	Legal & General Property produces a Sustainable Property Review which achieved a GRI Level B+ report.	Exceeded Target

TARGETS RELATING TO LEGAL & GENERAL AS A CONSUMER OF NATURAL RESOURCES.

In order to align our CSR reporting to new reporting requirements in our Annual Report and Accounts, we are reverting from financial year to calendar year reporting for all environmental data sets. Therefore all 2013 data presented is for the period 1 January 2013 to 31 December 2013.

Targets relating to Legal & General as a consumer of natural resources

GCRE Committee Member responsible	Public Targets accountable on behalf of Group	Commentary	Met/Exceeded target or Missed Target															
Alex Wolny	With an expected business growth in customer policies of 4% over the period 2012 - 2014 reduce waste per policy across the UK business by 10% on 2011/12 volumes.	<p>In order to align our CSR reporting to new reporting requirements in our Annual Report and Accounts, we are reverting from financial year to calendar year reporting for all environmental data sets. Therefore all 2013 data presented is for the period 1 January 2013 to 31 December 2013.</p> <table border="1"> <thead> <tr> <th>Performance indicator</th> <th>Unit</th> <th>2013</th> <th>2012/13</th> <th>2011/12</th> </tr> </thead> <tbody> <tr> <td>Total waste per UK policy</td> <td>grams</td> <td>107</td> <td>134</td> <td>132</td> </tr> </tbody> </table> <p>This represents a 19% reduction</p>	Performance indicator	Unit	2013	2012/13	2011/12	Total waste per UK policy	grams	107	134	132	Met Target					
Performance indicator	Unit	2013	2012/13	2011/12														
Total waste per UK policy	grams	107	134	132														
Alex Wolny	With an expected business growth in customer policies of 4% over the period 2012 - 2014 reduce direct carbon dioxide emissions across the Group (UK and overseas) by 6% on 2011/12 volumes.	<p>In order to align our CSR reporting to new reporting requirements in our Annual Report and Accounts, we are reverting from financial year to calendar year reporting for all environmental data sets. Therefore all 2013 data presented is for the period 1 January 2013 to 31 December 2013.</p> <table border="1"> <thead> <tr> <th>Performance indicator</th> <th>Unit</th> <th>2013</th> <th>2012/13</th> <th>2011/12</th> </tr> </thead> <tbody> <tr> <td>CO₂ Total Group Emissions (Scope 1,2,3)</td> <td>tonnes</td> <td>38,350</td> <td>39,294</td> <td>40,118</td> </tr> </tbody> </table> <p>This represents a 4% reduction. The majority of savings being seen from the Commercial Property Portfolio and from our the buildings we operate for our employees.</p> <p>Moving to renewable tariffs in 2013 across our own buildings and our commercial property portfolio reduces actual CO₂ but not our focus on absolute CO₂ reductions.</p>	Performance indicator	Unit	2013	2012/13	2011/12	CO ₂ Total Group Emissions (Scope 1,2,3)	tonnes	38,350	39,294	40,118	Met Target					
Performance indicator	Unit	2013	2012/13	2011/12														
CO ₂ Total Group Emissions (Scope 1,2,3)	tonnes	38,350	39,294	40,118														
Alex Wolny	With an expected business growth in customer policies of 4% over the period 2012 - 2014 reduce paper consumption across the Group by 10% on 2011 volumes for the UK business whilst increasing the online servicing levels (2.7%) of our customers.	<p>In order to align our CSR reporting to new reporting requirements in our Annual Report and Accounts, we are reverting from financial year to calendar year reporting for all environmental data sets. Therefore all 2013 data presented is for the period 1 January 2013 to 31 December 2013.</p> <table border="1"> <thead> <tr> <th>Performance indicator</th> <th>Unit</th> <th>2013</th> <th>2012/13</th> <th>2011/12</th> </tr> </thead> <tbody> <tr> <td>UK paper purchased</td> <td>tonnes</td> <td>3,201</td> <td>2,768</td> <td>2,809</td> </tr> <tr> <td>Paper purchased per UK policy</td> <td>kgs</td> <td>0.36</td> <td>0.38</td> <td>0.41</td> </tr> </tbody> </table> <p>This represents a 14% increase in total volumes:</p> <ul style="list-style-type: none"> Our customer numbers have increased by 10% in 2013 Overall customer letter volume increased by 8.6% from 43.7 million letters sent in 2013 We will increase direct marketing activities in 2014 as part of our marketing communications strategy. Our digital capabilities have helped 8.55% of our UK customer base interacting with us through online servicing in 2013. <p>For 2014, we are expecting mail sent to service existing customer policies reducing in volume alongside direct marketing campaigns to increase the number of customers we are responsible for.</p> <p>Paper per policy has decreased from 0.41kgs to 0.36kgs per policy. We expect our Digital Strategy to further reduce this figure in 2014.</p>	Performance indicator	Unit	2013	2012/13	2011/12	UK paper purchased	tonnes	3,201	2,768	2,809	Paper purchased per UK policy	kgs	0.36	0.38	0.41	Paper per contract has gone down but overall consumption is up by 14% Missed Target
Performance indicator	Unit	2013	2012/13	2011/12														
UK paper purchased	tonnes	3,201	2,768	2,809														
Paper purchased per UK policy	kgs	0.36	0.38	0.41														

Targets relating to Legal & General as a consumer of natural resources			
GCRE Committee Member responsible	Public Targets accountable on behalf of Group	Commentary	Met/Exceeded target or Missed Target
Bill Hughes	<p>Continue to improve data collection, management and interpretation and build expertise to reduce further energy use and landfill waste to run our portfolio of commercial properties. Specifically to reduce the energy used in the top 30 buildings accounting for 80% of energy use by 3%.</p> <p>In the year to April 2011 properties that Legal & General Property was responsible for generated 15,000 tonnes of CO₂.</p>	<p>All our historic data on energy, water and waste has been independently verified by Upstream Sustainability Services. As such each account on each site has been put through a series of tests used in energy and water, monitoring and targeting.</p> <p>Data is now verified by JLL Upstream. A full verification statement is available on the LGIM website.</p> <p>Legal & General Property has long term targets on Energy, Water and Waste.</p>	Met Target
Bill Hughes	Reduce energy in the Top 20 buildings in Legal & General Property by 4%.	<p>A new data reporting process is in place to produce Quarterly Sustainability Reports (QSR's) against targets, for each of our 135 managed assets. These reports cover energy, carbon, water, waste, tenant liaison, biodiversity, transport, tenant changes and community engagement.</p> <p>A fund level QSR report is also produced to give an overview at fund level as well as asset level.</p> <p>In this calendar year the top 20 properties are showing a 5% reduction carbon emissions compared to 2012 YTD data.</p>	Met Target

Targets relating to Legal & General as a consumer of natural resources			
GCRE Committee Member responsible	Public Targets accountable on behalf of Group	Commentary	Met/Exceeded target or Missed Target
Alex Wolny	Continue to build climate change resilient solutions for our clients.	<p>Providing products to clients</p> <p>For our retail and institutional customers, we still have the following funds and products available for their investment</p> <ul style="list-style-type: none"> ■ The Global Environmental Enterprises Fund ■ The Trucost Carbon Optimised Fund for institutional pension funds <p>These continue to be the two ways for our clients to either take advantage or mitigate against Climate Risk with their money.</p> <p>On behalf of all of our customers, we continue to intervene in other companies via our Investment Management Business (LGIM) to improve their resilience to Climate Change with over 26.8% of our meetings with UK plc being focused upon this area.</p> <p>Providing capital to the energy sector</p> <p>We have 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.</p> <p>Legal & General Capital has provided £60m of long term loan finance to Melina Solar (owned by the Foresight Group) to finance solar farms and the Renewable Finance Company to provide debt to finance the running of a number of solar parks in the UK. These investments in energy infrastructure means that we have invested in securing supply of renewable energy for UK consumers for the foreseeable future.</p> <p>Getting climate knowledge out to clients</p> <p>We have sought advice from climate change specialists the WWF (World Wildlife Fund) who came in to brief business areas on the latest climate change thinking and product opportunities particularly around Carbon Stranded Assets which were also raised by the Fair Pensions organisation at our Annual General Meeting in 2013.</p> <p>LGIM is also working with Llewelyn Consulting on macro trends analysis which will help our Institutional clients to see how Climate Change will impact their asset allocation models. This is expected to result in client meetings in 2014.</p>	Our strategy changed mid year from providing customers with climate resilient solutions to direct investments

TARGETS RELATING TO OUR ROLE AS AN EMPLOYER.

Targets relating to Legal & General Group as an employer

GCRE Committee Member responsible	Public Targets accountable on behalf of Group	Commentary	Met/Exceeded target or Missed Target
Elaine MacLean	Embed the UN Global Compact principles into UK and subsidiary operations.	<p>The Group delivered its first year UN Global Compact report in the ways that we have embedded the principles into our business.</p> <p>You can see our Year 1 Communication on progress on the UNGC website.</p>	Met Target
All	Improve the 86% of employees who think we run an ethical business in our employee survey.	<p>During 2013, we continued to use this employee survey as a key way to understand our employees' views on amongst other things, the ethics of our organisation. For our joint venture businesses overseas, it also provides us with an independent mechanism for us to monitor human rights and employee attitudes within those businesses. The participation rate for the survey was 87% worldwide.</p> <p>The trends continue to show that the number of employees across the Group feel supported in terms of the ethics of the business with 85% of employees worldwide believing that they work for an ethical company. The remaining 15% who have a more neutral opinion, which we believe provides a healthy scepticism in our culture to challenge.</p> <p>We also see a significant shift between 2012 and 2013 of +2 percentage points in employees agreeing or strongly agreeing that Legal & General makes a positive difference to people's lives.</p> <p>We see further evidence of this in the "Giving Something Back" scores in the UK-focused 2014 Sunday Times Best Big Companies to Work For survey, where scores improved by +12 percentage points and for the second year running was the most positive survey topic area for the Group. We saw a pleasing shift from relatively high degrees of employee neutrality in the past.</p> <p>We can attribute these shifts to continued efforts to</p> <ul style="list-style-type: none"> ■ Increase in exposure of real customer stories of how we helped them in their time of need – sharing our social purpose through real examples ■ Expose and train employees in the issues that our customers face as a result of the illness or death of someone close to them ■ Have longer term views on big social issues such as the housing, health and income in later life ■ Celebrate for those who work hard at giving something back ■ Join up the work between corporate citizenship and good business and demonstrate how our good governance develops good behaviours in businesses we invest in and in our business. ■ Provide increased visibility for employees on the ways that our direct infrastructure investments are providing long term capital to parts of society and the economy that need stabilising. Make it clear we're not just doing it for commercial gain. 	<p>The UK Business stayed flat. All overseas businesses increased their performance.</p> <p>Missed Target</p>

	World wide* Scores (agree/strongly agree)	MENA (Middle East and North Africa)	Legal & General America	Legal & General Netherlands	Legal & General France
Employee engagement scores	77% (80% 2012)	81%	86%	84%	84%
"I work for an ethical company."	85% (87% 2012)	87%	92%	96%	86%

Targets relating to Legal & General Group as an employer

"I understand my role in working for an ethical company."	82% (82% 2012)	93%	95%	91%	87%
"Legal & General makes a positive difference to people's lives."	78% (76% 2012)	79%	88%	72%	65%

* Except India First.

Elaine
MacLean

Implement a wellbeing programme for employees which will increase employee resilience.

Health and Wellbeing is a core part of our people strategy. We have a strong social purpose and we need a strong people culture within Legal & General to drive performance and deliver our business strategy. Health is a big part of our business and we want to lead by example with our customers. We want our employees to know that we care about their health and wellbeing so that they can perform to the best of their ability at all times. We want to empower them, to feel confident and be happy.

During 2012, we announced a number of restructuring changes to our LGAS business area. Our wellbeing programme helped to engender resilience to our employees during those changes.

What do the numbers say?

Our employee survey for our UK business showed that employees remained resilient to the changes going on around them with the majority of wellbeing indicators moving slightly down but not in an unexpected way.

- My Manager cares about my wellbeing (82%) in 2013 – (level with 2012)
- I am able to achieve the right balance between my work and home life (74%) in 2013 (–2 percentage points vs 2012)
- I am under an acceptable level of pressure in my job 66% (–2 percentage points vs 2012)

Read more about our [wellbeing programmes](#)

**Exceeded
target**

TARGETS IN OUR ROLE AS A PROCURER.

As a procurer targets

GCRE Committee Member responsible	Public Targets accountable on behalf of Group	Commentary	Met/ Exceeded target or Missed Target
Alex Wolny	Ensure that 100% of key suppliers comply with our standards in the UK business.	<p>A comprehensive desktop and supplier manager audit of our key suppliers has been completed and no significant issues have been identified against our Sustainable Procurement Policy in 2014.</p> <p>In addition, we actively work with our supply chain to ensure the financial resilience and sustainability of our suppliers and have created an internal "Watchlist" report that identifies possible forward-looking financial issues with our suppliers so that we can work with them and ensure continuity of supply for our business.</p>	Exceeded target
Alex Wolny	Adopt the prompt payment code for small to medium sized enterprises in the UK business.	Legal & General Group is now a signatory to the 'Prompt Payment Code' which ensures that timely payments provide our suppliers with much needed cashflow to small to medium sized businesses in the UK.	Exceeded target

PUBLIC ESG TARGETS 2014 – 2016.

Accountability and Targets

As a Board we set environmental, social and governance targets on a three year basis which are split into two sections

- To directly support the long term material campaigns
- Targets to simply do business better each year

Committing to public targets to improve performance of the Group and to support the strategy is an important part of what we do at Legal & General.

CAMPAIGNING.

Provide more access to
Housing

Provide more income in
later life to Pensioners

Help more people with ways
to better deal with ill health

Deliver £1bn of Direct Investments that directly improve peoples lives in the campaign areas **(Paul Stanworth)**

Develop a 10 year house view for investors to improve asset allocation for investors in the campaign areas **(Meryam Omi)**

Develop a Vulnerable Customer Programme that improves our services to vulnerable customer groups in day to day service **(Karan Martin)**

Invest in appropriate NGO's and Not for Profits that will provide employees with a better understanding of the issues that our customers face in these campaign areas (Resulting in Training, Public Policy work and new product and or service design) **(Duncan Finch)**

Develop a Social Investment Portfolio that directly provides capital to Social Businesses supporting our Campaign Areas **(Graham Precey)**

Support local management to create and deliver Micro Insurance Finance solutions in India and Egypt in 2014 **(Simon Burke)**

Deepen the relationships with Not for Profits to enhance Legal & General America's service to its customers. **(Barb Esau)**

Create a customer driven foundation in LGF that directly supports disabled and sick children. **(Olivier Potellet)**

Deliver a Customer Interest First Programme in Holland by informing and working with customers concerning product development, communication and customer service. Improve the LGN overall score from 7.2 to 7.4 **(Michel Van Dame)**

Create Digital solutions that enable consumers to access financial products and advice in harder to reach parts of the market **(Peter Graham)**

SIMPLY DOING BUSINESS BETTER.

Environment

- Reduce direct carbon dioxide emissions across the Group (UK and overseas) by 10% on 2011/12 volumes. (Alex Wolny)
- Reduce energy in the Top 20 buildings in LGP by the end of 2014 (Bill Hughes)
- Reduce waste per policy across the Group by 10% on 2013 volumes. (Alex Wolny)
- Reduce paper consumption per policy across the Group by 10% on 2013 volumes. (Alex Wolny)

Improving Transparency

- As a founder of the Responsible 100 network provide consumers with a chance to critique our organisation and its approach to doing business (Graham Precey)
- Develop and Publish a Direct Investment Policy which shows the underlying principle and process for investing shareholder funds across the Group (Paul Stanworth)

As an employer

- Bring about increased diversity within our employee base (particularly management grades) and longer-term the customer base, e.g. wealth and ethnicity spectrums (Peter Graham)

As an Investor

- Hold 500 engagements (meetings, calls, responses to letters) with international companies on ESG issues (Sacha Sadan)

Focus on good practice in

1. Promoting wider collective engagement with international investors
2. Using the new disclosure on UK executive pay policies to promote alignment between shareholders and management
3. Establishing new ESG contacts with international companies
4. US engagement - with focus currently on the technology sector on issues such as human rights in the supply chain and corporate reputation.
5. Better board independence on Japanese listed companies
6. Improving gender diversity in UK boardrooms especially in mid-cap listed companies
7. Focussing on the sustainability issues impacting UK listed mining companies.

In our Communities

- Deliver a social impact program for key properties in the LGP portfolio (Bill Hughes)
- Provide programmes for 25% of our global workforce to volunteer and add value to their communities (Sara Heald)
- Continue to Invest at least £3m in "Not for Profits" Globally (Sara Heald)
- Deliver a Social Investment Fund that provides loans, mentoring and consultancy to the value of £500,000 for UK social enterprises (Frances Borrer)

As a procurer

- We will implement a Supplier Code of Conduct that incorporates EDI and Environmental minimum standards (Alex Wolny)

- We will collaborate with our Key Suppliers to develop sustainable supply programs and reduce supply chain waste (Alex Wolny)
- We will maintain our supply chain standards and accreditations but across a broader supply base in 2014 (Alex Wolny)

SUSTAINABILITY AWARDS AND MEMBERSHIPS.

We achieved a number of awards and commendations in 2013 for our responsible business performance

Investment Ratings

- FTSE 4 Good Index component stock
- DJSI Robeco Sam Index component stock
- Sustainalytics - "Outperformer" Rating 2014"
- ECPI Rated Ethical Stock

Community / Social Impact Ratings

- Business in the Community – Platinum Performance (2011 – Present)
- Business in the Community Big Tick 2013
- BITC Responsible Business Local Impact Awards: Winners - South East 2013 - Legal & General Group and the Leatherhead Hub
- Commercial International Life (CIL), - Most Innovative Insurer at the 2014 MENA Insurance Awards for launching a new micro insurance product - 'GENEH 3ALA GENEH', meaning pound on pound.
- Arts & Business Cymru Award – Business Adviser of the Year 2013
- Arts & Business Cymru Award - Business and the Community Award 2013
- Employee Engagement Award from America's Charities in 2013
- 10 Year Award for America's Charities in 2013

Collaborative bodies

- UN Global Compact signatory
- VBDO- The Dutch Association of Investors for Sustainable Development (VBDO)
- UNPRI Signatory
- Responsible 100 founding member
- Transparency International Corporate Supporters Network
- Founder of SMaRT Careers

Diversity, People and Human Rights

- UN Global Compact signatory
- Sunday Times 19th Best Company to work for 2014
- Sunday Times Best Big Companies to Work For Special Award for Innovation in Engagement Practice 2014
- Opportunity Now signatory
- Race for Opportunity signatory
- UK Living Wage Employer
- 30percent club members

Environment

- We are Forestry Stewardship Council certified for our paper procurement
- Climatewise signatory
- Institutional Investment Group on Climate Change (IIGCC) Member

- Carbon Reduction Commitment (CRC) included company
- Carbon Disclosure Project (CDP) signatory
- Global Real Estate Sustainability Benchmark (GRESB) –Sector Leader accolades for the Managed Property Fund, Industrial Property Investment Fund and the Central Saint Giles Partnership.
- Global Real Estate Sustainability Benchmark (GRESB) - 10 Green Stars 2013
- IPD/IPF Property Investment Awards 2013: - Sustainability Data Quality Award

ABOUT THE REPORT.

We've written our sustainability report primarily for institutional investors, customers, non-governmental organisations (NGOs), government researchers and others with a particular professional interest in our approach to sustainability.

This report complements our Annual Report and Accounts for 2013. It provides additional commentary on how we achieve our financial success by while taking economic, social and environmental factors into account.

Reporting Standards

We've delivered this year's report based on the Global Reporting Initiative (GRI G3.1) guidelines including the 'Financial Services Sector Supplement' (FSSS) for the first time. We've used stakeholder feedback given to us during the year to evolve further the report's transparency. The Report has achieved Application Level C (self declared), reflecting our desire to fulfill the requirements of the highest international sustainability reporting standard.

Businesses we've included;

The report covers disclosure from all of the Group businesses in the UK and subsidiaries in the Netherlands, France and the US, with selective disclosure on joint ventures in Egypt, Bahrain and India.

What we report

We've chosen our campaign reporting areas as a result of our materiality process within the Group. Every year we identify priority issues by listening to our key stakeholders and assessing them in light of our strategy, purpose and values. Specifically, we assess feedback and queries globally from our customers, shareholders, regulators and NGOs, as well as media commentary. We gather insight from and engage with major investors, through investor road shows and by contributing to various indices and surveys.

This is a continuation of the [2012 CSR report](#) which you can find in our archive.

We haven't restated any data or information. We've increased the scope of the amount of reporting based upon stakeholder feedback in specific areas in 2013.

Theme	Trending issues	See how we have responded
Corporate Governance	How is the executive paid on long term ESG factors?	Have a look at our Governance section
Environmental Reporting	Why have you moved from calendar year to fiscal year reporting?	We are now back with Calendar Year Reporting because it makes more sense to line up with our financial results. We publish Carbon Reduction Commitment data separately.
Labour Practice Indicators & Talent	Can we see some more measures and KPI's	Have a look at our Human Rights and People Data
Supplier Standards	What do you differently for suppliers in higher risk countries in how they are governed?	This is our response
Principle Balance Sheet Investments	How are you factoring in ESG into due diligence and ongoing governance? What are permitted investments?	Have a look at our Permitted investment policy
Tax Havens and Policy	Where do you have them and what's their purpose? What's your taxation by country you operate in?	See our Tax Policy and disclosure
Regulation and interactions with Government?	What's your Lobbying Policy and on which topics do you interact with regulators and governments?	Have a look at our Public affairs policy

Timeframe

This sustainability report covers the financial year from January to December 2013 (unless otherwise noted). In some cases, information for early 2014 is also included to give an up-to-date picture. Facts and figures refer to Legal & General Group unless indicated otherwise.

Feedback

We welcome feedback and questions from readers. Please direct them to

Graham Precey

Head of Corporate Responsibility and Ethics

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GRI INDEX.

Strategy and analysis

Strategy and analysis			
GRI indicator	Level of reporting	Reference	Comment
1.1 – CEO Statement	✓	Group chief executive's review	
1.2 – Description of key impacts, risks, and opportunities	☐	Group chief executive's review Website – Chairman's introduction	

Organizational profile

Organizational profile			
GRI indicator	Level of reporting	Reference	Comment
2.1 – Name of the organization	✓	About the report	
2.2 – Primary brands, products, and/or services	✓	Website – About us Website – Our story Website – Our story (Our brand) Website – What we do	
2.3 – Operational structure	✓	AR – Committed to the highest standards (our approach to good governance)	
2.4 – Location of organization's headquarters	✓	AR – Shareholder information (General Information: registered office)	
2.5 – Number of countries where the organization operates	✓	About the report	
2.6 – Nature of ownership and legal form	✓	About the report	
2.7 – Markets served	✓	About the report	
2.8 – Scale of the reporting organization	✓	For employee figures: KPI's (Employee data) For revenue: AR – Group Consolidated Financial Statements (Consolidated income statement)	
2.9 – Significant changes during the reporting period regarding size, structure, or ownership	✓	About the report	
2.10 – Awards received	✓	Website – Our expertise (Our awards)	

Report parameters

Report parameters			
GRI indicator	Level of reporting	Reference	Comment
3.1 – Reporting period	✓	About the report	
3.2 – Date of most recent previous report	✓	About the report	
3.3 – Reporting cycle	✓	About the report	
3.4 – Contact point	✓	Website (PDF) – Our code of ethics	
3.5 – Process for defining report content	✓	About the report	
3.6 – Boundary of the report	✓	About the report	
3.7 – Limitations on the scope or boundary of the report	✓	About the report	
3.8 – Basis for reporting on joint ventures, subsidiaries	✓	About the report	
3.9 – Data measurement techniques and the bases of calculations	☐	Key performance indicators KPI's (Environmental data)	

Report parameters			
GRI indicator	Level of reporting	Reference	Comment
3.10 – Explanation of the effect of any re-statements	<input checked="" type="checkbox"/>	About the report	
3.11 – Significant changes from previous reporting periods in the scope, boundary, or measurement methods	<input checked="" type="checkbox"/>	About the report	
3.12 – GRI Content Index	<input checked="" type="checkbox"/>	GRI index	
3.13 – External assurance policy	<input checked="" type="checkbox"/>	Audit statement	

Governance, commitments, and engagement

Governance, commitments, and engagement			
GRI indicator	Level of reporting	Reference	Comment
4.1 – Governance structure of the organization	<input checked="" type="checkbox"/>	AR – Corporate governance (The Board and how we operate)	
4.2 – Independence of chair of the highest governance body	<input checked="" type="checkbox"/>	AR – Board of Directors	
4.3 – Number of independent members in highest governance body	<input checked="" type="checkbox"/>	AR – Board of Directors	
4.4 – Mechanisms for shareholders and employees to provide recommendations	<input checked="" type="checkbox"/>	Website – Our Vision Website – Board materiality process Website – Governance and policies (Recommending actions to the group board)	
4.5 – Linkage between compensation for members of the highest governance body, and the organizations performance (incl. social and env. performance)	<input checked="" type="checkbox"/>	Website – Our Vision Website – Board materiality process Website – Governance and policies (Role of the Group Board)	
4.6 – Processes to ensure conflicts of interest are avoided for the highest governance body	<input checked="" type="checkbox"/>	Website – Confidence for customers (Policies protecting customers) Website – Conflict of interest policy	
4.7 – Expertise of the members of the highest governance body	<input checked="" type="checkbox"/>	AR – Board of Directors	
4.8 – Internally developed statements of mission or values, codes of conduct, and principles relevant to CSR	<input checked="" type="checkbox"/>	Website – Our ethics	
4.9 – Board oversight of economic, environmental, and social performance	<input type="checkbox"/>	Website – Our Vision Website – Board materiality process Website – Governance and policies (Group Board CR Presentations and Executive Briefing Sessions)	
4.10 – Processes for evaluating the highest governance body's own performance	<input type="checkbox"/>	Website – Our Vision Website – Board materiality process (CSR committees) (Committee Development) AR – Corporate governance (Compliance with the UK Corporate Governance Code)	
4.11 – Explanation of whether and how the precautionary approach or principle is addressed	<input type="checkbox"/>		
4.12 – Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	<input type="checkbox"/>	Stakeholder views (Investor feedback on ESG in 2013)	

Governance, commitments, and engagement			
GRI indicator	Level of reporting	Reference	Comment
4.13 – Memberships in associations	<input type="checkbox"/>	Group chief executive's review Stakeholder views	
4.14 – List of stakeholder groups engaged by the organization.	<input checked="" type="checkbox"/>	Stakeholder views	
4.15 – Basis for identification and selection of stakeholders	<input checked="" type="checkbox"/>	Stakeholder views	
4.16 – Approaches to stakeholder engagement	<input type="checkbox"/>		
4.17 – Key topics and concerns that have been raised through stakeholder engagement	<input checked="" type="checkbox"/>	Stakeholder views (Key Stakeholder Feedback in 2013)	

Financial services sector supplement

Financial services sector supplement			
GRI indicator	Level of reporting	Reference	Comment
FS 1 – Policies with specific environmental and social components applied to business lines	<input type="checkbox"/>	Website – Our policies (Responsible Investing)	
FS 2 – Procedures for assessing and screening environmental and social risks in business lines	<input type="checkbox"/>	Stakeholder Views (Employee feedback and involvement) Website – Our Vision Website – Board materiality process Website – Governance and policies (managing operational risk) Ethics (NGOs) Supply chain standards Targets for improvement 2013 (Campaigning targets) (NGO engagement)	
FS 3 – Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions.	<input type="checkbox"/>	For our investment clients who have selected to provide an active environmental or social mandate we provide individual feedback. We also publish overall voting records and ESG performance across the entire portfolio on the LGIM Corporate Governance site .	
FS 4 – Process(es) for improving staff competency to implement the environmental and social policies and procedures	<input type="checkbox"/>	Supply chain standards (increase training and education)	
FS 5 – Interactions with clients/ investees/business partners regarding environmental and social risks and opportunities	<input type="checkbox"/>	Pensions income Housing Health	
FS 6 – Percentage of the portfolio for business lines by specific region, size and by sector	<input type="checkbox"/>		
FS 7 – Products and services designed to deliver a specific social benefit	<input type="checkbox"/>		

Financial services sector supplement

GRI indicator	Level of reporting	Reference	Comment
FS 8 – Products and services designed to deliver a specific environmental benefit for each business line	<input type="checkbox"/>	<p>Environmental section outlines the Environmental products that we offer</p> <p>The ESG report on behalf of all of our clients in our corporate governance report available on the LGIM Corporate Governance site</p> <p>For our commercial property clients we provide a yearly sustainability report on the ESG improvements in their asset performance</p>	
FS 9 – Audits to assess implementation of environmental and social policies and risk assessment procedures	<input type="checkbox"/>	Supply chain standards (Governance and policy, Benchmarking performance)	
FS 10 – Companies held in the institution's portfolio with which the reporting organization has interacted on environmental or social issues.	<input type="checkbox"/>	<p>Targets (As an investor)</p> <p>Environmental section outlines the Environmental products that we offer</p> <p>The ESG report on behalf of all of our clients in our corporate governance report available on the LGIM Corporate Governance site</p> <p>For our commercial property clients we provide a yearly sustainability report on the ESG improvements in their asset performance</p>	
FS 11 – Assets subject to positive and negative environmental or social screening.	<input type="checkbox"/>	Environmental section Website – Direct investment approach	
FS 12 – Voting policy/-ies applied to environmental or social issues for shares	<input checked="" type="checkbox"/>	<p>Website – Our policies (Corporate Governance Responsible Investing Policy for the principle balance sheet)</p> <p>The ESG report on behalf of all of our clients in our corporate governance report available on the LGIM Corporate Governance site</p>	

Economic performance (EC)

Economic performance (EC)			
GRI indicator	Level of reporting	Reference	Comment
MA – Management Approach	<input checked="" type="checkbox"/>	<p>AR – Market environment (Our strategic response to the 5 Macro Trends)</p> <p>AR – Market environment (Globalisation of asset markets)</p>	
EC 1 – Direct economic value generated and distributed	<input type="checkbox"/>	<p>Annual report</p> <p>Community Investment CSR Approach</p> <p>Commitment to stimulate UK economy with capital investment</p>	
EC 2 – Financial implications of climate change	<input checked="" type="checkbox"/>	Website – Climate and environment	
EC 3 – Coverage of the organization's defined benefit plan obligations	<input type="checkbox"/>	AR – Consolidated financial statements (Provisions)	

Economic performance (EC)			
GRI indicator	Level of reporting	Reference	Comment
EC 4 – Significant financial assistance received from government	<input type="checkbox"/>		
EC 5 – Range of ratios of standard entry level wage compared to local minimum wage	<input type="checkbox"/>		From a global perspective, the level of salaries at L&G reflects the extremely high qualifications of our employees. There is no risk of undershooting the local minimum wage, and hence we do not collect any data on this Indicator. In 2013 we signed up to UK Living Wage which is where the majority of our global workforce operates.
EC 6 – Policy, practices, and proportion of spending on locally-based suppliers	<input checked="" type="checkbox"/>	Supply Chain standards (Supply chain risks, Governance and policy) Sustainable Procurement policy	
EC 7 – Procedures for local hiring and proportion of senior management hired from the local community	<input type="checkbox"/>		
EC 8 – Development and impact of infrastructure investments and services provided primarily for public benefit	<input type="checkbox"/>	Commitment to stimulate UK economy with capital investment Campaigns	
EC 9 – Understanding and describing significant indirect economic impacts	<input type="checkbox"/>	Housing	

Environmental performance (EN)

Environmental performance (EN)			
GRI indicator	Level of reporting	Reference	Comment
MA – Management Approach	<input checked="" type="checkbox"/>	Website – Climate and environment (Strategy, Governance) Website – Climate and environment (Environmental management system)	
EN 1 – Materials used by weight or volume	<input type="checkbox"/>	Website – Climate and environment (Building resilience)	
EN 2 – Materials used that are recycled input materials	<input type="checkbox"/>		
EN 3 – Direct energy consumption	<input type="checkbox"/>	KPI's (Environmental data)	
EN 4 – Indirect energy consumption	<input type="checkbox"/>	KPI's (Environmental data) Website – Climate and environment (Energy buying)	
EN 5 – Energy saved due to conservation and efficiency improvements	<input type="checkbox"/>		
EN 6 – Initiatives to provide energy-efficient or renewable energy based products and services	<input type="checkbox"/>	Website – Climate and environment (Backing Renewables)	
EN 7 – Initiatives to reduce indirect energy consumption and reductions achieved	<input type="checkbox"/>	Targets (As a consumer of natural resources)	
EN 8 – Total water withdrawal	<input type="checkbox"/>	KPI's (Environmental data)	
EN 9 – Water sources significantly affected by withdrawal of water	Not material		We do not report on this Indicator because we obtain our water from the regional water utility company and therefore do not ourselves collect data on the water withdrawal sources.

Environmental performance (EN)			
GRI indicator	Level of reporting	Reference	Comment
EN 10 – Water recycled and reused	<input type="checkbox"/>	KPI's (Environmental data)	
EN 11 – Location of land in, or adjacent to, protected areas and areas of high biodiversity value	Not material		The land used by L&G is not located in or adjacent to protected areas. As a company operating in the insurance industry that uses its premises solely for office work, Legal & General considers the effects of our land on protected areas and areas of high biodiversity value to be irrelevant.
EN 12 – Description of significant impacts of activities, products, and services on biodiversity	<input type="checkbox"/>		
EN 13 – Habitats protected or restored	Not material		We do not report on this Indicator because our business operations have not given rise to any need to restore natural habitats and we therefore do not collect data in this regard.
EN 14 – Strategies, current actions, and future plans for managing impacts on biodiversity	<input type="checkbox"/>	KPI's (Environmental data)	
EN 15 – Endangered species with habitats in areas affected by operations	Not material		We do not report on this Indicator because we do not collect any data on it. As a general principle, it is our assumption that our services do not cause any damage to biodiversity. This includes the fact that no IUCN Red List species are impacted by our business operations.
EN 16 – Total direct and indirect greenhouse gas emissions	<input type="checkbox"/>	KPI's (Environmental data)	
EN 17 – Other relevant indirect greenhouse gas emissions	<input checked="" type="checkbox"/>	KPI's (Environmental data)	
EN 18 – Initiatives to reduce greenhouse gas emissions and reductions achieved	<input type="checkbox"/>		
EN 19 – Emissions of ozone-depleting substances	Not material		We do not report on this Indicator because we do not collect any data on ozone-depleting substances. We do not consider this to be of relevance to the insurance business.
EN 20 – NO _x , SO _x , and other significant air emissions	Not material		We do not report on this Indicator because we do not collect any data on NO _x , SO _x and other significant air emissions. We do not consider this to be material to our business.
EN 21 – Total water discharge	<input type="checkbox"/>		
EN 22 – Total weight of waste	<input type="checkbox"/>	KPI's (Environmental data)	
EN 23 – Significant spills	Not material		We do not report on this indicator because we do not consider it applicable to us. Insurance business does not give rise to any significant spills.
EN 24 – Transported, imported, exported or treated hazardous waste	Not material		We do not report on this Indicator because we do not collect this data on account of its minimal relevance to our company. We comply with all legal provisions governing the proper disposal of various types of waste.

Environmental performance (EN)			
GRI indicator	Level of reporting	Reference	Comment
EN 25 – Water bodies and related habitats affected by discharges of water and runoff	Not material		We do not report on this Indicator because we do not consider it applicable to us. As a non-manufacturing provider of insurance services Legal & General does not discharge any environmentally critical effluents. Nor are any critical effects on biodiversity values to be expected from the surface runoff of our premises.
EN 26 – Initiatives to mitigate environmental impacts of products and services	<input type="checkbox"/>	Website – Climate and environment (Building resilience)	
EN 27 – Percentage of products sold and their packaging materials that are reclaimed	Not material		
EN 28 – Fines and non-monetary sanctions for non-compliance with environmental laws/regulations	<input checked="" type="checkbox"/>	Website – Climate and environment (Governance)	
EN 29 – Environmental impacts of transporting products, goods and materials used for the organization's operations, and transporting members of the workforce	<input type="checkbox"/>		
EN 30 – Total environmental protection expenditures and investments	<input type="checkbox"/>		

Labour practices (LA)

Labour practices (LA)			
GRI indicator	Level of reporting	Reference	Comment
MA – Management Approach	<input checked="" type="checkbox"/>	Website – Our people (The working environment, Employee centred principles)	
LA 1 – Total workforce by employment type, employment contract, and region	<input type="checkbox"/>	KPI's (Employee data)	
LA 2 – Total number and rate of new employee hires	<input type="checkbox"/>	KPI's (Employee data)	
LA 3 – Benefits only provided to full-time employees	<input type="checkbox"/>	Health (Our story)	
LA 15 – Return to work and retention rates after parental leave	<input type="checkbox"/>		
LA 4 – Employees covered by collective bargaining agreements	<input checked="" type="checkbox"/>	Website – Our people (Collective consultation) (In the UK, In France, In the Netherlands, In the United States)	
LA 5 – Minimum notice period(s) regarding significant operational changes	<input type="checkbox"/>		
LA 6 – Workforce represented in formal joint management-worker health and safety committees	<input type="checkbox"/>	Health (Our story) Website – Our people (Health and safety)	
LA 7 – Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	<input type="checkbox"/>	KPI's (Employee data)	

Labour practices (LA)			
GRI indicator	Level of reporting	Reference	Comment
LA 8 – Assistance for workforce members, their families, or community members regarding serious diseases	<input type="checkbox"/>	Health (Our story) Our people (Better training, Public commitments)	
LA 9 – Health and safety topics covered in formal agreements with trade unions	<input checked="" type="checkbox"/>	Website – Our people (The working environment)	
LA 10 – Average hours of training	<input type="checkbox"/>		
LA 11 – Programs for skills management and lifelong learning	<input type="checkbox"/>	Website – Our people (Learning Hub, Personal development programme)	
LA 12 – Percentage of employees receiving regular performance and career development reviews	<input type="checkbox"/>		
LA 13 – Composition of governance bodies and breakdown of employees indicators of diversity	<input type="checkbox"/>	KPI's (Employee data)	
LA 14 – Ratio of basic salary of men to women by employee category	<input type="checkbox"/>		We do not report on this Indicator because we do not collect any data in relation to differences in basic salary. As a general principle, employee salaries at L&G are determined by skills and not by gender.

Human rights (HR)

Human rights (HR)			
GRI indicator	Level of reporting	Reference	Comment
MA – Management Approach	<input type="checkbox"/>	UN Global Compact COP	
HR 1 – Investment agreements that include human rights clauses/screening.	<input type="checkbox"/>	Human rights	
HR 2 – Suppliers, contractors, and other business partners that have undergone human rights screening and actions taken	<input type="checkbox"/>		
HR 3 – Total hours of employee training on human rights	<input type="checkbox"/>		
HR 4 – Incidents of discrimination and corrective actions taken	<input type="checkbox"/>		
HR 5 – Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be at significant risk	<input type="checkbox"/>	Supply chain standards	

Human rights (HR)			
GRI indicator	Level of reporting	Reference	Comment
HR 6 – Operations identified as having significant risk for incidents of child labour	<input checked="" type="checkbox"/>	Supply chain standards	<p>As a provider of complex insurance services, child labour has no relevance to the employees of Legal & General – or to global locations of Legal & General where this issue is not legally regulated.</p> <p>L&G tackles the risk of child labour in the supply chain.</p> <p>We explicitly require our suppliers to have a code of conduct outlining employee relations, which requires them to uphold minimum commitments relating to labour standards. Their code of conduct should meet the four ‘core’ ILO conventions on labour rights, namely:</p> <ul style="list-style-type: none"> ■ The effective abolition of child labour. ■ The elimination of all form of bonded labour and compulsory labour. ■ The elimination of discrimination with respect to employment and occupation. ■ Freedom of association and the effective recognition of the right to collective bargaining.
HR 7 – Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labour	<input type="checkbox"/>	Supply chain standards	
HR 8 – Security personnel trained concerning aspects of human rights	<input type="checkbox"/>		
HR 9 – Violations involving rights of indigenous people	Not material	Cf. UN Global Compact Communication on Progress (COP) 2013	We do not report on this Indicator because we do not consider the violation of rights of indigenous people to be relevant in the context of our locations.
HR 10 – Operations that have been subject to human rights reviews and/or impact assessments	<input type="checkbox"/>		We do not report on this Indicator because we do not currently monitor our business operations in this regard on account of the minimal risk of human rights violations.
HR 11 – Number of grievances related to human rights	Not material		We do not report on this Indicator because human rights violations have not to date occurred at Legal & General and we therefore do not consider the establishment of a grievance mechanism for human rights violations to be relevant to our company.

Society (SO)

Society (SO)			
GRI indicator	Level of reporting	Reference	Comment
MA – Management Approach	<input type="checkbox"/>	Website – Working with government & regulators Website – Our Vision Website – Board materiality process (Materiality Process and Output)	
SO 1 (FS) – Impacts of operations on communities	<input type="checkbox"/>	Commitment to stimulate UK economy with capital investment Community and social investment	
FS 13 – Access points in low-populated or economically disadvantaged areas	<input type="checkbox"/>		
FS 14 – Initiatives to improve access to financial services for disadvantaged people	<input checked="" type="checkbox"/>	Customers (Market Inclusiveness)	
SO 9 – Operations with significant potential or actual negative impacts on local communities	<input type="checkbox"/>	Stakeholder views (Work with NGOs)	
SO 10 – Prevention and mitigation measures against potential or actual negative impacts on local communities	<input type="checkbox"/>	Stakeholder views (Work with NGOs)	
SO 2 – Business units analysed for risks related to corruption	<input type="checkbox"/>	Website (PDF) – Anti-Bribery Policy	
SO 3 – Employees trained in anti-corruption policies	<input type="checkbox"/>	Website – Confidence for customers (Policies protecting customers) (Training)	
SO 4 – Actions taken in response to incidents of corruption	<input type="checkbox"/>		We do not currently publish this externally but do monitor it internally.
SO 5 – Public policy positions and participation in public policy development and lobbying	<input checked="" type="checkbox"/>	Website – Working with government & regulators	
SO 6 – Financial and in-kind contributions to political parties and politicians	<input checked="" type="checkbox"/>	Website – Working with government & regulators	There are no in kind donations.
SO 7 – Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	<input checked="" type="checkbox"/>		There are no anti-competitive, antitrust or monopoly practices Legal actions against us.
SO 8 – Number of non-monetary sanctions for non-compliance with laws and regulations	<input checked="" type="checkbox"/>		There are no significant monetary sanctions applied to our business.

Product responsibility (PR)

Product responsibility (PR)			
GRI indicator	Level of reporting	Reference	Comment
MA – Management Approach	<input type="checkbox"/>		
PR 1 – Life cycle stages in which health and safety impacts of products and services are assessed	Not material		We do not report on this indicator since we do not consider it relevant to our company. Legal & General's products, i.e. insurance services, do not have any direct physical effects on customers and therefore do not entail any health and safety risks.

Product responsibility (PR)			
GRI indicator	Level of reporting	Reference	Comment
PR 2 – Incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services	Not material		For the reasons stated under Indicator PR1, we do not consider this Indicator relevant to our company and therefore do not report on it.
FS 15 – Policies for the fair design and sale of financial products and services	<input checked="" type="checkbox"/>	<p>Our product design principles and product lifecycle process are highlighted in the product section</p> <p>Our Product Lifecycle is referred to in Website – Confidence for customers (How we govern)</p> <p>We promise to make financial security easier to achieve in Website – Confidence for customers (How we govern)</p> <p>Website – Our policies</p>	
PR 3 – Product and service information required by procedures	<input type="checkbox"/>		
PR 4 – Incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling	<input type="checkbox"/>		
PR 5 – Practices related to customer satisfaction	<input checked="" type="checkbox"/>	Product performance	
FS 16 – Initiatives to enhance financial literacy	<input checked="" type="checkbox"/>	Product performance	
PR 6 – Programs for adherence to standards related to marketing communications	<input type="checkbox"/>	Website – Ethics principles	
PR 7 – Incidents of non-compliance with regulations and voluntary codes concerning marketing communications	<input type="checkbox"/>		
PR 8 – Substantiated complaints regarding breaches of customer privacy and losses of customer data	<input type="checkbox"/>	Website – Confidence for customers (Policies protecting customers) (Publication of complaints data)	
PR 9 – Fines for non-compliance with laws and regulations concerning the provision and use of products and services	<input type="checkbox"/>		