

# 2014



**104**

**Economic value**

Our role in the centre of many important financial transactions with our own money and that of our clients.

**16**

**Social value**

The positive role we play in improving people's lives through our financial safety nets and investment of our direct balance sheet.

**53**

**Environmental efficiency**

The way that we manage down our environmental impact year on year.

# Overview

Our report gives you an in depth view on how responsible we have been in delivering this year's financial performance at Legal & General. In this update we cover everything from the economic, social and environmental impact we have day to day through to the long term macro trends we play a role in fixing to improve people's lives in the future including housing, health and an ageing population.

## 2

### Introduction

- 4 Group chief executive's review
- 7 About us
- 10 Materiality

## 14

### Campaigns

- 16 Housing
- 21 Income in retirement
- 26 Health
- 30 Sustainable property
- 33 Corporate governance

## 36

### Doing business better

- 38 Improving our workplace
- 46 Community and social investment
- 51 Climate and environmental management
- 56 Supply chain standards
- 58 Public Affairs
- 60 Transparency
- 64 Performance against Targets 2014
- 73 2015 – 2017 Targets

## 76

### Our reporting

- 78 About the report
- 79 GRI index
- 87 Audit statement

## 88

### Data centre

- 90 Tax data
- 93 Product and customer data
- 100 Economic data
- 102 Employee data
- 109 Investor data
- 110 Supplier data
- 111 Environmental data
- 114 Market inclusiveness data
- 115 Community data

# Introduction

## In this section...

- 4 Group chief executive's review
- 7 About us
- 10 Materiality



EVERY DAY MATTERS.

EVERY DAY MATTE

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## INTRODUCTION

Welcome to our corporate responsibility report. We report on our people and corporate responsibility performance and how acting responsible over the long terms means we deliver for our customers to ensure a positive future for all.

EVERY DAY MATTE

EVERY DAY I

EVERY DAY MATTERS.

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## ➤ Group chief executive's review



### Responsible action now for future generations

2014 was another terrific year for us. We hit all our financial **key performance indicators**, delivering operating profit of **£1,275** million, dividend growth of 21% and a great return for our shareholders. We continued to champion for change based on our five major **long-term macro issues**, which we believe are fundamental to the financial security and wellbeing of future generations.

Our opinions continue to be at the forefront of the debates on:

- an ageing population
- welfare reform
- slow money - long term investment
- globalisation of asset markets
- and a digital lifestyle

In 2014 we ran our largest ever materiality **consultation**: encouragingly 70% of you agree we behave as responsible business. We aim to be a company that balances being economically useful, creating social value and being environmentally efficient.

The **Group Corporate Responsibility and Ethics Committee**, which I chair, sets our future campaigns and targets. Here are my highlights of the Groups performance in 2014.

### In the creation of economic value

Companies shy away from talking about their inherent economic value, and more so from connecting that economic value to the end-customer or customer.

We add economic value through our business by activities including:

- Paying claims to clients.
- Providing national governments with tax revenues.
- Financing listed companies by providing equity and bond funding.
- Providing suppliers with prompt payment for their products and services.
- Paying employees a living wage.
- Paying shareholders progressive dividends.
- Funding communities through social investments.
- Providing over **£6 billion** of '**slow money**' investment for infrastructure, housing and regeneration.

## Creating long term social value

As a company we provide current and future generations with the ability to plan financially. The long term nature of our business also means that we can also invest for the long term in vital parts of society and the broader economy.

In 2014 we grew the number of customers to almost 10 million in the UK and over one million in the US. We also accelerated our **direct investments strategy**, putting our balance sheet behind socially and economically useful areas that will matter for future generations. We now have invested over £6 billion directly our 'slow money' into all forms of housing tenure; we have also invested in healthcare, later life housing, energy, business infrastructure and urban regeneration.

Our digital programme has given more people the confidence to achieve financial independence and security. In the UK, and in other markets, we want to reverse the trend where financial products have been targeted at middle-aged wealthy people, by making it easier for everyone to insure their homes and family and start saving for a secure future. In 2014 we:

- Increased UK **market inclusiveness**.
- Introduced mobile finance solutions in India and Egypt.
- Worked with charities to improve access to housing, coping better with ill health and improve income in later life.
- Delivered our award winning social investment fund [www.se-assist.co.uk](http://www.se-assist.co.uk) is backing UK-wide economic and social regeneration, for which we were awarded Best New Project by Investment Week.

## Our influence

Our influence as a major investor continues to grow. In 2014 our corporate **governance team** delivered over 589 interventions on environmental, social and governance issues in publicly quoted companies, 32% of which were environmentally or socially driven. While executive remuneration and board diversity continue to dominate our agenda, we're widening this to include other critical issues.

We increasingly use our influence as a direct balance sheet investor to enhance governance where we invest in the care and housing sectors, working alongside Action on Elder Abuse, Elderly Accommodation Counsel and Shelter. In 2014 we also scrutinised 206 of our suppliers on environmental, social and governance performance, providing positive feedback to enable them to improve standards.

## Our employment profile is changing

2014 was a year of change for us. We employ **fewer people** in our core business as we digitise our products and services to deliver better value for customers. However, our direct investments create jobs and growth in the broader economy, and we are stimulating early-stage, future-growth businesses like mobile finance and social investment.

Our employees continued to support local **communities**, with our biggest ever volunteering programme - 30% of our workforce made a positive contribution.

## Environmental performance managed not offset

In 2014 we delivered **reductions** in all core resources used by our business. Paper, CO<sub>2</sub> and waste have all reduced after a conscious effort to grow more efficiently. This also applies to buildings run by Legal & General Property (LGP), which works with commercial tenants to reduce their environmental impact. LGP was awarded 11 GRESB Green Stars for its work in 2014.

## What next?

Our 2014 materiality analysis raised several questions for our business strategy, including:


- What role to play as a direct and indirect investor in the energy and healthcare markets?
- What role to play in life-long financial education?
- How to deliver confidence in customer privacy and cyber security?
- How to connect customers with our balance sheet investments so they can see the long term assets that we have invested in on their behalf.

Based upon this feedback we have again set tough medium term **environmental, social and governance targets** for the Group which either help us to do business better or campaign for measures to improve the lives of future generations. Networks such as the Responsible 100, UN Global Compact, UN Principles for Responsible Investment and Blueprint for Better Business will provide us with support in making these targets a reality.

### Nigel Wilson

Group chief executive officer

Chair – Group Corporate Responsibility and Ethics Committee

KEY INDICATOR	STATUS
Develop a long term published corporate view on the development of the campaign areas.	
<a href="#">&gt; READ OUR VIEWS</a>	

## ➤ About us



### Who we are and what we believe

Our aim is to help our customers achieve financial security through providing products and services that offer outstanding value for money. We realise that many people simply don't have the confidence to understand how financial services products and services can help them build better lives. We believe it's important to make our products more accessible, so that we can widen our customer base, start to tackle financial exclusion in society and give people real financial independence.

We're owned by our shareholders so it's important to give our shareholders a good return on their investments. By being economically and socially responsible, we can build our business, delivering not only returns to our shareholders but also financial security to our customers. We want a fair balance between how we help both groups of stakeholders.

Although we believe strongly that increasing the wealth of the many can improve social mobility, we recognise that there are people in society that will remain excluded from the benefits of insuring and saving money. That's why we work to help the poorest people in society through our campaigns for health, retirement income and better housing. Our strategy is based upon the broader macro trends that affect all people throughout society.

### Over 175 years in the business

We were established in 1836 and for over 175 years, we have helped people protect against unforeseen circumstances in their lives and save for a better and happier financial future. At the end of 2014 we had more than 10 million customers worldwide and over £709 billion in total assets, looking after the savings of individuals, their families, pension schemes and financial institutions. Our large scale gives us an added responsibility to use our economic expertise and investment strength by taking a position of leadership in broader society.

We believe that the private sector must work together with governments to benefit the whole of society. There are two important examples where we do this. First, we've been working hard to widen the ownership of pensions and improve the way the UK government allocates tax relief, so the benefits are shared more widely. Second, we want to use our investments to improve the country's infrastructure, especially in the supply and quality of housing.

### Doing the right thing

We're convinced that corporate and social responsibility should be integrated into the 'lifeblood' of companies, affecting everything they do and every relationship they have whether with customers, with suppliers, with governments or the whole of society. We want to see a positive future for all.



## Areas of expertise

Our core business is managing risk. This applies to managing the risks of our customers so that we can provide them with financial security for events such as death, illness or the loss of property. It also extends to investment risks, where we enable individuals and pension schemes to manage their investments to help them achieve their long-term financial goals.

We work with people from the third sector, primarily by sharing expertise. This means that we help our charity partners understand more about the financial risks that consumers face in health, housing and providing retirement income. In return, our partners help us understand the key realities that people face in their daily lives. We've described this in more detail in the sections on our campaigns below. Here are just a few examples where our partners have improved our knowledge of key issues:

- **Housing.** Shelter helps us understand how the need to build a greater number of affordable homes can help make the current UK housing crisis less severe, especially for younger people who are struggling to reach the first rung of the housing ladder.
- **Income in retirement.** The Elderly Accommodation Counsel helps us understand the difficulties many older people face in finding suitable living accommodation as they age.
- **Health.** Working with the Stroke Association to understand the pain and suffering associated with coming to terms with having a stroke means that our Insurance team can give a more compassionate level of service to our customers and their families.

## Our purpose

We place helping people at the heart of our business. Our own customers rely on us, whether it's protecting against unforeseen circumstances, helping to save for retirement or investing money wisely so that it grows over time. We promise to continue to help millions of people manage their financial future.

We've a legal and moral duty to help over 10 million people in the UK who rely on us for insurance, savings and investments. We also have a responsibility which covers many more people across society who benefit from our investments and are touched by our campaigns. We do this in the UK, the Netherlands, France, the United States of America and in India.

## Examples of how our purpose has helped to improve the lives of people across the world

- In the UK, our infrastructure investments have seen us invest over £5.7 billion into projects such as housing schemes, urban regeneration, care homes and student accommodation.
- In India we've been working with IndiaAge in Mumbai to help improve the lives of millions of elderly Indian people who face poverty in later life.
- We're the UK's largest provider of life insurance. We cover over 3.8 million people with individual policies and 1.8 million people who are covered through their employer's group schemes. In 2014, we paid out £680 million in UK insurance claims.
- In the Netherlands we partnered with 'Sherpa', a regional institution that helps disabled people.
- We're the UK market leader in auto-enrolled pensions where helping one fifth of all the people who've recently started saving for retirement for the first time with their pension. In this way, we've been helping to bring the benefits of saving for retirement to a wider group of people.

### Increasing financial inclusion in India



Much of our focus in India in 2014 was about bringing the benefits of savings and insurance to a much wider group of people. Low income households in India lack knowledge about three basic things: how to manage their cash flow, how to protect themselves against the risks of living and how to build up savings for the future. We've developed products that meet our social purpose requirements that help protect people from financial shocks, expand financial inclusion and promote a culture of saving.

We've been working closely with Vodafone, who have high penetration in the Indian mobile market, to change the way we engage customers. Changes in consumer behaviour and developments in mobile technology help us offer simple, affordable and easily accessible services using mobiles, to customers

previously out of reach. Our strategic partnership offers a fantastic opportunity for organisations to provide expertise and help millions of customers protect their families and finances.

#### Partnering with Common Service Center Scheme

In India, in 2014, we partnered with the Common Services Center Scheme (CSC). CSC is a part of a National e-Governance Plan (NeGP) in India. The Scheme aims to set up 100,000+ IT-enabled access points in rural areas all over India. The Common Service Centers (CSCs) will also deliver Government and Private Sector services.



**Find out more about what IndiaFirst is offering its customers**

[Shubhlabh Plan \(PDF\)](#)

In Egypt, Commerical Internation Life (CIL) has partnered with two microfinance institutions, ABA (Alexandria Business Association) and DBACD (Dakahlya Businessmen Association for Community Development) which gives them access to over 300,000 existing borrowers.



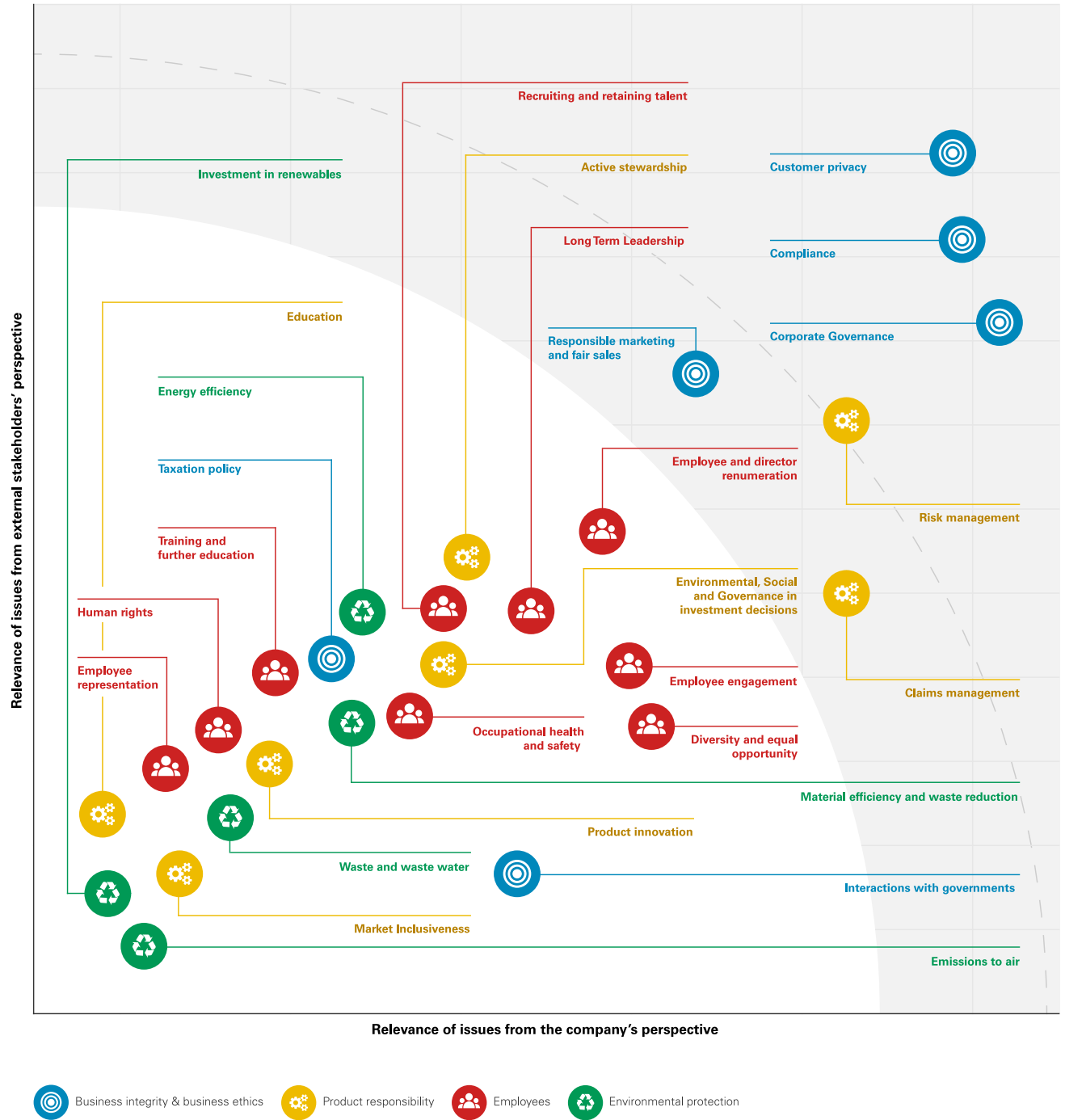
**Find out more about what CIL is offering customers in Egypt**

[Gnh-3ala-gnh](#)

KEY INDICATOR	STATUS
Support local management to create and deliver micro insurance finance solutions in India and Egypt in 2014.	<input checked="" type="checkbox"/>

# ➤ Even clearer on materiality in 2014

## Overall materiality matrix




Our group strategy focuses upon helping people achieve financial security while ensuring that everything we do is environmentally and socially responsible. We have an ever-changing set of stakeholder expectations, some of which inform the strategy and opportunities, and some of which acknowledge risks for the strategy.

The basis for our responsible business strategy comes from a superb 2005 white paper by FTSE Group, which in our opinion is timeless in its application, called '[Rewarding Virtue \(PDF, 3.6 MB\)](#)'. This work suggested that the role of a company's board is to look for constructive ways to solve external market failures (social, economic and

environmental) through its operation and strategy. We continue to look for innovative networks to improve our performance. The 'Blueprint for better business' and the 'Responsible 100' now provide us with guidance on our approach.

During 2014, we worked with Schlange & Co, a German firm specialising in corporate social responsibility strategy, to carry out an independent materiality process on behalf of the group as part of our governance process. This was presented to the Executive Committee in November 2014 for discussion and conclusion. It was also reviewed by the Chairman. It is now the responsibility of the Group Corporate Responsibility and Ethics Committee (GCRE) chaired by CEO, Nigel Wilson, to progress this work in the form of policy development and targeting improvements over the next few years.

 **Read more about how it all fits together**  
Our governance structure (PDF 1.4MB)

## Materiality debates – who did we involve?

We asked 40,000 retail customers, 14,500 financial intermediaries, 400 non-governmental organisations (NGOs) via the 'Responsible 100 network', our worldwide employees, our social media followers and our leadership teams, their views on a number of areas related to our responsibilities as a business now and in the future.

They were selected initially because they are key stakeholder groups that we would typically interact with in running or business. We had a pleasing quantity of responses and asked Schlange & Co to digest these for us. They identified 27 critical

### Views of external stakeholders



There was a very strong correlation between what external stakeholders and what our employees say.

sustainability issues that are relevant to us because of the businesses, geographies and markets that we are in. This was based upon their own experience and also used pre-existing reports from investment analysts, NGOs and customer feedback.

## How do we stack up?

Internal and external stakeholders viewed our performance as positive. We validated our internal list of highly material issues with external stakeholders and were very pleased to achieve a high level of consensus.

External stakeholders had the following views:

- 69% agree or strongly agree that we're a responsible business
- 78% agree or strongly agree that we're economically useful
- 48% agree or strongly agree that we're socially useful
- 34% agree or strongly agree that we're environmentally useful

We're seen as a company that is run responsibly and is economically useful. Many organisations say we need to do more work to prove social value and environmental efficiency and we need better communications to stakeholders to improve their perception of what we do.

### Qualitative feedback

As part of the analysis we got some qualitative feedback on a number of areas.

1. We asked what **three words** best describe our approach to business?

### Employee views





## How do we stack up against our competitors?

Customers of all types have a choice about who they do business with. Our workforce has a choice over who they work for.

Schlange & Co drew conclusions across our three core businesses:

1. Providing retail financial services
2. As a major investment manager
3. As a major commercial property fund manager

They said that: "Stakeholders perceive that we perform equally or better than our competitors in these markets.

Based on the competitors' benchmark, we ranked second out of seven companies overall with regard to sustainability performance and first in its sustainability communication."



## How might a future materiality evaluation be different?

The materiality analysis raises a number of questions that will guide current strategy.

These are currently being reviewed by the Group Corporate Responsibility and Ethics (GCRE) Committee, but include:

- What role we could play in the **renewable energy market** as an investor for clients and a direct investor via our balance sheet?
- Should we play an increased role in all aspects of the **financial education system** at all stages of life, particularly with major pension changes happening in the UK.

- What we need to do to inspire more confidence in our stakeholders on our **customer privacy and cyber security** approach, particularly in relation to our increased digital aspirations.
- How can we **connect our customers with our balance sheet investments** so that they can see the long term assets that we have invested in on their behalf?
- The opportunity for a **stronger UK regional presence** as a business and stronger local links with regional bodies such as Local Enterprise Partnerships (LEPs)?
- Our plans for **country level materiality analysis** for the UK, US, Netherlands and France to take into account local stakeholder views.

The materiality process and subsequent board interactions have created the **ESG targets for 2015 – 2017**.

Our materiality analysis in 2014 focussed upon the group and UK stakeholders. We intend to increase our scope in 2015 so that all subsidiaries in the US, Netherlands and France have an independent materiality review from their local stakeholders.

# Our campaigns

## In this section...

- 16 Housing
- 21 Income in retirement
- 26 Health
- 30 Sustainable property
- 33 Corporate governance



## CAMPAIGNS

We continue to campaign to be economically useful and create social value while being environmentally efficient. We use our skills and experience to shape our products while listening and working with our stakeholders to improve our business.



## ➤ Our housing campaign



### Overcoming Britain's housing crisis

The UK has neglected house building since 1979, falling from post-war highs of 400,000 a year to barely 125,000 homes a year. Campbell Robb, CEO of Shelter, said when submitting their entry for the Wolfson Economics Prize: "Soaring prices and years of rock-bottom house building have pushed the housing market to crisis point." We need to free up more land for building and invest in all housing sectors. Young people are squeezed out of the market and want more affordable homes, young families need good quality housing to rent or buy, key workers, especially in London, need low-cost accommodation and elderly people want smaller specialist homes, when their physical health declines in later years.

### Our work with Places for People and CALA Homes

Our £252 million Places for People investment enabling 7,000 more new homes to be built over the next seven years, is the largest direct investment made by an institutional investor into the affordable housing sector. David Cowans, Group CEO of Places

for People said: "The scale of under supply in housing and the need to invest in infrastructure across the UK is central to our determination to develop partnerships with investors like Legal & General." Our 46.5% owned joint venture company, CALA Homes became a top ten UK house builder with the acquisition of Banner Homes in March 2014 and is targeting £800 million of sales by the end of the 2016 calendar year.



**Cala homes is a top ten UK house builder where we own a major stake.**

### Building up housing expertise

Anticipating future changes in housing needs rely upon us having a good network of advisors in the profit and not for profit sector. We take our role seriously in understanding the long term needs and trends of housing in the UK, campaigning alongside organisations large and small.



## The realities of housing market failure

Legal & General Network provided nearly 600,000 people with access to mortgage finance in 2014 but not all elements of the housing market work all of the time. The private, public and third sectors must work together to provide more people a home.

We have invested our time, expertise and money in supporting Shelter to improve housing safety nets for UK consumers.



### Further reading Shelter's work

We continue to support a housing adviser who sits within the West Sussex Service Centre providing housing and community care advice for people living in West Sussex.

The service:

- Enables individuals to protect their rights and resolve legal disputes, assisting clients in taking positive action to exercise their legal rights.
- Tackles disadvantage and promotes social inclusion through assisting individuals in exercising their rights and challenge situations that may otherwise lead to social exclusion.
- Provides a seamless service to tackle complex, multiple problems at an early stage to avoid escalation.
- Prevents legal problems from arising through effective social policy work.

## Key KPIs on Shelter's housing service

Quarter	Jan to Mar 2014	Apr to Jun 2014	Jul to Sep 2014	Oct to Dec 2014
West Sussex Housing and Community Care (number of cases closed)	201	172	171	139
West Sussex Court Helpdesk (number of cases closed)	83	62	75	68



**I'm 50 years old and have recently found myself homeless. Shelter staff have been incredibly helpful, ensuring that I stay off the streets."**

## Our work with Shelter

In the anticipation of future interest rate rises hitting the UK consumer we jointly hosted a number of housing-related round-tables with Shelter and our contacts in the mortgage lending industry.

The 'Housing Safety Net' looked at whether the government's safety nets on mortgage interest payments were adequate or whether a private sector alternative was more suitable. This work informs Shelter's work with all major political parties in the run-up to the general election in May 2015 in the UK.



## Backing Garden Cities

We were proud to support Shelter with its proposal for a new garden city in Medway, Kent. The proposal was submitted for the 2014 Wolfson Economics Prize. Shelter were awarded a £50,000 runners-up prize after they finished as a finalist in the prize.



### Further reading Shelter submission

The competition asked entrants to articulate how they would deliver a new garden city, in a visionary, economically viable and popular way. We worked in collaboration with Shelter and PRP Architects, with advice from KPMG LLP and Laing O'Rourke Plc. Shelter had a vision for 15,000 new homes over 15 years.

Stoke Harbour, a new garden city on the Hoo Peninsula, in Medway, Kent. Beginning with 15,000 new homes, built over 15 years, to accommodate around 36,000 people, Stoke Harbour is planned to eventually grow into a garden city of 60,000 homes.

Shelter's competition entry showed how new measures can be put in place, which could result in more new homes being built, benefiting the local residents and also helping to stabilise England's 'rollercoaster' housing market.

This valuable relationship gave us the opportunity to learn from Shelter's independent approach on this project to help us with our own property based developments.



**Our Brokering Change programme creates a charitable donation from the many thousands of mortgage transactions made each year. This has generated over £20,000 to Shelter**

## Our work on housing



### Intervening in housing PLC's

Our [corporate governance team](#) has been helping to improve the housing sector's performance by talking to publicly listed house builders as part of their work for clients to improve standards.

We have been asking a number of challenging questions which include solutions on zero carbon homes, HSE accident rates, timber use and its provenance, communication with local communities and the introduction of a national space standard.



### Our employees and customers worry about housing too

In 2014, we asked employees and customers the questions Shelter use to evaluate the impact of housing worries on people's lives. The feedback from these audiences was that we should play a stronger role in the affordable housing market, particularly in communities where they live and can see us building in the communities about which they care.

Our [#everydaymatters](#) digital campaign with Shelter showed that housing is really important to consumers. The campaign itself reached over 11 million consumers and provided employees and consumers with the chance to talk about housing issues.



## The trauma of flooding



In 2014 we paid out £156 million in home insurance claims to customers whose homes were damaged through flooding, fire or burglary. Evidence shows that fixing just the house is not enough and support is needed for the emotions of our customers.

We took advice from our contacts at the Warrior Programme, an organisation working to help service veterans and their families to deal with the aftermath of life in the forces. We subsequently took a focused approach to help our customers deal with the trauma of flooding and to improve resilience in their community.



**Further reading**  
Warrior Programme

## Contribution to social housing



**We have 31 housing associations insured in our home insurance business. These associations own about 200,000 flats and houses, providing homes for an estimated 300,000 people."**



## Housing policy

In May, we published our '[Let's House Britain](#)' (PDF) report, talking about why housing matters and provides some clarity to the main issues, and offers recommendations based on our view of the housing market's present and future challenges. If the right kind of homes can be built then it will go a long way to easing the housing shortage in the UK – family houses will be freed up and start to become more affordable for families.

We also set out the role we believe government needs to play alongside the housing sector



**Further reading**  
Nigel's blog

## Where next on housing in 2015?

There are a number of activities for us to focus upon in 2015 in relation to housing:

- **Tenancy deposit schemes** - We're considering a tenancy deposit scheme pilot designed by Shelter for our employees to make it easier to move between rental properties.
- **Later life housing** – We have already held discussions with organisations such as the Elderly Accommodation Counsel who have helped us understand the importance of keeping a balance

between building purpose built housing for later life with 'In home' adjustments and the need for others to stay in their own homes.

- **Lifetime mortgages** – Work started in 2014 to acquire NewLife, a provider of options for people in later life such as lifetime mortgages. This move into equity release will recognise the reality of life that people are having to work longer as they live longer, healthier lives.

26% of people aged between 20 and 34 live with their parents, an increase of 25% since 1996.

KEY INDICATOR	STATUS
Aim to deliver £1 billion of direct investments that directly improve people's lives in our campaign areas	<input checked="" type="checkbox"/>
Create a better understanding for our employees of issues our customers face from our campaign areas with the help of our charity partners.	<input checked="" type="checkbox"/>
<a href="#">&gt; OUR INVESTMENT IN HOUSING</a>	

## ➤ Income in retirement



### A landscape of growth

People that were born just after the second world war are now in their 60s and many of them are at the point of retirement. This means that the level of income that they have available to them in their later life is likely to be their main financial priority.

Since changes were announced in the 2014 Budget, the retirement income landscape has fundamentally changed and people have more choice and freedom in how they are able to approach their retirement income. People who are retiring have a very different set of options from now on.

It's still very early days in the UK's journey to inspire people to build their own retirement funds through auto-enrolment. A significant number of people still don't have private pensions and for those that do, individual pension pots at retirement still average around only £40,000. It may sound a lot of money, but this money doesn't stretch too far. People routinely under-estimate how much they will need to live on in retirement, and how many years they will live after retiring. This all means that people need to think carefully how to make their savings last. It's more important than ever that people get the right guidance and advice, given that the new pensions freedoms mean that some people will want to take money out of their pension pot as a lump sum cash payment.

### Supporting people who are retiring with advice and guidance



In general, people do not save enough during their working lives to pay for their retirement.

Once they are aware of the gap between what they have saved and what they are likely to need, pensioners will need to rely increasingly on alternative sources of finance to fund it. People aged over 60 in the UK are estimated to have some £1.3 trillion of housing equity and we expect increasing numbers of retirees to use the equity in their homes to supplement their retirement income.

John Galvin, chief executive officer at the Elderly Accommodation Counsel, (EAC) one of our major charity partners in the UK, gave us his views on later life housing in 2014. The key points he raised were:

- Housing is recognised as a key determinant of health, wellbeing and independence for older people. A safe and suitable home environment is critical to reduce strain on healthcare services created by accidents in the home and improve independence for older people.
- Companies like ours are likely to play an increased role in welfare provision – we are shifting to a choice-based economy.
- The decision about where and how to live is a complex one in older age. Downsizing and adapting homes can be stressful and expensive. Getting advice, such as from 'FirstStop', provided by the EAC at the right time is important to make an appropriate future-proof decision.
- We need to do more to get a better understanding of the issues around housing and later life as society ages and technology and healthcare change.

Improvement in our health and lifestyle means that we are living longer. Looking forward, 20 million people, or 27% of the UK population will be over 60 in 2035 and on average, 72% of UK men currently aged 60 and 80% of women could reach their 80th birthday, as. So we've been looking to deliver a number of initiatives to ensure we can provide more elderly people with financial safety nets, a place to live, as well as innovations in the service we provide to customers and business partners.



## Investing in UK infrastructure for older people

Our retirement business benefits UK society as a whole. Around 35% of the annuity premiums we received in 2014 were invested in direct investments such as the development of care homes; social housing and hospitals. This creates a pleasing symmetry as customers who have saved their entire lives for a pension income are able to see the money invested in a long-term infrastructure for themselves and their families.

Traditionally, annuity providers invest in a range of assets, such as government bonds and corporate bonds in order to meet future liabilities such as the pension income payments they need to make their customers. These income payments are usually for fixed amounts, over long periods. Investing in bonds and corporate bonds provides a long term, fixed income stream, as well as allowing us secure investment opportunities that bring with them a wider social benefit.

A recent report from the Demos thinktank estimated that retired people own £1.3 trillion of the UK's housing equity, with a projection that 3.5 million of them would like to move to more suitable, smaller homes to free up income or improve their quality of life. While the UK government wants to enable more elderly people to stay in their own homes as long as possible, we want to help elderly people who need a greater level of support by helping to improve quality care homes. We've invested around £220 million in the care home sector so far, working with Care UK and Methodist Homes.

## Providing dignity in later life in Mumbai

Ageing is an international phenomenon. We've been sponsoring the [mobile medicare unit, \(MMU\)](#) since 2012. The unit focuses on health screening and support for older people who can't access or afford other health services. It operates in some of the largest slum areas in Mumbai and we work alongside our partners IndiaFirst Life and Help AGE International. Nearly 1,200 patients receive health benefits and treatment from the MMU every month. **Mark Gregory, our group chief financial officer** recently visited and heard first-hand about the unit from the medical staff and some of those benefiting from their services.

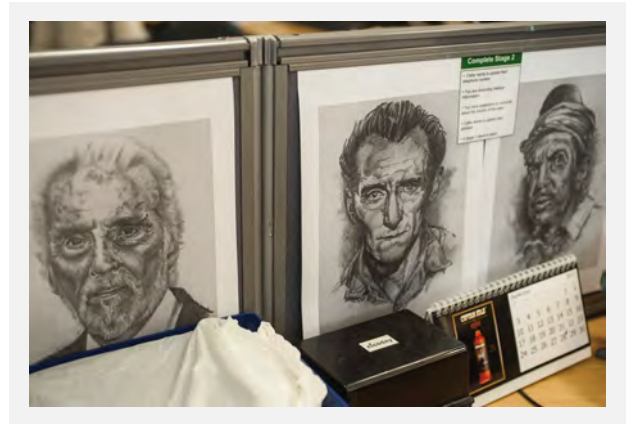


**It was incredibly moving to meet some of the older people whose only access to medical care comes from this mobile unit which can reach them where they live. Over three quarters of the beneficiaries suffer from arthritis, which makes it hard for them to get around, so having the mobile unit makes a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

**Mark Gregory, Group chief financial officer**

The service is also providing much needed insight into the healthcare support older people need in India.

## Work with the government's business champion for older workers



We support the government initiative to re-vitalise the economy and enrich the UK workforce with the skills, experience and insight offered by workers who are over 50.

- A YouGov poll showed that around half of non-retired over 50s wanted to still be working between 65 and 70 and only 15% of non-retired over 50s said they wanted to stop working altogether between ages 60 and 65.
- If these findings are applied to the whole of the UK population, then this suggests that 4.8 million people want to keep working and not retire.
- If those over 50s keep working, there is more money for them to spend which improves the economy which would result in more jobs and more growth for younger generations, which is estimated could boost UK growth by 1%.

Many people need to work longer to secure a higher pension to have the lifestyle they wish in their retirement. If someone works three years longer, on average earnings of £25,000 a year, they would earn an extra £75,000 in their lifetime and could have a pension that is 13% larger to spend for the rest of their life.

We're helping to rethink retirement and improve the working lives and the lifetime incomes of Britain's over 50's and we worked with Dr Ros Altmann, the business champion for older workers, on her report '[A new vision for older workers – retain, retrain recruit](#)'.





## What is making us live longer?

In evaluating and pricing our protection and retirement solutions, our teams have to make assumptions about how long people will live, how healthy they will be and events that could give a higher rate of claims than we'd normally expect. We call these mortality, morbidity and catastrophe risks.

This topic is important to us and wider society, because anti-ageing technology or medicine might dramatically lengthen life expectancy.

Our longevity team has been working closely with the longevity science panel, (LSP) on their latest paper. Eight eminent experts on the major advances being made in the understanding of ageing and the also the potential of anti-ageing interventions in extending our lifespan also contributed to this work. The report identifies that life expectancy could be more effectively improved through measures such as exercise, good nutrition and better use of existing treatments, rather than waiting for a dramatic anti-ageing breakthrough.



### Further reading [Commenting on longevity](#)

We will enhance our understanding of how proven strategies highlighted by the report such as exercise, good nutrition and preventative medicine would improve population longevity. The longevity science panel's conclusions are important findings that we will now factor into our future modeling and so help inform customers, intermediaries and business partners on the risks of living longer when considering financial planning for and at retirement.



## Helping pension schemes manage their future

Our investment and retirement businesses work together to help companies build more secure futures with their pension schemes.

A key objective for the trustees of defined benefit pension schemes in the UK is to pay benefits on time and in full. As an investment manager and as an insurance company we are able to offer our clients a wide range of growth investment strategies which can help close any funding gap and de-risking insurance strategies such as liability driven investments and bulk annuities, which mean that the liabilities may be reduced. Working closely with trustees and employee benefit consultants we understand our customers' objectives and help them achieve them.




 **Making the most of low incomes – paying the right amount of tax**

Tax issues can cause confusion and distress for some. People find tax complicated and when problems arise, they often don't understand what has happened or who to turn to to resolve it. Our relationship with leading charity **Tax Help for Older People** means that our customers can access tax experts to help explain the personal tax implications. We have also worked with the experts at this charity to train our employees on the tax implications for our customers, particularly those trying to understand the implication of the new pension freedoms.

**Where next with ageing? Our focus areas for 2015**

We are developing new solutions that enable people at retirement, after receiving suitable guidance, to invest their pension pots. Our new post-retirement plans will enable consumers to access their retirement savings and take income in ways which offer a greater degree of flexibility.

We recently announced our acquisition of NewLife to help us provide flexible equity release solutions to customers. Bernie Hickman, managing director of our Individual Retirement business said: "We're delighted to announce our acquisition of NewLife and our entry into the lifetime mortgage market. The over 60s in the UK have nearly £1.3 trillion in housing equity and we believe lifetime mortgages will become an increasingly popular way for many people to supplement their retirement income."

KEY INDICATOR	STATUS
Create a better understanding for our employees of issues our customers face from our campaign areas with the help of our charity partners.	
<p>&gt; OUR INVESTMENTS IN AN AGEING POPULATION</p>	

## ➤ Health



### Our protection expertise

We're the UK's biggest provider of life insurance, being the clear market leader in the individual market and a major player in the corporate market. In the corporate market, we not only provide employees' dependants with life cover, but we also help employers to provide an income in the event of sickness or disability.

Our market-leading position means we have a responsibility to help our customers understand the issues relating to health and the risks associated with life protection. This relates both to individual protection and corporate protection, where our campaigns help businesses improve the health of their employees. We're a leading provider of rehabilitation services to employers, helping businesses manage sickness absence.

We can deliver better outcomes to people by stimulating greater ownership of protection and savings products. We believe that people need to take more responsibility for their own provision. In this way, affordable pensions and life insurance could benefit society.

### Commitment to improving health standards

We've been recognised by the Department of Health for our commitment to promoting health and wellbeing in the workplace.



**"I'm delighted that we've been recognised for the work that we've 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, Group CEO in 2014**

As a Health at Work partner with the Department of Health (known as the Public Health Responsibility Deal), we have pledged to make a significant contribution to improving the health of our employees.

Some key areas of focus for us in 2014 included the following:

## Understanding stress and mental health in the workplace



Our own research amongst SMEs has found that one in seven business owners say that employee stress is an increasing issue. More than 30% of all employee absence notifications we received from our group income protection clients relate to stress and other mental health issues, making mental health the dominant cause for long-term absence from work. We believe preventative steps can be taken by employers and employees to reduce or eliminate the absences caused by mental health issues, to the benefit of all.

We both commission and use talking therapies, for example, which can help employees to work out how to deal with negative thoughts and feelings and make positive changes, whether they are feeling distressed by difficult events in their lives or dealing with a diagnosed mental health problem. If employers can start to take advantage of technology to encourage the take-up of talking therapies by those who most need them within the workforce, we could start to see really effective solutions and treatments for mental health at work being delivered at a reasonable cost to business.

We work together with mental health charities such as ReThink Mental Illness and Business in the Community (BITC) to increase understanding.

In 2014, we invested £4.6 million in rehabilitation treatment for our customers including 7,222 cognitive behavioural therapy sessions. The result of this work was that 78.5% of the mental health related absences notified to us resulted in people returning to work within the deferred period.

## A 'Time to Change'

Our commitment to health and well-being means that we are committed to end the stigma and discrimination against people with experience of mental health problems. In 2013 and 2014, we signed the 'Time to Change' pledge for England and more recently 'Time to Change Wales' (TTCW), run by the charities Mind and Rethink Mental Illness.

'Time to Change' ran a 'Time to Talk' day on February 6, 2014 to help get more people talking about mental health. Our corporate business division supported this event and demonstrated to our employees that sometimes it's the little things we do that make a big difference to someone who's experiencing a mental health problem - like having a chat over a cuppa, sending a text or inviting someone out.

In Wales, we hosted a business breakfast in Cardiff on 5 November 2014 for TTCW and BITC Wales. We used the event to raise the profile of the TTCW organisational pledge and to discuss the business case for addressing mental health issues and tackling stigma in the Welsh workplace.

Alyson Bowcott, PR manager, spoke about our health and wellbeing programme, and our commitment to helping end the stigma around mental health in the workplace and the community with the campaigns we've run - such as 'Spot it to stop it', 'Let's have a conversation' and 'Sign the pledge' boards.

TTCW and BITC talked about the impact poor mental health can take on individuals and what this means in the workplace in terms of lost productivity, energy and engagement. Beverly Jones who is a TTCW champion told of her own experience of mental health problems and becoming a champion for TTCW. What came out very strongly was how important it is to talk - talking with friends, families and colleagues to help to overcome worries and concerns about what someone might be dealing with and how critical this was to helping them find help and get well.

## 'Finding Mike' with Rethink

On 14 January 2008, mental health worker Jonny Benjamin went to Waterloo Bridge with the intention of taking his own life when a stranger, 'Mike', stopped him and that changed his life forever.



Six years later, this moving story became a feature length documentary film, produced in association with Rethink Mental Illness, about Jonny's search for the man that saved him.

The search to find 'Mike' went viral, with the hashtag **#findmike** trending in the UK and countries as far afield as Canada, South Africa and Australia. Millions shared Jonny's story including celebrities such as, Stephen Fry, Kate Nash and Boy George tweeting their support to find 'Mike'. After two weeks, 31 year-old personal trainer Neil Laybourn from Surrey came forward and identified himself as the real 'Mike' and the pair were reunited.

We were proud sponsors of the film premiere of 'Finding Mike' held at the British Film Institute in London in May 2014. The film focuses on the challenging topic of raising awareness of suicide around the world and to spread a message of hope that it is possible to recover from, and learn to manage, serious mental illnesses.

## What would you say to your younger self?

We inspired more people to buy life insurance with a 39% growth in direct protection completions in 2014 compared to 2013.

In 2014, we launched a new campaign that asked the nation: "What would you say to your younger self?" We ran two campaigns using billboards, radio, press, direct mail and online advertising and backed this up with activity on Twitter and Facebook. The response was overwhelming and touched a chord with people across the country.

Our Facebook posts reached over 800,000 people and that we generated 4,000 tweets. In 2014, we completed around 458,000 protection policies through all distribution channels, with total new premiums up 11% to £165 million.

Olympic gold medallist Rebecca Adlington and TV's Dr Hilary Jones supported the campaign with media events and by supporting the Twitter campaign.

## Sponsorship of the Stroke Association report into mini-strokes

We funded the 2014 Action on Stroke Month and the Stroke Association's 'Not just a funny turn' campaign, where we gained a better insight into how a mini-stroke, also known as a transient ischaemic attack or TIA, can change people's lives. Our aim was to

improve awareness and understanding of both mini-strokes and full strokes and the preventative measures that people could take. The short and long-term impact of a mini-stroke is still not fully understood. Every year, around 46,000 people in the UK have a mini-stroke for the first time. The symptoms are the same as stroke but last for a short time and people appear to return to normal.

Jon Barrick, chief executive of the Stroke Association, explained: "The greatest risk of having a major stroke is within the first few days after a mini-stroke. However, for many people it doesn't feel like an emergency because the symptoms are brief or mild."

The survey also revealed:

- A quarter of people (25%) said that healthcare professionals had not recognised the symptoms as that of a mini-stroke.
- Nearly a quarter of people (23%) were given no information or advice about changes they needed to make to their lifestyle to prevent a stroke.
- Although there may appear to be no after effects of mini-stroke, more than two out of five (45%) reported that their mini-stroke had affected them physically, resulting in problems with their communication, memory or vision.

## Support for LegaCare, providing legal support to terminally or critically ill claimants and their families

As a major provider of life insurance we wanted to understand how far our claims services should go for our customers.

In 2014, we launched a pilot scheme offering two hours of free legal support to terminal and critical illness claimants. The scheme helped over 30 claimants in the north-east which was run in conjunction with charity LegaCare (UK) Ltd. We also extended our funding partnership with LegaCare (UK) Ltd committing £60,000 to the charity. They are the first UK charity to provide free legal advice and support to patients diagnosed with life limiting or threatening illness. The help they give is free to anybody in receipt of state benefits and / or earning less than £30,000 per annum. Clients must be referred by a health professional or Macmillan professional and can consult with experienced solicitors to resolve a range of legal issues that may be worrying them.


The LegaCare team were awarded a National Macmillan Innovation Award for their work.

## Where next with health?

For 2015 there are number of areas of focus for us as a business:

1. We have some exciting projects to help customers deal with health decisions. We have started working with digital charity [www.healthtalk.org](http://www.healthtalk.org) to bring peer to peer advice on emerging areas of health in the UK and US markets and work with the National Childbirth Trust some work to understand the health impacts of parents within their first two years of having children.
2. Rainy day savings – We will continue to work with government following the success of pensions

auto-enrolment, where over 90% of employees have chosen to save this way. We feel that a similar rainy day savings plan could cover catastrophic events like sickness and unemployment, as well as potentially building up savings to deal with smaller but still costly events like car or boiler breakdowns. We believe that, for about 0.5% of salary (roughly £10 per month, or the price of a weekly lottery play for the average earner), a well-run rainy day savings system could deliver benefits for working-age people at least equivalent to the 'contributory benefits' they are entitled to under National Insurance.

KEY INDICATOR	STATUS
<p>Create a better understanding for our employees of issues our customers face from our campaign areas with the help of our charity partners.</p>	<p></p>
<p style="text-align: center;">&gt; OUR INVESTMENTS IN HEALTH</p>	

## ➤ Sustainable property



Recognising that the real estate industry contributes to almost half of the UK's greenhouse emissions, thereby impacting on both society at large and our fragile ecosystem, at Legal & General Property we continue to work hard to make sustainability an integrated part of what we do every day but also apply it across our entire property supply chain.

At the centre of these efforts stand our fiduciary responsibilities to our investors; ensuring that we deliver the maximum returns and protect the value of their holdings over the long term. It is our view that sustainability already sits alongside location, tenant, building size and building quality as a key factor in real estate's value and performance, but also that this is significantly increasing in importance over time.

### Adding value

We pride ourselves on being a true industry leader and innovator in tackling sustainability and we are one of the largest and most active property fund managers in the UK. This success has been rewarded both in terms of how long we retain our tenants and attracting further investment capital.

We are constantly pushing the boundaries on what we can achieve across all the properties we manage and since 2011, the waste that we divert from landfill to be recycled has increased from 53% to 79%. What is more, we have recorded an 11% reduction in carbon emissions in like-for-like assets across all of our properties and a 2% reduction in water usage.

In 2014, we also achieved 11 out of 11 green stars in the Global Real Estate Sustainability Benchmark (GRESB) survey and we were awarded two regional sector leader accolades, where we topped the largest category, the UK Diversified sector, and also the European Industrial sector.

In 2014, we were keen to drive industry debate over methods of benchmarking sustainability, so we piloted a new voluntary operational rating scheme called VoIDECs. Based on display energy certificates (DECs), this represents an innovative approach for private sector ownership of commercial property and responds to the absence of a government rating scheme.

### Behavioural change for real estate owners

An important factor driving behavioural change is legislation. A range of regulations created over the past few years oblige owners of real estate to measure aspects of sustainability and comply with set standards. In future, this is expected to accelerate. We have been working hard behind the scenes to mitigate this risk as well as working closely with government to ensure that policy remains aligned to true targets and there are no unintended consequences from them.

We recognise that one of the most effective ways that we can help drive sustainability across the property sector is through our supply chain. Whenever we re-tender contracts for any sort of service provision to Legal & General Property, we look for excellence in a range of areas, including a full understanding of sustainability and associated implications. Organisations without an appropriate level of knowledge in this area will simply not contract with us.

## Proud sponsors of LandAid



We're pleased to have become a partner of LandAid, a charitable foundation supported by the property industry that works hard to help improve the lives of disadvantaged children and young people across the UK.

As part of the annual fundraising day for LandAid, looking to do something different to raise money, we decided to take over Barry's Bootcamp for an afternoon of hard-core workouts which involved teams competing with each other through a challenging circuit of treadmills, planks, weights and more, raising over £4,500 including our fundraising matching.



### The Greenhouse, Grosvenor Centre, Northampton

The Greenhouse was launched at the Grosvenor Centre in Northampton last year. It is open every day for shoppers to relax and meet friends. A host of charities and local community groups make use of the space to meet, raise awareness and fund-raise making it a hub of the community.





## Community engagement at the Dolphin Centre in Poole



### Eco Lounge

During the February half term holiday, families were invited to help transform a vacant unit into an 'Eco Lounge' decorating the walls and creating furniture from recycled materials at the centre.

Retailers including Costa, B&R Textiles and The Secret Wardrobe donated unused items, fabric scraps and waste materials to be used at the event. Different craft activities were held each day to encourage children to return throughout the week.

### Sports Relief

In March, the Dolphin shopping centre teamed up with Everyone Active Leisure Centre, Poole Town FC and Cycle Paths to raise funds for Sports Relief. Everyone Active provided cycling, rowing and step equipment plus Zumba and Hoopla sessions to help raise money. The manager of Cycle Paths set up a static bike and cycled for the entire day, covering well over a hundred miles. Poole Town FC, the Dolphin shopping Centre and Everyone Active's mascots had a mini Sport Relief challenge, battling it out on the rowing and cycling machines and undertaking a circuits challenge. The centre's security and cleaning staff also got involved in the activity.

### Photography exhibition

In February, the centre hosted an exhibition in a vacant unit featuring the work that photography students from Bournemouth and Poole College had taken as part of a project with Poole Borough Council. The photographs are themed around the People of Poole and will be used in the council's marketing and promotional collateral over the next few years. A launch evening was held with the local press and the exhibition was featured in the Bournemouth Echo.

KEY INDICATOR	STATUS
Deliver a social impact program for key properties in our property portfolio.	✓
Reduce energy in the top 20 buildings in Legal & General Property portfolio by the end of 2014.	✓

> LEGAL & GENERAL PROPERTY SUSTAINABILITY REPORT

## ➤ Corporate governance



### We are a responsible investor

We're one of the UK's largest asset managers and are building our expertise as a global investor. We manage £709 billion in assets for more than 3,000 institutional clients.

Our investment expertise covers 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.

We believe that active stewardship of assets is important to us and our clients. We influence through ownership rather than through exclusion. We are a significant influence in how these businesses improve their environmental, social and governance (ESG) performance. As we grow in funds under management our responsibility and activity in instilling good governance amongst publicly listed companies also grows.

**We are the only fund manager who has forward-looking public targets on both quantity of engagements and forward looking areas of pressure we will put on companies.**

### Progress on 2014 targets

First, we committed to hold 500 engagements (meetings, calls, responses to letters) with international companies on ESG issues.

Second, we committed to 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. Stepping up US engagement - with the focus currently on the technology sector on issues such as human rights in the supply chain and corporate reputation.
5. Achieving better board independence on Japanese listed companies.
6. Improving gender diversity in UK boardrooms especially in mid-cap listed companies.
7. Focusing on the sustainability issues impacting UK listed mining companies.

## So how did we do?

Last year was a significant year for company engagement. In fact our highest ever as a business. We held 589 in-depth meetings with 354 companies,

over 32% covered environmental and/or social topics. 407 of these were with UK companies and 182 in the rest of the world. Activity in the US increased up to 94 companies up from 59 in 2013.

	2011	2012	2013	2014
Engagements covering environmental and or social topics	82	128	144	188
Governance led engagements	238	297	336	401
Total funds under management (£b)	371	406	450	709

KEY INDICATOR	STATUS
Hold 500 engagements (meetings, calls, responses to letters) with international companies on ESG issues.	<input checked="" type="checkbox"/>
Focus on good practice and engagement.	<input checked="" type="checkbox"/>
<a href="#">&gt; LGIM CORPORATE GOVERNANCE REPORT</a>	



# Doing business better

## In this section...

- 38 Improving our workplace
- 46 Community and social investment
- 51 Climate and environmental management
- 56 Supply chain standards
- 58 Public Affairs
- 60 Transparency
- 64 Performance against Targets 2014
- 73 2015 – 2017 Targets



## DOING BUSINESS BETTER

We know we have a responsibility to do business better each year for our customers. We need the best solutions, the best service and crucially, the very best people.

## ➤ Improving our workplace



### People progress 2014

Our aim is to deliver outstanding value and security for customers and sustainable growth for shareholders. We take a leadership role by investing in economic growth aiming to help people achieve financial security in an affordable way. Our employees are key to making this happen.

We need highly engaged employees in order to drive performance and deliver our business strategy. We recognise that health and wellbeing is an essential factor to our success and we would like colleagues to lead by example, to care about their own 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, fulfilled in their career and be happy.

### Restructuring businesses in 2014 for growth

Our priority has remained to improve the physical and organisational environment in which our people work and support them as the organisation evolves and adapts to keep up with our rapidly changing core markets.

After the creation of Legal & General Assurance Society (LGAS) in 2013, we continued the drive to providing improved value to our customers and ensure faster decision-making and action. Our organisation changed in late 2014, after consultation with our employee representatives, to allow John Pollock, (CEO, LGAS) to retire in May 2015.

The new business areas report directly to the Group CEO, Nigel Wilson. Each business is headed by its own executive managing director and focuses on meeting our ambitious business targets. These businesses also review the optimal use of the company's real estate portfolio, cost efficiencies and growth opportunities.

Inevitably, as a consequence of organisational development, we consider role reductions and every effort has been taken to mitigate compulsory redundancies as much as possible with colleagues being redeployed into new roles.

We provide employees at all levels who have been made redundant with outplacement services covering networking, cv development, interview skills and career development. This is typically in place until the employee has found alternative work.

### What the numbers say...

Each year, we publish data on our employees to provide some context for our business growth. We try and refine what we share each year based upon requests from our stakeholders.

Highlights for 2014:

- We have **around 8,500 employees** in the UK and overseas. The number of people we employ in the UK dropped by 2.4% during 2014.
- Total investment in **employee development in the UK** is £3.85 million.
- Total investment in **employee learning and development in the US** is \$408,799.

- All UK employees and on-site contractors continue to be paid salaries that meet the **UK Living Wage level**.
- We **continue to report** on our progress against **UN Global Compact** and published our Year Two Communication on Progress.
- Our joint ventures in India (IndiaFirst) and Egypt (CIL) have for the first time been **independently benchmarked** as part of our employee survey. We are pleased to report that Egyptian employees scored 78% in their Employee Engagement Index, which is on a par with our UK business. At IndiaFirst, the Employee Engagement Index score was 86%.
- Our joint venture, **CIL in Egypt**, scored 73% on its latest Business in the Community Index Benchmark (up from 63%) as part of the Group's oversight on how well the company serves its employees.
- **Employee turnover** has **gone up** in all businesses **except** Legal & General France as we restructure the businesses at the end of 2014.
- UK employees who are **members of Unite** reduced by 5% points to 28% of our UK workforce.
- **Employee engagement** has remained positive across all business sites at 74% in the 'UK What Matters' survey. This is down in the UK by 4% from 2013 due, in the main, to people feeling somewhat unsettled due to the ongoing reorganisation. Worldwide, engagement has continued unchanged at 77%.
- The **Leadership Index, focusing on managers and senior management behaviours and outcomes** in the UK 'What Matters' survey has remained constant at 74%.
- Employee **health and wellbeing** was closely watched, with 74% of employees in the UK 'What Matters' survey continuing to have the same positive work life balance compared to 2013.



### Further reading

Data centre

### Our focus for 2015

We are targeting a c.£80 million reduction in operating costs in 2015 as we continue to drive greater efficiencies through our businesses, as a result of the reduced contribution from our mature savings products. We anticipate incurring restructuring costs of c.£40 million in 2015 to achieve this.

We will continue to work with Unite and the Management Consultative Forum to deliver organisational and business change as effectively and sensitively as possible.

Work on the **#digitalworkplace** will take place during 2015, focusing on enabling employees to connect with each other, optimising the use of technology and building innovation, conversation and networking.

At the end of 2014, the Group Equality, Diversity and Inclusion Committee agreed objectives and deliverables for our key work streams (gender, age, religion, sexual orientation, ethnicity, disability). Data integrity is a large part of understanding equality challenges around the business, so a workstream is also tasked with mining the data we have and monitoring this on a regular basis.

One highlight for 2015 will be working with Stonewall, the leading organisation campaigning for equality for lesbian, gay, bisexual and transgender people, to understand the journey towards being a top 100 Stonewall employer.

## Employee engagement

### Keeping employees engaged, healthy and well

2014 was a year of great change for our UK business. Colleagues continued to be engaged with our customers and our business in the face of a dramatically changing economic and regulatory environment. We saw high participation in our engagement surveys; line and senior manager's demonstrated strong leadership through their visibility, approachability and communication. We saw great performances in terms of engagement and leadership survey scores in all divisions, with some excellent management practices coming through from fresh leadership talent.

Health and wellbeing is a core part of our engagement strategy and links directly to our group strategy. Our aim is for everyone to 'be better' in the key areas of health, money, life and performance. We aim to have employees who are appropriately fit and well and at work and therefore performing to their best. We focus on preventative care to resolve issues before they lead to absence from work. We also work to ensure that individuals know how to take responsibility and ownership for their health, wellbeing and performance.



We offer a range of benefits for employees that fall into three key areas as follows

**My Life** covers benefits that help us achieve a better work life balance, help our personal development or allow us to help our communities and includes details on such things as holidays, flexible working, the learning hub, volunteering, give as you earn charity matching and our school Governor programme and the Fun Day held for all employees and their families.



**My Money** covers benefits that can help give us greater financial security such as short, medium and long term savings and includes details about, Benefiting Together discount on everyday products, share schemes, ISAs, pensions, life assurance and will writing, housing and other employee discounts.



**My Health** covers issues that help us be fitter and healthier. It includes fact sheets on health issues and benefits such as, The Healthy Living online health assessment tool to help employees assess their lifestyle, an eye care programme, an employee assistance programme, preventative care, occupational health, sick pay, group income protection, and our absence policy and procedures.



In 2014, we carried out a twelvemonth plan of awareness-raising activity including:

- Healthy eating.
- Support for stopping smoking.
- Discount on gym memberships and savings on shopping, including top supermarkets, to encourage healthy food choices.
- Supporting sporting initiatives such as the inter-departmental relay race to encourage exercise and team spirit.
- NHS 'Know your numbers' nurse checks offered to all staff including blood pressure and cholesterol tests, and BMI calculation.
- Our work with Step Jockey has helped colleagues to acknowledge that small changes in how much we move during the day can pay dividends later in life, and the app helps people make it more fun.
- Wellbeing days in our UK locations run by our health and wellbeing champions in Birmingham, Cardiff, Hove, Kingswood and London.
- Our choir, which includes Hove and Kingswood employees, was formed in conjunction with our CSR Partner Redhill and Reigate Choral Society and

has performed regularly, including at the Brighton Fringe and Christmas festivals.

- Our second employee Summer Fun Day attended by 3,000 employees from around the country.
- Our community games supporting local schools to get active which involved employees from our different locations.
- We continued our commitment to the Time to Change pledges in England and Wales with Rethink mental illness and Mind with a number of internal 'Time to talk' campaigns and events to raise awareness and reduce the stigma around mental health.
- Financial support sessions in our locations, which help employees to avoid financial concerns leading to stress and illness.
- Total Reward events which help employees understand their remuneration and benefits package as well as what is available to them as an optional benefit and employee discount.

#### Visible leadership – CEO 'World Tour'



Nigel Wilson's 2014 World Tour started in early July. The theme was 'ordinary to extraordinary' and focused on building confidence around the business and re-telling our strategic story. During the tour, Nigel visited the majority of our worldwide offices, meeting around half of all employees in town hall sessions, small group 'TED talks' type meetings or in informal networking lunches. New for 2014 was a panel debate during the Town Hall event, where employees could ask questions to senior people from the location, and Nigel. The debates and discussion flowed in every location and in every stop on the tour, Nigel was impressed by the commitment to the customer, to doing the right thing and to working together with colleagues. We were pleased that in our 2014 'What Matters' Employee Survey, our Leadership Index increased worldwide by 1%.

## Employee Survey results

As a services company, people and technology must work together to deliver our customer promise to help make financial security easier to achieve. Having engaged colleagues 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 worldwide employee survey. In 2014, for the first time ever, we included colleagues in our joint venture in India, IndiaFirst Life, making it our largest survey to date. In total, 10,209 people around the world were invited to share their views, and we achieved an 86% participation rate.

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

These are the headlines:

1. Worldwide Employee Engagement Index: 77% (same as 2013)
2. Worldwide Leadership Index: 74% (+1% versus 2013)

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, 11% have a more neutral opinion, which we believe provides a healthy scepticism around the world.

From 2013 to 2014, we saw a slight (2% points) decrease in employees who agree or strongly agree that we make a positive difference to people's lives.

The activity behind these continued good levels of positivity included:

- sharing customer stories about how we helped them in their time of need;
- sharing longer term views on big social issues: housing, health and income in later life;
- sharing our 'social purpose' through blog content;
- 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 Scores (agree/strongly agree)	MENA (Middle East and North Africa)	Legal & General America	Legal & General Netherlands	Legal & General France
Employee engagement scores	77% (77% 2013)	78%	87%	83%	83%
"I believe I work for an ethical company."	86% (85% 2013)	87%	94%	92%	84%
"I understand my role in ensuring Legal & General is an ethical company."	83% (82% 2013)	92%	96%	93%	83%
"Legal & General makes a positive difference to people's lives."	76% (78% 2013)	78%	91%	77%	63%



## Health and wellbeing



### External measurement of success

Our UK employee survey shows that the majority of the wellbeing indicators increased slightly in 2014 or stayed the same.

- 84% agreed 'My manager cares about my wellbeing' (82% 2013).
- 74% agreed 'I am able to achieve the right balance between my work/home life' (74% 2013).
- 66% agreed 'I am under an acceptable level of pressure in my job' (66% 2013).

In 2014 we entered the Sunday Telegraph Britain's Healthiest Company Award and around 1,200 staff took place in the survey which gave us valuable feedback on areas for improvement for wellbeing, notably to focus on exercise, which resulted in the Step Jockey initiative and healthy eating.

We have just completed the Business in the Community Workwell benchmark programme for the third year running and have improved our score year on year.

We continue our commitment to the Government Public Health agenda as a Responsibility Deal Partner with pledges to health and wellbeing at work and supporting mental health. Regular networking with other companies, including our distribution partners enables us to share best practice.

## World class leadership

We're developing ambitious, inspiring leaders who have high expectations in terms of performance and results. Our Leadership Academy uses leading providers and offers us exciting and innovative opportunities for the employees we already have employed. This year we've launched a new initiative, 50/50 by 2020, aligned to our goal to progress and develop talented women and become a more diverse and inclusive organisation for all 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 supports progression at all levels as well as mentoring and coaching opportunities for our managers and leaders. Employees are offered study support including 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:

The **learning hub** is our digital one-stop-shop for learning and development where all employees can access thousands of articles, e-learning modules, videos, podcasts and on-line books. During 2014 usage of the learning hub increased significantly with over 22,000 log-ins.

'**My performance**' is our **new performance, talent and learning system**. It allows employees to complete their performance reviews, and document their objectives, personal development plans (PDPs) and career profiles. We are launching the system with an extensive communications campaign providing education around our performance approach, linking to user guides and video tutorials.

The **Meaningful Conversations Programme** combines on-line learning and a face-to-face workshop to allow managers to develop their skills and confidence to have effective performance, career and development conversations. To date, over 340 managers have completed the programme.



**Legal & General America's (LGA)** 2014 employee engagement survey indicated that 85% of employees agree they have the opportunity to develop knowledge and skills at work. The US continues to enhance and broaden learning and development opportunities for all levels of employees. For all employees, LGA provides industry-sponsored courses, external seminars and college/university tuition reimbursement. All managers were trained on change management and all first-line supervisors in the Administrative Services Department participated in a communication skills workshop in 2014. LGA was also recently awarded the 2015 Life Office Management Association (LOMA) Education Achievement Award.

The **Future Leader Programme** is a talent development programme for individuals from all areas of the business who have the potential to progress into Leadership roles. Participants attend four two day modules focusing on the skills leaders will need to lead our business into the future. They also work on strategic business projects for the duration of the programme, presenting their findings to senior business leaders during the last module.

Senior leaders undertook **360 leadership coaching** who want to understand their leadership capability and develop the key skills and behaviours to help them reach their career aspirations. Our HR community have been trained to provide feedback and use the tool with their teams.

**Recruited trustees** – a joint venture with **Career Volunteer**, the scheme was originally set up three years ago with ten 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 improve their understanding about life for people trying to access housing support, 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.

## Equality, diversity and inclusion

We're committed to all forms of diversity and want to see greater equality of career opportunity for our employees. We also want to ensure that our Board reflects diversity of background and management skills.

Gender diversity is a key issue, where we're committed to help talented women progress their careers. Our **50/50 by 2020** network raises awareness of gender diversity and helps us check our progress towards a more balanced workforce in 2020. This especially means supporting women both before and after maternity leave to help them drive their careers forward into senior management roles.

We have made good progress in 2014 in improving the numbers of women in senior roles.

Director	Female	Male
Directors	3	10
Senior managers	9	33
Future leaders	21	23
Employees	3,536	3,710

One of the major changes has been in the way we deal with employees who are approaching their later years. With there now being no retirement age in the UK, we have replaced traditional "preparation for retirement workshops" with a flexible working policy to provide employees of all ages with the ability to work in line with


their life and family commitments. You can start to see the impact of this in our employee requests for flexible working in our **data centre**.

We're proud to have such a diverse workforce and work closely with Unite to create an open, and welcoming workplace for everyone. Our main locations have set up

a lesbian, gay, bisexual, transgender (LGBT) Rainbow Network with groups meeting regularly to discuss a range of topics and events linked to the local LGBT community.

Each year, Pride events are held across the country, and many of our colleagues took part in 2014 in London, Brighton and Cardiff. We supported Pride in London by providing golf umbrellas to shelter the accessible event viewing area in Trafalgar Square. In Brighton, around 30

employees and partners showed up wearing their multi-coloured t-shirts. Around 20 employees took part in Pride Cymru, aimed at promoting the elimination of discrimination against sexual orientation, gender, race and religion. Supporting Pride all over the UK makes a natural link between diversity and our brand and purpose **#EveryDayMatters**.

KEY INDICATOR	STATUS
Increase our diversity within our employee base (particularly management grades) and longer-term the customer base, for example wealth and ethnicity spectrums.	
<a href="#">&gt; DATA CENTRE</a>	

## Vulnerable customers

For many of our customers finances remain tight. Government safety nets are changing. As people are living longer, a greater number of people are retiring, many with inadequate pensions. In 2014, we created our vulnerable customers programme which we designed to enable our front line employees to deliver a better service.

Working with over 300 front line team members, we asked them:

1. What are the most common vulnerabilities we hear about from customers as we provide our service?

2. What vulnerabilities do employees themselves have experience of?
3. What vulnerabilities do employees feel least able to deal with?

What the independent research told us was that over one in four of the customers they contact on a daily basis had some form of vulnerability. Most prevalent were age-related issues, bereavement and confusion about the purpose of the products customers owned.

Our employees also told us that the answer was training to close some of the gaps that would help them deliver better service.

# 300

Frontline employees surveyed

# 86

Average number of customers that employees interact with per week

# 26%


The proportion of those interactions are with customers experiencing some kind of vulnerability

We are currently rolling out training for employees including working with our charity partners. These include The Warrior Programme to help flooded customers and Age UK 'Call in Time' programme.

Over 270 employees from our Insurance business have been through the 'Customer Experience Matters' programme to help them focus upon identifying vulnerabilities in day to day service.

We're pleased to see that the Financial Conduct Authority has issued occasional papers on customer vulnerabilities. This complements the work we're already doing.

For 2015, we've allocated a central training budget to continue vulnerability training amongst UK front line teams. To improve our performance, we use those charitable organisations that provide the best experts we have come across such as Samaritans and AgeUK.

KEY INDICATOR	STATUS
Develop a vulnerable customer programme that improves our services to this customer group.	
<hr/> <div data-bbox="193 423 1347 510" style="text-align: center;">&gt; MARKET INCLUSIVENESS DATA</div>	



## Supporting employees



Our volunteering policy allows employees to volunteer during work time for a minimum of one day a year. We encourage them and in total, we provide at least 1,000 working days of volunteering a year. In 2014 over 25% of our workforce volunteered during work time and in their communities to support local issues. This resulted in over 2,000 volunteer days.

In 2014, our employees raised over **£2.5 million** with company matching for charities of their choice - employees choose their own charities rather than have a charity of the year.

Our 'Give As You Earn' programme gives over £600,000 in donations to 356 different charities. Cancer Research UK is the most popular destination with employees.

At Legal & General America, in Maryland, our employees ran a two week charity drive raising \$1,320,202 for over 360 charities. Activities included auctions, balloon-a-grams, a street carnival, chilli-cooking and talent competitions.

### Chairman's awards

Employee involvement in volunteering is encouraged across all our locations and we give special community awards, which are announced each year by the Group Chairman, John Stewart.



### Further reading

[Community awards website](#)



## The community games



In July 2014, the SportInspired Games took place at our Kingswood office involving 179 pupils from four primary schools and 14 young leaders from the Beacon Secondary School. With the help of over 60 volunteers, we took part in this brilliant community building project. The competition format allowed every competitor to try eight different sports, which were enabled by local sports clubs and our volunteers.

- 98% of the children found at least one sport they would like to play again.
- 92% rated the likelihood that they will play sport more often in the future.



**Fantastic atmosphere and team work."**

**Gayle, volunteer, Legal & General**





## Volunteers support for Royal Voluntary Service (RVS)



We have over one million customers who have retired and so we're aware of how valued the services the RVS offer are for the wellbeing of many of our customers and the local community. However, sometimes even these dedicated volunteers need some help. So we are delighted to support employee requests to volunteer their time to help the RVS.

We helped give the RVS shop at Epsom Hospital a much needed facelift and employees have taken it in turns to help with the running of the RVS shop every Friday.

Ken Cansdale said: "We pride ourselves on the support we give to our customers and do appreciate the challenges that some of our customers face. Working in the RVS hospital shop has given me a wider understanding and appreciation of just how difficult those challenges can be. The simplest of things, such as just having a chat with a patient and their family can make a world of difference."

Kate Rooks from RVS told us: "The RVS cafe and shop at Epsom General Hospital has come a long way over the last year. The trading performance of the service was mediocre and the morale of the volunteers low. A shortage of volunteers meant the service was never able to operate to full capacity and, in particular, the shop was unable to trade on a regular basis. Thanks to this partnership this has been reversed and the partnership has opened up huge potential for the future."

## 'Call in Time' with Age UK



Age UK nominated Tom Johnson as a 'volunteer of the year' thanks to all his hard work for their '**Call In Time**' programme. We're very proud of his achievement.

Tom is one of 37 volunteers who took part in this programme. He calls a designated person on a weekly basis. It's a simple way to look out for older people who live alone. Over one million older people often do not see a friend or family member for a whole month, this makes you begin to appreciate why the calls are so important.



**We both enjoy the calls, but its purpose is to add a safety net for my partner. Should I notice anything unusual in her behaviour or there is no answer, I contact Age UK immediately."**

**Tom Johnson**

Tom was invited to St. James's Palace for Age UK's fifth anniversary reception. The evening was hosted by His Royal Highness the Prince of Wales, a patron of the charity.

## SE Assist – social investment in action

Corporate social responsibility is so much more than just giving money to charity. Our innovative project shows a new way of giving back to our communities.

Working in partnership with Charities Aid Foundation (CAF), we've been pioneering a new scheme that goes beyond the usual expectations of corporate social responsibility (CSR). Rather than simply making donations, we're supporting local social enterprises through their 'teenage years' with a unique package comprising an interest-free loan, mentoring and business support. The scheme was piloted in 2013 in Brighton and supported the growth of four local social enterprises:

- Little Green Pig Writing project
- Sussex Community Internet Project (SCIP)
- hiSbe
- Parentskool



Here's what Sarah Watkins, founder of Parentskool has said about the impact of SE ASSIST on her social enterprise:

"SE-Assist was absolutely crucial in taking our organisation from a one-woman operation to our current position. The pitching process was challenging but it did make me think and plan in a way I hadn't done before, and the money was instrumental for our growth. We used it to produce a completely new brand, new website with online booking, teacher training programme and supporting materials, and much more. All in all the experience was absolutely a positive one and offered our social enterprise so much more than we expected."

The pilot was such a success that for 2014 its scope was widened and delivered across Sussex and in Croydon. Successful social enterprises received an interest free loan of £10,000 to £30,000, mentoring from one of Legal & General's employees and access to a bank of experts. At each location a Social Investment Committee, made up of local businesses and stakeholders makes the decisions about which social enterprises are successful in their bid to receive SE-ASSIST support.

### In Sussex:

- Ecological Land Co-operative
- Engage & Create
- The Bevy - The Bevendean Community Pub
- The Purple Playhouse
- SHIKA

### In Croydon:

- Mum's The Chef
- The Croydon Citizen

The unique and innovative nature of SE-ASSIST has been recognized with two awards:



- Community Partnership in the National CSR Award, March 2015
- Best Investment Project Award Winner, November 2014

### What's next?

We'll soon be starting the next round of support at Croydon and in Sussex and rolling the programme in Wales and Birmingham.

## Financial education

### Everyday Money

A financial education programme designed to teach young people about getting money, spending money and saving money. This programme has been sponsored by Mark Gregory, chief financial officer.

We've been involved in educating young people about finances and financial decisions since early 2007. As a FTSE 100 financial services organisation with offices across the UK it's well placed to understand the financial requirements that people face during their lives and the decisions that they may have to make.

In early 2014, we reviewed the programme to ensure it continued to align to our values and the new financial education curriculum. The newly designed

programme, 'Everyday Money' fits continues to deliver against our values, culture and brand essence, Every Day Matters.

It comprises of a one day event that is broken down into three key components: Get It. Spend It. Save It. Our employees volunteer on the day as table coaches to talk to the students and help them understand financial decision-making.

However, this is not a maths lesson!

The day covers some basic aspects of maths, but focuses on real life choices. The aim of the day is to give information to young people to help them to make informed choices. The materials and resources are able to be used by the teachers to embed the learning.

## La Fondation Legal & General

Legal & General France in partnership with Foundation de France has set up the **first charitable foundation** within the Legal & General Group.

The Board, chaired by Olivier Potellet, CEO, involves employees, customers and healthcare specialists. Employees were active in voting for the issues that mattered in French life, which included environmental and education projects. They settled on the theme of children's disabilities with an initial focus upon autism.

Our business experience shows that despite there being 600,000 people in France who have autism, it is still poorly understood with a need for better provision of education and services.

The Foundation has two important jobs:

1. to raise money; and
2. to distribute money effectively

Day-to-day management is the responsibility of Yasmina Guerri, the Foundation's manager, who's been working hard to start up this important initiative.

The Foundation is expected to provide at least €40,000 worth of funding to children's disability projects per annum.

Three charities were chosen, all carefully selected by the Foundation's Executive Committee:

- Envoludia
- The Souffle9
- Plural and Leisure



**The reason we've chosen these charities is that they really need our support to help improve the lives of the most vulnerable children, whatever their difficulties. It's important that children with special needs are part of their community and integration is fundamental, so they can move into adulthood with confidence."**

**Yasmina Guerri, Foundation manager**

## ► Managing environment and climate risks



As with all businesses we rely on a range of natural resources to operate our business:

- **As a consumer.** We use natural resources to operate our business and we seek to reduce our impacts, not by simply offsetting, but by applying the precautionary principle. This means significantly reducing the amount of natural resources we consume.
- **As an insurer.** We need to understand how our customers can be affected positively or negatively by the climate and environmental impacts surrounding them and their properties.

- **As an investor.** We have an opportunity, through our investment portfolio, to influence the performance of the buildings we own and actively encourage the companies we invest in to improve their environmental performance. Our strategy is to invest, engage and improve, rather than to withhold investment, as we believe that we can positively influence a wider spectrum of stakeholders with this approach, which will have a larger positive net impact.

Understanding the environment and climate risks has enabled us to identify key business risks and opportunities, some of which are shown below:

### Relevant business risk

- The inefficient use of scarce resources.
- Insurance risk, for example, windstorm, flood and possibly subsidence and freeze risk.
- The impacts of our investment holdings.
- Legal compliance costs, for example, ESOS.
- Continuity of energy supply to operate our businesses.
- Meeting tenant requirements for cost effective sustainable businesses.

### Relevant business opportunity

- Direct and long term investments, for example, renewable energy generation.
- Opportunity to positively impact on climate change through engagement with the organisations we invest in.
- Climate change impacts contribute to the shaping of our investment property portfolio.



**We govern** because we believe that good corporate governance underpins the long-term success of our company. It's an important part of the way we develop our products, select our suppliers/business partners and interact with companies in which we are shareholders. We identify risks at an enterprise level, which includes how risks impact our three main business divisions.

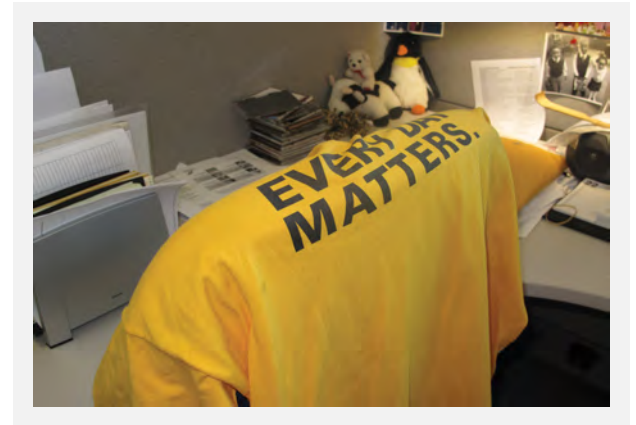
As a result of our governance and good practice initiatives we have not been subject to any breaches of environmental regulations as a result of our business operations.

**We measure** key performance indicators across our business, for example, we measure carbon emissions from across the Group. Our key sources of carbon emissions are from the following divisions of our business:

- Occupied offices including main UK offices, estate agencies offices, Suffolk Life and international offices in the US, Netherlands and France.
- Property investment portfolio.
- Legal & General Ventures.
- Business travel.

**We improve performance** as we seek to continually improve our performance and efficiencies and some of the key areas we have focussed on are:

- Reducing carbon emissions.
- Waste generation.
- Sustainable procurement



## 2020, the future

During 2014, we reviewed our strategy surrounding the way we manage risks and set challenges. This resulted in the creation of 2020 goals to be delivered by annual targets. These are detailed within the **targets for improvement** section of our report. Our adoption of a 2020 vision has given us the opportunity to review the impacts of our business and to determine where focus and effort is most needed. This will ensure that we deliver on our commitment to make 'Every Day Matter' and improve our management of environment and climate risks for us as an organisation and also for our customers and the wider communities in which we operate.

## ENVIRONMENT TARGETS

KEY INDICATOR	STATUS
Reduce direct carbon dioxide emissions across the Group (UK and overseas) by 10% on 2011/12 volumes.	<input checked="" type="checkbox"/>
Reduce waste per policy across the Group by 10% on 2013 volumes.	<input checked="" type="checkbox"/>
Reduce paper consumption per policy across the Group by 10% on 2013 volumes.	<input checked="" type="checkbox"/>
Reduce energy in the top 20 buildings in Legal & General Property portfolio by the end of 2014.	<input checked="" type="checkbox"/>

### As a consumer

The eco-efficiency of our operations is one of our key material environment issues. We recognise the need to manage these impacts for several years and are committed to meeting the challenge of 'doing more business, with fewer resources and impacts'.

We have reported on the emission sources required under the Companies Act 2006 Strategic Report and Director's Report Regulations 2013. We have used the Green House Gas (GHG) reporting protocol for calculating our GHG emissions for 2013 and applied the emission factors from UK Government's GHG Conversion Factors for Company Reporting 2014.



#### Further reading Our performance

Highlights include:

- Both our absolute carbon and carbon per policy has reduced since our baseline year of 2011/12 (5% and 32% respectively).
- Energy consumed in UK buildings has decreased by 9% since 2013.
- Total paper purchased has decreased by 12.5% compared to last year.
- UK waste per policy has reduced by 25% since 2013.
- All electricity procured for UK locations and investment properties is from a renewable tariff.
- We generate our own electricity in the Netherlands. We recently installed solar panels that have the capacity to generate 34,750 kwh/year.



## Doing more with less: Paper



In support of WWF Earth Hour, we held our Earth Hour on Friday 28 March to reduce energy and save paper. In our Head Office we introduced a 'no print day'. We saw a reduction of 72% paper usage. That's a saving of over 27,000 sheets of paper, or 54 reams, all in a single day!

Due to its success, we extended our 'no print day' to every Friday. This significantly contributed to an overall reduction of 12.5% of total paper purchased compared to the previous year.

Initiatives following these days include:

- Improved technology
- Reduction of printers
- Greater flexibility for laptop users

## As an investor

We produce an annual report outlining the level of engagement we've undertaken, which includes discussions on environmental issues including climate change.



### Further reading Governance



### Environmental performance in organisations we invest in

**We engage** over 30% of company engagement includes environmental, social and governance (ESG) issues. We aim to improve the index as a whole as well as the performance of the individual companies we invest in.

**We influence** policy decision-makers on environmental issues, for example, the United Nations Framework Convention on Climate Change conference, supported by a series of meetings with policy makers.

**We improve** by embedding material ESG issues into our fixed income portfolios, we've built a proprietary database ranking companies in each sector based on key risks to their performance.

**We're a major landlord** as the [fourth biggest property landlord \(PDF\)](#) in the UK through our commercial property investment portfolio. We've worked hard to minimise our impact on the environment and future proof our portfolio against climate change.

**We've helped** develop a methodology for producing a simple benchmarking tool that provides both the landlord's energy use and tenant's energy use, for any office block. The benchmarks are based on the government's latest set of office benchmarks provided in a publication called [Energy Consumption Guide \(ECG\) 19: Energy Use in Office \(PDF\)](#).

## As an insurer

We provide general insurance policies for over 1.8 million customers. It's important that we provide excellent cover whilst understanding the needs of our customers during a time of crisis. Customers need to access our services immediately to help minimise damage and wastage.

Our **UK-based claims line is open 24 hours** for emergencies and we provide a dedicated claims manager, which helps to ensure we respond to customers immediate risks quickly.

We work with a number of approved organisations to assess damage and do repairs in an effective and efficient manner. We need to provide the best available products to replace those lost or damaged. Do we replace with better, more energy efficient products? Can customers pay more for this?

As part of the implementation of Solvency II, a regulation that harmonises EU Insurance Company insolvency capital rules, our general insurance business reviewed its approach to modelling risks. It is implementing increased validation and regular independent reviews to ensure that the capital held is a true reflection of the risk profile of the business. The resulting capital requirement is allocated to policies as part of the pricing process, ensuring that each policy is charged for a realistic amount of capital for the risk represented.

### Flooding



We've reviewed and improved our flood modelling tools. First, we invested in good quality flood models and we upgraded to a new and improved system that results in better science based underwriting, a tighter risk appetite and fairer claims handling.

We're committed to Flood Re, an agreement between UK insurers and the government to develop a not-for-profit company designed to enable high flood risk households to obtain affordably priced flood insurance. The scheme is due to launch during the latter part of 2015.

We've set up a special forum to allow us to spend time with our customers in Moorland, Somerset to discuss their experiences of flooding. We focused on listening and discussing practical solutions to get their lives back on track quickly and simply. This was a ground-breaking event for us and one of the first of its kind in the UK household insurance market.

We continue to assess and review the likelihood of impacts associated with changes in our climate. For example, we recently reviewed the EIOPA wind stress test data to determine whether our processes, systems and policies are adequate.



**Further reading**  
Housing



## ➤ Supply chain standards



### Increasing influence

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.

We've increased our key suppliers to **206** and have enhanced our governance framework to include the requirement for suppliers to report their environmental, social and governance performance improvements. We did this because we risk reviewed those suppliers who we are spending more with and whose social and environmental impacts have increased during the past year.

### Improvements in governance and policy

In 2014, we developed and simplified our policies, replacing our sustainable procurement policy with a [Supplier Code of Conduct \(PDF, 146KB\)](#), which all suppliers must comply with. Our Supplier Code of Conduct incorporates equality and diversity inclusion and environmental standards. We expect our suppliers to have clear processes to maintain these standards and the ability to provide evidence of compliance when required.

To make it easier for our suppliers to independently evidence compliance with our policy, in 2014 we developed an online compliance assessment which is issued to all key suppliers using an online portal.

### Benchmarking performance

In 2014 we retained our ISO14001 accreditation within our supply chain operations. These require the group to be externally audited against the standard.



## Raising awareness and continuous improvement

In 2014, we raised the profile of our sustainable supply chain committee whose remit includes ensuring compliance to existing processes and policies and seeking continuous improvement. The committee members now include the director of group procurement and supplier management and heads of supply chains. The committee collaborates with suppliers, internal and external subject matter experts to influence Group environmental, social and governance targets.

In 2014, we challenged our suppliers to propose how we can minimise their use and consumption of vulnerable raw materials. As a direct result of this activity, the sustainable supply chain committee agreed that the following initiatives will be explored in 2015:

- **Sustainable fish and Red Tractor certified meat.** We're exploring the implementation of a policy that mandates all fish and meat used on our premises is from sustainable sources.
- **'Drying out' rather than replacing goods.** A project specific to our general insurance business, we're exploring the feasibility of using drying techniques on wood and plaster, where appropriate, for damage caused by water on household claims. This will reduce waste generated in the disposal of wood and plaster.

Our commitment to raising CSR awareness continued in 2014, key supplier relationship managers received training, ensuring that governance of policies and standards continue to be maintained.

## 2014 achievements: fleet

In January 2014, in a drive to reduce CO<sub>2</sub> emissions, we introduced a 100g/km CO<sub>2</sub> cap on our fixed list choice of cars; this list represents half of our company car fleet of 430 vehicles. Working with our fleet supplier we promoted these low CO<sub>2</sub> cars paying particular focus on the associated lower tax liability to the drivers when choosing these cars.

To continue the promotion of low emission cars we also introduced the Green Managers List in January 2015. This list promotes premium cars that emit less than 120g/km CO<sub>2</sub> to senior managers; a good uptake has already been experienced with half of qualifying drivers choosing cars from this list.



Through these changes to our fleet policy and working with our fleet supplier, our average CO<sub>2</sub> emissions in 2014 have dropped by 6g/km to 115g/km per car.

## 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 will:

- continue to maintain our high standards across our supply chain;
- explore the initiatives for 2015 agreed by our sustainable supply chain committee; and
- continue to collaborate with our supply chain key suppliers to identify opportunities to develop sustainable supply programs and reduce supply chain waste.

## SUPPLY CHAIN TARGETS

KEY INDICATOR	ACHIEVED
We will maintain our supply chain standards and accreditations but across a broader supply base in 2014.	
Implement a supplier code of conduct that incorporates equality, diversity, inclusion (EDI) and environmental minimum standards.	

## ➤ Working with government and regulators



### How we approach public policy

When approaching public policy work, we have a set of principles by which we engage government and policy makers. We think it's important that people know what we do and what we stand for.

Our policy is that:

- We make no political donations.
- We are politically neutral, working with all parties, officials, regulators and other policy organisations in the jurisdictions we operate in.
- We will work both collaboratively through a range of industry and trade bodies, and independently.
- We aim to deliver evidence-based, practical proposals for consideration by policy-makers.
- We aim to be experts and thought-leaders: we are an organisation rich in expertise that we're willing to share with those responsible for formulating public policy.
- We are focused on delivering positive outcomes for customers, shareholders, investment markets, the broader economy and society.

### 2014 highlights: delivery of public affairs

We have had significant discussions with policy makers in areas where we think policy needs to be evolved. We have commented on issues such as:

- supporting jobs and growth through urban regeneration
- changes to the pensions and 'at retirement' market
- financial regulation
- corporate governance
- risk sharing

As part of our dialogue, in 2014, we responded to over 35 Government and regulatory consultations, as well as shaping responses from trade and industry bodies.

Our main areas of discussion with Government in 2014 have included:

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**Pensions and at retirement market reform**

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 been closely engaged with policy-makers about the options available to people as they look to take an income from their accumulated assets.

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**Financial regulation – UK and EU**

We are closely engaged with the relevant EU and UK authorities on reforms to both prudential and conduct regulation. This has been both a mix of regulatory reforms linked to both delivering jobs and growth as well as finalising legislative changes in response to the financial crisis.

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**Urban regeneration**

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 the legislative framework allows insurers and investment firms to play their full part in delivering jobs and growth. This has included engagement with both policy stakeholders but also delivery organisations such as Local Enterprise Partnerships (LEPs).

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**Risk sharing**

As the UK Government seeks to rebalance the economy, we have continued to discuss 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.

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**Political background**

The next five years will be a time of likely change. Elections are due in the UK, Europe and the US in the next two years. A referendum on the UK's withdrawal from the EU remains a distinct possibility. Further devolution of powers away from Westminster is likely. We're also aware of the business risk of deterioration of geo-political stability, especially in the Middle East and Eastern Europe.

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**Regulatory pressures**

The regulatory landscape is still challenging for financial services. In the UK, the FCA and PRA are still evolving distinct approaches to regulation. The PRA is committed to implementation of Solvency II on 1 January 2016, but there is material uncertainty over the practical outcome. The EU structure of harmonising directives across Europe threatens to limit UK regulators' ability to introduce more proportionate regulation. In particular, the Markets in Financial Instruments Directive 2 (MIFID 2) and Packaged Retail products affect our investment management business.

## ► Transparency



### Building trust

Ethical behaviour is an integral part of the way we do business. It's crucial that all our stakeholders are able to trust us to treat them fairly. We strive to earn and retain an excellent reputation and, therefore, take our responsibilities towards the people we come into contact with very seriously by showing the highest standards of integrity in all dealings with them. We also know that as a result of our 2014 [independent materiality analysis](#) that there are certain areas of policy and practice that we need to talk more about.

### Our code of ethics

As a business we will always be open, honest and fair in our dealings with colleagues, staff, customers, business partners, suppliers and the community at large and treat them with respect.

- Never tolerate any act of discrimination, harassment or victimisation.
- Ensure the ethical handling of conflicts of interest at all times.
- Operate within all applicable laws, rules and regulations in all areas where we have a presence.
- Safeguard personal data and any information of a non-public nature.
- Avoid acting in any way that could bring Legal & General into disrepute or undermine the values it represents.

Our [code of ethics](#) underpins these principles. It aims to guide our action and those of the people we work with closely, encouraging a way of working which is honest, responsible and respectful.

### Respecting human rights

We are a signatory to the [UN Global Compact](#). 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. Human rights standards are explicit in our [Group procurement policy](#) for our supply chain.

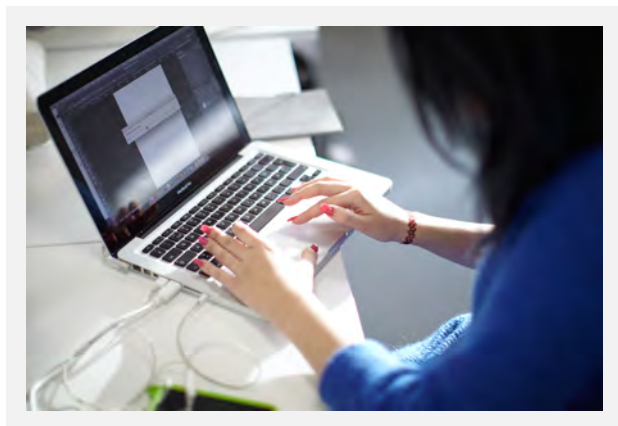
### Fighting financial crime

We take a zero-tolerance approach to [financial crime](#). Our reputation for open, fair, honest and lawful business activity is on our greatest assets.

We are committed to maintaining high standards of ethics and we do our utmost to prevent, detect and report any forms of money laundering or terrorist financing. Our employees and business partners are

provided with training on money laundering, bribery and data protection. We offer specialised support to more at risk areas of the business.

Our whistleblowing policy can be found on [our website](#).



## Protecting information

As a business providing financial safety nets to millions of retail customers and thousands of financial institutions we take the responsibility of getting information and holding it safely throughout the lifetime of our client relationship very seriously.

The major areas of information that we protect include:

- We hold customer information on health, their homes and their finances to make decisions to provide our products and services to customers.
- As a major investor we hold business information on companies that we have invested in or are providing commercial property to operate their business from.
- We protect information on our own business performance including financials, process changes and infrastructure projects as well as personal information on our employees.
- We produce product literature and policy documents which then end up in the hands of customers or financial intermediaries.

We have a couple of external policies to give you some reassurance of our stance on looking after your data.

See [Our approach to security for retail customers](#)  
See [Our approach to privacy and data](#)

Our approach to privacy is governed by a layered framework of controls, to ensure that our customers' information and privacy rights are protected. There are a number key roles and functions in place to ensure the successful management of this this framework, which also ensures our continued adherence to a number of regulatory obligations, for

example, as required by the Financial Conduct Authority (FCA) and legal requirements under the Data Protection Act 1998.

As a major investor, [Legal & General Investment Management](#) also works closely with other companies to influence improved cyber security awareness and controls across the industry.

Our focus in 2015 will be to continue to tighten our approach to customer privacy as we provide more digital financial services to our customers.

If you have any concerns or feedback on our approach to customer privacy please contact [information.protection@landg.com](mailto:information.protection@landg.com)

## Consumer transparency - Responsible 100

We are one of the founding members of the [www.responsible100.com](http://www.responsible100.com) network, which is designed help consumers of products of all shapes and sizes to understand the underlying approach to doing business. every month, non-government organisations (NGO) pose a number of challenging questions on behalf of consumers to companies in the Responsible 100 network to see what their stance is on certain key areas such as:

1. [Lobbying and Influence](#)
2. [Tax transparency](#)
3. [Forced, bonded and child labour](#)
4. [Whistleblowing](#)
5. [Executive pay](#)
6. [Governance systems](#)
7. [GHG emissions](#)
8. [Community investment](#)

We have used this feedback to adapt our approach to doing business. Click on each link to find out our current stance on these issues.

## Working with regulators

We have standards and approval mechanisms in place governing the production and content of marketing communications. We haven't been subject to any regulatory warning or censure in the past 12 months in relation to marketing communications and has not been required to withdraw or amend any existing material on the request of a regulator.

In the UK, we have ongoing engagement with our regulators and these reviews can, and do, identify areas where marketing material may be enhanced. In

the past 12 months, we have identified several situations ourselves where charging or pricing errors have impacted upon customer disclosures and these have been addressed. Where the relevant regulator has been informed of these, they have not resulted in any warning or sanction.

We provide a full disclosure on our work with wider government in the [Public affairs](#) section.

## Responsible marketing and fair sales

Our customers trust us that the financial safety nets that they have brought from us or a financial adviser will do their job when needed. They want to be treated fairly during the sales process and fairly when they claim.

### More responsibility for customers in 2014

2014 we took responsibility for the [highest number of customers](#) in our history. We are now responsible for over 8.3 million customers in the UK and over 1.3 million customers in our overseas subsidiaries. All businesses are there to serve local people in each country and provide financial safety nets through life, death and everything in between.

Those customers who were unhappy with our products and service represented 0.46% of our customers in the UK and 0.07% of overseas customers in France, Netherlands and the USA.

For the UK business, we developed a new Customer Relationship Index which asked a wider number of customers for their views that our previous RDSI Index. 74% of our clients are likely to keep their policy and 61% would recommend us to a friend.

We increased our [market inclusiveness](#) to harder to reach groups in society from 14.5% in 2013 to 15.3% of customers in these groups in 2014.

With this increased responsibility comes a management approach which is there to be on the side of the consumer. We have been increasingly [vocal on the issues](#) that we think affect the modern consumer.

### How we govern

We have teams of people in every level of our business whose job is to make sure that we are constantly refining what we do for our customers and that we operate in a fair way. We want our customers to feel confident that we are factoring the best outcomes for them into the way we do business.

Our Group policies and procedures underpin the commitments we have made to our customers and investors, setting out the minimum standards and procedures to ensure effective governance and control of our UK and overseas businesses. The policies are mandatory and it's the responsibility of our managing directors and senior executives to make sure that they are followed.

Our range of compliance policies is part of the framework of how we expect our business to be conducted. Our current policies that set out the regulatory principles, rules and guidance include:

- **Inducements** – this sets out how we should act when any benefits are offered to us as individuals or as a company.
- **Conflicts of interest** – this includes our framework to make sure we identify and manage conflicts to prevent any adverse impact on our customers.
- **Complaints** – our policy clarifies our requirements and the standards we expect employees to follow to deliver good outcomes to customers. Complaint trends are monitored, reviewed and acted on in each business area and also at a quarterly Complaints committee attended by senior business management.
- **Provider/distributor** – this covers how responsibilities for relationships should be established and maintained with the aim of delivering consistently fair outcomes for customers.

### Designing products

Our product lifecycle management (PLM) is a framework that sets out the standards we require, and the approach we follow, when designing, launching and managing products, propositions and funds. This comprehensive framework covers areas such as how to fully assess and understand the risks of any development, what customer research may be appropriate and understanding what the target market is. Our ongoing management guidance focuses on how we review the risks on our products once they have been launched to make sure they are still right for customers.

Each UK business unit has a Product Committee that approves product launches and has oversight of our products once they're launched.

Communicating with customers in a way that is 'clear, fair and not misleading' is central to our business. Our Advertising Standards functions ensure we communicate

with customers in this way, and that we comply with FCA rules and guidance, UK advertising codes and our own brand values.

We also have a fund panel in place to monitor the appropriateness of funds available to customers who seek advice from our own advisers.

We engage our employees in understanding and helping to deliver our internal governance framework through training. This includes computer based training for everyone in the company on:

- bribery and corruption
- complaints
- data protection
- financial crime

### How we measure and monitor

We use management information to help monitor how we treat our customers and ensure that we act where service is not as expected. Examples of areas we look at include:

- The quality of the advice given by our advisers.
- Ongoing product performance – has the product done its job?
- Service performance –do we deliver good service when talking to you about making a claim, dealing with a complaint and responding to general queries?

### Our checks and balances

We engage with a number of organisations and regulators to ensure our performance in delivering to our customers meets ours and their expectations. We have close and constructive engagement with the Financial Conduct Authority (FCA) on a variety of customer focused matters and also publish performance data relating to complaints on a regular basis.



The Financial Ombudsman Service (FOS) also publishes data on how many of our customers ask for an independent review of a complaint decision made by us compared to our peers. See the latest complaints data of the Financial Ombudsman Service.

We think it's important that we stand up and be accountable for our business performance and whether our customers think we do business the right way for them. We publish the **product performance** for all of our major product lines so that our customers can have confidence in what they are looking to buy or have bought.

### Anti trust and anti competitive practices

Our Group legal department has oversight of anti trust and competition laws. Training on anti trust and competition law is provided to the relevant business teams to ensure there is full awareness of the legal requirements.

There are no anti-competitive, antitrust or monopoly practices legal actions against us.

KEY INDICATOR	STATUS
As a founder of the Responsible 100 network provide consumers with a chance to critique our organisation and its approach to doing business.	
> IMPROVING TRANSPARENCY	
Develop and publish a direct investment policy which shows the underlying principle and process for investing shareholder funds across the Group.	
> DIRECT INVESTMENT APPROACH	



## ➤ Final performance against targets 2014



### 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.

### Campaigning targets

As a business we want to provide

- more access to housing
- more income in later life to pensioners
- more people with ways to better deal with ill health

We do this through a series of coordinated activities across the Group.

**Target area****Key update points**

Aim to deliver £1 billion of direct investments that directly improve people's lives in our campaign areas. **Paul Stanworth**

We have invested over £5 billion in direct investment. These include specific investment projects into housing, income in later life and health.

- Places for people (1) £252 million
- Places for people (2) - £24.7 million
- Ideal care £51 million
- Housing solutions £50 million
- Ottoway student housing - £20 million
- Rooftops - £40 million
- Adactus housing -£25 million
- Thames Valley housing - £40 million



Develop a long term published corporate view on the development of the campaign areas. **John Godfrey**

Our CEO, Nigel Wilson, has been regularly blogging to highlight the important issues to us to build a better society.

- [Only radical reforms can save the UK's ageing population](#)
- [This is the age of the consumer](#)
- [Economic tremors](#)
- [Money: The last great British taboo?](#)
- [Mansion tax: No substitute for better housing or fairer tax](#)
- [Hold our politicians accountable for housing](#)
- [Squaring the circle on public spending](#)
- [The beginning, not the end, of devolution](#)
- [Slow money for a digital age](#)
- [How to pay for elderly care costs](#)
- [National insurance: a dishonest tax](#)
- [From the lucky boomer to the lottery ticket student](#)
- [A grey, grey world](#)
- [Intergenerational unfairness - it's not too late to make a change](#)



Develop a vulnerable customer programme that improves our services to this customer group. **Karan Martin**

To develop this programme we surveyed over 300 employees asking which vulnerable customer groups they felt uncomfortable talking to.

As part of this project we are currently rolling out training to front line employees to help bridge those gaps. Training from our charity partners includes tax volunteers, dementia friends and The Bereavement Charity.



**Further reading**  
Vulnerable customers

## Target area

## Key update points



Create a better understanding for our employees of issues our customers face from our campaign areas with the help of our charity partners. **Duncan Finch**



### Further reading Our campaigns

We delivered the following consumer campaigns to engage and promote awareness for our customers and employees.

- Action on stroke month
- Finding Mike – Rethink
- Shelter – investment in housing
- Shelter – West Sussex Court Service
- AGE UK – Mumbai medicare van with IndiaFirst
- [#everydaymatters](#) social media – Stroke Association, Youthnet, AGE UK and Shelter
- AGE UK befriending scheme
- Alzheimers Society – dementias friends sessions
- Elderly Accommodation Counsel Housing Awards 2014



Develop a social investment portfolio that directly provides capital to social businesses supporting our campaign areas  
**Graham Precey**

We have a model portfolio that we could invest in as set up by CAF Venturesome. Through a combination of our risk profile on principle balance sheet and the immaturity of the social investment market for institutional investment we have decided to focus short term on the local regenerational potential of our award winning joint venture with CAF.



Support local management to create and deliver micro insurance finance solutions in India and Egypt in 2014. **Simon Burke**

We have introduced micro insurance products in our joint ventures in India and Egypt in 2014. These were set up to as much of the financial activity of poor households is driven by three needs; basic cashflow management, coping with risk and raising lump sums. Saving helps low-income households protect themselves against shocks and stabilize their lives, yet it has limited potential to shelter people from catastrophe, such as death of the main earner. That's where we come in.

In India, we have partnered with the Common Services Center Scheme (CSC). CSC is a part of a National e-Governance Plan (NeGP) in India. The scheme envisages the setting up of 100,000+ IT-enabled access points in rural areas. The Common Service Centers (CSCs) have been positioned as front end delivery outlets for delivery of Government as well as Private Sector services.

In Egypt, CIL have partnered with two microfinance institutions, ABA (Alexandria Business Association) and DBACD (Dakahlya Businessmen Association for Community Development) which gives them access to over 300,000 borrowers.

- This is what IndiaFirst is offering its customers [Shubhlabh Plan \(PDF\)](#)
- And, what CIL is offering customers in Egypt [Gnh-3ala-gnh](#)

## Target area

## Key update points



Deepen the relationships with not for profits to enhance Legal & General America's service to its customers. **Barb Esau**

CAF America provided a beauty parade of Bereavement based service providers for Legal & General America to consider in November 2014.

They are currently working through contracts for delivery in 2015.



Create a customer driven foundation in Legal & General France that directly supports disabled and sick children. **Olivier Potellet**

The **Foundation** is now set up and running.



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

## Consumer meetings

We have organised three meetings with consumers about investments.

## Improvements written communication

About 130 employees have followed a writing course.

The brochures are adjusted for all products. Tenders are adapted from three investment products.

We are still working on the conditions. This is scheduled for late 2014.

## Research into customer satisfaction

This investigation is ongoing.



Create digital solutions that enable consumers to access financial products and advice in harder to reach parts of the market. **Mike Smith**

We think it's important that the financial safety nets we offer our customers are widely available. After all, life death and everything in between happens to us all.

We have continued to track our market inclusivity as a company. 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.

We are pleased to report that our retails business had 15.3% of it's customers in these groups in 2014, which increased from 14.5% in 2013.



## Further reading

Market inclusiveness data

## Simply doing business better

There are a number of targets we have set ourselves to just simply improve standards of our business.

### Improving transparency

#### Target area



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**

#### Key update points

Each month we meet with relevant NGO's to cover important topics on our approach to doing business responsibly.

1. Lobbying and influence – Ted Hart
2. Tax transparency - Grace Stevens
3. Forced, bonded and child labour – Graham Precey
4. Whistleblowing – Anita Bouchier
5. Executive pay – Rosemary Lemon and Angeli Benham
6. Governance systems – Andrew Fairhurst
7. GHG emissions – Nicola Fagan
8. Community investment – Sara Heald

The responsible 100 movement has been highlighted to the Government business secretary as a direction of travel for transparency of the future.



Develop and publish a direct investment policy which shows the underlying principle and process for investing shareholder funds across the Group. **Paul Stanworth**

Read more about our [direct investment policy](#)

See our [infrastructure map](#)

Read more about our [portfolio mix by sector](#)

### As an employer of people

#### Target area



Increase our diversity within our employee base (particularly management grades) and longer-term the customer base, for example, wealth and ethnicity spectrums. **Dr Mike Smith**

#### Key update points

To date in 2014 the diversity agenda has focused on the gender balance with a number of initiatives underway, including:

Senior leaders (including the CEO and other executive directors) are each providing career sponsorship to one of a group of identified female talent to support increasing diversity at our senior levels.

We are piloting a maternity coaching initiative to support women during their pregnancy, maternity leave and their return to work.



**Further reading**  
Equality, diversity and inclusion

## As an investor

### Target area



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

Focus on good practice and engagement.

### Key update points

For 2014 the governance team have attended 589 ESG meetings (which is 118% of the target for the year) and 32% have included environmental and social issues.

We have addressed the 'Focus on good practice' issues. The Investor Forum (a recommendation of Professor Kay) has been established to promote wider collective engagement with international investors. The implementation of the Investor Forum was led by Sacha Sadan.



#### Further reading

Our governance campaign

## In our communities

### Target area



Deliver a social impact program for key properties in the Legal & General Property portfolio. **Bill Hughes**

### Key update points

We are applying community engagement and tenant liaison programs consistently across all our properties under management.

These are reported in our quarterly sustainability reports (QSRs) for each asset and a summary produced quarterly for LGP review. Each quarter we review the summary report and identify particular activities which should be written up as case studies.



#### Further reading

Our sustainable property campaign

JLL have provided an independent review of all shopping centers (PDF, 790KB).



Provide programmes for 25% of our global workforce to volunteer and add value to their communities. **Sara Heald**

Our UK workforce was able to deliver 27% of volunteering people for our communities for 2014. We had a number of large scale volunteering events from Children in Need call centres, give and gain day, community games, everyday money, mentoring schemes and RVS hospital shop.



#### Further reading

Community and social investment



Continue to Invest at least £3 million in 'not for profits' globally. **Sara Heald**

We have continued to invest over 3.0 million. In 2014 we invested 4.2 million.



#### Further reading

Community and social investment

**Target area****Key update points**

Deliver a social investment fund that provides loans, mentoring and consultancy to the value of £500,000 for UK social enterprises.

**Frances Borrer**

The [www.se-assist.co.uk](http://www.se-assist.co.uk) fund currently in Sussex and Croydon areas in the UK has capital from us and the Coast 2 Capital LEP. (Local Enterprise Partnerships), providing loans and our mentors to social enterprises. The current programme has created over 60 jobs in those regions.

The programme won the Investment Week Sustainable Investment Awards 2014.

**Further reading**

Community and social investment

**As a procurer****Target area****Key update points**

Implement a supplier code of conduct that incorporates equality, diversity, inclusion and environmental minimum standards. **Alex Wolny**

New supplier conduct code has been implemented.

**Further reading**

Supply chain standards



Develop sustainable supply programme with our key suppliers and reduce waste. **Alex Wolny**

Projects have been shortlisted from supplier responses to reduce impact on vulnerable raw materials.

New initiatives will be delivered in 2015.

**Further reading**

Supply chain standards



We will maintain our supply chain standards and accreditations but across a broader supply base in 2014. **Alex Wolny**

The number of key suppliers who are subject to our sustainable procurement policies in greater depth went from 185 in 2013 to 192 in 2014.

Number of key suppliers December 2013 = 185

Number of key suppliers December 2014 = 192

**Further reading**

Supply chain standards

## Environmental impacts

### Target area



Reduce direct carbon dioxide emissions across the Group (UK and overseas) by 10% on 2011/12 volumes. **Alex Wolny**



**Further reading**  
Environmental data

### Key update points

Performance indicator	Unit	2014	2013	2012/13
CO <sub>2</sub> e Total Group Emissions (Scope 1,2,3) <sup>1</sup>	tonnes	38,036	38,420	39,294

<sup>1</sup> Total CO<sub>2</sub>e emissions data is based on the scope of Legal & General's UK CRC Energy Efficiency Scheme disclosed emissions, Overseas property emissions and UK travel emissions. Calculated following the GHG reporting protocol (2014) and emission factors from UK Government's GHG Conversion Factors for Company Reporting 2014. Please note that CO<sub>2</sub> equivalent is used from 2013 onwards and the 2013 data has been restated.

We have reduced CO<sub>2</sub> by 5% which is halfway towards our target of 10% by 2016.

In addition, we have reduced the carbon per policy from 1.68kg in 2011/12 to 1.14kg in 2014.

New 2015 and 2020 carbon targets have been set, to continue our intention to minimise both direct and indirect carbon.



Reduce energy in the top 20 buildings in LGP by the end of 2014. **Bill Hughes**



**Further reading**  
Environmental data

Electricity reductions for top 20 properties are showing an estimate 25% reduction against baseline (2010 or first 12 months of ownership).



Reduce waste per policy across the Group by 10% on 2013 volumes. **Alex Wolny**



**Further reading**  
Environmental data

Performance indicator	Unit	2014	2013	2012/13
Total UK waste <sup>1</sup>	tonnes	898.81	949.57	1,027
Total waste per UK policy	grams	96.73	107	134
Total Overseas waste <sup>2</sup>	tonnes	91.80	81.37	N/A
Total waste per Overseas policy	grams	70.20	62.85	

<sup>1</sup> Includes Occupied properties – Group Real Estate, Suffolk Life, Legal & General Surveying Services and Estate Agency Franchising offices. 2013 baselines have been restated to fully include the Cofunds business.

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

UK waste has decreased in both total volume and volume per policy. The reduction per policy equates to 10%. This is due to a continued effort to engage with our staff and influence their behaviour.



**Target area****Key update points**

Reduce paper consumption per policy across the Group by 10% on 2013 volumes. **Alex Wolny**



**Further reading**  
Environmental data

Due to various business initiatives to reduce cost, increase efficiency, and service policies online.

**Full year 2014**

Total paper purchase down by 12.5% full year 2014 over 2013.

Average policies December 2014 up 5.43% over December 2013.

Total Legal & General correspondence up by 1.2% 2014 over 2013.

Normalised paper used to service each existing customer policy, has reduced in 2014 by 17.5% from 0.36 kgs per policy in 2013 to 0.30 kgs per policy in 2014.

**Guide to symbols**

Delivered



In progress

## ➤ 2015 – 2017 proposed Group ESG targets

Following an independent materiality process carried out by Schlange & Co and a materiality workshop with our executive committee we have settled on a number of forward looking environmental, social and governance targets for Legal & General Group Plc that we believe are material to our stakeholders and will provide our business with increased customer and shareholding performance. They are broken down into nine areas of operation each with the overarching principle of why these areas are important, what the targets are for the next 1 to 3 years and who owns them within the business.

### Campaigns

#### Responsible direct investment

**Approach** - Investing socially and for a return is something that any company with a balance sheet can do. To be responsible we believe that all companies should be backing their material long term issues important to their business with the longest and deepest forms of capital available to them.

#### Target(s)

- Through our direct balance sheet invest £15 billion in UK infrastructure into socially and economically useful areas – **Laura Mason**
- Provide our retail customers and employees with a much better idea of how we are providing economic growth and funding within their local areas – **Dominic Collins**

Governed by GCRE Committee

#### Improving our marketplace

**Approach** – We have a day to day responsibility to provide what we promised for our customers. Typically they asked us to help when they were least vulnerable and our job is to help them when they are most vulnerable. We also have a responsibility to support the next generation of consumers.

We operate in an environment where regulators must be comfortable that we do business the right way and are adapting our business in line with how consumers are expecting us to fit into their lives now and in the future.

We also rely upon others to supply us with products and services to run our business in the form of suppliers. We play a positive role in using that buying

and influencing power to improve the social, environmental and economic impact of other companies.

#### Target(s)

- Provide 90% of our customers with the ability to **transact online** with us in the retail business. – **Dominic Collins**
- Reach and engage over one million people in the UK with financial education content – **Dominic Collins**
- Continue to deliver the **vulnerable customer programme** to improve our net promoter scores – **Karan Martin**
- Deliver **six national consumer campaigns** that position us as a thought leader in the debate on housing, later life and health – **Graham Precey**
- All key and new **suppliers remain compliant** with our supplier's code which comprises the minimum standards we expect in terms of environmental, labour, equality, ethical conduct, community involvement and payment standards. – **Alex Wolny**
- Implement a global procurement code by 2016 for all subsidiaries – **Alex Wolny**

Governed by GCRE Committee and Group Charity Committee

### Investor

#### Responsible investment management for clients

**Approach** - As we grow in our responsibility for client money our ability to influence other company's environmental, social and governance performance grows. Stewardship matters: for our current customers; big and small irrespective of their mandate and for this generation and the next.

#### Target(s)

- As a major investor on behalf of our clients we will hold 500 engagements (meetings, calls, responses to letters) with international companies on ESG issues – **Sacha Sadan**

We will focus upon driving good practice in others in particular related to:

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

Governed by GCRE Committee

## Communities

### Investing in and through employees

**Approach** – We are a services based business. Trust in our business is built right in front of our customers when employees do the right thing in the customer's time of need. Our role as a company is to support employees in doing this right thing when at work and when at home supporting their communities. We want the best people who have a long term interest in our organisation.

#### Target(s)

- Create £2 million of value to the charity sector in the UK and £3 million of value as a Group – **Sara Heald**

Governed by Group Charity Committee

### Stimulating the social investment market

**Approach** – Social investment is playing a key role in developing local economies and solving social and environmental issues. We believe that companies like ours can play a key role in accelerating the growth of this sector to understand emerging issues in society, support regional jobs growth and ultimately hedge against business risks.

#### Target(s)

- Deliver a regional social investment programme in three major UK regions that grows social enterprise growth, impact and jobs creation. – **Graham Precey**

Governed by Group Charity Committee

## Environment

### Commercial property investment

**Approach** – As a major commercial property fund manager we play a key role in economic regeneration, provide businesses with somewhere to operate and grow and can have a positive impact upon carbon reduction.

#### Target(s)

- As part of our stakeholder engagement, in 2015 we will prioritise working with more tenants to help them reduce their own carbon, water and waste - **Debbie Hobbs**
- Reduce CO<sub>2</sub> by 2020 on 2012 levels – **Debbie Hobbs**
- Reduce water usage by 2020 on 2012 levels – **Debbie Hobbs**
- Reduce waste diverted to landfill by 2020 on 2012 levels – **Debbie Hobbs**

Governed by the Sustainable Property Investment Committee

### Environment and climate change

**Approach** – Every policy we look after for customers, every building we own for ourselves or for our clients, every business we invest in uses natural resources to operate. We have a responsibility to future generations be more efficient as a business rather than to simply offset our impacts.

#### Target(s)

- By 2020 reduce our carbon emissions per policy by 20% based on 2013 baseline – **Alex Wolny**
- Group Property to deliver 20% reduction on 'like for like<sup>1</sup>' properties by 2020 – **Bill Hughes**
- By 2020 reduce total waste generation per employee by 25% based on 2013 baseline – **Alex Wolny**
- By 2020 reduce paper consumption per policy by 30% based on 2013 baseline – **Alex Wolny**

Governed by Group Environmental Committee

## People

### Valuing diversity in our workforce

**Approach** – Having a diverse workforce that provides a fair, equal and representative environment is important as an employer who also has to deal with a diverse and ever changing customer base.

#### Target(s)

- As a founding member of the 30percent Club have at least 30% women on the Group Board – **Dr Mike Smith**
- As a signatory to the 50:50 by 2020 have 50% women at all levels within the organisation – **Dr Mike Smith**
- Roll out unconscious bias training to all people managers across the Group – **Dr Mike Smith**

**Governed by Equality, Diversity and Inclusion Committee**

## Transparency

### Governing ESG performance

**Approach** – Constantly improving the transparency and management of our own environmental, social and governance performance is important as without it we cannot ask tenants, investees and suppliers to improve theirs.

#### Target(s)

- Deliver an independent materiality process for each company subsidiary in line with GRI 4.0 reporting to focus the strategy and approach on responsible business – **Graham Precey**
- Adopt 'Blueprint for better business' and 'Responsible 100' as core benchmarks on our responsible business performance – **Graham Precey**
- Deliver a fit for purpose customer privacy and cyber security policy overseen by Group Board – **Dominic Collins**

**Governed by GCRE Committee**

# About the report

## In this section...

- 78 About the report
- 79 GRI index
- 87 Audit statement

## ABOUT THE REPORT

This report complements our Annual Report and Accounts for 2014. It provides commentary, disclosures and data on how we achieve our financial success while taking economic, social and environmental factors into account.

## ➤ 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 2014](#). It provides additional commentary on how we achieve our financial success by while taking economic, social and environmental factors into account.

### Reporting standards

This year, we used stakeholder feedback and the results of our materiality analysis to further evolve the transparency of our report, which is aligned to the internationally recognized guidelines of the Global Reporting Initiative (GRI). This report was drafted in accordance with the requirements of the GRI G4 guidelines, including the 'Financial Services Sector Supplement' (FSSS), and meets the criteria for a 'core' application level.

The report covers disclosure from all of the Legal & General 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 our tenth corporate responsibility report. In 2005, we published our first full corporate responsibility report detailing our performance and targets to our critical stakeholders and have since done so every year. This is a continuation of the 2013 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 2014.

### Timeframe

This sustainability report covers the financial year from January to December 2014 (unless otherwise noted). In some cases, information for early 2015 is also included to give an up-to-date picture. Facts and figures refer to [Legal & General Group PLC](#) unless indicated otherwise.

### Feedback

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

**Graham Precey**

Head of corporate responsibility and ethics

E: [Graham.precey@landg.com](mailto:Graham.precey@landg.com)

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## ➤ GRI index

### Strategy and analysis

GRI Indicator	Reference	Comment
G4-1 CEO Statement	Introduction – Group chief executive’s review	

### Organizational profile

GRI Indicator	Reference	Comment
G4-3 Name of the organisation.	Our reporting – About the report	
G4-4 Primary brands, products, and services.	Annual Report – What we do Annual Report – Group Consolidated Financial Statements – Balance Sheet Management (Principal products)	
G4-5 Location of the organisation’s headquarters.	Annual Report – Shareholder Information (General information)	
G4-6 Number of countries where the organisation operates	Our reporting – About the report	
G4-7 Nature of ownership and legal form	Our reporting – About the report	
G4-8 Markets served	Introduction – About us – Our purpose	
G4-9 Scale of the organisation	Annual Report – Employees Annual Report – Net sales Annual Report – Capitalization	
G4-10 Total workforce by employment type, employment contract, and region	Data centre – Employee data	
G4-11 Employees covered by collective bargaining agreements	CSR Website – Collective consultation	
G4-12 Organisation’s supply chain	Doing business better – Supply chain standards	



Continued

GRI Indicator	Reference	Comment
G4-13	Significant changes during the reporting period regarding size, structure, ownership, or its supply chain	Doing business better – Supply chain standards
G4-14	Explanation of whether and how the precautionary approach or principle is addressed	Doing business better – Managing environment and climate risks
G4-15	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organisation subscribes or endorses	CSR Website – Awards and accolades
G4-16	Memberships in associations	CSR Website – Awards and accolades

## Identified material aspects and boundaries

GRI Indicator	Reference	Comment
G4-17	Operational structure	Annual Report – Independent auditors' report
G4-18	Process for defining report content	Introduction – Even clearer on materiality in 2014
G4-19	List all the material Aspects identified in the process for defining report content.	Introduction – Even clearer on materiality in 2014
G4-20	Aspect Boundary <b>within</b> the organisation	Introduction – Even clearer on materiality in 2014  As we conducted our first materiality analysis in 2014 and did not fully reach all our subsidiaries, we did not yet analyze the relevance of issues according to all our internal business units. As we intend to conduct future materiality analyses for our subsidiaries, our goal is to achieve such specific differentiation in the coming year

Continued

GRI Indicator	Reference	Comment
G4-21 Aspect Boundary <b>outside</b> of the organisation	<a href="#">Introduction – Even clearer on materiality in 2014</a>	We conducted our first materiality analysis in 2014 and did not yet analyze the relevance of issues according to external stakeholder groups for all the markets that we serve. As we intend to conduct future materiality analyses for our subsidiaries, our goal is to achieve such specific differentiation in the coming year.
G4-22 Explanation of the effect of any re-statements	<a href="#">Our reporting – About the report</a>	
G4-23 Significant changes from previous reporting periods in the scope, Aspect boundaries, or measurement methods	<a href="#">Our reporting – About the report</a>	

## Stakeholder engagement

GRI Indicator	Reference	Comment
G4-24 List of stakeholder groups engaged by the organisation.	<a href="#">Our reporting – About the report</a>	
G4-25 Basis for identification and selection of stakeholders	<a href="#">Our reporting – About the report</a>	
G4-26 Approaches to stakeholder engagement	<a href="#">Introduction – Even clearer on materiality in 2014</a>	
G4-27 Key topics and concerns that have been raised through stakeholder engagement	<a href="#">Our reporting – About the report</a>	

## Report profile

GRI Indicator	Reference	Comment
G4-28 Reporting period	<a href="#">Our reporting – About the report</a>	
G4-29 Date of most recent previous report	<a href="#">Our reporting – About the report</a>	
G4-30 Reporting cycle	<a href="#">Our reporting – About the report</a>	

Continued

GRI Indicator	Reference	Comment
G4-31 Contact point	Our reporting – About the report	
G4-32 GRI Content Index	Our reporting – About the report	
G4-33 External assurance policy	Our reporting – Group internal audit statement	

## Governance

GRI Indicator	Reference	Comment
G4-34 Governance structure of the organisation	<p>CSR Website – Governance</p> <p>Annual Report – How the Board operates</p>	

## Ethics and integrity

GRI Indicator	Reference	Comment
G4-56 Organisation's values, principles, standards of behaviour (e.g. CoC and codes of ethics.)	<p>Website – Code of Ethics (PDF)</p> <p>CSR Website – Ethics principles</p> <p>CSR Website – Our policies</p>	

## Financial services sector supplement

GRI Indicator	Reference	Comment
<b>Aspect: Risk management</b>		
G4-DMA Disclosure on management approach	Doing business better – Supply chain standards	
FS9 Audits to assess implementation of environmental and social policies and risk assessment procedures.	Doing business better – Supply chain standards	
<b>Aspect: Active ownership</b>		
G4-DMA Disclosure on management approach	Campaigns – Corporate governance	

Continued

GRI Indicator	Reference	Comment
FS-10	Companies held in the institution's portfolio with which the reporting organisation has interacted on environmental or social issues. <a href="#">LGIM – Corporate Governance Report (PDF)</a>	While we do not collect the percentage and number of companies with which we engage on ESG issues, the number of meetings covering ESG issues is an indicator as to our involvement and dedication to the subject

## Economic performance (EC)

GRI Indicator	Reference	Comment
<b>Aspect: Direct economic value generated and distributed</b>		
G4-DMA	Disclosure on management approach <a href="#">Data centre – Tax data</a>	
G4-EC1	Direct economic value generated and distributed (economic value distributed: payment to government by country) <a href="#">Data centre – Economic data</a>	

## Environmental performance (EN)

GRI Indicator	Reference	Comment
<b>Aspect: Materials</b>		
G4-DMA	Disclosure on management approach <a href="#">Doing business better – Managing environment and climate risks</a>	
G4-EN2	Materials used that are recycled input materials <a href="#">Doing business better – Managing environment and climate risks</a>	We do not purchase recycled input materials (e.g. paper); however, we have reduced our paper consumption by 12.5% by implementing a 'no print day' every Friday in our Head Office.
<b>Aspect: Energy</b>		
G4-DMA	Disclosure on management approach <a href="#">Doing business better – Managing environment and climate risks</a>	
G4-EN3	Energy consumption within the organisation <a href="#">Doing business better – Managing environment and climate risks</a>	
<b>Aspect: Effluents and waste</b>		
G4-DMA	Disclosure on management approach <a href="#">Doing business better – Managing environment and climate risks</a>	

Continued

GRI Indicator	Reference	Comment
G4-EN23 Total weight of waste by type and disposal method	Doing business better – Managing environment and climate risks	

## Labour practices (LA)

GRI Indicator	Reference	Comment
<b>Aspect: Employment</b>		
G4-DMA Disclosure on management approach	Doing Business better – Improving our workplace – World Class Leadership	
G4-LA1 New employee hires and employee turnover by age group, gender and region	Data centre – Employee data	
<b>Aspect: Occupational health &amp; safety</b>		
G4-DMA Disclosure on management approach	CSR Website – Health and safety	
G4-LA5 Total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programmes	CSR Website – Collective consultation	
<b>Aspect: Training and education</b>		
G4-DMA Disclosure on management approach	Doing Business better – Improving our workplace – World Class Leadership	
G4-LA10 Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Doing Business better – Improving our workplace – World Class Leadership Doing Business better – Improving our workplace	
<b>Aspect: Diversity and equal opportunity</b>		
G4-DMA Disclosure on management approach	Doing business better – Improving our workplace – Equality, diversity and inclusion	

Continued

GRI Indicator	Reference	Comment
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	Data centre – Employee data
<b>Aspect: Equal remuneration for women and men</b>		
G4-DMA	Disclosure on management approach	Annual Report – Governance – Remuneration principles  Annual Report – Governance – Remuneration for employees below board (Annual equal pay audit)
G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	Data centre – Employee data

## Human rights (HR)

GRI Indicator	Reference	Comment
<b>Aspect: Investment</b>		
G4-DMA	Disclosure on management approach	Doing business better – Climate and Environmental Management – As an investor
FS8	Products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	ESG report on behalf of all of our clients in our corporate governance report  For our commercial property clients we provide a yearly sustainability report on the ESG improvements in their asset performance.
HR1	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	Doing business better – Transparency

## Society (SO)

GRI Indicator		Reference	Comment
<b>Aspect: Local communities</b>			
G4-DMA	Disclosure on management approach	Doing business better – Community and social investment – Supporting employees	
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programmes	Doing business better – Community and social investment – Supporting employees	
FS14	Initiatives to improve access to financial services for disadvantaged people.	Data centre – Market inclusiveness data	
<b>Aspect: Anti-corruption</b>			
G4-DMA	Disclosure on management approach	Doing business better – Transparency	
G4-SO4	Communication and training on anti-corruption policies and procedures	Doing business better – Transparency	
<b>Aspect: Interaction with governments</b>			
G4-DMA	Disclosure on management approach	Doing business better – Public Affairs	
G4-SO6	Political contributions by country and recipient/beneficiary	Doing business better – Public Affairs	
<b>Aspect: Anti-competitive behaviour</b>			
G4-DMA	Disclosure on management approach	Doing business better – Transparency	
G4-SO7	Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes	Doing business better – Transparency	There are no anti-competitive, antitrust or monopoly practices Legal actions against us

## Product responsibility (PR)

GRI Indicator	Reference	Comment
<b>Aspect: Product and service labelling</b>		
G4-DMA	Disclosure on management approach	Doing business better – Transparency
G4-PR5	Results of surveys measuring customer satisfaction	Data centre – Product and customer data
<b>Aspect: Marketing communications</b>		
G4-DMA	Disclosure on management approach	Doing business better – Transparency
G4-PR7	Incidents of non-compliance with regulations and voluntary codes concerning marketing communications	Doing business better – Transparency
<b>Aspect: Customer privacy</b>		
G4-DMA	Disclosure on management approach	Doing business better – Transparency
G4-PR8	Substantiated complaints regarding breaches of customer privacy and losses of customer data	Doing business better – Transparency

## ➤ Group internal audit statement

Group internal audit (GIA) has performed a risk based review of CSR disclosures, including quantitative data, and the associated processes utilised to collate this information.

Our audit testing has not identified any material inaccuracies in quantitative disclosures.

### Group internal audit

April 2015



# Data centre

## In this section...

- 90 Tax data
- 93 Product and customer data
- 100 Economic data
- 102 Employee data
- 109 Investor data
- 110 Supplier data
- 111 Environmental data
- 114 Market inclusiveness data
- 115 Community data

## OUR PERFORMANCE

We appreciate that our stakeholders want to have a look at our long term data on our performance and underlying numbers.

## ➤ Tax data

We are committed to tax transparency. We have engaged with various NGOs to discuss their concerns about tax responsibility and also our own tax position as a significant investor in other companies. We continue to talk to companies about their tax policy and management as part of our overall environmental, social and governance engagement.

### Tax strategy and approach

We aim for our tax affairs to be transparent and sustainable in the long term. Our tax strategy is reviewed regularly with responsibility for this and management of tax risks resting with the group chief financial officer and director of group tax.

We will:

- Meet all legal requirements, make all appropriate returns and payments.
- Always consider the group's reputation, brand and corporate and social responsibilities.
- Consider tax as part of every major business decision.
- Discuss in real-time our interpretation of the law with HMRC.
- Operate appropriate tax risk governance processes, including Board oversight.
- Contribute to the development of UK and international tax policy and legislation where appropriate.
- Not undertake transactions whose sole purpose is to create an abusive tax result.

### Tax compliance

Changing tax landscapes has made managing tax compliance increasingly complex in recent years. However, we continually assess how we meet our global tax obligations and manage our tax authority relationships.

### Customers, staff and society

Tax is an important and integral part of our business. We recognise that our stakeholders not only include our investors, customers and employees, but also the wider society.

Paying tax is part of how our business contributes to society. Taxes provide public revenues for governments to meet economic and social objectives, including the creation of jobs, generating business for suppliers and building infrastructures.

Our total tax contribution is our input into wider society and the tables and charts below provide further information of the taxes that we have borne and collected in 2014 in each of the jurisdictions that we operate in.

We work with the charity tax volunteers which provides free expert caring independent advice for older people.

Our tax facts app is packed with useful information, including key dates, tax tips, and calculators.

### 2014 total tax contributions

Our contribution to governments and society involves more than just corporation tax on profits but also employer taxes, VAT and property taxes borne by the group.

We also collect taxes on behalf of governments such as employee taxes deducted through payroll and insurance premium tax.

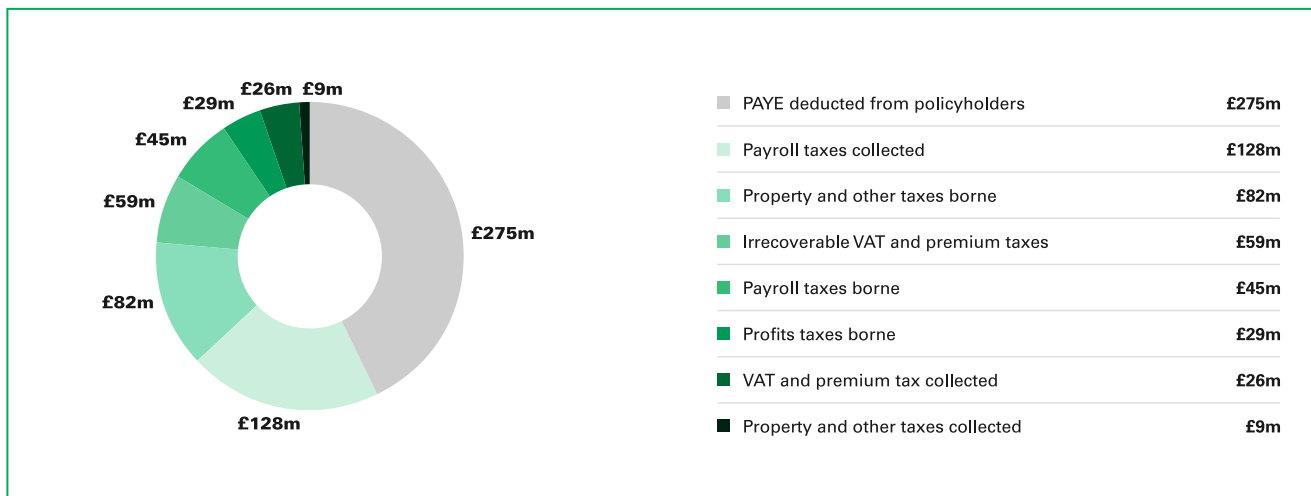
Our total tax contribution which includes taxes borne and collected for 2014 was £794 million (2013: £877 million). The majority of our taxes borne and collected arise in the UK of £653 million (2013: £776 million).

Taxes borne are all taxes levied on a company which are its cost and will affect its results. This includes corporation tax, employer's national insurance contributions (payroll taxes) and business rates. It is a company's direct contribution to tax revenues.

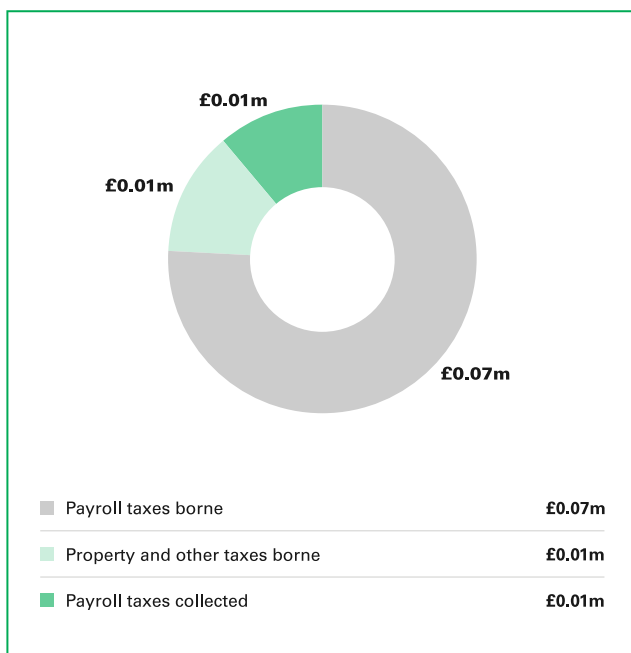
Taxes collected are taxes of employees and customers but paid over to the Government. Taxes collected include employee income tax and national insurance contributions (payroll taxes) and insurance premium taxes charged to customers. It is generated by the company's business activity and is part of its indirect contribution to tax revenues.

The tables in the tax section summarise the taxes borne and collected by the jurisdiction in which we operate and also by type of tax.

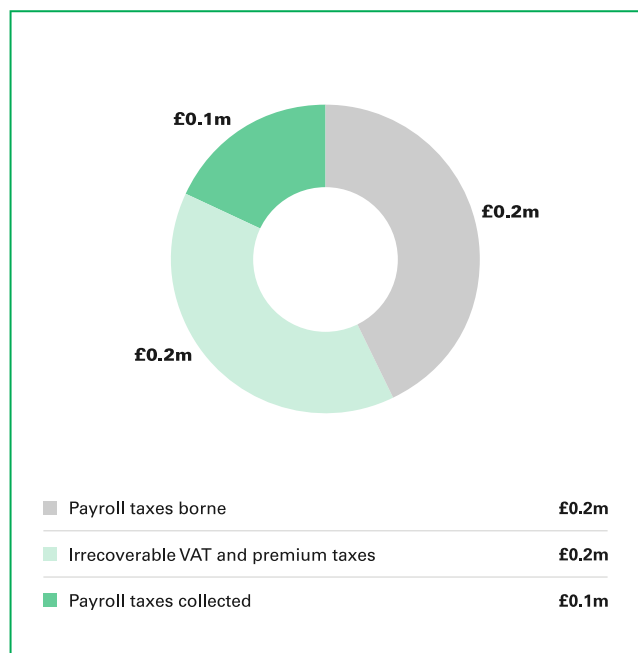
2014 UK taxes borne and collected



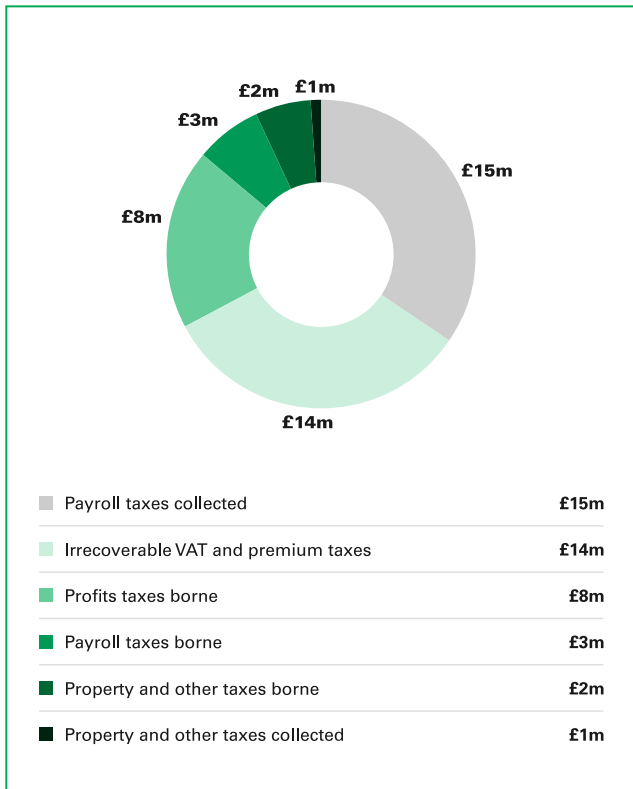
2014 Bermuda taxes borne and collected



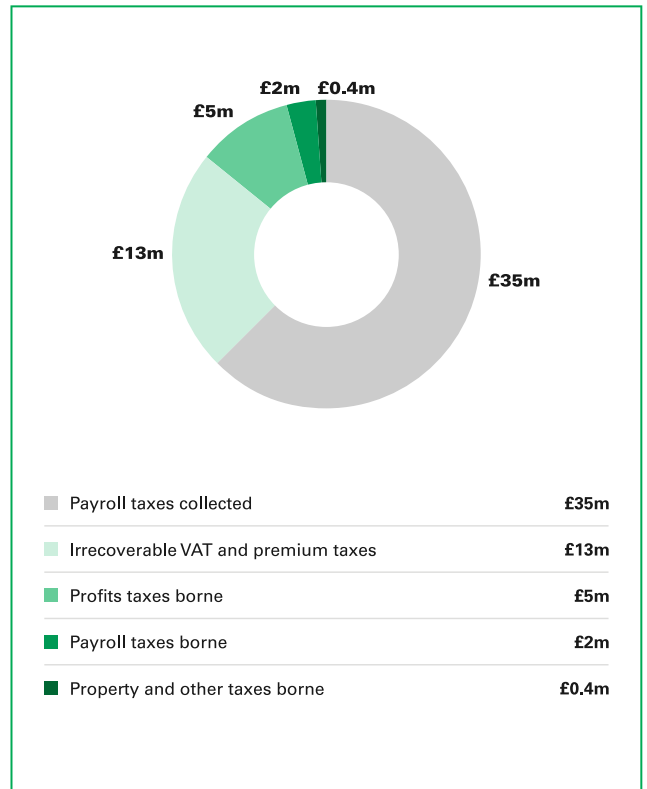
2014 Ireland taxes borne and collected



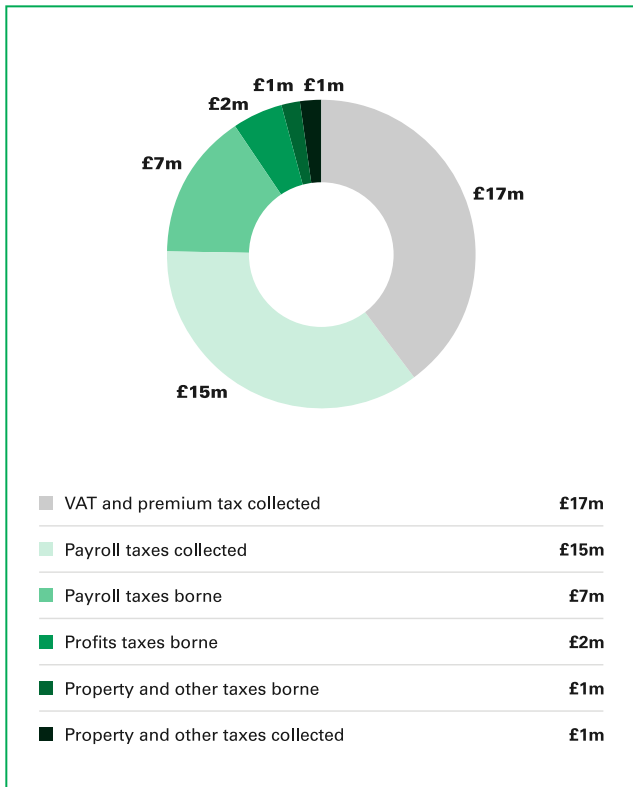
2014 USA taxes borne and collected



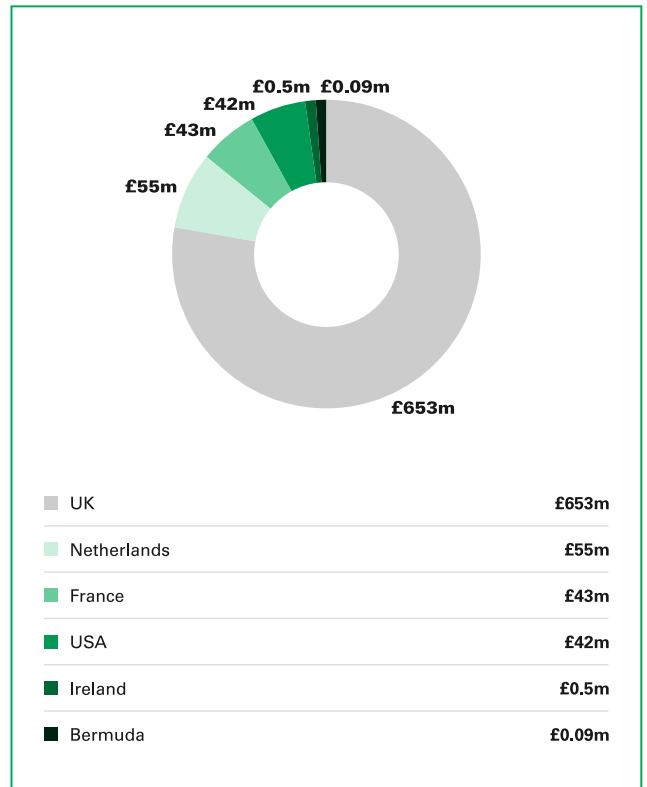
2014 Netherlands taxes borne and collected



2014 France taxes borne and collected



2014 total taxes collected



## ➤ Product and customer data

### Number of retail customers

2014 saw the highest number of customers that we are responsible for in our history. We are now responsible for over **8.3 million** customers in the UK and over **1.3 million** customers in our overseas subsidiaries. All businesses are there to serve local people in each country and provide financial safety nets through life, death and everything in between.

Quantity	2010	2011	2012	2013	2014	2014 versus 2013
Number of UK customers	7,053,446	6,854,062	7,190,925	7,923,467	8,328,900	5%
Number of UK policies	8,053,293	7,701,911	8,109,422	8,849,465	9,273,882	5%
Number of overseas policies (France, USA, Netherlands)	N/A	1,090,034	1,159,205	1,294,671	1,300,068	0.40%

Quality and Satisfaction	2010	2011	2012	2013	2014	2014 versus 2013
% of customers loyal to our brand in that they are likely to re-purchase the product/service in the future (1)	61%	74%	73%	69%	N/A	Index Ceased
How likely are you to recommend L&G to your family and friends' (2)	N/A	N/A	N/A	N/A	61%	New Index
'How likely are you to renew / keep your existing policy/policies with Legal & General?' (2)	N/A	N/A	N/A	N/A	74%	New Index
UK complaints (reportable and non-reportable) as a percentage of customers	0.47%	0.56%	0.58%	0.53%	0.46%	-13.20%
UK / NL / France complaints as a percentage of customers	N/A				0.07%	New Index

## Paying pensions

Each month we're responsible for paying our customers their pension into their bank account. We do this for over **707,701** customers each month.

	2010	2011	2012	2013	2014
Number of customers whose pension we're responsible for paying every month	556,494	613,015	653,184	680,870	707,701
Total pension payments per annum	£1,018,000,000	£1,126,000,000	£1,333,602,135	£1,410,387,060	£1,466,885,721
Average pension payments per year	£1,829	£1,837	£2,041	£1,831	£2,072

## Protecting customers houses

	2010	2011	2012	2013	2014
Number of in force customer home insurance policies	1.4m	1.5m	1.6m	1.8m	1.8m
Amount in claims that we paid out to customers to restore/replace homes and possessions	£135m	£160m	£135.7m	£132.6m	£156.6m

## Critical illness claims

Finalised critical illness claims have increased by 3.1% compared to 2013 (excluding terminal illness claims).

Critical illness claims declined for misrepresented information provided at point of sale has increased. This doesn't include claims that have been deferred or postponed.

We paid 62 critical illness claims even though the medical information we received did not prove the policy definitions had been met. 55% of these claims related to the heart attack definition and these are cases where we apply the spirit of the contract rather than the precise terms and conditions.

In 2014, we have paid the highest percentage of terminal illness claims, (96.9%) while the number of claims we received decreased by 5% compared to 2013.

Terminal illness claims declined for not meeting the policy definitions will include claims made in the last 12 months of the policy or where the customer's prognosis is not considered to be terminal but not those where the customer, due to their diagnosis, will likely be eligible to claim within the policy term but where the prognosis is not yet less than 12 months.

The figures below outlines are inclusive of children's critical illness and terminal illness claims.

	2010	2011	2012	2013	2014
Percentage of Critical Illness claims paid out to our customers	91.80%	93.00%	93.10%	93.60%	93.40%
The amount of money we paid out to our critically ill customers	£147m	£177m	£209m	£242m	£245m

## Death claims

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.

Our customer claims team paid a record 5759 (5.7% more than 2013) of death claims to the beneficiaries of our customer's policies. In addition we declined the lowest number of claims compared to any other year with just 1.4% of claims not being paid.

	2010	2011	2012	2013	2014
The amount we paid out to beneficiaries when someone has unfortunately passed away with life insurance cover	£226m	£264m	£274m	£262m	£271m
The percentage of claims paid when someone passes away	97.80%	97.80%	97.70%	98.20%	98.30%
Do we always pay out to our customers?	Only 1.4% not paid due to misrepresentation				

## Income protection claims

We provided incapacity benefit to 413 customers through the year and paid £1.44 million to them either as a regular monthly income amount or in a lump sum.

	2010	2011	2012	2013	2014
Percentage of claims paid to customers who are unable to work because of health issues	82%	92%	91%	92%	94%
Total paid out to supplement incomes while clients are too ill to work	£1.57m	£1.35m	£1.36m	£1.40m	£1.44m



## Investment and savings products

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.

Our 2014 research shows that on average, **people in the UK could be on the breadline in just 29 days. Shockingly, this reduces to 14 days for working age families (18-64 year olds)**. And, whilst you might like to think you could rely on state benefits, do you know just how little you could be relying on.

	2010	2011	2012	2013	2014
Assets under administration value for customers whose (pension and non-pension) savings we are responsible for (£m)	64,057	64,915	70,181	108,900	124,200
Percentage of customers who are not happy with their savings product and have complained to us	N/A	0.29%	0.30%	0.28%	0.29%

## Providing employment safety nets

Our group protection business provides services to employers who want to protect the wellbeing of their employees. **We provided 7,222 cognitive behavioural therapy sessions to help customers 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:

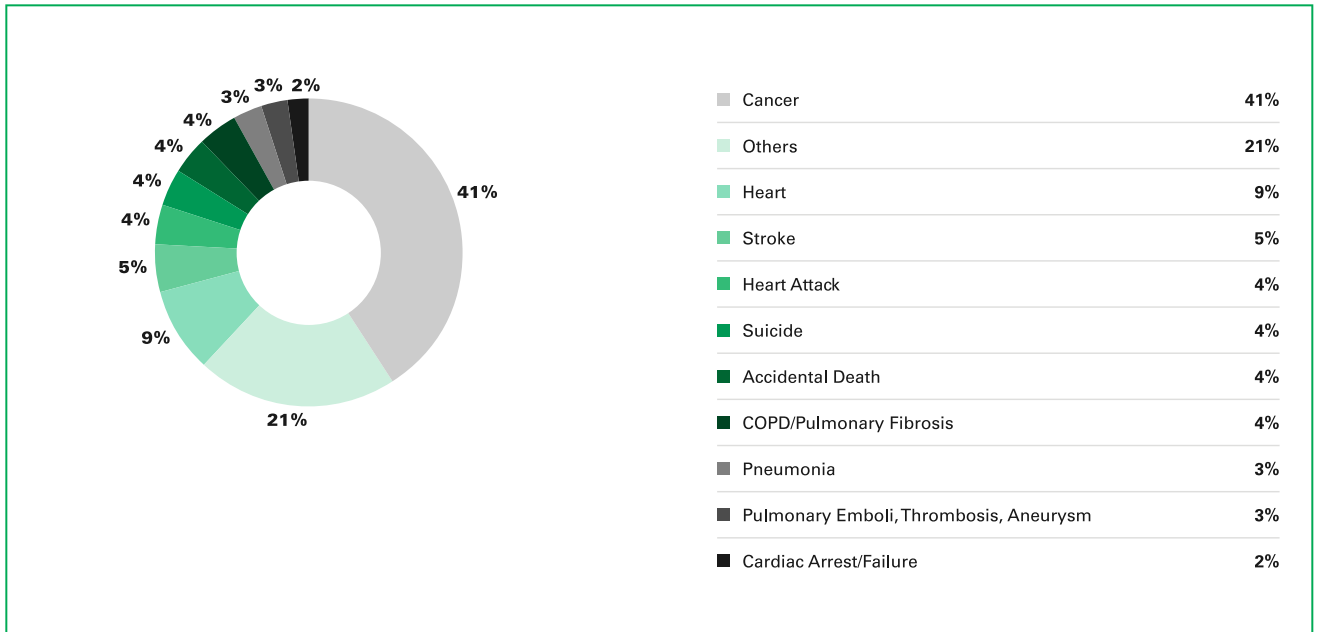
There are a number of areas of health that we spend most of our time helping customers overcome or work with to get them back to work.

- **Mental health claims** – where 79.4 % of customers affected returned to work in 2013 within the deferred period and 85.9 % within the first year of absence.
- **Musculoskeletal claims** – where 78.9% of customers affected returned to work in 2013 within the deferred period and 84.7% within the first year of absence.
- **Cancer claims** – where 31.7% of customers affected returned to work in 2013 within the deferred period and 46.7% within the first year of absence.
- **For all claims** – 76.3% of customers affected returned to work in 2013 within the deferred period and 82.6% within the first year of absence.

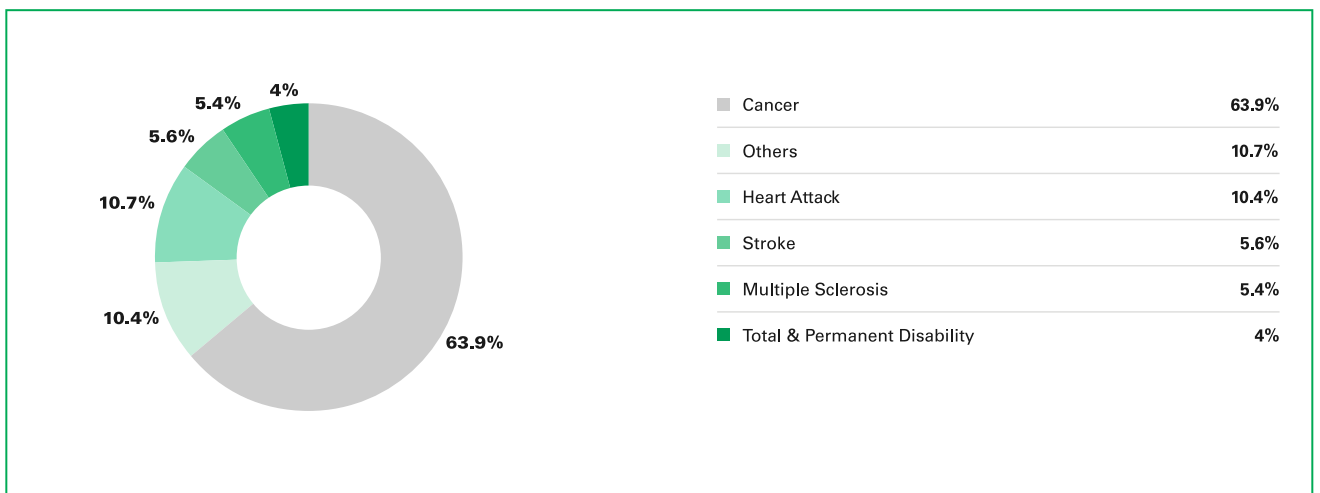
Here's the numbers behind the story.

	2010	2011	2012	2013	2014
Number of employees of businesses whose lives we insure	2,350,115	2,415,758	2,265,875	2,322,374	1.8m
Number of people rehabilitated back to work in that year	800	875	2,019	2,503	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	75.30%	79.40%	82.30%	82.60%	Data is one year in arrears because of rehabilitation cycle
Amount invested in rehabilitating people back to work	£2.9m	£3.1m	£3.9m	£3.8m	£4.6m
Amount paid out to clients per annum for critical illness cover	£7,474,000	£8,167,000	£7,105,839	£7,231,000	£8,551,000
Amount paid out to clients whose income we are protecting when they are unable to work	£31,304,287	£32,360,477	£30,552,060	£28,200,000	£35,400,000
Amount paid out to customers who have died	£195,619,000	£213,745,228	£201,499,061	£201,346,000	£222,573,000
Percentage of clients we pay out to on critical illness cover	73.00%	80.60%	79.00%	75.00%	80.10%
Percentage of clients we pay out to when the client dies	97.00%	99.30%	99.10%	99.40%	99.60%
Percentage of clients we pay out to when our clients are unable to work	97.00%	97.80%	99.20%	99.10%	98.10%

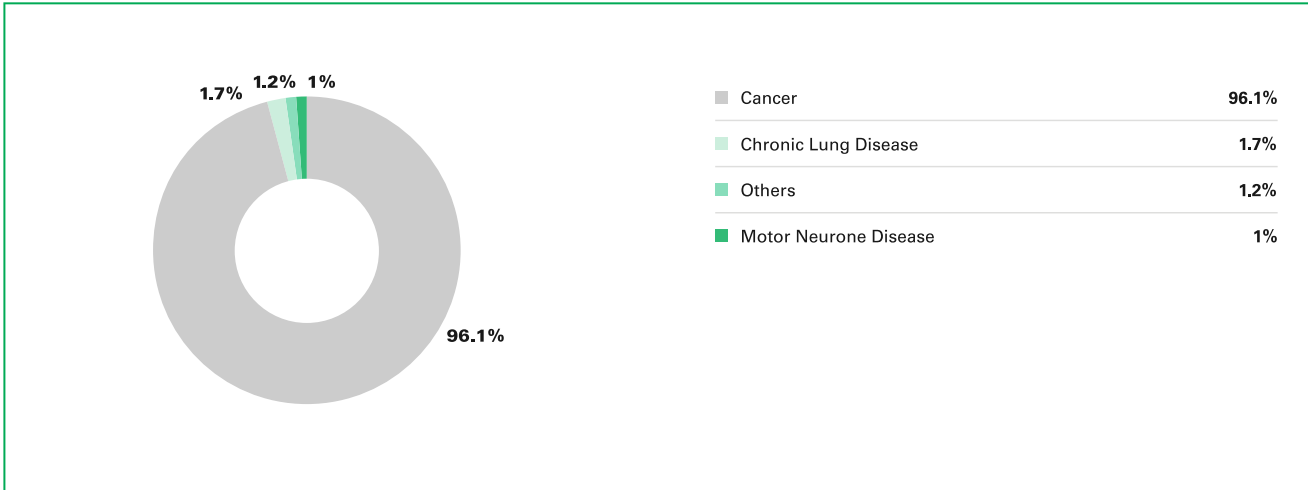
### Death claims paid 2014



### Critical illness claims paid 2014



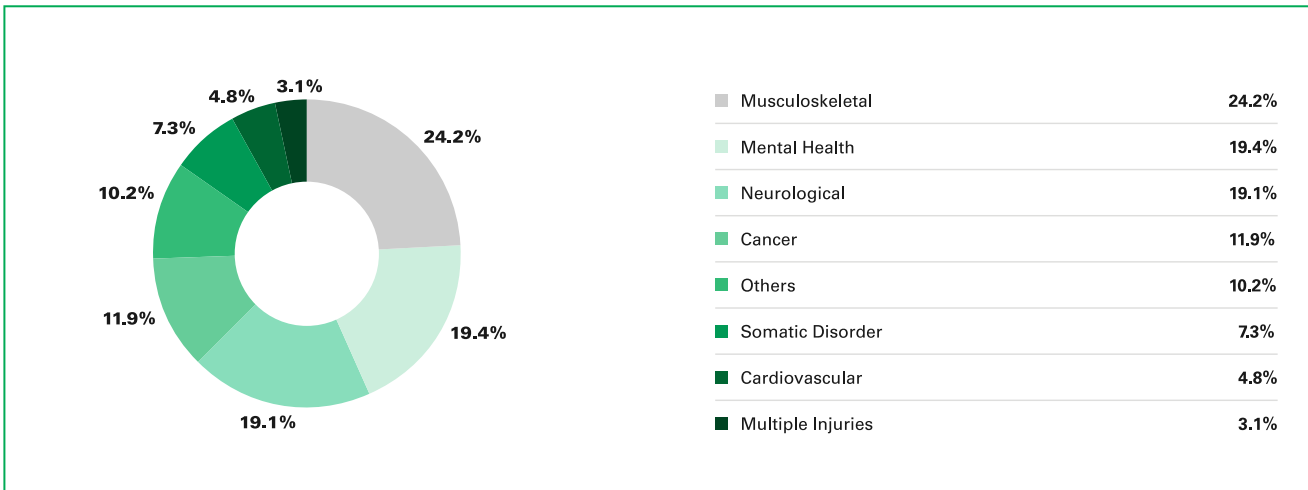
Terminal illness claims paid 2014



Protecting income when you can't work

There are a number of reasons why our customers are unable to work. Musculoskeletal, mental health and neurological conditions account for nearly two thirds of income protection payments.

Income protection claims causes paid 2014



## ➤ Economic data

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.

In 2014 we played a key role in providing **£732 billion** of financial transactions in the global economy up 57% from 2013 (**£465 billion**).

Area of funding	2012	2013	2014	2014 versus 2013	Further information
<b>Taxation</b>  The total taxes borne and collected and paid to UK and overseas governments as a result of us doing business.	£660m	£877m	<b>£794m</b>	-10%	Read more in our <a href="#">annual report and accounts 2014</a> .
<b>Investment</b>  The amount of investment going into businesses, on behalf of our customers, that representing around 4% of capital to the FTSE Allshare	£406bn	£450bn	<b>£708.5bn</b>	+57%	Our <a href="#">good governance</a> programme provides more details of how we use this influence to improve others environmental, social and governance performance.
<b>Commercial property investment</b>  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 <a href="#">English Cities Fund</a> .	£10.4bn	£11bn	<b>£13.56bn</b>	+23%	Read more about our work in our <a href="#">sustainable property</a> section or the English Cities Fund
<b>Employment</b>  The total net salaries we pay our UK employees, which is spent on products and services in the economy	£238m	£289m	<b>£285m</b>	-0.01%	Read more about the contribution that our people make to our customers and business in our <a href="#">our employees</a> section.
<b>Procurement</b>  The amount that we spend with suppliers to run our businesses in the UK.	£446m	£504m	<b>£527m</b>	+4%	Read more in our <a href="#">sustainable supply chain</a> section.
<b>As an investment for our shareholders</b>  The amount in dividends that we paid to big and small shareholders as a result of doing business.	£394m	£479m	<b>£668m</b>	+39%	Read more in our <a href="#">annual report and accounts</a> about our dividend policy and approach.

Continued

Area of funding	2012	2013	2014	2014 versus 2013	Further information
<p><b>Being there for our customers</b></p> <p>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.</p>	£2.19bn	£2.28bn	<b>£2.31bn</b>	+1.13%	Read more in our <a href="#">product performance</a> section.
<p><b>Contributions to local communities</b></p> <p>We actively contribute to the Third and not-for-profit sectors in the UK, France, Netherlands and the USA businesses.</p>	£3.8m	£4m	<b>£4.2m</b>	+4%	Read more about how we did this in our <a href="#">community</a> section.
<b>Amount Invested in Social Investments</b>			<b>£280k</b>	+100%	
<b>Amount of Balance Sheet in Direct Investments designed to stimulate Society and the Economy for the long term</b>		£2.9bn	<b>£5.7bn</b>	+96%	
<b>Total economic contribution of the Group</b>	£420bn	£465bn	<b>£732.4bn</b>	+57%	

## Employee data

Employees Length of Service	0-5	6-10	11-15	16-20	21-25	25+
Legal & General UK	44.98%	24.48%	16.60%	6.70%	2.82%	4.42%
Legal & General France	54.20%	15.67%	9.53%	7.48%	8.61%	4.51%
Legal & General America	50.00%	30.36%	9.82%	2.91%	2.36%	4.55%
Legal & General Netherlands	34.50%	35.67%	16.39%	6.43%	2.92%	4.09%

Number of Employees	2010	2011	2012	2013	2014	2014 versus 2013
UK employees	7,101	7,323	7,400	7,394	7,222	-2.32%
Overseas Subsidiary Employees (France, Netherlands, USA)	N/A	809	944	1,030	1,043	+1.26%

Employee absence	2010	2011	2012	2013	2014	2014 versus 2013
UK Sickness as percentage of UK Workforce	3.3%	3.0%	3.4%	3.1%	3.1%	0.0%
Legal & General Netherlands Sickness as percentage of workforce	2.8%	4.6%	3.1%	1.7%	2.1%	+0.4%

Employee turnover by country	2010	2011	2012	2013	2014	2014 versus 2013
UK Turnover as a percentage of UK Workforce	13.7%	8.5%	8.1%	10.4%	14.4%	+4.00%
Legal & General America Turnover as a percentage of LGA Workforce	8.75%	7.30%	6.30%	7.90%	10.28%	+2.38%
Legal & General France Turnover as a percentage of LGF Workforce	49.72%	32.50%	33.00%	19.80%	18.15%	-1.65%
Legal & General Netherlands Turnover as a percentage of LGN Workforce	6.1%	6.4%	4.6%	8.8%	16.0%	+7.2%

UK employee union membership	2010	2011	2012	2013	2014	2014 versus 2013
Percentage of UK Employees who are members of Unite	31.2%	35.5%	34.0%	33.8%	28.8%	-5.0%

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	2010	2011	2012	2013	2014
Percentage of UK Workforce on Full Time Contracts	86.00%	85.00%	86.00%	85.40%	85.75%
Percentage of UK Workforce on Part Time Contracts	14.00%	15.00%	14.00%	14.60%	14.25%
Percentage of Legal & General America Workforce who work on a full-time basis	98.0%	95.0%	95.0%	95.2%	95.72%
Percentage of Legal & General America Workforce who work on a part-time basis	2.0%	5.0%	5.0%	4.8%	4.28%
Percentage of Legal & General Netherlands Workforce on Full Time Contracts	64%	60%	62%	58%	58%
Percentage of Legal & General Netherlands Workforce on Part Time Contracts	36%	40%	38%	42%	42%
Percentage of Legal & General France Workforce on Full Time Contracts	96.00%	97.00%	97.00%	98.35%	97.68%
Percentage of Legal & General France Workforce on Part Time Contracts	4.00%	3.00%	3.00%	1.64%	2.32%

#### 2014 UK Headcount by Gender and contract type

	Percentage by gender in Full Time contracts	Percentage by gender in Part Time contracts
Female	41%	91%
Male	59%	9%



**Average Salary by Grade, Gender and Contract Type (Legal & General Investment Management Only)**

Staff Grade Description	Full Time		Part Time	
	Female	Male	Female	Male
Grade 2	£30,810	£29,649	£37,833	–
Grade 3	£40,738	£40,421	£40,676	–
Grade 4	£48,208	£50,682	£46,353	–
Grade 5	£63,279	£66,842	£61,715	£66,500
Grade 6	£87,240	£92,493	£84,966	£73,250
Grade 7*	£133,563	£146,471	£116,955	–
<b>Grand Total</b>	<b>£63,020</b>	<b>£76,812</b>	<b>£57,229</b>	<b>£69,875</b>

\* Excludes NEDs &amp; Board

**Average Salary by Grade, Gender and Contract Type (UK Business excluding Legal & General Investment Management)**

Staff Grade Description	Full Time		Part Time	
	Female	Male	Female	Male
Grade 0 (Cofunds)	£32,357	£40,365	£32,399	£34,064
Grade 1	£18,269	£18,443	£19,043	£19,525
Grade 2	£21,941	£21,520	£22,159	£22,218
Grade 3	£26,235	£26,961	£26,324	£26,486
Grade 4	£32,061	£34,096	£31,961	£35,613
Grade 5	£46,563	£47,748	£45,259	£44,478
Grade 6	£72,627	£75,772	£73,102	£76,580
Grade 7&8*	£132,915	£143,279	£149,917	£117,923
<b>Grand Total</b>	<b>£33,062</b>	<b>£41,055</b>	<b>£29,408</b>	<b>£30,392</b>

\* Excludes NEDs &amp; Board

**2014 UK leavers by age band**

Age Banding	Leavers (Actual)	Turnover (%)
0-25	140	22.5%
26-35	389	14.5%
36-45	268	10.4%
46-55	163	8.8%
55-65	104	18.4%
66+	12	42.7%

2014 UK joiners by age band	
Age Banding	Joiners (Actual)
0-25	227
26-35	352
36-45	191
46-55	116
55-65	22

2014 UK leavers by gender		
Gender	Leavers (Actual)	Turnover (%)
Female	501	12.6%
Male	575	13.5%

2014 UK joiners by gender	
Gender	Joiners (Actual)
Female	395
Male	513

Employee development	2010	2011	2012	2013	2014	2014 versus 2013
Percentage of UK staff agree they have the opportunity to learn and develop at work in Employee Survey	56%	71%	76%	76%	73%	-3%
Percentage of Legal & General America staff agree they have the opportunity to learn and develop at work in Employee Survey	73%	78%	81%	79%	85%	+6%
Total Investment in Employee Development UK (£m)	2.1	4.1	1.7	3.6	3.8	+6%
Total Investment in Employee Development Legal & General America (\$m USD)	N/A	N/A	0.3	0.3	0.4	+33%
Total Investment in Employee Development Legal & General France (€m)	0.42	0.316	0.36	0.15	0.31	+107%
Total Investment in Employee Development Legal & General Netherlands (€m)	0.24	0.21	0.28	0.31	0.26	-16%

Age Bandings	0-25	26-35	36-45	46-55	55+
UK Business	8.89%	34.12%	30.95%	20.04%	6.00%
Legal & General America	2.36%	26.55%	31.09%	24.91%	15.09%
Legal & General Netherlands	2.34%	21.64%	39.77%	26.90%	9.35%
Legal & General France	3.69%	33.61%	28.28%	25.82%	8.60%

Legal & General UK Gender Split	2010	2011	2012	2013	2014
Male	50.10%	50.30%	50.66%	51.00%	51.12%
Female	49.90%	49.70%	49.34%	49.00%	48.88%

Legal & General France Gender Split	2010	2011	2012	2013	2014
Male	57.44%	59.52%	55.65%	54.17%	54.92%
Female	42.56%	40.48%	44.35%	45.83%	45.08%

Legal & General America Gender Split	2010	2011	2012	2013	2014
Male	N/A	N/A	34.49%	34.52%	34.91%
Female	N/A	N/A	65.51%	65.48%	65.09%

Legal & General Netherlands Gender Split	2010	2011	2012	2013	2014
Male	57.00%	59.00%	59.00%	58.03%	57.89%
Female	43.00%	41.00%	41.00%	41.97%	42.11%

## UK Employee Gender by Grade

Staff Grade Number	Staff Gender	
	Female	Male
1	57.63%	42.37%
2	62.84%	37.16%
3	52.39%	47.61%
4	48.13%	51.87%
5	41.67%	58.33%
6	32.97%	67.03%
7	26.10%	73.90%
8	21.74%	78.26%
	48.88%	51.12%

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 &amp; 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)	69.04%	30.95%
Scale 7-9 (UK 6)	40.24%	59.76%
Scale 10+ (UK 7 and 8)	15.38%	84.62%

## Legal &amp; General America Gender by Grade

	Female	Male
Senior Officer	40.00%	60.00%
Officer	24.14%	75.86%
Manager/High Level Technical	46.71%	53.29%
Professional	67.19%	32.81%
Staff	80.97%	19.03%

UK ethnicity	2010	2011	2012	2013	2014
Bangladeshi	1.90%	1.70%	1.72%	1.73%	0.25%
Black	1.00%	0.80%	0.85%	0.84%	1.67%
Indian	2.50%	2.30%	2.27%	2.22%	2.20%
Mixed	N/A	1.70%	1.28%	1.24%	1.23%
Other or undisclosed	7.50%	15.20%	14.93%	16.38%	20.93%
Pakistani	0.80%	0.70%	0.64%	0.54%	0.55%
White	86.10%	77.30%	78.03%	76.76%	73.17%
<b>Grand Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

### Legal & General America Ethnic Origin

Ethnicity	2012	2013	2014
American Indian or Alaskan	0.19%	0.00%	0.00%
Asian	9.63%	9.79%	10.36%
Black or African American	22.16%	21.17%	21.64%
Hispanic or Latino	3.66%	3.20%	3.09%
Two or more races	2.12%	2.14%	2.00%
White	62.24%	63.52%	62.91%
Hawaiian/Pacific Islander		0.18%	0.00%

### Our people – Health and safety statistics

	2010	2011	2012	2013	2014
UK employees	7,101	7,323	7,400	7,394	7,222
UK reportable accidents*	5	7	4	4	3
UK incident rate**		96	54	54	42
UK fatal accidents	Nil	Nil	Nil	Nil	Nil
UK prosecutions	Nil	Nil	Nil	Nil	Nil
UK dangerous occurrences*	Nil	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

	2011	2012	2013	2014
Engagements covering environmental and or social topics	82	128	144	188
Governance led engagements	238	297	336	401
Total funds under management (£b)	371	406	450	709

## ➤ Supplier data

	2012	2013	2014	2014 versus 2013
Spend with suppliers	£446m	£504m	£527m	+5%
Number of suppliers	2,005	2,638	2,949	+12%
Number of key suppliers	140	185	206	+11%
Percentage of supplier spend operating in high risk countries (as defined by FTSE4Good)	9%	14%	16%	+14%

## ► Environmental data

Other Resources and Biodiversity	Unit	2011	2012	2013	2014
UK paper purchased	tonnes	2,809	2,768	3,201	2,801
Paper purchased per UK policy	kgs	0.41	0.38	0.36	0.30
Paper purchased per UK employee	kgs	383.59	374.05	432.92	387.84
Overseas paper purchased	tonnes	N/A	N/A	88.25	54.00
Paper purchased per overseas employee	kgs	N/A	N/A	85.68	53.57
No. of occupied sites with biodiversity action plan	No.	2	2	2	2

Travel	Unit	2010	2011/12	2012/13	2013	2014
Car based business mileage (UK)	miles	7,050,767	6,737,381	6,409,907	6,397,657	5,676,115
Car based business miles per UK policy	miles	0.88	0.87	0.84	0.72	0.61
UK car based business miles per employee	miles	N/A	N/A	N/A	865	786
Average CO <sub>2</sub> rating of UK fleet vehicles	g/km	146	134	123	121	115
Overseas car based business mileage	miles	588,107	566,693	1,573,607	859,423	1,144,207
Overseas car based business miles per employee	miles	766	700	1,560	834	1,135
Overseas car based business miles per policy	miles	N/A	N/A	N/A	0.66	0.88

Water	Unit	2010	2011/12	2012/13	2013	2014
Metered <sup>1</sup>	CuM	63,571	58,901	50,506	53,602	51,917
Estimated total (metered+estimated) <sup>1</sup>	CuM	74,343	63,590	54,556	64,486	58,302
Total water (metered+estimated) per employee	CuM	12.82	8.68	6.91	7.66	6.16
Water Recycled and Reuse <sup>2</sup>	m <sup>3</sup>	N/A	N/A	N/A	1,362	1,446

<sup>1</sup> Metered and estimated water from UK and International occupied buildings.

<sup>2</sup> Grey water is only used at our Hove office.



Carbon Dioxide (CO <sub>2</sub> e)	Unit	2010	2011/12	2012/13	2013	2014
CO <sub>2</sub> e Total Group Emissions (Scope 1,2,3) <sup>1</sup>	tonnes	N/A	40,118	39,294	38,420	38,036
CO <sub>2</sub> e Scope 2 renewable energy <sup>2</sup>	tonnes	N/A	N/A	N/A	21,002	21,227
CO <sub>2</sub> e Scope 1 & 2 non-renewable energy	tonnes	N/A	N/A	N/A	12,825	12,241
CO <sub>2</sub> e UK occupied properties <sup>3</sup>	tonnes	N/A	N/A	N/A	10,521	10,623
CO <sub>2</sub> e UK occupied properties per employee	tonnes	2.74	1.77	1.51	1.42	1.47
CO <sub>2</sub> e UK occupied properties per policy <sup>3</sup>	kgs	1.81	1.68	1.95	1.19	1.14
CO <sub>2</sub> e UK employee business travel	tonnes	2,654	2,923	2,986	3,840	3,847
CO <sub>2</sub> e UK occupied properties and business travel	tonnes	17,230	15,887	13,117	14,362	14,471
CO <sub>2</sub> e per UK employee	tonnes	2.47	2.16	1.95	1.94	2.00
CO <sub>2</sub> e per UK Policy	kgs	2.14	2.06	1.62	1.62	1.56
CO <sub>2</sub> e Overseas properties <sup>4</sup>	tonnes	N/A	1,950	1,884	1,446	1,538
CO <sub>2</sub> e Overseas employee business travel	tonnes	N/A	N/A	N/A	753.13	720.41
CO <sub>2</sub> e per overseas employees	tonnes	N/A	2.41	1.87	1.40	2.30
CO <sub>2</sub> e per overseas policies	kgs	N/A	1.79	1.85	1.12	1.70
Fugitive emissions	tonnes	N/A	N/A	N/A	571.24	768.73

1 Total CO<sub>2</sub>e emissions data is based on the scope of Legal & General's UK CRC Energy Efficiency Scheme disclosed emissions, Overseas property emissions and UK travel emissions. Calculated following the GHG reporting protocol (2014) and emission factors from UK Government's GHG Conversion Factors for Company Reporting 2014. Please note that CO<sub>2</sub> equivalent is used from 2013 onwards and the 2013 data has been restated.

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

3 Occupied properties include – Group Real Estate, Suffolk Life, Legal & General Surveying Services and Estate Agency Franchising offices

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

Energy used to run our L&G occupied buildings	Unit	2012	2013	2014
Electricity (UK) <sup>1</sup>	MWh	19,623	20,755	19,211
Gas (UK) <sup>1</sup>	MWh	6,557	6,930	6,100
Total UK energy use	MWh	26,180	27,685	25,311
Energy per UK employee	MWh	3.90	3.74	3.50
Energy per UK policy	KWh	3.41	3.13	2.72
Overseas electricity use <sup>2</sup>	MWh	3,421	3,060	3,359
Overseas gas use <sup>2</sup>	MWh	625	428	473
Total Overseas energy use	MWh	4,046	3,489	3,832
Energy use per overseas employee	MWh	4.01	3.39	3.80

1 Includes UK Occupied properties – Group Real Estate, Suffolk Life, Legal & General Surveying Services and Estate Agency Franchising offices

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

Waste	Unit	2010	2011	2012	2013	2014
Total UK waste <sup>1</sup>	tonnes	961	1,024	1,027	949.57	898.81
Total waste per UK policy	grams	119	132	134	107	96.73
Total waste per UK employee	tonnes				0.13	0.12
Direct to landfill (UK)	%	31.0%	28.0%	18.0%	16.5%	13.0%
Waste to landfill per UK employee	kgs	58	53	29	23.0	16.1
Waste to landfill per UK policy	grams				16.7	12.5
Total Overseas waste <sup>2</sup>	tonnes	N/A	N/A	N/A	81.37	91.8
Total waste per Overseas policy	grams				62.85	70.20
Total waste per Overseas employee	tonnes				0.08	0.08

1 Includes Occupied properties – Group Real Estate, Suffolk Life, Legal & General Surveying Services and Estate Agency Franchising offices. 2013 baselines have been restated to fully include the Cofunds business.

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

## ➤ Market inclusiveness data

	2010	2011	2012	2013	2014
Percentage of UK population according to Fresco	25.00%	24.90%	26.90%	26.80%	26.40%
Percentage of our UK customer base	14.00%	15.90%	14.20%	14.50%	15.30%

### Market inclusivity

We think it's important that the financial safety nets we offer our customers are widely available. After all, life death and everything in between happens to us all.

We have continued to track our market inclusivity as a company. 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 2014, these three segments accounted for 26.4% of the UK population, which is down from 26.8% in 2012.

We are pleased to report that our retails business had 15.3% of it's customers in these groups in 2014, which increased from 14.5% in 2013. Our work to bring auto enrolled pensions to more employers in the UK and our digital campaigns to engage a younger audience have improved our position with these market segments.

### Customer views

Those customers who were dissatisfied with our products and service represented 0.46% of our customers in the UK and 0.07% of overseas customers in France, Netherlands and the USA.

For the UK business we developed a new Customer Relationship Index (2) which asked a wider number of customers for their views that our previous RDSI (1) Index. 74% of our clients are likely to keep their policy and 61% would recommend us a friend.

## Community data

### Total contributions into non profit organisations

	2010	2011	2012	2013	2014
Amount donated	£3.2m	£3.8m	£3.8m	£4.0m	£4.0m
Year on year change	-7%	17%	0%	5%	0%

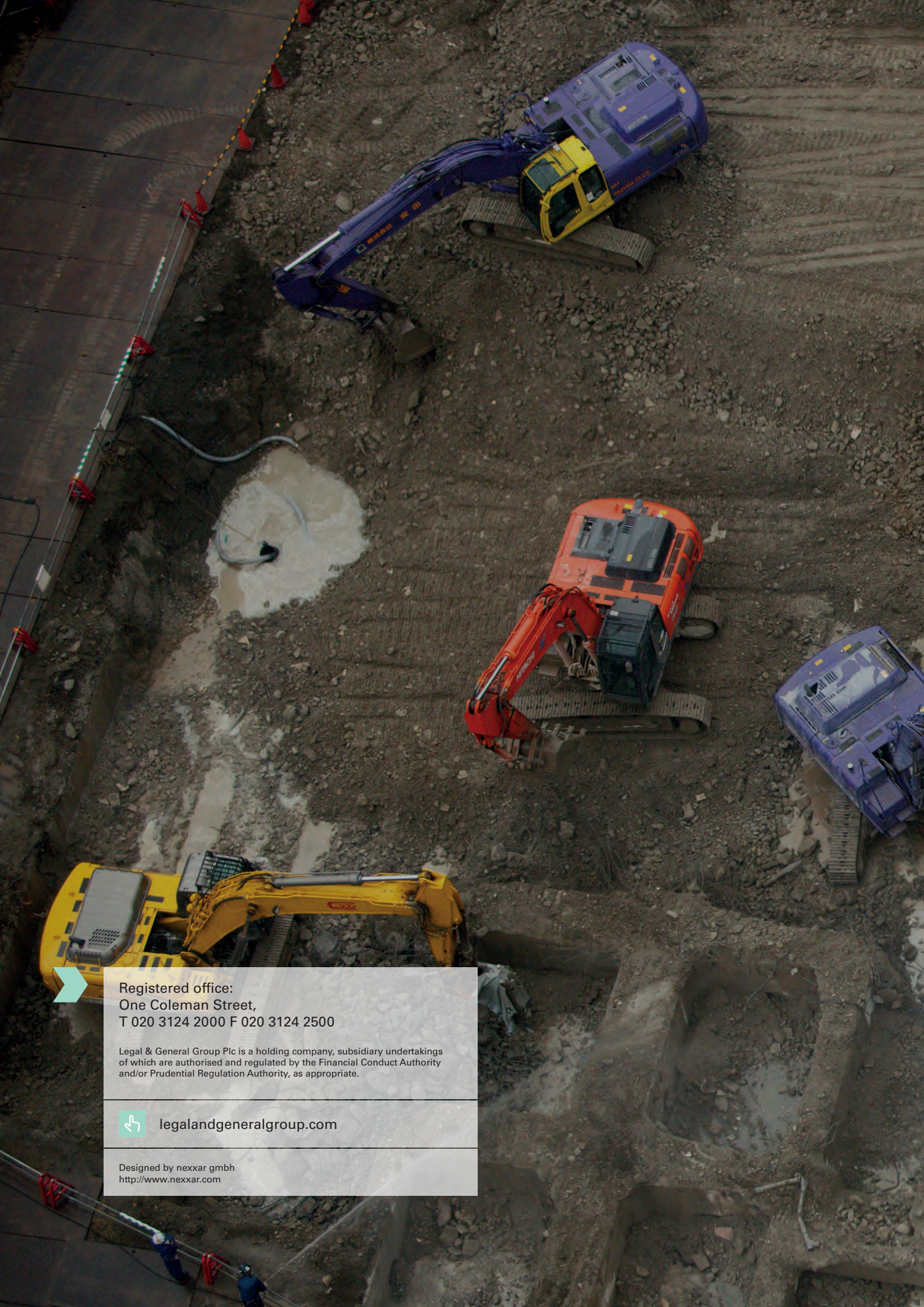
### Charitable UK investments

Total Contribution	2010	2011	2012	2013	2014
Employee fundraising and matching	£1,346,241.53	£1,584,210.00	£1,572,850.30	£1,802,132.45	£1,708,988.53
Campaign projects and Volunteering	£1,511,390.14	£1,254,186.00	£1,222,596.36	£1,576,692.09	£1,457,431.31
Our Group costs	£266,945.00	£261,561.00	£217,479.00	£232,477.00	£247,132.00

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

	2010	2011	2012	2013	2014
USA	£538,609.00	£674,200.00	£742,688.00	£797,481.09	£996,881.81
Netherlands	-	£0.00	£5,234.15	£8,519.00	£132,874.72
France	-	£4,082.00	£6,585.37	£5,940.00	£0.00
Total		£678,282.00	£754,507.52	£811,940.09	£1,129,756.53

## Notes



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