

# Making a difference



## About this Report

This Report covers our activities in 2006. It relates principally to Legal & General Group Plc in the UK (accounting for approximately 90% of Group operating profit in 2006) but also includes relevant information on our operations in the United States, the Netherlands and France.

## Verification

This Report has been verified by Legal & General Group Internal Audit. The verification statement detailing the scope of work carried out, and the conclusions reached, can be found at the end of the Report.

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# Making a Difference

A core purpose of our business is to make financial security easier to achieve for people at every stage of their lives.

To many retired people, the pension fund they have built up over the years is what they now depend on. To a couple, buying their first home marks a major step. To people of working age, the savings they make into ISAs, unit trusts, investment bonds and pensions are a vital source of financial security. Through our General Insurance and Protection products we help protect the lives, health, homes and belongings of millions of people in the UK.

By providing a wide range of value-for-money protection, annuity, savings and investment products, Legal & General makes a significant and valuable contribution to society as a whole. Our scale and the long term nature of our products, where customer relationships may last for decades, create a duty to behave and make decisions responsibly. Legal & General has a very good track record of doing this.

For us, Corporate Social Responsibility, or CSR, involves the proper management of our relationships with customers, suppliers, shareholders and employees, and the impact our business makes upon society and the environment. Adherence to strong CSR principles is not just part of good business, but essential to long term success.

Our customers are at the heart of our strategy. Legal & General currently supplies products or services to over five million customers. Our successful business model is founded upon providing them with good value products, quality service and a wide choice of ways to buy. We support the Association of British Insurers' (ABI) Customer Experience initiative and we seek to apply the

principles of the Financial Services Authority's (FSA) Treating Customers Fairly initiative consistently throughout our business. We know that it's important to our customers that Legal & General is a good corporate citizen. Research has told us how they think we should behave (more on that in the 'Our Customers' section) and we know that they have growing expectations. We listen to them and seek to understand and respond to their concerns.

Investing in our 9,000 employees is another key element of our strategy. Our workforce is our most valuable asset, and we have implemented a wide range of policies to maximise opportunities for all employees. Our strong, open partnership with our trade union, Amicus, is a critical part of the Legal & General culture. Our employees have told us that they want to work for an ethical company, which takes its responsibilities to society and the environment seriously, and we consider responsible behaviour, and good management of our Company's social and environmental impact, to be important in being able to recruit and retain a talented and motivated workforce.

As one of the UK's leading institutional investors, with over £233bn of assets\* under management on behalf of investors, policyholders and institutions, we have a unique opportunity – and responsibility – to exert a positive influence on the companies in which we invest. We expect these companies to adopt a responsible approach to social, environmental and ethical (SEE) issues. We support the ABI Disclosure Guidelines, which call on companies to disclose how the business and

reputational risks arising from these areas are being assessed and managed, and we regularly discuss both SEE and governance issues with FTSE 350 companies. With many of our pension fund clients showing interest in the influence we bring to bear on companies with regard to SEE issues, being a responsible and active shareholder is an increasingly important element of our investment strategy.

We also recognise our wider sphere of responsibility, in particular to our suppliers, to the environment and to the communities in which we operate. Further detail on how we manage our impact in each of these areas can be found in this Report.

We are proud of our achievements during 2006, and the progress we have made in refining and implementing our CSR policies. At Legal & General, as in many organisations, CSR grew out of a philanthropic motive. More recently we have come to recognise that it is a 'need to have' rather than a 'nice to have', and that responsible behaviour adds value to our business. The journey continues, however. Key challenges for 2007 include exploring how we can integrate responsible behaviour even deeper within our business and developing new ways to communicate our activities with our many stakeholders. This will include a review of our CSR reporting structure. As always, we value your views and recommendations.

We look forward to meeting these challenges in the coming year.



**Tim Breedon**  
Group Chief Executive  
Legal & General Group Plc  
April 2007

\* As at 31 December 2006

## Our Business Units

### Protection and Annuities

Legal & General is an expert provider of risk based products, operating across a number of markets. These include life assurance and critical illness cover, individual and bulk purchase annuities, group risk and household and income protection.

### Wealth Management

Legal & General is a leading provider of wealth management products. We distribute a wide range of individual and corporate pensions as well as investment bonds, unit trusts and ISAs through IFAs, business partners, banks, building societies and direct to customers.

### With-Profits

Legal & General's with-profits business includes pension and unit-linked savings products that offer a with-profits option. The business is managed separately from non profits business and is backed by a financially strong fund enabling us to take advantage of a wide range of investment opportunities.

### Investment Management

Legal & General Investment Management is one of the largest asset managers in the UK, providing institutional investors with straightforward, value for money investment solutions. Our product range includes index funds as well as actively managed equity, fixed income and commercial property funds.

### International

Legal & General's principal international businesses operate in the United States, France and the Netherlands. They are active in selected lines of business in individual and group protection and savings.



“Our role as financial product provider and a manager of long term savings and pension assets underlies our commitment to CSR, and to our 9,000 employees.”

**Sir Rob Margetts**  
Chairman

# CSR Guiding Principles

Legal & General recognises its duty to behave responsibly in these business activities and towards those whom its actions affect. Four years ago we developed a set of policy commitments, known as Guiding Principles, to express how we view these responsibilities. They are reviewed annually to ensure they remain relevant.

Corporate Social Responsibility at Legal & General means:

## Investment

- Promoting responsible business practices in the companies in which we invest

## Customer Experience

- Providing good value, fit for purpose products which meet or exceed customers' reasonable expectations
- Communicating in a clear, appropriate and accessible way
- Delivering a positive experience throughout a customer's relationship with us

## Employee Relations

- Working in close partnership with our recognised trade union, Amicus
- Providing a flexible, supportive, healthy and safe working environment
- Adopting policies and practices which encourage an appropriate work/life balance
- Applying open and fair processes for recruitment and promotions
- Promoting our Values: customer focus, teamwork, open and fair, and results driven

## Suppliers

- Dealing with suppliers fairly and objectively at all times
- Promoting and encouraging responsible business practices by the suppliers of our goods and services

## Environment

- Minimising any negative impact on the environment arising from our business activities

## Community Involvement

- Investing in charitable causes and social enterprises which are closely aligned to our business activities
- Supporting the community as a whole, but especially those communities in which our main offices are based
- Supporting and encouraging our employees in their charitable and community involvement

To find out how we carry out these commitments please refer to the relevant section in this Report.

# Our Approach to CSR

## CSR at Legal & General

CSR at Legal & General is about the management of our relationships with customers, suppliers, shareholders, employees and the wider community, as well as the Company's impact on society and the environment. Our Guiding Principles set out our specific responsibilities in each of these areas. We consider adherence to CSR values to be a key factor in our long term success, not least because of the growing importance attached to responsible business practices by key groups, such as our customers. CSR needs to be integral to our business and this is increasingly the case, although the challenge remains for us to embed CSR principles even further into our business activities.

## Integrity in Business

Central to the embedding of CSR principles is fostering a culture of ethical behaviour in the Company. Ethical conduct is vital in earning and retaining the trust of our customers and other stakeholders and ensuring the sustainability of our business. For this reason, we expect all employees to operate to the highest ethical standards in all aspects of their work and business relationships.

As part of our commitment to ethical practice, some years ago we established a Business Ethics Working Group, which reports to the CSR Committee and is tasked with developing and maintaining a Business Ethics Framework to be applied across the Company. This Framework covers the ethical standards expected of employees, in order to support them in 'doing the right thing' in their business dealings. It also provides a means of clarification and escalation of issues.

Last year we reported that we were designing a series of communications and training initiatives to encourage employees to identify with, and commit to, ethical conduct and Company values. During 2006 an Ethics Awareness Day took place at our Kingswood office to raise employee awareness of the Framework, and events will take place at other locations during

2007. The Awareness Day included the launch of a computer-based training module, entitled 'What would you do?'. This was designed in the format of a questionnaire and was aimed at measuring employee attitudes towards various decisions that had an ethical dimension. Once events have taken place at our other offices, the results will help us to identify areas that we need to address going forward.

Ethics awareness was also raised during 2006 by a Gazette (Legal & General's employee magazine) article in which Tim Breedon gave employees his view on the importance of ethical behaviour in the Company.

Please visit our Ethics internet site ([www.legalandgeneralgroup.com/about-us/ethics.html](http://www.legalandgeneralgroup.com/about-us/ethics.html)) for further information about our approach to Integrity in Business, and an explanation of our Company values.

## Stakeholder Engagement

Anyone who has a relationship with Legal & General is a stakeholder. Each group and individual has expectations of how the Company should behave and how we should demonstrate good corporate citizenship, and it's important that we listen and respond to their concerns. Over the years we have developed a comprehensive engagement programme to ensure that we understand and address stakeholders' evolving concerns, and examples of the dialogue we've had in 2006 with key groups are given in the relevant section of this Report.

## CSR Committee and Sub-Committees

Legal & General's CSR Committee meets four times a year. It is responsible for developing the Company's CSR strategy, overseeing its implementation and monitoring how we're performing against our targets.

Tim Breedon, Group Chief Executive since January 2006, took over the chairmanship of the CSR Committee on the retirement of his predecessor, Sir David Prosser. The Group Board as a whole reviews the minutes of the Committee, receives an

annual presentation on the CSR programme and conducts an annual review of the Committee and programme, as well as considering specific aspects of CSR as appropriate throughout the year.

As well as Board involvement in the CSR programme, we consider it beneficial to include on the CSR Committee a representative from Amicus, our recognised trade union. During 2006, we were praised by People Management magazine for this practice, and we've found it valuable in ensuring that the views of our employees are heard and considered.

The members of the CSR Committee during 2006 are listed in Fig 1.

The CSR Committee's four direct sub-committees are:

- Group Environment Committee
- Group Health and Safety Committee
- Group Charity Committee
- Business Ethics Working Group

## Corporate Governance Framework

The Group's overall Corporate Governance framework, which demonstrates the positioning of the CSR Committee and its sub-committees is shown in Fig 2.

## Management Framework and Risk Assessment

The CSR Guiding Principles help to set the tone for the work of the Committee and its members. In addition, the CSR Committee undertakes an annual review of risks and opportunities associated with our social, environmental and ethical impacts and activities. Responsibility for reviewing each area, and for assessing the likelihood and impact of identified risks, is delegated to the relevant Committee member, their management teams, or the appropriate sub-committee.

## Objectives and Performance Measurement

Once identified, the ongoing management of these risks and opportunities is assigned to the appropriate CSR Committee member or sub-committee. The next step is the establishment, where appropriate, of

**Fig 1. CSR Committee in 2006**

Name	Title	Specific area of responsibility
Tim Breedon	Group Chief Executive	Chair of committee
Jane Boswell	CSR Manager	Co-ordination and reporting of CSR programme, Community Involvement
Caroline Fawcett	Customer Strategy Director	Customer-focused and brand issues
Gareth Hoskin	Resources and International Director	Human Resource management, Environment, overseas operations
Elaine MacLean	Head of HR, UK Operations	Human Resource management
Nick Manns	Amicus National Health and Safety Officer	Representing the views of our employees

targets to ensure that the various impact areas are properly managed and reported. We recognise the importance of setting targets that are relevant, timely, measurable and directional, and we've sought to ensure that the 2007 targets meet these criteria.

**Reporting**

The principal channels through which CSR performance is reported externally are:

- Annual and Interim Report and Accounts
- Annual online CSR Report

CSR issues are also reported on an ongoing basis to our employees via global emails, the intranet, the Gazette and eGazette (online staff magazine), and other mechanisms as appropriate.

**Feedback**

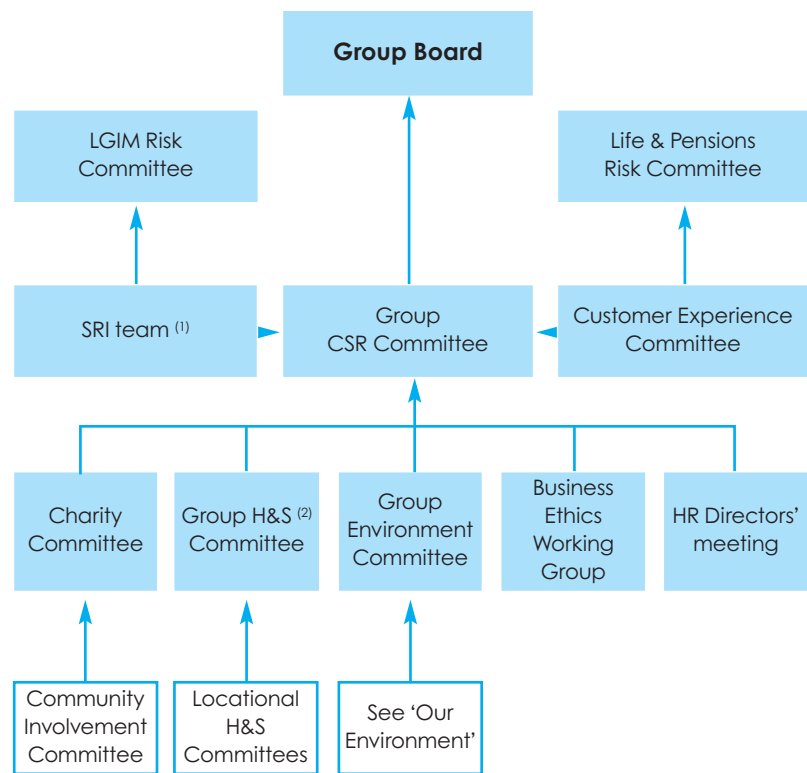
Feedback on Legal & General's CSR performance is obtained through stakeholder engagement, as mentioned above, and external rating agency surveys. If you have any comments on how our Report or CSR programme could be improved, please address them to Jane Boswell, CSR Manager, at jane.boswell@group.landg.com.

**External Recognition 2006**

We were pleased that our CSR performance during 2006 was recognised through a range of awards and accolades. These included:

- Membership of the FTSE4Good Index series
- Membership of the Dow Jones Sustainability World Index and qualifying for the Dow Jones Sustainability STOXX Index for the first time
- Participating in Business in the Community's Corporate Responsibility Index for the first time and achieving a top 100 placing. We also came second in our sector in the Business in the Environment Index
- Increased participation in our Give As You Earn scheme, resulting in a year-end all-time high of 11.8% of employees donating. This has enabled us to retain the Payroll Giving Gold Award for 2007

**Fig 2. Corporate Governance Framework**



(1) SRI – Socially Responsible Investment

(2) H&S – Health and Safety



FTSE4Good



# 2006 Targets: How did we do?

Supporting information is given in the relevant sections of this Report. A specific explanation is given below if a target was not achieved, or if a brief comment is appropriate.

Objective Area	Target	How did we do?
Socially Responsible Investment (SRI)	Engage with FTSE 350 companies whose reporting on social, environmental and ethical (SEE) risks and opportunities (both within the Annual Report and other CSR Reports) is rated as 'limited' or below according to the ABI's SEE reporting guidelines <i>28 companies were contacted in 2006</i>	<b>Achieved</b>
	Achieve ISO14001 accreditation for a further two directly managed properties <i>Environmental Management System built for both locations. Audits undertaken in accordance with ISO14001</i>	<b>Achieved</b>
	Encourage investee companies to invite the Carbon Trust to carry out a free Energy Survey, in order to produce a practical action plan tailored to each organisation's needs and to consider implementing any useful recommendations <i>All portfolio companies were given information regarding The Carbon Trust. At least one representative from each portfolio company attended a presentation by Energy 2000 on opportunities for improving fuel efficiency. At least one company is reviewing possible fuel efficiency savings</i>	<b>Achieved</b>
Customers	Understand what retail customers want from Legal & General in terms of CSR by: (a) participating in the annual syndicated MORI CSR survey (b) conducting research into customers' response to Legal & General's CSR communications as appropriate	<b>Achieved</b>
	Communicate customers' CSR requirements: (a) into Legal & General's CSR strategy on specific issues relating to Environment, Supply Chain, Employees, Community Involvement (b) to influence our Corporate strategy on issues relating to Treating Customers Fairly	<b>Achieved</b>
	Communicate Legal & General's CSR strategy and activities to customers	<b>Achieved</b>
Employee Relations	Achieve 72% overall employee satisfaction in the 2006 Employee Survey <i>Overall employee satisfaction improved from 66% to 68%. There are actions in place to further increase employee satisfaction in the medium term</i>	<b>Not Achieved</b>
	Give Equality and Diversity training to relevant management population, and cover Equality and Diversity issues in recruitment, performance management and coaching skills training for managers by end of 2006	<b>Achieved</b>
	Conduct Groupwide pay audit by gender and age, to ensure that employees carrying out similar roles are paid according to their individual contribution regardless of background or personal circumstances <i>Equal pay audit by gender showed no significant gap. Equal pay audit also conducted in relation to ethnicity and needs to be explored further. Few employees from ethnic minorities are in management grade roles. Amicus Equal Pay Charter was signed during year</i>	<b>Achieved</b>
	Engage with Amicus to review employment policies and practices, so as to effectively implement age discrimination legislation by end 2006	<b>Achieved</b>

Objective Area	Target	How did we do?
<b>Supply Chain</b>	Extend the programme of engagement to manage significant social and ethical issues associated with our purchase of goods and services	<b>Achieved</b>
	Promote the Ethical Purchasing principles and develop Guidelines to influence key suppliers and support their supplier managers, which reflect Legal & General's agreed standards	<b>Achieved</b>
<b>Environment – reduction of environmental impact associated with our purchase of goods and services</b>	(a) Ensure that compliance by key suppliers with the environmental requirements of the Group Purchasing Policy is maintained at 80% during the period 2005-7  <i>Compliance of 2006 key suppliers was 100%</i>	<b>On target</b>
	(b) Review procurement specifications for the environmental impact of key bought in goods and services – 80% of key contracts to be reviewed in the period 2005-7  <i>Of 19 key contracts identified in 2005, 13 environmental specifications were in place by end of 2006</i>	<b>On target</b>
<b>Environment – reduction of carbon dioxide emissions per employee over the medium term</b>	Reduce our carbon dioxide (CO <sub>2</sub> ) emissions to 1.5 tonnes per Full-Time Equivalent by end of 2008  <i>Emission levels calculated for 2006 UK Occupied Properties (based on headcount) were at 1.65 tonnes per employee</i>	<b>On target</b>
	Reduce the average carbon dioxide rating of the core Company car fleet from 175 to 160 grams/km during the period 2005-7  <i>Average CO<sub>2</sub> rating was 167 gms/km at year end. Target still depends on individual driver choice but 2006 saw positive response to new environmental option, Honda Civic 2.2 litre turbo diesel with CO<sub>2</sub> rating of 135 grams/km. Average CO<sub>2</sub> rating of cars delivered in 2006 was 163 grams/ km</i>	<b>Not on target</b>
<b>Environment – efficient use of resources and waste minimisation</b>	(a) Purchase paper with a recycled content of 30% (by tonnage) by end of 2006	<b>Achieved</b>
	(b) Send less than 80 kg of waste to landfill per FTE by end of 2007  <i>2006 figures have been calculated at 79 kg (based on security headcount). Removal of furniture and other materials from redundant offices will be recorded separately</i>	<b>On target</b>
<b>Community Involvement</b>	Extend investment in financial literacy activities	<b>Achieved</b>
	Work to maintain staff participation in our Give As You Earn scheme at above the 10% level  <i>11.8% of staff were donating regularly at year end</i>	<b>Achieved</b>

# 2007 Targets: What's next?

Objective Area	Target
<b>Socially Responsible Investment (SRI)</b>	Engage with at least 25 companies specifically on CSR issues
	Achieve ISO14001 accreditation for three additional properties
	Achieve ISO14001 accreditation for purchasing in accordance with high risk FTSE4Good criteria (waste, water, pest control), in line with Group Corporate Procurement
	Maintain Environmental Management Systems across key* properties, covering energy, water and waste to landfill
	Review recycling provisions at a mixed portfolio (retail, offices and industrial) of eight properties, liaise with occupiers to achieve a 5% reduction compared to 2005 in waste going to landfill
<b>Customers</b>	Monitor trends in consumers' attitudes to CSR in order to ensure that Legal & General understands what customers expect of the companies they deal with, and how we're performing against these expectations
	This will be done by: (a) participating in the syndicated MORI CSR survey annually (b) undertaking Legal & General specific research every three years (due 2007)
	Develop a series of customer satisfaction measures in the form of a 'Customer Dashboard', aimed at indicating how customers rate their experience of dealing with Legal & General
	Communicate Legal & General's CSR strategy and activities to customers
<b>Employee Relations</b>	Increase employee satisfaction to 70%
	Increase awareness of equality and diversity issues, via training for managers and staff (by means of both computer-based training and a module in the Institute of Leadership and Management course)
	Review terms and conditions of first-level management employees in consultation with Amicus
	Agree with line managers the capabilities they require in order to manage their people effectively
	Reinforce commitment to partnership working during our ten year anniversary of Partnership with Amicus by providing training for union representatives and setting up forums between the business, HR and Amicus
	(* by spend)

Objective Area	Target
<b>Health and Safety</b>	<p>Achieve full accreditation of our safety management system and extend its scope</p> <p>Review and implement our work related road risk policy</p> <p>Implement an 'on-line' reporting system for 'near misses' and accidents</p>
<b>Supply Chain</b>	<p>Extend 2006 programme of engagement with key suppliers to manage social and ethical issues associated with our purchase of goods and services during the period 2007-9</p> <p>Promote Legal &amp; General's CSR standards to key suppliers to influence their social and ethical performance and support improvements throughout our supply chains</p> <p>Consider extending Environmental Management System certification to ISO14001: 2004 throughout Legal &amp; General's purchasing centres during the period 2007-9</p>
<b>Environment – reduction of environmental impact associated with our purchase of goods and services</b>	<p>(a) Ensure that compliance by key suppliers with the environmental requirements of the Group Purchasing Policy is maintained at 80% during the period 2005-7</p> <p>(b) Review procurement specifications for the environmental impact for key bought in goods and services – 80% of key contracts to be reviewed in period 2005-7</p> <p>(c) Purchase paper with a recycled content of 40% (by tonnage) by end of 2009</p>
<b>Environment – reduction of carbon dioxide emissions per employee over the medium term</b>	<p>(a) Reduce our carbon dioxide emissions to 1.5 tonnes per Full-Time Equivalent by end of 2008</p> <p>(b) Reduce the average carbon dioxide rating of the core Company car fleet from 175 to 160 grams/km during the period 2005-7</p>
<b>Environment – efficient use of resources and waste minimisation</b>	<p>Send less than 80 kg of waste to landfill per FTE by end of 2007</p>
<b>Community Involvement</b>	<p>Roll out Employee Volunteering Policy to all main offices</p> <p>Increase the percentage of employees receiving a grant from our Sponsorship Matching Scheme to 7%</p>

# Socially Responsible Investment

## Equities

Legal & General Investment Management (LGIM) has over £233bn of assets under its management (as at 31 December 2006). LGIM is a major investor in the UK stock market and holds close to 4% of the share capital of companies in the FTSE All Share Index.

LGIM is committed to a responsible approach to investment which includes a regular dialogue with the companies in which it invests. Our views are valued by many FTSE boards and we are frequently contacted to discuss proposed changes to strategy, board balance and remuneration. Where a company has been under-performing or where there are issues with the board, we would request a meeting with either the Chairman or Senior Independent Director to discuss the issues and offer advice. We apply the same environmental, social and governance (ESG) policy to both our active and passive funds, and we report on our ESG activity to our clients on a quarterly basis.

### Environmental, Social and Governance (ESG) Policy

It has been our policy to support the Association of British Insurers' (ABI) Disclosure Guidelines, which call on companies to disclose that the business risks arising from environmental, social

and governance matters are assessed and managed. During 2006 we continued to support these guidelines when researching companies whose disclosure was rated by the ABI as being 'limited'.

In 2006 we extended our coverage of companies from those in the high impact sectors to all sectors, as a shift in the attitudes to ESG risks by the boards of these companies has led to an increase in the level of disclosure in recent years. This upward shift has been verified by the latest research produced by the ABI, which shows a fall in the number of companies rated as having 'no' or 'limited' disclosure and a rise in those regarded as having 'moderate' or 'full' disclosure.

The ABI's analysis suggests that the main reason for companies failing to achieve full disclosure is the lack of performance data showing how they have complied with their policies. The analysis made special mention of the Utilities sector for being the first sector whose constituents have all received a 'full' disclosure rating.

Since the ABI first introduced its disclosure guidelines, there has been a significant shift in the attitudes of companies and governments in recognising the importance of CSR. The boards of major companies are doing more to protect and enhance their reputation by undertaking initiatives to reduce the social

and environmental impacts of their business, and the UK Government has introduced the EU Accounts Modernisation Directive and revised the UK Companies Act to encourage further disclosure and transparency. These shifts in attitude and understanding of CSR, together with the new reporting requirements, led to the ABI revising its 2001 guidelines and Legal & General, along with other institutions, was involved in this process. The new guidelines are not substantially different, but rather reinforce the requirements under new legislation for companies to include ESG risks as part of the overall risks facing the Company, produce a forward looking perspective and describe the actions the Board has taken to mitigate these risks.

### Our Team

In 2006 our Corporate Governance and SRI team was strengthened by the recruitment of a third full-time team member. In 2007 we intend to continue with our existing policy and further develop our framework for engaging with companies on specific issues such as climate change, waste, and social exclusion and poverty.

### Engagement

In 2006 we met the management of 18 companies specifically to discuss CSR issues and wrote to a further ten whose disclosure was rated as 'limited' by the ABI.

As noted above, it has been our policy to concentrate on companies whose disclosure is poor or where ineffective risk controls have resulted in the loss of value for shareholders. Although it's important to concentrate on companies with poor disclosure or poor performance, we continue to maintain a regular dialogue with well established industry leaders.

In 2007 we intend to focus our efforts on a number of specific issues, in particular:

# 28

companies were contacted during 2006 to raise social, environmental and ethical concerns

## Climate Change

The impact of climate change is at the forefront of the minds of governments, industry and investors who see this as a major risk to the long term sustainability of our planet, and the issue will have major ramifications for many industries.

Many companies are implementing measures to reduce their carbon footprint and some, such as British Sky Broadcasting, have announced they have become carbon neutral. Many of the energy companies we met last year indicated that a lack of direction and incentives provided by governments was hindering progress. Scottish Power stated that it found the timeframe for obtaining planning permission has played its part in stemming the development of green energy. Governments are left grappling between the need to preserve the natural countryside and habitats for many species with the need to find alternative sources of energy that reduce the emission of carbon. Legal & General believes that, even without Government direction or subsidy, industry has its own part to play in ensuring their businesses remain sustainable. We intend to continue raising these issues with companies.

## Waste

The depletion of suitable sites for use as landfill is a major concern for governments across the globe, and UK companies have been criticised for dumping hazardous waste illegally in Asia. A European Union initiative intended to stem the amount of waste sent to landfill sites led to the formation of the Waste from Electrical and Electronic Equipment (WEEE) Directive. The UK has delayed the implementation of this directive but it is expected to come into force in July 2007. The Directive requires all manufacturers and producers to take responsibility for the disposal of the products they sell at the end of their lifecycles. They will be responsible not only for the collection of their products but will also have targets imposed for reuse, recycling and recovery under ten broad categories. Legal & General will be

assessing what measures these companies have taken to meet the demands of the new legislation.

Full details of our ESG policy can be found at:

[www.lgim.co.uk/pdfs/library/publications/governance/CorporateGovernance.pdf](http://www.lgim.co.uk/pdfs/library/publications/governance/CorporateGovernance.pdf)

The ESG policy was last updated on 15 February 2007.

Legal & General also operates an Ethical UK Equity Index Fund and Ethical Global Equity Index Fund, as well as an Ethical Trust.

## Property

Legal & General Property has increased the value of property under management to £11.70bn at the end of 2006, which includes external client funds amounting to £3.47bn. These figures are up from £9.48bn and £2.64bn in 2005.

The majority of Fund and Property Management is carried out in-house. Property Management Services deals with day to day management and is accredited by the British Standards Institute for operating a Quality Management System to BS.EN ISO 9001:2000 standard. Environmental Management Systems have been established and accreditation via SGS United Kingdom Limited to the environmental standard ISO14001 has now been achieved for an additional two

properties in 2006 following successful assessments. This brings the number of properties certified to four.

## Progress in 2006

- ISO14001 certification was achieved at 100 Ludgate, and 95 Queen Victoria Street, London
- A new waste management scheme has been introduced at Chineham Shopping Centre where the amount sent to landfill is being reduced by waste stream management separating out cardboard, plastic and paper
- Assistance has been provided to a number of occupiers in reducing their carbon footprints, and joint initiatives to reduce the amount of waste going to landfill

## Private Equity

Legal & General Ventures Limited (LGV) specialises in mid-market buy-outs of UK companies with an enterprise value of between £50m and £250m in three principal sectors: consumer, leisure and services. The current limited partnership agreement prohibits investment in any US entities and in any entity principally involved in the business of tobacco, derivatives, casinos or gambling, other than casinos or gambling businesses which are licensed by the United Kingdom Gaming Board or equivalent body in other major European countries.

Fig. 1 FTSE All Share (%)

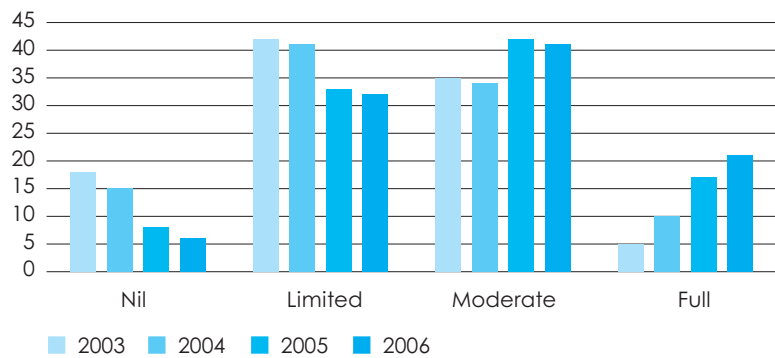
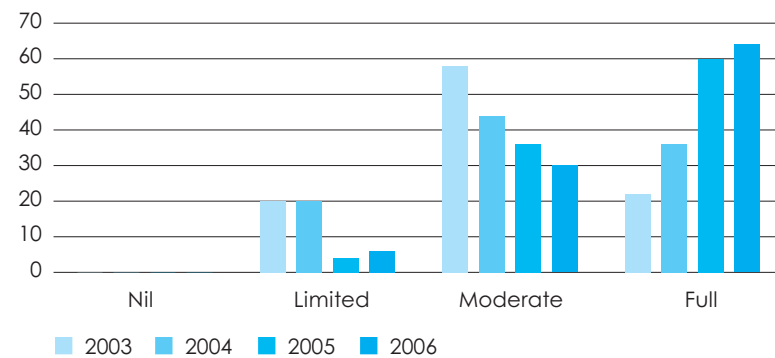


Fig. 2 FTSE 100 (%)



Source: ABI

### Management of social and environmental risk

Extensive due diligence is performed prior to investment, mainly covering financial, market, management and environmental due diligence. LGV is generally represented on the boards of companies in the portfolio and is in regular contact with management teams, which enables LGV to monitor the emergence of any potential social or environmental risk and to encourage good practice in the companies in which LGV invests.

### Achievements in 2006

During 2006 all portfolio companies were given information regarding The Carbon Trust. In October 2006, at least one representative from each portfolio company attended a presentation by Energy 2000 on the opportunities available with regard to improving fuel efficiency. As a result, at least one company is undertaking a review to see whether any fuel efficiency savings can be made.

### Guidelines for standards required by LGV when making a significant investment in a company

When making an investment in a company, LGV will commission expert external consultants to prepare due diligence reports covering all the major risks usually including environmental, legal and commercial aspects of the business.

These will cover such areas as:

- Conformity with the relevant country's environmental legislation
- Investigation as to whether there have been any pollution incidents/environmental fines incurred
- Conformity with the relevant country's health and safety legislation
- Investigation as to any customer service/brand management issues
- Investigation as to any exposure to litigation

LGV will study the reports produced by these consultants and use the information provided when making its investment decision.

On an ongoing basis, LGV expects the companies in which it invests to conform strictly to all laws applying in the countries in which they operate. In most cases, where LGV managed funds hold a significant proportion of the equity, LGV will appoint at least one director to the board. It will form part of the directors' responsibilities to ensure that all appropriate legislation is followed.

### Looking Forward to 2007

#### Key areas of focus for 2007 include:

- Aiming to monitor and engage with at least 25 companies specifically on CSR issues (in addition to contact with companies where CSR may be one of a number of issues discussed)
- Further developing our framework for engaging with companies on specific issues of concern
- Achieving ISO14001 accreditation for additional properties
- Continuing to apply our established guidelines (above), when making significant investments in companies

Please see '2007 Targets' for the specific targets we have adopted.

# Our Customers

## Customer Snapshot

	2006	2005
Number of customers	5,744,003	5,636,638
Number of active contracts held by Legal & General customers	6,294,051	6,225,458
Number of households holding a contract	4,124,035	4,007,635
Number of employees holding a contract	6,612	6,122

### Overview

Customers are at the heart of our business and, over the last 12 months, we have continued to strive to meet the demands and challenges of delivering the products they want and need in order to grow our business and be sustainable in the long term.

During 2006 we remained committed to working with our regulator, the Financial Services Authority (FSA) on its Treating Customers Fairly work and the Association of British Insurers (ABI). We firmly believe that they both play a vital part in boosting consumer confidence in the long term savings and protection market.

### What customers expect

Within our customer research programme we have conducted around 90 market research projects to obtain feedback on how our products and services are viewed by existing and potential customers, IFAs and Business Partners. As part of this we have again participated in research (Mori CSR Research) to understand what customers want and expect from the companies they deal with.

It's very important for us to know what good corporate citizenship means to customers and whether we are meeting their expectations. They're telling us that 'conducting business ethically', 'treating our employees fairly' and 'treating customers well', are the top three issues for Legal & General to focus on.

### ■ Conduct business ethically

This continues to be crucial to our business and we have an active internal communication programme to ensure that our employees are aware of what is expected of them. Last year, this included the development of a computer-based training module on ethics and an Ethics Awareness Day in our Kingswood office to engage employees in a fun and innovative way (see 'Our Approach to CSR')

### ■ Treat employees fairly

Our comprehensive range of policies and practices underpin our efforts to ensure that our employees are treated fairly (see 'Our People')

### ■ Treat customers well

Our commitment to customer experience continues to be a key way in which we strive to meet this expectation. Launched in March 2005, our Customer Experience Programme continues with strong support from senior managers and their teams across the business

### Customer Experience Programme

Progress on the Customer Experience Programme is reported each month to the Group Chief Executive and, in line with our ABI Customer Impact Scheme commitments, we will be publishing our Customer Experience report during the second quarter of 2007.

We remain committed to delivering the vision we established in 2005: Employees, customers and advisers want to join us, stay with us and recommend us.

### Employees

Training and communication are key elements of the programme. During 2006 we extended our training to frontline employees, with over 5,000 attending workshops to develop their understanding of their role in delivering a positive customer experience. There will be further training for managers in 2007 addressing their role in leading the delivery of our vision. A dedicated intranet site and monthly electronic newsletter also kept employees well informed and engaged in the programme during the year.

Ideas in Action, our programme to encourage employees to give us their ideas on how service can be improved, has gone from strength to strength. Last year, over 3,000 ideas were put forward, with over 600 already making a difference to the way we work and others still being considered. We also received a strong endorsement for the way employees are involved by winning four trophies at the independent annual 'ideasUK' awards.

Our Customer Executive programme has been running for two years now and continues to enjoy strong commitment from the senior team which leads the UK business. During 2006 they've been working in a diverse range of customer facing areas, getting closer to our customers and the people who look after them.



**“I was impressed at the level of interest Kate showed at looking into the real issues.”**  
 Alan Slack, Kingswood



**“I was left feeling really confident that Kate will do something about some of the issues we raised.”**  
 Daniela Mulas, Kingswood

Employee feedback following Group Director (Wealth Management) Kate Avery’s visit to Business Systems Development

**Customers**

When things go wrong it’s important to us that we put them right in a way that encourages customers to stay with us and recommend us. One of our customer experience projects has focused on improving how customers feel about us by delivering improvements to the complaint handling process. In response to what they told us they want, we’ve developed and delivered our ‘Complaints Operating Principles’ across the UK Business (Source: ICM Complaints Research).

**Our Principles include:**

**Providing:**

- someone to listen to them
- an apology
- someone to own their problem
- people who know what they are talking about

**Ensuring:**

- they’re not passed around
- that problems get put right quickly
- they’re kept informed

Our computer-based complaints handling training has been revised to focus on doing the right things for our customers – not just abiding by regulations. This has been rolled out to the majority of customer facing teams across the UK business. We’ve also tried to make it easier for customers to register a complaint by updating our internet pages to display just two phone

numbers to make it easier to find the right person to speak to.

**Advisers**

Our Business Partners are a very important link with our customers and, when we received feedback from them telling us that they would like more direct communication, we set up a major project to look at how they wanted to receive information from us.

We wanted to make sure that we could deliver a good communication experience by ensuring that our messages were relevant and went to the right people. Using a mixture of external research and internal review we implemented a number of improvements which have resulted in extremely positive feedback in our Business Partner satisfaction survey.

**Our improvements included:**

- Appointing a gatekeeper to review everything that we send out
- A new magazine for all sales messages
- Making it clear when our emails are urgent
- Focusing messages on the people who really need them

**The Customer Impact Scheme**

In February 2006, we were the first company to sign up to the ABI’s new Customer Impact Scheme. Commenting on the launch of the scheme, Robin Phipps, Group Executive Director (UK) said, “I believe the Customer Impact Scheme will

make a real difference to customers. The fact that the boards of companies like ours are making a formal commitment to putting customers at the core of our business is really powerful.”

**The Scheme comprises three elements:**

- A formal board commitment by the participating companies to place customer interests at the heart of how they run their business
- A Customer Impact survey which provides an extensive and unbiased measure of how well customers believe they are being treated by the pensions, protection and investments industry
- A series of Good Practice Guides outlining how companies can improve customer experiences.

As part of the Customer Impact Scheme, our Group has signed up to three key commitments to ensure that the needs of the customer are at the core of the way we run our business:

- Developing and promoting products and services which meet the needs of customers
- Providing customers with clear information and good service when they buy products
- Maintaining appropriate and effective relationships with customers, providing them with a good service after they have bought a product

## Our Awards

Awards Title	Sponsor
Best Life Assurance Provider	Professional Adviser
Best Life Protection Provider Award	Money Marketing Financial Services Awards
Best Service Provider	Lifesearch Protection Awards
Pension Scheme Provider of the Year	Employee Rewards and Benefits
Life Assurance Provider of the Year	Financial Adviser Life & Pensions Awards
Protection Provider of the Year	Financial Adviser Life & Pensions Awards
Term Assurance Provider of the Year	Financial Adviser Life & Pensions Awards
Best Contact Centre Training	European Contact Centre Awards 2006
Best Protection Service	Money Facts Awards 2006
Best Structured Products Provider	Money Facts Awards 2006
Protection Provider of the Year 2006	Bankhall
Best Mortgage related insurance provider	Your Mortgage
Customer Service Award	ideasUK
4-star Life and Pensions Provider	Financial Adviser Service Awards

Customer Strategy Director, Caroline Fawcett, is the chair of the ABI's Customer Impact Survey Group which is responsible for developing and coordinating customer research on the progress of companies against these three commitments.

As part of our commitment to the Customer Impact Scheme, during the second quarter of 2007 we will be publishing our first Customer Experience report which will give details of our progress in improving customers' experiences.

### Looking forward to 2007

#### Key areas of focus for 2007 include:

- Continuing to improve our communications with our customers, including improving the format and language of our systems-generated letters
- Implementing training for employees focused specifically on customer communication
- Providing online access to customer records to enable our customer-facing employees to assist customers with their enquiries more quickly and easily
- Developing a series of customer satisfaction measures in the form of a 'Dashboard'

Please see '2007 Targets' for the specific targets we have adopted.

### Overseas Operations

#### Legal & General America

Legal & General America provides individual life insurance, and our commitment to low cost coverage is a key way in which we deliver value to customers.

With more than 1,100\* life insurance companies in the US, our customers have a range of choices and we are committed to delivering superior service in order to retain their business. Standards have been established for all customer transactions to provide timely, accurate service which is carefully monitored by our management team.

We continue to look for ways to improve. Enhancements in 2006 included:

- An Interactive Voice Response (IVR) system which was accessed by 23,000 customers since implementation in the fourth quarter
- A new telephone system with integrated telephony to better monitor, report and manage our customer calls
- An updated customer service system which benefits our customers by providing faster, more accurate processing
- An automated process to acquire new addresses when postal mail is returned as undeliverable, thereby protecting customers from coverage lapses

- Electronic notification to the selling agencies when policies enter the billing grace period; soliciting help to keep the coverage in force

In the event that a department with direct responsibility cannot resolve a customer grievance, we have established a committee comprising managers from other disciplines within the Company to create an impartial forum for complaint resolution. In 2006, with an in-force policy count of 711,500, we only had to address 170 complaints through this committee, a noteworthy testament to customer satisfaction.

Our customers entrust us with their privacy and we take that responsibility very seriously. We have taken steps to further protect their privacy by only displaying the last four digits of their social security numbers in our systems and by securely destroying all original documents after imaging, using an industry recognised company for the process. Our privacy statement ([www.lgamerica.com/lu1236.pdf](http://www.lgamerica.com/lu1236.pdf)) is mailed to our policyowners annually.

#### Legal & General Netherlands

Legal & General Netherlands is committed to treating customers fairly and to selling value-for-money products and services, and both elements are integral to our strategy for the period from 2007 to 2009.

\* Based on 2005 data



Caroline Fawcett, Customer Strategy Director, explains the benefits of Legal & General's customer experience projects at the Customer Experience Services Conference

“Whenever I’ve called Legal & General with a query it has been answered most courteously and efficiently. I would not hesitate to recommend Legal & General to a friend or family member.”  
Customer, 9 May 2006

The implementation of new regulations in 2006 and the Financial Services Act (Wet Financiële Dienstverlening) have made it necessary to thoroughly review our product documentation to ensure that it is factually correct, comprehensible and not misleading. As a result, new financial leaflets have been drawn up for complex products.

Legal & General Netherlands is proud to have been awarded ‘Best Life Insurer 2006’ for the sixth consecutive year, following an extensive survey of 2,200 insurance brokers. This is partly due to the high scores which our present brokers assigned to our administrative processing, accuracy, the level of expertise of the office staff and the reliability, loyalty and integrity of our Company.

In addition, during National Financial Marketing Day 2006, we won the Financial Marketing Award. The prize was awarded for a campaign initiated by Legal & General in relation to term risk insurance, namely Lifestyle Rewards.

**Legal & General France**

Customer service is a high priority for Legal & General France, and our commitments include:

- Identical commission rates for all savings products, in order to avoid any bias in the selling process
- Settling claims, surrenders and withdrawals well within 15 working days of receiving the policyholder’s instruction (compared with two months by law)
- Answering policyholders’ queries or complaints within 15 days by the Company Secretary, as specified in the terms of the policies

For many years, Legal & General France has been among the winners of French Money Magazine’s awards. In 2006 our ‘Legal Avenir’ savings contract won the ‘Trophée d’Or’ (Golden Trophy) of the magazine ‘Le Revenu’, and our ‘Concordances’ savings contract won the ‘Prix Spécial de la Transparence’ (Transparency Award) of the same magazine.

**5,000**

frontline employees attended customer experience workshops in 2006

# Our People

## People Snapshot

	2006				2005	
	Male	%	Female	%	Male %	Female %
Staff level	3,155	46	3,687	54	45	55
Manager level	1,565	67	776	33	69	31
Board level (executive directors only)	4	80	1	20	80	20
<b>Total employees*</b>	<b>4,724</b>	<b>51</b>	<b>4,464</b>	<b>49</b>	<b>51</b>	<b>49</b>

\* As at 31 December 2006

The above statistics relate to our UK operations only.

### Overview

Legal & General is proud of its strong, open partnership with its employees and its trade union, Amicus, and we're committed to communication and consultation. We believe that working in partnership with Amicus ensures our employment policies and practices are sound and appropriate for our business.

### Values

Our Company Values are 'customer focus', 'teamwork', 'open and fair' and 'results driven'. These Values are fully embraced by senior management, along with definitions that describe how the Values are demonstrated when employees are working well together. They are important to the business because there is now significant evidence that organisations with strong agreed values deliver better results and are more enjoyable to work in than those that do not have them. The Values form part of each employee's performance management review.

### Our Partnership with Amicus

The Partnership Agreement with Amicus is an important part of the Legal & General culture. It sets out the basis of our relationship, which includes shared and open access to information and early participation in the decision-making process in areas of shared interest. In April 2007 we will have been working in Partnership with our union for ten years, and we plan to use the ten year anniversary to consider how we will build on partnership working for the next generation of employees.

Legal & General funds three full-time secondees to carry out Amicus duties and there are also around 40 Amicus representatives who carry out their Amicus duties on a part-time basis. Their role is to embed the Partnership throughout the Company. We actively support the recruitment of new union members.

Consultation with Amicus takes place on a formal basis via meetings, which are either

held jointly or at which Amicus is represented. These include Partnership Consultation meetings which cover key business initiatives and trading information, as well as 'business as usual' issues and joint monthly remuneration meetings. Amicus is represented at all Health and Safety Committee meetings, the CSR Committee and the Equality and Diversity Committee. Consultation also takes place informally and formally between managers and their local union representatives. As at 31 December 2006, approximately 38% of our UK employees were members of Amicus.

All managers with responsibility for managing people attend workshops about the Partnership as part of their management development, and an objective for working in Partnership with Amicus is included in their job descriptions and performance reviews.

### Employee Relations: Progress in 2006

**Responding to Pensions Simplification**  
2006 was an exciting year with Pensions Simplification taking place from 6 April 2006, and Legal & General and the Trustees of the staff final salary pension schemes took this opportunity to make some changes to the current pension scheme rules. Additionally, it was decided that new employees would be able to join the Stakeholder Pension Scheme on their first day of employment rather than waiting for a year, as had previously been the case.

# 38%

of UK employees are members of Amicus



“This SAYE tranche will have me smiling all the way to the bank! I’m planning on buying a new car and finishing off some work to my recently purchased apartment.”  
Diane McClean, Belfast



A significant communications exercise followed the Pensions Simplification changes, which included written correspondence, a web broadcast and face-to-face presentations at our sites throughout the UK.

Legal & General provides a dedicated in-house pension team which is on hand to offer support and information to members including pre-retirement seminars.

#### Amicus gains collective representation for first level management

Amicus approached the Company with a request to collectively represent 1,236 first-level management employees. Previously, Amicus was able to represent members from this group of employees only on an individual basis. After a series of consultation meetings, the Company agreed that Amicus would represent this group of employees on a collective basis from 1 September 2006.

#### Management Consultative Forum

In the summer of 2006, Legal & General held a ballot to elect employees from its management population to collectively represent its middle and senior management employees. From September 2006, management has met with the representatives on a monthly basis to inform and consult with them on issues that affect the relevant management population.

#### Improved Redundancy Payment Terms

We consulted with Amicus about the redundancy payment terms for staff grade employees which resulted in improved terms for the majority of staff grade employees. We also agreed consistent processes in the event that any staff members are put at risk of redundancy, for example offering affected staff outplacement support.

#### Dignity at Work

Amicus and Legal & General continue to be members of the Dignity at Work Steering Group, a DTI/Amicus funded project aimed at preventing bullying in the workplace, on which Legal & General sits to share best practice. The 2006 Employee Satisfaction Survey included a question to find out whether employees considered their workplace to be free from bullying and harassment. 79% of responses were positive, a 1% improvement on the 2005 survey.

#### Employees benefit from Save As You Earn (SAYE) scheme

Thousands of our employees benefited from their participation in the Company’s 2003 Save As You Earn scheme, when their three-year savings scheme matured. These employees were allowed to exercise their options from 2 May 2006. The savings, accumulated from monthly amounts of between £5 and £250 per month, could be used to buy discounted Legal & General shares at just 55p each. The share price closed at £139.75 on 2 May and for those employees who had saved the maximum amount of £250 a month for 36 months, this gave them a gain of approximately £14,560. We are pleased that so many of our employees benefited from the success of the Company through their participation in the SAYE and other elements of our Employee Share Plan.

#### New premises in Hove

In consultation with Amicus, we successfully transferred employees in our Hove office to new premises in Hove. The employees have benefited from a modern and improved working environment and the office incorporates a range of energy-saving features (see ‘Our Environment’).

#### Absenteeism

Our absenteeism rate due to sickness in 2006 was 3.9%, compared to 4% in 2005. This compares to the finance sector benchmark of 5.6% (source: Chartered Institute of Personnel and Development (CIPD)).

#### Employee Turnover

Our employee turnover in both 2005 and 2006 was 12.6%. This compared favourably with the finance sector average of 16.1% (source: CIPD).

#### Redundancy

Due to the closure of our motor insurance business in Birmingham and Ipswich, and closure of branches in Manchester and Warwick, together with a loss of a small number of jobs in certain business units as a result of a restructure, a total of 77 employees were made redundant in 2006. We successfully redeployed many of the staff affected and consulted with Amicus throughout the process.

#### Equality and Diversity

##### Overview

Legal & General and Amicus hold a joint Equality and Diversity Committee on a monthly basis. The operation of this Committee has recently been reviewed, and in 2007 it will report to the CSR Committee. Legal & General is a member of the Employers Forum on Age, the Employers Forum on Disability, and Business in the Community’s Opportunity Now and Race for Opportunity organisations. Legal & General and Amicus continue to be members of the Dignity at Work Steering Group, a DTI and Amicus funded project aimed at preventing bullying in the workplace on which Legal & General sits to share best practice.



“CSR is an increasingly important issue for staff, management, shareholders and customers across the world of work. Nationally and internationally, Amicus continues to work to ensure that organisations take account of CSR when making decisions that affect their staff and the wider community. Amicus believes that Legal & General performs well with regard to ethical behaviour and good employee relations when compared to many other companies operating in the Finance Sector.”

Andy Case, National Secretary, Finance Sector, Amicus

#### Equality and Diversity: Progress in 2006

We worked with Amicus to communicate the impact of Age Discrimination Legislation to employees and successfully implemented the legislation. As a result of the legislation the Company's default retirement age is now 65. However, employees retain the option of retiring earlier according to their pension retirement date.

The Equality and Diversity Committee has focused on training initiatives and, as a result, a training module exclusively covering Equality and Diversity is now available to managers as part of the Institute of Leadership and Management Diploma course.

We have conducted an Equal Pay Audit since 2001 to determine whether a pay gap exists in terms of gender. There was found to be no significant gap. This year, for the first time, we also conducted the audit on the basis of any ethnicity or age bias and the results have been shared with Amicus and presented to senior management to inform the future direction of HR policy.

Legal & General signed the Amicus Equal Pay Charter to demonstrate our ongoing commitment to maintaining the principle and practice of equal pay.

All our employees are eligible to request flexible working and requests are given equal consideration regardless of whether an employee has the statutory right to request flexible working. In 2006 a job-sharing policy was incorporated within our flexible working policy. Approximately 12% of our employees work on a part-time basis.

To further demonstrate our commitment to being a family-friendly employer, Childcare Vouchers were introduced in 2006. This is a Government sponsored scheme which works via a salary sacrifice and offers tax benefits for childcare. Approximately 300 employees are participating in the scheme.

#### Training and Development Overview

It's important that we offer suitable training opportunities to our employees to enable them to improve their performance and prepare for future roles. The principles underlying our training and development programme, and the support we provide, are contained within our training and development policy. Our main aims are to:

- Develop employees to meet the Company's current and future needs within the appropriate business and cost constraints
- Encourage employees to undertake professional development through internal and external means, which will be of benefit both to themselves and to their role within the Company. Our Lifelong Learning Centre provides a range of materials from language tapes to computer skills courses
- Make training and development available to all employees irrespective of age, race, gender, disability or any other discriminatory factors in line with our Equal Opportunities Policy
- Where possible, promote from within the organisation
- Maintain and act upon the Personal Development Plan created for employees through the Performance Management framework

#### Training and Development: Progress in 2006

Key areas of improvement during 2006 included the following:

- Introducing management capabilities that support our four Values, as well as redeveloping our Management Development programme to support skills improvement in these capabilities. The Values were incorporated into employees' annual performance reviews
- Rolling out Customer Experience workshops to employees and redeveloping all our customer service training to support Customer Experience, including basic Maths and English (see 'Our Customers')
- Supporting the introduction of a new approach to recruitment by retraining and signing off all managers who recruit core service roles
- Improving our feedback on learning and developing at work and career progression opportunities from the employee survey
- Launching the Learning Management System in January 2007 to provide an integrated platform for all learning activity
- Including financial literacy training in inductions from December 2006, with the training due to be rolled out to all employees during 2007
- Working to improve the skills of our managers in performance management and coaching, with the success of this initiative being evident in the employee survey
- Setting up a Joint Learning Committee with Amicus

Fig. 1 Health and Safety Statistics

	2006	2005
Employees <sup>(1)</sup>	9,188	8,622
Reportable Accidents <sup>(2)</sup>	11	15
Incident Rate <sup>(3)</sup>	120	174
Fatal Accidents	Nil	Nil
Prosecutions	Nil	Nil
Dangerous Occurrences	Nil	Nil
Reportable Diseases	Nil	Nil
Prohibition Notices	Nil	Nil
Other Enforcement Notices	Nil	Nil

(1) total UK employees as at 31 December 2006

(2) as defined by RIDDOR 1995 Regulations

(3) reportable injuries per 100,000 employees

Overall, we delivered 30% more training in 2006 as we continue to evolve our approach to learning and provide more flexibility for our people. We also won two national training awards.

## Health and Safety

### Overview

Gareth Hoskin, Resources and International Director, is responsible for implementing our Health and Safety Policy. Legal & General is committed to providing a safe and healthy working environment and is actively encouraging participation from staff to raise awareness from our managers and local Health and Safety Committees.

### Progress in 2006

Our facilities team has developed its safety management system and is on target to achieve accredited status (BSI-OHSAS 18001) at its largest operation in early 2007, before implementing the system at our other key locations.

We have developed two additional computer based training courses to complement our existing training portfolio. Our manual handling training has a strong emphasis on general back care at work and at home to recognise the importance of our employees' wellbeing.

Our main locations ran a series of health and safety events during the year to promote awareness. A theme was chosen and developed by the local committees which covered a wide range of issues. Guests from local police forces and the Suzy Lamplugh Trust spoke about personal safety, and several organisations have covered general health and wellbeing issues, from stress reduction techniques to nutritional advice. We encourage staff to walk or to cycle to work where possible, and have been providing information about cycling safety and bike maintenance.

Driving and occupational road risk is a serious issue that affects our business. We have been working in conjunction with the Royal Society for the Prevention of Accidents (RoSPA) to review our driving procedures and risks, and will be implementing new processes.

Our Cardiff office has joined a recognised 'First Responder' scheme where they provide first aid assistance, helping the ambulance service when there is a delay in them responding to an incident. We have now purchased defibrillators for all our main office locations and have trained our first-aiders in their use.

### Looking forward to 2007

#### Key areas of focus for 2007 include:

- Increasing awareness of equality and diversity issues, via training for both managers and staff
- Reviewing the terms and conditions of first level management employees in consultation with Amicus
- Agreeing with managers the capabilities they require in order to manage their people effectively
- Reinforcing our commitment to partnership working during our ten year anniversary of Partnership by providing training for union representatives and setting up forums between the business, HR and Amicus
- Rolling out financial literacy training
- Achieving full accreditation of our safety management system and to extending its scope
- Reviewing and implementing our work related road risk policy
- Implementing an online reporting system for 'near misses' and accidents

Please see '2007 Targets' for the specific targets we have adopted.

## Overseas Operations

### Legal & General America

It is the policy of Legal & General America and its subsidiaries to seek, employ and assign the best qualified staff and to provide employment opportunities to all employees and job applicants without regard to race, colour, religion, gender, national origin, age, disability, sexual orientation or status as a Vietnam-era or special disabled veteran in accordance with applicable federal laws. In addition, the Company complies with applicable state and local laws governing non-discrimination in employment in every location in which we have facilities. This policy applies to all terms and conditions of employment, including, but not limited to, recruitment, placement, promotion, termination, redundancy, recall, transfer, leaves of absence, remuneration and training.

We are committed to eliminating discrimination in all employment activities. It is the responsibility of all managers and staff to share equally in making equal employment opportunities a reality. Legal & General America and its subsidiaries have also adopted a policy of 'zero tolerance' with respect to unlawful employee harassment. Improper interference with an employee's ability to perform his/her expected job duties is not tolerated.

Employees are our most valuable resource, and how well they perform their jobs will determine how well the Company does at providing outstanding products and service to our customers. For this reason employees have access to a range of training and educational opportunities to enable them to broaden their skills and knowledge, including:



“I chose to use Legal & General’s childcare voucher scheme because it provides a considerable saving on childcare costs. The enrolment process was very easy and, given the costs that can be saved, I would certainly recommend the scheme.”

Dave Burrows, Cardiff (left)

“I am very pleased that Legal & General has put the childcare voucher scheme in place. I’ve found it really easy to use and the savings are significant.”

Nicola Orpin, Kingswood

- A variety of self-study education programmes to help develop employees’ insurance-related professional qualifications. In 2006, 294 courses were taken under this programme
- A tuition reimbursement programme to encourage and assist in furthering employees’ university level education
- Specialised external seminars and courses to assist employees with their professional growth

#### Legal & General Netherlands

In accordance with the Collective Labour Agreement for the insurance industry, a new basic pension plan has been established. The pensionable age has been raised from 62 to 65, and a Flexible Supplementary Pension Plan has been implemented, replacing the previous early retirement plan and providing for an annual supplementary retirement pension budget amounting to 2.5% (average).

As a result of the Lifespan Plan, introduced in January 2006, it is now possible for employees to finance a period of unpaid leave during their career. The aim is to enable employees to accumulate an income provision for a period of additional leave, such as parental leave, study leave, sabbatical leave or long term care leave. The plan can also be used to enable employees to take early retirement.

As our organisation is knowledge-intensive and our people are our principal asset, it’s important that we continually improve their skills. In 2006, we spent €268,500 on internal and external training courses and seminars. In 2005 we also piloted a Personal Development Plan (PDP). This was made available to the management team by the end of 2006, and will be extended to all other managers in 2007 and to all employees in 2008.

This voluntary plan gives employees the opportunity to further develop themselves and focuses on knowledge, attitudes and career development.

In addition, tailor-made training was organised for all managers to enable them to better deal with, and prevent, absenteeism due to illness. Periodic workplace assessments, introduced in 2006 and carried out in departments where work consists mainly of work in front of a screen, assist with this goal. Problem areas which emerged from the assessments were analysed and will be dealt with in 2007.

In accordance with the Working Conditions Act, in 2006 Legal & General Netherlands also carried out a Periodic Occupational Medical Assessment (of our employees’ occupational health) with the assistance of the Health, Safety and Welfare Service. This assessment enables health problems to be acknowledged in a timely manner. A plan of action will be developed and the issues that emerged will be dealt with in a structured manner during 2007. Two internal prevention officers have been appointed with responsibility for taking preventative measures in relation to health, safety and welfare.

#### Legal & General France

In common with all insurance companies, Legal & General France’s employees benefit from the provisions of the insurance industry’s collective labour agreement (‘convention collective’). In addition to this, we have signed internal agreements for the benefit of our employees, including:

- Agreement on work time reduction
- Agreement on profit-sharing with employees, enabling employees to be eligible for a bonus depending on business growth

- A savings scheme which enables employees to make investments in our unit-trusts with a tax exemption on income after five years

By law, employees must visit a doctor specialised in working environment and professional disease when they join Legal & General and every alternate year thereafter, in order to ensure they are physically and mentally able to perform their jobs.

Employees have the opportunity to attend a training session whenever necessary to increase their professional knowledge or when they change accountabilities. We have also developed a training programme for our employed sales force to maintain and improve their competence and provide a good quality of customer service and commercial efficiency. This programme consists of four training periods which take place in an employee’s first year.

A four-day commercial seminar takes place annually in September, which is aimed at rewarding successful sales people as well as updating them on new products or regulations.

# Our Suppliers

## Supplier Snapshot

Spent with suppliers	Number of suppliers	
	2006	2005
£1,000,000 and over	63	71
Between £100,000 and £1,000,000	281	243
Between £10,000 and £100,000	763	713
Between £1,000 and £10,000	1,033	984
Less than £1,000	922	1,122
<b>Total number of suppliers</b>	<b>3,062</b>	<b>3,133</b>

The above statistics relate to our UK operations only.

### Overview

Legal & General purchases goods and services from over 3,000 suppliers. The purchase process ensures that Company resources are used cost-effectively and that the items supplied meet the needs of our internal operational requirements, policyholders or managed property tenants.

Suppliers make an important contribution to our business and we seek to establish mutually beneficial commercial relationships with them. We aim to achieve value-for-money by encouraging competition between suppliers and by offering appropriate suppliers an equal opportunity to win our business. In return we have a responsibility to treat competing suppliers in a fair and ethical manner, and to pay for goods and services according to the terms agreed.

These principles apply to all purchases of goods and services made on behalf of the UK firms within the Legal & General Group.

### Progress in 2006

Legal & General purchases 2,500 tonnes of paper each year, almost half of which is coated paper used for marketing literature. Purchases of copier paper (350 tonnes per annum) had already been changed to a 100% recycled product in 2004, but our marketing paper (some 1,100 tonnes pa) still comprised 100% virgin pulp. An initiative to identify, trial and approve an acceptable paper with a high recycled content commenced in 2005 and was successfully concluded in June 2006.

This change to a recycled content marketing paper will save over 10,500 trees each year from being cut down and, with the savings from the use of recycled copier paper, this figure rises to nearly 17,000 trees – equivalent to over half of Sherwood Forest Country Park.\*

Waste and Resources Action Programme (WRAP) described the project with Legal & General as a 'Trail Blazer', on the basis of the Company's willingness to commit resources to the project and to consider a change to recycled content paper for the printing of its main marketing literature.

In recognition of its support of the initiative to increase the recycled content of our marketing paper, our approved print management provider, Adare, was awarded the 2006 Making a Difference supplier award (see 'Our Communities' for more information on our Making a Difference Awards).

We have now developed the standards that we expect of our suppliers in the following key areas:

- Environmental Management
- Employee Relations
- Community Involvement
- Health and Safety
- Equality and Diversity
- Ethical Behaviour

The criteria to determine our environmental key suppliers were further extended in 2006 to reflect an increased emphasis upon

risk rather than spend, based upon FTSE4Good guidelines. For the first time since the commencement of the programme, 100% of these suppliers were compliant with our environmental standards.

The CSR engagement programme involved over half of identified key suppliers. The focus was upon suppliers providing services traditionally based within the 'low skill/low wage' industries, 61% of which were the subject of engagement in 2006.

### Looking forward to 2007

Key areas of focus for 2007 include:

- Reviewing the potential to increase the proportion of recycled material in our application forms, letter headed paper and envelopes
- Reviewing the opportunity for increasing the recycled content and decreasing energy usage in our standard IT desktop equipment
- Extending ISO14001 certification to Legal & General's IT and General Insurance purchasing centres

Please see '2007 Targets' for the specific targets we have adopted.

## CSR Development Flow Chart

This timeline illustrates the evolution of our CSR engagement programme within our supply chain. From an initial focus on environmental engagement we have now developed a broader range of CSR standards for our supply chain, which we plan to publicise in 2007.

- 2001** Environmental programme launched with identified Key Suppliers
- 2002** Environmental Management System certification to ISO14001: 1996 achieved by Corporate Procurement
- 2003** Environmental Guidelines introduced to support suppliers with the development of their environmental practices and facilitate improvement in their performance  
'Green Supplier' awards launched to recognise positive environmental improvements within our supply chain
- 2004** Criteria introduced to determine environmental 'key suppliers' based upon FTSE4Good classifications  
Legal & General awarded 'Best Private Sector Company of the Mayor's Green Procurement Code' by London Remade  
CSR Forum held with key suppliers to share current perceptions and experiences of CSR and to discuss the implementation of 'best practice'
- 2005** Ethical Purchasing Principles (<http://www.legalandgeneralgroup.com/about-us/ethical-purchasing-principles.html>) extended to include minimum expectations of suppliers relating to human rights, equal opportunities and ethical purchasing practices within their supply chains  
Principles updated to reflect our corporate values that gender and ethnic origin continue to be irrelevant in our supplier selection process
- 2006** Scope of programme broadened to consider social and ethical issues; supporting guidelines developed to influence key suppliers, which reflect Legal & General's CSR standards (<http://www.legalandgeneralgroup.com/about-us/csr-standards-for-the-groupwide-supply-chain.html>)  
Legal & General short-listed by the CIPS Supply Management awards for 'Best Contribution to Social Responsibility'  
Green Supplier awards relaunched as 'Making a Difference' awards to support joint CSR initiatives within our supply chain
- 2007** We propose to:  
Promote Legal & General's CSR standards to key suppliers to influence their social and ethical performance and support improvements throughout our supply chains  
Extend Environmental Management System certification to ISO14001: 2004 to Legal & General's IT and General Insurance purchasing centres



"Adare is delighted to have won the Making a Difference supplier award 2006 and we consider it extremely positive that we can support Legal & General in areas such as the environment and CSR. We are honoured to have been involved in these awards for a number of years and we will continue to work with Legal & General in future initiatives."

Adare, winner of the 2006 'Making a Difference' (MAD) Supplier award (left)

"Working with the Procurement team at Legal & General provided an exemplar case study for WRAP's research project, aimed at demonstrating that papers with recycled content are a competitive option for business applications. Following successful completion of the project, the case study will give other companies confidence that print and paper suppliers can offer solutions that incur no penalties in terms of purchase cost, performance/risk and product availability, and in specifying requirements for recycled content within the procurement process."  
Judith Palmer, Procurement Programme Project Officer,  
Waste & Resources Action Programme

# Our Environment

## Overview

Legal & General has a responsibility to manage both the direct and indirect environmental impacts arising from its operations (see 'CSR Guiding Principles'). Environmental Management Systems are implemented wherever possible to manage our direct impacts and our Group Environment Policy (available at [www.legalandgeneralgroup.com/csr](http://www.legalandgeneralgroup.com/csr)) covers 100% of our UK employees.

## Management Structure

During 2006 Tim Breedon and the Group CSR Committee initiated the establishment of Local CSR Committees, which bring together the existing Local Environment Committees with the Community Involvement function in each location. Each Committee is represented at a CSR Chairs' Forum which meets quarterly and enables ideas and initiatives to be shared across the Group and fed back to the Group Environment and Group CSR Committees. The Group Environment Committee, chaired by the Resources and International Director, remains responsible for setting the Environment Policy and strategy and continues to report into the Group CSR Committee (See Fig 1 on page 26).

## Environmental Management Systems

Legal & General operates three environmental management systems, all of which are certified to ISO14001. Certification to this standard ensures that our environmental

risks are managed and our performance and legal compliance are maintained. In 2006 the following business functions were certified to ISO14001:

- Provision of Facilities Management (all major UK occupied sites)
- Corporate Procurement
- Property Management Services (currently covering four directly managed properties)

## Legal Compliance

Legal & General maintains internal processes for monitoring compliance with UK environmental law. We were not subject to prosecution for non-compliance with environmental legislation in 2006.

## Stakeholder Engagement

We regard stakeholder engagement as central to our environment programme and we undertake regular consultation with employees, customers, suppliers, investors and community groups. This dialogue ensures that we understand our stakeholders' expectations, and also ensures that the correct monitoring and reporting of environmental performance indicators is undertaken to enable benchmarking with similar companies.

In 2006 we participated in a number of indices, including Business in the Environment, the Dow Jones Sustainability Indices and FTSE4Good, as well as providing information to Vigeo Group and Oekom

Research for their Corporate Responsibility Ratings. We are a signatory to the Carbon Disclosure Project, a member of the London Energy Forum and a founding member of the London Climate Change Agency. We have also supported a number of environmental charities and community groups during the year, including the Woodland Trust, Thames21, Gatton Park and Keep Wales Tidy.

## Environmental Performance

### Environmental Impacts

Legal & General's direct environmental impacts arise from the use of our buildings and directly managed properties, and from employee business travel. Indirect impacts are associated with the goods we purchase (see 'Our Suppliers') and through our investment decisions (see 'Socially Responsible Investment').

Our direct impacts can be broadly divided into:

- Emissions to air (greenhouse gases and ozone depleting substances)
- Emissions to land (waste)
- Resource use (water, gas, electricity and material consumption)

Our performance in each of these areas during 2006 is outlined below (please also refer to the environmental data sheet and '2006 Targets').

### Progress in 2006 (occupied properties)

Legal & General has collected data against a range of indicators for over six years, and in 2006 we made substantial progress in improving its accuracy. The data is collected throughout the year and brought together into an annual data sheet (see data sheet on page 27).

The 2006 data shows the following trends:

### Greenhouse Gases and Ozone Depleting Substances

- Our medium term objective is to reduce carbon dioxide (CO<sub>2</sub>) emissions per employee, and we've set two targets aimed at meeting this objective (see '2007 Targets')

# 48%

increase in railway travel



The Rt Hon David Miliband (above right), Secretary of State for Environment, Food and Rural Affairs, learns about Legal & General's environmental initiatives

“We were delighted to welcome both the Rt Hon David Miliband and Brendan Barber to our new offices in Hove. It was a wonderful reflection of our commitment to both the environment and our partnership with Amicus that the local council suggested they visit us as an example of a local company working with its employees to really reduce our environmental impact. David and Brendan were particularly interested in our employee schemes to reduce the environmental impact of the daily commute to work – not just our car sharing programmes but also our free loans for public transport season tickets and loans to buy bikes.”

Caroline Fawcett, Customer Strategy Director, Kingswood

- Overall carbon emissions increased slightly in 2006 to 10,359 tonnes, equating to 1.65 tonnes per person
- The average CO<sub>2</sub> rating of the Company car fleet has been reduced from 172 to 167 grams/km in 2006
- CO<sub>2</sub> from business travel was up 12% in 2006. This is directly attributable to growth in business in 2006, as reflected in car based business mileage, and growth in overseas business, leading to a 16% increase in long haul flights
- Positive trends in 2006 include a 48% increase in railway travel and 5% reduction in short haul flights, indicating that environmental awareness within the Company is growing

#### Waste

- We aim to use resources efficiently and minimise waste. We've also set two targets to help us meet this objective (see '2007 Targets')
- In 2006 steps were taken to improve an already strong recycling position. We now report recycling rates from all of our main UK offices
- Landfill waste increased slightly in 2006 to 30% due to the partial closure of our offices in Hove whilst employees were moved to new premises. Total waste generation decreased, however, and normalised figures are strong with only 79 kgs of waste sent to landfill per employee, based on building occupation figures (see data sheet on page 27)

#### Resource Use

- Major improvements have taken place in the reporting and analysis of Key Performance Indicators (KPIs) in 2006. This is most evident in the reporting of energy statistics at Legal & General occupied properties. We've expanded our UK Facilities Environmental

Management certification (ISO14001) to cover all new office locations and monitoring of electricity use has increased to over 99% and metered gas use to over 78%

- Many sites reported reductions in both energy and water use in 2006, only to see these improvements offset by the opening of the new offices and by high external temperatures in the summer. In 2006 normalised figures (energy per employee, etc) have been introduced to the data sheet to facilitate understanding of such trends
- Energy use increased across the UK by nearly 7% in 2006 and we recognise that this is a negative trend. This can be attributed to an increase in building occupancy by approximately 2.5% over the year and the dual running of offices in Hove whilst moving to new offices

■ Water use at UK occupied properties increased in 2006 by nearly 6%. As with energy this is unsurprising given increased occupancy and higher external air temperatures. Estimated overall water consumption was down by nearly 3%, which we believe is due to the closure of two smaller offices in 2006

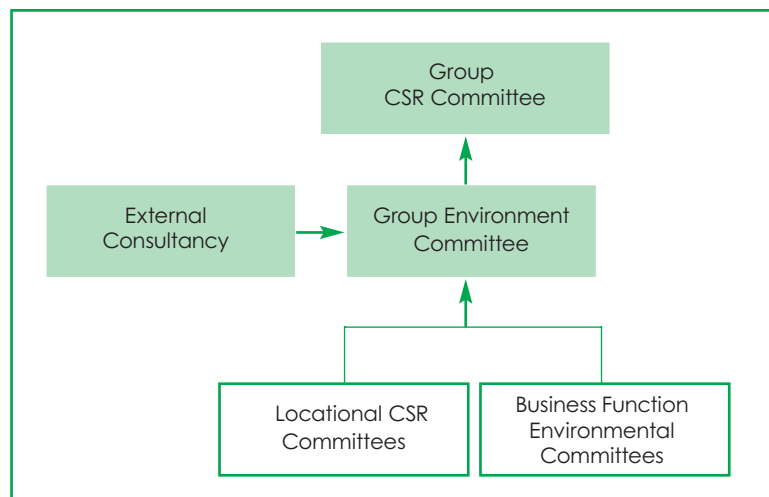
■ Copier paper increased in 2006 by nearly 8%, with a slight increase in sheets used per customer. Although this paper is now 100% recycled, it is a trend which will need to be addressed in 2007 (see 'Looking Forward to 2007')

#### 2006 Highlights

##### City Park, Hove

2006 saw the opening of Legal & General's new offices in Hove. We were delighted that two of the three buildings obtained a 'Very Good' rating according to the BRE's (Building Research Establishment)

Fig. 1 Management Structure





Our new state-of-the-art offices at City Park, Hove

Building Research Establishment Environmental Assessment Method (BREEAM scheme).

In September 2006 the TUC Annual Congress took place in Brighton, which was followed by a visit to City Park by the Rt Hon David Miliband, Secretary of State for Environment, Food and Rural Affairs, and Brendan Barber, the TUC General Secretary. The ethos of the TUC Conference was based largely on climate change and the environment, and they wished to visit Legal & General, on recommendation by the local council, to see an example of business acting responsibly towards the environment.

In December 2006 the facilities team at City Park Building One were externally audited and successfully added to Legal & General's Facilities Management ISO14001 certificate for operating systems compliant to the environmental management standard.

As at the end of 2006, over 95% of Legal & General's UK occupied offices were covered by the facilities management certificate.

**95%**

of Legal & General's UK offices are covered by the facilities management certificate

"I was delighted to receive a 2006 MAD Award. The fundraising not only increased awareness of green issues amongst staff but contributed to the excellent branch result of raising over £2,500 for our local Phyllis Tuckwell Hospice at Farnham."

Sue Bernard, Farnham

(For further information about our Making a Difference (MAD) Awards please see page 31)

### The Climate Challenge

As a reflection of the Company's commitment to tackling climate change, in October 2006 we supported 'The Climate Challenge', a campaign aimed at reducing carbon dioxide emissions in the Brighton and Hove area and contributing towards reducing overall UK emissions by 20% by 2010. The key objective of the initiative was to promote energy efficiency amongst the general public, businesses and other organisations through public information campaigns and a pledging scheme, which encouraged individuals and businesses to commit to take steps towards greater energy efficiency. Communications activities included a high profile launch event, local press articles and information materials including leaflets, posters and booklets. We were delighted that over 600 of our Hove employees made a pledge to improve energy efficiency in their own homes as part of the campaign.

### Green Travel

We continually strive to minimise the impact of transport, particularly car use. The majority of our offices are in city centre locations where green travel planning is essential. Some offices are not so accessible and, in particular, the Kingswood site in Surrey has a history of parking problems which require ongoing management. As a result of various car-sharing initiatives, however, the number of car-sharers at our Kingswood office averaged about 400 people per day in 2006.

Transport options are carefully considered at new office locations, and Local CSR

Committees at all major offices have green travel plans including video and voice conferencing, car sharing, cycling and the promotion of public transport. With many offices in city centre locations it is relatively straightforward to reduce the proportion of staff driving to work. In Cardiff, however, the Committee took car reduction a step further by holding a 'Leave your car at home day', aimed at raising awareness of the health and environmental benefits of alternative ways to travel such as cycling, walking, bus and train. All managers were asked to support the campaign by leaving their car at home, and those who did drive in were invited to pay a £20 'fine' to the Amelia Trust Farm.

### Looking forward to 2007

#### Key areas of focus for 2007 include:

- Pushing the opportunities and liabilities associated with carbon management further up the agenda
- Engaging with staff to promote CSR and environmental issues at all levels of the Company
- Managing the environmental impacts related to the movement of staff, the closure and imminent refurbishment of major offices
- Reducing resource use through changes in staff behaviour (whilst moving to new locations) and through environmentally friendly construction, refurbishment and management at our offices
- Expanding ISO14001 Environmental Management Systems certification to new office locations and business areas (see 'Our Suppliers')
- Improving biodiversity opportunities at three of our sites
- Engaging further with our supply chain (see 'Our Suppliers')

Please see '2007 Targets' for the specific targets we have adopted.

## Environmental Data

Impact area	Performance indicator	Unit	2006	2005	2004	2003	2002	2001
<b>Carbon dioxide (CO<sub>2</sub>)</b>	<sup>(1)</sup> CO <sub>2</sub> (UK occupied properties)	tonnes	10,359	10,324	10,390	10,697	10,697	10,929
	<sup>(2)</sup> CO <sub>2</sub> (UK occupied properties) per employee	tonnes	1.65	1.84	N/A	N/A	N/A	N/A
	<sup>(4)</sup> CO <sub>2</sub> (business travel)	tonnes	4,985	4,437	3,295	4,041	4,670	4,597
<b>Travel</b>	Car based business mileage	miles	15,737,218	12,457,000	9,113,000	10,984,000	13,452,000	12,430,000 <sup>(5)</sup>
	Average CO <sub>2</sub> rating of fleet vehicles	g/km	167	172	174	180	186	N/A
	No. of dual fuel or electric cars on fleet	No.	42	48	27	9	1	0
<b>Energy</b>	Electricity (UK only)	MWh	23,789	21,992	22,228	22,823	22,558	22,675
	<sup>(6)</sup> Gas (UK only)	MWh	4,722	4,566	4,381	4,647	5,249	6,201
	Total energy (UK only)	MWh	28,512	26,558	26,609	27,470	27,807	28,876
	<sup>(7)</sup> Energy per employee (UK only)	MWh	4.77	N/A	N/A	N/A	N/A	N/A
	Energy per m <sup>2</sup> office space (UK only)	MWh	0.38	N/A	N/A	N/A	N/A	N/A
	Energy per core office hour (UK only)	MWh	0.95	N/A	N/A	N/A	N/A	N/A
<b>Waste</b>	<sup>(8)</sup> Direct to landfill (UK only)	%	30%	28%	30%	38%	39%	44%
	Total waste (UK only)	tonnes	1,661	1,668	1,639	1,567	1,689	1,547
	Waste to landfill per employee (UK only)	kgs	78.8	100	N/A	N/A	N/A	N/A
	Waste to landfill per m <sup>2</sup> office space (UK only)	kgs	6.6	N/A	N/A	N/A	N/A	N/A
	Waste to landfill per core office hour (UK only)	kgs	20.8	N/A	N/A	N/A	N/A	N/A
	<b>Ozone depleting substances <sup>(9)</sup></b>	HCFCs (R22 only)	kgs	917	1,075	1,292	1,626	1,360
HFCs		kgs	4,998	4,281	4,134	3,737	N/A	N/A
Refrigerant leakage rate		%	1.5%	4%	7%	N/A	N/A	N/A
<b>Water</b>	Metered	CuM	53,672	50,509	45,366	36,683	46,138	48,608
	Estimated total	CuM	77,010	79,190	75,734	66,049	77,969	76,639
	Estimated water per employee	CuM	12.26	N/A	N/A	N/A	N/A	N/A
	Estimated water per m <sup>2</sup> office space	CuM	0.95	N/A	N/A	N/A	N/A	N/A
	Estimated water per core office hour	CuM	2.03	N/A	N/A	N/A	N/A	N/A
<b>Resources</b>	<sup>(10)</sup> Copier paper	kgs	340,835	315,860	338,013	335,308	354,078	398,443
	Copier paper per customer (UK only)	sheets	11.9	11.4	12.2	12.8	14.6	17.0
	<sup>(11)</sup> Copier paper per employee	kgs	56	N/A	N/A	N/A	N/A	N/A
	Copier paper per core office hour	kgs	16.69	N/A	N/A	N/A	N/A	N/A
<b>Biodiversity</b>	No. of occupied sites with biodiversity action plan	No.	2	2	2	1	1	1
<b>Suppliers</b>	% of compliant key suppliers	%	100%	86%	84%	89%	75%	N/A
<b>UK employees</b>	<sup>(13)</sup> Office based staff	No.	6,281	N/A	N/A	N/A	N/A	N/A

### Notes:

- (1) 2006 figure includes CO<sub>2</sub> from 99% of UK occupied properties.
- (2) Employee numbers taken from average security headcount where available (recorded 11 am at main offices) and from workstation numbers at smaller offices.
- (3) N/A = Not available
- (4) Improved data in 2006 with average CO<sub>2</sub> rating of hire cars provided. 2005 and 2004 figures have been adjusted accordingly.
- (5) Mileage figures exclude business mileage undertaken in employee owned cars as opposed to Company and hire cars.
- (6) Only includes metered gas consumption.
- (7) Normalised energy data excludes St Monica's training centre and is based on headcount where available (see note 2).
- (8) Recycling figures expanded in 2006 to include all major offices.
- (9) Occupied properties only. Temple Court and fire suppression systems included in 2006.
- (10) Figures converted to kgs from reams in 2006.
- (11) Taken from data and headcount at the five largest offices.
- (12) Not used for normalisation of 2006 data as this excludes site based contractors/temporary staff and includes home workers/third party workers.
- (13) Numbers taken from 11 am headcount on security passes at main offices and workstations at other regional premises.

# Our Communities

## Community Involvement Snapshot

Breakdown of Community Involvement (CI) contributions (2006 and 2005)

	2006		2005	
	£000's	%	£000's	%
Cash support	2,298	87	2,279	86
Employee time	110	4	130	5
Gifts in kind	50	2	26	1
Management costs	195	7	215	8
<b>Total CI contribution</b>	<b>2,653</b>	<b>100</b>	<b>2,650</b>	<b>100</b>



Maths fun day, held in a school in Cardiff



St John Cymru, Cardiff, teaches schoolchildren life-saving skills

### Overview

Strategic and effective involvement in the communities in which we operate, and where our employees live and work, is an important facet of our CSR programme and an integral part of our business activity.

Legal & General contributed more than £2.6m to community initiatives in 2006. The table above provides a breakdown of these contributions, with 2005 comparatives. As in previous years, we've categorised our giving according to Business in the Community's PerCent Standard.

During 2006 we joined the London Benchmarking Group (LBG), and from 2007 we will use its data-management tool to track and collate our donations. Although we've measured the 'inputs' of our community investment for a number of years, with increasing accuracy, one of the key aims of our LBG membership is to help us more thoroughly assess what our programmes actually achieve, in other words the 'outputs'. We hope, therefore, to be able to report these outputs more systematically in future years.

Legal & General's Community Involvement (CI) programme comprises four main areas: Major Community Partnerships, Local Community Partnerships, Employee Support and a Young Excellence Scheme. Each of these areas is explained and illustrated below.

We have chosen to focus on issues that are complementary to our business and, specifically, to support organisations whose work is aligned with our own activities. This approach ensures a positive impact on the charities we work with, and also adds value to Legal & General. During 2006 our Major and Local Community Partnership programmes focused on:

- Crime prevention
- Serious illness prevention
- Caring for the disabled and elderly
- Improving numeracy, financial literacy and awareness
- Encouraging youth inclusion and helping young people achieve their potential
- Entrepreneurship
- Environment

We do not support animal charities, charities based overseas or international projects, religious organisations (unless the project is for the benefit of the community as a whole) or political organisations. The one exception to this rule is the provision of match-funding for employees who have raised money for such charities (see 'Sponsorship Matching').

Our CI policy and criteria are reviewed regularly by the Charity Committee and approved annually by the Group Board.

**Fig 1. Highlights from some of our key Major Community Partnerships in 2006**

**Age Concern – MoneyTrail project**

MoneyTrail is interactive software in the form of a decision tree. It aims to help people plan for their retirement and make informed choices that lead to a more satisfactory income in retirement. Content was developed during 2006 and the product will be launched in 2007.

**Millennium Mathematics Project (MMP)**

Second year of funding for interactive video-conferencing (VC) project linking Cambridge University with four Cardiff schools. The project aims to increase pupils' confidence and their awareness of maths applications in other disciplines. Feedback from year one was very positive. One school is now involving a group of Special Educational Needs children in the project and two schools now use VC equipment outside the scope of the project.

**Maths teacher meetings**

Ongoing funding for 'teacher meetings' for maths teachers, to help them improve their classroom practice and make lessons more interesting and relevant. Attendance has increased each year, with over 1,500 teachers attending an event in 2006. Events have attracted delegates from a range of schools across the country and the academic spectrum. Plans for 2007 include running meetings with a specific topic focus, based on 'problem areas' identified by teachers, as well as maths 'fun days' in schools.

**British Heart Foundation (BHF)**

Further support for two healthy lifestyle publications, 'Get Active' and 'Stress and your Heart'. We continued to promote the BHF's 'Think Fit' pack (supported in 2005), aimed at promoting to employers the corporate and individual benefits of a healthy lifestyle and encouraging people in workplaces to take more exercise and eat healthily.

Together with the BHF, we also organised 'Healthy Employer of the Year' awards in 2006.

**Crimestoppers**

Support for 1,000 educational resource packs entitled 'Me, Myself and Eye', to be available to schools in each of our main office locations. They are designed for 9-11 year olds and aimed at helping them explore choices and consequences, raise awareness of Crimestoppers as a channel for reporting crime and ultimately contribute to reduction in crime in these areas. To be launched early in 2007.

**Royal Opera House (ROH) – Schools' Matinees Programme**

The Legal & General Schools' Matinees Programme is an annual series of six matinee performances by the Royal Ballet and Royal Opera Company. They give many young people their first experience of ballet and opera in a prestigious theatre.

Over 12,000 primary and secondary school students and teachers attended performances during the 2005-06 season, from schools across the UK. Through the programme, therefore, ROH Education is successfully introducing the lyric arts to thousands of students each year.

**"We raised £305 before Christmas for our local charity, Outlook House. The Company's sponsorship matching boosted this to £610, which, with money previously raised, will go towards furnishing a laundry room in the charity's new home. The matching means we can set some really worthwhile goals."**

**Dave Mercer, Hove**

**"I found out about the GAYE scheme at Legal & General after I'd already been giving regularly in memory of my aunt. Through the scheme I can double the amount the charity receives and they can count on this regular donation."**

**Frances Borrer, Hove**



Birmingham's 'sponsored slim' team, which raised money for the British Heart Foundation



"I can't believe that I actually won the award when there were so many other great nominees. I was very pleased and thank you to L&G for the opportunity."

David Sztypuljak, London (left)

David won his MAD Award for his consistent support over many years for a number of charities and initiatives both in the UK and overseas. David has volunteered time, money, skills and energy and has also given up much of his annual leave to work on summer camps and overseas projects.

"Our successful charity slim within the Risk Management Unit raised £550 for the BHF and introduced me to Legal & General's sponsorship matching facility."

Louise Dowling, Birmingham

### Major Community Partnerships

This part of our CI programme involves developing strategic partnerships with a small number of national charities.

As a financial services company, it's important to us that our customers, potential customers and society as a whole, are financially literate and able to make informed decisions about straightforward financial matters. Therefore, although we endeavour to maintain partnerships which meet each of our CI criteria, in recent years we've increased our focus on charities and projects that promote various aspects of financial literacy.

Some of our current major partnerships are detailed in Fig 1.

### Local Community Partnerships

Supporting the communities that are local to our main offices is an important element of our CI programme and is strongly supported by our employees. We believe it is here that we have the greatest scope for making a positive impact. We have a CI coordinator at each office, with responsibility for identifying suitable funding opportunities and managing relationships with local community groups.

Some of our local partnerships are detailed in Fig 2.

### Employee Support Schemes

Employee involvement in our CI programme is strongly endorsed and encouraged, and we're proud of the number of our employees who choose to be involved. We operate a number of programmes designed to support their contributions and efforts.

#### Give As You Earn (GAYE)

This scheme supports employees in their financial donations to charity, with Legal & General matching contributions up to £20 per month. Staff participation is continually encouraged and promoted and, as a result, nearly 12% of employees were donating regularly to charity via the scheme by December 2006, our highest proportion of donors ever! (Figs 3 and 4.)

#### Sponsorship Matching

We match the first £750 per year raised per employee for a charity or community group. This scheme is increasingly popular with employees, with record numbers of employees applying for the grant – just under 600 in 2006.

#### School Governors' Scheme

Legal & General donates £500 per annum to every school which has a Legal & General employee as a governor. Sixty-one schools currently receive

support. A further £250 per annum is provided to schools with specific programmes to develop maths teaching or financial literacy.

#### Employee Volunteering

Although volunteering has taken place on an 'ad hoc' basis for some time, during 2006 we developed a policy which is eventually intended to enable all employees to spend one work day per year volunteering their services and skills for the benefit of specific community or environmental groups. A key aim is to maximise our potential impact on these groups by undertaking team projects or activities, and we believe that the initiative will also enable our people to develop their professional skills. The policy has been piloted in our Hove office since February 2007, and we hope to roll it out to all office locations later in the year.

#### Young Excellence Scheme (YES)

This scheme supports young people who have shown exceptional sporting, musical or creative talent. We aim to assist youngsters at the start of their careers, and to help them to pursue their ambitions more fully than would otherwise be possible.

As at 31 December 2006 we had 18 YES members, practising music and a wide

variety of sporting disciplines, and many of them are achieving outstanding success in their chosen field. A particularly notable example is Matthew Clay, a young swimmer who won a gold medal for England at the Commonwealth Games in March 2006.

The following criteria must be met for support to be considered:

- Applicants must be aged between 14 and 27
- Applications from individuals playing team sports will only be considered if the individual is under the age of 18
- Applicants must have already reached a very good standard in their chosen field
- Applicants must not be in receipt of support from other financial services organisations
- Applicants must have a genuine financial need relating to their field of expertise

Individuals wishing to apply are invited to write to Margaret Hall: Margaret.hall@group.landg.com.

#### Making a Difference Awards

Our 'Making a Difference' (MAD) Awards, which were launched in 2005 to recognise employees who devoted time and commitment to the environment, were expanded in 2006 to encompass community and charity work as well.

A wide range of high quality nominations were submitted throughout the year and were judged by the Local CSR Committee (see 'Our Environment') in each main office location. Winners received an award of Bonus Bonds and a desk trophy, and those who had nominated a winner also received a cheque for their chosen charity. The year culminated in a highly successful MAD Awards ceremony in November, at which the activities and achievements of each local committee were celebrated and two overall winners from each location were presented with a certificate and a cheque for £1,000 for their chosen charities.

Feedback from the new MAD Awards format and the ceremony was extremely positive and we are looking forward to building on this success, and continuing to encourage and recognise the commitment of so many of our staff, in 2007.

#### Looking forward to 2007

**Key areas of focus for 2007 include:**

- Reviewing the success of the Employee Volunteering Pilot Policy in our Hove office, and rolling out to all offices
- Raising awareness of our Sponsorship Matching Scheme and increasing the proportion of employees receiving a grant from the Scheme

**Fig 2. Highlights from some of our key Local Community Partnerships in 2006**

#### Help the Aged (Birmingham)

We support Help the Aged's busiest HandyVan in the country. The HandyVan is a vital support in helping older people live independently, and has enabled more than 800 elderly people in Birmingham to have security devices fitted in their homes during 2006.

#### St John Cymru (Cardiff)

In 2006 we embarked on a three-year partnership with St John Cymru in support of its 'Young Lifesaver Scheme'. The scheme provides teachers throughout Wales with the opportunity to teach First Aid to children aged 7-16. Several Cardiff employees have also benefited from the partnership by attending 'Breath of Life' First Aid Courses.

#### Rockinghorse Appeal (Hove)

The Hove office raised over £25,000 for the Rockinghorse Appeal in 2005-6, to go towards new lung function equipment for the new children's hospital opening in April 2007.

#### Crimestoppers (Kingswood)

We supported the 'Saw it? Report it!' campaign in Redhill, resulting in a 39% increase in actionable calls to Crimestoppers and a 21% decrease in criminal offences in the local area.

#### Businessdynamics (London)

Businessdynamics is a business education and enterprise charity that aims to bring business to life for young people and improve their key skills. We support programmes in a number of schools in the Greater London area and use Legal & General volunteers where possible.

**Fig 3. Number of Legal & General Give As You Earn Donors (2006 and 2005)**

	31 December 2006	31 December 2005
Employees	1,071	877
Pensioners	55	46
<b>Total</b>	<b>1,126</b>	<b>923</b>

**Fig 4. Give As You Earn contributions (2006 and 2005)**

	2006 (£000's)	2005 (£000's)
Employee Donations	352	316
Legal & General contribution		
Matching	180	128
Legal & General payment of administrative charges	21	18
<b>Total</b>	<b>201</b>	<b>146</b>

**Fig 5. Charitable Giving Campaign Legal & General America**

	2006	2005
Number of Employees	375	360
Number of Contributors	148	185
Employee Contributions	\$129,528	\$137,644
Company Matching Contributions	\$129,528	\$137,644
Total Campaign	\$259,056	\$275,289
Average Amount Raised per Participant	\$1,750	\$1,488
Average Amount Raised per Capita	\$691	\$765



The Rockinghorse Appeal, Hove, receives a donation from Kate Avery, Group Director (Wealth Management), on behalf of the Hove office



In the run-up to Christmas Kingswood employees took part in the 'Soupa Stars' project, organised by homelessness charity Crisis. Instead of enjoying their usual lunches, thoughtful employees feasted on soup and a roll for £1, with the money being donated to Crisis

**“Help the Aged is extremely grateful for Legal & General’s support for our Cardiff and Birmingham HandyVan schemes. This support allows us to secure the homes of the most vulnerable older people in both cities, preventing burglary and bogus caller crime and restoring peace of mind.”**  
 Hannorah Lee, Senior Corporate Partnerships Manager, Help the Aged

■ Holding a ‘Making a Difference’ Roadshow (in April 2007), aimed at increasing employee awareness of the charities, community and environmental groups we work with and how we can support them in their charitable involvement. The Roadshow will visit each major office location during the week and a selection of our major and local charities will be attending

Please see ‘2007 Targets’ for the specific targets we have adopted.

**Overseas Community Involvement**  
**Legal & General America**

Legal & General America takes an active role in supporting the community in which we live and work. 2006 was marked with three significant avenues of corporate giving, which are outlined over the page.

**Employee Volunteer Activities**

Legal & General America allows employees to take up to two days of paid leave a year to participate in approved charity work within our communities. One group of employees from our William Penn office came together with Habitat for Humanity to complete the façade of a new home for a local, disadvantaged family. On seven occasions throughout December, another group of Rockville employees prepared and served meals to 70 senior citizens who were temporarily displaced from their homes due to fire and water damage.

**Employee and Corporate Charitable Donations**

Legal & General America makes annual charitable donations in the following categories: Health, Education, the Arts, the Disadvantaged, Community and the Environment. Current partners include the Special Olympics, the Cystic Fibrosis Foundation, NY Cares, and educational institutions. Legal & General America also matches employee contributions to approved charities up to an annual limit per employee.

**Legal & General Netherlands**

Legal & General Netherlands sponsors a number of local projects which benefit the region of Hilversum, in which its office is located. Seven projects were selected for 2006, including Oxfam Novib.

## APPENDIX 1 UK WORKPLACE DATA 2006

Grade and Gender	Male	Female	Total
Executive Director	4	1	5
Professional/Management	1,565	776	2,341
Staff	3,155	3,687	6,842
<b>Total</b>	<b>4,724</b>	<b>4,464</b>	<b>9,188</b>

Ethnic Background	Percentage	Total
Bangladeshi	0.3	28
Black	1.8	162
Chinese	0.6	54
Indian	2.3	211
Mixed	1.1	102
Other/Not Known	0.9	86
Pakistani	0.6	54
White	92.4	8,491
<b>Total</b>	<b>100.0</b>	<b>9,188</b>

Age	Percentage	Total
Under 25	16.4	1,508
25-35	37.1	3,412
36-45	26.6	2,443
46-55	14.8	1,356
55+	5.1	469
<b>Total</b>	<b>100.0</b>	<b>9,188</b>

Length of Service	Percentage	Total
0-5 years	57.1	5,242
6-10 years	23.2	2,131
11-15 years	4.0	370
16-20 years	8.3	763
21-25 years	2.9	265
25+ years	4.5	417
<b>Total</b>	<b>100.0</b>	<b>9,188</b>

These figures relate to total UK employees as at 31 December 2006.

## APPENDIX 2 USA WORKPLACE DATA 2006

Number of employees: 375

Grade and Gender	Male	Female	Male	Female
	Percentage		Count	
Total Employees	34	66	127	248
Staff/Clerical	18	82	29	132
Professional/Management Officers	40	60	72	106
	72	28	26	10

Ethnic Background	Percentage	Count
White	58	217
Black	28	106
Hispanic	5	18
Asian	9	34
Native American Indian	0	0

Age	Percentage	Count
Under 25	5	17
25-34	35	131
35-44	27	101
45-54	20	75
55 and over	14	51

Length of Service	Percentage	Count
0-5 years	62	232
6-10 years	21	79
11-15 years	5	20
16-20 years	5	18
21-25 years	3	12
Over 25 years	4	14

Accident Statistics	Percentage	Count
Reportable Incidents	0	0
Fatal Accidents	0	0

**APPENDIX 3  
NETHERLANDS WORKPLACE DATA 2006**

<b>Gender and Department</b>	<b>Male</b>	<b>Female</b>	<b>Total</b>
Actuarial Services	6	1	7
Executive Office	2	4	6
Existing Business	11	14	25
Facility Services	6	4	10
Financial Administration	5	4	9
Fiscal and Legal Affairs	3	2	5
ICT	11	3	14
ICT [Key Projects]	12	1	13
Marketing	3	8	11
New Business	13	22	35
Personnel Affairs	0	4	4
Sales	18	5	23
UK	1	0	1
<b>Total</b>	<b>91</b>	<b>72</b>	<b>163</b>

<b>Ethnic Background</b>	<b>Percentage</b>
Dutch	95.70
Turkish	1.25
Moroccan	0.61
British	0.61
French	0.61
Greek	0.61
Korean	0.61
<b>Total</b>	<b>100</b>

<b>Length of Service</b>	<b>Male</b>	<b>Female</b>	<b>Total</b>
0-1 years	19	10	29
1-2 years	9	13	22
2-3 years	10	3	13
3-4 years	5	4	9
4-5 years	4	11	15
5-8 years	17	19	36
8-10 years	8	7	15
10-15 years	7	2	9
15-20 years	9	1	10
20-25 years	3	2	5

<b>Salary Scale</b>	<b>Male Percentage</b>	<b>Female Percentage</b>	<b>Total Percentage</b>
01	0.00	0.61	0.61
03	2.44	1.22	3.66
04	3.66	6.10	9.76
05	4.88	12.20	17.07
06	3.05	4.27	7.32
07	8.54	4.88	13.41
08	14.02	6.71	20.73
09	6.10	4.27	10.37
10	4.88	2.44	7.32
11	1.83	0.00	1.83
12	2.44	0.00	2.44
8a	0.61	0.00	0.61
9a	0.61	0.00	0.61
(none)	3.66	0.61	4.27
<b>Total</b>	<b>56.71</b>	<b>43.29</b>	<b>100</b>

Age	Male	Female	Total
20-25	3	4	7
25-30	9	14	23
30-35	9	14	23
35-40	19	17	36
40-45	24	12	36
45-50	13	9	22
50-55	7	2	9
55-60	5	0	5
60-65	1	0	1
65 +	1	0	1
<b>Total</b>	<b>91</b>	<b>72</b>	<b>163</b>

**APPENDIX 4  
FRANCE WORKPLACE DATA 2006**

Number of employees: 195

Grade and Gender	Male	Female	Male	Female
	Percentage		Count	
Total Employees (ex non executive directors)	56.4	43.6	110	85
Staff/Clerical	45.2	54.8	38	46
Professional/Management	64.9	35.1	72	39

Age	Percentage	Count
0-25	1.0	2
25-35	31.3	61
36-45	35.4	69
46-55	21.0	41
55+	11.3	22

Length of Service	Percentage	Count
0-5 years	48.2	94
6-10 years	19.0	37
11-15 years	14.3	28
16-20 years	11.3	22
21-25 years	3.6	7
Over 25 years	3.6	7

# Verification of CSR Report 2006

## Background

The Legal & General Corporate Social Responsibility Report includes sections on customer policies, our employees, the environment, our suppliers, community initiatives and socially responsible investment. Where relevant we have also included details of how Legal & General America and Legal & General Netherlands address these areas as well as selected data on our other overseas operations.

Group Internal Audit has provided independent verification of the Report as noted below:

## Objectives

The objective of this verification is to express an opinion on:

- The reliability of the processes used by Legal & General to identify, collect and report data and supplementary information included within the Corporate Social Responsibility Report.
- The accuracy and completeness of data included in the Report.

## Summary of Procedures Performed

In contrast to financial reporting standards, statutory reporting and verification standards do not exist for the review of social and environmental performance. Group Internal Audit has, therefore, applied a methodology consistent with best audit practice in undertaking this verification procedure.

## Our review comprised:

- Interviews with senior management within Legal & General and a review of the processes in place to report qualitative data.

- Review and sample testing of data including reference to supporting documentation where appropriate. Reliance was placed on the ISO9001 and ISO14001 certification of certain systems within Legal & General where appropriate.
- Review of the final content of the Report to assess consistency with the overall findings of our work.

## Opinion

On the basis of the work performed, we have reached the following opinion:

- Appropriate management systems have been put in place to capture and consolidate Corporate Social Responsibility performance information related to Legal & General's Groupwide activities; and
- Quantitative data is accurately stated within the Report and the rationale for using estimated figures is recorded where relevant.

**Christopher Sparrow**  
Group Chief Internal Auditor  
April 2007

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