

# Acting responsibly for you

LEGAL & GENERAL GROUP PLC | CORPORATE RESPONSIBILITY REPORT 2017



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## Our focus areas

We have a wider role in the world to improve society, the economy and the environment. We have linked the following four focus areas to the United Nations Sustainable Development Goals (SDGs):

1. **Running our business to a higher standard**
2. **Making society more resilient with our financial solutions**
3. **Creating new investments for the future economy**
4. **Transition to a low carbon economy**

## 2017 highlights

**£14.5bn**

invested to date in direct investments, including housing, urban regeneration, clean energy and small business finance

**£3.7m**

contributed into UK and US non-profit organisations

**6,200**

students and 379 teachers reached through our secondary school financial education programme

**60+**

mental health first aiders

**20+**

areas of business policy tested through the Responsible 100 network

**£1,234m**

total global tax contribution



Our purpose is to improve the lives of customers, build a better society for the long term and create value for shareholders. This shapes every aspect of how we do business.”

## Our behaviours

### **Straightforward**

#### **How we communicate**

Building trust by doing what we say and saying what we mean. We are fair and transparent, open to feedback and always seek to communicate in a fair and genuine way.

### **Collaborative**

#### **How we work together**

Working together constructively, seeking out originality in ideas and valuing the diversity in our teams. We engage our networks and stakeholders to shape our ideas and manage the impact of our decisions.

### **Purposeful**

#### **How we deliver**

Balancing performance with principles to do what's right for the business and our customers. We work with pace and energy, always taking ownership and demonstrating excellent execution.

## Our business principles

### **Customer led**

Our customers are at the heart of everything we do. We develop solutions to build financial resilience and meet their present and future financial goals. We strive to achieve great value, excellent service and responsiveness; being easy to deal with and communicate with.

#### **Examples:**

##### **Creating the right products**

Our product life-cycle management sets out the standards we require, and the approach we follow when designing, launching and managing products.

### **Critical friends**

We use a number of charity sector professionals to help us review our products and services. This helps us improve our service, processes and innovate new products.

### **Economically and socially useful**

We aim to ensure our products, services and investments have both economic and social value. Our long-term financial sustainability benefits our customers, employees, shareholders, suppliers and society at large.

#### **Examples:**

##### **Active ownership**

We aim to improve the performance of the companies we invest in through responsible board behaviour and commitment to good environmental, social and governance practices.

### **Real assets**

We create direct investments which generate investment returns and help build cities, homes, jobs and communities.

### **Fair and transparent**

We treat all our customers, employees, investors, suppliers and regulators with integrity and openness. It should be easy to understand our intentions, provide us with feedback, challenge us and work with us.

#### **Examples:**

##### **Speaking out**

We have launched a new 'speak up' initiative, part of our commitment to listening and acting on feedback from employees.

### **Working with NGOs**

Last year, 20 areas of our business worked with over 350 NGOs and experts to look at our policies.

### **Inclusive**

We value inclusiveness and embrace difference to engage and empower our people. We recognise and reward success, investing in the development and wellbeing of our employees.

#### **Examples:**

##### **50/50 by 2020**

This initiative is designed to encourage gender diversity and remove the barriers to women progressing throughout the company.

### **Helping vulnerable customers**

Our insight into the needs of vulnerable customers helps us create products and investments which help people through difficult times. We liaise with charities and social enterprise experts to help guide us on how we can improve.

# 2017 Review of our sustainability strategy



**Nigel Wilson,**  
Group Chief Executive Officer



Successful companies are those that understand the importance of behaving responsibly for the good of society and acting in the interests of their customers."

Inclusive capitalism means running a successful and responsible business which benefits shareholders, customers and broader society. That involves us in using our assets in an economically and socially useful way to improve the lives of our communities.

We are striving to be more inclusive in everything we do:

- making sure that our products and services are suitable for the widest possible group of people
- providing opportunities in our company to anyone who has the ambition and talents to succeed
- helping people throughout our communities, including those who are experiencing deprivation or physical or mental impairments. We also help these communities through investment in housing and infrastructure.

### Our achievements in 2017

We can only become a fully sustainable business if we embed responsible behaviour in everything we do. Some of our key achievements in 2017 were:

#### 1. Using our investment funds to build a better real economy

We have so far invested £14.4 billion, up by £4.4 billion from 2016, creating real assets and real jobs for the real economy. Our programme of direct investments includes urban regeneration, housing, clean energy and SME business financing.

#### 2. Moving towards a low carbon world

Our investment management business has signed up to the Task Force on Climate-related Financial Disclosures and has developed the Future World investment fund, to encourage investments into environmentally sustainable businesses. We have set ourselves goals to reduce our own carbon emissions per policy by 20% by 2020.

#### 3. Improving family resilience

The core of our insurance and savings businesses is helping families protect themselves against the effects of devastating events such as premature death, long-term sickness, floods, fires and poverty in retirement. Our life insurance businesses paid out on average £1.74 million every day in claims in 2017, settling 98% of all claims made. In addition, we are helping more and more people save for retirement. We now have 2.7 million customers in auto-enrolled pension schemes and other direct contribution plans.

#### 4. Campaigning activities

Our employees have been active in a number of projects to help communities across the country. Some important areas have been Alzheimer's research, homelessness and poverty in old age. One cause which is particularly important to me is the need to understand more about the causes of mental illness. We have supported the 'Not a Red Card' campaign which aims to change perceptions about mental health.

## £1,004m

loans advanced through our lifetime mortgage business to help older people manage their finances in retirement

## £1bn

invested in build to rent homes

### A responsible future

Our CSR Committee has decided that going forward we should focus our activities on four areas:

1. Running our business to a higher standard: embedding corporate responsibility in every aspect of the business.
2. Making society more resilient with our financial solutions.
3. Creating new investments for the future economy.
4. Transitioning to a low carbon economy.

You can read about these areas on pages 18 to 32.

### Strategic alignment

We seek to align our work in corporate responsibility with the growth drivers that form the basis of our commercial strategy: ageing demographics, globalisation of asset markets, creation of new real assets, welfare reform, technological innovation and the provision of today's capital.

This alignment enables us to work effectively, and particularly to identify and address areas of market failure where we can make a difference, delivering solutions that benefit society at large. Examples include our work on health and resilience in old age, our housing and regeneration activities and our provision of patient capital for SMEs.

### Setting ourselves realistic targets

Prior to 2017, we set ourselves five-year targets for the group. We based these upon stakeholder feedback, materiality and the need to set realistic, but challenging goals. Our performance targets are aligned to the UN Sustainable Development Goals.

Pages 12 to 17 of this report covers the progress we have made against these targets.

### Making sure we are fit for purpose

We have a number of 'critical friends' that help us make sure that we do business the right way. Last year over 20 areas of business policy were tested through the Responsible 100 network. These included carbon emissions, workplace inequality, culture, board effectiveness and the responsible use of artificial intelligence.

### The future

Looking forward to 2018 we know we can't have all the answers ourselves and as a business we continue to look for like-minded external partners to improve our understanding of mental health, intergenerational unfairness and innovative housing solutions. The social sector has many answers to these issues and we want to hear from you on both sides of the Atlantic. Why not contact us?



**Nigel Wilson**

Group Chief Executive Officer

# About us / what we do



We have been helping people look after their finances since 1836. Today, our expertise in managing investments makes us one of Europe's biggest investment managers, managing £983 billion of assets globally. Our expertise in understanding mortality has led to us being the UK's biggest provider of life insurance and a market leader in providing people with secure incomes in retirement.

We have three main business groups which work together.

Our strategy is determined by our six global growth drivers, where we develop products, services, and investments in keeping with our four CSR focus areas.

## 1. Investment Management

Legal & General Investment Management (LGIM) is the UK's largest investment manager of UK corporate pension schemes. LGIM helps UK companies with defined benefit pension schemes manage their liabilities to ensure that their scheme members are paid their pensions on time and in full. In addition, we are also the UK's No 1 manager of defined contribution assets, with £68.2 billion assets under management. These include auto-enrolled pensions, which are increasingly making a difference to the retirement savings of more and more relatively lower-paid people, many of whom are saving for retirement for the first time.

We are also rapidly growing our international investment management businesses, where we now have £228 billion of assets. The US is our biggest and most important overseas market.

LGIM also are developing their retail investment business, where we want to encourage a wider group of people to own investment-backed savings plans, using either online services or with advice from a financial adviser. LGIM's scale means that we are a major investor in most companies in the UK and globally. This gives LGIM a responsibility to ensure that those companies we invest in are well-run and well-governed.

LGIM's corporate governance team has built up enormous respect within the industry, working tirelessly on behalf of our clients.

## 2. Insurance

Our life insurance business, Legal & General Insurance (LGI), helps UK individuals protect themselves from the effects of death, critical illness and permanent disability, and long-term sickness. In the US we also offer life insurance cover to individuals. Our UK group protection business can provide life, critical illness and long-term sickness cover for employees and their families.

LGI also have a UK housing-related business which helps people find suitable mortgages through our panel of lenders operating through our mortgage club. We also offer a surveying service.

Our UK general insurance business provides home contents and buildings cover, landlord insurance, pet insurance and travel insurance.

## 3. Investing and Annuities Legal & General Capital (LGC)

This business was established to invest part of our shareholder capital and part of the assets held by Legal & General Retirement (LGR). As a group we have now put over £14.4 billion into direct investments such as urban regeneration, housing, clean energy and small businesses. LGC's share of this is £2.5 billion.



My goal is to improve the quality of life for older people by empowering them to manage their financial and physical wellbeing in retirement.”

**Chris Knight, Chief Executive Officer,**  
Legal & General Retirement Retail

### Legal & General Retirement has two key businesses

LGR Institutional offers ‘pension risk transfer’ products to pension scheme trustees who want to ensure that pension schemes have enough money to pay retired members on time and in full. These products include bulk annuities, where we take over the responsibility for managing the payment of pensions rather than the scheme trustees.

LGR Retail provides customers with products to help them manage their finances in retirement. Annuity products give people a guaranteed income, either through life or for a fixed term. We also enable people to make use of the equity in their homes to boost their retirement finances, through lifetime mortgages which are paid off on death or when entering a nursing home.

### Our customers

We have nearly nine million UK retail customers and also look after over four million people in our corporate, institutional and international businesses.

- Our UK insurance businesses look after around five million individuals, with another two million people covered in group schemes and one million people covered in the US
- We provide pension income for one million people
- We have 2.7 million people saving for retirement in our auto-enrolled pension schemes
- We also have around 1.5 million people with savings plans.

On the corporate and institutional side, we provide investment management services for nearly 3,000 clients.

### Ownership and management

Our business is owned by our shareholders and has a market value of over £15 billion. Our Board is led by our Chairman, Sir John Kingman, with a team of four executive directors and five non-executive directors.

### Our people

We have around 7,500 employees globally, with the majority based in the UK in our main offices in London, Hove, Cardiff and Birmingham. In the US we have around 650 employees. The performance of our employees depends upon personal achievement, based around three key behaviours which we embody:

1. **Straightforward**
2. **Collaborative**
3. **Purposeful**

# Overview of our strategic approach to CSR

Our approach is to embed corporate and social responsibility in everything we do.

This begins with our culture, where our three behaviours: 'Straightforward', 'Collaborative' and 'Purposeful' focus on responsible behaviours that enable us to deliver for our customers. Our business principles: 'customer led', 'economically and socially useful', 'fair and transparent' and 'inclusive' ensure that we carry out all our business activities in a responsible manner.

Our six growth drivers, which inspire our strategic development, are our responses to the macro-economic needs of people globally. These growth drivers ensure that we develop our strategy in a way that is relevant to everyone and is rooted in the real issues that affect us all.

## Developing a sustainable business

Our businesses develop products, services and investment solutions based upon our six growth drivers. These in turn build economic, environmental and social value for society.

We bring in external critical friends and partners to different parts of our business to help improve our business decision making. This helps make sure that the key functions in our business are fit for purpose and are doing business in an economically and socially useful manner.

Finally, the CSR targets we set ourselves make sure we are on track in creating a responsible and sustainable business. Our aim is eventually to integrate these into non-financial reporting targets.

## Board level accountability

The Group Corporate Responsibility and Ethics Committee (GCRE) manages the Environmental, Social and Governance (ESG) performance of the group.

The Group Board and the Group Executive Committee are given a yearly update of our materiality position with key stakeholders with a summary of the group's key deliverables and oversight of the forward looking targets.

## GCRE Delivery Committee

The Group Corporate Responsibility and Ethics Delivery Committee (GCRE) meets four times a year and consists of people who own ESG targets on behalf of the group. The Committee's role is to:

- initiate an independent materiality assessment with stakeholders
- own and progress public targets
- highlight any areas of emerging ESG risks and opportunities raised by stakeholders during the year
- set and integrate the group's Ethics Policy across the company
- ensure that the company's responsible business policies are fit for purpose
- produce a yearly report on the group's ESG performance in the form of a sustainability report
- support increased disclosure of non-financial reporting and ESG risks within the annual reporting process.



# Independent materiality analysis 2017

## 400

external stakeholder views on our UK operation

## 77%

stakeholders who commented that we address the right issues within our Sustainable Development Goals

We conducted an online stakeholder survey that focused on our Corporate Responsibility ('CR') efforts. Nearly 400 stakeholders responded with their views on our UK operations, the majority of which were external stakeholders.

Stakeholders believe that cyber security, climate action (environmental issues in general) and customer privacy are most likely to increase in relevance over the next three to five years. Stakeholders perceive that we are performing well in these areas.

Issues where we performed moderately well include urban regeneration, community engagement and supporting young people.

Feedback showed that 77% of stakeholders commented that we address the right issues within Sustainable Development Goals.

We received the following further suggestions on what additional areas our strategic focus should cover

- support young people to find affordable housing
- invest in building UK infrastructure
- develop youth education and equal opportunity
- support rural communities.

The majority of stakeholders consider that we are very transparent in running our business, however it was noted that there should be more transparency regarding our pricing and where finances are being invested.

Going forward, we will focus on:

- Connecting our customers better to the regeneration work that we are doing in their local area
- Looking at how our housing work is helping young people get access to the housing market.

### Material issues over the next five years

- cyber security
- climate action
- customer privacy

These are the most likely to increase in relevance over the next three to five years.

# Materiality matrix

## Business Integrity and Business Ethics

- A Corporate Governance
- B Compliance
- C Active stewardship
- D Integration with governments (regional, national, continental)
- E Risk management
- F Taxation transparency
- G Culture and ethics
- H Treating suppliers fairly
- I Cyber security

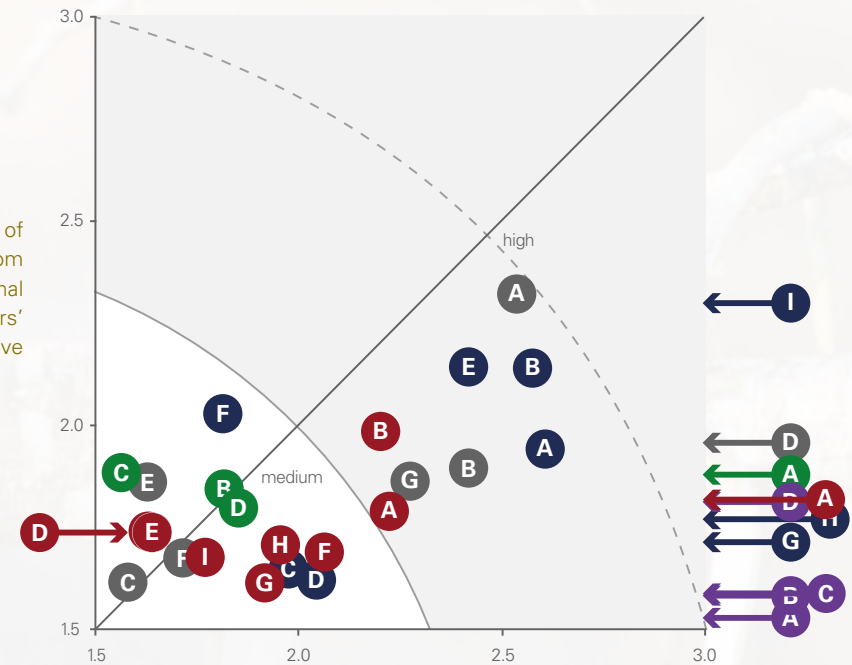
## Employees

- A Diversity and equal opportunity
- B Employee and director remuneration
- C Wellbeing – employee care
- D Employee inclusion
- E Human rights
- F Long-term leadership
- G Occupational health and safety
- H Recruiting and retaining talent
- I Training and further education

## Serving Customers Responsibly

- A Customer privacy
- B Claims management
- C Education
- D Customer experience journey
- E Financial inclusion and access to products and services
- F Product innovation
- G Occupational health and safety

Relevance of issues from external stakeholders' perspective



Relevance of issues from the company's perspective

# Engaging with our stakeholders

Engaging with different stakeholder groups is extremely important. It helps us understand the issues they face and their expectations of a responsible business.

The following stakeholder groups are key for us:

- Employees
- Customers
- Investors
- Community Groups
- Non-Government Organisations
- Governments and Regulators
- Charities and not-for-profit partners
- Suppliers.

We invite representatives from these groups to participate in roundtables, online surveys and one to one meetings. This helps us understand their views and explain our perspectives.

Non-Government Organisations (NGOs) often provide early indications of consumer and societal sentiment around what's expected from business.

## Critical friend feedback

In 2017, 20 areas of our business engaged with over 350 NGOs and experts through the Responsible 100 network. We scored 67% for our performance across 20 areas, including employee engagement, environment, culture, tax, community engagement, cyber security, data protection and suppliers, and were rated 'good-to-excellent'.

During 2018, we will carry out further testing in key areas of our business: for example, transition to a low carbon economy, diversity in the workplace, marketing to vulnerable groups and reducing inequality.

## Interaction with LGIM

Legal & General Investment Management (LGIM) Corporate Governance team is very active in intervening and campaigning for Environmental, Social and Governance performance. They play a key role in making sure that the group's performance on ESG is aligned with LGIM's campaigns. In 2018 we will work with LGIM on board diversity and gender diversity strategy.

## Our most material issues in 2017

Stakeholder group	How we engage	Examples for 2017
Employees	We gain feedback from employees through the annual employee survey, employee forums, speak up tool and internal communications.	CEO and Chairman World tours and CEO breakfast meetings with employees.
Customers	At the end of transactions in our direct business, surveys are issued for feedback. We also meet with NGOs who represent customer collective views on social responsibility issues.	Our meetings with NGOs such as WWF and Share Action help us understand customer views.
Investors	We meet with investors through events, conference calls and direct meetings to understand their views on the way we manage Environmental, Social and Governance (ESG) issues.	We presented our ESG credentials and performance at the BoAML conference.
Community Groups	We have contact through phone calls, roundtables and direct meetings on how our infrastructure investment affects communities. This is particularly important as we start to engage with communities based around housing developments.	We have worked with communities to build our Social Value charter.
Governments and Regulators	The Board meets regularly with the Prudential Regulation Authority and the Financial Conduct Authority.	We have attended economic partnership meetings.
Charities and not for profits	We regularly meet with charities and NGOs. They have become our critical friends on the products and services we offer.	These meetings help improve housing provision and family resilience.
Suppliers	We work closely with suppliers to ensure they maintain high standards by conducting assessments in line with our code of conduct.	We hosted a number of workshops with some of our key suppliers to help us understand the impact and process of modern slavery in the UK.

# Contributing to the UN Sustainable Development Goals (SDGs)

All companies have a responsibility to help achieve the aims of the United Nations Sustainable Development Goals (SDGs). The markets in which we operate (UK, US and India) all make an active contribution to playing our part in helping to end poverty, protect the planet and ensure prosperity for all. The UN Sustainable Development Goals help guide us, our customers and society towards a brighter, sustainable future. We have analysed which SDGs we can focus on that align closely with our strategic priorities.

## Examples



### Good health and wellbeing

Ensure healthy lives and promote wellbeing for all – at all ages.

- Cancer Research UK created a new model of early cancer prevention and diagnosis in NHS GP surgeries that has taught our life insurance business about early detection, leading to better survival rates for cancer.
- Our employee wellbeing programme has a strong focus on mental health, offering advice and support with designated mental health first aiders.



### Decent work and economic growth

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

- All employees and sub-contractors earn (as a minimum) the living wage set by the Living Wage Foundation.
- Each division has developed bespoke training above and beyond the basic computer-based training on vulnerable customers.



### Sustainable cities and communities

Make cities and human settlements inclusive, safe, resilient and sustainable.

- Investment in the regeneration of Cardiff Central Square in Wales has created a positive social impact and seen us employ 2,000 people in the city.
- We have helped towards building the world's largest offshore wind farm – providing enough power for more than 590,000 homes.

We will continue to work with stakeholders and collaborative networks to check that we are actively contributing to the right areas of the SDGs through our yearly materiality process.

## Our strategy

SDGs	Influence stakeholders to transition to a low carbon economy	Make society more resilient with our financial solutions	Create new investments for the future economy	Run our business to a higher standard
		✓	✓	✓
		✓		
		✓		
	✓			✓
	✓	✓	✓	✓
	✓		✓	
		✓		
	✓	✓	✓	
	✓			✓
				✓

# Performance against targets aligned to UNSDGs (UN Sustainable Development Goals)

In 2017 we set out five years' worth of ESG targets for the Group. These were based upon stakeholder feedback, materiality and strategic fit.

## Campaign 1

### We will run our business to a higher standard in the next 12 months (new targets for 2018 will follow)

Strengthening our corporate governance and sustainability policies, reviewing our business principles and ensuring our people embrace diversity and inclusion.

Target	Deadline for delivery	Progress update in 2017
Deliver employee roadshows in all locations to test our performance with employees against business principles.	2017	Our 'Speak up' service launched as part of our culture work to all employees alongside 'My voice' to provide our employees with an additional way of feeding back on our business principles.
Work with Open Corporates to improve our company structure disclosure to stay ahead of beneficial ownership transparency.	2017	As a result of our Responsible 100 network we have increased our data and disclosure around taxation, carbon, diversity and pay. We are working towards adopting the Open Corporates standards.
Deliver the first local sustainability report for IndiaFirst Life and the US.	2017	LGA has produced its second CSR report. IndiaFirst Life has produced more disclosure than ever on its community impact through investment and its inclusive products.
As a group we will provide financial education to at least 200 teachers and 3,000 students to better prepare them for their future.	2017	We set out to reach over 200 teachers and 3,000 KS2 pupils. We reached over 6,200 pupils and over 379 teachers in 2017.
Communicate externally our policy to stakeholders on big data usage to run our business.	2017	Responsible 100 recently assessed our current stance which scored an 'OKAY'. This shows that we are performing at a reasonable level. We are currently focused upon GDPR delivery and have a number of big data projects in the pipeline.
LGIM will formally invite external stakeholders to at least two roundtables that strengthen our Corporate Governance and Sustainability policies.	2017	LGIM's inaugural client and stakeholder roundtables were held and the feedback obtained helped to strengthen the 2018 Corporate Governance and Sustainability policies.

# Performance against targets aligned to UNSDGs (UN Sustainable Development Goals)

## Campaign 2

### We will create new investments for the future economy

Taking action to make our investment activities more sustainable and embrace Environmental, Social and Governance (ESG) factors. This applies to our own direct investments, pension scheme investment funds and social investments.

Target	Deadline for delivery	Progress update in 2017
As a group, we will continue our strategy to invest £15 billion into sectors of the economy that are economically, socially and environmentally useful.	2019	We have invested £14.4 billion in urban regeneration, housing, clean energy and SME finance.
Develop investment solutions via LGIM that are more clearly aligned to the UN Sustainable Development Goals (SDGs).	2023	Product plans remain on track. Further information will be provided in the 2018 Sustainability Report.
LGIM will develop and enhance long-term investment offerings which integrate ESG themes.	2023	Product plans remain on track. Further information will be provided in the 2018 Sustainability Report.
Legal & General Capital will enable over £10 billion of funding into small to medium sized enterprises (SMEs), supporting job creation and economic growth.	2023	Our Venture Capital and SME investment programme, including our 'SE-Assist' product, has made investments in more than 100 UK based companies. Prime areas of focus have included technology, analytics, life sciences and digital healthcare. In addition, we provide debt finance to SMEs by investing in the £1.9 billion plus Pemberton investment platform.
As a group, we will expand our divestment strategy from shareholder funds to investing in new economy assets.	2023	We have set a strategy for decarbonising our balance sheet traded assets, moving high carbon intensity investments to low carbon intensity. The group has invested £200 million of its own equity portfolio into the LGIM Future World Fund as a result.
As a group, we will support at least one development of a new economy asset classes to create economic and social value to our communities through mechanisms such as Social Stock Exchanges, Incubators and Community Share Schemes.	2019	Our SE-Assist fund continues to grow in supporting early stage social enterprises. We now have over £600k out on loan in Wales, Croydon and Sussex to 29 social enterprises. We expect this fund to have provided over £1 million of loan finance to social enterprises by the end of 2018.
By 2021 as a group, invest in major regeneration schemes in at least ten UK cities.	2021	We have recently acquired major new housing schemes in Berkshire and Oxfordshire, as well as acquiring land for the first ever Build to Rent scheme to be delivered in Brighton. Our English Cities Fund will double its investment in cities and towns in England to £200 million, as it looks to acquire more major urban regeneration schemes.

# Performance against targets aligned to UNSDGs (UN Sustainable Development Goals)

## Campaign 3

### We will make society more resilient with our financial solutions

Ensuring our products and services are available to the widest range of social groups and that we support customers who become vulnerable.

Target	Deadline for delivery	Progress update in 2017
Across our business, we will improve our products and services to support emerging vulnerabilities in our customers' lives.	2017 and every year progress	We undertook an independent internal review of our vulnerable customer programme, with positive results. We are encouraging more not-for-profit training for our employees.
We will be directly addressing the increasing mental health problems in the developed world through enhancing our products, services and investments available to customers.	2017 and every year progress	We have implemented psychological treatment and support for GIP & GCI claims; mental health support and training for Line Managers; Not a Red Card campaign; launch of NARC Awards on 19/10/17; NARC campaign to continue in 2018 – RedArc implemented, providing CI claimant's and family long-term emotional support; Group – implementation and embedding of Stevenson/Farmer review recommendations.
We will design and distribute our retail products so they become more accessible, transparent and simpler to purchase by innovating product design, accessing big data and rationalising the way that we distribute products.	2017 and every year progress	Our insurance division focuses on FinTech. We are well placed to pursue a strategy of acquisitions and scale-ups to drive new revenue streams and innovations. We launched SmartQuote an enhanced customer-centric experience.  We also launched the first phase of our SmartClaims programme in November, beginning a journey to reduce claims settlement times from days to minutes, ensuring we are a leader in end-to-end digital insurance. Our SmartClaims innovation uses advanced data and technology capability to streamline the claims journey, enabling claims to be settled quickly and at lower cost, thereby improving customer outcomes and internal processes, whilst also reducing fraudulent claims.  Our investment business, 'The idol.com' (Investment Discounts Online), contributes to the development of digital services and acts as an incubator of new digital comparison brands as well as a supplier of technology to the UK aggregation market.
We aim to have 20% of the real assets we own or invest in to have an economic and a social value generated based upon how we design and run them.	2023	We use the 'Social Value Portals' framework: 'TOMS' (themes, outcomes and measures). Two investment funds are currently being assessed for social value.
LGIM will engage with investees on key themes that will help to create more resilient societies, namely: diversity, health, technology, income inequality and financial inclusion. In 2017, we will engage with governments and companies to promote more disclosure on income ratios and engage with US companies on gender diversity.	2017	In the US, we communicated with 58 US companies where board diversity is poor and met with 27 companies, eight of which have already committed to change their diversity policies.  In the UK, we voted against 37 Board Chairs of UK boards due to poor diversity.  We campaigned for the disclosure of pay ratios in the UK, which show the ratio between the highest paid executive and the median employee. In 2017 the UK Government committed to introduce such disclosure through legislation.
Legal & General Capital will integrate ESG performance into investment strategy, including investment selection, diligence and ESG policies for the companies we invest in.	2017	Legal & General Capital has invested in the LGIM Future World Fund with its equity portfolio and also Group Environmental, Social and Governance sign off now exists within the Transaction Committee for all new investments.

# Performance against targets aligned to UNSDGs (UN Sustainable Development Goals)

## Campaign 3 continued

Target	Deadline for delivery	Progress update in 2017
The group will institutionalise long-term investment into social housing.	2023	We are formulating plans to enter the social housing market in 2018. Group Treasury has met with a number of capital providers including Deutsche Bank to understand the role that Social Bonds could play in this market.
As a group, we will deliver our 50:50 by 2020 gender mix through recruitment and retention initiatives.	2020	<p>Our key successes have been at the most senior level where the gender balance of new starters was 50/50 men and women in 2017 and, because of our strong pipeline of female leadership successors, 43% of our divisional CEOs are now women. We regularly monitor our progress on diversity and inclusion. We know that many of our gender based initiatives will take time to show results.</p> <p>Our progress towards achieving our Women in Finance target has been impacted by organisational structure changes to our business that have disproportionately affected women. In 2018 we are renewing our focus on our attraction and hiring practices to address those gaps. We are committed to continuing our work to create a more diverse and gender balanced organisation which will in turn help us reduce our gender pay gap.</p>



# Performance against targets aligned to UNSDGs (UN Sustainable Development Goals)

## Campaign 4

### We will seek to influence stakeholders in the transition to a low carbon economy

Running our own business in an environmentally sustainable way, creating products and services that support a low carbon future, influencing the companies we invest in to act in an environmentally resilient manner and ensuring that our direct investments support the aim to limit climate change.

Target	Deadline for delivery	Progress update in 2017
Reduce the number of carbon intensive companies that we own in our shareholder funds and replace them with less carbon intensive companies. By the end of 2017 we will publish the carbon intensity of our own balance sheet. Our Insurance business will deliver insurance solutions to support low cost, energy efficient homes.	2017  2023	We worked with Trucost and WWF to understand the carbon within our balance sheet. We have focused on the areas where we have a position to influence. Therefore we have identified and assessed the carbon associated with corporate bonds and equity held in our balance sheet. Trucost and WWF assessed our £26 billion of equity and debt holdings, which they determined equates to 11 million tonnes of associated CO <sub>2</sub> e per annum. Separate to this Our Direct Investment Portfolio on an apportioned basis also accounted for 178,000 tonnes of CO <sub>2</sub> per annum. Our Group ALCO is now working through the decarbonisation strategy as a result.
LGIM will engage with investee companies globally to build strong governance and strategies that are resilient and adaptive to changing policy and technology. In 2017 we will engage with 84 companies as part of our Climate Impact Pledge.	2017	We held 108 meetings with companies to discuss climate change in 2017. The outcome of the 2017 Climate Impact Pledge engagement will be published in 2018. This will involve celebrating investees who have made good progress in 2017 and highlighting the investees who did not achieve our minimum expectations.  In LGIM's Future World range of funds, companies may be excluded if they do not address our areas of concern.
LGIM will help clients understand better the risk and opportunities created by the low carbon transition through education and then provide investment solutions to finance and benefit from the low carbon transition.	2023	During 2017 LGIM publicly committed to the Task Force for Climate Related Financial Disclosure, which sets out guidance on reporting so that our clients may better understand climate related risks and opportunities. Additionally, a unit trust version of the Future World Fund was launched during the year.
Support the development of key technologies with the potential to accelerate the transition to a low carbon economy.	2023	We are funding UK-based science, technology and engineering to develop clean energy solutions with potential to transform clean energy at a global scale.  Specifically our investments in solar photovoltaic perovskite technology (Oxford PV) and nuclear fusion (Tokamak Energy) could make a major contribution to the decarbonisation of the global energy system and support UK jobs.
Develop low carbon, energy efficient homes in our housing business.	2023	We are seeking ways to make the homes we build more sustainable, for example we have made a commitment to include EV charging points in our Bracknell development and are about to test battery technology on our construction compound.
Legal & General Capital will provide capital for up to 5% of the UK clean energy market, enough to sustainably power 5% of all UK households by 2021.	2021	By the end of 2017, LGC equity investment of £90 million has enabled more than 135MW new capacity onshore wind to come on-line. Further, we invested in Manchester-based Upside Energy, an innovative digital solution to help balance the use of power across the UK electricity grid, thereby responding to the more variable nature of the renewable wind and solar energy generation. In 2018 we hope to pilot this technology across property managed by LGIM.

# Performance against targets aligned to UNSDGs (UN Sustainable Development Goals)

## Campaign 4 continued

Target	Deadline for delivery	Progress update in 2017
By 2020 the group will reduce carbon emissions per policy by 20% based on 2013 baseline.	2020	In 2015 we extended the scope of our carbon reporting beyond the CRC requirements to include all real asset investments as well as our new construction businesses, namely L&G Homes Modular and Communities.  As a result of this extension in scope our total carbon has increased from our base year. However, in 2017 we have reduced our carbon by 17% based on 2015 data. Data available in the Environment Data centre.
By 2020 the group will reduce operational office water consumption per policy by 20% based on 2013 baseline.	2020	We have reduced office water consumption per policy by 38% against our 2013 baseline. Data available in the Environment Data centre.
By 2020 the group will reduce total waste generation per policy by 25% based on 2013 baseline.	2020	Our waste per policy has increased by 27% against our 2013 baseline. This is in part due to our new construction businesses. Data available in the Environment Data centre.
By 2020 the group will reduce paper consumption per policy by 30% based on 2013 baseline.	2020	We have achieved approximately a 16% reduction on baseline year (2013).
In 2017 the group will review the current approach to measuring resources and seek to reset these on a scientific basis out to 2030.	2017	We have appointed Carbon Clear to carry out this piece of work to define new targets for a 2 degree limited world. We will set new targets during 2018.

# Our focus areas

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



**60**

mental health first aiders trained across the business to support employees

**91%**

employee survey response rate



**£1bn**

invested in build to rent homes

**29**

social enterprises funded



**11%**

reduction in carbon usage for the group in 2017

**22%**

reduction against our baseline carbon usage on real assets investments



**£1bn**

total lifetime mortgage loans in 2017

**250k**

customers helped by Salary Finance

## Running our business to a higher standard

Our key focus in 2017 has been about understanding and measuring our culture, using a range of metrics and actively managing a programme of initiatives in each business area. This is designed to ensure we are embedding a positive culture based on our business principles and behaviours, celebrating our successes and recognising contributions, and, finally, addressing areas for improvement.

## Creating new investments for the future economy

Taking action to make our investment activities more sustainable and embrace Environment, Social and Governance (ESG) factors. It's important that our customers and shareholders understand clearly, in which areas we are investing their money. Many key areas have emerging economies which need to be funded over the long term in an economically viable, social useful and environmentally impactful way.

## We will seek to influence stakeholders in the transition to a low carbon economy

The global temperature increases we will experience in the coming decades will profoundly impact people's lives, including our economies. In order to minimise the most damaging consequences, global leaders have agreed to limit the temperature increase to 1.5°C to 2°C above pre-industrial levels. It is an ambitious but achievable target if we can meaningfully shift our methods of generating and consuming energy globally towards low carbon alternatives.

## We will make society more resilient with our financial solutions

We provide financial safety nets for millions of people and support the UN's Sustainable Development Goals to alleviate poverty in the countries in which we operate. We develop products and services beyond what national governments provide for their citizens and have a responsibility to ensure that we market these products and services to the widest set of social and economic groups as possible.

# Running our business to a higher standard



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



Our purpose is to improve the lives of our customers, build a better society for the long term and create value for shareholders. This shapes every aspect of how we do business. Our key focus in 2017 has been about understanding and measuring our culture, using a range of metrics and actively managing a programme of initiatives in each business area. This is designed to ensure we are embedding a positive culture based on our business principles and behaviours, celebrating our successes and recognising contributions, and, finally, addressing areas for improvement.

## Our people and culture

Our people are at the heart of what we do at Legal & General. To deliver the best for our customers, we need employees who feel engaged, empowered and energised about working here. There are five key areas where we focus particular attention:

1. Culture
2. Engagement
3. Diversity and Inclusion
4. Talent Development
5. Wellbeing.

## Culture

What you measure is what you get. In order to ensure we are creating focus on culture, in 2017 all of our leaders have had ‘owning and monitoring our culture’ as one of their performance objectives. Each leader worked with their business divisions to identify the most relevant metrics, qualitative and quantitative, that would signal what we are proud of and want to protect and equally importantly what we want to improve or evolve.

At the end of the year, each CEO presented to our Group CEO, Group Chief Risk Officer and Group HR Director to share their approach to embedding and monitoring our culture.

The discussion focused on:

- the relevance of metrics
- level of challenge and debate
- evidence of embedding the principles and behaviours across the business.

Underpinning our culture focus, we have three values that determine how we do business:

- Straightforward (how we communicate)
- Collaborative (how we work together)
- Purposeful (how we deliver).

95% of our employees said that they understood our behaviours.

### Engagement

Alongside other culture measures, we continued to measure the level of engagement of our employees and were delighted to report our highest ever response rate of 91%. Our worldwide 'Employee Engagement Index' increased slightly from 76% in 2016 to 77% in 2017. This moderate increase in score reflects how our culture is maturing through adoption of our behaviours and enablement through an agile or flexible working environment. All this is underpinned by continued strong leadership scores around the organisation.

### Diversity and inclusion

We're committed to increasing the diversity of our workforce and are working to build an inclusive culture that encourages all our people to be the best they can be at work. We know that this will help us to deliver excellent customer outcomes and better business results.

Our own ambitious gender initiative 50/50 by 2020 started in 2014 and continues to push hard on gender diversity. We want to ensure wider female participation in our workforce

and are focusing on the following initiatives to increase not just gender diversity but also other under-represented groups.

#### Changing the way we recruit

- We aim to have diverse shortlists, with at least one woman on every shortlist for all roles
- We use diverse interview panels, to ensure a fair and inclusive interview process
- We demand more from our recruitment partners and engage them in our diversity and inclusion plans; in 2018 we will also be working to develop a code of conduct that will set out a shared commitment to diversity between ourselves and our commercial partners
- We are working to remove bias from our recruitment process by providing training to our employees and using technology.

#### Raising awareness of gender and wider inclusion issues

- We have visible and active board support
- We champion the achievements of our female role models and communicate this within our business
- We communicate our progress and have dialogue with our people through internal social media discussions, and on our intranet
- We hold internal events with leaders and business sponsors
- We recently launched our L&GBT network across the group to support our LGBT colleagues and allies
- We facilitate regular networking events for to foster debate and create momentum for change across the inclusion agenda and we held 'Ethnicity Matters' focus groups in 2017 to start the conversation on race, raise awareness and gain feedback

- As a direct result of that feedback we held an 'Inclusion Month' in September to October 2017 to celebrate the diversity in our business and encourage open conversations amongst employees.

#### Creating diverse talent pipelines

- We have career sponsorship and mentoring programmes for senior women and women who we consider to be talented and in the pipeline for promotion
- We are striving to attract untapped talent returning to the workplace after a career break by launching our career returners initiative
- We are ensuring greater diversity of our early career talent and therefore our talent pipeline through apprenticeships, graduate and Investment 2020 programmes.

#### Creating a flexible, agile and supportive environment

- Wherever possible, we're creating an 'agile' work environment by providing the technology to enable people, and the support and training to facilitate more flexible and empowering working practices
- We have a programme of workshops and support for working parents and carers, including new parent coaching.

As well as our own focus within the company, it's important that we partner with other financial services firms so that we can influence the industry more broadly. We therefore work with leading diversity campaigns such as the 30% Club, the Diversity Project and the Hampton Alexander Review. In 2016 we signed the Women in Finance Charter which aims to increase the proportion of women in management roles.

This has helped us focus on the actions we need to take to drive greater gender diversity and in 2017, at the most senior level of our organisation, the gender balance of new hires was 50/50 and 43% of our divisional CEO's are now women.

The Gender Pay Gap regulations were introduced in 2016 with the intention of bringing additional transparency to the pay arrangements in large organisations. The Gender Pay Gap measures the difference in average pay of men and women, regardless of their seniority. As an employer and an investor, we think reporting on the Gender Pay Gap is a very positive step in helping to improve transparency across UK businesses.

We decided that in order to reflect our figures in a transparent and fair way, we would go beyond the requirements of the regulations and report our combined UK businesses with median Gender Pay Gap (31.6%) alongside the two employing entities we are obliged to report upon.

[You can see our Gender Pay Gap data and commentary here.](#)

### Talent development

We continue to evolve our offering to help talented individuals progress in the organisation. In 2017 we ran ten leadership programmes covering strategic, high performance, expert and essential leadership.

We aim to promote a culture of continuous and inclusive learning where all employees can take advantage of development opportunities on-the-job, as well as through online and face-to-face training. Our online 'Learning Hub' is our one-stop shop for development, where our people are able to access a range of bite-size learning materials, toolkits, e-learning and online books on a variety of topics. They are also able to find information on, and register for, face to face workshops, training programmes and professional support. In 2017, the site was accessed more than 41,000 times and over 34,000 learning and development and business book summaries were downloaded.

We have seen our colleagues report positively about their learning and development experiences: 75% of UK employees either agree or strongly agree with the statement 'I have the opportunity to develop my knowledge and skills at work'. This is up one percentage point year-on-year.

Our performance management philosophy focuses on regular constructive feedback throughout the year – 'check-ins' to celebrate what is going well, to discuss and understand how to improve those things that may not be going as well and to plan for what is coming next. These conversations focus on behaviours as well as business objectives and that balance is reflected in our more formal reviews at the end of the year with individuals receiving rating for the behaviours (the how) they have demonstrated as well the objectives (the what) they have achieved. We will roll out a new and improved Talent Management approach designed to support the development of talented women and men in our business.

### Employee health and wellbeing

- Our goal is for our employees to be emotionally, mentally and physically fit, resilient to change and performing at their best. We achieve this by working to deliver a proactive, integrated and consistent plan of activities to support our commitment to our employees' physical and mental health and wellbeing at work through our My Health, My Money, My Life programme.

A key focus for Legal & General is on mental health since signing 'The Time to Change' pledge in 2013. In May 2017, we launched 'Talking About Mental Health – It's Not A Red Card Offence'. We worked with high profile, inspirational sports people to start to try and reduce the stigma of talking about mental health.

Consequently, in October 2017 Nigel Wilson committed to the following as a priority for Legal & General:

- mental health training
- incentivising openness
- developing a positive narrative around mental health, to be communicated with colleagues all around the world.

We have trained over 60 Mental Health First Aiders across our business whose role is to support colleagues by taking time to listen, and by signposting additional support resources. One of our aims is to increase the inclusivity in teams across Legal & General, helping managers to understand how to create psychological safety in their teams and building a more supportive environment for working parents and carers. Legal & General has committed to the recommendations set out in the ['Thriving at Work' Stevenson/Farmer report \(2017\)](#).

**60+**colleagues trained as  
Mental Health First Aiders**91%**employee engagement across our  
UK, US and Asian businesses**77%**

employee engagement index

**Speaking up – a principled business**

Employee voice is an enabler of employee engagement. When we are heard, we feel trusted and will work harder, be positive about the company and be loyal to the company. We have a range of methods for people to express their views. We seek ongoing feedback from our people, our customers and external partners as part of our 'Speak Up' campaign and listening groups. The aim of Speak Up is to capture positive evidence of our business principles in action and areas that need focus where things are not meeting the principles. Going forward, we will be working hard to share best practice across the business, paying attention to where we can improve and celebrating success as we progress.

**Our suppliers**

We work closely with key suppliers to ensure they meet and maintain high standards by conducting assessments and gathering evidence in line with our Supplier Code of Conduct. The purpose of our Supplier Code of Conduct is to establish standards that ensure our key suppliers operate ethically, are environmentally responsible and that workers are treated with respect and dignity. Our key suppliers are expected to have processes in place to maintain these standards and to be able to provide evidence of meeting these standards if required.

In addition to this, for 2018, all new applicable sourcing requirements which come up for tender will include the requirement to remove single-use plastics.

**Understanding and reducing the impact of modern day slavery**

With the assistance of Anti-Slavery International, we have been able to make an in-depth review of our business around the Modern Slavery Act. During 2017, we hosted a number of workshops with some of our key suppliers to help us understand the impact and process of slavery in the UK and how we would practically spot signs of slavery when working with our suppliers. We will implement in 2018 a new set of common expectations for our suppliers. We have worked with them and jointly arrived at a number of indicators of working standards, which are currently being integrated into our Supplier Code of Conduct.

**Improving all aspects of our supply chain**

We use a fair, transparent and ethical supply chain process. We source the best-value solutions available to meet our business needs.

We are keen to hear from new suppliers and we don't put up barriers to suppliers who are suitably matched to the goods and services we procure.

In 2017, we implemented a consistent global procurement code.

We check key suppliers thoroughly before working with them. This includes asking them to sign our Supplier Code of Conduct, which incorporates the Modern Slavery Act. We validate the adherence of our key suppliers by asking them to provide supporting evidence of compliance annually. We continually engage with them around sustainability issues. The Head of Group Procurement and Supplier Management is responsible for the Supplier Code of Conduct, maintaining a supply chain that reflects and is aligned to our own standards of conduct and principles for how we do business. We monitor the reputational performance of key suppliers and hold regular meetings with them to ensure risks are managed. We keep them up to date with ongoing projects and share knowledge on market trends and new technologies.

### How we work with government

We have a set of principles for engagement with government and policy makers. We believe people should know what we do and what we stand for.

#### Our public policy principles:

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

### 2017 highlights on delivering public policy

#### Our engagement with government

As part of our dialogue, in 2017, we responded to over 60 government and regulatory consultations, as well as shaping responses from trade and industry bodies. Our main areas of discussion with government in 2017 have included:

- supporting jobs and growth through urban regeneration;
- changes to the pensions and 'at retirement' market;
- financial regulation – both conduct and prudential;
- corporate governance;
- risk sharing;
- financial regulation – UK, US and EU;
- reforms to both prudential and conduct regulation;
- urban regeneration;
- engaging with EU, US, UK national and regional government on direct investment into infrastructure and housing;
- risk sharing;
- discussion with UK government to improve financial resilience.



# Creating new investments for the future economy



Direct investments have a positive impact, economically and socially.

They unlock capital investment in the wider UK economy and help to promote city growth and the development of cities such as Manchester, Salford, Leeds, Birmingham, Newcastle, Cardiff and Bristol.

It's important that our customers and shareholders understand clearly which areas we are investing their money in. Many key areas have emerging economies which need to be funded over the long-term in a economically viable, social useful and environmentally impactful way.

By taking action to make our investment activities more sustainable (and embrace Environmental, Social and Governance (ESG) factors), we are able to apply our own direct investments, pension scheme investment funds and social investments through mechanisms such as social stock exchanges and community share schemes.

### Social impact investment

In 2018 we will widen the role that social investment plays around the cities where we have offices. We are committed to looking at investment cities (i.e. Newcastle, Liverpool, Leeds and Birmingham) and are keen to understand what role we can play in regional or city based social investments (such as crowdfunding) that will help stimulate local economies and

### Case study

Our £225 million investment in the regeneration of Cardiff Central Square in Wales has seen Legal & General employ 2,000 people in the city, with a social investment portfolio in the area through its SE-Assist programme. This is a model that is similar to the one we launched in greater Brighton where employment, regeneration of shopping centres, private rented developments, financial education and social investment have all come together to make a city thrive.



[Read more here](#)

build stronger future tenancies within housing and business areas that we are helping to create.

### Focus on corporate governance – active ownership

As one of the largest asset managers in the world, we believe we have a responsibility not just to our clients and to the individual companies we invest in, but also to society.

This is why we are active owners, using our size and influence to help bring about real, positive change across entire markets and sectors. To protect our clients' assets, we seek to ensure the companies in which we invest are equipped to deliver long-term growth.

We work to make sure investor rights are protected – encouraging companies and other investors to uphold codes of practice and improve their culture. In 2017, the corporate governance team held a total of 370 meetings, with board composition, executive pay and climate change being the top three areas of focus.

If we identify insufficient progress, we will use our shareholder power to vote against companies or their board of directors. In 2017, globally we opposed more than 1,000 pay packages as well as more than 2,800 director appointments. Our scale means our voice is heard and we do not remain silent on the issues that matter.

We minimise abstentions worldwide, so our clients can be sure that we are working and engaging on their behalf.



We are exceptionally well placed to invest in urban infrastructure, creating jobs and providing housing for young and old alike. We're ready and willing to invest more patient capital in start-ups and scale-ups."

**Nigel Wilson,**  
Group CEO, Legal & General

**Active engagement facts and figures**

**Top five themes discussed in our company meetings**

- #1**  
Board composition
- #2**  
Remuneration
- #3**  
Climate change
- #4**  
Nomination and succession
- #5**  
Company disclosure

**Active engagement in 2017**

Activity	2017
Meetings held	370
Companies met	224
Meeting discussing environmental and social issues	57%
Companies based outside the UK	50%
UK companies voted against (at least one resolution)	36%
UK board directors voted against	178

**Our passion for housing**

**We are involved in delivering 80,000 homes in the next five to ten years.** The UK still has a chronic need to deliver more housing at scale. We have a multi-tenure strategy to speed up housing delivery.

Our housing investments are designed to address the supply-side shortage and be inclusive, increasing the availability of affordable and key worker housing.

**Our £1 billion build to rent housing pipeline**

June 2017 was an important milestone as the first residents moved into our new build to rent (BTR) development based in Salford. Our BTR sites can offer higher quality accommodation with lower living costs, significantly reduced energy bills, no agency fees and access to enhanced services.

In 2017 we announced new BTR schemes in Leeds, Bath, Bristol and Birmingham, bringing the total pipeline of BTR units to more than 1,700.

**Investing in later life living**

By investing in Inspired Villages Group in August 2017, a later-living housing provider, we aim to ‘accelerate the evolution’ of this sector. Retirement living is the most under-supplied area of the housing market. Our Tattenhall development marked a significant entry into the retirement housing sector, creating safe, secure, social and comfortable village environments.

We now have seven village schemes in total. Our vision is to create vibrant villages where people want to live, close to family, friends and facilities.

**Renewing Britain’s rail infrastructure**

We also want to improve the quality of people’s lives by helping to upgrade infrastructure. In 2017, we made a number of important investments in the UK’s rail network. A £120 million debt scheme helped accelerate the purchase of High Speed 1 (HS1) by the Equitix, HICL and Infrared consortium, connecting London to the Channel Tunnel.

We have now also completed four rolling stock deals, for more than £550 million, helping to finance a fleet of 665 Bombardier Aventura trains for Abellio East Anglia and financed the supply of more than 400 vehicles for use on the West Midlands Railway.

**Small business finance**

By November 2017 our Venture Capital and SME investment programme, including our innovative ‘SE-Assist’ product for social enterprises, had made investments in more than 100 UK based companies, and is on track to double that number during 2018.



Our ideal model for a place is to employ people, invest in infrastructure and indirectly invest through social investments. And we want to prove that what we are doing really has a value to the place in which it sits.”

**Graham Precey,**

Head of Sustainability, Legal & General

Early stage companies which have benefitted from Legal & General’s Venture Capital funding now have a combined enterprise value of over £10 billion. Prime areas of focus have included technology, analytics, life sciences and digital healthcare. In addition, we provide debt finance to SMEs by investing in the £1.9 billion plus Pemberton investment platform.

#### **Future World Funding**

In November 2016 we launched our Future World Fund, together with a major UK pension scheme.

The Fund responds to the long-term challenges facing pension funds, including climate change risks. The Fund uses a multi-factor index-based strategy and also incorporates a climate ‘tilt’, giving investors greater exposure to companies that generate green revenues that are more likely to benefit from the transition to a low carbon economy. The tilt also reduces exposure to companies with worse than average carbon emissions and fossil fuel assets

#### **LGIM sponsored ‘Boring Money’ – financial markets made simple**

We contributed to a series of installations that explored new methods of communicating savings-related information to individual investors, with the aim of making financial information, products and the overall market easily understood. Our new personal investing platform will aim to incorporate this approach into its communications and overall proposition.

#### **Talking point**

##### **Could a social pension product help engage defined contribution scheme members?**

In 2017, we tested the concept of creating a social pension fund with our DC pensions customer base. Recent surveys by Barclays and Ethex have suggested that over half of savers are interested in having investments that create positive social impact. Our Defined Contribution (DC) pensions conference explored the increasing demand for a Social Pension.

The conference also discussed the significant challenge of low engagement of DC pension savers. Younger pension scheme members often feel that their pension isn’t important, mainly because it won’t be drawn upon for some time.

As a result of this, customers are disengaged and usually don’t save much or early enough, leading to poorer financial outcomes in later life. A question we are interested in exploring is whether investing in social businesses could engage members to save more and earlier. By analysing solidarity funds in France, evidence suggests that employees in these schemes are more engaged with their money, how it is being invested and how it is being used to create a positive impact socially.

# We will seek to influence stakeholders in the transition to a low carbon economy



We are fully committed to a 2°C (or below) world and believe that we have an important role in the global transition to a low carbon economy.”

**Sacha Sadan,**

Director of Corporate Governance, LGIM

Global temperature increases will profoundly impact people’s lives and national economies. To minimise the most damaging consequences, global leaders have agreed to limit the temperature increase to 1.5°C – 2°C above pre-industrial levels. It is an ambitious but achievable target involving a meaningful shift towards low carbon alternatives.

We’re fully committed to a 2°C (or below) world and have an important role in the transition to a low carbon economy. We can run our own business in an environmentally sustainable way, create products and services that support a low carbon future, influence the companies we invest in and ensure that our direct investments support the aim to limit climate change. These steps are fundamental to the long-term success of our businesses as well as helping to deliver a low carbon economy.

### **Our group carbon has reduced by 11% from last year**

We understand our role in this transition and have undertaken a strategic review of our carbon risks and opportunities. For some time now we have understood, managed and reported on our Scope 1 & 2 emissions and our business travel scope 3 emissions. However, until now we have never formally assessed the carbon associated with our investments. We worked with Trucost and WWF to understand the carbon within our balance sheet. We have focused on the areas where we have a position to influence. Therefore we have identified and assessed the carbon associated with corporate bonds and equity held in our balance sheet. Trucost and WWF assessed our £26 billion of equity and debt holdings, which they determined equates to 11 million tonnes of

associated CO<sub>2</sub>e per annum. Separate to this Our Direct Investment Portfolio on an apportioned basis also accounted for 178,000 tonnes of CO<sub>2</sub> per annum. Our Group ALCO is now working through the decarbonisation strategy as a result. We will spend 2018 reviewing how this knowledge will shape our current and future business decisions and strategy and we will report on this area further in 2018.

### **Encouraging responsible behaviour**

As well as assessing and understanding the carbon footprint of our investments we continue to encourage public policies, investment practices and corporate behaviour that address the long-term risks associated with the impact of climate change.

**>590k**

homes powered through our investment in offshore wind farms

**22%**

reduction in our direct Carbon on Real Asset investment 'like for like' properties

**-38%**

reduction in water consumption since 2013

**+27%**

increase in waste generation since 2013 due to our new construction businesses

**-16%**

reduction in paper usage since 2013

**-17%**

reduction in carbon emissions since 2015

Our strategy inspires us to build a better society for the long term and part of this is to understand and respond to the risks and opportunities that climate change presents. This year we are particularly proud of the following actions undertaken in response to our climate risks and opportunities:

- Working with Carbon Clear to set 'Science Based Targets' to bring our businesses in line with a 2°C world. Our new SBT approved targets will be publicly available on our CSR website during 2018.
- We have strengthened our customer offering in low carbon investment through our Future World Fund which incorporates a climate 'tilt'.
- As part of our Climate Impact Pledge we held 108 company meetings focused on climate change.
- We also engaged on climate related issues at the highest level. For example, Mark Zinkula (LGIM's CEO) and Meryam Omi (Head of Sustainability and Responsible Investment Strategy) have been appointed to the UK Government's Green Finance Taskforce.

#### We have invested in renewables

- NTR onshore wind farm capacity of 120MW
- 'Upside Energy', a demand-side response business able to optimise power storage and consumption for consumers using its cloud-based technology
- £300 million debt investment scheme to facilitate a £2 billion purchase of 50% of 'Walney Extension'. This will be the world's largest offshore wind farm providing enough power for more than 590,000 homes and is a great asset for backing annuity payments
- We retained Green Stars for all of our 11 eligible real asset investment funds as well as four European leader awards under GRESB (The Global ESG Benchmark for Real Assets).
- We have reduced our direct Carbon on real asset investment 'like-for-like' property by 22% against baseline, so have exceeded our target
- Our group carbon has reduced by 11% from last year.



Our strategy inspires us to build a better society for the long term and part of this is to understand and respond to the risks and opportunities that climate change present to us.”

**Meryam Omi,**  
Head of Sustainability and Responsible Investment Strategy

As a signatory to the Task Force on Climate-related Financial Disclosures we are fully committed to disclosing our approach to the risks and opportunities presented by climate change. Our approach to each of the four disclosure areas is outlined in the table:

TCFD recommendation	Disclosure overview
Governance	Overall responsibility for climate change and environmental performance is held by our Group CEO Nigel Wilson. The GCRE Committee (chaired by our CEO) is supported by our Group Environment Committee (GEC). The GEC review the group’s climate and environmental risk. Our Assets and Liabilities Committee also carries out a review.
Strategy	We have made public our approach to managing risks and opportunities through LGIM’s Climate Pledge and the Carbon Disclosure Project. This ranges from weather pattern impacts in our insurance business to the opportunities to create new products to assist the transition to a low carbon economy. To support our strategy we are committed to modelling climate scenarios including a 2°C scenario and are working with Carbon Clear to set science based targets. We create products and services that support a low carbon future and ensure that our direct investments support the aim to limit climate change.
Risk Management	We have a formal framework for risk management policies in place, which sets out approaches to managing different types of risks and defines the minimal control standard over the short, medium and long term. These can be broken down into four key areas where we capture information as a business and use it to influence our strategy and policies: we have set long-term targets on our own energy usage. By 2020 we want to ‘reduce carbon emission per policy by 20% based on 2013 baseline’; the natural resources used within our commercial property portfolio. We set reduction targets and monitor through our managing agents; our own balance sheet investments. For example, we are committed as a long-term investor in UK renewables and have a target to increase investments into UK energy infrastructure with our own money and that of our customers that support the transition to a low carbon economy over the next three years; our influence as an investor in publicly listed companies, specifically on environmental issues and the transition to a low carbon economy.
Metrics and Targets	Our mandatory carbon and headline data is included on page 233 of our 2017 annual report. Measuring our commitment to society outlines our key carbon emission reduction targets and performance.

As well as managing carbon we also continue to manage our other environmental impacts. Details of our performance in these areas can be found in the data section of this report.

# We will make society more resilient with our financial solutions



We provide financial safety nets for millions of people and support the UN's Sustainable Development Goals to alleviate poverty in the countries in which we operate.

## Financial inclusion and improving social mobility

We have a responsibility to ensure that we market these products and services to the widest set of social and economic groups as possible.

Our products and services are not limited to those offered by traditional financial services providers. We have had conversations with investors about innovative products such as social bond funds and with governments on the increasing role we can play directly and indirectly through financial products that will increase the take up of insurance and savings. Our UK marketing data shows that our success in auto-enrolled pensions is improving financial services market inclusion in the UK population in harder-to-reach segments.

## Supporting vulnerable customers

In 2017 our Group Vulnerable Customer Committee funded training for our businesses and asked for independent internal reviews for each business to see how they were developing their approach to dealing with vulnerability.

During 2017 we encouraged 'not-for-profit organisations' to provide training for our employees, including:

- The Elderly Accommodation Counsel helping us to design better services for our employees in later life
- 'Silver Line' working with our mature savings and pensions businesses to improve the way we deal with customers on the phone

- 'Age of no retirement' working with our marketing professionals to reduce unconscious bias around ageing in our advertising and communications
- 'Arthritis UK working' with our Group Protection teams to help customers with long-term health conditions
- 'StepChange' working with our debt recovery teams to do business the right way
- Samaritans working with our bereavement teams.

## Business maturity review

Key findings from the review held by our Group Risk and Control teams were:

1. **Bespoke training to staff:** Each division has developed bespoke training above and beyond the basic computer-based training on vulnerable customers.
2. **Single point of relationship:** some divisions now provide a single point of contact in the form of dedicated staff to a customer once vulnerability is identified.
3. **Proactive engagement with customers:** businesses have proactively sought to engage with customers who may have suddenly faced vulnerabilities upon occurrence of certain events.
4. **Organisational capability:** vulnerable customer champions have been identified in many divisions.
5. **Adding system flags:** many businesses have developed flags within their systems to identify and record vulnerabilities to better provide individual treatment and engagement to the customers.

**2.7m**

Number of people saving for retirement in DC pension schemes

**33%**

Market share of the UK lifetime mortgage market in 2017

**98%**

Life assurance claims paid

**£1.7bn**

Pensions paid in 2017

**£136m**

Household insurance claims paid to 92,000 customers

**£800m**

Debt funding to later life social housing funders

The following opportunities for improvement were identified:

- We should develop a divisional vulnerable customer strategy document which would ensure a clear approach to the identification and management of vulnerable customers;
- We should develop suitable formats for documents, such as large fonts;
- We should share experiences across our divisions, building consistent treatment of vulnerable customers;
- We should share data about individual customers' vulnerabilities across divisions;
- We should have uniform procedures about keeping data logs of vulnerabilities;
- We should share topics covered within each division.

#### Helping working people avoid debt

In 2017, we invested in Salary Finance, a company which specialises in providing loans and building financial wellbeing for employees. Our investment saw over 250,000 new employees signing up and our partnership is well on its way to reaching over one million employees.

Our aim is to encourage employees to move away from debt towards becoming savers and, in doing so, to improve their financial and mental wellbeing, their engagement at work and family resilience.

#### Providing insurance and health related solutions

Our UK life insurance business continues to be the UK's No 1 individual insurance provider. However, Mintel data showed in June 2017 that 73% of UK adults had no life insurance in place.

Our response is to try and make insurance more accessible, by providing simple digital solutions. We are adopting the same digital strategy in the US to increase take-up among mass-market consumers.

In addition, a greater use of insurance in the workplace health and wellbeing market will help mainstream consumers have access to financial services products. Our group protection business is developing additional products and services that help treat mental wellbeing in the same way as physical wellbeing in the workplace.

#### Supporting the ageing population

##### 1. Helping people save for retirement

We are a UK market leader in providing auto-enrolled pensions, offering some of the lowest charges in the market and providing administration and investment services to some of the UK's biggest retailers. This has enabled many lower-paid retail employees to start saving for retirement for the first time in their lives. In 2017, we increased the number of people in our direct contribution schemes to over 2.7 million. Our own customer data shows that we have more people in the 'poorer parents' social demographic group than in any other group.





Affordable housing is a classic example of underinvestment... This important sector has now been added to Legal & General's £15 billion UK direct investment programme."

**Nigel Wilson,**  
Group CEO, Legal & General

## 2. Helping the elderly in retirement

We launched our lifetime mortgage product in 2015 and in 2017 we became the UK market leader by sales volumes, with a 33% market share. We are expanding the pilot of a mortgage product which allows equity-rich elderly people to stay in their homes for longer in good living conditions and fund essential refurbishments that will bring the property up to the Government's decent homes standards. We worked with Age Partnership to provide customers with the required advice on the suitability of the product. We partnered with social enterprises and home improvement agencies who work with approved suppliers to manage the renovation works through to completion and support the customer throughout the refurbishment process.

## Investing in affordable and social housing

We provided over £800 million of debt funding to social and later life housing providers in 2017 as a result of our infrastructure commitments.

Legal & General Homes is working with the Social Value Portal to develop the UK's first Community Social Value Charter. Delivering social value is about adding more value to the local economy, improving the wellbeing of the community whilst protecting our environment. Some clear advantages to local communities are:

- Housing developments and new transport links or infrastructure
- The creation of new jobs for residents, opportunities for local companies and support for local businesses to grow and prosper

- The creation of new open space, improvement of air quality and new amenities
- The impact of new people moving into the area, the impact on community cohesion, the impact on education and direct support for the most vulnerable.

## Measuring social value

The UK Social Value Act is an important development which recognises the importance of social value.

1. Through our Real Assets business we have led the debate on calculating the Social Value of Buildings that we own.
2. L&G Homes is one of the first housing developers to deliver a Social Value Charter in Berkshire. Our aim is to create profits for our businesses and provide social value for society.
3. The social value of a financial services product that provides a financial safety net. For the first time we have asked an independent organisation, Social Value Portal, to assess the social value created over time for a product line for the individual, their families and their communities.

We have committed in the next four years that 20% of our commercial property will have an economic and social value published so that people can see both the environmental impact and the footprint.

# Long-term commitment to communities

We recognise that our employees want to give their time to volunteering and fundraising – by giving employees a purpose, we are able to help provide positive differences towards an individual's mental health and wellbeing. Employees are encouraged at all levels to get involved and are focused on the following four key areas:

1. Education
2. Social enterprises
3. Employee fundraising and volunteering
4. Our charity stakeholders

## Financial education

Our long-term commitment to financial education focuses around a number of modules, including:

- **Get it, Spend it and Save it:** providing real life choices to 14-16 year olds – getting them ready for the world of work. As part of the programme, we ask pupils about the best advice they have received about money and from whom. We originally set out to reach over 200 teachers and 3,000 pupils, with an aim to train teachers and provide resources for them to continue to educate their pupils, we succeeded in reaching over 6,200 pupils and over 379 teachers.
- **RedSTART:** a charity that provides financial education training to children aged 10-18 years old. We help host and run educational training days for primary school children at our London offices, with a goal to train one million school children in personal finance by 2025.
- **KickStart Money:** a ground-breaking financial education programme for children delivered by the MyBank charity. Over the next three years the target is to provide around 18,000 primary school children between the ages of seven and 11 with education on topics such as the value of money, where money comes from, personal relationships with money, prioritising spending, budgeting and saving. The aim is to influence attitudes towards managing money at an early age.

## Fundraising

We have a long history of supporting charities and good causes. By listening to our employees, we explore new and innovative ways we can support communities and charities close to their hearts. In 2017, 440 employees asked us to give £44,000 to small grass-roots charities they support as part of our 'small charities donation month'. Employees volunteered their time (worth over £86,000) and gave over £500,000 through our payroll giving scheme.

In 2017, the cash contributions made by our staff and matching schemes amounted to £1.4 million. Further information on our contributions can be found in the data centre for communities.

## Chairman's awards

Each year our Chairman hosts the Community Awards with the Group Board. The awards recognise the amazing achievements of our employees and their volunteering efforts. Categories include: fundraisers, charity ambassadors, inspiring young people and community spirit, with employees nominating their colleagues.

## Our commitment to social enterprises

Our social investment initiative provides essential mentoring support to build sustainable local social enterprise infrastructure. We continue to support the partnership with the Welsh Fund in partnership with the Welsh Government, Wales Co-operative Centre, Business in the Community Wales and the Institute of Directors Wales.

We have provided interest-free loans to 27 social enterprises in Sussex and Wales.



The Board and I look forward to acknowledging and celebrating the extraordinary calibre of people who work at Legal & General, and their passion and sense of doing the right thing for others."

**Sir John Kingman,**  
Chairman of Legal & General Group

### Group Social Investment Committee

Our Group Social Investment Committee is committed to improving our understanding of a number of key topics that are both beneficial to society and relevant for our business:

- The Stroke Association has taught our Insurance business about the economic case for early stroke intervention through our joint report Current, future and avoidable costs of stroke in the UK. It warns that over the next 20 years, more people every year will be living with a stroke, and by 2035 there will be over two million stroke survivors in the UK, with around 700,000 living with long-term disabilities. However, the findings also reveal that a £10 million investment into prevention research could change the story and save 114,000 people from having a stroke.
- Our Home Starter Boxes programme with Shelter in the West Midlands has made our General Insurance business aware that the simple things in a home starter kit for young families can make all the difference when moving into a hard-fought-for home.
- The Elderly Accommodation Counsel (EAC) reached 40,000 people voicing their opinion on the quality of later life accommodation, which has taught our Retirements business that older people need a voice in retirement and lays out clearly what they need from us in financial services and in building later life living accommodation.
- Cancer Research UK created a new model of early cancer prevention and diagnosis in GPs' surgeries in the NHS which has taught our Life Insurance business that early detection leads to better survival rates for cancer.
- Royal Voluntary Service (RVS) has taught our Retirements business that a simple investment in a 'Home from Hospital', placing a caring volunteer at the centre of an older person's recovery plan, can reduce hospital readmissions for older people from 80% to 10%.

- Family and Childcare Trust has taught our Retirement and Savings business that local authorities across the UK face an ongoing struggle to deliver local care in later life, impacting over 4.2 million people aged over 75.
- Our work with Walthamstow Wetlands Trust and CAF Bank has helped our Private Rented Sector Development Team to innovate how a long-term developer of housing solutions has locked in social value to a community on behalf of its future residents' health and wellbeing.
- Our work with the Housing LIN has helped Legal & General Capital to understand the variety of local authority partnership models delivering housing innovation in the affordable and social space.
- With our help, Alzheimer's Research UK are putting together a formal evaluation of A Walk Through Dementia as a training tool for health and social care staff, and healthcare students.
- We became a founding partner of The Open Up Hospice Care Alliance through our relationship with Hospice UK.
- Our work with the Duke of Edinburgh's Award scheme has enabled their operations officers to sign up 27,583 young people across London.

For 2018 we have widened our scope for investments to now include crowdfunding, community interest companies and social investments to continue our work to research and develop with organisations that will help us to make better decisions.



# Looking ahead

## Our overall sustainability focus for 2018 and beyond

We are pleased that a large majority of our stakeholders have backed our current focus and targets around the chosen United Nations Sustainable Development Goals (UNSDGs). There are a few areas from the overall stakeholder feedback that we can use to better run our business in 2018 and beyond. These can be summarised as follows:

### Dealing with local communities visibly and locally as 'L&G near You'

As Legal & General continues to deliver place-making investments across the UK and into the USA and increases the transparency of what it owns on the balance sheet down to postcode/zip code levels, we need to get better at communicating the regeneration of an area to our stakeholders and also have better mechanisms to deal with local questions for or against developments we are involved with. We are also in the process of upgrading our investment map which will give all stakeholders the ability to see what we own. It is particularly powerful for customers and shareholders looking to understand what we own ultimately on their behalf through our balance sheet investments.

### Continuing to proving the social and economic value of our business

Our purpose is to be economically and socially useful by improving the lives of our customers, building a better society for the long term and creating value for our shareholders, suppliers and communities. We continue to be innovative in the way that we can prove this to our audiences.

In particular, the application of social value approaches to our business extends from the social value of real estate through to social value charters for our housing developments and an industry first of an independent assessment of lifetime mortgages on their value over time.

### Climate Change

One of Legal & General's five-year targets is to help shift the economy to low carbon. It will do this in a number of different ways including through its own energy use, its investments for clients and shareholders and its influence on policy makers.

The reporting standards and requirements through key programmes such as the Asset Owners Disclosure Project, Total Carbon Financial Disclosure project (TCDF) and the Carbon Disclosure Project amongst others mean that we need to work harder at keeping our Board involved in this important topic of our time.

### Modern slavery and human rights

Our exposure to human rights and modern slavery is low but increasing as we become more construction based as a company through our housing developments. Our work so far to develop indicators of good job standards in suppliers working with Anti Slavery International and must be translated more into our construction businesses. [Check out our current stance and approach.](#)

### ESG data in all the right places

Working with investors and investor analysts, we must not only publish our ESG data on areas such as carbon and gender diversity but also work a little harder at making sure key analytics tools have the right data so that investors can compare and contrast our performance against other organisations within and outside our sector

### Review and simplification of our Business Ethics Policy

Our work to improve and simplify our culture as a company so that we can measure it means that our Business Ethics Policy needs simplification in line with our Business Principles. This also means that our Speak Out Service to provide different stakeholders with the chance to feedback on our performance around business principles. Quite rightly, employees have been given this opportunity first. Tenants and suppliers should be next as they have few independent ways of feeding back on our performance compared to others.

# About the report

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

This report complements our Annual Report and Accounts for 2017. It provides additional commentary on how we achieve our financial success while taking Environmental, Social and Governance factors into account.

## Reporting standards

This year, we reviewed our stakeholder feedback for the group from a wide variety of stakeholders. This report is in accordance with the requirements of the Global Reporting Initiative (GRI) and contains Standard Disclosures for Core level from the Global Reporting Initiative Sustainability Reporting Standards (GRI Standards) (launched in November 2016).

The report covers disclosure from all the Legal & General group businesses in the United Kingdom and United States.

## What we report

Every year we identify priority issues by talking to our key stakeholders directly, inviting them to come and share their concerns. We assess the issues against our strategy, purpose and values. Specifically, we assess feedback and queries globally from our customers, employees, shareholders, regulators and NGOs, as well as media commentary. We gather insight from and engage with major investors, through investor road shows and by contributing to various indices and surveys. Our campaigns are a result of how we use the skills and experience to shape new products and understand our customers' needs for the future. This is our 13th Corporate Responsibility Report. In 2005, we published our first full Corporate Responsibility Report detailing our performance and targets to our critical stakeholders and have since done so every year. This is a continuation of the 2016 CSR report which you can find in our archive.

We have not restated any data or information. We have increased the scope of the amount of reporting based upon stakeholder feedback in specific areas. Figures quoted on carbon, community investment, employee numbers, customer numbers, investments and financials (tax, assets under management, investments) are shown in our annual report and independently verified.

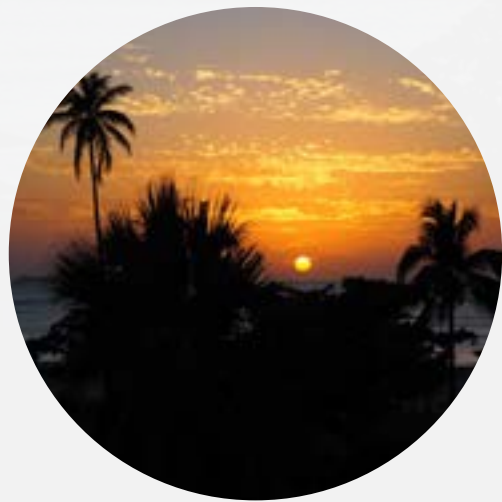
All other data is collected through our own internal systems which are internally and externally managed. Our internal audit will review these systems throughout the year. All facts and figures stated are from our own publications or available public research.

## Timeframe

This report covers the financial year from January to December 2017 (unless otherwise noted). In some cases, information for early 2018 is also included to give an up-to-date picture. Facts and figures refer to Legal & General Group Plc unless indicated otherwise.

## Images within the report

Thank you to our employees for providing photos of 'things that matter to you' as part of a photo competition for all staff. Each employee will receive a £100 donation to their chosen charity for their photos which appear in the report.





### Feedback

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

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