Socially Responsible Investment

We have four core areas encompassed in our Socially Responsible Investment (SRI) activities:

- Corporate Governance. Legal & General Investment Management (LGIM) – Engagement of FTSE 350 boards through our Corporate Governance activities as a result of the assets which we own on behalf of our clients.
- Ethical Investment Funds for our retail and institutional clients. Valued at £312m Funds Under Management (FUM) as at 31 December 2007.
- Legal & General Property (LGP) managed over £10.70bn of clients’ money in Commercial Property as at 31 December 2007.
- Legal & General Ventures (LGV) Capital specialises in mid-market buy-outs of UK companies with an enterprise value of between £50m and £250m.

FTSE Engagement

As at the end of 2007, Legal & General has £297bn FUM in the UK on behalf of its retail and institutional clients. We use the responsibility given to us by our customers, as Legal & General holds around 5% of all FTSE stocks, to influence other UK companies to run their businesses in a sustainable manner. The questions we ask of FTSE boards are based upon the Association of British Insurers’ (ABI’s) Environmental, Social and Governance (ESG) guidelines.

Our specialist governance team engages with the boards of investee companies to encourage the highest standards. This team met with over 100 companies last year, and actively followed up with 29 FTSE companies on social, environmental and ethical issues that we felt were important to the sustainability of their business models. This process will continue in 2008.

“Capital rich Legal & General is a real power for the good.”

Evening Standard – 26 July 2007
Mark Burgess, Head of Active Equities and Corporate Governance

View the webcast at: www.legalandgeneralgroup.com/csr

“Capital rich Legal & General is a real power for the good.”

Evening Standard – 26 July 2007
Mark Burgess, Head of Active Equities and Corporate Governance
Examples of FTSE Board Level Engagement

Centrica
In 2007, we engaged with Centrica, owners of British Gas, in two key areas: fuel poverty for vulnerable customers and carbon neutrality.

Our questioning established that rigorous procedures are in place to ensure that vulnerable customers do not have their energy supplies cut off. British Gas have a number of initiatives to help their vulnerable customers, including an energy trust to help them with energy debt through price capping.

On the issue of carbon neutrality, British Gas New Energy was launched in April 2007 to ensure that British Gas has the lowest carbon intensity of any UK energy supplier.

Cookson Group plc
In 2007 we engaged with Cookson Group plc on the issue of building a sustainable business model.

We have been assured that the CEO has overall responsibility for ESG issues although remuneration is not linked to performance of these issues. We raised the need for remuneration to be linked to ESG as a shareholder.

We also discussed the publishing of Health and Safety issues as part of its approach to good governance, but the company was reluctant to expand the level of disclosure as their businesses are fragmented and vary considerably in size. Cookson does not use renewable energy and there are no immediate plans to introduce this. They did however re-state their commitment to reduce energy use by 9% by 2010.

Engagement with Policy Makers and Non Government Organisations’ Pressure Groups

In association with the UK Social Investment Forum in 2007 we hosted a seminar on Registration, Evaluation and Authorisation of Chemicals (REACH) legislation at which we had speakers from the Chemical Industries Association, the Health and Safety Executive and the Department of Rural Affairs.

In 2007, we also engaged with the charity, War on Want, which aims to fight poverty in developing countries. They campaign for human rights, inequality and injustice. In 2007, they targeted a number of retailers for not paying a living wage to garment producers in Bangladesh and requisitioned a resolution at the Tesco Annual General Meeting. As a shareholder in Tesco, we met with War on Want to listen to their findings and to discuss their requirements. This resolution was defeated.

Ethical Fund Choice
Should investors want more than our active approach to corporate governance, Legal & General is committed to providing an Ethical choice for our clients. We manage ethical funds totalling £312m funds under management as at 31 December 2007.

Legal & General Ethical Trust
The Ethical Trust aims to match holdings in the bespoke Ethical Investment Research Service filtered FTSE 350 Index (excluding investment trusts).

Companies have been excluded if they are substantially involved in or cause: animal testing, countries with poor human rights records, gambling, health and safety breaches, intensive farming, major arms exporter to oppressive regimes, nuclear power, pornography, processing, use or sale of tropical hardwood, production of ozone depleting chemicals, production or sale of tobacco, production or sale of weapons systems, provision of nuclear weapons and water pollution.

Ethical UK Equity Index Fund
The Fund aims to track the sterling total return of the FTSE4Good UK Equity Index (including re-invested income) to within +/-0.5% pa for two years in three.

Ethical Global Equity Index Fund
The Fund aims to track the total return of the FTSE4Good Global Equity Index to within +/-0.5% pa for two years in three.

Legal & General Property (LGP)
Legal & General is one of the biggest property fund managers in the UK and in 2007 managed a property portfolio of £10.70bn as at 31 December 2007.

In May 2007, LGP announced that it had agreed terms for King Sturge International LLP to undertake the property management function on behalf of our property portfolios with an aggregate rent roll exceeding £300m per annum.

We are working with King Sturge International LLP to ensure they deliver a similar level of environmental targets for our properties.

LGP – War on Waste
LGP, with the assistance of waste consultants, reviewed a number of investment properties with the view of reducing landfill and improved recycling in 2007. Seven mixed investments (industrial, offices and retail) were evaluated in conjunction with the occupiers in this area.

One of these is a major retail scheme where we have introduced new waste handling equipment. The result is a 16% improvement in industrial cardboard salvaged for recycling and 1.5 tons of plastics, which in previous years would have been sent to landfill.

Sustainable Economic Regeneration
In 2007 we made excellent progress on positively impacting communities through developing our property portfolio.

Sustainable Economic Redevelopment in Cities – Central St Giles, London
On 4 October 2006, the London Borough of Camden Planning Committee approved the redevelopment of St Giles Court. The new development will be known as Central St Giles. Sustainable development principles we have applied include:

- Replacing an outdated office building with a high quality mixed-use scheme designed by Renzo Piano, one of the world’s leading architects
- Significantly improving the local environment, enhancing the public realm and making St Giles a safer place to live, work and visit
Socially Responsible Investment continued

£312m

Ethical funds under management

- Restoring St Giles High Street as a tree-lined retail street
- Improving pedestrian routes between Covent Garden, Soho and Bloomsbury
- Creating a new publicly accessible piazza in the heart of the scheme surrounded by small scale retail and four restaurants
- Delivering 109 new homes, providing more than half the Mayor’s housing need for this area over the next 10 years, 53 of which will be affordable, including family apartments
- Creating a significant number of new jobs in one of the most accessible areas in the heart of Central London

In addition to the regeneration benefits of the development, the Section 106 Agreement delivers a wide range of improvements to the surrounding area through financial contributions totalling £4.3m.

We are building a sustainable development and by design incorporating:

- 20% better energy performance than current Part L requirement through façade design and efficient plant design
- 80% of heating in the development generated from renewable sources (biomass boilers)
- Collecting and reusing over 60% of rainwater on the offices

The community benefits include contributions towards community safety, improvements to St Giles Churchyard and Phoenix Gardens, and major works to improve pedestrian routes in the area. Opportunities will be created for local people to work on the construction phase, in partnership with Kings Cross Working.

Sustainable Economic Redevelopment in Rural Communities. A New Life for the Crowthorne Business Estate, Berkshire

The 255 acre Crowthorne Business Estate is a brownfield site owned and managed by Legal & General. The site has been the home of the Transport Research Laboratory (TRL) for over 40 years and throughout that period it has been closed to the local community, other than to those who work at the site.

We have listened to the needs of the local community, in particular their need for maintaining Crowthorne’s village ‘feel’, addressing highways’ issues and public transport, improving public transport, providing additional infrastructure and providing affordable housing.

We have incorporated, where possible, the issues raised by residents in the proposals. Legal & General has submitted a planning application to Bracknell Forest Borough Council. Sustainable highlights include:

- A community of 975 new homes for families, couples and single people, including homes for sale and affordable housing
- A new business park, an hotel, a new Crowthorne Enterprise Centre and other facilities to support people working on the site
- The site will retain and strengthen the existing woodland along the edges and will retain the strong visual separation between Crowthorne and Bracknell
- The qualities of Crowthorne’s existing green streets will be extended into the new neighbourhood
- A large 100 acre area of parkland will be created along Bracknell Road. This will provide for the long term protection of the adjoining heathland. It will also create a new area for local leisure and sports facilities, and its management is proposed to be passed to a local trust in order to safeguard its future in the long term.

Number of FTSE companies we engaged with during 2007 to raise social, environmental and ethical concerns

29
A range of new community facilities will be provided on site, including a new primary school, local health facilities, nursery, community hall and local shops. New sports facilities will include a football pitch and cricket pitch. In addition, there will be contributions towards secondary education.

As a property fund manager and key influencer in property development, Legal & General takes its role seriously and is committed to a long term sustainable view of its property portfolio.

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

During 2007, statistics have been produced showing that the portfolio companies in which LGV Capital funds have invested since year 2000, employed on average 17% more staff at the point of exit (or at the date of the survey if still within the portfolio) than at the start of our investment.

Looking forward to 2008
In 2008 we are committed to build on the influential role we have on behalf of our investors in the area of SRI. In particular we will:

- Continue to monitor the performance of our FTSE 350 shareholdings in line with our commitment to the ABI’s Environmental, Social and Governmental Policy. Depending upon the issues that arise during the year, we expect to engage at similar levels to 2007 (28 and 30 respectively)
- Engage with retail customers and listen to their concerns on ESG (Environmental, Social and Governance) issues and feed this into our ongoing Corporate Governance discussions with FTSE companies
- Extend our Ethical products’ reach with our newest strategic partner, the Nationwide Building Society, to enable more consumers to access these investments in the high street
- Carry forward the Legal & General Property Management Objectives from 2007 with our new property management partners, King Sturge.

17%
more staff employed

Read more about Legal & General CSR at: www.legalandgeneralgroup.com/ csr