

## Key stakeholders

# Our Customers

In 2008, we were responsible for 7.4 million policies for over 6.5 million customers, or one in ten of the UK population. Our core purpose as a business is to deliver upon our customers' expectations, balancing this with regulatory requirements around financial advice.

2008 has seen a 14% increase in the number of unique customers compared to 2007, mostly due to the migration of Nationwide Investment customers in February 2008. The number of policies rose by 17%.

Legal & General acquired an average of 51,000 completely new customers each month during 2008. Although there was no significant change in the profile of the base, there was a slight increase in the average age of our customers. The most prominent change is the decrease in 18-25 year olds, and increase in 76+ year olds.

Our largest segment of customers in 2008 is the 'True Blues' segment (highly affluent, aged 45-55) representing 22% of the Legal & General base.


108,607 of our customers, or 2.7% of our customer base, service their account on line.

### ABI Customer Impact Scheme

At our core is the need to demonstrate that we adhere to the FSA's Treating Customers Fairly (TCF) principles.

The governance of this is managed via monthly meetings of the Customer Experience TCF Committee, which is comprised of senior executives of the Company, and reports through to our Group Board. This committee reviews any issues and agrees appropriate action plans.

Since 2006, we have been a founding member of the ABI's Customer Impact Scheme which measures our performance against three public commitments.

These are then benchmarked against other financial services firms participating in the survey. Each year, we publish a report summarising our performance and key activities. To see our 2008 Report please [click here](#) 

We have maintained a consistent performance on all three of the commitments, in line with the industry.

### Good Product Design Principles

The Product Development Model is our internal approach to reviewing and delivering products to market. As part of the model, consumer literature is tested amongst consumers before we launch new products.

### Looking Forward

Overall, our customer challenges in 2009 will be to continue to provide financial performance which meets customers' product expectations and to further reduce our environmental, social and economic impacts by assessing these as part of the Product Development model.

In line with our customer research in 2007, which suggested that customers measured our environmental impact on the amount of paper they see, we have set a 10% target on paper reduction across our Group by the end of 2010.

Overall responsibility	2005	2006	2007	2008
Live contracts	6,224,875	6,294,051	6,364,633	<b>7,413,979</b>
Active customers	5,645,374	5,744,003	5,782,363	<b>6,578,078</b>
Tonnes of paper procured	2,436	2,574	2,080	<b>2,249</b>
Average number of pieces of paper a customer receives	23	24	22	<b>19</b>
Average number of envelopes a customer receives	4.74	4.11	4.32	<b>4.05</b>

# Key stakeholders

## Our People

We actively focus on recruiting and retaining high quality individuals, through employee training and development programmes, remuneration strategies and succession planning. In 2008, we were responsible for employing 8,189 permanent members of staff in the UK. This is down 7.2% on 2007.

### Approach to Business Ethics – Doing the Right Thing

The economic downturn has highlighted the importance of sound business ethics. We expect our people to maintain the highest standards of behaviour when conducting any aspects of business.

Our employment practices and policies support the high standards we have to ensure our people conduct themselves honestly and with integrity. Our partnership with Unite, our Trades Union, and our commitment to maximising opportunities for our people helps build a culture where customer-focused, responsible and ethical behaviour is embedded in our approach to business. Having this culture has never been more important, as in a difficult economic climate, investors and customers will base their decisions on business integrity.

As a result, our Groupwide Business Ethics Policy has recently been updated. [Click here](#) 

### Collective Consultation

We continue to work in partnership with Unite on important issues. They are represented at the core of the Group CSR Committee, Group Health and Safety Committee, Group Environmental Committee and Equality and Diversity Committee.

Membership of Unite across the Group was 39% in 2008 compared with 41% in 2007, (Excluding Legal & General Investment Management (LGIM))

We also collectively consult with the Management Consultative Forum, an internal body set up two years ago to collectively represent Managers and Senior Managers.

Both of these mechanisms helped us through some difficult decisions in 2008 regarding changes to our Final Salary pension schemes and the TUPE transfer of IT development employees to TCS.

### Organisational Flexibility and Performance

During tougher economic times, we need to improve our flexibility to manage our businesses effectively through cost reduction. We have been in discussion with stakeholders, such as BNP Paribas and Business in the Community (BITC), to do this in the right way.

### Current Profile of People who Work for Us

Our employee profile is reviewed at the Equality and Diversity Steering Committee. Some key facts include:

- The majority of our employees are aged between 26 and 45
- We are encouraged by the increase in the number of new joiners who are from Ethnic Minority backgrounds
- Over 76% of our staff have between 0 and 10 years service in the Company
- We have a 50:50 split on Male to Female within the Business.

### Percentage of Employees by Age Category as at 31 December 2008

	0-25 %	26-35 %	36-45 %	46-55 %	56+ %
Group	7.4	38.1	31.7	16.0	6.9%
LGIM	10.2	43.9	27.7	13.6	4.5%
UK	12.4	36.8	28.7	16.6	5.5%
<b>Total</b>	<b>11.8</b>	<b>37.5</b>	<b>28.8</b>	<b>16.2</b>	<b>5.6%</b>

## Key stakeholders

# Our People (continued)

### Gender Breakdown as at 31 December 2008

	%
Male	49.96
Female	50.04

### Ethnicity Percentages as at 31 December 2008

	%
Bangladeshi	0.3
Black	1.7
Chinese	0.7
Indian	2.7
Mixed	1.3
Other or undisclosed	2.6
Pakistani	0.7
White	90.2

### Length of Service as at 31 December 2008

Years' service	0-5 %	6-10 %	11-15 %	16-20 %	21-25 %	26+ %
Group	53.3	22.6	6.9	7.2	5.1	4.8
LGIM	65.0	19.1	6.3	2.3	3.1	4.2
UK	46.8	29.5	8.8	7.0	3.8	4.2
<b>Total</b>	<b>48.8</b>	<b>28.1</b>	<b>8.4</b>	<b>6.6</b>	<b>3.9</b>	<b>4.2</b>

### Our Performance – Employee Satisfaction

We were satisfied with the overall results of our 2008 Employee Survey, carried out in the UK Business. In challenging economic times, this showed a slight decrease in Employee Engagement from 73 to 70, but an increase in job satisfaction from 63 to 69. The overall Leadership Index score remains the same.

We have responded to survey results by identifying areas for improvement and are in the process of implementation. These focus on communication of the company's strategy, integrating it through cascading of objectives, improved internal communications, new management development and a review of governance and decision making process to accelerate the pace of the Business.

### People Development and Talent Management

All of our staff are required to have completed Computer Based Training on key areas, such as Treating Customers Fairly, Equality and Diversity, Data Protection, Money Laundering, Fraud Prevention and Whistleblowing. This is then built upon at each team level through training relevant to jobs.

Below is the investment trend towards structured training programmes across our Business. In a tough year in 2008, we continued to invest in training programmes for our employees.

Year	Management development £m	Central training total (includes Management development) £m	External spend by business £m	Total (Business and central training) £m
2003	1.9	4.0	2.86	6.86
2005	1.9	4.85	3.32	8.17
2008	1.94	3.89	3.28	7.17
2009 (proposed)	1.99	3.79	4.21	8.0

Between 2003 and 2008, 1,892 Managers achieved either a Diploma or Certificate qualification through training accredited by the Institute of Leadership and Management (ILM).

A new Management Development Programme is being delivered in the UK Business to build upon the ILM work we discussed in last year's CSR Report. The objective is to improve Managers' skills in engaging their staff and delivering higher performance culture across the organisation.

## Key stakeholders

# Our People (continued)

This includes training on the role that CSR plays in the management of Legal & General's reputation and risks. We are working with Non Government Organisation (NGO), Three Hands, in the development and delivery of this session. Learning activity will not be solely classroom-based; managers will be expected to practice what they learn with their teams.

### Performance Management

We have changed our approach to managing performance to enable managers to identify our high performing and high potential people more easily. In 2009, we move to a top down objectives approach with the roll out of our 'Activ8' system to managers. This will develop a more targeted approach to talent management, including identifying skills for the future, development and succession planning.

### Health and Safety

We continue to promote the importance of health and safety in the workplace and encourage our employees to have healthy lifestyles. Our Health and Safety Committees at each of our sites arranged a variety of events throughout the year that included: quitting smoking, healthy eating and how to carry out a risk assessment. The Health and Safety Committees meet regularly to monitor performance and also encourage staff to participate and raise awareness across the Group.

Our revised 'Driving on Company Business' policy was implemented in August 2008. We are continuing to monitor and develop our processes in line with industry best practice. In December, our OHSAS 18001 management system was externally audited. Following the audit, the scope of the management system has been extended to include the Cardiff office and has also been certified to the OHSAS 18001 2007 standard.

### Health and Safety Statistics

	2008	2007	2006	2005
Employees	<b>8,189</b>	8,827	8,870	8,568
Reportable accidents*	<b>116</b>	125	124	175
Incident rate**	<b>Nil</b>	Nil	Nil	Nil
Fatal accidents	<b>Nil</b>	Nil	Nil	Nil
Prosecutions	<b>Nil</b>	Nil	Nil	Nil
Dangerous occurrences	<b>Nil</b>	Nil	Nil	Nil
Reportable diseases	<b>Nil</b>	Nil	Nil	Nil
Prohibition notices	<b>Nil</b>	Nil	Nil	Nil
Other enforcement notices	<b>Nil</b>	Nil	Nil	Nil

\*As defined by RIDDOR 1995 Regulations.

\*\*Reportable injuries per 100,000 employees.

### Looking Forward to 2009

Our people continue to be at the heart of delivering service to our 6.5m customers. We have the right mechanisms in place to make balanced people decisions in our business and the flexibility to adapt to changing market conditions.

## Key stakeholders

# Our Communities

When the economy is shrinking there is a risk that organisations become more inwardly focused and less focused on helping the outside world. This coincides with increased demands on charities and voluntary sector bodies (in the Third Sector).

### Community and Employees

Legal & General remains committed to its employees and our local communities. In 2008, we are pleased to report that our employees and company contribution to our communities has increased by 34%. This has been achieved as follows:

Community investment headlines 2008	Amount
Our employees support causes they are passionate about through Give As You Earn, individual Matched Funding and location fundraising days (include Matched funds)	£1,572,327
We encourage the development of corporate governance skills and 58 school governors receive support for their schools	£39,837
Our Young and Excellence Scheme supported 22 talented youngsters including athletes and musicians	£44,152
We fund community projects around our main locations in the UK and 741 charities and not-for-profit organisations have benefited in this way	£845,542
We provide expertise and assistance for community projects, which amounted to the equivalent of 866 days with a commercial value as a gift in kind	£161,922
Key Groupwide projects (Help the Aged, MEND, Crimestoppers, ClimateWise, BITC Governance Research, BHF, London Climate Change Agency, Teachers Maths Seminars – Kings College (Institute of Child Health)	£338,235
<b>Our total charitable investment in the Third Sector during 2008</b>	<b>£3,002,015</b>

The generation and distribution of time and effort was managed by our teams as detailed below:

Management time	
Location coordinators' costs to work in our communities	£77,222
Making a Difference Awards to reward employees for community work	£17,438
Group CSR function costs	£126,677
<b>Total</b>	<b>£221,337</b>
<b>2008 Total investment in the Third Sector</b>	<b>£3,223,352</b>
2007 Contribution to the Third Sector	£2,400,000
<b>Increased percentage support in 2008</b>	<b>34%</b>

There are two main aspects to our charitable budget. 80% is invested in support for local communities

Our strength is in our locations where requests for charitable support are reviewed by local CSR professionals and their volunteer committees, who have a good understanding of the grass roots needs of their communities. Over 740 charitable donations were made in this way in 2008.

### Employee Community Involvement

Our employees are able to make donations or give time to their favourite charities, and we offer key mechanisms to encourage this as part of their employment at Legal & General.

**Give As You Earn Scheme (GAYE):** A tax efficient, company assisted way of giving money to charity. Legal & General matches up to the first £25 of monthly contributions and covers all administration costs. Employee donations are made before tax. 13.6% of our employees regularly participate and just under £598,389 has been donated to charities in this way.

# Key stakeholders

## Our Communities (continued)

**Sponsorship Matching Scheme:** Supporting our employees in their charitable fundraising is a key part of the Legal & General Community Involvement programme. We match each employees' fundraising up to £750 per annum and just under £814,492 was generated under the scheme in 2008.

**School Governors' Scheme:** We encourage our employees to become school governors by making an annual donation of £750, which includes £250 towards a specific programme to develop maths teaching or financial literacy, to their school. In 2008 Legal & General school governors contributed to the Business in the Community research on the State of School Governance.

### Rewarding Talented Individuals

**Young and Excellence Scheme (YES):** This scheme supports young people who have shown exceptional sporting, musical or creative talent. We aim to assist youngsters at the start of their careers, and to help them to pursue their ambitions more fully than would otherwise be possible. We currently have 22 YES members.

### Communications and Staff Engagement

Our CSR activities are integrated into our internal communications mechanisms. Our internal communications team facilitates 'media slots' where news of employee CSR related activities can be found. This enables us to publicise the important work for Third Sector organisations across our business quickly.

### Third Sector Investment Policy [click here](#)

Groupwide projects are governed by the Group Charity Committee, which considers requests for support in line with our Third Sector Investment Policy which has the following criteria:

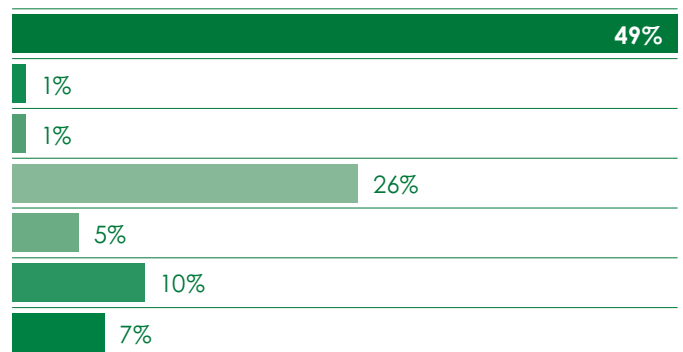
- We aim to contribute our Company knowledge, skills, expertise, resources and influence, as well as any financial contribution.
- We look to invest in direct trends linked to our core businesses:
  - Financial inclusion, ie encouraging a savings culture
  - Client health – tackling issues which clients claim for, now or in the future
  - Home security and flood prevention
  - Responsible property landlording
  - Financial crime prevention
  - Good governance
  - Accessibility and Disability.



**EMPLOYEE VOLUNTEERING**

In 2008 we provided the equivalent of 866 days of volunteering across our locations. We use partner organisations such as BITC, CSV and Three Hands to help source projects, which are making a grass roots difference to communities.

### Amount Invested into the Third Sector by Legal & General Group 2008



- Employee Driven Scheme (GAYE/Matched Funding)
- School Governors Scheme
- Young and Excellence Scheme
- Community Projects
- Volunteering Time
- Group Social Investment Projects
- Management Time

## Key stakeholders

# Our Communities (continued)



### EMPLOYEE MAKING A DIFFERENCE AWARDS (MAD)

This is an annual event where our Chairman and Group Chief Executive host a lunchtime awards ceremony in London for employees who have excelled in their contributions to communities during the year. We also make a MAD Award to our suppliers. Our 2008 MAD Award winners are:

- **Environment:** David Owen, Bank & Building Society Division
- **Charity:** Rhidian Jones, Sales Division
- **Community:** Lynne Cunningham, Protection and Annuities
- **Business:** Rob Dalton, Savings.

 Videos of award winners

We want our customers to be aware of what we support and aim to select partnerships that will have resonance with them. We aim to make a 30-40% difference to the bottom line of the organisation. To achieve this we either work with smaller charities where our contribution makes a significant difference, or where funds are ring fenced for a specific project.

Throughout this CSR Report you will see examples of where we are working with Third Sector Partners to develop ventures that build our understanding of future markets and social trends we need as a business.

### Looking Forward

In 2009, we have a budget of £0.5m available in our Third Sector Investment budget and we have committed to:

- provide the same level of funding into our community budget as we had in 2008
- provide the same level of support for our employees through core schemes, such as Give as You Earn, individual Matched Funding and matched fundraising days in our locations
- a target of 500 volunteering days to recognise the need for expertise and knowledge, as well as financial support for the charitable sector.

We also look forward to working with the Charitable Foundation of our new partners Suffolk Life.

## Key stakeholders

# Our Suppliers


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Our new Sustainable Procurement Policy clearly states our CSR requirements for suppliers and how we will support them in managing their social and environmental impacts. In 2008, we spent £358m with our suppliers.

### Supply Chain Management

We recognise that all of our 2,096 suppliers make a vital contribution to our business success. We seek to establish commercial relationships with them to deliver best value for Legal & General and ensure that our supply chain activities are both ethical and sustainable. We also recognise our responsibility to treat suppliers fairly and objectively at all times, including those competing for our business when we review our contracts.

In 2008, we published our Sustainable Procurement Policy, which increased the requirements for our suppliers as well as strengthening our commitments of support. We also focused on the training and development of our procurement staff in CSR management and introduced a carbon management strategy for our supply chain.

[Click here](#) 

In 2007, our Purchasing Director, Paul Lee, invited key suppliers to engage with us on CSR issues to improve their performance. In 2008, we directly engaged with 76% of our key suppliers and facilitated many improvements in their social and environmental programmes. We secured ISO 14001 accreditation for the environmental management of over 70% of our key suppliers.

### Carbon Management

In 2008, we published our intention to establish and report the carbon footprint of our supply chain in the 2010 CSR Report. In 2009, we will require our key suppliers to report upon their energy management plans including their carbon emissions, reduction targets and achievements to date.

In November 2008, we invited all our key suppliers to attend a Carbon Masterclass to communicate our energy strategy, outline our work to date and explain our reporting requirements. We involved Cable & Wireless, The Mayor of London's Green Procurement team, Bureau Veritas and the Carbon Disclosure project as experts on the day.

A 'carbon questionnaire', based upon the Carbon Disclosure Project reporting model, will be used to record this information. The Masterclass was well supported and the collection of carbon data has already commenced.

Our aim is to identify those suppliers who emit a disproportionate amount of carbon compared to our expenditure and to start working with them to reduce their environmental impact.

We recognise our suppliers' CSR achievements through the Supplier Making A Difference Awards. In 2008, we had a record number of entries which we shortlisted to five finalists. The judging panel, including representation from Business in the Community (BITC), had the difficult task of selecting the winner and runners-up.

 [Video of winner](#)

We were delighted to make the 2008 Award to Ansa, who provide drainage and repair services for our policyholders. Ansa introduced an environmental impact improvement programme, which identified and monitored energy usage and waste volumes, and set targets for improvement.

### Looking Forward

We expect an increasing challenge from SRI analysts to investigate 'Security of Supply', which we interpret as our ability to manage the risk of those core resources that we take for granted, such as energy, by understanding the nature of the supply chain behind them.

We will continue to improve adherence to our Sustainable Procurement Policy by introducing supplier site audits of activity.

We will focus our Making a Difference (MAD) awards upon those supplier initiatives that effectively improve their Carbon Management.


## Key stakeholders

# Our Environment

We strive to reduce our impacts on the environment and recognise that this is becoming an increasingly significant part of our culture and the way we do business. It is also an increasingly important issue for our customers, our communities and, of course, for our employees.

Environmental Management is not something new to Legal & General. Our Chairman, Sir Rob Margetts, has been a strong advocate for several decades and first challenged the business to become a leader in reducing rather than offsetting its impacts back in the early 1990s. We strive to reduce our impacts on the environment and recognise that this is becoming an increasingly significant part of our culture and the way we do business. It is also an increasingly important issue for our customers, our communities and, of course, for our employees.

In 2008, our position on the environment has been externally recognised in a number of ways:

- We are rated as a Platinum company in the 2007/08 Business in the Community (BITC) Environment Index
- We were approached by Nippon Life, Japan, to discuss our implementation of the International Environmental Management Systems Standard, ISO 14001
- Ranked 1st (out of 26) in the Global Life and Health Insurance Sector Study by Triodos Bank for environmental management
- 2008 saw the first year of external reporting on the ABI's ClimateWise Principles. To see our statement please [click here](#) 

### Environmental Certification

Certification of our environmental management systems ensures that our environmental risks are managed and our performance and legal compliance are maintained. In 2008, the following business functions were certified to ISO 14001:

- Provision of Facilities Management (all major UK occupied sites)
- Corporate Procurement
- Property Management Services.

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

With energy use increasing through our leasing of One Coleman Street, London, our first priority in 2008 was to extend our ISO 14001 certificate to that office (achieved April 2008), undertake energy audits and put in place action plans to start reducing our impacts.

### Engaging Staff

Our other priority in 2008 was to engage with staff and attempt to change behaviour towards resource use and wastage. The strategy communicated by the Group Chief Executive has been effective and we have made changes to the Greener Travel Policy to change working patterns across the business. This has had a positive effect on the resources needed to run our business.

Another way in which the Group has tried to engage with staff, and in this case the public, has been through the art of theatre. In cooperation with theatre group, Rational Madness, and Arts & Business (A&B), 'Recycled Dreams' was premiered by Legal & General at the Edinburgh Fringe Festival and then toured Legal & General's offices across the UK. The play challenged conventional approaches to the sustainability message and explored personal sustainability issues and how these fit in with corporate and global messages and problems. For further information please [click here](#) 

### Greenhouse Gas Emissions

Our medium term objective, set in 2005, has been to reduce carbon dioxide (CO<sub>2</sub>) emissions per employee. Our overall impact on climate change has been reduced in 2008 despite the addition of our London office to the occupied property portfolio. This has been achieved through reductions in all forms of business travel, resulting from a reduced headcount and the introduction of our Greener Travel Policy, and changes to working patterns.

## Key stakeholders

# Our Environment (continued)

Bureau Veritas, our designated consultants, have advised us to change reporting methods for carbon dioxide in preparation for the UK Government's Carbon Reduction Commitment. In this report, 2008's electricity and gas conversion rates have been brought in line with DEFRA's revised natural gas and grid electricity rates. This has increased our conversion rates for carbon dioxide (around 9% for gas, and 25% for electricity).

In 2008, we introduced a car sharing business rate which pays 5p more per mile for people car sharing whilst on business. Our employees claimed 181,458 shared business miles during 2008 with over 17% of our employees using the scheme in its first six months.

### Resources

2008 has seen two positive trends, namely; a small reduction in overall landfill and an overall reduction in waste generated (by over 1.5%).

Landfill per employee increased by 5% in 2008. This is a reflection of overall wastage not reducing in line with a reduced headcount at some offices. Our absolute office energy use increased in 2008 (by nearly 5%). Most of our occupied sites managed single figure reductions in energy consumption only for this to be offset by the addition of our new, fully occupied offices in London and Swindon (this has added to our footprint as the previous London offices were landlord controlled). Working patterns are changing and we are seeing staff spending more time in our offices and less time travelling on business.

### Resources Used to Manage Our Client Contracts as at 31 December 2008

Performance Indicator	2008	2007	% Change
Number of live contracts (million)	7.414	6.365	16.5
Total direct CO <sub>2</sub> (UK occupied properties and business travel) per contract	2.72*	2.61	4
Car based business mileage	10,701,348	11,984,634	-11
Energy per contract (kWh)	4.64	4.69	-1
Total waste per contract (grams)	219	259	-16
Copier paper per contract (sheets)	7.6	9.7	-22
Average number of pieces of paper a customer would see in a year	19	22	-14
% of paper recycled	40	39	+2.6

\*In 2008, DEFRA's amended conversion rates (including the five year rolling average for the UK grid) have been used – see data sheet and footnotes for further details. (Using DEFRA's.)

“On environment, Legal & General Group is an industry leader in environmental certification and discloses quantitative targets to reduce its carbon dioxide emissions.”

Triodos Bank

We have seen increases in water use through the addition of One Coleman Street and our decision to install purified water facilities at two of our largest offices (filtered bottled water using self-sanitised reusable bottles as opposed to bottled mineral water) but positive trends with paper, both from within our offices and in what is sent out to our customers.

### Looking forward

In 2009 our environmental policy will focus upon preparing for the UK's Carbon Reduction Commitment, reduction of total waste generation, in particular paper and landfill waste and engaging further with our staff to reduce the environmental impacts of our business.