

# Our Suppliers

It's important to us that our suppliers act in a socially responsible manner, and we believe that by selecting, influencing and working with key suppliers we can contribute to their performance in this area.

## Supplier Snapshot

Spent with suppliers in 2005	Number of suppliers
£1,000,000 and over	71
Between £100,000 and £1,000,000	243
Between £10,000 and £100,000	713
Between £1,000 and £10,000	984
Less than £1,000	1,122
<b>Total number of suppliers</b>	<b>3,133</b>

(The above statistics are based on live contracts, and relate to our UK operations only).

### Overview

Legal & General purchases goods and services from over 3,000 suppliers, ranging from large multi-nationals to smaller local businesses. The purchase process ensures that company resources are used in the most cost-effective manner and that the items supplied meet the needs of our

internal operational requirements, general insurance policyholders or managed property tenants.

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

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

### What we expect of our Suppliers

In addition to a commercial evaluation, potential significant suppliers complete questionnaires covering the key aspects of equal opportunities, health & safety and environmental performance.

Key suppliers are determined on the basis of contract value and level of risk, where the criteria vary according to the type of CSR risk. Supplier managers engage regularly with key suppliers, using the guidelines which have been developed to promote improvements in CSR performance.

### Product Specification

We know that the specification of bought-in goods or services can have a direct impact on the environmental performance of our buildings and business processes. We also believe that consideration of CSR issues in the specification of a product can have a positive impact both within Legal & General and within our global supply chain. We therefore develop specifications for key commodities, which are determined through a risk assessment of their major impacts.

### Progress in 2005

- We have promoted our '**Green Supplier Award**' to encourage and recognise environmental projects which have 'Made a Difference'. The 2005 winner was National Car Rental for its action to increase the number of diesel cars available for employees to hire.
- We've updated our Group-wide Ethical Purchasing Principles to reflect our corporate values that gender and ethnic origin continue to be irrelevant in our supplier selection process.
- We have extended these Principles to include minimum expectations of suppliers relating to human rights, equal opportunities and the adoption of ethical purchasing practices within their supply chains.
- We have obtained approval for an escalation process, through Legal & General's Risk Management framework, for identified and unresolved supply chain CSR issues.
- A new role (Risk and Project Manager) has been created within Corporate Procurement to reflect our acknowledgement of the importance of our supply chain to the overall CSR strategy.
- A CSR workshop was held with the purchasing centres in July 2005. A second workshop was held in January 2006 to promote the extended Ethical Purchasing Principles.
- We've engaged with several key health and safety suppliers to improve their awareness and management of these risks.

- The number of environmental key suppliers has increased by 22% from 68 to 83. 23 suppliers were assessed for first time.
- Group-wide, we've replaced our purchase of 100% virgin copier paper with product manufactured from 100% post consumer waste. This decision saves an estimated 3,225 trees a year from being felled.
- We have engaged with the Waste & Resources Action Programme (WRAP) to review opportunities for improvement in recycled content of Legal & General's marketing papers. This project is scheduled to report in 2006.
- Environmental specifications are now in place for 47% of key commodities (26% in 2004, 21% in 2005). The remaining key specifications (53%) will be developed by 2007. The target is for 80% of these key supplier agreements to be reviewed in the period 2005-7.

### Looking forward to 2006

Plans for 2006 include:

- Agreeing supply chain CSR standards for Community Involvement and Labour Relations, and developing Guidelines to influence key suppliers and support their supplier managers.
- Initiating a programme relating to health & safety within the supply chain to meet the objective that there is either a satisfactory assessment of 100% of key suppliers or that the appropriate risk management committee

accepts that the risk has been mitigated to an acceptable level.

- Considering extending the scope of the ISO14001 accreditation secured by Corporate Procurement to other purchasing centres within Legal & General.
  - Specifying an FSC certified paper with a 55% recycled content for at least 80% of our marketing literature by June 2006. This change demonstrates our commitment to sustainable development and will save an estimated 7,639 trees from being cut down every year.
  - Considering extending the scope of the Waste & Resources Action Programme (WRAP) in respect of the recycled content of Legal & General's uncoated letter headed paper and envelopes.
- Please see page 28 for the specific objectives we have adopted.



TREES WILL BE SAVED EVERY YEAR THROUGH OUR COMMITMENT TO THE USE OF RECYCLED PAPER