

Our Socially Responsible Investment Approach

We believe that good management of social, environmental and ethical issues makes sound business sense, and we aim to ensure that, as a company, we follow recognised best practice guidelines in these areas.

EQUITIES

Engaging with Companies

As one of the UK's largest investors, with over £200bn of funds under management, we also acknowledge that we have a responsibility to influence the companies in which we invest to adopt a responsible approach to these issues.

During 2005 we continued to implement our policy of conducting research on companies' social, environmental and ethical (SEE) risks and impacts. As in previous years, we paid particular attention to companies in high impact sectors within the FTSE 350 which also received a rating of 'limited disclosure' of SEE issues according to the ABI's disclosure guidelines.

This being the third year since the ABI's SEE guidelines were issued, most of the companies within the high impact sectors managed to gain at least a moderate disclosure on the basis of the ABI criteria. Nevertheless, we met with 26 companies during the year specifically to discuss SEE issues, and wrote to a further six to raise issues of concern.

Property Investments

Legal & General Property Limited is responsible for managing Legal & General's property portfolio. At 31 December 2005, funds under management by Legal & General Property Limited were £9.96bn (2004: £8.1bn). This included £3.08bn (2004: £2.5bn) of external client funds. The majority of property management work is carried out in house by Property Management Services, which is accredited by the British Standards Institute (BSI) for operating a Quality Management System to BS.EN ISO9001:2000 standard.

New purchases

- An environmental report is obtained. Any issues identified will be reviewed at Director level prior to purchase being authorised.

New developments

- An environmental impact study is now carried out for proposed major development schemes. There were no new developments during 2005.

Directly Managed Properties

- Environmental, Health and Safety risk assessments are carried out by specialist consultants on a regular basis. Air and water quality are also monitored.
- During 2005, environmental ISO 14001 certification was achieved for Midsummer Place, Milton Keynes. This achievement added to our scope of three major investment properties fully compliant, one of which has now been sold.
- Audits have been carried out on all directly managed properties to ensure measures are in place to make premises accessible to people with disabilities and to meet the requirements of the Disability Discrimination Act 1995.
- During the year we have facilitated discussions with tenants to promote awareness of social and environmental issues and, where possible, to form joint initiatives to reduce the amount of waste going to landfill. This has resulted in a recycling facility being installed at the Midsummer Place Shopping Centre to improve environmental performance.

Private Equity

Legal & General Ventures Limited ("LGV") specialises in mid-market buy-outs of UK companies with an enterprise value of between £50 and £250 million in three principal sectors – consumer, leisure and services. The current limited partnership agreement prohibits investment in any US entities and in any entity principally involved

in the business of tobacco, derivatives, casinos or gambling, other than casinos or gambling businesses which are licensed by the United Kingdom Gaming Board or equivalent body in other major European countries.

Management of social and environmental risk

Extensive due diligence is performed prior to investment, mainly covering financial, market, management and environmental due diligence. LGV is represented on the Board of most companies in the portfolio and is in regular contact with management teams, enabling LGV to monitor the emergence of any potential social or environmental risk and to encourage good practice in the companies in which we invest. During 2005, LGV applied its established guidelines, where appropriate, for the standards expected when making significant investments in three companies.

Looking forward to 2006

Our key areas of focus for the year are:

- Continuing to engage with FTSE 350 companies on issues of concern
- Attaining ISO 14001 accreditation for additional properties
- Encouraging investee companies to seek advice from the Carbon Trust with regard to the management of their environmental impacts

Please see page 29 for the specific objectives we have adopted in these areas.



MEETINGS WERE HELD WITH INVESTEE COMPANIES TO DISCUSS SOCIAL, ENVIRONMENTAL OR ETHICAL CONCERNS