



Climate and nature report 2024

Legal & General Group Plc

In line with recommendations by the Task Force
on Climate-Related Financial Disclosures (TCFD)



Addressing climate change and tackling nature loss have long been a part of our strategy. They are material financial issues, and are key to sustainable growth.

Reporting on our progress

Our Climate and nature report is a supplement to our Annual report and accounts. See our full 2024 reporting suite opposite, as well as our Climate transition plan which sets out our long-term approach to the climate transition (the transition).

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Reporting on our progress



Annual report and accounts

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Social impact report

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Climate transition plan

[Discover more](#)

Climate and nature glossary

[Discover more](#)

This report has been created in accordance with the 11 recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). It is a supplement to our Annual report and accounts, which contains our material climate-related disclosures. This report gives us the space we need to discuss in further detail our approach to climate change and wider environmental issues.

Chief Executive Officer's statement

Sustainable growth for a simpler, better-connected L&G



“ Sustainable growth, sharper focus, and enhanced returns – a successful transition plays a part in all of these.

” António Simões
Group CEO

L&G has been around for 188 years, and throughout our history we have not shied away from actively trying to tackle some of society's biggest challenges – from offering retirement solutions, to investing in the real economy. Climate change, and the twinned crisis of nature loss, require long-term commitments as well as action today. This aligns with our purpose: we are 'Investing for the long term. Our futures depend on it'.

2024 was the warmest year since records began in 1850, and the last decade was the 10 warmest years over this period. During this time, the world temporarily breached 1.5°C of warming. The UK was also subject to the wettest 18 months on record.

Those are the facts. But they do not define the future. On the basis of the science, it is still possible – if increasingly difficult – to limit global warming to 1.5°C and, in turn, avoid the worst impacts of climate change¹.

We see two significant risks posed by climate change:

- 1. Physical risk** – manifesting as extreme weather events, droughts, flooding, and the other associated impacts.
- 2. Transition risk** – how we, as individuals, businesses and nations, come together to manage the transition to net zero.

Those are risks that, as a company, L&G plays an active role in addressing. We do this because we believe it is the right thing to do for our business; creating value for shareholders and protecting our long-term sustainability, while also being better for society and the planet.

We also recognise the significant investment opportunities that will arise as economies embrace new technology in the transition. We can – and must – incorporate climate change and nature considerations into how we invest our capital, how we support clients as an asset manager, and how we operate our business to be more sustainable and able to adapt to a changing world.

These are material issues, and it is vitally important that L&G manages the risks it faces, and plays a role in the solutions.

My colleagues have developed the skills and expertise needed not only to manage the risks, but to also seize the opportunities. There are many examples of us leveraging this during 2024, such as our new L&G Private Markets Access Fund and our L&G Lifetime Advantage Fund, which provide a meaningful opportunity to focus on sustainability by investing directly in assets such as clean power.

Last year, we set out our strategy for sustainable growth, sharper focus, and enhanced returns – a successful transition plays a part in all of these. We also recognise that change is typically achieved in steps, not leaps – and believe that constructive engagement with companies and policymakers is the best way to move towards net zero. We've already taken, and will continue to take, significant action to mitigate the risks of climate change, adapt to changes already anticipated, and position ourselves to benefit from the transition to a low-carbon economy.

As I look to the future, I'm passionate that our in-depth knowledge and the commitment of our people are steered towards meeting and mitigating the challenges of climate change – through our influence, our operations, and by investing for the long term. Our futures depend on it.

António Simões
Group CEO

1. climate.copernicus.eu/copernicus-2024-first-year-exceed-15degc-above-pre-industrial-level

L&G at a glance

Who we are

Established in 1836, we are a leading financial services group and a major global investor, helping to safeguard people's financial futures, improving the lives of our customers and creating value for shareholders.

What we do

We are one of the world's largest asset managers and provide powerful asset origination capabilities. Together, these underpin our retirement and protection solutions.

L&G at a glance

188

Years of history

10,799

Employees

£1,711m

Adjusted operating profit¹

FTSE 100

£1.1tn

Assets under management

£97.6bn

Proprietary assets²

ESG ratings and recognition



1. Adjusted operating profit measures the pre-tax result excluding the impact of investment volatility, economic assumption changes caused by changes in market conditions or expectations and exceptional items.
2. We define proprietary assets as total investments to which shareholders are directly exposed, minus derivative assets, loans and cash and cash equivalents.

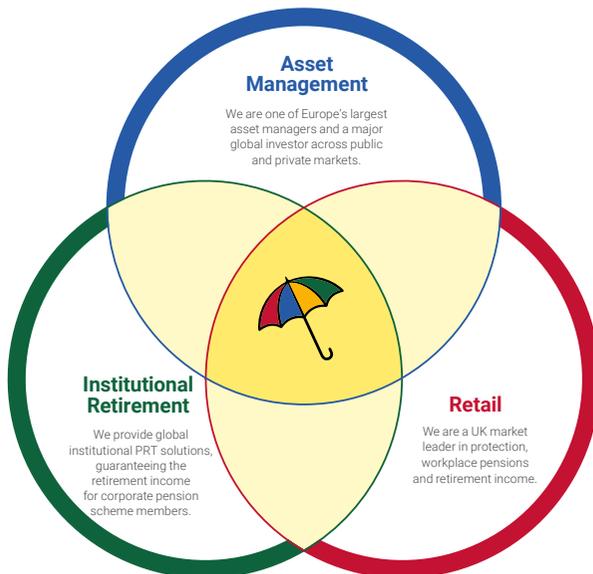
The business context

Our businesses work together to deliver our strategic purpose and generate value for our shareholders, customers, clients and communities.

Climate change and nature loss do not fundamentally alter our business model, but they do impact how we execute our strategy. This page describes L&G's business model, providing the context required to understand how each division contributes to achieving our strategic priorities, and how synergies are driven across our different business areas. Addressing climate change and nature loss are a core component of our strategic priorities, as they directly impact our long-term sustainability and risk management.

 Discover more

Annual report and accounts



Business

Incentive to act

CEO statements



Institutional Retirement is targeting a net zero asset portfolio by 2050. These are primarily our annuity investments and are managed as a single portfolio alongside our Retail business.

“

Institutional Retirement, our bulk annuity business, are an integral part of L&G's transition to net zero. Working closely with our Asset Management and Retail businesses, we are making progress towards decarbonising our annuity portfolio and aligning our assets with our climate goals.

”

Andrew Kail,
CEO, Institutional Retirement



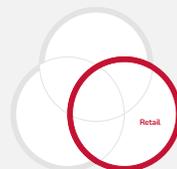
Asset Management uses its influence to promote the transition to a low-carbon economy and has a market-leading investment stewardship team.

“

Asset Management are committed to helping clients manage the risks and seize the opportunities linked to the twinned challenges of climate change and nature loss. Our efforts demonstrate our commitment to driving meaningful change and delivering long-term value.

”

Eric Adler,
CEO, Asset Management



Retail aims to decarbonise its annuity assets in conjunction with Institutional Retirement and provide Workplace customers with opportunities to invest in the transition.

“

Retail are committed to supporting the transition to a low-carbon economy on behalf of our customers. We are approaching this in three ways: decarbonising our annuity assets, supporting lifetime mortgage customers in making sustainable choices, and providing pension members with opportunities to understand climate impacts on pension investments.

”

Laura Mason,
CEO, Retail

Corporate Investments unit

The Corporate Investments unit was set up to oversee assets and businesses that are not a strong fit with our new strategy, although some deliver strong financial performance. These assets may still be material to our climate commitments, such as CALA Group prior to its sale.

Our year in numbers

Invest

Net zero asset portfolio aligned with a 1.5°C 'Paris' objective, with a 50% reduction in GHG emission intensity by 2030¹.

37%

Reduction in investment portfolio economic GHG emission intensity¹

2023: 30%¹

[Read more on p26](#)

2.5°C

Implied temperature alignment²

2023: 2.5°C

[Read more on p28](#)

£4.0bn

Investments in transition finance³

2023: 3.3bn

[Read more on p13](#)

Influence

Work in partnership with clients to manage 100% of AUM in alignment with net zero by 2050, with 70% of eligible AUM to be managed in alignment with net zero by 2030⁴.

30%

Reduction in carbon intensity of occupier energy use across real estate equity assets¹

[Read more on p20](#)

82%

Total emissions attributable to our AUM covered by our Climate Impact Pledge (CIP)⁵

[Read more on p39](#)

3,617

Number of environment-specific engagements

2023: 2,000

[Read more on p39](#)

Operate

Net zero scope 1 and 2 GHG emissions by 2050, with an absolute reduction of 42% by 2030 from our 2021 base year⁶.

30%

Reduction in operational footprint (scope 1 and 2 (location))⁶

2023: 29%⁶

[Read more on p25](#)

86%

Percentage of electricity procured from renewable sources⁷

2023: 82%

[Read more on p29](#)

68%

Percentage of suppliers, by spend, who have a science-based carbon reduction target

[Read more on p19](#)

1. From a 2019 base year.

2. Using the L&G Implied temperature alignment methodology. The alternative CDP-WWF temperature rating scored 2.5°C.

3. Defined as renewable energy, green bonds and other technology, infrastructure and real estate climate solutions.

4. For the interim target, we exclude sovereigns and derivatives due to lack of clear industry methodologies to account for these asset classes.

5. This is the first year we have reported this metric, which is taken from our June 2024 CIP report and based on 31 December 2024 data. Percentages are calculated on corporate equity and debt holdings, where GHG data can be sourced. Data is from ISS and uses data and reporting enrichment to map to issuers of corporate bonds.

6. To account for the impact of the pandemic, our 2021 base year includes estimated emissions data from our Private Markets commercial portfolio based on 2019 data. All other base year emissions are from 2021.

7. We remain on track to meet our target of 100% of electricity procured from renewable sources by 2025 year end.

Progress in 2024

Our Climate transition plan was approved by our shareholders in 2023, with support from over 97% of votes. During 2024, we remained focused on continuing to deliver against this plan.

Invest

Progress

- We have successfully achieved our 2025 interim decarbonisation target for the greenhouse gas (GHG) emissions intensity of our investments, with a 9% reduction from 2023.
- We continued to invest in climate and nature solutions, including debt conversions for nature and clean energy infrastructure.
- We improved our understanding of our impacts and dependencies on nature, exploring our investment portfolio's exposure to deforestation, and highly nature-dependent sectors. See page 46 for more detail.

Next steps

We will continue to take steps to meet our interim decarbonisation targets, while increasing our financing of climate solutions, including actively exploring how we can develop our own nature-based solutions.

Influence

Progress

- We had 3,617 engagements with companies specifically on their approach to financially material environmental issues – a significant increase on 2023, primarily driven by expanding our Climate Impact Pledge.
- We expanded our product range, with 40% of new products having sustainability considerations, of which 13% are aligned to net zero.
- We achieved a 30% reduction in the carbon intensity of the scope 3 emissions associated with the energy use of our real estate equity occupiers, from a 2019 base year.

Next steps

We will continue to integrate net zero-alignment criteria into new investment products, and are working to ensure we adhere to best practice and align with our clients' investment objectives.

Operate

Progress

- We reduced our scope 1 and 2 emissions by 30% from our 2021 base year¹.
- We continue to drive reductions in our scope 1 emissions (38% from our base year and 5% from 2023)¹. This reduction is being driven by a range of activities, for example on-site renewables, ongoing efficiencies and planned removal of gas from our assets.
- 68% of our suppliers, by spend, now have a science-based carbon reduction target². This is the first year we have disclosed this metric, alongside our target of ensuring 80% of our suppliers, by spend, will set a science-based carbon reduction target by end of 2026.

Next steps

We are staying abreast of emerging building sector guidance to inform our emissions reduction efforts. We are focusing on engaging with our supply chain to better understand our environmental impact beyond our business.

Risks to achieving 1.5°C

Our climate commitments at L&G are currently on track, with good progress made during 2024. However, we recognise that the world is currently on a path that will lead to an overshoot of the Paris Agreement's central aim of limiting temperature increase to well below 2°C and ideally 1.5°C.

As the gap between a pathway aligned with 1.5°C of warming and the world's current trajectory continues to grow, it is becoming increasingly challenging for us to continue to meet our own commitments. As material financial issues, addressing climate change and nature loss will remain priorities for L&G, but without rapid, significant action across the global economy, we may need to revisit our approach in future years to reflect the current realities.

[Discover more](#)

[Climate transition plan](#)

1. To account for the impact of the pandemic, our 2021 base year includes estimated emissions data from our Private Markets commercial portfolio based on 2019 data. All other base year emissions are from 2021.
2. We define a target as science-based if it is aligned to SBTi criteria i.e. is a mid-term reduction target with enough ambition to align with the global net zero trajectory.

Strategy

Where we are

We have a purpose-driven approach based on investing for the long term, which aligns with our approach to addressing climate change. We have a transition plan we are delivering against to decarbonise our business and reach net zero, and this report updates on our progress. We are integrating our approach to nature-related impacts and dependencies.

Challenges we are facing

Net zero is a global responsibility, which brings challenges outside of our control. We are reliant on governments and society at large to take positive and meaningful action. The world is currently on a pathway that will cause us to overshoot 1.5°C of global warming.

We are seeing signs that chronic physical impacts from climate change are having economic effects more quickly than previously anticipated, so we continue to monitor our exposures to these impacts and ensure we have appropriate mitigations in place where relevant.

What the future looks like

We manage our business to remain resilient to the range of possible climate outcomes. We remain focused on our long-term climate strategy underpinned by our science-based targets (SBTs), validated by the Science Based Targets initiative (SBTi).

We will continue to: use our influence to encourage others to take action on climate and nature; invest in the transition to a low-carbon economy by financing climate solutions; and decarbonise our own operations.

Our purpose driven approach

Our purpose

Investing for the long term. Our futures depend on it.

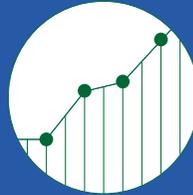
L&G has 188 years of history, and our refreshed purpose is testament to this. We have a long term approach, focused on generating returns for our shareholders, while delivering benefits to the societies within which we operate. Our purpose statement was recently refreshed, but much of the previous sentiment persists. Alongside our new strategy, it reflects our vision of growing a simpler and better-connected business.

The connectedness between our refreshed purpose, and the risks we face from climate change and nature loss, are clear. We recognise that taking action now on these twinned issues, will help to produce better economic outcomes in the long term, as well as being better for the environment.

In delivering sustainable growth, sharper focus, and enhanced returns for our shareholders, we continue to address climate change and nature loss using our three-pillar approach: invest, influence and operate.

This approach frames how we plan to seize the opportunities in the transition to net zero, while managing the risks. Our strategic approach spans across our organisation, and does not sit in isolation, although this report signposts where a particular business area is impacted.

Our strategic priorities



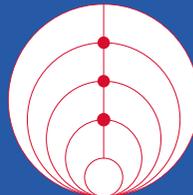
Sustainable Growth

We want to sustainably grow our three businesses, seizing the opportunities for significant growth upside.



Sharper Focus

We have sharpened our focus on the core businesses of L&G. We are focusing on those businesses with the strongest strategic fit and have a clear set of priorities.



Enhanced Returns

We are committed to delivering enhanced shareholder returns – changing our approach to shareholder distributions.

Our transition approach

Invest

How we invest our £97.6 billion of proprietary assets

- Through reducing the intensity of our financed emissions.
- Through investing in the transition.

Influence

How we influence as one of the world's largest asset managers

- Through the products we offer.
- Through our engagement with companies, governments and policymakers.

Operate

How our businesses operate

- Through our operations.
- Through our management of real assets.

Developing our approach to nature

At L&G, we recognise the critical importance of preserving our natural environment, with nature loss being a systemic risk to our economy and society. We have long advocated for action on climate change, and we recognise that these efforts must be pursued alongside work to reduce environmental degradation. The two issues are materially interdependent.

We have welcomed the launch of the Taskforce on Nature-related Financial Disclosures (TNFD) global framework, providing a risk management and disclosure framework to identify, assess and respond to nature-related issues. In 2024, we joined a large group of global organisations by formally committing to be an early adopter of the TNFD framework – this was a commitment to begin making TNFD-aligned disclosures in this report, and through future iterations.

Climate change remains one of our most material sustainability issues (see our Impacts, risks and opportunities assessment on page 49) and has historically been the main focus of this report. These disclosures are well established, which is reflected in the methodologies and data that support them, when compared to our nature-related disclosures.

We are still at the beginning of our journey in understanding nature-related impacts and dependencies. While we plan to integrate our strategy to tackle nature loss with our existing climate change strategy, the crisis in nature poses unique challenges. This report provides us with the space needed to reflect some of these challenges in detail.

Case study

Debt conversion for nature

Challenge

As the region becomes increasingly vulnerable to climate-related risks and biodiversity loss, the Republic of Ecuador's Amazon Biocorridor Program (BCA) aims to improve the management of 4.6 million hectares of existing protected areas and protect 1.8 million hectares of forests and wetlands, while also protecting 18,000 kilometres of rivers. In 2024, The Nature Conservancy's (TNC) Nature Bonds Program facilitated a debt conversion for nature to advance the BCA.

Impact

L&G have been a key investor in debt conversions for nature in developing countries since 2021. In 2024, we participated in Ecuador's second debt conversion, having been the cornerstone investor in their 2022 conversion. This transaction will unlock approximately \$460 million over the next 17 years to support terrestrial and freshwater conservation. It followed active engagement with TNC and the Ecuadorian government on the sustainability commitments, governance and reporting requirements.

Invest

We recognise that, as with climate change, our biggest exposure to the risks from nature loss is through our £97.6 billion of proprietary assets. The metric on the next page (Exposure to highly nature-dependent sectors) is the first step in quantifying this risk and helps us to consider how investments can be channelled towards nature-positive outcomes.

Influence

Nature loss is a financially material issue, and we have been engaging on this topic as an asset manager, with £1.1 trillion AUM, for many years. For example, our Climate Impact Pledge (CIP) has long incorporated deforestation and biodiversity considerations. We continue to evolve our nature-led engagement as our understanding of the risks improves, and over 2024 we published our Nature Framework for engagement.

Operate

We disclose the impacts our operations have on environmental issues (such as waste and water) and continue to develop our approach to these issues. As part of this, our Asset Management business is delivering against Biodiversity Net Gain regulations. We also consider the impact nature loss has on our operations and detail this on page 29.

Nature definition

The natural environment and its ecosystems, including all living and non-living components. This encompasses biodiversity, land, water, air, and the services that they provide.

Developing our approach to nature continued

Emerging metrics for understanding nature-related risks

We became an early adopter of the TNFD framework because we recognise that nature-related risks could have significant macroeconomic implications.

Over 2024, we have been developing a set of metrics to begin reflecting our impacts and dependencies on nature, much as we have done in recent years to demonstrate our progress in addressing climate change.

As an early adopter of these metrics, it is noticeable that agreed methodologies, and access to the data which support them, are much less mature than for climate risks. We discuss this more on page 46.

Below are two key metrics we use to demonstrate the steps we are taking to address nature loss, with further context, and other relevant metrics, covered in the Metrics and targets chapter.

185

Number of nature-specific engagements through our Asset Management division

40 – 50%

Proportion of proprietary assets exposed to highly nature-dependent sectors¹

1. Aligned to the TNFD '(FI.CO.0) – Exposure to sectors' guidance, with sectors defined by the TNFD. A range is provided noting the data gaps and resultant uncertainties in mapping or exposures to the defined sectors.
2. nhm.ac.uk/discover/news/2021/october/analysis-warns-global-biodiversity-is-below-safe-limit.html

Case study

Developing natural capital solutions



Challenge

The UK is in the bottom 10% globally in terms of nature-depletion, having witnessed centuries of habitat loss². The impacts of environmental degradation are increasingly being felt in the UK, from severe flooding to polluted air and water. To combat this, a new market for nature-based solutions is emerging which can provide a return whilst improving environmental quality and biodiversity.

As a new market, nature-based solutions provide investors with a range of challenges. These include securing revenue streams, ensuring the integrity of nature based credits (such as carbon), and the need for specialist expertise.

Impact

Nature-based solutions are a nascent and complex asset class but one that L&G are committed to exploring. We recently launched our Nature and Social Outcomes Fund which invests in predominantly loans and bonds, with a portion of the proceeds directed towards nature conservation. As a company, we have also long had in-house expertise in the development and management of real assets, and we are now working to build on these capabilities, applying them to nature-based solutions.

Initially, we are focusing primarily on a 155-hectare area of land we own in southern England. We are reviewing the Group's wider land portfolio for further opportunities. The initial site will help us test how these projects could be used to meet a need for high quality carbon and biodiversity credits whilst optimising returns on the land that we own.

Case study

Engaging on nature



Challenge

There is a clear need for a more enabling policy environment to encourage investment to be funnelled towards nature-based solutions, with the purpose of addressing the nature crisis. Currently, significant barriers such as stringent investment criteria, regulatory constraints, and the need for high-yield, investment-grade assets relating to our own portfolio, are hindering progress. We are deliberately focusing our external engagement on a number of collaborations and forums where we use our influence to advocate for, and our expertise to progress, this wider policy development.

Impact

Our engagement spans policymakers, regulators and other collaborations globally. We participate in the World Biodiversity Summit, most recently COP16 in Colombia. We were a member of the Taskforce providing strategic guidance to the UK Government on the recommendations report for the National Wealth Fund. We engage with the Sustainable Markets Initiative, particularly as part of its Asset Manager Owner hub which looks at the positive role finance can play in sustainability. We also participate in: the CityUK Green and Sustainable Finance Group, which promotes the UK as a competitive destination for green investments, and several of the World Economic Forum's sustainable finance initiatives focusing on decarbonising real estate and financing a transition towards nature-positive outcomes.

Climate and nature-related opportunities and risks

While the risks from climate change and nature loss are increasingly clear, the transition to net zero, and the reallocation of capital to nature-positive outcomes, also creates opportunities. This page highlights material climate and nature-related opportunities and risks that our businesses have identified.

These are long-term assessments informed by our strategic priorities. They remain consistent with previous years.

The impacts of these challenges on our businesses differ. This is detailed throughout this report. Impacts are also likely to shift over time, and we have used a heat map approach to illustrate when a specific opportunity or risk is likely to emerge most strongly. The impacts identified do not take account of management actions we will take. Our opportunities are covered in more detail in the Strategy chapter, and risks in the Governance and risk management chapter.

Short, medium and long term

- Our short-term horizon looks at a three-year period.
- Our medium-term horizon looks forward up to 10 years.
- Our long-term horizon looks at the time horizon up to 2050.

TCFD recommendation
Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term.

Key

Institutional Retirement  **Asset Management**  **Retail** 

 High impact  Medium impact  Low impact

Opportunities

Strategic pillar	Potential opportunities	Business area(s) most impacted	Horizon term		
			Short	Med.	Long
Invest	Directing our investments to support a low-carbon transition while investing in corporate infrastructure, real estate and venture capital climate and nature-based solutions.				
Influence	Attracting and retaining clients by supporting them to decarbonise their investment portfolios, for example through net zero-aligned investment products and the provision of data and analytical tools.				
	Managing funds that provide clients with access to financing opportunities in transition technologies and infrastructure and nature-positive outcomes.				
Operate	Enhanced returns from investing in homes and commercial properties by enabling them to operate with net zero carbon emissions and helping to protect and restore nature.				
	Increasing our market differentiation through investment in low-carbon real estate, including reduced embodied carbon.				
	Protecting our returns by developing real assets with high levels of climate resilience.				

Risks

Strategic pillar	Potential risks	Business area(s) most impacted	Horizon term		
			Short	Med.	Long
Invest	Investments in sectors or companies which are adversely exposed to a transitioning economy lose value or are downgraded, and investments prove ineffective resulting in loss. Disruptive technology impacting the value of investments.				
	Increased frequency and severity of extreme weather events, or increased nature loss, impacting on the value of physical assets or the value of companies with high exposures to these risks.				
Influence	Loss of market share if investment solutions are perceived as not meeting evolving client needs. A breach of evolving legislative or regulatory requirements may expose us to litigation or regulatory sanction and damage our brand. Reputational risk from not meeting our own commitments, or if activities across the Group are not aligned.				
Operate	High delivery costs of low-carbon or nature-positive solutions for residential and commercial properties impacting viability. High delivery costs due to changing climate and nature-related disruptions to our supply chain, leading to increased costs and material shortages. Property values fall due to increased risk of extreme weather impacts, higher insurance costs or poor energy efficiency. Not having the right skills for the future, or weakness in processes or systems, leads to customer detriment or reputational damage.				

Invest

Our journey to net zero...

We have incorporated climate considerations into how we invest our £97.6 billion of proprietary assets¹.

2024

2030

50%

portfolio GHG emission intensity reduction⁴

2.1°C

investment portfolio temperature rating for listed bonds and equities by end 2026⁵

Phase out

investments in coal and oil sands and run off high-carbon assets⁶

2050

Net zero

asset portfolio in line with a 1.5°C 'Paris' objective

Neutralise residual emissions

through negative emission investments

Case study

L&G Clean Power (Europe) Fund



Challenge

The European energy transition represents an €850 billion opportunity for investors to deploy capital into sustainable infrastructure². While Europe has made significant progress, with frameworks in place to continue supporting strong renewables build-out across key markets but grid capacity needs to be doubled if Europe is to meet its targets³.

Impact

In 2022, we launched this Fund alongside our partners, NTR. The Fund raised €390 million in committed capital and co-investment opportunity in its first close, using third-party capital, as well as our own. As at 31 December 2024, the Fund holds ten assets representing c.750 MW of wind and solar renewable energy generation and storage.

Highlights

- We have successfully achieved our 2025 interim decarbonisation target for the GHG emissions intensity of our investments, achieving a 37% reduction⁴.
- We continued to invest in climate and nature solutions, including debt conversions for nature and clean energy infrastructure.
- We improved our understanding of our impacts and dependencies on nature, exploring our investment portfolio's exposure to deforestation, and highly nature-dependent sectors.

Dependencies

Our transition will be dependent on investee entities having, and delivering on, their decarbonisation targets; as well as the delivery of government policy, and the availability of attractive assets for investing in the transition. The world is not currently on a pathway that will limit global warming to 1.5°C, which increases the risk of us not meeting our long-term commitments.

The lack of reliable, accurate, verifiable, consistent climate and nature-related data continues to make accurate disclosures and assessments of both opportunities and risks challenging.

1. We define proprietary assets as total investments to which shareholders are directly exposed, minus derivative assets, loans and cash and cash equivalents.
2. Bloomberg NEF (2021) The EU 'Fit for 55' Plan Unlocked.
3. eurelectric.org/news/ps23_grids/
4. From a 2019 base year.
5. On an 'enterprise value including cash' emissions-weighted temperature score, covering portfolio scopes 1 and 2.
6. Investments with more than 5% revenue exposure to coal and oil sands by 2030.

Invest

continued

Our strategy

Our primary climate risk exposure lies in our proprietary assets¹. We believe that addressing this systemic risk in our proprietary asset portfolio, is key to protecting value over the long term. Our investment approach aims to mitigate risks by reducing the intensity of our financed emissions and maximise our impact by investing in the transition.

Through reducing the intensity of our financed emissions

We are committed to achieving a net zero asset portfolio by 2050, in line with a 1.5°C 'Paris' objective, on our £97.6 billion of proprietary assets. These assets, where we have greater control than client assets, primarily support our Institutional Retirement and Retail businesses. We define this commitment as net zero carbon emissions by 2050, alongside rapid, deep and sustained reductions in other GHG emissions. This commitment is supported by interim milestones (see page 50). Our portfolio decarbonisation commitments drive our ambition to promote the benefits of net zero and help to mitigate our exposure to both the transition and physical risks as we move to a low-carbon economy.

In the short to medium term, we prefer to focus our efforts on credible reductions to our carbon footprint across all sectors and encouraging others to do the same. In addition, our commitments around deforestation are aimed at protecting existing carbon sinks. In the long term, we expect negative emissions, such as through nature-based solutions, to play a critical role in balancing our residual emissions to achieve net zero. To this end, we are actively working towards creating our own nature-based solutions on land that we own, that can grow sustainably and have a lasting impact.

Our decarbonisation approach is embedded within our investment strategy and is constructed to manage our short- and long-term responsibilities to both our shareholders and policyholders, in line with regulation.

As a long-dated, bond-heavy investor, our decarbonisation approach involves:

- transitioning to lower-carbon investments through new business flow
- managing the phase-out of higher-carbon investments within legacy holdings.

We maintain a well-diversified portfolio across all sectors, and we are dependent on the companies we invest in decarbonising their businesses. We actively monitor their actions to determine whether their plans are aligned with 1.5°C pathways, in support of our portfolio temperature rating.

We also engage, through Asset Management, to promote positive climate action in support of long-term value preservation, while implementing investment exclusions where appropriate. Our decarbonisation approach supports the delivery of our commitments to the SBTi and Net-Zero Asset Owner Alliance (NZAOA) frameworks. Decarbonising our balance sheet is prudent risk management, and it is managed through a suite of portfolio controls. We detail these controls in the Governance and risk management chapter.

Our proprietary assets

Our proprietary assets are the £97.6 billion of assets that L&G own and where we control the investment strategy¹. Our proprietary assets contain both direct and traded securities across different asset classes.

Table 1: Total Group investments

Group assets analysed by investment class

	Direct investments ² 2024 £m	Traded securities ³ 2024 £m	Total 2024 £m	Total 2023 £m
Equities	1,698	1,250	2,948	3,166
Bonds⁴	30,244	56,928	87,172	81,330
Derivative assets	–	49,195	49,195	38,019
Property	5,955	–	5,955	5,503
Loans	83	2,631	2,714	1,612
Financial investments	37,980	110,004	147,984	129,630
Cash and cash equivalents	169	3,588	3,757	4,235
Other assets	1,479	–	1,479	2,539
Total investments	39,628	113,592	153,220	136,404
Proprietary assets¹	39,376	58,178	97,554	92,538

1. We define proprietary assets as total investments to which shareholders are directly exposed, minus derivative assets, loans and cash and cash equivalents.
2. Direct investments, which generally constitute an agreement with another party, represent an exposure to untraded and often less volatile asset classes. Direct investments also include physical assets, bilateral loans and private equity, but exclude hedge funds.
3. Traded securities are defined by exclusion. If an instrument is not a direct investment, then it is classed as a traded security.
4. Bonds include lifetime mortgage loans of £5,861 million (31 December 2023: £5,766 million).

Through investing in the transition

We remain committed to directing our investments to support the transition where this aligns with our risk appetite and regulatory criteria, and we see a significant investment opportunity in doing so. To date, we have invested £4.0 billion in transition finance, including £1.6 billion in renewable energy, £1.7 billion in green bonds and £0.7 billion in other solutions (such as technology, infrastructure and real estate), which supports the transition and helps build our resilience to climate risk. We are committed to increasing the financing of climate solutions, while also reporting progress on investments in nature-based solutions by end 2025.

We deploy a range of investment strategies to support the transition, and our approach is described on the following page.

Direct investments

We have £39.4 billion of proprietary assets invested in Direct Investments, with the majority invested through Asset Management Private Markets, where climate and nature solutions exist across the four capabilities of:

- 1) private credit
- 2) real estate equity
- 3) infrastructure equity
- 4) venture capital.

We also invest in lifetime mortgages through Retail.

TCFD recommendation

Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.

Invest

continued

Private credit

Asset Management actively manages £18.5 billion of private credit investments on behalf of Institutional Retirement, across corporate, infrastructure, alternative and real estate debt. This portfolio looks for opportunities to invest in assets which actively promote decarbonisation. Within our proprietary assets, L&G has invested £1.1 billion in clean energy projects, including solar and wind farms, geothermal plants, smart networks and energy storage assets. We also have £0.3 billion in debt conversions for nature, in line with our objective to invest in opportunities that support nature.

Our commitments to net zero have been integrated into our investment decision-making processes. The alignment of proposed investments with our climate change objectives is assessed during pre-investment due diligence and further evaluated during the investment approval process. This includes screening criteria, enhanced due diligence for carbon-intensive investments and asset and sector-specific ESG assessments.

Through borrower engagement, we have incorporated sustainability-linked credentials into the structures of £0.6 billion of investments spanning the social housing, higher education and corporate sectors. This is where funding from us must either be designated for sustainability-related purposes or have criteria linked to an sustainability-related target. These loan structures incentivise borrowers to achieve specific sustainability-related targets, including those related to net zero.

In line with our fiduciary duty to policyholders and shareholders to maintain portfolio value and security, the portfolio has some exposure to fossil fuel-related assets, which we look to wind down over time. These exposures are regularly monitored and are constrained by carbon budgeting, our SBTs and wider corporate commitments. We have a similar focus on our private credit allocations managed by external asset managers.

L&G accesses further private market investment capabilities through our investment in Pemberton as described to the right.

Real estate equity

Institutional Retirement and Retail have significant investments in property, managed through Asset Management. Our strategic approach to this asset class is covered in the Operate section.

Infrastructure equity and venture capital

Through our Private Markets business, we invest in the transition to a low-carbon economy. This capitalises on the associated commercial opportunities, accessing growth and strong returns for clients and shareholders, while also delivering environmental and social benefits.

Since 2015, L&G has used its balance sheet to invest in a wide range of early stage, growth equity companies and low-carbon infrastructure that will play an important part in the energy transition.

Lifetime mortgages

We have £5.9 billion of lifetime mortgage loans held within our Retail portfolio. In 2024, we have added Energy Performance Certificates (EPC) to new property valuations (at no cost to customers), which improves the visibility of energy-efficiency risk in our new lending. We intend to enhance this further by adding modelled assessments. These improvements give more insights into the cost to upgrade properties' efficiency, and they can be applied to all properties and historic lending. We also use sophisticated models that assess the flood risk associated with the underlying properties to ensure our exposure remains low, even under severe global warming scenarios.

Traded securities

Listed bonds and equities

Our proprietary assets listed portfolio is also mostly managed by Asset Management.

Our corporate listed bond portfolio is managed against a benchmark, into which we integrate our climate strategy and related policies. We also integrate our new business-related asset selection, which further to our overall asset allocation strategy, can drive decarbonisation.

In 2024, we have adopted a higher gilts-based allocation, reflecting the prevailing market environment, while also increasing our allocation to green and sustainability bonds, standing at £2.8 billion (£1.7 billion specifically in green bonds). Such changes are managed and monitored against GHG emission intensity and temperature alignment metrics.

We currently hold £911 million in our listed equity and multi-asset portfolio, where £158 million is invested in listed clean energy stocks and renewable infrastructure investment trusts.

A further £474 million is invested in climate and wider responsible investment funds, predominantly through our Asset Management's Future World product range.

As called out for private credit and in line with our fiduciary duty, we maintain a well-diversified portfolio across all sectors. As such, we have some exposure to fossil fuel-related companies. We manage these with the range of controls detailed in the Governance and risk management chapter.

Private Markets fund investment profile

Pemberton

Asset Management owns a 40% equity stake in Pemberton Asset Management, a top five European alternative credit manager. L&G has cornerstoned 10 Pemberton-managed funds with c.£900 million in capital, while our annuity portfolio has also committed c.£800 million to their managed structured credit vehicles.

In June 2024, Pemberton published their inaugural TCFD report, which included their interim target for 40% of their direct lending portfolio to be managed in line with net zero by 2030, and continued to contribute to the Institutional Investors Group on Climate Change Working Group that developed a Net Zero Investment Framework in May 2024.

Pemberton has also announced the development of a new climate diagnostic tool to help investment teams better assess the climate risk on its lending and investing activities. Where investment opportunities are identified as having a higher exposure to climate-related risks, those investees will be in focus for take-up of the ESG Margin Ratchet (including climate KPIs), as well as for engagement.

Influence

Our journey to net zero...

We are using our influence as an asset manager with £1.1 trillion AUM to promote a 1.5°C net zero transition.

2024

2030

70%

of eligible AUM to be managed in alignment with net zero¹

2050

Net zero

GHG emission intensity across all our AUM

Case study

L&G Climate Action Fund



Challenge

Companies which are underperforming on the energy transition, may miss out on the opportunities created by it, and are at risk of financial loss if they do not adjust their trajectory. This provides an investment opportunity in global equities, where our analysis indicates there is a value case for them to accelerate their transition.

Impact

Our Climate Action Fund aims to capture these opportunities. Building on our existing internal research and modelling capabilities within our investment teams, as well as using our investment stewardship function, who harness engagement with the purpose of unlocking long term shareholder value and a positive climate impact.

Highlights

- We conducted 3,617 engagements with companies on their approach to financially material environmental issues – a significant increase on last year, primarily driven by the expansion of our Climate Impact Pledge outreach campaign.
- In 2024, we expanded our product range, with 40% of new products having sustainability considerations, of which 13% are aligned to net zero.
- We achieved a 30% reduction in the carbon intensity of the scope 3 emissions associated with the energy use of our real estate equity occupiers, from a 2019 base year.

Dependencies

Net zero is dependent upon the willingness of stakeholders to collaborate. When using our influence, we are dependent on clients, occupiers of our properties, and the companies we invest in to take action to support the transition to net zero.

As an asset manager, our transition plan must be underpinned by a favourable public policy environment supporting the transition to net zero.

55%

reduction in carbon intensity of occupier energy use across real estate equity assets²

Net zero

operational carbon within the Sustainable Defined Contribution (DC) Property Fund

1. Excludes sovereigns and derivative securities until such time as agreed methodologies exist.
2. From a 2019 base year.

Influence

continued

Our strategy

As an asset owner, and the largest asset manager in the UK, we are committed to leveraging our influence to address the financially material issues of climate change and nature loss.

Our engagement aims to mitigate these risks, and create value, in both the assets we hold, and the assets we manage on behalf of clients. These pages describe how we use our influence as an asset manager, through the products we offer and our market leading investment stewardship team. We also engage as an asset owner, as our returns depend on sustainable growth.

Through the products we offer

Our investment philosophy and processes are focused on creating value over the long term. We remain committed to embedding sustainability considerations across asset classes and management styles, because we believe that incorporating financially material sustainability criteria, where relevant to our clients, can create value and drive positive change. Within Asset Management, we oversee £424.6 billion in responsible investment strategies, accounting for above a third of our total AUM¹. This figure includes portfolios that incorporate sustainability considerations into investment decisions, including governance. Our integrated responsible investment framework outlines how we aim to create value through aligning relevant strategies towards clear, consistent and demonstrable sustainability objectives that also address real-world needs². We update this framework in line with our investment capabilities, client expectations, and market and regulatory developments. The framework is summarised in our annual Active Ownership report.

Responsible investing

Our responsible investing approach incorporates sustainability characteristics into investment decisions, and works alongside our engagement efforts, targeting value creation to support real world outcomes. This is underpinned by our Global Research and Engagement Groups (GREGs), which combine research on macro-trends with issuer-level insights to find engagement focus areas.

We have developed a set of tools to cater to the distinct characteristics of different asset classes and investment styles. For active strategies, GREGs research informs our Active ESG View, a proprietary tool which combines internal and external quantitative and qualitative inputs to score companies, considering sustainability credentials alongside traditional financial metrics to determine sustainability opportunities and risks.

For certain index strategies, our methods include selection, tilting and exclusions based on criteria provided from our proprietary sustainability scoring methodology for equity and fixed income indices. The tool's rules-based scoring considers market-wide sustainability issues. We have also developed a Sovereign Risk ESG score to consider strategies investing in government debt markets. Within this tool, we evaluate sovereigns against environmental metrics such as the sovereign's decarbonisation progress and exposure to nature-related risks alongside other sustainability risk metrics. We also offer third-party ESG methodologies in certain index funds.

Net zero commitment

We have committed to work in partnership with clients to reach net zero GHG emissions by 2050 across all AUM, as part of our Net Zero Asset Manager initiative (NZAMi) commitment. In 2021, we set a target for 70% of eligible AUM to be managed in line with this net zero ambition by 2030, towards which we continue to work with our clients³. Our Net Zero Framework outlines the criteria for net zero alignment, incorporating recommendations from the Paris-aligned Investment Initiative's Net Zero Investment Framework, the UN NZAOA and the SBTi guidance. These include a carbon intensity reduction of 50% by 2030 (from a 2019 base year) or a portfolio temperature alignment of 1.5°C by 2030, with exclusions on companies involved in oil sands and thermal coal expansion⁴.

Developing products and solutions

We continue to integrate our net zero-alignment criteria into the creation of new products. In 2024, 40% of strategies launched had sustainability characteristics within the product methodology, with 13% of these aligned to net zero.

In 2024, we continued to co-lead the Glasgow Financial Alliance for Net Zero (GFANZ) workstream on index investing, set up to provide guidance for how index investing can support the real economy's decarbonisation. This has generated dialogue with clients and a review of solutions aligned with the principles in the recent consultation paper⁵.

This year, in line with the International Energy Agency's (IEA's) net zero emission scenario, we tightened the coal exclusions criteria for products that use the Future World Protection List by adding a 'no new coal' restriction. The Future World Protection List is a list of exclusions developed for L&G's Future World Funds and used across a range of other funds⁶.

In 2024, we applied our Climate Action Strategy to two pooled fund structures. The strategy acts upon our understanding that companies underperforming on the energy transition, risk missing out on its opportunities and are at significant risk of financial loss if they do not adjust their path. The strategy builds on LGIM's Destination@Risk model and research capabilities, and the launch marked a defining moment for the collaboration between our investment and investment stewardship teams under the GREGs.

We have also launched the L&G Lifetime Advantage Fund, an innovative DC investment strategy. The Fund aims to reduce the carbon emissions intensity over time within three phases (namely Growth, Approaching retirement, and At retirement), with a goal of net zero carbon emissions by 2050. Members can invest in an innovative growth portfolio, including allocations to private markets through the new L&G Private Markets Access Fund.

These products provide clients the opportunity to gain exposure to some of the potential opportunities of the climate transition, such as clean energy and affordable homes, and manage the risks.

1. Asset Management's responsible investment reporting criteria is reviewed in line with industry frameworks, as well as regulatory developments, relating to sustainable finance disclosure requirements, as deemed to be relevant to the markets in which L&G operates. This includes but is not limited to the EU's Sustainable Financial Disclosure Regime (SFDR) and the UK Sustainability Disclosure Requirements (SDR).
2. The scope of our responsible investment framework is all public markets pooled funds domiciled in or widely distributed by Asset Management in the UK and Europe. It is not applicable to segregated mandates, funds domiciled outside the UK and Europe, or funds designed to specific client requirements that are not intended for broad distribution.
3. Excludes sovereigns and derivative securities until such time as agreed methodologies exist.
4. Relative to fund or reference index. For funds launched at later dates, the 50% reduction can be pro-rated over the remaining time to 2030. Carbon intensity is to be calculated as carbon emissions divided by revenue or EVIC.
5. assets.bbhub.io/company/sites/63/2024/10/GFANZ-Index-Investing-Report-October-2024.pdf
6. lgim.com/landg-assets/igim/_document-library/capabilities/future-world-protection-list-public-methodology.pdf

Influence

continued

We have also expanded our range of commodity Exchange-Traded Funds (ETFs) by launching the L&G Energy Transition Commodities ETF. This fund provides clients with exposure to transition metals, transition energy and global carbon futures, that will be central to the energy transition.

Through our engagement

As an asset manager, we are stewards of our clients' investments. Effective stewardship addresses material risks and opportunities to protect and create long term value for our clients. Over 2024, our stewardship activity was guided by six global stewardship themes. These were selected as we consider them to be financially material and where we believe we can best use our influence to protect our clients' assets: climate, nature, people, health, digitisation and governance.

Our thematic campaigns aim to improve sustainability not just at individual companies, but also across the markets in which we have investments both as an asset owner and asset manager. We use a range of different forms of engagement. These include: direct engagement with companies; collaborative engagement with peers and industry bodies; voting; policy and regulator engagement; public pressure; and shareholder resolutions. Our structured approach allows us to escalate engagement to drive positive change.

We also engage with the occupiers of the assets we own and have reduced the carbon intensity of occupier energy use by 30% which is in line with our SBT. Please refer to page 20.

Climate Impact Pledge (CIP)

The CIP is our two-fold engagement programme, structured around the TCFD framework, which encourages companies to tackle climate change. As part of this activity, companies lagging minimum standards may be subject to voting sanctions, and exclusion from relevant portfolios; exclusions apply to almost £202 billion of assets we manage¹.

We assess around 5,000 companies quantitatively on their climate credentials, using around 80 data points and publish the results. We also select c.100 companies that are considered to be 'dial-movers', due to their size and potential to galvanise action in their sectors, for direct engagement and qualitative assessment based on sector-specific net zero guides².

In 2024, a total of 492 companies were identified for voting sanctions for not meeting minimum expectations. In June 2024, 14 companies were kept on the divestment list and two companies added.

The annual publication of the results of these assessments encourages companies to act.

Our stewardship team can intensify their engagement by voting on, and at times co-filing, shareholder resolutions. For example, in 2024 it co-filed a shareholder resolution at Nippon Steel's Annual General Meeting. The resolution requested greater transparency regarding the company's climate lobbying activities, to enable shareholders to assess whether its lobbying activities are sufficiently coordinated and optimised to increase company value and meet its strategic goals and decarbonisation objectives. This information is financially material to investors.

Engagement on nature

Our stewardship team's approach to nature is structured across four sub-themes: natural capital management, deforestation, circular economy, and water. These map across to the direct drivers of nature loss that are having the greatest impact, as identified by IPBES³.

In terms of our corporate engagement work on nature, within the CIP, our assessment incorporates nature-related metrics on circular economy (such as recycled materials use), regenerative agriculture, deforestation and water. Having updated our Deforestation Policy in 2024, the team continued our campaign work on this topic, identifying 119 companies lagging our minimum standards and therefore subject to voting sanctions.

One area of strategic engagement during 2024 was on integration of disclosure frameworks. For example, we engaged with Asian stock exchanges (Hong Kong, Singapore, Malaysia and Thailand) on the adoption of the TNFD reporting requirements.

We also continued our policy and corporate engagement work. We collaborated with the Investor Policy Dialogue on Deforestation, aiming to prevent further deforestation in some of the most globally significant locations for nature in the world. This includes engagement with governments, industry and trade bodies. We also continued to be active participants in Nature Action 100, Valuing Water Finance Initiative, Finance Sector Deforestation Action, and Plastic Pollution with the Dutch Association of Investors for Sustainable Development (VBDO).

Collaborations and policy engagement

Our engagement strategy for improving sustainability standards across markets includes engaging with policymakers to tackle systemic market issues. In 2024, we attended COP16 to engage with policymakers, peers and cross-industry representatives on progress and realisation of commitments previously made under the Global Biodiversity Framework. We have long been supportive of International Sustainability Standards Board (ISSB) standards as a member of the ISSB Investor Advisory Group (IAG), through which Asset Management provides input and

feedback on draft standards and research projects. The standards are a milestone towards a global baseline of sustainability disclosures, focused on the needs of investors and financial markets, and we have been calling on policymakers and regulators around the globe for full adoption, most recently in response to consultations in Japan and South Korea.

We also participated in several roundtables with ministers and policymakers during 2024, most recently with Malaysia's Ministry of Economy, Ministry of Energy Transition and Water Transformation, and Securities Commission, alongside Malaysian corporates and other international financial institutions. A further example includes our active associate membership of the Japan Climate Leaders' Partnership (JCLP); having contributed to their policy statement on Japan's Nationally Determined Contribution and 7th Basic Energy Plan released in July 2024. We were pleased to join a discussion on the growing need for transformative climate-related policy developments with Japan's Chief Cabinet Secretary. Through our policy engagement, we aim to create a supportive backdrop for the energy transition.

Our climate collaborations include:

- Aldersgate Group
- Better Buildings Partnership
- Climate Action 100+
- Energy Transitions Commission
- FAIRR
- Get Nature Positive
- Glasgow Financial Alliance for Net Zero
- Institutional Investors Group on Climate Change
- Nature Action 100
- Net Zero Asset Managers initiative
- Net Zero Asset Owners Alliance
- One Planet Asset Managers Initiative
- Powering Past Coal Alliance
- Principles for Responsible Investment
- Science Based Targets initiative
- Sustainable Markets Initiative
- UK Green Building Council.

1. Companies are divested from selected funds with £202 billion in assets in total (as at 31 December 2024), including funds in the Future World Fund range, Asset Management's ESG Fund ranges, and the established standard default investment options in L&G Workplace Pensions and the L&G Mastertrust. Companies are divested up to a pre-specified tracking-error limit. If the tracking-error limit is reached, holdings are reduced rather than fully divested. Asset Management's total AUM was £1,135 billion as at 31 December 2024.

2. am.landg.com/en-fi/institutional/responsible-investing/climate-impact-pledge/

3. Climate change; land, freshwater, and ocean use change; natural resource use; pollution; and invasive species.

Operate

Our journey to net zero...

We are changing the way we operate to decarbonise our business.

2024

2030

42%

reduction in our absolute scope 1 and 2 GHG emissions from a 2021 base year¹

Our core occupied offices (scope 1 and 2) and business travel to operate at net zero carbon emissions²

All new homes

will be capable of operating at net zero carbon

1. To account for the impact of the pandemic, our 2021 base year includes estimated emissions data from our Private Markets commercial portfolio based on 2019 data. All other base year emissions are from 2021.
2. Applies to occupied offices where we actively control the management of utilities.
3. We define a target as science-based if it is aligned to SBTi criteria i.e. is a mid-term reduction target with enough ambition to align with the global net zero trajectory.

2050

Net zero

operational carbon footprint

Net zero

carbon across our real estate equity platform

Case study

SureStore York



Challenge

One of our industrial funds developed a 36,000 sq ft self-storage facility in York. To target low embodied upfront and operational carbon from early-design stage and to meet energy usage intensity targets, a Whole Life Carbon Assessment was conducted to align with the Fund's strategy and our Net Zero Carbon roadmap.

Impact

The development achieved best-in-class sustainability credentials by generating on-site renewable power, and future-proofing battery installation. The project is projected to enhance income returns and capital growth and outperformed several industrial benchmarks for both embodied and operational carbon.

Highlights

- We have successfully reduced our scope 1 and 2 emissions, achieving a 30% reduction from our 2021 base year, keeping our SBT on track¹.
- We continue to reduce our scope 1 emissions, 38% from our base year and 5% from 2023¹. This reduction is being driven by on-site renewables, ongoing energy efficiencies and planned electrification programmes.
- Last year, we set a target to improve environmental performance in our supply chain. During 2024 we have successfully engaged with our supply chain and know that 68% of our suppliers, by spend, have a science-based carbon reduction target. Our target is to achieve 80% by the end of 2026³.

Dependencies

The success of our transition to net zero will ultimately be defined by the decisions we make.

External dependencies also have a role to play in our transition, for example, we are reliant on electricity grids decarbonising at their committed pace to enable us to reduce the carbon from the electricity we consume and to meet our targets.

Net zero standards continue to evolve, and we may need to adapt our strategy to align with industry best practices and emerging technological advancements.

If our businesses grow faster than we are able to decarbonise, we may see increases in our absolute emissions in the short term.

Operate

continued

Our strategy

Our operations and real estate management are key components of our climate transition plan, impacting both our own carbon footprint and our pathway to achieving net zero.

We are committed to a 42% reduction in our scope 1 and 2 GHG emissions by 2030, from a 2021 base year¹. This is our key commitment for reducing our emissions in areas of the business where we have operational control. It is an SBTi-validated target.

This target is set on our absolute location-based emissions, and means we are aiming to reduce our operational emissions, while growing our business. Our emissions reduction pathway is integrated into the business plan for both our occupied offices and our directly managed real estate portfolio.

The location-based nature of this target also means that, while we procured 86% of our electricity from renewable sources in 2024, our focus is on the delivery of energy efficiencies across our business rather than simply reviewing energy procurement options.

While we believe this will help to drive positive impacts in the real economy, the success of our target has dependencies, such as local electricity grids meeting their own decarbonisation targets.

We set out opposite, the proportion of our scope 1 and 2 emissions that are attributable to the offices we occupy and the management of assets within our real estate portfolio.

Through our operations

Our operational emissions are those where we have direct control over the actions that generate the emissions. See our emissions breakdown on page 24. We therefore have a responsibility to make informed decisions, which reduce our emissions in the long term to achieve our SBT, while also delivering our business strategy.

In addition to our SBT, we have a target specifically for the core offices our employees use. From 2030, our occupied offices (scope 1 and 2) will operate with net zero emissions².

This target informs our location strategy, shaping how we come together to work and collaborate in our offices. Alongside employee experience, sustainability is a core component.

As well as managing the carbon emissions from our offices, we are also aware of our impact on the local environment. For example, our Hove office is not in a central area, so we provide sustainable travel options for our employees. This includes a free electric shuttle bus, discounts on public transport, facilities for active travel, and priority parking for those who car share. These all help to reduce the environmental impact of our employee commuting on the local area, for example local air quality.

Through our purchased goods and services

Across the organisation we procure approximately £960 million of goods and services from c.2,800 suppliers, which is a contributor to our operational carbon footprint. These are accounted for as scope 3 indirect GHG emissions, signifying our reduced level of control over them. We believe that measuring and reducing the emissions from the goods and services we procure is important, and an area where we can have a tangible impact beyond our own business by being purposeful about who we choose to work with.

We want to ensure that we are working with suppliers who share our net zero ambition and are taking action to manage their carbon footprint. We have therefore set a target for our supply chain to ensure the companies we work with have appropriate emissions reduction targets:

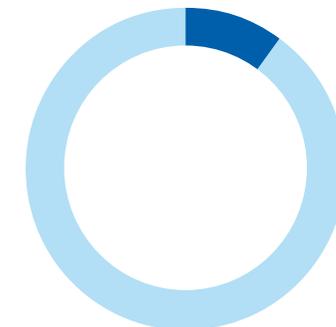
We are committed to ensuring that 80% of our suppliers, by spend, will set a science-based carbon reduction target by the end of 2026³. Currently, 68% of our suppliers by spend have a science-based carbon reduction target.

Having confidence in the data we use to make business decisions, and to make corporate disclosures is crucial to the success of our transition. Currently, there is a significant challenge in mapping supply chain emissions due to the lack of robust and consistent data and the fragmented landscape of supply chains.

By supporting, encouraging, and eventually requiring robust carbon reduction targets throughout our supply chain, we expect to see increasing granularity of data and real-world impacts and improvement.

To help us create and deliver a clear sustainable procurement strategy, during 2024 we created a new role in the Group, focusing specifically on sustainable procurement, enabling us to further build sustainability into our procurement strategy.

Operational footprint breakdown (%)



● Our operations
● Private Markets

1. To account for the impact of the pandemic, our 2021 base year includes estimated emissions data from our Private Markets commercial portfolio based on 2019 data. All other base year emissions are from 2021.
2. Applies to occupied offices where we actively control the management of utilities.
3. We define a target as science-based if it is aligned to SBTi criteria i.e. is a mid-term reduction target with enough ambition to align with the global net zero trajectory.

Operate

continued

Through our management of real assets

Our Private Markets business

Our Private Markets business in our Asset Management division holds an extensive real estate portfolio, across commercial and residential property. The emissions associated with managing these assets, produced from the fuels and electricity that we purchase and control as a landlord, are the largest contributor (24,647 tCO₂e) to our operational footprint.

Commercial property

As an investor for the long term, we have a responsibility to protect our clients' capital by increasing the value of our real estate portfolios and mitigating the risks posed by climate change, such as stranded assets. Our real estate equity portfolio is committed to achieving net zero carbon by 2050 or sooner. The portfolio is also captured by our group-wide operational SBT, as well as a commitment to a 55% reduction in the carbon intensity of the scope 3 emissions associated with the energy use of our occupiers by 2030 (from a 2019 base year). At the end of last year, we had achieved a 30% reduction in these emissions against our base year, which means that we are currently on track to achieve our 2030 target.

We have continued to develop initiatives to support our progress towards net zero. We launched our Integrated Energy Solutions (IES) framework, a holistic and strategic approach towards on-site renewables, which aims to integrate on-site renewable energy generation, electric vehicle charging, microgrid and battery storage projects. As at the end of 2024, 27 assets have ongoing IES projects. We have also rolled out a 'shed modelling tool' to support transitioning of industrial sheds to net zero carbon. This tool provides a simple, quick and cost-effective route for our design teams to identify the best road to decarbonisation.

Vizta, our occupier engagement platform, has now been embedded across 427 assets. This platform supports occupiers with decarbonisation by providing them with detailed energy-use profiles and access to tools and resources, including sustainability insights, live chat support, and regular thought leadership pieces. In 2024, new Vizta services were launched, including Reuse Exchange, a reuse marketplace to facilitate and reward circular economy principles and avoid sending waste to landfill; and, Save Money Cut Carbon, providing occupiers with diagnostic advice and access to low-carbon services.

We have also strengthened our sustainability data strategy, improving the accuracy and robustness of occupier data. This is supported by the roll-out of Automatic Meter Readers, which have now been installed in more than 239 assets, an increase of approximately 41% from 2023.

Given the significant interactions between assets and nature across the real estate value chain, we view managing biodiversity as an important element of responsible property management. For new developments, we are aligning with Biodiversity Net Gain (BNG) planning requirements. To support this, we have developed a guidance document to support design teams with the implementation of new regulations and to optimise opportunities to enhance nature. The guide was launched to our development teams and project managers in December 2023 and was rolled out across new developments in 2024.

Increasing the resilience of our real estate portfolios, within our Private Markets business to physical risks from climate change is essential for maintaining the effective operation of our assets. We have worked closely with physical climate risk specialists XDI and Marsh to conduct granular physical climate risk analysis across both the commercial and residential business areas.

In 2024, we also published our first report on climate report, focusing specifically on our real estate equity platform's climate-risk approach, which will be updated annually to reflect our progress¹. There is more information on our approach to physical climate risk in the Governance and risk management chapter of this report.

Residential property

Our subsidiary housing businesses made progress in their contribution to the group-wide scope 1 and 2 SBTs with a 10% reduction in 2024 compared with 2023. This was primarily driven by CALA Group's ongoing successful deployment of Hydrotreated vegetable oil (HVO) as a replacement for diesel. Absolute emission reductions remain hugely challenging where businesses are in growth phases, but our planned pathway to 2030 takes this into consideration. Robust and accurate energy use data is key, and 2024 saw great strides taken by the housing businesses to improve monitoring and collection of scope 1 and 2 data with the ongoing roll-out of a dedicated internal platform for reporting.

We continued our journey towards our 2030 commitment of delivering new homes that are able to operate at net zero carbon emissions. Where we are directly responsible for development, we are driving up standards and were delighted that Inspired Villages Group (IVG) opened the UK's first net zero carbon (regulated energy) retirement community at Millfield Green in early 2024. This features ground source heat pumps supplied from L&G's portfolio company Kensa, on-site solar photovoltaics for renewable electricity generation, and enhanced building insulation for better energy efficiency.

For our Affordable Homes (LGAH) and Suburban Build to Rent (SBTR) businesses, we mainly acquire homes from developers, who we engage with on the importance of decarbonisation. 61% of homes transacted by LGAH and 100% by SBTR were gas-free in 2024. Both businesses are targeting a staged phase-out of gas from their acquisitions, having already committed to this for direct delivery schemes, although this does require developers to transition to the Future Home Standard as quickly as possible following its expected introduction in 2025.

1. cms.lgim.com/globalassets/lgim/private-markets/real-estate-equity/lgim-real-estate-equity-climate-report--2023.pdf

Metrics and targets

Where we are

We have a suite of SBTi-validated targets and have reduced our carbon footprint in line with our planned pathways. Our operational footprint reduced by 30% from our 2021 base year. This is mainly due to the electrification of the assets we manage, and the delivery of efficiency plans. We have also seen our most material scope 3 emissions reduce, with our financed emissions intensity, related to our proprietary assets, decreasing by 37% relative to our 2019 base year.

Our metrics and targets help to support the development of consistent and comparable information over time and between market participants.

Challenges we are facing

Metrics, and particularly targets, projections, forecasts and other forward-looking metrics, are subject to uncertainty around the evolution and impact of climate change and around broader factors, such as impacts and dependencies on nature.

Finding the required data remains a challenge, as does validating and standardising that data. The metrics require many methodological choices estimates, judgements and assumptions. We continue to be transparent on the methodology and data approach that we adopt for our metrics and targets.

What the future looks like

We do not expect our pathway to net zero to be linear, but we will continue to deliver ongoing reductions in line with our SBTs and long term net zero ambition.

We will extend the metrics and targets we disclose in the future to include nature, and are intending to align with emerging requirements such as the ISSB's inaugural sustainability standards.

Leadership Q&A

What progress has L&G made in 2024 on both climate and nature?

Carl: While global action on addressing climate is facing headwinds, we have continued to make good progress on delivering against the commitments detailed in our transition plan, and remain on track against these, including the decarbonisation of our proprietary asset portfolio and emissions associated with our business. We are also building out a supplier engagement strategy to ensure we meet our supplier target by the end of 2026 and are pleased with the strong progress we have made so far. We will continue to work with our suppliers to better understand our environmental impact beyond our own business.

The availability of attractive assets for investing in the transition, alongside the delivery of government policy actions, is critical for ensuring we can continue to meet our targets. We have therefore continued to engage directly with the government on some of the key issues that need to be addressed to enable a green energy transition and encourage private funding of green initiatives.

Nilufer: The Board continues to consider climate and nature as long-term financially material interlinked issues, with the success of addressing each dependent on the other. Whilst our climate strategy is set for the long term, the Board continues to oversee the incorporation of nature-related impacts and opportunities into this strategy.

We are delighted to be TNFD adopters and welcome the introduction of standards to permit comparable disclosures from a nature perspective. This will enable more effective risk management and decision making.

What does the future look like for L&G?

Carl: In a word – exciting! We are really starting to immerse ourselves in nature-related projects to build up first-hand experience. For example, we are building our natural capital investment capabilities with an ambitious project aimed at developing land for a variety of nature-based solutions, including rewilding and afforestation.

We are also proud to be playing a key role in Ecuador's debt conversion for nature, which will unlock approximately \$460 million over the next 17 years to support terrestrial and freshwater conservation as the region becomes increasingly vulnerable to climate-related risks and biodiversity loss. This marks our second debt conversion for nature in Ecuador, positioning us as one of the largest investors in these programmes globally, which will hopefully open up further opportunities for investing in nature.

Nilufer: Yes I agree, the future is bright. L&G is getting involved in some really noteworthy projects. The Board has been fully supportive of the move towards building in-house experience of nature-based solutions. This aligns with both our ambition to grow these kinds of investments as part of our transition plan commitments and with L&G's purpose of investing in assets that help develop more sustainable, resilient economies, as well as ensuring that these investments pay off for our shareholders, clients and communities.

Our Asset Management division will continue to engage on the issue of nature change and biodiversity loss, given this is a systemic and complex risk with significant economic implications. Their engagement will align with the nature framework they published in 2024, setting out minimum expectations for companies across the sub-themes of natural capital management, deforestation, circular economy and water.

How is L&G reacting to the changing outlook for climate change?

Carl: 2024 was the warmest year in global temperature records and the first calendar year that has reached more than 1.5°C above the pre-industrial level, and each of the past 10 years has been one of the warmest on record. With the current rate of warming, the probability of breaching the 1.5°C target of the Paris Agreement within the 2030s is highly likely. We are now firmly in an overshoot scenario and the question is by how much? Climate risk is increasingly financially material to understanding a company's future success and must be an integral part of our investment analysis.

While we continue to do what is within our control to decarbonise our business, as a financial organisation the success of our transition is dependent on the companies we invest in delivering on their decarbonisation targets – we have been clear on this from the start.

Nilufer: We have always known this target is high ambition, but high ambition was needed to prevent the worst outcomes. Sadly, not enough action has been taken. The Emissions Gap Report 2024 indicates a failure to increase ambition in new Nationally Determined Contributions (NDCs), and to start delivering immediately, will put us on course for a temperature increase of up to 3.1°C, which will bring a far more costly transition pathway for all our stakeholders and for the world in general. It is therefore increasingly important that we should be looking not only to mitigate the risks from climate but also to minimise them by continuing to limit global emissions as quickly as possible.

The Board is clear that L&G's strategy on climate must remain focused on ensuring the business remains resilient and sustainable in the long term.



We continue to create returns through climate and nature investing, while delivering our commitments.



Carl Moxley
Group Climate Director



The Board continues to consider climate and nature as long-term financially material interlinked issues.



Nilufer Kheraj OBE
Non-Executive Director,
with a focus on climate

Key metrics and targets summary

This chapter focuses on the key metrics we use to measure our progress against decarbonising our business and meeting our climate commitments. These are integral to our business strategy and risk management framework.

We continue to disclose metrics for our key operational commitments and targets, which cover wider environmental issues (such as waste and water management). We have considered how we can best measure our nature-related impacts and dependencies, but we note that there is still a significant amount of work required throughout our sector to properly understand and quantify these issues.

We are progressing as expected against our headline 'Influence' commitments and we review these targets every two years. Our next review is in 2025, where we will take into account developments across our client-base and the markets in which we operate. We will provide further information on this commitment and the associated metric at this point.

TCFD recommendations
 Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.
 Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.

1. To account for the impact of the pandemic, our 2021 base year includes estimated emissions data from our Private Markets commercial portfolio based on 2019 data. All other base year emissions are from 2021.
 2. From a 2019 base year.

Metric	Meaning	Target	Progress against our base year								
<div style="background-color: #006633; color: white; padding: 5px; display: inline-block;">Operate</div> Operational footprint (scope 1 and 2)	This covers the operations we directly control, such as the energy from our occupied offices and from the management of assets within our Private Markets function. See page 25.	<ul style="list-style-type: none"> Net zero by 2050. We will reduce our absolute scope 1 and 2 GHG emissions by 42% by 2030 from our 2021 base year¹. 	Operational carbon footprint (tCO₂e) <table border="1"> <tr><th>Year</th><th>Operational carbon footprint (tCO₂e)</th></tr> <tr><td>2021¹</td><td>38,982</td></tr> <tr><td>2023</td><td>27,722</td></tr> <tr><td>2024</td><td>27,418</td></tr> </table>	Year	Operational carbon footprint (tCO ₂ e)	2021 ¹	38,982	2023	27,722	2024	27,418
Year	Operational carbon footprint (tCO ₂ e)										
2021 ¹	38,982										
2023	27,722										
2024	27,418										

<div style="background-color: #006633; color: white; padding: 5px; display: inline-block;">Invest</div> GHG emissions intensity of our investments	This is made up of our ownership share of the emissions related to the assets we invest in within the Group proprietary asset portfolio, as explained on pages 26 and 27. It includes equities and bonds, but not cash or cash equivalents, derivatives, loans and any assets already covered in our operational footprint. It is measured per unit of investment.	<ul style="list-style-type: none"> Net zero asset portfolio, in line with a 1.5°C 'Paris' objective by 2050. By 2030, reduce portfolio GHG emission intensity by 50%. By start of 2025, reduce portfolio GHG emission intensity by 18.5%. More granular SBTs on page 27. 	Investment portfolio GHG emission intensity (tCO₂e/£m) <table border="1"> <tr><th>Year</th><th>Investment portfolio GHG emission intensity (tCO₂e/£m)</th></tr> <tr><td>2019</td><td>80</td></tr> <tr><td>2023</td><td>56</td></tr> <tr><td>2024</td><td>51</td></tr> </table>	Year	Investment portfolio GHG emission intensity (tCO ₂ e/£m)	2019	80	2023	56	2024	51
Year	Investment portfolio GHG emission intensity (tCO ₂ e/£m)										
2019	80										
2023	56										
2024	51										

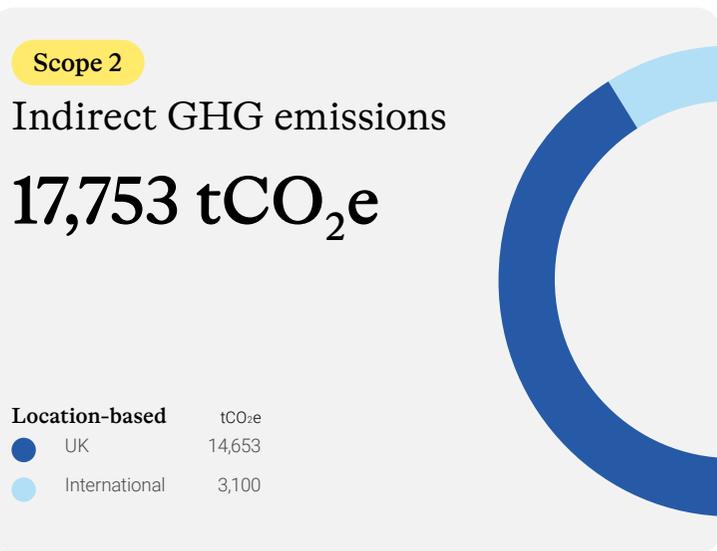
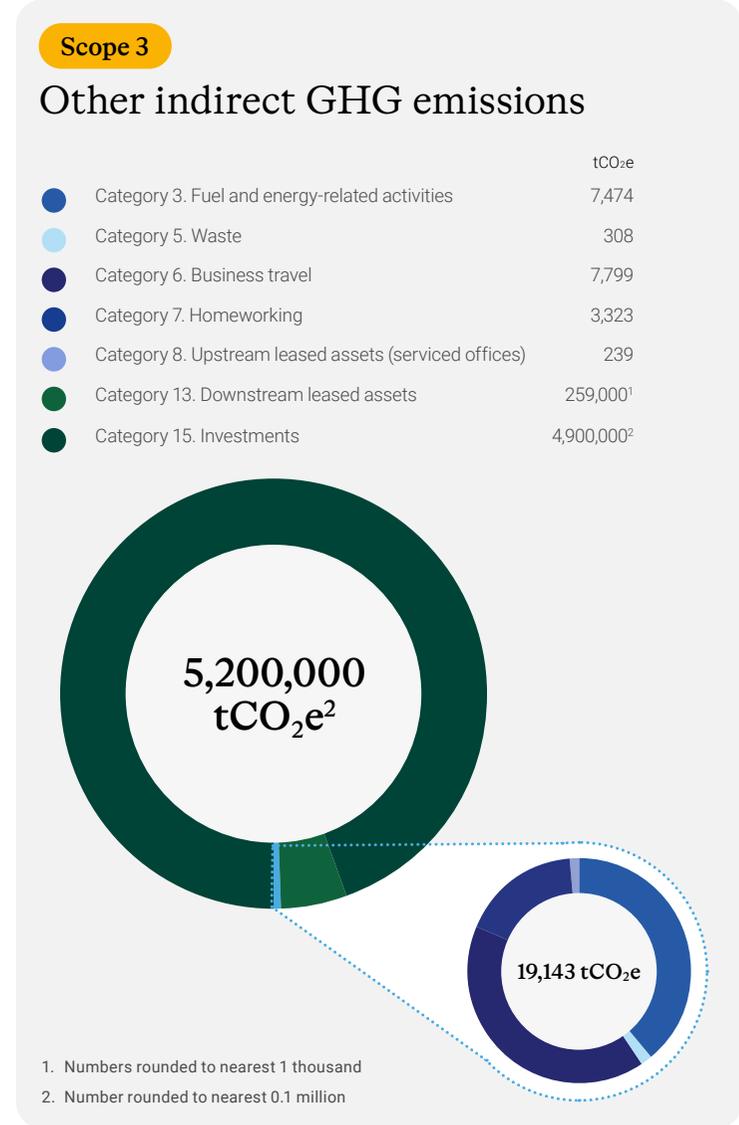
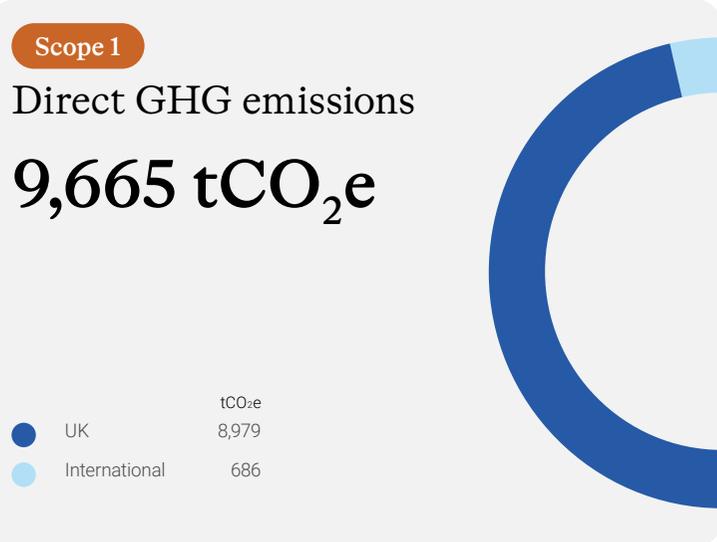
<div style="background-color: #006633; color: white; padding: 5px; display: inline-block;">Invest</div> Implied portfolio temperature alignment	This measures the implied warming potential of our investment portfolio aggregated from its individual components, as calculated in line with Asset Management's methodology.	<ul style="list-style-type: none"> Please see our portfolio temperature rating SBTs on page 28 for related targets. 	Portfolio temperature measures (°C) <table border="1"> <tr><th>Year</th><th>L&G implied portfolio Temperature alignment (°C)</th><th>SBTi portfolio Temperature rise (°C): Scope 1 and 2</th><th>SBTi portfolio Temperature rise (°C): Scope 1, 2 and 3</th></tr> <tr><td>2021</td><td>2.6</td><td>2.4</td><td>2.9</td></tr> <tr><td>2023</td><td>2.5</td><td>2.4</td><td>2.7</td></tr> <tr><td>2024</td><td>2.5</td><td>2.5</td><td>2.8</td></tr> </table>	Year	L&G implied portfolio Temperature alignment (°C)	SBTi portfolio Temperature rise (°C): Scope 1 and 2	SBTi portfolio Temperature rise (°C): Scope 1, 2 and 3	2021	2.6	2.4	2.9	2023	2.5	2.4	2.7	2024	2.5	2.5	2.8
Year	L&G implied portfolio Temperature alignment (°C)	SBTi portfolio Temperature rise (°C): Scope 1 and 2	SBTi portfolio Temperature rise (°C): Scope 1, 2 and 3																
2021	2.6	2.4	2.9																
2023	2.5	2.4	2.7																
2024	2.5	2.5	2.8																

Emissions breakdown

The size of each scope of emissions within our footprint, and our ability to reduce them, are considerably different.

As a financial institution, our scope 3 emissions are our largest source of emissions, and category 15 (investments) emissions make up by far the largest segment of this. Our own investment activity is fundamental to decarbonising our investments, however, there are factors outside of our control (such as carbon emitted by individual entities, market movements, and lags in underlying data) which can cause significant volatility in the calculated metrics. We have indirect control over the reduction of these emissions.

Scope 1 and 2 emissions are significantly smaller in absolute terms, however our control over the reduction of these emissions is greater. While there are still dependencies associated with these emissions (such as the speed at which electricity grids decarbonise), overall the actions we take in the short term have a much greater impact in reducing the emissions from these categories. For example, removing gas from assets we manage would materially reduce our scope 1 emissions.



TCFD recommendation
Disclose scope 1, scope 2 and, if appropriate, scope 3 GHG emissions and the related risks.

Definitions

Scope 1: Direct GHG emissions.

Scope 2: Indirect GHG emission from consumption of purchased electricity, heat or steam.

Scope 3: Other indirect emissions not covered in scope 2 that occur in the value chain of the reporting company.

1. Numbers rounded to nearest 1 thousand
2. Number rounded to nearest 0.1 million

Operational carbon footprint

Methodology

Our operational carbon footprint includes the annual carbon emissions of the whole Group, including our subsidiaries and joint ventures. We apply the operational control approach, which includes all operations which we directly control, such as the energy from our core occupied offices (applies to occupied offices where we actively control the management of utilities) and landlord activities.

The emissions data reported in the table below is aligned to the Group's financial reporting period unless otherwise stated in our Basis of preparation on pages 56 – 61, which details how we collate GHG emissions data for our carbon footprint.

We continue to decarbonise our operations in line with our transition plan and SBT. Given the longevity of our SBTs, it is recognised by the SBTi that there may be a need to recalculate base year emissions during the target period. The aim of recalculating base year emissions is to uphold the integrity of targets, ensuring that only real world emission reductions are counted as progress. We therefore may reset our SBT base year in 2025, to reflect changes to our business. Any such resetting of the base year will prevent artificial emission reductions being presented.

Progress in 2024

Our scope 1 and 2 footprint has decreased by 1% from 2023 and by 30% from our 2021 base year². This is an absolute reduction in overall emissions.

We have also seen an increase in the procurement of renewable electricity (86%) and are on track to achieve our target of 100% by the end of 2025.

The following actions describe how our operational footprint has changed for our core contributing businesses.

Our offices

Through the implementation of our location strategy and the adoption of energy efficiency measures we continue to see emission reductions across our core occupied offices, achieving a further 5% reduction during 2024.

As anticipated, our business travel emissions have increased by 2% (see page 29) and our emissions from employees working at home have reduced by 27% as we see a stronger return to our offices.

Our management of real assets

Changes in our Private Markets portfolios (sales and acquisitions) has an impact on our absolute scope 1 and 2 emissions. In order to reduce the emissions from the assets we manage in this business area, we continue to implement a series of programmes across our commercial and residential assets. These programmes include a range of activities including installation of on-site renewables, ongoing energy efficiency measures and planned electrification (gas removal) programmes. The ongoing greening of the national electricity grids continue to have a positive impact on our reported emissions.

Reporting framework

In calculating our footprint, we have reported on the emission sources required under the Companies Act 2006 (Strategic report and Directors' report) Regulations 2013 and have followed the requirements of the Streamlined Energy and Carbon Reporting (SECR) framework.

The GHG emissions data is reported in line with the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard 'operational control' method, and emissions factors for fuels and electricity are published at: ghgprotocol.org/sites/default/files/standards/ghg-protocol-revised.pdf

Table 2: Operational GHG emissions data

In reporting our operational carbon footprint, we have sought independent limited assurance from Deloitte. Metrics identified with an * in the table below have been assured. Deloitte's assurance statement is available on pages 52 and 53³.

Emissions source tCO ₂ e ¹	2021 ²	2023 ³	2024 ³
Scope 1 and 2 (location-based)	38,982	27,722*	27,418*
Scope 1	15,559	10,158*	9,665*
UK	15,534	9,452	8,983
International	25	706	682
Scope 2 location-based	23,423	17,564*	17,753*
UK	22,604	14,349	14,653
International	819	3,215	3,100
Scope 2 market-based	2,432	4,215*	3,652*
UK	1,613	1,000	1,264
International	819	3,215	2,388
Fugitive emissions (included in scope 1)	127	216	664
Scope 3 operational emissions			
Category 3. Fuel and energy-related activities	8,607	7,325	7,474
Category 5. Waste	486	483	308
Category 6. Business travel	2,070	7,631*	7,799*
Category 7. Homeworking	3,025	4,568*	3,323*
Category 8. Upstream leased assets (serviced offices)	371	304*	239*
Scope 1 and 2 intensity ratio			
tCO ₂ e emissions per employee	3.6	2.3	2.3

1. Please refer to our Basis of Preparation (page 56) for details of how we collate our GHG data for our operational carbon footprint.
2. To account for the impact of the pandemic our 2021 base year includes estimated emissions data from our Private Markets commercial portfolio based on 2019 data. All other base year emissions are from 2021.
3. Deloitte has provided independent limited assurance in accordance with the International Standard for Assurance Engagements 3000 (ISAE 3000) and Assurance Engagements on Greenhouse Gas Statements (ISAE 3410) over the selected metrics identified with an *. Deloitte's full unqualified assurance opinion, which includes details of the selected metrics assured, can be found on pages 52 and 53.

GHG emissions intensity of our investments

Our investment emissions, generated within our investment portfolios and classified as scope 3 category 15, creates the largest contribution to our carbon footprint. We have implemented targets that support our commitment to align with a 1.5°C 'Paris' objective.

Methodology and data approach

Our primary metric is the GHG economic emissions intensity of our portfolio of Group proprietary assets¹. This is the total of all the GHGs produced by our share of the organisations that we invest in, and is reported using CO₂e emissions data. There are three components to this metric:

1. the CO₂e in tonnes for each entity in which we are invested arising from the underlying scope 1 and scope 2 emissions directly connected with its operations

2. a unit of value to normalise the emissions by the underlying size of the entity we are investing in measured in £m. For our primary metric we use:
 - Enterprise Value Including Cash (EVIC) for corporate issuers²
 - sovereign capital stock for sovereigns
 - market valuations for each real estate investment

3. the size of our holding in the entity.

The investment portfolio emissions intensity is then calculated by weighting the normalised emissions (tonnes of CO₂e emissions per £m normaliser entity value as defined above) by the size of our investment and aggregating all holdings in our investment. We have applied the emissions data equally to equities and bonds as they are both used by corporates to raise capital and fund the business. Please refer to our Basis of preparation on pages 56 to 61 for further detail on the methodology.

Progress in 2024

Table 3 shows the end 2024 Group investment portfolio GHG emission intensity score of 51 tCO₂e/£m invested (-9% from 2023; and -37% from the 2019 base year). When applied to the £96.1 billion of assets in this analysis, this gives an absolute footprint of 4.9 million tCO₂e emissions (2023: 5.0 million tCO₂e).

Within the annual movement from 2023, 4% is attributed to the change in updated portfolio emissions (from the updated company emissions disclosures, and from trading activity) by holding EVIC constant, as shown in Table 3. This movement is in part due to asset allocation changes, reducing exposure to the utilities sector while increasing sovereign exposure through increased use of a gilts-based investment strategy. We have also seen evidence of portfolio investee decarbonisation.

A further 5% is then attributed to changes in the investee EVIC and foreign exchange rate movements in 2024, illustrating the impact that market movements can have on economic emission intensity metrics. Table 5 show the large contribution to the overall score from utilities.

Use of proxy data

Where third-party data is not available, we have adopted several proxy approaches to address the coverage gap. For some asset classes, asset class-specific approaches are employed, while for others that are not covered in our datasets, we use sector-based proxies. Proxy approaches are used for the following other asset classes: real estate, lifetime mortgages, private debt and private equity. See pages 56 – 61 for further detail on the data and material proxy methodologies.

1. This relates to the investments within the £97.6 billion of Group proprietary assets qualifying as scope 3 investment emissions. The emissions for the additional £1.5 billion of operating assets are captured in the operational footprint.
2. EVIC set as market valuation of equity plus book value of debt (or book value in the absence of market valuations).
3. Deloitte has provided independent limited assurance in accordance with the International Standard for Assurance Engagements 3000 ('ISAE 3000') and Assurance Engagements on Greenhouse Gas Statements ('ISAE 3410') over the selected metrics identified with an *. Deloitte's full unqualified assurance opinion, which includes details of the selected metrics assured, can be found on pages 52 and 53.

Table 3: Group investment portfolio GHG emission intensities

Measure ³	tCO ₂ e/£m		
	2023	2024 (constant EVIC)	2024
Investment portfolio economic GHG emissions intensity	56	54	51*
Reduction from 2023 – actual	-	4%	9%
Reduction from 2019 – actual	30%	33%	37%
Reduction from 2019 – target	-	18.5%	18.5%
PCAF Data Quality Score	2.5	-	2.3
Investment portfolio economic GHG emissions intensity ex-sovereigns	52	-	45
Investment portfolio weighted average GHG emissions intensity (WACI) (tCO ₂ e / \$m revenues)	127	-	117

Table 4: Portfolio GHG emission intensities breakdown by asset class

Score breakdown by asset class ²	By value (%)	Standalone emissions intensity	GHG emissions (million tCO ₂ e)	PCAF data quality
Bond	90	55	4.7	2.3
Property	9	14	0.1	2.3
Equity	1	33	0.0	2.3
Total	100	51	4.9*	2.3

Table 5: Portfolio GHG emission intensities breakdown by sector

Score breakdown by sector	By value (%)	Standalone emissions intensity	GHG emissions (million tCO ₂ e)	PCAF data quality
Utilities	10	158	1.6	2.2
Energy	5	192	0.9	2.1
Materials	1	290	0.3	1.3
Industrials	6	50	0.3	2.3
Government	16	83	1.2	2.2
Other	62	14	0.8	2.3
Total	100	51	4.9*	2.3

GHG emissions intensity of our investments continued

Mid and long-term trajectories

While we have over-achieved against our year-end 2024 decarbonisation target, we may still see continual volatility from changes in the global economy, as explained below. We remain focused on our mid to long-term decarbonisation targets of a 50% decarbonisation by end-2030, as shown in Chart 1.

In any one period, the portfolio GHG emissions intensity is impacted by changes in the following:

- organic changes in the emissions from the entities we invest in (noting, that the available data generally relates to emissions for the previous year for corporate issuers, with greater lags for sovereign emissions data)
- the underlying size/revenues of the company or corresponding sovereign metric
- the market value of our holdings
- changes in methodology.

Changes in the emissions coming from our investments and our investment activity are key to decarbonising our portfolios in the medium and long term. However, in the short term, factors outside of our control, such as the carbon outcomes of the entity, market movements, and the lag in the reporting of the underlying emissions data, have the potential to create significant volatility in the calculated metrics. We try to identify the underlying trends through techniques such as holding the company size constant over the reporting year, as seen in Chart 1.

Changes in methodology are, and will be, separately isolated where possible and excluded from the decarbonisation progress assessment. There have been no methodology changes deemed to impact our emissions intensity in 2024.

Science-based targets (SBTs)

In 2023, we announced our SBTs which have been independently validated by the SBTi.

In line with this commitment, we have started to track the associated physical carbon intensity metrics, whereby the emissions are normalised by a measure of physical output, for certain asset class and sector subsets of the portfolio, in line with SBTi requirements¹.

Our performance to date within our electricity generation project finance and real estate equity investment portfolios is given in Table 6. In 2024, we note a reduction in each emission intensity metric, reflecting the progress being made in each sector, within our portfolio.

Our associated portfolio temperature rating targets are given on page 28.

Chart 1: Group investment portfolio target decarbonisation pathway

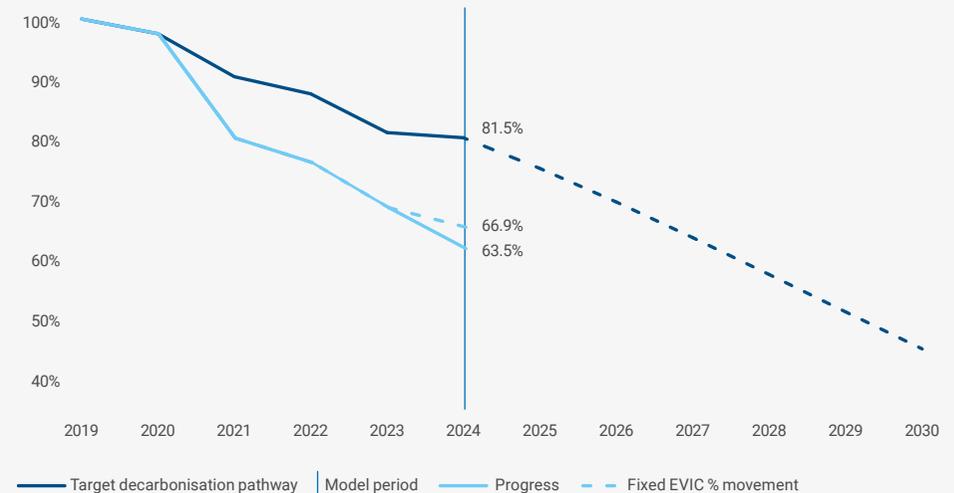


Table 6: SBTs – Emission-based

Metric	Aggregation approach	2019 base year	2021 base year	2024	Target
We commit to maintain the emissions intensity of our electricity generation project finance portfolio, within our shareholder investments, at or below 60 KgCO ₂ e/kWh from 2021 through 2030 and only finance 1.5°C-aligned electricity generation projects.	KgCO ₂ e/kWh	n/a	60	49	60
We commit to reduce our real estate investment portfolio GHG emissions by 58% per square metre by 2030 from a 2019 base year.	tCO ₂ e/m ²	0.058	n/a	0.044	0.024
We commit to reduce our downstream leased asset GHG emissions by 55% per square metre by 2030 from a 2019 base year.	tCO ₂ e/m ²	0.055	n/a	0.039	0.02

1. sciencebasedtargets.org/resources/files/Financial-Sector-Science-Based-Targets-Guidance.pdf

Implied portfolio temperature alignment

To complement the portfolio GHG emission intensity metrics, L&G uses a set of implied portfolio temperature alignment metrics to measure and manage investment impact. These alignment metrics measure and provide a score for the implied warming potential of a company (or aggregate portfolio).

L&G implied temperature alignment

L&G's implied temperature alignment metric describes the climate transition pathway (temperature scenario) each company is expected to align to, based on both historical decarbonisation trends and targets the company has set. It reflects the direct link between global carbon emissions and the likely severity of global warming and allows investors to measure their impact on climate change and evaluate their performance relative to SBTs.

There are three key steps to the calculation of implied temperature alignment:

1. project a company's carbon emission pathway to 2030
2. project relevant science-based sector emission targets using decarbonisation pathways from climate scenarios
3. rate a company's implied temperature alignment by assessing carbon intensity against science-based sector targets.

For most companies, implied temperature alignment is calculated on the basis of scope 1 and 2 emissions. Scope 3 emission estimates are included for financials, and oil and gas companies, using an Asset Management methodology which is consistent across issuers. We use a qualitative scoring methodology for Midstream companies' alignments. Electric utilities are assessed on their projected energy mix and the GHG emissions per unit of electricity (tCO₂e/MWh) relative to regional benchmarks. For sovereign bonds, we incorporate Climate Action Tracker country-level assessments, country-level decarbonisation targets and historical carbon data to calculate sovereign alignment scores¹.

Our implied temperature alignment methodology covers listed equities, corporate bonds, sovereign bonds and quasi-sovereign bonds. It does not cover real estate, alternatives or private equity due to data availability.

Asset Management alignment scores are constructed to follow the TCFD framework and are a quantitative expression of our modelling and assumptions around the energy transition.

CDP-WWF Portfolio Temperature Rise (PTR)

In line with the commitment to our validated SBTs, we also measure and set targets on our associated PTR score – a metric based on the original methodology published by a partnership between CDP and WWF, which scores companies in relation to their published targets².

Under this methodology, we calculate two metrics, one on the basis of scope 1 and 2 investee emissions and a second including scope 3 investee emissions.

We note that there are numerous portfolio temperature metrics in development across the industry and advise caution in comparing scores across different methodologies at this stage. This includes aggregation methodologies which are described further within the Additional information chapter.

A key distinction between the L&G and CDP-WWF methodologies relates to assessing the credibility of published targets. Individual implied temperature alignment scores are subject to an internal assessment whereas the PTR scores directly apply published ambitions. PTR scores also do not cover sovereign and quasi-sovereign bonds.

Finally, within the PTR methodology, where no targets are set or published by a company, a default rating of 3.2°C is given. We therefore continue to have some reliance on our investees setting and delivering on their own commitments in achieving our own targets.

Chart 2: 2024 implied portfolio temperature alignment (°C)



Table 7: SBTs – Implied portfolio temperature alignment

Metric	Aggregation approach	Scopes	2021 base year	2024	Target
We commit to align the (SBTi-defined) portfolio temperature rating score for our listed equity, corporate bonds and corporate loans portfolio, within our shareholder-owned investments, as follows:					
• From 2.4°C at end 2021 to 2.1°C by end 2026, covering portfolio company scopes 1 and 2	°C (ECOTS ³ aggregation)	1 and 2	2.4	2.5	2.1
• From 2.9°C at end 2021 to 2.5°C by end 2026, covering portfolio company scopes 1, 2 and 3	°C (ECOTS ³ aggregation)	1, 2 and 3	2.9	2.8	2.5

Progress in 2024

Our performance to date across all three metrics is shown above in Table 7. We have analysed £25 billion of corporate assets, with a further £12.5 billion of government bonds captured for our implied temperature alignment, of our £97.6 billion of Group proprietary assets, where we have the relevant data. For our implied temperature alignment, we can judge our portfolio progress by comparing to well-known indices which serve as a proxy for 'the world as it is'. For bonds, we compare to the Barclays Agg 1% index (with 91% coverage), while we use MSCI World for equities (98% coverage).

In relation to our SBTs, we note we have further to go in achieving our targets across both metrics. In 2024, we see a marginal increase, driven from a small selection of new holdings in companies, across a number of sectors, without qualifying decarbonisation targets. We expect to reverse this trend in 2025.

1. climateactiontracker.org/
2. cdn.cdp.net/cdp-production/comfy/cms/files/files/000/003/741/original/Temperature_scoring_-_beta_methodology.pdf
3. Enterprise value including cash emissions weighted temperature score (ECOTS).

Operational targets and commitments

The way we operate our businesses has an environmental impact. We continue to utilise operational controls to manage these impacts, such as our ISO 14001 accredited Environmental management system.

To continue to drive environmental improvements through our operations and to support our long-term approach to managing climate and nature risks, we have set strategic commitments and targets which are outlined to the right.

We believe these strategic themes are important to our operations and will help shape our response to the risks and opportunities in the short, medium and long term.

The energy we use

Strategic commitment

We will reduce our energy usage in line with our journey to net zero and source energy from renewable sources.

Target

We will reduce absolute scope 1 and 2 GHG emissions by 42% by 2030¹.

From 2030, our occupied offices (scope 1 and 2) will operate with net zero carbon emissions².

By 2025, we will purchase 100% of directly procured electricity group-wide from renewable sources.

Progress in 2024

Scope 1 and 2 emissions reduced by 30%¹.

Our occupied offices emitted 2,771 tCO_{2e}.

We procured 86% renewable electricity and are on track to meet our target of 100% by year end.

The way we travel

Strategic commitment

We will use hybrid working practices and technology to actively reduce the business miles we travel in line with our commitments to net zero.

Target

From 2030, our group-wide business travel will operate with net zero emissions.

Progress in 2024

Our emissions from business travel have increased 2% from 2023. This is in line with our expectations but will be an area of focus in 2025. We have some dependency on the overall sustainability of the travel sector in achieving this target by 2030. In the shorter term, we expect to need to consider using offsetting arrangements to reduce any residual emissions, including the creation of our own offsets through our nature initiatives.

Natural resources

Strategic commitment

We will protect the natural resources we use through the implementation of sustainable procurement principles.

Target

By end of 2026, 80% of our suppliers, by spend, will set a science-based carbon reduction target³.

Progress in 2024

68% of suppliers, by spend, have a science-based carbon reduction target.

Water resources

Strategic commitment

We will protect and minimise the use of water resources in the spaces we create and occupy.

Target

By 2030, our core occupied offices will consume a maximum of 22 litres of water per person per day (lpppd) in line with the Real Estate Environment Benchmark (REEB)².

Zero water pollution incidents.

Progress in 2024

Our core occupied offices consumed 28lpppd, which is a reduction from 33lpppd in 2023.

Zero water pollution incidents.

Circular economy

Strategic commitment

We aim to minimise and design out waste through the careful implementation of the principles of the circular economy.

Target

By 2025, we will divert 100% of waste from landfill in all offices and directly delivered housing development projects where we are responsible for waste management.

By 2025, we will reduce overall waste volumes per core occupied office by 20% from a 2019 base year².

Progress in 2024

100% of waste diverted from landfill achieved.

Target exceeded with a 41% reduction in office waste. Noting that our base year was pre-pandemic when office occupancy levels were higher than current levels.

Biodiversity

Strategic commitment

We are committed to creating diverse and valuable natural spaces and achieving overall net biodiversity gains. We are also committed to understanding and positively shaping the biodiversity impacts of the investments we make.

Target

By 2025, we will report on milestones to reduce agricultural commodity-driven deforestation related to our investments and increase our investment in nature-based solutions.

Progress in 2024

As part of our Nature Framework, published in 2024, we are continuing to work to meet our objectives on deforestation on a best efforts basis through engagement, and by developing the tools to identify potential deforestation exposure in our corporate holdings.

1. To account for the impact of the pandemic, our 2021 base year includes estimated emissions data from our Private Markets commercial portfolio based on 2019 data. All other base year emissions are from 2021.

2. Applies to occupied offices where we actively control the management of utilities.

3. We define a target as science-based if it is aligned to SBTi criteria i.e. is a mid-term reduction target with enough ambition to align with the global net zero trajectory.

Governance and risk management



Where we are

Environmental management is key to our success, as we are investing for the long term. Accountability is shared across the business and is led by the Group Board, which is supported by the Group Environment Committee (GEC), chaired by our Group Climate Director.

This year we reviewed our climate governance, to reflect evolving environmental demands on our business, as well as our own organisational changes. The risks from climate change and nature loss continue to be integrated into our risk management framework.

Challenges we are facing

The impacts of both climate change and nature loss are unpredictable, and the pace of global progress towards net zero continues to lag. Delivering on our strategic ambitions in a changing climate needs to be underpinned by careful risk management. Continuous monitoring is therefore essential given the speed and complexity of changes in the environment, policy, technology, available data and the market.

What the future looks like

We are evolving our governance to ensure alignment with our business, as well as the latest science. We continue to integrate these considerations through comprehensive policies, risk mitigation techniques and oversight by the Group Climate Director, and plan to refresh our Climate transition plan in 2026 to review our approach in this rapidly changing environment.

Board oversight

The Group Board ('the Board') is ultimately accountable for the long-term stewardship of the Group. Responding to climate change and addressing nature loss, and the opportunities and risks associated with these issues, are of key significance to the Board.

The Board has collective responsibility for the oversight of environmental matters, with Nilufer Kheraj, a Non-Executive Director on the Board, having a responsibility to give specific focus to climate change and nature loss in her role. This ensures climate and nature-related risks and opportunities across the Group are raised on all relevant topics discussed by the Board.

Throughout the year, the Group CEO's, CFO's and CRO's Reports to the Board highlighted and discussed climate change, particularly in relation to the Group's risk appetite and how different climate scenarios may emerge, the Group's continued resilience and an assessment of preparedness for different climate outcomes. During 2024, the Board considered the climate-related risks that continued to feature on the strategic risk register.

The Board was kept updated on the Group's projected performance against the key climate commitments set out in the forward-looking Group strategy, which align with the commitments in our Climate transition plan (2023). The Board also considered climate and nature investment opportunities.

Throughout the year, the Board was updated on the progress of our new head office, 10 Coleman Street in London, which we will start to occupy in 2027. As part of the process for agreeing to this new location, the Board was presented with different options and considered how this new office would impact our net zero targets. 10 Coleman Street is a redeveloped office which has been designed with sustainability at its core with high design standards, and is well aligned with our commitment to the net zero transition, and therefore representative of the delivery of the Group's sustainable growth agenda. See more about our new office in our Annual report.

The Group Risk Committee (GRC) oversees the risks associated with climate change to ensure exposures are controlled in line with the Group's risk appetite and ensures that management actions are also aligned. Alongside regular updates on the risks associated with climate change, the committee receives regular climate-specific management information. In 2024, the GRC specifically considered climate risk appetites and how they are set, and the approach to the management of broader nature-related risks including how they impact the business.

Our Group Climate Director, Carl Moxley, holds responsibility for coordinating the Group's response to climate change and incorporating nature-related opportunities and risks. The role has the senior manager responsibility of ensuring an appropriate strategy is in place to understand, identify, measure, monitor, control and report the opportunities and risks from climate change in line with the risk strategy and risk appetite parameters set by the Board. The Group Climate Director also supports management in the development of both strategic opportunities, and the appropriate processes to monitor and report exposures to the risks arising from climate change.

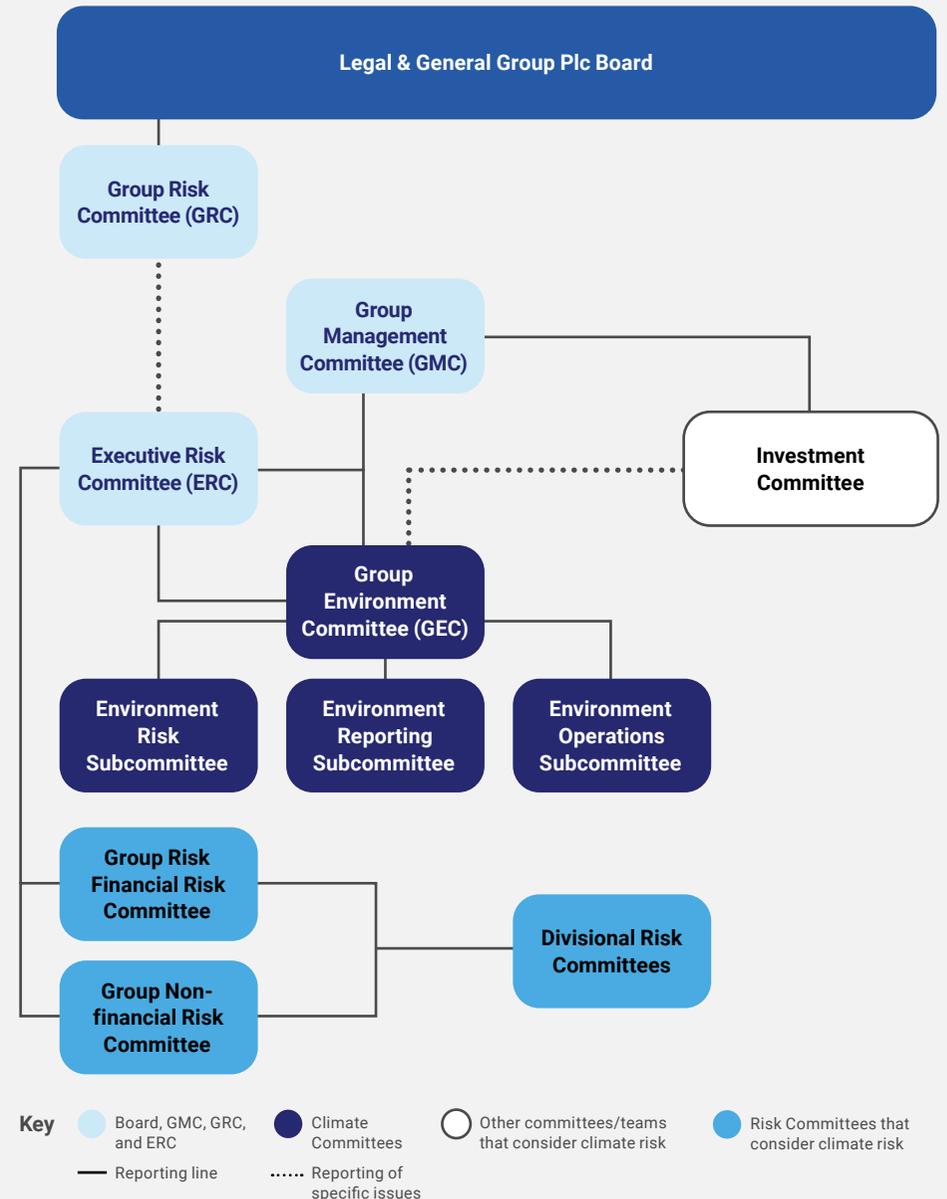
The Board, through the GRC, Executive Risk Committee (ERC) and Group Management Committee (GMC), has delegated oversight of the management of environmental risks to the Group Environment Committee (GEC).

TCFD recommendations

Describe the Board's oversight of climate-related risks and opportunities.

Describe management's role in assessing and managing climate-related risks and opportunities.

Our governance framework



Group Environment Committee

The GEC met five times in 2024 in accordance with its annual plan. From 1 January 2025, the GEC is chaired by the Group Climate Director with membership including: the Group CFO, Group Chief Transformation and People Officer, Group CRO, Institutional Retirement CEO, Retail CEO and Asset Management Chief Investment Officer (CIO). The level of seniority in its membership helps ensure that there is a single forum to provide oversight on our response to environmental issues, ensures consistency, encourages debate and demonstrates the importance we place on our response to these issues.

The Group Climate Director has responsibility for oversight of climate and nature risk identification and management for the Group. The role of the Group Chief Transformation and People Officer is to ensure that the management of climate and nature risk is consistent with the broader Group corporate policies.

The divisional CEOs ensure climate and nature risks are embedded within their respective divisions. They are the ultimate owners of the risks, responsible for identifying, managing and monitoring climate and nature-related risks and opportunities within the risk appetites agreed at the GEC.

To ensure a consistent group-wide approach and to support how we are implementing our ambitious strategy, the GEC has clearly defined relationships with other Group oversight committees. These interactions are designed to ensure that management of the risks and opportunities arising from climate and nature are integrated across the Group's governance system and embedded into the existing risk management framework.

The role of the GEC

The GEC is responsible for providing strategic direction of the Group's environmental response, including to climate and nature, with reference to the Group's broader strategy. This includes:

- setting the Group strategy for managing environmental impact, including setting targets, monitoring them and reporting on performance
- providing central oversight of the Group's management of environmental impact to help ensure that sustainability informs strategic planning and decision making across all Group activities (including investments)
- overseeing that management practices are in line with the Group's risk appetite, our climate and nature strategy and risk policy
- promoting internal awareness and understanding of environment-related risks and opportunities considering the transition and physical risks, and
- identifying opportunities associated with environment, climate and nature and their potential impact on the Group's assets and liabilities, in the short, medium and long term.

These responsibilities are demonstrated in the table to the right, which sets out the key activities of the GEC during 2024. The GEC is supported by three subcommittees to review and challenge performance against tolerances and targets: the Environment Risk Subcommittee; the Environment Operations Subcommittee and the Environment Reporting Subcommittee, which has been established to carry out horizon scanning and integration of environment reporting requirements. The GEC is further supported by working groups that focus on specific regulatory topics.

Additional governance is also in place at an entity-level, where relevant, across the Group. Asset Management, as the investment management division, is where climate risks are the most material from a governance and risk management perspective. In Asset Management, ESG oversight is integrated within the existing governance and oversight structure.

Specific ESG oversight requirements include delivery of portfolio ESG objectives, maintenance and application of the net zero framework and the coordination of ESG programmes, alongside advising the Asset Management Executive Committee on responsible investing matters. We have disclosed some specific further detail on legal entity governance on page 62.

Table 8: GEC key decisions and discussions during 2024

	Action
Metrics and targets	Oversaw external review of investment metrics, leading to improved transparency.
	Reviewed progress of commitments made against SBTs, including updates on modelling of specific scope 3 emissions.
Assessing our exposure	Approved metrics and targets, including investment metrics, this incorporated a review of their effectiveness and methodology. Also approved the SBT rebaselining framework.
	Established and embedded monitoring processes to oversee the effectiveness of our flood risk appetite.
	Reviewed exposures to emerging risks globally, and within sectors with the greatest impact on us.
Risk appetite	Reviewed our climate-related strategic engagements and approach to cross-market collaboration.
	Approved enhancements to our climate-related risk appetite, and the supporting metrics and tolerances, to support our actions to deliver on our climate commitments.
	Reviewed and approved updates to the controls in place to manage our exposure to climate and nature-based risks, in line with our risk appetite.
Setting our strategy	Considered future strategic plans for the Group on climate and nature.
	Approved our strategic response to disclosures, including our adoption of voluntary standards and disclosures.
	Set our strategic approach to nature-based solutions, relating to our generation of carbon credits and biodiversity units.
Oversight	Regularly monitored the Group's progress against our environmental commitments.
	Initiated and oversaw a review of our climate governance.
	Provided central oversight of activities and actions on climate and nature risk.

Risk management framework

We manage our business to align with the mitigation of climate change beyond the 1.5°C 'Paris' objective and to be resilient to the risks of different climate outcomes. Our key risk monitoring metrics are:

- investment portfolio GHG emission intensity
- operational footprint decarbonisation.

The risks from climate change represent another dimension of our existing risk exposures and are embedded in the way we manage these risks. Our governance structure is used to support the Group's understanding and management of these risks.

The uncertain nature of the risks from climate change, and the lack of historical data to support decision making, makes quantifying the risks more difficult than some other areas of our risk profile.

However, it is widely recognised that actions taken today will influence the likelihood of different climate outcomes and impact on future risk exposures. This, alongside climate scenario analysis, informs our risk management framework.

Our Scenarios chapter provides more detail about this analysis. These scenarios incorporate a longer-term time horizon into their analysis, and we also use narrative scenarios to further test our resilience. Informed by this work, we have carried out a detailed assessment of how we could expect these risks to emerge across our business model.

Climate change risks and wider environmental risks will emerge through our current risk exposures, and the relevant Group policies set out our approaches to identifying, assessing, measuring, managing and monitoring these risks. On the following pages, we set out our key risk management actions and clarify why our main focus is on transition risk.

Our risk landscape

Internal risk management landscape (risks and strategy)

Climate risk categories

Transition risks

The move to a low-carbon economy

Physical risks

The direct impacts of a warming world on assets and liabilities

Corporate risks

Reputational and regulatory risks/ fines

Climate strategy

Invest

- Reducing the intensity of our financed emissions
- Investing in the transition

Influence

- Products we offer
- Active engagement

Operate

- Our operations
- Our management of real assets

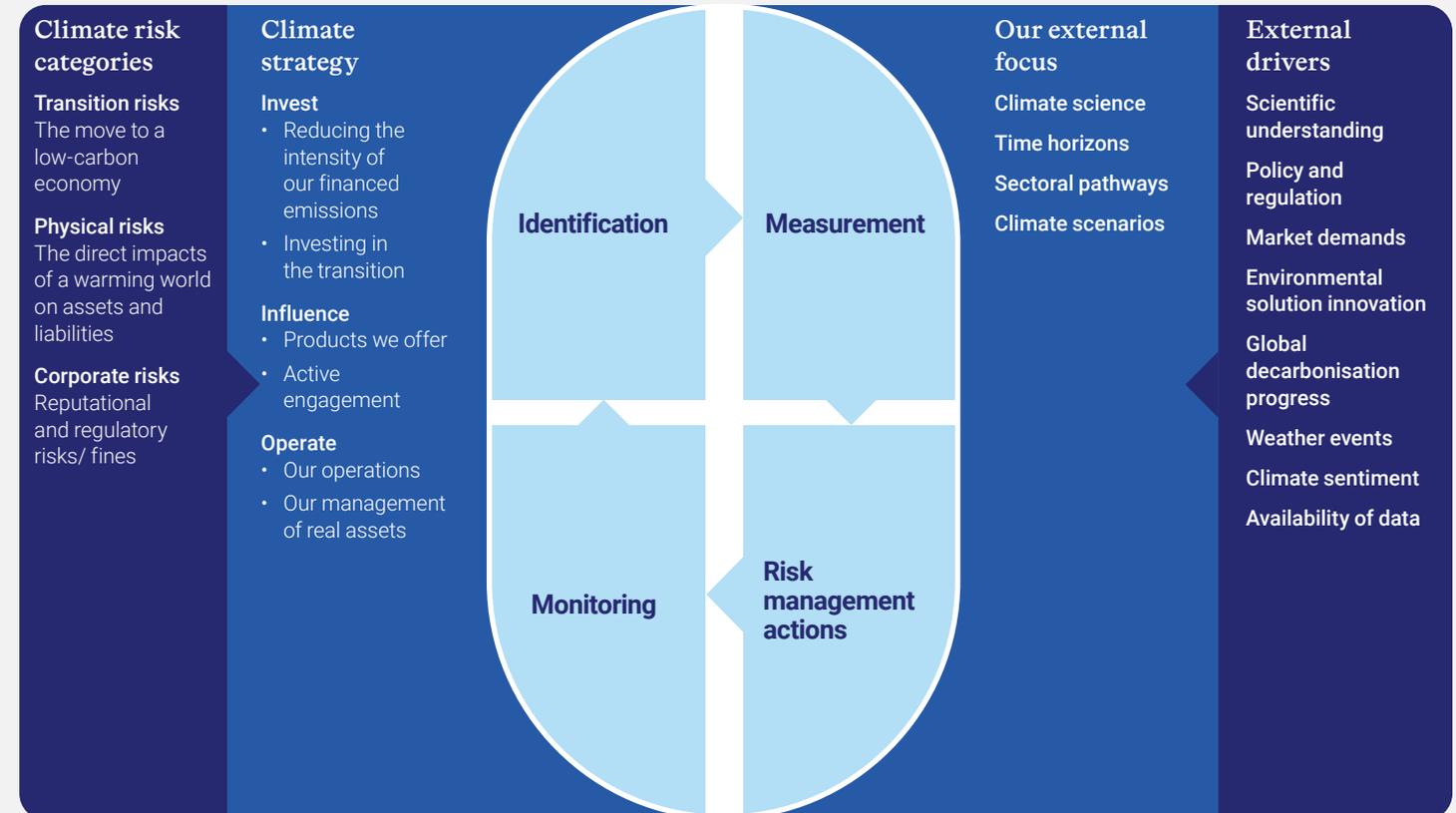
External risk management landscape (impacts and considerations)

Our external focus

- Climate science
- Time horizons
- Sectoral pathways
- Climate scenarios

External drivers

- Scientific understanding
- Policy and regulation
- Market demands
- Environmental solution innovation
- Global decarbonisation progress
- Weather events
- Climate sentiment
- Availability of data



TCFD recommendation

Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management.

Our approach to risk identification

We have integrated climate risk management into our existing risk and governance framework and have carried out a detailed assessment of how we could expect climate and nature risks to emerge across our business model. We are earlier in the journey with nature-related risks and continue to incorporate these, building on our integration of climate risk. We regularly review our approach to climate risk identification to ensure our risk management remains appropriate and proportionate to the underlying risks.

The risks from climate change and nature loss are far-reaching, uncertain and broad-ranging. As much of our balance sheet is based on assumptions and expectations of future experience, risks can materialise through both actual change in experienced profits or losses, as well as changes in those future expectations.

Focusing on transition risk

We focus on transition risk because successful delivery of 'Paris' implies a fundamental change to the global economy in the short term. We think this is the key near-term issue and source of risk for our business, specifically for our investment portfolio. While we have established risk management practices to manage physical risks, our insurance liabilities are not linked to losses due to damage of any underlying asset. Physical risks are mostly limited to some of our assets and operations, and we continue to monitor our exposure, taking appropriate actions as required.

TCFD recommendation

Describe the organisation's processes for identifying and assessing climate-related risks.

Type of risk	Possible effects arising from climate change and nature loss
From the products we write	
Longevity (for annuities)	More extreme climate events may lead to changes in life expectancy and thus impact our assumptions. These changes will emerge gradually as the effects are experienced or through increased certainty around future climate pathways and the associated health impacts.
Mortality/morbidity (for life/health insurance)	Similar to longevity, the impacts will emerge gradually, so our future assumptions will be impacted before there are material changes in the number of claims.
Reinsurance counterparty	While we would not expect climate change to pose significant risk to our short-term counterparty exposures, it may impact long-term reinsurance counterparties, who are likely to have a similar exposure to the prudential risks as outlined under longevity and mortality/morbidity above, as well as being further exposed to the physical risks due to their property and casualty businesses. This could change our assessment of the counterparty risk.
From the investments we hold	
Market	May cause changes to asset values, asset returns and other market risk exposures, such as: <ul style="list-style-type: none"> equity and property risk through asset values being exposed to a (potentially sudden) repricing to reflect transition risks to a low or carbon-neutral economy, or due to more frequent and severe weather events and longer-term shifts in climate impacting on asset values, either through actual experience or changed anticipated future experience possible enhanced asset returns, for example increases in equity valuations for companies enabling the transition to a low-carbon economy other macroeconomic factors such as interest rates, inflation and foreign exchange rates.
Credit	May cause movements in credit spreads and credit rating transitions: <ul style="list-style-type: none"> credit spread movements due to similar processes as those driving changes in the equity valuation described above credit rating transitions due to changes in either actual or anticipated default rates.
Client funds	May impact all client funds which are exposed to the material financial risk posed by climate change. Note, that it is our clients who ultimately choose specific mandates and bear the risks, but we can have a positive impact by helping them to take action on climate/environmental change, via disclosure of climate metrics and assessment of the implications of climate change on their assets, or offering products with reduced exposure.
From the environments we operate in	
Our operations	We have direct exposure to climate change through our operational carbon footprint and the supply chain that supports it. This may be through physical impacts on our operations and offices, or through transitional risks impacting on our operational processes and costs. This could impact our ability to meet our operational decarbonisation targets.
People, processes, systems and external events	As we change how we invest and operate and the products and services we offer, we must ensure we have the right skills for the future and update our systems and processes to incorporate climate change considerations. Our commitments assume that governments will implement required policy changes; the firms we invest in will deliver their targets; and, there will be societal change on an unprecedented scale over the next decade. <ul style="list-style-type: none"> the loss of key personnel or weakness or failure in our processes and systems could result in financial loss, customer detriment or reputational damage. failure by governments and other firms to deliver on their targets will impact our ability to deliver on ours.
Evolving regulation and legislation	We operate in highly regulated markets and the regulatory approach continues to evolve. New interpretations of compliance expectations could require changes to our products or business processes. This may expose us to financial penalties, remediation costs or reputational damage.
Evolving sentiment	Sentiment is often subjective and our approach might fail to resonate with all stakeholders. This may expose us to reputational risk.

Risk management approach

Materiality assessment

Our risk management approach to the financial risks arising from climate change and nature loss reflects our strategy and the materiality of the exposures we have. When assessing materiality, we consider both how the Group is affected by climate change, as well as the Group's own impact on the climate.

The effect of future uncertainty over climate change pathways is that the evaluation of climate-related risks and impacts has a high degree of estimation uncertainty, with a wide range of possible outcomes greater than our materiality for the Group's consolidated financial statements.

Our scenario modelling enables us to assess how the impacts from climate change may emerge under a range of climate scenarios and time horizons. Given our business model, we assess the most material financial risks from the potential impact of climate change on the value and credit rating of our assets.

As detailed in the Scenarios chapter, we have invested in our capability to develop possible transition pathways to differing warming outcomes. The scenarios presented show potential portfolio impacts under a given scenario. They are not forecasts or predictions, nor are we saying they are equally likely. However, these scenarios do inform our understanding of transition risk, identifying sectors where the transition is likely to be more disruptive and the potential timeline of impacts.

As a signatory of the PRI, we also monitor the progress of the Inevitable Policy Response scenario work, alongside other bespoke scenarios.

Measurement

Climate transition risks are primarily measured in relation to our carbon exposures. We are committed to reducing the carbon footprint of both our operations and our investment portfolio GHG emission intensity to align with the 'Paris' 1.5°C objective.

We appreciate that nature-related risks could have significant macroeconomic implications and be a source of risk to financial stability. We continue to build up our nature data capability while noting that specific and locality-driven risks arise within complex operational and investee supply chains, where data collection and measurement activities are particularly challenging.

Investment portfolio footprint

We measure the contribution of our investments to CO₂e emissions, calculating portfolio economic carbon emission intensities at both Group and divisional level.

Through our climate scenario analysis, we measure the risks to assets and liabilities. This is measured through the impacts on equity and bond valuations and credit ratings, in each scenario.

Assessment of our investment portfolio is dependent on good-quality, comparable cross-industry data and disclosures of climate-related metrics and impacts. This enables us to steer our investments successfully, identify and manage risks, deliver on our climate ambition of decarbonising our portfolio and comply with our own disclosure objectives. We are supportive of the need for global consistency with regards to reporting, disclosure and labelling.

Operational footprint

We measure and monitor the direct carbon emissions of all our operational businesses. We have set SBTs covering our scope 1 and 2 operational emissions. These targets have been verified by the SBTi, and we monitor progress made against these.

Management actions

We deploy a range of management actions to control our exposure to climate-related risks associated with our investments and operations, to meet our risk management objectives, including:

- 1. an established framework for environment commitments**
- 2. application of exclusions and environment-related escalation**
- 3. physical risk controls**
- 4. review of our existing tolerance framework to incorporate climate considerations**
- 5. active engagement.**

Risk management approach continued

1. Established framework for climate commitments

Achieving our Group commitments will be challenging, reflecting the complexity of addressing the systemic issue of climate change. Due to the transformational nature of a successful net zero transition, strong partnerships are needed to support a common vision and long-term objectives. Our climate collaborations can be found in the Strategy chapter on page 17.

Over 2024, our approach to these collaborations was reviewed to ensure continued alignment with our strategy. We also strengthened controls around participation in external climate and nature-related engagements and the signing of public statements and letters drafted by the collaborations we participate in.

Our framework accounts for all GHGs and covers scope 1, 2 and material scope 3 emissions (see page 24). Our progress and long term goals are supported by annual and interim targets to enable regular monitoring of progress towards our commitments. These commitments are supported by our transition plan, against which progress is reviewed and publicly reported on at least annually and overseen by the GEC. Our commitments are credibly aligned with the latest science. They are only achievable if the other parties, on whom we are dependent, also decarbonise on a 'Paris'-aligned trajectory. Our commitments are made in the expectation that governments will deliver on their own commitments and that they take the required policy actions will be implemented to ensure they remain aligned with the 'Paris' objective. We continue to incorporate nature into this framework.

2. Exclusions and environment-related escalation

Our risk management approach recognises the importance of engagement with investee companies. Our Investment Management Agreements (IMAs) have climate-specific clauses that enable us to manage our targets, including exclusions that focus on key areas of transition risk (such as coal and oil sands activity and unconventional drilling and Climate Impact Pledge (CIP) exclusions). The IMAs enable collaborative management against climate targets. We also take account of the full range of emission-intensive sectors within our portfolio management approach, through our environment-related escalation process.

Environment-related escalation

Our escalation process currently consists of high carbon, high temperature alignment, coal, unconventional oil and water management elements. It continues to work well for all proposed individual stock investments where the carbon intensity is greater than a defined threshold across relevant sectors. This acts as an early warning system and provides a degree of control over the accumulation of risk through time. In 2024, we extended the process to automatically trigger reviews on stocks with high temperature alignment scores.

Companies continue to be assessed on a range of criteria, including our assessment of the underlying transition and physical risks. Our approach recognises that oil and gas will follow different phase-down pathways, taking particular assessment of unconventional oil and gas production (such as Arctic oil), and that counterparties' own transition plans will impact on our assessment of the underlying risks.

This process is being extended to cover nature-related risks. To date, focus has been on management of water, with five companies put forward during the year for assessment.

In 2024, we assessed c.£1.7 billion of portfolio exposure. Out of the 97 companies assessed, the voting concluded with an exclusions list containing 36 issuers; 21 issuers were new additions and four names were removed from the exclusions list owing to improved issuer credentials.

The escalation process is also supported by exclusions, where there is a clear incompatibility with the 1.5°C 'Paris' objective.

Exclusions

Asset Management's CIP calls out stocks it excludes from the Future World Fund range. The CIP publicly sets out minimum standards, which, if not met, may translate into firm-wide voting sanctions and divestment consequences for the funds adopting the CIP exclusions. These additional exclusions are applied to the Group's proprietary assets.

We assess companies' progress within the CIP on an annual basis. Companies in the current CIP exclusion list are added to the Group's own investment exclusion list, helping to drive change in the market by supporting our engagement with the use of the Group's own balance sheet capital. This list is reviewed annually.

Risk management approach continued

Coal and oil sands activity

We recognise that coal's role in the current energy mix is incompatible with the 1.5°C 'Paris' objective, which is why our fossil fuel policy focuses on this sector. We continue to evolve our coal and oil sands policy, maintaining our trajectory towards phasing-out investments in coal by 2030, with the current details set out opposite.

Building on Asset Management's coal policy, the Group has implemented investment exclusions on those companies that have a material proportion of their revenue from the mining and extraction of thermal coal, from coal-based energy production or from oil sands. Within our own balance sheet, we have, this year, tightened our policy to explicitly add new investment exclusions to issuers with more than 5% revenue exposure to either thermal coal mining or coal-based power production without 2030 or earlier phase-out plans.

Given the historical role of coal in the global energy system and the size of our investment portfolio, we have c.£2.0 billion of exposure to companies, mostly Utilities, within our proprietary assets which report that some aspect of their revenue is linked to coal. Aligned to our above commitment for a 2030 exit from thermal coal mining/coal-based power production, we have begun assessing the phase-out plans of our underlying investments, only permitting holdings that expect to have below 5% exposure in 2030. Today, we have £0.8 billion exposure to holdings with above 5% revenue exposure to thermal coal mining/coal-based power production, of which a proportion have credible phase-out plans. We do not have any significant exposure to oil sands.

Direct investments in energy infrastructure projects

We will not invest in new oil, gas and associated energy infrastructure projects that are not aligned with a 1.5°C scenario pathway. This is aligned with the NZAOA oil and gas position¹.

Deforestation

We have developed and will continue to evolve our investment deforestation policies. We have in place exclusions in relation to violators of the UN Global Compact standards which include deforestation controversies. We maintain exclusions of names called out as engagement laggards through the CIP, where an insufficient zero deforestation policy, among other climate considerations, has led to an exclusion restriction. We will continue to leverage the activities of Asset Management's stewardship and engagement approach as set out in the Asset Management deforestation policy to engage on this topic².

3. Physical risk controls

Where specific investments pose an unacceptable exposure to physical risk, we deploy tools such as physical risk modelling, categorisation of exposures, incorporation into the underwriting process and clear exposure limits. We have developed and will continue to evolve our approach for limiting exposure to physical risks across the different geographies in which the Group is active.

4. Review of our existing tolerance framework to incorporate climate considerations

The risks from climate change represent another dimension of our existing risk exposures. To ensure that these considerations are integrated across the Group's governance system, our existing framework is regularly reviewed and updated. For example, we now also extend our fossil fuel exclusion policy into relevant new contractual documentation for reinsurance transactions.

5. Active engagement

Alongside close monitoring of the political and regulatory landscape, an important part of our strategy remains to engage with policymakers, regulators and investee companies in support of climate action. This benefits our own shareholders and the wider market. This is actively pursued by Asset Management on the Group's behalf.

Coal and oil sands policy

Where we (via Asset Management) invest on behalf of others³

Legal & General – Asset Management Limited and its subsidiaries will exclude from investments those companies that are involved in the mining and extraction of thermal coal as set out below. For more detail about which investments this applies to, please see the coal policy³.

Coal mining

Screening will be carried out and exclusions will be applied to those companies that generate **20% or more** of their revenues from coal mining and extraction.

Coal power generation

Screening will be carried out and exclusions will be applied to those companies that generate 20% or more of revenues from coal-fired power generation. We retain the ability to invest where a company has set out a clear 'Paris'-aligned plan to phase out coal by 2030 in OECD countries and by 2040 in non-OECD countries. We retain the ability to fund specific issuing entities, where a company has non-coal subsidiaries.

Oil sands

Screening will be carried out and exclusions will be applied to those companies that derive **more than 20%** of revenues from oil sands (sand and rock material that contains crude bitumen).

Where we have direct investment control

No new investments in issuers with more than 5% revenue exposure without a 2030 or earlier thermal coal phase-out plan^{4,5}.

Intention to phase out legacy investments in issuers with **more than 5%** revenue exposure by 2030⁴.

No new investments in power generation companies with over 10GW absolute coal capacity⁵.

No investments in new coal mining or coal plants and no further investment in companies that are investing in new coal capacity⁵.

No new investments in issuers with more than 5% revenue exposure^{4,5}.

- [1. \[uneepfi.org/wordpress/wp-content/uploads/2023/03/NZAOA-Position-on-the-Oil-and-Gas-Sector.pdf\]\(https://www.uneepfi.org/wordpress/wp-content/uploads/2023/03/NZAOA-Position-on-the-Oil-and-Gas-Sector.pdf\)](https://www.uneepfi.org/wordpress/wp-content/uploads/2023/03/NZAOA-Position-on-the-Oil-and-Gas-Sector.pdf)
- [2. \[cms.lgim.com/globalassets/lgim/_document-library/esg/lgims-deforestation-policy--0823-update_v0.pdf\]\(https://www.cms.lgim.com/globalassets/lgim/_document-library/esg/lgims-deforestation-policy--0823-update_v0.pdf\)](https://www.cms.lgim.com/globalassets/lgim/_document-library/esg/lgims-deforestation-policy--0823-update_v0.pdf)
- [3. \[cms.lgim.com/globalassets/lgim/_document-library/capabilities/lgimh-coal-policy.pdf\]\(https://www.cms.lgim.com/globalassets/lgim/_document-library/capabilities/lgimh-coal-policy.pdf\)](https://www.cms.lgim.com/globalassets/lgim/_document-library/capabilities/lgimh-coal-policy.pdf)
- Aligned with initial Science Based Target Initiative (SBTi) requirements on which L&G's existing SBTs are based. 5% is a materiality threshold that acknowledges the fact that data quality issues can lead to higher than 0% exposure disclosed by data providers and also that a minimal fossil fuel powered exposure can be required for base load or balancing generation from renewables.
- This is tracked via relevant third-party data with differing reliability – an area which remains challenging for asset owners.

Risk management approach continued

Climate Impact Pledge (CIP)

Through Asset Management's dedicated engagement programme, the CIP, we continue to be committed to helping companies step up on their climate and nature-related commitments, build resilient strategies for the transition and succeed in the low-carbon world. Launched in 2016 in response to the Paris Agreement, the CIP covers 20 'climate critical' sectors, identifying voting and potential divestment sanctions (for applicable funds).

Given the important connections between climate change and nature, the CIP also incorporates expectations around biodiversity and, for relevant sectors, deforestation. We discuss how this forms a part of our strategy on page 17, and we disclose our metrics on page 39.

Our targeted approach, using voting and investment sanctions to encourage companies to step up on sustainability, has contributed to companies making improvements to their climate targets and strategies. This has significant risk management benefits.

Global research and engagement groups (GREGs)

During 2024, work continued within the GREGs, which bring together experts from our Investments and Stewardship teams, to research and identify the challenges and opportunities across sectors and asset classes, for key sustainability issues, including climate change. Please see page 16 for more detail.

TCFD recommendation

Describe the organisation's processes for managing climate-related risks.

Monitoring

Monitoring and updating our measurements and management actions over time is critical. This helps to ensure the risk management framework captures adequately the extended time horizons associated with climate risks.

Our understanding of the risks from climate change and the actions that are needed to mitigate them are based on science. This continues to evolve. The actions that the world is taking will to some extent inform the actions that we can take. Through our own work, we continue to progress our understanding and quantification of climate risk, and appreciate that our understanding of the risks arising from nature loss are less mature.

We expect ISSB to increase convergence in the financial sector over time and have mobilised a project to understand the impacts of these new Sustainability Standards on us as a Group. The output from this project will help us understand the effects on calculation methodology, timeframe and scenario definition. While we monitor and disclose our metrics, the underlying methodologies evolve, reflecting the availability and quality of data, regulatory expectations and emerging industry practices.

Our business entity-level risk management

Group-level climate risk management is cascaded down to all our businesses via the divisional committee structures. Where appropriate, the senior leaders from the divisions are members of the GEC, ensuring adequate oversight at this level. Asset Management, as the investment management division, is the most material division from a governance and risk management perspective. Our Institutional Retirement and Retail businesses engage with Asset Management as their primary asset manager, to obtain climate data and to conduct scenario analysis.

This information is an integral part of their risk management process and an area our individual businesses expect to continue to develop their understanding of over time. Specific further entity-level disclosures are on page 62.

Case study

Physical risk

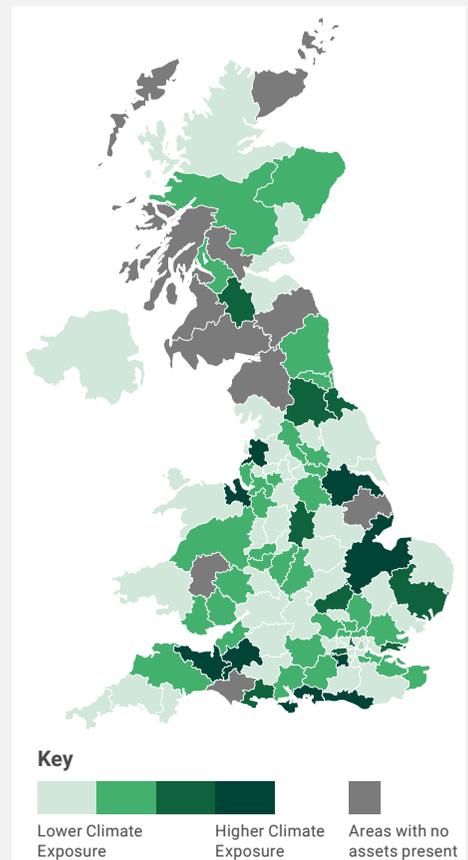
In our Private Markets business, we are continuously reviewing and evolving our approach to assessing climate risk to ensure we are aligned with industry best practice. In 2024, working with climate risk specialists Marsh and XDI, we focused on enhancing our incorporation of climate risk considerations as a part of our due diligence approach and ongoing management of our real estate equity assets.

Flood risk has always been embedded within our investment strategy and is a key component of our standard due diligence process of all property acquisitions. In 2024, we have worked towards enhancing the investment due diligence process for real estate equity to further incorporate forward-looking climate risk modelling across a range of hazards, and to better support the integration of future climate perils into investment decisions.

To further support our approach to improving climate resilience across new and existing assets, we have also developed a new climate adaptation toolkit. Following a granular asset level physical climate risk assessment process, the toolkit provides guidance to support the review and prioritisation of risk mitigation measures for any assets identified to be exposed to physical risks, utilising a suite of adaptation considerations. This new process will be rolled out across the platform in 2025.

More information is available in our Real Estate Equity Climate Report¹.

Average climate risk across our real estate equity portfolio in 2050 under a high emissions scenario^{2,3}



Source: Climate modelling provider, XDI, and Private Markets Real Assets assessment of assets as at 31 December 2023 for a high emissions scenario, in line with the IPCC Representative Concentration Pathway (RCP) 8.5 'business as usual' scenario. Note assets in the Channel Islands not shown. Assumptions, opinions and estimates are provided for illustrative purposes only. There is no guarantee that any forecasts made will come to pass.

1. cms.lgim.com/globalassets/igim/private-markets/real-estate-equity/igim-real-estate-equity-climate-report--2023.pdf
2. Statistics have been calculated based on the mean damage ratio (expected damage loss as a proportion of an asset reinstatement value) from all climate hazards across all assets in the real estate equity portfolio falling into each UK postcode.
3. Eight climate hazards are assessed: river flood; surface water flood; coastal inundation; extreme wind; wild fire; freeze thaw; soil movement; extreme heat.

Engagement and remuneration

Engagement

We use our influence as an asset manager to support the transition to a low-carbon economy and nature-positive world. We do this through active engagement. Our activity metrics demonstrate impact when viewed as part of our wider strategy.

1.

Transparency

We publish our assessment of companies against our expectations:

- LGIM ESG Score rates c.17,000 companies
- Our CIP rates c.5,000 companies.

We publish our policies, our latest views and our expectations of companies on our website and blog.

2.

Engagement

Company engagement:

- we undertook over 3,600 engagements with companies on environmental topics in 2024
- under our CIP, we conducted in-depth engagement with 105 companies across 20 'climate-critical' sectors.

In 2024, we conducted our largest ever outreach campaign, writing to the board chairs of over 2,800 companies assessed under our CIP quantitative assessment tool.

4.

Measuring progress

Climate Impact Pledge:

- of the 105 'dial mover' companies for direct engagement under our CIP campaign, we identified 37 as subject to voting sanctions in 2024, down from 43 in 2023.

We co-filed six shareholder resolutions in 2024, one of which was related to climate change.

3.

Escalation

Under our CIP, 492 companies out of the CIP universe were identified as being subject to voting sanctions for not meeting our minimum standards during 2024. We introduced new expectations for companies in the Oil and gas, Mining and Utilities sectors, relating to methane emissions disclosures, thermal coal mining capacity expansion and thermal coal power generation capacity expansion, respectively.

Remuneration

Beginning in 2021, we set climate-related targets in our executive directors' remuneration.

Annual variable pay (AVP)

Purpose

AVP incentivises and rewards the achievement of annual financial performance and delivery of strategic priorities. 50% of AVP is received in cash and 50% of the AVP award is deferred into restricted shares for a further three years, reinforcing retention and alignment with shareholders.

Climate considerations

30% of AVP is based upon the achievement of strategic objectives, which includes ESG. For 2024, environmental performance measures are aligned to our key commitments in our 2024 Climate and nature report.

This includes progress on portfolio carbon-emissions intensity reduction and delivery of our operational emissions SBT in line with annual and interim milestones.

Performance share plan (PSP)

Purpose

The PSP provides a direct and transparent link between executive pay and the delivery of shareholder returns over the longer term. The PSP is a conditional award of shares, subject to a performance period of no less than three years and a holding period such that no awards are released before five years from the grant.

Climate considerations

As reported last year, the 2024 PSP award now has a 20% weighting directly linked to how the business has performed against its climate commitments. This includes our operational emissions SBT, investment portfolio temperature rating and portfolio GHG emission intensity reduction with a weighting of 10%, 5% and 5% respectively.

The Remuneration Committee can also make a downwards adjustment if they are not satisfied that positive and sufficient progress has been made against the target of 70% of eligible AUM being managed in alignment with net zero by 2030. These performance conditions and weightings will also be applied to the 2025 PSP awards. Further details of the performance conditions and targets can be found in the Directors' report on remuneration in the Annual report and accounts.

 Discover more

Annual report and accounts

Scenarios

Where we are

Climate scenario analysis is a tool for helping us understand the implications of possible climate pathways in the transition to net zero. We use scenarios to explore the role our organisation can play, alongside policy and corporate action.

Our in-house framework focuses on energy and land system transition, and macroeconomic physical risks, and is applied across L&G's traded assets and Asset Management products.

Challenges we are facing

Scenarios do not provide projections of the future. They are inherently uncertain: our model is based on over 100 unique data sources and over 2 million variables and assumptions.

Physical climate risk is an area of particular uncertainty. Impacts may be highly localised, and become more severe as more time passes. Estimates on the magnitude of these risks for financial assets, across corporate operations, diverge significantly.

What the future looks like

We will continue to evolve our framework in line with industry developments, aiming to expand our scenarios to include our non-traded asset portfolio. There remain limitations, due to the amount of variables and how far scenarios project into the future (such as impact of climate tipping points and management actions), but these are reflected in how we use the outputs from this work. As global actions continue to lag behind what is required to meet 1.5°C targets, the most economically disruptive scenario to our business (Delayed Below 2°C) becomes more relevant – incentivising us to act on climate change.

Our modelling framework

Our modelling framework

We develop our own bottom-up scenarios of how energy and land systems may evolve by 2050. The 'Paris' objective set out its goal to limit global warming by 2100 to well-below 2°C, ideally 1.5°C above pre-industrial temperatures. In trying to model plausible pathways to these outcomes, we must try to capture change across energy and land systems and make difficult trade-offs between minimising the impacts from short-term policy changes and the long-term physical risks from climate change.

Our LGIM Destination@Risk toolkit translates these scenarios into company-, sector- and portfolio-level implications. We use two main metrics: one is climate risk, which describes the potential risk from various climate scenarios to asset valuations, and the other is temperature alignment, which assesses whether companies are contributing to the changes required to reach global climate commitments, or whether they are putting them at risk.

The outputs of the LGIM Destination@Risk framework enable us to develop our broader strategy, including how we invest, influence and operate.

When engaging with our scenario outputs, it is important to remember that these are scenarios, not projections of the future. There is a large degree of uncertainty associated with the energy transition and the associated global temperature increase. Building our scenarios requires us to make a large number of assumptions, any of which could prove incorrect with the potential of materially invalidating all, or key parts, of our scenarios.

Opposite, we briefly outline the differences between our four climate scenarios on several key dimensions. For more detailed information on our climate scenarios, including sector case studies, please see our whitepaper¹.

Our climate scenarios

Inaction

Approximate global warming by 2100 3 – 4°C

Global failure to act on climate change means emissions continue to grow at historical rates.

Below 2°C

Approximate global warming by 2100 <2°C

Immediate, ambitious policy and investment action to address climate change limits global warming to below 2°C, but warming most likely exceeds 1.5°C.

Net Zero 1.5°C

Approximate global warming by 2100 1.5°C

Immediate, highly ambitious action to address climate change leads to a reduction in emissions to net zero around 2050.

Delayed Below 2°C

Approximate global warming by 2100 <2°C

Policy and investment action to limit warming to well-below 2°C is delayed to 2030, resulting in much more disruptive change. Warming most likely exceeds 1.5°C.

LGIM Destination@Risk framework

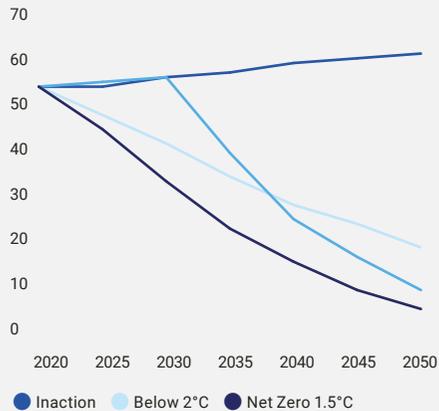
Risk type	Transition	Physical
Objective is to understand:	How might energy and land systems transition to achieve global climate targets?	How would physical climate change affect macroeconomic output?
To do this we assess:	The least costly solution to limiting future emissions to the levels required to limit global warming to below 2°C, preferably 1.5°C.	The impact of temperature on economic productivity.
Based on:	Our bespoke energy system model, relying on: <ul style="list-style-type: none"> >100 unique public and proprietary data sources >2 million variables and assumptions including detailed energy technology costs an open-source land use model². 	Academic studies on the impact of climate change on economic productivity and output.
This produces outputs including:	<ul style="list-style-type: none"> carbon prices GHG emissions afforestation sector-level decarbonisation requirements energy prices bioenergy and food prices changes in GDP. 	<ul style="list-style-type: none"> changes in GDP.
We first translate these to:	Country- and sector-level impacts, which we can translate into changes in listed companies: <ul style="list-style-type: none"> net income balance sheet cash flow temperature alignment. 	
Finally, we are able to evaluate:	Financial impacts on the value of individual: <ul style="list-style-type: none"> sovereign bonds corporate bonds listed equities. <p>We are also able to evaluate at the whole portfolio-level.</p>	

1. lgim.com/uk/en/insights/esg-and-long-term-themes/net-zero-2050-more-affordable-than-ever-if-we-act-now/

2. MAgPIE – An Open Source land-use modeling framework (Version 4.4.0): github.com/magpiemodel/magpie

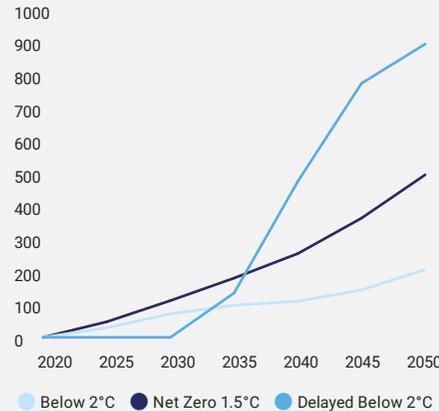
Climate pathways

Chart 3¹: Global GHG emissions
(gigatonnes of CO₂e/year)



Source: LGIM Destination@Risk

Chart 4¹: Global carbon price
2020 \$/tCO₂e



Source: LGIM Destination@Risk

Emissions and carbon prices

As shown in Chart 3, global GHG emissions in the Inaction scenario continue to grow, ending around 10% higher than 2020 by 2050, but must gradually fall to around 19 gigatonnes (Gt) and 6Gt in the Below 2°C and Net Zero 1.5°C scenarios, respectively. As decarbonisation in the Delayed Below 2°C scenario only begins in 2030, it must decarbonise faster and further than the Below 2°C scenario, around 10Gt CO₂e by 2050.

To achieve these emissions reductions, global carbon prices (per tCO₂e, see Chart 4) in the Below 2°C and Net Zero 1.5°C scenarios would need to reach around \$70 and \$110 by 2030 and around \$200 and \$500 by 2050, respectively². Delayed Below 2°C carbon prices do not rise until after 2030 and, as a result, must reach a much higher level by 2050 to achieve the emissions reductions required to stay on track for less than 2°C of warming by 2100.

The Delayed Below 2°C scenario remains the most economically disruptive of our climate scenarios. Due to the delay in policy action, emissions reductions need to be quicker and less cost efficient than in our immediate action scenarios. As a result, the Delayed Below 2°C pathway is over four times more costly to economic output than the Below 2°C scenario and almost twice as expensive as the Net Zero 1.5°C scenario.

Implications for the global energy mix

Fossil fuel demand continues to grow in our Inaction scenario, with both coal and natural gas demand each growing by around 30% over the period to 2050. Oil, on the other hand, stays roughly constant, as electric vehicles grow their market share in the transport sector even without carbon pricing. By contrast, total fossil fuel demand falls by around a third in the two Below 2°C scenarios and more than half in the Net Zero 1.5°C scenario by 2050. For both immediate action scenarios, fossil fuel demand would need to peak by end-2025.

1. 2020 data is estimated not actual.

2. The model sets a carbon price in each period to limit emissions to within the global carbon budget, assuming the technology options available at that time. This means the carbon price is best thought of as the cost of the last, most expensive tonne of carbon globally abated in each period. Carbon prices are quoted in constant 2020 \$.

3. [irena.org/Publications/2023/Mar/Renewable-capacity-statistics-2023](https://www.irena.org/Publications/2023/Mar/Renewable-capacity-statistics-2023)

Deployment of renewables must accelerate considerably in our Below 2°C and Net Zero 1.5°C scenarios. Even in the Inaction scenario, where annual additions continue at similar levels to 2020, combined solar and wind capacity increases by nearly six times by 2050. By comparison, the Net Zero 1.5°C scenario would require average solar capacity additions of 450GW every year to 2050 – more than double the record 192GW added in 2022³.

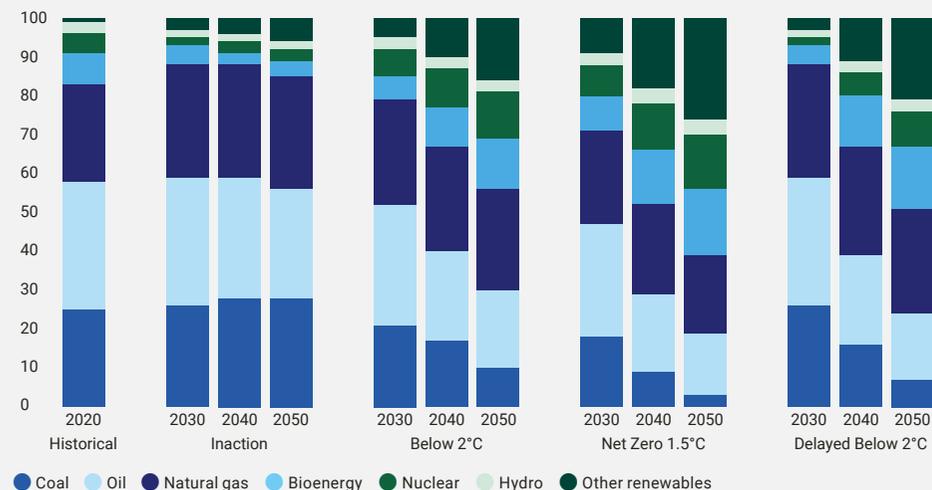
Hydrogen fulfils more than 10% of final energy demand by 2050 in the net zero 1.5°C and the Delayed Below 2°C scenarios and 6% in the Below 2°C scenario. It is produced from a mix of bioenergy with carbon capture and storage (BECCS), natural gas with carbon capture and storage (CCS) and electricity, and is primarily used to decarbonise heavy road transport and shipping.

CCS is deployed in our decarbonisation scenarios from 2030. By 2050, total carbon captured and stored per year reaches around 5Gt CO₂ in the Below 2°C scenario, 7.5Gt in the Net Zero 1.5°C scenario and nearly 9Gt in the Delayed Below 2°C scenario, around 1Gt of which is from direct air capture.

Chart 5 shows the implications of these trends for the global primary energy mix:

- the energy mix is stable in the **Inaction** scenario
- in the **Below 2°C** scenario, the energy system gradually moves away from coal and oil, while bioenergy, nuclear and renewables demand grows to represent more than 40% of total primary energy in 2050
- our **Net Zero 1.5°C** scenario sees the energy system immediately and rapidly tilt towards bioenergy, nuclear and renewables, which provide 60% of total primary energy by 2050
- the **Delayed Below 2°C** scenario follows the Inaction scenario until 2030. Demand for coal and oil then falls rapidly to 2050, by over two thirds and half, respectively, while demand for renewables and bioenergy grows sharply.

Chart 5¹: Share of global primary energy demand (%)



Source: LGIM Destination@Risk

Climate pathways continued

Land cover change

Chart 6 shows the global land cover change relative to 2020. Negative numbers indicate that the global area dedicated to the land use has declined since 2020; positive numbers indicate net growth in the type of land use.

- Carbon pricing creates incentives for significant afforestation, resulting in net forest cover growth in all decarbonisation scenarios by 2040 – compared to continued reduction in global forest cover in the Inaction scenario. Much of the net forest growth takes place on pastures and rangelands.
- Cropland growth is driven by growth in food and bioenergy demand. We assume dietary composition is unchanged across scenarios, meaning that food demand is the same across the four scenarios, even though carbon pricing makes the most emission-intensive food products, such as beef, more expensive.
- Cropland growth is smaller in the decarbonisation scenarios relative to Inaction, as carbon pricing incentivises investments in yield-increasing technologies, due to increased competition between cropland and forestry over limited land resource. This results in higher agricultural productivity in our decarbonisation scenarios compared to the Inaction scenario.
- Competition for land between afforestation, crops and pasture also increases food prices in our decarbonisation scenarios. Overall, real food expenditure would rise by 1.5% per year on average globally to 2050 in the Net Zero 1.5°C scenario relative to the Inaction scenario. In the more disruptive Delayed Below 2°C scenario, food expenditure would rise around 5.6% on average per year globally in the decade after policy action starts in 2030, relative to Inaction, and stabilise thereafter.

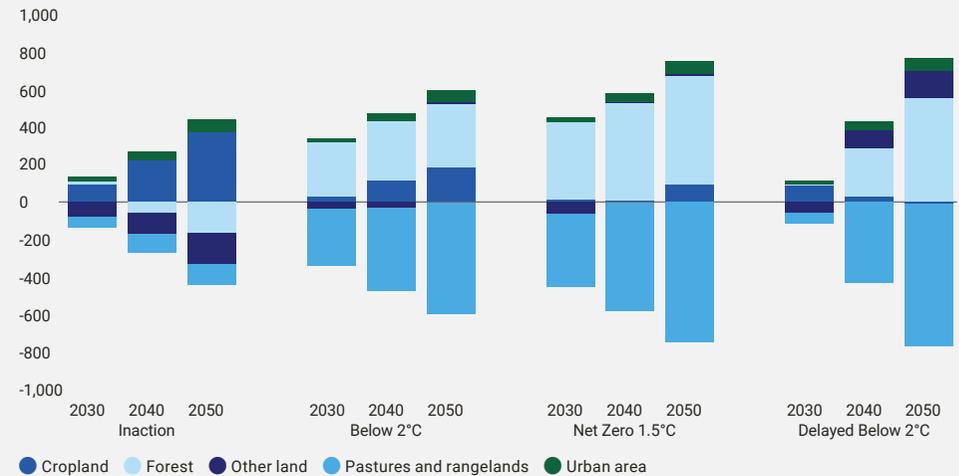
Biodiversity

Since expanding our modelling to include the land use system, we have begun examining the impact of our climate scenarios on some nature-related variables, including biodiversity. The Biodiversity Intactness Index (BII) provides a summary measure of the impact of human activity on the presence and abundance of species on earth. It estimates the original percentage of birds, mammals, plants, fungi, and insects that remain and their abundance in any given area, despite human impacts¹.

The global BII is currently around 80%. A BII of 90% or more indicates sufficient biodiversity for an ecosystem to be resilient and functioning. Below this, function and reliability of the ecosystem may be negatively impacted. If the BII falls below 30%, the ecosystem faces risk of collapse. The global average hides a significant degree of regional variation, with some areas at much higher risk than others. The UK, for example, only retains around half of its natural biodiversity, placing it in the bottom 10% of countries globally².

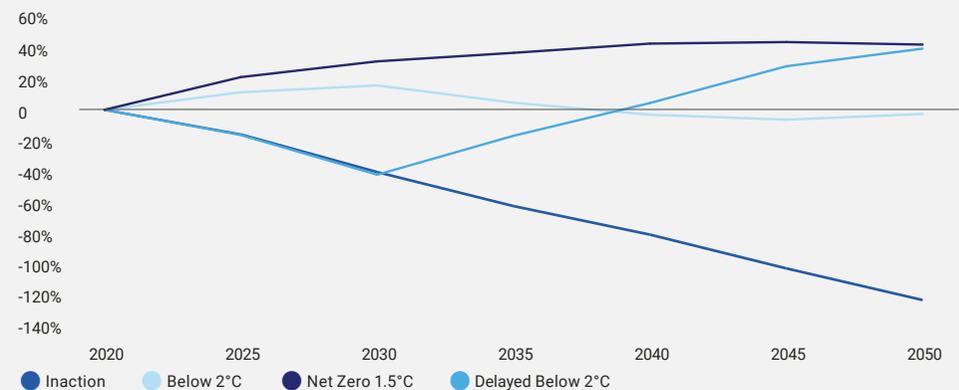
We find that global biodiversity would continue to decline in our Inaction scenario, due to cropland expansion and deforestation, at a similar rate as the last 20 years. By contrast, our decarbonisation scenarios at minimum prevent further biodiversity loss from 2020. In our Net Zero and Delayed scenarios, around 40% of the loss incurred from 2000 to 2020 is reversed through positive policy action. We aimed to balance climate objectives of land use change with biodiversity considerations in our scenarios, but policies could go further in reversing historic biodiversity loss.

Chart 6³: Land cover change relative to 2020 (million ha)



Source: LGIM Destination@Risk

Chart 7³: Reversal of changes in the Biodiversity Intactness Index from the period 2000 – 2020



Source: LGIM Destination@Risk

Biodiversity impact through time: The graph shows that, for example, in the Delayed Below 2°C scenario, global biodiversity continues to worsen until 2030, then starts to recover, returning to 2020 levels by 2040 before starting to reverse the 2000 – 2020 losses.

1. nhm.ac.uk/our-science/data/biodiversity-indicators/about-the-biodiversity-intactness-index.html

2. nhm.ac.uk/discover/news/2020/september/uk-has-led-the-world-in-destroying-the-natural-environment.html

3. 2020 data is estimated not actual.

Group portfolio scenario impacts

The LGIM Destination@Risk toolkit allows us to evaluate climate risk and alignment at a company-, sector- and portfolio-level, by:

1. converting scenarios into company- and sector-level impacts, providing financial impacts on various metrics including net income, balance sheet and cash flows – this covers both transition and physical impacts of the scenario
2. using asset valuation models to convert these company financial impacts into corporate security impacts (i.e. equity and bond valuations and bond ratings)
3. using our sovereign bond valuation model to convert corresponding country-level scenarios into sovereign bond valuations.

Scenario results are produced for the three pathways which are based on transition risks (Below 2°C, Net Zero 1.5°C and Delayed Below 2°C).

We do not apply the Inaction scenario to our portfolio. We expect most of the associated impact to be driven by physical risks. In this regard, we note the recent (Phase 5) update¹ from the Network for Greening the Financial system (NGFS) on chronic

macroeconomic risks, where the latest scientific evidence leads to significantly increased global GDP risk. We plan to assess this update over the next year.

Also as called out earlier, when engaging with our scenario outputs, it is important to remember that these are scenarios, not projections of the future. Such scenarios can, however, provide insight into what management actions can be called upon through time.

Bond downgrade analysis

Given the importance of bonds within our portfolio, we first consider the impacts of climate risks on the credit quality and sector breakdown of our portfolio. We are primarily a long-dated 'buy-and-hold' bond investor, managing our portfolio to match our short- and long-term payments to retirement customers. Our balance sheet and cash flow matching is therefore more impacted by bond downgrades and defaults than movements in bond value.

The credit rating exposure of our bond portfolio is shown in Chart 8, showing that 99% of the portfolio is investment grade (rated BBB and above). Of this, BBB-rated bonds, which carry the greatest credit

transition risk, comprise 30% of the portfolio and of those, the ones from the high-carbon sectors (defined as energy, utilities, materials and industrials) only comprise 8% of the bond portfolio. We would expect our holdings in high-carbon BBB-rated bonds to reduce over time as we decrease the carbon intensity of the portfolio and lower the chance of experiencing transition-driven downgrades. While our holdings are in bespoke bond portfolios, giving us more freedom in sector selection, we have exposure to most sectors in the investment universe to maintain a well-diversified portfolio, with the modelled breakdown given in Chart 9. For this analysis, we have directly modelled c.£32 billion (37%) of the Group's £87.2 billion of proprietary bond assets, on a line-by-line basis.

The cumulative amount downgraded to sub-investment grade, which would have negative implications for our balance sheet, is shown in Chart 10. The graphs show cumulative downgrades to sub-investment grade by 2050 of 2%, 7% and 9% respectively, across the three scenarios, in line with 2023 impacts. Starting from a static balance sheet, our model implements basic portfolio rebalancing actions for holdings that are sub-investment grade at or after maturity, to reduce the instances where

holdings are reinvested into sub-investment grade positions. Migration rates are lower than when modelled with no rebalancing assumptions. Left unmanaged, cumulative downgrades increase to 5%, 14% and 18%, respectively.

Chart 10 also shows the high-level sector breakdown of the modelled downgrades, with a large proportion arising from high-carbon sectors, as expected. The Delayed Below 2°C scenario also creates notable GDP impacts, with greater impacts across all sectors. These results show the broad sector impacts, but each sector can encompass a large range with winners and losers over different time periods. This includes, for example, some utility companies that do not survive in the Below 2°C scenario while others experience near zero risk. We note that any impacts to 2050 are beyond the duration of most of our current portfolio. Future investments will be influenced by climate change trends, and we would therefore expect to change our allocation away from the names most materially impacted under each scenario.

1. ngfs.net/sites/default/files/media/2024/11/05/ngfs_scenarios_explanatory_note_on_damage_functions.pdf

Chart 8: Portfolio ratings by valuation (%)

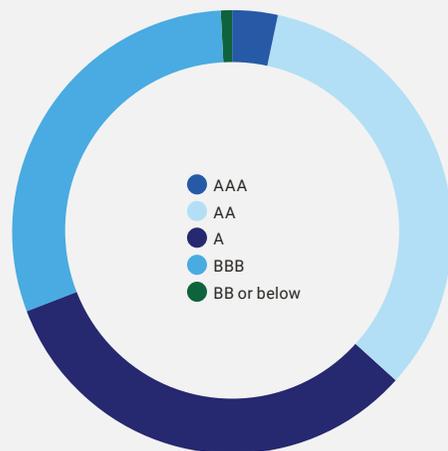


Chart 9: Industry sector by valuation (%)

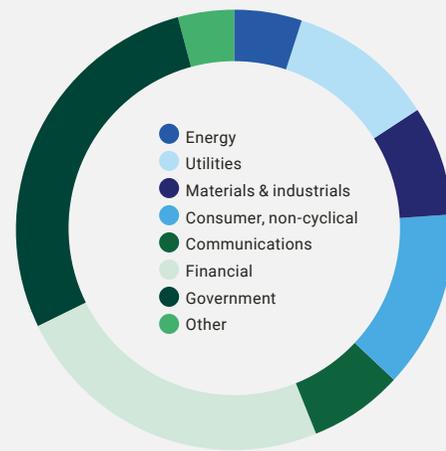
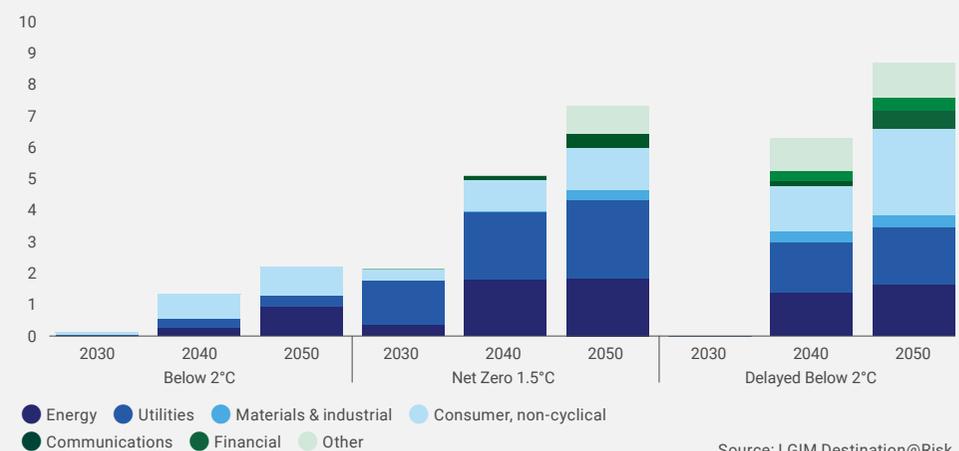


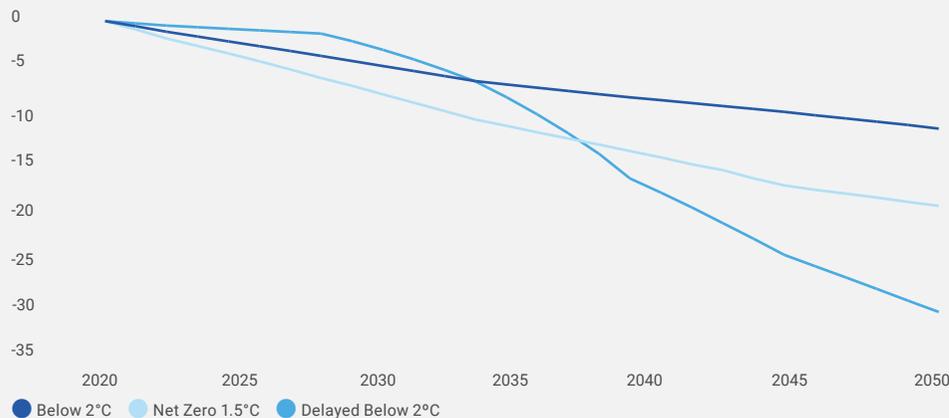
Chart 10: Cumulative downgrades to sub-investment grade (%)



Source: LGIM Destination@Risk

Group portfolio scenario impacts continued

Chart 11: Group equity portfolio impacts through time (%)



Source: LGIM Destination@Risk

Table 9: Group portfolio undiscounted 2050 portfolio value impacts

By risk

	Below 2°C	Net Zero 1.5°C	Delayed Below 2°C
Physical risk	(0.4%)	(0.2%)	(0.4%)
Transition risk	(0.9%)	(2.2%)	(3.4%)
Total	(1.3%)	(2.4%)	(3.8%)

Table 10: Group portfolio undiscounted 2050 portfolio value impacts

By asset class

	Below 2°C	Net Zero 1.5°C	Delayed Below 2°C
Bonds	(1.1%)	(2.1%)	(3.3%)
Equities	(11.3%)	(19.4%)	(30.5%)
Total	(1.3%)	(2.4%)	(3.8%)

Equity portfolio analysis

In addition to the bond portfolio analysis, we also model the c.£0.6 billion of our £1.3 billion proprietary traded equity portfolio on a line-by-line basis. As for bonds, the modelling coverage is limited by the availability of data (noting our data caveat), and the unmodelled portfolio is assumed to follow the modelled portfolio in the absence of other information. Our analysis shows 2050 impacts (assuming a static, unmanaged portfolio) of -11.3%, -19.4% and -30.5%, in the Below 2°C, Net Zero 1.5°C and Delayed Below 2°C pathways respectively, as shown in Chart 11, also in line with 2023 impacts. For this analysis we assume that the equity mix does not change through time.

The impact by risk type demonstrates that most of the risk impact is through transition risk, over the modelled period, as expected, across the three scenarios, with physical risks muted over this modelled time period. Our modelling of equity values is driven by company performance in each pathway and not by investor risk expectations. Our analysis shows that climate risk is not fully reflected in asset pricing, and we expect some impact on prices as the risk is realised over time.

A reduction in value can be expected on the most at-risk stocks and sectors (indicated by high-carbon intensity or a high-risk location). However, we would expect to avoid such impacts through our ongoing active portfolio management.

Combined portfolio valuation impacts

To complete the analysis, we combine the valuation impacts across our bond and equity portfolios, while also breaking down the impacts between physical and transitional risk drivers, with the resultant impacts shown in Tables 9 and 10. As expected, the transitional risk impacts dominate the total impact, while the total valuation impact is heavily weighted by the larger bond portfolio.

Active trading

We have modelled the impacts on our portfolio assuming no active trading beyond expected rebalancing, at or after, maturity. In reality, we would take pre-emptive management actions to avoid downgrades through our ongoing active credit risk management.

Data caveat

Outputs of our LGIM Destination@Risk model, which translates our scenarios into asset value risks, must be considered in the context of key modelling choices. The focus of the model is on risks to asset valuations and credit ratings given current exposure. This means the model holds both our portfolio's composition (apart from expected rebalancing at or after maturity) and company behaviour constant for the entire period to 2050, without incorporating projections of future growth or decarbonisation targets. It also means we do not assess opportunities associated with a low-carbon transition.

When it comes to emissions data, which is used for both implied temperature alignment and risk calculations, we rely on third-party data. There are still large segments of the listed company universe where we are forced to rely on estimated rather than actual emissions data, or where there is no data at all. Our modelling approach currently does not cover private companies for the same reason – there is not enough data available. We will continue to encourage companies to measure and report their emissions through our engagement activities.

Group portfolio scenario impacts continued

Nature exposures

Our Asset Management division has issued its Nature Framework, as we appreciate that nature-related risks could have significant macroeconomic implications and be a source of risk to financial stability¹.

Alongside these engagements, we are building our understanding of the Group proprietary assets' exposure to nature-related risks. We started by focusing on risks that cross the climate and nature risk nexus (such as risks from deforestation), while also referring to TNFD guidance for financial institutions.

Nature-related dependencies and impacts

The TNFD Financial sector guidance calls for two particular metrics as follows²:

- (FI.C0.0) – Exposure to sectors: The Taskforce recommends that financial institutions disclose a metric that represents the exposure to a defined set of sectors considered to have material nature-related dependencies and impacts
- (FI.C0.1) – Exposure to sensitive locations: The Taskforce recommends that financial institutions disclose a metric that represents their exposure to companies with assets and/or activities in sensitive locations.

Deforestation

Investment deforestation risk exposure generally arises from deforestation activity within complex investee supply chains making related data collection and measurement activities challenging.

That said, building on our Deforestation Policy within our Asset Management division, we can assess companies based on sector, commodity, geography, and controversies or incidents related to deforestation and human rights in operations and supply chains³. We categorise companies according to their degree of potential exposure to commodity-driven deforestation and its associated risks. We use data from a range of third-party providers and our analysis is informed by Global Canopy's guide, Deforestation Free Finance⁴.

2024 developments

Over 2024, we continued to build our nature investment data capability, focusing on the metrics identified above. As in our 2023 report, the charts on the right highlight our exposure to issuers identified in datasets with potential deforestation risks and sectors with material nature-related dependencies and impacts.

In relation to FI.C0.1, low data coverage within industry datasets creates difficulties in reaching portfolio conclusions. However, we have observed where data coverage exists, that exposure to sensitive locations is not concentrated within certain sectors and could be a systemic challenge across all sectors, with many sizeable companies in differing locations flagging up operations in sensitive locations.

As such we will continue to engage on these topics, through our Nature Framework, while also further embedding these topics into internal risk assessment considerations.

Deforestation assessment

Chart 12 shows that c.14% of our holdings, as at end 2024, are with over 700 companies who have been identified on data sources related to tracking potential deforestation risk exposures.

Data sources include Forest 500, CDP Forest, Sustainalytics and SPOTT.

We internally score the issuers identified above, based on differing levels of deforestation management and expect our exposure to actual deforestation risks to be less than 14%, noting that 13% exposure sources from less than 150 companies.

We also monitor external developments in data capabilities in this space, helping us to continue to improve our understanding of the underlying risks. It is an area of focus for us, and our existing mitigations are covered as below:

- internal risk assessment (explained above)
- Asset Management's Deforestation Policy and engagement (see pages 37 and 17)
- exclusions (see page 36)
- membership of the NZAOA Deforestation working group.

Nature-related dependencies and impacts

Looking wider than deforestation, Chart 13 shows that 40 – 50% of our holdings are currently exposed to a set of sectors considered to have material nature-related dependencies and impacts, as described in the TNFD financial sector guidance. A range is provided, noting the data gaps and resultant uncertainties in mapping our exposures to the defined sectors.

Chart 12: Exposure to issuers identified in datasets with potential deforestation risks



Chart 13: Portfolio exposure to sectors with material nature-related dependencies and impacts



1. cms.lgim.com/globalassets/lgim/lgim-nature-policy-document-final_v2.0-1.pdf

2. tnfd.global/publication/additional-disclosure-guidance-for-financial-institutions/#:~:text=This%20document%20provides%20additional%20guidance%20for%20financial%20institutions,Recommendations.%20Version%202.0%20was%20published%20in%20June%202024.

3. cms.lgim.com/globalassets/lgim/_document-library/esg/lgims-deforestation-policy---0823-update_v0.pdf

4. guidance.globalcanopy.org

Group portfolio scenario impacts continued

Scenario risk analysis – strategic resilience

We have identified four broad mitigations to our transition risk exposure.

1. Our exposure is largely through financial assets, many of which are listed, so we have significant flexibility to adapt by trading to the desired carbon position. This is the expected outcome should active engagement fail. This gives us more flexibility than businesses which have to fundamentally change their business models.
2. We hold mainly investment grade bonds, which are matched against liabilities such that we are not materially exposed to price risk compared to investors who regularly trade their bond portfolios or those holding greater exposures to equities.
3. We will continue to carefully manage our balance sheet and actively manage our credit portfolio. We continually analyse our credit exposures and where appropriate, seek out opportunities to improve credit quality at attractive pricing levels. We have incorporated climate considerations within our credit and market risk management and expect these to develop over time. We manage our transition risk from climate change through setting our portfolio decarbonisation targets. These pre-emptive management actions are expected to reduce the credit risk of the portfolio and are expected to reduce the impact of the credit stresses presented in these scenarios. Our decarbonisation strategy also covers our equity portfolio.
4. The balance sheet is well-diversified across different sectors of the economy. Our initial assessment of our implied portfolio temperature alignment indicates that we do not have an over-weight allocation to the highest carbon intensity names within the market sectors.

We took part in the Bank of England's Biennial Exploratory Scenario on climate change exercise through 2021 and 2022, testing the resilience of the current business models of the largest banks, insurers and the financial system to climate-related risks, and the results were made available online¹.

As a contributor to the Financial Resilience working group of the Climate Financial Risk Forum (CFRF), we continue to evolve our climate risk assessments in line with the associated industry guidance. In particular, we have considered a set of short-term scenarios within our internal Own Risk and Solvency Assessment (ORSA) risk appetite assessment while also assessing climate scenario risks within our internal capital model.

Away from our traded portfolio, climate scenarios have also been considered within our asset valuation uncertainty assessment governance, with impacts considered across our range of direct investment asset classes. However, as at 31 December 2024, no material impacts on the Group's financial position, nor on the valuation of assets or liabilities on the Group's Consolidated Balance Sheet as a result of climate change risk have been identified. Further detail on our direct investment risk assessments is covered in the Governance and risk management chapter. Embedding of climate scenario analysis, across both transitional and physical risks across all our assets and liabilities, into our standard risk assessment processes continues into 2025.

TCFD recommendation

Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including 2°C or lower scenario.

1. bankofengland.co.uk/stress-testing/2022/results-of-the-2021-climate-biennial-exploratory-scenario.



Additional information



Regulatory developments

L&G is committed to integrating the latest expectations for climate and nature-related financial disclosures. On 26 June 2023, the ISSB issued its inaugural Sustainability Standards (IFRS S1 and IFRS S2). These standards are subject to UK endorsement.

As a significant international investor, we both welcomed and continue to support the development of high-quality global standards for sustainability reporting. The availability of high quality and comparable data – gathered across jurisdictions and from both the private and public markets – is key for our business to be able to successfully manage its investments, identify and manage risks, and comply with its disclosure objectives.

We have mobilised a project to both understand the implications of the new standards and address implementation issues, the most significant of which is the availability and comparability of data. It is critical that all market participants reach consistent levels of preparedness to ensure that the standards deliver maximum benefits to users.

We also stay abreast of international developments, most notably in the European Union.

Further development of accounting and reporting standards could materially impact the disclosures, metrics and targets' data contained in this report. Our approach and market practice in relation to the disclosures made in this report will evolve over time.

Our impacts, risks and opportunities assessment

During 2023, we undertook a review of sustainability impacts, risks and opportunities which are relevant to the Group. The objective was to establish the most material topics for L&G and assess the fitness of our various strategies to respond to them.

In 2024, in light of our new corporate strategy, we reassessed the findings of the 2023 review to ensure their ongoing alignment. The process used the same taxonomy of issues identified in 2023. This included 201 sustainability topics, grouped into 59 themes and 11 mega-themes. We took 'sustainability topics' to mean themes which originate outside the Group, can be classified as 'ESG concerns', and which are interoperable across industries and sectors of the economy.

Assessment steps

Taxonomy definition

Assessment of topic relevance and materiality to the Group

Assessment of the fitness of our strategic approach

Governance reviews

In considering their relevance to the Group, we considered each topic's ability to affect cash flows; access to finance or cost of capital over the short, medium and long term; the extent to which a given topic is a systemic risk or presents reputational risks to the Group; and an evaluation of the Group's ability to impact its unfolding.

We conducted a top-down review of the long-list against the conclusions drawn in 2023 and the Group's sustainability-related strategies. This review concluded that our overall approach to the most material sustainability issues, risks and opportunities remained appropriate. Approval was given via the GEC.

Our review concluded that it is necessary for us to continue monitoring the evolution of sustainability themes, including those risks posed by geopolitical instability and by our maturing approach to nature, biodiversity and ecosystem loss.

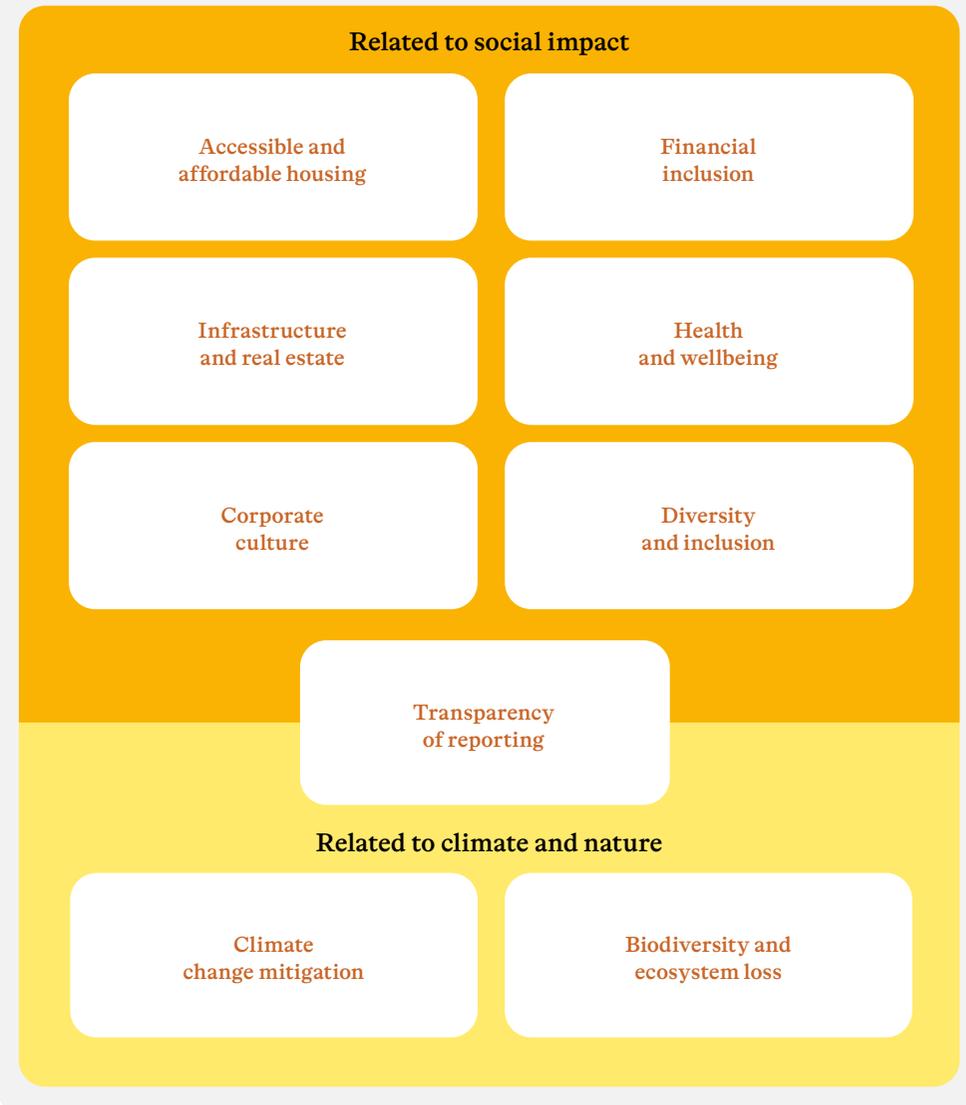


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Social impact report

Our results

The table below sets out in more detail what we consider to constitute each theme. See our Social impact report for more detail.



Commitments in detail

Our journey to net zero pages 12, 15 and 18 show some of the key milestones for us to deliver as part of our Climate transition plan to achieve net zero by 2050. It also demonstrates some of our achievements during the year.

These pages supplement our journey to net zero with our detailed commitments, as well as their interim milestones. These more granular pages focus on 'what' we plan to achieve, with the earlier narrative in this report setting out the 'how'.

Below, as a matter of full transparency, we have drawn out the commitments we disclosed last year that we said would be completed 2024, or other short-term commitments already achieved.

Our commitments achieved during 2024

Commitment	By	Update
We will reduce portfolio GHG emission intensity by 18.5% and increase financing of low carbon technology and infrastructure¹.	2025	We have successfully achieved our 2025 interim decarbonisation target for the GHG emissions intensity of our investments, achieving a 37% reduction.
We will divert 100% of waste from landfill by 2025 in all offices and directly delivered housing development projects where we are responsible for waste management.	2025	We have successfully achieved 100% of waste diverted from landfill.
We will reduce overall waste volumes per core occupied office by 20% from a 2019 base year.	2025	We have exceeded this target by reducing office waste by 41% from our base year, noting that this was pre-pandemic, when office occupancy levels were higher.



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Climate transition plan

Invest

Commitment	By	Milestone (where relevant)	By	On track off on
We are targeting a net zero asset portfolio by 2050, in line with a 1.5°C 'Paris' objective, and continue to evolve our interim targets against this objective.	2050	We will reduce portfolio GHG emission intensity by 50% and increase financing of low-carbon technology and infrastructure ¹ .	2030	<input checked="" type="checkbox"/>
We have set SBTs in accordance with the SBTi.	2030	Focus area: Align the (SBTi-defined) portfolio temperature score for our listed equity, corporate bonds and corporate loans portfolio, within our shareholder investments as follows ² : <ul style="list-style-type: none"> from 2.4°C at end 2021 to 2.1°C by end 2026, covering portfolio company scopes 1 and 2 from 2.9°C at end 2021 to 2.5°C by end 2026, covering portfolio company scopes 1, 2 and 3. Further asset class and sector-specific targets (covering real estate and electricity generation project finance portfolios summarised on page 28).	2026	<input checked="" type="checkbox"/>
We will continue to evolve our thermal coal exclusion criteria, phasing out investment-related coal and oil sands exposures by 2030³.	2030	Coal exclusions updated to restrict new investments in issuers with more than 5% revenue exposure to either thermal coal mining or power production without 2030 or earlier thermal coal phase-out plans.	Active	<input checked="" type="checkbox"/>
We will report progress on the milestones to reduce agricultural commodity-driven deforestation in our investment portfolios⁴, and we will increase investment in nature-based solutions.	2025	We will report progress on investment in nature-based solutions and defining associated financing criteria.	2025	<input checked="" type="checkbox"/>

- From a 2019 base year.
- Further details on progress for this target can be found on page 28.
- Investment with more than 5% revenue exposure by 2030.
- Focusing on palm oil, soy, beef and leather, pulp and paper.

Commitments in detail

Influence

Commitment	By	Milestone (where relevant)	By	On track off on
Asset Management is committed to work in partnership with our clients to reach net zero GHG emissions by 2050 or sooner across all AUM.	2050	In partnership with clients, Asset Management will target 70% of AUM to be managed in alignment with net zero ^{1,2} .	2030	<input checked="" type="checkbox"/>
Asset Management is committed to achieving net zero carbon for all of its real estate equity assets by 2050 or sooner.	2050	Asset Management will target net zero operational carbon within the Sustainable DC Property Fund by 2030.	2030	<input checked="" type="checkbox"/>
		Asset Management will target the removal of fossil fuels within areas of commercial property we control by 2030. In isolated instances where this is not possible, Asset Management commits to publishing a list of affected assets and a roadmap to removing fossil fuels subsequent to 2030.	2030	<input checked="" type="checkbox"/>
We have set an SBT-aligned target to reduce Asset Management's downstream leased real estate portfolio GHG emissions per square metre by 55% by 2030 from a 2019 base year.	2030			<input checked="" type="checkbox"/>
Asset Management will report progress on the milestones to reduce agricultural commodity-driven deforestation in our investment portfolios through successful company engagement³.	2025			<input checked="" type="checkbox"/>

1. Excludes sovereigns and derivative securities until such time as agreed methodologies exist.
2. We are progressing as expected against this commitment but note that we do not currently disclose our progress against it. We review this target every two years (next in 2025) and will provide further information at this point.
3. Focusing on palm oil, soy, beef and leather, pulp and paper.

Operate

Commitment	By	Milestone (where relevant)	By	On track off on
Net zero operational carbon footprint.	2050	We have set a SBT to reduce absolute scope 1 and 2 GHG emissions by 42% by 2030 from a 2021 base year ⁴ .	2030	<input checked="" type="checkbox"/>
		From 2030, our occupied offices (scope 1 and 2) will operate with net zero emissions ⁵ .	2030	<input checked="" type="checkbox"/>
		Focus area: From 2030, our group-wide business travel will operate with net zero carbon emissions ⁶ .	2030	<input checked="" type="checkbox"/>
All new homes delivered from 2030 will be enabled to operate at net zero carbon, both regulated and unregulated energy.	2030			<input checked="" type="checkbox"/>
By end of 2026, 80% of our suppliers, by spend, will set a science-based carbon reduction target.	2026			<input checked="" type="checkbox"/>
Our core occupied offices will consume a maximum of 22 litres of water per person per day in line with the Real Estate Environment Benchmark.	2030			<input checked="" type="checkbox"/>
We will reduce overall waste volumes per core occupied office by 20% from a 2019 base year.	2025			<input checked="" type="checkbox"/>
We will purchase 100% of directly procured electricity group-wide from renewable sources.	2025			<input checked="" type="checkbox"/>

4. To account for the impact of the pandemic, our 2021 base year includes estimated emissions data from our managed Real Assets portfolio based on 2019 data. All other base year emissions are from 2021.
5. Applies to occupied offices where we actively control the management of utilities.
6. Further details on progress for this target can be found on page 29.

Deloitte assurance opinion

Independent Limited Assurance Report to the Directors of Legal & General Group Plc

Independent Limited Assurance Report by Deloitte LLP to the Directors of Legal & General Group Plc on selected sustainability metrics (the 'Selected Information') within the Climate and nature report for the reporting year ended 31 December 2024.

Our assurance conclusion

Based on our procedures described in this report, and evidence we have obtained, nothing has come to our attention that causes us to believe that the Selected Information for the year ended 31 December 2024, as listed below and indicated with a * in the Climate and nature report, has not been prepared, in all material respects, in accordance with the Applicable Criteria defined by the directors as set out in the GHG emissions – Basis of preparation.

Scope of our work

Legal & General Group Plc has engaged us to perform an independent limited assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised) Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000 (Revised)), and Assurance Engagements on Greenhouse Gas Statements ISAE 3410 issued by the International Auditing and Assurance Standards Board (IAASB), and our agreed terms of engagement.

The Selected Information in scope of our engagement for the year ended 31 December 2024, as indicated with a * in the Climate and nature report, is as follows:

Selected Information	Reported Amount
Scope 1 emissions (tCO ₂ e)	9,665
Location-based scope 2 emissions (tCO ₂ e)	17,753
Market-based scope 2 emissions (tCO ₂ e)	3,652
Scope 3 category 6: business travel (tCO ₂ e)	7,799
Scope 3 category 7: Homeworking (excluding employee commuting) (tCO ₂ e)	3,323
Scope 3 category 8: Upstream leased assets (from serviced offices) (tCO ₂ e)	239
Scope 3 category 15: Investments GHG Emissions: Investment portfolio carbon footprint (Million tCO ₂ e)	4.9
Scope 3 category 15: Investments GHG Emissions: Investment portfolio carbon intensity (tCO ₂ e/£m EVIC)	51

The Selected Information, as listed in the above table, needs to be read and understood together with the Applicable Criteria, named as Greenhouse gas emissions – Basis of preparation, set out on pages 56 – 61 of the Climate and nature report, available online (group.legalandgeneral.com/en/reporting-hub/Sustainability).

Inherent limitations of the Selected Information

We obtained limited assurance over the preparation of the Selected Information in accordance with the Applicable Criteria. Inherent limitations exist in all assurance engagements.

Any internal control structure, no matter how effective, cannot eliminate the possibility that fraud, errors or irregularities may occur and remain undetected and because we use selective testing in our engagement, we cannot guarantee that errors or irregularities, if present, will be detected.

The self-defined Applicable Criteria, the nature of the Selected Information, and absence of consistent external standards allow for different, but acceptable, measurement methodologies to be adopted which may result in variances between entities. The adopted measurement methodologies may also impact comparability of the Selected Information reported by different organisations and from year to year within an organisation as methodologies develop.

Directors' responsibilities

The Directors are responsible for:

- Selecting and establishing the Applicable Criteria.
- Preparing, measuring, presenting and reporting the Selected Information in accordance with the Applicable Criteria.
- Publishing the Applicable Criteria publicly in advance of, or at the same time as, the publication of the Selected Information.
- Designing, implementing, and maintaining internal processes and controls over information relevant to the preparation of the Selected Information to ensure that they are free from material misstatement, including whether due to fraud or error.
- Providing sufficient access and making available all necessary records, correspondence, information and explanations to allow the successful completion of our limited assurance engagement.

Our responsibilities

We are responsible for:

- Planning and performing procedures to obtain sufficient appropriate evidence in order to express an independent limited assurance conclusion on the Selected Information.
- Communicating matters that may be relevant to the Selected Information to the appropriate party including identified or suspected non-compliance with laws and regulations, fraud or suspected fraud, and bias in the preparation of the Selected Information.
- Reporting our conclusion in the form of an independent limited Assurance Report to the Directors.

Our independence and competence

In conducting our engagement, we complied with the independence and other ethical requirements of the ICAEW Code of Ethics. The ICAEW Code is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

We applied the International Standard on Quality Management (UK) 1 (ISQM (UK) 1) issued by the Financial Reporting Council. Accordingly, we maintained a comprehensive system of quality management including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Deloitte assurance opinion continued

Key procedures performed

We are required to plan and perform our work to address the areas where we have identified that a material misstatement in respect of the Selected Information is likely to arise. The procedures we performed were based on our professional judgment. In carrying out our limited assurance engagement in respect of the Selected Information, we performed the following procedures:

- Performed an assessment of the Applicable Criteria (the benchmarks used to measure or evaluate the underlying information) to determine whether they were suitable for the engagement circumstances.
- Performed analytical review procedures to understand the underlying subject matter and identified areas where a material misstatement of the Selected Information was likely to arise.
- Through inquiries of management, obtained an understanding of Legal & General Group Plc, its environment, processes, and information systems relevant to the preparation of the Selected Information sufficient to identify and further assess risks of material misstatement in the Selected Information, and provided a basis for designing and performing procedures to respond to assessed risks and to obtain limited assurance to support a conclusion.
- Through inquiries of management, obtained an understanding of internal controls relevant to the Selected Information, the quantification process and data used in preparing the Selected Information, the methodology for gathering qualitative information, and the process for preparing and reporting the Selected Information. We did not evaluate the design of particular internal control activities, obtain evidence about their implementation or test their operating effectiveness.

- Through inquiries of management, documented whether an external expert had been used in the preparation of the Selected Information, then evaluated the competence, capabilities, and objectivity of that expert in the context of the work performed and also the appropriateness of that work as evidence.
- Inspected documents relating to the Selected Information to understand the level of management awareness and oversight of the Selected Information.
- Performed procedures over the Selected Information, including recalculation of relevant formulae used in manual calculations and assessed whether the data has been appropriately consolidated.
- Performed procedures over underlying data on a statistical sample basis to assess whether the data had been collected and reported in accordance with the Applicable Criteria, including verifying to source documentation from third parties, where available, or to financial records used in the preparation of the consolidated financial statements of Legal & General Group Plc for the year ended 31 December 2024.
- Performed procedures over the Selected Information including assessing management's assumptions and estimates.
- Accumulated misstatements and control deficiencies identified and assessed whether material.
- Read the narrative accompanying the Selected Information with regard to the Applicable Criteria, and for consistency with our findings.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

We performed our engagement to obtain limited assurance over the preparation of the Selected Information in accordance with the Applicable Criteria. We draw your attention to the following specific limitation:

- The investments GHG Emissions metrics (scope 3 category 15) include information provided by third-party sources. Our procedures will not include obtaining assurance over the information provided by third parties.

Use of our report

This report is made solely to the Directors of Legal & General Group Plc in accordance with ISAE 3000 (Revised), ISAE 3410 and our agreed terms of engagement. Our work has been undertaken so that we might state to the Directors of Legal & General Group Plc those matters we have agreed to state to them in this report and for no other purpose.

Without assuming or accepting any responsibility or liability in respect of this report to any party other than Legal & General Group Plc and the Directors of Legal & General Group Plc, we acknowledge that the Directors of Legal & General Group Plc may choose to make this report publicly available for others wishing to have access to it, which does not and will not affect or extend for any purpose or on any basis our responsibilities. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Legal & General Group Plc and the Directors of Legal & General Group Plc as a body, for our work, for this report, or for the conclusions we have formed.



Deloitte LLP
London
11 March 2025

Invest

Metrics dashboard

As we continue to build our understanding of our climate and nature-related opportunities and risks, we are improving our quantification of our opportunities and risks in relation to both our investments and our operations. These metrics are sourced from organisations such as the ISSB and NZAOA.

We focus on the primary metrics in the Metrics and targets chapter; the tables on these pages provide a full metric dashboard as at 31 December 2024.

The table on this page compare the current year metric with both the prior years and the base year, where available. This provides useful context as to the trajectory of our emissions.

We endeavour to continue to build on these metrics over future iterations of our reporting and include additional metrics where possible particularly as we see methodologies on nature-related metrics improve.

Metrics dashboard

Metric category	Metric	Metric measurement ¹	2019	2021	2022	2023	2024
Proprietary asset exposure	Portfolio value	£ million	83,700	95,698	80,484	89,999	96,075
	Renewable energy investments	£ billion	1.4	1.4	1.3	1.4	1.6
	Transition finance investments ²	£ billion	–	–	–	3.3	4.0
	Direct fossil fuel exposure ³	£ billion	–	–	1.0	1.2	1.3
	Corporate oil and gas exposure ⁴	£ billion	–	–	–	–	1.9
Scope 3 category 15 (proprietary assets) – financed emissions	Investment portfolio economic GHG emissions intensity (EVIC)	tCO ₂ e/£m EVIC	80	65	62	56	51*
	Investment portfolio economic GHG emissions intensity (2019 reduction)	%		(19)	(23)	(30)	(37)
	Investment portfolio economic GHG emissions intensity (static EVIC)	tCO ₂ e/£m EVIC	–	–	–	–	54
	Investment portfolio economic GHG emissions intensity (2019 reduction, static EVIC)	%	–	–	–	–	(33)
	Investment portfolio economic GHG emissions intensity ex-sovereigns (dynamic EVIC)	tCO ₂ e/£m EVIC	–	61	59	52	45
	Investment portfolio economic GHG emissions intensity (corporate bonds and equities, real estate and infrastructure) – NZAOA target metric	tCO ₂ e/£m EVIC	82	65	65	58	To be reported in 2025
	Investment portfolio weighted average carbon intensity (WACI)	tCO ₂ e/USD million revenues		169	151	127	117
Scope 3 category 15 (proprietary assets) – physical intensity emissions	Investment portfolio GHG emissions	million tCO ₂ e	6.7	6.2	5.0	5.0	4.9*
	Real estate investment portfolio physical carbon emissions intensity	tCO ₂ e/m ²	0.058	0.054	0.050	0.050	0.044
	Electricity generation project finance portfolio physical carbon emissions intensity	tCO ₂ e/m ²	–	60	–	60	50
Scope 3 category 15 (Asset Management division-wide) – financed emissions	AUM economic GHG emissions intensity (EVIC) ⁵	tCO ₂ e/£m EVIC	–	–	–	88	72
Scope 3 category 13 – physical intensity emissions	Downstream leased assets physical carbon emissions intensity	tCO ₂ e/m ²	0.055	0.051	–	0.047	0.038
Scope 3 category 15 (proprietary assets) – temperature portfolio alignment	Implied portfolio temperature alignment – internal methodology	°C (ROTS aggregation) ⁶	–	2.6	2.6	2.5	2.5
Scope 3 category 15 (proprietary assets) – temperature portfolio	Portfolio temperature rating – SBTi methodology, scope 1 and 2.	°C (ECOTS aggregation) ⁷	–	2.4	–	2.4	2.5
	Portfolio temperature rating – SBTi methodology, scope 1, 2 and 3.	°C (ECOTS aggregation) ⁷	–	2.9	–	2.7	2.8

1. For each year's calculations the emissions and revenues data refers to the most recently available reported carbon footprint scores and revenue information (which generally contains a one-year lag for listed equity and debt, and two-year lag for sovereigns). For example, the emissions (tCO₂e) and revenue data would generally refer to 2023 for the 2024 metric suite column.

2. Defined as renewable energy, green bonds and other technology, infrastructure and real estate climate solutions.

3. Direct private investments in fossil fuel-related projects and companies.

4. Measured as exposure to companies called out on the Urgewald Global Oil and Gas exit list: //gogel.org/gogelexplained

5. Covering £0.8 trillion of listed bonds and equities.

6. ROTS: Revenue owned emissions weighted temperature score.

7. ECOTS: Enterprise value including cash emissions weighted temperature score.

Operate

Metrics dashboard

Additional carbon metrics¹

Metric category	Metric	Metric measurement	2021 ²	2023	2024 ³
Scope 1	Total scope 1	tCO ₂ e	15,559	10,158*	9,665*
	Occupied offices	tCO ₂ e	872	523	658
	Landlord activities	tCO ₂ e	7,175	5,385	5,660
	Construction activities	tCO ₂ e	7,512	4,250	3,347
Scope 2 (location)	Total scope 2 location	tCO ₂ e	23,423	17,564*	17,753*
	Occupied offices	tCO ₂ e	3,964	2,383	2,113
	Landlord activities	tCO ₂ e	17,827	13,590	14,355
	Construction activities	tCO ₂ e	1,632	1,591	1,285
Scope 2 (market)	Total scope 2 market	tCO ₂ e	2,432	4,215*	3,652*
	Total electricity	MWh	93,743	79,100	79,203
MWh	Total gas	MWh	56,907	42,853	41,525
	Total on-site fuel from our housebuilding businesses	MWh	18,118	16,795	9,123

1. Please refer to our Basis of preparation for details of how we collate our GHG data for our operational carbon footprint.
2. To account for the impact of the pandemic our 2021 base year includes estimated emissions data from our Private Markets commercial portfolio based on 2019 data. All other base year emissions are from 2021.
3. Deloitte have provided independent limited assurance in accordance with the International Standard for Assurance Engagements 3000 ('ISAE 3000') and Assurance Engagements on Greenhouse Gas Statements ('ISAE 3410') over the selected metrics identified with an *. Deloitte's full unqualified assurance opinion, which includes details of the selected metrics assured, can be found on pages 52 – 53.

Non-carbon metrics

Metric category	Metric	Metric measurement	2021	2023	2024
Scope 1	Core occupied office water consumption	Lpppd	–	33	28
	Water pollution incidents	Number of water pollution prosecutions	0	0	0
	Total waste	Tonnes	37,920	38,906	23,964
Scope 2 – location	Waste from occupied offices	Tonnes	433	514	524
	Waste from house building construction sites controlled by Asset Management	Tonnes	37,487	38,392	23,440
	Total waste sent to landfill	% of total waste	1.4	<1	<1

Additional housing metrics

Metric category	Metric	Metric measurement	Business	2023	2024
Embodied carbon	kgCO ₂ e/m ²	Building lifecycle stages A1-A5, B1-B5, C1-C4 including sequestration	CALA	538	544
			IVG	600	600
			LGAH	632	1,396
			SBTR	-	-
Energy use intensity	kWh/m ² /year	Building's operational energy use (lifecycle stage B6), not including on-site renewables	CALA	90	84
			IVG	61	52
			LGAH	112	112
			SBTR	107	76
MWh	% FSC or PEFC certified timber	% timber used within our developments that has been procured from sustainable sources	CALA	100%	100%
			IVG	100%	100%
			LGAH	100%	94%
			SBTR	100%	100%

* Data reported from a small number of developments, which includes for the first time apartments which has resulted in a higher per m² figure. Noting that this may not be representative of the portfolio as a whole.

GHG emissions – Basis of preparation

Background

The Group commits to disclosing climate-related financial information in this report, which aligns to the TCFD recommendations and is supplementary to the Annual report and accounts.

These disclosures include the Streamlined Energy and Carbon Reporting (SECR) requirements required under the Companies (Directors' report) and Limited Liability Partnerships (Energy and Carbon report) Regulations 2018 (SI 2018/1155). The GHG emissions data is reported in line with the GHG Protocol Corporate Accounting and Reporting Standard and the Partnership for Carbon Accounting Financials (PCAF) standards where possible¹.

Introduction

The basis of preparation sets out how the Group prepares its reporting for scope 1, scope 2 (location and market) and relevant scope 3 categories of GHG emissions.

The management of the Group is responsible for ensuring that appropriate internal procedures are in place to report GHG emissions data, in all material respects, as set out in this document. These procedures ensure that:

- the reported information reflects the Group's performance
- the data is meaningful and is consistent with the stated definitions and scope
- any specific exclusions are stated clearly and explained
- any assumptions made, as well as the accounting and calculation methods, are clearly described
- the level of transparency is sufficient to enable users to have confidence in the integrity of the Group's reporting.

GHG emissions

The Group discloses its scope 1, 2 and relevant scope 3 GHG emissions for L&G Group, including its subsidiaries, and joint ventures².

The definition of each scope and category aligns with the GHG Protocol and the GHG Technical Guidance for Calculating Scope 3 Emissions and our approach to each relevant scope and category is explained in the Data collection section of this Basis of preparation³.

The Group applies the operational control methodology as set out in the GHG Protocol. This means we disclose GHG emissions for the following areas of Group activities.

- all directly controlled operations, such as the energy from the offices the Group occupies⁴
- the Group's landlord activities:
 - including property under the Group's control until point of occupation or sale
 - void properties under the Group's control
 - and, the construction of new homes within the Group's housing business and joint ventures.

GHG emissions data is aligned with the Group's financial reporting year, 1 January to 31 December, unless otherwise stated⁵. Scope 3 category 15 GHG emissions data is predominantly based on 1 January to 31 December of the previous year for corporate investments, two years prior for sovereign investments, and the most up-to-date available data for direct investments (for example, real estate and private credit), reflecting the availability of carbon data reporting. Category 13 and 15 emissions are based on the investment holdings on 31 December 2024.

The Group includes newly acquired businesses in the calculation as soon as the appropriate processes and systems enable consistent data collation and Group-level consolidation. The results of disposed businesses are included up to the date of disposal, in line with our financial reporting.

Base year emissions data, from 2021 for our operational emissions and from 2019 for our scope 3 category 15 emissions, is included in our reports to help demonstrate an emissions trajectory and progress against our targets. Our 2021 and 2019 base years are our SBTi-approved base years, noting that recalculation of the base year may be required to uphold the integrity of our data and targets, ensuring that only actual emissions reductions are reported and counted as progress⁶.

Exclusions

The Group applies exclusions in accordance with the GHG Protocol and the UK Government's guidance on SECR requirements. The Group's primary exclusions from scope 1, 2 and 3 categories 1–14 are joint ventures where the Group does not have operational control, noting that these are captured in scope 3 category 15.

For scope 3 category 15, we report our financed emissions based on our balance sheet proprietary portfolio, which means we report on investments to which our shareholders maintain the investment risk⁷. This excludes derivatives, cash or any emissions already reported under scope 1 or 2.

Data collection

In consolidating the Group's GHG emissions footprint, Group defined carbon reporting procedures are followed to capture and collate data. Group wide data owners, data types and frequencies of reporting are outlined in an internal data dictionary which is used to track and manage data throughout the annual reporting period.

Data is collected across the business and aggregated to provide a group-wide carbon footprint. All underlying data is collated by each business or at a group-level, using consistent and recognised data collection methods, for example, half-hourly meter

readings, utility bills, supplier reports or expenses data for operational emissions and industry data supplies for scope 3 category 15 emissions.

The Group's approach is to use actual data where it is practical and feasible to do so. In some instances, it may be necessary to use estimated data or extrapolated data that is based on data from other parts of the business or industry benchmarks. In such cases, internal procedures are in place to manage the use of estimates where we do not have access to metered or invoiced data within the period. For example, CIBSE TM46 and REEB benchmarks are used for specific emission calculations^{8,9}.

Data is subject to review and approval by each business before being submitted for group-level aggregation. Following submission, the data submitted, and conversion factors applied, are subject to a further layer of review by the Group Climate team. Queries are raised with data owners to address anomalies if they arise.

Scope 3 category 15 reporting is supported by third-party suppliers who provide underlying data sources of the financed emissions intensity.

The Group's GHG emissions are calculated using current and publicly available emission conversion factors. Consumption data, such as kWh or litres of fuel, is converted into tCO₂e¹⁰.

1. Known deviations from PCAF standards are noted in our methodology in page 58.
2. Joint ventures are included in the scope 1 and 2 footprint where the Group has operational control. Where the Group does not have operational control the joint venture emissions are captured in scope 3 category 15.
3. ghgprotocol.org/sites/default/files/2023-03/Scope3_Calculation_Guidance_0%5B1%5D.pdf.
4. Includes occupied offices where the management of the utilities is actively controlled by the Group.
5. Scope 1, 2 and scope 3 category 13 and 15 data for real estate covers the period 1 January to 31 December noting that November and December data is estimated, based on prior year's November and December data, to account for utility company data lag periods.
6. To account for the impact of the pandemic, our 2021 base year includes estimated emissions data from our Private Markets commercial portfolio based on 2019 data. All other base year emissions are from 2021.
7. Excluding on-balance sheet assets managed on behalf of our clients. We reconcile our line by line carbon footprinting assets to the £96.1bn of proprietary assets as they are reported in the accounts
8. CIBSE – Chartered Institute of Building Services Engineers.
9. REEB – Better Building Partnership, Real Estate Environmental Benchmark.
10. We apply conversion factors (e.g. the Department for Energy Security & Net Zero) which converts energy usage (for example, kWh) to tCO₂e, which includes all types GHGs (i.e. CO₂, CH₄, N₂O, HFCs, PFCs, SF₆, NF₃).

GHG emissions – Basis of preparation continued

The primary source of the Group's emission conversion factors are:

- the Department for Energy Security and Net Zero (DESNZ)
- for international operations in the US, The United States Environmental Protection Agency (EPA).

The DESNZ conversion factors are released part-way through the calendar year and are applied to the annual data set¹.

The Group utilises a range of data sources which are outlined below for each relevant scope and category of emissions.

Scope 1 emissions

Purchased fuels: We use invoice and expense systems for construction sites, and on-site generator fuels and vehicle fuels.

Gas purchased: meter readings, energy contractor reports, invoices and estimates based on relevant industry benchmarks, such as CIBSE TM46 and REEB.

Self-generated electricity: meter readings.

Fugitive emissions: invoices and engineering reports for F-gas additions and regulatory 'F-gas' registers.

Scope 2 emissions

Purchased electricity: meter readings, energy contractor reports, invoices and estimates based on relevant industry benchmarks, such as CIBSE TM46 and REEB.

District heating: meter readings, energy contractor reports, invoices and estimates based on relevant industry benchmarks, such as CIBSE TM46 and REEB.

1. This is a minor change in methodology from previous years where separate conversion factors were applied to each half year. This new methodology has not resulted in a material change to the 2023 data and therefore does not require any amendments.
2. The Renewable Energy Guarantees of Origin (REGO) reporting period for accredited generating stations is April to March each year. REGO: Submitting data and managing certificates, Ofgem.
3. We define a target as science-based if it is aligned to SBTi criteria, i.e. is a mid-term reduction target with enough ambition to align with the global net zero trajectory. We would expect this to be between 40 – 50% reduction depending on the base year.
4. Employees are defined as Full-Time Employee equivalent (annual average, using 365 days in the year).
5. 7m² is sourced from the UK Government Employment Densities Guide 2010, which the Group uses for space planning purposes.

For scope 2 market-based methodology, the GHG emissions are determined by contractual instruments which the Group has purchased or entered into such as REGOs, power purchasing agreements and utility contracts, and therefore has a GHG emission factor of zero. There is a period for which electricity purchased on a renewable tariff cannot be evidenced as REGO-backed, because the REGO and the Group's reporting periods do not align. Therefore, REGO certificates allocated in a given year may not cover all electricity consumption within that reporting period. In this instance, a reasonable assumption is made for those months of consumption, that the electricity consumed is on a renewable tariff, as it is within the same contract period². Where REGO certificates are unavailable at the date of reporting, but the corresponding supplier contractual commitment is for 100% of the supply to be REGO-backed, the relevant usage is reported as REGO-backed.

Scope 3 category 1: Purchased goods and services

We disclose the percentage of our suppliers, by spend, that have a science-based carbon reduction target³. Target data will be sourced from SBTi, publicly available data, and directly from our suppliers.

Scope 3 category 3: Fuel and energy-related activities

DESNZ guidance and conversion factors are applied to the data collected for the annual scope 1 and 2 footprint.

Scope 3 category 5: Waste

Waste is calculated based on data collected by business areas broken down, as a minimum, into the following disposal routes:

- recycling
- energy from waste
- composting
- landfill.

Waste data is converted to GHG emissions by applying the relevant DESNZ conversion factors.

Scope 3 category 6: Business travel

Data is collected on the following modes of business travel: road-based mileage; air travel distance; rail travel distance. Where possible, distance measures are used. A distance-based method involves determining the distance and mode of business travel, and then applying the appropriate emission factor for the mode used.

The following data is collected:

- type of travel (for example, emissions factors vary by distance and class of travel)
- specific types and size of vehicles used for travel (since transportation emission factors vary by vehicle types) from transport providers
- the specific passenger vehicle type and fuel used (since transportation emission factors vary by fuel types).

Where distance data is not available, a spend-based method is used. This involves determining the amount of money spent on each mode of transport and applying a primary conversion factor to convert to distance and then a standard conversion factor to determine emissions.

Third-party travel booking providers, as part of contractual agreements, provide travel data on journeys undertaken. Information is collated from central and business expenses systems.

Data is collated at Group-level and subject to an internal review with conversion factors applied. Queries are raised with data owners to address anomalies.

Scope 3 category 7: Employee commuting

To account for the energy use from office equipment and home heating when employees are working from home instead of in an office, the DESNZ guidance and associated conversion factors are used⁴.

The assessment of homeworking is based on UK regions, as the share of employees are located in the UK and there are currently no emissions factors for homeworking in other countries. Therefore, all employee home working emissions are calculated using the UK emission factors.

Please note this methodology does not include a calculation for employee commuting.

Scope 3 category 8: Upstream leased assets

The Group does not have operational control of serviced offices (upstream leased assets), therefore an average data method is used to estimate emissions from leased buildings. This means estimating emissions for each leased asset, based on average data, such as average emissions per asset type or floor space.

This method has been selected because purchase records, electricity bills, or meter readings of fuel or energy use are not available or applicable.

The following information is used:

- floor space of each leased building (where not available average head counts are used and the following calculation applied to determine floor space: headcount x 7m² = total m²)⁵
- the BBP REEB are used to calculate electricity equivalent (kWh)
- appropriate DESNZ emissions factors are then applied.

GHG emissions – Basis of preparation continued

Scope 3 category 11: Use of sold products

Energy Use Intensity data of homes built by the Group is collated from our housing businesses using a bespoke residential energy and carbon calculator.

Scope 3 category 13: Downstream leased assets

Where we do not manage our properties, our occupiers provide utility data, or we use benchmark data based upon property type and floor area. We use the following benchmark data sources:

- industry standard benchmarks: CIBSE and BBP REEB. Energy (and carbon) benchmarks for various types of property have been published in the UK for over 20 years, originating from the government-funded Energy Efficiency Best Practice Programme (EEBPP). The most recent update to these benchmarks was undertaken by CIBSE in 2008
- in addition, the BBP has established more recent benchmarks for particular types of commercial buildings, predominantly offices and shopping centres. REEB 2023 office benchmark was used for this analysis.

By using a combination of these benchmarks, we establish an estimate of the GHG emissions associated with our direct property investments and identify which property sectors are, on average, most intensive in terms of GHG emissions.

Scope 3 category 15: Investments

The Group's category 15 data is made up of the Group's ownership share of the financed emissions related to the on-balance sheet proprietary asset portfolio to which shareholders maintain the investment risk (referred to as 'Group proprietary assets')¹. It includes bonds, equities, and investment property, but excludes cash, derivatives, and any assets already covered in our operational footprint.

The Group's primary metric is the GHG economic emissions intensity of the portfolio of Group proprietary assets. This is the total of all the GHG produced by our share of the companies and corporations that we invest in, per unit of investment, and is reported using CO₂e emission data. There are three components to this metric:

- the GHG emissions, CO₂e, in tonnes for each entity in which we are invested arising from the underlying scope 1 and scope 2 emissions directly connected with its operations
- a unit of value to normalise the emissions by the underlying size of the entity we are investing in measured in £ million. For our primary metric we use:
 - EVIC for corporate issuers²
 - sovereign capital stock for sovereigns
 - market value for each real estate investment
- the size of our holding in the entity.

The investment portfolio emissions intensity is then calculated by weighting the normalised emissions (tonnes of CO₂e emissions per £ million normaliser entity value as defined above) by the size of our investment and aggregating all holdings in our investment portfolio.

Where third-party data is not available, we have adopted several proxy approaches with the aim of filling the coverage gap. For some key asset classes, asset class-specific approaches are employed, while for others that are not covered in our datasets, we use sector-based proxies. Proxy approaches are used for the following asset classes: real estate, lifetime mortgages, private debt and private equity.

Our calculation methodology for our primary economic carbon intensity metric aligns with (unless stated):

- PCAF stock emission intensity methodologies using EVIC as the stock emission intensity normaliser, where available. Known deviations from the PCAF methodologies are stated below
- TCFD's carbon footprint portfolio weighting methodology where intensities are weighted by portfolio value.

We also break down the portfolio score by asset class and industry sector within this report, in line with PCAF guidance.

Note, for each years' calculations the emissions and revenue data refer to the most recently available reported carbon footprint scores and revenue information (which predominantly contains a one-year lag for listed equity and debt, and two-year lag for sovereigns). For example, the emissions (tCO₂e) and revenue data would generally refer to 2023 for the 2024 metric.

Scope 1, 2 and 3 categories 6, 7, 8 and 15 data is subject to independent limited assurance by Deloitte (refer to pages 52 and 53), prior to publication. Checks are also undertaken at the half and full year period at a group-level, and data is shared with the GEC prior to inclusion in external disclosures.

PCAF data quality assessment

The Group has implemented the PCAF data hierarchy system and will disclose the portfolio data quality scores for 2024³.

The resulting data coverage is the portfolio emissions coverage with highest data quality scores.

Known data limitations

We rely on third-party databases (such as ISS) for our emissions data which is subject to each provider's quality considerations.

Portfolio sector averages are used where asset class-specific emissions data does not exist. This sector mapping is currently carried out at 'BICS legacy level 1', as a pragmatic approach on the grounds of current modelling capacity and data availability. This presents a limitation as issuers of holdings could have multiple industry sectors, or the holdings could be the most relevant to an unlisted subsidiary of a listed parent of multiple sectors.

Known deviations from the PCAF methodologies

Key deviations from PCAF standards in the Group's scope 3 category 15 emissions methodology are shown below:

- we do not currently include the scope 3 emissions of our investee companies, primarily due to the challenges of producing meaningfully comparable data across the highly diverse set of industries in which we invest
- we use adjusted International Monetary Fund (IMF) data as the emission intensity normaliser for sovereign bonds within our full portfolio calculation, as opposed to adjusted Gross Domestic Product, as we believe the IMF data is the economically more comparable normaliser to EVIC which is used for other asset classes
- lifetime mortgage methodology is a based on a sector proxy of 'consumer discretionary' where PCAF methodology has not yet been developed.

1. We reconcile our line by line carbon footprinting assets to the £96.1bn of proprietary assets as they are reported in the accounts.

2. EVIC set as market valuation (or book value in the absence of market valuations) of equity plus book value of debt.

3. carbonaccountingfinancials.com/en/newsitem/pcaf-launches-the-2nd-version-of-the-global-ghg-accounting-and-reporting-standard-for-the-financial-industry.

GHG emissions – Basis of preparation continued

Consideration of scope 3 category 13 and category 15 assets

There is a portfolio of properties where Asset Management Private Markets acts as the landlord while Institutional Retirement takes direct ownership. The investment portfolio emissions and related financed emissions intensity arising from such property holdings are reported as scope 3 category 15, and not as scope 3 category 13, avoiding duplication in the reported metrics.

For the purposes of target-setting the emissions from this property portfolio are reported within physical carbon intensity (tCO₂e/m²) metrics for both scope 3 category 13 and category 15 calculations.

Scope 3 investment portfolio carbon footprint: underlying data approach

ISS data provides a coverage of £24.7 billion of our corporate portfolio, and £12.5 billion of our sovereign portfolio (c.41% direct coverage of 2024 portfolio).

The following categories cover the approach to each asset class, including the techniques we apply to estimate and proxy GHG emissions in the absence of third-party emissions data.

Corporate credit and listed equity

The carbon footprint calculation for this asset class is purely data-driven, using our predominant data providers as follows:

- primary carbon data provided by ISS, an external data provider
- corporate normaliser data (a unit of value to normalise the emissions by the underlying size of the entity we are investing in) sourced in two parts:
 - EVIC scores provided by Refinitiv, also an external data provider, are used to normalise the emission scores within the investment portfolio economic carbon intensity calculation
 - revenue scores provided by ISS, used to normalise the emissions scores within the investment portfolio WACI calculation
- carbon emissions and revenue data have a one-year lag.

Sovereigns

For sovereigns the Group also follows a data-driven methodology, as follows:

Economic GHG intensity metric (tCO₂e/£m invested):

- numerator: GHG emissions within the country border per calendar year is the numerator (sourced from ISS)
- divisor: adjusted IMF data reflecting total capital stock per calendar year (this is broadly comparable to tCO₂e/£m EVIC for corporate bonds)¹
- sovereign GHG emissions data has a two-year lag.

Unscored credit and equity (both listed and unlisted)

For holdings that are not scored by other means, generally because of external emissions data being unavailable, the Group utilises a selection of methodologies, in the following order of preference or availability, for these holdings depending on their exposure and type:

1. sourcing directly from companies' annual or sustainability reports with reference to the PCAF guidance
2. based on third-party datasets such as ISS, IPCC or PCAF database
3. mapping to listed parent company with carbon disclosure
4. mapping to a suitable proxy asset in the ISS database
5. assigning a scored portfolio sector average, based on the BICS.

Property

The carbon analysis of the Group's property portfolio is based on several sources. Where we are responsible for the utility procurement, operation, and management of the properties, through managing agents, we obtain energy and environmental data directly from site utility meters or from utility suppliers. Where we do not manage the properties, our occupiers provide utility data, or we use benchmark data based upon property type and floor area. We use the following benchmark data sources:

- offices and shopping centre: BBP's REEB²
- all other property types: CIBSE³.

By using a combination of these benchmarks, we establish an estimate of the GHG emissions associated with our direct property investments and also identify which property sectors are, on average, most intensive in terms of GHG emissions.

For commercial property, our operational footprint (scope 1 and 2) includes assets that are owned and managed in connection with our businesses. This includes all assets we occupy where we procure energy but also includes assets owned and managed by us, i.e. where we procure energy on behalf of external occupiers. The Group's scope 3 category 13 calculation additionally brings in the emissions associated with occupier energy use.

Lifetime mortgages

The Group's approach to lifetime mortgages methodology is based on a sector proxy of 'consumer discretionary' where PCAF methodology has not yet been developed.

Other assets

We have assumed that no emissions apply to the cash and derivative exposures.

1. Due to the infrequency of publication of the underlying IMF data for total capital stock for sovereigns, estimation techniques are applied. Total capital stock is calculated using general government capital stock and private capital stock. Where data is not provided by the IMF, the Group calculate a proxy based on the average ratio of general government and private capital stock values. The timing of this calculation is aligned with the reporting period using extrapolation based on OECD gross fixed capital formation data where OECD data exists, or linear extrapolation where OECD data does not exist.

2. betterbuildingspartnership.co.uk/our-priorities/measuring-reporting/real-estate-environmental-benchmark.

3. cibse.org/knowledge-research/knowledge-portal/tm46-energy-benchmarks.

GHG emissions – Basis of preparation continued

Restatement of reported data

Given the complexities associated with some of the data, including the use of estimates, there can be instances where it may be necessary to amend data reported in prior years, due to the availability of higher quality data or a change in the data collating or scoring methodology. Where the Group believes there is a material impact on previously reported data, the data will be restated along with an explanatory note¹. We do not restate prior year results based off more up to date GHG emissions data.

A summary of the categories within scope 3 is shown in Table to the right. Scope 1, 2, and 3 categories 6, 7, 8 and 15 data is subject to independent limited assurance by Deloitte (refer to pages 52 and 53), prior to publication.

Scope 3

Category	Description of L&G approach	Associated target
1. Purchased goods and services	Data disclosed on page 19.	We commit to ensuring that 80% of our suppliers, by spend, will set a science-based carbon reduction target by the end of 2026.
2. Capital goods	Included within category 1.	
3. Fuel and energy-related activities	Data disclosed in Table 2.	100% of our energy to be purchased from a renewable source.
4. Upstream transportation and distribution	Included in scope 1 and disclosed for CALA (Taylor Lane).	
5. Waste	Data disclosed in Table 2.	We will divert 100% of waste from landfill by 2025 in all offices and directly delivered housing development projects where we are responsible for waste management.
6. Business travel	Data disclosed in Table 2.	From 2030, our Group-wide business travel will operate with net zero emissions.
7. Employee commuting	Data for employee homeworking is disclosed in Table 2.	
8. Upstream leased assets	Data disclosed in Table 2.	
9. Downstream transportation and distribution	N/a	
10. Processing of sold products	N/a	
11. Use of sold products	Energy Use Intensity for our directly delivered housing is disclosed on page 55.	All new homes we deliver, from 2030, will be enabled to operate at net zero carbon emissions.
12. End of life treatment of sold products	N/a	
13. Downstream leased assets	Data disclosed on page 54.	L&G commits to reduce our downstream leased asset GHG emissions by 55% per square meter by 2030 from a 2019 base year.
14. Franchises	N/A	
15. Investments	Data disclosed on page 54.	By 2030, reduce portfolio GHG emission intensity by 50% (from a 2019 base year) and increase financing of low-carbon technology and infrastructure.

Implied portfolio temperature alignment calculation detail

Portfolio aggregation methods

We have adopted two methods for aggregating temperature alignment scores of individual securities into portfolio level metrics.

ROTS portfolio alignment

For the L&G Implied temperature alignment metric, we have aligned to the SBTi 'Revenue owned emissions weighted temperature score (ROTS)' portfolio weighting option, which expresses portfolio alignment on a (revenue-intensity-based) carbon weighted basis.

This approach aligns with L&G's default approach and supports the measurement and management of investment impact

= \sum position value x security temperature alignment x security revenue-based carbon intensity (WACI)/

\sum Position value x security revenue-based carbon intensity (WACI)

ECOTS portfolio alignment

For the CDP-WWF Portfolio temperature rating (PTR) metric, we have aligned to the SBTi 'Enterprise value and cash owned emissions weighted temperature score (ECOTS)' portfolio weighting option, which expresses portfolio alignment on a (EVIC-intensity-based) carbon weighted basis.

This approach aligns with our primary economic emissions intensity metric to support consistency across our target metrics.

= \sum position value x security temperature alignment x security EVIC-based economic carbon intensity/

\sum Position value x security EVIC-based economic carbon intensity

We rely on third-parties for our emissions and target data; where third-party data is not available, we use proxies for these emissions on a best endeavours basis.

1. Either a change of 5% or more from the original stated data or where there is a material impact from the operational business.

Entity-level disclosures

There are specific entity-level disclosure requirements, both for the US and UK. For the UK these include the FCA rules and guidance for asset managers and certain FCA-regulated asset owners to make mandatory disclosures consistent with TCFD recommendations. Our Workplace and Retail Savings business areas sit within our Retail division and have entities that fall within scope of the regulations. While we typically manage our response to climate change at a group-level, below are disclosures relevant to specific legal entities including Legal & General Assurance Society Limited (LGAS) our insurance entity, L&G Portfolio Management Services Limited (PMS) our investment entity and L&G America (LGA) our insurance entity in the US. Below sets out which legal entities our business units conduct their activities via:

- Workplace: the business area that provides product management and governance support for Workplace members and conducts its activities via LGAS and PMS
- Retail Savings: the business area that provides product management and governance support for our Retail account-holders in ISA and individual pension products and conducts its activities via PMS.

Strategy

Our Workplace business uses Asset Management as its primary asset manager, making day-to-day investment decisions in relation to funds. Workplace shares Asset Management's core investment beliefs relating to climate change, including where Asset Management applies a consistent approach to voting and engagement, pursuing innovation in tackling climate change, modelling energy transition, and targeted engagements. Our Workplace business supports Asset Management's short and long-term targets, and both Asset Management and Workplace have published net zero targets for 2050, for the established standard default investment options. Both businesses work together, to utilise relevant expertise and ensure their investment principles remain aligned.

The innovative Lifetime Advantage target date funds were made available to Workplace members in 2024 (see page 16 for details). When setting commitments, Workplace uses time horizons as defined by Asset Management and Group climate risk structures.

Scenario analysis is conducted at an asset class-level for internal Asset Management funds, by Asset Management as the primary asset manager.

Entity- and product-level reports were successfully produced by 30 June 2024. The Workplace and Retail Savings approach to measuring and assessing climate risk will continue to evolve.

The Workplace business publishes a Statement of Investment Principles for its products, the Group Stakeholder and WorkSave Pension Plan, which incorporate information on TCFD.

Governance

For our UK legal entities, the Boards of our insurance entity, LGAS, and our investment entity, PMS, formally delegate the oversight of TCFD products (unit linked funds and pre-set investment portfolios) to the Fund Risk Oversight Committee (FROC), which meets at least quarterly. This delegation includes climate reporting responsibilities such as climate metrics. Climate risk is reported up to the LGAS and PMS Boards at least annually.

As the insurer, LGAS has the ultimate responsibility for funds made available across Workplace products. However, trustees of trust-based pension arrangements remain responsible for ongoing investment governance for the funds they make available to their members.

Climate risk is an important factor in governance of the house default investment options (in the triennial reviews conducted by the Workplace business).

LGA, aligns its climate risk strategy to that of its parent, L&G. Climate risks, both physical and transition risks, are most relevant to LGA's investment strategy and a framework has been developed to identify and escalate these risks.

Risk management

For our UK legal entities, group-level climate risk management is cascaded down to all of our businesses. Our Workplace and Retail Savings businesses engage with Asset Management as their primary asset manager, to obtain climate data and to conduct scenario analysis within product-level reports. This information is an integral part of their climate risk management process and an area our individual businesses expect to develop their understanding of over time.

For Workplace and Retail Savings businesses, the setting of commitments and targets, Exclusions Policy, CIP and Active Ownership policies are managed by Asset Management. Reliance is placed on group-level committees to advise on the climate risk of business in relation to legal, technology, market, reputational and physical risks, and for ongoing management of Asset Management funds.

As providers of unit linked pension funds, our Workplace and Retail Savings businesses are not direct shareholder in any investee companies, and instead invest in underlying funds which in turn will invest into other funds or hold securities such as Company shares.

For the US, LGA leverages the Group's risk management framework and has its own Climate Risk Committee which has been a sub-committee of the LGA Board since May 2023. The primary role of the LGA Climate Risk Committee is to ensure that adequate governance and oversight is in place for the assessment and management of the financial risks associated with climate change. The LGA Climate Risk Committee includes LGA executive sponsorship and representatives from both the Protection and Pension Risk Transfer businesses. A non-executive director of the LGA Board and a representative from the Group Climate team serve on this Committee in an advisory capacity.

Metrics and targets

For our UK legal entities, entity- and product-level reports were successfully produced by 30 June 2024. Product-level reports cover in-scope funds and lifestyle profiles. The reports can be found at: legalandgeneral.com/workplace-dc/tcfd/.

Workplace has not provided separate TCFD product-level reports for funds managed by external fund managers. As data methodologies mature and become consistent and as sustainability disclosure requirements continue to mandate further disclosure, it is expected that this area will develop and enable greater transparency. TCFD metrics are now used as a quantitative measure of climate risk to support some governance decisions, for example, when assessing funds in light of anti-greenwashing rules. For LGA, metrics are aligned to those used by Group and LGA provides relevant information to Group to enable measurement and management of its overall performance with respect to these metrics.

Cautionary statement

The disclosures in this report, including the metrics, particularly targets, projections, forecasts and other forward-looking metrics, should be treated with caution, in particular given the uncertainty around the evolution and impact of climate change and around broader factors, such as impacts and dependencies on nature.

These disclosures and metrics include but are not limited to estimates of historical emissions and of historical climate change and forward-looking climate and nature-related metrics and estimated climate and nature-related projections and forecasts.

1. The topics addressed in this report such as climate change, impacts and dependencies on nature and associated risks cannot be evaluated in the same way as more conventional financial disclosures.

Primary reasons for this include:

- their unprecedented nature and complexity; the fact that projections of climate change and temperature and impacts on nature are long term as scenarios that play out over at least several decades and are therefore inherently more uncertain
- understanding about climate and nature-related risks continues to evolve
- climate-related and nature-related risks may also interact with non climate-related risks and vulnerabilities and compound impacts in ways not currently anticipated

- climate change, and impacts on nature and biodiversity-loss, and their related risks may be irreversible if certain limits are exceeded
- climate-related and nature-related risks, to a significant extent, arise due to factors outside of our control
- because the physical and transition risks are novel, they differ from the perspective of conventional risk identification, measurement and management (which generally focus on extreme events with a basis in prior experience) and the outcomes are thus more uncertain.

This leads to significant uncertainties, assumptions and judgements underlying the disclosures and metrics included in this report that limit the extent to which they can be relied on.

2. The lack of reliable, accurate, verifiable, consistent and comparable data relating to climate and nature makes it challenging to accurately disclose or estimate data or metrics used to assess associated risk and opportunities.

In particular:

- finding the sources for relevant required data remains a challenge as does validating and standardising that data
- metrics and data, the models and supporting scenarios included in this report rely on third-party sources
- metrics and data, the models and supporting scenarios included in this report and the measurement technologies, analytical methodologies and services that support them, continue to develop.

3. There is a lack of standardisation, transparency and comparability of disclosure with many diverging disclosure frameworks and methodologies for calculating climate and nature-related disclosures and metrics, in particular, leading to estimates that are not directly comparable.

These differences are compounded by a lack of international coordination on data and methodology standards. Even where methodologies are publicly described, differences across data providers can still make resulting disclosures difficult to compare for investors and others evaluating climate or nature exposure across their holdings. In addition, the methodologies for estimating and calculating GHG emissions or emission intensities and other climate-related and nature-related metrics vary widely in their approaches. This could lead to under or over estimation of implied temperature rises and the attendant climate and nature risks.

4. Disclosures and metrics included in this report may require many methodological choices, estimates, judgements and assumptions about climate change, impact on nature, policies, technologies and other matters that are uncertain or not yet known.
5. Any material change in these variables may cause the assumptions and therefore, the disclosures, metrics and data based on those assumptions, to be incorrect.

6. Climate scenarios are not forecasts; rather they are projections of alternative plausible futures that are designed to build an understanding of the nature and size of changes that may occur in the future. They do not reflect all possible future pathways and, given their long-term nature, are inherently uncertain. These points will also remain relevant, as we expand our analysis to cover nature-related variables. In particular:

- these scenarios and the models that analyse them have limitations that are sensitive to key assumptions and parameters
- these scenarios cannot capture all of the effects of climate and nature-related policy and technology-driven outcomes
- scientific understanding of climate change and impacts and dependencies on nature continues to develop
- models cannot fully capture the range of societal changes that could result from climate change and from nature-related issues
- over-reliance on a limited number of the same prescribed models or scenarios may amplify systemic climate-related and nature-related risks.

Cautionary statement continued

7. This report and the information contained within it is unaudited¹. Further development of accounting and/or reporting standards could materially impact the disclosures, metrics, data points and targets contained in this report. As standards and practices continue to evolve, it may mean subsequent reports do not allow a reader to compare disclosures, metrics, data points or targets from one reporting period to another on a direct like-for-like basis. In addition, the Group's climate risk capabilities and net zero transition strategy and plan and approach towards nature-related issues remain under development and the data underlying these and market practice in relation to the disclosures made in this report will evolve over time. As a result, disclosures are likely to be amended and updated.
8. Any opinions or views of third parties expressed in this report are those of the third parties identified and not of the Group, its affiliates, directors, officers, employees or agents. By incorporating or referring to opinions and views of third parties, the Group is not, in any way, endorsing or supporting such opinions or views.
9. While all reasonable care has been taken in preparing this report, neither the Group nor any of its affiliates, directors, officers, employees or agents make any representation or warranty as to its quality, accuracy or completeness and they accept no responsibility or liability for the contents of this material, including any errors of fact, omission or opinion expressed. Some of the information that appears in this report may have been obtained from public and other sources and, while the Group believes such information is reliable, it has not been independently verified by the Group and no representation or warranty is made by the Group as to its quality, completeness, accuracy, fitness for a particular purpose or as to the fact that its use does not infringe any intellectual property or other rights.

10. This report contains forward-looking statements and metrics, such as targets, climate scenarios and emissions intensity pathways, estimated climate and nature-related projections and forecasts. Words or phrases such as 'anticipate', 'effort', 'estimate', 'believe', 'budget', 'continue', 'could', 'expect', 'forecast', 'goal', 'guidance', 'intend', 'may', 'objective', 'outlook', 'plan', 'potential', 'predict', 'projection', 'seek', 'should', 'target', 'will', 'would' or similar expressions that convey the prospective nature of events or outcomes generally indicate forward-looking statements.

The many significant uncertainties, assumptions, judgements, opinions, estimates, forecasts and certain non-historical data underlying forward-looking disclosures and metrics (such as carbon and other emissions metrics) and metrics to assess climate-related or nature-related risk and opportunity outside of carbon exposure may limit the extent to which these climate-related or nature-related metrics are used to better understand risk and evaluate progress towards established strategies, targets, objectives and commitments and could cause actual results, performance or events to differ materially from those expressed or implied in such statements.

Any opinions and estimates should be regarded as indicative, preliminary and for illustrative purposes only. The expected and actual outcomes may differ from those set out in this report. It is possible that the assumptions drawn and the judgements exercised may subsequently turn out to be inaccurate. The judgements and data presented in this report are not a substitute for judgements and analysis made independently by the reader.

1. This is with the exception of scope 1, scope 2, and scope 3 (categories 6, 7, 8 and 15) metrics, which have been subject to independent limited assurance by Deloitte (see pages 52 and 53).

The statements in this report are based on current plans, expectations, estimates, targets and projections and are subject to significant uncertainties and risks and can be affected by other factors which may result in the Group being unable to achieve the current plans, expectations, estimates, targets or projections. Accordingly, undue reliance should not be placed on these statements.

Factors which may cause actual results, performance or events to differ materially from those expressed or implied in the forward-looking statements include (but are not limited to):

- changes in environmental, social or physical risks
- legislative, regulatory and policy developments, including those addressing climate change or impacts on nature and the way in which and speed at which those developments take place
- the development of standards and interpretations, including evolving practices in ESG and climate and nature reporting
- geopolitical developments which could have a material adverse effect on the markets in which the Group operates
- the ability of the Group, with government and other stakeholders, to mitigate the effects of climate change and impacts on nature effectively
- the delivery of policy actions and achievement of climate reduction targets and any nature-related targets by companies in which the Group invests and in the wider economy.

Please see the Group's latest Annual report and accounts for further details of risks, uncertainties and other factors relevant to the business.

Any forward-looking statements made by or on behalf of the Group speak only as of the date they are made and, unless legally required, the Group assumes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information or for any other reason.

11. The information, statements and opinions contained in this report do not constitute an offer to sell or buy or the solicitation of an offer to sell or buy any securities or financial instruments nor do they constitute any advice or recommendation with respect to such securities or other financial instruments or any other matter.

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