

# Build Back Better.

Performance against sustainability targets in 2019



# Sustainability (CSR) Targets

At Legal & General our purpose is to improve the lives of customers, build a better society for the long term and create value for shareholders.

## Three journeys to one destination



**Our journey to net zero**



**Our journey to a better society**



**The journey to responsible business**

We have one decade to prevent the worst of catastrophic climate change. As we recover from the shock of 2020, the world must change to survive. Over the next decade there will be organisations that want to lead the change and there will be those who follow.

Through 'Inclusive Capitalism', Legal & General is leading the change.

Legal & General's sustainability strategy is built around three journeys: our journey to net zero; our journey to a better society and the journey to responsible business. The progress we make along each journey is measured against targets that were set previously.

This companion document to our CSR Report, 'Build Back Better', sets out our progress in 2019. Each target's progress is reported as on track, missed, ongoing or completed.

Legal & General's growth is powered by six drivers and each journey relates to two of them:



**Ageing demographics**



**Globalisation of asset markets**



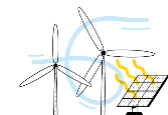
**Investing in the real economy**



**Welfare reforms**




**Technological innovation**






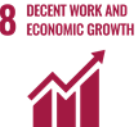

**Addressing climate change**

# Our journey to net zero

<p><b>Growth drivers</b></p>  <p>Addressing climate change</p>  <p>Investing in the real economy</p>	<p><b>Sustainable Development Goals</b></p>   
--	---

Target	Status	Deadline	Document reference	Progress update in 2019
Reduce the number of carbon-intensive companies that we own in our shareholder funds and replace them with less carbon-intensive companies.	On track	2023	TCFD Report	We continue to shift out of index funds into the LGIM Future World Range and have invested in international renewable assets so carbon intensity will have come down during 2019.
Support the development of key technologies with the potential to accelerate the transition to a low-carbon economy.	On track	2023	CSR Report	Our investment focus includes renewable wind and solar power generation, more energy efficient houses and buildings for our cities and innovative technologies to control, manage and store energy in order to make the most efficient use of the various energy supply resources available.
We will provide capital for up to 5% of the UK clean energy market, enough to sustainably power 5% of all UK households by 2021.	On track	2021	CSR Report	Our investments include onshore wind and solar through our partner NTR, produced enough renewable energy to power c.140,000 homes.
By 2020 the group will reduce carbon emission per policy by 20% based on 2013 baseline. Future targets aim to be aligned to Science based targets.	Achieved	2020	TCFD Report CSR Report Data Pack	Our total group carbon per policy has reduced from last year to match the baseline of 2013 i.e. 3.79kg of CO <sub>2</sub> e per policy. This is due to an increase in policy numbers rather than due to a decrease in overall carbon i.e. 38,420 tCO <sub>2</sub> e in 2013 and 46,164 tCO <sub>2</sub> e in 2019.
By 2020 the group will reduce operational office water consumption per policy by 20% based on 2013 baseline.	Achieved	2020	CSR Report Data Pack	In 2019 the data we collected about water use included previously excluded serviced offices and offices associated with our construction businesses. <ul style="list-style-type: none"> <li>• Overall office water consumption has decreased by 29%</li> <li>• Office water per employee has decreased by 34%</li> <li>• Office water per policy has decreased by 41%</li> </ul>
By 2020 the group will reduce total waste generation per policy by 25% based on 2013 baseline.	Missed	2020	CSR Report Data Pack	Our total waste per policy has risen significantly as a result of expanding the scope of reporting to include more construction businesses as well as serviced offices in the UK and all international offices.
LGIM will help clients understand better the risk and opportunities created by the low-carbon transition through education and then provide investment solutions to finance and benefit from the low carbon transition.	Ongoing	2023	Stewardship report TCFD report	Further details can be found on the Stewardship website: <a href="https://www.lgim.com/be/en/capabilities/corporate-governance/">https://www.lgim.com/be/en/capabilities/corporate-governance/</a>
Develop low-carbon, energy-efficient homes in our housing business.	On track	2023	TCFD Report CSR Report	We have made a new commitment to enable all new homes across the L&G Group to operate at net zero carbon emissions by 2030.

# Our journey to a better society

<p><b>Growth drivers</b></p>  <p>Ageing demographics</p>  <p>Welfare reforms</p>	<p><b>Sustainable Development Goals</b></p>   
--	---

Target	Status	Deadline	Document reference	Progress update in 2019
Across our business, we will improve our products and services to support emerging vulnerabilities in our customers' lives.	Ongoing	2019	CSR Website	We remain committed within each business group to focus on vulnerable customers and work with each business to develop and further improve our products and services.
We aim to have 20% of the real assets we own or invest in, to have an economic and a social value generated based upon how we design and run them.	On track	2023	CSR Report	These targets will also be embedded into the ongoing performance measurement of our properties, as well as into future procurement documents. This will help to ensure we further embed social value measurements and targets into the supply chain.
LGIM will engage with investee companies on key themes that will help to create more resilient societies, namely diversity, health, technology, income inequality and financial inclusion.	Ongoing	2023	CSR Report Stewardship Report	During 2019, we continued to engage on our long-term themes: diversity; income inequality and financial inclusion; technology, and public health.
The group will institutionalise long-term investment into social housing	On track	2023	CSR Report	We are working with 14 Housing Associations to build 3,000 affordable homes annually.
Continue our strategy to invest £15 billion into sectors of the economy that are economically, socially and environmentally useful	Achieved	2019	CSR Report	Our direct investments total over the last five years is £26 billion.
Develop investment solutions via LGIM that are more clearly aligned to the UN Sustainable Development Goals (SDGs).	On going	2023	CSR Report Stewardship Report	We continue to pursue the 'impact' of our funds to the society at large. To this end, we have carried out a mapping exercise to see where our sustainable funds, especially the Future World range, are aligned to the Sustainable Development Goals.
LGIM will develop and enhance long-term investment offerings which integrate ESG themes.	On going	2023	CSR Report Stewardship Report	Systematic inclusion of ESG issues in our investment process aims to unearth unrecognised risks and opportunities companies might face in the future. Material sustainability factors are identified and assessed alongside traditional financial analysis to provide a holistic view what might affect the bottom line. ESG factors are embedded into our evaluation of investment opportunities across asset classes and investment styles, to identify unrewarded risk and to protect and enhance the long-term value of all our clients' investments.
Legal & General Capital will enable over £10 billion of funding into small to medium sized enterprises (SMEs), supporting job creation and economic growth.	On Track	2023	Annual Report CSR Report	LGC's 40%-owned private credit manager Pemberton has accelerated the deployment of capital across all funds. €3bn+ deployed across 30 deals and total Funds Under Management grown to c.€6.1bn. In Venture Capital investing, LGC has continued to build a robust portfolio of high quality European Venture Capital managers where it has c. £140m deployed across 14 funds.

## Performance against sustainability targets in 2019

Support the aim of the Paris Agreement to limit the global average temperature rise to well below 2°C of pre- industrial levels.	On Track	2023	Annual Report TCFD Report CSR Report	We are now defining the Paris objective as targeting 1.5 degrees of warming
As a group we will support at least one development of a new economy asset classes to create economic and social value into our communities.	Achieved	2019	CSR Report	We continue to invest in our Social Enterprise scheme within Wales and Sussex, with one million being invested in the Fund.
By 2021 as a Group, invest in major regeneration schemes in at least ten UK cities.	Achieved	2021	Annual Report CSR Report	The portfolio covers Cardiff, Newcastle, Bracknell, Salford, Manchester, Leeds, Birmingham, Bath, Sheffield, Sunderland and London.

# The journey to responsible business

<p><b>Growth drivers</b></p>	 Globalisation of Asset Markets	 Technological Innovation	<p><b>Sustainable Development Goals</b></p>	<p><b>5 GENDER EQUALITY</b></p> 	<p><b>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</b></p> 
------------------------------	---	---	---	---	---

Target	Status	Deadline	Document reference	Progress update in 2019
As a group, we will deliver our 50:50 by 2020 gender mix through recruitment and retention initiatives.	On going	2020	Annual Report CSR Report	Although we have not yet achieved these targets, setting aspirational goals has proven valuable. It was a firm statement of intent and as such has ensured a focus on the issue of gender equality.
Publish a Code of Conduct for our suppliers and partners which will formalise our expectations about gender diversity.	Achieved	2019	CSR Report CSR Website	We have also built a new Code of Conduct questionnaire to help ensure that we can better evidence adherence to our Code of Conduct and to look to capture future trend data on how our suppliers are taking steps to ensure a diverse employee base.
Create a pool of female talent for leadership and key technical roles and implement an initiative for career returners.	Achieved	2019	Annual Report CSR Report	As a result of the ExCo talent reviews last year we've also increased the % of female candidates identified as successors into ExCo roles. Female candidates now account for 47% of all successors (v. 42% as at Jan 19) and 42% of near-term successors (v. 33% in Jan 19).
Drive greater understanding of our current workforce diversity by improving our data collection and increasing disclosure rates in 2018.	Ongoing	2019	Annual Report CSR Report	We continue to make the case for our people to share their diversity data, recognizing that this is can be a personal and intimate decision.
Use the employee 'Voice Pulse' survey to measure our progress on inclusion and belonging.	Achieved	2019	Annual Report CSR Report	We have evolved the questions to provide greater clarity, consistency and focus. We working to establish new ways to understand and measure how inclusive our business is and will put these in place in 2020.
As a group we will bring at least 5% within our supply chain of social enterprises and SMEs.	On track	2024	CSR Report CSR Website	We continue to review how we work with smaller firms and social enterprises for future tenders.
Extend our work on Modern Slavery and delivering training to suppliers with special emphasis on working within the construction business.	On going	2019	CSR Report Modern Slavery Statement.	We have established a CSR forum to focus on a number of areas including Modern Slavery. We have engaged Stronger2gether to run an audit on Modern Slavery scope across L&G and work is underway agreeing the priorities and next steps.
Roll out 'Dementia Friends' across the group as best practice guidance so we can work towards becoming a dementia-friendly company.	On going	2020	CSR Website	Legal & General Home Finance and Mature Savings train all the staff to come a dementia friend. We offer two training courses across the group including a digital approach for agile staff. We continue to work to include the video of being a dementia friend in all our induction packs for new joiners.