



**EMBARGOED UNTIL 00.01 BST/CEST ON WEDNESDAY 31 March 2021**

## **L&G Workplace Pensions and L&G Mastertrust set out roadmap to net zero by 2050**

**New framework targets carbon emissions intensity reduction of 50% by 2025 and 65% by 2030 in target date default**

**Available to over 4 million DC scheme members and £53bn AUM**

**Reflects journey towards Paris Agreement goals of a 1.5 °C degree scenario**

L&G's Workplace DC business, together with the L&G Mastertrust, have unveiled their proposed roadmap to achieve net-zero by 2050 across all of their auto-enrolment default investment options\*, and builds on L&G's commitment to net zero by 2050. This announcement coincides with the publication of LGIM's tenth annual [Active Ownership Report](#).

### **Net zero portfolio evolution**

In December 2020, LGIM pledged to work with clients to increase the proportion of assets managed under a net zero target and today's announcement represents an important milestone on this journey. The framework will be available to over 4 million DC scheme members and £53bn AUM and includes targets of c. 50% reduction in carbon emissions intensity within its Multi-Asset Funds and c. 60% for Target Date Funds, with the growth phase targeting 65%, with variation across funds depending on their investment strategy (see table below). Aligned to this, L&G has established a roadmap to enable the Mastertrust's auto-enrolment defaults to target reduced carbon emissions intensity, including the setting of minimum climate expectations for investee companies. In 2019, the L&G Mastertrust was the first to offer an ESG default option and this commitment further represents the strengthening of L&G's responsible investment offering for pension scheme members.

These targets are designed to reflect the beginning of alignment with the Paris Agreement goal to limit warming to 1.5C and are expected to be reviewed periodically in-line with the best available science-based approaches and industry practice, such as the Paris-Aligned Investment Initiative. All targets are relative to end-2019 data and focused on portfolios' listed equity and publicly traded corporate debt exposure.

Reductions are expected to be achieved using a combination of the use of climate transition/aligned benchmark indices in some index tracking funds, selective divestment where appropriate and a focus on re-shaping exposures within priority sectors. In parallel to reducing emissions, the relevant investment strategies will also seek to increase their exposure to climate solutions – such as sustainable forestry and renewable energy.

### **LGIM's engagement progress**

This announcement follows a year of significant progress in which LGIM has already achieved an estimated 23% carbon emission intensity reduction on default multi-asset funds (compared to what it would have otherwise been end of 2019) and an estimated 30% on its Target Date Funds, with a further 20% by 2025 and then a further 15% by 2030, all relative to end of 2019. It has also transitioned £11 billion within its default funds equity exposure from a standard market cap weighted index to tracking indices which enforce minimum standards on investee

companies. This includes applying the Climate Impact Pledge, launched in 2016, which includes divestment sanctions against investee companies which do not meet LGIM's expectations, which has been incorporated into all its auto-enrolment defaults. This has resulted in approximately £170 million of selective divestments, including £75 million from coal companies and Climate Impact Pledge divestments. All of these changes are necessary to address climate risk as a financially material risk factor to clients' portfolios.

LGIM's Destination@Risk model will further enhance our understanding and management of the risk profile of the funds against specific climate related scenarios and allows the robust measurement of the climate risk embedded in investors' portfolios and their climate alignment. LGIM's investment teams will be able to access the climate risk and temperature alignment forecasts of the Destination@Risk within the climate risk dashboard, enabling them to partner with clients to design and implement 'Pathways to Paris' solutions.

**Emma Douglas, Head of Defined Contribution at LGIM, comments:**

*“As the UK’s largest DC provider, we are fully supportive of achieving the target of net-zero by 2050 and the roadmap we are setting out today provides further detail as to how we plan to de-carbonise our own range of auto-enrolment defaults and those of the L&G Mastertrust. Climate change is the defining challenge of our generation and an area of great concern to many of our members. As the innovations and change required to deliver net-zero materialise, we will continue to evolve our roadmap for the coming years and use our proprietary framework to monitor the progress. Our roadmap to net zero is a significant step in assuring our members that their retirement savings are influencing real change.”*

**Dermot Courtier, Independent Chair of the L&G Mastertrust and Independent Governance Committee comments:**

*“Managing climate-related risks on behalf of our members is a crucial financial factor and a key priority for the Trustee Board. We are delighted that L&G has followed up on their commitment to net zero within the default funds with this clear ESG and climate change roadmap to enable us to ensure the long-term performance of our investments and improve member outcomes in retirement. These timelines and milestones will further support us in overseeing the progress to net zero on behalf of our scheme members and we look forward to collaborating with L&G as we progress on this important journey.”*

**Commenting on Legal & General's Net Zero commitment, Richard Curtis, Co-Founder at Make My Money Matter said:**

*“This ambitious announcement from Legal & General shows that the race to the top among pension providers is picking up pace. Since we launched our campaign to green the UK's pensions industry, schemes have been making more and more ambitious commitments, and L&G's pledge shows what is possible when providers harness the power of our pensions to build a better world. Their target of reducing emissions by 65% by 2030 is particularly encouraging, and demonstrates the speed and urgency required by providers to combat the climate crisis. When I spoke with L&G members last year I heard loud and clear that they wanted to see their pensions go green, and it's fantastic that these voices are being heard. Now is the moment for the rest of the industry to follow suit and ensure that by November's COP26 summit everyone in the UK has a pension they can be proud of.”*

LGIM will also report to the L&G Mastertrust on the evolution of the temperature alignment of portfolios. We believe this additional reporting and newly announced targets, coupled with LGIM's ongoing engagement activities on climate, are aligned with best practice recommendations for schemes' climate targets<sup>1</sup>:

**- ENDS -**

**Notes to editors**

\* This applies to the standard Mastertrust defaults: L&G Multi-Asset Fund, L&G Future World Multi-Asset Fund and L&G Target Date Funds.

**L&G Target Date Funds**

Weighted average carbon emissions intensity (relative to end 2019)	2025	2030
Target Date Funds (growth phase*)	At least -50%	At least -65%

Target Date Funds (approaching retirement)	At least -40%	At least -60%
Target Date Funds (at retirement)	At least -30%	At least -45%

\* Calculated as up to the point at which a member starts to de-risk, ten years from their targeted retirement date.

### L&G Multi-Asset Funds

Weighted average carbon emissions intensity (relative to end 2019)	2025	2030
Multi-Asset Fund	At least -20%	At least -40%
Future World Multi-Asset Fund	At least -30%	At least -55%

The Future World Multi-Asset Fund will also target lower carbon emissions intensity relative to a comparator strategy, with a relative objective of at least 45% by 2025 and 60% lower by 2030. In relation to this comparator at the end 2019, the decarbonisation targets set out above will mean the Future World Multi-Asset Fund will have at least 50% lower emissions by 2025 and least 70% lower by 2030. At a minimum, Multi-Asset Fund reductions aim to achieve a decarbonisation pathway consistent with the Paris agreement imperative of limiting warming to well below 2 degrees, with an aspiration to pursue efforts in line with 1.5 degrees.

### Key Risk Warning

**The value of an investment and any income taken from it is not guaranteed and can go down as well as up; you may not get back the amount you originally invested.**

### About Legal & General Investment Management

Legal & General Investment Management is one of Europe's largest asset managers and a major global investor, with total assets under management of £1.3 trillion (€1.4 trillion, CHF 1.5 trillion, JPY 181 trillion, \$1.7 trillion)<sup>[1]</sup>. We work with a wide range of global clients, including pension schemes, sovereign wealth funds, fund distributors and retail investors. Throughout the past 40 years we have built our business through understanding what matters most to our clients and transforming this insight into valuable, accessible investment products and solutions. We provide investment expertise across the full spectrum of asset classes including fixed income, equities, commercial property and cash. Our capabilities range from index-tracking and active strategies to liquidity management and liability-based risk management solutions.

<sup>1</sup>LGIM internal data as at 31 December 2020. These figures include assets managed by LGIMA, an SEC Registered Investment Advisor. Data includes derivative positions.

### Further information

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<sup>i</sup> <https://www.gov.uk/government/publications/aligning-your-pension-scheme-with-the-taskforce-on-climate-related-financial-disclosures-recommendations/part-4-quick-start-guide-setting-metrics-and-targets-to-measure-and-manage-climate-related-risk>