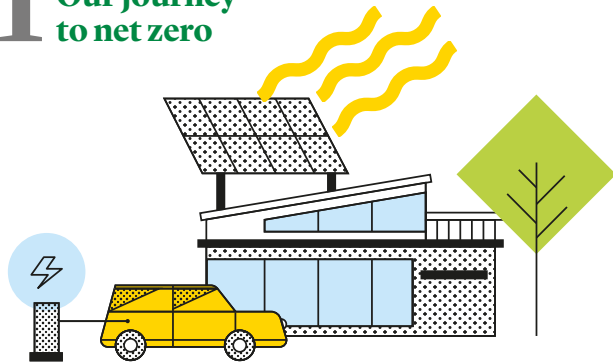


# Build Back Better.

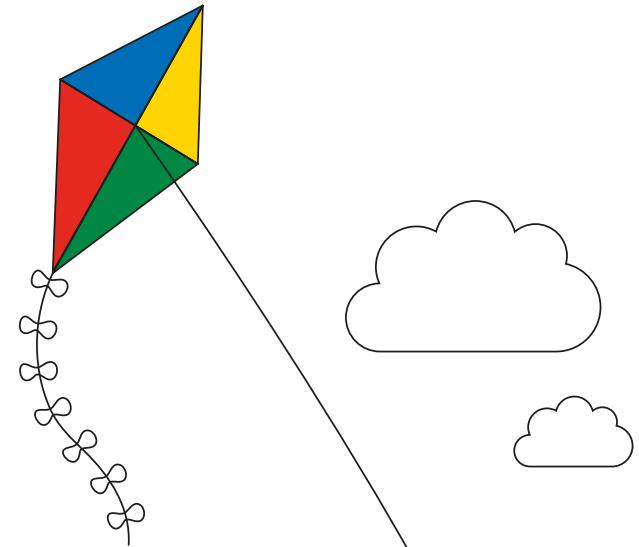
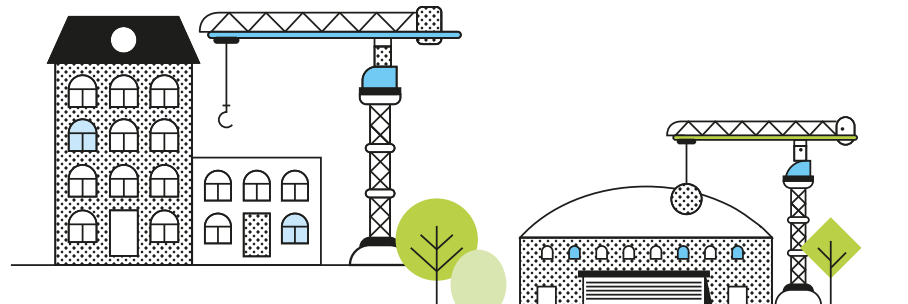
## 1 Our journey to net zero



## 2 Our journey to a better society



## 3 The journey to responsible business



# We are Legal & General

# Build Back Better.

When we looked at 2020 from 2019 we saw the potential to shape the three great issues of our time: climate and carbon; ageing; and health and infrastructure for growth.

The coronavirus has changed our society and our way of life for the time being, but we must still answer the challenges.

Legal & General’s approach, to Build Back Better, is our plan to support the creation of an inclusive recovery for our society, its economy and our environment.

## Our focus areas



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# Welcome Chief Executive's Review

# 8,500

Global employees



**“Over the next decade we will all have to pull together, and all 8,500 members of the Legal & General global team will play their part.”**

This report covers 2019, before the global spread of the coronavirus. Every family, and every workplace, has felt the struggle, sadness and change of COVID-19.

**Over the next decade we will all have to pull together, and all 8,500 members of the Legal & General global team will play their part.**

**At Legal & General, our purpose remains constant, to improve the lives of our customers, build a better society for the long term and create value for our shareholders. This inspires us to use our long-term assets in an economically and socially useful way to benefit everyone in our communities.**

There is still only one decade, this one, to prevent catastrophic climate change so we will turbo-charge our inclusive capitalism strategy to build a decarbonised, prosperous and inclusive society – this is what successful sustainability is at L&G. To achieve this L&G is creating real and lasting change. ‘Real’ change because we are a can-do organisation focused on building new, real assets and ‘lasting’ because it takes years of diligent and concerted efforts to deliver big changes, in line with the UN’s Sustainable Development Goals. At the end of May last year I wrote to the then Prime Minister (Theresa May) to ask her to act immediately to put into legislation the Committee on Climate Change recommendation for a UK 2050 net zero greenhouse gases emissions target and to back that up with a robust set of policy initiatives in the priority areas. At the end of June the UK became the first major economy to pass a zero emissions law.



# Chief Executive's Review

continued

Inclusive capitalism is long-term investing that supports financial inclusion. This is why we have, so far, ploughed £26 billion into direct investments, creating tens of thousands of good jobs for skilled workers and delivering new, sustainable and inclusive communities. We are transforming cities like Cardiff and Salford, investing in science parks, and building affordable housing in Cornwall. We are leading in later living developments with communities in Warwickshire, Cheshire and Exeter. We have invested £1.3 billion in renewable energy infrastructure. In 2019, we were delighted to be invited to join the G7's and OECD's 'Business for Inclusive Growth' forum which brings together other influential organisations supportive of inclusive growth.

From 2030, all new homes built by our housing business will be capable of operating at net zero carbon emissions and we continue to work to reduce our carbon footprint. As one of the world's largest investment managers, we use our scale and position to encourage increased levels of climate action.

**Inclusive capitalism is long-term investing that supports financial inclusion. This is why we have, so far, ploughed £26 billion into future cities, housing and clean energy, creating tens of thousands of good jobs for skilled workers and delivering new, sustainable and inclusive communities.**



At the end of 2019 Legal & General began working with Edinburgh University to deliver the Advanced Care Research Centre, the first of its kind in the UK. This £20 million research centre will offer a seven-year multi-disciplinary research programme designed to improve understanding of care in later life and to revolutionise how it is delivered. The research carried out by the centre will be available for anyone to work with. Collaborations like the Advanced Care Research Centre (ACRC) are, for me, at the very heart of what 21st century sustainability should be: a partnership between private and public that seeks better answers to our society's challenges so that long-term, evidence-based policy can contribute to building a new and sustainable economy.

**Nigel Wilson**  
Group Chief Executive Officer

**£1.3bn**

We have invested £1.3 billion in renewable energy infrastructure

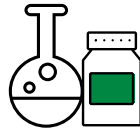
**£26bn**

We have put £26 billion into direct investments, including many significant energy, urban transformation, later living, housing and research projects that contribute towards a net zero carbon future

# Stepping up in 2020

Over the past five months we have focused Legal & General on supporting the effort to cope with the outbreak of the pandemic and the measures that followed.

Many organisations have needed to use the government's support measures, such as the Job Retention Scheme, and we are proud that we have been able to operate smoothly, make progress for our customers and shareholders, and we are doing so without relying on the taxpayers' money.



## We have accelerated scientific research

Alderley Park, the UK's largest science park, is being used as one of the three megalabs. Alderley is one of many science parks owned by Bruntwood SciTech, a partnership between Legal & General and Bruntwood

# £20m

into ACRC Edinburgh research

# 36%

stake in the Kensa Group, one of the UK's largest players in the ground source heat pump technology sector, as it scales up its investments in addressing decarbonisation



## Delivering for our customers

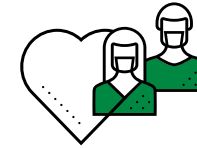
Throughout the crisis we have delivered on the promises we made to our customers. Annuities have been paid; claims have been paid and we have supported our vulnerable customers. We have operated without interruption through the crisis – a significant operational achievement

# £150m

city deal in Sheffield and announced in Selby that we will deliver over 150 homes using modular construction

# £2.8bn

Working consistently through the Covid lockdown, we have continued to secure pension incomes and create new investment opportunities



## Supporting the NHS

Care Sourcer is working with a significant number of healthcare commissioning groups in London

Current Health is supporting healthcare providers with cutting edge medical tech in the UK and US

# 25

of our sites have been offered to the NHS to use for testing, as well as our Bracknell site being offered up for training and storage



## Direct support

# £500k

coronavirus emergency charity fund launched

Working with The Trussell Trust, supporting the UK's network of food banks

Partnering with the Royal Voluntary Service who are launching new volunteer recruitment #NHSVolunteerResponders

Support for SalaryFinance customers

# Three journeys to one destination

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.

## Our journey to net zero

As a global organisation working over generations and decades, rather than just years and months, we can use our scale to embed long-lasting reform; our active stewardship is already changing the environmental behaviour of hundreds of other corporations.



## Our journey to a better society

We have put £26 billion into direct investments, including many significant energy, urban transformation, later living, housing and research projects that contribute towards a net zero carbon future. It is what we call ‘inclusive capitalism’.



## The journey to responsible business

Responsibility means that we design our products and services to support our journey to net zero and embody our vision of ‘inclusive capitalism’.





# Improving lives through inclusive capitalism

## £20m

Invested in Edinburgh longevity research centre



“One of the proudest days of my career was signing the £400 million deal that saw Legal & General partner with Newcastle University and the city’s council to build more of ‘Science City’. The North East blazed the trail that the world followed in the first industrial revolution and I know that inclusive growth is the path for the region to excel in this century.”

Nigel Wilson, Group CEO

In 16 years, the customers, shareholders and employees of Legal & General will mark the company’s 200th birthday. The six lawyers who established the company combined risk and longevity to meet the needs of 1836.

In the almost 200 years since, we have brought our skills to bear on the challenges of each generation. We have always believed that a fair capitalist system is the best way to achieve progress, by sharing success with investors, customers and society.

**Today, though, it is clear that capitalism is not inclusive. We are changing this. Capitalism and social progress are not opposing forces. It is quite the opposite; they can be mutually reinforcing. Capitalism and a sustainable economy are not opposing forces.**

With a commitment to long-term thinking, a willingness to work beyond political and economic divides, and an urgent can-do attitude, we can use inclusive capitalism to change the economy so that it: **belongs to us all** – a new and sustainable, green economy we all have

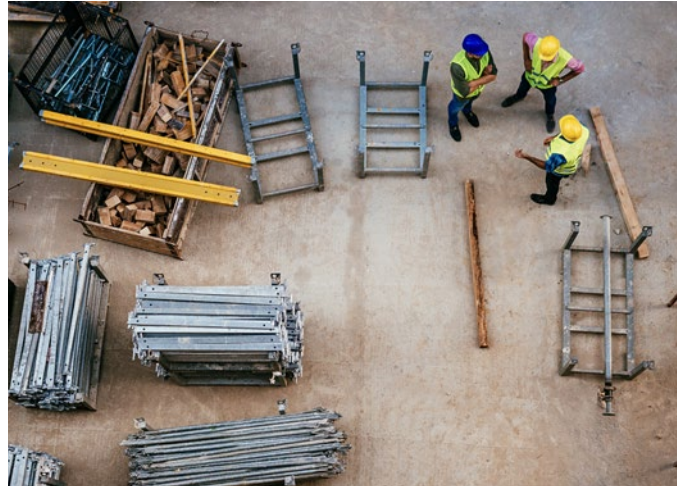
a stake in; **runs on a level playing field** – a society where opportunity is not just for the rich, but **works for all generations and people from all cultures and backgrounds, to support great public services.**

This is why we have invested £26 billion into direct investments, why we call out companies that are not doing enough on climate change, and why we are investing in start-ups whose potential is world-changing.

Today’s Legal & General fuses 200 years of experience in longevity, risk and investment with leading edge technology, into an international organisation of 8,500 people with ten million customers. Using scale, innovation, products and stewardship, today’s Legal & General is using inclusive capitalism to create a fair and sustainable economy for the future.

# Five examples of inclusive capitalism in action

Inclusive capitalism is built on great partnerships delivering great results. The five examples show the power of cooperation. If we can all set aside old divides between public and private, we could unlock and release a burst of transformative energy in our society and economy.



## 1. £60 million investment in housing for homeless people in Croydon

£60 million investment into housing for homeless people in Croydon. The innovative partnership with Croydon Council will deliver 250 homes for families on the UK's housing list, waiting for a home. The partnership will also save the council £21.6 million.

## 2. OECD recognition for inclusive growth

Legal & General's commitment to fight inequality, advance human rights and build more inclusive workplaces and supply chains was recognised by the Organisation for Economic Co-operation and Development (OECD). Legal & General is one of 34 global businesses now working with the 'Business for Inclusive Growth' (B4IG) coalition.



# Five examples of inclusive capitalism in action

continued



### 3. £20 million research into care and longevity

Legal & General and Edinburgh University launched a ground-breaking £20 million research centre to improve understanding of care in later life and to revolutionise how it is delivered.



### 4. Ongoing focus on mental health at work

We've continued to develop our 'Not a Red Card' mental health campaign and awards to encourage other organisations to support such conversations in their workplaces.



### 5. £4 billion partnership with Oxford University

Oxford University and L&G formed a £4 billion partnership to create homes for staff and students of the university, as well as science and innovation districts in and around Oxford.

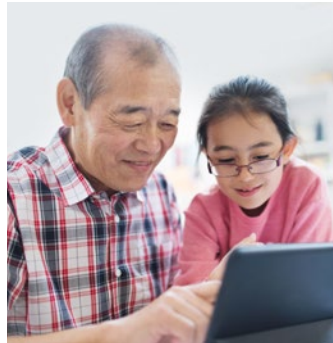
What an organisation does is what counts; the decisions it takes and the priorities it chooses to focus on. We recognise that scale comes with a responsibility to act for the good of the societies we are part of. The choices we have made to invest in high quality, cutting edge research is a great example of a practical, tangible and positive contribution to society. The work carried out using the £20 million we invested in Edinburgh will be open source, available to anyone seeking to understand more about modern longevity.

# About the Legal & General Group

## Our focused strategy continues to deliver profitable growth.

We are built on understanding people, how long they live, what risks they are comfortable with and their changing needs throughout life. Our business model enables us to capitalise upon our strengths and capabilities.

**We aim to be leaders in these key areas:**



### Retail Retirement

We focus on individual retirement solutions, including lending and income. Individual annuity sales grew to £970 million in 2019 and Lifetime Mortgages to £965 million.

## £970m

Individual annuity sales in 2019



### Institutional Retirement

Our Pension Risk Transfer business works with companies and their pension schemes to ensure that promises made to current and past employees are met and in 2019 we sold a record-breaking £11.4 billion in annuities.

## £11.4bn

A record-breaking amount of annuities sold in 2019



### Investment Management

We are the UK market leader in providing pension asset management services to institutional clients. In 2019 LGIM's Assets Under Management (AUM) reached £1,196 billion. Over three million people in the UK save with LGIM through their defined contribution pensions.

## 3m

Over three million people in the UK saved through defined contribution pensions with LGIM

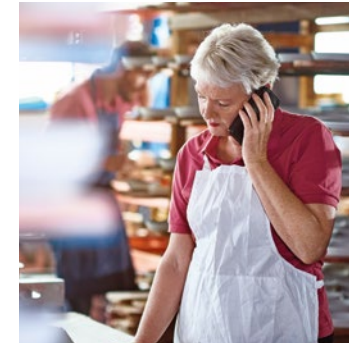


### Capital Investment

Over 2019, we continued to invest in socially and economically useful areas to create jobs, drive wage increases, change living standards and deliver returns. At the end of 2019, our direct investments portfolio had grown to £2.9 billion.

## £2.9bn

Our direct investments portfolio



### Insurance

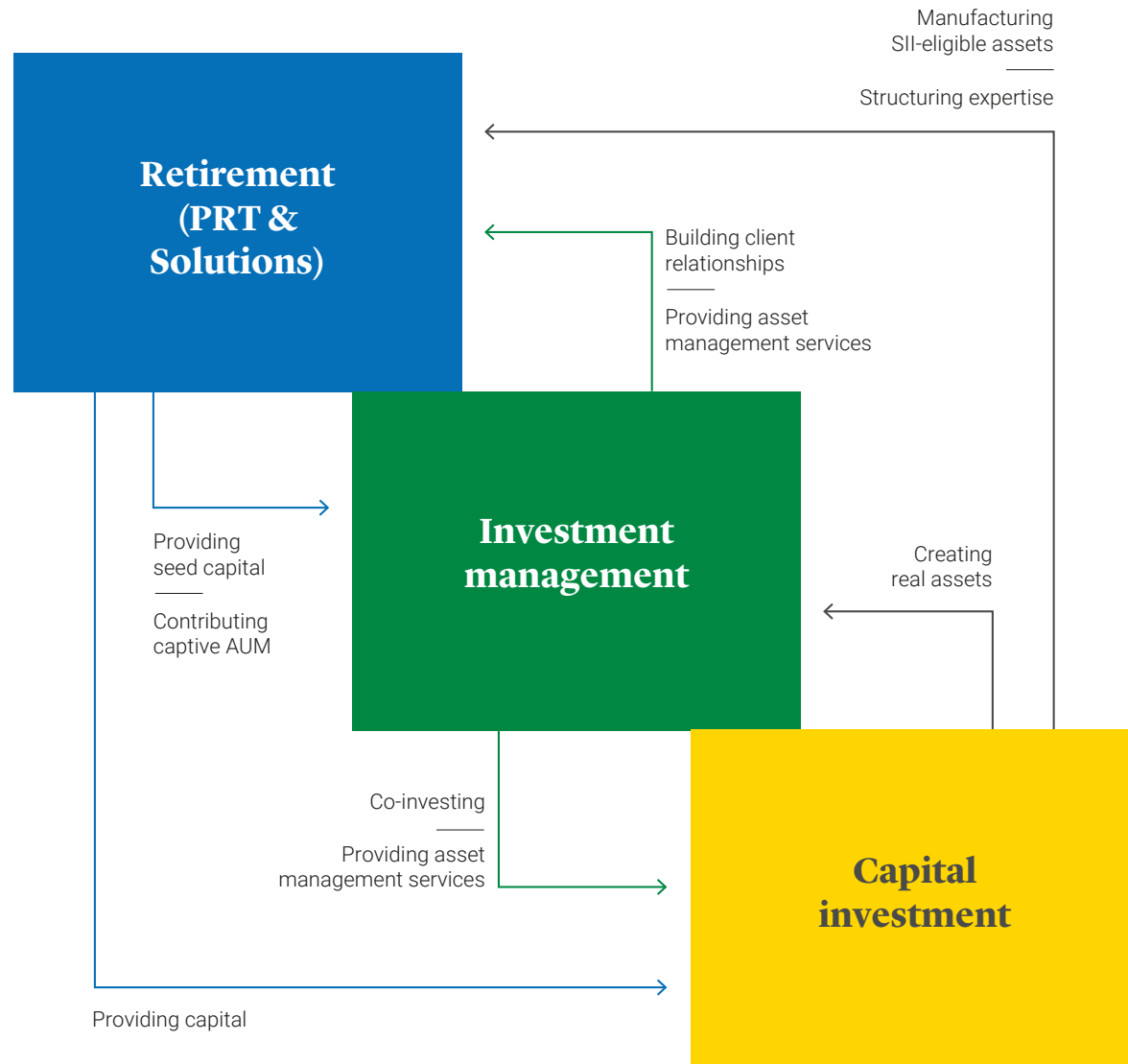
We now have over five million UK individual life insurance customers, over two million people in group protection schemes and in excess of one million US life insurance customers. In 2019 gross written premiums grew by 6% to £2,729 million.

## £2,729m

Gross written premiums grew by 6% in 2019

# How we create value

## What we do



## 2019 highlights

**£1.1bn**

of renewable and alternate energy investments, predominantly in solar and offshore wind

**12,000**

Glasgow city households will be positively affected by the settlement of the equal pay dispute

**£1.3bn**

of affordable public housing investments helping to solve the UK's housing shortage

**£57m**

invested in solar power generation to support Hermes Infrastructure

- £1.1 billion of renewable and alternate energy investments, predominantly in solar and offshore wind.
- £1.3 billion of affordable public housing investments helping to solve the UK's housing shortage.
- We provided £285 million in funding, secured on an underlying property portfolio of 473 commercial assets located in and around Glasgow, to support Glasgow City Council in addressing their historic equal pay issues through the provision of the majority of the capital required to meet this liability. It is estimated that around 12,000 Glasgow city households will be positively affected by the settlement of the equal pay dispute.
- We also invested in solar power generation with a £57 million long-term debt financing agreement to support Hermes Infrastructure, which provides solar photovoltaic systems for over 9,000 residential homes across the UK. This is a great example of how, across the group, we address climate change and energy transition.



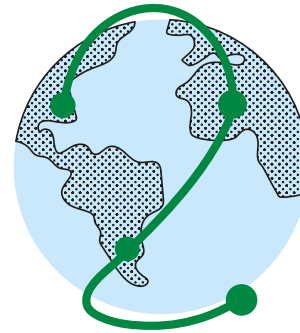
# Leading on global issues



## Ageing demographics

- **“The number of persons aged 80 years or over is projected to triple, from 143 million in 2019 to 426 million in 2050.”<sup>1</sup>**
- **“In the UK every year there are 1.8 million requests for social care from 1.3 million new clients.”<sup>2</sup>**

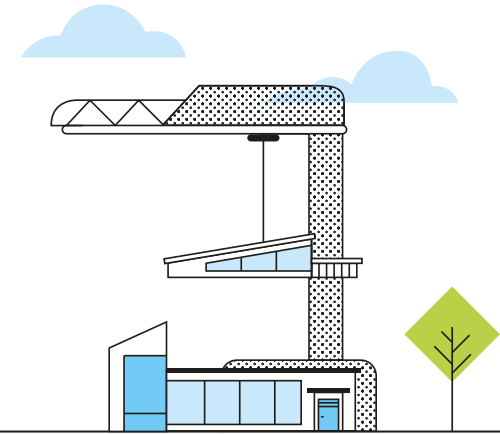
The ageing population is a great achievement and to be celebrated. We are working with expert third sector specialists, universities and start-up companies to create an ecosystem of products and services to support people as they work for longer, and, retire for longer.



## Globalisation of asset markets

- **There is c. \$11 trillion of global money earning negative returns, waiting for a more productive home.<sup>3</sup>**

We want to see money currently earning negative returns used to support a new, growing and sustainable economy. Companies doing the right thing and investing in ESG outcomes are recognised by Legal & General and, for companies not doing the right thing, we will call them out.



## Creating real assets

- **The UK’s five-year infrastructure project pipeline is £483 billion.<sup>4</sup>**
- **“Shared infrastructures shape our lives, our relationships with each other, the opportunities we enjoy, and the environment we share.”<sup>5</sup>**

Throughout the UK and beyond, there has been a long-term trend of underinvestment in major towns and cities. We continue to experience a serious housing shortage, while small and medium enterprises also struggle to achieve scale without access to long-term capital.

1. United Nations

2. Department of Health and Social Care

3. Bank for International Settlements

4. HM Treasury and the Cabinet Office

5. Infrastructure, B Frischmann

# Leading on global issues

continued

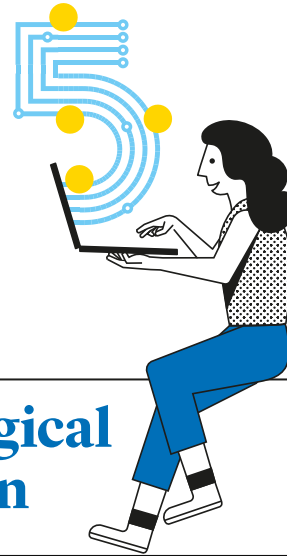


## Welfare reforms

- **“Europe accounts for just over 7% of the world’s population, produces around 25% of global GDP and has to finance c.50% of global social spending. It’s obvious it will have to work very hard to maintain its prosperity and way of life.”**  
Angela Merkel

The need to protect people from financial uncertainty continues. This includes helping people take personal responsibility for saving for their retirement and safeguarding their financial wellbeing and resilience.

## Technological innovation



- **2.5 quintillion bytes of data are created every day and 80% of data is unstructured.**<sup>6</sup>

Consumers, clients and businesses look to digital platforms to help organise their finances and working lives. Technological solutions can increase security, improve the way we work and how we access information. This can mean the difference between success and failure in business.

## Addressing climate change



- **“The planet’s average surface temperature has risen about 1.62 degrees Fahrenheit (0.9 degrees Celsius) since the late 19th century, a change driven largely by increased carbon dioxide and other human-made emissions into the atmosphere. Most of the warming occurred in the past 35 years, with the five warmest years on record taking place since 2010.”**<sup>7</sup>

Scientists, policy-makers, markets and regulators increasingly agree that we must move to a global warming trajectory below 1.5°C to avoid potentially catastrophic physical risks which will impact global economies, markets, companies and people. Building this lower-carbon economy will, in turn, create risk management challenges but will also deliver substantial new growth opportunities, including in renewables and innovative technologies.

6. IBM

7. NASA

# Stakeholder engagement

We always want to deliver great outcomes for our customers, shareholders and investors. By listening to our stakeholders and taking part in the big national and international conversations, we focus on what matters most.

**In 2019 we made the case for inclusive capitalism and through market-leading thought-leadership, we were at the heart of the big national and international debates.**

Taking part in the big conversations means that we both speak and listen. From the Chairman attending investor meetings, to bringing world renowned experts such as Lord Nicholas Stern into internal debates, to critical friend feedback on our products, we are always listening and learning from our stakeholders.

Active listening to stakeholders is built into the way the business operates. We use a risk management process to ensure that feedback is absorbed, analysed, understood and acted on, where needs be. Our risk management framework supports informed risk taking by our businesses, setting out those rewarded risks that we are prepared to be exposed to and the risks that we want to avoid, together with risk limits and required standards of internal control to ensure exposures remain within our overall risk appetite.

Our straightforward, collaborative and purposeful behaviours underpin the operation of our risk framework, providing a culture of openness and transparency in how we make decisions and manage risks, and balancing performance with principles to do what's right.

During 2019, we expanded our risk governance framework to include greater focus on understanding and managing our exposures to the financial risks from climate change, seeking to ensure that we can identify, assess, measure and control exposures within the group's overall risk appetite.

## Our risk management framework

We operate a three lines of defence risk governance model

### First line of defence

Our operating businesses are our first line of defence, responsible for risk taking within the parameters of our risk appetite and accountable for managing risks in line with risk policies.

The mechanisms used to gauge external feedback include, for example: roundtables; working groups; one to one meetings and online surveys.

The skills to assess and price for risk form part of our first line business management activity.

### Second line of defence

Our second line of defence is our risk oversight function under the direction of our Group Chief Risk Officer. The team of 150 risk professionals provides our businesses with expert advice and guidance on risk and capital management, alongside ensuring risk taking remains within acceptable parameters.

### Third line of defence





Our Group Internal Audit function is our third line of defence, providing independent assurance on the effectiveness of business risk management and the overall operation of our risk framework.



# Stakeholder engagement

continued

## Examples of how stakeholder engagement and feedback has contributed to sustainability outcomes

| Stakeholder  | Subject   | Engagement and outcomes   |
|--|---|---|
|  <b>Shareholders</b>   | Investors' views on directors' remuneration             | In October 2019, Lesley Knox wrote to our largest investors requesting feedback on the directors' remuneration policy. Five responses were received and the feedback was useful input into further developing this policy.  |
|  | Investors' interests                                    | The Chairman attended 16 investor meetings, covering topics such as group strategy, governance, the group's business lines and the wider macro-environment. Feedback from these meetings was then shared with the wider Board.  |
|  | Building a better conversation with retail shareholders | In order to provide better, direct access to retail shareholders, the Investor Relations team held a well-attended meeting on 18 November 2019 with ShareSoc, an organisation of 5,000 retail investors. The event was attended by 50 retail investors and the presentation was made available on the ShareSoc website. The event was a success: 88% of respondents indicated they were more likely to invest in Legal & General following the presentation.  |
|  <b>Intermediaries</b> | Critical illness cover                                  | Feedback from intermediaries on critical illness cover led to changes that improved the quality of cover and reduced complexity.  |
|  <b>Customers</b>      | Raising awareness on climate change                     | LGIM regularly hosts educational sessions for trustees and clients. In early 2019, senior LGIM staff were joined by world-renowned climate economist Lord Nicholas Stern at the London Stock Exchange for a client webinar to discuss climate integration into investments.   |
|  | Saving sustainably                                      | We are bringing investments that incorporate ESG principles into the mainstream through our Future World Fund range. L&G Group has demonstrated strong support for LGIM Future World Fund range by investing c£789.8m of our own capital.   |
|  | Understanding how our performance impacts our customers | Having reviewed customer management information throughout the year, both the Board and the Customer Champion identified a trend whereby the median timeframe to pay life and protection claims had increased in the first half of 2019.<br>The Managing Director of Retail Protection was asked to attend the Group Risk Committee meeting in May to explain the trend and actions being taken to improve the situation; following this, the MD returned to the December Group Risk Committee meeting and evidenced how the actions taken had successfully reversed the trend. |
|  <b>Communities</b>  | Financing climate change                                | Nigel Wilson is the Chairman of the Bank of England review on innovation in finance required for addressing climate change.<br>This work is an important part of the Bank of England's approach to climate change: 'Climate change, and society's response to it, present risks relevant to the Bank's objectives. The Bank is carrying out ongoing work to embed climate change into financial decisions and macroeconomic analysis'.  |
|  | Social care   | We undertake widespread engagement with leading think tanks, charities and specialists on long-term care. Nigel Wilson is a member of the expert group advising on the government's social care green paper and on life sciences.   |
|  | Mental health   | Since 1999, mental ill-health has been the biggest reason that our customers claim through our Group Income Protection policy. The Not a Red Card Forum and Awards 2019 saw over 200 business leaders, employers and mental health advocates attend the event at the Oval Cricket Ground, London. The day included inspirational stories, expert discussions and insightful roundtable workshops, exploring best practice when it comes to mental health provision in the workplace.  |

# Stakeholder engagement

continued

## Examples of how stakeholder engagement and feedback has contributed to sustainability outcomes continued

| Stakeholder   | Subject                              | Engagement and outcomes   |
|---|--------------------------------------|---|
|  <b>Suppliers</b>                 | Employee protection and human rights | The way we engage with our suppliers is set out in The Supplier Code of Conduct: "We support the protection of human rights through our supply chain by encouraging behaviours and actions that are consistent with International Labour Organization (ILO) Core Conventions and by using suppliers whose values are consistent with ours. We also comply with the Modern Slavery Act 2015 (MSA) and require our suppliers to do the same. We will work with our suppliers to improve and evolve human rights practices".   |
|  <b>Employees</b>                 | Employee engagement                  | "There is much we already do well, and which Legal & General had been doing before the creation of my role. Our Voice survey, launched in late 2018, marked a shift from an inflexible annual survey towards an 'always listening' approach to employee engagement. Our employee satisfaction index ended 2019 on 72 (on an average 82% completion rate over the course of three surveys); over the course of 2019 we received 18,747 individual employee comments through the survey. This gives us a rich source of feedback, solid foundations from which to monitor employee engagement, and perhaps most importantly, clarity on where we need to focus our efforts". Excerpt of article by Lesley Knox, our non-executive director for workforce engagement.  |
|  <b>Government and regulators</b> | Ongoing dialogue                     | <p>As part of our dialogue, we responded to relevant government and regulatory consultations, as well as shaping responses from trade and industry bodies. Our main areas of discussion with central and especially local government in 2019 have included:</p> <ul style="list-style-type: none"> <li>• Supporting jobs and growth through urban regeneration and our Future Cities projects</li> <li>• The changing accumulation and decumulation landscape and changes to the pensions and 'at retirement' market</li> <li>• Financial regulation – both conduct and prudential</li> <li>• Coronavirus response and recovery</li> <li>• Corporate governance</li> <li>• Risk sharing</li> <li>• Financial regulation – UK, US and EU</li> <li>• Reforms to both prudential and conduct regulation</li> <li>• Engaging with UK, US and EU national and regional governments on direct investment into infrastructure, affordable homes, regeneration, non-carbon transport, clean energy and digital networks</li> <li>• Discussions on ESG and sustainable finance</li> <li>• Deploying patient capital to boost the start-up/scale-up ecosystem</li> <li>• The UK's exit from the European Union</li> <li>• International trade, particularly the Covered Agreement.</li> </ul> |

# Active ownership

The Investment Stewardship team at L&G Investment Management (LGIM), led by Sacha Sadan, has, for over a decade, shaped corporate decisions on governance and sustainability responsibilities.

LGIM has led a series of campaigns delivering real ESG benefit for shareholders and society. 2019 saw LGIM continue to lead the debate, speaking at 45 public events, presenting to the Manchester Business School on the mainstreaming of ESG and at the invitation of the International Energy Agency, LGIM specialists presented on climate change to senior representatives from the world's largest oil and gas companies.

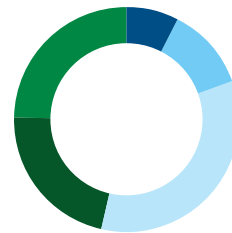
Driving positive change requires us to think about how we responsibly allocate, manage and oversee capital, creating long-term value, not just for our clients and beneficiaries, but also for the economy, the environment and society. We are all in this together.

We are the only one of the world's 15 largest asset managers to be scored A+ for our climate engagement and voting. We continue to integrate environmental, social and governance (ESG) data into our investment process.

Our Global Research and Engagement Framework brings together the best sector expertise to unify our engagement efforts and determine exposure of sectors and companies to ESG risks and opportunities.

In June, we published our second annual ranking of corporate leaders and laggards, under our Climate Impact Pledge. This is our commitment to assess and engage with some of the world's largest companies on their strategic management of climate change.

## ESG engagements breakdown 2019



|                                 |     |
|---------------------------------|-----|
| ● Future World Protection List  | 86  |
| ● Other e.g. financial strategy | 132 |
| ● Governance                    | 379 |
| ● Environmental                 | 239 |
| ● Social                        | 274 |

## ESG metrics and voting policies.

To speak with one clear voice in the market, our ESG metrics are aligned with our voting policies: ESG scores for over 3,000 companies, as well as our voting record, are publicly available.

## Top five themes discussed in company meetings in 2019

### Top five in 2018

Board composition

Climate change

Strategy

Remuneration

Nomination/succession

### Top five in 2019

↑ Climate change

↑ Remuneration

↑ Diversity

↓ Board composition

↓ Strategy

## FUM and ESG engagement trend by LGIM

### Top five in 2018

Engagements covering environmental and or social topics

Engagements covering governance topics

Companies we engaged with

|   | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|------|------|------|------|------|------|------|
| Engagements covering environmental and or social topics | 144  | 188  | 188  | 233  | 210  | 128  | ↑513 |
| Engagements covering governance topics                  | 336  | 401  | 545  | 500  | 370  | 236  | ↑379 |
| Companies we engaged with                               |      |      |      |      | 224  | 162  | ↑493 |



# Our sustainability approach

## In this section

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| Legal & General priorities and the Sustainable Development Goals | 20 |
| Governance   | 22 |

**“Since the start of the industrial revolution, humans have burned through enough fossil fuels – coal, oil, and natural gas – to add some 365 billion metric tons of carbon to the atmosphere.”**

Elizabeth Kolbert, *The Sixth Extinction*





# Sustainability strategy and inclusive capitalism

L&G has been a CSR market leader for decades and much of what began as CSR is now embedded into the way we do business.

We want to push the boundary of corporate social responsibility further and mobilise our collective effort to deliver 'inclusive capitalism'.

This means we continue our hard work on active ownership and responsible business.

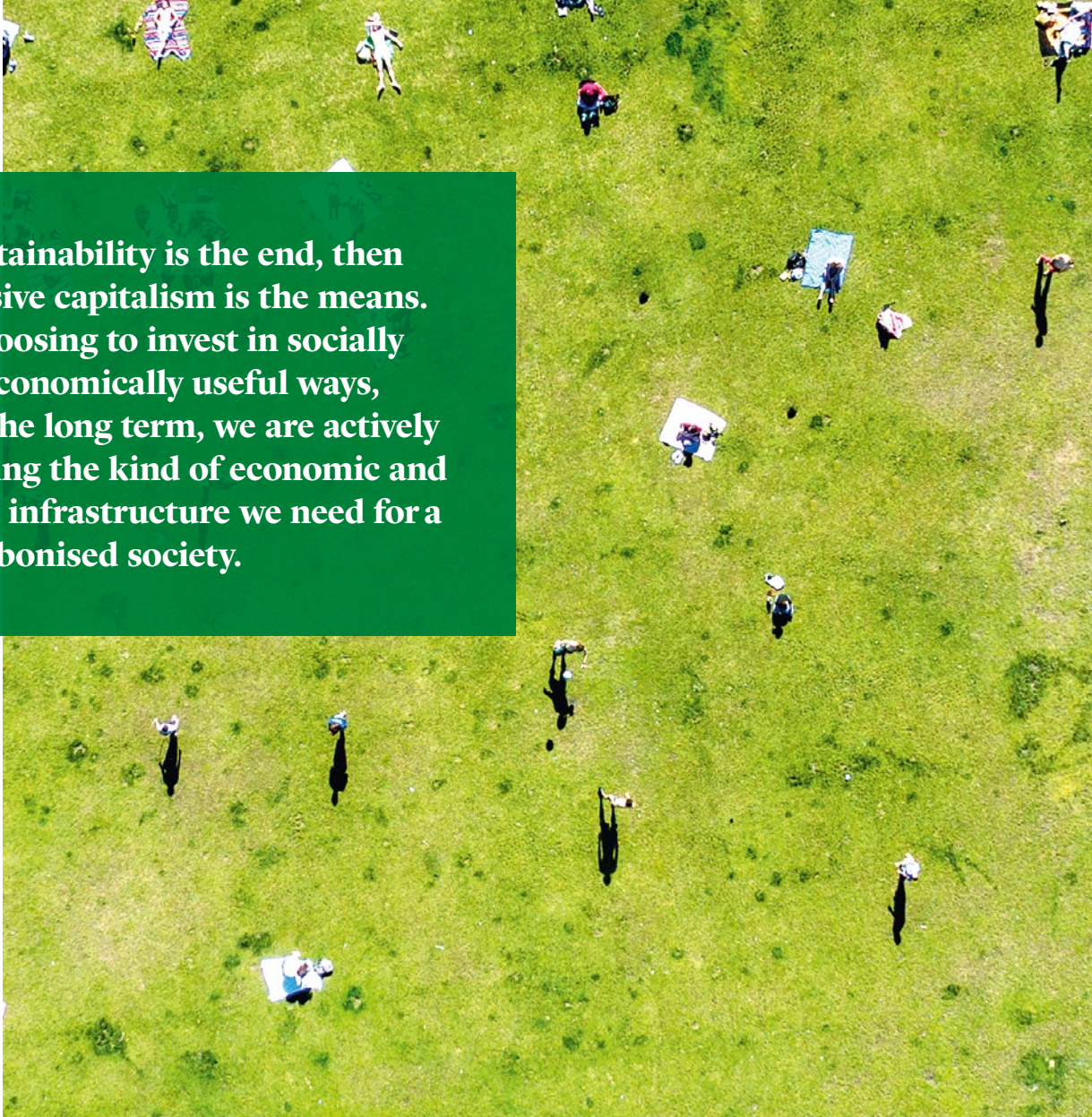
It means designing products that set economic purpose and social value side by side.

It means using our balance sheet to improve the societies we are all part of.

Our sustainability strategy is a combination of three interlinked journeys designed to get to a decarbonised, prosperous and inclusive society.

As a global team of people, 8,500 of us are undertaking three journeys that will shape the future of our environment, our societies and our economies.

Through 'inclusive capitalism', Legal & General is leading the change.



**If sustainability is the end, then inclusive capitalism is the means. By choosing to invest in socially and economically useful ways, over the long term, we are actively building the kind of economic and social infrastructure we need for a decarbonised society.**

# Sustainability strategy and inclusive capitalism

continued

## Our focus areas



### 01 Our journey to net zero

We have a decade to prevent catastrophic climate change so Legal & General's journey to net zero is our most critical commitment.

As a global organisation working over generations and decades, rather than just years and months, we can use our scale to embed long-lasting reform. Our active stewardship is already changing the environmental behaviour of hundreds of other corporations. As a responsible business we are also building our own journey to net zero.

Pages 24–34



### 02 Our journey to a better society

We rely on our societies and, as they change dramatically in the next 20 years, we are going to create positive change. We know that new economic and social infrastructure must be delivered. We have already ploughed £26 billion into direct investments such as future cities, housing and clean energy – it is what we call 'inclusive capitalism'.

Pages 35–44



### 03 The journey to responsible business

Responsibility is the cornerstone of building strong, trusting and lasting relationships with millions of customers from one person with an L&G annuity to a corporation whose employees save into a workplace pension we operate. Responsibility means that we design our products and services to support our journey to net zero and embody our vision of 'inclusive capitalism'. Responsible behaviour inside the organisation begins with our employees and their behaviours, their satisfaction at working for us, their ambitions and their wellbeing. We want to ensure that our people embrace diversity and inclusion and embody the business principles which our Board establishes.

Pages 45–55



# Legal & General priorities and the Sustainable Development Goals

Legal & General supports the Sustainable Development Goals. The priorities set out in the table highlight the seven areas where we can make a significant and positive impact.

In 2015, 193 countries signed up to the 2030 Agenda for Sustainable Development and the 17 Sustainable Development Goals (SDGs) were established as a route map to delivering a sustainable global economy. The key outcome of the SDGs has been the increased allocation of investment capital to social objectives. At Legal & General we have aligned the SDGs with our three journeys.





# Legal & General priorities and the Sustainable Development Goals

continued



Journeys  
(Output)

## 01 Our journey to net zero

## 02 Our journey to a better society

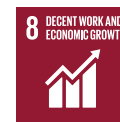
## 03 The journey to responsible business

**Drivers (Input)** Addressing climate change and investing in the real economy

Ageing demographics and welfare reforms

Globalisation of asset markets and technology innovation

SDGs



L&G Priorities

### Clean energy

- We invest long-term capital into the clean energy sector to accelerate progress to a low-cost, low-carbon economy, as well as reducing the cost of power for consumers, with £1.3 billion invested to date.
- Solar power: in August 2019 we announced a £57 million financing agreement to support Hermes Infrastructure who provide solar photovoltaic systems for over 9,000 private residences and social housing rooftops.
- We've taken a 36% stake in the Kensa Group, one of the UK's leading ground source heat pump companies. This is a technology that makes it possible to warm homes using heat from the ground.

### Make cities and human settlements inclusive, safe, resilient and sustainable

- Our commitment to major regeneration schemes in towns and cities across the UK.
- £100 million commitment to Sunderland's regeneration with 3,000 new jobs.
- £1.1 billion total investment in Leeds, 13,000 jobs, thousands of homes and improved infrastructure in the South West and Wales. Our transformation schemes include Bath, Bristol, Swindon, Weston-super-Mare, Cardiff and Sheffield.
- £750 million of new affordable housing projects, increasing our development pipeline to nearly 3,500 homes, across 41 schemes.

### Take urgent action to combat climate change and its impacts

- This year we'll be running a Climate Change Hackathon.
- The aim is to identify ideas which can have a genuine impact if delivered; and to identify the talent and the teams which can come together to bring them to life.
- Our housing businesses will have enabled all new homes that we deliver to operate with net zero carbon emissions from 2030.

### Ensure healthy lives and promote well-being for all – at all ages

- The UK suffers from a lack of affordable housing, leading to more than one million people on housing waiting lists. We expect to add 3,000 new affordable homes to the housing market.
- More than three million people in the UK are actively looking to downsize. Our transformative later living accommodation is now operational at six sites with over 1,000 homes in our suburban Later Living portfolio. We also plan to deliver around 3,000 new retirement homes over the next five years.

### Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

- In 2019, we entered into four new Government Hub investments and four of our ongoing investments reached practical completion, driving sustainable regional growth and aiding job creation across the UK and bringing our total investment in these assets to over £1.2 billion.
- We're proud to be a real Living Wage Employer in the UK, including contractors and suppliers who work on our in all our office locations.

### Achieve gender equality and empower all women and girls

- We are committed to gender equality with two ambitious targets for 2020:
- 50% female representation across our total population; and
  - 40% female representation at middle/senior management level currently across our core UK and US businesses stood at 48.2%, and at middle/senior management level our female population was 38.4%.

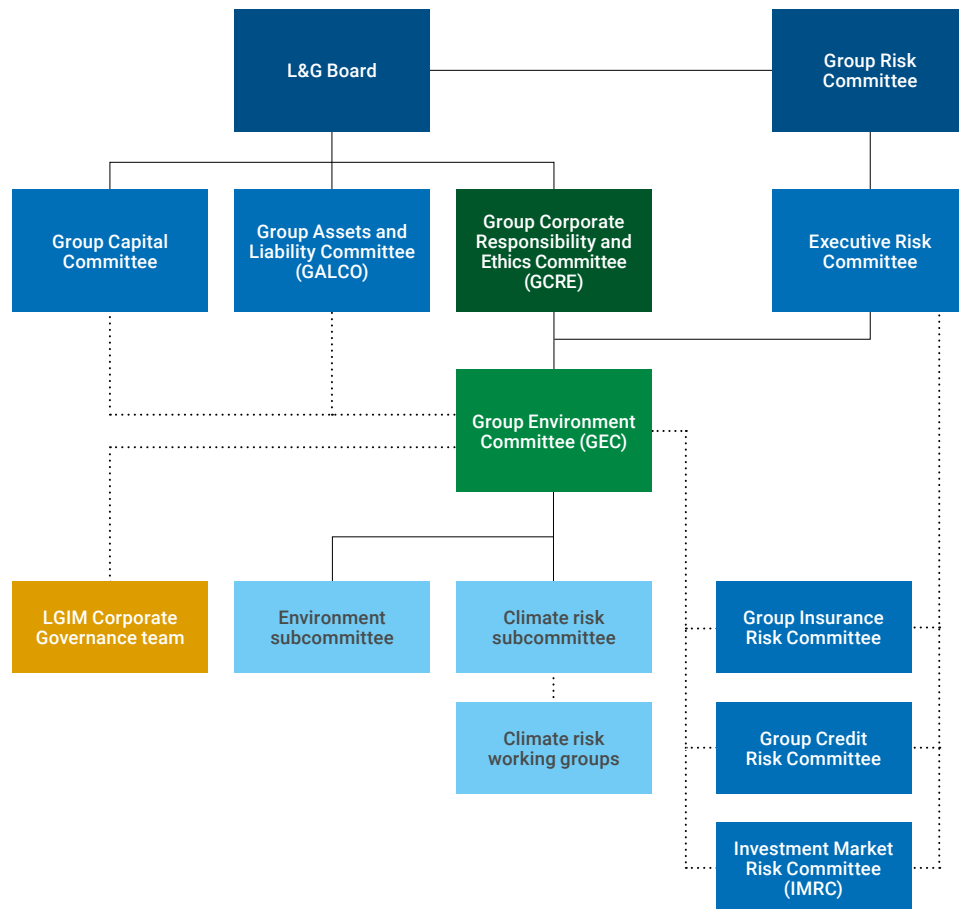
### Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation

- We have continued our investment in transport in 2019, with £200 million in long-term debt financing to support the purchase of new Wales and Borders rolling stock fleet which will be a critical part of delivering increased capacity for a rail service in and around Cardiff. This transaction marks our fifth long-term financing investment of this kind, increasing our exposure to transport and demonstrating a continued commitment to UK infrastructure.

# Governance

During 2019 Legal & General Group redefined the governance framework to ensure that our exposures to the financial risks from climate change are understood, identified, assessed, measured and controlled within the group's overall risk appetite.

## Group environment governance



## Group Board oversight

Nigel Wilson, Group CEO, has spearheaded the group's engagement on a range of climate change and environmental initiatives. Nigel is actively engaged and takes responsibility for the group's strategic direction and progress on this important topic.

We also consider market risk connected to our investments (including risks arising from climate change). The Group Chief Financial Officer, who is also a Board member, is responsible for how these risks are identified, considered and managed.

The Group Chief Risk Officer is responsible for ensuring that an appropriate strategy is in place to understand, identify, measure, monitor, control and report risks from climate change in line with the risk strategy and risk appetite parameters set by the Group Board, and to support business managers in the development of appropriate processes to monitor and report exposures to the risks from climate change.

## Governance

The Group Corporate Responsibility and Ethics Committee (GCRE) has been established by the Board. It is responsible for ensuring compliance with the principles of good corporate governance. Its purpose is to develop and review the group strategy and policies in relation to group-wide ESG risks and opportunities, including climate change.

The Chairman of the GCRE (the Group Corporate Affairs Director) reports to the Group Board on any significant issue or corrective action.

The Committee's membership includes the heads of key businesses driving the group investment strategy along with heads of Investment Stewardship Sustainability, HR and Community Involvement.

The Corporate Social Responsibility (CSR) strategy is presented to the Board on an annual basis giving the Board's executive and non-executive directors the chance to formally engage with the CSR programme at least once a year.

The GCRE is then responsible for monitoring and delivering against forward-looking targets.

# Our progress and performance

## In this section

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| The journey to responsible business | 45 |

**“Instead of sitting behind screens all day, we’re out in the field really making great things happen because we have to invest in real things; real assets, which create real jobs and have real wage increases.”**

Nigel Wilson, Group CEO



# 01

# Our journey to net zero

## In this section

|  |    |
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| How climate change affects us  | 26 |
| Commitment to achieve net zero carbon emissions by 2050                | 27 |
| <b>Thought leadership</b> – the tech to enable a net zero nation       | 28 |
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| Steps towards a net zero nation  | 29 |
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**“Avoiding climate catastrophe is our greatest global priority. The debate about whether higher concentrations of greenhouse gases cause global warming is long over. The science is clear and we can see the change with our own eyes. The focus now should be on what we do about it.”**

Nigel Wilson, Group CEO





# 01 Our journey to net zero

**Tackling a deepening global crisis**



Because we have a decade to prevent catastrophic climate change, Legal & General’s most critical commitment is our journey to net zero. As a global organisation working over generations and decades, rather than just years and months, we can use our scale to embed long-lasting reforms. Our active stewardship is already changing the environmental behaviour of hundreds of other corporations and as a responsible business we are also building our own journey to net zero.

## Material issues

**Climate change and how it affects L&G**

**L&G’s carbon footprint**

**Renewable energy investment**

**TCFD and disclosing L&G’s approach to climate risks and opportunities**

**Lifespans and healthspans: sustaining the activities of daily life within strong communities**

This chapter of the report sets out the journey to net zero we undertook in 2019:

- How climate change affects us and introduces our commitments;
- Our environmental performance in 2019 including data tables showing detailed information about the way we use resources;
- Investing in renewable energy;
- The task force on climate-related financial disclosures (TCFD); and
- A closer look at the role of technology in the journey to net zero.

[See separate document for our public targets](#)

## Important target outcomes within the 2019 journey to net zero

| Target   | Deadline | Outcomes  |
|--|----------|---|
| Support the development of key technologies with the potential to accelerate the transition to a low-carbon economy.                               | 2023     | <b>On Track</b><br>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.                   | 2021     | <b>On Track</b><br>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. | 2020     | <b>Achieved</b><br>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. |

# 01 How climate change affects us

On 14 July 2019 the world’s northernmost weather station, at Alert in Canada, just 842km from the North Pole, recorded a temperature of 21°C, 15 degrees higher than the normal average for July.<sup>8</sup> Because of events like this one, sustainability was the global issue of 2019.



Spurred on by the Intergovernmental Panel on Climate Change’s 1.5° intervention<sup>9</sup> and the hottest July and September on record, 2019 saw a growing recognition that we have one decade to prevent catastrophic climate change. In very different campaigns, Extinction Rebellion and Greta Thunberg succeeded in placing sustainability – particularly creating a zero-carbon economy – centre stage. Following Sir David Attenborough’s interventions, 2019 was also the year that saw public concern about the impact of our use of plastics deliver significant changes in corporate behaviour all over the world.

It is clear there need to be severe emission reductions over the next decade and net zero in the medium and long term.

The United Kingdom, our first home market, was scheduled to host the 26th UN Climate Change Conference of the Parties (COP26) in Glasgow during November 2020 but this has now been rescheduled because of the coronavirus lockdown. The COP26 will, though, still be a chance for the UK’s leading organisations, including Legal & General, to showcase the work we are doing to get the UK to net zero.



We have a responsibility to support the fight against climate change as one of the UK’s top 40 companies and through our ownership of one of the largest global institutional investors.

Our policy is to decarbonise the assets on our balance sheet to align with the UN Paris Agreement and UK Government legislation to achieve net zero carbon emissions by 2050. We have set carbon intensity targets and additional governance and control around the acquisition of high carbon investments.

[See separate document for our public targets](#)

↓ **22%**

The Portfolio carbon intensity metrics and Group/business targets show that, on a like for like basis, at December 2019 the carbon emission intensity of the balance sheet was 243 tonnes CO<sub>2</sub>e/£1m invested (down 22% from the previous year). TCFD report, page 23.

**Tonnes CO<sub>2</sub>e/£1m invested**



↓ **5%**

During 2019, the carbon associated with the direct operations of our businesses decreased by 5% to 46,164 tCO<sub>2</sub>e in 2019 from 48,744 tCO<sub>2</sub>e in 2018.

**CO<sub>2</sub> emissions (million tonnes)**



## The Climate Impact Pledge

This is our promise to engage with the largest companies in the key sectors which need to address climate change.

8. Le Monde Diplomatique, May 2020  
 9. In October 2018, the Intergovernmental Panel on Climate Change (IPCC) published its Special Report on Global Warming of 1.5°C. The report set out the huge benefit of limiting warming to 1.5 degrees compared to 2 degrees and that to achieve that, global human CO<sub>2</sub> emissions need to fall to net zero by 2050

# 01 How climate change affects us

continued

**We have set out four areas of investment risk related to climate change.**

- 1** We will decarbonise the assets on our balance sheet to align with the Paris objective. We interpret the Paris objective as targeting 1.5 degrees Celsius of warming.
- 2** We advocate for urgent action to mitigate the climate emergency from both governments and the companies we are invested in.
- 3** We will use our influence as a large investor to promote the transition to a low carbon economy.
- 4** We support UK government legislation to achieve carbon neutrality by 2050.

## **We're making a number of other commitments to achieve net zero carbon emissions by 2050:**

- From 2030, all homes built by our housing business will be capable of operating at net zero carbon emissions.\* In addition, we're seeking to understand and monitor the embodied carbon associated with the construction of our homes.
- From 2030, our operational footprint (occupied offices and business travel) will operate with net zero carbon emissions.
- We will develop energy efficient commercial properties in our urban regeneration business and set science-based targets that are aligned with the Paris objective.

We have implemented additional governance and control around the acquisition of high carbon investments. This includes controls to comply with new guidelines that apply to the funding of new coal facilities.

We have exclusions for certain stocks including thermal coal written into the investment management agreements for all relevant asset classes we manage.

In addition, we have set carbon intensity targets to monitor alignment with the Paris objective and are funding the development

and roll-out of key technologies which have the potential to accelerate the transition to net zero carbon.

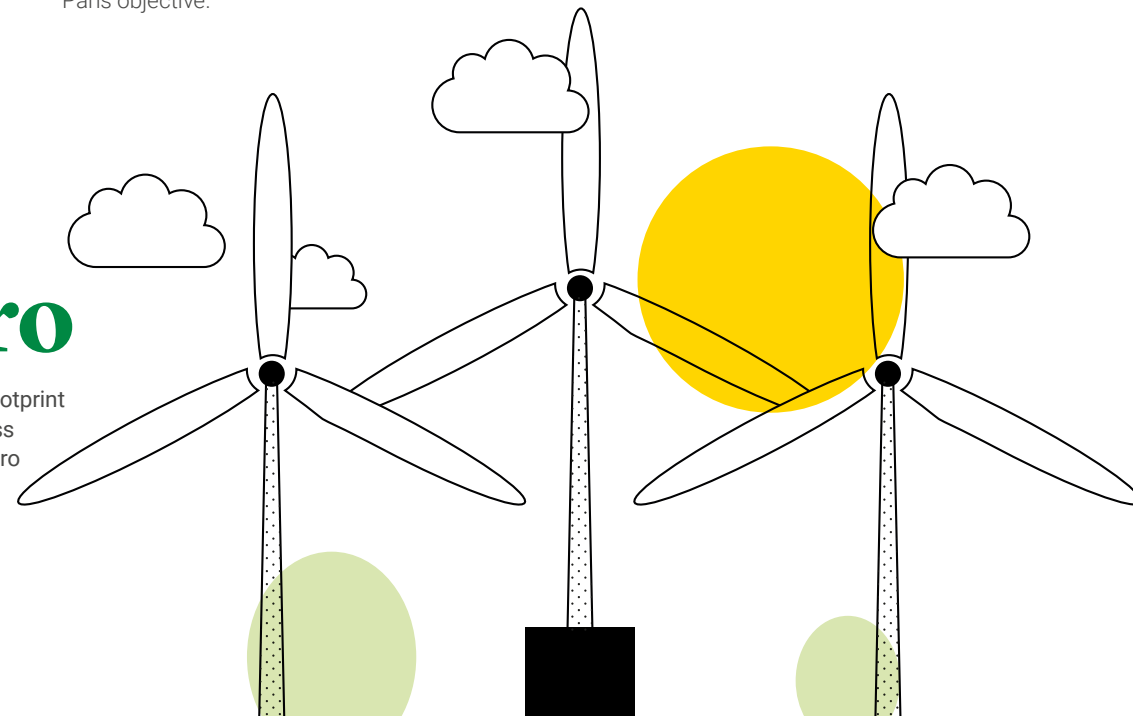
We have undertaken a strategic review of our carbon risks and opportunities and actively manage and report on our carbon emissions. We are working to remove plastics in our offices, as well as being focused on reducing water consumption and waste generation.

This year we'll be running a Climate Change Hackathon. The aim is to identify ideas which can have a genuine impact if delivered; and to identify the talent and the teams which can come together to bring them to life.

## **Net zero**

From 2030, our operational footprint (occupied offices and business travel) will operate with net zero carbon emissions

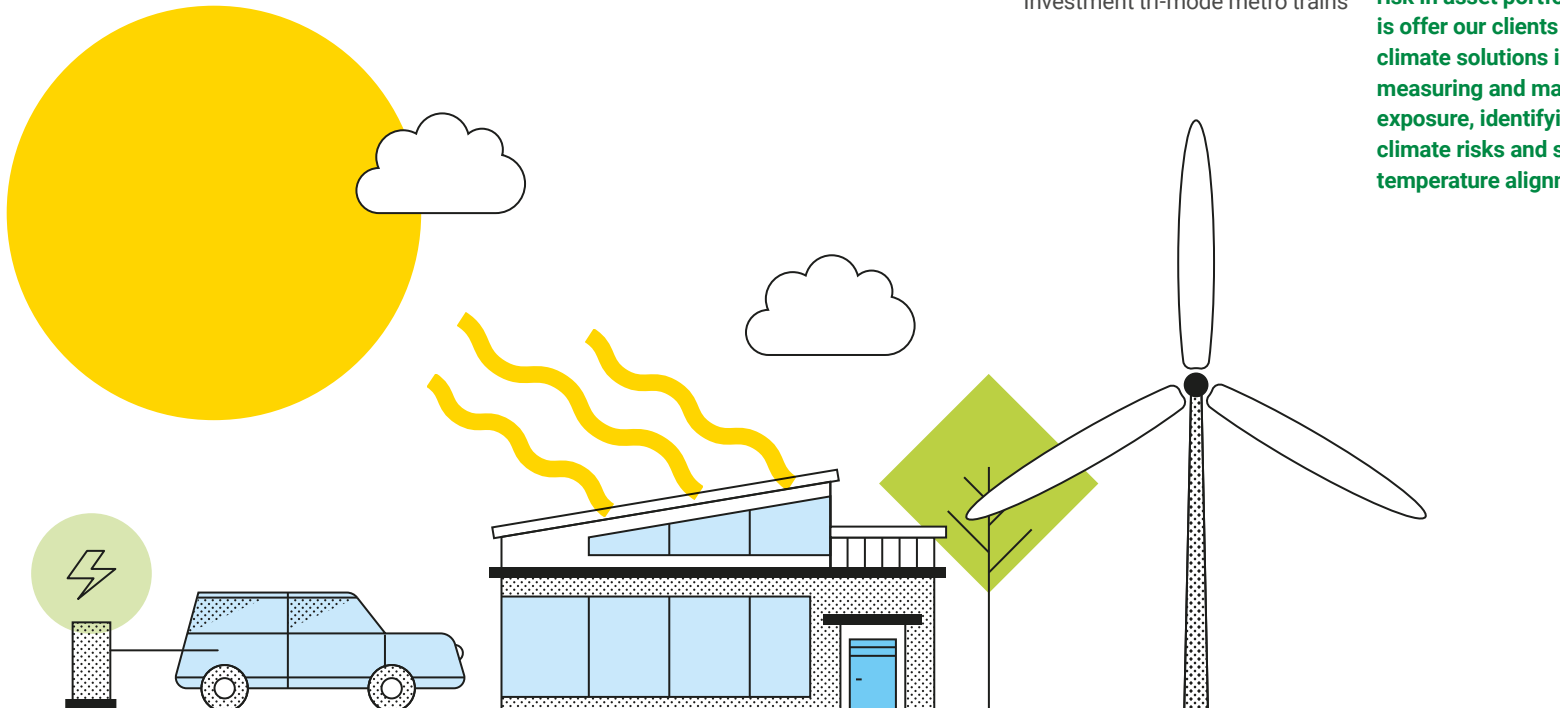
\* Defined by the UK Green Building Council as when the amount of carbon emission associated with the building's operational energy on an annual basis is zero or negative. A net zero carbon building is highly energy efficient and powered from on-site and/or off-site renewable energy sources, with any remaining carbon balance offset



01

# The tech to enable a net zero nation

Delivering a net zero nation needs long-term investment to re-engineer the way we live and the way we do business.



## £200m

Investment tri-mode metro trains

**We are also developing the modelling technologies necessary to assess climate risk in asset portfolios. Our aim is offer our clients end-to-end climate solutions including measuring and managing carbon exposure, identifying underlying climate risks and seeking temperature alignment.**

There is work to be done elsewhere to drive the tech we need for net zero. We want to turbocharge the UK's research and science base so that it bristles with the kind of innovative energy that will shape a sustainable future. So, we are investing to increase capacity in the Newcastle Science City project and one of our science parks in the North West was chosen as one of three sites for COVID-19 megalabs.

We further boosted our climate change technology toolkit by working in partnership with Baringa, one of the leading global energy consultancies, to extend their Climate Change Scenario Model to build one of the market-leading climate change risk management frameworks available today.

### Our tech ecosystem to accelerate green growth

| Digital infrastructure  | Scientific infrastructure                       | Research into energy generation                                   | Research into more efficient mobility  |
|---|---|---|--|
| £230m into Kao data campus between Cambridge and London.  | Newcastle Science City project.                 | Tokamak research into small toroidal vessels – fusion generation. | Podpoint for electric car charging.  |
| Appointment of award-winning startup Demand Logic to monitor and enhance building performance across the company's portfolio. | 10 science parks in partnership with Bruntwood. | Oxford PV: leaders in perovskite solar technology.                | £200m investment in new tri-mode metro trains to replace old diesel rolling stock. |



# 01 Steps towards a net zero nation

During 2019, the carbon associated with the direct operations of our businesses decreased by 5% to 46,164 tCO<sub>2</sub>e in 2019 from 48,744 tCO<sub>2</sub>e in 2018. These reductions were met both through our UK operational offices, which delivered a 13% reduction, and through our Real Assets real estate portfolio of commercial properties, which delivered a 14% reduction. In contrast, our house building businesses' carbon footprint continued to grow.

We took further steps to measure the carbon footprint of our investments. At the end of December 2019 the carbon emission intensity of the balance sheet was 243 tonnes CO<sub>2</sub>e/£1m invested (down 22% from the previous year). When applied to the £84 billion of equity, bonds and property components of the investment portfolio to which shareholders are directly exposed, this gives a



carbon footprint of 20.4 million tonnes of CO<sub>2</sub> emissions. The longer-term smoothed trends in carbon emissions and carbon emission

intensity are more important than year-on-year volatility.

Our Real Assets team continued with their industry-leading ESG performance. In 2019 we submitted 16 of our funds for assessment. All achieved Green Star status, with an improved average global score of 82 (from 80 the previous year). Five funds achieved a five-star status, three were ranked top in the UK and one – ADP – was awarded overall Global Sector Leader.

Our investment stewardship team took a strong position on integrating climate strategy into the investment process and product range across all assets and clients, with a particular focus on company engagement and voting.

## 2019 environmental performance

### Global energy data

| Energy (MWh)     | Jan-Dec 2019 |
|------------------|--------------|
| Electricity      | 92,951       |
| Gas              | 53,404       |
| Total energy use | 146,355      |

An independent study revealed we were the only one of the world's 15 largest asset managers to be scored A+ for our climate engagement and voting.

- 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.

- 2019 has seen a rebaseline in the scope of our water data collected. We have extended data collection to include previously excluded serviced offices and offices associated with our construction businesses.
  - Overall office water consumption has decreased by 29%
  - Office water per employee has decreased by 34%
  - Office water per policy has decreased by 41%

- As stated in our TCFD report we remain committed to setting science-based targets (SBTs), and continue to work with EcoAct to undertake scenario analysis and to understand the potential impact that SBTs could have on our businesses. However, we are awaiting the SBTi guidance for the financial sector before we are able to set any formal targets.
- UK occupied office's electricity reduced by 39% compared to 2013.
- UK occupied office's gas reduced by 51% compared to 2013.

# A+

Independent study reveals we were the only one of the world's 15 largest asset managers to be scored A+ for our climate engagement and voting

## Policy implementation (actions taken to deliver our policy statements)

- We have set carbon intensity targets to monitor alignment with the Paris objective.
- We have exclusions for thermal coal and the LGIM Climate Impact Pledge stocks written into the Investment Management Agreements (IMAs) for all relevant asset classes managed by LGIM.
- We have implemented additional governance and control around the acquisition of high carbon investments. This includes controls to comply with PPCA guidelines that apply to the funding of new coal facilities.
- We will develop energy efficient commercial properties in our urban regeneration business and set Science Based Targets (SBTs) that are aligned with the Paris objective.
- As a large UK housebuilder, we will enable all new homes we build from 2030 to operate with net zero carbon emissions.
- We will fund the development and roll out of key technologies with the potential to accelerate the transition to carbon neutrality.

# 01 The power of direct investment

We invest long-term capital into the clean energy sector to accelerate progress to a low-cost, low-carbon economy, as well as reducing the cost of power for consumers, with £1.3 billion invested to date.

## Direct investments

# 2m homes

### Wind energy

We have invested to support onshore wind technology. We have also provided debt financing into offshore wind infrastructure with the capacity to provide enough power to service over two million homes.

# £57m

### Solar power

In August 2019 we announced a £57 million long-term debt financing agreement to support Hermes Infrastructure who provide solar photovoltaic systems for over 9,000 private residences and social housing rooftops.



### Pod Point

Pod Point are one of the UK's largest electric vehicle charge point operators, with over 69,000 electric vehicle charge points across the UK and Norway. We originally invested in Pod Point in 2019, increasing our stake in February 2020.



### Tokamak

The decarbonising journey we must travel to get to net zero will require a clean and responsive new energy system.

Tokamak, established in 2009, is advancing the research into the potential of fusion power. The compact, spherical Tokamak has been shown to be a viable route to fusion and will form the basis for the commercial module the company expects to deliver electricity into the grid by 2030.

# 01 The task force on climate-related financial disclosures (TCFD)

## TCFD Report

In February 2020, more than 1,000 organisations supported the Task Force on Climate-Related Disclosures.

We are proud to be a part of this movement for change. Transparency of this kind involves a clear commitment to use 'clear, consistent, comparable, reliable and efficient', information for lenders, investors and insurers.

## Improvements made in 2019

In 2019, we published our third TCFD report. During this reporting period we focused on streamlining our governance to get more focus on climate risk, improved our modelling and understanding of energy transition pathways to meet different warming outcomes and widened the range of assets in the carbon emission intensity analysis to give 98% coverage of our £99.6 billion of assets.

We believe this constitutes good progress towards our climate policy statements and implementation commitments.

We previously acknowledged a need to improve our understanding of the financial impact of a range of climate warming outcomes using scenario analysis and we can now show progress towards that commitment by reporting the following:

1. Portfolio allocations to the high carbon sectors weighted by market value, carbon intensity and equity risk of loss.

2. The portfolio implied temperature alignment.
3. A portfolio climate Value-at-Risk (VAR) analysis that quantifies financial risk in a 'Paris' and Business As Usual (BAU) scenario taking account of both transition and physical risk and opportunities as they evolve over the next 30 years.

## Focus on transition risk

Climate-related risks are broadly categorised as physical or transition risks. Physical risks include those to supply chains and physical assets from severe weather events and from chronic, climate-related strain on resources. Transition risks are those that are brought about by the shifts in the political, technological, social and economic landscape that are likely to occur during the transition to a low carbon economy. Clearly the two risks are interrelated: continued emissions will lead to rising temperatures that increase physical risks, but limiting these impacts requires substantial emissions reductions that increase transition risks.

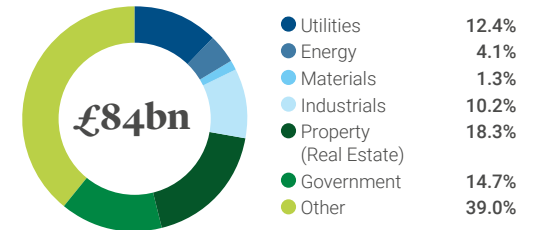
We focus on transition risk because successful delivery of the Paris Agreement implies a fundamental change in the global economy over the next ten years. We think this is the key near-term issue and source of risk for our business – specifically our investment portfolio.

This doesn't mean that physical risks are unimportant. Physical risks are present in the real assets and businesses we invest in now and are included in our 30-year scenario analysis.

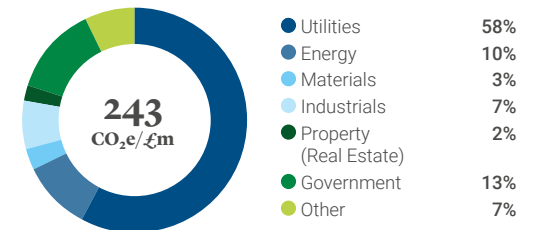
Some physical risks are projected to 2100 to get a sense of the impact beyond our 2050 model horizon. Physical risk is also measured in our forward-looking flood risk mapping for directly owned commercial property.

However, the concentration of greenhouse gases already present in the atmosphere means that warming trends are not expected to significantly diverge until around 2040/50. Physical risk impacts are therefore largely locked-in over coming decades, making the emission scenarios we are applying less relevant. For physical risk quantification in our analysis we think it makes sense to focus on the 'BAU' 3.75 degree pathway.

Global Industry Classification Standard sector by valuation (%)



Global Industry Classification Standard sector by CO<sub>2</sub> intensity (%)



**Task Force on Climate-related Financial Disclosures (TCFD) Report 2019**

**TCFD Report**

Our 2019 TCFD report is available on our group website.

# 01 Environmental performance during 2019

| Energy used by L&G occupied offices         | Unit | 2016   | 2017   | 2018   | 2019   |
|---|------|--------|--------|--------|--------|
| UK Electricity                              | MWh  | 18,063 | 15,954 | 12,885 | 12,579 |
| UK Gas                                      | MWh  | 5,866  | 4,774  | 3,647  | 3,371  |
| Total UK Energy use <sup>1</sup>            | MWh  | 23,929 | 20,728 | 16,532 | 15,950 |
| Energy per UK employee                      | MWh  | 3.49   | 3.10   | 2.29   | 1.54   |
| Energy per UK policy                        | KWh  | 2.47   | 2.11   | 1.65   | 1.16   |
| International Electricity                   | MWh  | 2,923  | 2,607  | 2,722  | 3,185  |
| International Gas                           | MWh  | 358    | 46     | 41     | 274    |
| Total International Energy use <sup>2</sup> | MWh  | 3,312  | 2,654  | 2,763  | 3,460  |
| Energy per international employee           | MWh  | 4.99   | 3.64   | 3.50   | 3.81   |
| Energy per international policy             | KWh  | 2.36   | 2.03   | 2.00   | 2.55   |

1. Includes all UK occupied offices operational for a minimum of one quarter within the reporting year, excluding our new construction businesses offices. Excludes investment properties where Legal & General has no operational control

2. International numbers have increased as more offices have been added into the reporting scope

| Carbon dioxide (tCO <sub>2</sub> e)         | Unit               | 2013   | 2016   | 2017   | 2018   | 2019   |
|---|--------------------|--------|--------|--------|--------|--------|
| Total Carbon <sup>1,6</sup>                 | tCO <sub>2</sub> e | 38,420 | 50,381 | 44,697 | 48,744 | 46,164 |
| Scope 1 <sup>2</sup>                        | tCO <sub>2</sub> e | 5,018  | 8,520  | 8,655  | 12,447 | 15,226 |
| Scope 2 Total (Location based) <sup>3</sup> | tCO <sub>2</sub> e | 28,517 | 37,498 | 32,573 | 28,982 | 23,716 |
| Scope 3 – Business travel <sup>5</sup>      | tCO <sub>2</sub> e | 4,885  | 4,363  | 3,469  | 7,316  | 7,223  |
| Carbon emissions per policy                 | kgs                | 3.79   | 4.55   | 4.02   | 6.41   | 3.79   |
| Carbon emissions per employee               | tonnes             | 4.56   | 6.69   | 6.03   | 5.56   | 5.09   |

1. Emissions are calculated using The Greenhouse Gas Protocol Corporate Accounting and Reporting Standard. Emissions factors are from the UK Government Emissions Conversion Factors for Greenhouse Gas Company reporting (BEIS 2019)

2. Scope 1: Emissions from fuel combustion in L&G occupied offices and construction sites i.e. gas for heating, cooling and cooking, ODS losses

3. Scope 2: Location: Emissions from total electricity using average grid emissions factors (UK Government Emissions Conversion Factors for Greenhouse Gas Company reporting (BEIS 2018))

4. Scope 2: Market: Emissions from total electricity using supplier specific emissions factors e.g. renewable tariffs

5. Scope 3: Employee business travel (air, road, rail)

6. Total carbon is calculated using scope 2 location based

7. Renewable Guarantees of Origin certificates are held for purchased renewable energy i.e. Scope 2 Market



# 01 Environmental performance during 2019

continued

| 2019 carbon dioxide (tCO <sub>2</sub> e)                 | Unit               | Scope 1 | Scope 2 <sup>4</sup> Location | Scope 2 <sup>7</sup> Market |
|--|--------------------|---------|-------------------------------|-----------------------------|
| UK occupied offices                                      | tCO <sub>2</sub> e | 620     | 3,112                         | 575                         |
| International occupied offices (US Maryland office only) | tCO <sub>2</sub> e | 50      | 850                           | 850                         |
| Cala Homes   | tCO <sub>2</sub> e | 6,005   | 1,169                         | 1,169                       |
| Legal & General Homes – Communities                      | tCO <sub>2</sub> e | 931     | 47                            | 47                          |
| Legal & General Homes – Modular                          | tCO <sub>2</sub> e | 575     | 416                           | 0                           |
| Real Assets  | tCO <sub>2</sub> e | 6,111   | 17,746                        | 0                           |
| Inspired Villages  | tCO <sub>2</sub> e | 520     | 374                           | 374                         |
| ODS losses   | tCO <sub>2</sub> e | 414     | –                             | –                           |

## Scope 1

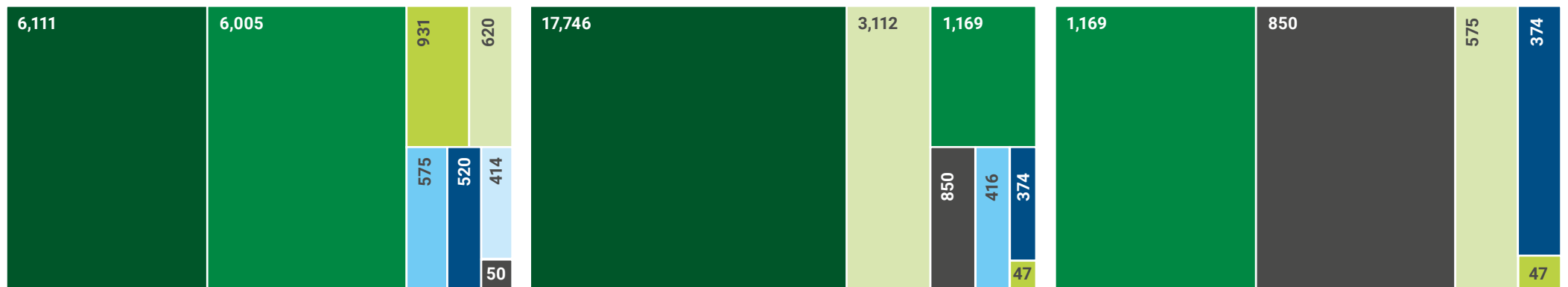
Emissions from fuel combustion in L&G occupied offices and construction sites i.e. gas for heating, cooling and cooking, ODS losses.

## Scope 2

**Location:** Emissions from total electricity using average grid emissions factors (UK Government Emissions Conversion Factors for Greenhouse Gas Company reporting (BEIS 2018)).

## Scope 2

**Market:** Emissions from total electricity using supplier specific emissions factors e.g. renewable tariffs.



● Real Assets
 ● Cala Homes
 ● Legal & General Homes – Communities
 ● UK occupied offices
 ● Inspired Villages
 ● Legal & General Homes – Modular
 ● ODS losses
 ● International occupied offices (US Maryland office only)

# 01 Environmental performance during 2019

continued

| Travel  | Unit   | 2013   | 2016   | 2017   | 2018   | 2019          |
|---|--------|--------|--------|--------|--------|---------------|
| Carbon associated with all modes of business travel | tonnes | 4,885  | 4,363  | 3,569  | 7,316  | <b>7,223</b>  |
| Business travel carbon per policy                   | kg     | 0.48   | 0.39   | 0.32   | 0.64   | <b>0.59</b>   |
| Business travel carbon per employee                 | kg     | 579.89 | 579.72 | 481.26 | 834.72 | <b>795.87</b> |

Includes UK business travel by air, road, rail for UK and travel associated with Maryland office. Other overseas travel is currently excluded but will be included from 2020 onwards

Includes sustainable travel initiatives e.g. staff shuttle buses

Significant increase since 2018 is associated with newly acquired housing businesses e.g. Cala Homes

## Water

- Overall office water has decreased by 29%.
- Office water per employee has decreased by 34%.
- Office water per policy has decreased by 41%.

| Water consumed in occupied offices | Unit | 2013   | 2016   | 2017   | 2018   | 2019          |
|------------------------------------|------|--------|--------|--------|--------|---------------|
| Water consumed                     | CuM  | 64,486 | 49,183 | 43,548 | 39,524 | <b>45,838</b> |
| Water per employee                 | CuM  | 7.66   | 6.54   | 5.87   | 4.51   | <b>5.05</b>   |
| Water per policy                   | CuM  | 6.36   | 4.44   | 3.92   | 3.46   | <b>3.76</b>   |

2019 has seen a rebaseline in the scope of our water data. We have extended data collection in 2019 to include previously excluded serviced offices and offices associated with our construction businesses

Where metered water volumes are not available, benchmarks from Better Building Partnership have been applied

[http://www.betterbuildingspartnership.co.uk/sites/default/files/media/attachment/BBP\\_REEB%20Benchmarks%202019.pdf](http://www.betterbuildingspartnership.co.uk/sites/default/files/media/attachment/BBP_REEB%20Benchmarks%202019.pdf)

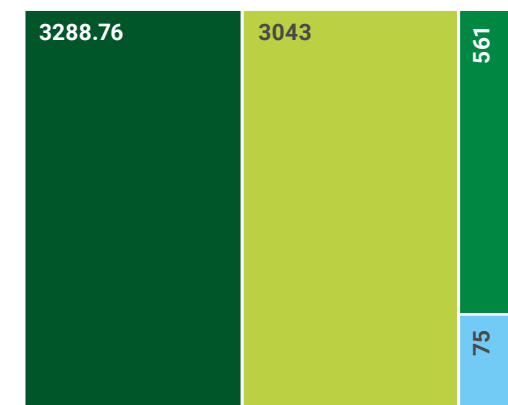
## Waste

- Our occupied office waste per policy continues to decreased by 5% from 2018 and 13% from our baseline in 2013.
- Our total construction waste continues to increase as we continue to grow our house building businesses.

| Waste                                  | Unit   | 2013  | 2016  | 2017  | 2018   | 2019          |
|--|--------|-------|-------|-------|--------|---------------|
| UK occupied offices waste <sup>1</sup> | tonnes | 950   | 925   | 952   | 765    | <b>780</b>    |
| UK occupied offices waste per policy   | grams  | 94    | 83.53 | 97.00 | 76.27  | <b>72.11</b>  |
| Construction waste <sup>2</sup>        | tonnes | n/a   | 66.4  | 438.2 | 14,077 | <b>30,135</b> |
| Total group waste                      | tonnes | 1,031 | 1,062 | 1,439 | 14,891 | <b>31,033</b> |

1. Occupied offices includes all UK office locations where L&G staff are operational, including those offices which were operational for a minimum of one quarter within the reporting year. It excludes occupied offices from our construction businesses

2. Excludes construction waste from Inspired Villages Group



- Carbon UK flights
- Carbon UK rail
- Carbon vehicle travel
- Carbon staff shuttle buses

# 02

# Our journey to a better society

## In this section

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| <b>Thought leadership</b> – accelerating scientific research about longevity                 | 38 |
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**“In the last 20-30 years rich people have done well all over the world but poorer and middle class people have fallen behind and this huge number of people are becoming disillusioned with what’s happening politically, economically, educationally and health-wise. They all want a better life for themselves – we have to step up”**

Nigel Wilson, Group CEO





## 02 Our journey to a better society

# Inclusive capitalism is a whole society effort



Building a better society relies on creating a more inclusive capitalism. This kind of change needs leadership from the top; and crucially, anyone should be able to make it to the top. This chapter focuses on what Legal & General can do help to build a better society. We are focusing on supporting peoples' financial resilience, creating new and better neighbourhoods, building more of the right kind of houses and supporting society to deal with today's health challenges.

### Material issues

The journey to a better society takes place within four interlocking areas of L&G's activities and this chapter of the report sets out our rationale, strategy and progress.

#### Resilience and financial inclusion

Building a generation of new, real and affordable housing

Creating new neighbourhoods: urban regeneration and future cities

Lifespans and healthspans: sustaining the activities of daily life within strong communities

We rely on our societies and, as they develop in the next 20 years, we are determined to create positive change and new, real, value. We know that new economic and social infrastructure must be delivered. We have already put £26 billion into direct investments including future cities, housing and clean energy.

[See separate document for our public targets](#)

### Important target outcomes within the 2019 journey to a better society

| Target   | Deadline | Outcomes   |
|--|----------|--|
| Continue our strategy to invest £15 billion into sectors of the economy that are economically, socially and environmentally useful.  | 2019     | <b>Achieved</b><br>Our direct investments total over the last five years is £26 billion.   |
| 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. | 2023     | <b>Ongoing</b><br>During 2019, we continued to engage on our long-term themes: diversity; income inequality and financial inclusion; technology, and public health.  |
| Legal & General Capital will enable over £10 billion of funding into small to medium sized enterprises (SMEs), supporting job creation and economic growth.                                | 2023     | <b>On Track</b><br>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. |



## 02 Resilience and financial inclusion

Consistent with our commitment to inclusive capitalism, we are helping people to build their financial resilience skills so that they can benefit from the increased financial security and independence that ownership of insurance, savings and investment products brings.



In 2019, our insurance businesses paid out around £1.8 billion in claims, fulfilling our promise to over eight million customers. SalaryFinance has also made real progress, making salary deducted loans, savings and pay advances available to over 1.4 million employees – often those who are the most financially vulnerable.<sup>10</sup>

### Supporting financial education focused on financial literacy

In 2019, we conducted research for teachers and students, asking them how they expect financial education to be delivered. We will be implementing this in 2020. We continued to expand our financial education programmes with EveryDay Money and Red Start.

### Boosting resilience with the Rental Protection Plan (RPP)

We became the first UK provider to offer protection products specifically for tenants following a successful pilot with the Mortgage Advice Bureau. RPP pays out a monthly benefit, which can be used to help pay rent, bills or other financial commitments, in the event a customer can no longer work as a result of accident or disease.

### Understanding and supporting vulnerable customers

Our research showed that one in four interactions with customers identified a customer vulnerability. We continue to focus on training and development to support our vulnerable customers. Working with the Royal Voluntary Service in two of our major sites, Hove and Solihull, all of our teams have been offered training and our businesses now have VC champions and leads supported by VC committees.

850,000 people are estimated to have dementia in the UK and this is projected to rise to two million by 2051.<sup>11</sup> It is, therefore, critical that our employees understand how best to support customers with a dementia diagnosis and, when appropriate, their carers. Our Lifetime Mortgage business is now a dementia friendly business and members of our team are now 'dementia friends'.

### Rehabilitation to help our customers to return to work

We provide market-leading rehabilitation and early intervention services as part of our Group Income Protection (GIP) policies and have funded over 2,900 treatment sessions in 2019.

We are proud to have led the way for employee rehabilitation services to provide better support for employees and reduced recovery times, with 18% of total UK employees covered by GIP back in the workplace before their benefit payment commences.

Through our Not a Red Card campaign, we are helping to raise awareness, remove stigma and take real action around mental health in the workplace.

10. Legal & General Annual Report and Accounts 2019

11. The Alzheimer's Society

02

# Accelerating scientific research about longevity

“There will be a fundamental redesign of life; while the process is gradual and has already been ongoing for many years, it will culminate in a social and economic revolution. Just as technology and globalization, year by year, have transformed the way we live, so the changes needed to make the most of a 100-year life will do the same.”

The 100-year life, Lynda Gratton and Andrew Scott

**At Legal & General we are leading the transformation envisioned by the 100-year life; our oldest annuitant is 107 years of age.**

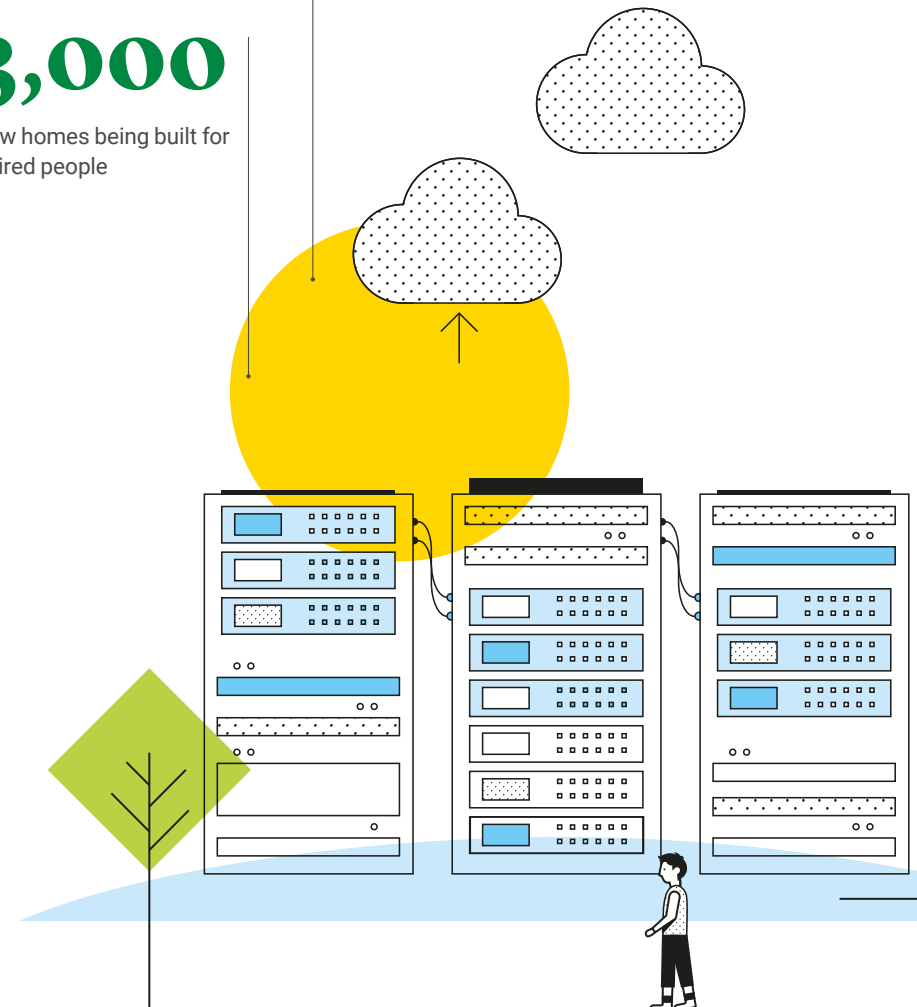
We are a global leader in Pension Risk Transfer; we have grown and changed the lifetime mortgage market so there is more and better choice for older people; we plan to build 3,000 new homes designed for retired people; we have commissioned Annuity Ready to compare annuity products; and we are leading the way in creating solutions for the longevity economy.

## £6m

Of grant funding to deploy to companies helping the healthy ageing market

## 3,000

New homes being built for retired people



## 02 Accelerating scientific research about longevity

continued

We also understand that there are challenges ahead in adapting to such a differently structured and ageing population, so we are already working with leading longevity academics and scientists:

- Legal & General was chosen (in 2020) by UK Research and Innovation (UKRI) to deploy £6 million of grant funding to early stage companies that are making a difference in the healthy ageing market.
- Legal & General works closely alongside and in support of UK academics, including through the Longevity Science Panel.
- In the last two years alone, it has formed the UK's largest science and technology property partnership, Bruntwood SciTech, and announced a £4 billion partnership with Oxford University to develop science and innovation districts within the region, together with homes for staff and students.

- Legal & General's long-term partnership with Newcastle Council and Newcastle University continues to deliver at pace. Its Newcastle Helix scheme, which houses the UK's National Centre for Ageing, brings together innovators in improving quality of life as people age, alongside a major new hub for scientific research and technology.
- Guild Living are also working with the University of Bath to research reductions in loneliness in later life.

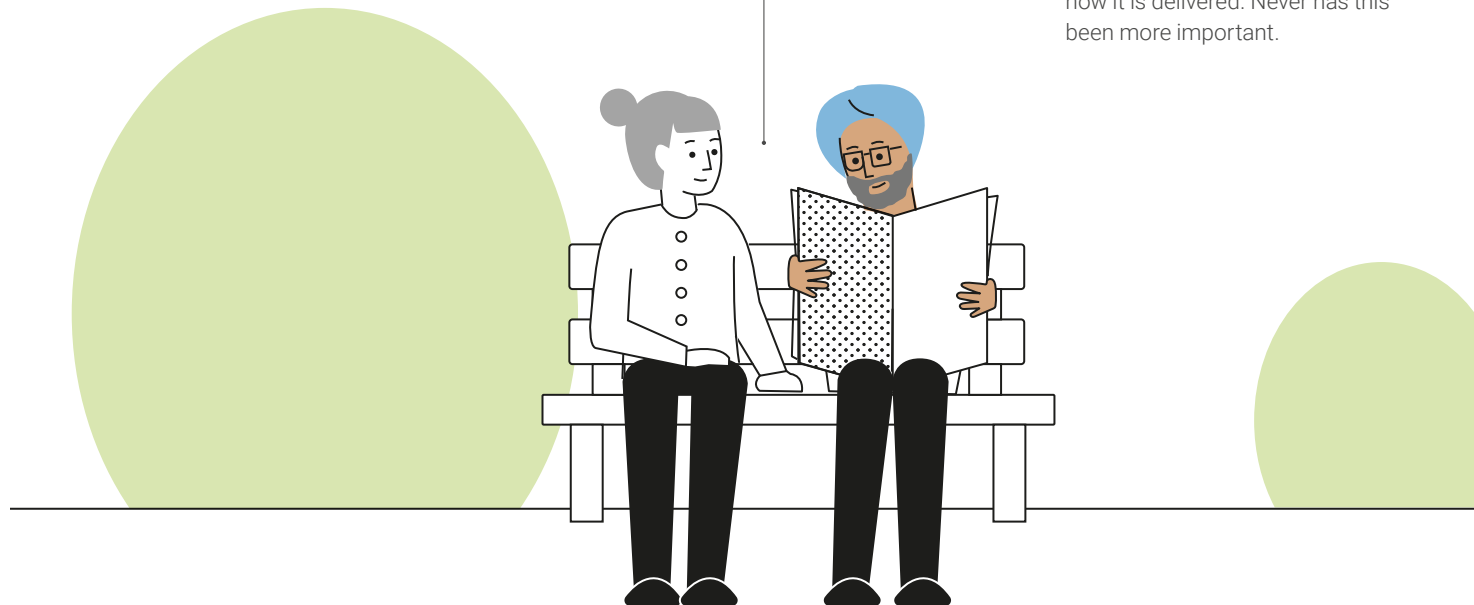
# £4bn

Partnership with Oxford University

# £20m

Invested in a long-term partnership to Advance Care Research

We are ambitious for our customers and our markets, so we want to take this one step forward, so we have invested £20 million into a long-term partnership with the University of Edinburgh to establish the Advanced Care Research Centre (ACRC). The centre is the first of its kind in the UK, offering a seven-year multi-disciplinary research programme designed to improve understanding of care in later life and to revolutionise how it is delivered. Never has this been more important.



## 02 Building a generation of new, high quality, affordable housing

The housing crisis is making home ownership unaffordable – particularly for key workers – and driving people into temporary accommodation or, worse, onto the streets.

The UK's housing crisis has been growing for decades, leaving a catalogue of social and economic problems in its wake. Millennials are locked out of home ownership by the growth in house prices. Older people are often trapped in ill-suited accommodation because there are very few homes being built specifically for older people. We are working across our businesses to address these issues. For millennials and renters, for instance, we have a portfolio of nearly 5,000 homes, having committed £1.7 billion in capital across the UK. For older people who want to move into accommodation better suited to their plans, our Later Living business, 'Inspired Villages', is creating retirement communities across the country.

The biggest social impact of the housing crisis comes from the lack of affordable and social rent homes for the growing number of people who cannot afford market rates; 35% of households in council or housing association homes are working households.

Between 1980 and 2016/17, 1.5 million homes were lost from social rented stock, and today there is a housing waiting list of well over one million people. The UK's housing system needs to add thousands more affordable and socially rented homes to its supply. Legal & General Affordable Homes (LGAH) was established in 2018 to build affordable homes and now they target building 3,000 new affordable homes each year.

We're committed to leading the evolution of the affordable housing sector, by combining our long-term capital with the expertise and management capability of the highest quality providers.

In 2019 our first affordable homes became both operational, welcoming our first residents, and profitable, while generating significant opportunities for the group's retirement business.

### Highlights of 2019

# £60m

£60 million investment in 2019 in partnership with Croydon Council to provide 167 homes for homeless local families, increased to £66 million and 250 homes in 2020

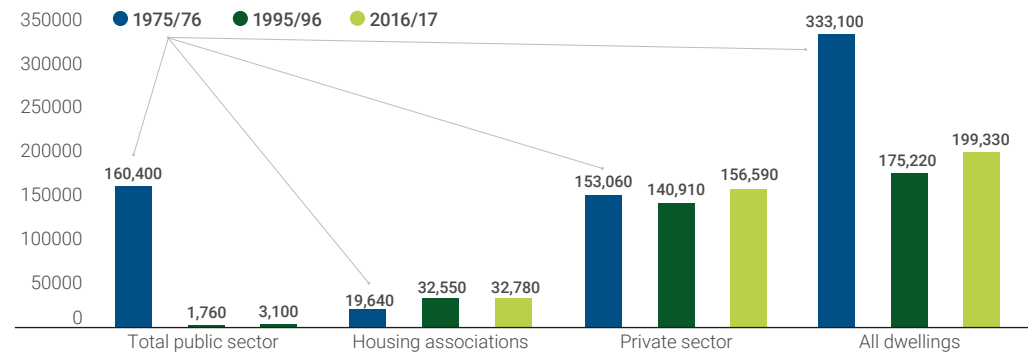
# 14

housing associations and partners selected to support delivery of our pipeline of affordable homes

# £750m

£750 million of new affordable housing projects throughout the UK, increasing our development pipeline to nearly 3,500 homes, across 41 schemes

Public sector housing starts 1.9% of their 1975/6 level





## 02 Building a generation of new, high quality, affordable housing

continued



The purpose of L&G Affordable Homes is to support households to build their lives by providing a good quality home and a great customer experience.

### Creating a housing company built around its customers

The provision of affordable housing as part of inclusive capitalism delivers significant positive social impact. This forms the basis of our social purpose but we believe we can and should do more.

Customers across the affordable housing sector have a right to expect excellent service and a quality home. We are on a mission to deliver both: this is our call to action setting the standard not just for L&G's customers but for all customers of affordable housing.

Through investment in new home features that reduce the spectre of the Poverty Premium, from excellent thermal performance to technology that helps to manage the home, our homes are putting pounds back in the pockets of our customers.

The visible development of Legal & General Affordable Homes services is that they are responsive to the customers they serve. From minimising the inconvenience of a day off work waiting for an engineer for those who are self employed or in the gig economy, to affordable personal financial services.

Enabling individual problems to be resolved by the cooperation of many sits at the heart of enhancing customers' lives through their membership in our community.

Benefiting from rewards through a digital marketplace and interacting with neighbours to create a sense of place and belonging are all part of our commitment to build a better society in every neighbourhood.

This is not the commitment we make after our day job is done. The investment in research and design, that delivers better homes offering affordable living with services that respond to the individual, sees our social purpose drive our core mission.



### How we're helping customers get on and climb the housing ladder



#### Excellent services

Our vision is to redefine the customer service experience for every affordable housing customer.



#### Enabling reliable technology

Our management platform manages the full life cycle of affordable housing units ensuring value comes back to the communities in the short and long term.



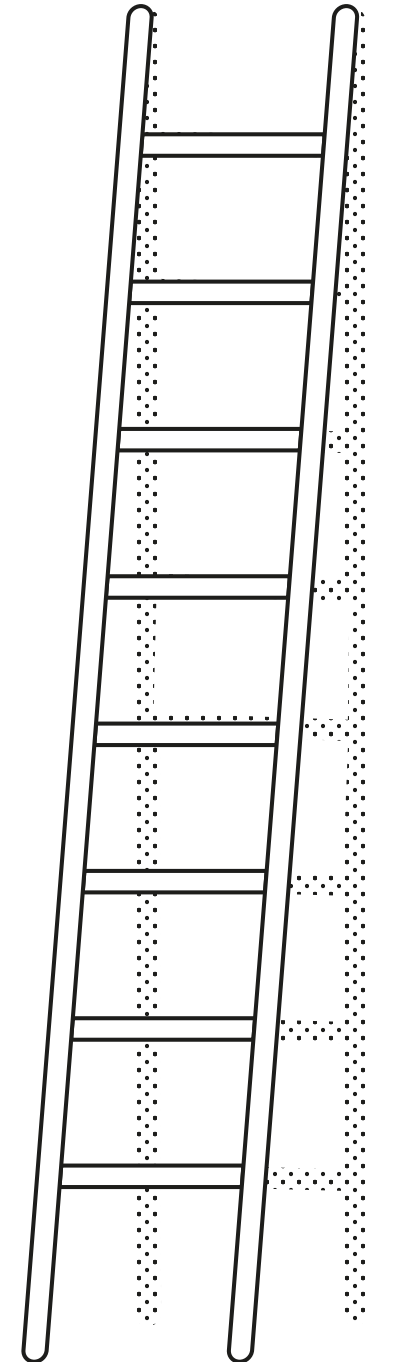
#### Outstanding, sustainable homes

Our homes have excellent thermal performance which helps to save money and reduce carbon use.



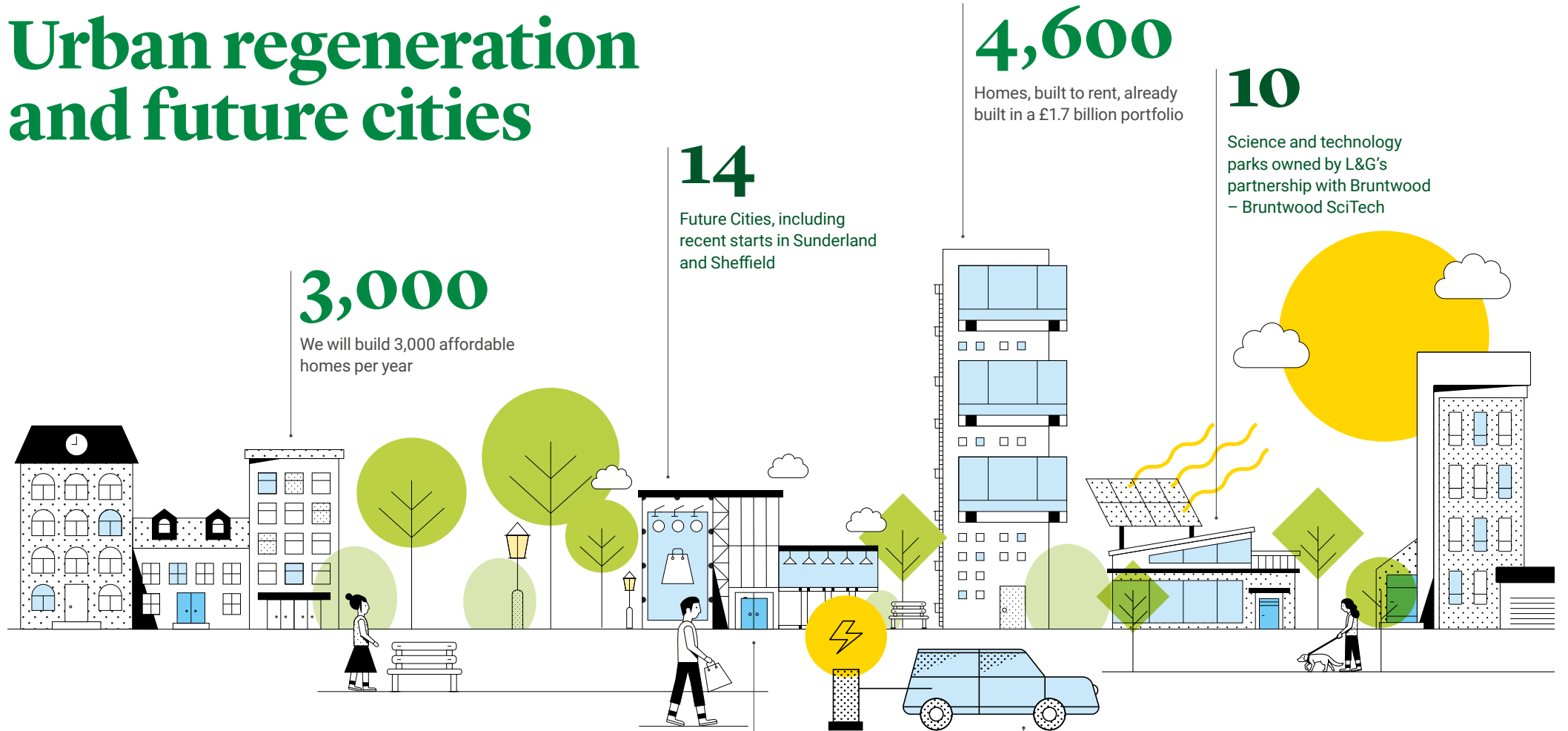
#### Community building

Our social purpose will extend to every customer.



# 02

# Urban regeneration and future cities



## 3,000

We will build 3,000 affordable homes per year

## 14

Future Cities, including recent starts in Sunderland and Sheffield

## 4,600

Homes, built to rent, already built in a £1.7 billion portfolio

## 10

Science and technology parks owned by L&G's partnership with Bruntwood – Bruntwood SciTech

## 3,000

New homes for urban later living over the next five years

## 62,000

Pod Point has rolled out 62,000 charging points in the UK

Legal & General's future cities show inclusive capitalism at work across the UK. Our £26 billion of direct investments have, so far, delivered real assets and real jobs for people all over the UK.

## 02 Creating new neighbourhoods: urban regeneration and future cities

The world's urban population is bigger than its rural population for the first time and there will be seven billion urban dwellers by 2050.<sup>12</sup> Meeting this challenge, sustainably and fairly, will require experience, innovation and investment. Our future cities business is focused on addressing a shortage of investment and innovation in urban transformation, clean energy and digital infrastructure.

### Regeneration projects and investing in digital infrastructure

We are involved in some of the UK's largest urban transformation schemes, reshaping the landscape by working closely with our Real Assets team within our investment management business and partnering with local authorities, businesses and institutions. Through these investments, we are supporting the UK to develop great places to live and quality, world class science and technology employment.

In 2019, we established a partnership with Oxford University to develop much-needed affordable homes for university staff and students, as well as science and innovation districts, in and around Oxford. We have committed £4 billion of funding over the next ten years. Recognising the role that universities play in the future success of our economy, the partnership with Oxford University, as well as our existing partnerships with Newcastle University and Bruntswood, allow us to develop untapped potential in the UK's science and technology sector.

In addition to our major regeneration projects in Leeds, Liverpool, Manchester, London, Bath, Cardiff and Newcastle, in 2019 we announced a £100 million commitment to back Sunderland City Council's visionary plan for a new core business district, which will support the creation of around 3,000 new jobs in the area.



**In addition to our major regeneration projects in Leeds, Liverpool, Manchester, London, Bath, Cardiff and Newcastle, in 2019 we announced a £100 million commitment to back Sunderland City Council's visionary plan for a new core business district.**

12. Our World In Data

## 02 Lifespans and healthspans: sustaining the activities of daily life within strong communities

1.25m older people in the UK are L&G customers. Our oldest annuity customer is **107** years of age and our youngest is **55**. The Lifetime Mortgage Portfolio's average customer age is **69** and our average annuitant is **64** when their annuity begins.

Increased longevity is a cause for celebration and one of the great policy achievements of the last one hundred years. The next stage of the ageing challenge is to try and close the gap between a person's lifespan and their healthspan – the key measure in this effort is 'activities of daily living' (ADLs). ADL is a term used by healthcare professionals to refer to groups of self-care tasks a person can do on a day-to-day basis and include showering, dressing and self-feeding.<sup>13</sup>

### Retirement living solutions

We know from listening to our customers that their concerns for retirement are not just financial. They are telling us that they want our help to navigate through the challenges of long-term care. Our team of experts and our technology will help people to understand, find and fund the care they need for themselves or their loved ones.

Over £20 billion a year is spent on the formal care economy in the UK, and it is estimated that £140 billion of time is given by friends and family in informal care. We aim to build the UK marketplace for finding care through our investment in Care Sourcer, a digital app for people seeking care. In 2019, we invested in Current Health, the leading remote patient monitoring platform, allowing patients to be cared for better at home, where they stay healthy and remain happiest.

We work with Royal Voluntary Service (RVS) and in 2019 we supported their 'Step Forward' campaign to inspire more people to volunteer their time to benefit their local communities.

We've also established a customer referral service with RVS. We have trained colleagues to recognise vulnerable customers who may be struggling with loneliness and would benefit from a 'safe and well check' by RVS. Research shows that more than two million over-75s live alone and around 1.9 million older people often feel ignored or invisible; our work with RVS is a small step towards addressing this.

### Volunteering to support the NHS

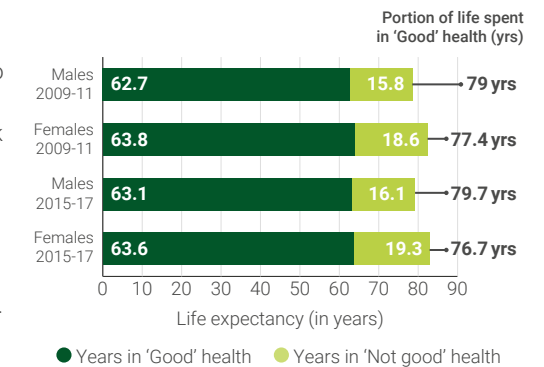
Volunteering helps to make our communities healthier and happier, but also delivers significant wellbeing benefits for the individuals who volunteer. However, if we are to make the most of the huge opportunities and health benefits that volunteering can offer, employers, charities and community organisations need to make volunteering more accessible and flexible.

Legal & General employees are supporting the Royal Voluntary Services volunteering campaign, by taking their hospital trolley services around the wards at local hospitals, in Hove, Cardiff and Solihull once a week.

### Supporting older informal carers

One quarter of the people providing family care are older than 65 and their efforts are a crucial part of the UK's social care system. The Carers Trust works across the four nations of the UK to improve support, services and recognition for anyone living with the challenges of unpaid caring for a family member or friend. The Trust has a programme of work designed to help carers coping with bereavement and grief.

### Life expectancy in good health and not good health, Office of National Statistics



In 2019, Legal & General provided financial support to the Carers Trust to support older carers who are bereaved or planning for their caring roles to come to an end. L&G's support helps ten Network Partners (local carers' services that are part of the Carers Trust Network) across the UK, who were each awarded grants to develop and deliver a programme of activities for older carers.

13. NHS



# 03

# The journey to responsible business

## In this section

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| People and culture                                | 49 |
| Part of the community                             | 53 |
| Charity stakeholders                              | 55 |

**“We’re passionate about creating an inclusive culture – a work environment where all of our talented people can succeed, regardless of background, culture, gender, gender identity, sexual orientation, disability or ethnicity.”**

Colette Comerford, Head of Inclusion and Culture, Legal & General Investment Management

# 03 The journey to responsible business

**All businesses have a responsibility to the societies they rely on**



Responsibility to our staff, our customers, our shareholders and our society is the cornerstone of how we operate. From making sure that every affordable home we offer is well carpeted and decorated, to looking after the pensions of Rolls-Royce employees, our behaviour is built around our responsibilities.

### Material issues

This chapter looks at the journey to responsibility in business, covering the following issues:

People and culture

Involvement in our communities

Social enterprise

Charity stakeholders

As a supplier to millions of consumers, and hundreds of corporations, we behave responsibly. This means that we design our products and services to support our journey to net zero and embody our vision of ‘inclusive capitalism’. Responsible behaviour inside the organisation begins with our employees and their behaviours, their satisfaction at working for us, their ambitions and their wellbeing. We want to ensure that our people embrace diversity and inclusion and embody the business principles which our Board establishes.

[See separate document for our public targets](#)

## Important target outcomes within the 2019 journey to responsible business

| Target  | Deadline | Outcomes  |
|---|----------|---|
| As a group, we will deliver our 50:50 by 2020 gender mix through recruitment and retention initiatives.                                   | 2020     | <b>Ongoing</b><br>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.   |
| Create a pool of female talent for leadership and key technical roles and implement an initiative for career returners.                   | 2019     | <b>Achieved</b><br>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). |
| Extend our work on Modern Slavery and delivering training to suppliers with special emphasis on working within the construction business. | 2019     | <b>Ongoing</b><br>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.                                       |



# 03 The journey to responsible business

continued

# 8,500

Global employees



**“We are committed to being a responsible business in everything we do and we want to inspire those companies we work with and invest in, to be responsible too. We recognise the growing importance of sustainability, not just through our commitment to global agreements on building sustainable growth and climate change, but in our daily stewardship activities.”**

Sir John Kingman, Chairman, Legal & General Group

## Responsibility in business

### What 'responsibility' means in practice

We are committed to acting responsibly and with integrity.

We respect the rules and the best practice principles that are laid down by the regulatory authorities.

We ensure that our Code of Ethics is communicated to all our employees and that it is reviewed on a regular basis.

We have a Group Corporate Responsibility and Ethics Policy Committee which is a sub-committee of the Group Board.

The purpose of this committee is to develop a business ethics framework.

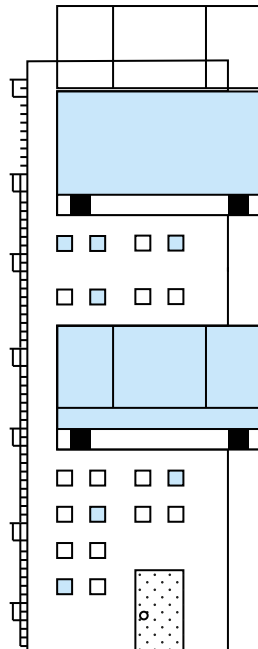
and to encourage its consistent application across the Legal & General Group of companies in the UK and overseas. It ensures that our people are aware of our ethical standards and the conduct expected.

# 03 Tech for resilience

Delivering a net zero nation needs long-term investment to re-engineer the way we live and the way we do business.

## 12.8m

12.8 million households in the UK have either no savings or less than £1,500



## 4.8m

4.8 million households go without at least one essential household appliance like a fridge, a freezer, a washing machine or a cooker

**12.8 million households in the UK have either no savings or less than £1,500. 4.8 million households go without at least one essential household appliance like a fridge, a freezer, a washing machine or a cooker.**<sup>14</sup>

In fact, one in five UK adults describe themselves as 'drowning in debt', and many say their mental health has deteriorated as a result.<sup>15</sup>

Counteracting the social impact of income shocks and high risk credit is important for all of our stakeholders.

We have the scale and experience to make game-changing interventions and we are using the capability of cutting-edge research and technology to help people to build their own financial resilience strategy.

For **consumers**, we want there to be an option to take instead of high risk borrowing. So, we invested in SalaryFinance, which was set up in 2015 and can enable employees to draw down their pay as they earn it. In 2019, SalaryFinance continued its rapid expansion. In the UK, the financial wellbeing platform achieved a reach of over 1.3 million employees and its loan book doubled compared to the end of 2018.

More than three million customers have Legal & General look after their defined contribution pension schemes.

The financial wellbeing hub provides practical tools and information around four key themes to help members feel financially confident now and in the future.

We are working **upstream**, providing capital for start-up businesses through existing venture capital managers, taking direct stakes in growth companies and investing in innovative sectors. We have also added to our longevity ecosystem by buying a 100% stake in MyFutureNow. So, we have added to our longevity ecosystem by buying a 100% stake in MyFutureNow. This technology enables customers to trace their lost or forgotten pension pots so that they can plan their later life strategy with better visibility of their resources.

14. [themoneycharity.org.uk/money-statistics/](https://themoneycharity.org.uk/money-statistics/)

15. [www.legalandgeneralgroup.com/csr/csr-news/the-rise-of-workplace-wellbeing-giving-stressed-staff-some-breathing-space/](https://www.legalandgeneralgroup.com/csr/csr-news/the-rise-of-workplace-wellbeing-giving-stressed-staff-some-breathing-space/)



## 03 People and Culture

Our experienced, dedicated professionals offer market expertise and honesty in their interactions with customers. We have a wide range of experience across demography, actuarial modelling and statistical analysis, and our asset management credentials enable us to cover a broad spectrum of asset classes.

### Understanding our workforce

It's important that we have a measure of workforce diversity – only by greater transparency in measuring, reporting and charting milestones will we deliver a more interpretative view of our people. We want a sustained and inclusive approach to how we support our talent. In 2019, we updated diversity data across UK recruitment and onboarding platforms, enabling employees to self-service their personal (diversity) information. We now ask for gender, ethnicity, marital status, disability, sexual orientation, gender identity – giving people the option to define their gender identity – caring responsibilities and socio-economic backgrounds.

Alongside this, we developed a Culture, Inclusion and Diversity Dashboard which monitors and assesses gender and ethnicity across the employee life-cycle to ensure we can report how we are creating an environment where we are not only attracting diversity, but retaining it as well. Our Executive Committee will review this dashboard regularly, assess what is working well and put improvements in place to make sure we're achieving equality. All members of the group's Executive Committee have a percentage of their bonus linked to culture, one of the measures of which is progress on diversity indices.



# 74%

Our employee engagement score rose from 72% in 2018 to 74% in 2019

# 11.7%

Employee turnover has reduced from 13.6% in 2018 to 11.7% in 2019.

### Employee engagement

The Voice survey, introduced in 2018, is our most powerful mechanism for listening to our people. We ran three surveys in 2019, using a digital tool that allows managers to receive real-time engagement data and focused action plans. The insight gained has allowed us to refine our approach further for 2020, when we will increase the number of managers receiving reports, provide them with more training and support, and therefore enable more specific and meaningful actions to be taken at a team level.

Our employee engagement score rose from 72% in 2018 to 74% in 2019. This helped to improve our employee turnover from 13.6% in 2018 to 11.7% in 2019. We've also reappraised our approach to internal communication. 'Our Story' is a new way of communicating, putting our people's stories at the heart of our messaging. Meanwhile, our new corporate intranet allows improved dialogue and interaction with our communications.

**“We continue to invest in our employees’ development and wellbeing, creating an inclusive culture where we value differences and empower people to meet their goals. Lesley Knox, in her role as our designated Workforce Director, met with many employees throughout the year and the insights gained have driven a number of initiatives in 2019, and will continue to do so into 2020 and beyond.”**

Nigel Wilson, Group CEO

# 03 People and Culture

continued

## Talent development

Conversations with our people, feedback from our Voice surveys and our strategic workforce plan have all helped us to evolve our approach to training and development. Our priorities are:

- Increasing the use of apprenticeships to support the development of our people and build the skills and capabilities we need for now and the future;
- Refocusing our early careers activity to support our commitment to creating an inclusive and diverse workforce;
- Creating connected leadership development experiences and management development offerings;
- Developing curated content that everyone can access and apply 'in the flow of work';
- Refreshing our approach to mandatory learning, looking to modernise, and creating something meaningful and useful that reduces risk and changes behaviours;

- Creating strong partner relationships with suppliers to create more consistent and connected learning journeys for our people; and
- Reviewing our learning technology ecosystem to provide everyone with access to learning at a time they want and need it.

## Gender Equality, Diversity and inclusion

We're passionate about tackling under-representation of women at all levels in the workplace. To drive this agenda and achieve a more diverse and gender balanced workforce, we set ourselves two ambitious targets for 2020:

1. 50% female representation across our total population.
2. 40% female representation at middle/senior management level.

As at 31 December 2019, female representation across our core UK and US businesses stood at 48.2% and at middle/senior management level, our female population was 38.4%. Hitting these targets by 2020 remains an extremely challenging task but we are heavily focused on embedding new ways of working and building integrated action plans to drive accelerated, sustainable change.

In the Stonewall Workplace Equality Index we are now ranked at number 256, up from 335 in 2018. We continue to do more work in this area including ensuring parental policies and benefits are LGBT+ inclusive.

We ranked as one of the Top 75 UK employers in the Social Mobility Employer Index 2019.

We strongly believe social mobility is critical to ensuring that our workplace thrives. It's important we make the most of our talent, ensuring everyone has access to opportunities, and an equal opportunity to succeed and to realise their potential, whatever their background.

## Legal & General's workforce

|                          | Female | Male  |
|--------------------------|--------|-------|
| Board directors          | 4      | 7     |
| Executive Committee      | 4      | 9     |
| Middle/senior management | 1,264  | 2,029 |
| All employees            | 4,116  | 4,426 |

The data above reflects our core UK and US businesses; it does not include employees of CALA Homes and certain other small businesses.

|                 | 2019<br>Mean | 2019<br>Median | 2018<br>Mean | 2018<br>Median |
|-----------------|--------------|----------------|--------------|----------------|
| Gender pay gap* |              |                |              |                |
| Hourly pay      | 27.6%        | 28.5%          | 27.2%        | 30.3%          |
| Bonus           | 58.4%        | 45.5%          | 59.0%        | 46.5%          |

\*2019 and 2018 figures include CALA and reflect Legal & General's UK-based workforce

# 03 People and Culture

continued

## Our gender pay gap

Despite a slight increase in our gender pay gap for mean hourly pay, we saw a 1.8% reduction in our median hourly gender pay gap, and a decrease in both the mean and median gap for bonus pay. Please see our separate Gender Pay Gap Report for a detailed exploration of this topic, information on what actions we've taken to address it, and the forward-looking plan.



See [legalandgeneralgroup.com/mediacentre/reports](https://legalandgeneralgroup.com/mediacentre/reports) for our Gender Pay Gap Report

## Ethics

Ethical behaviour is an integral part of the way we do business. It's crucial that all our stakeholders are able to trust us to treat them fairly. We strive to earn and retain an excellent reputation and, therefore, take our responsibilities towards the people we come into contact with very seriously by showing the highest standards of integrity in all dealings with them.

We will:

- Always be open, honest and fair in our dealings with colleagues, staff, customers, business partners, suppliers and the community at large and treat them with respect;
- Never tolerate any act of discrimination, harassment or victimisation;
- Ensure the ethical of conflicts of interest at all times;
- Operate within all applicable laws, rules and regulations in all areas where we have a presence;

- Safeguard personal data and any information of a non-public nature; and
- Avoid acting in any way that could bring Legal & General into disrepute or undermine the values it represents.

The Legal & General Code of Ethics underpins these principles. It aims to guide our action and those of the people we work with closely, encouraging a way of working which is honest, responsible and respectful.

## Anti-bribery and corruption

We will not tolerate any person acting on behalf of the company participating in any form of corrupt practice and we will not either accept or offer bribes. Our financial crime risk policy applies across the group and seeks to ensure that controls are put in place to prevent such activity, including the control and approval of giving and receiving gifts and hospitality.

## Supply chain

We have a broad range of suppliers, ranging from providers of services and materials for our buildings, to suppliers of IT systems and software.

We strive to work with like-minded businesses who comply with our Code of Conduct. This establishes standards that ensure they operate ethically, are environmentally responsible and their workers are treated with respect and dignity, ultimately creating a positive relationship.



# 03 People and Culture

continued

## Health and Safety

|                               |                   |   |  |
|-------------------------------|-------------------|---|--|
| <b>Suppliers<sup>16</sup></b> | Health and Safety | We have built into our supplier code of conduct our commitments to ensure suppliers provide 'A Safe and Healthy Workplace'. | "We are committed to ensuring that the health and safety risks to our policyholders, employees and contractors which arise from our operations are reduced as far as is reasonably practicable. Our suppliers must comply with all relevant health and safety laws and regulations, both in letter and in spirit, in all the countries in which they operate. We expect our suppliers to provide all their employees with adequate information and instruction on health and safety matters and to enable their employees to meet their responsibilities for the maintenance of a safe and healthy workplace." |
|-------------------------------|-------------------|---|--|

## Modern slavery

We stepped up our work to address modern slavery risk in our supply chain. We are working with Stronger2gether to build a robust risk process for all our suppliers

We have taken a number of actions during the year. These include setting a clear five-year strategy for the group, reviewing policies and procedures, mapping supply chains, training, and developing a robust risk assessment process.

Our responsibility is to respect all human rights. Our proactive approach reflects our ethical commitment and helps to establish and maintain successful relationships with all stakeholders.

## Health and safety

The health and safety of our staff, visitors, suppliers and contractors is core to our business culture and the safety of all our people is of the utmost importance. During COVID-19 we have worked hard to ensure the safety of our employees. To enable our people to work safely and comfortably from their home environment we have provided more than 1,000 agile home working kits.

Where we undertake construction activity we are also directly exposed to health and safety, and

environmental risk. Site health and safety is a core focus area across all our property development and operating activities.

Within CALA Group we had one incident which resulted in a contractor sustaining fatal injuries. The incident is currently under investigation by the Health and Safety Executive and therefore we are unable to provide any further information.

## Working with government

We have a set of principles for engagement with government and policy-makers. We believe people should know what we do and what we stand for. As part of growing our business in the US we have continued to engage with stakeholders across the United States at federal, state and city-level, including Chambers of Commerce and will continue to do so.

## Public policy principles

1. We make no political donations. We are politically neutral, working with all parties, officials, regulators and other policy organisations in the jurisdictions we operate in.
2. We work collaboratively both directly and through a range of industry representative bodies.
3. We aim to deliver evidence-based, practical proposals for consideration by policy-makers.

4. We aim to be experts and thought-leaders: we are an organisation rich in expertise that we're willing to share with those responsible for formulating public policy.

5. We're focused on delivering positive outcomes for customers, shareholders, investment markets, the broader economy and society.

## Our engagement with government

As part of our dialogue, we responded to relevant government and regulatory consultations, as well as shaping responses from trade and industry bodies. Our main areas of discussion with central and especially local government in 2019 have included:

- Supporting jobs and growth through urban regeneration and our Future Cities projects;
- The changing accumulation and decumulation landscape and changes to the pensions and 'at retirement' market;
- Financial regulation – both conduct and prudential;
- Corporate governance;
- Risk sharing;
- Financial regulation – UK, US and EU;
- Reforms to both prudential and conduct regulation;
- Engaging with UK, US and EU national and regional government on direct investment into infrastructure, affordable homes, regeneration, non-carbon transport, clean energy and digital networks;
- Discussions on ESG and sustainable finance;
- Deploying patient capital to boost the start-up/scale-up ecosystem;
- The UK's exit from the European Union;
- International trade, particularly the Covered Agreement; and
- Coronavirus.

Modern slavery is estimated to be a \$150 billion trade, affecting around 40.3 million people.

The eradication of this practice is a key part of the United Nations' sustainable development goals.

We join Rathbones in a leading campaign for all FTSE 350 companies to comply with the Modern Slavery Act.

## Digital privacy

Protecting your personal information is extremely important to us at Legal & General. It's especially important for a large financial company like ours, as our customers trust us to look after a huge amount of sensitive information on everything from their business affairs to their medical history. In 2019 the Group Information Technology Committee focused in particular on the group's cyber security, information security, access management and GDPR programmes and considered capabilities relating to IT, cyber and digital skills and plans to address any capability gaps.

16. <https://www.legalandgeneralgroup.com/csr/our-approach/supply-chain/>



Building community is an important part of behaving responsibly in the environments we work and live in.

# Part of the community

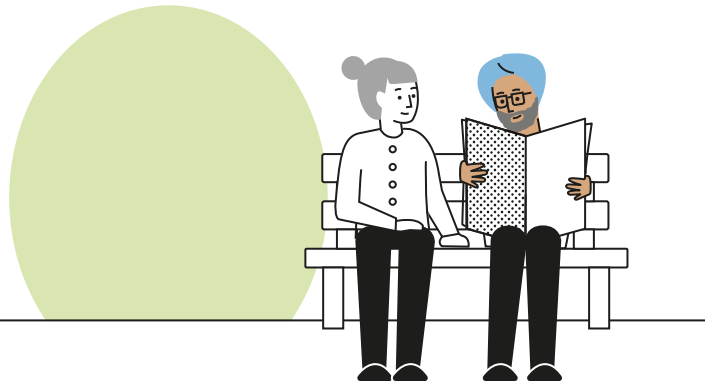
## How we're helping local communities

In 2019, our community activities included:

A new partnership with the Duke of Edinburgh's Award scheme in the United States, which we are now funding.

Our continued sponsorship of the **'Share the Orange'** campaign, which aims to bring awareness to the distress caused by Alzheimer's and dementia.

A continued commitment to encourage volunteering, shown by our support for the Royal Voluntary Service 'Step Forward' campaign.



### Social mobility

We support the Social Mobility Pledge which sets the agenda on business-led social mobility helping to level up opportunity across the UK. Our Modular Homes apprenticeship scheme has enabled many young people to acquire skills while receiving an income from employment.

### Celebrating LGBT+ inclusion all year round

We believe better business decisions come from having a vibrant business that values inclusiveness and embraces difference. Our people are engaged and empowered to deliver business results because they come from a diverse set of views.

Legal & General is proud to be a Stonewall Diversity Champion and is committed to creating a more inclusive workplace.

### Social enterprise

# £800k

We have provided interest-free loans to 31 social enterprises in Sussex and Wales, investing £800,000 to date

Since 2012 we have made a commitment to help social enterprises. These organisations are seen as a vital force in driving the regeneration of communities, creating much needed job opportunities and a vibrant, diverse and inclusive local economy.



### Chairman's awards

Our 'Community Awards' recognise the wonderful things that Legal & General staff do for their communities. Read more about the winners online at [legalandgeneral.com](http://legalandgeneral.com)



**“Successful companies are no longer the ones that just make the most money, but are those that create the greatest social value for their communities and society as a whole. Through serving our communities we can meet our environmental, social, and governance goals.”**

Sara Heald, Head of CSR

**Our work with SE-Assist**

Since 2012 we have made a commitment to help social enterprises. These organisations are seen as a vital force in driving the regeneration of communities, creating much needed job opportunities and a vibrant, diverse and inclusive local economy.

We work with the Charities Aid Foundation Venturesome (CAF), supporting many Welsh enterprises. These include the Wales Co-operative Centre, Business in the Community Wales and the Institute of Directors Wales. We have provided interest-free loans to 31 social enterprises in Sussex and Wales, investing £800,000 to date.

SE-Assist has supported a diverse range of social enterprises and entrepreneurial charities to grow – these include:

- HISBE, an ethical supermarket in Brighton;
- ELITE SEA, a trading charity supporting disabled and disadvantaged people into work in Wales;
- Brighton’s community pub, The Bevy; and
- GT Scholars, an in-school and after-school leadership programme for young people in Croydon.



**£78,000**

Donated to small charities requested by employees

**12,000**

Students reached through our Everyday Money financial education programme, with 116 teachers and 2,236 students reached during 2019

**£20,500**

The School Governors and Trustee Programme has given £20,500 to schools and charities. Our employees choose to sit on the boards of charities to gain governance skills



**\$1.041m**

Raised by our Maryland Office Charity Drive

**£1.3m**

Employees have raised for charities through our matching programme



## How we're helping local communities

# Charity stakeholders

### Investing in Croydon's young people

It's important that young people have somewhere to go, something to do and someone to talk to. We have pledged to support Croydon's young people by becoming the latest Founder Patron of Legacy Youth Zone, with a £25,000 donation each year for the next three years.

## £25,000

We have pledged to support Croydon's young people with a £25,000 donation each year for the next three years



## £1,400

L&G employees raised more than £1,400 for the Friends of Hove Park by taking part in a giant relay event. Staff at Legal & General in Hove raise tens of thousands of pounds every year for local causes

### Legal & General and The Prince's Trust Partnership Raising Aspirations

Youth charity The Prince's Trust helps young people to develop the confidence and skills they need to realise their ambitions, so that they can live, learn and earn. At Legal & General, we feel we can play a powerful role in helping The Prince's Trust to support, mentor and engage young people.

**“This partnership with Legal & General will greatly help our work to engage more young people in the North East to raise aspirations and educational attainment... we're excited to see what impact we can make together.”**

Rachael Ronchetti, Senior Head of Operations  
– North, The Prince's Trust.

### Not a Red Card 2019

Since 1999, mental ill-health has been the biggest reason that our customers claim through our Group Income Protection Policy. The Not a Red Card campaign helps us to raise awareness, remove stigma and take real action around mental health in the workplace.

The Not a Red Card Forum and Awards 2019 saw over 200 business leaders, employers and mental health advocates attend the event in London. The day included inspirational stories, expert discussions and insightful roundtable workshops, exploring best practice when it comes to mental health provision in the workplace.



# Looking ahead

# Build Back Better

## Our journey to net zero

### 2021's rescheduled COP26

The UK was to host the 26th 'Conference of the Parties', in Glasgow. The conference has been moved to 2021 because of the travel restrictions introduced to deal with COVID-19. As the host nation, the UK has a pivotal role in the process. The UK's Secretary of State for Business, Energy and Industrial Strategy, Alok Sharma, spoke to the United Nations to set out the UK's ambition for COP26 to: 'move from billions to trillions... achieving net zero will require a whole economy transition'. As a leading global financial services business, whose first home market is the UK, Legal & General will play its part in making the UK's hosting a success.

## Our journey to a better society

### Building our £20m research partnership

Increasing life expectancy is to be celebrated, but it poses major challenges for individuals, families and the public and private sectors. Legal & General's partnership with the University of Edinburgh aims to address these growing societal issues. Legal & General will use its long-term partnership with the University of Edinburgh to establish the Advanced Care Research Centre (ACRC), the first of its kind in the UK. ACRC will offer a seven-year multi-disciplinary research programme designed to improve understanding of care in later life and to revolutionise how it is delivered.

## The journey to responsible business

### Modern slavery

In line with our newly operational five year strategy, we will raise awareness, reduce risk and exposure for L&G across the group. Establish L&G as a leader in preventing modern slavery.

### Development opportunities

We continue to address issues raised by employees including: underinvestment in our junior and middle managers' skills, especially in leadership and in using insights from the Voice survey to make improvements; and the need for us to offer clearer development opportunities, including building a pipeline of talent from the apprentice level. Working with HR colleagues, these topics will be a focus for 2020.

### Diversity and inclusion

Refocusing our early careers activity to support our commitment to creating an inclusive and diverse workforce.

### Mental health

Continue to protect our employees by addressing mental health at work in light of COVID and new ways of working.

2019 was a year of global change. The big world conversation was about us and our planet. From a new understanding of the impact of plastics on our planet to researching how to meet our future energy challenge – 2019 saw the need for concerted, bipartisan action. We know that capitalism needs to change so that it can sustainably propel the building of a decarbonised economy. We know capitalism needs to change so that more people experience the benefits of our shared economy and society. And we know that capitalism must adapt to use the amazing potential of longer lives and better health.

**inclusive capitalism can change the economy so that it:**

**Belongs to us all** – a new and sustainable, green economy we all have a stake in;

**Levels the playing field** – a society where opportunity is not just for the rich; and

**Works for all generations** and people from all cultures and backgrounds, to support great public services.





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.

#### Feedback

We welcome feedback and questions from readers. Please direct them to:

#### Sara Heald

Head of Corporate Social Responsibility  
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**“The challenges of 2019 were big, global and asked a great deal from us all. 2020 asks so much more of everyone. The triangle of strategic challenges that drove our work in 2019 – climate, ageing and infrastructure – have all taken on a new urgency. Even as we change our daily routines, our work patterns and our caring responsibilities, we still need to decarbonise our economies; we still need a new intergenerational contract and we still need to share the benefits of a sustainable economy more fairly. Legal & General’s commitment to a more inclusive capitalism is how we – a group of 8,500 people, ten million customers and thousands of shareholders – will contribute to overcoming the challenges and sharing the successes of the 2020s. We will Build Back Better.”**

Nigel Wilson, Group CEO