

Legal & General Group plc

Targets aligned to the Net-Zero Asset Owner Alliance (NZAOA) Target Setting Protocol¹

Background

The Legal & General Group plc (L&G) 2024 Climate and nature report, found [here](#), provides investors and other stakeholders with an understanding of our exposure to climate-related risks, our strategic resilience to these risks, and the climate-related opportunities we have identified. Noting the material interdependencies between climate change and the natural environment, the report also identifies some of the impacts and dependencies that our business has on nature. It also contains the set of decarbonisation targets and activities relating to our portfolio of proprietary assets on the group balance sheet.

In addition, L&G joined the UN-convened Net-Zero Asset Owner Alliance (NZAOA) in May 2021, with commitments to (amongst others):

- set intermediate individual targets, in line with the Alliance's Target-Setting Protocol, within 12 months of joining.
- publish intermediate individual targets.
- disclose annually and publicly on progress towards intermediate individual targets, including on investment portfolios' emissions profile and emissions reductions.
- report intermediate individual targets and annually on progress towards intermediate individual targets, via the internal Alliance reporting template/tool for aggregation and publication in the Alliance progress report.

Further information on the alliance is found [here](#).

This report contains additional and complimentary targets, in line with our NZAOA commitment above, to our headline suite contained in the 2024 Climate and nature report.

Introduction

Our NZAOA commitments focus on three areas:

'Sub-Portfolio' targets: Sub-portfolio targets cover asset classes where credible methodologies and sufficient data coverage exist today.

Engagement targets: Engagement targets track our engagement activities and progress with individual corporates, identifying the 20 highest emitting company holdings in our portfolio which do not already have Paris-Aligned business transition commitments.

Financing Transition commitments: Commitment to annually disclose transition-focussed financing activity and engage with the NZAOA's financing working track.

¹ In line with the 2024 Target Setting Protocol: https://www.unepfi.org/wordpress/wp-content/uploads/2024/04/NZAOA-TSP4_FINAL.pdf



Sub-portfolio target

L&G are committed to alignment with the 'Paris' objective. Our Climate and nature report contains targets for the GHG emission intensity of our portfolio of proprietary assets on the group balance sheet in order to monitor alignment with 'Paris', including reducing our full portfolio GHG emission intensity by 50% by 2030, from a baseline of end 2019, having achieved a 37% reduction to date, ahead of our start 2025 target of a reduction of 18.5%.

In alignment to the NZAOA target setting protocol, we set an additional target, solely focussed on the subset of asset classes defined below:

L&G commit to a 50% CO₂e emission intensity reduction by start of 2030 (from base of end 2019) across their combined bonds & equities, real estate and infrastructure (debt and equity holdings) asset classes.

The 2024 emission intensity for this subset of asset classes² (covering 74% of our £97.6bn of group proprietary assets qualifying as Scope 3 – investment emissions¹) is 49tCO₂e/£m², compared to an emission intensity of 51 tCO₂e/£m⁴ on our full portfolio.

The end 2024 sub-portfolio emission intensity has reduced by 40⁵%, also ahead of our start 2025 target, slightly higher than the full portfolio reduction of 37%. We note that our 2024 emissions reflect sector allocation updates and associated trading which reduced exposure to relatively higher emission sectors and increased our sovereign exposure compared to last year. We may see further volatility in future years and remain focussed on our long-term decarbonisation targets and associated interim milestones.

Note: Disclosure of climate and emissions data is evolving and remains a 'best endeavours' analysis. We rely on third-party data and there are still large segments of the listed company universe where we are forced to rely on estimated rather than actual emissions data, or where there is no data at all. We will continue to encourage companies to measure and report their emissions through our engagement activities.

² As at end 2024, excluding sovereigns, supras, sub-sovereigns, lifetime mortgages, cash, derivatives and operating assets captured in our operational footprint.

³ As at end 2024, excluding cash, derivatives and operating assets captured in our operational footprint.

⁴ Measured on an "Enterprise Value Including Cash (EVIC)" basis.

⁵ Note this performance is based on a re-based 2019 position, adjusting for data sourcing and methodology changes since end 2019 for consistency with the end 2024 score.

Engagement targets

L&G, run climate-related stewardship practices activities through our Asset Management Responsible Investment capability. As for our portfolio decarbonisation targets, Asset Management's engagement approach is described within our 2024 Climate and nature report, including expansion of the Climate Impact Pledge in 2024 and continuing to meaningfully engage on climate issues with global companies, representing c.82% of all GHG emissions attributable to L&G Asset Management's holdings as of December 2024.

Linking L&G's proprietary asset portfolio to L&G Asset Management's engagement activities, L&G have extended our explicitly requested target engagements from L&G Asset Management division, through the Group Environment Committee, as follows:

L&G, through L&G Asset Management, commit to maintain engagements with L&G's investment portfolio top 20 emitters, which do not already have Paris-Aligned business transition commitments, up to 2030.

This target focusses on the number of companies engaged on the topic of Paris-aligned climate business transition commitments, on an annual basis. The number of engagements with each company each year is subject to Asset Management's discretion and dependent on individual company progress.

We have defined companies as having Paris-aligned transition commitments if:

- 1) they have an SBTi-approved science-based target or
- 2) they score 2 degrees or less for both: a) the CDP-WWF "Portfolio Temperature Rating (PTR)" metric and b) the "Implied Temperature Alignment" metric from our internal Destination@Risk tool.

The list of 20 companies will be subject to annual review and amendment in the event of exposure maturity, divestment, increased Paris-alignment or other extenuating circumstances, within the target setting period. In this regard, we also maintain an engagement reserve list each year. In 2024 alone, we engaged with 19 of our previously assessed top 20 emitters and a further 9 emitters from our reserve list.

We have also committed to supporting the development of new and evolving Alliance engagement position papers.

Note, the above is a small subset of L&G Asset Management's wider climate-focussed engagement activities, as explained in Asset Management's Active Ownership [report](#), including L&G's Climate Impact Pledge and as a member of Climate Action 100+.



Financing transition commitment

As stated in our 2024 Climate and nature report, L&G have invested £4.0 billion in transition finance, including £1.6 billion in renewable energy, £1.7 billion in green bonds and £0.7 billion in other solutions (such as technology, infrastructure and real estate) which supports the transition and helps with our resilience to climate risk. We are committed to increasing the financing of climate solutions where it makes strategic sense to.

In addition, we also have invested £0.3 billion in debt conversions for nature, in line with our objective to invest in opportunities that support nature, while also holding a further £1.1 billion allocation of wider sustainability bonds.

To support the continual evolution of climate solution investments, we are committed to maintaining representation on the NZAOA financing working track for 5 years.