

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) 2023 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 2023 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 2023 Target Setting Protocol: <https://www.unepfi.org/wordpress/wp-content/uploads/2023/01/AOA-Target-Setting-Protocol-Third-edition.pdf>

Sub-portfolio target

L&G are committed to alignment with the 'Paris' objective in line with global efforts to limit warming to 1.5°C. 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 18.5% by the start of 2025 and by 50% by 2030, from a baseline of end 2019.

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

L&G commit to an 18.5% CO₂e emission intensity reduction by start of 2025 (from base of end 2019) across their combined bonds & equities, real estate and infrastructure (debt and equity holdings) asset classes.

The 2023 emission intensity for this subset of asset classes² (covering 82% of our £89.9bn of group proprietary assets qualifying as Scope 3 – investment emissions³) is 58 tCO₂e/£m⁴, compared to an emission intensity of 56 tCO₂e/£m⁴ on our full portfolio.

The end 2023 sub-portfolio emission intensity has reduced by 29⁵%, slightly less than the full portfolio reduction of 30%, noting that our 2023 emissions reflect small sector allocation updates and associated trading through the year within the high emission sectors and the impact of short-term market movements. 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 2023, excluding sovereigns, supras, sub-sovereigns, lifetime mortgages, cash, derivatives and operating assets captured in our operational footprint.

³ As at end 2023, 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 2023 score.

Engagement targets

L&G, through our investment management business, LGIM, continues to build on our market-leading corporate engagement on climate through our award-winning Investment Stewardship team. As for our portfolio decarbonisation targets, LGIM's engagement approach is described within our 2023 Climate and nature report, including expansion of the Climate Impact Pledge in 2023 and continuing to meaningfully engage on climate issues with global companies, representing c.67% of all GHG emissions attributable to LGIM's holdings as of March 2023.

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

L&G, through LGIM, commit to increase the number of annual engagements with L&G's investment portfolio top 20 emitters, which do not already have Paris-Aligned business transition commitments, from 8 in 2019 to 20 by 2025.

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 LGIM 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: a) are scored as "Below 2 Degrees" on the Transition Pathway Initiative (TPI) benchmarking tool, and b) have an "Implied Temperature Alignment" score of 2 degrees or less from our internal Destination@Risk tool.

The list of 20 companies will remain static where appropriate, although will be subject to annual review and amendment in the event of exposure maturity, divestment, or other extenuating circumstances, within the target setting period. We are on track to achieve this target.

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

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

Financing transition commitment

As stated in our 2023 Climate and nature report, L&G have invested £3.3 billion in transition finance, including £1.4 billion in renewable energy, £1.2 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 continue to look for opportunities to finance the transition. Particularly on the equity side, we invest in early-stage innovative clean technology companies and low carbon renewable energy infrastructure needed to meet UK and global UN climate targets and Sustainable Development Goals.

During 2023, for example, we launched our new Clean Power (Europe) Fund alongside our partners NTR. This raised €390 million in its first close, using third-party capital, as well as our own, to invest in Europe's decarbonisation and energy security.

We continued to make new investments in early-stage companies, such as Cambridge Electric Cement, who are pioneering the decarbonisation of the cement industry.

For new developments and capital works within real estate, employees moved into our new Cardiff office, Calon, which has achieved a BREEAM 'Outstanding' rating and has been designed to operate in line with the current UK GBC net zero pathway.

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