



Legal & General and Hodge announce multimillion investment into net zero enabler Sero Technologies to reduce emissions within the residential housing sector

Legal & General Capital (Legal & General) and Hodge announce their £5.5million investment into Sero Technologies ('Sero'), an energy technology and services company supporting the transition to net-zero across the residential housing sector. Sero has developed industry leading digital tools and expertise to design and deliver cost effective low carbon solutions for both new build and existing homes. Sero works with landlords, mortgage lenders, housebuilders and more, to plot a pathway to net zero for their homes, providing the option of ongoing optimisation to ensure a good outcome for customers.

Heating and hot water for UK homes make up 25% of total energy use and 15% of our greenhouse gas emissions¹. To achieve the UK's legally mandated target of net zero by 2050, almost every home in the country will need to be improved or retrofitted with some combination of enhanced energy efficiency and low carbon heating. Retrofit represents a significant market opportunity in the UK alone, with the average home emitting nearly 6 tonnes of carbon per year, 23 million homes using mains gas (carbon intensive) for heating, 2 million homes electrically heated (high running costs) and the remaining 2 million using heating oil or other fossil fuel systems (carbon intensive and high running costs). Net-zero planning also needs to be considered at building design stage, with early planning having a major impact on long term emissions.

With over 10,000 new build and existing homes within its identified pipeline, Sero has forged strong relationships within the housing sector, creating tailored net-zero energy retrofit plans for homes, assuring them using building passports and managing them using its smart home energy management system, 'The BEE' (Building Energy Engine) and comfort based service model. Sero has initially focused on working with social housing providers facing major challenges around regulation and funding, as they look to meet net-zero targets. Legal & General and Hodge's investment will support Sero in its next stage of growth, as well as its aims to support the delivery net zero financial products with institutional partners.

Legal & General invests its capital in clean energy infrastructure, businesses and technologies to help accelerate progress towards a low-cost, low-carbon economy - working with local authorities, government and key industry players to create scaled solutions. Sero forms the latest part of its growing portfolio, which includes offshore wind, onshore wind, solar PV, EV-charging and ground-source heat pumps, amongst others. As one of the UK's largest housebuilders by volume, with a commitment to deliver net-zero [operational] emissions from 2030 across its residential portfolio, there are significant opportunities for Sero to work with Legal & General's existing housing assets and businesses.

Hodge, which is 79% owned by the Hodge Foundation, is a specialist in mortgages, commercial finance and savings. Since its inception more than 50 years ago, Hodge has sought new ways to help customers get the most from their money. It also ensures success for the business equals a positive impact on society. This is the second major investment in less than a year for Cardiff-based Hodge as the bank looks to grow its investment portfolio in line with its ethos of using banking for good.

Sero is a natural fit for Hodge as it looks to not only ensure that it continues to play its role in making society better but supports and invests in businesses which are closely aligned to this goal. Hodge already specialises in

¹ 2019 UK Greenhouse Gas Emissions statistics summary, see <https://www.gov.uk/government/statistics/final-uk-greenhouse-gas-emissions-national-statistics-1990-to-2019>

providing finance to homeowners and businesses and there are significant opportunities for Sero and Hodge to work together to provide solutions that support its customers.

John Bromley, Head of Clean Energy at Legal & General Capital said: “Housing is a major contributor to carbon emissions, requiring some of the most challenging and immediate overhauls of any sector. We are delighted, therefore, to be investing in a business that will play a major role in putting UK housing on a pathway to net zero, whilst providing significant job creation in the clean energy sector and supporting the UK’s SMEs. As an energy transition investor, we are aiming to support the scale up of innovative businesses capable of delivering the solutions needed to reduce emissions throughout the economy, and Sero represents another perfect partner for us in this space. We look forward to working with the Sero team to grow their innovative business as well as utilising their expertise across our own housing platform.”

David Landen, Chief Executive Officer at Hodge said: “I’m delighted to be able to announce Hodge’s investment in Sero. Our homes are one of the largest contributors to the UK’s carbon emissions and all new and existing homes will need to evolve to enable us to meet our 2050 net zero carbon target. Sero seamlessly guides people through understanding their own path to net zero as well as supporting them in the steps required to meet that goal.

“Apart from both being proud Welsh businesses, our organisations share a common purpose of making lives and society a better place. We can build a strong partnership to help all customers with this vital part of the UK’s carbon transition. The investment is part of our strategy to invest in exciting technology businesses that have close alignment to both our business and our purpose.”

James Williams, Chief Executive Officer at Sero said: “The challenge of upgrading existing housing stock is growing as the urgency of solving the climate emergency becomes even greater. Improving the energy efficiency of our homes can provide long term economic benefit and comfort to residents, as well as reducing carbon emissions. This investment therefore is a huge milestone for Sero as we grow and bring new products to market to help the UK in its delivery of net zero.

“We set out to find investors that share our vision, and this has been evident from both the Legal & General and Hodge teams from the outset. We look forward to now working together to create strategic opportunities for the business, in particular expanding our presence within new and emerging sectors, such as working with banks and building societies to support the development of green finance products.”

Later this spring Sero will be launching its industry leading Building Passport, a digital app that allows homeowners to gain a greater understanding of the carbon footprint of their home, how they can make it more energy efficient, and track the progress of the home on its pathway to net zero. This follows recommendations last year from the Coalition for the Energy Efficiency of Buildings (CEEB) for developing a standardised framework for Building Renovation Plans in the UK, to enable property owners to access digital information to help inform how they retrofit their home.

This also aligns with the UK Government’s anticipated move towards improving home energy performance through lenders, with building societies and banks able to use the Building Passport to inform the use of green finance products. Sero’s Capture app will be used to log data to understand more about each individual home. This data will then be used to create the digital Building Passport, which will set out the current building status alongside a clear and attainable route to net zero for each home.

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Further information

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Notes to editors

Legal & General Capital

Legal & General Capital (LGC) is Legal & General Group's alternative asset platform, creating assets for Legal & General Retirement and third-party clients in order to achieve improved risk-adjusted returns for our shareholders.

LGC has built its market leading capabilities in a range of alternative assets, delivering depth of resource, track record and intellectual property. Investing in the real economy and creating alternative assets that deliver a tangible societal impact, its purpose is to invest society's capital for society's benefit. LGC's investments have been vertically integrated and include: residential property; specialist commercial real estate; clean energy (growth equity, assets and infrastructure); alternative credit; and venture capital.

As LGC's capability to create alternative assets continues to grow, it will not only continue to expand its balance sheet but also to create alternative assets for third party investors. Many of these investors have the same aims, namely to create assets to back pensions with an improved yield or to create assets with strong growth prospects but with low correlation to equities performance.

L&G has invested over £30bn in levelling-up regional economies, including through major regeneration schemes in Cardiff, Newcastle and Salford. Legal & General recently made a commitment to enable all new homes across its portfolio to operate at net zero carbon emissions by 2030, including Legal & General Modular Homes, CALA Group, Legal & General Affordable Homes, Build to Rent and Later Living. LGC has made 9 energy transition investments, including clean technology businesses such as Oxford PV and Tokamak Energy; renewable wind and solar energy assets managed by NTR; electric vehicle charging leader Pod Point; and also owns a 36% share in Kensa Heat Pumps, a UK manufacturer and installer of high efficiency networked heat pumps.

Legal & General Group

Established in 1836, Legal & General is one of the UK's leading financial services groups and a major global investor, with international businesses in the US, Europe, Middle East and Asia. With over £1.24 trillion in total assets under management, we are the UK's largest investment manager for corporate pension schemes and a UK market leader in pension risk transfer, life insurance, workplace pensions and retirement income.

Hodge:

For more than 50 years, Hodge has helped its customers achieve their financial goals with the skills and knowledge to ensure it creates products and delivers service for the moments that matter.

Over the years it has created mortgage products to support the older than average borrower and has also been able to use its experience in other specialist areas to grow its product offering to better serve brokers and customers alike.

Whether it's with their personal mortgage, savings, or as a commercial client, Hodge is there to support the thousands of customers who trust us with their finances.

Hodge is 79% owned by the Hodge Foundation, a charity supporting welfare, medical and academic endeavours. More information can be found on the website www.hodge.co.uk. Follow @HodgeBank on Twitter.

Sero:

Founded with a mission to deliver Net Zero Carbon in homes, Sero is a certified B Corporation working with developers, landlords and financial institutions to help provide the digital products and technical expertise needed to decarbonise the c.27m homes of the UK.

Sero's pragmatic approach provides an end-to-end solution that starts with a digital Building Passport that captures the unique nature of each home, and then allows the homeowner to plan a stepped Pathway to Zero that best suits their preferences whilst recognising the ongoing decarbonisation of the energy grids. This results in offering the resident the UK's first "Comfort as a Service" home energy solution, providing customers a combination of home energy optimisation and services that keeps their preferred comfort settings, whilst reducing their effort, costs and carbon footprint. **Sero Group**