



Sustainability and  
inclusive capitalism 2020-21



Pioneering  
low carbon solutions  
inclusive capitalism  
clean energy  
sustainable living  
an inclusive future

**Pioneering  
thriving cities, low carbon solutions,  
sustainable communities, clean energy,  
affordable housing, accessible finance,  
digital transformation, smarter  
buildings, healthier lives, digital  
connectivity, community regeneration,  
diverse workplaces, retirement  
planning, innovative research, financial  
inclusion, access to jobs, sustainable  
investment, climate engagement,  
an inclusive future**

A fair society with equality of opportunity. Younger generations supported and enabled to reach their potential. The elderly respected and cared for in their communities. Affordable, sustainable homes in thriving cities and towns.

At Legal & General, we're pioneering a future where today's capital is used to benefit tomorrow's society.

**We call it inclusive capitalism.**



# In this report

Welcome to our 2020 Sustainability Report. Inside, we share our vision of inclusive capitalism and our journey towards achieving it.

To ensure transparency, we report in accordance with the Global Reporting Initiative (GRI) Standards: Core option.

 Click here to read more

All the images used throughout this report were taken pre-March 2020, before the outbreak of Covid-19 and social distancing measures.

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## Chief Executive's review

# Welcome



“Our inclusive capitalism agenda has never been more urgent or important. The unforeseen consequence of the pandemic has been more inequality; we’re matching words and deeds to help level up society and build back better.”

Nigel Wilson  
Group CEO

We provide financial stability to our customers and their families in good times and bad. It’s what we’ve always done and what we’ll continue to do in the long term.

All we do is underpinned by inclusive capitalism: a balanced vision, where profits and purpose co-exist and everyone can build their own stake in our economy. It is built on productive partnerships between business, government and communities to unlock the transformative potential that exists in our society.

Our purpose sets us apart in our response to Covid-19. The human and economic cost of the pandemic reaffirm our commitment to inclusive capitalism as the only way to do business responsibly.

Our employees’ response to the challenges of the pandemic was first class. They were resilient and resolute in their efforts to keep our business running and enabling access to the critical financial services we provide. Throughout the pandemic, we engaged with and listened to our employees, supporting their wellbeing, exploring their perspectives and reaffirming our commitment to building an agile and inclusive business. Legal & General operated throughout 2020 without accessing any furlough scheme or other Covid-19 business support. We extended services and opportunities for employees to manage mental health issues and deal with stress.

# Chief Executive's review

continued

All of this positioned our business to weather the pandemic and deliver a resilient set of financial results, which in turn allows us to step up to the job in hand: supporting society and the economy through a fair, investment-led recovery.

We intend to be a leader in that recovery. As investors, we have a duty to work with the Government in creating a more inclusive post-pandemic society. That is why I was pleased to be invited to be a member of the Prime Minister's Build Back Better Council which brings together business leaders from across the whole UK economy to unlock investment, boost job creation and level up the whole of the country. We don't take this responsibility lightly and have launched the Rebuilding Britain Index (RBI), a quarterly, community-led index that will act as the benchmark in identifying the UK's investment priorities, regional investment gaps and barriers to increasing investment, focusing on social, economic and environmental needs.

We must also practice what we preach. The cost of Covid-19 has, sadly, been high for many Legal & General customers – including holders of life insurance policies and annuitants who lost their lives too soon. Supporting people to prepare for the worst is one of the things we do best, and we have been steadfast in our commitment to pay all valid claims and provide a rapid but sensitive service to bereaved families. We continued supporting our shareholders and customers while delivering inclusive capitalism through investments in infrastructure, clean energy, affordable housing, and providing products to support individuals' financial resilience. Since the UK went into lockdown in March 2020, we have invested £1.5 billion into the UK's towns and cities, creating 30,000 jobs in the long term and supporting a regional economic recovery.

Amidst the pandemic response, it has been crucial not to lose sight of our long-term goals, including a net zero future. The UK's leadership of COP26 offers a historic opportunity to engage. Through our Climate Impact Pledge, we have held hundreds of companies to account to drive progress towards net zero. We are not afraid to call out companies that are not doing enough, whether it is on delivering inclusive capitalism, tackling climate change or addressing environment, social and governance issues.

**Nigel Wilson**

Group CEO

**“Inclusive capitalism is a balanced vision, where profits and purpose co-exist, and everyone can build their own stake in our economy.”**

**Nigel Wilson**

Group CEO



**10,000**

employees across the UK, North America, Europe and Asia.

**30,000**

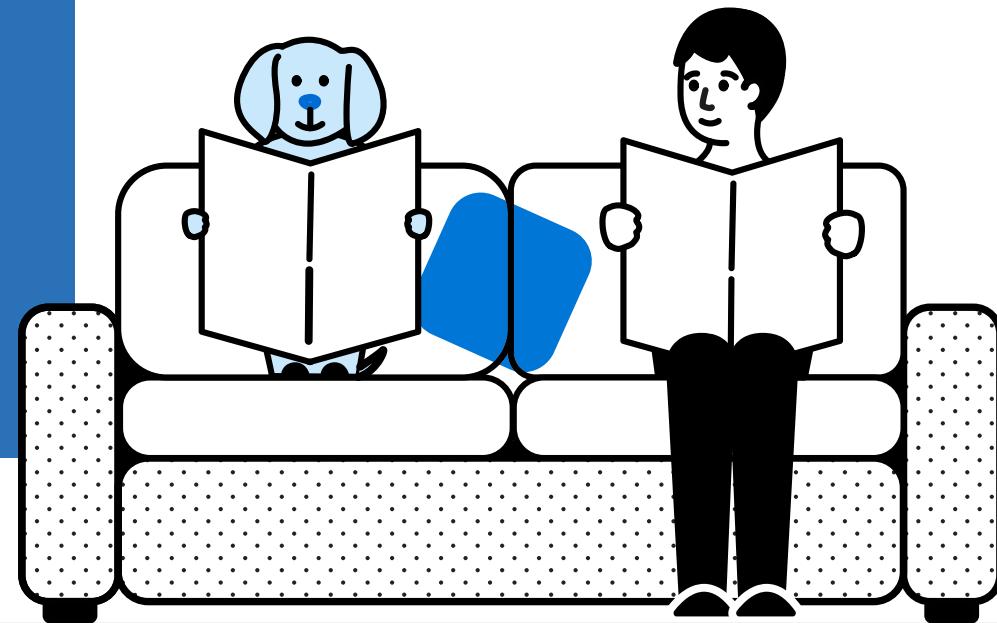
Our investments since March 2020 are set to create 30,000 jobs.

# Our context

We're ambitious about the future and committed to delivering profitable growth through inclusive capitalism. This philosophy guides our decisions and galvanises our work to build a better society.

## In this section

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# About the Legal & General Group

**Pioneering  
retirement planning  
investment management  
capital investment  
insurance solutions  
inclusive capitalism**

Our purpose is to improve the lives of customers, build a better society for the long term and create value for our shareholders. This inspires us to use our assets in an economically and socially useful way to benefit the whole of society.

Our strategy is based on our vision of inclusive capitalism. Capitalism today is not inclusive and we want this to change. We have always believed a fair capitalist system is the best way to achieve progress so that more people benefit from economic growth and financial opportunities. We bring inclusive capitalism to life by looking at the outcomes we achieve through a holistic lens that includes more than just financial benefits and investing in things that are good for society.



## Our businesses

### Retirement

We take on pension scheme liabilities from corporate schemes in the UK and the US to bring certainty to companies over their liabilities and provide guaranteed retirement income to individuals.

We help our customers accumulate pensions savings and transform them into income to have a colourful retirement life.

### Investment management

Our savings and investment plans enable our clients to take control of their financial future. As one of Europe's largest asset managers, Legal & General Investment Management (LGIM) offers investment solutions to clients globally and influences the companies it invests in to behave in a responsible way that benefits everyone. We are the UK market leader in providing pension asset management services to institutional clients and manage the assets our clients hold to cover their pension scheme liabilities and generate returns.

### Capital investment

We channel our customers' pension assets and the Group's shareholder capital towards long term investments in specialist commercial real estate, clean energy, residential property and SME finance. Our £3.1 billion direct investments generate returns for pensions and on the Group's capital while benefitting society through socially responsible investing.

### Insurance

As the UK's number one individual life insurance provider with 5.5 million customers, we help our customers protect themselves and their families, and plan for the unexpected. We provide life insurance to 1.3 million people in the US and our group protection business in the UK offers life insurance and income protection products to 1.8 million people through group protection schemes with their employers.

## 2020 highlights

**£8.8bn**

institutional retirement sales

**£910m**

individual annuity sales

**£1.3tn**

assets under management

**£3.1bn**

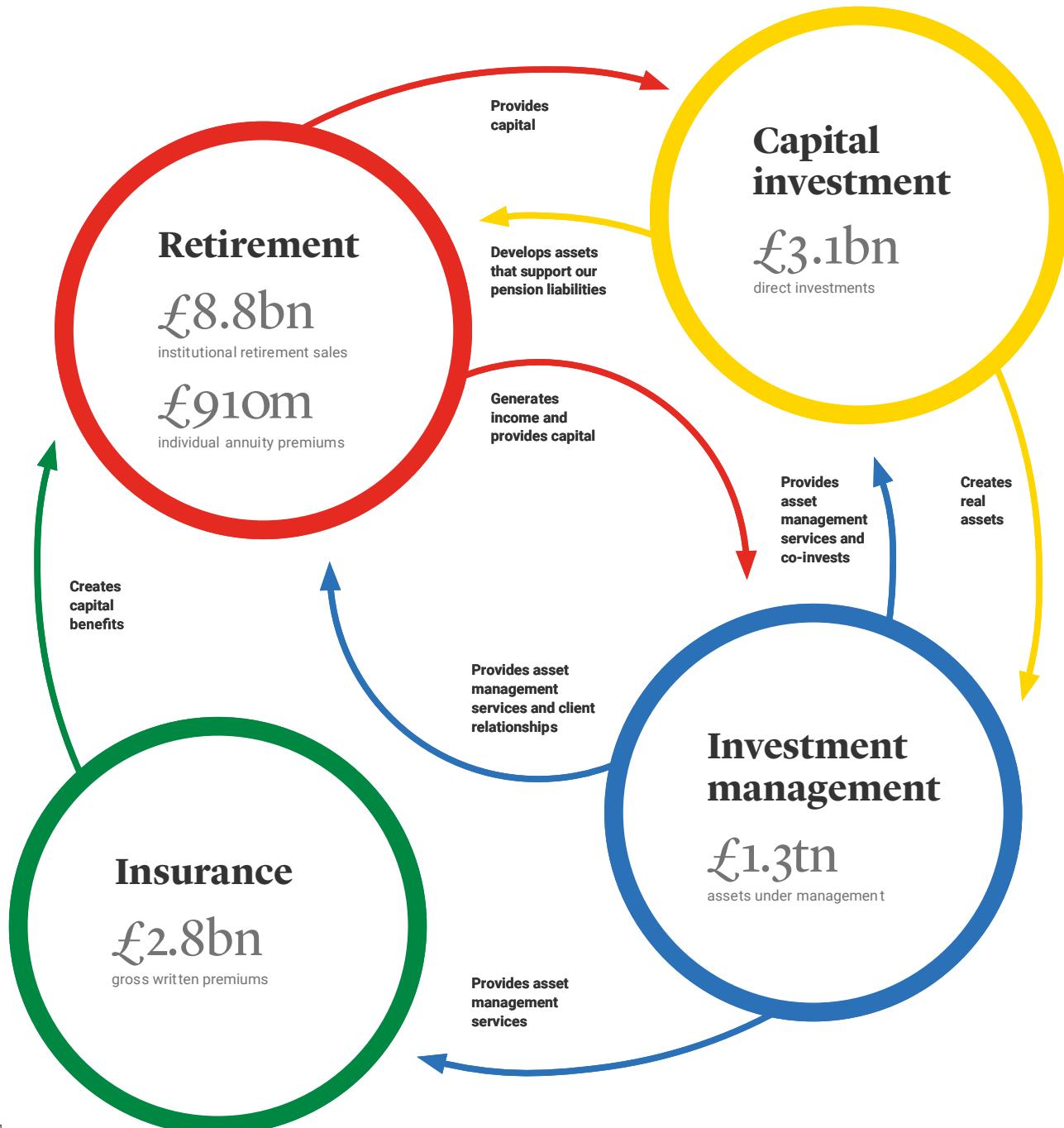
direct investments

**£2.8bn**

gross written premiums

## How we create value

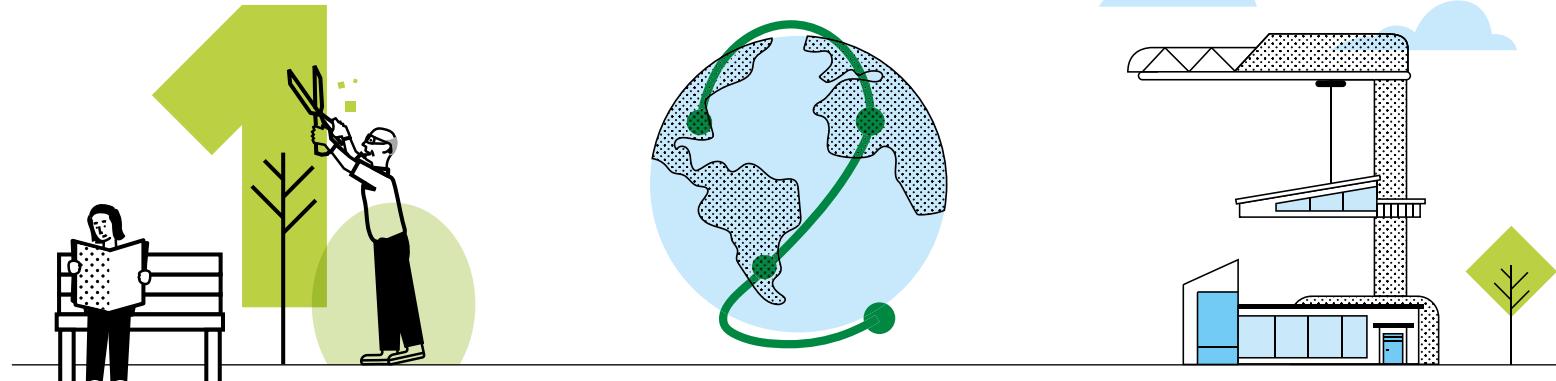
Our synergistic business model and scale in each of our businesses enables us to deliver inclusive capitalism by creating long-term, sustainable value for stakeholders and our customers.



# Our six growth drivers

Capitalism and social progress are not mutually exclusive. We believe they can work hand in hand. Inclusive capitalism is long-term investing for positive change.

To achieve it, we have identified six social and economic trends that shape our business model and strategy to create positive social and environmental outcomes and deliver sustainable profits.



## Ageing demographics

The UK population is ageing. By 2040, it is estimated there will be nearly 10 million people in the UK aged 75 and over. Their retirement funds and other assets need to finance their retirement. The Covid-19 pandemic has shown the importance and challenges of caring for our elderly as part of a healthy society.

### What this means for us

Companies need to find solutions to secure their pension commitments. As a leader in pensions de-risking and retirement income solutions, we can help customers effectively 'de-risk' their pension liabilities so members' pensions can be paid on time and in full. We also lead on later living housing developments and invest in initiatives that support lifespans and healthspans.

## Globalisation of asset markets

Asset markets are increasingly globalised and growing – worldwide assets under management are projected to increase from \$89 trillion to \$106 trillion by 2024. This represents an enormous opportunity for international asset managers.

### What this means for us

We are building a truly global asset management business, entering new markets and expanding our operations. Our investment management business is continuing to selectively extend its global reach with international assets under management of £388 billion. This positions us to scale our positive impact and deliver inclusive capitalism.

## Investing in the real economy

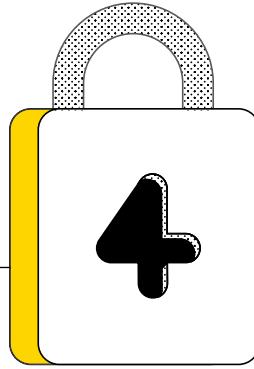
Years of under-investment have left an urgent need to invest in infrastructure and urban regeneration. The UK is facing a £1 trillion infrastructure funding gap. There is also a serious housing shortage and challenges for small and medium enterprises which can struggle to access long-term capital.

### What this means for us

We think assets need to be invested over the long term to improve returns, provide pension security and breathe life into areas which once thrived. We aim to be a leader in direct and socially responsible investments that benefit society. Our housing developments look to help solve the housing crisis, especially in towns and cities outside of the southeast of England.

# Our six growth drivers

continued



## Welfare reforms

Many families who rely on state benefits struggle to survive financially following the death, disability or long-term sickness of a loved one. People need help to save more for retirement and build their financial resilience. The need to protect people from financial uncertainty is even more urgent in the wake of Covid-19.

### What this means for us

We enable people to take responsibility for safeguarding their financial wellbeing and resilience through insurance, pensions and savings. Our insurance covers life, critical illness, disability and long-term sickness so that people can protect themselves and their loved ones should the unthinkable happen.



## Technological innovation

Consumer technology continues to evolve as people and businesses manage their finances using digital platforms. Technological solutions can increase security and efficiency, but they come with security risks if not managed well. Reliable and relevant technological solutions mean the difference between success and failure in business.

### What this means for us

We aim to be a market leader in offering consumers digital access to insurance. Emerging technology will help us raise efficiency for customers and businesses as we work to provide excellent service at low cost through a digital operating model.

## Addressing climate change

Scientists, policymakers, markets and regulators all agree we must limit global warming to well below 2°C to avoid potentially catastrophic impacts on economies, markets, companies and communities. The journey to net zero creates risk management challenges and substantial new growth opportunities, especially in renewables and innovative technologies.

### What this means for us

We can use our own balance sheet and our influence as one of the world's largest investment managers to support the fight against climate catastrophe. We direct retirement and investment capital towards environment, social and governance (ESG) investments, including technological innovation, clean energy and carbon-friendly specialist commercial real estate.

**“Our purpose is to create a better future through responsible investing.”**

**Michelle Scrimgeour**

Chief Executive Officer,  
Legal & General Investment Management

# Our sustainability approach

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# Our sustainability strategy

Our vision of inclusive capitalism sets our ambitious change agenda and places sustainability firmly at the centre of our strategy.

We have mapped out three strategic 'focus areas' which are united by our desire to accelerate meaningful change for employees, investors, customers and society. They set out how we will deliver inclusive capitalism across the three elements of environmental, social and governance (ESG) practice.

We will evolve our sustainability strategy over the coming year. To inform this, we have begun a process to update our materiality assessment. You can read more about this on page 18.

As part of this process, we expect to review and evaluate our existing targets, as well as setting new accompanying targets, the details of which will be shared in our next sustainability report.

In the meantime, we are still working to deliver against our existing sustainability commitments and targets. Some of these have already been achieved, and we are continuing our efforts against those that have not yet been met.



1



2



3

# Our focus areas

1

## Our journey to net zero

The transition to a low carbon future is both a risk and an opportunity. It shapes every part of our business, from how we invest our proprietary assets and influence the companies we invest in to how we operate day to day.

We have committed to the Science Based Targets initiative (SBTi) and will extend our set of targets for our investments and operational footprint. We will increase our investments in renewable energy and low carbon technology. All the homes we build will be capable of net zero carbon operation from 2030.



### **Our journey to net zero: In action**

We have increased our stake in Pod Point and launched a strategic partnership with EDF to accelerate the national roll out of charging points and make it easier for drivers in the UK to go electric.

Find out more about how we are investing in clean energy for a net zero world on page 34.

2

## Building a better society

Inclusive capitalism is an economic system where today's capital is used to benefit tomorrow's society. Making investments that drive social outcomes is core to our work. Supporting society to emerge from Covid-19 more resilient and inclusive makes sound commercial sense.

Building a better society includes supporting healthcare systems, providing critical financial services for customers, contributing to communities and supporting young people to create a stronger society after Covid-19.



### **Building a better society: In action**

As a part of our £4 billion partnership with Oxford University, we committed £200 million for a new Life and Mind sciences building which will provide innovative facilities for teaching and research. In turn, these will have positive impacts on health outcomes throughout society.

Find out more about how we are investing in specialist commercial real estate on page 45.

3

## Growing our business responsibly

Responsibility to our employees, customers, communities and society is the foundation on which we deliver inclusive capitalism. We are responsible for our behaviour and corporate culture and we hold ourselves to high standards of integrity.

Our responsibility to employees is focused on supporting their wellbeing and engagement as part of an inclusive and inspiring workplace. Our approach has been shaped by the impacts of Covid-19. We are committed to strong governance and to developing sustainable supply chains where climate change, environmental and human rights risks are managed transparently.



### **Growing our business responsibly: In action**

Many charitable and community organisations faced funding challenges as a result of the pandemic in 2020. In the UK, we launched a £500,000 Emergency Community Fund and supported over 200 charities. The cash contributions made by our employees and community programmes worldwide amounted to £3.5 million.

Find out more about how we supported people throughout the pandemic on page 62.

# Our approach to the SDGs

The United Nations' Sustainable Development Goals (SDGs) are focused on tackling the pressing social, economic and environmental issues that could threaten the livelihoods and wellbeing of people worldwide.

In 2015, 193 countries signed up to the 2030 Agenda for Sustainable Development and the 17 SDGs as a route map towards a sustainable global economy. Of the estimated \$2-3 trillion of annual investment developing countries will require to meet the goals, a significant proportion will have to come from the private sector. Even in more developed economies, where we operate, the private sector will have to play a significant part in achieving certain SDG outcomes. More and more businesses and investors are recognising the opportunity to use their capital to invest with a long-term view and help deliver the SDGs.

The 17 SDGs are an indivisible, highly integrated web of global challenges. The interconnected nature of the SDGs is of crucial importance to ensuring the purpose of the 2030 Agenda is realised. The many interlinkages between the goals also mean that, due to the variety of our business activities we are contributing to all 17 of the SDGs, to a greater or lesser extent.

## Our contribution towards the SDGs

The following SDGs have the greatest strategic alignment with the work we do:



Good health and wellbeing



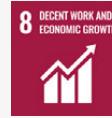
Quality education



Gender equality



Affordable and clean energy



Decent work and economic growth



Industry, innovation and infrastructure



Sustainable cities and communities



Climate action

For more information on our contribution to the SDGs, look out for the 'SDG contribution' boxes throughout this report. You can also discover more in our 'In focus' articles on pages 26, 40 and 51.

### Re-aligning our approach to the SDGs

Contributing to the SDGs is integral to inclusive capitalism. It is important that our business priorities and strategy align with the goals and that we can demonstrate how the outcomes we are delivering contribute to specific SDGs. As our business grows and evolves, our approach to the SDGs will progress too. With this in mind, we will use our upcoming strategy refresh as an opportunity to reassess our Group-level alignment with the SDGs. The outcome will be published in our 2021 report and used to shape our future strategy and reporting. See pages 12 and 18 for more on this.

### Sustainable Development Goals: A blueprint for a better future

**Sustainable Development Goals:  
A blueprint for a better future**

How LGIM reflects the UN's SDGs in its investments

Legal & General



Read more about how LGIM reflects the UN's SDGs in its investments.

# Engaging with our stakeholders

As fundamentally a people-focused business, we're committed to understanding our shareholders, customers, employees, suppliers and other stakeholders. Their interests are central to our decision making.

Delivering inclusive capitalism means delivering great outcomes for all stakeholders. Listening to them and taking part in national and international conversations ensures we help shape and respond to what matters most.

While Covid-19 has severely restricted face-to-face meetings, we continue to regularly invite our stakeholders to participate in roundtables, online surveys and digital one-to-one meetings. There has never been a more important time to stay connected with our stakeholders.

## **Tea and Talk sessions with customers**

Legal & General Retirement ran 'Tea & Talk' sessions with customers. Pre-Covid, we invited customers into our offices to give their feedback and insights into our products, services or their lives in general. We ran a digital version of this in Q4 and are planning on running more for 2021.

Our Investment Stewardship team is very active in encouraging and driving Environmental, Social and Governance performance from the companies they invest in. They also play a key role in making sure that the Group's performance on ESG is aligned with LGIM's campaigns.

**"We keep the interests of the Group's stakeholders at the heart of our decision making and how we deliver our strategy to succeed."**

**Sir John Kingman**  
Chairman



# Engaging with our stakeholders

continued

| Stakeholder group  | Issues of interest in 2020   | Our response  |   |
|--|--|---|---|
| <b>Customers</b><br>     | <b>The impact of Covid-19 on retirement saving.</b>                          | We co-created free retirement planning courses with the Open University. Around 2,000 people have signed up so far.   | <b>2,000</b><br>sign-ups for our retirement planning courses  |
|  | <b>Unclaimed pension pots.</b>   | Our retail retirement business launched a new pension tracing and consolidation service, helping pensioners find up to £19.4 billion of unclaimed pension pots.   | <b>£19.4bn</b><br>unclaimed pension pots waiting to be traced |
|  | <b>Customers suffering financial hardship due to the impact of Covid-19.</b> | To help mitigate the effects of Covid-19, for UK retail protection customers we introduced deferred payment 'holidays'. This allowed over 400 customers to defer premium payments for up to three months and introduced a care package for members of our group protection schemes displaying prolonged symptoms.<br><br>We have paid out £141 million (with net impact of £76 million) in Covid-19 related claims <sup>1</sup> . | <b>£141m</b><br>paid in Covid-19 related claims               |
| <b>Shareholders</b><br>  | <b>Corporate Governance and transparent performance disclosures.</b>         | Shareholders were invited to attend a live, virtual shareholder engagement event on 9 December 2020, which included presentations from the Chairman, Group Chief Executive and Committee Chairs. A number of shareholder questions, submitted either in advance or live, were answered on the day.  |   |
|  | <b>The importance of dividend income to retail shareholders.</b>             | The Board recognised how important the dividend is to retail shareholders, particularly when many other companies were deferring or not paying their dividends. Therefore, on the basis that the balance sheet remained robust, the Board took the decision to pay the final dividend.  |   |
| <b>Communities</b><br> | <b>Incorporating learnings from Covid-19 into future projects.</b>           | We donated £5 million to Newcastle City Council to build a prototype care home which moves away from traditional large-scale facilities and incorporates learnings from Covid-19 on infection control.  | <b>£5m</b><br>to build a prototype care home in Newcastle     |
|  | <b>Better responses to public health emergencies.</b>                        | We are participating in the Trinity Challenge, a coalition of 22 leading businesses, charities, researchers and educators. This global initiative will help populations throughout the world better prevent and respond to public health emergencies, and award a £10 million prize fund for breakthrough solutions which harness the power of data and analytics to build systemic resilience to future pandemics.               | <b>£10m</b><br>prize fund to build pandemic resilience        |

<sup>1</sup> [www.legalandgeneralgroup.com/media-centre/press-releases/legal-general-pays-record-764m-in-uk-claims/](http://www.legalandgeneralgroup.com/media-centre/press-releases/legal-general-pays-record-764m-in-uk-claims/)

# Engaging with our stakeholders

continued

| Stakeholder group  | Issues of interest in 2020   | Our response  |  |
|--|--|---|--|
| <b>Suppliers</b><br>                   | <b>Ability to identify, report and remediate human rights issues.</b>        | We implemented a five-year Modern Slavery strategy. Our approach was to ensure commitment within the business, to risk assess our operations and supply chains, to plan how we applied due diligence within our business and supply chains, to apply remedy where we found instances of human rights abuses and to monitor and communicate our progress.  | <b>5 year</b><br>Modern Slavery strategy implemented             |
|  | <b>Availability of business guidance on responsible sourcing activities.</b> | Our new Group Procurement and Supplier Management Sustainable Sourcing Principles Statement provides guidance and a benchmark on important subjects as part of the sourcing process. We have a clear set of principles that provide guidance on our five key sustainable commitments. We have provided a recommended approach for each commitment, highlighting high risk areas and considerations and detailing responsible sourcing to show best practice.  |  |
|  | <b>Supplier compliance and communication.</b>                                | Our Supplier relationship managers engage in an annual CSR Meeting with our material suppliers. The purpose of this meeting is to have an open discussion with our suppliers, allowing them to showcase their roadmaps and sustainability strategies.   |  |
| <b>Employees</b><br>                   | <b>Personal wellbeing.</b>   | During 2020, we took material steps to put in place and communicate the availability of support mechanisms. We extended access to our Employee Assistance Programme to cover employees' direct family; launched a partnership with wellbeing app Unmind; and publicised our network of Mental Health First Aiders.  | <b>100</b><br>Mental Health First Aiders at L&G                  |
|  | <b>Employee engagement and job satisfaction.</b>                             | 83% of employees took part in the October Voice survey, providing 16,805 individual comments. Our employee satisfaction score increased considerably during the first half of 2020 and then, in line with other organisations, slightly receded from June to October (74 in March; 81 in June; 77 in October). This reflects an upward trajectory since the beginning of lockdown with an increase between March and October 2020.  | <b>83%</b><br>of employees took part in the October Voice survey |
| <b>Government and regulators</b><br> | <b>Corporate governance and transparent business practices.</b>              | We have engaged with international, national and regional governments on a range of issues such as Covid-19 response and recovery; supporting jobs and growth through urban regeneration; addressing climate change; the UK's exit from the European Union and International Trade.<br><br>As part of our dialogue with governments and regulatory authorities, we responded to relevant government and regulatory consultations, as well as shaping responses from trade and industry bodies. We have participated in a number of Groupings initiated by Government. |  |
|  | <b>Involvement in COP26.</b>   | Michelle Scrimgeour (LGIM CEO) is a member of the Business Leaders Group for the COP26 climate conference, helping to steer companies towards success in a low carbon economy.  |  |

# Focusing on what matters

As a large and varied business, it's important that we reflect on the constantly changing sustainability landscape to identify the issues that will impact and influence our ability to deliver inclusive capitalism.

Materiality is a process designed to identify and prioritise the sustainability topics that matter most to our business and our stakeholders. We believe that a rigorous materiality assessment ensures that we can identify and manage our risks and opportunities and respond to them in the right way through an informed and robust strategy. Materiality is also used to guide reporting and wider communications.

We are currently working with an independent sustainability consultancy, Radley Yeldar, to update our materiality assessment. Their involvement will ensure a thorough and unbiased exercise is undertaken. We will use the outcomes to inform the evolution of our strategy and the information will be included within next year's sustainability report.

## Our materiality process

We are following a four step approach:

### 1 Identifying relevant topics

We conducted in-depth desk-based research to identify the most relevant sustainability topics playing out in our world. This consisted of a review of mega and industry trends, a peer review to uncover which topics are considered material in our sector, a review of ESG frameworks and legislation, a media review to uncover topics surfacing in the media relating to Legal & General (L&G) and sustainability in the last 12 months, and also a review of topics captured in existing L&G materials – including our risk management landscape.

We then analysed and distilled the research findings into a shortlist of 26 sustainability topics, classified into six groups. Topic names and descriptions were refined to enhance clarity and comprehension.

### 2 Gathering stakeholder perspectives

We engaged external stakeholders through a survey to prioritise each of the shortlisted topics based on their perceived importance. It was important to capture a range of perspectives including: charity partners, suppliers, trade associations, clients, government, investors and NGOs. We also drafted tailored prioritisation criteria to help reduce subjectivity. We gained input from senior stakeholders throughout the process.

Insights gained from this step allowed us to identify the sustainability topics that stakeholders felt were most important for our business. Stakeholders also provided valuable opinions on emerging sustainability topics and those which they considered would rise or fall in importance over time.

### 3 Assessing topic impact and influence

Testing the shortlist of sustainability topics across three dimensions (importance, impact and influence) provides a fuller indication of which topics should be prioritised. To achieve this, we proposed some indicative scores for the impact and influence dimension using tailored prioritisation criteria to reduce subjectivity. The impact dimension relates to the sustainability topic's impact on L&G and the influence dimension relates to the level of influence L&G has over each sustainability topic.

The results of this indicative scoring process were plotted onto a materiality matrix, along with an average of stakeholder importance scores for each sustainability topic, to create a draft materiality matrix.

### 4 Validating the sustainability matrix

We held a workshop with internal senior leaders from various business functions including HR, Finance, Risk, Investor Relations and Employee Communications. The purpose of the workshop was to check and challenge our indicative impact and influence scoring and the draft materiality matrix as a whole. This process allowed a broader range of relevant internal stakeholders to input their perspectives on the impact of each topic on L&G and L&G's influence over each topic, to produce a more accurate finalised materiality matrix.

At the time of writing, the results of this assessment are being reviewed, refined and validated internally.

### Next steps

Once the materiality assessment is complete, which is expected later in 2021, we will publish the results. We intend to use the prioritised sustainability topics to inform the evolution of our sustainability strategy and targets.

# Our sustainability governance

Strong governance ensures we do the right thing. Our governance framework enables us to respond to risks such as climate change by making sure they are understood, identified, assessed, measured and managed by all our businesses.

## **Roles and responsibilities**

Nigel Wilson, Group CEO, is ultimately responsible for the Group's strategic direction and progress on inclusive capitalism and sustainability. The Group Chief Risk Officer is responsible for ensuring we understand, identify, measure, monitor, control and report risks in line with the risk strategy and risk appetite parameters set by the Group Board. The Group Chief Financial Officer, who is also a Board member, ensures risks connected to our investments are properly managed.

## **Governance committees: roles**

The Group Board Nominations and Corporate Governance Committee is responsible for ensuring compliance with the principles of good corporate governance. This includes oversight of the Group strategy from the Diversity and Inclusion Council.

 Click here to read more on Group Board Committees

The Chief Risk Officer is responsible for ensuring a 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.

The Group Board, through the Group Risk Committee and Executive Risk Committee has delegated oversight of the management of the risks associated with climate change to the Group Environment Committee. More information is available in our TCFD report on the governance on Climate Change.

 Click here to read more

The Corporate Social Responsibility (CSR) strategy is presented to the Board annually, giving the Board's executive and non-executive directors the chance to formally engage with the CSR programme at least once a year. In 2020, 'addressing climate change' became one of our six strategic growth drivers, emphasising the importance of climate risk and the opportunities arising from the necessary energy transition.

## **Governance committees: in focus**

Each governance committee undertakes activity designed to improve the way our business is run. Through our investment management business's active ownership approach, we engage with investee companies to improve their governance performance. The power of our influence elsewhere makes it all the more important to ensure that we govern our own business in the right way.



# Our sustainability governance

continued

The Diversity and Inclusion (D&I) Council was formed in October 2020 with the aim of reviewing and refreshing the group-wide aspirational goals for D&I. Formed of senior leaders across the business, the council has already begun to enable meaningful discussions and build group-wide consensus about how to improve D&I outcomes. Topics covered so far include our approach to recruiting more diversely; the launch of a global mentoring approach; and aligning policies, processes and practices. See page 55 for more on our D&I approach.

The Modern Slavery and Human Rights Committee, sponsored by Non-Executive Director Lesley Knox, brings together representatives across Procurement, HR, Risk and other business functions as well as our recognised union, Unite. The committee has helped develop our new Sustainable Sourcing Principles Statement, which provides guidance for responsible procurement decisions across the business.

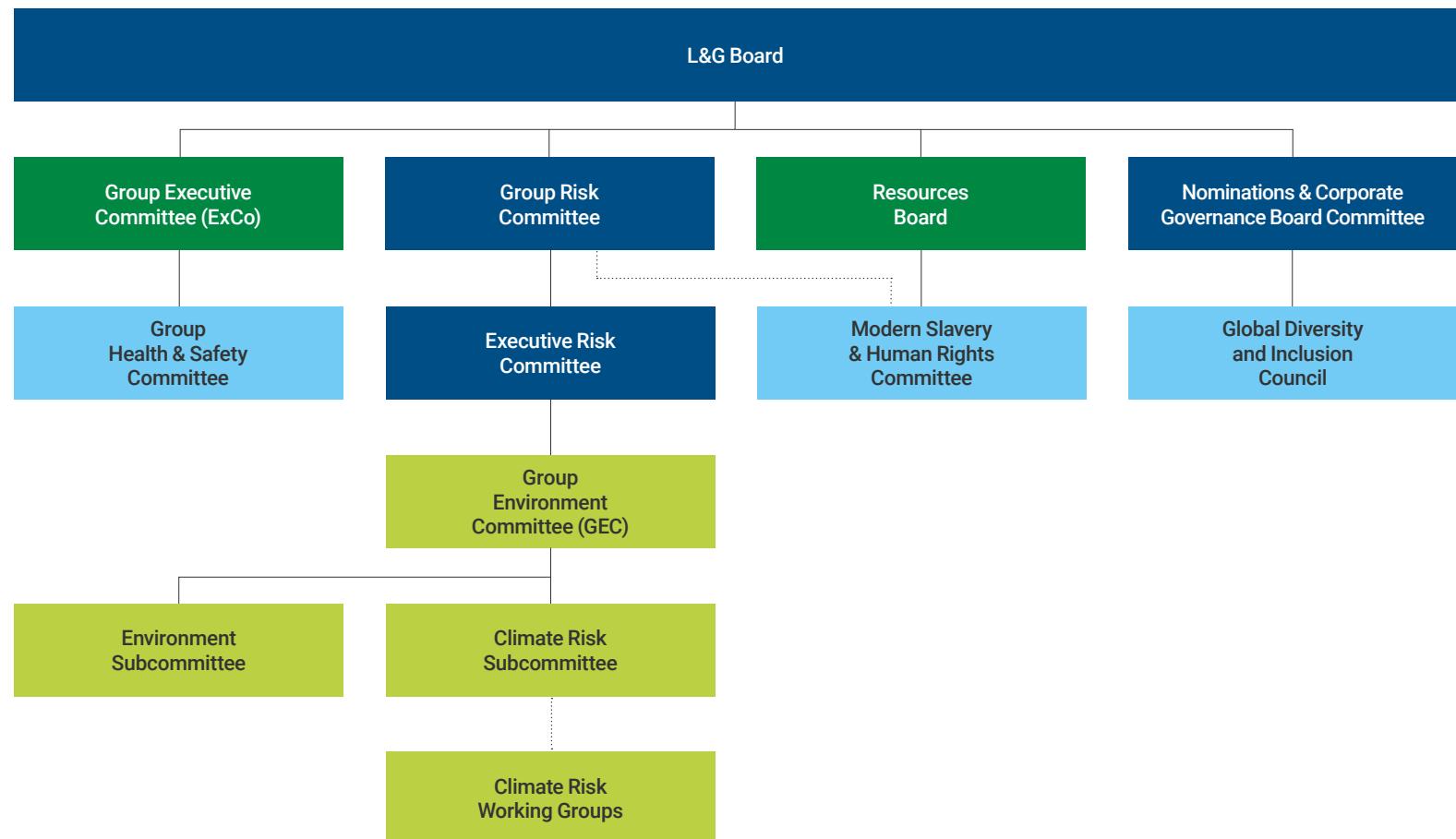
Our Group Health and Safety Committee, supported by location-based committees and committees in our subsidiaries, brings together representatives from each business division as well as Unite. The committee's role is not only to oversee our groupwide H&S policy statements, management systems and process and procedures, but also to drive continual improvement in our management of these issues. The Committee's focus for 2020 was principally on safely managing Covid-19: see page 54 for more information on the steps we took to keep our people safe.

All committee meetings are held quarterly.

## Executive remuneration

From 2021, an ESG measure is part of the annual bonus performance conditions for executive directors. This was included in the new remuneration policy which shareholders approved in 2019.

## Group Sustainability Governance



# Managing our risks

Effective risk management ensures that we properly understand and respond to the risks related to our business and our ability to achieve inclusive capitalism. Straightforward, collaborative and purposeful behaviours underpin our risk framework, helping to create a culture of openness and transparency in how we make decisions and manage risks.

A global risk management framework supports informed risk-taking across our businesses. It sets the risks to which we are prepared to be exposed and those we want to avoid. Risk limits and standards of internal control are in place to ensure exposures remain within our overall risk appetite.

Our operating businesses are responsible for managing their own risk-taking within the parameters of the Group risk appetite and policies. Assessing and pricing for risk is central to their business decisions.

Under the direction of the Group Chief Risk Officer, the risk oversight function supports each business with expert advice and guidance on risk, ESG, reputational impacts and capital management while ensuring risk-taking remains within acceptable parameters.

The Group Internal Audit function provides independent assurance on the effectiveness of business risk management and the operation of our risk framework.



## Our risk management framework

### Risk appetite

The Group's overall attitude to risk and the ranges and limits of acceptable risk-taking

### Risk-taking authorities

The formal cascade of our risk appetite to managers, empowering them to make decisions within clearly defined parameters

### Risk policies

Our strategies for managing the risks in the environments in which we operate, so as to ensure residual risk exposures are those within appetite

### Risk identification and assessment

Tools that help managers identify and evaluate the risks to which we may be exposed so that they can be managed in line with our risk policies

### Risk management information

How we report and review ongoing and emerging risks, and assess actual risk positions relative to the risk targets and limits that we set

### Risk oversight

Review and challenge, by the Group and divisional Chief Risk Officer teams, of how we identify and manage risk

### Risk committees

Our structure of group level committees oversees the management of risks and challenges how the risk framework is working

### Culture and reward

Performance measures that focus on the delivery of effective risk management, business and customer strategy, and culture

For information on our risk landscape see page 41 of our annual report

# Our active ownership approach

As one of Europe's largest asset managers with £1.3 trillion of investments, our approach to responsible investing stems from – and helps to inform – our vision for inclusive capitalism. We engage with the companies we invest in to effect positive change on behalf of our clients and society.



**Rated A+** for responsible investment strategy and active ownership from the UN Principles for Responsible Investment.

**Ranked #1** among asset managers for our approach to climate change in separate independent reviews by NGOs ShareAction and InfluenceMap.

## Our approach to ownership

To inform our investment decisions, we conduct extensive research into potential environmental and societal outcomes. We embed ESG factors in our investment processes through a quantitative ESG scoring system which is available to all portfolio managers to support their investment decisions. 'ESG Flags' are identified where there is a high level of risk relating to a list of specific ESG indicators.

Companies with poor environmental credentials are subject to an escalation process which requires the fund manager to perform a detailed secondary assessment of the company and obtain additional approvals before a purchase is made.

## Excluding certain companies and sectors

LGIM has long prioritised company engagement over exclusion. Through our approach to active ownership, we have sought to improve companies' standards by engaging with them and using our voice.

However, when combined with engagement and voting, and to help mitigate investment risks, targeted exclusions can also be a very powerful tool.

Our company-wide policies on thermal coal and controversial weapons mean that we exclude from all discretionary investments issuers generating more than 30% of revenues from thermal coal, mining and extraction and those involved in the manufacture of cluster munitions, anti-personnel landmines and biological and chemical weapons.

**Key categories incorporated into the active investment process:**

## Environmental

- Products
- Climate change
- Water and waste
- Supply chain
- Environmental policies and controls

## Social

- Products
- Labour, health and safety, and community
- Supply chain
- Bribery and corruption

## Governance

- Board robustness
- Investor rights
- Audit
- Disclosure and policies
- Remuneration
- Tax transparency and lobbying

# Our active ownership approach

continued



# 891

In 2020, the Investment Stewardship team held 891 engagements with 665 companies.

# 4,700

directors whose election we opposed due to governance concerns.

## Engaging on deforestation

Without urgently tackling and reversing deforestation, meeting the net zero challenge will be impossible. LGIM joined an investor coalition to directly engage senior Brazilian government officials in 2020. We expressed our concerns, warning of potential divestment from local food companies and even government bonds. We also engaged companies like consumer goods giants Procter & Gamble and Nestlé on the topic of deforestation. In the former, we supported a shareholder proposal on the elimination of deforestation from its supply chain and encouraged the company to increase the percentage of sustainably certified pulp it used.

## Engaging on modern slavery and fast fashion

As part of a collaborative engagement, we challenged FTSE 350 companies that had failed to meet the reporting requirements of the Modern Slavery Act, 2015. Our aim was to highlight the importance of eradicating modern slavery and to encourage a greater degree of challenge on social issues using shareholder rights. Separately, we engaged with Boohoo Group to discuss its response to criticisms of poor practices in its supply chain. As a consequence, Boohoo announced its Agenda for Change programme to improve supply-chain management, responsible sourcing and transparency.

Through our Future World Protection List, those who continually violate UN Global Compact principles are, in addition to coal and controversial weapons issuers, excluded from select fund ranges. Through our Climate Impact Pledge, companies that do not take sufficient action to prepare for a net zero transition will also be excluded from select fund ranges.



LGIM's controversial weapons policy



LGIM's coal policy

### Active engagement

We think being an engaged and active owner is central to drive real world change. Engaging with investee companies ensures good portfolio management and is vital to our net zero ambitions.

LGIM's Global Research and Engagement Platform identifies the most material ESG topics at an industry level and directs our research and engagement towards the areas that are most likely to impact either the financial or operating performance of investee companies. The outputs shape engagement activities across all our investments and stewardship, enabling us to set goals and targets at a company level with one voice.

The LGIM Investment Stewardship team engages on behalf of all client assets across themes mainly related to climate change, remuneration, gender diversity, human capital, audit and cyber security. Board composition is also a theme – ensuring the Board has the necessary expertise and independence to oversee the management and strategy of the organisation.

## Our engagement focus in 2020

There were 891 engagements with companies in 2020. Full details are set out in LGIM's 2020 Active Ownership Report.



LGIM's 2020 Active Ownership Report

### Climate action

We significantly expanded the coverage and ambitions of our climate engagement programme, the Climate Impact Pledge. We held hundreds of companies to account and called on the UK Government to take urgent action to reduce emissions. Through voting and investment sanctions, we engaged companies in 15 climate-critical sectors and published climate ratings for around 1,000 large companies.

### Diversity and inclusion

We strengthened our commitment to our progressive diversity policy by opposing all-male boards globally and sanctioning low levels of gender diversity. We support the Parker review of diversity on UK boards and from 2022 we will vote against large UK and US companies that do not have ethnically diverse boards.

### Good governance

We continue to promote good governance, from the quality of audit to director independence. We will vote against CEOs who also serve as board chairs because we believe the separation of these roles is a key principle of good governance.



**Focus area 1**  
Our journey to net zero

**Our journey to  
climate resilience \_ p28**  
**climate action \_ p29**  
**net zero emissions \_ p31**  
**low carbon investments \_ p34**  
**climate transparency \_ p35**  
**net zero**

**“We are deploying our capital to accelerate the UK’s progression to a low cost, low carbon economy. Our clean energy investments, which include low carbon heat, transport and power generation, will play an essential part in the UK’s solution for reaching net zero carbon emissions by 2050.”**

**John Bromley**  
Head of Clean Energy

Our journey to net zero

## The time for radical action is now

Our purpose inspires us to use our assets to benefit everyone. The transition to a low carbon economy is a crucial step towards realising our vision of inclusive capitalism.

### Key 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](#)

### Key commitments and targets

We have set Group balance sheet carbon intensity targets to monitor alignment with the Paris objective and will reduce our portfolio carbon emission intensity by half by 2030 and targeting net zero by 2050.

We will launch a climate solution capability for LGIM's clients in 2021, quantifying climate risks within, and temperature alignment of, their assets.

As a large UK housebuilder, we will enable all new homes we build from 2030 to operate with net zero carbon emissions. In addition, we're seeking to understand and monitor the embodied carbon associated with the construction of our homes.

For further information please see the appendix

We recognise that 'Environment' encompasses more than just climate change and we face a broad set of specific risks and opportunities across our businesses and balance sheet. Page 36 details our wider environmental commitments.

However, the climate issue is both the biggest challenge and the biggest investment opportunity of our lifetimes.

We invest where we see potential to drive decarbonisation and provide positive, long-term outcomes for our investors. Managing climate risk is crucial to building resilient communities and protecting our assets and investments. In making investment decisions, we must always weigh up the sometimes competing demands of our environmental and social obligations. For example, in investing in social and modular housing, we recognise the impact of increased carbon on our scope 1, 2 and 3 emissions. Similarly, in order to influence as an investor, we must sometimes retain stakes in companies whose ESG performance is sub-par. This is a constant balancing act.

Our journey to net zero includes funding the clean energy transition, influencing as an investor and reducing our operational carbon footprint. We have committed to set science-based targets to reduce emissions across each of our businesses.





In depth: Investing in a low carbon recovery

# What role will ESG investing play in a more resilient post-pandemic future?

An inclusive and investment-led recovery must also be a low carbon one which levels up regions and sectors.



**In depth: Investing in a low carbon recovery**



# 57%

ESG funds forecast to outnumber conventional funds by 2025, increasing their share of the European fund sector from 15% to 57%.<sup>1</sup>

## 2 million jobs

A green recovery plan in the EU would result in 2 million more jobs than a return-to-normal plan by 2024.<sup>2</sup>

## SDG 9

Industry, innovation and infrastructure.

The role of cities may look different in a post-covid world and an inclusive and investment-led recovery must be focused on levelling up regions and sectors.

# £28bn

Over the last 10 years our UK domestic Inclusive Capitalism direct investment programme has so far invested £28 billion on this journey.

**If Covid-19 has taught us anything, it's that responsible investing has a crucial role in enabling society to navigate times of crisis – from accelerating research and development and pushing the boundaries of innovation to securing communities' wellbeing.** As we rebuild the economy, resilience must be a guiding principle. This is a central ambition of SDG 9, which targets sustainable and resilient infrastructure, and it is at the core of our approach to inclusive capitalism.

To be truly resilient, investment must embed climate considerations into an inclusive recovery. The role of cities may look very different in a post-covid world and investment needs to level up regions and sectors. At the beginning of the pandemic, there was concern that the momentum behind addressing climate change may be swamped by the short-term response, but the crisis reinforced the need to invest in resilience to potential future climate scenarios.

The green recovery must now be led by low carbon investments in the built environment and climate-friendly businesses and sectors. A green recovery will boost income, employment and GDP while reducing emissions. Globally, there would be 7% reduction in greenhouse gas emissions by 2030 if a green recovery plan was implemented.<sup>3</sup>

The UK government's ten point plan sets out the approach to building back better, supporting green jobs and accelerating the path to net zero. As investors begin to consider the impacts of their investments, the Covid-19 pandemic has served to underline the trend towards ESG investing. One of the drivers is demand for sustainable investments that can withstand an unpredictable market and climate change. Supporting the green recovery is a clear opportunity.

This sentiment has driven our vision for inclusive capitalism to address economic inclusion and drive sustainable growth for the past decade. Our UK domestic inclusive capitalism direct investment programme has invested £28 billion on this journey; that's about 1.5% of the UK's GDP.<sup>4</sup> We're ambitious to invest another £28 billion and we need others to come on board to maximise the potential positive impact. If four or five other UK corporations were to join us, the investment programme would be worth £170 billion. It would make a huge impact, driving the change that is needed and benefiting the investment community by directing capital towards a future that is both resilient and inclusive. ■

<sup>1</sup> [www.pwc.com/gx/en/industries/financial-services/assets/wealth-management-2-0-data-tool/pwc\\_awm\\_revolution\\_2020.pdf](http://www.pwc.com/gx/en/industries/financial-services/assets/wealth-management-2-0-data-tool/pwc_awm_revolution_2020.pdf)

<sup>2</sup> [www.wemeanbusinesscoalition.org/press-release/report-green-recovery-plans-boost-income-employment-and-gdp](http://www.wemeanbusinesscoalition.org/press-release/report-green-recovery-plans-boost-income-employment-and-gdp)

<sup>3</sup> [www.wemeanbusinesscoalition.org/press-release/report-green-recovery-plans-boost-income-employment-and-gdp](http://www.wemeanbusinesscoalition.org/press-release/report-green-recovery-plans-boost-income-employment-and-gdp)

<sup>4</sup> [www.forbes.com/sites/nigelwilson/2020/09/19/the-covid-pause-and-inclusive-capitalism/?sh=7250ce6a35dc](http://www.forbes.com/sites/nigelwilson/2020/09/19/the-covid-pause-and-inclusive-capitalism/?sh=7250ce6a35dc)

# How climate change affects us

We must drastically reduce emissions over the next decade and work towards net zero by 2050 to prevent the most devastating effects of climate change. Our roadmap to net zero focuses on funding the transition to support a low carbon future and deliver secure returns for our shareholders.

January 2020 was the warmest January since 1880.<sup>1</sup> As global temperatures rise, we will see more extreme storms, floods and droughts and the extinction of species. To keep temperature rise to within 1.5°C above pre-industrial levels, emissions need to fall by 7.6% each year for the next 10 years.<sup>2</sup> By 2030, we need to reduce the amount of CO<sub>2</sub> emissions by 32 gigatonnes.<sup>3</sup> The UN has said the collective ambition to achieve this must increase more than fivefold over current levels and huge investment is needed. Climate change represents a strategic growth area; \$1.3 trillion of investment is needed to achieve global net zero emissions (\$20 trillion by 2025).<sup>4</sup> This shift in investment represents the biggest investment opportunity of our lifetimes.

Addressing climate change is also a crucial element of rebuilding a resilient and inclusive society following Covid-19.

We advocate an investment-led recovery with a greener approach to the built environment and efforts to grow climate-friendly business. At the same time, we need to manage the risks and ensure the resilience of our business and investments. We use our influence as a large investor to promote a transition to a low carbon economy. This includes supporting the goal of carbon neutrality by 2050, in line with global efforts to limit warming to 1.5°C. We have also committed to the Science Based Target initiative (SBTi).

## Five areas of investment risk policy.

- 1** We will decarbonise the assets on our balance sheet to align with the Paris objective, which we interpret as limiting warming to 1.5°C.
- 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 a transition to a low carbon economy.
- 4** We support the goal of carbon neutrality by 2050, in line with global efforts to limit warming to 1.5°C.
- 5** We have committed to the Science Based Target initiative (SBTi).

## SDG Contribution



These five areas demonstrate how we are strengthening resilience and adaptation to climate change and promoting the integration of climate action in national policies and strategies, alongside our work to drive the transition to a low carbon future.

## SDG targets



13.1 13.2

Read more about the SDG goals and targets online at [sdgs.un.org/goals](https://sdgs.un.org/goals)

<sup>1</sup> [www.brand.legalandgeneral.com/tackling-the-climate-crisis/five-reasons-why-investing-in-clean-energy-v2](http://www.brand.legalandgeneral.com/tackling-the-climate-crisis/five-reasons-why-investing-in-clean-energy-v2)

<sup>2</sup> [www.un.org/en/climatechange/science/key-findings](http://www.un.org/en/climatechange/science/key-findings)

<sup>3</sup> [www.unfccc.int/news/cut-global-emissions-by-76-percent-every-year-for-next-decade-to-meet-15degc-paris-target-un-report](http://www.unfccc.int/news/cut-global-emissions-by-76-percent-every-year-for-next-decade-to-meet-15degc-paris-target-un-report)

<sup>4</sup> [www.iigcc.org/news/global-framework-for-investors-to-achieve-netzero-emissions-alignment-launched-8-trillion-investors-put-it-into-practice](http://www.iigcc.org/news/global-framework-for-investors-to-achieve-net-zero-emissions-alignment-launched-8-trillion-investors-put-it-into-practice)

# How L&G is responding to climate risks

We manage our risks arising from climate change through a range of strategies. Because we cannot eliminate all risks through asset allocation, we make it a priority to understand and manage the environmental impacts of our decisions and actions.

We have developed specific commitments that respond to climate risks and support us in our journey to net zero. Climate, and our response to it, cannot be considered in isolation. We need to ensure that we integrate wider sustainability/ESG considerations within our decision making process. For example, our commitment to building more social housing will inevitably impact on our carbon emissions. But our balanced and measured approach to all our commitments means they are considered holistically, in the broader context of our vision for inclusive capitalism.

- We have set Paris aligned carbon intensity reduction targets for the assets on our Group's balance sheet.
- Climate-related targets are now part of our Executive remuneration scorecard from 2021.
- In March 2021, we launched a climate solution to enable investment management clients to quantify climate risks and temperature alignment of their assets.

- All new homes we build from 2030 will be designed to operate with net zero carbon emissions. Work on reducing embodied carbon is continuing.
- Our operational carbon footprint (occupied offices and business travel) will be net zero from 2030.

## Our response to climate change is built around three pillars:



**Invest:** How we invest our assets: we believe that the key source of climate risk to our business is through the shareholder-owned assets.



**Influence:** How we use our scale and resources to influence, support the transition and reduce the risk of potential adverse physical outcomes.



**Operate:** How our businesses operate through reducing the carbon footprint of the assets we create and our direct carbon footprint to support our long-term resilience.

Each of our businesses faces different climate-related risks and opportunities and these shape their strategic focus and climate strategies.

| Our business          | Focus | Climate strategy  |
|-----------------------|-------|---|
| Retirement            |       | <ul style="list-style-type: none"> <li>• Portfolio decarbonisation to align with the Paris Climate Agreement</li> </ul>   |
| Capital investment    |       | <ul style="list-style-type: none"> <li>• Direct more capital to clean energy investments. Examples to date include wind energy, solar photovoltaics (Oxford PV), nuclear fusion (Tokamak Energy), electric vehicle charging (Pod Point) and ground-source heating (Kensa Heat Pumps)</li> <li>• Understand and reduce our operational footprint and the embodied carbon associated with our housing developments</li> </ul> |
| Insurance             |       | <ul style="list-style-type: none"> <li>• Develop best-practise technology to be used on retro and new build housing</li> </ul>  |
| Investment management |       | <ul style="list-style-type: none"> <li>• We use our influence as a large investor to push companies and regulators to step up on sustainability</li> <li>• Work in partnership with our clients to set decarbonisation goals for portfolios</li> <li>• Enhance product offering from model outputs</li> </ul>   |

# How L&G is responding to climate risks

continued



## Active engagement: the Climate Impact Pledge

The Climate Impact Pledge is our flagship engagement programme to encourage companies to step up their ambition towards net zero, build resilient strategies and succeed in a low carbon world. We have published climate ratings for around 1,000 companies under a 'traffic light' system and these are publicly available. Companies were selected from 15 climate-critical sectors (from aviation to steel making) and are responsible for 60% of all greenhouse gas emissions from listed companies.

Our targeted approach uses voting and investment sanctions to influence companies and has contributed to improvements to climate targets and strategies. We have sent letters detailing our assessment to several hundred companies identified as having poor scores relative to their size. Alongside this quantitatively driven engagement programme, we have selected 60 companies that we believe can and should embrace the transition to net zero carbon emissions in the next few years. We will carry out in-depth engagement with these companies with the results of our engagement (including any companies added or removed from our sanction lists) to be announced in June 2020. Under our approach, divestment is seen as a last resort.



**“Through our engagement programme, renewed to align with the net zero challenge, we want to help steer companies and our clients towards success in a low carbon world.”**

**Michelle Scrimgeour**

Chief Executive Officer, Legal & General Investment Management  
and member of UK Government's COP26 Business Leaders

## 60 companies

We have selected 60 companies that we believe can and should embrace the transition to net zero carbon emissions in the next few years.

## Our steps towards net zero

To deliver real-world change, our actions must match our words. We are on our own journey towards net zero by 2050. This year, we committed to the Science Based Target Initiative (SBTi) and strengthened our commitments to decarbonise the assets on our balance sheet to align with the Paris Agreement.

Our focus for 2021 is to develop detailed and timebound plans in all our businesses to follow our roadmap to net zero. These plans will be linked to the development of science based targets and will provide milestones against which we will report our progress.

**Pioneering  
clean energy solutions  
low carbon futures  
climate engagement  
green infrastructure  
inclusive capitalism**

### Reducing emissions in our portfolio

Our institutional retirement business has committed to:

- reduce portfolio carbon emission intensity by 18.5%<sup>1</sup> by 2025.

Our capital investment business has committed to:

- invest in clean energy through electric vehicle infrastructure, ground-source heat pumps and alternative technologies.
- build all homes to be capable of net zero operational carbon by 2030.

### Investing in a low carbon future

Rebuilding our economy from Covid-19 is a chance to create a greener built environment, to support new climate-friendly business sectors and create more green jobs. We're increasing our investments in low carbon infrastructure – from heat pump technology for social housing to a national network of electric car charging points.



<sup>1</sup>From end 2019 levels.

<sup>2</sup>As at December 2020, compared to the previous year – see our 2020 TCFD report for full details.

# 200

Started development of a net zero retirement community to create 200 age-appropriate homes powered by renewable energy generated on site

# £1.4bn

Clean energy investments  
(2019: £1.3bn)

# A- rating

Carbon Disclosure Project score

# #1

LGIM's approach to climate change was rated number 1 globally in 2020 (ShareAction)

# 2%

Reduction in investment portfolio carbon emission intensity – down to 117 tonnes carbon dioxide equivalent per £1 million invested<sup>2</sup>

# Our steps towards net zero

continued

## Accelerating innovation

During 2020, nearly 100 of our people worked on our Climate Change Virtual Accelerator – a business incubator that brought people together from across our businesses to find innovative, low carbon solutions. Its aim was to identify and develop new opportunities for commercial revenue streams and create significant shareholder value while supporting the journey to net zero. Some ideas have already been integrated into the business and we are exploring opportunities to invest in them. They include the outcomes of investigations into low carbon district heating technologies, ways to reduce embodied carbon through less carbon intensive construction processes, and opportunities to work with local government to improve carbon efficiency and cost by retrofitting commercial and residential properties.

**1,000**

Companies rated by our Climate Impact Pledge.

**139,000**

Investment stewardship votes (2019: 115,000).

**13%**

reduction vs 2019 in our Group operational footprint down to 40,344 tCO<sub>2</sub>e.

## Active climate engagement

We offer climate-friendly investments and influence with companies we invest in, voting on companies' climate resolutions. In 2020, we broadened our Climate Impact Pledge, updating the exclusions for thermal coal and the Climate Impact Pledge stocks. See page 22-23 for more information on this.

## Reducing our operational carbon footprint

We are embedding Carbon Net Zero criteria across our supply chain and committed to the Science Based Target initiative (SBTi) to further align our operational carbon reduction targets to the Paris objective.

In 2020, our operational carbon footprint decreased by 13%. However, as with many businesses, this was impacted by Covid-19 as we transformed our normally office-based operations to a predominantly home-based workforce. To capture the carbon impacts of our employees working from home, we introduced an assessment methodology based on a paper by leading carbon consultancy, EcoAct. This impact equates to 1,733 tonnes of carbon dioxide equivalent (tCO<sub>2</sub>e) and is a new source of Scope 3 emissions.

We also supported employees who needed to work in the office. This meant that our core offices remained open and we operated airflow systems for longer periods of time to minimise the risk of in-office Covid-19 transmissions. This resulted in a slight increase in our operational office footprint.

We have seen an increase in our footprint from our housing businesses which reflects our growth in this sector. In contrast, our business travel significantly decreased, as has the carbon from the management of our Real Assets, many of which were impacted by Covid-19 restrictions.

Our journey to net zero

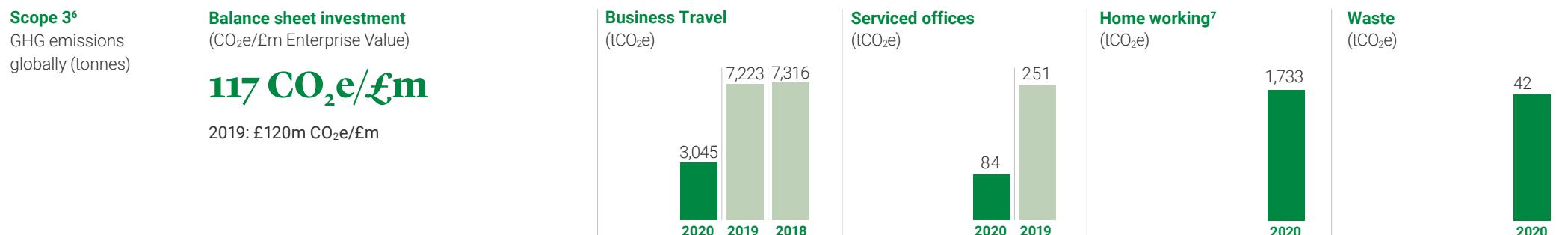
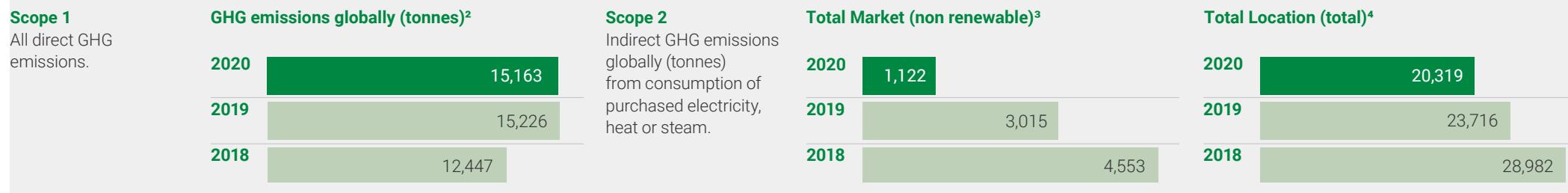
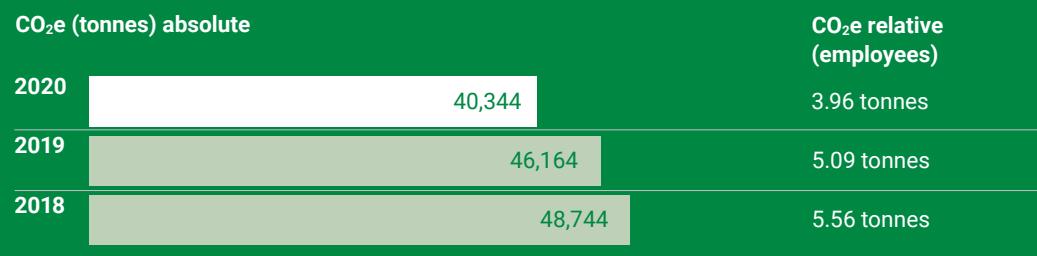
# Our steps towards net zero

continued

## Carbon<sup>1,5</sup>

### Total Scope 1, 2 and 3

In the analysis below we distinguish between Scope 1 and 2 emissions which relate to our own operational footprint, and the much larger estimated footprint of Scope 3 emissions, which includes the carbon emissions from the companies that we invest in. We use the Scope 1 and 2 emissions from companies in our investment portfolio to calculate our total Scope 3 portfolio emission intensity.



<sup>1</sup> Emissions are calculated using The Greenhouse Gas Protocol Corporate Accounting and Reporting Standard. Emission Factors are from the UK Government Emissions Conversion Factors for Greenhouse Gas Company reporting (BEIS 2020).

<sup>2</sup> Scope 1: Emissions from directly purchased fuel combustion i.e. gas for heating, cooling, cooking, and ODS losses.

<sup>3</sup> Scope 2 Market: Emissions from directly purchased electricity using supplier specific emissions factors e.g. renewable energy backed by Renewable Guarantees of Origin certificates.

<sup>4</sup> Scope 2 Location: Emissions from electricity directly purchased using average grid emissions factors (UK Government Emissions Conversion Factors for Greenhouse Gas Company reporting (BEIS 2020)).

<sup>5</sup> Total carbon is calculated using scope 2 location based emission and includes scope 3 business travel, serviced offices and homeworking.

<sup>6</sup> More scope 3 categories have been included in 2020. This will inform the basis of reporting going forward.

<sup>7</sup> Calculated using the EcoAct Home Working Emissions White Paper 2020

# The power of direct investment

To support a low carbon future, we need to build a cleaner, greener society. That is why we have invested £1.4 billion in renewable energy infrastructure across the UK.

We believe the clean energy transition represents the biggest investment opportunity of our lifetimes. With its lower costs, greater resilience and environmental benefits, clean energy generation offers stable long-term returns to secure pension payments far into the future. By unlocking the power of pensions, we can play an important role in tackling climate change. Reducing the cost of power for consumers supports inclusive capitalism, so everyone benefits.

## Technology to accelerate green growth

So far, we've invested in three offshore wind farms and into renewable energy funds that pay for new projects. And we're backing companies developing zero carbon fusion and solar energy technology and installing electric vehicle and low carbon heating infrastructure. We're supporting clean energy businesses that employ more than 400 skilled workers in the UK green economy.

Our clean energy investments and product offering expanded in 2020, including:

- A 36% stake in Kensa Heat Pumps, one of the UK's largest players in ground source heat pump technology.
- Increased stake in Pod Point, a leading electric vehicle charging point operator from 16% - 22%.
- Launch of an energy saver cashback offer for lifetime mortgage policyholders.
- A climate transition index fund and a core fixed income range which provides a higher allocation to green bonds and issuers with higher ESG scores.
- Long-term financing for HeatRHiight to develop its air source heat pump technology.
- Investment in Tokamak Energy to develop fusion technology, aiming to bring fusion energy to the market by 2030.
- Launch of an electric car scheme, provided by Zenith, open to all employees.
- Development began to create the first net zero (regulated energy) retirement community, using Kensa Heat Pumps, at Millfield Green, Bedfordshire.



# £1.4bn

investment in renewable energy to date.

# 70%

of our retirement business's renewable investments, by market value, are in the UK offshore wind sector.

## SDG Contribution



These examples demonstrate how we're investing long-term capital to accelerate progress towards a low cost, low carbon economy. By doing this, we're contributing to access to affordable, reliable and modern energy services and helping to increase the share of renewable energy in the global energy mix.

## SDG targets



7.1 7.2

Read more about the SDG goals and targets online at [sdgs.un.org/goals](https://sdgs.un.org/goals)

# Our response to the TCFD guidance

## What is TCFD?

The Task Force on Climate-Related Financial Disclosures (TCFD) was created in 2015 to develop consistent climate-related financial risk disclosures for companies, banks and investors to provide clear information on climate risk.



[Click here to read the full 2020 TCFD report on our website](#)

We support the Task Force on Climate-Related Financial Disclosures (TCFD) and have strengthened our policies during the past year. We advocate for urgent action to mitigate the climate emergency and increase transparency across governments and the companies we are invested in.

We closely monitor the actual and potential impacts of climate risks and opportunities on our business strategy and planning with a focus on assets and transition risk.

### Short-medium term risks

We view the journey to net zero as an investment opportunity and a transition risk. Transition risks arise from the shift to a low carbon economy and include impacts on asset valuation and the economy.

### Long-term risks

The catastrophic physical risks that would result from uncontrolled climate change on our business, investments and the economy are one of the reasons we are committed to creating a net zero world. We are all exposed to long-term physical risks such as impacts on asset holdings and changes to insurance liabilities due to more frequent and severe weather events and shifts in climate.

### Focus on assets

The main climate risk to our business is through the assets on our balance sheet. We are also exposed to liability impacts in our retirement and insurance businesses based on mortality assumptions and experience.

### Focus on transition risk

We focus on transition risk because successful delivery of the Paris Agreement will require a fundamental change in the global economy. This is a significant near-term issue and risk for our business, especially our investment portfolio.

### Our response to the TCFD

In 2021, we produced our third TCFD report. There is no industry-specific approach to consistent reporting at this time and we continue to learn and improve our reporting. By aligning our commitments with the Science Based Targets initiative (SBTi), we have the opportunity to independently verify our pathway to net zero and increase transparency of our climate impacts for our stakeholders.

### Governance

The Board is accountable for our long-term stewardship and added 'addressing climate change' as one of our six strategic growth drivers in early 2020. The Group Environment Committee oversees the ongoing management of climate-related risks.

### Strategy

Our strategy recognises the journey to net zero as an investment opportunity and a transition risk. Our bespoke Destination@Risk model is designed to inform investment decisions and our strategy and policies focus on making us resilient to climate-related risks.

### Risk management

We identify transition risk impacts on asset valuation due to the shift to a low carbon economy and physical risk impacts on asset holdings or changes to insurance liabilities as a result of weather events. Our mitigation strategy builds carbon controls into the investment process.

### Metrics and targets

To assess climate-related risks and opportunities, we focus on Scope 3 investment portfolio carbon intensity, portfolio temperature alignment and operational carbon footprint. We have set Group balance sheet carbon intensity targets to monitor alignment with the Paris objective and will reduce our portfolio carbon emission intensity by half by 2030 and targeting net zero by 2050.

# Managing our environmental impacts

Our risks and opportunities extend beyond climate change and decarbonisation and we are broadening our focus to address wider environmental impacts.

We have developed a new set of strategic commitments. They focus on the eight areas on which we impact and have the opportunity to drive change through our direct operations. We are now developing detailed targets for each of these commitment areas and will communicate the outcomes in our 2021 report.



## Strategic commitment

### Our journey to net zero

We are fully aligned with the Paris Agreement and committed to achieving net zero by 2050.

### The energy we use

We will reduce our energy usage in line with our journey to net zero and source energy from renewable sources.

### The way we travel

We will maximise agile working practices and technology to actively reduce the business miles we travel. By 2030, we will have net zero emissions from our essential business travel.

### Natural resources

We will protect the natural resources we use through the implementation of sustainable procurement principles throughout our supply chain.

### Single use plastics

As part of our commitment to protect the natural environment, we aim to eradicate single use plastics from within our supply chain.

### Water

We will protect and minimise the use of water resources in the spaces we create and occupy.

### Circular economy

We aim to minimise and design out waste through the careful implementation of the principles of the circular economy.

### Biodiversity

Through the careful management and design of the spaces we occupy and develop, we are committed to creating diverse and valuable natural spaces and achieving overall net biodiversity gains.

Our journey to net zero

## Environmental performance during 2020

Like many others in 2020, our business was impacted by Covid-19 as we transformed our normally office-based operations to a predominantly home-based workforce. The impact of this is reflected in our 2020 environmental performance data shown in these tables and any significant reductions in our 2020 performance should be attributed in part to the impact of Covid-19 on our operations.

| <b>Energy usage<sup>1</sup></b>   | <b>Measurement</b> | <b>2018</b> | <b>2019</b> | <b>2020</b>      |
|-----------------------------------|--------------------|-------------|-------------|------------------|
| <b>Electricity</b>                | MWH                | 102,817     | 92,951      | <b>78,781</b>    |
| <b>Gas</b>                        | MWH                | 44,028      | 53,404      | <b>53,923</b>    |
| <b>Fuel (diesel)<sup>2</sup></b>  | Litres             | 1,328,661   | 1,794,385   | <b>1,351,318</b> |
| <b>Fuel (propane)<sup>2</sup></b> | kg                 | 1,081       | 42,558      | <b>43,911</b>    |

<sup>1</sup> Energy Usage covers all directly controlled operations (UK & International).

<sup>2</sup> Fuel refers to volumes consumed by our directly controlled UK construction sites.

| <b>Business travel<sup>3</sup></b>           | <b>Measurement</b> | <b>2018</b> | <b>2019</b> | <b>2020</b>  |
|--|--------------------|-------------|-------------|--------------|
| <b>Total business travel</b>                 | tCO <sub>2</sub> e | 7,316       | 7,223       | <b>3,045</b> |
| <b>Total business travel per employee</b>    | kg                 | 834         | 795         | <b>299</b>   |
| <b>Motor vehicle</b>                         | tCO <sub>2</sub> e | 3,101       | 3,078       | <b>2,174</b> |
| <b>Business organised travel<sup>4</sup></b> | tCO <sub>2</sub> e | 59          | 75          | <b>11</b>    |
| <b>Trains</b>                                | tCO <sub>2</sub> e | 987         | 564         | <b>111</b>   |
| <b>Flights</b>                               | tCO <sub>2</sub> e | 3,170       | 3,506       | <b>749</b>   |

<sup>3</sup> Includes business travel originating from both UK & International businesses

<sup>4</sup> Includes employee sustainable travel initiatives at Legal & General's Hove office e.g. park & ride buses and staff travel bus from Surrey.

| <b>Waste</b>   | <b>Measurement</b> | <b>2018</b> | <b>2019</b> | <b>2020</b>   |
|--|--------------------|-------------|-------------|---------------|
| <b>Total waste generated (tonnes) – absolute</b>     | tonnes             | 14,891      | 31,033      | <b>25,191</b> |
| <b>Total waste per employee</b>                      | tonnes             | 1.70        | 3.42        | <b>2.47</b>   |
| <b>Occupied offices (including serviced offices)</b> | tonnes             | 814         | 898         | <b>395</b>    |
| <b>Our housing business<sup>5</sup></b>              | tonnes             | 14,077      | 30,135      | <b>24,796</b> |
| <b>Waste to landfill (%)</b>                         | %                  | 6.4         | 4.5         | <b>0.77</b>   |
| <b>Occupied offices (including serviced offices)</b> | %                  | 6.4         | 4.5         | <b>0.77</b>   |
| <b>Our housing business<sup>6</sup></b>              | %                  | 9.2         | 9.2         | <b>1.9</b>    |

<sup>5</sup> Construction waste includes our CALA and Modular Homes businesses only.

<sup>6</sup> No breakdown of waste volume available for construction sites in 2018.

| <b>Occupied Offices Water Consumption (m<sup>3</sup>) – normalised (per employee)</b> | <b>Measurement</b>       | <b>2018</b> | <b>2019</b> | <b>2020</b>   |
|---|--------------------------|-------------|-------------|---------------|
| <b>Total occupied office water consumption</b>  | m <sup>3</sup>           | 39,524      | 45,838      | <b>24,888</b> |
| <b>Occupied office water consumption per employee<sup>7</sup></b>                     | m <sup>3</sup> /employee | 4.51        | 5.05        | <b>2.44</b>   |

<sup>7</sup> Water was rebaselined in 2019. We 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.

 Click here to go to our data centre

**Focus area 2**  
Building a better society



**Building  
affordable housing – p42  
future cities – p44  
inclusive neighbourhoods – p45  
financial inclusion – p46  
healthier lives – p47  
a better society**

“This year has highlighted the importance of investment to the functioning of modern societies – something that will be critical to the recovery from Covid-19.”

**Sir John Kingman**  
Chairman

# Building a better society

Building a better society depends on creating a more inclusive form of capitalism which benefits everyone. To achieve it, financial institutions must invest in the real economy. We use pension funds and savings to do just that.

## Key issues

**Resilience and financial inclusion**

**Building a generation of new, real and affordable housing**

**Creating new neighbourhoods: urban regeneration and specialist commercial real estate**

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

## Key commitments and targets

Our ambition over the next five years is to increase our direct investment portfolio to £5 billion.

We aim to measure social value across 20% of our property assets by value by 2023.

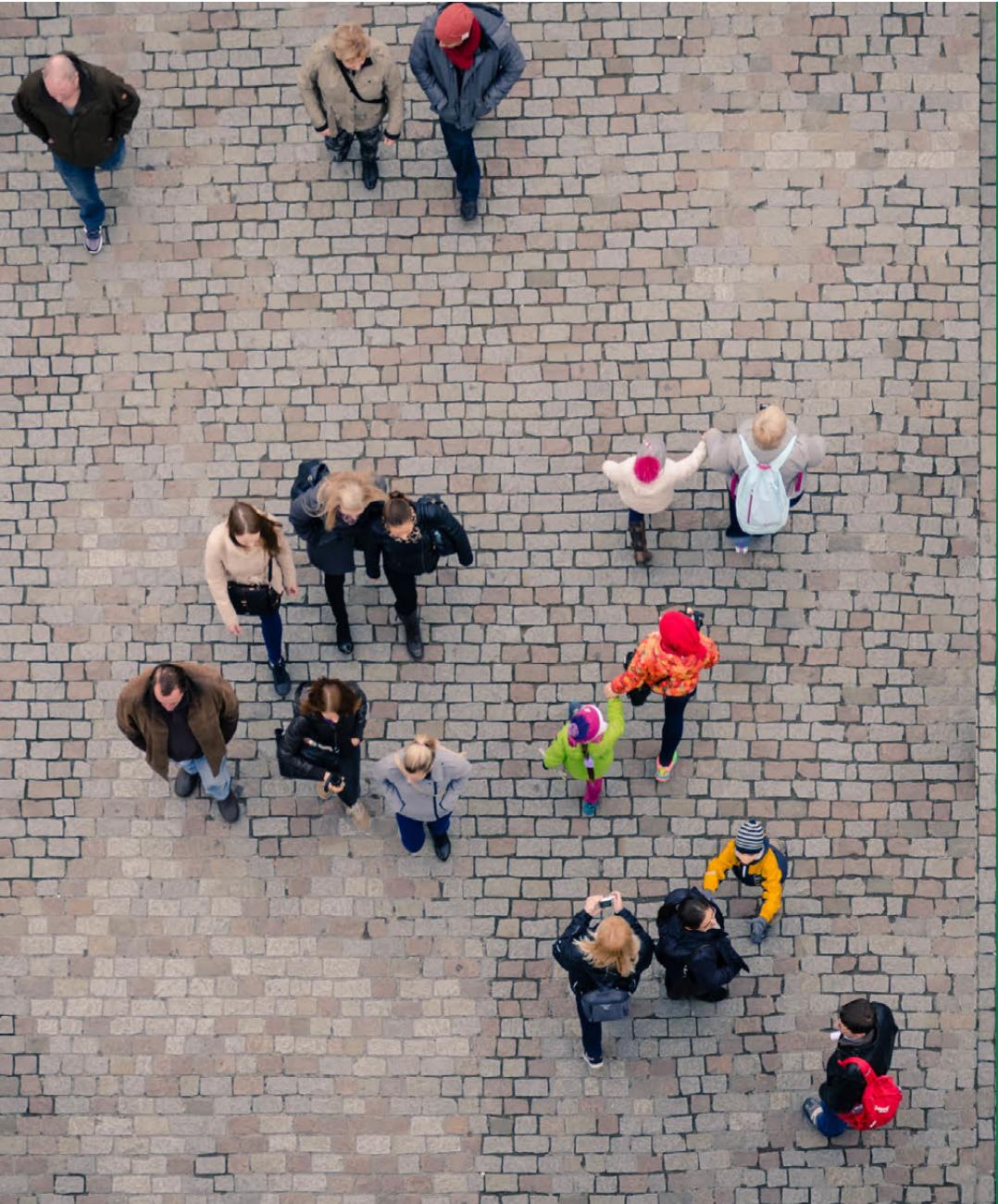
LGIM will engage with investee companies on key themes that will help to create more resilient societies, namely diversity, health, technology, income inequality and financial inclusion.

For further information please see the appendix

We are committed to using society's capital for society's benefit. This means we invest pension funds in the real economy, delivering financial security for pensioners and fostering growth across towns and cities at the same time. We target our investments to support financial resilience, create new and better neighbourhoods, build the right kind of houses and enable society to deal with health challenges.

To breathe new life into cities, we invest in science and innovation districts and urban transformation projects. Our direct investments in specialist commercial real estate, residential property and clean energy will help to level up the UK's towns and cities.





In depth: Building an inclusive and resilient society

# How can we build on the learnings of Covid-19 to achieve a more inclusive and resilient society?

Harnessing the power of innovations will build societal health and resilience, with better outcomes for everyone.

## In depth: Building an inclusive and resilient society



**£6m**

We are partnering with Innovate UK to deploy £6 million in grants to technology start-ups that are making a difference in the healthy ageing market.

**SDG 3**

good health and wellbeing.

As we look to emerge from the pandemic stronger and more resilient, we must seize on opportunities offered by Health Tech innovations and data to support prediction and prevention. Public and private funding can come together through truly inclusive partnerships that make new innovations available to all.

**There is an intrinsic and indivisible link between a healthy and resilient society and inclusive capitalism. By building a healthy society and enabling people to live well for longer, we all benefit, both socially and economically.**

This aim is central to SDG 3, which includes a target to achieve universal health coverage for all.

To increase resilience to future pandemics and address the long-term challenges facing society, our health system must pivot away from being geared towards managing illness to enabling people to live well for longer by directing resources at addressing the risk factors that impact health. Covid-19 severely impacted the health and care system in the UK, and reasons include the high prevalence of risk factors that affect health in our ageing population and the need to address health inequalities. Before the crisis, around 85% of the 'burden of disease' in the UK was from long-term conditions rather than infectious disease. While measures were put in place to

protect and support vulnerable people during the pandemic, access to health services for people with pre-existing conditions was down 20% at the peak of the crisis.

As we look to emerge from the pandemic stronger and more resilient, we must seize on opportunities offered by Health Tech innovations and data to support prediction and prevention. Achieving this will require integration between health, care and other partners – be that health innovation companies, investors, the NHS, social care, housing, benefit systems, private companies, payers and providers. Public and private funding can come together through truly inclusive partnerships that make new innovations available to all. This is why we are partnering with Innovate UK to deploy £6 million in grants to technology start-ups that are making a difference in the healthy ageing market. Our aim is to invest in dynamic health-tech businesses that have a proactive, predictive and preventative advantage; helping reduce cost and occurrence of ill-health, linked to the ageing process.

The response to Covid-19 and the incredible success of the vaccination programme have shown that collaboration across sectors, with all of society coming together to address a common challenge, can achieve remarkable benefits. The overwhelming response to 'Clap for Carers' indicated how the nation values our National Health Service and a renewed recognition of the need for inclusive health and social care for all. If we can harness this clarity of purpose, leadership and spirit of working together across the health innovation ecosystem, then we have an unprecedented opportunity to improve public health for the long term. ■

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

Affordable homes will play a vital role in getting the UK economy back on track after Covid-19. It is more important than ever that we build the houses society needs and plug shortages in the market.

## Tackling the housing crisis

The UK's housing gap – the difference between current housing stock and the number needed for everyone to have a decent home to live in – is estimated to be over one million. Demand for housing has grown, but there are two million fewer social houses and flats for people on low incomes than 40 years ago. And new social housing is being built at a quarter of the rate.<sup>1</sup>

The housing crisis is putting home ownership out of reach for many, and the biggest social impact comes from the lack of affordable and social rental homes. The number of people who cannot afford market rates is growing and 35% of those in council and housing association homes are working households.



<sup>1</sup> news.files.bbci.co.uk/include/news/spec/pdfs/bbc-briefing-housing-news-spec-26534.pdf

## What have we done?

### 6,000 homes

Planning permission for 6,000 homes through our later living, build to rent, modular housing and build to sell businesses.

### 3,000

We are working to deliver 3,000 new affordable homes a year from 2023.

### £100m

We provided £100 million in deferred long-term financing to Bromford Housing Group to support their goal to deliver 12,000 new affordable homes by 2028.

### £75m

in long-term financing to Bernicia to provide 650 much needed homes in the North East of England by 2023.

### £48m

committed to Clúid Housing to deliver around 200 new social homes across Ireland.

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

continued



## Making the housing market fairer and more sustainable

### Affordable homes

Investing in affordable housing is one of the ways we deliver inclusive capitalism in the UK. We build good quality rented and shared ownership homes across England – and we are determined to do more. We want to lead the evolution of the affordable housing sector by combining our long-term capital with the expertise and management capability of high quality providers.

Legal & General Affordable Homes is now in its second year. We have already developed over 650 new homes for customers in all parts of England and we are working to deliver 3,000 new homes a year from 2023.

Find out more in our 2020 Affordable Homes Customer Annual Report.

Click here to read more

### Our Modular Homes Business

We believe it's time for a new approach to solve the challenges facing the UK housing market.

Modular housing is the sort of solution that can help tackle the UK's property crisis. We're using modern precision methods and a full-delivery approach to make modular housebuilding more efficient and sustainable.

## The benefits of modular:

### Lower costs

Strict specifications mean our properties are finished on time (or early) and need less aftercare.

### Higher quality

Digital modelling ensures the highest quality and rigorous quality procedures at each stage of manufacturing and construction.

### Sustainable living

Factory-built homes are designed to achieve a more sustainable future, taking into account their whole-life environmental impact.

### Faster construction

Standardisation of modular parts means homes can be built faster, with fewer issues and reduced disruption to local communities.

### End-to-end delivery

We collaborate on all aspects of planning, design and production, pre-construction, installation and on-site groundworks, sales and aftercare to ensure fewer delays.

## SDG Contribution



By adopting innovative techniques such as modular construction, we are helping to provide safe and affordable housing for more people. At the same time, the approach enhances sustainable and inclusive urbanisation by promoting sustainable living across the lifecycle of a home.

## SDG targets



11.1 11.3

Read more about the SDG goals and targets online at [sdgs.un.org/goals](https://sdgs.un.org/goals)

Building a better society

## Urban regeneration and specialist commercial real estate

We invest society's capital in specialist commercial real estate including science and innovation districts, data centres, clean energy technologies and urban transformation.



Supporting livelihoods

**30,000 jobs**

Our investments since March 2020 are set to create 30,000 jobs.

Supporting business

**300 investments**

We have invested in over 300 companies, from universities to science laboratories to start-ups.

Urban regeneration in Glasgow

**£81.5m**

Our £81.5 million of funding to create 346 build to rent homes and 12,800 sq. ft. of commercial space is helping to regenerate areas of Glasgow.



Innovative research

**£210m**

We invested £210 million in Birmingham Health Innovation Campus.

Tackling the housing crisis

**6,000 homes**

We have secured planning permission for 6,000 homes across our housing businesses and funded regeneration schemes.

# Creating new neighbourhoods, urban regeneration and specialist commercial real estate

The long-term under-investment in towns and cities and small and medium enterprises (SMEs) in the UK has led to imbalance across the country. We invest in the real economy to support urban regeneration outside London.

## Levelling up and fostering innovation

We use our capital to encourage the next generation of crucial scientific and health innovations. Our teams work with local leaders and decision-makers to deliver place-changing regeneration. Our projects in the UK's cities and towns outside London show what 'Levelling Up' means in practice. We believe innovation is key to tackling economic and societal issues and we are an active investor in data centres, creative industries and science and technology. We aim to be market leaders in the digital provision of insurance and other financial solutions and our Fintech businesses are expected to grow as they diversify their products.



## Putting the UK at the forefront of science

Our Bruntwood SciTech partnership is the UK's largest science and innovation property platform. It operates in eight locations across the UK, including Alderley Park, which now operates as a national Covid-19 testing hub. We have also agreed, in partnership with the University of Birmingham, to provide a new Health Innovation Campus in the city of Birmingham. The £210 million, 10-year masterplan will create up to 10,000 new jobs and contribute £400 million to the regional economy by 2030.

# 20,000

Our Bruntwood SciTech partnership will create more than 20,000 high-value jobs in Manchester, Liverpool, Leeds, Birmingham and Cheshire.



## A blueprint for specialist commercial real estate

With its world-class university, Oxford competes among the top technology clusters in the world. The city, however, lacks affordable residential and commercial space that is essential to attract graduates and support innovative businesses. As part of our 50:50 partnership with Oxford University, we've committed £200 million for a new Life and Mind sciences building which will provide innovative facilities for teaching and research. In turn, these will have positive impacts on health outcomes throughout society, well beyond the city itself.

# £200m

We have committed £200 million for a new Life and Mind sciences building in Oxford.



## Releasing the power of pensions

We take pension assets and invest them in a socially useful way to create prosperity now and for the future. Sky Studios Elstree is a joint project between Sky and Legal & General. The state-of-the-art film and TV studio is expected to create over 2,000 jobs, generate £3 billion of production investment and become the most sustainable film and TV production site in the world. An example of how we use pensioners' capital for society's benefit, the project received planning permission in July 2020.

# £325m

Our £325 million investment is expected to create over 2,000 jobs, generate £3 billion of production investment.

## SDG Contribution



These examples demonstrate how we're investing long-term capital to accelerate progress towards supporting economic growth and infrastructure. By doing this, we're contributing to employment and helping to drive innovation across the UK and beyond.

## SDG targets



8.2



9.5

Read more about the SDG goals and targets online at [sdgs.un.org/goals](https://sdgs.un.org/goals)

# Increasing resilience and financial inclusion

Financial pressures are impacting our customers more than ever before. As communities recover from Covid-19, we must support vulnerable people and increase their financial resilience.

Increasing financial resilience means helping people take responsibility for their own financial security through insurance, pensions and savings. Our commitment to financial inclusion drives us to act as a responsible lender to support financial resilience across our customers' lifetimes.

## A new age of retirement

With people living longer, retirement age is increasing and financial services must keep up. We are building on our strong heritage with a move towards digitisation and investment in our drawdown proposition to enable more people to access capital. We launched a TV campaign to challenge outdated stereotypes of retirement and an online course with the Open University to give people information and confidence to secure financial resilience later in life.



## Pension pot tracing and consolidation

Over half of 45- to 65-year-olds have more than one pension pot and only 17% of them have consolidated to manage their savings better. Our new tracing service helps people track down their lost and forgotten pension pots and a consolidation solution for those wanting to bring their pension savings together.

## Mortgage solutions for later in life

Outstanding debt for over 55s is expected to reach over £500 billion by 2029. Our retirement interest-only mortgage allows customers to pay their outstanding interest-only mortgage balance and stay in the home they love. A fixed interest rate for the mortgage term allows people to access funds from their home.

## Promoting inclusion through digitalisation

Digital platforms enable people to organise their finances and working lives. Technological solutions can improve customers' lives, increase security and support how we work and access information. We aim to be market leaders in the digital provision of insurance and other financial solutions.

Looking ahead, we will continue to explore opportunities to tackle new and evolving customer needs by:

- making our products more mainstream and accessible through the Residential Mortgage Market;
- educating financial advisers on the importance of and options for later life;
- looking at the flexibility of our existing product range to support those in short- and long-term financial difficulty; and
- building on our Vulnerable Customer treatment with a particular focus on the support we offer those facing financial pressures.

## Providing peace of mind with Co-Op Legal Services

43% of over-55s are extremely concerned about the financial impact of suffering dementia in later life and 47% worry about their partner being unable to access their money.<sup>1</sup> We have partnered with Co-Op Legal Services to help customers access a Lasting Power of Attorney (LPA) at a discounted rate for when they need a helping hand.



We improved digital accessibility and tools in the wake of Covid-19, resulting in a 69% increase in self-service logins in 2020. At the same time, we maintained a post room service for those who do not have access to digital channels.

<sup>1</sup> [www.ftadviser.com/regulation/2017/09/29/fca-power-of-attorney-proposals-spark-scam-fears/](http://www.ftadviser.com/regulation/2017/09/29/fca-power-of-attorney-proposals-spark-scam-fears/)

# Closing the gap between lifespans and healthspans

We are passionate about building a society where people can lead happy, healthy later lives. 1.25 million older people in the UK are Legal & General customers. Tackling the challenges of longer lives shapes our business.

Covid-19 highlighted the challenges in caring for older people. Pressures on our care system will continue unless better outcomes for older people are delivered through long-term, research-backed change. These pressures may see more people looking to fund private healthcare and other care options. As people live longer, their pensions and savings also need to last longer.

We think the next stage of the ageing challenge is to close the gap between a person's 'lifespan' and their 'healthspan'.<sup>1</sup> Our aim is to create a generation of leaders in care and support world-class academic research into how we can better provide for older people. In 2020, we supported three programmes that are working towards this goal:

- Our £20 million sponsorship of the Advanced Care Research Centre at Edinburgh University will fund research on improving care in later life and revolutionising how it is delivered.
- We donated £5 million to Newcastle-Upon-Tyne's Being Well programme for the city council's prototype care home in designed-in infection control and small-scale communal living.
- We are supporting the Trinity Challenge, a global initiative to help populations throughout the world better prevent and respond to public health emergencies.

## #ShareTheOrange

Legal & General teams with Samuel L. Jackson and Alzheimer's Research UK to battle the serious misconception that dementia is an inevitability of old age.



### Dementia Friends

Dementia is one of the most feared conditions in the UK and will affect more than two million people by 2050. A lack of understanding around dementia has led to the misconception that it is an inevitable part of ageing, when it is actually caused by pathological diseases. We have partnered with Alzheimer's Research UK on its award-winning awareness campaign, #ShareTheOrange, for the past three years. It sends the message that dementia is caused by physical diseases – and this means we can do something about it. We also think it is crucial our employees can support customers with a dementia diagnosis and, when appropriate, their carers. We are a dementia-friendly business and members of our team are now 'dementia friends'.

<sup>1</sup> The key measure of healthspan 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.

# Closing the gap between lifespans and healthspans

continued

## Supporting the journey through care

Every year, some 1.4 million people seek support to find care for the over 65s. Our new Care Concierge is a digital, end-to-end service designed to help customers and their families understand, find and fund the right care for them. The service hosts online guidance and tools which show how long a customer's assets and income might last and provides personal advice to support people and their loved ones on the care journey.

Our report, Caring for Britain, shares stories of older Britons who have confronted the realities of today's care system with the individuals and organisations working to deliver radical improvements in the quality and quantity of care.

## Investments in health and care

Our investments in health and care help individuals lead longer and healthier lives. We support companies focused on healthy ageing and offer 'scale-up' businesses the chance to bid for a share of £6 million grant funding through our role in the Government's Innovate UK Initiative: The Industrial Strategy Challenge Fund. We have helped allocate around £1 million of this funding so far, including in Congenica, a digital health firm that has pioneered software to enable rapid genomic data analysis at scale.



**1.4m**

Every year, some 1.4 million people seek support to find care for the over 65s.



**1,000**

Our Guild Living and Inspired Villages now include over 1,000 homes in six villages with a pipeline of 18 further sites in development.

## SDG Contribution



Our investments in care and health reflect our contribution to SDG 3, particularly around reducing premature mortality through non-communicable diseases such as dementia, and reducing suicide mortality rate.

## SDG targets



3.4

Read more about the SDG goals and targets online at [sdgs.un.org/goals](http://sdgs.un.org/goals)

**Focus area 3**

Growing our business responsibly



**Growing our  
people and culture \_ p53  
responsible supply chain \_ p60  
thriving communities \_ p62  
charitable partnerships \_ p64  
business responsibly**

We continue to build a diverse workforce and an inclusive workplace, where every individual's unique background is valued and everyone has the opportunity to contribute and succeed.

Growing our business responsibly

## Growing our business responsibly

Responsibility to our employees, customers, communities and society is the foundation on which we deliver inclusive capitalism. Holding ourselves to high standards of integrity is central to how we operate. It is practising what we preach, and it is also good business.

### Key issues

**People and culture**

We understand the impact of our actions on the lives and welfare of our employees and communities. Complying with laws and regulations and meeting high ethical standards are the foundations on which we work.

**Involvement in our communities**

Our major focus this year has been on managing the impact of Covid-19 on our employees and customers – keeping people safe and healthy while maintaining access to critical financial services. An engaged and productive workforce is the lifeblood of our business and we spent time listening to our people, supporting their wellbeing, exploring external perspectives and reaffirming our commitment to building an agile and inclusive business. We launched a range of initiatives to help meet the growing social needs arising from the Covid-19 disruption.

**Social enterprise**

**Charity stakeholders**

**Suppliers**

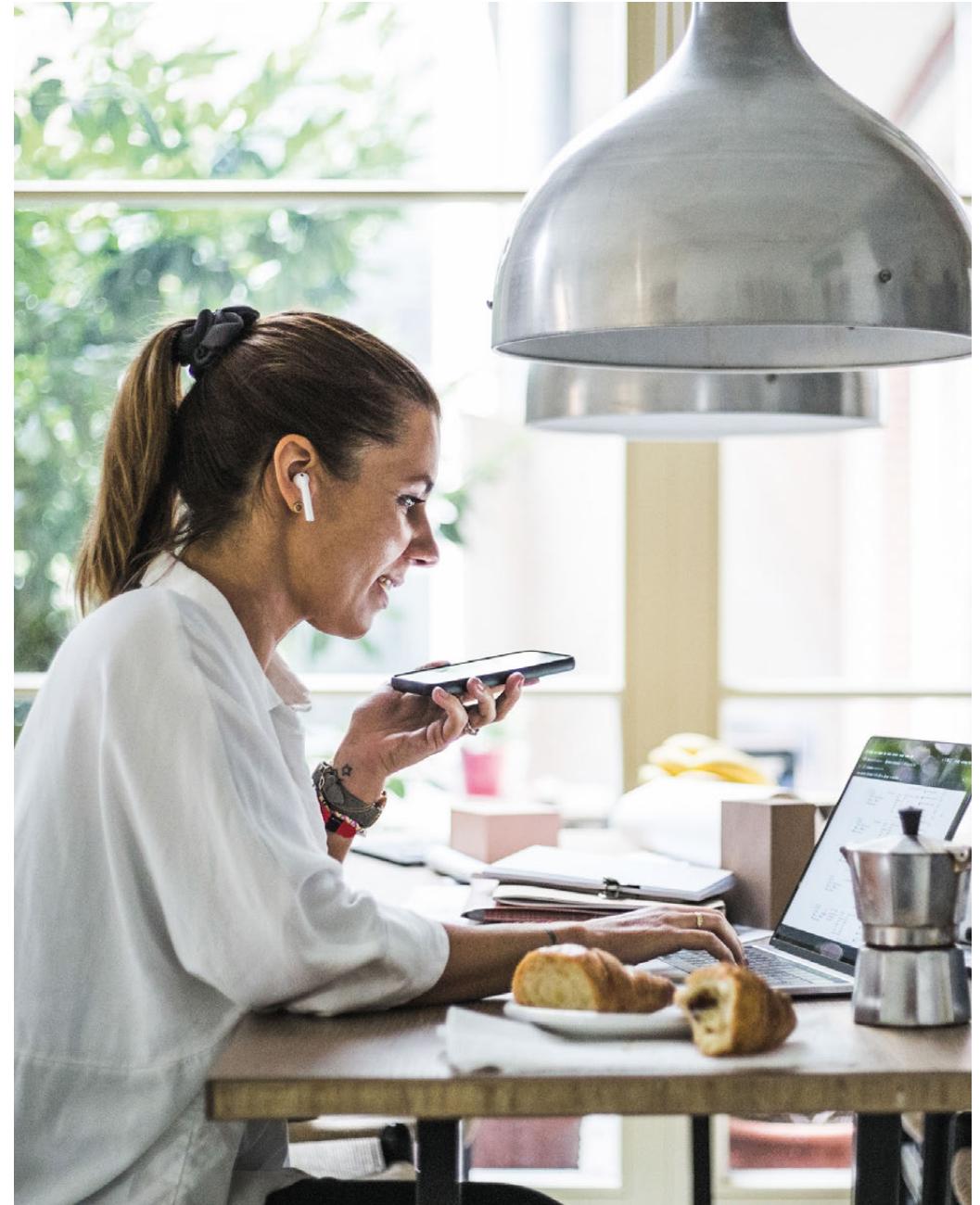
**Health and safety**

### Key commitments and targets

**We remain committed to taking practical steps to increase diversity and inclusion in all parts of our business.**

We will continue to make progress in our supply chain, using our Sustainable Sourcing Principles which cover climate change, environmental disruptions, supporting SMEs and improving Human Rights.

For further information please see the appendix





In depth: How workplaces need to evolve

# Workplace culture in a post-2020 world

Workplace culture will need to be flexible and inclusive as we rebuild

**In depth: How workplaces need to evolve**

**Employee expectations of company culture are changing and new challenges are emerging around how to maintain a sense of culture when the majority of employee interaction is moving online. The conversation on inclusion has evolved to be seen as a critical function of culture, and it is central to our core philosophical belief in inclusive capitalism.**

**2020 put workplace culture under the spotlight as social inequalities became more starkly apparent.**

The forced shift to remote working dissolved the boundaries between work and home. For some, it was an opportunity to rebalance priorities from the comfort of home. For others, the shift to working at home wasn't easy, productive or even possible. Meanwhile, the murder of George Floyd and the rise of the Black Lives Matter movement raised collective consciousness of racial inequity in our society. The outsized impact of the pandemic on black and minority ethnic communities was symptomatic of the structural inequality that exists in the UK and beyond. These issues speak to SDG 8 with its focus on inclusive economic growth and decent work for all – outcomes that are core to our vision of inclusive capitalism.



Creating and maintaining workplace cultures that are inclusive and fit for the future will require a highly nuanced and person-centred approach. Our response has been to listen carefully to our people. The 'L&G Listens' project gathered personal perspectives and stories from a diverse range of employees to provide a balanced view of our culture. It told us what we are doing well and where we can do better. The insights have shaped our thinking on how we can build a more employee-centric, diverse and inclusive workplace.

Listening also characterised our response to the challenges of remote working. By consulting employees on what worked, what didn't and their preferences for the long term, we involved them in shaping a future workplace culture and ways of working that are genuinely based on their needs.

Whatever the post-Covid workplace looks like, it must balance the needs of people and the needs of business. This isn't easy and there is no one-size-fits-all solution. That is why we don't subscribe to the extreme positions of 100% remote working or 100% office working as a future model. Remote working isn't a cultural panacea: presenteeism can flourish as the lines between 'working' and 'not working' blur and inequalities in people's home lives are exposed. Meanwhile, time spent in offices can be either productive or unproductive for many reasons – from employee engagement to building design.

We advocate for a move away from offices as 'clerical factories' and towards flexible spaces where collaboration is the focus. As a major commercial landlord, we see a place for the office in the future economy, including as an employer. But we acknowledge that thoughtfulness of design must characterise the office of the future, with employee wellbeing, environmental gains and flexibility at its core. Workplace culture can only flourish when we have 'workplaces' in which it can happen. Striking the right balance between in-person and remote work will be a learning process and weighing up the needs of employees against those of the business will be key. ■

## SDG 8

decent work and economic growth

## Creating a culture where everyone thrives

Our 10,000 employees pull together to deliver inclusive capitalism across a wide variety of functions – from customer service and sales to expert financial advice, asset management and construction. We're investing in communities across the UK and beyond; from Hove to Chicago, Hong Kong, Maryland and Cardiff, our presence around the globe is increasing.

### **Supporting people during Covid-19**

Covid-19 has been the most significant risk to the health and safety of our people we have faced. We put employees' wellbeing at the core of our decisions and prioritised their welfare. In turn, they pulled together to give support to millions of customers.

Most of our employees worked from home for a large part of 2020, with a small minority accessing our UK workplaces. Safety measures following government guidance were put in place at all sites which needed to open.

Alongside practical interventions and support, we were aware of the potential impact of lockdown and working from home on people's mental health. We increased our focus on employee wellbeing and expanded the mental health support on offer.

**“The issue of personal wellbeing is one of great concern to our employees. The fact they feel able to discuss this topic reflects well on our company’s culture. We have put support mechanisms in place including helplines, a mental wellbeing app and a network of Mental Health First Aiders – employees trained to support their colleagues when they need it most.”**

**Lesley Knox**

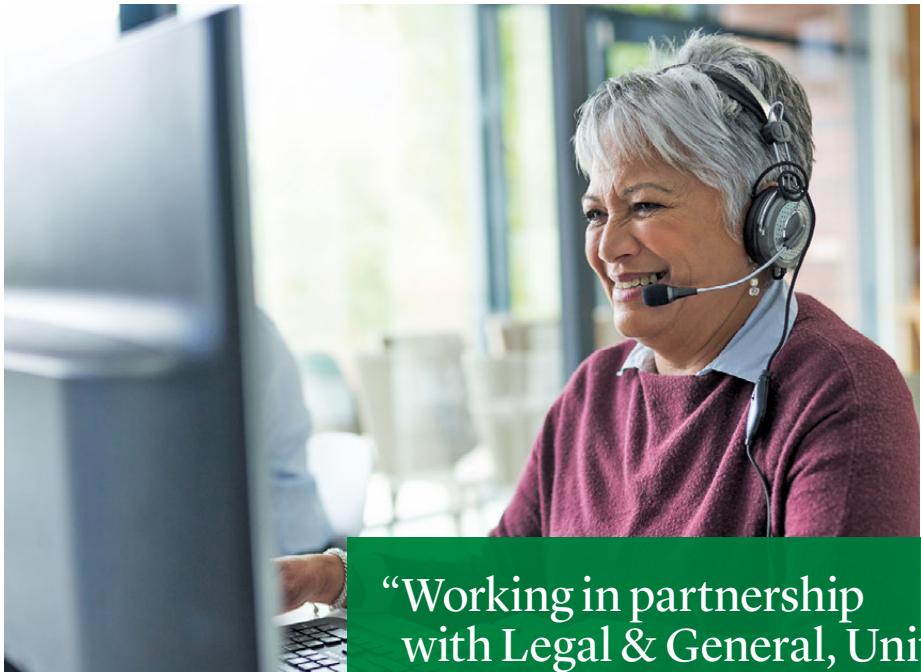
Designated Workforce Director



Growing our business responsibly

# Creating a culture where everyone thrives

continued



**“Working in partnership with Legal & General, Unite have been fully involved and consulted, and our colleagues are always at the top of the agenda.”**

**Pam Edwards**

Head of Unite’s Legal & General section, commenting on Legal & General’s Covid-19 safety measures

+5

Point increase in our employee satisfaction as at October 2020, vs 2019.

## What we did to support our employees

We continued to listen to people's views: our Voice survey was supplemented by targeted 'Listening in Lockdown' research. This allowed us to monitor engagement levels, identify areas of concern and act on specific issues relating to work during Covid-19. The key areas of concern included improving access to technology, supporting our employees' welfare, and helping them achieve work-life balance in a virtual world.

This insight helped us to develop and refine our support offering. We recognise that every individual responded differently to the pandemic, driven by specific personal and work circumstances. Developing a holistic wellbeing approach has proven challenging but our principle of an inclusive and person-centred approach guided us. We:

- Continued to pay all Legal & General employees as normal throughout the pandemic;
- Adapted our working environment to protect those who needed to be in our offices, e.g. thermal screening at entry points;
- Supported their wellbeing through our Employee Assistance Programme – which we extended to include family members;
- Adapted working hours where necessary to facilitate childcare and committed to full pay for anyone needing to work differently;
- Created a build factory to provide our teams with technology to work from home and continue to roll out new laptops;

- Ran a series of 'isolation invitations' – virtual sessions featuring external guest speakers to connect with our people and offer practical tips for working and thriving in a virtual world;
- Partnered with mental health app Unmind to offer free access for all our employees;
- Extended healthcare cover to all employees; and
- Continued to train and support our network of 100 Mental Health First Aiders.

Our offices and housing businesses were in regular contact with regulators to review our actions, control measures and to review our standards. On each occasion, the regulator was complimentary of our controls and their implementation.

## Employee communications

Our employee engagement effort focused on timely and clear communication throughout the pandemic and listening carefully to our employees' views. Communications – including new Chief Executive-led virtual town halls and podcasts, email updates and intranet content – helped employees navigate the challenges and stay connected. Use of our corporate intranet increased by 275% during 2020, and an average of 18% of employees joined each virtual town hall meeting.

As of October 2020, our overall employee satisfaction score, our key engagement metric, had increased by five points compared to September 2019, from 72pts to 77pts.

Growing our business responsibly

# Creating a culture where everyone thrives

continued

## A new office for Cardiff City Centre

In October 2020, we announced that we would relocate our two Group offices in Wales to a 120,000 sq. ft. facility in Cardiff's Central Square as part of a wider £450 million regeneration scheme. The move will provide a collaborative, agile space to support evolving working practices and shifting needs in the wake of Covid-19. There will be a strong focus on employee wellbeing, incorporating cycle and changing facilities, a café, social space and an external terrace. As our wider business, customer and location strategies evolve, the emphasis on location-independent working will increase. Agile working and technology will enable people to switch flexibly between the office and home.

## A diverse workforce and an inclusive workplace

At Legal & General, we are continuing to build a diverse workforce and an inclusive workplace, where every individual's unique background is valued and everyone has the opportunity to contribute and succeed. We are working towards progressive improvements in representation across all protected characteristics.

We aspirationally targeted 50% female representation across our core UK and US population and 40% female representation at middle/senior management level – both by the end of 2020. As at 31 December 2020, female representation across the Group stood at 45% and at 35% among middle/senior management. Our Executive Committee comprised 25% women, with two of our five businesses led by a female CEO.



## Citywire Gender Diversity

We were awarded the Citywire Gender Diversity 'Judge's choice' Award for our work on gender diversity and our leading position on ethnicity and female representation at board, executive and senior levels and across other senior roles.

We were disappointed not to meet our 2020 targets and we are taking further steps to increase diversity in all parts of the business. This includes reinforcing inclusive hiring practices, expanding family-friendly, agile working practices and investing in wellbeing resources such as access to a backup network for child, adult and elder care. The creation of our Group Diversity and Inclusion Council in 2020 will help us to widen our ambitions and keep us focused on positive actions.

## Building a diverse and inclusive Board

An effective Board embodies diversity of thought and background and reflects the people and communities we serve. Our Board continues to support Lord Davies' and the Hampton-Alexander voluntary targets for a third of all members to be women by 2020. As at 31 December 2020, our Board comprised 30% women and 70% men. Our total of women directors fell below 33% as we improved the mix of Non-Executive directors. We are committed to increasing the number of women on the Board and will address our current position as soon as possible.

We are pleased that the appointment of Ric Lewis in 2020 and the arrival of Nilufer von Bismarck in May 2021 brings a significantly greater diversity of ethnicity to the Board.

**2/5**

Two of our five businesses are led by a female CEO.

**50%**

Our aspirational targets are 50% female representation across our total population.

**30%**

As at 31 December 2020, our Board comprised 30% women and 70% men.

Growing our business responsibly

# Creating a culture where everyone thrives

continued

## Gender pay gap

In 2020, our median gender pay gap continued to narrow driven by improvements in our investment management and housebuilding businesses but offset by a widening in our retirement and insurance businesses. We are making progress but we know there is always more to be done. Like all companies, Legal & General can and must play a role in driving positive change.

See our separate Gender Pay Gap Report for further information including our full pay gap data and a summary of the actions we are taking to address this issue.

## Diversity and inclusion: progress in 2020

To reflect the importance of creating a diverse and inclusive business, we have established a Global Diversity and Inclusion Council which reports to the Group Executive and Group Board. It is chaired by Laura Mason, CEO of our institutional retirement business and Global Diversity and Inclusion Sponsor. The council comprises senior leaders from across our divisions and geographies and is tasked with defining and driving an ambitious agenda for D&I across the Group.

Actions to raise the profile of D&I across our businesses included:

- Launching a programme of employee listening to build understanding about different lived experiences to inform our D&I Council's strategy.
- Introducing a digital, strengths-based 'Best Team' toolkit to help employees challenge thought patterns and behaviours when making hiring, promotion and development decisions.
- Reinforcing inclusive hiring practices and broadening the focus to other areas of under representation beyond gender.
- Celebrating International Women's Day and International Men's Day in partnership with Moving Ahead, World Mental Health Day and Pride events.
- Partnering with the Diversity Project to run two public panel events in support of #TalkAboutBlack.

## Not A Red Card campaign

Mental Health is a leading cause of long-term absences from work. Our Not A Red Card campaign continues to raise awareness, remove stigma and take action around mental health in the workplace.

## Gender Pay Gap data

|              | All UK business |       | L&G Resources |       | LGIM(H) |       |
|--------------|-----------------|-------|---------------|-------|---------|-------|
|              | 2020            | 2019  | 2020          | 2019  | 2020    | 2019  |
| <b>Pay</b>   | Mean            | 30.8% | 27.6%         | 25.6% | 25.6%   | 15.5% |
|              | Median          | 26.6% | 28.5%         | 25.6% | 21.2%   | 18.8% |
| <b>Bonus</b> | Mean            | 48.0% | 58.4%         | 47.3% | 49.7%   | 40.4% |
|              | Median          | 40.6% | 45.5%         | 35.3% | 35.2%   | 48.4% |

Legal & General has three employing entities with more than 250 people in the UK: Legal & General Resources Ltd Plc ("L&G Resources"), Legal & General Investment Management (Holdings) Ltd ("LGIM(H)") and CALA Homes. Note that CALA Homes also will publish its own report in the first half of this year.

 Click read more in our gender pay gap report

## SDG Contribution



Our efforts to increase gender diversity reflect our contribution to SDG 5 on gender equality – specifically the need to end all forms of gender discrimination and ensure women's full and effective participation in decision-making and equal opportunities for leadership.

## SDG targets



5.1 5.5

100

We have over 100 Mental Health First Aiders supporting our people.

Read more about the SDG goals and targets online at [sdgs.un.org/goals](https://sdgs.un.org/goals)

# Creating a culture where everyone thrives

continued



## Our objectives to ensure people can access talent and development

1

### Leaders deliver change and business results through inclusive leadership

- We rolled out line manager training to create consistent capability.
- We launched senior leadership development programmes to drive inclusive leadership.
- We refocused our early careers and apprenticeship activities to support our commitment to creating a diverse and inclusive workforce of the future.

2

### Have a future-ready workforce of professionals with the right skills

- We use data analytics to support future skills development.
- We continue to develop resilience, wellbeing and remote working support tools.

3

### Have a high trust and high challenge performance-driven culture

- We held performance-focused development sessions to equip managers with coaching skills.
- We evolved our approach to performance management with a focus on having powerful conversations.

### Developing the workforce of the future

To deliver inclusive capitalism, we must invest in our own people and the experts and leaders of tomorrow. Our ambitions as a company will require leaders who are authentic in how they approach leadership and agile in spotting and seizing opportunities.

We help people perform at their best while driving a consistent and efficient approach to personal development. Conversations with employees, feedback from Voice surveys and our strategic workforce plan support the development of our approach to training and development. We have three objectives that ensure people can access talent and development.

Growing our business responsibly

# Creating a culture where everyone thrives

continued

## A culture of strong ethics

As part of practising what we preach, we are committed to meeting the highest standards of business ethics, honesty, openness and accountability.

## Code of Ethics

The Nominations & Corporate Governance Board Committee is responsible for developing a business ethics framework and ensuring its consistent application across our companies in the UK and overseas. We respect the rules and the best-practice principles laid down by regulatory authorities and our Code of Ethics is regularly reviewed and communicated to employees.

## Anti-bribery and corruption

We do not tolerate any person acting on behalf of the company participating in any form of corrupt practice and we do not accept or offer bribes. Our Group Financial Crime Risk policy ensures controls to prevent such activity, including the control and approval of giving and receiving gifts and hospitality. For full details, see the Code of Ethics on our website.

 Click here to read more

## Privacy and Customer Data

Protecting customer data is extremely important to us. Our Group policy requires all parts of the Group to have robust data privacy and security arrangements, which are tightly monitored.

 Click here to read more

## Transparent engagement

Policymakers value input from us to inform their thinking about rules and regulations. We have clear principles for engaging with government and policymakers:

- We do not make political donations. We are politically neutral, working with all parties, officials, regulators and other policy organisations in the jurisdictions where we operate.
- We work collaboratively, both directly and through a range of industry representative bodies.
- We aim to deliver evidence-based, practical proposals for consideration by policymakers.
- We aim to be experts and thought-leaders: we are rich in expertise that we share with those responsible for formulating public policy.
- We're focused on delivering positive outcomes for customers, shareholders, investment markets, the broader economy and society.



We are among the Top 75 UK employers in the Social Mobility Foundation's Social Mobility Index in 2020, up from 67 in 2019 to place 42.

Growing our business responsibly

# Creating a culture where everyone thrives

continued

## What we engaged on in 2020

We continued to participate in government and policy opportunities in pursuit of inclusive capitalism. The Group CEO is a member of the UK Prime Minister's Build Back Better Council and LGIM's CEO is co-chair of the COP26 Business Leaders Group. Our Corporate Affairs Director is a member of the Government's Expert Trade Advisory Group for Financial Services.

We produced thought leadership to inform public policy debate including research on 'Isolation Economy'<sup>1</sup> and 'Bank of Mum & Dad'<sup>2</sup>. We also responded to consultations and helped shape responses from trade and industry bodies on issues including:

- Economic recovery from the pandemic and the UK's Covid-19 strategy;
- Supporting jobs and growth through urban regeneration and specialist commercial real estate projects;
- The changing accumulation and decumulation landscape and changes to the pensions and 'at retirement' market;
- Financial regulation – both conduct and prudential;
- Corporate governance, ESG and sustainable finance;

- Direct investment in infrastructure, affordable homes, regeneration, non-carbon transport, clean energy and digital networks;
- Engagement with stakeholders across the United States at federal, state and city level, including Chambers of Commerce;
- Deploying capital to boost the start-up/scale-up ecosystem;
- The UK's transition from the European Union; and
- International trade.

In November 2021, the UK is due to host world leaders at COP26 as they unite to tackle climate change. We are using this opportunity to show the vital role Boards have to play in developing roadmaps towards net zero. Displayed in the Financial Times, our advert series in partnership with Chapter Zero will feature leading businesses with net zero plans in the run up to COP26.



[Click here to read more on Chapter Zero](#)



<sup>1</sup> 10 million Brits volunteering as the nation unites in the Isolation Economy, says Legal & General : Legal & General (legalandgeneralgroup.com)

<sup>2</sup> Bank of Mum and Dad to drive UK housing market recovery after COVID-19, says Legal & General : Legal & General (legalandgeneralgroup.com)

# Creating a culture where everyone thrives

continued

## A responsible supply chain

Our responsibility doesn't end with our own four walls – we are responsible for impacts across our supply chain. Covid-19 created new risks in global supply chains and we engaged with suppliers and changed the way we operate as a result.

Our new Group Procurement and Supplier Management Sustainable Sourcing Principles Statement provides guidance and a benchmark on important subjects as part of the sourcing process.

There is a need to consolidate internal thinking and get external insights on how CSR objectives should or could be integrated into supply chain practices. We have a clear set of principles that provide guidance on our five key sustainable commitments. We have provided a recommended approach for each commitment, highlighting high risk areas and considerations, detailing responsible sourcing to show best practice. Working groups have been established and each person will own a role as a subject matter expert. They are tasked to raise the profile of these important topics and help us drive positive tangible change in our business and supply chains.

We selected a consultancy, 3Keel – a certified B corporation – to help us implement our strategy. We intend to implement and publish corresponding group policies, KPIs and templates to enable compliance with these principles to drive real change.

Our Supplier relationship managers engage in an annual CSR Meeting with our material suppliers to explore their compliance with policies including, but not limited to, the environment, modern slavery, diversity and inclusion, and gender pay gap. The purpose of this meeting is to have an open discussion and allow the supplier to showcase their roadmaps and strategies. It also allows us to demonstrate to our clients the way that we are improving sustainability across our supply chain. It can also be used to highlight the need for further upskilling and education within an immature business model, and we can coordinate these events in the form of supplier workshops or forums.

## Human rights and modern slavery

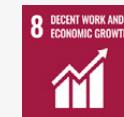
Our commitment to human rights encompasses a diverse range of people, doing their jobs well, responsibly and respectfully. From builders creating new affordable homes to pension risk transfer professionals, the behaviour of our people creates this culture of respect. Our Human Rights policy – published in 2020 – sets out how we will work together to achieve it.

Modern slavery is one of the greatest human rights issues of our time. It is estimated to be a \$150 billion trade, affecting around 40.3 million people worldwide. We want to see all forms of forced labour and modern slavery end and we are committed to providing decent work and treatment across our supply chain. As a diversified global organisation with an international supply chain, there may be human rights risks in our supply chains and we demand these impacts are taken seriously. Our new modern slavery strategy aims to assess, identify and remedy potential risks related to the UN Guiding Principles on Business and Human Rights, the International Labour Organization's Core Conventions and the International Bill of Human Rights.

## What was new in 2020?

- We adopted the Ethical Trading Initiative Base Code to set strong standards of worker treatment in our supply chains, with emphasis on the 'no forced labour' provision.
- We embedded references to the Modern Slavery Act into our policies and documentation and created new policies and supplier requirements where there were gaps.
- We committed to the Gangmasters and Labour Abuse Authority Construction Protocol to proactively help eradicate modern slavery in the construction industry.

## SDG Contribution



Our efforts to develop a responsible supply chain and provide a safe workplace drive our contribution to SDG 8, specifically the targets to eradicate forced labour, end modern slavery and human trafficking, and promote a safe working environment for all workers.

## SDG targets



8.7 8.8

Read more about the SDG goals and targets online at [sdgs.un.org/goals](https://sdgs.un.org/goals)

# Creating a culture where everyone thrives

continued

## Health and safety performance

We are fully committed to providing a safe and healthy working environment for all our employees and those affected by our operations or activities, and understand the importance of this to both employees and other stakeholders.

We face a range of different risk profiles across our businesses, from higher-risk construction activities to office-based work. We take a consistent and risk-based approach to managing health and safety across our businesses, led by the Group Health and Safety Committee and location specific committees.

Our group-wide H&S policy statement, and associated H&S management system, sets out our processes and procedures to ensure proactive management of H&S and our commitment to continual improvement. They are applicable to all our operations, although each of our businesses and their subsidiaries retain the responsibility and ownership of the management of H&S and has the autonomy to implement suitable and effective policies and procedures to manage all potential risks and obligations associated with business activities. This means that we can shape our training and controls to match the level of potential risk from each of our activities whilst ensuring that we have a consistent approach across the Group.

CALA is implementing a Health and Safety culture change programme, the general ethos of which is encapsulated in their work code, 'One Team, One Goal, Safe Home'. This will involve a series of workshops for both site and office based CALA staff, which are designed to raise awareness of how the whole team, regardless of department or role, can contribute to a positive safety culture and support in maintaining a high-level of standards for the team, the public and customers.



# Proud to be part of the community

## Supporting communities during Covid-19

The essence of inclusive capitalism is using capital to benefit all parts of society. 2020 emphasised the urgent need to address inequalities and disadvantage within communities. Working in partnership and pooling resources to achieve better outcomes for people is even more important during these challenging times.

The impact of Covid-19 – especially on less well-off communities – has highlighted the crucial need to create a more resilient future for all parts of society.

### Our response

We target funding, expertise and employee time to benefit communities and we adapted our response in 2020 around five key themes:

- 1 Supporting healthcare during the early stages of Covid-19;
- 2 Providing critical financial services for our customers;
- 3 Contributing to communities in need;
- 4 Supporting young people during Covid-19; and
- 5 Creating a stronger society for the post Covid-19 world.



## Bridging the funding gap facing communities

Charitable and community organisations saw significant funding challenges during the pandemic. In the UK, we responded by launching a £500,000 Emergency Community Fund in April which distributed funding to over 200 charities. The cash contributions made by our employees, cash-matching, volunteering and our UK and US community programmes amounted to a group-wide total of £3.5 million in 2020.

In the US, Legal & General America ran its annual charitable giving campaign. Digital events and a salary contribution scheme raised over \$900,000 for the Boys & Girls Club of Frederick County and other charities chosen by employees. \$47,170 was also contributed to Chicago's Community Covid-19 Response Fund.

## Befriending the nation in lockdown

In Spring 2020, 2.6 million people in the UK reported feeling lonely 'often' or 'always', according to the Office of National Statistics. During the lockdown period, the profound impact of something as simple as a phone call became apparent. We reshaped our work with Royal Voluntary Service (RVS) to support those in need and launched a telephone befriending programme to connect with people through regular, informal catch ups. Our volunteers were given the opportunity to become a 'befriender' – making calls to vulnerable people in need of human connection. We have since been working with three charities – RVS, Independent Age and Carers First – to provide this service. The befriending service started as a small pilot with just 10 employees and now includes over 80 befrienders.

Growing our business responsibly

# Proud to be part of the community

continued

## Supporting younger people

Young people were disproportionately impacted by the pandemic which disrupted their studies, relationships, work, opportunities and mental health. Disadvantaged young people have been hit particularly hard. With schools closed and many students at risk of falling behind, we made supporting remote learning a key focus of our community support. We boosted remote learning by working with Keele University and Higher Horizons+ to launch the 'Uni Connect' Virtual Maths Club. This gave over 450 teachers access to resources designed to engage young people studying at home.

# 450

Working with Keele University and Higher Horizons+ to launch the 'Uni Connect' Virtual Maths Club gave over 450 teachers access to resources designed to engage young people studying at home.

### Proud to be part of FastFutures

We are a founding partner in FastFutures, a 12-week digital and business skills programme for young people from under-represented groups.

Of those enrolling in the first cohort during 2020, 61% were female, 47% from a black or minority ethnic background, 55% from a lower socio-economic background, 10% LGBTQ+, and 7% disabled.

# £250,000

We invested £250,000 and 150 of our employees volunteered as mentors to create opportunities for young people at the start of their careers.



### SDG Contribution



We think every young person should have access to inclusive and equal opportunities for quality education. Our investments support initiatives that aim to eliminate inequalities in education, including those related to gender and young people from less advantaged communities.

### Creating a stronger society after Covid-19

The response to Covid-19 has highlighted challenges in caring for older people. Pressures on our care system will remain after the current pandemic unless better outcomes are delivered through a longer-term, systemic, research-backed approach to alleviating them. As part of our focus on lifespans and healthspans, we are supporting three programmes to address this: the Advanced Care Research Centre at the University of Edinburgh; Newcastle-Upon-Tyne's Being Well programme; and the Trinity Challenge, a global initiative to help populations throughout the world better prevent and respond to public health emergencies.

### SDG targets



4.1 4.5

Read more about the SDG goals and targets online at [sdgs.un.org/goals](https://sdgs.un.org/goals)

Growing our business responsibly

## Partnering with charities

Our partnerships with charities underpin inclusive capitalism by enabling us to support communities and make a real difference in people's lives.



### Developing social enterprises

Since 2013, we have made a commitment to help social enterprises through our SE-Assist model.

We support Wales' Social Enterprise Academy's leadership and enterprise programmes, enabling local entrepreneurs to play a role in post-pandemic business growth and regeneration.

### EMpower Foundation

We are proud to be supporters of EMpower Foundation. For 20 years, they have worked alongside local organisations and young people to advance innovative programming and best practices to enable youth to live their full potential in emerging markets countries.

# £5m

Legal & General donated £5 million to Newcastle-Upon-Tyne's council, Being Well programme for a prototype care home.



We increased our charity matching scheme from £500 to £5,000 to support charities in these challenging times.



### Digitalising community action

We are a founding partner of LetsLocalise, a digital social innovation that supports schools to give every student the best chance of success by combining community action with the power of an online platform.

### Supporting teachers and home learning

We funded Virtual Maths Club, a Uni Connect Programme working with Higher Horizons+ and Keele University. Over 450 teachers have registered to access the Club's free online maths resources for students studying at home.



# 450

Over 450 teachers have registered to access free maths resources for students studying at home.

Growing our business responsibly

## Partnering with charities

continued



### Raising confident girls

Our joint venture with the Girls Friendly Society has funded four new groups in London, Cardiff, Leeds and Bristol. Volunteers deliver activities to develop confidence, self-esteem, emotional wellbeing and resilience among girls from five to sixteen.

## 5 – 16 years

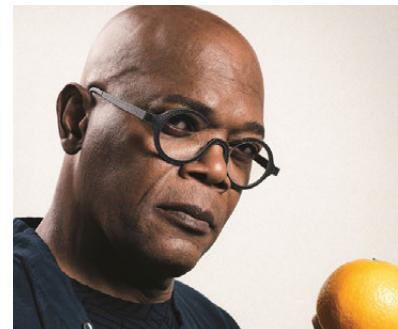
Volunteers deliver activities to develop confidence, self-esteem, emotional wellbeing and resilience among girls from five to sixteen.

### Duke of Edinburgh (DofE)

We are a Silver Partner of Duke of Edinburgh (DofE) UK which supports young people of all backgrounds to have opportunities to be the best they can be. Our funding this year focused on increasing the reach in the North East and Wales where there is little DofE infrastructure. We also support DofE America to provide the International Award for young people in the US.



**Research can change the future. But to help us get there sooner, we must change the conversation about Dementia.**



### Raising awareness of Alzheimer's

We have partnered with Alzheimer's Research UK on its award-winning #ShareTheOrange campaign to transform mindsets and empowerment around Alzheimer's for the last three years. The social media campaign over four years achieved a potential reach of 46,146,498. The films themselves achieved over £3.5 million views.

### Tackling youth isolation and skills

LGIM America has been working with the Spark program in Chicago since 2013. Spark is an education-focused non-profit that provides career exploration and self-discovery opportunities to middle school students in under-resourced communities on the South and West sides of Chicago. During the pandemic, Spark pivoted quickly to a virtual model, adjusting the programming to suit home learning.



**"The students and Spark have overcome much during the pandemic, but have persevered and grown as a result."**

**Bradley Wynn,**  
Head of Client Strategy



### Supporting vulnerable people with the Royal Voluntary Service

Our six-year partnership with the Royal Voluntary Service (RVS) has seen hundreds of colleagues give up their time to volunteer. We supported its appeal to raise £5 million to deliver crucial services to vulnerable older people in hospital and in the community in 2020.

# £5m

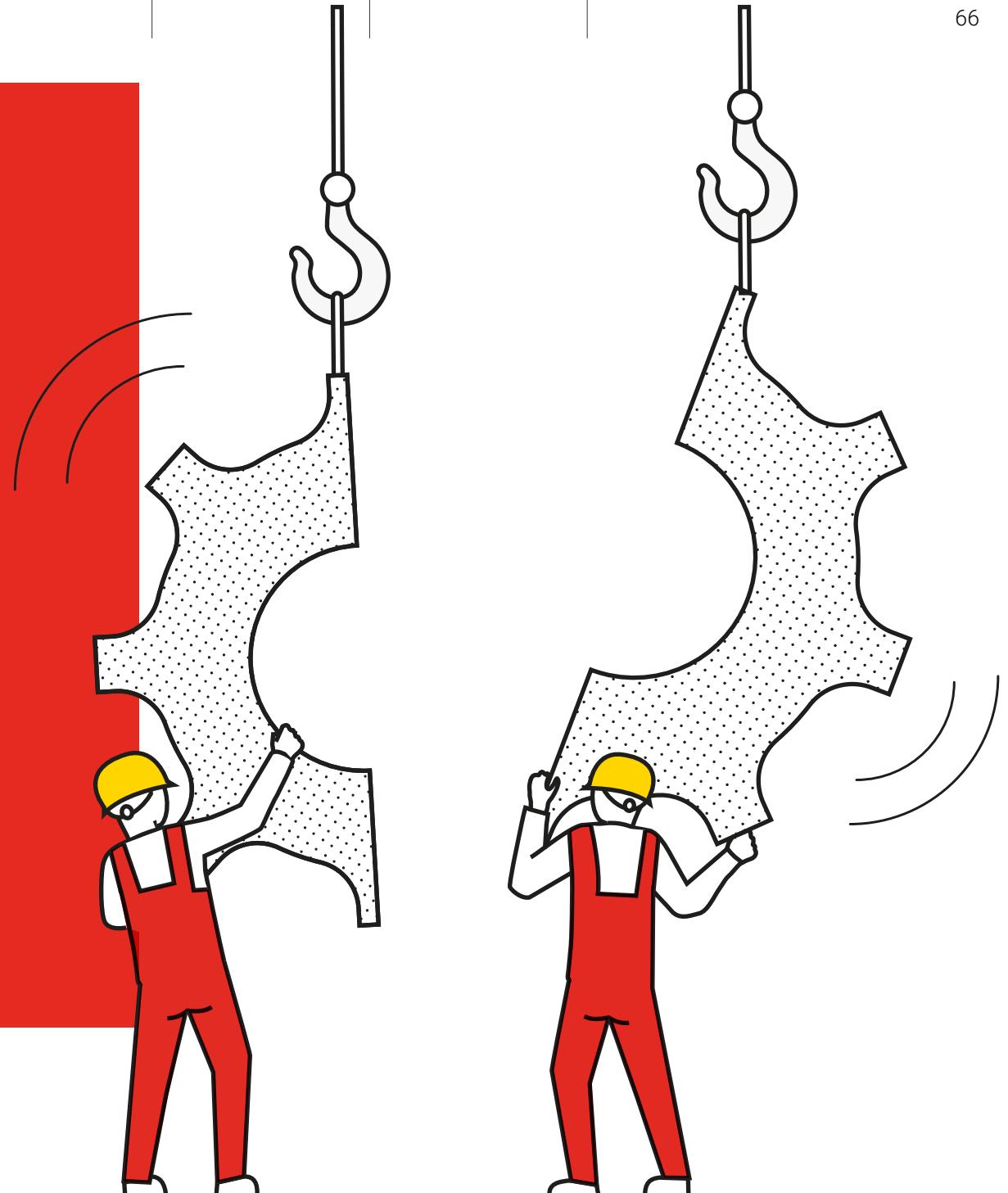
We supported the RVS appeal to raise £5 million to deliver crucial services to vulnerable older people in hospital and in the community in 2020.

# Looking ahead

2020 was an extraordinary year and Covid-19 is the greatest challenge to our way of life in recent times. We remain confident and ambitious for the future as we look ahead to playing our role in the economic recovery.

## In this section

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# Looking ahead

**Pioneering  
a sustainable economy  
an equal society  
better public services  
inclusive capitalism**



## Our journey to net zero

### 2021's rescheduled COP26

Legal and General will continue to proactively lead and engage the debate to address climate change in 2021, including through our involvement in the run-up to, during and after COP26. Climate is not only the most urgent issue but also the biggest investment opportunity of our lifetimes. We can harness the power of business and markets to ensure the transition happens. All of us must now move from promises and commitments to action and delivery.

LGIM's CEO, Michelle Scrimgeour, co-chairs the Business Leaders Group alongside The Secretary of State for Business at the international COP26 climate negotiations, due to be held in Glasgow in 2021, in an effort to increase momentum for climate action in the private sector. LGIM's Head of Sustainability and Responsible Investment, Meryam Omi, is also on secondment as a COP26 'high-level champion' for climate finance.

## Building a better society

### Investing in the real economy

We want to go beyond investing in ideas that already exist, by supporting the UK's world-leading scientific community and in turn supporting regional economic growth and funding innovation.

### International expansion

We will build on the success of our US pension risk transfer business and grow our presence in Asia and the US.

### Building new homes

It is more important than ever that we deliver the houses our society needs to address shortages across every dimension of the market. We've gained planning permission to build 6,000 homes through our later living, build to rent, modular housing and build to sell businesses.

## Growing our business responsibly

### Future ways of working

Digitalisation and globalisation have sparked radical shifts in how we live and work. Covid-19 then accelerated these changes further than we could have imagined. These changes raise essential questions about the precariousness of jobs, the support available to those unable to work or retire, the skills needed for current and future jobs, and the voice people will have in shaping these outcomes. There are immediate questions about the future of the office and the rise of location-agnostic working.

### Sustainable supply chain

Supply chain sustainability can no longer be ignored. We have taken a positive step forward and created a new Sustainable Sourcing Principles Statement that provides guidance and a benchmark on ESG for those involved in procurement and supplier management.

### Diversity and inclusion

We continue to build a diverse workforce and an inclusive workplace. We will achieve the former by proactively recruiting from a more representative cross-section of the communities where we operate, and by creating new early careers opportunities. We will deliver the latter with better line management capability, and by establishing a global mentoring programme.

### Mental health

As we develop new ways of working in response to the Covid-19 pandemic, we will continue to find ways to support our people's mental and physical wellbeing.

# Appendix

We focus on delivering inclusive capitalism through our strategic priorities. Our businesses contribute in many ways and we have a range of commitments and targets for addressing environmental, social and governance issues. The following table provides a selection of these and where further detail and information on performance can be found.

| Journey to Net Zero commitments and targets | Target   | Deadline                  | Further information   |
|---|--|---------------------------|---|
|   | We have set Group balance sheet carbon intensity targets to monitor alignment with the Paris objective and will reduce our portfolio carbon emission intensity by half by 2030 and targeting net zero by 2050.   | 2030                      | All of these commitments and targets can be found in the 2020 TCFD Report |
|   | Our retirement businesses, covering c.90% of our Group balance sheet, has further committed to reduce portfolio carbon emission intensity by 18.5% by 2025 as part of a wider published ESG policy.  | 2025                      |   |
|   | We will launch a climate solution capability for LGIM's clients in 2021, quantifying climate risks within, and temperature alignment of, their assets.   | 2021                      |   |
|   | As one of the UK's most active real estate managers, the LGIM Real Assets business will reduce the operational carbon and energy intensity of our landlord-controlled areas (Scope 1 & 2 emissions) by 60% by 2030 and will establish Science Based Targets (SBTs) for our wider Scope 3 emissions during 2021, as part of our wider Real Estate Net Zero Roadmap. | i) by 2030<br>ii) by 2021 |   |
|   | 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.  | 2022                      |   |
|   | As a large UK housebuilder, we will enable all new homes we build from 2030 to operate with net zero carbon emissions. In addition, we're seeking to understand and monitor the embodied carbon associated with the construction of our homes.   | 2030                      |   |
|   | From 2030, our operational footprint (occupied offices and business travel) will operate with net zero carbon emissions.   | 2030                      |   |
|   | LGIM will help clients understand better the risk and opportunities created by the low carbon transition through education and then provide investment solutions to finance and benefit from the low carbon transition.  | 2023                      | You can read more detail in our 2020 Active Ownership report              |

# Appendix

continued

| Building a better society commitments and targets | Target  | Deadline | Further information   |
|---|---|----------|---|
|   | Our ambition over the next five years is to increase our direct investment portfolio to £5 billion with a target blended return of 8–10%, and to add over £10 billion of third-party capital assets and asset creation for our retirement business.   | 2025     | You can read more about this ambition on page 34 of our Annual Report.              |
|   | Our delivery pipeline is growing and our ambition is to deliver 3,000 modular homes per year by 2024.   | 2024     | You can read more about this ambition on page 35 of our Annual Report.              |
|   | We aim to be able to deliver over 1,000 new homes Under ‘Build to Rent’ schemes each year across the UK.  | 2024     | You can read more about this ambition on page 35 of our Annual Report.              |
|   | We aim to measure social value across 20% of our property assets by value by 2023. This involves engaging with our property managers, suppliers and occupiers at asset level. Despite a challenging 2020 in obtaining data due to Covid-19, we believe that we would be able to achieve our 20% target by 2022. | 2023     | In our next report we will be able to provide an update on progress on this target. |
|   | Develop investment solutions via LGIM that are more clearly aligned to the UN Sustainable Development Goals (SDGs).   | 2023     | You can read more about this target on page 14 of this report.                      |
|   | LGIM will develop and enhance long-term investment offerings which integrate ESG themes.  | 2023     | You can read more about this target on page 22 of this report.                      |
|   | 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     | You can read more detail in our 2020 Active Ownership report.                       |

# Appendix

continued

## Growing our business responsibly commitments and targets

| Target  | Deadline | Further information   |
|---|----------|---|
| <p>We have three objectives to ensure our people can access talent and development experiences:</p> <ul style="list-style-type: none"> <li>• Ensure leaders deliver change and business results through inclusive leadership</li> <li>• Build a future-ready workforce of professionals with the right skills</li> <li>• Deliver a high trust and high challenge performance-driven culture</li> </ul>  | 2022     | <p>You can read more about this target on page 54 of our Annual Report.</p> |
| <p>We remain committed to taking practical steps to increase diversity and inclusion in all parts of our business. We will:</p> <ul style="list-style-type: none"> <li>• Take steps to improve the data we hold on our people, including on ethnicity and other protected characteristics</li> <li>• Continue to report progress on narrowing our gender pay gap (median and mean) across all our reportable entities, as well as progress against our aspiration for 50% female representation across our total population and 40% representation at middle/senior management level</li> <li>• Improve diversity through hiring more diverse talent and establishing new early careers opportunities</li> <li>• Improve inclusion through improved line management capability and creating a global mentoring programme</li> </ul> | 2022     | <p>You can read more about this target on page 54 of our Annual Report.</p> |
| <p>We will continue to make progress in our supply chain, using our Sustainable Sourcing Principles which cover climate change, environmental disruptions, supporting SMEs and improving Human Rights.</p>  | 2025     | <p>You can read more about this target on page 55 of our Annual Report.</p> |
| <p>We will take steps to reduce our operational environmental impacts (over and above our carbon targets). We aim to:</p> <ul style="list-style-type: none"> <li>• Protect the natural resources we use through the implementation of sustainable procurement principles throughout our supply chain</li> <li>• Eradicate single use plastics from our supply chain</li> <li>• Protect and minimise the use of water resources in the spaces we create and occupy</li> <li>• Minimise and design out waste through the careful implementation of the principles of the circular economy</li> <li>• Create diverse and valuable natural spaces and achieve overall net biodiversity gains, through the careful management and design of the spaces we occupy</li> </ul>  | 2025     | <p>You can read more about this target on page 36 of this report.</p>       |

# About this report

This report explains the Legal & General Group's sustainability strategy and our main global activities during fiscal year 1 January 2020 to 31 December 2020.

## Reporting frameworks and standards

This report has been prepared in accordance with the GRI Standards: Core option; the GRI Content Index is available online.

 Click here to read the GRI Content Index

Legal & General Group Plc (the Group) is reporting under the Sustainability Accounting Standards Board (SASB) standards as part of our ongoing commitment to provide further transparency and data to our stakeholders. 2020 is our first year of disclosure and we anticipate that our disclosures will continue to evolve. We are reporting under the Group's classification of Insurance although it is important to note that our business operates in four key areas: retirement (pensions), investment management, capital investment and insurance. Our general insurance business was sold in 2019.

This report was developed and produced with **Radley Yeldar**.

This report is not externally assured.

All financial figures used have been taken from the Annual Report which has been independently audited.

 Click here to read previous reports online

The previous edition was published in June 2020.

We will continue to publish our sustainability report on an annual basis.



**Pioneering  
low carbon solutions  
inclusive capitalism  
clean energy  
sustainable living  
an inclusive future**

**Feedback**

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

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