CLIMATE TRANSPARENCY REPORT 2020

Legal & General Investment Management (Holdings)

PRI Principles for Responsible Investment

About the Climate-related Disclosure Indicators

Climate has been identified as a top priority for PRI signatories, with over 70% of asset owners reporting this as the most important long-term trend they are acting on.

The FSB Task Force's guidance on climate-related financial disclosure aim to create a single framework for disclosure on assessment and management of climate-related risk. The recommendations, supported by investors representing US$22 trillion, identify four main disclosures, Governance, Strategy, Risk Management, Metrics and Targets, and include specific guidance for asset owners and managers.

As a result, the PRI introduced climate-related disclosure indicators that can be used to align with the TCFD recommendations in the 2020 PRI Reporting Framework.

About this report

This report is an export of only the climate-related indicators from the 2020 Reporting Framework response. The full Public Transparency Report is available here (https://reporting.unpri.org/surveys/PRI-reporting-framework-2020/-454CBBD4-25CC-4AB3-9DD5-557EE8FE1FD5/79894dbc337a40828d895f9402aa63de/html/2/?lang=en&a=1). It shows the responses to all the completed climate indicators, even those you chose to keep private. It is designed for your internal review or – if you wish - to share with your stakeholders.

The PRI will not publish this report on its website if you have designated your 2020 climate reporting as "private". Otherwise, you will be able to access the Climate Transparency Report of your organisation and that of other signatories on the PRI website and on the Data Portal.

To easily locate information, there is a **Recommendation index** which summarises the indicators that signatories complete and disclose. The report presents information exactly as it was reported as per signatory preference. Where an indicator offers a response option that is multiple-choice, all options that were available to the signatory are presented in this report.

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TCFD Recommendations Index

Strategy and Governance - CC			TCFD Recommendation			
Indicator	Reported	Disclosure	Governance	Strategy	Risk Management	Metrics & Targets
SG 01.6 CC	✓	Public				
SG 01.7 CC	✓	Public				
SG 01.8 CC	✓	Public				
SG 01.9 CC	✓	Public				
SG 01.10 CC	✓	Public				
SG 07.5 CC	✓	Public				
SG 07.6 CC	✓	Public				
SG 07.7 CC	✓	Public				
SG 07.8 CC	-	Public				
SG 13.1	✓	Public				
SG 13.2	✓	Public				
SG 13.4 CC	✓	Public				
SG 13.5 CC	✓	Public				
SG 13.6 CC	✓	Public				
SG 13.7 CC	✓	Public				
SG 13.8 CC	✓	Public				
SG 14.1	✓	Public				
SG 14.2	✓	Public				
SG 14.3	✓	Public				
SG 14.6 CC	✓	Public				
SG 14.7 CC	✓	Public				
SG 14.8 CC	✓	Public				
SG 14.9 CC	✓	Public				
SG 15.1	✓	Private				
SG 15.2	✓	Private				
SG 15.3	✓	Private				

Symbol	Status
✓	The signatory has completed this sub-indicator
-	The signatory did not complete this sub-indicator.
	This indicator is relevant to the named TCFD recommendation
Within the first column "Indicator", indicators marked in blue are mandatory to complete. Indicators marked in grey are voluntary to complete.	

PRI Principles for Responsible Investment

ORGANISATIONAL OVERVIEW

This section provides an overview of your organisation. These characteristics are used to define your peer groups.

MAIN CHARACTERISTICS	
Name	Legal & General Investment Management (Holdings)
Signatory Category	Fund Management - Majority
Signatory Type	Investment Manager
Size	US$ > 50 billion AUM
Main Asset Class	Multi-Asset
Signed PRI Initiative	2010
Region	Europe
Country	United Kingdom
Disclosure of Voluntary Indicators	44% from 38 Voluntary indicators

Legal & General Investment Management (Holdings)

Reported Information

Public version

Strategy and Governance

PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

Investment policy

SG 01	Mandatory	Public	Core Assessed	General

New selection options have been added to this indicator. Please review your prefilled responses carefully.

SG 01.1	Indicate if you have an investment policy that covers your responsible investment approach.

SG 01 CC	Mandatory to Report Voluntary to Disclose	Public	Descriptive	General

SG 01.6 CC	Indicate whether your organisation has identified transition and physical climate-related risks and opportunities and factored this into the investment strategies and products, within the organisation’s investment time horizon.

◉ Yes

	Describe the identified transition and physical climate-related risks and opportunities and how they have been factored into the investment strategies/products.

LGIM and our parent company have identified the risks and opportunities associated with climate change and have committed to addressing them. As described in our climate change policy:

Climate change, and its direct and indirect impact, poses a significant macro-economic risk for long-term investors. Yet due to the unpredictable and inconsistent nature of weather patterns, it is difficult to assess the exact level of their impact. The magnitude and likelihood of risks and the scope and scale for solutions are also highly dependent on the policy support for mitigating excess emission levels and adapting to more extreme and changing weather patterns. Meeting the target of the Paris Agreement will also require a significant upscaling of investment in areas such as low-carbon energy, infrastructure and energy efficiency, which we believe present substantial investment opportunities.

Our approach to climate change encompasses a number of different avenues, including:

- Working with policy makers - To support policy efforts to meet emission reduction targets, to encourage capital deployment at scale, in order to finance the transition towards a low-carbon economy and to accelerate investments in climate change adaptation.
- Developing our capacity to assess climate-related risks and opportunities - To integrate climate risks and low-carbon opportunities in the investment management of relevant portfolios by seeking key indicators and acting upon financially material data and information.
- Engaging with the companies in which we invest - To ensure investee companies' strategies are aligned with global climate goals, to seek assurance that boards consist of individuals who can drive businesses to succeed through the energy transition, and to ensure companies are disclosing appropriate levels of risks and opportunities presented by the implications of climate change.
- Reporting to clients - To communicate actions taken on their behalf, and assist clients in considering the implications for their own portfolios.
- Providing investment solutions that are in line with low-carbon opportunities - To work with clients to provide products that are aligned with their investment beliefs and that capture the multitude of investment opportunities that are arising in order to build a low-carbon economy.

As a global diversified investor, we aim to take a comprehensive look at the implications of climate change for our clients' assets. They range from the overall governance of risks and opportunities down to the level of metrics, targets and product development.

Additionally, we are developing analytical tools to enable us to assess and quantify transitional and physical climate risk exposure of listed equity and debt portfolios. We aim to complete the next stage of this project in 2020/21.

○ No

SG 01.7 CC	Indicate whether the organisation has assessed the likelihood and impact of these climate risks?

◉ Yes

	Describe the associated timescales linked to these risks and opportunities.

The risks and opportunities associated with climate change will manifest themselves differently depending on asset class, sectors and countries. Broadly, shorter term implications, such as implication of high carbon price or energy cost are often already priced into the market. Also, in a well-diversified portfolio, the net impact of both negative and positive may not be significant for the overall return.

Over the medium term, the government policies and regulations that help or hinder the low carbon transition can create significant risks and opportunities - this would be a 1-5 year timeframe. In the same period, technological advances and consumer demand for alternative products could materially alter market dynamics such as electrification of transport, plastics, etc. For example, LGIM has publicly warned that planning for ever-growing oil demand may hurt the oil industry's profits sooner than expected, as the costs of clean tech fall and the costs of emitting carbon rise.
https://www.bloomberg.com/news/articles/2019-02-12/oil-s-twilight-here-s-one-investor-view-on-how-it-plays-out

Over the medium to longer term, we expect physical as well as transitional risks to be become much more pronounced, both from one-off shocks like wide scale floods and droughts, as well as gradual but impactful like migration pressures and productivity of key crops.

Most importantly, the scale of the impact from climate change can only be mitigated if we act on it today. This is why in our engagement with investee companies and policy makers, we emphasis on the urgency of immediate action, without which, we close on the window to stabilise the temperature rise.

We fully recognise our duty to inform and guide our clients and produce regular thought pieces and educational materials on this issue.

○ No

SG 01.8 CC	Indicate whether the organisation publicly supports the TCFD?

◉ Yes

○ No

SG 01.9 CC	Indicate whether there is an organisation-wide strategy in place to identify and manage material climate-related risks and opportunities.

◉ Yes

	Describe

It is our responsibility to provide the right framework to address climate risks and opportunities in every part of our business, and to provide the tools to support clients.

Engagement and voting

As a firm we speak with one voice across our holdings, with our voting aligned to engagement and ESG metrics. For the past three years, climate change has been one of the top three themes discussed in our meetings with companies. LGIM engages both individually and collectively (with other investors) with many of the largest global companies on their management of climate change issues. Our Climate Impact Pledge goes further and holds companies to account for inaction to address this challenge.

Integration into investment processes

ESG considerations are fundamental to how we evaluate investment opportunities and seek to protect and enhance the long-term value of our clients' assets. Close collaboration between the investment and

Investment Stewardship teams, with full support from senior leadership, has led to deepening ESG integration into the investment process. Aided by rapid advances in data and analytics, we can apply a quantitative lens to ESG investing across different assets and investment strategies, which is supplemented with qualitative fundamental analysis.

Client education

A key way we can have an impact is by helping clients, the owners and ultimate beneficiaries of the assets we manage, to take action on climate change. In 2016, we held our first climate change seminar, with the aim of educating clients on the financial impact of climate change, and the tools available to manage associated risks. In 2018, we co-wrote and sponsored an investor guide to climate change, published by the IIGCC. In 2019, we published our first TCFD-aligned report, the results of our first macroeconomic modelling of climate change pathways, in addition to thought leadership pieces, blogs and podcasts on our website that address relevant and topical aspects of climate change.

Our client relationship personnel and other key individuals are being trained on the financially material implications of climate change in order to assist clients' questions.

Public policy

We place great emphasis on the need for urgent and meaningful regulatory action. We have done this by engaging collaboratively with other investors and civil society through our membership of the IIGCC, Aldersgate Group as well as directly with policy makers in the UK and EU as example. We place emphasis on using our scale to drive meaningful policy action.

Product development

We have launched numerous products (index, active equity, bonds, and multi-asset), which incorporate climate metrics and help our clients reduce the carbon intensity of their investments.

Importantly, we have put in place a process to ensure the governance of climate-related risks and opportunities is embedded into all products LGIM manages.

Governance

LGIM's board - as well as the board of our parent company - is regularly informed of climate change issues via numerous governance structures. In addition, LGIM's Director of Investment Stewardship reports directly to our CEO. More details are in LGIM and L&G's separate publicly available TCFD reports.

○ No

SG 1.10 CC	Indicate the documents and/or communications the organisation uses to publish TCFD disclosures.

☑ Public PRI Climate Transparency Report

☐ Annual financial filings

☐ Regular client reporting

☐ Member communications

☑ Other

	specify

LGIM published our first TCFD for 2018, which was published together with the parent company in annual financial filings in 2019.

☐ We currently do not publish TCFD disclosures

Governance and human resources

SG 07 CC	Mandatory to Report Voluntary to Disclose	Public	Descriptive	General

SG 07.5 CC	Indicate the roles in the organisation that have oversight, accountability and/or management responsibilities for climate-related issues.

Board members or trustees

☑ Oversight/accountability for climate-related issues

☐ Assessment and management of climate-related issues

☐ No responsibility for climate-related issues

Chief Executive Officer (CEO), Chief Investment Officer (CIO), Chief Risk Officer (CRO), Investment Committee

☑ Oversight/accountability for climate-related issues

☐ Assessment and management of climate-related issues

☐ No responsibility for climate-related issues

Other Chief-level staff or heads of departments

☐ Oversight/accountability for climate-related issues

☑ Assessment and management of climate-related issues

☐ No responsibility for climate-related issues

Portfolio managers

☐ Oversight/accountability for climate-related issues

☑ Assessment and management of climate-related issues

☐ No responsibility for climate-related issues

Investment analysts

☐ Oversight/accountability for climate-related issues

☑ Assessment and management of climate-related issues

☐ No responsibility for climate-related issues

Dedicated responsible investment staff

☑ Oversight/accountability for climate-related issues

☐ Assessment and management of climate-related issues

☐ No responsibility for climate-related issues

Investor relations

☐ Oversight/accountability for climate-related issues

☐ Assessment and management of climate-related issues

☑ No responsibility for climate-related issues

Other role, specify (1)

Future World Investment Group

☑ Oversight/accountability for climate-related issues

☐ Assessment and management of climate-related issues

☐ No responsibility for climate-related issues

SG 07.6 CC	For board-level roles that have climate-related issue oversight/accountability or implementation responsibilities, indicate how these responsibilities are executed.

LGIM's Investment Stewardship Committee has overall responsibility and oversight of the evolution and implementation of investment stewardship and responsible investment policies, including those related to climate change. These policies apply to all asset classes and investment strategies. Our Chief Executive Officer, Chief Investment Officer and Director of Investment Stewardship all serve on this committee, in addition to independent non-executive directors. The Investment Stewardship team reports to the committee regularly. The Investment Stewardship committee meets quarterly, while the Director of Investment Stewardship reports to the LGIM Board every six months.

At the highest level, overall responsibility for climate change risks, insofar as they are material to investments, lies with LGIM's CEO, who has oversight of relevant risks as reported through a series of risk and investment committees.

SG 07.7 CC	For management-level roles that assess and manage climate-related issues, provide further information on the structure and processes involved.

LGIM's ESG score is used in our engagements and for creating ESG-aligned index-tracking funds. Oversight for the rules-based incorporation of ESG data into index methodologies was provided by the Investment Stewardship Committee and the Index Solutions Committee.

Our ESG View is used to assist in the process of stock or bond selection by highlighting key ESG issues which are overlaid onto the fundamental assessment carried by the analysts. These metrics have been designed with direct input by sector analysts and is continuously being improved through regular meetings between active investment teams, equities and fixed income, and the Investment Stewardship team.

We have also developed our own house view about the issues which are likely to prove decisive in shaping global markets over the decades to come. Building on previous work on board diversity, corporate tax, living wage, and climate change, we established the Global Research and Engagement Platform which consists of six groups: Industrials, Healthcare, Financial, Technology Media Telecoms (TMT), Consumer, and Energy/Utilities. The output from the platform strengthens and streamlines our engagement activities across investments and stewardship, to enable us to collectively set goals and targets at a company level with one voice, whilst supporting and guiding our investment decisions across the capital structure.

At the core of our ESG capabilities is our Future World range. In 2016, we launched the first fund in this range, which aimed to achieve positive outcomes for the dual purpose of protecting long-term investment returns and taking climate change risks into account. Since 2016, the Future World funds have expanded into investment offerings in every asset class (equity, bonds, real assets and multi-assets) and strategy (active and index tracking funds). Climate change is the most prominent theme that is incorporated in the range, both from a risk perspective and in terms of investing in low-carbon solutions. To ensure that the Future World fund range remains responsive to the latest developments and to create consistent principles, the Future World Investment Group has been set up, led by the CIO with representatives from all investment desks. In addition, the Responsible Investment Group assesses strategic sustainable investment related proposals and sets direction for responsible investment activities across the firm.

ESG issues in asset allocation

SG 13	Mandatory	Public	Descriptive	PRI 1

SG 13.1	Indicate whether the organisation carries out scenario analysis and/or modelling, and if it does, provide a description of the scenario analysis (by asset class, sector, strategic asset allocation, etc.).

☐ Yes, in order to assess future ESG factors

☑ Yes, in order to assess future climate-related risks and opportunities

	Describe

We are developing several ways in which we can apply climate scenarios to our investment process meaningfully.

☐ No, our organisation does not currently carry out scenario analysis and/or modelling

SG 13.2	Indicate if your organisation considers ESG issues in strategic asset allocation and/or allocation of assets between sectors or geographic markets.

	We do the following

☑ Allocation between asset classes

☑ Determining fixed income duration

☑ Allocation of assets between geographic markets

☑ Sector weightings

☐ Other, specify

☐ We do not consider ESG issues in strategic asset allocation

SG 13.3	Additional information. [OPTIONAL]

Within our asset allocation we consider governance of markets alongside GDP and market capitalisation when determining how best to diversify our exposure. This is captured within the strategic asset allocations of the funds and therefore impacts all of the portfolios our Asset Allocation team manage to some degree. In addition, where ESG is a specific, material concern for a potential position then it is given due consideration.

SG 13 CC	Mandatory to Report Voluntary to Disclose	Public	Descriptive	General

SG 13.4 CC	Describe how your organisation is using scenario analysis to manage climate-related risks and opportunities, including how the analysis has been interpreted, its results, and any future plans.

☑ Initial assessment

	Describe

In 2018, LGIM entered into a strategic partnership with Baringa Partners, a leading global management consultancy, to construct a bespoke model that we could use to analyse scenarios depicting how the energy system is likely to evolve over the next 35 years and what the implications are for long-term investors. Using a recognised methodology, Baringa developed a framework that models the energy system by making choices in the lowest-cost way.

In 2019 we developed 'Destination', a dynamic tool that we can use to analyse the energy transition. We built a dataset, using around 100 different public and proprietary sources, of around two million variables and assumptions. These address issues such as how much an electric car is likely to cost in China and India relative to a petrol-powered car in the future, and how fuel-efficient those two technology options are likely to be.

Using Baringa, we have footprinted L&G's balance sheet which was published in their TCFD report 2019. We intend to further develop this model for LGIM during 2020 and 2021.

☐ Incorporation into investment analysis

☐ Inform active ownership

☐ Other

SG 13.5 CC	Indicate who uses this analysis.

☐ Board members, trustees, C-level roles, Investment Committee

☑ Portfolio managers

☑ Dedicated responsible investment staff

☐ External managers

☐ Investment consultants/actuaries

☑ Other

	specify

Investment analysts.

SG 13.6 CC	Indicate whether your organisation has evaluated the potential impact of climate-related risks, beyond the investment time horizon, on its investment strategy.

◉ Yes

	Describe

Our climate change policy describes our approach to climate impacts:

Climate change, and its direct and indirect impact, poses a significant macro-economic risk for long-term investors. Yet due to the unpredictable and inconsistent nature of weather patterns, it is difficult to assess the exact level of their impact. The magnitude and likelihood of risks and the scope and scale for solutions are also highly dependent on the policy support for mitigating excess emission levels and adapting to more extreme and changing weather patterns. Meeting the target of the Paris Agreement will also require a significant upscaling of investment in areas such as low-carbon energy, infrastructure and energy efficiency, which we believe present substantial investment opportunities.

Our approach to climate change encompasses a number of different avenues, including:

- **Working with policy makers** - To support policy efforts to meet emission reduction targets, to encourage capital deployment at scale, in order to finance the transition towards a low-carbon economy, and to accelerate investments in climate change adaptation.
- **Developing our capacity to assess climate-related risks and opportunities** - To integrate climate risks and low-carbon opportunities in the investment management of relevant portfolios by seeking key indicators and acting upon financially material data and information.
- **Engaging with the companies in which we invest** - To ensure investee companies' strategies are aligned with global climate goals, to seek assurance that boards consist of individuals who can drive businesses to succeed through the energy transition, and to ensure companies are disclosing appropriate levels of risks and opportunities presented by the implications of climate change.
- **Reporting to clients** - To communicate actions taken on their behalf, and assist clients in considering the implications for their own portfolios.
- **Providing investment solutions that are in line with low-carbon opportunities** - To work with clients to provide products that are aligned with their investment beliefs and that capture the multitude of investment opportunities that are arising in order to build a low-carbon economy.

○ No

SG 13.7 CC	Indicate whether a range of climate scenarios is used.

☑ Analysis based on a 2°C or lower scenario

☐ Analysis based on an abrupt transition, consistent with the Inevitable Policy Response

☐ Analysis based on a 4°C or higher scenario

☐ No, a range is not used

SG 13.8 CC	Indicate the climate scenarios your organisation uses.

Provider	Scenario used	
IEA	☐ Beyond 2 Degrees Scenario (B2DS)	
IEA	☐ Energy Technology Perspectives (ETP) 2 Degrees scenario	
IEA	☑ Sustainable Development Scenario (SDS)	
IEA	☑ New Policy Scenario (NPS)	
IEA	☐ Current Policy Scenario (CPS)	
IRENA	☐ RE Map	
Greenpeace	☐ Advanced Energy [R]evolution	
Institute for Sustainable Development	☐ Deep Decarbonisation Pathway Project (DDPP)	
Bloomberg	☑ BNEF reference scenario	
IPCC	☑ Representative Concentration Pathway (RCP) 8.5	
IPCC	☑ RPC 6	
IPCC	☐ RPC 4.5	
IPCC	☑ RPC 2.6	
Other	☑ Other (1)	Other (1) please specify: LGIM proprietary scenarios.
Other	☐ Other (2)	
Other	☐ Other (3)	

SG 14	Mandatory to Report Voluntary to Disclose	Public	Additional Assessed	PRI 1

SG 14.1	Some investment risks and opportunities arise as a result of long term trends. Indicate which of the following are considered.

☑ Changing demographics

☑ Climate change

☑ Resource scarcity

☑ Technological developments

☑ Other, specify(1)

	other description (1)

Regulatory pressure

☑ Other, specify(2)

	other description (2)

Growing client demand for responsible investment

☐ None of the above

SG 14.2	Indicate which of the following activities you have undertaken to respond to climate change risk and opportunity

☑ Established a climate change sensitive or climate change integrated asset allocation strategy

☑ Targeted low carbon or climate resilient investments

	Specify the AUM invested in low carbon and climate resilient portfolios, funds, strategies or asset classes.

	trillions	billions	millions	thousands	hundreds
Total AUM		5	900	900	700
Currency	GBP				
Assets in USD		7	622	739	676

	Specify the framework or taxonomy used.

This AUM figure includes assets invested in LGIM's Future World funds.

☑ Phase out your investments in your fossil fuel holdings

☑ Reduced portfolio exposure to emissions intensive or fossil fuel holdings

☑ Used emissions data or analysis to inform investment decision making

☑ Sought climate change integration by companies

☑ Sought climate supportive policy from governments

☑ Other, specify

	other description

Supported clients in their integration of ESG and climate considerations.

☐ None of the above

SG 14.3	Indicate which of the following tools the organisation uses to manage climate-related risks and opportunities.

☑ Scenario analysis

☑ Disclosures on emissions risks to clients/trustees/management/beneficiaries

☑ Climate-related targets

☑ Encouraging internal and/or external portfolio managers to monitor emissions risks

☐ Emissions-risk monitoring and reporting are formalised into contracts when appointing managers

☑ Weighted average carbon intensity

☑ Carbon footprint (scope 1 and 2)

☑ Portfolio carbon footprint

☑ Total carbon emissions

☑ Carbon intensity

☑ Exposure to carbon-related assets

☑ Other emissions metrics

☑ Other, specify

	other description

Capitalise exposure to green revenues.

☐ None of the above

SG 14.5	Additional information [Optional]

Please see our 2018 TCFD report for emissions performance of six representative equity and corporate debt indices, as well as our UK and US sovereign debt holdings and real assets portfolio.

http://www.lgim.com/files/_document-library/capabilities/lgim_tcfd_report.pdf

Note that an updated 2019 TCFD report will be published in 2020.

SG 14 CC	Voluntary	Public		General

SG 14.6 CC	Provide further details on the key metric(s) used to assess climate-related risks and opportunities.

Metric Type	Coverage	Purpose	Metric Unit	Metric Methodology
Climate-related targets	☐ All assets ☐ Majority of assets ☑ Minority of assets	Company engagement.	Various (e.g. t CO2 reductions, or $ investments in cleantech, % renewable electricity capacity etc.)	Various methodologies, but we are supportive of the science-based targets initiative.
Weighted average carbon intensity	☐ All assets ☑ Majority of assets ☐ Minority of assets	Demonstrating to clients the GHG emissions intensity of their investments	Tonnes of CO2/£1 million revenues.	Current value of investment divided by current portfolio value, multiplied by the company's scope 1 and 2 GHG emissions divided by issuer's $m revenue . The first term in the product is the security weight in the index or benchmark; the second term is the carbon emission intensity for each constituent.
Carbon footprint (scope 1 and 2)	☐ All assets ☑ Majority of assets ☐ Minority of assets	Regular carbon data feed, to be used for engagement and ad-hoc client reporting as appropriate.	Tons of CO2e	In line with GHG recommendations.
Portfolio carbon footprint	☐ All assets ☑ Majority of assets ☐ Minority of assets	Data points can be derived from our existing regular carbon data feed, to be used for engagement and ad-hoc client reporting as appropriate.	Tons of CO2e	In line with TCFD recommendations.
Total carbon emissions	☐ All assets ☑ Majority of assets ☐ Minority of assets	Data points can be derived from our existing regular carbon data feed, to be used for engagement and ad-hoc client reporting as appropriate.	Tons of CO2e	In line with TCFD recommendations.
Carbon intensity	☐ All assets ☑ Majority of assets ☐ Minority of assets	Data points can be derived from our existing regular carbon data feed, to be used for engagement and ad-hoc client reporting as appropriate.	Tons of CO2e/$m revenues.	In line with TCFD recommendations.

Exposure to carbon-related assets	☐ All assets ☑ Majority of assets ☐ Minority of assets	Demonstrating to clients the exposure of their investments to carbon reserves.	Weighted average carbon reserves intensity (tonnes of reserves/US$m market capitalisation)	Reserves intensity for each company is calculated as the sum of carbon reserves intensity from coal and carbon reserves intensity from O&G. Intensity is calculated using the following formula: carbon reserves intensity (Coal +OilGas in tonnes/USD mn = [Carbon reserves (Coal+OilGas) in m tonnes x 1,00,000 / [market cap USD / 1,000,000] NB: few companies have coal and oil & gas reserves. The majority of companies are either not reported or have zero/not relevant reserves data.
Other emissions metrics	☐ All assets ☐ Majority of assets ☑ Minority of assets	Green revenues. Demonstrating to clients the exposure to green revenues of their investments	Percentage of revenues.	A weighted average green revenues percentage is calculated as a proportion of issuer revenues. Revenue data is provided by HSBC.

SG 14.7 CC	Describe in further detail the key targets.

Targettype	Baseline year	Target year	Description	Attachments
☑ Absolute target ☐ Intensity target	Not applicable		Net zero emissions across real estate portfolio by 2050.	
☐ Absolute target ☑ Intensity target	Ongoing		The Future World funds aim to allocate funds to less emissions-intensive companies, relative to a broad market comparator.	
☐ Absolute target ☑ Intensity target	Ongoing		The Future World funds aim to reduce clients' exposure to fossil fuel reserves, relative to a broad market comparator.	
☐ Absolute target ☑ Intensity target	Ongoing		The Future World funds aim to increase weights for companies generating a larger percentage of green revenues.	
☑ Absolute target ☐ Intensity target	2020	2030	Legal & General is looking beyond current legislation and practices, seeking to align its real asset portfolio with a science-based carbon performance target.	

SG 14.8 CC	Indicate whether climate-related risks are integrated into overall risk management and explain the risk management processes used for identifying, assessing and managing climate-related risks.

◉ Processes for climate-related risks are integrated into overall risk management

	Please describe

Climate-related risks can be identified at company, sector, country level or the entire market. To systematically assess them, we utilise a multi-layered process:

- ESG engagement - for market wide issues that require companies to significantly shift strategies
- Long-term themes - to debate and form views on energy transitions and implications for asset allocation
- ESG scores - apply consistent standards of carbon metrics to identify sectors and companies more likely to be at risk
- ESG views - assist the integration of climate issues to the active fund management process and help pick companies which are better positioned than their peers
- Country-level risks - important for both sovereign bond investments and to assess investments' exposures to countries with heightened risks

The climate and ESG information we collect is stored in LGIM's central data repository, and can be incorporated into various internal reports such as risk and portfolio monitoring, and external reports in summary/illustrative form, such as fund fact sheets and client reports.

Information regards Engagement, ESG Score, ESG view and country ESG score

For the Climate Impact Pledge (CIP), the companies targeted are scored on over 100 indicators, based on their articulation of risk and opportunities, the level of transparency, the robustness of their governance, the strength of their strategies in pursuing new opportunities, the record of controversial incidents and how they lobby governments on climate regulations.

CIP was established in 2016. In 2019, we supplemented it through the establishment of a Global Research and Engagement Framework. This brings together representatives from our investment and Investment Stewardship teams to unify our engagement efforts and determine the exposure of sectors and companies to ESG risks and opportunities.

Climate change has been one of the first research themes for the Framework

LGIM has an ESG Score for all main investable companies, comprising 28 individual indicators, of which three are directly linked to climate change. These three indicators constitute a third of the overall weighting of the ESG Score, reflecting the heightened level of risks to the market. The three indicators are carbon emissions (greenhouse gas emissions from scope 1 and 2), carbon reserves (reserves of oil, gas and coal), and the percentage of the 'green' revenue contribution from low-carbon and environmental solutions, such as renewables and electric vehicles.

The ESG View is an in-house tool which provides an indicative score capturing a company's ESG risk exposure. The tool assesses over 4000 companies on 400 ESG indicators, chosen based on financial materiality in each of 70 separate sectors. Companies are scored and compared against peers on environmental metrics including carbon emissions intensity, stranded asset risks, strength of environmental policies, water risks and green revenues, helping flag to analysts the companies which are particularly exposed to climate risks, and conversely those that could be well-positioned to benefit from opportunities.

Our ESG Country Score draws on over 200 data points assessing the quality of over 200 sovereigns across both developed and emerging markets, incorporating metrics such as climate change adoption, emissions, waste and natural hazards.

○ Processes for climate-related risks are not integrated into overall risk management

SG 14.9 CC	Indicate whether your organisation, and/or external investment manager or service providers acting on your behalf, undertake active ownership activities to encourage TCFD adoption.

◉ Yes

	Please describe

Our engagements with companies help identify those best positioned to manage climate-related risks, and those falling behind. Climate change has been a consistent priority for us during engagements and in 2017, 2018, and 2019 was one of our top three most frequently discussed engagement topics. As part of climate change-related engagements, we strongly encourage portfolio companies to report in line with the TCFD recommendations - not just to disclose but to be transparent about risks and opportunities, so that we can make adequate investment decisions.

LGIM's Climate Impact Pledge (CIP) is our flagship engagement programme aimed at addressing climate change and helping companies transition to a low-carbon economy.

Under our CIP, we have committed to engage with the world's largest companies in six sectors key to the low-carbon transition: oil and gas, mining, electric utilities, autos, food retail and financials. We engage on behalf of all our clients' assets, across asset classes and investment strategies.

The companies targeted are scored on over 170 indicators based on their articulation of risk and opportunities, the level of transparency, the robustness of their governance, the strength of their strategies in pursuing new opportunities, the record of controversial incidents and how they lobby the governments on climate regulations. All companies are contacted directly to discuss areas of improvement with constructive feedback based on their current disclosures. The aim of engagement is to help companies in key industries embrace and succeed in the transition to a low-carbon world, which in turn protects our clients' asset from transition and physical risks. The leaders in each sector are celebrated in our "name and fame" programme, to highlight how it is possible to create climate solutions in every industry.

Some of our requests come with a 12-month limit for compliance to be articulated publicly, as they reflect what we consider to be a minimum threshold for companies of such significance. Failure to meet this timeline will lead to voting against the chair of the board across the entire equity holdings held by LGIM and divestment in our Future World fund range. To find our second result from the engagement, go to:

https://www.lgim.com/be/en/insights/our-thinking/market-insights/climate-impact-pledge-tackling-the-climate-emergency.html

Our assessment criteria are fully compatible with the TCFD framework and we added a category of "TCFD disclosure" for the 2019 assessment.

Our engagements go beyond LGIM-led initiatives. We often collaborate with other investors - through networks like the PRI - and we are a part of the Climate Action 100+ initiative, which gathers over $39 trillion of assets under management to push collectively for climate action from investee companies and policy-makers. We also publicly called for governments (UK, EU, Hong Kong) to transpose TCFD disclosures into regulation, and have called on the global standard setters at IOSCO to similarly recognise the materiality of climate disclosures (which they have now done: https://www.iosco.org/library/pubdocs/pdf/IOSCOPD619.pdf)

Through public materials aimed at asset owners - as well as private trustee education sessions - we have also encouraged pension fund clients to report in line with the TCFD.

○ No, we do not undertake active ownership activities.

○ No, we do not undertake active ownership activities to encourage TCFD adoption.