

Leading through our actions

Legal & General Group Plc Sustainability
and inclusive capitalism report 2021



In this report

Welcome to our 2021 Sustainability Report

This report sets out how we approached our sustainability-related activities during 2021. It comments on key social and environmental themes and describes our response to them.

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

[→ Click here to read more](#)

Chief Executive's introduction



“We’re tackling the climate crisis, stepping up to ‘levelling up’, and leading the recovery. We have the scale, ambition and reach to help solve society’s challenges.”

Sir Nigel Wilson
Group Chief Executive

£33bn

invested into projects targeted to deliver ‘levelling up’.

\$20tn

estimated investment required by 2025 to set the world on a path to net zero.

In 2021, as economies and communities emerged from the Covid-19 pandemic, Legal & General was proud to be at the forefront of the recovery.

Our vision of inclusive capitalism, where profits and purpose coexist in an economic system that works for everyone, has been our guiding principle for a decade. It helped us through the pandemic, led us to a strong business performance in 2021, and continues to inspire our 10,000 employees to do profitable, socially and environmentally valuable work as well as giving generously of their time and funds in support of their communities.

A business of our size, capitalisation and scale of influence could make a case for focusing on a wide range of environmental, social and governance (ESG) issues. The width and depth of the UN’s Sustainable Development Goals (SDGs) illustrates the scale of the world’s challenges. So we must focus on areas where we can make a difference.

The case for a fair, low-carbon, investment-led recovery becomes clearer every day. As the pandemic recedes, the chronic issues remain: underinvestment in towns and cities, lack of housing, poor infrastructure, health inequality, and a climate crisis entering its most critical phase.

We will redouble our efforts on tackling these issues. We have been operating inclusive capitalism at scale and will continue to do so. Long-term, profitable investment leads to more of the same: pension holders trust us to invest their assets in beneficial ways which create opportunities for younger people and future generations. We call this the virtuous circle of inclusive capitalism.

We’re working to tackle the climate crisis by investing in clean energy, reducing our emissions, including across our investment portfolios, and influencing others to change. At COP26, Legal & General’s presence was spearheaded by Michelle Scrimgeour, Chief Executive of our asset management business and co-chair of the COP26 Business Leaders Group. We’re cautiously optimistic about the commitments made in Glasgow. But words must now give way to actions, delivered at speed and scale.

We continue to hold investee companies to account through our policy of ‘engagement with consequences’. And we will continue to take advantage of the estimated £20 trillion investment opportunity which must be met in the next three years to put the world on a path to net zero by 2050.

We have invested more than £33 billion into projects targeted to deliver this outcome. We’re stepping up to ‘levelling up’. Our modular homes business delivered its first developments in 2021 and we grew our pipeline of affordable homes and age-appropriate retirement housing. We expanded our support for small and social enterprises and we’re creating thousands of jobs across the UK.

We’re very aware of the links between health, wealth and economic prosperity, and we’re focusing on better health outcomes by investing in healthcare technology and funding research, which has the added benefit of creating more, better-paying jobs.

As we rebuild our economies, we must always be aware of doing so sustainably, with an eye on emerging risks and issues: cost of living crises in developed economies, geopolitical instability and a biodiversity crisis which threatens to be even more disruptive than the climate crisis it will arrive alongside. And we know that more of our stakeholders will continue, rightly, to demand more of us.

We have the scale, reach, influence, resources and expertise to meet those demands. We look forward to doing so in the years to come.

Sir Nigel Wilson
Group Chief Executive

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About Legal & General

“At Legal & General, social purpose is at the centre of everything we do.”

Sir John Kingman
Chairman, Legal & General plc



Who we are

Our purpose is to improve the lives of our customers, build a better society for the long term and create value for our shareholders. We call this inclusive capitalism: the creation and strengthening of an economic system in which everyone can have a stake, and where profits and purpose are closely interrelated at the heart of business.

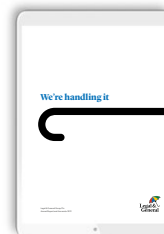
This is a long-term vision, and despite the challenges that faced us as societies began to recover from the Covid-19 pandemic in 2021, we continue to believe it's the right one for our organisation and the economies and communities we serve.

We have four key areas of business where we aim to be leaders: insurance, retirement solutions, investment management and capital investment.

We believe that all the products and services we offer have the potential to create significant social and economic good while having a positive environmental impact, and so sustainability is at the centre of how we run our business. By taking a patient, long-term approach to inclusive capitalism, our businesses work together to make a difference for our customers and the communities of which they're a part.

How we create value

Our businesses activities – retirement, capital investment, investment management and insurance – work together to deploy capital where it's needed and to ensure we meet our obligations to our clients and customers. We invest customers' assets in profitable, socially and environmentally beneficial ways to create value today and tomorrow.



For more information on our growth drivers, see pages 10-11 of our Annual Report.

→ See our Annual Report

Our growth drivers

Our business strategy is based on six long-term growth drivers, which are a source of future value for our business and an opportunity to improve the lives of communities across the world. Each of these challenges is interrelated with our approach to sustainability.

- 1 Ageing demographics**
We have an opportunity to meet the needs of ageing populations, through the products we provide and the ways we support older people in enjoying their retirement and younger people in planning for theirs.
- 2 Globalisation of asset markets**
We carefully consider sustainability-related issues when deciding where we will operate and invest.
- 3 Investing in the real economy**
We will continue to invest in improving towns and cities, building the housing and infrastructure that communities need to prosper, and supporting small business.
- 4 Welfare reforms**
We can help people become more financially independent and resilient, increasingly important as we see more of the responsibility for financial wellbeing fall on individuals.
- 5 Technological innovation**
We will use technology to help people access financial services more easily, helping them build their economic resilience.
- 6 Addressing climate change**
We are pushing for the world to reach the Paris Agreement goal of 1.5°C warming or less, and will continue to reduce our emissions, influencing others, and developing our position on biodiversity and nature-based solutions to climate change.

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What sustainability means to us

Sustainability is central to how we run our business. We invest billions of pounds of capital in projects that aim to improve society. This includes low-carbon technology, infrastructure, affordable homes and support for small businesses. Therefore, we see sustainability as a core business principle, and not an ‘optional extra’ or a ‘nice to do’.

This is a socially, environmentally and economically valuable business model for our shareholders as well as society. It's called inclusive capitalism and it sees us invest in renewable energy technologies, from energy efficient homes to fusion power, to reduce carbon emissions and support net zero commitments. We develop essential infrastructure and inject capital into towns and cities to ensure that they thrive in years ahead. And we use our influence as one of the world's biggest asset managers to encourage the companies in which we invest to act in sustainable ways.

We take our obligation to run our business responsibly very seriously. In the past two years, our focus has been on providing essential financial services in difficult circumstances and our key challenge in 2021 was how to continue to operate in the context of ongoing uncertainty.

Our people rose well to the challenge, but we're conscious of the need to maintain our company culture as we move into new, hybrid ways of working. We'll do this by continuing to consult with employees on future ways of working and taking steps to support their mental wellbeing while focusing on the diversity and inclusivity of our culture. See the Responsible Business section of this report for more on how we're strengthening our culture.

Developing our thinking on sustainability

Last year we began a sustainability materiality assessment, the results of which will support our sustainability strategy. We intend to announce this during the second half of 2022 and next year's Sustainability Report will describe our progress against it.



In this year's report, we describe our progress against four social and environmental issues which have been significant to Legal & General in the last year, and update on progress against the commitments we made in last year's report. We also provide insight into how we are growing our business responsibly which includes how we are working with our suppliers to enable this.

For more information on our strategy and materiality, see page 52 and the Appendix.

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Our global context

2021 saw the global economy emerge from the upheaval of the Covid-19 pandemic and begin to adjust to a 'new normal'. As the acute crisis of the pandemic receded, the need to rebuild our economies and societies in a fairer and greener way became clearer than ever.

We've observed the emergence or growth of four key global trends which have a bearing on Legal & General's work, and where we can make a positive difference.



Tackling climate change

Climate change is an existential threat. Consensus is clear that we need to act but the window to do so successfully is vanishingly narrow. Doing this by supporting the transition to net zero is not only an economic and moral imperative, but the investment opportunity of our lifetimes.

→ Find out how we're rising to the challenge of tackling climate change



Building fairer economic growth

The UK has seen chronic underinvestment in housing and infrastructure, and too many small and medium businesses struggle to access finance. The emerging cost of living crisis and the 'levelling up' agenda makes the case for quality, accessible and energy-efficient housing in economically resilient communities stronger than ever.

→ See how we're at the forefront of 'building back better'



Prioritising health and wellbeing

Post-pandemic, we must ensure that we invest and influence our investees for better health outcomes. These must drive economic and financial equality for all communities. As we create a post-Covid workplace, quality support for physical and mental wellbeing will be critical, without groups of employees being left behind.

→ Read more about our approach to investing in health and wellbeing



Driving business transparency and equity

Companies are rightly held to increasingly high standards of transparency, particularly on issues surrounding diversity, equity and inclusion – in both their own operations and throughout value chains. Representation of historically disadvantaged groups is increasingly subject to regulatory scrutiny.

→ Find out how we're driving transparency and equity in our business

A note on geopolitical instability

The scope for this report is the 2021 calendar year, but we recognise that the defining trend for 2022 will likely be geopolitical instability. A range of geopolitical risks hold the potential for significant disruption to global economic activity. The invasion of Ukraine and its effects on energy supply, alongside the humanitarian disaster which has only begun to unfold, show how quickly such risks can arise. We are carefully monitoring the impacts for our businesses from a range of geopolitical scenarios and to ensure we remain financially and operationally resilient to adverse events. We will continue to consider sustainability issues when deciding in which geographies we will invest, engage and operate. As a responsible investor, we will champion best practice and encourage change where it is needed.

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“At Legal & General, we’ve long believed that actions are more important than words, so we’ve taken practical steps to set ourselves up for success in tackling climate change. We’re moving in the right direction and the momentum is on our side. Now it’s time for everyone to step up and deliver.”

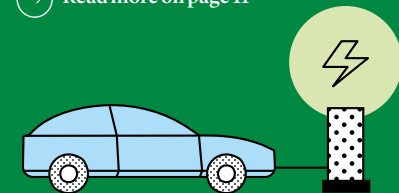
Michelle Scrimgeour
CEO, Legal & General Investment Management
Co-chair, COP26 Business Leaders Group

1.5°C

We continue to support the Paris Agreement’s goal of limiting warming to 1.5 degrees above pre-industrial levels.

We helped guide PodPoint to list on the London Stock Exchange in November 2021, welcoming new investors to support its goal of delivering a smart network of charge points to enable the mass adoption of electric vehicles.

→ [Read more on page 11](#)



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Exploring the issue

Why this is important to us

The climate crisis is now existential. In 2021, we witnessed the impacts of climate change around the world: from record temperatures in North America, to extreme flooding in China and wildfires in Greece.

Global average temperatures have already increased by over 1°C since pre-industrial times and to avoid the most extreme impacts of a changing climate, we must collectively limit global temperature rises to 1.5°C – the Paris Agreement.

The science is unequivocal and the landmark Intergovernmental Panel on Climate Change (IPCC) Report in 2021 has been called a “code red for humanity”. According to the IPCC, emissions need to peak before 2025 for any hope to be kept alive of limiting temperature increases to the Paris objective.

COP26 in Glasgow gave grounds for cautious optimism about collective commitment to tackling climate change. The summit was indeed long on commitments and targets. Now it is time to act.

For Legal & General, our scale, scope and ambition mean we have a duty to influence our peers and our stakeholders to mobilise and progress on environmentally and socially systemic issues, as well as an obligation to reduce the operational impacts of our own business.

The economic case for action is now nearly as compelling as the economic case against inaction. For example, the cost of low-carbon technology continues to fall, while the risks associated with failing to invest heavily in the industries that support it are increasing.

As green technology becomes more affordable, a tipping point will be reached at which consumer demand and government policy will favour this technology over its carbon-emitting rivals.

For the net zero transition to happen at the right speed, vast amounts of capital need to be mobilised: up to \$20 trillion in the next three years alone. This is an awesome responsibility and a vast opportunity for the private sector as we accelerate the solutions to climate change. Reducing emissions quickly and in an economically orderly way remains our top priority, but we have begun to consider how carbon capture and nature-based solutions will play their part in helping reach net zero by 2050. The latter will also be part of society’s response to the looming biodiversity and nature crisis. Failure to solve this will represent not only a moral failing on the part of humanity but also an economic catastrophe for the \$44 trillion¹ of economic activity that depends on nature.

¹ The World Economic Forum and PwC (2020) Nature Risk Rising: Why the Crisis Engulfing Nature Matters for Business and the Economy



Addressing climate change is one of our six long-term commercial growth drivers and it is embedded in how we run our business.

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How we're tackling it

As a market leader and a business with a significant amount of influence, Legal & General has a real opportunity to contribute to the long-term future of our planet. Sustainability is central to our purpose, and we will continue to do everything we can to help translate the COP26 promises into realities over the coming years.

Our climate strategy has three pillars:

1 Invest

Investing our own assets in low-carbon technology and infrastructure. We also seek to deliver positive environmental impacts through our investments, like affordable and build-to-rent housing, which serve a social purpose.

2 Influence

Influencing others, both using our position as one of the world's largest asset managers and leveraging our relationships with policymakers and in public debate.

3 Operate

Operating our business in a way which seeks to reduce our scope 1, 2 and 3 emissions.

We are well placed to play an active and profitable role in the decarbonisation of the economy and are already embracing the opportunities in many areas. The world needs to take more action and move faster than it is currently but there are many barriers to overcome and behaviours that need to change. As the response to climate change emerges, so will the development of new markets and the scale of the opportunities.

About our climate report: responding to TCFD

We publish our annual Climate Report, in line with our annual reporting cycle, to meet the recommendations made by the Task Force on Climate-related Financial Disclosures (TCFD). This report helps stakeholders understand our exposure to climate-related risks, our strategic resilience to these risks, and the climate-related opportunities we have identified.

You can read a summary disclosure against TCFD recommendations

on page 45 of our Annual Report.

[→ See our Annual Report](#)

Avoiding the risks

We're alive to the risks associated with our activity in tackling climate change. These range from direct risks to our cost from delivering low-carbon solutions for residential and commercial properties to indirect risks such as new technologies reducing the value of current investments. See page 7 of our climate report for a full list.



[→ You can read the full Climate Report here](#)

Our six climate goals

We have committed to six broad climate goals, underpinned by our net zero roadmap which sets out the steps we'll take between now and 2050. Please see our Climate Report for full details.

- 1 We support the goal of limiting global warming to the 1.5°C Paris Agreement**, which requires net zero carbon emissions by 2050, alongside rapid, deep and sustained reductions in other greenhouse gas emissions.
- 2 We will decarbonise the assets on our balance sheet** and our operations to align with the Paris Agreement.
- 3 We will set ambitious near-term science-based targets** to support our long-term emissions reduction goals. We will disclose these in 2023.
- 4 We advocate for urgent action to mitigate the climate emergency** from governments and the companies in which we invest.
- 5 We will use our influence** as a large investor to promote a transition to a low-carbon economy.
- 6 We recognise the critical role that nature has in achieving the Paris Agreement** and embrace the challenge of eliminating financing of commodity-driven deforestation across our investment portfolios.

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Investing in net zero: our approach

For the world to avoid the worst effects of climate change, it's imperative that temperature rises are kept to within 1.5°C above pre-industrial levels. This requires steep, immediate and irreversible cuts in greenhouse gas emissions, which in turn will depend on the deployment of significant amounts of capital from both the private and public sectors.

Investing in nature, technology and infrastructure is one way for us to do this and therefore it forms one of the pillars of our strategic approach to climate change. Our immediate focus is on the most urgent task, reducing emissions, rather than on mitigating them through offsetting or carbon removal.

Negative emissions, through technology like carbon capture and storage and nature-based solutions, form a critical element of our modelling for a scenario where the world achieves a 1.5°C outcome. But the use of offsetting schemes and over-reliance on negative emissions can be a distraction from the key priority to reduce absolute emissions.

See page 19 of our Climate Report for a more detailed overview of our approach to negative emissions.



Key steps taken towards decarbonising investments:

Reducing greenhouse gas emissions

Reducing our portfolio greenhouse gas emission intensity by 18.9% (compared with a 2% target and against a December 2019 baseline) – this is in part driven by a material reduction in intensity due to Covid-19 and we anticipate some of this unwinding in 2022.

Extending coal exclusions

Extending our coal exclusions, including avoiding investment in new coal mining, plant or business operations – although there will remain some legacy exposure to coal on our balance sheet, which we will reduce over the coming years. For more on this, see page 32 of our Climate Report.

Net Zero Asset Owner Alliance

Joining the Net Zero Asset Owner Alliance, a UN-convened body which sets out expectations and commitments for how firms like Legal & General will decarbonise their assets.



→ Find out more in our Climate Report

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Investing in net zero: focusing on clean energy

With around 25% of global greenhouse gas emissions due to electricity generation, investing in clean energy technology and infrastructure is a clear area of opportunity for Legal & General.

Global energy consumption has bounced back since the end of widespread pandemic lockdowns. Ensuring that the global energy supply decarbonises will be critical for achieving the transition to net zero, as well as building economic resilience to geopolitical events such as the disruption to energy supply caused by the invasion of Ukraine.

Our capital investment business invests in clean energy, supporting the drive to a low-carbon economy and capitalising on the associated commercial opportunities. Since 2015, we have successfully invested in a diverse portfolio of businesses in key sectors of the energy transition.

We're conscious that, if we are to avoid the worst effects of climate change by keeping warming to levels consistent with the Paris Agreement, the transition to a renewables-led grid must happen significantly more quickly.

To meet these demands, our investment strategy has two complementary strands:

1. Growth equity

We invest in early stage support for new technologies and businesses capable of delivering key assets or services to decarbonise the energy system across power, heat/buildings, transport and industrial sectors.

2. Assets and infrastructure

We deliver mature, proven low-carbon assets and infrastructure at scale, such as renewables, that will also be attractive for third-party investors, our retirement business and our investment management business because they generate reliable long-term returns.

We select partners and identify value growth areas where technology, business models or solutions require further development or capital to achieve scale. We carefully review their efficacy in the energy system, environmental benefits and the sustainability of the business model. We also consider whether, in the medium to long term, they have potential to achieve scale and deliver associated assets and infrastructure capable of generating reliable yield income and returns suitable for clients whose assets or pension funds we are managing.

PodPoint electric vehicle charging

The mass adoption of electric vehicles – to 99% by 2050 – is critical to the world meeting a 1.5°C scenario. In November 2021, we were pleased to support the initial public offering (IPO) of PodPoint, an electric vehicle charging company, on the London Stock Exchange, welcoming new investors to support its goal of delivering a smart network of charge points to enable the mass adoption of electric vehicles. In February 2020, we had increased our stake in PodPoint to 22%, forming a joint venture strategic partnership with EDF and combining our investment, commercial and operational support for PodPoint's strong growth.



Key achievements in 2021

Partnership with NTR

We expanded our partnership with NTR, a leading renewable energy specialist, to provide institutional investors in the UK, Europe and Asia access to the €1 trillion European energy transition in 2022.

PodPoint listing

We supported PodPoint to list on the London Stock Exchange in November 2021. See above for more about PodPoint and its initial public offering.

Sero Technologies investment

We invested in Sero Technologies, an energy technology and services company, which will support the transition to net zero across the residential housing sector.

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Influencing and engaging for net zero: our approach

The solution to the climate crisis requires action from every nation and business. Coordinated effort across the public and private sectors will be critical to our success in tackling it.

Our strategy for tackling climate change includes influencing and engaging to drive the transition to net zero. We do this by engaging with our investee companies, on behalf of our clients, £1.4 trillion of whose assets we manage; working with policymakers and regulators to advocate for the low-carbon economy; and collaborating with like-minded firms in various industry bodies.

As co-chair of the COP26 Business Leaders Group, Michelle Scrimgeour, CEO of our investment management business, spearheaded our presence in Glasgow. We were cautiously optimistic about the commitments made at the summit but we're driven by the need to act as well as simply commit.

During 2021, we joined a number of initiatives which either demonstrate the progress we've made, or set out our ambition for further progress. By joining them, we are making a clear statement of our intentions, helping to shape dialogue and policy, and creating a further mechanism for holding ourselves to account for progress.

Overview of initiatives joined

The UK Government's Get Nature Positive, which recognises the role biodiversity will play in a more sustainable future.

The Net Zero Asset Managers' Alliance, which has announced that \$4.2 trillion of assets are now being managed in line with achieving net zero by 2050 – including assets managed by Legal & General.

The Glasgow Financial Alliance for Net Zero, which has committed \$130 trillion of private capital to finance the transition to net zero.

The UN's Race to Zero Campaign.

“At Legal & General, we've long believed that actions are more important than words, so we've taken practical steps to set ourselves up for success in tackling climate change. We're moving in the right direction and the momentum is on our side. Now it's time for everyone to step up and deliver.”

Michelle Scrimgeour
CEO, Legal & General Investment Management



Key achievements in 2021:

Building active and index investment portfolio products with climate objectives

Helping investment clients to quantify their climate risks

Using our market-leading Climate Impact Pledge to drive change

Engaging with clients to build strategies aligned to net zero by 2050

Establishing a roadmap for how we will achieve net zero carbon across real estate equity assets by 2050

Actively engaging with top emitters (and rating those responsible for >50% of emissions from listed companies)

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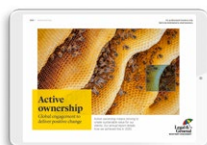
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Influencing and engaging for net zero: investment management

Our investment management business is a major global investor with total assets under management of £1.4 trillion, of which £290 billion is in strategies explicitly linked to ESG criteria.

Influencing through responsible investment management

Our position as a leading asset manager gives us an opportunity to influence other companies' approaches to meeting their obligations and to raise market standards and best practice. We have consistently received A+ rankings for our responsible investment strategy and active ownership by the UN Principles for Responsible Investment (UN PRI), and in 2021 the Financial Reporting Council listed LGIM as a signatory to the UK Stewardship Code.



You can read about our approach to responsible investment management

on page 8-9 of our LGIM Active Ownership report

→ See our LGIM Active Ownership report

Climate change remains a dominant theme of engagement, as we continue to hold companies to account on their progress to net zero. We have:

Divested from four companies due to insufficient action to address the risks posed by climate change.

Published a biodiversity policy, which sets out our commitment to engage with investee companies on this topic as part of our fiduciary duty to clients; and a deforestation commitment, which will become a policy aimed at addressing exposures to commodity-driven deforestation by 2022.

Provided institutional investors in the UK, Europe and Asia access to the €1 trillion European energy transition market by expanding our partnership with renewable energy specialist NTR.

£1.4tn

Total assets under management

We work with clients across three key areas:

Leading

Leading engagement on climate issues for our clients

We continue to build on our market-leading position on climate through our award-winning Investment Stewardship team. Following the expansion of the Climate Impact Pledge in 2020 we have continued to engage meaningfully on climate issues with global companies, representing around 60% of all greenhouse gas emissions from the largest listed companies as of April 2021. See page 14 for more on the Climate Impact Pledge.

Supporting

Supporting our clients in evidencing their climate progress

Clients are increasingly provided with reporting to understand their portfolio's climate exposures over time and the associated voting and engagement activity.

In addition, we provide thought leadership and education to help deepen client expertise on their regulatory obligations and climate goals, to encourage adoption of investment strategies that improve their climate exposures and seek out opportunities.

Partnering

Partnering with clients on their climate goals

Using our Destination@Risk framework and TCFD-aligned outputs, we partner with clients to demonstrate their exposure to climate-related risks and design and implement portfolios to achieve their preferred climate and traditional investment outcomes. See page 14 for more.

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Influencing and engaging for net zero: our Climate Impact Pledge

Our Climate Impact Pledge is an engagement programme which helps investee companies to step up their commitment to net zero, build resilient strategies for this transformative transition period and succeed in the low-carbon world. The pledge is a key tool for our engagement activities on climate with investee companies.



Under the pledge, we:

Assess companies' progress with qualitative and quantitative measures.

Publish climate ratings for around 1,000 companies, in 15 climate-critical sectors including transport, food and chemicals, which are currently covered by the Pledge. Together, they were responsible for around 60% of all greenhouse gas emissions from the largest listed companies as at April 2021.

Use our 'traffic light' system to celebrate progress and success and call out laggards publicly.

Take voting and investment sanctions against those who are not making enough progress. During the 2021 annual general meeting season, through voting, we sanctioned 130 companies that fell short of our minimum standards. The stringency of our standards and sanctions will increase over time, with the possibility of divestment for persistent offenders.

Reinstate those who have made progress. Several companies, including Kroger, were excluded from our 'Future World' ESG funds for poor climate performance but have since made sufficient progress to be reinstated. In 2021, we kept nine companies on our sanction list from previous years and added four more companies. We removed one company from our sanction list and reinstated it in select funds.

The Pledge's approach of using voting and investment sanctions has contributed to companies making improvements to their climate targets and strategies.

Alongside the quantitatively-driven engagement programme, we selected 58 companies for in-depth engagement, in which LGIM's investment team sector experts participated. These companies are influential in their sectors, but not yet leaders on sustainability; we believe they can and should embrace the transition to net zero carbon emissions in the next few years. If companies do not meet the minimum standards we have set out in the Pledge, engagement may translate into firm-wide voting sanctions and adopting the Climate Impact Pledge exclusions.

Destination@Risk

Our proprietary Destination@Risk toolkit allows us to evaluate climate risk and alignment at a company, sector and portfolio level. This helps us to map our own, and advise clients on their, climate risks.

This is done by:

- 1 Converting scenarios into company and sector level impacts,** providing financial impacts including net income, balance sheet and cash flows. This covers both transition and physical impacts of the scenario.
- 2 Using asset valuation models** to convert these company financial impacts into corporate security impacts (i.e. equity and bond valuations).
- 3 Using our sovereign bond valuation model** to convert corresponding country-level scenarios into sovereign bond valuations.

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Net zero operations: our approach

Reducing the impact of our own operation is the third pillar of our climate strategy. It is important because it will build our business's long-term resilience as well as giving us the right to engage with investees and other stakeholders to influence them to change. Reducing our emissions is also the right thing to do.

Our operational carbon footprint

2021 operational carbon footprint

Emissions source tCO ₂ e	Jan-Dec 2021	Jan-Dec 2020
Scope 1	13,350	12,407
– UK	13,324	12,365
– International	26	42
Scope 2 - Location	17,356	19,233
– UK	16,537	18,295
– International	819	938
Scope 2 – Market	2,700	1,122
– UK	1,881	184
– International	819	938
Fugitive emissions (included in Scope 1)	127	188
Scope 3– Operations	5,466	4,946
– Business travel	2,070	3,045
– Homeworking	3,025	1,817
– Serviced offices	371	84
Intensity ratio: tCO ₂ e emissions per employee (Scope 1 and 2)	2.86	3.11

Measure	Dec-2020 ¹	Dec-2021
Carbon intensity (EVIC basis)	89	74

¹ Enterprise Value Including Cash (EVIC) is defined as the sum of the market capitalisation of ordinary shares at fiscal year end, the market capitalisation of preferred shares at fiscal year end, and the book values of total debt and minorities' interests. No deductions of cash or cash equivalents are made to avoid the possibility of negative enterprise values

Our footprint reduction activities focus on Scope 1 and 2 emissions. We also disclose our Scope 3 emissions and believe that the most significant Scope 3 category is that associated with investments.

When it comes to assessing our operational carbon footprint, it is difficult to draw meaningful comparisons with 2020 and/or 2019 as our occupied offices and investment properties were closed or operating with altered conditions to accommodate the impact of Covid-19 restrictions. Some of our businesses have seen an increase in productivity during 2021: our housing businesses have completed 1,030 more homes in 2021 than 2020, which has had an impact on our carbon footprint.

However, we continue to manage and reduce the carbon from our operational footprint through identifying efficiencies and improvements in technology, increasing the consumption of onsite and offsite renewable energy, designing and building energy-efficient homes and buildings and reducing embodied carbon in construction.

Operational footprint notes

Our total Scope 1, Scope 2 (Location) and Scope 2 (Market) emissions have been subject to independent limited assurance by PwC. The basis of preparation (or reporting criteria) for our Group carbon footprint is available at group.legalandgeneral.com/sustainabilityreports. PwC's assurance report is available on page 45 of our 2021 Climate Report.

Further information on the data reported here is available on page 38 of the 2021 Climate Report

[→ See the 2021 Climate Report](#)

Greenhouse gas emissions are categorised into three groups or 'Scopes' by the most widely-used international accounting tool, the Greenhouse Gas (GHG) Protocol. Scope 1 covers direct emissions from owned or controlled sources, for example, company vehicles. Scope 2 covers indirect emissions from the generation of purchased electricity, steam, heating and cooling consumed by the reporting company. Scope 3 includes all other indirect emissions that occur in a company's value chain.

Source: The Carbon Trust

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Net zero operations: our approach

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Building net zero operations

During 2021, we took practical steps towards our target of a net zero operational footprint (from occupied offices and business travel):

Business travel: whilst the carbon from our 2021 business travel has remained lower (71%) than in 2019, due to Covid-19 restrictions, we have still accounted for the carbon impact of our employees' journeys associated with business travel. We relaunched our business travel policy, focusing on sustainable modes of transport and enhancing our business travel booking system to enable users to understand the carbon associated with their journey and therefore make informed and sustainable travel choices. Our challenge will lie in helping employees decide whether business travel is really necessary as we adapt to working post-Covid.

Occupied offices: we undertook net zero carbon audits of our core occupied offices, the outputs of which will feed into Future of Work, the programme by which we'll define our long-term approach to office space use. We aim to achieve operational net zero emissions from 2030.

Renewable energy: several of our businesses were impacted by energy suppliers ceasing to trade and as a result our Scope 2 market-based emissions have increased.

2022 and 2023 outlook

During 2022 and 2023, we expect our operational footprint to increase due to the recovery from Covid-19, as working patterns change and business travel increases. However, we will continue to manage and reduce the carbon emissions from our operational footprint through identifying efficiencies and improvements in technology, increasing the consumption of onsite and offsite renewable energy, designing and building energy-efficient homes and buildings, and seeking to better understand and manage our need to travel for business.

Linking remuneration to net zero outcomes

In 2021, we set climate-related targets in our executive remuneration. This covers executives' annual variable pay and performance share plan participation eligibility. 30% of annual variable pay is subject to achievement of strategic objectives including ESG, and up to 100% of performance share plan participation.

For more detail about this scheme, see page 42 of our 2021 Climate Report

[→ See the 2021 Climate Report](#)



Delivering net zero housing

We've committed that all new homes we deliver will be enabled to operate at net zero carbon emissions (regulated and unregulated emissions) from 2030. This requires changes in design, delivery and culture to make the transition in an efficient and cost-effective way within each business. The commitment also provides opportunities for our clean energy investments, where we can deploy technology from these investee companies in the homes we build.

For more information on our approach to Delivering net zero housing

[→ See page 23](#)

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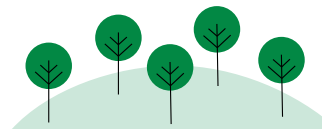
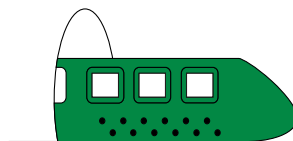
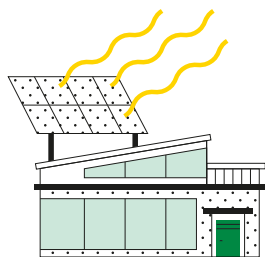
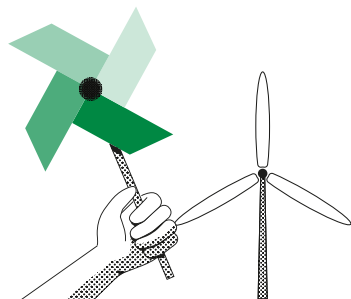
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Environmental targets and commitments

We take a long-term and broad view of our environmental impacts. We have set the following strategic commitments and targets which will help shape our response to material risks and opportunities in the short, medium and long term.

We expect to evolve our targets as we deepen our understanding of each topic and their interrelationships.



Our journey to net zero

Strategic commitment

We are aligned with the Paris Agreement and committed to achieving net zero carbon by 2050, across our operations and investments

Target

We will set targets in accordance with the Science Based Targets initiative (SBTi) by the end of 2022, and publish them in 2023 (once SBTi verification is achieved), across our operations and investments

During 2022 LGIM Real Assets will publish an update on how we are addressing climate resilience for real estate, in line with our **Better Buildings Partnership Climate Change Commitment**

The energy we use

Strategic commitment

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

Target

Across our Group we will purchase 100% of directly procured electricity from a renewable source by 2025

From 2030, our occupied offices¹ (Scope 1 and 2) will operate with net zero carbon emissions

The way we travel

Strategic commitment

We will use hybrid working practices and technology to actively reduce the business miles we travel in line with our commitment to net zero

Target

From 2030, our Groupwide business travel will generate net zero emissions

Natural resources

Strategic commitment

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

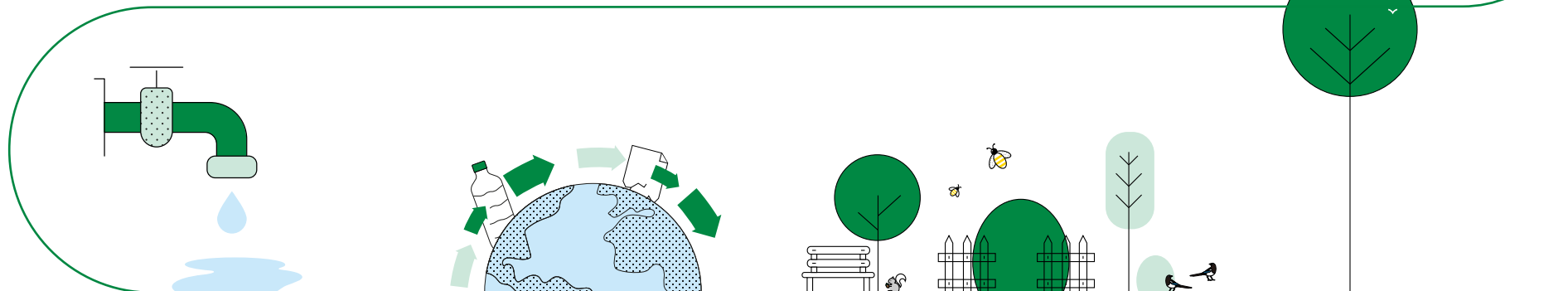
Target

By 2023 we will set a Scope 3 Category 1 (purchased goods and services) Science-Based Target aligned with our net zero ambition

Last year's commitment to reduce single-use plastics has now been integrated into our sustainable sourcing principles and will be addressed through our business as usual processes.

¹ Applies to occupied offices where we actively control the management of utilities

Environmental targets and commitments



Water resources

Strategic commitment

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

Target

Zero water pollution incidents

By 2030 our core occupied offices¹ will consume a maximum of 22 litres per person per day (lpppd) in line with the Real Estate Environmental Benchmark (REEB),

Better Building Partnership

From 2022 onwards new LGC housing developments submitted for outline planning permission will target 110 lpppd, moving to 105 lpppd by 2023, in areas of water stress

Circular economy

Strategic commitment

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

Target

We will divert 100% of waste from landfill by 2025 in all offices and LGC development projects where we are responsible for waste management

By 2025 we will reduce overall waste volumes per core occupied office¹ by 20% from a 2019 baseline

Biodiversity

Strategic commitment

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

Target

By 2025, we will report on milestones to reduce agricultural commodity-driven deforestation² related to our investments and increase our investment in nature-based solutions

Read more about our environmental performance in our Data Centre report

[→ See our Data Centre report](#)

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¹ Applies to occupied offices where we actively control the management of utilities

² Focusing on palm oil, soy, beef, pulp and paper

Where "from" is quoted, this should be taken to mean "from the beginning of" the year in question. Where "by" is quoted, this should be taken to mean "by the end of" the year in question.

Looking ahead: net zero by 2050

At Legal & General, we see the publication of the most recent IPCC report as a call to double down on our efforts to accelerate the transition to net zero. The goals we set out in our Climate Report are, we believe, consistent with the IPCC's findings. They are aligned with the Paris Agreement and, importantly, hold us to account for continuous, credible carbon reduction.

Inevitably, meeting the Paris Agreement will eventually require the removal of carbon from the atmosphere ('negative emissions'), whether through nature-based solutions or carbon capture. We are aware of the risk that an immediate focus on these, or on measures such as offsetting, could distract efforts from our priority of reducing absolute emissions as quickly as possible.

In the short to medium term, Legal & General's focus will be on credible operational and investment carbon reduction alongside championing similar efforts elsewhere. In the longer term, technological and nature-based solutions will play a role in meeting net zero demands, and we will monitor these emerging opportunities for investment.

Before we can meaningfully engage with negative carbon, offsetting schemes need to be governed by stronger international certification standards within a market which is governed by robust, transparent and effective regulation.

The IPCC's report also made clear that a cycle, which can be virtuous or vicious, links climate change and biodiversity and habitat loss. Safeguarding nature and biodiversity is critical if we are to mitigate the likelihood of climate change and develop effective tactics to adapt to it. Our LGIM Biodiversity pledge contains information on our approach.

Our short-term areas of focus are:

Setting science-based targets during 2022 and publishing them in 2023.



Looking at deforestation as a priority, aiming to create investment policies to address exposures to agricultural commodity-driven deforestation by the end of 2022, and to disclose our deforestation risk and mitigation activities in our portfolio by 2023.

During 2022, reduce our portfolio greenhouse gas emission intensity by 12% from the baseline set at the end of 2019, and to publish a Real Estate Climate Resilience Strategy by the end of the year.

Monitoring and reporting on the embodied carbon associated with the construction of our homes from 2022, as well as the lifetime carbon emissions from homes delivered by the end of 2022.

Establishing a roadmap to achieve net zero emissions from business travel by 2023.

In our LGIM Real Assets business, targeting the removal of fossil fuels in areas of commercial property we control by 2030. In isolated instances where this is not possible, we commit to publishing a list of affected assets and a roadmap to removing fossil fuels after 2030.

Our longer-term goals are:

Net zero asset portfolio, in line with a 1.5°C 'Paris' objective by 2050.

Net zero carbon for all real estate equity assets by 2050 or sooner.

Reach net zero greenhouse gases by 2050 or sooner across all assets under management.

Net zero carbon emissions from our operational footprint (occupied offices and business travel) by 2030.



Continue to engage actively with clients to build strategies aligned to net zero by 2050.

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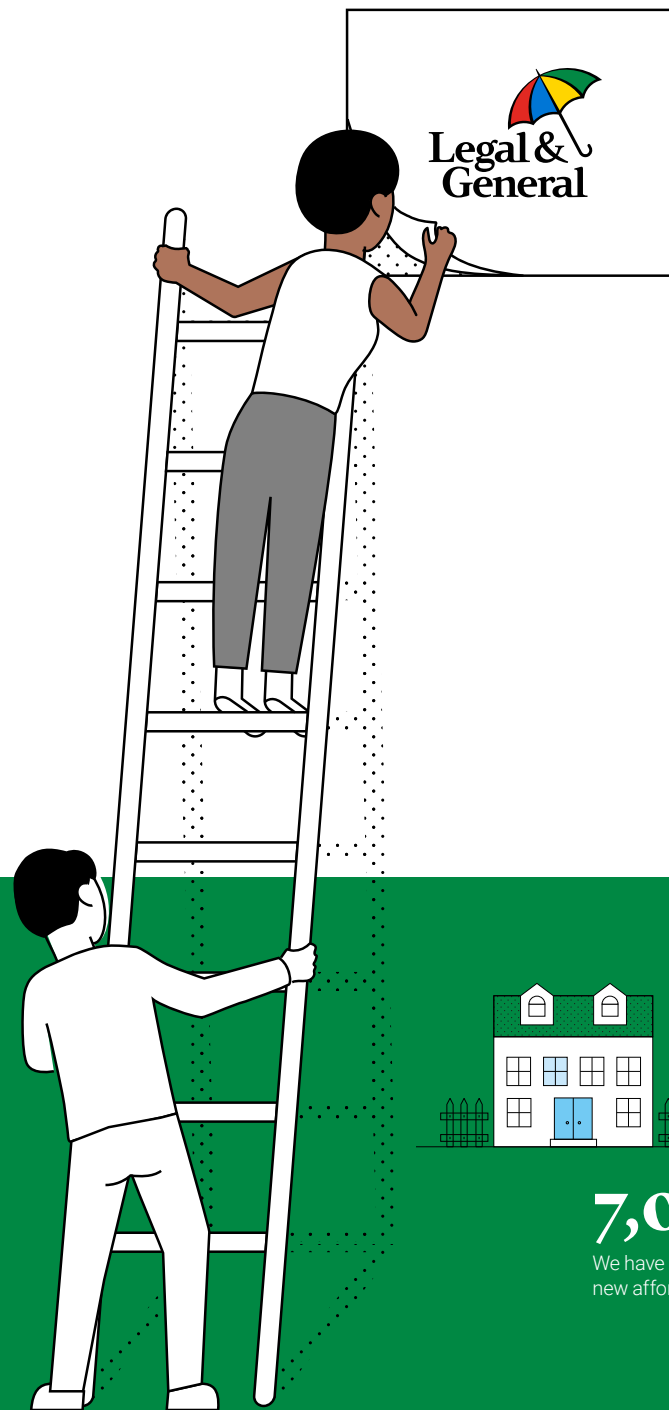
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Building fairer economic growth

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“For Legal & General, ‘levelling up’, and ‘build back better’, are more than phrases; we are leading the change.”

Sir Nigel Wilson
Group Chief Executive and member of the UK Prime Minister’s Build Back Better Council and Levelling Up Council

£33bn
targeted to deliver ‘levelling up’ to an economically more productive, net zero economy

£1.5bn
invested in the regeneration of central Manchester



7,000
We have a pipeline of 7,000 new affordable homes

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Exploring the issue

Why this is important to us

The UK's chronic underinvestment in housing and infrastructure disproportionately affects poorer communities, with economic growth concentrated in the southeast. The UK government's 'levelling up' agenda acknowledges the issue and we welcome the recent White Paper on the subject. More needs to be done more quickly, to redress the imbalance and create the conditions for fairer economic growth.

In 2021 we launched our Rebuilding Britain Index (RBI), which measures the UK's progress in levelling up on a quarterly basis. It surveys 20,000 people and tracks social and economic progress across 52 measures and acts as a benchmark in identifying the UK's investment priorities, regional investment gaps and barriers to increasing investment. Focusing on society's social, economic and environmental issues, it will ultimately help to assess the extent to which the UK is building back better post-pandemic and the extent to which this is driving a levelling-up across the whole country. In turn, it will help inform our role in building fairer economic growth.

The research shows us that jobs and housing are the factors that most affect quality of life. This is true for all age groups. Younger people need access to housing and work opportunities. Broadly, the need for housing is greater in the south. In the north and coastal communities, access to employment is more pressing. While efforts to protect employment during the pandemic were largely successful, this picture is not uniform.

Older people, meanwhile, need more age-appropriate homes which support greater comfort, health and longevity in later life by being designed around specific needs.

Investment in these areas is critical but it has been slow to mobilise. The chronic issue of underinvestment leaves society particularly vulnerable to shocks such as the deepening cost-of-living crisis. This will inevitably affect poorer members of society and communities in which insufficient investment has been made. The fuel crisis, with its 'heat or eat' implications, shows that chronic underinvestment can quickly give way to acute need – in this case, for more affordable, energy efficient housing.

The positive outlook is that society's emergence from the pandemic is an opportunity to rethink how we live and work. There is a window of opportunity to rebalance economic growth, led by investment, to all corners of the UK. This will take heavy investment in housing and urban regeneration, alongside efficient and highly localised engagement with local authorities.



We believe that investment in research and development, especially in healthcare, is a particularly important component of this mix.

Importantly, 'building back better' from the pandemic must also mean building back greener.

The outcome of such a programme of investment will be healthier economies, with more high-quality jobs and a thriving small and medium enterprise (SME) sector.

For investors like Legal & General, strategic and patient deployment of capital in this kind of investment creates a virtuous circle where today's money generates value for tomorrow. It's our guiding principle of inclusive capitalism at work.

£33bn

targeted to deliver 'levelling up' to an economically more productive, net zero economy

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How we're tackling it

We've been investing in cities and housing for a decade. As an investor and asset manager which owns several housebuilding businesses and has significant experience in managing and developing real estate assets, we can make a significant contribution. That's because we can deploy significant quantities of capital, at scale, in multiple geographies, with clarity of purpose.

Our core retail product offering is designed around providing individuals and businesses with financial inclusion, resilience and wellbeing. Whether this is by securing pension benefits for members of legacy defined benefit schemes, or by providing employees with access to competitive finance and life insurance, or giving older people the opportunity to enjoy their lifetime assets in retirement.

For Legal & General, taking a lead role in building fairer economic growth is a natural fit with our business, and we're focused on:

Building value through investing in housing and infrastructure.

Promoting financial inclusion, resilience and wellbeing.

“For Legal & General, ‘levelling up’, and ‘build back better’, are more than phrases; we are leading the change. We have invested more than £33 billion, targeted to deliver ‘levelling up’ to an economically more productive, net zero economy. We are creating thousands of jobs through transformative regeneration projects from Sunderland to Cardiff.”

Sir Nigel Wilson,
Chief Executive Officer

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Building value through investing in housing and infrastructure



£270m

invested from our retirement business in housing

There is a clear need for better, greener and more accessible housing for people in all age and income brackets. A legacy of uneven investment across the UK has led to certain communities being left behind, resulting in reduced job opportunities and unequal health outcomes.

Addressing the shortage of housing is important to Legal & General because it is a source of growth for us and because it meets a clear social need, especially in the UK. We are doing it by investing in modular and affordable homes, and affordable homes for later living, alongside our mainstream build to rent and build to sell businesses. By investing institutional capital at scale, we can provide safe, secure, affordable housing where it is most needed.

Delivering social and environmental benefits

Housing and infrastructure investment can create a challenge for our environmental ambitions, because our built environment impacts our natural environment through carbon emissions (both in operation and in construction), use of natural resources, impact on biodiversity and waste creation.

We are focused on delivering positive social and environmental impact together, and we're doing this by seeking solutions that benefit people and planet: low or zero carbon homes that protect residents against rising energy bills; biodiversity-rich housing developments that are good for nature and good for mental and physical health; and supporting the creation of high-quality green jobs in our investee companies, delivering technologies and services needed for the net zero transition.

We're taking steps to minimise our housing businesses' environmental impacts.

All new homes we deliver from 2030 will be capable of operating with net zero carbon emissions but in the meantime we're taking steps to reduce emissions as quickly as possible.



CALA, our largest housebuilding business, has committed to achieving the industry-recognised best-practice '2030 target' for embodied carbon in all new homes across the UK by 2025, having already met this target for Scotland.

Our modular homes all achieve an Energy Performance Certificate 'A' rating, a standard that only around 2% of new build homes in the UK met in 2021.

At sites including our Millfield Green retirement community in Bedfordshire, pumps provided by our investee company Kensa will contribute to the development's net zero status and help protect residents against price rises.

We design biodiversity into our construction projects.

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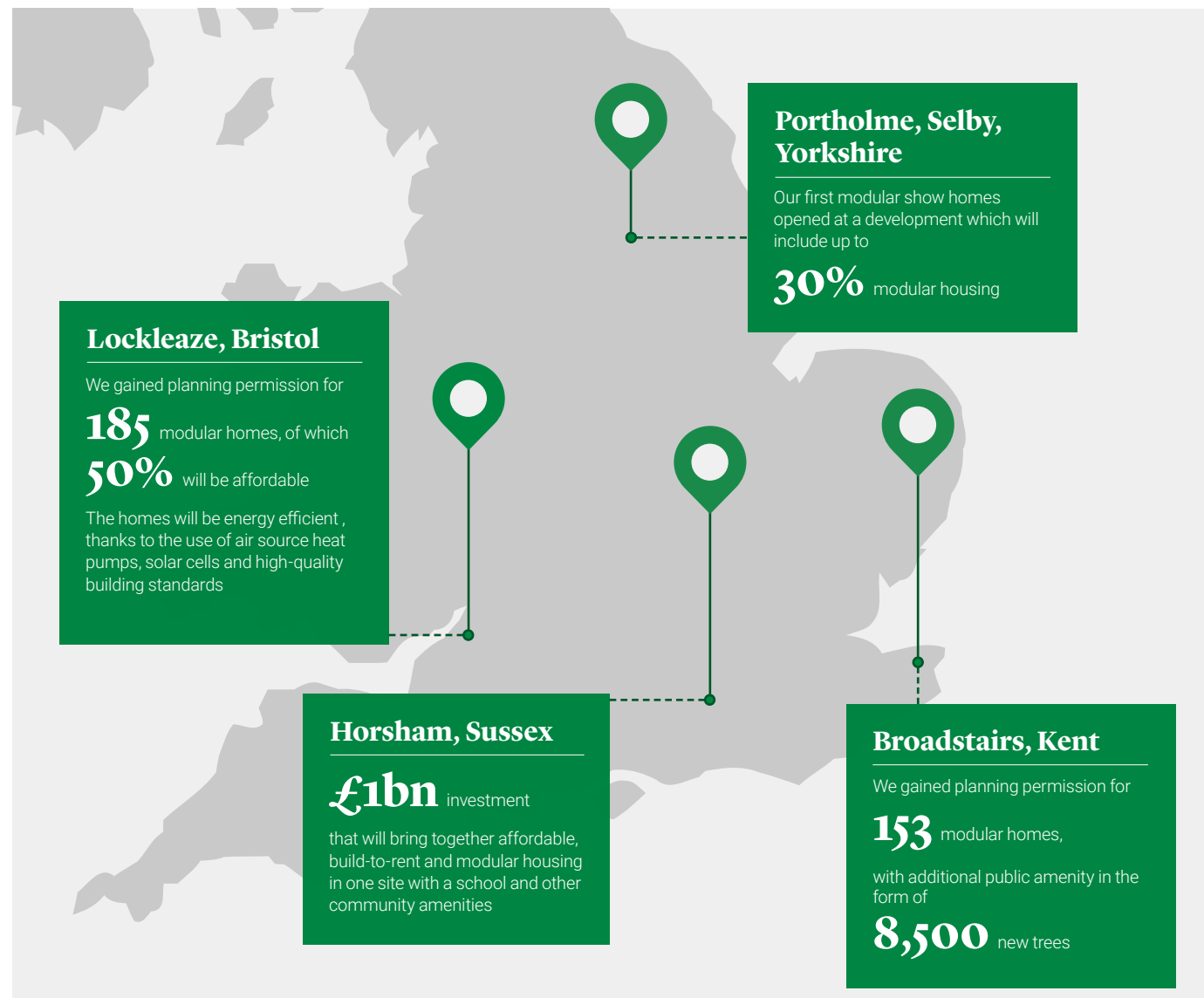
Closing the housing gap

Our affordable homes business is one of the UK's leading institutional developers and owners of affordable housing; investing in this kind of accommodation is a clear example of our inclusive capitalism agenda in action.

In 2021, we increased our number of homes by 997 and secured a pipeline of over 7,000 new homes. We invested £270 million from our retirement business in housing, giving us a source of future income to match pension liabilities: an illustration of how we use capital to deliver social value today and improve people's lives in the future.

We recognise that meeting the housing shortage will depend on new approaches. Our modular homes business, which launched in 2016, has not progressed at the speed we would originally have planned. However, during 2021, the business began to develop significant momentum.

In 2021, we began construction on sites in Selby, Bristol and Broadstairs: 450 homes, with planning permission sought for a further 400 across three more sites.



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Building value through investing in housing and infrastructure

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Better homes for older people

The housing crisis affects people of all age groups, and there is a shortage of age-appropriate homes for older people in the UK. It is important we address the lack of housing for this age group as well as younger people.

Our Inspired Villages Later Living business now has six villages supporting around 1,000 residents, four schemes under construction and a pipeline of 22 further sites. All new sites are built to high energy-efficiency standards, with low-carbon heating and renewable technology.

During 2021, we entered into a 15-year joint venture partnership with NatWest Group Pension Fund, aiming to expand Inspired Villages' portfolio to 34 villages supporting around 8,000 residents. This partnership demonstrates how we can use pension assets to create better conditions for the retirees of the future.

Investing in towns and cities

Alongside housing, improving infrastructure and developing specialist commercial property is a key part of our agenda for investment in towns and cities. We invest in the projects which will generate value for local economies, return for our shareholders and income to pay to pension scheme members.

We are particularly focused on funding commercial property associated with scientific research and development which we see as a strategic industry for the UK and a source of potential future value for Legal & General.



Our 2021 projects included:

Expanding Bruntwood SciTech's life sciences network, by investing in the Birmingham Health Innovation Campus. Bruntwood SciTech is a joint venture between Legal & General and property specialist Bruntwood, founded to build and manage scientific office and lab space.

£1.5bn

Entering into a £1.5 billion urban development partnership with the University of Manchester and SciTech, funded with shareholder capital, with the aim of creating an Innovation District which will generate 10,000 full-time jobs and 1,300 homes over 15 years.

£200m

Beginning construction on the £200m Life and Mind Building in Oxford, part of our £4 billion investment. The university's largest teaching building will support scientists working in biology and psychology to solve some of our major global health challenges as well as generating high-quality employment opportunities.

Received planning permission for property developer Urbo's West Bar development in Sheffield, which we will fund. This mixed-use site is expected to contribute to 6,000–8,000 new jobs and help close Sheffield's housing gap with 368 build-to-rent apartments, a 100,000 sq ft office building and leisure space and amenities including parking space for 300 bicycles.

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Promoting financial inclusion, resilience and wellbeing

As a provider of life, critical illness and other personal insurance and a variety of retirement products including pensions, savings and lifetime mortgages, at its core our business is centred around promoting individuals' financial wellbeing either directly or indirectly via employers.

In the wake of Covid-19, and in a context of increasing cost of living and energy insecurity, it's more important than ever that our customers, and society as a whole, enjoy the financial wellbeing and resilience that allows them to lead fulfilling lives.

We believe that a thriving small and medium enterprise sector is critical to redressing economic imbalances across the country and promoting economic prosperity. We invest in this sector, alongside our work on housing and urban regeneration, to contribute to the real economy.

Looking after our customers post-Covid

Supporting our customers financially as we emerged from the pandemic has remained a focus for us during 2021. During times of illness and bereavement, we help people by reducing their financial worries; more important than ever in the context of an ongoing global pandemic.

We supported our customers in 2021 by:

Paying £2.1 billion of protection claims, including £279 million relating to Covid-19.

Offering deferred payment holidays for vulnerable customers – helping them to stay protected.

Investing in technology to help new customers through their product application processes, such as digital blood pressure machines.

Continuing to serve customers remotely, with high satisfaction scores and record new business volumes.

£2.1bn

Protection claims paid in 2021

49,453

people used our care costs calculator



Helping our older customers plan for and access care

It can be hard to plan effectively for the cost of long-term care. The roots of the financial planning for this cost go deep, and too many people reach later life without the right measures in place to help them access the care they need. Myths about state entitlements can compound the issue.

With the aim of helping people plan effectively, we launched our new Care Concierge service in 2021. This dedicated online hub and confidential telephone advisory service has helped 93,000 people, either online or on the phone, to understand their options and find the right care solutions as quickly as possible, as well as providing practical and emotional support at what is often a difficult time for older people and their families. 49,453 people

used our care costs calculator and 6,637 our care search facility. These individuals may not otherwise have been able to access such support at this practically and emotionally difficult life stage.

We have recently launched a partnership between Care Concierge and Barnett Waddingham, integrating our service into their digital platform, which in turn offers employees at client firms access to 'cradle-to-grave' workplace benefits. And we have made access to Care Concierge's Guidance package free of charge for people referred by two charity partners – Elderly Accommodation Counsel and Independent Age – with a third partner being sought in 2022.

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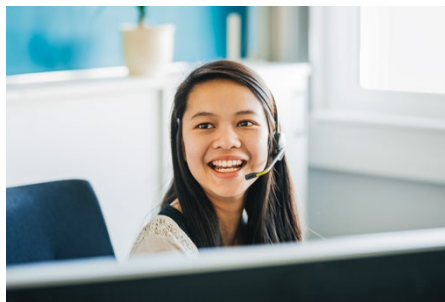
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Promoting financial inclusion, resilience and wellbeing

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Supporting employees with cost of living

As providers of workplace pensions and insurance benefits, we have the opportunity to improve the financial wellbeing of employees across the UK and US. Salary Finance, a company part-owned by Legal & General, supports financial wellbeing by offering salary-deductible loans, savings and early wage access. In 2021, this business's UK revenue nearly doubled and in the US, employee loan volumes quintupled year-on-year – showing that the need for trustworthy, easily accessible financial support is needed. More than four million people across the UK and US now have access to Salary Finance products, reducing the need for them to access higher interest products such as payday loans and even black market products.

Helping young people in the wake of Covid

While much of our business is geared around meeting the needs of people later in life, we know that the seeds of a better retirement are planted early on. This is impossible without young people having access to education and opportunities. Covid-19 affected them in different ways than older generations, thanks to the disruption to education and the knock-on effects on their mental health, relationships and ability to enter the workplace.

We continued to support young people during 2021, building on programmes launched in 2020. We:

Supported the Duke of Edinburgh's Youth Without Limits strategy, designed to widen access to the scheme and its employment-enhancing benefits.

Committed another £100,000 in funding to FastFutures, a digital employability course with a specific remit to improve access for underrepresented young people. 53% of the 4,500 participants secured an interview or employment within six weeks of graduation.

Funded youth service provision through Onside's Legacy Youth Zone.

£100,000

committed in funding to FastFutures

Investing in SMEs

We recognise the role that a strong and resilient small and medium enterprise sector plays in the overall strength of an economy. Long-term underinvestment in small and medium enterprises, as well as infrastructure, has led to imbalances across the UK's regions.

We lend to SMEs through our stake in Pemberton. During 2021, we increased our SME assets under management to £611 million, supporting over 330 start-up businesses. Through our venture capital investments, we are providing funding for over 400 companies across 34 funds. We continue to back exciting and innovative companies such as Onto, which is dedicated to making electric cars widely available, and AccurX, a healthcare messaging company which was at the heart of the NHS's Covid-19 vaccination effort.



Supporting social enterprises

Social enterprises have been particularly in need of support during the pandemic, and our ongoing funding of the CAF Venturesome SE-Assist programme has helped us to meet this need. The scheme released a further £300,000 to early-stage social enterprises in Wales in 2021, allowing nine enterprises to scale up their operations. This was the fifth round of social investments, but the first in which CAF Venturesome released blended finance including both zero-interest loans and grant funding: a measure taken to increase the flexibility of the offering at a time when these organisations needed enhanced support. Social investment loans allows us to 'recycle' funds into new loans to social enterprises in future years. Grant funding was made possible with thanks to the CAF Resilience Fund and a private philanthropist.

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Promoting financial inclusion, resilience and wellbeing

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Non-financial support for SMEs

People working outside of the context of large corporations, such as employees of small businesses and public sector organisations, can find it harder to access support for mental health and wellbeing. In 2021, we partnered with Minds@Work to fund Hive, a pilot programme designed to improve wellbeing, support people to identify and meet wellbeing goals and develop a safe social fabric through virtual peer support. This pilot specifically aimed to support leaders of SMEs with a goal to improve their sleep, exercise, relaxation and nutrition.

Looking ahead

Building fairer economic growth is a long-term commitment. For Legal & General, it's an opportunity to continue matching today's investment opportunities with capital which needs to generate a return for tomorrow.

As housebuilding and infrastructure investment continues to play a major part in meeting society's commitments to net zero, there will be greater convergence between 'building back better' and 'building back greener'. Our Rebuilding Britain Index research tells us that there is a real risk of lower-income households being left behind in the movement towards greener housing.

It is to be hoped that the falling cost of the kinds of technology that can power homes, such as heat pumps, EV charging points and photovoltaic cells, will eventually mitigate these risks. But in the short term, the cost-of-living crisis and especially the cost of fuel, will push more households into poverty.

There are no easy answers to this, but companies like Legal & General must continue to double down on their efforts to bring forward more affordable, greener housing, more quickly.

Some examples of how we will do this include the fact that we have a pipeline of 7,000 new affordable homes and over 800 modular homes. Meanwhile, a new partnership between our real assets business and 'believe housing', a housing association, will fund 1,200 new affordable homes in the next five years in north-east England.

7,000

We have a pipeline of 7,000 new affordable homes

Our commitment to building our customers' financial inclusion, resilience and wellbeing remain a core element of our business. In 2021, our insurance and retail retirement businesses combined into one Retail business. This division will focus on serving the savings, protection and retirement needs of our retail and workplace customers allowing us to take a joined-up approach to our customers, data and technology. We plan to build on our financial inclusion work, targeting better financial wellbeing outcomes for more individuals and social enterprises. See the next section for more on our approach to employee wellbeing, including financial resilience.

We will continue to look at new ways of enhancing the place-based investments we make both with our own capital and with client assets, by ensuring that we engage broadly with communities where we invest and build. The need to balance providing a service and investing in communities while mitigating or reversing our environmental and biodiversity impacts will be especially critical as biodiversity concerns come to the forefront of public, government and regulatory thinking.

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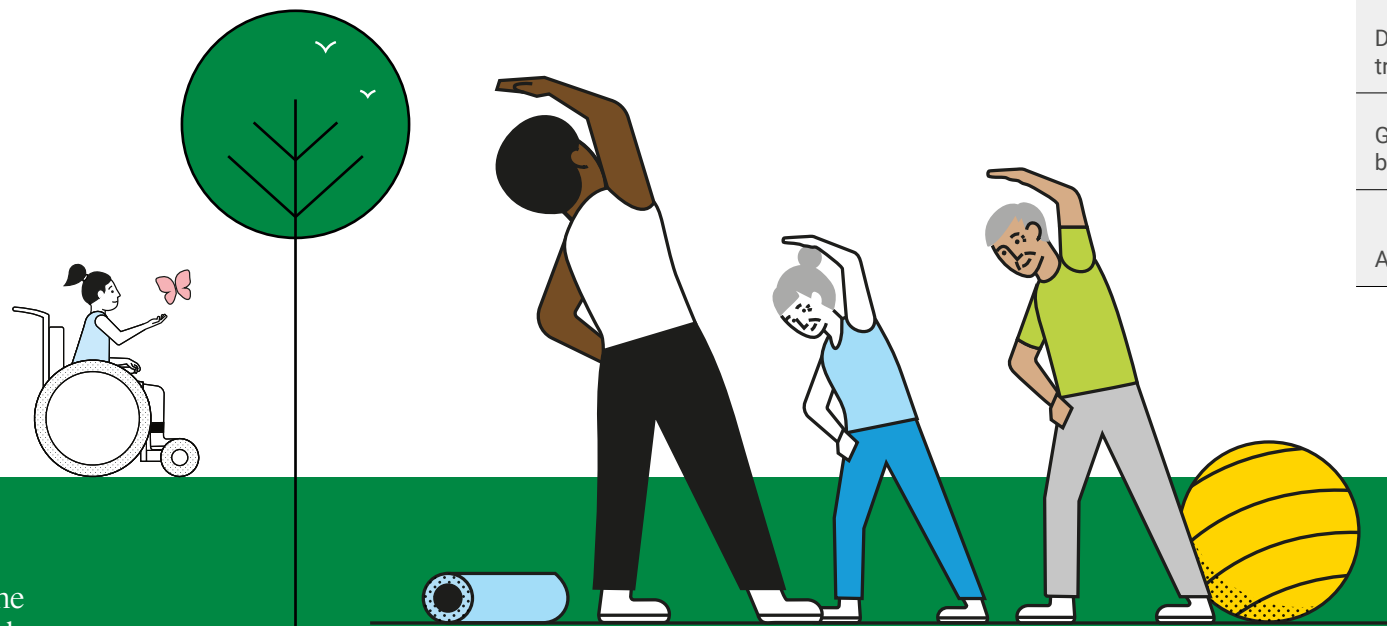
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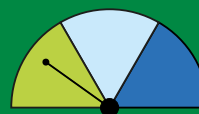
“For the first time, with this welcome initiative from Legal & General, we have the opportunity to bring business together with local government and the voluntary and community sector to make a real difference to the conditions in which people are born, grow, live, work, and age, and to health equity.”

Sir Michael Marmot

Director of the University College of London (UCL) Institute of Health Equity (IHE) and Professor of Epidemiology

70%

of our employees said they agreed with the statement: “My overall level of personal wellbeing is good”.



In response to employee feedback, we launched our first menopause policy, covering all employees in our core UK businesses and setting out our approach to supporting those experiencing the menopause.

→ [Read more on page 35](#)

Exploring the issue

Why this is important to us

The health impacts of Covid-19 go well beyond the loss of lives to the disease itself. The effects on other forms of health and wellbeing are still not fully understood, but it's clear that individuals' mental and physical health has been affected and that it exacerbated existing health inequalities. It increased loneliness and isolation in older and clinically vulnerable people, delayed diagnosis of cancer and other chronic conditions, and caused young people to miss education and work opportunities.

The pandemic underlined the complex relationships between health, wealth and the economy. We know that, in the UK, the pandemic had a disproportionate effect on people from ethnic minority communities, who experienced higher infection and mortality rates than the white population. Factors that contributed to this included geography, deprivation, occupation, living arrangements and health conditions such as cardiovascular disease and diabetes¹.

We also know how critical a role key workers played in helping to keep our communities and economies running. They too were disproportionately affected by the pandemic, through increased exposure to the virus and many now potentially at a higher risk of post-traumatic stress disorder and poor mental health.

As the pandemic recedes, we need to ensure that the long-term economic impacts aren't felt in a similarly unequal way. This is important if we wish to avoid the most unfair clinical and socio-economic outcomes of any future pandemics.

With health inequalities leading to productivity losses of between £31-33 billion each year in England alone, there is a clear economic and business case for business to help to tackle health inequality². Investing in the health system is doubly beneficial: it not only saves lives, but it is also a crucial investment in the health of the economy. In the medium term, it stimulates urban regeneration, through the development of research infrastructure and has the potential to create quality jobs. And in the long term, good health means children being more able to access an education, increase their productivity, and enjoy longer life spans.



Finally, Covid-19 brought to greater prominence the importance of employee wellbeing, especially when it comes to mental health. The stigma around discussion of mental health is receding, particularly in white-collar workplaces, and employees increasingly expect comprehensive workplace mental health provision. However, there is a risk that those in smaller workplaces, whether in the public or SME sectors, will lose out on this provision, entrenching inequalities of access.

£31-33bn

Health inequalities leading to productivity losses of between £31-33 billion each year in England alone

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¹ COVID-19 and its impact on minority ethnic groups in the UK (royalsociety.org)

² Health_inequalities_in_London_Oct_15.pdf (publishing.service.gov.uk)

Exploring the issue

continued

How we're tackling it

We're prioritising health and wellbeing in three ways

Investing and supporting projects

Through our capital investment and investment management businesses, we deploy capital to support projects which will drive better health outcomes, while driving urban regeneration and job creation. This includes funding science parks, laboratories and other health infrastructure projects alongside housebuilding. See the Building fairer economic growth section of this report for more on this.

Working with medical and healthcare experts

We work with medical and other healthcare experts to fund research into public health and care issues, using capital to fund research and development projects which will deliver improved health outcomes for various sections of society.

Protecting employee wellbeing

We take our 10,000 employees' physical, mental and emotional health and wellbeing very seriously. We hope that increasing expectations of employers, and the associated external scrutiny, will help drive better mental health outcomes for more employees, with the associated improvements to quality of life and productivity.



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Driving better health outcomes

We're using our scale and influence to improve health outcomes across society by working with medical and healthcare experts, our retail customers and the companies in which we're invested.

A partnership to bring together places and health

In 2021, we announced a long-term partnership with Sir Michael Marmot, Director of the University College of London (UCL) Institute of Health Equity (IHE) and professor of epidemiology. The partnership will lead to the creation of the charitable 'Legal & General IHE Places Fund', to examine how improvements to the design and construction of towns and cities can help address health inequalities and support 'levelling up'. The fund will sit alongside a new Legal & General IHE Network for UK public authorities and businesses to support idea creation, sharing best practice and insight, and innovation, with the aim of reducing health inequalities. The partnership represents a significant step forward as it, for the first time, brings business together with local government and the voluntary and community sectors to make a real difference to the conditions in which people are born, grow, live, work, and age, and to health equity.

Better health outcomes for our customers

We aim to create value for the holders of our products and services beyond the financial benefits. In 2021, we launched the 'Be well, Get better, Be supported' framework – a comprehensive wellbeing support programme for employers, intermediaries and their employees.

The framework helps employers by:

Actively managing their employees' wellbeing ('Be well').

Helping employees through illness and injury ('Get better').

Supporting them financially and in other ways when they need it most ('Be supported').



'Be well, Get better, Be supported' is designed to get the right treatment to the right people at the right time – across all the main causes of claims: mental ill-health, cancer, musculoskeletal and work-related stress. This support includes everything from risk assessment – including help with the new ISO 45003 psychological safety guidelines – line manager training, specialist referrals and return to work support, to immediate access to services such as the Employee Assistance Programme and Care Concierge service.

Investing for better health

Through our investment management business, we're influencing other companies to take action to improve health outcomes for society. We have engaged companies on antimicrobial resistance and, through our membership of the Access to Nutrition Initiative, we're lending our support to tackling undernutrition, obesity and diet-related chronic diseases.

For more information on our approach, see pages 58-60 of our Active Ownership Report

[→ See our Active Ownership Report](#)

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Supporting employee health and wellbeing

If 2020 was characterised by protecting our employees from the physical and mental wellbeing threat of Covid-19, 2021 was a year in which we supported them through a safe return to workplaces and continued to offer support across both physical and mental wellbeing. Employees' expectations of the support employers offer have continued to increase. Old workplace paradigms have shifted with the pandemic, with some employees finding greater work-life balance in hybrid working and others observing a blurring of lines between work and home.

Our commitment to employee mental health

We remain committed to supporting our people in the best way that we can, recognising how critical a safe and open environment is to achieving this. Communicating our mental health provision to our people remained a strong focus during 2021 and wherever possible we have sought to empower employees to speak up about their mental health experiences and challenges: anonymously through our employee surveys and publicly by sharing stories in our corporate communications channels.

Virtual wellbeing and mindfulness sessions for our people by individuals with personal experience, such as Fearne Cotton and Roman Kemp, our Wellbeing Ambassador, were run during 2021. We marked Mental Health Awareness Week in the UK, as well as Mental Health Awareness Month in the US.



Our employee support offering includes:

Access to a network of 100 mental health first aiders

Partnership with market-leading mental health app Unmind (global) and Sanvello in the US – an app that offers clinical techniques to help manage the symptoms of stress, anxiety, and depression

Access to an employee assistance programme which is available 24/7, 365 days a year for our people and their immediate families

Cycle to work and exercise discounts (for gyms and online classes)

Burnalong (US only) – access to a virtual platform offering classes on all aspects on wellness including physical, emotional and purpose.

Social Care

- Elder care - Confidential help and support to find the right care for a family member.
- Work+Family Space - Access to advice and resources to help employees balance work and caring responsibilities for children and ageing relatives.

The provision of private healthcare

New, focused wellbeing training for line managers

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To recognise the importance of mental and physical wellbeing to our employees, our Chief Financial Officer, Jeff Davies, was named as our executive sponsor for wellbeing and mental health during 2021, with accountability for our strategy in this area. With our communications focused on the importance of normalising discussions about mental health, Jeff took part in a wellbeing-themed virtual Town Hall conversation with Sir Nigel Wilson, Group Chief Executive Officer, which was published on our intranet.

Day-to-day operational management of wellbeing and mental health comes under the remit of HR. We take a data-driven approach to managing workplace mental health. Insights from a range of sources including regular employee surveys, sickness and other employee data is used to inform our existing strategies and policies on topics including diversity and inclusion, stress and flexible working, among others. In November 2021, 70% of employees said they supported the statement: "My overall level of personal wellbeing is good". In addition, 83% of employees either agreed or strongly agreed with the statement: "I can get the support I need from my line manager" (up 1% vs 2020).

Our efforts to support employee wellbeing were recognised by the City Mental Health Alliance's award of an 'Excelling' accreditation mark in its annual Thriving at Work assessment.

Samaritans partnership

In the UK, we continued our partnership with the Samaritans, where our funding supported the expansion of the charity's training programmes. With the pandemic proving a challenging time for many, we were acutely conscious of how our efforts to stay connected with each other using technology made us more disconnected with nature.

That's why we were headline sponsors of the Samaritans' inaugural Dawn Walk, which aimed to benefit participants' physical and mental wellbeing. Almost 600 people took part and £60,000 was raised, helping to fund the essential work undertaken by the charity.

600

600 participants took part in the Samaritans' inaugural Dawn Walk

£60,000

£60,000 was raised, helping to fund the essential work undertaken by the Samaritans



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Financial wellbeing remains a priority

With a strong correlation between financial wellbeing and mental health, financial wellbeing remains a priority for us. Money worries can trigger depression, anxiety and insomnia and poor mental health can affect how money is managed too.

We regularly hold webinars with our people on topics like planning for retirement to help them better understand financial planning.

We offer our people a range of financial wellbeing services including a pension and share plans. Our Smart Spending benefit offers access to a host of shopping discounts. These benefits are designed to help our people with their financial wellbeing and help their money go further. Through Salary Finance, a Legal & General investee company, we offer a service where our people can apply for an advance on their salary or access a loan. Outside Legal & General, Salary Finance has a customer base of four million people across the UK and US. See page 27 of this report for more information on Salary Finance.

In 2022, we will also be launching a new workplace ISA for our employees - a new facility to invest in stocks and shares from as little as £20 per month, with dividends, growth, interest and income tax-free.

Supporting employees with the menopause

In response to employee feedback, we launched our first menopause policy in 2021, covering all employees in our core UK businesses and setting out our approach to supporting those experiencing the menopause.

We created a new peer support group where employees had a safe environment within which to share thoughts and experiences about the menopause. This support group now meets monthly and is open for all employees to join. It organised and ran a session about the menopause with an external guest discussing the impact of menopause in the workplace and at home.

Our employees are working closely with our HR teams to support with further training and awareness of this important topic to support any of our people going through this phase of life.



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Employee driven wellbeing

Our overall health and wellbeing strategy is driven by data, which includes feedback from our people through channels such as our Voice survey. In 2021, our employee-led health and wellbeing group launched a dedicated hub on our intranet, containing a range of information, support and guidance for employees. The group also linked in with Group-led initiatives like promoting Five Ways to Wellbeing.



You can read about the Five Ways to Wellbeing on the NHS website

[→ See Five Ways to Wellbeing](#)

Health and safety

The work we undertook during 2020 to keep our offices safe stood us in good stead for 2021: safety measures were well understood, strictly observed, and audited by Unite and the Health and Safety Executive. A dedicated central health and safety team ensured we continued to apply safety measures in line with government guidance, including social distancing, sanitisation, temperature checks and providing lateral flow tests. This allowed us to make our offices Covid compliant whilst safeguarding employees, contractors and visitors.

The operation of our core offices is managed via a health and safety system aligned with ISO 45001 and our offices are audited by a leading health and safety consultancy. We have a well-established and documented process for identifying health and safety hazards, risks and responding to incidents and near misses.

We continued to review and update our risk assessments, which are the cornerstone of our management system and these updates have fed into our policies, processes and guidance for our people as appropriate. Procedures and processes are reviewed regularly to ensure that they are compliant with the law and best practice standards.

We reviewed our health and safety management systems to reflect our changing working patterns and to ensure we were meeting the needs of an agile workforce. This included setting up fire warden and first aid forums to help support people in these critical roles perform them more effectively.

All employees benefit from a range of occupational health services, including our wider wellbeing programme, and individual assessments tailored to specific needs. We provide a range of role-specific health and safety training alongside universal health and safety computer-based training modules which all employees are required to complete annually.

We recognise that consultation and communication are essential to driving effective management of health and safety. We have location-specific and group-wide health and safety committees and a dedicated health and safety page on our intranet which outlines our management system, guidance and resources. There is a dedicated mailbox for employees to report hazards and ask for assistance. We work in partnership with Unite to support our people in raising and addressing health and safety concerns through their union.

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Some emerging health risks are associated with climate change and habitat degradation. As we increasingly face into challenges such as biodiversity loss, zoonotic pandemics¹ will start to become more commonplace.

According to the World Health Organization, air pollution alone kills an estimated seven million people annually. In addition, more than 25%² of deaths from chronic respiratory disease, heart attack, lung cancer, and stroke are attributed to the same emissions as are responsible for global warming.

We also mustn't lose sight of already well-known health risks such as the health impact from the climate crisis or antimicrobial resistance (AMR). The World Bank estimates that AMR could result in a 3.8% loss in global GDP³, an impact comparable to that of the 2008 financial crisis. It's quite possible that the next pandemic will be caused by a drug-resistant pathogen.

These challenges may appear insurmountable. Yet with the right investment and partnerships, not only can we increase our resilience around future pandemics and health risks, but also tackle the inequalities that exist in our society. Good health is the basis on which social wellbeing and economic prosperity are built. In 2022, we will focus on developing the Legal & General IHE Places Fund.

¹ A zoonosis is any disease or infection that is naturally transmissible from vertebrate animals to humans. Source: World Health Organisation

² The 13 biggest threats to global health, according to WHO (advisory.com)

³ https://www.lgimblog.com/categories/esg-and-long-term-themes/anti-microbial-resistance-why-should-investors-care/#_ftn3



Working with investees for better long-term health outcomes

Our investment business holds equity in firms in the pharmaceutical and animal husbandry industries. We're considering how we can engage most effectively with them to promote a 'One Health' approach. We will continue to promote awareness and action on antimicrobial resistance, access to medicine and access to nutrition. We will also continue to work collaboratively with peers and encourage other investors to take action on antimicrobial resistance within their investee holdings.

Digital wellbeing for our people

The Covid-19 pandemic blurred the lines between work and personal lives for many of us. But the very technology that enabled us to keep connected – critical during the pandemic when the majority of our people worked from home – has also affected our ability to focus and disconnect, which can negatively impact our work-life balance. In 2022, we will be running a series of sessions helping our employees to use technology more effectively. Some sessions will have a specific theme, for example mental health and neurodiversity, but all aim to support work-life balance and our Future of Work programme.

Overall, we will continue to drive and embed wellbeing and positive mental health programmes in our business, encouraging our people to prioritise their wellbeing without fear and, in turn, creating a work environment where they succeed.

25%

of deaths from respiratory diseases, heart attack, lung cancer and stroke are due to GHG emissions

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“L&G has played an important role in my journey towards becoming unapologetically myself.”

Simone Perkins

Data Protection Oversight Manager, Legal & General, a participant in our reverse mentoring programme

£100,000

extra invested in FastFutures, funding mentoring and learning opportunities for young people from disadvantaged backgrounds

75%

agreed when asked if everyone has an equal chance to succeed at Legal & General

Through our Socio-Economic Mobility Employee Group, we undertook a programme of activities including mentoring students from under-represented backgrounds through our partnership with Kingston University's Beyond Barriers Mentoring Scheme.

[→ Read more about our approach to diversity and inclusion on page 40](#)

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Exploring the issue

Why this is important to us

Firms in all sectors are being held to increasingly higher standards of ethical behaviour by a widening range of stakeholders. The rush towards alignment with ESG standards has seen increasing numbers of investors, institutional clients, retail customers and employees – whether incumbent or prospective – using companies' stance on sustainability issues as a basis for taking a view on the desirability of doing business.

Outcomes for companies 'getting it wrong', either by taking undesirable positions or by failing to communicate intent and progress, could range from higher employee turnover to lower market valuation.

This growing insistence on transparency applies equally to corporates and to their supply chains, and much of the focus in recent years has been on the issue of diversity, equity and inclusion. Public commentary and debate on issues such as racism, trans rights and women's safety, has been brought to the fore by tragic events in the UK and the US including the murders of George Floyd, Sarah Everard and others.

Representation of historically disadvantaged groups in large corporates is increasingly subject to regulatory interest. In the UK, the financial regulators have consulted on the best ways to hold firms to account for improving such representation and we expect to see continued scrutiny in this area.

The proliferation of ESG standards will, we hope and expect, soon give way to some standardisation and convergence. In the meantime, it's important that companies focus on issues which are uppermost in the minds of stakeholders, including ensuring that employment practices in their operations and their supply chains are equitable.

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employee networks are now operating across Legal & General, representing a range of diversity and inclusion issues



How we're tackling it

Our stakeholders, including perhaps most importantly our employees, are more conscious than ever of the need to ensure we run our business with transparency and equity in mind.

We are committed to building a diverse workforce and an inclusive workplace. Driving diversity and inclusion is central to our people strategy and we are ambitious to be known as a diverse company with an inclusive culture. We know that we have a long way to go, given the history of our firm and the industries in which we operate. Our diversity and inclusion strategy

focuses on progressive improvements in representation, access and opportunity, with clear measures of success and tactical plans to make progress.

We're also committed to ensuring that the way we engage with our supply chain is as transparent and fair as possible. We are working with suppliers to drive better practice across ESG issues, from diversity and inclusion to carbon intensity and employment practices.

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Creating a diverse and inclusive workplace

Our vision is to build a workplace where our people can all perform at their best, no matter who they are. This is important because ensuring people have fair and equitable access to opportunities is the right thing to do as well as being commercially beneficial: diverse mindsets, backgrounds, personal histories, and perspectives mean better decision-making.

Our vision, the action plan and measuring our progress are the responsibility of our Global Diversity and Inclusion Council, which reports to the Group Board and is chaired by Laura Mason, CEO of our capital investment business.

Our strategy for greater diversity and inclusion

Our action plan focuses on driving more diversity and greater inclusion, and we measure our success through progressive improvement in representation; our alignment with external benchmarks, including the Bloomberg Gender Index and the Investing in Ethnicity Maturity Matrix; and our employees' reported perceptions of our organisation's inclusivity, expressed through our twice-yearly employee survey and ad-hoc focus groups.

We've built our plan using internal data and insights:

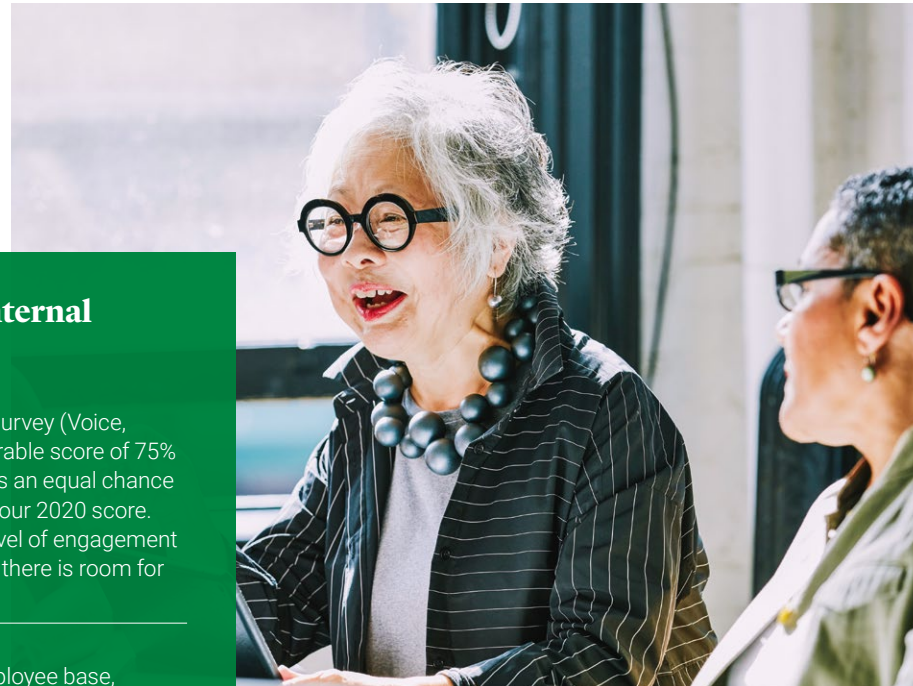
Group-wide employee survey

In our most recent group-wide employee survey (Voice, autumn 2021), our people gave us a favourable score of 75% when asked if they agree that everyone has an equal chance to succeed at Legal & General – level with our 2020 score. This suggests that while we have a high level of engagement with our diversity and inclusion ambitions, there is room for improvement (see over).

Building a better employee base picture

In 2021 we built a better picture of our employee base, and to do this, we focused on increasing the quantity of characteristic data we hold on our employees. As this is shared with us on a discretionary basis, we ran a communication and engagement programme, 'Count Me In', encouraging employees to share information about their background (ethnicity, sexual orientation, gender identity, socio-economic background and others). The resulting increase in shared data – from 53% to 68% in the case of ethnicity – has helped us better understand the makeup of our workforce and where we needed to focus our efforts.

In addition to these internal sources of insight, we continue to engage with external consultants to help us create and monitor a diversity and inclusion strategy which reflects market trends.



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Our plan

Our research and insights point to the following areas of focus as being critical for achieving our diversity and inclusion ambitions:

Recruitment and early careers, to build a pipeline of diverse talent

Line manager training, to create an inclusive culture

Widening opportunities for more employees through mentoring and representation

Recruitment and early careers

During 2021, we:

Conducted an audit of our recruitment practices to assess our maturity across a range of diversity characteristics (including gender, age and ethnicity) to help us understand where improvements to our talent attraction and hiring approach can be made. Steps we have taken included using more inclusive language and photography on our website, and introducing anonymised CVs into our recruitment processes.

Continued building our partnership with the business skills and early careers programme, FastFutures, providing a further £100,000 funding and mentoring and learning opportunities for young people from disadvantaged backgrounds.

Continued our support for the #10000BlackInterns programme by providing internship opportunities for 17 black students.

Through our Socio-Economic Mobility Employee Group, undertook a programme of engagement and outreach activities including mentoring students from under-represented backgrounds through our partnership with Kingston University's Beyond Barriers Mentoring Scheme.

Training line managers on diversity and inclusion

During 2021, we:

Piloted a new Inclusive Line Management programme with 100 managers.

Introduced diversity and inclusion basics learning (The 'Inclusion Accelerator') – a digital learning programme for line managers based on short learning sprints, covering key D&I themes. Among the 100 leaders who have been through this pilot, understanding of core concepts (bias, micro-messages and working inclusively) increased by 95%.

Widening opportunities for employees

During 2021, we:

Launched a global mentoring platform, which saw over 370 people register in the first three months; developed reverse mentoring for our senior leadership teams, giving them an opportunity to learn from more junior employees.

Celebrated Inclusion Week, Black History Month, Pride Month and International Women's Day with our people.

Continued to tell diverse employee stories through the 'Our Story' campaign.

Had the Chairman of our Board participate in a Listening Project focus group, where he heard from employees about their lived experience of diversity and inclusion at Legal & General.

Built on our employee networks. We now have 10 networks covering interest issues such as women and tech, ethnicity, sexual orientation and gender identity, and health and wellbeing. See page 48 of our Annual Report for a full list.

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Benchmarking and external commitments

We consider benchmarking and external commitments to be an important part of holding ourselves to account for progress on improving the diversity and inclusivity of our workforce and workplace.

Through the Women In Finance Charter, we have committed to achieving: overall workforce gender balance by 2025; 40% female representation among managers and senior managers; and 33% female representation on our Board. We support the FCA's recent consultation on increasing Board representation for women to 40%, although we acknowledge we have not yet achieved this level of representation. Data on our representation at the end of 2021 can be found on page 48 of our Annual Report.

This year, we additionally committed to achieving 8% representation for ethnic minority employees among senior leaders and on our Group Board, both of which we achieved during 2021 (at 12% and 20% respectively). We are now considering a revised commitment.

We continue to pursue external benchmarking and recognition of our D&I efforts. We achieved the level of 'Advanced Employer' in the Investing in Ethnicity Maturity Matrix, recognising our commitment and progress to ensure equal opportunity and representation, regardless of ethnicity.

Narrowing our gender pay gap

We publish our Gender Pay Gap Report every year, where we comment on the overall gap between women's and men's average pay.

Reporting holds us to account as a progressive employer but we acknowledge that gender pay gap reporting only tells one part of the story about how we pay our people and the experience of our employees. At Legal & General we have a clear pay structure in place which means people are paid fairly for their roles, regardless of their gender.

Over the past five years, we have seen a continued, progressive narrowing of our median gender pay gap (which was at 24.1% in 2021, compared to 31.6% in 2017 and 26.6% in 2020).

This movement was driven by a narrowing in all our reportable entities, including by 1.9 points in our aggregated retail, retirement, capital and corporate businesses; by 2.3 points in our investment management business; and by 4.4 points in CALA Homes.

In our 2021 Gender Pay Gap Report, we set out the actions we are taking to narrow the gender pay gap, as well as explaining some of the challenges we face in doing so.

For full details including our goals and ambitions for gender representation, see our 2021 Gender Pay Gap Report.

[→ See our Gender Pay Gap Report](#)



Diversity and inclusion at our investee companies

As an investor in the world's largest companies, we recognise the role we can play in driving better diversity and inclusion practice elsewhere.

We have further deepened our commitment to gender diversity, taking it beyond the board level to ensure the largest companies in the US and UK also have a minimum of one female on the executive committee. We will begin voting in line with this expectation in 2022. Following our support of the Parker Review on diversity on UK boards, 2022 will see us applying voting sanctions against large UK and US companies with no board members from an ethnic minority background.

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Building a fair and transparent supply chain

We are committed to making sure we engage with our supply chain transparently and fairly. As a procurer of goods and services, we have an opportunity to shape our suppliers' approach to sustainability issues including environmental impact, employment practices and modern slavery.

Creating a sustainable supply chain

Being a responsible business means taking responsibility for what happens in our supply chains. The sustainability of our supply chain goes beyond risk avoidance: it is also about positive impact, for people and the planet. We recognise the importance that deepening our understanding of the impacts our supply chain can have, as well as improving procurement professionals' knowledge of sustainability.

In 2021, we engaged third-party experts to help us build and deliver training to procurement team members and supplier relationship managers to help us adapt what we procure and how we source; scrutinise our procurement partners; and influence our suppliers to improve. This helped to promote the topic of sustainable procurement, what it means and why it is important.

Alongside this activity, we took steps to improve elements of our supply chain governance. This included further refining our sustainable sourcing principles statement to aid ease of use, make the case for the importance of sustainable sourcing and provide tangible actions. With the additions of key focus areas like diversity

and inclusion and the living wage, we have now created what we consider to be a more compelling document which will engage and inspire people in our business to become part of our sustainable sourcing mission.

We also completely redesigned our supplier questionnaire on sustainability, increasing the weighting of sustainability in tenders from 10% to 15% by June 2022 and to 20% by December 2022.

This questionnaire incorporates 35 questions on themes including firms' carbon reduction intentions, deforestation, the circular economy, living wages and working hours, D&I and social enterprises. The use of question targeting, scoring and weighting – alongside guidance notes – helps us to assess results and therefore pre-qualify and score suppliers and 'request for proposal' responses. The revised questionnaire which moved away from open ended questions to more measurable ones which could be weighted and scored will be used with our supplier relationship management teams to ensure that any in-contract risks are captured and monitored, along with the maturity of our supply chain. The new format also helps provide a baseline for KPIs and performance improvement.



We have become an active member of the Supplier Diversity Council UK with the goal of providing practical guidelines and support on implementing a supplier diversity programme which is inclusive of all.

Looking ahead, sustainability will play an increasingly important factor in our buying decisions. We see many opportunities in further collaborating with suppliers and working alongside them, so we can jointly make a positive difference in how we procure goods and services.

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Eliminating modern slavery in our operation and supply chain

We believe that setting and progressing a clear strategy, as well as working in partnership with suppliers, is key to addressing and eliminating modern slavery from supply chains. We have been working with Stronger Together since 2020 to build a five-year strategy to ensure we can identify areas where we can make our systems and processes better to ensure that we have robust mechanisms to identify, report and remediate issues.

The focus in 2021 was to continue to work against this strategy, identifying areas of risk within the business and ensuring robust processes were in place. This included creating a risk assessment process which we will complete for the remainder of our supply chain, allowing us to categorise each key supplier, strategic partner or contractor based on modern slavery risk criteria. Alongside Stronger Together, we delivered training to 40 of our suppliers on spotting signs of modern slavery in their own operations and supply chain. This provided an opportunity for us and some of our key suppliers to come together to collaborate, share ideas and challenges.

In our Real Assets business, we undertook a tender process to identify a supplier to help better track audits and escalation processes. The new system will go live in 2022. Training sessions on modern slavery will also be delivered to a team of project managers (external contractors) in 2022.

In 2022, we plan to launch a new internal training module about Modern Slavery, helping to inform and educate our people about the topic.

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“At Legal & General, social purpose is at the centre of everything we do.”

Sir John Kingman
Chairman, Legal & General plc.

£1.3 million

donated to UK charities, including through company matching, during 2021

76%

overall employee satisfaction

During 2021, we built on our efforts to keep our people engaged throughout the uncertainty and stress of the second half of the pandemic.

→ [Read more on page 48](#)

Getting the basics right

Our guiding principle of inclusive capitalism shapes how we run our business. Doing the right thing for our people, customers, investors, shareholders and communities shapes our approach.

We have long believed that environment, social and governance matters are critical to the ways in which we do business.

Our prosperity as a company depends on a strong and resilient society and a stable economic context. We have a long value chain and we recognise that our impact is felt far beyond our own walls.

In 2021, we continued focusing on governing our growing business in a responsible way. We have high expectations of our employees' behaviour; in return, we offer the opportunity to develop interesting and fulfilling careers with us, and we engage with them frequently on matters of importance. We do this through our formal trade union partnership with Unite, our management consultative forum, our designated workforce director's engagement activities, and our corporate communications and employee surveys.

We don't take our responsibility to stakeholders lightly and we're encouraged that future generations have high expectations of the organisations they choose to connect with. The Deloitte Global 2021 millennial and Gen Z survey revealed two generations demanding social change and accountability, with respondents expecting businesses and governments to do more to help bring about their vision

of the future. These are the leaders of tomorrow, and the argument is clear: those organisations which choose not to behave and be governed in a sustainable, ethical and responsible way will be the unsuccessful ones.

How we're doing it

In this section, we share information on our organisational culture, and how it's shown in our approaches to:

Employee engagement and development

Engaging with our communities

Business ethics

Human rights and anti-bullying and harassment

Anti-bribery and corruption

Information security

We also set out our approach to engaging with a range of stakeholders, inside and outside the business, and our approach to refining our sustainability strategy.



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Strengthening our culture

Our commercial success depends on the profitable, socially and environmentally valuable work our 10,000 employees do each day. Core to this is a culture defined by high standards and expertise deployed in a straightforward, collaborative and purposeful way.

We continue to develop and nurture this culture through two-way engagement and communication with our people. We support them in their development and we enable them to give back by their involvement in the communities where they live and work, through charitable fund matching and volunteering.

Two-way communication with our people

During 2021, we built on efforts to keep our people engaged throughout the uncertainty and stress of the second half of the pandemic. We continued to be concerned by the risk of loss of organisational culture thanks to lengthy periods of homeworking and reduced interpersonal contact, and many of our employees found the challenges of changed ways of working meant a reduction in work-life balance. However, this was not a universal trend, and many people continued to benefit from home working and, once the return to office was allowed, hybrid work.

We learned that everyone has a different opinion on remote, hybrid and office working, and even individual opinions were not immutable as personal circumstances changed. Therefore, frequently communicating with our people was key, particularly on the issues of work-life balance, working remotely, practical measures to keep them safe, and giving them the opportunity to tell us how they wanted to work post-pandemic.

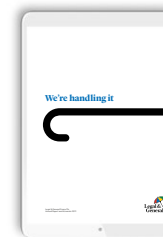
We consulted with our employees through bespoke 'future of work' surveys, supported by focus groups and union and direct engagement, in early 2021. These insights told us that employees want a hybrid working model. In 2022 we will establish our hybrid way of working which retains elements of office and home working in greater balance than before the pandemic.

Our employee survey Voice took place in November 2021. Response rates remained strong at 77% and overall employee satisfaction also remained steady at 76%.

Engaging with our employees

We recognise Unite as our union for collective bargaining purposes in the UK.

To meet the requirements of the revised 2018 corporate governance code, we have a designated non-executive director with responsibility for workforce engagement. From 2019-2022 this was Lesley Knox, who is succeeded by Nilufer von Bismarck in 2022. Lesley Knox's 2021 report sets out the major themes raised by employees.



To read Lesley Knox's 2021 report, see page 74 of our Annual Report

[→ See our Annual Report](#)



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Developing our people

We remain committed to developing our people, giving them opportunities to grow in fulfilling roles and careers with us. Our focus in 2021 was on providing development opportunities which prepare them for the needs of the future workplace and giving leaders the skills needed to drive change and business results in an inclusive way. We appointed a new managed learning service provider and undertook a data-led assessment of employee needs.



For more information on our approach, see page 50 of our Annual Report

→ See our Annual Report

Building ESG skills

Our investment management business recognised a need to engage and upskill employees in the issue of ESG investing. Our ESG Academy helps them understand the basics and learn about the subject in more depth as desired, by offering them online learning, webinars, video content and talks. It is available for everyone in our investment management business and can be accessed freely by all employees.

Helping our people engage with their communities

Many of our people enjoy the opportunity to raise funds and volunteer for causes in their local communities. In 2021, we continued to support these efforts through matched funding schemes. The total donated to UK charities including company matching during 2021 was £1.3 million. This included over £90,000 in funding to charities with income below £1.5 million in our Small Donations campaign, for which over 900 employees nominated recipient charities. In the US, our charity drive raised over \$800,000.

Our matched funding scheme allows employees to claim up to £5,000 per person per calendar year for their chosen cause, and up to £500 in recognition of volunteering time. Almost 250 employees claimed matched funding, with an average of £1,284 in fundraising per person matched by us.



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Running a responsible business

Running our business responsibly is an ethical obligation: it gives us the right to hold other companies to high standards of ethical behaviour and influence public debate. We have high expectations of our employees, and a range of policies and procedures to govern how we run our business.

Business ethics

At Legal & General, ethical behaviour is an integral part of the way we do business. It's crucial that all our stakeholders can trust us to treat them fairly and do the right thing. It also means adhering to regulatory requirements and principles, including the UK Financial Conduct Authority's Conduct Rules and other country equivalent regulations.

We have a published Code of Business Ethics that governs our actions and those of the people and entities with which we work closely, encouraging honest, responsible and respectful conduct. Our commitment to those working, dealing or liaising with Legal & General employees is that we will:

Always be open, honest and fair in our dealings with other employees, customers, communities, business partners and suppliers.

Never tolerate any act of discrimination, harassment or victimisation either among employees or with any individual or organisation with which we are working.

Operate within all applicable laws, rules and regulations in all areas where we have a presence.

Safeguard personal data and any information of a non-public nature.

Our people are empowered to be accountable for ensuring the decisions they make are responsible and ethical.

You can read more about our Code of Business Ethics on our website

→ [See legalandgeneral.com](https://www.legalandgeneral.com)



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Anti-bullying and harassment

We care about the people we work with and for and we will never tolerate any act of discrimination, harassment, or victimisation, whether that is between employees or in their interactions with suppliers, partners or customers.

We recognise the impact that bullying and harassment can have on individuals and their relationships inside and outside work, so we are committed to creating a work environment free from harassment and bullying, where everyone is treated with dignity and respect. As an employer, we encourage our people to share a responsibility to behave in ways that support a positive working environment for all. Our Dignity at Work policy covers bullying and harassment of employees in the workplace by managers, other employees, customers, visitors, contractors, and anyone else engaged to work with us. It also applies in other workplace settings including business trips and work-related social events.

Our commitment to anti-bullying and harassment is stated in our **Code of Business Ethics** on our website.

Human rights

We support the principles set out in the UN Guiding Principles on Business and Human Rights; the International Bill of Human Rights; and the International Labour Organization's (ILO) Core Conventions.

Our human rights policy sets out our position in our own operations and our supply chain. It applies to all our employees worldwide, anyone doing business for or with Legal & General, and others acting on our behalf.

You can read more about our **human rights policy** on our website

→ [See legallandgeneral.com](https://www.legallandgeneral.com)

Anti-bribery and corruption

We will not tolerate any person acting on behalf of the Group participating in any form of corrupt practice and we will not accept, promise, offer or give anything that may be considered a bribe. Our financial crime risk policy applies across the Group and mandates that controls are put in place to detect and prevent such activity. Controls include an annual bribery and corruption risk assessment; regular training; due diligence measures; reporting of suspicions of bribery and corruption; and the control and approval of giving and receiving of gifts and hospitality, political and charitable donations, and corporate sponsorship.

Our commitment to anti-bribery and corruption is stated in our **Code of Business Ethics** on our website.

Taxation

We have a tax strategy which is designed to be sustainable, well-governed, fair, and transparent. You can read more about this, including our total contribution, in our **2021 Tax Supplement report**.

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Our sustainability governance

Sustainability is critical to our business model, because our commercial success depends on long-term thinking and making investments which will be repaid for years to come.

Roles and responsibilities

Our commercial strategy and business plans, which include oversight of our six growth drivers and therefore the strategic direction for sustainability, is set by our Group Executive Committee, led by our Group Chief Executive Officer Sir Nigel Wilson and comprising executive officers from our operating divisions and corporate functions.

Meanwhile our Board, led by Sir John Kingman, is responsible for holding the Executive Committee to account for delivery of our business strategy and is ultimately accountable for the long-term stewardship of the Group.

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.

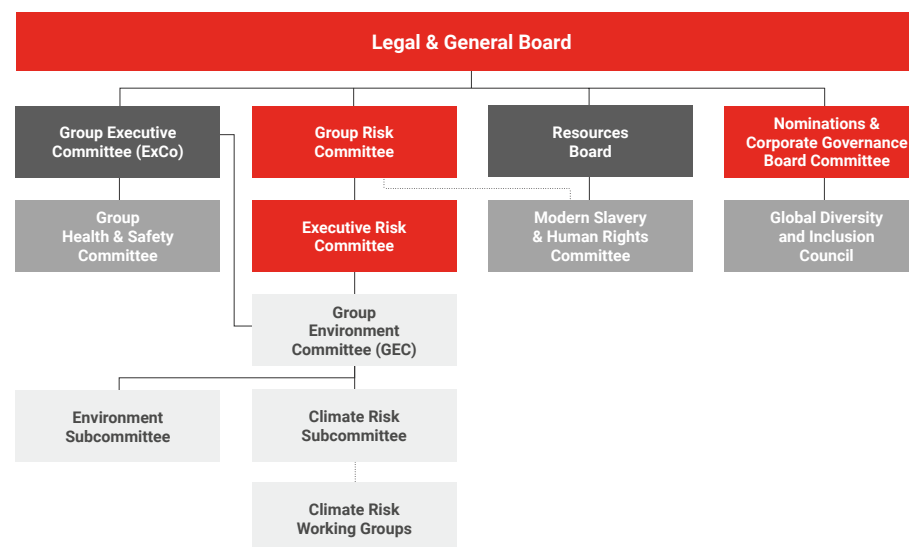
Our revised sustainability strategy will be presented to the Board and Executive Committee during 2022, allowing executive and non-executive directors to engage formally with this agenda.

The Group Executive Committee is the highest decision-making authority on sustainability matters and the Group Board is the highest governance body. The Group Executive Committee meets fortnightly and the Board meets eight times a year. For more information on these bodies, see pages 62-64 of our Annual Report.

In 2021, an ESG measure was added as part of the annual bonus performance conditions for executive directors. This was included in the new remuneration policy which shareholders approved in 2019. See the summary of our remuneration policy on pages 100-101 of our Annual Report for more information on this.

→ [See our Annual Report](#)

Group Sustainability Governance



Governing climate change

Given how central the issue of tackling climate change is to our commercial strategy and our risk management activities, we have separate, complementary governance in place specifically for climate change.

The Group Board has delegated oversight of the management of the risks associated with climate change to the Group Environment Committee. Our climate change governance is explained on pages 26-28 of our Climate Report.

→ [See our Climate Report](#)

During 2021, Simon Gadd, formerly Chief Risk Officer for the Legal & General Group, was appointed as Group Climate Change Director. In this role he is accountable for coordinating the Group's ongoing response to climate change. Also in 2021, Nilufer von Bismarck OBE, a non-executive director, took on accountability for climate on behalf of the Board. While the entire Board remains responsible for actively overseeing the company's response to climate change, it was considered beneficial to have a non-executive Board member act as a single point of contact for the business and to act as a conduit for the Board.

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Stakeholder engagement and materiality

The impact of our business is wide reaching and affects a range of stakeholder groups. We place great importance on considering the needs of all our stakeholders in our decision making, and actively encourage their participation. An understanding of our stakeholders' needs helps us determine our areas of focus.

Engaging with our stakeholders

In 2021, we engaged with shareholders, customers, employees, regulators, communities and suppliers to shape our responses to external events and calibrate our commercial activities. This engagement helped us, among other outcomes, to improve customer experience and build new, personalised pension statement videos; refresh our sustainable sourcing principles; and help protect potential fraud victims.

For more detail on each stakeholder group, see pages 16-17 of our Annual Report

→ See our Annual Report

While we are politically neutral and have a policy not to make any party-political donations, we continue to engage with policymakers, regulators and others on issues of importance. In 2021, this included:

Engagement on climate. Michelle Scrimgeour, Chief Executive Officer of our investment management business, was co-chair of the COP26 Business Leaders Group and led Legal & General's delegation to the Glasgow summit.

Engagement on 'levelling up'. Sir Nigel Wilson, Group Chief Executive Officer, remains on the UK Prime Minister's Build Back Better Council and Levelling Up Council.

Engagement on diversity, equity and inclusion. We have participated in UK financial regulators' consultations on increased representation among UK firms' employees.

Thought leadership and research. Our new quarterly Rebuilding Britain Index (RBI) will track the UK's progress on investment in housing, infrastructure and the economy, and call for changes in focus and extra efforts where needed.

For more information on the RBI, visit our hub: Rebuilding Britain Index (RBI)

→ See [legalandgeneral.com](https://www.legalandgeneral.com)



Shareholders
Institutional and individual investors



Regulators
Across markets where we operate



Customers
Both retail and institutional



Communities
Where we work and invest



Employees
Both present and potential



Suppliers
Of services and materials

Materiality and our new sustainability strategy

Last year, we shared information about a materiality assessment being undertaken to identify the areas of focus for our sustainability strategy. Since then, we have made several changes in our approach to managing sustainability activity to create closer alignment between our sustainability and community engagement activity and our commercial objectives. During 2021, we:

Repositioned our Group Corporate Social Responsibility team as a Group Sustainability team, with responsibility for articulating a strategy for the Group which integrates ESG issues along with the work we do with communities.

Appointed new individuals to roles in this repositioned team.

Improved the oversight of sustainability-related activities at Board and Group Executive Committee level, with the appointments of Nilufer von Bismarck and Simon Gadd, as non-executive director with focus on climate and Group Climate Change Director, respectively (see Our sustainability governance on page 51 for more).

Our new materiality assessment helped us identify over 20 potentially material areas of focus and we have since undertaken work to refine these further and define what it means for our new sustainability strategy.

We will publish the outcomes of this materiality assessment and our full sustainability strategy in the second half of 2022.

As there has been no material change in our business strategy, we reaffirmed in our 2021 Annual Report our support for the United Nations SDGs and those that are most heavily aligned to our six growth drivers.

For more information, see page 17 of our Annual Report

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We will use the materiality assessment and strategy review to reassess our alignment with the SDGs.

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“We have created a culture where people want to deliver the right outcomes and society trusts us.”

Sir Nigel Wilson
Group CEO

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Goals and commitments

Our vision of inclusive capitalism is centred around sustainability, through the ways we invest capital and serve our customers and clients.

The following tables set out the commitments we've made which have a delivery horizon in the rest of this decade, with sources of further information on each.

Environmental commitments	Target	Deadline	Further information
	We have made a series of commitments to ensure progress against our six climate goals. In our Climate Report, we set out these commitments in detail, with information about which we have achieved and our roadmap to reaching net zero by 2050.	Various dates, up to 2050	See pages 8-9 and pages 37-43 of our 2021 Climate Report for full details.
	This year, we have set additional commitments for reducing our operational environmental impacts. These commitments are set out on pages 17-18 of this report and include, but are not limited to:	Various dates	See pages 17-18 of this report.
	Targets to be set in accordance with the Science Based Targets initiative (SBTi) by the end of 2022, and published in 2023 once SBTi verification has been received.	2023	See pages 17-18 of this report.
	100% of our energy to be purchased from a renewable source.	2025	See pages 17-18 of this report.
	Our occupied offices to operate with net zero emissions.	from 2030	See pages 17-18 of this report.
	All business travel to be operationally net zero.	from 2030	See pages 17-18 of this report.
	Please see the 2021 Climate Report and pages 17-18 of this report for a full and detailed description of these commitments.		

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The following tables set out the commitments we've made which have a delivery horizon in the rest of this decade, with sources of further information on each.

Building a better society commitments

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 10–12%, and to add over £10 billion of third-party capital assets and asset creation for our retirement business.	2025	See page 30 of our 2021 Annual Report.
Our delivery pipeline is growing and our ambition is to deliver 3,000 modular homes per year by 2024.	2024	See page 38 and page 46 of our 2021 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	See page 33 of our 2021 Annual Report.
We aim to measure social value across 20% of our property assets by value by 2023.	2023	The 20% social value measurement has been completed.
Develop investment solutions via LGIM that are more clearly aligned to the UN SDGs.	2023	See our 2021 Active Ownership Report.
LGIM will develop and enhance long-term investment offerings which integrate ESG themes.	2023	See our 2021 Active Ownership 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	See our 2021 Active Ownership Report.

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The following tables set out the commitments we've made which have a delivery horizon in the rest of this decade, with sources of further information on each.

Growing our business responsibly commitments

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"> • Ensure leaders deliver change and business results through inclusive leadership. • Build a future-ready workforce of professionals with the right skills. • Deliver a high-trust and high-challenge performance-driven culture. 	Ongoing	See page 50 of our 2021 Annual Report for an update on our approach to developing our people.
<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"> • Take steps to improve the data we hold on our people, including on ethnicity and other protected characteristics. • 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. • Improve diversity through hiring more diverse talent and establishing new early careers opportunities. • Improve inclusion through improved line management capability and creating a global mentoring programme. 	Ongoing	See page 48 and page 84 of our 2021 Annual Report and our 2021 Gender Pay Gap Report.
<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	See page 50 and page 69 of our 2021 Annual Report.

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Goals and commitments

About this report

About this report

This report contains a commentary on Legal & General Group's sustainability-related activities during the fiscal year 1 January 2021 to 31 December 2021.

We recommend that this report be read alongside and as a supplement to our Annual Report and Accounts and our 2021 Climate Report (which is prepared in accordance with the requirements of the Taskforce on Climate-related Financial Disclosures (TCFD)).

Reporting frameworks and standards

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

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. 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.

Assurance and cautionary statement

The metrics, particularly targets, projections, forecasts and other forward looking metrics used in this report should be treated with caution, in particular given the uncertainty around the evolution and impact of climate change. Climate metrics include estimates of historical emissions and of historical climate change and forward-looking climate metrics and estimated climate projections and forecasts.

For a full cautionary statement on our climate metrics, see page 55 of the 2021 Climate Report

[→ See the 2021 Climate Report](#)

This report is not externally assured. All financial figures used have been taken from the Annual Report and its supplements, including the Climate Report and the Gender Pay Gap Report, which have been independently audited.

The previous edition was published in June 2021. We will continue to publish updates on sustainability-related strategy and activities annually.

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



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Tackling climate change

Building fairer economic growth

Prioritising health and wellbeing

Driving business transparency and equity

Growing our business responsibly

Appendix

Goals and commitments

About this report

We've created a culture where people want to deliver the right outcomes and society trusts us. We have the scale, influence and ambition to use capital to make a real difference to people's lives and tackle the biggest issues of our time. We call it inclusive capitalism, and it's what we do.

Feedback

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

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