



Statement on Principal Adverse Impacts of Investment decisions on sustainability factors

30 June 2025

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Annex 1

to the Commission Delegation Regulation (EU) .../... Brussels, 6.4.2022 C(2022) 1931 final

Supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council with regard to regulatory technical standards specifying the details of the content and presentation of the information in relation to the principle of 'do no significant harm', specifying the content, methodologies and presentation of information in relation to sustainability indicators and adverse sustainability impacts, and the content and presentation of the information in relation to the promotion of environmental or social characteristics and sustainable investment objectives in precontractual documents, on websites and in periodic reports

Annex 1: Template principal adverse sustainability impacts statement

For the purposes of this Annex, the following definitions shall apply:

- (1) 'scope 1, 2 and 3 GHG emissions' means the scope of greenhouse gas emissions referred to in points (1)(e)(i) to (iii) of Annex III to Regulation (EU) 2016/1011 of the European Parliament and of the Council¹;
- (2) 'greenhouse gas (GHG) emissions' means greenhouse gas emissions as defined in Article 3, point (1), of Regulation (EU) 2018/842 of the European Parliament and of the Council²;
- (3) 'weighted average' means a ratio of the weight of the investment by the financial market participant in an investee company in relation to the enterprise value of the investee company;
- (4) 'enterprise value' means the sum, at fiscal year-end, of the market capitalisation of ordinary shares, the market capitalisation of preferred shares, and the book value of total debt and non-controlling interests, without the deduction of cash or cash equivalents;
- (5) 'companies active in the fossil fuel sector' means companies that derive any revenues from exploration, mining, extraction, production, processing, storage, refining or distribution, including transportation, storage and trade, of fossil fuels as defined in Article 2, point (62), of Regulation (EU) 2018/1999 of the European Parliament and of the Council³;
- (6) 'renewable energy sources' means renewable non-fossil sources, namely wind, solar (solar thermal and solar photovoltaic) and geothermal energy, ambient energy, tide, wave and other ocean energy, hydropower, biomass, landfill gas, sewage treatment plant gas, and biogas;
- (7) 'non-renewable energy sources' means energy sources other than those referred to in point (6);
- (8) 'energy consumption intensity' means the ratio of energy consumption per unit of activity, output or any other metric of the investee company to the total energy consumption of that investee company;
- (9) 'high impact climate sectors' means the sectors listed in Sections A to H and Section L of Annex I to Regulation (EC) No 1893/2006 of the European Parliament and of the Council⁴;
- (10) 'protected area' means designated areas in the European Environment Agency's Common Database on Designated Areas (CDDA);

1. Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014 (OJ L 171, 29.6.2016, p. 1).

2. Regulation (EU) 2018/842 of the European Parliament and of the Council of 30 May 2018 on binding annual greenhouse gas emission reductions by Member States from 2021 to 2030 contributing to climate action to meet commitments under the Paris Agreement and amending Regulation (EU) No 525/2013 (OJ L 156, 19.6.2018, p. 26).

3. Regulation (EU) 2018/1999 of the European Parliament and of the Council of 11 December 2018 on the Governance of the Energy Union and Climate Action, amending Regulations (EC) No 663/2009 and (EC) No 715/2009 of the European Parliament and of the Council, Directives 94/22/EC, 98/70/EC, 2009/31/EC, 2009/73/EC, 2010/31/EU, 2012/27/EU and 2013/30/EU of the European Parliament and of the Council, Council Directives 2009/119/EC and (EU) 2015/652 and repealing Regulation (EU) No 525/2013 of the European Parliament and of the Council (OJ L 328, 21.12.2018, p. 1).

4. Regulation (EC) No 1893/2006 of the European Parliament and of the Council of 20 December 2006 establishing the statistical classification of economic activities NACE Revision 2 and amending Council Regulation (EEC) No 3037/90 as well as certain EC Regulations on specific statistical domains Text with EEA relevance (OJ L 393, 30.12.2006, p. 1–39).

- (11) 'area of high biodiversity value outside protected areas' means land with high biodiversity value as referred to in Article 7b(3) of Directive 98/70/EC of the European Parliament and of the Council⁵;
- (12) 'emissions to water' means direct emissions of priority substances as defined in Article 2(30) of Directive 2000/60/EC of the European Parliament and of the Council⁶ and direct emissions of nitrates, phosphates and pesticides ;
- (13) 'areas of high water stress' means regions where the percentage of total water withdrawn is high (40-80%) or extremely high (greater than 80%) in the World Resources Institute's (WRI) Water Risk Atlas tool "Aqueduct";
- (14) 'hazardous waste and radioactive waste' means hazardous waste and radioactive waste;
- (15) 'hazardous waste' means hazardous waste as defined in Article 3(2) of Directive 2008/98/EC of the European Parliament and of the Council⁷ ;
- (16) 'radioactive waste' means radioactive waste as defined in Article 3(7) of Council Directive 2011/70/Euratom⁸;
- (17) 'non-recycled waste' means any waste not recycled within the meaning of 'recycling' in Article 3(17) of Directive 2008/98/EC;
- (18) 'activities negatively affecting biodiversity-sensitive areas' means activities that are characterised by all of the following:
- (a) those activities lead to the deterioration of natural habitats and the habitats of species and disturb the species for which a protected area has been designated;
 - (b) for those activities, none of the conclusions, mitigation measures or impact assessments adopted pursuant to any of the following Directives or national provisions or international standards that are equivalent to those Directives have been implemented:
 - (i) Directive 2009/147/EC of the European Parliament and of the Council⁹;
 - (ii) Council Directive 92/43/EEC¹⁰;
 - (iii) an Environmental Impact Assessment (EIA) as defined in Article 1(2), point (g), of Directive 2011/92/EU of the European Parliament and of the Council¹¹;
 - (iv) for activities located in third countries, conclusions, mitigation measures or impact assessments adopted in accordance with national provisions or international standards that are equivalent to the Directives and impact assessments listed in points (i), (ii) and (iii);

5. Directive 98/70/EC of the European Parliament and of the Council of 13 October 1998 relating to the quality of petrol and diesel fuels and amending Council Directive 93/12/EEC (OJ L 350, 28.12.1998, p. 58).

6. Directive 2000/60/EC of the European Parliament and of the Council of 23 October 2000 establishing a framework for Community action in the field of water policy (OJ L 327, 22.12.2000, p. 1).

7. Directive 2008/98/EC of the European Parliament and of the Council of 19 November 2008 on waste and repealing certain Directives (OJ L 312, 22.11.2008, p. 3).

8. Council Directive 2011/70/Euratom of 19 July 2011 establishing a community framework for the responsible and safe management of spent fuel and radioactive waste (OJ L 199, 2.8.2011, p. 48).

9. Directive 2009/147/EC of the European Parliament and of the Council of 30 November 2009 on the conservation of wild birds (OJ L 20, 26.1.2010, p. 7).

10. Council Directive 92/43/EEC of 21 May 1992 on the conservation of natural habitats and of wild fauna and flora (OJ L 206, 22.7.1992, p. 7).

11. Directive 2011/92/EU of the European Parliament and of the Council of 13 December 2011 on the assessment of the effects of certain public and private projects on the environment (OJ L 026, 28.1.2012, p. 1).

- (19) 'biodiversity-sensitive areas' means Natura 2000 network of protected areas, UNESCO World Heritage sites and Key Biodiversity Areas ('KBAs'), as well as other protected areas, as referred to in Appendix D of Annex II to Commission Delegated Regulation (EU) 2021/2139;
- (20) 'threatened species' means endangered species, including flora and fauna, listed in the European Red List or the IUCN Red List, as referred to in Section 7 of Annex II to Delegated Regulation (EU) 2021/2139;
- (21) 'deforestation' means the temporary or permanent human-induced conversion of forested land to non-forested land;
- (22) 'UN Global Compact principles' means the 10 Principles of the United Nations Global Compact;
- (23) 'unadjusted gender pay gap' means the difference between the average gross hourly earnings of male paid employees and of female paid employees as a percentage of average gross hourly earnings of male paid employees;
- (24) 'board' means the administrative, management or supervisory body of a company;
- (25) 'human rights policy' means a policy commitment approved at board level on human rights that the economic activities of the investee company shall be in line with the UN Guiding Principles on Business and Human Rights;
- (26) 'whistleblower' means a 'reporting person' as defined in Article 5(7) of Directive (EU) 2019/1937 of the European Parliament and of the Council¹²;
- (27) 'inorganic pollutants' means emissions within or lower than the emission levels associated with the best available techniques (BAT-AEL) as defined in Article 3, point (13) of Directive 2010/75/EU of the European Parliament and of the Council¹³, for the Large Volume Inorganic Chemicals - Solids and Others industry;
- (28) 'air pollutants' means direct emissions of sulphur dioxides (SO₂), nitrogen oxides (NO_x), non-methane volatile organic compounds (NMVOC), and fine particulate matter (PM_{2,5}) as defined in Article 3, points (5) to (8), of Directive (EU) 2016/2284 of the European Parliament and of the Council¹⁴, ammonia (NH₃) as referred to in that Directive and heavy metals (HM) as referred to in Annex I to that Directive;
- (29) 'ozone depletion substances' mean substances listed in the Montreal Protocol on Substances that Deplete the Ozone Layer.

12. Directive (EU) 2019/1937 of the European Parliament and of the Council of 23 October 2019 on the protection of persons who report breaches of Union law (OJ L305, 26.11.2019, p. 17).

13. Directive 2010/75/EU of the European Parliament and of the Council of 24 November 2010 on industrial emissions (integrated pollution prevention and control) (OJ L 334, 17.12.2010, p. 17).

14. Directive (EU) 2016/2284 of the European Parliament and of the Council of 14 December 2016 on the reduction of national emissions of certain atmospheric pollutants, amending Directive 2003/35/EC and repealing Directive 2001/81/EC (Text with EEA relevance), OJ L 344, 17.12.2016, p. 1–31.

For the purposes of this Annex, the following formulas shall apply:

- (1) 'GHG emissions' shall be calculated in accordance with the following formula:

$$\sum_n^i \left(\frac{\text{current value of investment}_i}{\text{investee company's enterprise value}_i} \times \text{investee company's Scope}(x) \text{ GHG emissions}_i \right)$$

- (2) 'carbon footprint' shall be calculated in accordance with the following formula:

$$\sum_n^i \left(\frac{\text{current value of investment}_i}{\text{investee company's enterprise value}_i} \times \text{investee company's Scope 1,2 and 3 GHG emissions}_i \right) / \text{current value of all investments (€M)}$$

- (3) 'GHG intensity of investee companies' shall be calculated in accordance with the following formula:

$$\sum_n^i \left(\frac{\text{current value of investment}_i}{\text{current value of all investments (€M)}} \times \frac{\text{investee company's Scope 1, 2 and 3 GHG emissions}_i}{\text{investee company's €M revenue}_i} \right)$$

- (4) 'GHG intensity of sovereigns' shall be calculated in accordance with the following formula:

$$\sum_n^i \left(\frac{\text{current value of investment}_i}{\text{current value of all investments (€M)}} \times \frac{\text{The country's Scope 1,2 and 3 GHG emissions}_i}{\text{Gross Domestic Product}_i \text{ (€M)}} \right)$$

- (5) 'inefficient real estate assets' shall be calculated in accordance with the following formula:

$$\frac{((\text{Value of real estate assets built before 31/12/2020 with EPC of C or below}) + (\text{Value of real estate assets built after 31/12/2020 with PED below NZEB in Directive 2010/31/EU}))}{\text{Value of real estate assets required to abide by EPC and NZEB rules}}$$

For the purposes of the formulas, the following definitions shall apply:

- (1) 'current value of investment' means the value in EUR of the investment by the financial market participant in the investee company;
- (2) 'enterprise value' means the sum, at fiscal year-end, of the market capitalisation of ordinary shares, the market capitalisation of preferred shares, and the book value of total debt and non-controlling interests, without the deduction of cash or cash equivalents;
- (3) 'current value of all investments' means the value in EUR of all investments by the financial market participant;
- (4) 'nearly zero-energy building (NZEB)', 'primary energy demand (PED)' and 'energy performance certificate (EPC)' shall have the meanings given to them in paragraphs 2, 5 and 12 of Article 2 of Directive 2010/31/EU of the European Parliament and of the Council¹⁵.

15. Directive 2010/31/EU of the European Parliament and of the Council of 19 May 2010 on the energy performance of buildings (recast) (OJ L 153, 18.6.2010, p. 13)

Table 1: Statement on principal adverse impacts of investment decisions on sustainability factors

Financial market participant: LGIM Managers (Europe) Limited, LEI: 2138007FJWCCJQ6KZM89 (LGIME)

Summary

LGIM Managers (Europe) Limited (LGIME) considers principal adverse impacts of its investment decisions on sustainability factors. This is the consolidated statement on principal adverse impacts on sustainability factors of LGIME and covers the reference period from 1 January to 31 December 2024. It should be noted that LGIME is a subsidiary of L&G Asset Management Limited, LEI: 213800MCLBTNE3X4NH27 and has delegated investment management to LGIM Limited (LEI: 2138005NNERSR7ODIC73) (L&G), collectively referred to as “we”, “us” or “our”. Hence, this statement refers to investment activities undertaken by L&G on behalf of LGIME. It should be noted that the data disclosed in the statement relating to principal adverse impacts pertains to investments made by L&G on behalf of and/or held in LGIME funds (LGIME Funds) and Individual Portfolio Management (IPM) accounts (Segregated Portfolios).

L&G, on behalf of LGIME, addresses PAIs through a variety of measures, and to varying degrees, depending on our assessment of the scale and severity of adverse impacts on the environment, society and economies. We have formalised our commitments to key PAIs including climate change, biodiversity and deforestation by becoming signatories to the Net Zero Asset Managers Initiative (NZAMI), the Finance for Biodiversity Pledge, and the COP 26 Commitment on Eliminating Agricultural Commodity Driven Deforestation from Investment Portfolios. We have developed firm-wide policies for these PAIs, as well as a policy for controversial weapons. We implement these firm-wide policies through dedicated engagement programmes, such as the Climate Impact Pledge, and exclusion policies on controversial weapons and coal that cover all non-U.S. pooled active funds and certain non-U.S. pooled index funds, as well as certain segregated mandates, as per our clients’ requests.

In addition to firm-wide policies, L&G also seeks to address PAIs through (i) active ownership activities, (ii) insights and actions by L&G’s Global Research and Engagement Groups (GREGs), (iii) systematic investment processes such as ESG Factor Evaluation, and (iv) ESG or sustainability strategies in LGIME funds and segregated mandates.

Through active ownership, L&G strives to drive positive developments in the financially material areas covered by our global stewardship themes in companies and assets in which we invest. Our Investment Stewardship and Investment teams exercise voting rights across our entire book where we have discretion, and engage with companies, policymakers and other stakeholders to address financially material issues on topics including net-zero emissions, and gender diversity. L&G’s Climate Impact Pledge is the targeted engagement and voting campaign we began in 2016 to address the systemic issue of climate change. Under the Pledge, we vote against all companies that do not meet our published expected standards. By linking our votes to specific data points aligned with our principles-based approach, we aim to exert our influence consistently across markets.

L&G's internal processes for identifying and prioritising sustainability risks, PAIs and opportunities are supported by the Global Research and Engagement Groups (GREGs), which enable L&G to connect top-down macro and thematic views with bottom-up analysis of corporate and sector fundamentals to understand the materiality of sustainability risks and opportunities and prioritise them accordingly. Combining the capabilities of the Investment and Investment Stewardship teams also enables L&G to scale and coordinate our engagement efforts with companies at the board and executive management levels, across all asset classes and investment styles.

LGIME oversees the application and consideration of PAIs in its capacity as manager of LGIME funds and Segregated Portfolios.

Approach to Adverse Sustainability Indicators

Several factors were considered to determine the approach, including L&G's standard ESG metrics, sustainable finance standards, and due diligence on external data providers' offerings. The adverse sustainability indicators reported here comprise data from L&G and external data providers. It should be noted that the availability and quality of data are still very limited across many adverse sustainability indicators within the broad investment universe and that reporting standards are continuously evolving. Notwithstanding the limitations on data and methodologies, L&G remains committed to transparency and has, on a best-endeavours basis, represented the adverse sustainability indicators as accurately as is currently practicable.

Description of the principal adverse impacts on sustainability factors

Adverse sustainability indicator		Metric	Impact 2024	Impact 2023	Impact 2022	Explanation	Actions taken, actions planned and targets set for the next reference period
Greenhouse gas emissions	1. GHG emissions ¹⁶	Scope 1 GHG emissions	<ul style="list-style-type: none"> 2,329,526 tons CO2e 49.30% Coverage 	<ul style="list-style-type: none"> 2,054,857 tons CO2e 45.12% Coverage 	<ul style="list-style-type: none"> 3,308,426 tons CO2e 35.6% Coverage 	Standard L&G ESG methodology stipulates that the GHG emissions are calculated by multiplying the carbon footprint by the AUM. Hence both components can impact this value.	<p>L&G Asset Management Limited, of which LGIME is a part, has committed to the Net Zero Asset Managers Initiative (NZAMI) to work in partnership with our clients to (i) reach net-zero greenhouse gas emissions by 2050 or sooner across all assets under management, (ii) reach an interim target of 70% of eligible AUM¹⁸ being managed in alignment with this net-zero ambition by 2030, and (iii) achieve net-zero carbon across our real estate portfolio by 2050. Our overarching ambition is to help decarbonise the real economy. To this end, we have deployed the following policies and programmes:</p> <ol style="list-style-type: none"> L&G's Climate Change policy: L&G's policy on climate change 2021. L&G's Net Zero framework: L&G has set standards for investment portfolios to be considered net-zero aligned. Active Ownership, in particular our dedicated climate engagement programme, the L&G Climate Impact Pledge. Under the Pledge, we vote against all companies that do not meet our published expected standards. By linking our votes to specific data points aligned with our principles-based approach, we aim to exert our influence consistently across markets. Across 20 'climate critical sectors', we have selected companies for in-depth engagement on account of their scale and influence across their sectors and value chains, and their potential to drive market-wide improvements. In our engagements for the 2025 cycle, we will be increasingly focused on outcome-driven objectives, reflecting the progress over time from commitments and targets to climate transition plans, actions and investments, and to interrelated nature dependencies.
		Scope 2 GHG emissions	<ul style="list-style-type: none"> 624,046 tons CO2e 49.30% coverage 	<ul style="list-style-type: none"> 529,325 tons CO2e 45.12% Coverage 	<ul style="list-style-type: none"> 954,761 tons CO2e 35.6% Coverage 		
		Scope 3 ¹⁷ GHG emissions	<ul style="list-style-type: none"> 52,194,679 tons CO2e 49.30% coverage 	<ul style="list-style-type: none"> 30,862,673 tons CO2e 45.12% Coverage 	N/A	Our EVIC, which serves as the denominator in our equation, has decreased, according to data provided by our vendor, Refinitiv. This change explains the large scope 3 footprint change.	
		Total GHG emissions	<ul style="list-style-type: none"> Scope 1 & 2 2,953,572 tons CO2e Scope 3 52,194,679 tons CO2e 49.30% Coverage 	<ul style="list-style-type: none"> Scope 1 & 2 2,584,182 tons CO2e Scope 3 30,862,673 tons CO2e 45.12% Coverage 	<ul style="list-style-type: none"> Scope 1 & 2 4,263,188 tons CO2e 35.6% Coverage 		

16. GHG Green House Emissions: L&G uses ISS as the vendor for carbon data and Refinitiv for EVIC (Enterprise Including Cash). There is up to a two-year lag between the reporting date and the carbon emissions date. Companies usually report carbon emissions over a fiscal year, but there may be differences in the reporting dates between companies. (footnote in relation to GHG page 8).

17. Scope 3 GHG emissions were first reported in 2023 (footnote in relation to GHG page 8).

18. For this first interim target, unveiled as part of the Net Zero Asset Managers initiative, L&G has excluded government securities and derivative assets (footnote in relation to AUM page 8).

Adverse sustainability indicator	Metric	Impact 2024	Impact 2023	Impact 2022	Explanation	Actions taken, actions planned and targets set for the next reference period
2. Carbon footprint	Carbon footprint	<ul style="list-style-type: none"> • Scope 1&2 • 34.08 tons CO2e/1mn invested • Scope 3 • 601.85 tons CO2e/1mn invested <p>49.30% Coverage</p>	<ul style="list-style-type: none"> • Scope 1&2 • 32.15 tons CO2e/1mn invested • Scope 3 • 383.8 tons CO2e/1mn invested <p>45.12% Coverage</p>	<ul style="list-style-type: none"> • Scope 1&2 • 46.51 tons CO2e/1mn invested <p>35.6% Coverage</p>	<p>GHG corporate emissions data was sourced from ISS, while EVIC data was sourced from Refinitiv. Data coverage was above 49% for scope 1, 2 & 3.</p> <p>Scope 3:</p> <p>There is a significant increase in reported and estimated scope 3 emissions, paired with some minor changes in repositioning contribution.</p>	<p>4. Exclusions:</p> <p>Our Coal Policy is an exclusionary policy on certain companies involved in the mining and extraction of thermal coal or thermal coal power generation. This is applied to all LGIME actively managed funds and certain index funds, as well as certain segregated Individual Portfolio Management (IPM) mandates.</p> <p>Certain funds and segregated IPM mandates also employ other fossil fuel-related exclusionary policies, including but not limited to those that implement the Future World Protection List, the EU Climate Benchmark requirements, and L&G's Net Zero framework. Finally, certain funds implement investment exclusions that result from companies failing to meet our minimum expectations as part of our Climate Impact Pledge.</p>
3. GHG intensity of investee companies	GHG intensity of investee companies	<ul style="list-style-type: none"> • Scope 1&2 70.85 tons CO2e/1mn revenue • Scope 3 • 1,358.87 tons CO2e/1mn revenue <p>52.87% Coverage</p>	<ul style="list-style-type: none"> • Scope1&2 86.72 tons CO2e/1mn revenue • Scope 3 • 1008.5 tons CO2e/1mn revenue <p>47.08% Coverage</p>	<ul style="list-style-type: none"> • Scope1&2 119.91 tons CO2e/1mn revenue <p>45.2% Coverage</p>	<p>GHG emissions and revenue data were sourced from ISS. Data coverage was above 49% for scope 1, 2 & 3.</p> <p>There has been a significant increase in reported and estimated scope 3 emissions.</p>	<p>In 2024, in line with the International Energy Agency's (IEA) net-zero emissions scenario, we tightened the exclusions criteria for oil sands and companies involved in the expansion of coal mining and/or power generation capacity ("no new coal" criteria) within the Future World Protection List (FWPL).</p>
4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	<ul style="list-style-type: none"> • 3.98% <p>53.34% Coverage</p>	<ul style="list-style-type: none"> • 4.3% <p>48% Coverage</p>	<ul style="list-style-type: none"> • 5.66% <p>44.6% Coverage</p>	<p>Fossil fuel exposure data was sourced from Sustainalytics. Data coverage was above 53%.</p>	<p>5. Products: we continue to introduce or enhance climate-related investment strategies through new and existing products: L&G Net Zero, Paris-Aligned Benchmark, Carbon emission intensity or footprint reduction strategies.</p> <p>a. New strategy: L&G Climate Action Global Equity fund.</p>

Adverse sustainability indicator	Metric	Impact 2024	Impact 2023	Impact 2022	Explanation	Actions taken, actions planned and targets set for the next reference period
5. Share of non-renewable energy consumption and non-renewable energy production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	<ul style="list-style-type: none"> Production: 18.45% 13.60% Coverage Consumption: 56.04% 35.73% Coverage 	<ul style="list-style-type: none"> Production: 16.12% 9.85% Coverage Consumption: 56.05% 27.3% Coverage 	<ul style="list-style-type: none"> Production: 13.83% 10% Coverage Consumption: 60.78% 25.2% Coverage 	<p>Share of renewable energy production and consumption data was sourced from Sustainalytics. Data coverage for production was above 13%, while consumption was above 35%. The low coverage for production may be due in part to the limited number of companies and sectors involved in producing energy. The coverage for consumption may depend on the extensiveness of company disclosure.</p>	<p>In 2024, we implemented our Climate Action Strategy to a fund in the LGIME fund range. Our Climate Action strategy is underpinned by our firm belief that companies underperforming on the energy transition not only risk missing out on the opportunities created by climate transition, but that they are also at significant risk of financial loss if they do not adjust their trajectory.</p> <p>The strategy builds upon the L&G Destination@Risk model and research capability, and the Investment team working in partnership with our Investment Stewardship function to harness engagement to drive positive climate impact and seek to unlock long-term shareholder value. Each investee company is subject to a bespoke and detailed active engagement process with clearly identified objectives and time-bound expectations.</p> <p>6. ESG Methodologies:</p> <p>a. In 2024, we developed the L&G Securitised Credit ESG Assessment methodology, a research-based methodology that uses a combination of qualitative, quantitative, and third-party assessments to determine the ESG characteristics of each securitised asset. The methodology reviews each securitised asset against applicable ESG considerations and provides a positive, neutral or negative rating. Positive assessments can be based on whether the underlying assets have contributed to environmental or social objectives, or whether they provide social and/or environmental benefits.</p> <p>b. Climate factors incorporated in ESG approaches:</p> <p>L&G ESG Score: The L&G ESG Score, which is used in a range of equity and fixed income funds, takes into account carbon emissions intensity, carbon reserve intensity, green revenues and temperature alignment, as well as the scope of GHG emissions disclosure in assessing companies.</p>
6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	<ul style="list-style-type: none"> (In GWh/1mn revenue) Wholesale & Retail Trade & Repair of Motor Vehicles & Motorcycles: 0.09 0.92% Coverage Water Supply, Sewerage, Waste Management & Remediation Activities: 0.61 0.37% Coverage Real Estate Activities: 0.48 1.47% Coverage Mining & Quarrying: 2.37 0.94% Coverage 	<ul style="list-style-type: none"> (In GWh/1mn revenue) Wholesale & Retail Trade & Repair of Motor Vehicles & Motorcycles: 1.94 0.90% Coverage Water Supply, Sewerage, Waste Management & Remediation Activities: 0.63 0.34% Coverage Real Estate Activities: 0.61 1.27% Coverage Mining & Quarrying: 5.65 0.93% Coverage 	<ul style="list-style-type: none"> (In GWh/1mn revenue) Wholesale & Retail Trade & Repair of Motor Vehicles & Motorcycles: 0.85 0.90% Coverage Water Supply, Sewerage, Waste Management & Remediation Activities: 0.63 0.3% Coverage Real Estate Activities: 0.71 1.2% Coverage Mining & Quarrying: 13.66 1.1% Coverage 	<p>Energy consumption data was sourced by Sustainalytics. Data coverage was below 10% and, in most cases, below 1%. The low coverage may be due in part to the limited number of companies and sectors involved in each high climate impact sector.</p> <p>Wholesale & Retail Trade & Repair of Motor Vehicles & Motorcycles:</p> <p>Due to very low coverage this number is relatively volatile.</p> <p>Mining & Quarrying:</p> <p>The decrease is mainly due to a drop in the reported energy consumption intensity for mining and quarrying.</p>	<p>a. In 2024, we developed the L&G Securitised Credit ESG Assessment methodology, a research-based methodology that uses a combination of qualitative, quantitative, and third-party assessments to determine the ESG characteristics of each securitised asset. The methodology reviews each securitised asset against applicable ESG considerations and provides a positive, neutral or negative rating. Positive assessments can be based on whether the underlying assets have contributed to environmental or social objectives, or whether they provide social and/or environmental benefits.</p> <p>b. Climate factors incorporated in ESG approaches:</p> <p>L&G ESG Score: The L&G ESG Score, which is used in a range of equity and fixed income funds, takes into account carbon emissions intensity, carbon reserve intensity, green revenues and temperature alignment, as well as the scope of GHG emissions disclosure in assessing companies.</p>

Adverse sustainability indicator	Metric	Impact 2024	Impact 2023	Impact 2022	Explanation	Actions taken, actions planned and targets set for the next reference period
6. Energy consumption intensity per high impact climate sector		<ul style="list-style-type: none"> Manufacturing: 1.15 	<ul style="list-style-type: none"> Manufacturing: 6.07 	<ul style="list-style-type: none"> Manufacturing: 12.01 	<p>Manufacturing:</p> <p>The decrease is mainly due to a drop in the reported energy consumption intensity for manufacturing.</p>	<p>ESG Factor Evaluation: Through the ESG Factor Evaluation, which is used in a range of active strategies, certain companies that do not meet minimum quantitative or qualitative thresholds have restricted exposure. ESG Factor Evaluation takes into account companies' Scope 1 and 2 GHG emissions, GHG emissions intensity, GHG emissions reduction programmes, GHG risk management, renewable energy use, renewable energy programmes, energy efficiency, thermal coal extraction and power generation, oil sands and arctic oil.</p> <p>7. GREGs: The Global Research and Engagement Groups ("GREGs") consist of nine groups of cross-asset sector specialists and research analysts from our Active Equity, Credit and Investment Stewardship teams. Together, they identify, explore and debate the structural changes affecting the world we live in, connecting the macro with micro through an ESG lens. The GREGs frequently share research highlights and deep dives from each sector group. More information on the GREGs can be found in the L&G Sustainability Policy.</p> <p>In 2024 research included:</p> <ul style="list-style-type: none"> Banks' exposure to climate risk Impacts of mergers and acquisition within the oil & gas industry on decarbonisation commitments <p>The GREGs conduct analysis into various issues affecting greenhouse gas emissions to identify how companies are exposed to and managing their risks and hence, opportunities for engagement.</p> <p>Going forward, our NZAMI commitments will continue to direct our efforts towards enhancing more portfolios to meet the L&G Net Zero Framework requirements. This will require product enhancements to incorporate the L&G Net Zero Framework requirements in more funds and partnering with clients to identify opportunities for aligning their mandates to net-zero outcomes.</p>
		11.20% Coverage	9.55% Coverage	9.5% Coverage		
		<ul style="list-style-type: none"> Electricity, Gas, Steam & Air 	<ul style="list-style-type: none"> Electricity, Gas, Steam & Air 	<ul style="list-style-type: none"> Electricity, Gas, Steam & Air 	<p>Electricity, Gas, Steam & Air Conditioning Supply:</p>	
		<ul style="list-style-type: none"> Conditioning Supply: 3.94 	<ul style="list-style-type: none"> Conditioning Supply: 4.77 	<ul style="list-style-type: none"> Conditioning Supply: 7.87 	<p>Due to very low coverage this number is relatively volatile.</p>	
		1.23% Coverage	1.0% Coverage	1.0% Coverage		
		<ul style="list-style-type: none"> Construction: 0.11 	<ul style="list-style-type: none"> Construction: 0.14 	<ul style="list-style-type: none"> Construction: 105.96 	<p>Construction:</p>	
		0.12% Coverage	0.12% Coverage	0.1% Coverage		
	<ul style="list-style-type: none"> Agriculture, Forestry & Fishing: 1.50 	<ul style="list-style-type: none"> Agriculture, Forestry & Fishing: 3.60 	<ul style="list-style-type: none"> Agriculture, Forestry & Fishing: 6.12 	<p>Agriculture, Forestry & Fishing:</p>		
	0.03% Coverage	0.02% Coverage	0.1% Coverage	<p>Due to very low coverage this number is relatively volatile. In addition, some of the underlying companies have been moved to different NACE sectors.</p>		
	<ul style="list-style-type: none"> Transportation & Storage: 1.73 	<ul style="list-style-type: none"> Transportation & Storage: 1.69 	<ul style="list-style-type: none"> Transportation & Storage: 1.93 			
	0.55% Coverage	0.48% Coverage	0.6% Coverage			

Adverse sustainability indicator	Metric	Impact 2024	Impact 2023	Impact 2022	Explanation	Actions taken, actions planned and targets set for the next reference period	
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/ operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	• 3.17% 53.38% Coverage	• 4.09% 48.03% Coverage	• 5.41% 44.6% Coverage	Data pertaining to activities negatively affecting biodiversity sensitive areas was sourced from Sustainalytics. Data coverage was above 53%.	<p>In line with L&G Asset Management Limited group policy, LGIME is committed to addressing the issue of biodiversity loss. L&G Asset Management Limited is a signatory to the Finance for Biodiversity Pledge. We believe that recognising the potential risks from nature, including biodiversity loss and deforestation, is part of our fiduciary duty while managing our clients' assets.</p> <p>Our approach on biodiversity comprises the following policies and programmes:</p> <ol style="list-style-type: none"> 1. L&G's Nature Framework: outlines our approach to aligning with the five direct drivers of nature change that have the largest global impact. 2. L&G's policy on Deforestation: our deforestation policy was updated in 2024 and sets out how L&G aims to meet its COP26 commitment to eliminating agricultural commodity-driven deforestation from investment portfolios. 3. Active ownership: We have been a strong supporter of the development of the TNFD, which stands for the Taskforce on Nature-related Financial Disclosures, both as a forum member and as an early adopter through L&G Group reporting. In 2024, we initiated constructive dialogue with Asian stock exchanges on the adoption of the TNFD. We are longstanding members of the Investor Policy Dialogue on Deforestation (IPDD) collaboration. Alongside 15 other signatories with collective assets of over US\$4 trillion, we co-signed a letter to the Brazilian government in support of the ratification of the Escazú Agreement, which would strengthen sustainable development and help improve transparency and access to information about civil rights and environmental issues. 4. Biodiversity factors incorporated in ESG approaches: the ESG Factor Evaluation and embedded within the L&G ESG Score are metrics assessing companies' approaches to the management of biodiversity and deforestation risks.

Adverse sustainability indicator	Metric	Impact 2024	Impact 2023	Impact 2022	Explanation	Actions taken, actions planned and targets set for the next reference period
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	<ul style="list-style-type: none"> 0.001 tons/1mn invested 0.15% Coverage	<ul style="list-style-type: none"> 0.278 tons/1mn invested 1.76% Coverage	<ul style="list-style-type: none"> 0.41 tons/1mn invested 1.8% Coverage	<p>Water emissions data was sourced from Sustainalytics. Data coverage was below 5%.</p> <p>There has been a large drop >90% in both coverage and the absolute emissions to water number.</p> <p>The data provider's methodology was updated to include only substances specifically mentioned by the SDR regulation (direct nitrate, phosphate and pesticide emissions, as well as priority substances listed in the relevant EU regulation).</p> <p>Water pollution can make water unsafe for human use and disrupts aquatic ecosystems. L&G is focused on fresh water and oceans, including water quantity and quality, helping to preserve and protect nature and ecosystems.</p> <p>Our approach to water comprises the following policies and programmes:</p> <ol style="list-style-type: none"> L&G's Water Policy: our water policy sets out the risks facing marine and freshwater ecosystems and how that impacts economic activities, from a water quality and quantity perspective. Active Ownership: During 2024, L&G has been involved in multiple engagements, both individually and alongside other investors, with the key UK water companies, their major shareholders and the industry regulators, in a combined effort between the Investment team and Investment Stewardship members as part of a GREGs working group. This includes bilateral engagement with civil servants at the UK government's Department for Environment, Food & Rural Affairs (Defra), regarding bond-market perception of the UK water sector and helping to connect Defra with the UK investor trade body, the Investment Association, and with credit rating agency Moody's. We also took part in an investor roundtable in September with the environment secretary and financial secretary to the UK Treasury. ESG Methodologies: Water factors are incorporated in the ESG Factor Evaluation and the L&G ESG Score integrates metrics on water management and employs tilts using the L&G ESG Score. GREGs: Research included an assessment of UK water utility companies' management of a range of issues including leakages and pollution.

Adverse sustainability indicator	Metric	Impact 2024	Impact 2023	Impact 2022	Explanation	Actions taken, actions planned and targets set for the next reference period	
Waste	9. Hazardous waste and radioactive waste ratio	Tons of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	<ul style="list-style-type: none"> 8.40 tons/1mn invested 46.75% Coverage 	<ul style="list-style-type: none"> 12.91 tons/1mn invested 35.28% Coverage 	<ul style="list-style-type: none"> 40.26 tons/1mn invested 10.9% Coverage 	<p>Hazardous and radioactive waste ratio data was sourced from Sustainalytics. Data coverage was above 46%.</p> <p>In 2023 there was an error in the vendor data of an issuer after the publication of our SFDR PAI statement. The figure has been updated to reflect the correct number of 12.91 tons/1mn invested, rather than 11.92 previously reported.</p>	<p>Our approach to hazardous waste and radioactive waste is in its early stage.</p> <p>We factor in adverse impacts in waste through ESG Factor Evaluation, which takes into account companies' waste intensity.</p>
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	<ul style="list-style-type: none"> 0.13% No coverage value 	<ul style="list-style-type: none"> 0.17% No coverage value 	<ul style="list-style-type: none"> 0.13% No coverage value 	<p>Data pertaining to violations of UNGC and OECD guidelines for Multinational Enterprises was sourced from L&G's Future World Protection List. This proprietary methodology identified perennial violators that were in breach of at least one of the UNGC principles for a continuous period of three years or more. The underlying data used to identify these companies was sourced from Sustainalytics, which takes into account both UNGC and OECD guidelines.</p> <p>The eligible proportion of corporate holdings was 56%.</p>	<p>The UN Global Compact ("UNGC") and OECD Guidelines for Multinational Enterprises ("OECD Guidelines") represent globally agreed standards for human rights, labour rights, the environment, corruption and other norms. Companies whose activities breach such principles may present increased risks due to lax governance and management of their operations, which can lead to reputational damage and potential future liabilities.</p> <ol style="list-style-type: none"> L&G's policy: L&G's Human rights policy document emphasises our commitments on human rights as a global investor and outlines our specific expectations of investee companies regarding human rights. Exclusions: Our Future World Protection List, which is applied to a subset of our funds, excludes companies that are in breach of at least one of the UNGC principles for a continuous period of three years or more. The data used to identify these companies was sourced from Sustainalytics, which incorporates the OECD Guidelines as well. Certain funds also exclude UNGC violators through their own exclusion policies. Active Ownership: L&G votes against the re-election of the chair or other directors of any company that is on our Future World Protection UNGC violator list where we maintain a holding in other funds.

Adverse sustainability indicator	Metric	Impact 2024	Impact 2023	Impact 2022	Explanation	Actions taken, actions planned and targets set for the next reference period
11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance / complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	<ul style="list-style-type: none"> 47.57% 52.96% Coverage	<ul style="list-style-type: none"> 43.51% 45.71% coverage	<ul style="list-style-type: none"> 46.02% 43.2% Coverage	Data pertaining to lack of processes and compliance mechanisms was sourced from Sustainalytics. Data coverage was over 52%.	<p>In 2024, we engaged with around 400 companies in high-risk sectors in relation to human rights, namely: utilities, energy, mining and minerals, apparel and textiles, technology and automobiles. This led to 20 direct engagement discussions.</p> <p>In 2024, we continued our collaborative engagement efforts on human rights to include the ICCR Living Wage campaign for US workers and the Platform for Living Wage Financials (PLWF). We co-chair the food retail segment of the PLWF.</p>
4. ESG Methodologies						
<p>I. ESG Factor Evaluation: ESG Factor Evaluation takes into account and restricts exposure to companies deemed to have breached UNGC principles or those involved in severe controversies.</p>						
<p>II. In 2024, we developed the L&G Securitised Credit ESG Assessment methodology, a research-based methodology that uses a combination of qualitative, quantitative, and third-party assessments to determine the ESG characteristics of each securitised asset. The methodology reviews each securitised asset against applicable ESG considerations and provides a positive, neutral or negative rating. Positive assessments can be based on whether the underlying assets have contributed to environmental or social objectives, or whether they provide social and/or environmental benefits.</p>						

Adverse sustainability indicator	Metric	Impact 2024	Impact 2023	Impact 2022	Explanation	Actions taken, actions planned and targets set for the next reference period
12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	<ul style="list-style-type: none"> 19.98% 2.32% Coverage	<ul style="list-style-type: none"> 23.05% 2.87% Coverage	<ul style="list-style-type: none"> 23.43% 2.3% Coverage	Data pertaining to unadjusted gender pay gap was sourced from Sustainalytics. Data coverage was below 3%.	<p>L&G focuses on in-work poverty because living in poverty can impact a worker in a number of ways, including health (both physical and mental) and productivity. Under our Global Corporate Governance and Responsible Investment Principles, we expect companies to disclose information on their gender pay gap, along with initiatives in place and actions being taken to close any stated gap.</p> <p>1. L&G's policy: Our published guidelines relating to income inequality set out our expectations. The aim is to drive the adoption of a living wage strategy and encourage its public disclosure.</p> <p>Gender pay-gap factors incorporated in ESG approaches: Board gender diversity factors are incorporated in the L&G ESG Score, which takes into account the percentage of women on the board.</p> <p>2. ESG Factor Evaluation: ESG Factor Evaluation takes into account companies' fair remuneration and equal opportunity policies.</p>
13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	<ul style="list-style-type: none"> 33.73% 36.10% Coverage	<ul style="list-style-type: none"> 32.77% 38.27% Coverage	<ul style="list-style-type: none"> 30.38% 43.8% Coverage	Data pertaining to board gender diversity was sourced from Refinitiv. Data coverage was above 36%.	<p>L&G advocates for cognitive diversity in the companies in which we invest, as we believe that a suitably diverse mix of skills, experience and perspectives is essential for teams to function and perform optimally.</p> <p>1. L&G's policy: our Diversity Policy, states our commitment to push the companies in which we invest globally to meet our minimum diversity expectations.</p> <p>2. Active Ownership: We continue to advocate for gender diversity at board, executive, management and workforce levels.</p> <p>Board gender diversity factors are incorporated in the L&G ESG Score, which takes into account the percentage of women on the board.</p>

Adverse sustainability indicator	Metric	Impact 2024	Impact 2023	Impact 2022	Explanation	Actions taken, actions planned and targets set for the next reference period
14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	<ul style="list-style-type: none"> 0.00% <i>No Coverage value</i>	<ul style="list-style-type: none"> 0.00% <i>No Coverage value</i>	<ul style="list-style-type: none"> 0.00% <i>No Coverage value</i>	<p>Controversial weapons data was sourced from L&G's Controversial Weapons Policy. The methodology was proprietary to L&G, while the underlying data used to identify these companies was sourced from Sustainalytics.</p> <p>The eligible proportion of corporate holdings was 56%.</p>	<p>Controversial weapons are illegal in many jurisdictions and in some it is also illegal to invest in the debt and equity of these companies. L&G has a widely applied controversial weapons policy that excludes from its investments those companies involved in the manufacture and production of cluster munitions, anti-personnel landmines, and biological and chemical weapons.</p> <p>Policy:</p> <p>L&G - Asset Management Limited Controversial Weapons Policy</p>
Environmental	15. GHG intensity	GHG intensity of investee countries	<ul style="list-style-type: none"> 170.53 tons CO2e/1mn <i>41.35% Coverage</i>	<ul style="list-style-type: none"> 199.53 tons CO2e/1mn <i>46.42% Coverage</i>	<ul style="list-style-type: none"> 193.41 tons CO2e/1mn <i>52.8% Coverage</i>	<p>GHG intensity data pertaining to sovereigns was sourced from ISS. Data coverage was over 40%.</p> <p>ESG Methodologies: We apply our proprietary Sovereign Risk ESG scoring framework to index strategies investing in government debt markets. The framework consists of four pillars, including an 'Environment' pillar that looks at themes such as decarbonisation, natural capital, sustainability, biodiversity and physical risk.</p>
Social	16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law	<ul style="list-style-type: none"> Absolute: 5.0 Relative: 4.77% <i>41.3% Coverage</i>	<ul style="list-style-type: none"> Absolute: 2.5 Relative: 2.54% <i>46.4% Coverage</i>	<ul style="list-style-type: none"> Absolute: 3.08 Relative: 3.17% <i>No coverage value</i>	<p>The investee countries subject to social violations were identified using Sustainalytics' methodology. The proportion of sovereign holdings was 41%.</p> <p>There has been an increase in the number of violations reported in the Sustainalytics data, with five new countries added.</p> <p>ESG Methodologies: We apply our proprietary Sovereign Risk ESG scoring framework to index strategies investing in government debt markets. The framework consists of four pillars, including a 'Social' pillar that looks at themes such as education, health, innovation, labour rights and human rights.</p> <p>As a global asset manager, we are subject to multiple regulatory frameworks and in order to manage business in the safest way for our clients, we apply a global model to sanctions compliance. Therefore, across our business, regardless of the location of a company or its clients, we follow sanctions requirements as laid out by the UN, UK OFSI, US OFAC, and the EU.</p> <p>Additional sanctions programmes are assessed on a case-by-case basis due to client or L&G business activity as appropriate.</p> <p>L&G asset management continuously assesses its exposure to sanctions and undertakes internal assessments to identify any exposure to new sanctions and all funds and economic resources belonging to, owned, held, or controlled by sanctioned persons and entities.</p>

Adverse sustainability indicator	Metric	Impact 2024	Impact 2023	Impact 2022	Explanation	Actions taken, actions planned and targets set for the next reference period
Fossil fuels	17. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels	• N/A	• N/A	• N/A	LGIME does not have any physical real estate assets in its portfolios.
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets	• N/A	• N/A	• N/A	LGIME does not have any physical real estate assets in its portfolios.

Adverse sustainability indicator	Metric	Impact 2024	Impact 2023	Impact 2022	Explanation	Actions taken, actions planned and targets set for the next reference period
Emissions (Table 2)	1. Investments in companies without carbon emission reduction initiatives	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement	• 29.91% 53.15% Coverage	• 35.08% 46.05% Coverage	• 42.15% 42.7% Coverage	<p>Data pertaining to investments in companies without carbon emission reduction initiatives was sourced from Sustainalytics. Data coverage was above 45%.</p> <p>Our ambition is to help decarbonise the real economy. To this end, we have deployed the following policies and programmes:</p> <ol style="list-style-type: none"> 1. L&G's overarching Climate Change policy: L&G's policy on climate change 2021. Additionally, expectations and transition pathways for each key sector we engage with are set out in our net-zero sector guides available here: Climate Impact Pledge Climate change L&G Institutional. 2. L&G's Net Zero framework: L&G has set standards for investment portfolios to be considered net-zero aligned. As part of the framework, our engagement is focused on issuers responsible for more than 50% of a portfolio's associated emissions that do not have verified science-based targets for net zero. 3. Active Ownership, in particular our dedicated climate engagement programme: L&G's Climate Impact Pledge. <p>Further, certain funds implement investment exclusions that result from companies failing to meet our minimum expectations as part of our Climate Impact Pledge.</p> <ol style="list-style-type: none"> 4. Exclusions: <ol style="list-style-type: none"> a. Our Coal Policy is an exclusionary policy on companies involved in the mining and extraction of thermal coal or thermal coal power generation. It recognises and exempts companies that have set out clear Paris-aligned plans to phase out coal by 2030 in OECD and 2040 in non-OECD. b. Certain funds implement investment exclusions that result from companies failing to meet our minimum expectations as part of our Climate Impact Pledge 5. Data enhancements: Since YE2023 scope 3 carbon emissions are included in ESG quarterly reports to increase the information available on the carbon impact of a fund's holdings.

Adverse sustainability indicator	Metric	Impact 2024	Impact 2023	Impact 2022	Explanation	Actions taken, actions planned and targets set for the next reference period
Human Rights (Table 3)	14. Number of identified cases of severe human rights issues and incidents connected to investee companies on a weighted average basis	<ul style="list-style-type: none"> 0.36 53.38% Coverage 	<ul style="list-style-type: none"> 1.38 48.03% Coverage 	<ul style="list-style-type: none"> 0.97 44.6% Coverage 	<p>Data pertaining to severe human rights issues and incidents was sourced from Sustainalytics. Data coverage was above 45%.</p> <p>We have reduced our holdings in positions with a higher metric for severe human rights issues and incidents, which has contributed to a lower overall metric.</p>	<p>We are a signatory to UN PRI Advance, a stewardship initiative to advance human rights launched in 2022.</p> <p>L&G takes the issue of human rights very seriously and considers as part of the investment process whether investee companies are involved in severe human rights issues and incidents. To this end, in 2023 we published our first Human Rights Policy.</p> <ol style="list-style-type: none"> L&G's policy: L&G's Human Rights Policy document emphasises our commitments on human rights as a global investor and outlines our specific expectations of investee companies regarding human rights. Exclusions: Our Future World Protection List, which is applied to a subset of our funds, excludes companies that are in breach of at least one of the UNGC principles (including those related to human rights) for a continuous period of three years or more. The data used to identify these companies is sourced from Sustainalytics, which incorporates the OECD Guidelines. Certain funds also exclude UNGC violators through their own exclusion policies. In our LGIME fund range, 23 ETFs and 43 other funds used UNGC exclusions as at the end of 2024. Active Ownership: L&G votes against the re-election of the chair or other directors of any company that is on our Future World Protection UNGC violator list. ESG Factor Evaluation: ESG Factor Evaluation takes into account and restricts exposure to companies deemed to have been involved in breaches of UNGC principles.

Description of policies to identify and prioritise principal adverse impacts on sustainability factors

L&G, on behalf of LGIME, believes the consideration of sustainability risks reflects a core part of our fiduciary role to act in the best interests of our clients. This starts with identifying key macroeconomic sustainability risks that could result from inaction in response to the world's environmental or societal challenges. We also believe opportunities arise from long-term sustainability-related structural changes that can be value-creating for investment portfolios. We combine an analysis of these macro drivers with sector-level and issuer-level analysis to determine how companies and assets are positioned in respect of the sustainability risks that are most relevant to them.

L&G's global stewardship themes are based on environmental, social and governance issues that direct most of our sustainability-oriented research and engagement. These encompass climate, nature, health, people, digitisation and governance. We believe these themes are financially material to our clients' portfolios; often pose systemic risks and opportunities; and cover areas where L&G as an asset manager can influence change. These themes represent high-level topics, under which further adverse impacts and areas of focus can arise, including human capital management issues, modern slavery and deforestation.

L&G's internal processes for identifying and prioritising sustainability risks, PAIs and opportunities are supported by the GREGs, which bring together representatives from the Investment and Investment Stewardship teams across regions and asset classes. The GREGs enable L&G to connect top-down macro and thematic views with bottom-up analysis of corporate and sector fundamentals to understand the materiality of sustainability risks and opportunities and prioritise them accordingly. Combining the capabilities of the Investment and Investment Stewardship teams also enables L&G to scale and coordinate our engagement efforts with companies at board and executive management levels, across asset classes and investment styles.

We believe that to fully understand sustainability risks and opportunities, investors need access to relevant, comparable, consistent and verifiable ESG data across markets, regardless of size, geography or asset class. Therefore, L&G communicates clear expectations to listed and private investee companies as to what information they should disclose, and it engages with occupiers across its directly owned real estate portfolios.

Approach to Adverse Sustainability Indicators

The approach to adverse sustainability indicators takes into consideration a number of key factors to determine the metric and data source to reflect principal adverse impacts relating to investments made by L&G on behalf of LGIME:

- Consideration of L&G's standard ESG data metrics used across investment and business processes, including external reporting, to ensure continuity and consistency;
- Consideration of other sustainable finance regulations and industry initiatives, including but not limited to the Task Force on Climate-Related Financial Disclosures (TCFD), the FinDatEx European ESG Template (EET) and the Investment Consultants Sustainability Working Group in the U.K.;
- Consideration of L&G's proprietary approach, such as our Controversial Weapons Policy, and UN Global Compact exclusions as determined in the L&G Future World Protection List; and
- Due diligence on external data providers' offering for SFDR PAI reporting, in particular the quality of the metrics used to address the relevant adverse sustainability indicators and the coverage of the metrics, including the proportion of reported and estimated data.

Description of policies to identify and prioritise principal adverse impacts on sustainability factors

The adverse sustainability indicators reported in this PAI statement comprise data from L&G, as well as third-party data providers including Sustainalytics, ISS and Refinitiv. Where data coverage figures were provided, these were computed based on all assets including corporate and sovereign assets. Where the proportions of eligible assets were provided, the proportion of corporate assets held across LGIME was used for the corporate-related adverse sustainability indicators, while the proportion of sovereign assets held across LGIME was used for the sovereign-related adverse sustainability indicators.

Limitations of Data and Methodologies

It should be noted that the availability and quality of data are still very limited across many adverse sustainability indicators within the broad investment universe. This is for a number of reasons, including but not limited to a lack of issuer disclosure of relevant information as corporate disclosure of the adverse sustainability indicators is mostly voluntary, and the limited number of companies or sectors that are targeted in some of the adverse sustainability indicators. Hence, this is an issue faced across the industry. While the data used was largely based on issuer-reported information, some researched data and estimates have also been used to broaden data coverage, which may introduce risk that the data is not fully representative of the issuers' actual adverse impacts. The accuracy of the data sourced, researched, or estimated cannot be fully guaranteed in the absence of formal regulation. Large variances in data may also be expected across the industry as different data sources and methodologies have been used. Data coverage and quality are expected to improve over time, as corporate disclosure becomes mandatory and the volume and quality of issuer disclosures improve. However, some volatility in the data reported will be expected in subsequent reference periods.

Further, methodologies used by L&G and third-party data providers may also evolve in line with legislation, regulatory guidance, industry best practice and proprietary insights of the respective data providers, including L&G.

Notwithstanding the limitations mentioned above, L&G remains committed to transparency and has, on a best endeavours basis, represented the adverse sustainability indicators as accurately as currently practicable.

Engagement policies

We believe effective stewardship involves working with companies, regulators, policymakers, peers and other stakeholders around the world to tackle systemic issues, material risks and opportunities - as well as collaborating with our investment teams to identify future challenges. Our Investment Stewardship team has successfully advocated for change on key issues, from corporate governance to diversity and climate change, escalating action when necessary to reach the desired outcome.

Exercising voting rights is a powerful engagement tool with which to hold company boards to account and raise market standards; it is used extensively by our Investment Stewardship team. Importantly, the team votes with one voice across all of our clients' investments where we have discretion. As part of this process, the Investment Stewardship team also participates in our GREGs. For more detail on how the team prioritises engagement, please see our [Engagement Policy](#).

Description of policies to identify and prioritise principal adverse impacts on sustainability factors

How our Investment Stewardship team engages

1. Select stakeholders

Using our stewardship themes, we identify the relevant stakeholders across the policymaking, corporate and broader market ecosystem, where we have influence. We also set the overall thematic objectives we seek to achieve.

a. Consider the policy and regulatory backdrop

We determine where we can use our influence effectively across the policymaking and regulatory environment to create well-functioning markets. Our engagement with policymakers is vital to our aim of raising global standards across the markets in which our clients invest, because many sustainability challenges require systemic policy reform.

b. Select companies

We select companies to target for engagement, taking into account factors including:

- Data that identifies companies as underperforming against our minimum expectations
- L&G clients' exposure to relevant companies and sectors
- The 'engage-ability' of companies – how likely our influence is to result in changes at the company
- How influential a company is within its country, industry and supply chains – we may also seek engagements with companies considered leaders in sustainability issues to help develop our understanding of these topics in certain industries or markets
- The relevant geographic coverage for our engagement on a particular theme

2. Set objectives

We set out milestones to be achieved and the timeframes in which we expect this to happen, in line with our public policy documents – including the potential consequences of not meeting our expectations.

Description of policies to identify and prioritise principal adverse impacts on sustainability factors

3. Structure of corporate engagement and escalation steps

We determine how we might escalate the issue if progress is not made. In doing so, we decide on our tools and the angles of accountability. Escalation can include targeting the board, by casting votes to elect directors; specific resolutions on reports or policies; and supporting or co-filing shareholder resolutions.

Our structured approach to engagement provides us with various methods for escalation:

- **Transparency:** our L&G ESG Scores and Climate Impact Pledge ratings are publicly available. We also publish policies and blog updates on our views, approach and analysis
- **Direct engagement:** this provides a powerful engine to incentivise and help companies to govern better and manage risks and opportunities, with the aim of impacting our clients' investments positively over the long term
- **Collaborative engagement:** working with peers and industry bodies enables us to strengthen and amplify our voice and pool resources
- **Voting:** as an active and engaged investor, we take seriously our responsibility to exercise voting rights on behalf of our clients – we publish our voting decisions on our website, including the rationale for dissenting votes
- **Capital allocation:** where permitted by their investment mandate, certain funds may exclude or tilt away from companies that do not meet our minimum expectations. In some portfolios, we specifically allocate capital towards companies where we are undertaking in-depth engagement
- **Public pressure:** we 'name and shame' persistent laggards that fail to improve following targeted engagement; we also publicly celebrate successes
- **Shareholder resolutions:** filing a resolution can compel a company to respond to, discuss and resolve issues with investors

4. Commence engagement

We commence engagement and, over the course of typically 18 to 36 months, build the relationship and assess progress, incorporating escalation steps as appropriate.

Description of policies to identify and prioritise principal adverse impacts on sustainability factors

5. Conclude engagement

Across our corporate and policy engagements, we assess the progress that has been made towards our expectations. We consider the extent to which the engagement has been wholly or partially 'successful' and reassess how to continue – potentially starting another engagement cycle. For more detail, please see [our policy](#).

Our Corporate Governance and Responsible Investment policies (global and regional) set out our expectations of investee companies and outline our approach to voting and engagement. Our policies on climate change, deforestation and biodiversity provide more detail on L&G's approach and commitments to tackling these issues, and how this will affect our expectations of companies.

All our policies are fully compliant with the Shareholder Rights Directive II and available online at [Investment stewardship & governance | L&G Institutional](#)

- [L&G's Diversity policy](#)
- [L&G Human Rights policy](#)
- [L&G Climate Change policy](#)
- [L&G Deforestation policy](#)
- [L&G Water Policy](#)
- [L&G Health policy](#)
- [L&G Nature Framework](#)
- [L&G natural capital management policy](#)
- [L&G human capital management approach and expectations](#)
- [L&G principles on executive compensation in North America](#)
- [L&G UK executive pay principles](#)

Policies available on the Vote Disclosure Website: [VDS Dashboard](#)

- [Global corporate governance and responsible investment policy](#)
- [Corporate Governance and responsible investment policy – Japan](#)

Description of policies to identify and prioritise principal adverse impacts on sustainability factors

References to international standards

L&G as an entity regulated by the Financial Conduct Authority (FCA) has an internal framework of policies, procedures and standards that promote appropriate behaviours and compliance with regulatory principles and requirements across all business activities of the firm. LGIME as an entity regulated by the Central Bank of Ireland (CBI) has a separate framework of policies, procedures and standards that promote appropriate behaviours and compliance with regulatory principles and requirements across the firm and specific to the jurisdiction of Ireland. Each entity framework is outlined below with examples of the key frameworks in place:

L&G and LGIME frameworks:

LGIM Code of Ethics	Personal Account Dealing Policy	LGIM(H) Conflicts of Interest Policy
Regulator Relationship Policy	Breaches Escalation Guide	SM&CR, Certified and Code Staff attestations
Cyber and IT policies	HR Disciplinary, Grievance and Harassment and Bullying Policy	Technology Risk Guidelines
	Remuneration Policy	

LGIM (Group) Employee Conduct Risk Policy	LGIME Conflicts of Interest Policy	LGIME Market Conduct Policy
LGIME Whistle Blowing	LGIME IT Cyber-Security	Delegation Policy
LGIME Fitness and Probity Policy	LGIME Code of Ethics	LGIME Connected Party Transaction Policy

LGIME believes that ongoing adherence to, and the development of, strong responsible investment standards, regulations and frameworks, are fundamental to our commitment to embedding sustainability. Demonstrating this commitment, L&G is a signatory to the UN Principles for Responsible Investment and implements its six principles to incorporate and report on ESG activities. L&G reports in line with the Task Force on Climate-Related Financial Disclosures under Legal & General Group's Climate Report. L&G is a signatory to the UK Stewardship Code, submitting to the UK Financial Reporting Council our annual report on the implementation of the Code's 12 Principles. Additionally, L&G Asset Management has signed up to the Net Zero Asset Managers Initiative with a commitment to support the goal of net zero greenhouse gas emissions by 2050, in line with global efforts to limit warming to 1.5°C and a commitment to support investing aligned with net zero emissions by 2050 or sooner.

Description of policies to identify and prioritise principal adverse impacts on sustainability factors

LGIME offers quarterly ESG reports for most LGIME funds that incorporate the following climate-related metrics, among others: carbon footprint, weighted average carbon intensity, total carbon emissions, carbon reserves, green revenues, SBTi coverage, implied temperature alignment and climate engagements. The data sources include third party ESG data providers such as ISS and HSBC, as well as proprietary data, in particular implied temperature alignment. Implied temperature alignment is sourced from L&G Destination@Risk, our proprietary climate change toolkit. We develop our own bottom-up scenarios of how the energy and land systems may evolve through 2050. L&G Destination@Risk translates these scenarios into company, sector and portfolio-level implications. We use two main metrics: one is climate risk, which describes the potential risk from various climate scenarios to asset valuations, and the other is temperature alignment, which assesses whether companies are contributing to the changes we require to reach global climate commitments, or whether they put them at risk.

Historical comparison

L&G continues to strive to mitigate the negative impacts of our investment decisions on sustainability considerations, and we consistently review systemic risks, macro developments, as well as company specific issues under which adverse impacts could arise. We seek to use our scale and influence to tackle a wide variety of ESG issues that we believe could impact the value of our clients' investments. Through active ownership, we strive to effect positive change in the companies and assets in which we invest. In 2024 we continued to engage with companies, industry peers and policymakers, voting on behalf of our clients on a wide range of environmental, social and governance (ESG) issues.

In particular in 2024, our Stewardship activities included:

- Formalising our approaches on issues related to health, nature and human capital management
- Co-filing shareholder resolutions on paying the living wage
- Considering pay competitiveness across global executive talent markets
- Working to implement stronger director independence criteria in some developed markets in which we vote on director accountability
- Launching a campaign on human rights expectations

PAI indicators for the 2022, 2023 and 2024 periods are provided in the tables above. Further explanation for historical comparisons specific to each PAI can be found above under *Explanation* in "The description of the principal adverse impacts on sustainability factors" section.

Contact us:

For further information about the Asset Management business of L&G, please visit am.landg.com or contact your usual L&G representative.



Key risk

The value of an investment and any income taken from it is not guaranteed and can go down as well as up, and the investor may get back less than the original amount invested. Past performance is not a guide to future performance.

Important information

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