



Statement on Principal Adverse Impacts of Investment decisions on sustainability factors

30 June 2026

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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;

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).

- (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);
- (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;

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).

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).

(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);

(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 Council ;

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).

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).

(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 Council, 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 Council, 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.

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:

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

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

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

¹³Directive 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).

¹⁴Directive (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.

(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 2025. 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 (NZAM), the Finance for Biodiversity Pledge, and the COP26 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 2025 | Impact 2024 | Impact 2023 | Explanation | Actions taken, actions planned and targets set for the next reference period | |
|----------------------------------|-------------------------------------|------------------------|------------------------|------------------------|-----------------------|--|--|
| Greenhouse gas emissions | 1. GHG emissions ¹⁶ | Scope 1 GHG emissions | • 2,332,158 tons CO2e | • 2,329,526 tons CO2e | • 2,054,857 tons CO2e | 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. Data coverage was above 46% for Scope 1, 2&3. | L&G Asset Management Limited, of which LGIME is a part, is a signatory to the Net Zero Asset Managers Initiative (NZAM). Since we set our net zero aligned AUM by 2050 ambition in 2021, we have worked towards our interim threshold of managing 70% of eligible net zero aligned AUM ¹⁸ by 2030. Our overarching ambition is to help decarbonise the real economy. To this end, we have deployed the following policies and programmes: 1. L&G's Climate Change policy: L&G's policy on climate change 2021 . 2. L&G's Net Zero framework: L&G has set standards for investment portfolios to be considered net-zero aligned. 3. Active Ownership: The L&G Climate Impact Pledge particularly, which is our dedicated climate engagement programme. 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 twenty '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. We are encouraged by the overall progress we have seen in how investee companies are planning, disclosing, mitigating risks, and seeking opportunities through the transition. The headwinds, however, are clear and the bottlenecks preventing further progress, apparent. We will continue to work with investee companies, policymakers and other industry stakeholders to help unblock bottlenecks and drive the change needed to deliver societal outcomes and long-term value creation for our clients. |
| | | • 46.24% Coverage | • 49.30% Coverage | • 45.12% Coverage | | | |
| | Scope 2 GHG emissions | • 604,590 tons CO2e | • 624,046 tons CO2e | • 529,325 tons CO2e | | | |
| | • 46.24% Coverage | • 49.30% coverage | • 45.12% Coverage | | | | |
| | Scope 3 ¹⁷ GHG emissions | • 52,942,428 tons CO2e | • 52,194,679 tons CO2e | • 30,862,673 tons CO2e | | | |
| | • 46.24% coverage | • 49.30% coverage | • 45.12% Coverage | | | | |
| | Total GHG emissions | • Scope 1&2 | • Scope 1&2 | • Scope 1&2 | | | |
| • 2,936,756 tons CO2e | • Scope 3 | • Scope 3 | • Scope 3 | | | | |
| • 52,942,428 tons CO2e | • 46.24% Coverage | • 49.30% Coverage | • 45.12% Coverage | | | | |

¹⁶GHG 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).

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

¹⁸For 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 2025 | Impact 2024 | Impact 2023 | Explanation | Actions taken, actions planned and targets set for the next reference period |
|----------------------------------|--|-------------------------------------|--|--|---|---|---|
| Greenhouse gas emissions | 2. Carbon footprint | Carbon footprint | <ul style="list-style-type: none"> Scope 1&2 35.58 tons CO2e/1mn invested Scope 3 634.00 tons CO2e/1mn invested <p>46.24% Coverage</p> | <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> | <p>GHG corporate emissions data was sourced from ISS, while EVIC data was sourced from Refinitiv. Data coverage was above 46% for scope 1, 2 & 3.</p> | <p>4. Exclusions: Our Coal & Oil Sands 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> <p>In 2024, within the Future World Protection List, 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) in line with the International Energy Agency's (IEA) net-zero emissions scenario.</p> |
| | 3. GHG intensity of investee companies | GHG intensity of investee companies | <ul style="list-style-type: none"> Scope 1&2 79.68 tons CO2e/1mn revenue Scope 3 1,760.08 tons CO2e/1mn revenue <p>50.78% Coverage</p> | <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"> Scope 1&2 86.72 tons CO2e/1mn revenue Scope 3 1008.5 tons CO2e/1mn revenue <p>47.08% Coverage</p> | <p>GHG emissions and revenue data were sourced from ISS. Data coverage was above 50% for scope 1, 2 & 3</p> | <p>5. Products: we continue to introduce or enhance climate-related investment strategies through new and existing products leveraging a range of industry-standard climate-related methodologies and proprietary frameworks including L&G Net Zero, Paris-Aligned Benchmark, Carbon emission intensity or footprint reduction strategies.</p> <p>a. New product launches: in 2025, we launched several new products with carbon emission reduction targets, tailored to their respective asset classes and investment strategies. These include the Global Income Bond fund, US Corporate Bond Fund and Asia Bond Fund. The products' carbon objectives are further supported by the application of our Climate Impact Pledge, which actively addresses companies underperforming on the energy transition through a targeted stewardship and engagement strategy.</p> |



| Adverse sustainability indicator | Metric | Impact 2025 | Impact 2024 | Impact 2023 | Explanation | Actions taken, actions planned and targets set for the next reference period |
|----------------------------------|---|---|--|--|--|---|
| Greenhouse gas emissions | 4. Exposure to companies active in the fossil fuel sector | <ul style="list-style-type: none"> 4.23% 51.14% Coverage | <ul style="list-style-type: none"> 3.98% 53.34% Coverage | <ul style="list-style-type: none"> 4.3% 48% Coverage | Fossil fuel exposure data was sourced from Sustainalytics. Data coverage was above 51%. | <p>b. In addition to these product launches, the L&G Buy and Maintain Short-Dated Credit fund was launched in October 2025, which utilises the L&G Net Zero framework. The fund leverages our proprietary L&G Destination@Risk model to evaluate and project portfolio companies' carbon emissions intensity into the future and compare them with sector level targets to achieve alignment with the Paris Agreement goals, and to calculate the temperature alignment of financial products accordingly.</p> <p>6. Climate factors incorporated in ESG approaches</p> <p>a. 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> <p>b. 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>c. Securitised Credit ESG methodology: 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> |
| | 5. Share of non-renewable energy consumption and 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: 16.98% 17.43% Coverage Consumption : 53.70% 34.48% Coverage | <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 | |



| Adverse sustainability indicator | Metric | Impact 2025 | Impact 2024 | Impact 2023 | Explanation | Actions taken, actions planned and targets set for the next reference period |
|--|--|--|---|---|---|--|
| 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: 0.08 <i>0.95% Coverage</i> Water Supply, Sewerage, Waste Management & Remediation Activities: 0.61 <i>0.34% Coverage</i> Real Estate Activities: 0.54 <i>1.56% Coverage</i> Mining & Quarrying: 1.27 <i>1.27% Coverage</i> Manufacturing: 0.49 <i>10.09 % Coverage</i> Electricity, Gas, Steam & Air Conditioning Supply: 4.00 <i>1.33% Coverage</i> Construction: 0.12 <i>0.15% Coverage</i> Agriculture, Forestry & Fishing: 2.11 <i>0.02% Coverage</i> Transportation & Storage: 1.93 <i>0.53% Coverage</i> | <ul style="list-style-type: none"> (In GWh/1mn revenue) Wholesale & Retail Trade & Repair of Motor Vehicles & Motorcycles: 0.09 <i>0.92% Coverage</i> Water Supply, Sewerage, Waste Management & Remediation Activities: 0.61 <i>0.37% Coverage</i> Real Estate Activities: 0.48 <i>1.47% Coverage</i> Mining & Quarrying: 2.37 <i>0.94% Coverage</i> Manufacturing: 1.15 <i>11.20% Coverage</i> Electricity, Gas, Steam & Air Conditioning Supply: 3.94 <i>1.23% Coverage</i> Construction: 0.11 <i>0.12% Coverage</i> Agriculture, Forestry & Fishing: 1.50 <i>0.03% Coverage</i> Transportation & Storage: 1.73 <i>0.55% Coverage</i> | <ul style="list-style-type: none"> (In GWh/1mn revenue) Wholesale & Retail Trade & Repair of Motor Vehicles & Motorcycles: 1.94 <i>0.90% Coverage</i> Water Supply, Sewerage, Waste Management & Remediation Activities: 0.63 <i>0.34% Coverage</i> Real Estate Activities: 0.61 <i>1.27% Coverage</i> Mining & Quarrying: 5.65 <i>0.93% Coverage</i> Manufacturing: 6.07 <i>9.55% Coverage</i> Electricity, Gas, Steam & Air Conditioning Supply: 4.77 <i>1.0% Coverage</i> Construction: 0.14 <i>0.12% Coverage</i> Agriculture, Forestry & Fishing: 3.60 <i>0.02% Coverage</i> Transportation & Storage: 1.69 <i>0.48% Coverage</i> | <p>Energy consumption data was sourced by Sustanalytics. 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: Due to very low coverage this number is relatively volatile.</p> <p>Mining & Quarrying: Due to very low coverage this number is relatively volatile.</p> <p>Manufacturing: The decrease is a result of position changes and a reduction in position sizes with metric heavy ISINs.</p> <p>Electricity, Gas, Steam & Air Conditioning Supply: Due to very low coverage this number is relatively volatile.</p> <p>Construction: Due to very low coverage this number is relatively volatile.</p> <p>Agriculture, Forestry & Fishing: Due to very low coverage this number is relatively volatile.</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>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. We believe that incorporating financially material sustainability criteria, where relevant to our clients, can create long-term value and drive positive change. Our integrated responsible investment framework outlines how we aim to drive value through aligning our strategies towards clear, consistent and demonstrable sustainability objectives, ensuring consistency with regulatory expectations. Alongside this, our net zero approach sets out standards for net zero aligned funds and portfolios, guiding product development to meet evolving client needs.</p> |

| Adverse sustainability indicator | Metric | Impact 2025 | Impact 2024 | Impact 2023 | 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 | • 3.66% <i>51.24% Coverage</i> | • 3.17% <i>53.38% Coverage</i> | • 4.09% <i>48.03% Coverage</i> | <p>Data pertaining to activities negatively affecting biodiversity sensitive areas was sourced from Sustainalytics. Data coverage was above 50%.</p> <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"> L&G's Nature Framework: outlines our approach to aligning with the five direct drivers of nature change that have the largest global impact. 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. In 2025, we published our Deforestation progress report summarising multi-year efforts on milestones to meet our COP26 deforestation commitment. Active ownership: In 2025 L&G enhanced its analytical capabilities, more accurately assessing companies' direct and indirect risk exposure, and progress against our minimum expectations. L&G expanded our engagement with priority issuers across agriculture, food and beverage, consumer goods, and retail, focusing on their exposure to deforestation linked commodities and the governance structures overseeing those risks. We undertook further engagements with companies with the highest risks and escalated our concerns to the Board through vote sanctions where we felt more could be done. 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 2025 | Impact 2024 | Impact 2023 | 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 | • 0.001 tons/1mn invested 0.16% Coverage | • 0.001 tons/1mn invested 0.15% Coverage | • 0.278 tons/1mn invested 1.76% Coverage | <p>Water emissions data was sourced from Sustainalytics. Data coverage was below 5%.</p> <p>Since 2023, 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: As a global issue, water requires a systems and market-wide approach. That is why a vital part of our approach is engagement with broader stakeholders and market participants, such as other investors, policymakers, regulators, non-governmental organisations (NGOs), academia, and stock exchanges. Our policy dialogue aims to produce real tangible change by designing, implementing and monitoring an effective and coherent policy, including a regulatory and legislative system that governs society, the environment and the economy. Water factors incorporated in ESG approaches: Water factors are incorporated in the ESG Factor Evaluation and the L&G ESG Score integrates metrics on water management. |
| 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 | • 16.27 tons/1mn invested 44.67% Coverage | • 8.40 tons/1mn invested 46.75% Coverage | • 12.91 tons/1mn invested 35.28% Coverage | <p>Hazardous and radioactive waste ratio data was sourced from Sustainalytics. Data coverage was above 44%.</p> <p>The increase is due to an increase in position sizes in hazardous waste production heavy ISINs.</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> |



| Adverse sustainability indicator | Metric | Impact 2025 | Impact 2024 | Impact 2023 | Explanation | Actions taken, actions planned and targets set for the next reference period | |
|----------------------------------|---|--|-------------------------------------|-------------------------------------|-------------------------------------|--|--|
| 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 | • 0.06% <i>No coverage value</i> | • 0.13% <i>No coverage value</i> | • 0.17% <i>No coverage value</i> | 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 considers both UNGC and OECD guidelines. | <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> <p>1. 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.</p> <p>2. 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.</p> <p>3. 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.</p> |
| | 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 | • 51.55% <i>49.72% Coverage</i> | • 47.57% <i>52.96% Coverage</i> | • 43.51% <i>45.71% coverage</i> | Data pertaining to lack of processes and compliance mechanisms was sourced from Sustainalytics. Data coverage was over 49%. | <p>4. Social factors incorporated in ESG approaches:</p> <p>a. ESG Factor Evaluation: ESG Factor Evaluation considers and restricts exposure to companies deemed to have breached UNGC principles or those involved in severe controversies.</p> <p>b. Securitised Credit ESG assessment methodology: The L&G Securitised Credit ESG assessment methodology 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 2025 | Impact 2024 | Impact 2023 | Explanation | Actions taken, actions planned and targets set for the next reference period |
|----------------------------------|-------------------------------|---|------------------------------------|------------------------------------|------------------------------------|--|
| Social and employee matters | 12. Unadjusted gender pay gap | Average unadjusted gender pay gap of investee companies | • 17.90% <i>3.50% Coverage</i> | • 19.98% <i>2.32% Coverage</i> | • 23.05% <i>2.87% Coverage</i> | <p>Data pertaining to unadjusted gender pay gap was sourced from Sustainalytics. Data coverage increased marginally but is still below 5%.</p> <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>2. Gender pay-gap factors incorporated in ESG approaches: board gender diversity factors are incorporated in the L&G ESG Score, which considers the percentage of women on the board.</p> <p>3. Remuneration factors incorporated in ESG approaches: 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 | • 35.16% <i>37.38% Coverage</i> | • 33.73% <i>36.10% Coverage</i> | • 32.77% <i>38.27% Coverage</i> | <p>Data pertaining to board gender diversity was sourced from Refinitiv. Data coverage was above 37%.</p> <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. In 2025 we cast a negative vote at over 2000 companies due to gender diversity concerns at Board level.</p> <p>3. Diversity 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> |

| Adverse sustainability indicator | Metric | Impact 2025 | Impact 2024 | Impact 2023 | Explanation | Actions taken, actions planned and targets set for the next reference period | |
|----------------------------------|--|--|---|---|---|--|---|
| Social and employee matters | 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 | • 0.00% <i>No Coverage value</i> | • 0.00% <i>No Coverage value</i> | • 0.00% <i>No Coverage value</i> | 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. | 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. Policy: L&G - Asset Management Limited Controversial Weapons Policy |
| Environmental | 15. GHG intensity | GHG intensity of investee countries | • 152.71 tons CO2e/1mn 38.25% Coverage | • 170.53 tons CO2e/1mn 41.35% Coverage | • 199.53 tons CO2e/1mn 46.42% Coverage | GHG intensity data pertaining to sovereigns was sourced from ISS. Data coverage decreased marginally below 40%. | 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. |

| Adverse sustainability indicator | Metric | Impact 2025 | Impact 2024 | Impact 2023 | Explanation | Actions taken, actions planned and targets set for the next reference period |
|----------------------------------|--|--|--|--|--|--|
| Social | 16. Investee countries subject to social violations | <ul style="list-style-type: none"> Absolute: 6.0 Relative: 5.63% <p><i>No coverage value</i></p> | <ul style="list-style-type: none"> Absolute: 5.0 Relative: 4.77% <p><i>No coverage value</i></p> | <ul style="list-style-type: none"> Absolute: 2.5 Relative: 2.54% <p>46.4% Coverage</p> | The investee countries subject to social violations were identified using Sustainalytics' methodology. | <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. For active strategies, our Global Research and Engagement Groups incorporate human rights and conflict indicators into sovereign research; this is complemented by the portfolio level oversight.</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> |
| Fossil fuels | 17 Exposure to fossil fuels through real estate assets | | 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 | | N/A | N/A | | LGIME does not have any physical real estate assets in its portfolios. |

Description of the principal adverse impacts on sustainability factors

| Adverse sustainability indicator | Metric | Impact 2025 | Impact 2024 | Impact 2023 | 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 | • 32.71% <i>50.20% Coverage</i> | • 29.91% <i>53.15% Coverage</i> | • 35.08% <i>46.05% Coverage</i> | <p>Data pertaining to investments in companies without carbon emission reduction initiatives was sourced from Sustainalytics. Data coverage was above 50%.</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"> 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. 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, we conduct firmwide engagement through which we aim to unlock value for our clients by encouraging stakeholders, including investee companies, to align with the energy transition, thereby helping to address financially relevant climate risks and take advantage of associated opportunities. Active Ownership, in particular our dedicated climate engagement program: 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> <p>4. Exclusions:</p> <ol style="list-style-type: none"> Our Coal & Oil Sands 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. Certain funds implement investment exclusions that result from companies failing to meet our minimum expectations as part of our Climate Impact Pledge. <p>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.</p> |

Description of the principal adverse impacts on sustainability factors

| Adverse sustainability indicator | Metric | Impact 2025 | Impact 2024 | Impact 2023 | 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 | Number of cases of severe human rights issues and incidents connected to investee companies on a weighted average basis | • 0.26 <i>51.24% Coverage</i> | • 0.36 <i>53.38% Coverage</i> | • 1.38 <i>48.03% Coverage</i> | <p>Data pertaining to severe human rights issues and incidents was sourced from Sustainalytics. Data coverage was above 50%.</p> <p>Due to low figures this number is relatively volatile.</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> <p>1. 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.</p> <p>2. 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, 28 ETFs and 48 other funds used UNGC exclusions as at the end of 2025.</p> <p>3. 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.</p> <p>4. Human rights factors incorporated in ESG approaches: ESG Factor Evaluation takes into account and restricts exposure to companies deemed to have been involved in breaches of UNGC principles.</p> |

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.

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.

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

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.

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

Engagement policies

We believe effective stewardship involves working with companies, regulators, policymakers, peers and other stakeholders around the world to address financially material sustainability factors - 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; 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 Sustainability Policy.

How our Investment Stewardship team engages

1. Sector and stakeholder selection

- In determining the financial materiality of a theme, we assess this on a sector and company-level basis and also consider the role that policy engagement may play in supporting or, in some themes leading the engagement strategy. We map financially material themes against sectoral considerations to prioritise investment stewardship efforts, including where we should prioritise our resources to create greatest impact as an investor.
- Our sector strategy is built on a framework that combines financial materiality, sector context, and thematic priorities. We set clear objectives for each sector, leveraging previous engagement outcomes (where relevant) and experience to identify and prioritise topics.
- Engagement plans are tailored to sector context. They focus on companies and issues with the greatest potential impact on value creation and risk management and aim to ensure our stewardship remains dynamic and responsive against a backdrop of evolving market and sustainability challenges.

2. Select companies

Selecting companies for engagement is a process that blends data-driven analysis with professional judgement. Once sector-level financially material themes have been determined, the sector lead evaluates which companies within the sector to engage, considering a number of factors that include:

- Data that identifies companies as underperforming against our minimum expectations
- The size of L&G's overall exposure on behalf of our clients
- 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

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

3. Set objectives

A critical foundation of effective engagement is the establishment of clear and contextualised objectives. Each engagement begins with a precise definition of what we aim to achieve, tailored to the company's unique circumstances as well as the broader sector or thematic context. Objectives are explicit and intentional, and we distinguish between two main types:

- Insight-driven objectives: focus on deepening our understanding of a company's operations, strategy, and emerging challenges. Support knowledge-building and sectoral benchmarking.
- Outcome-oriented objectives: structured to deliver measurable results aligned with our stewardship themes and aim to improve company behaviour and drive tangible change.

4. Structure of corporate engagement and escalation steps

When progress is not made, we determine how best to hold companies accountable using a range of stewardship measures. This involves selecting the most effective tools and approaches for each situation. A structured approach to engagement provides us with various options, including:

- 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

5. Commence engagement

Engagements are delivered through a structured process that fosters open, two-way dialogue and will combine dialogue and written communications.

We initiate contact by establishing communication channels and setting expectations for the engagement. Throughout the process, we maintain ongoing discussions to understand the company's perspective, share our insights, and collaboratively explore solutions to material business risks and opportunities. We aim to be viewed as 'partners', while ensuring that our expectations are clearly communicated. Engagements may be direct (meetings, calls, written correspondence) or collaborative (working with other investors or industry groups) and are adapted to the specific context and objectives of each case. Typically, over 18 to 36 months, we look for credible strategies or evidence of change, measuring progress through tools like our CIP score or through ongoing dialogue. All progress is documented in our Salesforce platform.

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

6. Conclude engagement

We evaluate whether the engagement has been wholly or partially successful. Based on this, we will determine how to proceed – potentially initiating a new engagement cycle with updated objectives.

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

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

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 | LGIM (Group) Employee Conduct Risk Policy | LGIME Conflicts of Interest Policy | LGIME Market Conduct Policy |
| Regulator Relationship Policy | Breaches Escalation Guide | SM&CR, Certified and Code Staff attestations | LGIME Whistle Blowing | LGIME IT Cyber-Security | Delegation Policy |
| Cyber and IT policies | HR Disciplinary, Grievance and Harassment and Bullying Policy | Technology Risk Guidelines | LGIME Fitness and Probity Policy | LGIME Code of Ethics | LGIME Connected Party Transaction Policy |
| | Remuneration | | | | |

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 is a signatory of the Net Zero Asset Managers Initiative, which recognises asset manager fiduciary duties to consider how the financial risks and opportunities presented by climate change may impact client investment outcomes. We have committed to support investing aligned with the global goal of net zero greenhouse gas emissions.

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.

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

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. Since we set our net zero aligned AUM by 2050 ambition in 2021, we have worked towards our interim threshold of managing 70% of eligible net zero aligned AUM¹⁸ by 2030. We continue to introduce or enhance climate-related investment strategies through new and existing products leveraging a range of industry-standard climate-related methodologies and proprietary frameworks. In 2025, we launched several new products with carbon emission reduction targets, tailored to their respective asset classes and investment strategies.

Through active ownership, we strive to effect positive change in the companies and assets in which we invest. Our 'universal ownership' approach to investment stewardship means that we use corporate and asset-level engagement, as well as policy and industry dialogue, with the aim to drive long-term value creation and encourage more sustainable, long-term practices from companies and assets that we operate. In 2025 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, holding companies to account on the issues that matter most to our clients, these range from climate change to board independence and diversity. For more detail on how the team prioritises engagement, please see our [Sustainability Policy](#).

PAI indicators for the 2023, 2024 and 2025 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.

Key Risks

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.

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This document does not explain all of the risks involved in investing in the investment strategy and are not final. No decision to invest in the investment strategy should be made without first speaking to the Client Relationship Manager.

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