



# L&G – Asset Management Limited Sustainability Policy

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This document sets out the sustainability policy for L&G - Asset Management Limited which is adhered to by entities in Asset Management<sup>1</sup> (together 'L&G Asset Management').

The purpose of this policy is to set out the framework by which L&G Asset Management integrates sustainability risks and opportunities into the investment decision-making process. Our Sustainability Policy reflects the structure of our investment (including investment stewardship), and other teams across the firm, as well as the nature of L&G Asset Management as a global business.

The consideration of sustainability-related factors is embedded across L&G Asset Management through our beliefs, processes, and portfolio management. We also include summaries of L&G Asset Management's engagement policies and description of our adherence to international business codes and recognised standards.

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## Integration of sustainability risks and opportunities

At L&G Asset Management, we believe we have a duty to our clients to seek the long-term success of the companies in which we invest in accordance with the L&G Group purpose, "Investing for the long term. Our futures depend on it". We view responsible investing as critical to fulfilling this duty; by taking action on sustainability issues now, we aim to help produce better economic outcomes for our clients.

L&G Asset Management recognises that the world faces growing sustainability risks<sup>2</sup>, and therefore systemic risks, that could erode long-term value. L&G Asset Management also recognises that, by

<sup>1</sup> With the exception of LGCIL

<sup>2</sup> A sustainability risk means an environmental, social or governance event or condition that, if it occurs, could cause a negative material impact on the value of the investment, as specified in sectoral legislation, in particular in Directives



adopting a sustainability focus, there can be opportunities for material financial benefits, in addition to sustainability risk mitigation. We are committed to embedding sustainability considerations across asset classes and management styles because 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 create value through aligning relevant strategies towards clear, consistent, and demonstrable sustainability objectives. We update this framework in line with our investment capabilities, client expectations and market and regulatory developments. The framework is summarised in our [annual Active Ownership report](#).

The process of integrating sustainability risks and opportunities begins with their identification. L&G Asset Management integrates considerations of sustainability risks and opportunities in our active ownership activities on behalf of our clients, using financially material environmental, societal, and governmental criteria to inform capital allocation in index, active and private markets financial products and applying exclusions where required by portfolio investment objectives.

## 1. Identification of sustainability risks and opportunities

L&G Asset Management believes the consideration of sustainability risks reflects a core part of our fiduciary role to act in the best interest of our clients and to deliver long term value.

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. When considering these, we combine an analysis of these macroeconomic drivers with sector-level and issuer-level analysis to determine whether and how companies and assets are positioned in respect of the sustainability risks that are most relevant to them.

L&G Asset Management's investment stewardship activities are guided by long-term themes that we have identified as potential systemic risks and opportunities which we believe will be financially material to our clients' portfolios, and that cover areas where we believe L&G Asset Management as an asset manager can have the greatest impact.

L&G Asset Management's internal processes for identifying and prioritising sustainability risks and opportunities are supported by Global Research and Engagement Groups (GREGs) which bring together representatives from the public and private market investment (including investment stewardship) teams across regions and asset classes. The GREGs enable L&G Asset Management 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 help us prioritise them accordingly. Combining the capabilities of the research, investment stewardship and climate solutions teams also enables L&G Asset Management to scale and coordinate our engagement efforts with companies at board and executive management levels, across public markets asset classes and investment styles.

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2009/65/EC, 2009/138/EC, 2011/61/EU, 2013/36/EU, 2014/65/EU, (EU) 2016/97, (EU) 2016/2341, or delegated acts and regulatory technical standards adopted pursuant to them.



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

## 2. Integration of sustainability risks and opportunities

At L&G Asset Management, our investment philosophy and processes are focused on creating value for our clients. Our responsible investing approach incorporates financially relevant sustainability characteristics into investment decisions, where consistent with the achievement of investment objectives, and works alongside our engagement efforts, targeting value creation to support real world outcomes through a variety of measures outlined in the following pages.

### 2.1. Active ownership and engagement

L&G Asset Management is committed to working with companies, policy makers and other stakeholders to address a range of potentially financially material sustainability issues that could impact the value of our clients' investments.

Our 'universal ownership' approach to investment stewardship means that we use corporate engagement and policy dialogue with the aim to drive long-term value creation and shape the future by encouraging more sustainable, long-term practices from companies. L&G Asset Management votes with one voice on all shares for which it has the authority to do so. Where there are no legal or practical impediments, we vote on our clients' investments across all developed and emerging markets.

Consideration of systemic risks and macro developments through to company specific issues follows the following three-step approach:

1. Research	2. Engage	3. Escalate
Through rigorous analysis, we seek to identify key financially relevant ESG issues, which we consider as part of our investment processes, strategies and solutions where relevant. We integrate consideration of these into our investment processes, strategies, and solutions.	We engage with companies and occupiers on these issues. And we work with policymakers, regulators, industry peers and other stakeholders so together, we can take transformative steps to tackle systemic market issues.	When necessary, we will escalate our engagement activity via stewardship tools to urge companies that fail to demonstrate progress towards greater action. We also use our responsible investing insights to inform investment decisions and allocate capital. As part of this approach, we use data from respected providers and deploy our own proprietary tools, including our <a href="#">ESG score</a> , our Active ESG



		View and our Destination@Risk.
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Our Corporate Governance and Responsible Investment policies set out our expectations of investee companies and outline minimum expectations. In addition, we have also set country-specific expectations for those markets in which we adopt a differentiated stance. Our custom voting policy is developed in accordance with our publicly disclosed position on good governance and sustainability-related criteria in our guideline documents and with country specific requirements.

All of our responsible investing policies are fully compliant with Shareholder Rights Directive II and available [online](#).

Votes are cast according to our instructions guided by L&G Asset Management custom policies and effected through an electronic voting platform. We do not automatically follow recommendations of proxy advisers and have put in place a highly detailed ‘custom’ voting policy with specific voting instructions. These instructions apply to all markets globally, with minimum best practice standards that we believe all companies should observe, irrespective of local regulation or practice. In addition, we have also set country-specific expectations for those markets in which we adopt a differentiated stance. All our custom voting policies are developed in accordance with our publicly disclosed position on good governance and sustainability-related criteria in our guideline documents and country-specific policies. We retain the ability in all markets to override any voting decisions that are based on our custom voting policy. This may happen when a company has provided additional insight that allows us to apply a qualitative overlay to our assessment.

Further information can be found on the L&G Asset Management website.

2.2. Exclusions

Exclusions may prohibit certain investments across a variety of issues. L&G Asset Management employs exclusions at different levels. All exclusions are consistent with individual fund objectives and their disclosure documents.

- The most widely implemented exclusions across L&G Asset Management entities are prescribed by the Controversial Weapons Policy and Coal Policy. These are implemented for all non-US pooled active funds and certain non-U.S. pooled index funds, as well as certain segregated mandates, as per our clients’ requests. US pooled funds apply these policies to the extent permitted under the funds’ offering and governing documents, and for certain segregated mandates as agreed with the client.
- Certain funds also implement the Future World Protection List (FWPL), a set of exclusions of investee companies that relevant L&G Asset Management entities believe have not met minimum standards of globally accepted business practices, such as the UN Global Compact. Further details on the Future World Protection List can be accessed [here](#).



- Certain funds implement investment exclusions that result from companies failing to meet our minimum expectations as part of our Climate Impact Pledge. Further details on the Climate Impact Pledge and sanctioned companies can be accessed [here](#).
- Other exclusions may be additionally applied to specific funds consistent with individual fund objectives and their disclosure documents.
- Exclusions based on the FWPL are also applied across our private markets portfolios (refer to section on private markets in section 2.5).

### 2.3. Index strategies

Sustainability risks cannot influence a decision to invest in a particular security within index strategies, unless they are specifically incorporated in the objective of the relevant product to track a particular index within prescribed parameters.

However, L&G Asset Management engages with investee companies within index portfolios on sustainability matters, consistent with the active ownership approach set out in section 2.1. In addition, L&G Asset Management has developed index solutions that aim to deliver specific responsible investment related outcomes, as outlined below.

Where sustainability risks are specifically integrated into certain index strategies at a portfolio level, the tools available to L&G Asset Management include selection, tilting and exclusions based on criteria provided from our proprietary sustainability scoring methodology for equity and fixed income indices. The tool's rules-based scoring considers market-wide sustainability issues that are used in certain index strategies to assess companies in line with our stewardship expectations on ESG factors. Certain index funds incorporate the L&G ESG Score in their index methodology or strategy as a means of selecting, tilting, or excluding corporate issuers. The [L&G ESG Score](#) comprises sustainability data points that address a range of indicators across environmental, social, governance and transparency metrics.

We have also developed a Sovereign Risk ESG score to consider strategies investing in government debt markets. Within this tool, we evaluate sovereigns against environmental metrics such as the sovereign's decarbonisation progress and exposure to nature-related risks alongside other sustainability risk metrics. We also offer third-party ESG methodologies in certain index funds.

We conduct due diligence on index providers and the index methodologies that we use in index strategies with sustainability characteristics and seek to offer more choice to investors.

*L&G Asset Management continues to work with index providers to broaden and enhance the offering of indices with sustainability characteristics or targeting sustainability-related themes.*

### 2.4. Active strategies

L&G Asset Management's approach to embedding sustainability considerations across active strategies relies on proprietary capabilities to identify and analyse material ESG factors, integrate these factors



into the investment process and develop methodologies that focus on sustainability related objectives which are financially material for our clients.

Our research-driven philosophy starts with the GREGs, which bring together expertise from our investment (including investment stewardship) teams and help to identify material ESG factors using both top-down and bottom-up approaches, as outlined above. ESG factors are embedded into the issuer-level research process, where the credentials of companies are evaluated alongside traditional financial metrics to form a fundamental assessment of the issuer. Finally, portfolio managers review issuer-level research and metrics as part of their security selection and portfolio construction process.

Underpinning this process is Active ESG View, a proprietary research tool, which brings together granular quantitative and qualitative inputs such as the materiality of sustainability risks and opportunities in sectors, company ESG data, engagement, and forward-looking company analysis. The tool enables our analysts and portfolio managers to evaluate sustainability related risks and opportunities at both a company and portfolio level.

Within Active ESG View we have developed different modules and methodologies to support our investment process. For example, our Active View ESG scores puts emphasis on the financial materiality of environmental, social and governance factors, whereas our Sustainable Development Goal (SDG) score measures alignment of products, services and business practices to the underlying targets of the SDGs.

Within our Active View ESG scores, themes that are considered include, but are not limited to: climate change, water and waste management, labour management, health and safety, community practices, board robustness and investor rights. The scores support investment teams in deepening their understanding of how companies manage potential sector relevant ESG risks and opportunities, to be considered alongside all other components of fundamental investment analysis.

We have also developed visualisations to organise and display ESG scores and data to support our investment process. In addition to company and sector dashboards, we have developed the Active ESG View Portfolio Viewer module. This tool allows portfolio managers, where relevant, to identify and address the aggregate ESG positioning and risks of the portfolios they manage, such as portfolio exposure to companies with poorer sustainability credentials or issuers that potentially have significant negative impact on the environment or society.

The extent to which sustainability risks are considered within the investment process depends on the specific portfolios objectives and policies. Where financial products or portfolios have investment objectives or policies that include making sustainable objectives or promoting environmental or social characteristics, portfolio managers will implement the relevant responsible investment strategy to achieve the respective objectives or policies.

However, where portfolios do not have specific sustainability objectives or policies, portfolio managers may take financially material ESG factors, alongside financial factors, into account when making their investment decisions.





## 2.5. Private Markets

Our private markets portfolio covers real estate, infrastructure equity, private credit and venture capital.

In terms of sustainability considerations, each of these asset classes is governed by its respective responsible investment policy and processes that are adopted by the relevant business areas and reviewed frequently to ensure it meets evolving regulatory requirements. To manage and mitigate sustainability risks in our private market investments, environmental, social, and governmental considerations are integrated across the stages of the investment and asset management process.

### 2.5.1 Private Credit

L&G Asset Management's private credit investments cover infrastructure, real estate, corporate and alternative debt.

Sustainability considerations can pose a material risk to credit portfolios. Therefore, L&G Asset Management seeks to drive better sustainability disclosure and transparency as part of its due diligence process on borrowers, by identifying responsible investment issues that are most material to the risk and resiliency of assets.

As long-term debt investors, we focus on identifying and strengthening the areas where we can have the greatest impact, including our pre-investment assessment processes and our approach to engagement throughout the investment lifecycle. Where possible, we engage with borrowers to increase disclosure terms and drive more positive outcomes, structuring transactions to minimise sustainability risks that may have relevance to financial returns and incorporate regular sustainability reporting. Our responsible investment integration process across investment, portfolio and asset management is outlined in our [Private Credit Responsible Investment Policy](#).

### 2.5.2 Real Estate Equity

In our real estate investments, we consider sustainability to be a material factor alongside location, occupier, building size and building quality informing the investment process to help deliver better-quality, better performing and more resilient real estate assets.

- Due diligence process and acquisition phase: prior to acquisition all potential assets undergo a sustainability assessment to identify sustainability risks and improvement plans. This includes an assessment on carbon, energy, water and waste management, forward looking climate risk, net zero carbon liability audits, renewable energy, and a review of any existing plans to enhance biodiversity and social impact on site.
- Operational performance of existing assets: an asset sustainability plan is established for each asset upon acquisition and is maintained under management. This provides details and prioritises all possible measures to improve its environmental and social footprint. Further, an environmental management system is used to maintain ISO14001 certification for managed assets which is reviewed and externally verified annually. All identified risks and actions are





recorded and tracked. Energy and utility performance is targeted and managed using an online sustainability data platform and through quarterly sustainability reviews at fund level.

- Integration of sustainability considerations across our investment and asset management process is outlined in our [Real Estate Responsible Investment Policy](#). The policy has been established to aim for the full realisation of sustainability opportunities and the effective management of key sustainability risks within each focus area. We have established management procedures to set and oversee strategic targets across our core operational areas. These procedures help enable us to consistently and systematically manage environmental, social, and economic impacts, while also maximising opportunities to deliver positive social and environmental outcomes and mitigate associated risks.

#### **Real estate equity core areas:**

- Acquisition and transactions
- Occupier screening
- Fund management
- Asset management
- Property management
- Development and refurbishment

### **2.5.3 Infrastructure Equity**

L&G Asset Management's infrastructure equity platform focusses on investment in renewable infrastructure and digital infrastructure.

Sustainability considerations are embedded into the investment approach for our infrastructure investments, as we believe that they can present a material risk to our assets. As such, we believe that effective management of these will support improved quality and resilience of these assets, whilst also supporting the growing demand, and opportunity, for sustainable infrastructure to address critical global issues such as climate change.

As long-term investors, we focus on areas where risks are deemed to be most material and identify and strengthen the areas where we believe we can have the greatest impact. To support this, we have developed and utilise asset-type specific ESG assessment checklists, which are used to review key sustainability-related criteria against our expectations pre-investment, with this analysis used to support decision making. Performance against the indicators in these checklists is also monitored post-investment and used to support ongoing engagement. Escalation criteria or remediation measures may be implemented if an asset falls below asset-specific minimum standards.

### **2.5.4. Venture Capital**

L&G Asset Management's venture capital platform invests in university spinouts across three industry verticals: life sciences, deeptech and climate.

Each investment opportunity is evaluated for its alignment to three sustainability themes: Health & Wellbeing, Climate & Nature, and an Inclusive Economy. The Investment Committee for Venture



Capital, formally considers ESG risks, opportunities, and prospective contributions to one or more sustainability theme. A proprietary Sustainability Framework supports consistent assessment across direct and fund investments, ensuring alignment with L&G's public commitments and responsible investment approach.

Recognising the early-stage nature of venture capital, L&G adopts a pragmatic approach, focusing on material risks and areas where it can have the greatest impact. Despite data limitations, L&G remains committed to advancing ESG integration and impact management by collaborating with co-investment partners and industry peers to drive industry-wide efforts to develop best practice tools and frameworks.

3. Organisation and governance structure

Underpinning our approach is L&G's Asset Management's governance structure, which is aimed at ensuring rigour and accountability, as well as enabling us to continue to meet the highest standards of oversight for our clients' investments and our own commitments. We believe that responsible investment activity needs to be fully integrated and overseen across formal governance committees, including our Executive Committee, as well as a specific board-level Investment Stewardship Committee, which is chaired by an independent non-executive director.

4. Adherence to responsible business conduct codes

L&G Asset Management has an internal framework of policies, procedures and standards that promote appropriate behaviours across all business activities, including:

L&G Asset Management Code of Ethics	Personal Account Dealing Policy	L&G Asset Management Limited 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	

Source: L&G Asset Management  
As of July 2025

L&G Asset Management 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 Asset Management is a signatory to the UN Principles for Responsible Investment and implementing its six principles to incorporate and report on ESG activities.

L&G Asset Management reports in line with the Task Force on Climate-Related Financial Disclosures under Legal & General Group's Climate and Nature Report, as well as through specific Asset Management entity reports. L&G Asset Management is a signatory to the UK Stewardship Code, submitting on an annual basis to the UK Financial Reporting Council our annual report on the implementation of the Code's 12 Principles.

### **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.

### **Important Information**

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## L&G Global

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*The L&G Stewardship Team acts on behalf of all such locally authorised entities.*

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