For investors. Capital at risk.

Climate Report 2025: Real Estate Equity

Real Assets and Private Credit - Asset Management, L&G

June 2026

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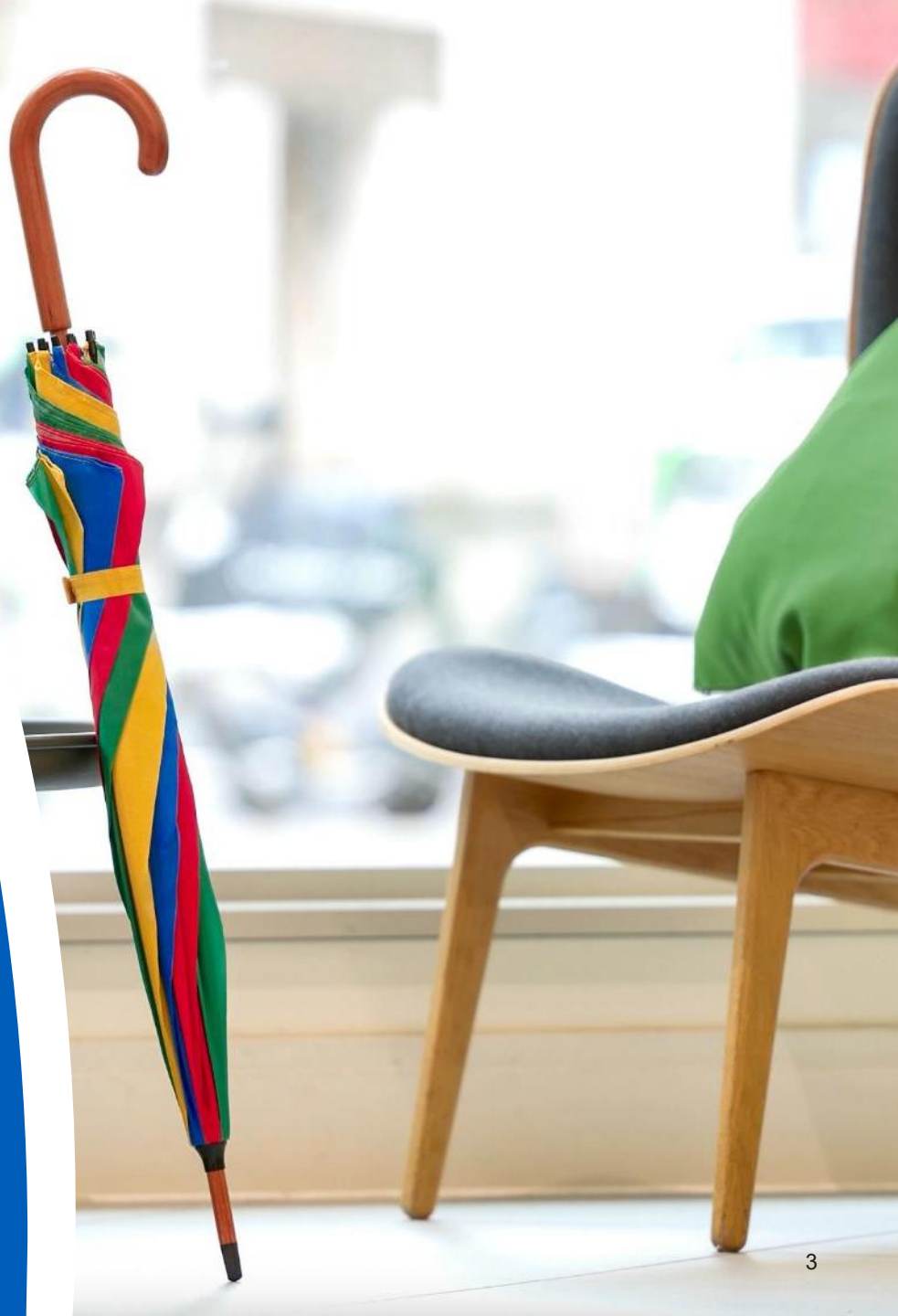
Summary: Real Estate Equity Climate Resilience



Executive summary

2025 marked a third consecutive year of record global temperatures[1], reflecting the unprecedented change the world is now experiencing. Addressing society's biggest challenges by investing in the real economy is core to our purpose: 'Investing for the long term. Our futures depend on it'.

At L&G Asset Management, climate change poses a systemic and material financial risk to our direct investments in real assets across the built environment. As a global institutional investor, we have both a clear responsibility to protect and enhance value for our clients. As a long-term investor, we believe this means investing in assets that mitigate climate risks, adapt to expected changes, and enable us to realise the benefits of the transition to a low-carbon economy.

The Climate Report 2025: Real Estate Equity outlines the climate-related commitments across our real estate equity assets, including our commitment to achieve net zero carbon by 2050, or sooner[2]. It explains how climate-related risks and opportunities are integrated to support more resilient portfolios, which we believe is essential to protecting our clients' capital. It also sets out the framework and tools that underpin our approach across real estate equity assets managed in funds, as well as operational assets in our housing and urban regeneration businesses.

The report has been developed in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)[3], building on disclosures made in L&G's Climate and Nature Report. It also aligns with Better Buildings Partnership (BBP) guidance on climate resilience strategies for commercial real estate.

"A robust climate strategy is fundamental to managing risk, strengthening resilience and delivering on our net zero by 2050 commitment. By continuously evolving our approach, we aim to protect and enhance asset value while turning the climate challenge into long-term opportunity."

Amelia Tan
Head of Responsible Investment & Stewardship, Asset Management

Real estate equity at a glance

Who we are

L&G Asset Management manages private assets across real estate, infrastructure and private credit across a range of solutions for pension schemes and institutional clients. As an investor and owner-operator in real assets, L&G looks to meet the needs of our stakeholders by fostering long-term relationships and delivering positive outcomes.

What we do

L&G has been an investor in commercial, alternative and residential real estate since 1971 owning £20.8 billion of assets across real estate equity funds and its housing and urban regeneration businesses.

1. https://www.metoffice.gov.uk/about-us/news-and-media/media-centre/weather-and-climate-news/2026/2025-continues-series-of-worlds-three-warmest-years
2. Net-zero targets are not guaranteed to be achieved.
3. Where required, these have been reported in line with TCFD reporting requirements in accordance with rule ESG 2 in the ESG Sourcebook published by the FCA.
4. AUM data estimates at 31 December 2025.

Key climate-related initiatives

The following sustainability areas demonstrate how we are delivering against our Real Estate Equity: Net-Zero Carbon Roadmap and climate strategy for real estate equity and is aligning with the Responsible Investment Policy for Real Estate Equity.

Key areas	Performance	Commentary
Asset Sustainability Plans (ASPs) Aiming to have ASPs in place for all real estate equity assets managed in funds.	**94%** of assets with ASPs over the reporting year[1]	Short, medium and long-term sustainability plan for assets. Targeting 100% of assets.
Landlord gas Aim to phase out all landlord gas by 2030.	**59%** of assets with landlord-controlled areas have no landlord gas[2] at year end[3]	Measures are ongoing to phase out gas for all assets.
Data coverage Aiming to improve occupier data coverage obtained via automated and manual data collection.	**67%** of assets by floor area able to report actual occupier data[4]	Targeting 80% actual occupier data coverage in the short term and 100% in the long term. Automated data collection methods have been rolled out throughout 2025 to help achieve this.
Occupier engagement Engaging with occupiers to meet joint sustainability targets and objectives.	Sustainability-related occupier engagement through **community engagement events, tenant surveys, direct conversations and activities**	Supported by Vizta, a dedicated platform for occupier and engagement monitoring and reporting. Further initiatives are in place to support occupier engagement on sustainability.
Net-zero carbon audits Carrying out net-zero carbon (NZC) audits in all priority assets[5].	**53%** of priority assets with NZC audits by whole building emissions (213 audits conducted)[6]	Priority assets identified, responsible for 71% of emissions from real estate equity assets in funds. Targeting to carry out net-zero carbon audits for all priority assets and implement learnings across the portfolio.
Energy Performance Certificate (EPC) ratings Working to improve EPC ratings across the fund to meet Minimum Energy Efficiency Standards (MEES) and exceed them where possible.	**93%** of assets with EPC A-C rating	EPCs are monitored and upgraded, ensuring MEES requirements are met.
Climate risk and resilience Assessing climate risk to inform acquisition and investment decisions and enhance resilience.	**94%** of assets modelled to have low or medium climate risk in 2050 under a high emissions scenario[7]	Assessing asset-level climate resilience and prioritising adaptation solutions.

Source: L&G, 31 December 2025

1. Data over the reporting year offers an overview of the fund's performance throughout the year, considering all operational assets, including those acquired and disposed of during the year. 2. Refers only to assets managed in funds with landlord-controlled areas which have landlord gas. It excludes void units that have been assumed under landlord control following a tenant vacating an asset or unit. 3. Year-end data provides a snapshot of the portfolio performance at the end of the reporting year, following changes in portfolio assets throughout the year. 4. Scope 3 emissions data coverage refers to the total floor area of assets for which we have been able to report Scope 3 data over the whole 2025 reporting year. Includes assets with the capacity to report actual data, through AMRs, manual data readings and other methods, not relying on benchmarked data. 5. Priority assets are primarily determined by emissions as well as different variables such as high rent roll, strategic occupiers, asset type, and lot size. 6. Net-zero audits are only monitored for assets managed in funds. 7. The high emissions scenario is representative of Representative Concentration Pathways (RCP) RCP 8.5, which is a climate pathway where greenhouse gas emissions continue to grow unmitigated, leading to a best estimate global average temperature rise of 4.3° C by 2100.

Our climate resilience journey

L&G has worked continuously to improve its ability to assess and manage climate-related risks and opportunities.

2019

- Became a signatory to the Better Buildings Partnership Climate Commitment

2020

- Published of our first Net-Zero Carbon Roadmap
- Started roll out of NZC audits for priority assets

2021

- Conducted first forward-looking climate risk assessment with climate modelling partners, XDI

2022

- Established 2030 science-based targets for Scope 1, 2 & 3 emissions
- 100% of landlord purchased electricity from REGO-backed renewable sources
- Launched of Vizta digital platform to support occupier engagement

2023

- Expanded rollout of automated meter readings to improve occupier energy data coverage
- Completed forward-looking climate risk assessment for 100% of real estate assets in funds with adaptation measures integrated

2024

- Forward-looking climate risk assessments completed for housing and urban regeneration businesses to cover all real estate assets
- Launched Integrated Energy Solutions (IES) programme, a coordinated approach to on-site renewables and electric vehicle charging
- Developed first-pass climate valuation uncertainty model to assess the financial impact of climate risk
- Climate Adaptation Toolkit developed to formalise the assessment of asset-level climate resilience and adaptation measures
- Launched enhanced due diligence incorporating forward-looking climate risk and resilience assessments and assessments against the UK NZC Building Standard

2025

- Rolled out enhanced due diligence approach for all new acquisitions
- Reviewed the resilience of high-risk assets using the Climate Adaptation Toolkit and developing adaptation plans, where appropriate
- Eight projects submitted as pilots to the UK NZC Building Standard
- Continued enhancements to the climate valuation uncertainty model

Source: L&G, 2025

TCFD alignment and reporting

This table provides a summary of how this report aligns with TCFD Recommendations and FCA ESG Sourcebook product-level reporting expectations (ESG 2.3). It signposts where climate-related governance, strategy, risk management, and metrics are addressed. Where relevant, we rely on L&G Group-level and L&G's Asset Management's policies, methodologies, and governance arrangements. Disclosures are made alongside the L&G Climate and Nature Report 2025, which provides more detail on L&G Group's net-zero delivery and climate strategy, climate-related risks and opportunities and climate-related governance.

	TCFD recommendation and reporting requirement	Relevant section(s)	Detail
Governance	**a) Describe the board's oversight of climate-related risks and opportunities**	p.19 – Board oversight and management's role	Climate-related governance structures operate at L&G Group and L&G's Asset Management level.
	b) Describe management's role in assessing and managing climate-related risks and opportunities	p.19 – Board oversight and management's role	A team of responsible investment specialists lead the integration, assessment and ongoing management of climate risks and opportunities across the investment lifecycle, supported by cross-functional collaboration and internal governance structures.
Strategy	**a) Describe climate-related risks and opportunities over the short, medium and long term**	p.10 - Summary of climate-related risks and opportunities p.16-17 – Physical climate modelling results	Material physical and transition risks and opportunities are identified across defined time horizons (three years, 10 years, to 2050) informed by scenario analysis and portfolio-level assessments.
	b) Describe the impact of climate-related risks and opportunities on strategy and financial planning	p.12 – Our net zero strategy p.13 – Our climate resilience strategy p.14-15 – Integrating climate risk through the investment lifecycle	Climate considerations are embedded in net zero and climate resilience strategies and integrated throughout the investment lifecycle, informing due diligence, asset plans and investment decisions.
	c) Describe the resilience of the organisation's strategy under different climate scenarios	p.11 – Our scenarios	Scenario analysis across multiple physical and transition pathways (including RCP 2.6 and RCP 8.5) informs risk assessments and strategic decision-making to enhance portfolio resilience.
Risk management	**a) Describe processes for identifying and assessing climate-related risks**	p.21-22 – Approach to risk identification	Climate risks are identified and assessed through scenario analysis and asset-level modelling, including forward-looking physical climate risk modelling and transition risk materiality assessments.
	b) Describe processes for managing climate-related risks	p.20 – Risk management framework	Risks are managed through a formal framework including due diligence, climate modelling, risk thresholds and tools such as the Climate Adaptation Toolkit, supported by our net zero commitments.
	c) Describe how climate-related risks are integrated into overall risk management	p.23 – Risk management approach	Climate risks are embedded within the risk management framework and integrated across acquisition, asset management and strategic decision-making processes.
Metrics and targets	**a) Disclose the metrics used to assess climate-related risks and opportunities**	p.25 – Performance against targets p.26 – Detailed metrics p.27 – Additional metrics and targets	A comprehensive set of climate metrics including energy use, emissions, carbon intensity and climate risk exposure is used to monitor performance and inform decision-making.
	b) Disclose Scope 1, Scope 2, and relevant Scope 3 GHG emissions	p.26 – Detailed metrics	Scope 1, 2 and relevant Scope 3 emissions are disclosed with increasing data coverage and granularity, supported by ongoing improvements in data collection.
	c) Describe the targets used to manage climate-related risks and opportunities	p.25 – Performance against targets p.27– Additional metrics and targets	Science-based targets and net zero commitments (including 2030 and 2050 targets) guide decarbonisation and are monitored through defined metrics and performance tracking.

L&G

Source: L&G, 31 December 2025

Strategy

Climate resilience is core to L&G's responsible investment approach for real estate equity

L&G's real estate equity responsible investment strategy

Asset Management at L&G is committed to supporting long term value creation by helping our clients manage the risks and realise the opportunities linked to the challenges of climate change.

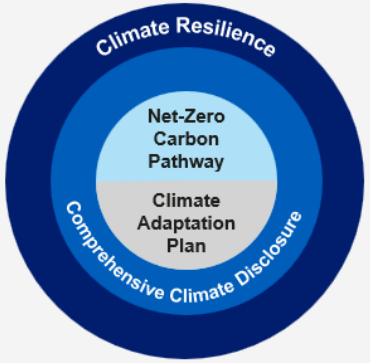
Our Responsible Investment Policy and Framework for Real Estate Equity sets out our approach to responsible investing for L&G's real estate equity assets. Sustainable and responsible investment is integrated across all stages of the investment lifecycle to help us identify and manage the most material issues to our assets and deliver positive social and environmental outcomes.

Our commitment to climate resilience

In 2019, we became a signatory to Better Buildings Partnership (BBP) Climate Commitment[1]. By becoming a signatory, we have committed to achieve net-zero carbon emissions for our real estate platform by 2050 (or sooner)[2] and aligned our Climate Resilience Framework, our strategic approach to climate resilience, to the BBP Climate Resilience Guide[3].

We are continuously reviewing our climate strategy to improve how we assess and manage climate risks and resilience. The development of our climate strategy has been guided by top-down and bottom-up principles.

Components of climate resilience



Mitigate the worst impact of climate change by becoming 'net zero' carbon before 2050

Adapt to operating in a world in which climate-driven disruption is more frequent and severe

Disclose climate-related information to investors, regulators and other stakeholders

Source: L&G, 2025. Adapted from BBP Climate Resilience Guide - Components of a climate resilience strategy, 2022

Principles underpinning our approach to climate resilience

Top-down principles

Reporting
Evolving regulatory and voluntary reporting requirements and expectations

Future climate trends
Considering the impact of forward-looking scenarios on our assets and portfolios

Our commitments
BBP Climate Change Commitment incorporating net-zero and climate resilience requirements

Integrating asset-level insights
Tailored approach to risk and resilience assessment, generating decision useful information to inform risk management and build asset level resilience

Bottom-up principles

Source: L&G, 2025

Source: L&G, 2025

1. BBP Climate Commitment: https://www.betterbuildingspartnership.co.uk/member-climate-commitment 2. Net-zero targets are not guaranteed to be achieved. 3. BBP Climate Resilience Guide for Commercial Real Estate (2022): https://www.betterbuildingspartnership.co.uk/sites/default/files/media/attachment/BBPClimate%20Resilience%20for%20Commercial%20Real%20Estate.pdf

Summary of climate-related risks and opportunities

While the risks from climate change are increasingly clear, the transition to net zero and developing a climate resilient portfolio also creates opportunities. This page highlights material climate-related opportunities and risks that have been identified for our real estate equity assets.

This is a long-term assessment informed by L&G Asset Management and L&G Group's strategic priorities. More detail on how these risks are assessed and managed is available in the Risk Management chapter.

Time horizons:

Short term	Looks at a three-year period
Medium term	Looks forward up to 10 years
Long term	Looks at the time horizon up to 2050

Risks

	Time horizon		
Top potential risks	**Short**	**Medium**	**Long**
Loss of market share and investor appetite if assets are perceived as not meeting evolving client needs.	●	●	●
A breach of evolving legislative or regulatory requirements may expose us to litigation or regulatory sanction and damage our brand.	●	●	●
Reputational risk from not meeting our own commitments, or if activities are perceived to not appropriately manage physical and transition risks.	●	●	●
Increased frequency and severity of extreme weather events, impacting asset values of physical assets with high exposures, due to lower market and occupier demands and higher insurance costs.	●	●	●
Reduced property values due to higher operating costs and capex requirements for properties that are inefficient or have increased risk of extreme weather impacts.	●	●	●
Increased delivery costs of low-carbon solutions for residential and commercial properties may impact viability.	●	●	●
Increased operation costs due to changing climate disruptions to our supply chain, leading to increased costs.	●	●	●

Opportunities

	Time horizon		
Top potential opportunities	**Short**	**Medium**	**Long**
Attracting and retaining clients by supporting them to decarbonise their investment portfolios.	●	●	●
Increasing our market differentiation through investment in low-carbon real estate, including reduced embodied carbon.	●	●	●
Enhanced returns from investing in homes and commercial properties by enabling them to operate with net zero carbon emissions and climate resilience.	●	●	●
Protecting our returns and costs by developing real assets with high levels of climate resilience.	●	●	●
Optimising operating and management costs by having energy-efficient and climate resilient assets.	●	●	●
Better understanding of risk to inform and optimise strategic investment decisions for new and existing assets to maximise portfolio resilience.	●	●	●
Transparent disclosure to meet client and market demands and reduce reputational and regulatory risks	●	●	●

● Low impact ● Medium impact ● High impact

Source: L&G, 2025.
Assumptions, opinions and estimates are provided for illustrative purposes only.

Our scenarios

Scenario analysis provides a structured lens to assess the key features of the transition to a net-zero economy, the physical risks facing our assets, and pathways to building a more resilient portfolio.

We use both quantitative and qualitative scenarios to assess how climate-related impacts may emerge over different time horizons. We apply scenario modelling across the asset lifecycle and work with external climate risk specialists to support our modelling capabilities.

Across real estate equity, physical climate risks are assessed across two emissions scenarios aligned with the Intergovernmental Panel on Climate Change (IPCC) Representative Concentration Pathways (RCP). Transition risks are assessed across three different transition scenarios.

In line with our focus on delivering long-term value, we adopt a cautious approach. Risk tolerances and risk management decisions for physical risks are informed by the expected outcomes of a 'high-emissions' RCP 8.5 scenario, under which physical impacts are expected to be greatest.

For transition risks, risk tolerances and management decisions are informed by an orderly transition scenario, where transition-related impacts are expected to be most severe.

Scenario analysis use cases
Assets underwriting and risk assessment
Quantifying progress against targets
Informing asset valuation uncertainty
Fund level analysis

This strengthens the resilience of our operations and enhances our ability to adapt across a range of future scenarios.

It is important to remember the output from our quantitative scenarios are not projections of the future. There are many assumptions underpinning our scenarios.

Physical risk scenarios[1]	Transition risk scenarios[2]	Risk impacts
Low emissions: IPCC RCP 2.6 Global warming stays below 2°C by 2100 with significant action contributing to an emissions decline.	**'Orderly transition'** Immediate policy action to reduce emissions to meet the Paris Agreement.	Immediate, coordinated decarbonisation efforts achieving net zero by 2050, with significant immediate costs to meet these demands. Physical risks less severe, but likely in the long term.
	'Disorderly transition' Delayed action to transition the economy to meet the Paris Agreement.	Delayed, uncoordinated decarbonisation efforts to achieve net zero by 2050, with higher transition risks in the medium term. Physical risks less severe, but still likely in the medium to long term.
High emissions: IPCC RCP 8.5 No climate change action with temperatures rising by ~+4°C by 2100.	**'Hothouse world'** No policy action towards net zero with risks related to physical climate impacts.	No policy action, but permanently stunted GDP growth and large economic and social shifts. Chronic changes to weather patterns and ecosystems, causing severe impacts on a global scale.

Source: L&G, 2025.

Assumptions, opinions and estimates are provided for illustrative purposes only. There is no guarantee that any forecasts made will come to pass.

1. IPCC 5th Assessment Report (2014): https://ar5-syr.ipcc.ch/topic_futurechanges.php.
2. FCA transition risk scenario definitions: https://www.fca.org.uk/publication/corporate/cfrf-guide-2023-scenario-analysis-guide-asset-managers.pdf

Our net-zero strategy

We see net zero as fundamental to the long-term value of real estate. Our approach focuses on future-proofing assets, anticipating policy shifts, responding proactively to the climate crisis, and ensuring our portfolio remains resilient, high quality and competitively positioned. By embedding net-zero principles into our investment and asset management processes we can utilise key intervention opportunities to introduce improvement at the most commercially viable moments. Through this approach we are protecting value while creating better-performing, more desirable real estate for the future.

As an investor, lender, builder and landlord, we recognise that the built environment is a significant contributor to climate change. The emissions associated with managing these assets, arising from the fuels and electricity that L&G purchases and controls as a landlord, are the largest contributor to L&G's operational footprint. Through our engagement with stakeholders, particularly occupiers, we seek to advance the transition to a low-carbon world by taking action to achieve net-zero emissions.

Our real estate equity portfolio is committed to achieving net-zero carbon by 2050 or sooner[1]. It is also subject to an operational science-based target (SBT) to achieve an absolute reduction of 42% of Scope 1 and 2 emissions by 2030 (from a 2021 baseline), and to a commitment to a 55% reduction in the carbon intensity of the Scope 3 emissions associated with the energy use of our occupiers by 2030 (from a 2019 baseline)[2]. We have also set the target for all new homes to be operating at net-zero carbon by 2030.

We actively monitor carbon emissions and track performance against our targets to assess our progress and alignment with our decarbonisation pathway, and the related risks and opportunities. This enables us to respond where performance is off track, prioritise interventions, and capture opportunities to accelerate emissions reductions so that we remain on course to meet our targets.

Our Real Estate Equity: Net-Zero Carbon Roadmap is regularly updated and sets out how we are delivering our net-zero strategy and tracking progress against our targets. These targets are also used to set annual fund and asset level Scope 1 and 2 energy reduction targets for real estate equity assets, which are monitored on a quarterly basis.

Targets:

2030

42% reduction in our absolute Scope 1 and 2 GHG emissions (2021 baseline).

55% reduction in carbon intensity of occupier energy use across real estate equity assets (2019 baseline).

All new homes to be capable of operating at net-zero carbon.

2050

Net zero carbon across all real estate equity assets (Scope 1, 2 and 3 emissions).

Highlights and progress:.

2025

- Re-baselined our SBTi validated Scope 1 and 2 2030 emissions reduction target to a 2021 baseline in line with SBTi best practice due to significant changes to our underlying portfolio over the last few years.
- Remain on track, achieving a 24% reduction in Scope 1 and 2 emissions from our 2021 baseline.
- We reduced the carbon intensity of occupier energy use (Scope 3 emissions) across real estate equity assets by 51% from our 2019 baseline[3].

Source: L&G, 31 December 2025

1. Net-zero targets are not guaranteed to be achieved.
2. We define a target as science-based if it is aligned to SBTi criteria i.e. is a mid-term reduction target with enough ambition to align with the global net-zero trajectory.
3. Reduction in carbon intensity from occupier energy use primarily driven by improved data availability. Real measured energy data has been found to be lower than benchmarked data.

Our climate resilience strategy

We are focused on strengthening our resilience to physical climate risks by integrating forward-looking climate data into investment decision-making and asset management.

Working with climate risk specialists at Marsh and climate modelling provider XDI, we have developed a Climate Resilience Framework to support the consistent integration of forward-looking physical climate risk analysis across the asset lifecycle. The Framework was rolled out in 2025 to support more informed investment decisions and targeted resilience planning. As part of this, forward-looking climate risk analysis across a range of hazards, together with the assessment of asset-level resilience for at-risk assets, has been incorporated into our standard due diligence process to inform investment decisions.

To operationalise the Framework, we have introduced a Climate Adaptation Toolkit. The Toolkit provides practical guidance to help transaction, technical due diligence and asset management teams assess on-site resilience and prioritise adaptation measures for assets exposed to climate risks or already experiencing climate-related events. Adaptation planning is aligned with wider asset strategies, including hold periods, refurbishment plans and asset lifecycles, to support cost-effective implementation and minimise disruption. This gives us a clearer understanding of our risk exposure and the measures and costs required to manage it.

Flood risk strategy

Flooding remains the most material physical climate risk to the real estate equity portfolio and has long been embedded in our investment strategy. Flood risk is assessed as part of standard acquisition due diligence, supported by a Flood Risk Policy that applies enhanced scrutiny to assets in Environment Agency (EA) Flood Zones 2 and 3, or to assets where flood risk is identified through forward-looking climate modelling.

For assets identified as medium or high risk, more granular asset-specific information, such as building characteristics, floor heights and existing flood protection measures, is incorporated into climate risk modelling to improve accuracy. Where residual risk remains, the Climate Adaptation Toolkit is applied to guide a more detailed assessment of resilience and adaptation options.

Real Estate Equity Climate Resilience Framework

Climate Resilience Framework

Climate Adaptation Toolkit

The Climate Adaptation Toolkit provides guidance to transaction and asset management for assessing on-site resilience and prioritising adaptation measures for assets. The Toolkit is used when risk flags are triggered. Adaptation plans can then be developed, considering wider strategic asset plans.

Climate due diligence

Climate risk is incorporated into our standard due diligence approach. Flood risk has always been part of our due diligence process, but in 2025, forward-looking climate modelling was fully integrated. Assets that do not meet the low-risk thresholds[1] are reviewed using the Climate Adaptation Toolkit to confirm low risk or identify adaptation measures prior to acquisition. This is integrated into investment decision making with L&G Asset Management seeking to manage flood risk or other impacts from climate change in the best interest of clients.

Asset management

We continue to monitor assets' climate risk and resilience while under management. We conduct regular portfolio climate modelling to continually assess future climate risk impacts. Assets that do not meet the low-risk thresholds are reviewed using the Climate Adaptation Toolkit. Outcomes inform strategic investment decisions and are incorporated into asset plans.

Disclosure

Reviewing asset resilience and adaptation measures enhances the accuracy and transparency of climate-related disclosures and optimises resilience decision making. This is the first year we have disclosed the proportion of assets deemed to be within risk tolerances following more detailed review or application of adaptation measures.

Source: L&G and Marsh, 2025.

1. Low-risk thresholds are exceeded if an asset is in an EA Flood Zone 1 or 2, if climate risk scores from the forward-looking climate modelling exceed a damage ratio of 0.2% per annum (Low risk indicates less than 0.2%, medium risk less than 1% damage ratio per annum and high risk more than 1% damage ratio per annum) or if an asset has experienced a material climate event.

Integrating climate risk through the investment lifecycle

We use strategic intervention points across the investment lifecycle to assess and manage transition and physical risks, support our decarbonisation commitments and strengthen climate resilience. Key activities include, but are not limited to:

Integration activities

Acquisitions	**Enhanced sustainability due diligence**	A team of real estate equity responsible investment specialists support the review of all acquisitions for alignment with decarbonisation commitments, flood and climate risk exposure, and other sustainability risks to support investment decision making. This includes assessing operational and embodied carbon performance under the UK NZC Building Standard and assessing current and future climate risks. High-risk assets receive detailed resilience assessments using the Climate Adaptation Toolkit.
Asset management	**Asset Sustainability Plans (ASPs)**	All assets are required to have an ASP setting short- and long-term actions to improve social and environmental outcomes. This can include EPC improvement plans and NZC audit actions. ASPs are tracked in an integrated sustainability reporting platform for transparency and accountability.
	Improve data quality	We have a comprehensive sustainability data strategy to improve coverage and quality, particularly in relation to Scope 3 emissions. Actions include an occupier energy use submetering programme, automated data collection through third-party providers with supplier/occupier consent, and direct tenant data collection.
	Data management	We continue to work with Deepki as our sustainability data platform, supporting data automation, higher-quality and more comprehensive landlord and tenant data collection, reporting and analysis.
	Occupier engagement	We have a targeted occupier engagement strategy. Our occupier engagement platform, Vizta, allows better communication with occupiers and tracking of engagement and performance. Our standard lease agreements also incorporate requirements on collaboration around net-zero, data sharing requirements and occupier engagement.
	Renewable energy supply	100% of our landlord purchased electricity continues to be supplied from REGO-backed natural renewable generation sources.
	Integrate energy systems	IES is designed to accelerate the deployment of technologies such as solar PV, EV charging, and battery storage in an integrated and holistic approach.
	NZC audits	We conduct NZC audits for all new acquisitions and targeted priority assets. The findings are incorporated into ASPs & Deepki, with learnings applied across the portfolio.
	Removal of gas	We are implementing gas removal programmes with the aim of phasing out all landlord gas by 2030.
	Climate resilience & adaptation	Forward-looking climate risk assessments are conducted across the portfolio, using building-level information to improve accuracy. High-risk assets receive detailed resilience assessments using the Climate Adaptation Toolkit to guide adaptation decisions.
	Internal governance	Fund and asset management teams have annual internal energy and carbon reduction targets, monitored in quarterly sustainability meetings. Responsible investment specialists for real estate equity meet regularly with fund, development and transactions teams to ensure integration. Managing agent and facilities manager fees are linked to energy and carbon performance to incentivise decarbonisation.
Developments & refurbishments	**Development & refurbishment guides**	Guidance and minimum standards on climate-related factors, including net-zero are incorporated into the Brief for Sustainable Works for all new developments and major refurbishments. NABERS Design for Performance has also been adopted for new office developments and major refurbishments over 2,000m².
	Responsible investment integration	Responsible investment specialists for real estate equity support the development team to help embed good practice and new standards across development and major refurbishment projects.

Integrating climate risk through the investment lifecycle cont.

Highlights in 2025

During 2025, we made significant progress in delivering our climate and net-zero strategy across the real estate portfolio. Enhanced due diligence has been integrated into the standard acquisition process, including forward-looking climate modelling and embodied and operational net-zero considerations in line with the UK NZC Building Standard.

Our Climate Resilience Framework, supported by the Climate Adaptation Toolkit, was implemented to assess physical risks at asset level and prioritise adaptation measures. In 2025, we completed c. 100 reviews using the Toolkit. This is underpinned by portfolio-wide modelling, which supports consistent and forward-looking risk management. It has also been complemented by enhancements to our internal climate valuation uncertainty modelling, incorporating more assets and improved data to better inform risk management decisions.

We contributed to the development of the UK NZC Building Standard through eight pilot projects across different asset types. Since its launch, we have embedded aligned net-zero guidance into acquisition due diligence and development design briefs.

Data and engagement initiatives also progressed, including expanded sub-metering and automated occupier energy data collection via Deepki, improving the quality and granularity of Scope 3 data.

The gas removal programme continued, with assets transitioning away from fossil fuels through electrification and renewable energy integration.

Delivery at asset level has also been strengthened through the continued rollout of NZC audits, with outcomes embedded in ASPs. By the end of 2025, 213 assets had NZC audits across sectors including offices, retail and industrial. This represents 53% of priority assets by total Scope 1, 2 and 3 carbon emissions.

We also advanced the Integrated Energy Solutions (IES) framework, supporting the scaled deployment of on-site renewables and electrification across assets. By the end of 2025, PV had been installed on 63 assets and EV chargers on 123 assets. A further 40 projects were in development.

Looking ahead, we will focus on scaling the delivery of key initiatives across the remaining portfolio in line with our Net-Zero Carbon Roadmap and Climate Adaptation Toolkit.

Case study: Engagement with the UK Net Zero Carbon Building Standard

Challenge:

The UK NZC Building Standard introduces a new framework for defining net zero performance for real estate. We have taken an active role in the development of the standard, contributing through various working groups and the pilot testing programme. We have submitted eight pilot assets to be assessed against the standard and identify challenges.

Outcome:

The pilot programme enabled us to assess how our assets perform against net zero requirements. For example, our industrial asset SureStore York demonstrates strong performance, significantly outperforming energy targets (19.9 kWh/m² vs 35 kWh/m²) and achieving low embodied carbon (384 $kgCO_2e/m^2$ vs a 635 $kgCO_2e/m^2$ threshold). Several pilot assets are now progressing towards full verification, demonstrating the value of early testing.

Key areas of feedback throughout the engagement included ensuring the standard is practical, relevant, clear and flexible, and recognises in-use energy performance. Learnings from the engagement are being embedded into acquisition and asset management processes, strengthening decision-making and supporting long-term net zero delivery across the portfolio

Source: L&G, 2025

Case study shown for illustrative purposes only. The above information does not constitute a recommendation to buy or sell any security.

Physical climate modelling results

Working with climate modelling specialists XDI, we conduct regular asset-level climate risk analysis across our real estate equity portfolio. This has been crucial in understanding the risk impacts and resilience of our assets. Our climate strategy has been developed to manage these risks, protect asset values and enhance portfolio resilience.

Physical climate risk scoring methodology

The physical climate risk is assessed based on the projected average proportion of damage that an asset could face in a given year from climate hazard impacts, across multiple climate perils and two climate scenarios. Climate risk scores are assigned for each asset based on the projected proportion of damage per annum across all modelled climate hazards, with the following risk bands:

- Low risk: <0.2% projected damage per annum
- Medium risk: 0.2% to 1% projected damage per annum
- High risk: >1% projected damage per annum

More detail on how risks are identified is available in the Risk Management section.

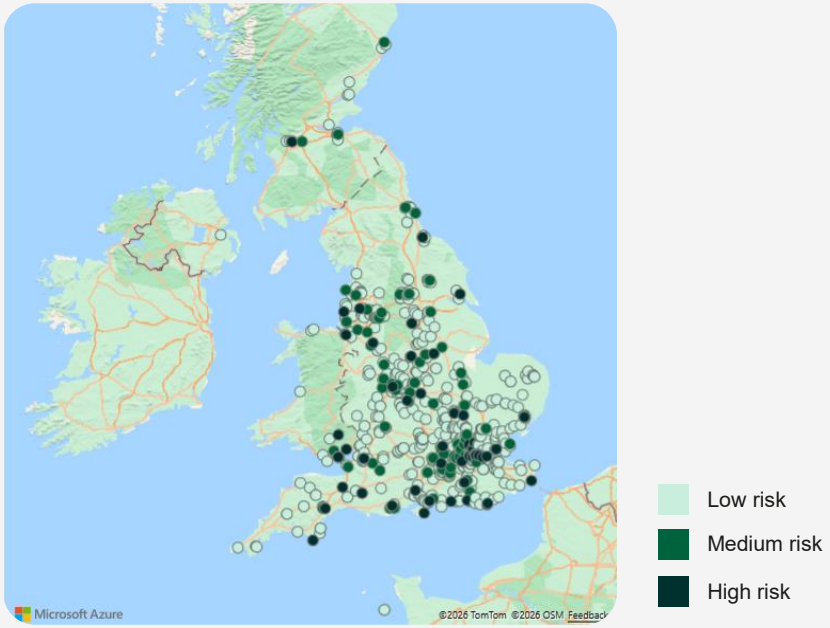
Physical climate risk modelling results

The climate modelling finds the physical risk exposure of all real estate equity assets to be relatively low. Under the high emissions scenario, 4.9% of assets have a high-risk exposure at present, rising to 6.2% by 2050.

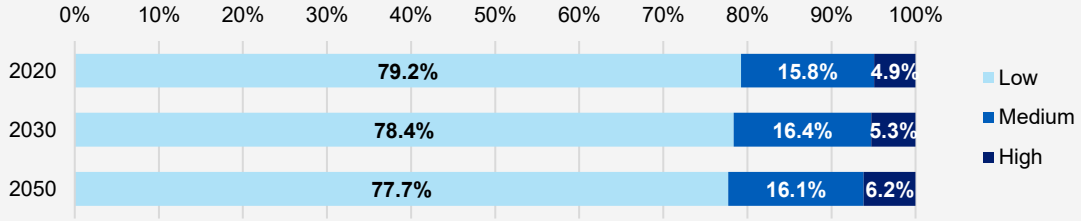
The proportion of assets with medium risk remains steady, increasing by 0.3% of assets between present day and 2050 under a high emissions scenario. This small increase in risk demonstrates that we have a portfolio that is resilient to future climate change impacts, even in a high emissions scenario where physical climate impacts are more severe.

Flooding is the main driver of climate risk, including riverine flooding, coastal inundation, and surface water flooding. This is in line with expectations with the majority of assets located in the UK where flood risk is the most material climate risk.

Climate risk score map (2050, high emissions scenario)



Climate risk score distribution (% of assets in high emissions scenario)[1]



Source: XDI and L&G assessment of assets as at 31 December 2025.

Assumptions, opinions and estimates are provided for illustrative purposes only. There is no guarantee that any forecasts made will come to pass.

1. The average proportion of damage to an asset each year due to climate-relative hazards and produces a 'risk score' per asset. Climate risk score analysis is based on L&G's real estate equity assets aggregated across all perils. Risk score bandings are based on the projected average damage ratio at an asset level. Low risk scores are assigned for assets with a damage ratio of less than 0.2% per annum, medium risk scores for assets with less than 1% damage ratio per annum and high risk scores for assets with more than 1% damage ratio per annum.

Physical climate modelling results cont.

Detailed physical climate risk results for assets managed in funds

We have conducted more detailed climate modelling for assets in managed funds compared to assets in our housing and urban regeneration businesses. Aligned climate modelling across the whole portfolio is planned for the next disclosure period. More detail provided in the Risk Management section.

This modelling conducted for assets in managed funds provides additional insights into projected damage from climate hazards as a proportion of replacement costs. In both scenarios the projected damage is modelled to increase sharply after 2030. By 2050, damage is expected to be much higher in the high emissions scenario, driven by increased coastal, riverine, and surface water flooding. This aligns with the increase in assets with high climate risk scores by 2050.

Integrating evidence of climate resilience

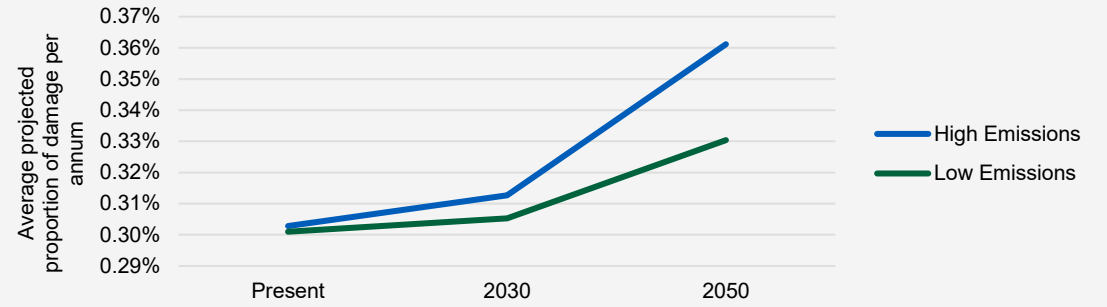
In 2025, alongside the incorporation of adaptation measures into climate modelling, where available, we began conducting additional detailed reviews of real estate equity assets identified as having medium and high climate risk using the Climate Adaptation Toolkit. We collected and assessed evidence of asset-level resilience and adaptation measures to determine whether assets meet risk tolerances. Following completed reviews, the proportion of high-risk assets by 2050 in a high emissions scenario falls significantly from 6.2% to 4.2% of assets.

We will continue to review assets and implement adaptation measures where required to enhance the accuracy and transparency of our climate-related disclosures and build portfolio resilience.

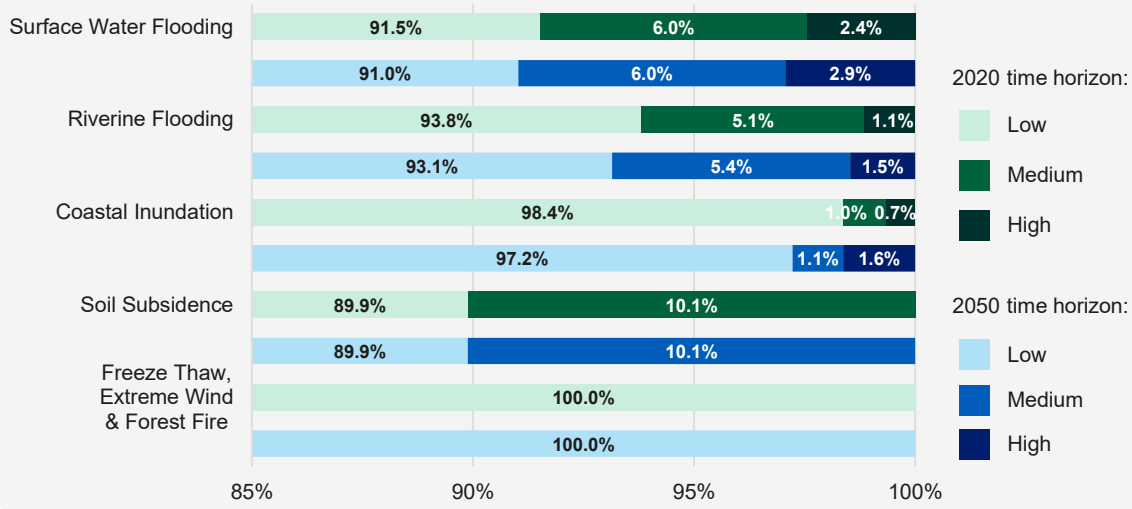
Assets with high-risk following resilience review (% assets by 2050 in high emissions scenario)[1]

% of high-risk assets following initial screening	% of high-risk assets following more detailed review	% reduction in high-risk assets following more detailed review
6.2%	4.2%	-32%

Climate risk projected proportion of damage (average proportion of damage)[2]



Peril-level risk scores (% assets in high emissions scenario)[3,4]



Source: XDI and L&G assessment of assets as at 31 December 2025 for the high emissions scenario.

Assumptions, opinions and estimates are provided for illustrative purposes only. There is no guarantee that any forecasts made will come to pass.

1. The review included assets managed in funds and assets in the housing and urban regeneration businesses. 2. The average proportion of damage from climate hazards across for each year across two climate scenarios only covers real estate equity assets managed in funds. 3. Low-, medium- and high-risk scores are representative of the percentage of assets that are exposed to a given climate-peril in 2020 and 2050 under a high emissions scenario. This analysis was only conducted for assets managed in funds. 4. The climate modelling applies a blanket assumption of 'medium' risk scoring for the soil subsidence climate peril to all high-rise structures. Mitigating factors such as adaptation measures or specific building characteristics are not accounted for. As such, this risk may be overstated, which is considered in strategic decision-making regarding this risk.

Governance and risk management

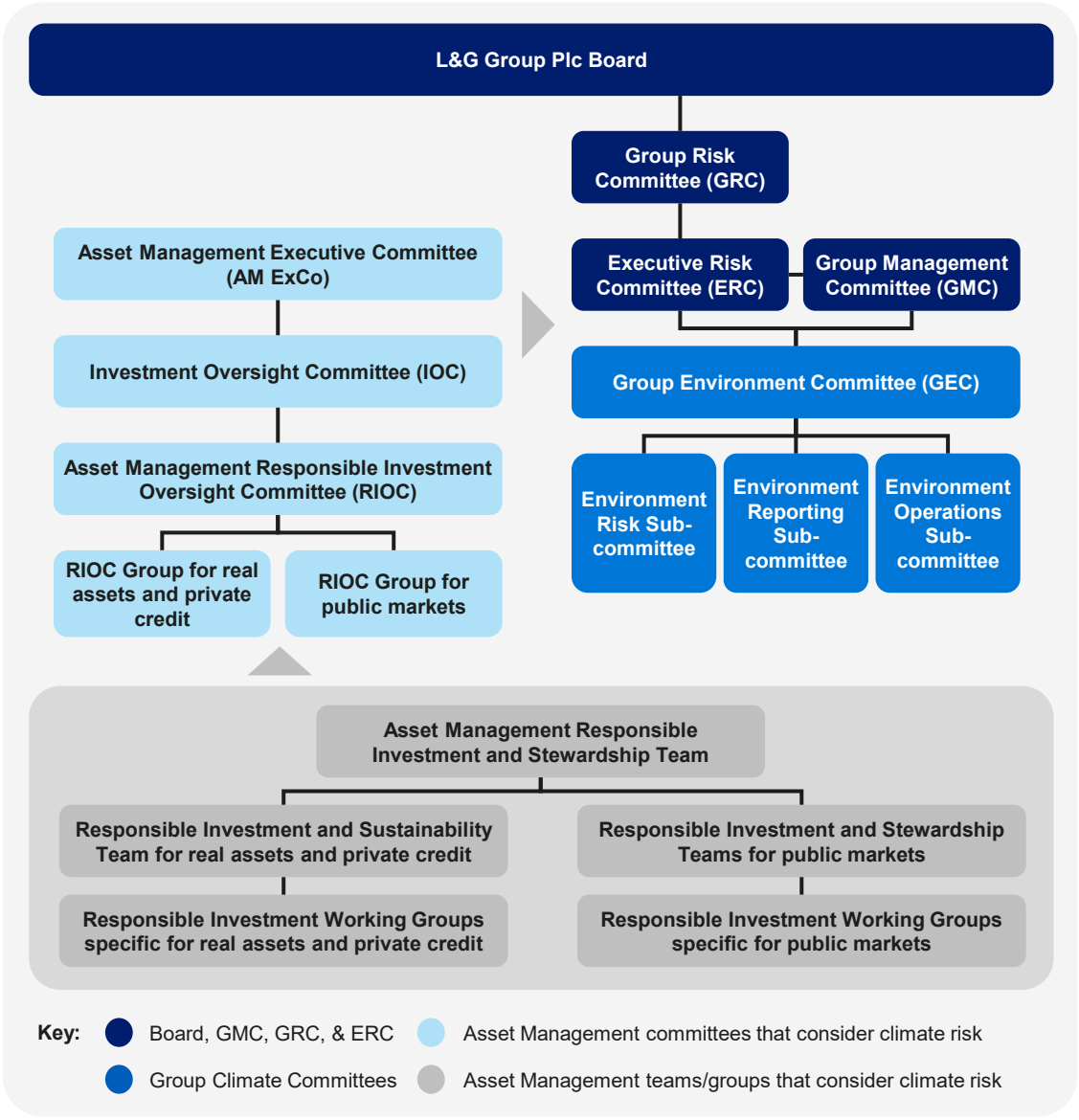
Board oversight and management's role

The L&G Group Board is responsible for overseeing environmental matters, with Nilufer Kheraj, OBE, a Non-Executive Director on the Board, having a specific focus on climate change. This ensures climate risks and opportunities are raised on relevant topics discussed by the Board. The Group Risk Committee (GRC) oversees climate change associated risks to ensure exposures are controlled in line with risk appetite. This ensures that management actions are also aligned.

The Board, through the GRC, Executive Risk Committee (ERC) and Group Management Committee (GMC), has delegated oversight of the management of environmental risks to the Group Environmental Committee (GEC). The GEC, chaired by the L&G Group Climate Director, with membership including: the Group CFO, Group CRO, Institutional Retirement CEO, Retail CEO and Asset Management Chief Investment Officer (CIO), is responsible for ensuring a strategy is in place to understand, identify, measure, monitor, control and report climate-related risks and opportunities in line with the risk strategy and risk appetite. The level of seniority in the GEC membership helps ensure that there is a single forum to provide climate-related oversight and demonstrates the importance of these issues to L&G. The GEC is supported by three subcommittees to review and challenge performance against tolerances and targets, on which L&G's Asset Management's Responsible Investment & Sustainability team is represented. More information available in the L&G Climate and Nature Report 2025.

The Asset Management Responsible Investment Oversight Committee (RIOC) provides oversight of climate-related matters specific to Asset Management. The RIOC is a sub-committee of the Investment Oversight Committee (IOC) which is itself a formal committee of the Asset Management Executive Committee (AM ExCo). The RIOC is chaired by the Head of Responsible Investment and Stewardship for Asset Management. The RIOC is split into two groups - one is responsible for overseeing responsible investment and sustainability characteristics, objectives and commitments across real assets and private credit assets and another across public markets assets.

L&G's Asset Management has a well-established, experienced team of responsible investment specialists, responsible for driving sustainability across real assets and private credit assets. The team is led by the Head of Responsible Investment and Stewardship for L&G's Asset Management who reports into the Global Chief Investment Officer for L&G Asset Management. The team supports the integration of responsible and sustainable investment efforts across the asset lifecycle and is responsible for developing the strategies and frameworks related to assessing, monitoring, and managing climate-related risks and opportunities. Internal working groups have been established to foster collaboration and operational support, including the Fund Integration Group, which brings together responsible investment leads across property funds.



Source: L&G, 2025

Risk management framework

We are committed to addressing climate change risks and aim to integrate climate resilience across the portfolio. We manage our business in a way that supports climate change mitigation beyond the 1.5°C 'Paris' objective and builds resilience across a range of climate outcomes[1]. Our key risk monitoring metrics for real estate equity are:

- Absolute landlord GHG emissions
- Carbon intensity of occupier energy use
- Flood and other physical climate risks

Climate change is a dimension of our existing risk exposures and is embedded in our overarching risk management approach. Our governance structure is used to support the assessment and management of climate change.

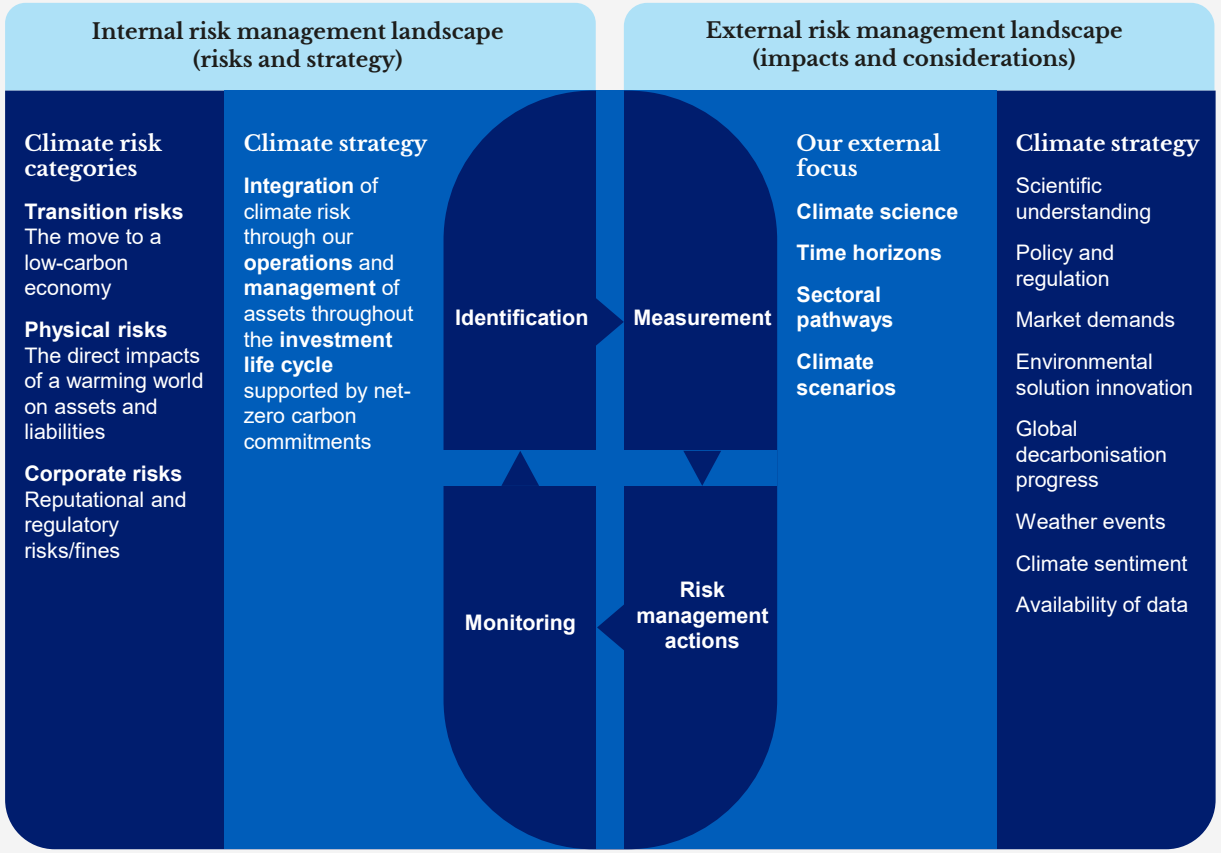
The uncertain nature of climate-related risks, together with the lack of historical data available to support decision-making, makes these risks harder to quantify than some other areas of our risk profile. However, it is widely recognised that the actions taken today will influence the likelihood of different climate outcomes and shape future risk exposures. This, alongside climate scenario analysis, informs our risk management framework.

The scenarios used to identify climate-related risks and opportunities take a longer-term view. Informed by this work, we have carried out a detailed assessment of how these risks could emerge across our business model.

Climate change and wider environmental risks arise through our existing risk exposures. This informs L&G's Asset Management and Group policies and operational procedures, which set out our approach to identifying, assessing, measuring, managing and monitoring climate change risks throughout the lifecycle of our investments.

L&G Asset Management aligns with the risk management framework set at L&G Group level. The framework provides assurance that risks are being appropriately identified and managed, and that independent risk assessment is being carried out.

Our risk landscape



Source: L&G Climate and Nature Report, 2025.

Source: L&G, 2025.

1. The Paris Agreement's "1.5°C objective" refers to the goal of limiting global warming to 1.5°C above pre-industrial levels. This objective is a key part of the agreement's broader goal of holding global temperature increases to well below 2°C. The 1.5°C target aims to significantly reduce the risks and impacts of climate change compared to a 2°C scenario. https://unfccc.int/process-and-meetings/the-paris-agreement#:~:text=It%20entered%20into%20force%20on,above%20pre%2Dindustrial%20levels.%E2%80%9D

Approach to risk identification: Transition risks

We acknowledge that climate change will have a material impact on our business. As a long-term investor, we have a responsibility to protect our clients' capital by mitigating the risk of stranded assets and enhancing long-term value.

This is supported by our target to achieve net-zero carbon by 2050 (or sooner) and the actions we are taking to meet this decarbonisation commitment, including assessing the materiality of transition risks to help identify priority areas for strategic focus and risk management[1].

We conduct a qualitative review to identify the most material transition risks across all real estate equity assets, based on an assessment of impacts and probabilities under the 'orderly', 'disorderly' and 'hothouse world' transition scenarios, in line with an industry-standard approach to materiality assessments. The risks assessed are drawn from a list of risks and opportunities identified for the real estate sector.

The impact of each risk is assessed based on business impact, financial impact, and the ease and cost of mitigation. Exposure to these risks is driven by our carbon exposures, as well as our progress against our decarbonisation commitments.

Probability is assessed by considering the likelihood, accounting for when the risk is likely to materialise across our short-, medium- and long-term time horizons, the frequency of the risk materialising, and the duration of impact if it materialises.

The most significant risks identified are assessed in more depth and are being actively addressed through our commitments to reduce our carbon footprint and emissions intensity of our operations.

We continue to monitor and assess these risks to ensure we remain abreast of changes in the market and improve our approach to managing them.

Transition risks identified for the real estate sector

Policy and legal
Carbon policy - Policy mandating building stock and developments to improve efficiencies and operational practices and embed climate resilience on site.
Disclosure requirements - Increase in policy mandating the disclosure of sustainability performance, integration and impact.
Liability - Financial penalties or sanctions for non-compliance on regulation.
Market
Investor sentiment - Shift in client demand and attitude for more sustainable and energy efficient assets. Risk of not meeting client needs.
Pricing impacts - Markets shift to meet growing demand for low or assets with on-site climate resilience embedded. Demand shift away from certain geographies or sectors and changing consumer preferences.
Insurance costs - The physical impacts of climate change are extensive and cause the insurance industry to reassess premiums or withdraw cover.
Energy market shift - Sustained damage from climate-related impacts or persistent transition-related market movements causing energy market volatility and supply chain risks.
Technology
Decarbonisation technology - The decarbonisation pathway demands an energy shift from fossil fuels to renewables. This will stimulate low carbon technological solutions. Buildings must adapt with these technologies to meet energy efficiency targets and reduce rising operational costs. High delivery costs of low-carbon solutions for residential and commercial properties may impact viability.
Reputation
Reputation - Potential harm to reputation for not meeting own commitments or being perceived to not be supporting the transition to a low carbon economy and/or mitigating physical climate risks.

Top risks identified

Source: L&G, 2025

1. Net-zero targets are not guaranteed to be achieved.

Approach to risk identification: Physical risks

Since 2021, we have collaborated with climate modelling providers XDI to assess how physical climate risks impact our real estate equity assets. This has been crucial in responding to risks and developing our climate strategy to strengthen the resilience of our portfolio.

Physical climate risk modelling for real estate equity assets managed in funds

We conduct scenario analysis to assess current and future climate risk exposure across a broad range of hazards and scenarios. Forward-looking modelling is undertaken for all new acquisitions as part of due diligence, with portfolio-wide updates conducted regularly or following material changes to our portfolio. The last portfolio-wide update was completed at year end 2023, with the next planned for next year. Our approach applies a two-stage assessment. An initial review of current flood risk exposure using existing data, such as EA Flood Maps and flood risk assessments is completed. Where exposure is low, we undertake a higher-level screening to assign climate risk scores (low, medium, high) using predefined thresholds linked to the average annual proportion of damage from climate hazards. Where medium or high current or future risk is identified, we conduct detailed analysis to quantify physical damage and associated financial impacts. Outputs support more granular risk management and are integrated into our investment and asset management decisions.

Integrating asset-level data to inform resilience

We integrate asset-level data into climate modelling to more accurately assess risk impacts and asset resilience. We incorporate asset-level data where possible and have targeted assets with medium to high risk for more detailed reviews of climate resilience. This includes on-site resilience measures, such as design specifications and adaptation measures such as flood defences and raised floor heights. This supports more accurate climate risk reporting and more targeted risk management decisions.

Streamlined modelling for housing and urban regeneration business assets

For operational real estate assets in our housing and urban regeneration businesses, we conducted climate modelling for the first time in 2024. A screening run was completed first to determine the risk scores for all assets and identify high-risk assets under a high-emissions scenario. For high-risk assets, a more detailed analysis was conducted to identify the most material climate hazards and the expected financial impacts. Moving forward, we will look to align the assessment conducted for this subset of assets with the rest of the portfolio.

Climate modelling process for real estate equity

1. Screen asset to determine analysis type

- Review current flood risk exposure using available data, e.g. EA Flood Maps
- Determine level of analysis: conduct high-level screening where no current risk exists, or detailed analysis where risk is present or expected

2. Define modelling variables

- 2x climate scenarios for analysis: high emissions scenario (~+4°C) and low emissions scenario (~+2°C)
- Climate perils: River, Surface Water and Coastal Flood; Wildfire; Windstorm; Subsidence; Freeze-Thaw
- Timeframe: 2020 to 2100 (focusing on 2050)

3. Collect data and geocode assets

- Geolocate assets at building level accuracy
- Assign asset archetypes impacting vulnerability
- Enhance asset-level data by using existing available asset information, including building characteristics and adaptation measures, e.g. floor heights and flood barriers, to help reduce risk impacts

4. Quantify financial impacts

- Measure and quantify expected cost of damage of physical climate perils in the short, medium, and long term for all assets[1]
- Assign standard risk scores (high, medium, low) based on average annual proportion of damage to an asset due to climate hazards

5. Inform climate strategy and resilience decisions

- Identify at-risk assets
- Classify the key perils that contribute to the risk exposure of each asset
- Quantify the change in risk exposure over time and how this may influence the asset strategy
- Consider assets for the Adaptation to review resilience and implement adaptation measures where appropriate to improve resilience
- Reported updated climate risk profile with climate resilience and adaptation measures integrated
- Findings inform platform climate strategy

Source: L&G, 2025

1. For some assets managed in real estate equity funds, only climate risk scores were assessed. In these cases, expected damage costs were estimated using a proxy approach based on actual costs calculated for comparable assets. This approach was primarily applied to low-risk assets, where more detailed analysis was not considered necessary.

Risk management approach

Materiality assessment: Our transition risk assessment and climate scenario modelling enable us to assess how the impacts of climate change may emerge across a range of climate scenarios and time horizons. Given our business model, we assess the most material financial risks that may arise from the impact of climate change on asset values.

Measurement: Transition risks are primarily measured in relation to our carbon exposure. We are committed to reducing the carbon footprint and emissions intensity of our operations in line with the 'Paris' 1.5°C objective. We measure and monitor the direct and indirect carbon emissions of all our operations and have set SBTs covering our Scope 1, 2 and 3 emissions. These targets have been verified by the SBTi, and we monitor progress against them.

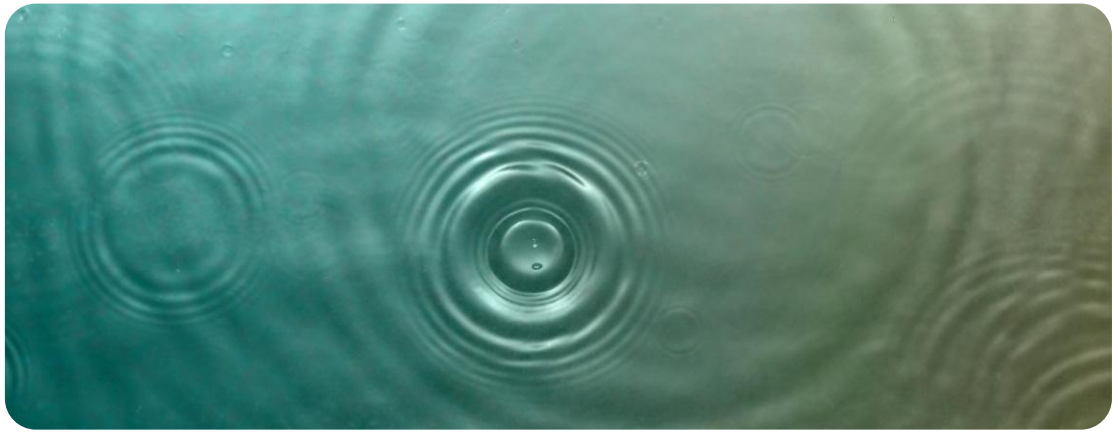
Physical climate risks are measured in relation to risk exposure using the physical climate risk modelling conducted in partnership with XDI.

Management: As part of our climate resilience strategy, which seeks to integrate climate risk throughout the investment lifecycle and support delivery of our climate commitments, we manage climate risks through specific policies, exclusions and risk thresholds. Our Net-Zero Carbon Roadmap and decarbonisation commitments are our primary means of managing transition risks. This includes mandatory NZC audits at acquisition and for priority assets, aligned with the new UK NZC Building Standard and our NZC targets, which inform investment decisions and are incorporated into asset plans. This is supported by defined risk thresholds and exclusions, including enhanced scrutiny of assets that do not align with decarbonisation pathways and requirements to phase out fossil fuels.

Our Flood Risk Policy applies enhanced scrutiny to assets in EA Flood Zones 2 and 3, or to assets where flood risk is identified through forward-looking climate modelling. Acquisitions may not progress unless a more detailed review confirms there is no risk to the structure or operations, or an adaptation plan is in place to reduce risk in line with our thresholds. We also engage with policymakers, regulators, occupiers and industry networks on standards and benchmarks in support of climate action.

Monitoring: Monitoring and improving our ability to measure performance over time is critical. This helps to ensure our risk management framework captures current and future climate risks. We continue to develop our understanding and quantification of climate risk through climate scenario modelling and monitoring our carbon emissions in line with our decarbonisation commitments. More detail is provided in the Metrics and targets section.

Case study: Climate Adaptation Toolkit rollout



Challenge:

The growing systemic risks from climate change is driving a shift in focus from identifying risks to assessing and enhancing resilience. In response, we have developed the Climate Adaptation Toolkit; a consistent approach to assessing and managing climate resilience and implementing adaptation solutions at an asset level. The Toolkit was rolled out and integrated across acquisition and asset management processes in 2025. Throughout the rollout we engaged with fund, asset and property managers and technical consultants to ensure the Toolkit is practical and decision useful.

Outcome:

The Toolkit was applied across almost 50 transactions and almost 100 operational assets in 2025, with learnings used to iteratively improve the Toolkit. Reviews completed for operational assets determined that 32% of assets initially identified as high risk met our low-risk threshold once additional information was considered. This reduced the total proportion of assets with high risk from 6.2% to 4.2%. The Toolkit has established a more robust, evidence-based approach to climate risk management, improving how we assess, report and enhance climate resilience. By integrating the Toolkit into due diligence and asset management, we have made more informed acquisition and risk mitigation decisions. We have embedded resilience reviews within fund and asset management objectives to promote take-up.

Source: L&G, 2025

Case study shown for illustrative purposes only. The above information does not constitute a recommendation to buy or sell any security.

Metrics and targets

Performance against targets

Our metrics and targets sit at the core of how we monitor, manage and communicate our progress in addressing climate-related risks and opportunities. They convert our strategic ambition into quantifiable indicators that support decision-making, enable external stakeholders to assess our performance and create accountability across our business. Together, they form a framework that guides both short-term actions and long-term planning. We continue to strengthen our underlying data and methodologies so that our metrics remain robust, consistent and aligned to emerging standards. This includes expanding the scope of our measurements, improving the granularity of our emissions data and developing additional indicators

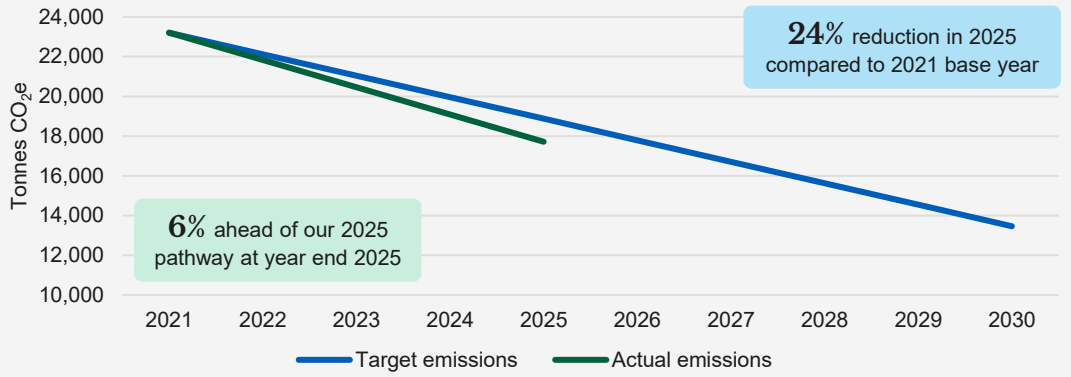
Targets represent the trajectory of change we are committed to delivering. Our SBTi-validated targets provide a scientifically grounded pathway for decarbonisation and act as a reference point for assessing whether current actions are sufficient to meet future ambition. They are fundamental to enhancing transparency and accountability.

Climate-related targets[1]

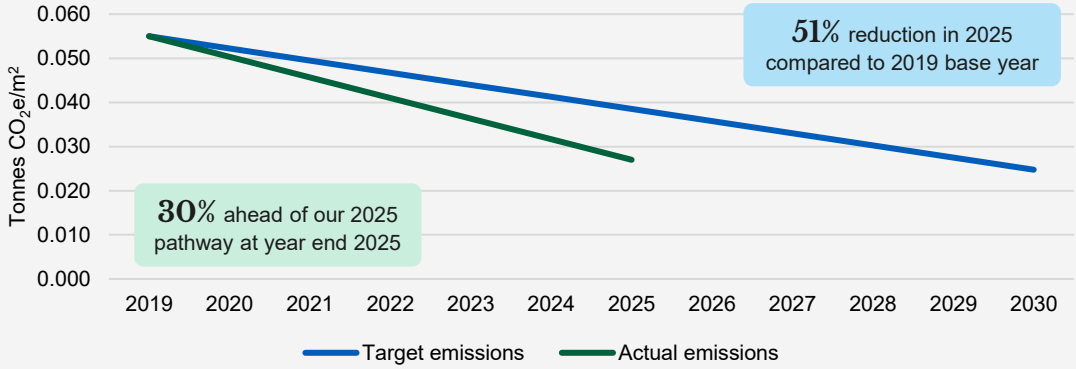
Metrics	2030 science-based targets	2050 net-zero carbon
Scope 1 and 2 emissions The emissions associated with landlord-purchased gas and electricity.	**42%** reduction in our absolute Scope 1 and 2 GHG emissions (2021 base year)	**Net zero** carbon across all real estate equity assets
Scope 3 emissions The emissions associated with energy purchased by our occupiers.	**55%** reduction in carbon intensity of occupier energy use across real estate equity assets (2019 base year)	
	All new homes will be capable of operating at net zero carbon[2]	

Performance against 2030 SBTi pathways

Performance against Scope 1 and 2 emissions SBTi pathway (tCO_2e)[3]



Performance against Scope 3 emissions SBTi pathway (tCO_2e/m^2)[4]



Source: L&G, 2025

1. Net zero targets are not guaranteed to be achieved. 2. Additional target that is not a science-based target. 3. Measured Scope 1 and 2 carbon emissions data, compared with science-based target initiative (SBTi) pathway (tonnes since 2021). Combined for assets managed in funds and assets in housing and urban regeneration businesses for the first time in the 2025 reporting period. 4. Combined for assets managed in funds and assets in housing and urban regeneration businesses for the first time in the 2025 reporting period. The current reported Scope 3 data reported is based on actual (67%) and benchmarked data (33%). We are working to improve the volume and quality of our Scope 3 data and have established an occupier engagement programme and a range of new data collection and engagement tools to support this process. At present, changes in Scope 3 emissions intensity can be primarily attributed to an increase in real data coverage vs benchmarked data and grid decarbonisation.

Detailed metrics

The following metrics form part of our public disclosure, indicating how we define and measure success in managing climate transition related issues. The data has been provided for all L&G real estate equity assets, covering both real estate assets managed in funds and assets in the housing and urban regeneration equity assets. The data is for the 1 January 2025 to 31 December 2025 reporting period.

L&G real estate equity: Energy and carbon performance[1]

Key metrics	2025	2024	2023
Gas (landlord purchased) (kWh)[2]	**24,739,481**	40,170,091	39,281,533
Electricity (landlord purchased) (kWh)	**62,736,463**	67,943,465	66,313,681
Scope 1 emissions (tCO_2e)[3]	**5,014**	8,746	9,390
Scope 2 emissions (tCO_2e) (location based)[4]	**12,702**	14,949	15,181
Total Scope 1 and 2 emissions (tCO_2e)	**17,715**	23,696	24,572
Carbon footprint (tCO_2e per £1 million invested at origination)[5]	**1.092**	0.891*	0.907*
Scope 1 and 2 carbon intensity (tCO_2e / m^2)[6]	**0.0023**	0.0021*	0.0018*
Scope 1 & 2 emissions data coverage by floor area (%)	**100%**	100%	100%

Key metrics	2025	2024	2023
Total Scope 3 emissions (tCO_2e)[7]	**208,985**	259,679[8]	335,069*
Scope 3 – Emissions from occupier gas use	**81,254**	106,701*	163,014*
Scope 3 – Emissions from occupier electricity use	**125,358**	146,149*	170,606*
Scope 3 – Emissions from other sources	**2,373**	953*	1,449*
Total Scope 3 energy consumption (kWh)[9]	**1,165,885,383**	1,294,551,034*	1,723,086,517*
Total Scope 3 actual measured energy (kWh)	**686,428,263**	621,477,536*	494,451,732*
Scope 3 carbon intensity (tCO_2e / m^2)[10]	**0.027**	0.038*	0.047*
Scope 3 actual emissions data coverage by floor area (%)[11]	**67%**	62%*	35%*
Total carbon emissions (Scope 1, 2 and 3) (tCO_2e)	**226,701**	283,393	359,640*
Net lettable area (m^2)	**7,728,496**	6,662,224*	7,199,148*

Source: L&G, 2025.

*Data only covers assets managed in funds; data for the housing and urban regeneration businesses not included due to availability.

1. In 2025, energy and carbon performance is reported for all real estate equity assets, including both managed fund assets and housing and urban regeneration assets for the first time. To ensure comparability, 2023 and 2024 data have been update to follow the same approach. 2. Includes all landlord purchased gas, including tenant void areas that come under landlord control throughout the reporting year. 3. Gas carbon emissions are calculated using government conversion factors. 4. Electricity carbon emissions are calculated using government conversion factors. Scope 2 emissions are location based for which we use UK national grid emission factors. All electricity purchased by L&G's Asset Management for real estate equity assets is from 100% natural renewable sources, for which we possess REGO certificates. 5. The carbon footprint is calculated using the total Scope 1 and 2 emissions and the purchase price of the assets. Purchase price is used as a proxy for money invested. This is in line with the Partnership for Carbon Accounting Financials (PCAF) Global GHG Standard. The valuation of assets has no direct relationship to the emissions associated with those assets. By using the asset purchase price of operational assets as the denominator instead of market value, this allows for more appropriate year-on-year comparison of the carbon footprint. 6. Carbon intensity is calculated using the net lettable area of the portfolio. Floor area from the housing and urban regeneration businesses are not included for the 2023 and 2024 reporting period due to limited floor area data availability. We use this metric instead of Weighted Average Carbon Intensity (WACI), as it is the most appropriate approach for real estate equity and is recommended by PCAF. 7. The energy purchased by our occupiers represents our Scope 3 emissions. The current Scope 3 data reported is based on actual and benchmarked data. We are working to improve the volume and quality of our Scope 3 data and have established an occupier engagement programme and a range of new data collection and engagement tools to support this process. 2023 Scope 3 data only includes data for our real estate equity assets. Scope 3 data for assets in our housing and urban regeneration businesses was collected for the first time in 2024. 2025 is the first reporting year where we have collected and reported Scope 3 Category 13 emissions: Downstream Leased Assets for housing and urban regeneration business assets. 8. Total includes total Scope 3 emissions from housing and urban regeneration businesses. Breakdown by Scope 3 emissions categories was not available for housing and urban regeneration assets for the 2024 reporting period. 9. Covers all occupier energy consumption in directly held assets, including estimated, benchmarked and actual energy data from indirectly held assets. 10. Scope 3 carbon intensity is calculated using the net lettable area of directly held assets. 11. Scope 3 emissions data coverage refers to the total net lettable floor area of directly held assets for which we have been able to report Scope 3 data at a whole building level over the whole 2025 reporting year. This includes assets which have been purchased or disposed of throughout the reporting year or assets where Scope 3 data reporting capabilities have been installed throughout the year.

Progress in 2025

The energy use in buildings is affected by a number of factors including occupancy levels, building use, efficiency and operation of equipment, building fabric, external temperatures, changes in portfolio composition and data accuracy. These factors can contribute to fluctuations in energy use and emissions per year. In 2025, carbon reporting was enhanced to combine fund-managed assets with housing and urban regeneration business assets, achieving consistent coverage across all real estate equity assets for the first time.

Scope 1 and 2 emissions

As at year end 2025, we have achieved a 24% reduction in absolute Scope 1 and 2 emissions compared to the 2021 baseline year. This puts us on track to meet our 2030 science-based targets of achieving a 42% reduction in our absolute Scope 1 and 2 emissions (2021 base year)[1]. In 2025, we saw a slight increase in Scope 1 and 2 emissions associated with landlord gas and electricity consumption compared to 2024. This was driven by changes in portfolio composition, as well as an increase in void units across the platform, contributing to greater landlord electricity and gas demand. We are continuing to phase out landlord gas and implement plans in line with our decarbonisation commitments to reduce landlord energy consumption and carbon emissions.

Scope 3 emissions

As at year end 2025, we have achieved a 51% reduction in carbon intensity of occupier energy use compared to our 2019 base year. This puts us on track for our 2030 science-based targets of achieving a 55% reduction in carbon intensity of occupier energy use (2019 base year)[2]. In 2025 we saw a significant 25% decrease in total Scope 3 emissions associated with occupier energy consumption compared to 2024. This was largely driven by improvements in occupier data collection capabilities, particularly across housing and urban regeneration assets. Real occupier data coverage increased from 48% to 54% of the total energy consumption with energy use based on real data found to be lower than benchmarked data. Our occupier engagement strategy also helped drive electrification and energy efficiencies amongst occupiers. The decrease in reported Scope 3 emissions is also reflected in the drop in Scope 3 carbon intensity. Due to this significant decrease in Scope 3 emissions, total emissions across the portfolio fell, despite the smaller increase in Scope 1 and 2 emissions.

Case study: Integrated Energy Solution framework

Challenge:

Delivery of photovoltaic (PV) solar energy projects will be a key element of L&G's journey to net-zero carbon, with increasing demand driven by lower operational costs, green premiums, and better energy security. These trends were key drivers for our Integrated Energy Solution (IES) framework, aimed at delivering integrated on-site renewable energy generation, EV charging, microgrids and battery storage projects.

Outcome:

Throughout 2025, we collaborated with 13 project managers, six sustainability consultants and 11 suppliers to develop guidance documents, playbooks and summary guides to support the framework rollout.

As of December 2025, the IES framework has supported the installation of photo-voltaic panels on 63 assets, EV chargers on 123 assets, with a pipeline of 40 additional projects currently in development. In collaboration with asset managers, we continue to identify priority assets and progress the rollout of innovative low carbon technologies to support our decarbonisation commitments.

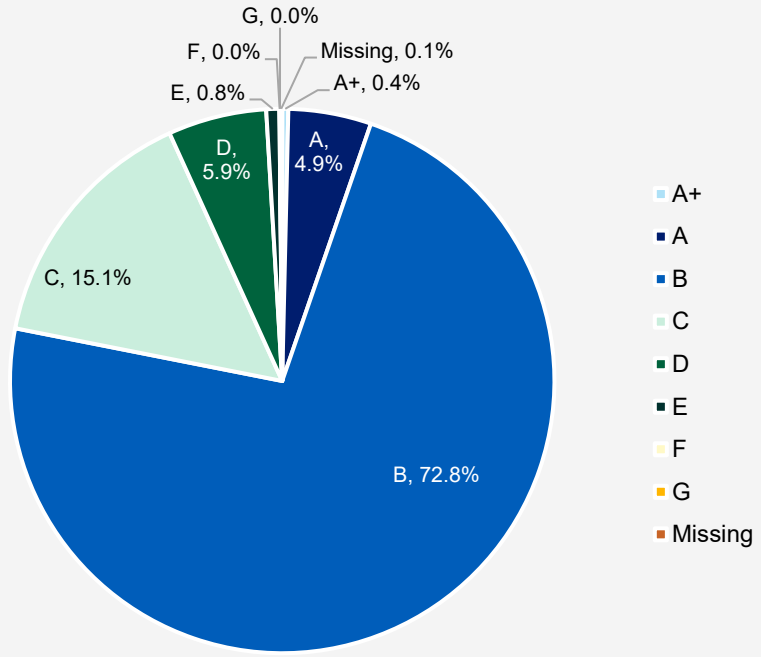
Source: L&G, 2025

Case study shown for illustrative purposes only. The above information does not constitute a recommendation to buy or sell any security.

1. Net zero targets are not guaranteed to be achieved.
2. 1. Net zero targets are not guaranteed to be achieved.

Additional metrics and targets

EPC ratings by number of certificates[1]



Source: Greenrock, UrbanBubble and L&G, 31 Dec 2025.
Please note, the chart shows units within the portfolio which are obliged to have an EPC rating. This includes all units in the portfolio (England, Wales, and Scotland). Assets and units that still have an EPC F and G rating will have an exemption from MEES.
Assumptions, opinions and estimates are provided for illustrative purposes only.

Performance-linked objectives

Each real estate fund has internal performance-linked management objectives to help drive progress against our platform decarbonisation targets and other sustainability initiatives. Fund managers are responsible for managing and overseeing the delivery of fund-level activities against decarbonisation targets and other sustainability initiatives, working with the asset managers to support asset-level implementation. Annual performance objectives for fund and asset managers are directly linked to sustainability-related initiatives.

Future targets

We are on track to meet our Scope 1 and 2 absolute emissions target and Scope 3 emissions intensity target. We recognise that changes in the global landscapes may impact political, regulatory, and market requirements and sentiment around decarbonisation and sustainability. We remain focused on our medium- and long-term targets, whilst recognising the need to deliver add value to our assets to help support positive commercial outcomes.

Policy update

The UK Energy Act 2011 made it unlawful to let residential or commercial properties with new leases from 1 April 2018 (and existing leases from 1 April 2023) with an Energy Performance Certificate (EPC) rating below E, unless a valid exemption applies. Following the Government's interim response to consultations on MEES for non-domestic buildings in June 2026, the Government has confirmed the intention to implement the following:

- Private rented buildings over 1,000 square metres in England and Wales are expected to achieve EPC B from 2031, where cost effective
- Buildings below 1,000 square metres will remain subject to the current minimum standard of EPC E
- The previously proposed EPC C milestone will not be introduced
- Existing flexibility mechanisms, including the seven-year payback test and exemptions, will remain in place

These proposals are subject to the approval of secondary legislation. The Fund will continue to monitor regulatory developments and ensure assets meet or exceed applicable MEES requirements, while supporting improvements in energy performance.

1. Only includes real estate equity assets managed in funds. The data does not include assets in the housing and urban regeneration businesses.

Appendix

Appendix

Assumptions and limitations

Carbon data limitations and assumptions	• Third party data and proprietary systems aggregate and monitor our ESG data. Reference to industry standards is used to understand in greater depth the sustainability-related performance of the assets. Carbon data is also independently assured. • ESG data may be based on certain assumptions, forecasts, calculations, views and opinions of L&G or third-party providers which may be based on current market trends or anticipated future events. Given the developing and innovative nature of these models, methodologies and assumptions and the inherent uncertainty in predicting forward-looking events, it cannot be guaranteed that the ESG data is always accurate or correct or that the ESG data will satisfy the aims or requirements of any specific client or investor. Any opinions, calculations or forecasts are not a guarantee of future events and L&G Private Markets may update its models, methodologies and/or assumptions at any time. External factors and limitations on the data may result in differences between actual and calculated figures. • Furthermore, there may be ESG data that L&G or its third-party providers are unable to source due to the lack of availability of data sources. Where this occurs, L&G and its service providers will use industry best practice methodologies to estimate ESG data where appropriate. The proportion of estimated ESG data varies based on a number of factors, including the supplier and data type.
Climate model Input Data Limitations & Assumptions	• Location data quality for assets can limit accuracy of modelled outputs (e.g postcode). Where assets cannot be accurately geolocated, the modelled climate exposure may not be reflective of the risk exposure. We have used manual data validation to check each asset location based on the Unique Property Reference Number (UPRN), and limit the impact of poor geolocation where longitude and latitude data was not provided. Where asset data was limited (e.g. incomplete number of units, incomplete addresses, etc.), the centroid of the best approximation of asset location was modelled.
Climate Model Limitations & Assumptions	• Baseline climate peril data is used to model climate perils globally. The availability of data and historical monitoring of perils is limited in some regions. Where this is the case, the model is enhanced using simulated event sets to forecast the impact of projected climate perils (in line with standard Natural Catastrophe modelling practices). • Forecasts will become more refined over time, as all climate models contain assumptions about current and future risks and model simulations that will improve over time • Specific peril by peril limitations exist. Windstorm risk only considers extreme wind speeds from temperate windstorm and does not consider tropical cyclone / hurricane hazards (not relevant for assets located within UK and Europe). The model only accounts for current national defences (where data is available) and does not incorporate the assumption that defences may improve over time. • Each asset type is assigned an XDI archetype to allow the Climate Risk Engines to assess vulnerability. An XDI archetype is a generic analogue used to represent the characteristics of a subclass of assets, which can then be applied across multiple assets of the same kind. For this analysis, L&G has refined and develop specific archetypes for each asset type which has enabled a more accurate representation of the asset's resilience to physical climate risk.

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Glossary

Assets under management (AUM)	Funds that are managed by our fund managers on behalf of investors. AUM represents the total amount of money that investors have entrusted with our fund managers to invest across our investment products.
Blue-green infrastructure	Strategically planned network of natural and semi-natural areas with other environmental features designed and managed to deliver a wide range of ecosystem service
Carbon emissions intensity	Carbon emissions intensity is the amount of emissions released per unit of another variable, such as CO_2e per £m. This enables a comparison of the emissions efficiency to be made between different sized operations.
Carbon footprint	Carbon footprint is the amount of emissions as a result of the associated activity. The carbon footprint is calculated using the total scope 1 and 2 emissions and the purchase price of the assets of the fund. Purchase price is used as a proxy for money invested. This is in line with the Partnership for Carbon Accounting Financials (PCAF) Global GHG Standard. The valuation of the assets in the fund has no direct relationship to the emissions associated with those assets. By using the asset purchase price as the denominator instead of market value, this allows for more appropriate year-on-year comparison of the carbon footprint .
Carbon offsetting	The process of financing schemes designed to either reduce or remove CO_2 in the atmosphere to compensate for carbon emissions that have occurred elsewhere.
Climate mitigation	Action to limit the greenhouse gases in the atmosphere that cause climate change.
Climate pathways	Scenarios that describe pathways to particular climate outcomes.
Climate resilience	The ability to prepare for, recover from, and adapt to physical impacts associated with climate change and impact associated with a transition to a low-carbon economy.
Climate transition plan	Sets out how an organisation plans to transition to a low-carbon economy. It includes not only its climate commitments, but the roadmap (and associated risks) to achieving them. For a UK-based financial services company, the plan should align with guidance from Glasgow Financial Alliance for Net Zero and the UK Transition Plan Taskforce.
Digital inclusion	The activities necessary to ensure equitable access to and use of information and communication technologies for participation in social and economic life including for education, social services, health, social and community participation.
Ecosystem	A dynamic complex of plant, animal and microorganism communities and the non-living environment, interacting as a functional unit.
Embodied carbon	Embodied carbon means all of the carbon dioxide emitted in producing materials or products. This includes the energy used to extract and transport raw materials as well as emissions from manufacturing processes and production.
Energy system	The energy system describes the system for supplying energy services to end users, encompassing the production, conversion, delivery, and use of energy.
EPC	An Energy Performance Certificate (EPC) provides a rating of the energy efficiency of a property on a scale of A-G. It is an estimate based upon a model of the intrinsic design of the building.
ESG	ESG stands for Environmental, Social and Governance.
Freeze thaw	Freeze-thaw weathering is a process of erosion that happens in cold areas where ice forms. A crack in a rock can fill with water which then freezes as the temperature drops. As the ice expands, it pushes the crack apart, making it larger

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Glossary

Greenhouse gas (GHG)	Any of the seven gases covered by the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard – carbon dioxide (CO_2), methane (CH4), nitrous oxide (N2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF6) and nitrogen trifluoride (NF3).
Green lease	Refers to a lease of a property, or a lease supplementary document, that includes clauses which are intended to help manage and improve the environmental and social performance of a building.
GRESB	The GRESB Real Estate Assessment is a mission driven and investor led organisation providing standardized and validated Environmental, Social and Governance (ESG) data to the capital markets. Established in 2009, GRESB has become the leading ESG benchmark for real estate and infrastructure investments across the world.
Intergovernmental Panel on Climate Change (IPCC)	Created to provide policymakers with regular scientific assessments on climate change, its implications and potential future risks, as well as to put forward adaptation and mitigation options.
Low carbon economy	An economy which absorbs as much greenhouse gas as it emits.
MEES	The Minimum Energy Efficiency Standards (MEES) is a set of Minimum Energy Efficiency Standards set out by the Government for commercially-let properties.
Net zero	Achieving an overall balance between anthropogenic carbon emissions produced and carbon emissions removed from the atmosphere.
Operational carbon	Operational carbon is the term used to describe the emissions of carbon dioxide and other greenhouse gases during the in-use operation phase of a building.
Paris Agreement	The Paris Agreement was an agreement within the United Nations Framework Convention on Climate Change effective 4 November 2016. The objective is to limit the increase in average global temperatures to below 2°C, preferably to 1.5°C, compared to pre-industrial levels.
Physical risks	The risks from climate change that arise as a result of more frequent and severe weather events and longer-term shifts in climate.
REGO	The Renewable Energy Guarantees of Origin (REGO) scheme provides transparency to consumers, through certificates, about the proportion of electricity that suppliers source from renewable generation.
Representative Concentration Pathways (RCP)	Greenhouse gas concentration trajectories that indicate uncertainty in climate models to generate data on possible future climates. These scenarios are adopted by the IPCC. In this report L&G have used 2 RCP scenarios (RCP2.6 and RCP8.5).
Riverine flooding	When streams and rivers exceed the capacity of their natural or constructed channels to accommodate water flow and water overflows the banks, spilling out into adjacent land.

Glossary

Science Based Target Initiative (SBTI)	The Science Based Targets initiative (SBTi) is a joint initiative by CDP, the UN Global Compact (UNGC), the World Resources Institute (WRI) and WWF which aims to increase corporate ambition on climate action by enabling companies to set emission reduction targets consistent with the decarbonisation required by science to limit warming to less than 1.5°C / 2°C compared to preindustrial temperatures.
Scope 1 emissions	These are the direct emissions from the activities of an organisation or under their control. For example the emissions directly from burning gas in a boiler at an asset.
Scope 2 emissions	These are the indirect emissions from sources that are owned or controlled by on organisation. For example from the electricity purchased for an asset.
Scope 3 emissions	These are all of the other indirect emissions from activities of the organisation, occurring from sources not owned or controlled by the organisation. For example from procured goods and services.
Social impact	The effect an organisation's actions have on the well-being of the community. It involves making a positive difference in society, such as improving health, education, or the environment.
Soil subsidence	Downward movement of the ground, causing the property's foundation to sink. Can be caused by changes in groundwater level and drought.
Surface water flooding	Surface water flooding is also known as pluvial flooding. It occurs when the volume of rainfall exceeds the capacity of drains and surface water sewers and is unable to drain away through drainage systems or soak into the land, and instead flows over the land.
TCFD	The Task Force on Climate-Related Financial Disclosures (TCFD) is an organisation that was set up with the goal of developing a set of climate related financial risk disclosures, which can be adopted by companies to inform investors and other stakeholders about climate related risks and mitigation.
tCO_2e	Tonnes of carbon dioxide equivalent (CO_2e).
Transition risks	The risks from climate change that arise from the process of adjustment towards a low-carbon economy.

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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.

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