



# **LGIM Real Assets (Operator) Limited (RAO)**

Legal Entity TCFD Aligned Report

# Purpose

This is Legal & General Investment Management's (LGIM) first annual TCFD aligned entity-level report setting out how LGIM Real Assets (Operator) Limited (RAO) takes climate-related risks and opportunities into account when administering investments on behalf of clients and consumers.

Legal & General Group Plc's TCFD aligned report, referenced as L&G – Climate and Nature Report 2023 throughout this document, sets out our group-wide strategy and approach regarding climate-related risks and opportunities. Therefore, this TCFD aligned entity report should be read in conjunction with L&G – Climate and Nature Report 2023. The L&G – Climate and Nature *Report 2023* also includes aggregated group metrics that are relevant to RAO and the assets it administers.

This report is designed to describe how the overall TCFD in-scope assets are governed, how strategy is set, how climate risks are managed and where there are differences in approach as outlined in the L&G Climate and Nature Report 2023.

RAO is an alternative investment fund manager and unregulated collective investment scheme operator, regulated by the FCA.

## Compliance statement

The disclosures in this report, including the product reports cross referenced, comply with the TCFD recommendations, entity reporting requirements and product-level reporting requirements set out in chapter 2 of the Environment, Social and Governance sourcebook.

Signed:



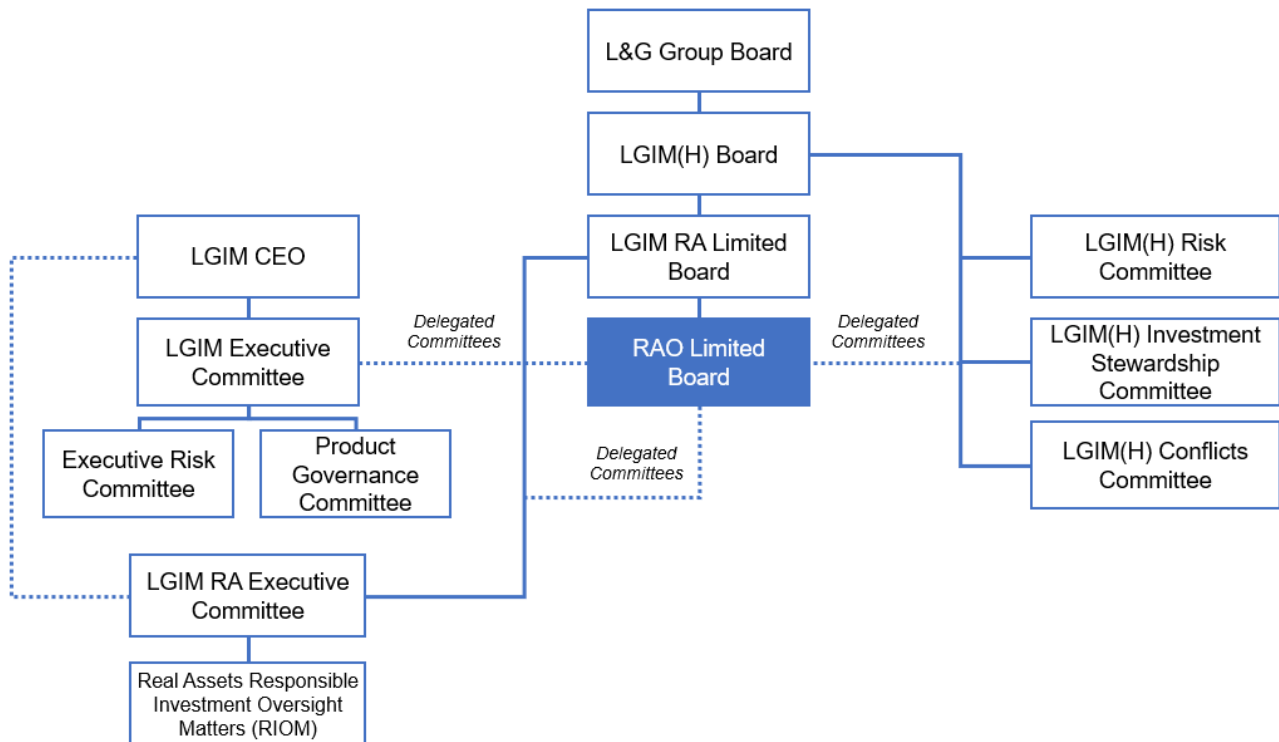
## Reporting period

This report is prepared as at 31 December 2023 and covers the reporting period from 1 January 2023 to the reporting date.

## Delegations

Legal & General Investment Management (Holdings) Limited ("LGIM(H)") is the holding company for the LGIM group of companies and is a wholly-owned subsidiary of Legal & General Plc. It acts as the holding company for the LGIM(H) group of companies, including LGIM Real Assets Limited ("LGIM RA"), monitoring and overseeing the performance of LGIM as a whole. The LGIM(H) Board is responsible to its shareholder, Legal & General Group Plc, for promoting the long-term success of LGIM(H) and in particular, for outlining LGIM's strategic priorities, monitoring management's performance against those strategic aims, setting the risk appetite, ensuring that effective controls are in place and that the division is adequately resourced.

As a direct subsidiary of LGIM RA under LGIM(H), RAO leverages and benefits from the wider governance structure of LGIM. Formal delegations are in place to support the framework and enable committees of LGIM to focus on matters on behalf of RAO. This includes matters relating to climate-related risks and opportunities and would include forums such as the LGIM RA Executive Committee and its sub-committee the Real Assets Responsible Investment Oversight Matters Committee, as well as the LGIM(H) Risk Committee, LGIM(H) Investment Stewardship Committee, LGIM Executive Committee, Executive Risk Committee and Product Governance Committee, all of which undertake duties on behalf of RAO Limited as illustrated in the abbreviated chart below.



Note: All Committees oversee climate-related risks and opportunities

As at 31 December 2023

## Governance

*Disclose the organisation’s governance around climate-related risks and opportunities.*

**Governance:** These recommendations are addressed in the Governance section of L&G – Climate and Nature Report 2023. Specific references and examples are provided below with relevant sources on where additional information is published.

### Recommended Disclosure a)

Describe the board’s oversight of climate-related risks and opportunities.

Please see ‘Delegations’ section above which highlights how LGIM’s Board/Committees are structured and how they oversee climate-related risks and opportunities.

RAO is an indirect, wholly owned subsidiary of LGIM(H), and as such, the governance arrangements of RAO sit within the wider governance framework of the LGIM division

LGIM has a robust corporate governance framework in place that brings authority and accountability, enables effective decision-making, and allows oversight of the implementation of LGIM’s strategic objectives and climate-related risks and opportunities. Additional governance specific to LGIM RA is also highlighted below.

*For examples on how we manage oversight of climate-related risks and opportunities specifically, please see references below:*

[L&G - Climate and Nature Report 2023:](#)

(page 27) *Board Oversight* – This section outlines L&G Board’s oversight of climate-related risks and opportunities.

[LGIM – Active Ownership Report 2023:](#)

(page 17) *Rigorous governance and resourcing* – This section details LGIM’s governance structure and how responsible investment strategy is fully integrated and overseen across our formal governance committees.

[Real Estate Equity – Climate Report 2023:](#)

(page 5) *LGIM Real Assets Responsible Investment and Climate-related Governance* – This section outlines LGIM Real Assets real estate equity’s governance structure that influences climate-related strategy, and the processes for escalating identified risks from operational management to board-level.

**Recommended Disclosure b)**

Describe management’s role in assessing and managing climate-related risks and opportunities

[L&G - Climate and Nature Report 2023:](#)

(page 28) *Group environment governance* - This section describes L&G management team’s role in assessing and managing climate-related risks and opportunities.

[LGIM – Active Ownership Report 2023:](#)

(page 17) *Rigorous governance and resourcing* – This section details LGIM’s governance structure and how responsible investment strategy is fully integrated and overseen across our formal governance committees.

[Real Estate Equity – Climate Report 2023:](#)

(page 5) *LGIM Real Assets Responsible Investment and Climate-related Governance* - This section outlines LGIM Real Assets real estate equity’s governance structure that influences climate-related strategy, and the processes for escalating identified risks from operational management to board-level.

## Strategy

Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.

**Strategy:** These recommendations are addressed in the Strategy section of L&G Climate and Nature Report 2023. Specific references and examples are provided below with relevant sources on where additional information is published. Fund-level strategies are disclosed in the product level TCFD disclosures listed further below.

<p><b>Recommended Disclosure a)</b></p> <p>Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.</p>	<p><a href="#">L&amp;G - Climate and Nature Report 2023:</a> (page 8) Climate and nature-related opportunities and risks – This section provides an overview L&amp;G's climate and nature-related opportunities and risks and how they relate to each division within L&amp;G.</p> <p>(page 17) <i>Our Real Assets business</i> – The section describes LGIM Real Asset's real estate equity's climate-related risks and opportunities as a long-term investor.</p> <p><a href="#">Real Estate Equity – Climate Report 2023:</a> (page 7) <i>Strategy</i> - Describes the time horizons and climate scenarios used to assess LGIM Real Assets real estate equity's climate-related risks.</p> <p>(page 9-12) <i>Strategy: Physical climate-related risk and opportunities</i> &amp; (page 13-14) <i>Strategy: Transition climate-related risk and opportunities</i> - Describes LGIM Real Assets real estate equity's physical and transition climate-related risks and opportunities across the short, medium and long term and the process for identifying material risks and opportunities.</p>
<p><b>Recommended Disclosure b)</b></p> <p>Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.</p>	<p><a href="#">L&amp;G – Climate Transition Plan 2023:</a> (page 7) This page provides detail on LGIM's strategy on climate-related risk including how climate-related risks and opportunities are factored into relevant products and investment strategies; see also 'Invest' and 'Influence' sections.</p> <p>(page 17) <i>Net zero carbon on real estate equity</i> - This section describes LGIM Real Assets real estate equity's net zero carbon targets and approach to support commitments.</p> <p><a href="#">Real Estate Equity – Climate Report 2023:</a> (page 9-12) <i>Strategy: Physical Risk</i> &amp; (page 13-16) <i>Strategy: Transition Risk</i> – Describes how identified physical and transition climate-related risks impact strategy and financial planning and which risks have been identified as most financially material to our business. Describes the net zero carbon strategy for managing transition climate-related risks.</p> <p><a href="#">2023 Update - Real estate equity: Net-zero carbon roadmap:</a> Details LGIM Real Assets real estate equity's strategy to transition the real estate portfolio to net-zero carbon by 2050, including progress made against the strategy.</p>

**Recommended Disclosure c)**

Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

[L&G - Climate and Nature Report 2023:](#)

(page 20) *Our modelling framework* – This section describes LGIM's modelling framework and the climate scenarios used for climate risk assessments.

[L&G – Climate Transition Plan 2023:](#)

(page 7) – This page provides detail on LGIM's strategy on climate-related risk; specifically, through the decisions LGIM make on its investments and the influence it has through its stewardship activity.

(page 27) - This page describes how scenario analysis has been used as part of LGIM's initial underwriting process and assessment of investment value, for direct investments.

[Real Estate Equity – Climate Report 2023:](#)

(page 16) *Strategy resilience across climate scenarios* – This section demonstrates the resilience of LGIM Real Assets real estate equity's strategy and approach to managing climate-related risks across two climate change scenarios.

## Risk Management

Disclose how the organisation identifies, assesses, and manages climate-related risks.

**Risks management:** These recommendations are addressed in the Risk management section of L&G - Climate & Nature Report 2023. Specific references and examples are provided below with relevant sources on where additional information is published.

<p><b>Recommended Disclosure a)</b></p> <p>Describe the organisation's processes for <i>identifying</i> and assessing climate-related risks.</p>	<p><a href="#">L&amp;G - Climate and Nature Report 2023:</a> (page 31-35) <i>Risk management</i> – This section provides an overview of L&amp;G's process to identify and manage climate-related risks.</p> <p><a href="#">L&amp;G – Climate Transition Plan 2023:</a> (page 27) – This page describes how LGIM Real Assets has identified flood risk as the most significant physical climate hazard to the UK-based portfolio.</p> <p><a href="#">Real Estate Equity – Climate Report 2023:</a> (page 17-24) <i>Risk management</i> – This section provides an overview of LGIM Real Assets real estate equity's processes for identifying climate-related risks.</p>
<p><b>Recommended Disclosure b)</b></p> <p>Describe the organisation's processes for <i>managing</i> climate-related risks.</p>	<p><a href="#">L&amp;G - Climate and Nature Report 2023:</a> (page 31-35) <i>Risk management</i> – This section provides an overview of L&amp;G's process to identify and manage climate-related risks.</p> <p><a href="#">L&amp;G – Climate Transition Plan 2023:</a> (page 26-28) <i>Key risks and uncertainties</i> – This section explains key climate risks and uncertainties and includes details of how they will be managed or mitigated.</p> <p><a href="#">Real Estate Equity – Climate Report 2023:</a> (page 17-24) <i>Risk management</i> – This section provides an overview of LGIM Real Assets real estate equity's processes for managing climate-related risks.</p> <p><a href="#">2023 Update – Real estate equity: Net-zero carbon roadmap:</a> (page 18-23) <i>Delivering on our net-zero strategy</i> – Details LGIM Real Assets real estate equity's strategy to transition the real estate portfolio to net-zero carbon by 2050, as a key component for managing transition climate-related risks.</p>
<p><b>Recommended Disclosure c)</b></p> <p>Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.</p>	<p><a href="#">L&amp;G - Climate and Nature Report 2023:</a> (page 31-35) <i>Risk management</i> – This section provides an overview of L&amp;G's process to identify and manage climate-related risks.</p> <p><a href="#">Real Estate Equity – Climate Report 2023:</a> (page 17-24) <i>Risk management</i> – This section provides an overview of how LGIM Real Assets real estate equity's processes for identifying, assessing and managing climate-related risks are integrated into overall risk management at LGIM.</p>

## Metrics and Targets

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

**Metrics and targets:** Our overarching metrics and targets are provided in the Metrics and Targets section of Real Estate Equity – Climate Report 2023. Specific references and examples are provided below with relevant sources on where additional information is published. Fund level metrics and targets are disclosed in the product level TCFD disclosure report listed further below.

### Recommended Disclosure a)

Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.

#### [L&G - Climate and Nature Report 2023:](#)

(pages 37-41) *Metrics and targets* – This section focuses on key metrics L&G use to monitor and assess climate-related risks and opportunities across its investing and influencing activities. These are connected to L&G’s business strategy and risk management framework outlined in earlier chapters.

#### [L&G – Climate Transition Plan 2023:](#)

(page 31) *How we monitor our progress* – This section covers L&G’s primary metrics for measuring progress against climate commitments.

#### [Real Estate Equity – Climate Report 2023:](#)

(page 25-27) *Metrics and targets* – This section focuses on key metrics LGIM Real Assets uses to monitor and assess climate-related risks and opportunities across its activities.

#### [2023 Update – Real estate equity: Net-zero carbon roadmap:](#)

(page 5) *Setting new science-based targets* - Details LGIM Real Assets real estate equity’s metrics for measuring progress against its 2030 SBTi pathway and its 2050 net zero carbon target.

### Recommended Disclosure b)

Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.

#### [L&G – Climate Transition Plan 2023:](#)

(page 32-33) *Science-based targets* – This section details emissions disclosure aligned with L&G’s SBTi disclosure.

#### [Real Estate Equity – Climate Report 2023:](#)

(page 14) *Our net zero journey* - This section illustrates LGIM Real Assets real estate equity’s Scope 1, 2 and 3 emissions performance against its 2030 SBTi pathways.

(page 25-27) *Metrics and targets* - This section illustrates LGIM Real Assets real estate equity’s carbon footprint across Scope 1, 2 and 3 emissions and its performance against its 2030 SBTi pathways.

#### [2023 Update - Real estate equity: Net-zero carbon roadmap:](#)

(page 16-17) *Carbon emissions boundary* & (page 18-19) *Delivery strategy update* – These sections provide more detail on LGIM Real Assets real estate equity’s carbon footprint across Scope 1, 2 and 3 emissions, including emissions disclosure aligned with its SBTi disclosure and its performance against its 2050 NZC target.



**Recommended Disclosure c)**

Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.

[L&G - Climate and Nature Report 2023:](#)

(page 42) *Remuneration &* (page 43-44) *Operational targets and commitments* - These sections reference the remuneration incentives that are linked to climate-related targets and the operational targets and commitments L&G have set.

[Real Estate Equity – Climate Report 2023:](#)

(page 14) *Our net zero journey* - This section illustrates LGIM Real Assets real estate equity's 2030 SBTi target and 2050 NZC target as way for managing transition climate-related risks.

(page 25-27) *Metrics and targets* –This section references the remuneration incentives that are linked to climate-related targets and the operational targets and commitments LGIM Real Assets real estate equity have set.

[2023 Update - Real estate equity: Net-zero carbon roadmap:](#)

(page 13-14) *Our Commitments* & (page 18-19) *Delivery strategy update* – These sections provide more detail on LGIM Real Assets real estate equity's climate-related targets and external commitments, including its 2030 SBTi target and 2050 NZC target.

**In scope business/products/funds:**

Relevant product and portfolio level data will only be provided at client request.

**TCFD aligned product reports can be provided for RAO's in-scope products upon request.**

**Key risks**

The value of an investment and any income taken from it is not guaranteed and can go down as well as up, you may not get back the amount you originally invested.

**Important information**

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