



Workplace

Fund

Multi-Asset

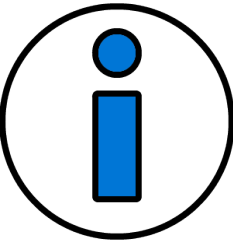
# Climate-Related Financial Disclosures Report

## Legal & General Multi-Index 3

Fund Launch Date  
21 August 2013

Fund Size  
£365m

Fund ID  
GB00B9751744




*This report from Legal & General has been produced in line with recommendations from the Task Force on Climate-Related Financial Disclosures (TCFD). The first section of the report helps us to measure and manage the impact of our investments on the environment. The second section helps us to understand the risks and opportunities that climate change may have on your pension.*

### Section 1 – Emissions and climate data for Legal & General Multi-Index 3

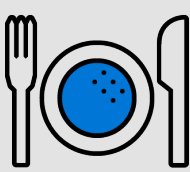
This section of the report contains data for carbon dioxide (CO2) emissions, and other greenhouse gases (GHGs), that when emitted into the atmosphere are responsible for the greenhouse effect (global warming) on the planet. Carbon dioxide equivalent (**CO2e**) is a standard way to compare the emissions of different greenhouse gases. The choice of this metric and the below measurement and scenarios follows best practice recommendations from the TCFD.

Please refer to the ‘**how we measure and calculate**’ section for more details on the metrics below. We aim to use language that’s easy to understand. Where we’ve had to use terms that you may not be familiar with we’ve provided definitions. The terms will be highlighted in **brown** and an explanation of their meaning can be found in the ‘**terms explained**’ section.


To provide context for the below metrics, 1 tonne of **CO2e** approximately represents:



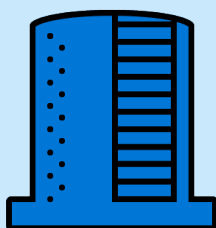
Return flight from London to New York  
Source: Planetair travel calculator

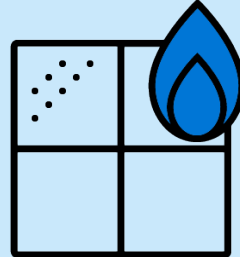


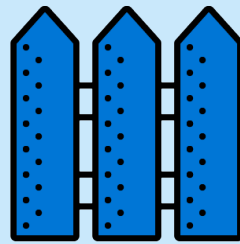
138 meat-based meals  
Source: Carbon equity



To capture 1 tonne of CO2 approximately 50 trees must grow for one year  
Source: Climate Neutral Group

Scope 1 emissions		These are greenhouse gas emissions owned and controlled directly by the companies that the Fund invests in. For example, emissions through company vehicles, company office space and equipment, and the energy used in production of goods or services.	
	9,953 Metric tonnes <b>CO2e</b>   <b>Asset coverage:</b> 43%		
2023 metric figure = 13,617 2023 asset coverage = 45%	23/24 difference = -3,664 23/24 difference = -2%	2022 metric figure = 29,350 2022 asset coverage = 49%	22/23 difference = -15,733 22/23 difference = -4%

Scope 2 emissions		These are emissions that the companies, which the Fund invests in, make indirectly via consumption of purchased heat, steam or electricity, all of which are produced on its behalf and owned by another.	
	2,011 Metric tonnes <b>CO2e</b>   <b>Asset coverage:</b> 43%		
2023 metric figure = 2,786 2023 asset coverage = 45%	23/24 difference = -775 23/24 difference = -2%	2022 metric figure = 5,498 2022 asset coverage = 49%	22/23 difference = -2,712 22/23 difference = -4%

Total scope 1 & 2 carbon emissions		The total greenhouse gas/carbon emissions of the Fund, in tonnes of <b>CO2e</b> . It includes Scope 1 and Scope 2 emissions.	
	11,964 Metric tonnes <b>CO2e</b>   <b>Asset coverage:</b> 43%		
2023 metric figure = 16,403 2023 asset coverage = 45%	23/24 difference = -4,439 23/24 difference = -2%	2022 metric figure = 34,848 2022 asset coverage = 49%	22/23 difference = -18,445 22/23 difference = -4%

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Section 1 – Emissions and climate data for Legal & General Multi-Index 3



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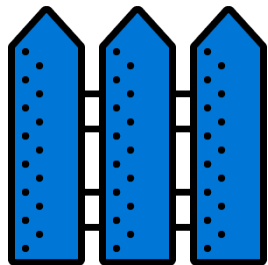
Assets that are measured for climate reporting

Pension money can be invested in one or more funds containing one or more asset classes. Asset classes include things like equities (company shares), bonds (loans to governments and companies), property and cash. Assets can only be measured for climate reporting where relevant and where sufficient climate data is available to do so.

Therefore according to data availability the asset classes measured are:

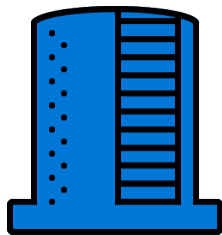
- Equities and corporate bonds for the 'total carbon emissions', 'scope 1 emissions', 'scope 2 emissions' and 'scope 3 emissions'.
- Equities, corporate bonds and government (sovereign) bonds for 'weighted average carbon intensity', 'carbon footprint' and 'implied temperature alignment'.

However, some equities or bonds may not be included where meaningful data can't be provided or where they are not included in the asset mix of the fund. Whilst some metrics measure the same assets, the data availability may vary per metric. The **asset coverage** figures provided in the metrics, on the previous page, show the percentage of assets that provided meaningful data and are eligible for this type of climate reporting. The data is sourced and provided by L&G.



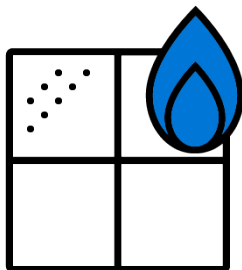
How we calculate: **Total carbon emissions**

Total including Scope 1 and 2 emissions. We measure this for companies that we hold within a fund's asset mix, through bonds and/or equities. It is based on the share of emissions we will hold in a particular company through the amount of investment held. This is done by calculating the company's overall emission total against the percentage share we have in that company as part of a fund's holdings. The amount of carbon dioxide equivalent (**CO2e**) calculated per company is then combined into an overall total for the percentage of eligible assets. This includes scope 1 and scope 2 emissions only. Scope 3 emissions are distinct and separate, and as such we do not combine Scope 3 with Scope 1 & 2 emissions.



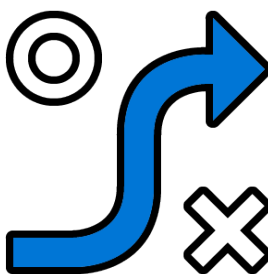
How we calculate: **Scope 1 emissions**

By using the same calculation method for total carbon emissions, we measure this for the proportion of companies that we hold within a fund's asset mix, through bonds and/or equities, for their scope 1 emissions.



How we calculate: **Scope 2 emissions**

By using the same calculation method for total carbon emissions, we measure this for the proportion of companies that we hold within a fund's asset mix, through bonds and/or equities, for their scope 2 emissions.



How we calculate: **Scope 3 emissions**

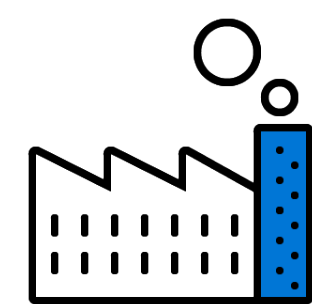
Measured for companies that we hold within a fund's asset mix, through bonds and/or equities. It is based on the share of emissions we will hold in a particular company through the amount of investment held. This is done by calculating the company's overall emission total against the percentage share we have in that company as part of a fund's holdings. The amount of carbon dioxide equivalent (**CO2e**) calculated per company is then combined into an overall total for the percentage of eligible assets. Data quality for Scope 3 emissions can be hampered by poor disclosure and a lack of consistency in the measurement across companies.

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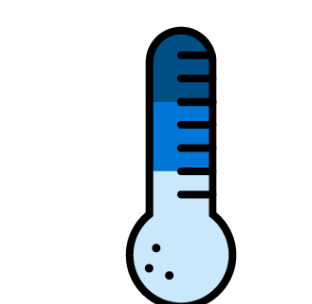
How we calculate: Weighted average carbon intensity (WACI)

We measure a tonne of carbon dioxide equivalent (**CO2e**) emissions per £1million revenue (income generated from company as sourced in year-end financial statements). The overall total is a **weighted average** of all companies and sovereigns (various types of bonds, which are long and short term loans to local and national governments) included within a fund. WACI gives an emissions intensity metric based on the amount of carbon produced for each £1m of revenue generated by the companies invested in.



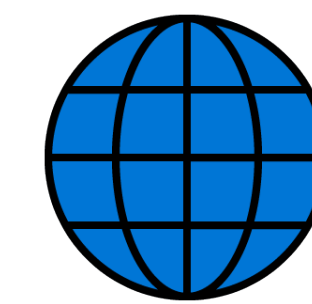
How we calculate: Carbon footprint

To calculate the carbon footprint associated with this Fund, we take the ‘total carbon emissions’ figure (which includes data on carbon emissions from a company's operations and purchased energy) and calculate a **weighted average** against the overall market value of all companies and sovereigns (various types of bonds, which are long and short term loans to local and national governments) within a fund. This is a way to measure emissions relative to market size. Carbon footprint also acts as an emissions intensity metric, which is the volume of emissions (metric tonne of carbon dioxide, **CO2e**) per £1million of enterprise value. By looking at an intensity value you can adjust for the size of a fund to compare the funded emissions for different fund sizes.



How we calculate: Implied temperature alignment

Based on a combination of historical and forward-looking data, activities and targets, a score is calculated for each of the underlying equities, corporate bonds and sovereign/government bonds held within a fund, then combined to give the implied temperature alignment of the overall fund.



How we calculate: Climate value at risk (CVaR)

Climate scenario modelling is used to help quantify the expected potential loss to each fund or lifestyle profile under different climate pathways. The CVaR metric assesses the change in value if markets fully priced today the future climate risk for relevant companies, in present value terms of a scenario where global temperature increases are kept to 1.5°C by 2100. This scenario would require immediate, highly ambitious action to address climate change.

Under this condition, the climate modelling translates a company’s income and balance sheet information and calculations into security valuation impacts and overall fund level impacts. A security can include equities (shares in companies) or bonds (loans to business and governments).

The CVaR metric is from a forward-looking methodology based on various assumptions, approximations and data sources which are subject to change. This brings unknown risks, uncertainties and limitations in the methodology and data used. It is therefore provided for illustrative purposes only.



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Section 1 – Emissions and climate data for Legal & General Multi-Index 3

Terms explained

**CO2e**

CO2 stands for carbon dioxide. The ‘e’ stands for equivalent. CO2e is a metric that allows comparison of emissions from various greenhouse gases to the equivalent measure of carbon dioxide.

**Asset coverage**

The percentage of the fund’s asset classes that were measured. The asset classes that can be measured are equities (company shares) and government and corporate bonds. Some funds may include one or more of these asset types.

**Paris Climate Agreement**

To address global warming, the international climate change treaty, the Paris Climate Agreement, aims to limit and hold the world’s average temperature rise to well-below 2°C (ideally 1.5°C) by the year 2100. Currently, the Earth is already about 1.1°C warmer than it was in the late 1800s (pre-industrial).

For context, global stock markets imply an average temperature rise of 2.95°C. This is according to the Science-Based Targets initiative (SBTi) ‘Taking the Temperature’ report: [SBTi-TakingtheTemperatureReport2021.pdf \(sciencebasedtargets.org\)](#)

**Weighted average**

A weighted average accounts for the relative importance and size of the different assets that are included. We will hold varying levels of assets within a fund, for example we may hold more shares in one company over another. We use a weighted average to allow for the different importance of the carbon data for assets according to size held, based on the market value at the reporting date. This weighted average paints a clearer picture than an equally split average would.

**Carbon pricing**

A carbon price is the price that a company would have to pay for each tonne of **CO2e** emitted.

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Section 2 – Climate scenario and risk analysis: Multi-Asset Funds

To address global warming, the international climate change treaty, the Paris Climate Agreement, aims to limit and hold the world’s average temperature rise to well-below 2°C (ideally 1.5°C) by the year 2100. Currently, the Earth is already about 1.1°C warmer than it was in the late 1800s.

To help achieve this, the aim is to achieve net zero carbon emissions globally by 2050. Net zero means cutting carbon dioxide (CO2) to as close to zero as possible, with remaining emissions re-absorbed or removed from the atmosphere, by oceans, forests or carbon capture technology for instance. At the same time, it also requires deep reductions in other greenhouse gases, particularly methane.

This means that we need to move to an economy built on sustainable actions that result in less environmental impact, known as transitioning to a low-carbon economy. This will bring associated transition risks and opportunities. In addition to ongoing risks from the changes in extreme weather events, a successful adjustment will involve significant changes to climate-related policy, regulations and law, use of technology, and business and government strategies.

Depending on how well businesses and governments transition, this will have a ripple effect on areas like reputation and trust, business and market performance, supply and demand of materials and goods.

Against this backdrop, the following scenario analysis, based on climate scenario modelling from L&G, helps us to explore a range of possible climate futures, and understand the potential climate-related risks for this asset class. This section relates to this asset class and is not just applicable to the named fund in this report.

We consider three temperature scenarios for this assessment as shown in the following pages. The scenarios have a forecast time horizon to 2050, with narratives defined by their probable temperature outcome in 2100 (compared to pre-industrial temperatures in the 1800s). These are possible pathways, rather than predictions or probabilities. They are an exercise in what could happen, not in predicting what will happen.

Scenario analysis is provided for the representative asset class based on the dominant proportion of assets - Corporate Bonds, Equity, Sovereign Bonds and Multi-Asset. Cash, Derivatives and Private Equity do not have scenario analysis detail at this time.



Opportunities

While we have identified potential risks, companies and governments that can effectively plan and participate in the move to a more sustainable economy over the next 10 years - creating a decade of delivery – can also create opportunities. These opportunities are mostly associated with **low-carbon technologies**, such as renewables and electric vehicles (EV), driving higher demand for key critical minerals. There are also long-term opportunities in technology innovation such as carbon capture and storage and hydrogen, owing to decisive and transparent policy changes in the orderly and disorderly scenarios. In the hotworld scenario where risks are significant, climate adaptation services may be an opportunity but won't counteract the effects of climate inaction.

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Section 2 – Climate scenario and risk analysis: Multi-Asset Funds

BELOW 2°C ORDERLY TRANSITION SCENARIO

Immediate, ambitious policy and investment action to address climate change succeeds in limiting global warming to well-below 2°C, although warming will most likely exceed 1.5°C.

	POTENTIAL RISKS		POTENTIAL FINANCIAL IMPACTS
Short Term: 1-3 years	<ul style="list-style-type: none"><li>Significant change in climate policy.</li><li>Reputational damage and increased scrutiny from public and regulators over climate-related activities.</li><li>Risks from weather events are already being felt.</li></ul>	➡	<ul style="list-style-type: none"><li>Asset values likely to be more volatile, with company earnings expected to be both upward and downward.</li><li>Overall medium level of financial exposure to climate risk for equities (company shares).</li></ul>
Medium Term: 4-10 years	<ul style="list-style-type: none"><li>Climate-related policy further accelerates.</li><li><b>Carbon prices</b> significantly rise across the globe.</li><li>Legal cases against large corporates and governments on their climate-related strategies and emissions.</li><li>Failure to adapt to technological change and transform business models accordingly.</li><li>Demand for fossil fuels may reduce.</li><li>Increased frequency and severity of extreme weather events.</li></ul>	➡	<ul style="list-style-type: none"><li>Use of <b>carbon pricing</b> for high emissions or subsidies for low emissions.</li><li>Likely <b>asset stranding</b> associated with those companies that fail to adapt.</li><li>Shifts in market sentiment and demand patterns, impacting economy and valuations.</li><li>Depending on the transparency of further policy action, fossil fuel producers may start to see significant valuation impacts.</li></ul>
Long Term: over 10 years	<ul style="list-style-type: none"><li>Potential climate-related policy causing demand change or trade barriers.</li><li>Likely significant profit losses for emission-intensive companies.</li><li>Some risk associated with change in demand for key raw materials such as critical minerals powering <b>low-carbon technologies</b>.</li><li>A large drop in demand for fossil fuels, especially coal and oil.</li><li>Extreme weather events become more frequent, severe and unpredictable.</li></ul>	➡	<ul style="list-style-type: none"><li><b>Carbon price</b> rise could have material financial impact on global equity indices.</li><li>In some extreme cases, companies and governments are less likely to pay back their loans.</li><li>Significant cost on paying the full <b>carbon price</b> on all emissions when failing to adopt <b>low-carbon technologies</b>.</li><li>Likely significant GDP losses and decline in government bond values due to failed technological adoption.</li><li>Potentially large financial impacts at a global multi-asset portfolios level.</li></ul>

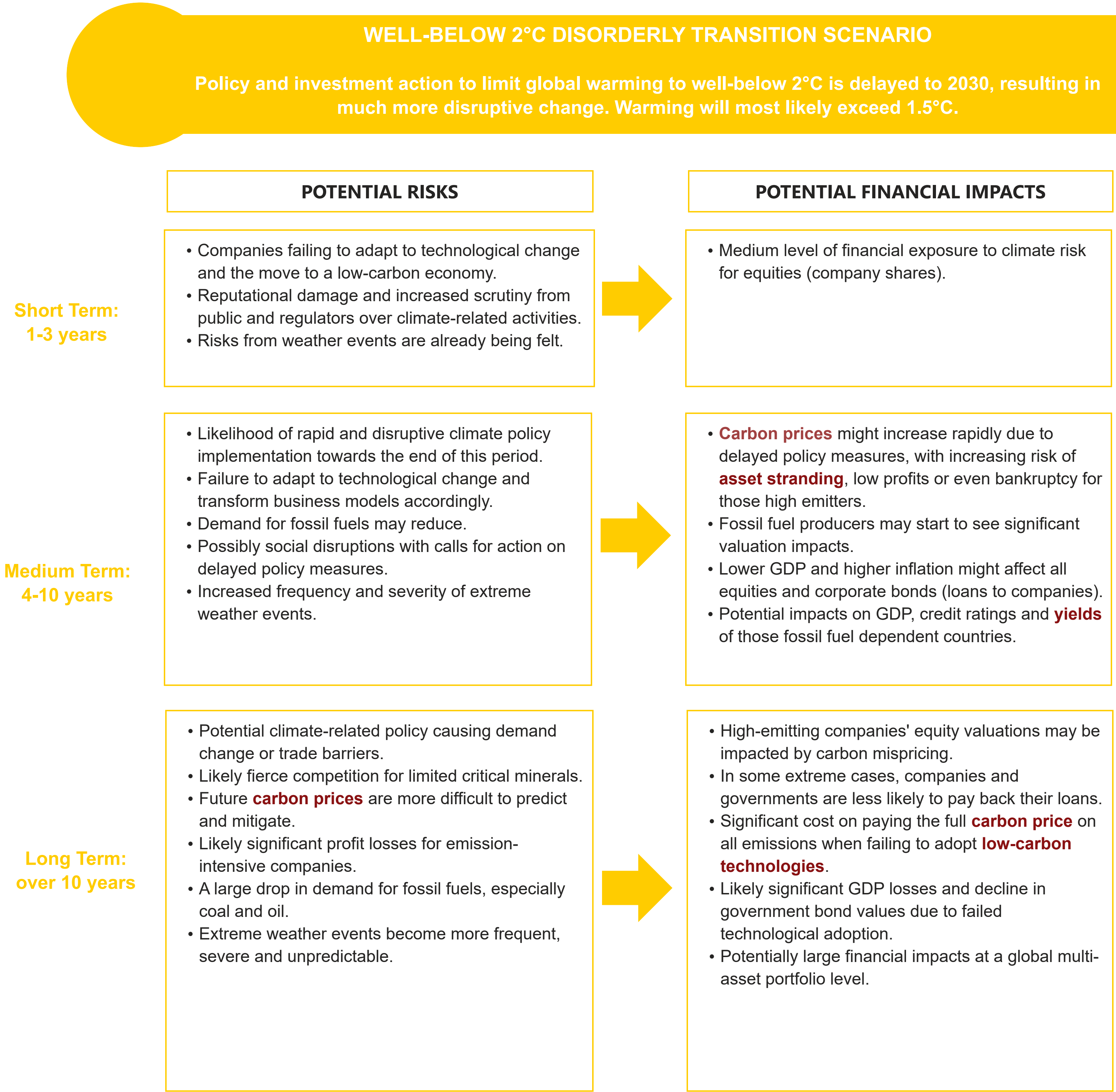


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Section 2 – Climate scenario and risk analysis: Multi-Asset Funds

HOTHOUSE WORLD INACTION SCENARIO

Global inaction on climate change means emissions continue to grow at historical rates, likely resulting in 3-4°C of warming by 2100.

	POTENTIAL RISKS		POTENTIAL FINANCIAL IMPACTS
Short Term: 1-3 years	<ul style="list-style-type: none"><li>Companies failing to adapt to technological change and the move to a low-carbon economy.</li><li>Reputational damage and increased scrutiny from public and regulators over level and merit of climate-related activities.</li><li>Risks from weather events are already being felt.</li></ul>		<ul style="list-style-type: none"><li>Medium level of financial exposure to climate risk for equities (company shares).</li></ul>
Medium Term: 4-10 years	<ul style="list-style-type: none"><li>Very limited climate policy implementation.</li><li>Emission-intensive companies may face reputational risk from their inaction and contribution to continued global warming, or their handling of climate-related risks (such as through lack of adaptation).</li><li>Increased frequency and severity of extreme weather events.</li></ul>		<ul style="list-style-type: none"><li>Potential impact on performance of bonds (loans to governments and companies) and equities owing to reputational damage or failure to take advantage of sustainable 'green' growth opportunities.</li></ul>
Long Term: over 10 years	<ul style="list-style-type: none"><li>Potential climate-related policy causing demand change or trade barriers.</li><li>Change in demand for key raw materials such as critical minerals powering <b>low-carbon technologies</b>.</li><li>Material risk of social unrest to companies and countries and political instability.</li><li>More frequent and intense hot extremes, marine heatwaves, heavy precipitation, droughts and tropical cyclones. The higher the warming, the higher the risk.</li></ul>		<ul style="list-style-type: none"><li>In some extreme cases, companies and governments are less likely to pay back their loans.</li><li>Significant cost on paying the full <b>carbon price</b> on all emissions when failing to adopt <b>low-carbon technologies</b>.</li><li>Emissions-intensive companies may lose business and public trust.</li><li>Some geographies may be 'uninsurable' due to future climate uncertainty, and some productive assets may be written off.</li><li>Potential for expensive costs due to property retrofitting (enhancing energy efficiency, sustainability and overall performance) for climate adaptation.</li></ul>

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Section 2 – Climate scenario and risk analysis: Multi-Asset Funds

Terms explained

Carbon pricing

A carbon price is the price that a company would have to pay for each tonne of **CO2e** emitted.

Stranded assets

This means an asset (such as a coal-fired power plant) that once had value or produced income but no longer does. This is usually due to some kind of external change, including changes in technology, markets, regulations and societal behaviours.

Low-carbon technologies

These are technologies that produce low levels of CO2 emissions, or no net emissions. Examples include wind turbines, solar power, ground source heat pumps.

Yields

The income generated from an investment, expressed as a percentage.

More information on our approach to climate risk management, governance and strategy, within pension funds is available in the supporting Legal & General entity report section of our website [legalandgeneral.com/tcfd](https://legalandgeneral.com/tcfd)