

17 April 2020

LEGAL & GENERAL TAKES STAKE IN GROUND SOURCE HEAT FIRM AS IT LOOKS TO SCALE UP INVESTMENTS IN CLIMATE CHANGE, POSITIONING FOR POST-CRISIS ENVIRONMENT

Legal & General Capital (LGC) announces that it has taken a 36% stake in The Kensa Group, one of the UK's largest players in the ground source heat pump technology sector, as it scales up its investments in addressing decarbonisation.

Complementing Legal & General's existing clean energy investment portfolio, which now includes low carbon **heat, transport** and **power** generation, the deal follows Legal & General's increased stake in Pod Point, one of the UK's largest electric vehicle charging companies, alongside EDF. Investing in sub-scale industries that it can use its platform to grow rapidly in the post-crisis period, the investment in Kensa supports Legal & General's ambition to form part of the UK solution to reaching net zero carbon emissions by 2050.

Heating and hot water for UK homes make up 25%¹ of total energy use and 15%² of our greenhouse gas emissions. By 2025, the current consultation on new building regulations will likely outlaw fossil fuel heating systems for new build homes, presenting a significant and immediate opportunity for an alternate low carbon heating solution. Retrofit represents a significant market opportunity, with around 23 million homes in Great Britain using mains gas (carbon intensive) as their heating fuel, two million homes electrically heated (high running costs) and the remaining two million using heating oil or other fossil fuel systems (carbon intensive and high running costs).

As the UK's largest manufacturer and installer of ground source heat pump technology, Kensa is the only integrated supplier and one of the most developed and effective for delivering homes with the lowest operational carbon emissions. Legal & General's investment in Kensa presents a unique opportunity to partner with a market leader at a time when growth in the sector is accelerating rapidly. Alongside offering an alternative heat solution to existing and new build houses across the UK, this partnership will provide Legal & General's extensive ecosystem with a low carbon heating solution, as it works with local authorities, government and key industry players to create scaled solutions.

Within Legal & General's own fast-growing housing platform, which spans build-to-rent, build-to-sell, later living and affordable housing, as well as modular construction, plans are already under way to make all its new housing stock operationally net carbon neutral between now and 2030. As part of this, its later living business, Inspired

1 The % of energy can be calculated from data provided in the ECUK release:

<https://www.gov.uk/government/statistics/energy-consumption-in-the-uk>

2 The % of carbon can be calculated from data provided in the UK GHG release here:

<https://www.gov.uk/government/statistics/final-uk-greenhouse-gas-emissions-national-statistics-1990-to-2018>

Villages Group, is in advanced discussions with Kensa to put in place ground source heat and has rolled out Pod Point electric car chargers, amongst other initiatives.

Kerrigan Procter, CEO of Legal & General Capital, said: “We invest our capital in clean energy assets, businesses and technologies which will help accelerate the UK’s progress to a low-cost, low-carbon economy. Our investment in Kensa will enable the business to scale up at pace, bringing vital capacity to the sector. Our partnership marks a major milestone for Legal & General as we look to invest in the transformation of the energy system, and also add critical capabilities to deliver our own ambitious target to achieve net zero homes.

“We are delighted to invest in a business that will play a major role in the transition to low carbon heating in the UK and support significant job creation in the low carbon sector. Our investments in clean energy are backing businesses that already employ more than 400 skilled workers in the UK green economy and we expect further accelerated growth in employment in the sector as the UK invests for the future post Covid-19 where tackling climate change should dominate the agenda.”

Simon Lomax, CEO of the Kensa Group, said: “We are excited that Legal & General Capital has recognised that Kensa’s ground source heat pump systems will play a major role in the transition towards low carbon heating in the UK. This significant investment will allow the Kensa Group to strengthen its market-leading position by accelerating Kensa Heat Pumps’ research and development programme, expanding Kensa Contracting’s district heating shared ground loop array activities, and providing zero-cost ground arrays via innovative funding programmes through Kensa Utilities. The investment also provides the opportunity to install our systems at scale at sites being developed by Legal & General’s property business portfolio, contributing towards the UK’s ambitious 2050 net zero carbon target.”

Legal & General’s partnership with Kensa coincides with the completion of a new 900m² manufacturing premises in Cornwall, which will enable the production of up to 30,000 ground source heat pumps every year.

- Ends -

For further information, please contact:

Harriet de Beaufort Suchlick

PR Manager, Legal & General Capital

Tel: 07717 533079

Email: harrietdebeaufort.suchlick@lgim.com

<http://www.legalandgeneralcapital.com/>

Stephanie Gregory

Director of Marketing, The Kensa Group

Tel: 01872 862140

Email: stephanie.gregory@thekensagroup.com

<https://www.thekensagroup.com/>

Notes to editors -

Legal & General Capital

Legal & General Capital (LGC) is the early-stage investment business of Legal & General Group. With a direct investment portfolio of £2.9bn (as at 31 December 2019), LGC invests shareholder capital to deliver attractive financial returns by creating real assets and operating businesses. LGC self-manufactures attractive, Matching Adjustment-eligible direct investments to back Legal & General Retirement's growing annuity liabilities and creates a portfolio of alternative assets for Legal & General Investment Management. LGC seeks opportunities to deploy its long-term capital into key alternative sectors where there has been a shortage of investment and innovation; supporting future cities, housing and principal investing (including funding for SMEs and early stage enterprises).

Legal & General Group

Established in 1836, Legal & General is one of the UK's leading financial services groups and a major global investor, with international businesses in the US, Europe, Middle East and Asia. With almost £1.2 trillion in total assets under management at 31 December 2019, we are the UK's largest investment manager for corporate pension schemes and a UK market leader in pensions de-risking, life insurance, workplace pensions and retirement income. We have also invested over £25 billion in direct investments such as homes, urban regeneration, clean energy and small business finance.

Kensa Group

Established in 1999 and headquartered in Cornwall, the Kensa Group is a fast-growing collection of award-winning businesses involved in the manufacture and installation of ground source heat pumps and the ownership of associated underground infrastructure. Now employing over 100 people the Kensa Group encompasses Kensa Heat Pumps Limited, Kensa Contracting Limited, and Kensa Utilities Limited. Kensa Heat Pumps remains the UK's only manufacturer of ground source heat pumps and is the long-established market leader according to BSRIA annual reports. It provides products and technical support to an extensive network of plumbing contractors. Kensa Contracting is a specialist installation business which focusses on large-scale new build and social housing retrofit programmes. It benefits from unrivalled experience and expertise and has delivered the UK's largest installations in the residential sector. Kensa Utilities is an infrastructure asset company which funds, owns and maintains shared ground loops that serve heat pump installations. It utilises subsidy support to provide these assets at zero cost to the housebuilder or social landlord.