



LPP

Local Pensions Partnership
Investments

Global Equities Fund TCFD Product Report

For the period 01 January to 31 December 2023

Fund details**LEI** 213800RGZ726IAZEZS12**ISIN** GB00BDCD1D70**Fund size** £11.02 billion**Date** 31 December 2023

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Introduction

Overview of the Fund

The LPPI Global Equities Fund (“the Fund”) seeks long term total return from investing in global public equities while controlling exposure to fundamental business risk. This aim is pursued by investing in underlying mandates, which may be managed internally, or by external third parties whose investment approach is consistent with the Fund’s investment objectives and restrictions.

The Fund will typically be biased towards active management without constraints to invest according to any specific index construction. The Fund seeks to outperform the MSCI All Country World Net of Dividends Index (MSCI ACWI ND) over a full market cycle.

The Fund is a sub-fund of the LPPI Asset Pooling Authorised Contractual Scheme (ACS), authorised by the Financial Conduct Authority. Local Pensions Partnership Investments Ltd (LPPI) is the ACS manager who is incorporated in England and Wales and is authorised and regulated by the Financial Conduct Authority. More information on the LPPI Asset Pooling ACS can be found on our [website](#).

Background to TCFD product reports

The recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) set out how organisations across sectors and geographies should disclose climate-related financial information. The recommendations are structured around four thematic pillars that reflect core elements of how organisations operate: Governance, Strategy, Risk Management, Metrics and Targets. We make detailed disclosures under each pillar within our LPPI TCFD Entity Report, consistent with the TCFD Recommendations and Recommended Disclosures, and as required by our regulator, the Financial Conduct Authority.

Separately, we are also required to provide a product report for each of our authorised funds, consistent with the TCFD Recommendations and Recommended Disclosures (“TCFD product report”). This is the product report for our Global Equities Fund, and contains information specific to the Fund.

Our approach with respect to Governance, Strategy, and Risk Management for the Fund does not materially deviate from LPPI’s overarching approach. Information on this is available in our LPPI TCFD Entity Report, available at www.lppi.co.uk.





TFEA

Strategy

Our approach to assessing and managing the risks and opportunities posed by climate change reflects the following framing.

Climate-related risks include the adverse impact on the value of assets or income streams arising from transition risk and physical risk.

Transition risk is the risk of adverse changes in the value of assets or income streams arising from the nature and speed of mitigation and adaptation to climate change resulting from policies and requirements by governments, influential global bodies, and regulators.

Physical risk is the risk of adverse changes in the value of assets or income streams because of severe weather events, such as flooding, directly on physical assets or indirectly through business disruption, resource availability, and disruption to supply chains or service providers. Physical risks can be acute, which are event driven, and chronic, which are longer-term shifts in climate patterns.

We have set out the broader climate-related risks and opportunities in our TCFD entity report. Our approach for the identification of these risks and opportunities was based on the categories defined by the TCFD Recommendations and Recommended Disclosures.

Our short-term horizon looks at a three-year period, which aligns with LPPI's business plan horizon and the triennial valuations of our pension scheme clients. Our medium-term horizon looks forward up to 10 years, which covers the period to our interim investment net zero commitments. Our long-term horizon looks at the time horizon up to 2050, the target net zero-time horizon for the Fund.

This framing below informs how climate change is incorporated into our stewardship of assets and considered as part of asset allocation decisions and portfolio monitoring activities.

The Fund is managed with an active fundamental investment approach that seeks to benefit from the ability of LPPI and its clients to take a truly long-term investment horizon. The Fund currently has seven allocations to different investment mandates, two managed internally by LPPI and five managed externally by third parties. There are differences in style across the mandates, but they all share common characteristics that are aligned with the philosophy that underpins management of the aggregate portfolio.

These include:

- Fundamental investment selection based on deep qualitative and quantitative analysis.
- Consideration of the quality of business models across individual companies and industries.
- Long term owners of companies rather than short term traders of shares.
- ESG integration within the investment process to identify material opportunities and risks.

The long-term investment approach means that it is incumbent on LPPI and its delegated managers to think carefully about climate-related risks and opportunities. These are typically highly company-specific, yet there are certain systematic risks and opportunities that need to be considered across investee companies.

Responsibility for the analysis of individual companies and the associated climate-related risks and opportunities lies with our delegated managers. LPPI uses a consistent framework across the two mandates it manages internally but each of the five external partners runs their own framework and process.



Delegated Managers

Our External Managers team is responsible for the oversight of and dialogue with each delegated manager. LPPI's expectations for external managers are clearly communicated to them, company specific issues are discussed during regular monitoring meetings and, wherever possible appropriately legally documented. The delegated managers also provide reporting to LPPI regarding company specific engagements undertaken. These include conversations about ESG issues as well as a broader range of strategic business topics. Analysis of the Fund's aggregate portfolio and the resulting climate-related issues rests solely with LPPI. Later in this report we highlight some of the specific metrics used to monitor the Fund's climate exposures.

In addition to entity level policies, such as the exclusion of Thermal Coal investments, the Fund has additional exclusions within the Energy sector as defined by the Global Industry Classification Standard (GICS) system. Since the end of 2021, the Fund has prohibited investment in four GICS Energy sub-industries.

These are:

1. Coal and Consumable Fuels (since 2019)
2. Oil and Gas Drilling
3. Integrated Oil and Gas
4. Oil and Gas Exploration and Production

The context for taking this step is given in our [Annex on Climate change](#).

LPPI retains the voting rights for all shares held by the Fund and our [Shareholder Voting Guidelines](#) identify climate change as a priority voting theme.

Metrics and targets

We use a range of metrics to quantify and monitor climate related considerations for the Fund. The majority of metrics focus on carbon emissions which provide an indication of the relative positioning of the Fund.

The metrics presented in this section are the emissions intensity and portfolio alignment metrics for corporate securities, where data is available, as of 31 December 2023.

Fig.1 shows the proportion of carbon emissions data for the Fund that is reported, estimated or where there is currently no data available.

Fig. 1: Data Availability by AUM Covered (%) as at 31 December 2023

Asset class	Global Equities
AUM Covered (%)	100%
of which	
Reported Data (% of AUM Covered)	97.7%
Estimated Data (% of AUM Covered)	0.0%
No Data (%)	2.32%

Carbon footprint of our investments

Considering the limitations implicit in the metrics and tools available (primarily data availability and scope of coverage), we currently rely on Scope 1 and Scope 2 greenhouse gas (GHG) emissions to inform investment decisions. While we consider Scope 3 emissions to identify actions, such as engaging companies on transition plans, the data quality and disclosure of this category is poor and less reliable for decision making.

Please refer to the appendix for key definitions and formulas used for calculating emissions metrics.

Fig.2 shows the key metrics for the Fund as of 31 December 2023.

The assessment of business quality is a core component of the fundamental analysis undertaken by both the internal and external managers that the Fund allocates to. The Fund currently exhibits a significantly lower carbon footprint and carbon intensity than its benchmark index. However, it is important to highlight that this position is an outcome of the integrated investment process where climate exposure, risks and opportunities are not the only input.

Fig. 2: Climate metrics

Climate Metrics	Unit of Measurement	GEF		MSCI ACWI	
		31/12/2022	31/12/2023	31/12/2022	31/12/2023
Scope 1 and 2 emissions	tCO ₂ e	189,849	182,394	6,145,780	5,721,168
Scope 3 emissions	tCO ₂ e	1,982,381	3,293,614	37,557,971	39,031,353
Total carbon emissions	tCO ₂ e	2,172,230	3,476,008	43,703,751	44,752,521
Total carbon footprint (Scope 1 and 2)	tCO ₂ e / \$million invested	19.3	16.6	121.4	86.2
Weighted average carbon intensity (Scope 1 and 2)	tCO ₂ e / \$million revenue	47.8	28.7	161.2	128.7
Implied Temperature Rise	Degrees Celsius	2.01	1.87	2.77	2.43
Reported and estimated emissions data (%)	AUM (%)	94.9%	97.7%	100.0%	100.0%

We believe that the Fund's relative position is primarily driven by the fact that a quality bias often limits investment in sectors such as Materials and Energy, due to the fact their constituent companies typically operate in commoditised areas that require significant capital outlays, and therefore often struggle to generate sustainable high returns on capital. For example, the carbon intensive steel manufacturing process typically requires significant amounts of capital, and it is difficult for a steel producer to differentiate its final product from that of a competitor – therefore capping average returns for the industry at or below the cost of capital.

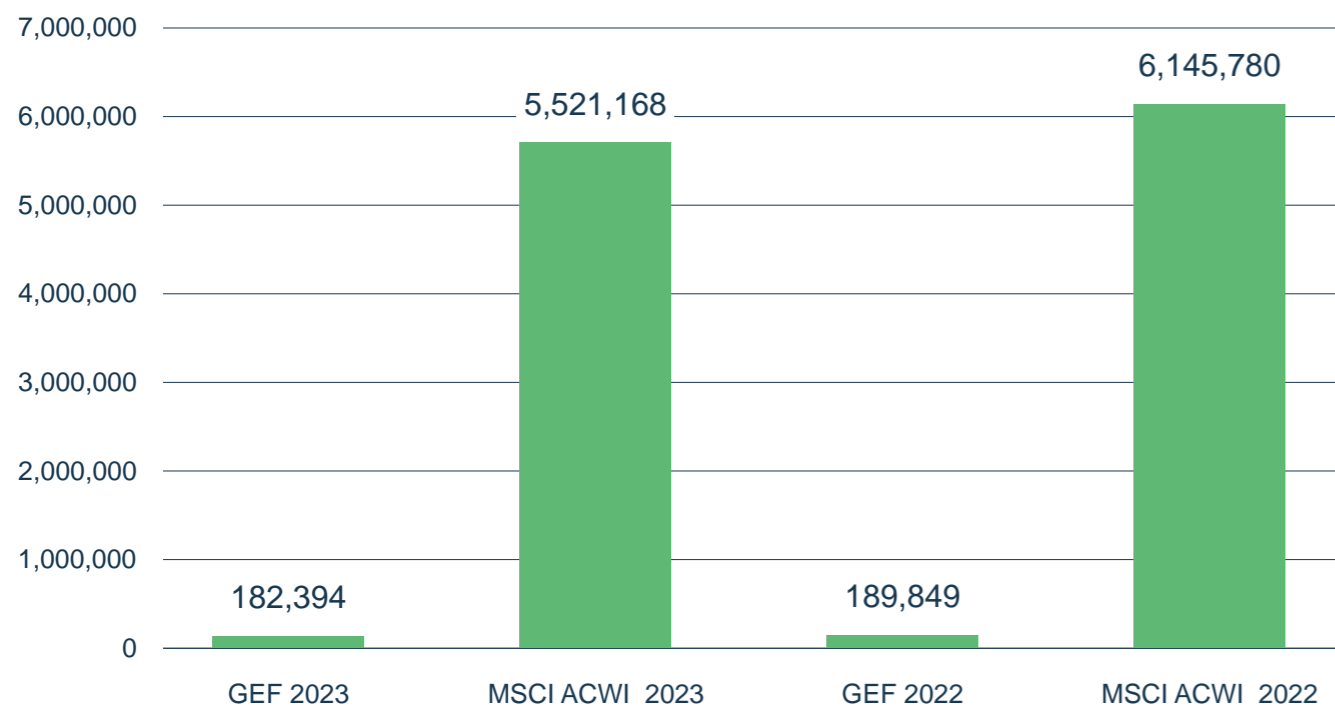
Conversely, the quality bias often leads us to invest in businesses with low capital intensities or powerful intangible assets (such as brands, patents, or licenses), which often result in these companies possessing a lower carbon footprint. Good examples of this include the likes of Accenture, Alphabet and Microsoft. A quality bias also means that most investee companies possess solid balance sheets and tend to be highly cash generative, which should better allow them to finance the investments needed to combat climate change or mitigate the carbon emissions and intensity of their operations, including achieving net zero targets.

Total Carbon Emissions

The quantum of the Fund's gross carbon emissions versus the benchmark is an indicator of relative risk. Tracking movement in gross emissions over time offers insight into whether decarbonisation is an observable trend.

Movement in the Fund's Total Carbon Emissions metric (a Financed Emissions metric expressed in in tCO₂e) for both Scope 1 & 2 is presented below and shows a decrease between Dec 22 and Dec 23.

Fig. 3: Total Carbon Emissions (Scope 1 and 2)

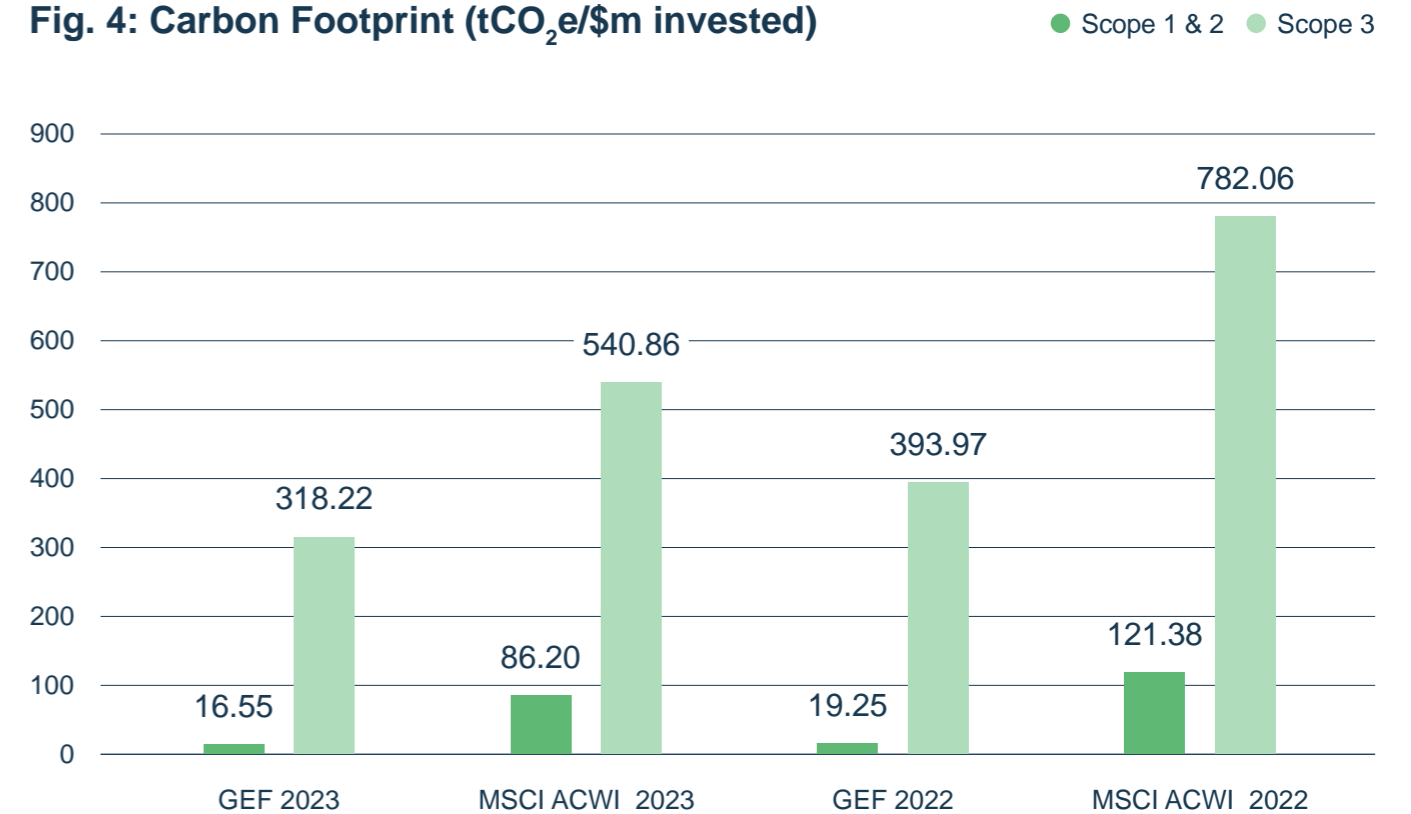


Total Carbon Footprint

The Fund's carbon footprint relates the amount of emissions produced by investee companies to the economic value of the same companies and is a measure of efficiency. A reducing footprint indicates that value growth has exceeded emissions growth in aggregate.

The ideal is for investee companies to reduce their emissions whilst simultaneously growing in value. Movement in the Total Carbon Footprint metric, expressed as total carbon emissions normalised by market value of the portfolio (tCO₂e/\$M invested), for the Fund and MSCI ACWI is presented below. The metrics show a decline between Dec 22 and Dec 23.

Fig. 4: Carbon Footprint (tCO₂e/\$m invested)



Weighted Average Carbon Intensity (WACI)

We are required to disclose additional details for funds that have ‘concentrated exposures or high exposures to carbon intensive sectors. The term ‘carbon intensive’ or the identification of sectors with ‘concentrated exposures’ to carbon does not have an industry-wide, standard definition. We define carbon intensive funds as those which have higher carbon intensity than their equivalent benchmarks in two or more of the following sectors: Energy, Materials and/or Utilities.

We see three sectors are significantly differentiated in terms of their exposure to emissions intensive companies than other sectors.

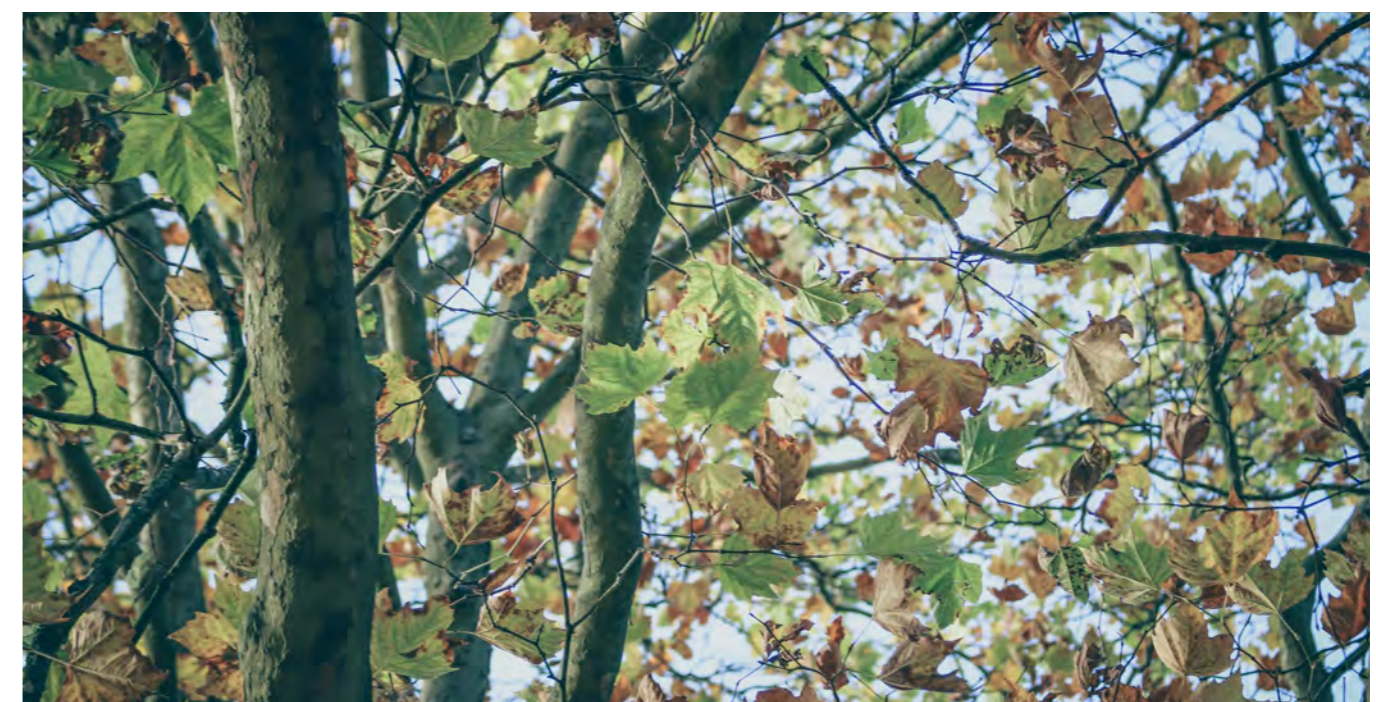
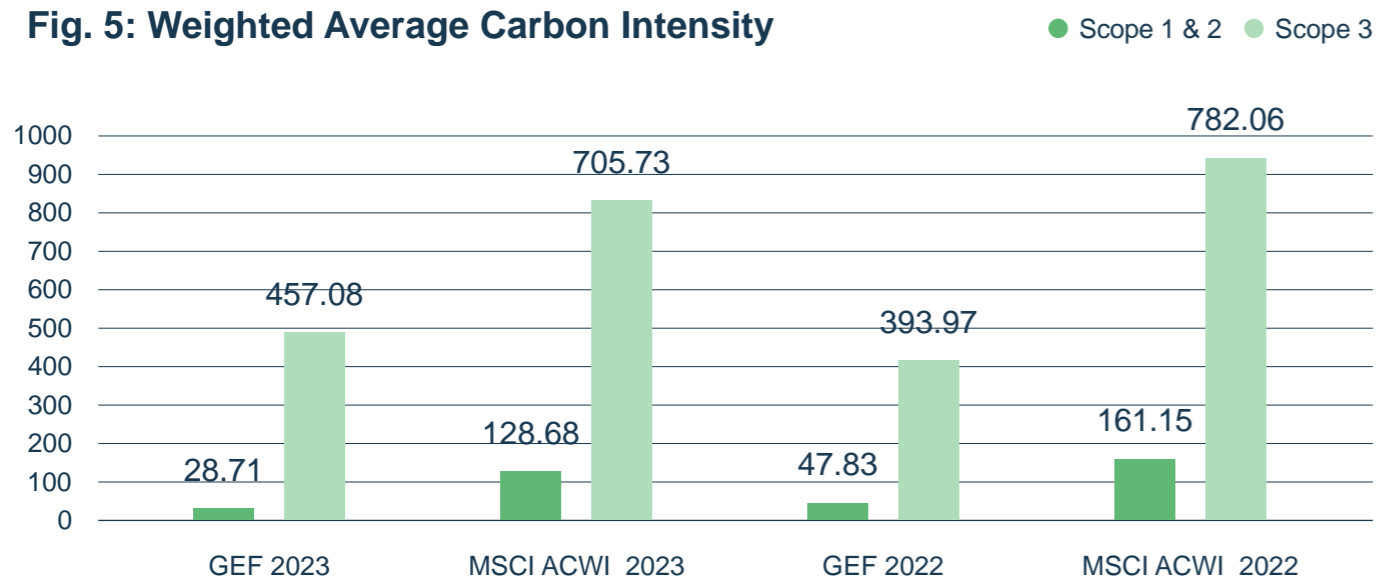
The relative Scope 1 and 2 WACI of -100 is primarily explained by sector allocation relative to MSCI ACWI, namely the Fund’s underweight allocation to carbon intensive sectors, and to Real Estate. At sector level, the Fund’s positions have materially lower emission intensity in most of the sectors.

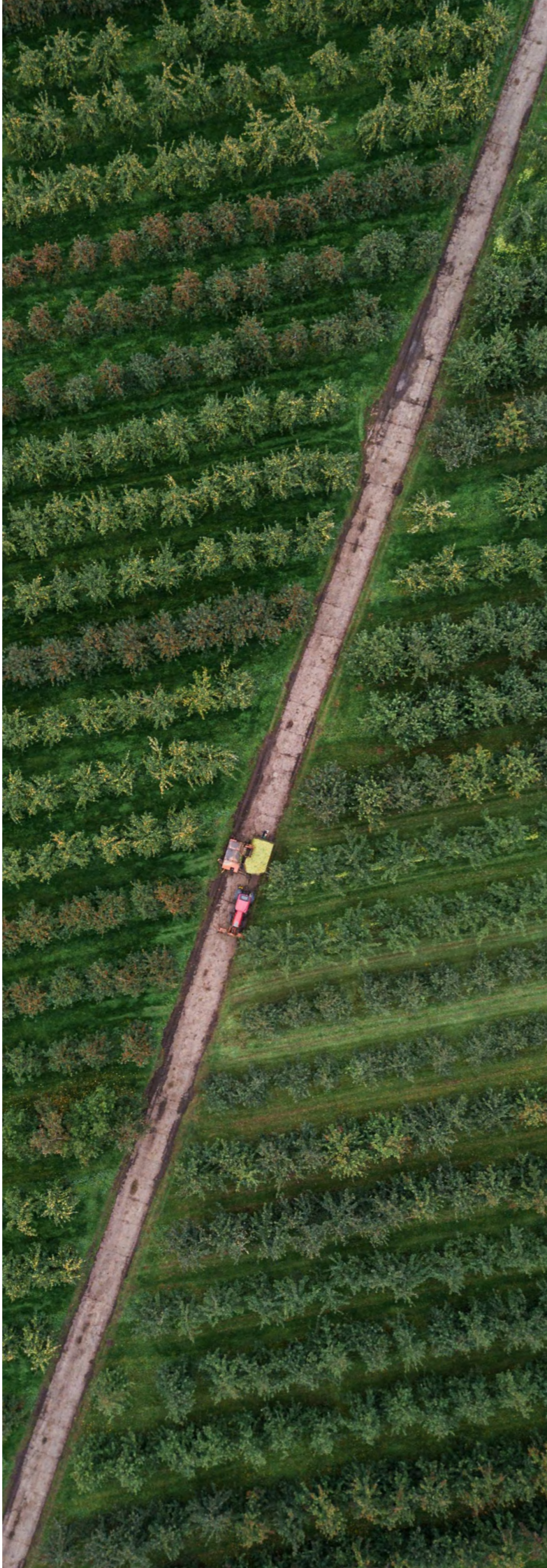
We consider the GICS level 1 categories for Utilities, Material, and Energy as carbon intensive sectors and have provided an attribution of the Fund’s exposure to these sectors in the table below.

In addition, we have also included Industrials specifically for the Fund due to its weight within the portfolio and relative contribution to portfolio carbon intensity

Attribution by Sector	Utilities	Materials	Energy	Industrials
Portfolio Weight	0.6%	1.1%	0.8%	14.7%
Benchmark Weight	2.6%	4.5%	4.5%	10.7%
Relative Weight	-2.0%	-3.4%	-3.7%	4.1%
Portfolio Emissions Intensity*	286.9	184.8	143.1	51.8
Benchmark Emissions Intensity*	1755.4	685.5	405.3	103.6
Security Selection	-8.4	-5.7	-2.2	-7.6
Sector Allocation	-35.9	-23.3	-15.0	4.2

Fig. 5: Weighted Average Carbon Intensity





Implied Temperature Rise

We have begun to review the Fund's Implied Temperature Rise (ITR) which is a metric calculated by our data provider MSCI, but currently question its usefulness as measure of climate risk. As of 31 December 2023, the Fund has an Implied Temperature Rise ("ITR") of **1.87°C** (MSCI ACWI: **2.43°C**, portfolio coverage: 97.7%).

ITR flows from a complicated model which calculates a given portfolio's implied temperature rise (the warming it is contributing to) based on whether individual investee companies exceed their "fair share" of global emissions (portion of the total emissions budget for planet earth to remain below 2°C of warming). All companies exceeding the model's calculation of their "fair share" contribute to a portfolio being "over budget" in aggregate, which converts to an ITR above 2°C. Please note there is significant uncertainty related to this temperature estimate, and outputs differ amongst different data vendors as methodologies continue to evolve and mature.

Carbon sector exposure

We have assessed whether the Fund has concentrated or high exposure to carbon intensive sectors for the purposes of determining whether qualitative or quantitative scenario analysis could be informative. For the purposes of this assessment Energy, Utilities, and Materials are designated carbon intensive sectors, and a concentrated or high exposure is when the Fund has an exposure exceeding 15% for that respective sector.

For the Fund, we break emissions down by sector using the GICS system, and measure all greenhouse gas (GHG) emissions, not just carbon. GICS is widely used by finance firms and covers 11 economic sectors.

The following table provides the Fund's portfolio weight within the carbon intensive GICS sectors and its overall contribution to portfolio carbon intensity.

GICS Sector	WACI (tCO ₂ e /\$m revenue)	Contribution to Portfolio WACI (%)	Portfolio Exposure (% GEF AUM 31/12/2023)
Industrials	51.8	26.7%	14.7%
Energy	143.1	4.2%	0.8%
Utilities	286.9	5.8%	0.6%
Materials	184.8	7.3%	1.1%

We have determined that, in the reporting period, the Fund did not have a high and concentrated exposure to these respective carbon intensive sectors. As shown in the table above, although the Fund has a high weighting to Industrials, the WACI is relatively low. This is because the GICS sector definition for Industrials includes professional services and software companies that are not carbon intensive industries.

The exposure to these sectors is liable to change at any time and at short notice depending on market outlook. It is not a structural feature of the Fund. If the positioning were to be reversed with the Fund taking an overweight position in the high impact sectors for investment reasons, then the Fund's carbon metrics could be substantially higher than the benchmark.

Scenario analysis

To provide long-term resilience to the transition to a low-carbon economy, we recognise that weather and climate projections can support our investment decision making.

We are in the early stages of considering integrating climate-related scenario analysis in our decision-making processes. We believe that incorporating climate scenarios into our decision making may assist us in understanding the impact of climate change, with a view to better managing our outcomes and those of our clients.

We have undertaken initial scenario modelling using our asset-liability modelling tool which uses the Network for Greening the Financial System (NGFS) scenarios in line with the FCA and TCFD requirements. These give us three scenarios to consider alongside our baseline. We have started to assess asset class risks from NGFS scenarios using MSCI ESG's Regional Model of Investment and Development (REMIND) model. We also receive the "Climate Value at Risk (CVaR)" metric from MSCI ESG as part of a range of inputs for assessing climate risk in the portfolio.

MSCI's Climate Value-at-Risk (CVaR) is a forward-looking risk metric designed to assess climate-related risks and opportunities in an investment portfolio.

CVaR provides a return-based valuation assessment. It considers both transition risk (related to the transition to a low-carbon economy) and physical risk (impacts of climate change on assets). CVaR reflects the change in value of a company, a security, or portfolio in different scenarios. For instance, if the CVaR is -2%, it implies a potential -2% loss in portfolio value due to climate-related risks under a hypothetical scenario.

While we calculate portfolio CVaR internally and recognise its potential for framing our views on climate-related risks, it is not without limitations. For instance, CVaR relies on assumptions about future climate scenarios and their impact on asset valuations. If these assumptions prove to be inaccurate, this will almost certainly misrepresent risk. Additionally, CVaR primarily considers long-term climate risks creating misalignment with investor needs for insights over shorter horizons (i.e. market fluctuations due to climate events).

We have chosen not to disclose this metric until we have fully assessed the usefulness of this metric to us and our clients and will consider its disclosure in our future reports.



Our net zero targets

LPPI has voluntarily made a public commitment to the goal of aligning our portfolio with net zero emissions by 2050 in line with the IIGCC Net Zero Asset Managers Commitment (NZAM) and the IIGCC Net Zero Investment Framework (NZIF). We use net zero targets to help identify climate-related risks and opportunities by assessing the exposure and vulnerability of different sectors, regions, and stakeholders to the transition risks of climate change.

The latest net zero targets for the Fund were set in 2023 in the areas of decarbonisation, coverage (in the sense of alignment to net zero) and company engagement.

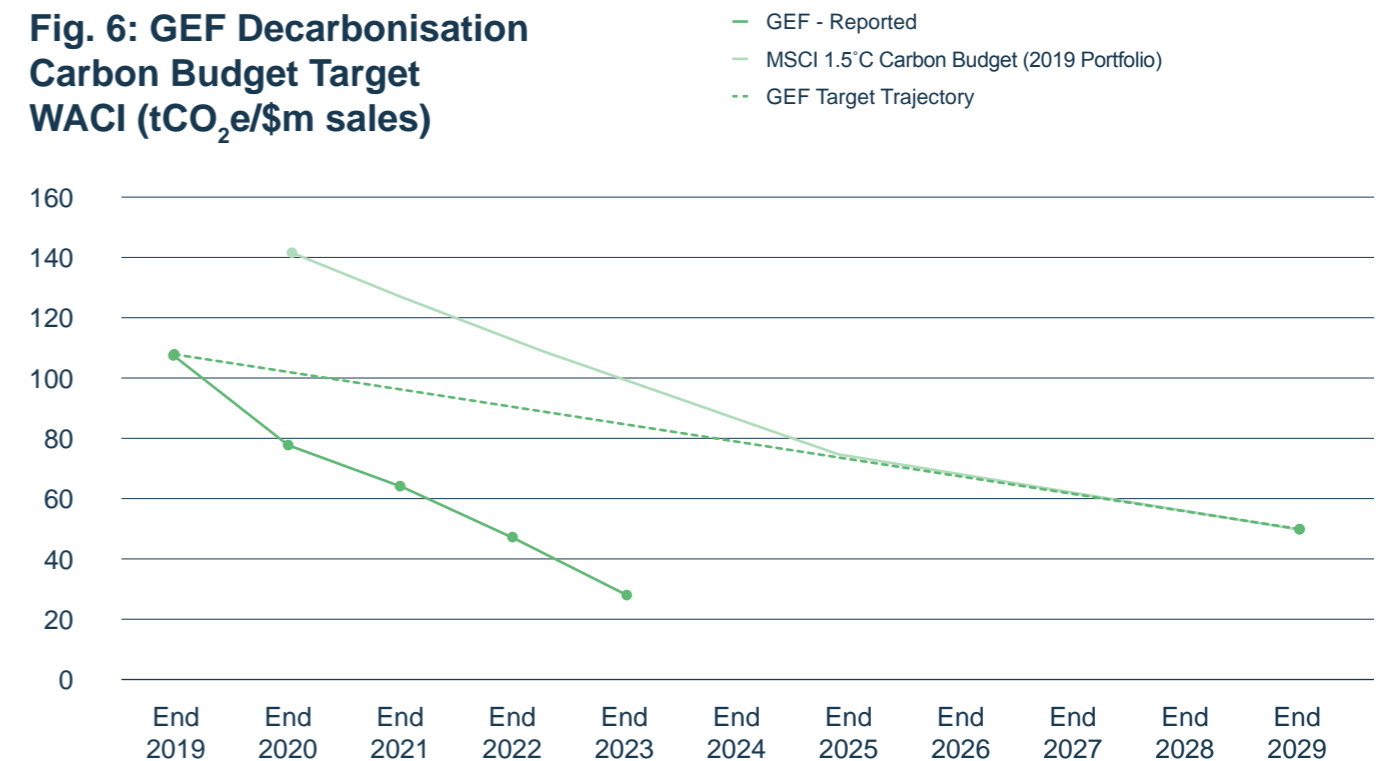
Decarbonisation target

Target: The LPPI GEF portfolio adopted a new decarbonisation target in December 2023.

The LPPI Global Equities Fund will achieve a 50.8% reduction in emissions intensity (WACI) by 2030 (December 2029) relative to the fund's own baseline position in December 2019, in line with its 1.5C carbon budget pathway as determined by MSCI.



Fig. 6: GEF Decarbonisation Carbon Budget Target WACI (tCO₂e/\$m sales)



Fund WACI, expressed in tCO₂e/\$m revenue and covering Scope 1 and 2 emissions, is reduced to 28.71 in December 2023. It remains well within the Net Zero Target and is significantly lower compared to WACI of the MSCI 1.5-degree carbon budget.

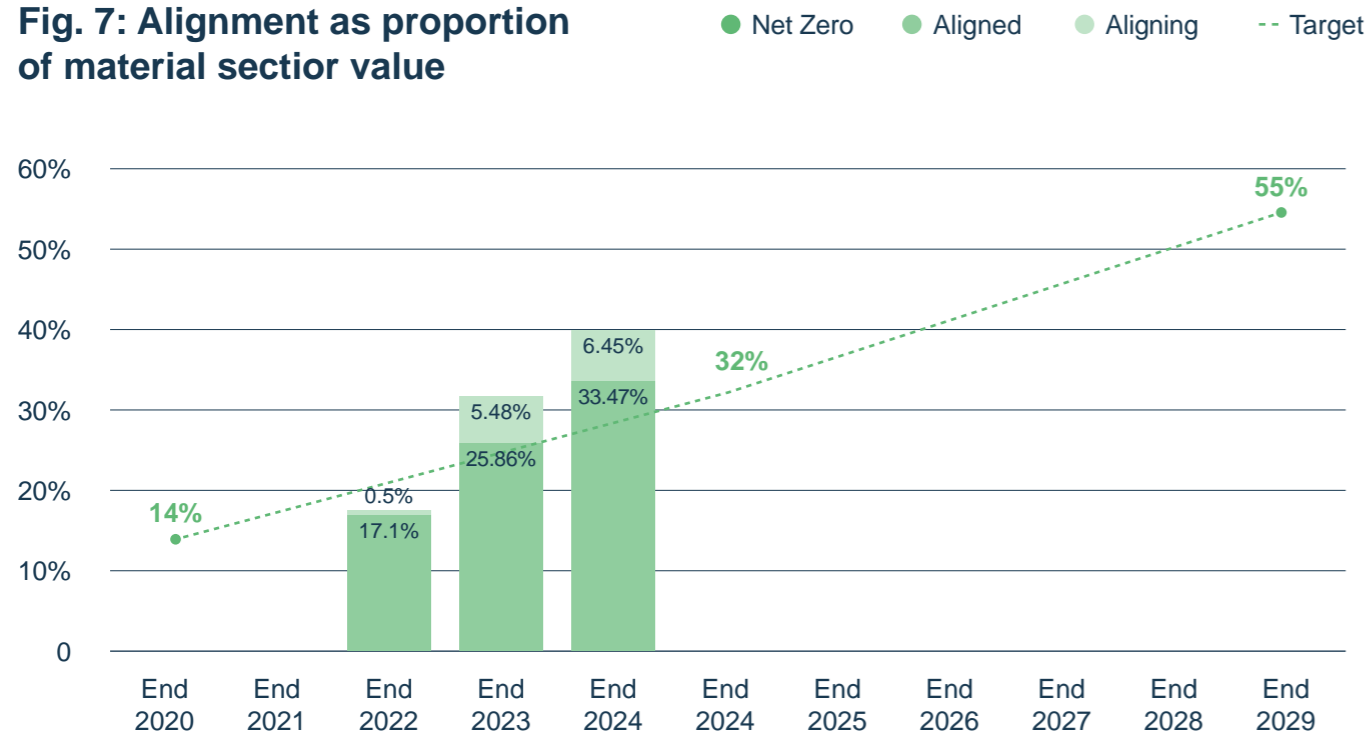
Coverage target

Our coverage target is for 32% of AUM in material sectors to be considered net zero, aligned or aligning by 2025; 55% by 2030; 100% of AUM in material sectors to be considered net zero or aligned to net zero by 2040.

The alignment coverage metric, calculated as the aggregated % AUM of the Fund in material sectors that is Net Zero, Aligned or Aligning, is 39.92% in December 2023.

Please refer to the appendix for key definitions and formulas used for calculating emissions metrics and definition of material sectors.

Fig. 7: Alignment as proportion of material sector value



Engagement Target

We have set a threshold that at least 70% of financed emissions in material sectors will either be assessed as already net zero, aligned with a net zero pathway, or subject to direct or collective engagement and stewardship actions by end-2022: 90% by 2030.

Collective engagement covers engagements by Robeco, CA100+, CDP NDC and the IIGCC NZEI (Net Zero Engagement Initiative). Direct encompasses engagement via our external managers and our internal equities team.

The following table illustrates progress against the engagement target. The % of financed emissions (the Total Carbon Emissions metric) in Material sectors that are Net Zero/Aligned/under direct or collaborative engagement as of Dec-2023 are:

Engagement	30/09/2023	31/12/2023
% of financed emissions that are under engagement (if not already Net Zero or aligned)	68.19%	65.48%
% of financed emissions that are aligned (if not already Net Zero)	2.97%	8.69%
% of financed emissions that are Net Zero	0.00%	0.00%
Total	71.16%	74.17%

This totals 74.17% of financed emissions in Dec-2023.

Alignment categories and definitions are outlined in the appendix.

Appendix

Carbon emissions metrics explained

We use the following metrics to measure the collective carbon impact of the Fund's holdings, calculated according to TCFD standards, which in turn are based on the internationally accepted GHG Protocol:

Metric	TCFD definition, based on GHG Protocol
Scope 1 Greenhouse Gas Emissions (Metric Tonnes)	Direct GHG emissions that occur from sources that are owned or controlled by the company.
Scope 2 Greenhouse Gas Emissions (Metric Tonnes)	GHG emissions from the generation of purchased electricity consumed by the company.
Scope 3 Greenhouse Gas Emissions (Metric Tonnes)	GHG emissions that are a consequence of the activities of the company but occur from sources not owned or controlled by the company.
Total Greenhouse Gas Emissions (Metric Tonnes)	Total of Scopes 1 and 2 until June 2024, and total of Scope 1, 2, and 3 from June 2024 onwards.
Total Carbon Footprint (Metric Tonnes per \$1m AUM invested)	Total carbon emissions for a portfolio normalised by the market value of the portfolio, expressed in tonnes tCO ₂ e/\$m invested.
Weighted Average Carbon Intensity (Metric Tonnes per \$1m revenue)	Volume of carbon emissions per million dollars of revenue (carbon efficiency of a portfolio), expressed in tonnes CO ₂ e/\$m revenue.



Industrials Sector & NGFS Scenarios

Type	Description
Orderly Transition	Under an 'orderly transition', industry participants will face a higher level of policy certainty and longer lead times to adopt energy and input efficiency initiatives. A rising carbon price could potentially provide an advantage to companies with efficient processes or based in geographies with lower carbon intensity of the energy grid.
Disorderly Transition	Under a 'disorderly transition', physical risks from climate change will increase from historical levels and likely reduce the resilience of existing supply chains. A step change in policies to achieve rapid decarbonisation of the sector may result in higher energy costs or a price on carbon emissions, could change production costs for industry participants – companies with higher energy and production efficiency would likely be better placed than inefficient peers under this scenario. Rapid decarbonisation may also require significant capital expenditure to adopt solutions such as Carbon Capture Use and Storage (CCUS).
Hot House World	In a Hot house world scenario, the Industrials sector is exposed to physical risk. For example, this could be in the form of disrupted operations through frequent re-routings and temporary route closures, as well as damage to infrastructure from extreme weather events. This will have an impact on costs, earnings, and profitability for these companies.

The frequency and magnitude of physical risks will be significantly increased. Supply chain disruptions will be more frequent requiring diversification of both input sourcing and potentially end markets to enhance resilience. This will likely require higher levels of working capital as companies shift from 'just in time' to 'just in case' production; potentially leading to lower asset turnover and lower returns on capital. Material efficiency, and circular economy practices could help mitigate some, but not all these risks. The company's own assets may also need capital investment to be upgraded against extreme weather conditions. Policy risk will be more muted with less pressure on decarbonisation of industrial processes.

Glossary

AUM

Assets under management.

Baselining

Establishing the starting point against which targets will be set and progress measured.

Benchmark-relative approach

Uses the emissions of a comparator benchmark at a point in time to reference an emissions reduction target against and measure progress.

CDP

CDP (previously the Carbon Disclosure Project). [Visit the website.](#)

CRREM

Carbon Risk Real Estate Monitor.

EVIC

Enterprise Value including Cash.

FCA

Financial Conduct Authority. Regulates financial services firms and financial markets in the UK.

Financed emissions

The emissions associated with our assets under management based on attributing a share of the total emissions produced by underlying companies in proportion to the size of the investment we hold.

GHG

Greenhouse Gas emissions.

IIGCC

Institutional Investors Group on Climate Change.

Investment universe

A selection of assets which reflect an investable universe, generally grouped based on the preferences of an investment strategy in terms of, for example, sector, industry, or regional exposure.

IPCC

Intergovernmental Panel on Climate Change IPCC Special Report on the impacts of global warming of 1.5°C. MSCI All Country World Index (ACWI) A stock index designed to track broad global equity market performance. The LPPI Global Equities Fund's comparator benchmark.

ITR

Implied Temperature Rise.

IPV

Investment Pooling Vehicle.

Material Sectors

Material sectors have been defined by IIGCC for consistency in the IIGCC Net Zero Implementation Guide. They are the sectors whose activities make the largest contribution to total emissions globally and which will need to produce the materials, develop the critical technologies, and evolve the lower emitting, more energy efficient processes that achieving a sustainable global economy depends on.

MSCI

Morgan Stanley Capital International (MSCI) Climate Value at Risk (CVaR) is MSCI's full quantitative scenario analysis solution, designed to provide a forward-looking and return-based valuation assessment of listed equity and debt securities in order to measure climate related risks and opportunities in an investment portfolio.

MSCI ACWI

The MSCI All Country World Index is a global equity index of large- and mid-cap stocks.

NACE

A statistical classification in use within the European Community. NZAM Net Zero Asset Manager Commitment. NZIF Net Zero Investment Framework.

Net zero

Achieving an overall balance between man-made emissions (GHG) produced and those taken out of the atmosphere, in order to neutralise the impact of any source of residual emissions that remains unfeasible to be eliminated by permanently removing an equivalent amount of atmospheric carbon dioxide.

NZAM

Net Zero Asset Managers initiative. An international group of asset managers committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5 Degrees Celsius; and to supporting investing aligned with net zero emissions by 2050 or sooner.

NGFS

Network for Greening the Financial System. A group of central banks and supervisors willing, on a voluntary basis, to share best practices and contribute to the development of environment and climate risk management in the financial sector and to mobilise mainstream finance to support the transition toward a sustainable economy.

Paris Agreement

United Nations agreement which includes commitments from all countries to reduce their emissions and work together to adapt to the impacts of climate change and calls on countries to strengthen their commitments over time. The Agreement provides a pathway for developed nations to assist developing nations in their climate mitigation and adaptation efforts while creating a framework for the transparent monitoring and reporting of countries' climate goals.

PCAF

The Partnerships for Carbon Accounting Financials.

Portfolio self-decarbonisation

Using portfolio emissions at a point in time to reference an emissions reduction target against and measure progress.

SBTi

The Science Based Targets initiative defines and promotes best practice in science-based target setting. Offering a range of target-setting resources and guidance, the SBTi independently assesses and approves companies' targets in line with its criteria.

Scope 1, 2 and 3

Scope 1, 2 and 3 emissions are a way of categorizing business emissions, accounting for both direct and indirect emitted GHGs. In more details:

- Scope 1 emissions are GHGs released directly from owned or controlled sources of the company.
- Scope 2 emissions are indirect GHGs released from the energy purchased by the company (generation of electricity, heat or steam purchased).
- Scope 3 emissions are indirect GHGs released by the value chain of the company, excluding the Scope 1 and 2 emissions, for both upstream and downstream emissions.

Stewardship

The responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society (UK Stewardship Code 2020).

Total carbon emissions

The sum of all the emissions in the portfolio based on the investor's ownership share. Calculated as follows:

$$\sum_n^i \left(\frac{\text{Current value of investment}_i}{\text{Issuer's market capitalization}_i} \times \frac{\text{Issuer's Scope 1 and Scope 2 GHG emissions}_i}{\text{Scope 2 GHG emissions}_i} \right)$$

TPI

Transition Pathway Initiative. [Visit the website.](#)

Universal global benchmark

A benchmark stock index which is representative of the global economy, for example the MSCI All Country World Index.

Weighted Average Carbon Intensity (WACI)

Weighted Average Carbon Intensity is the measure of a portfolio's exposure to carbon-intensive companies, expressed as tCO₂e/\$m company revenue. Calculated as follows:

$$\sum_n^i \left(\frac{\text{Current value of investment}_i}{\text{Current portfolio value}} \times \frac{\frac{\text{Issuer's Scope 1 and Scope 2 GHG emissions}_i}{\text{Issuer's \$M revenue}_i}}{\text{Issuer's \$M revenue}_i} \right)$$

For more information about LPPI, visit our website or contact us to discuss your specific requirements in more detail.

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