



LPP

Local Pensions Partnership
Investments

Fixed Income Fund TCFD Product Report

For the period 01 January to 31 December 2024

Fund details**LEI** 213800LGLDNX2MGUFQ09**ISIN** GB00BFMC1D84**Fund size** £1.02 billion**Date** 31 December 2024

Contents

Introduction	2
Strategy	5
Metrics and targets	8
Carbon intensive sector exposure	12
Scenario analysis	14
Our net zero targets	16
Appendix	20
Glossary	24

Introduction

This TCFD product report has been produced by Local Pensions Partnership Investments (LPPI) as the manager of the LPPI Fixed Income Fund (“FIF” or “the Fund”) to inform and assist investors in the Fund with their climate-related financial disclosures.

Overview of the Fund

The Fund has a performance target of Bloomberg Global Aggregate (GBP hedged) +25bps p.a. over an investment time frame of at least 7 years. The Fund comprises at least 80% Investment Grade and at least 50% High Quality Credit (minimum AA-rating). The Fund focuses on high quality and highly liquid instruments, with a strong capital preservation bias. It is currently comprised of two delegated mandates, selected to maintain different investment styles.

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 Fixed Income 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.





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 partner funds. 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.

Fund strategy

The 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.

We include certain securitised bonds and certain government related bonds within our definition of corporate fixed income for the purpose of our net zero commitments, e.g. covered bonds issued by banks (securitised) and government owned corporates (government related).

The Fund allocates to two investment mandates each managed externally by third parties. Currently, we monitor climate-related risks and opportunities for the corporate bond holdings managed by our delegated managers, representing 28.5% of the assets of the Fund, focusing our dialogue on exposure to carbon intensive sectors. Later in this report we highlight some metrics used to monitor the Fund’s climate-related risks for the corporate bond holdings. We are at present unable to monitor the climate-related risks in the remaining portion of the Fund (including sovereign bonds, securitised, and derivatives) due to a lack of data availability and lack of market solutions and methodologies to do so. We continue to engage with our delegated managers to increase the proportion of reported data.

The long-term investment approach means that it is incumbent upon us and our 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.

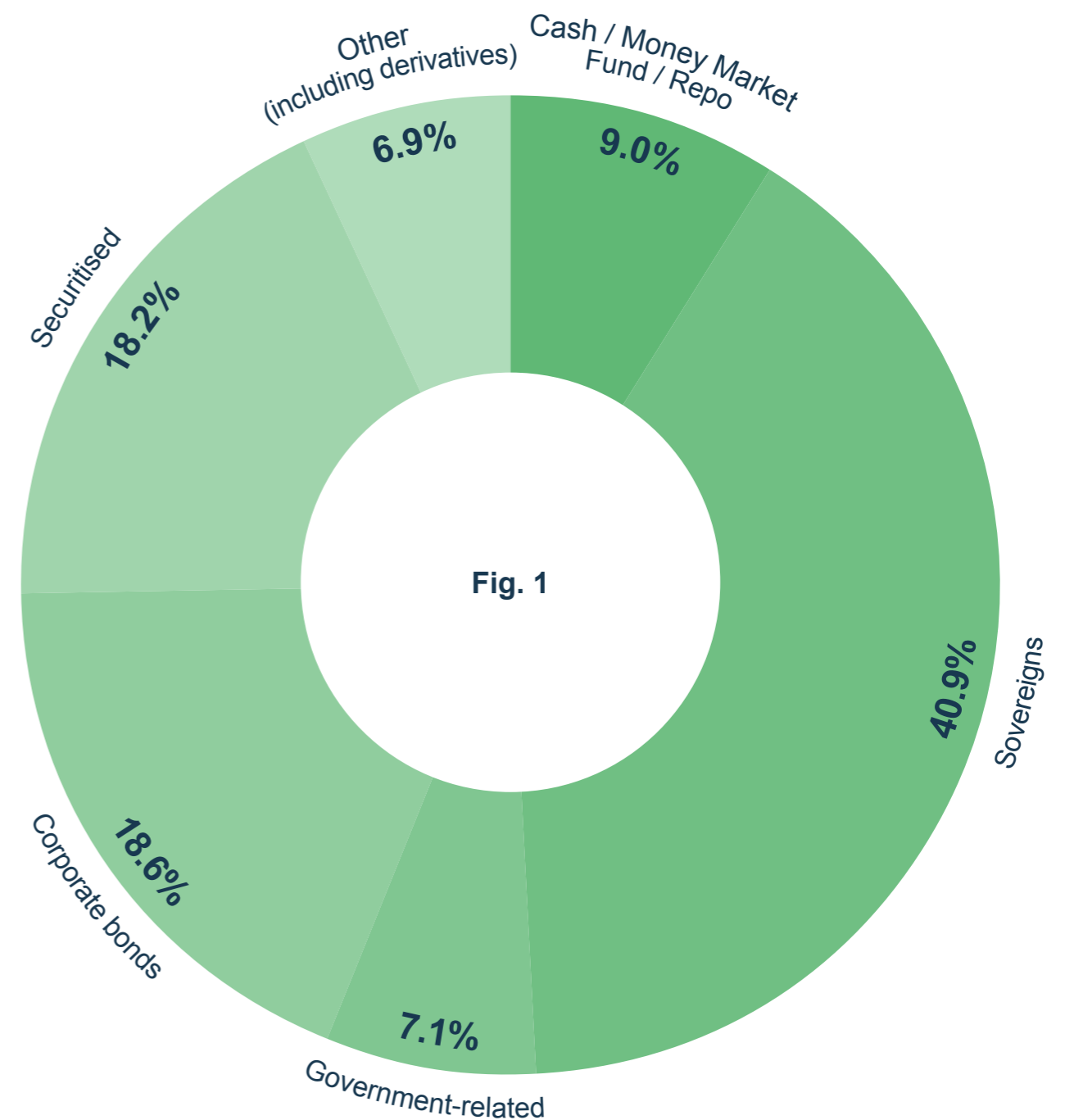
Analysis of individual companies and the associated climate-related risks and opportunities is conducted by our delegated managers who each have their own framework and process on a range of ESG issues.

We are responsible for the oversight of and dialogue with each delegated manager. Our expectations for external managers are clearly communicated to them, wherever possible appropriately legally documented, and company specific issues are discussed during regular monitoring meetings. The delegated managers also provide us with reports regarding the engagement activity undertaken with companies.

The Fund adheres to our entity level policies and exclusions outlined in our Responsible Investment Policy Annex on Climate Change. This includes the exclusion of Thermal Coal Investments. A copy of our Annex on Climate Change can be found [here](#).

Fig. 1 highlights the exposure to the various asset classes held within the Fund.

The Fund’s corporate fixed income holdings account for 28.5% of the total Fund AUM.



Source: LPPI, Delegated Managers

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 against physical and transition risk.

The metrics presented in this section are the emissions intensity and portfolio alignment metrics for the corporate fixed income holdings, where data is available, as of 31 December 2024.

Refer to the "Metrics and data limitations" in the appendix for further information.

Fig.2 shows the proportion of carbon emissions data for the Fund that is reported, estimated or where there is currently no data available.

Fig. 2: Data availability by AUM Covered (%) as at 31 December 2024

Asset class	Fixed Income
AUM Covered (%)	28.5%
of which	
Reported Data (% of AUM Covered)	73.2%
Estimated Data (% of AUM Covered)	15.9%
No Data (% of AUM Covered)	10.8%

Carbon footprint of our investments

Considering the limitations implicit in the metrics and tools available (primarily data availability and scope of coverage), we currently refer to Scope 1 and Scope 2 greenhouse gas (GHG) emissions as part of our portfolio monitoring and risk management. While we monitor Scope 3 emissions, the data quality and disclosure of this category is poor and less reliable.

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

Fig. 3 shows the key metrics for the corporate fixed income holdings in the Fund as of 31 December 2024 versus a comparative benchmark (Bloomberg Global Aggregate Corporate Index).

Fig. 3: Climate metrics

Climate Metrics	Unit of Measurement	FIF (Corporate fixed income)			Bloomberg Global Aggregate Corporate Index		
		31/12/2022	31/12/2023	31/12/2024	31/12/2022	31/12/2023	31/12/2024
Scope 1 and 2 emissions	tCO ₂ e	305	2,882	10,681	578,107	646,856	825,583
Scope 3 emissions	tCO ₂ e	4,007	17,830	56,432	2,725,534	3,733,461	3,268,284
Total carbon emissions	tCO ₂ e	4,312	20,712	67,114	3,303,640	4,380,317	4,093,868
Total carbon footprint (Scope 1 and 2)	tCO ₂ e / \$million invested	4.5	19.5	31.2	53.8	53.8	67.2
Weighted average carbon intensity (Scope 1 and 2)	tCO ₂ e / \$million revenue	47.9	112.1	76.5	222.3	209.8	194.1
Implied Temperature Rise	Degrees Celsius	1.66	2.31	2.50	2.10	1.90	2.40
Reported and estimated emissions data (%)	AUM (%)	81.4%	87.0%	89.2%	95.7%	95.7%	94.4%

Weighted Average Carbon Intensity (WACI)

The WACI for the corporate fixed income holdings in the Fund was 76 in December 2024, down from 112 in December 2023. It remains below the Fund's net zero decarbonisation target and is lower than the WACI of the Bloomberg Global Aggregate Corporate Index.

The relative WACI of -117.6 is mainly driven by our delegated managers' security selection and to a lesser extent sector allocation.

The WACI attribution analyses of the corporate fixed income holdings in the Fund versus Bloomberg Global Aggregate Corporate Index is presented below:

Climate Metrics	Unit of Measurement	FIF (Corporate bonds)			Bloomberg Global Aggregate Corporate Index		
		31/12/2022	31/12/2023	31/12/2024	31/12/2022	31/12/2023	31/12/2024
Weighted average carbon intensity (Scope 1 & 2)	tCO ₂ e / \$million revenue	47.9	112.1	76.5	222.3	209.8	194.1

Source: LPPI, MSCI



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 a measure of climate risk. As of 31 December 2024, the Fund had an ITR of **2.5°C** (Bloomberg Global Aggregate Corporate Index **2.4°C**, portfolio coverage: **92.5%**).

ITR 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 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.

We consider ITR alongside CVaR and other metrics currently available through our data provider, MSCI. We continue to engage with the industry, including our delegated managers and data providers, to increase the availability of other useful metrics.

Carbon intensive sector exposure

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 have assessed whether the corporate fixed income holdings of the Fund have concentrated or high exposure to carbon intensive sectors for the purposes of determining whether further 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 corporate fixed income holdings in the Fund, we break emissions down by sector using the GICS system, and measure all GHG emissions, not just carbon. GICS is widely used by finance firms and covers 11 economic sectors.

The following table provides the weight within the corporate fixed income holdings to carbon intensive GICS sectors and their contribution to its overall carbon intensity.

Carbon intensive sectors	WACI (tCO ₂ e /\$m revenue)	Contribution to portfolio WACI (%)	Portfolio value 31/12/2024 (£m)	Exposure in FIF (Corporate fixed income) (%)
Utilities	566.0	62.0%	21.2	5.5%
Energy	215.0	12.8%	11.5	2.8%
Materials	653.9	9.2%	2.7	0.8%

We have determined that, in the reporting period, the Fund did not have a high or concentrated exposure to these respective carbon intensive sectors. Financials represent the largest single sector exposure within the Fund’s corporate fixed income holdings which has significantly lower emission intensity. In the table above, we have disclosed our exposure to the three carbon intensive sectors of Energy, Utilities and Materials. They are a small part of the investable universe for the Fund but represent a large share of the total carbon emissions for corporate bonds.

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

The Fund has 1.4% in green (corporate) fixed income which aim to incentivise and/or directly support investment to reduce emissions of the issuer. We recognise the emergence of new sectors and products may expand the investable universe as an opportunity for the Fund.



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 partner funds.

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 real-world 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 its usefulness to us and our partner funds 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 and monitor their trajectory over time.

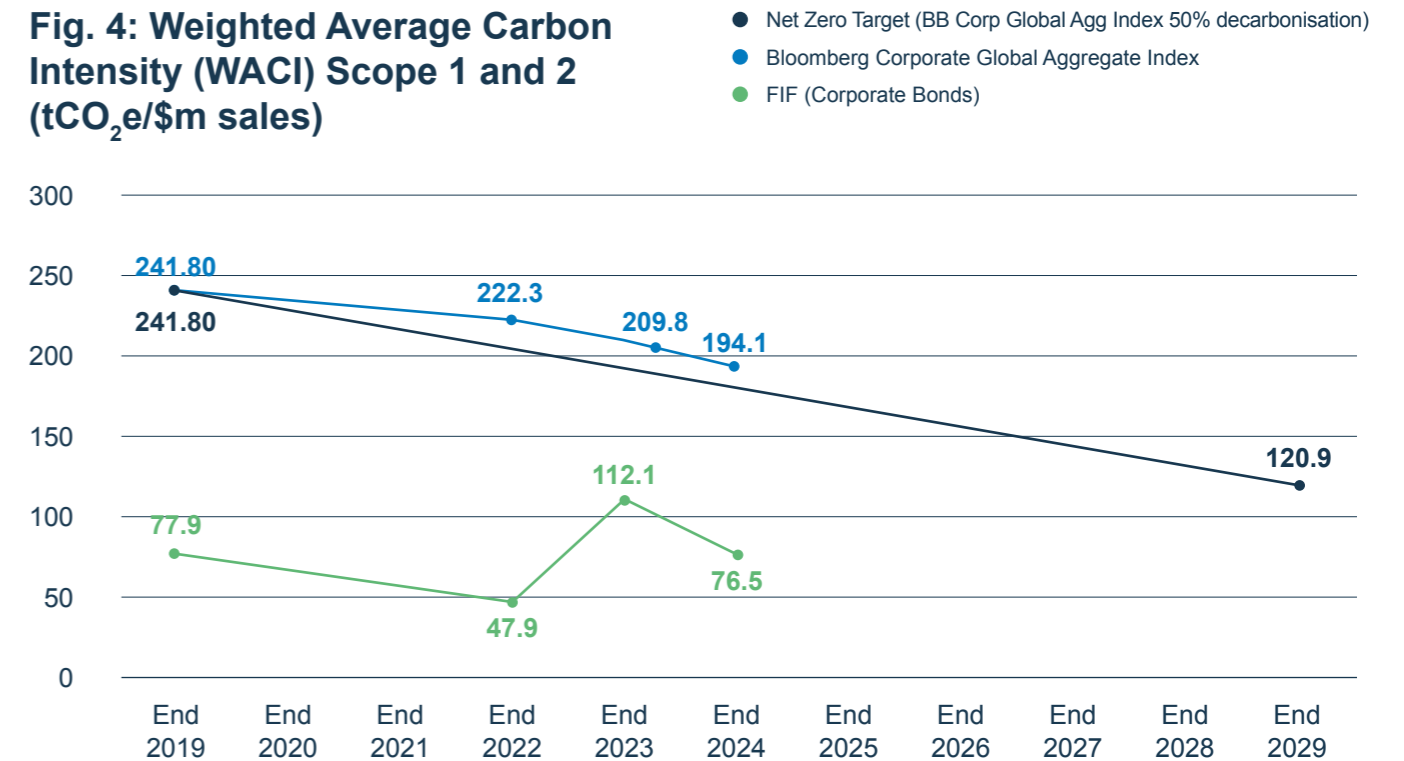
The latest net zero targets for the corporate fixed income holdings of the Fund were set in 2023 in the areas of decarbonisation, alignment (in the sense of alignment to net zero) and company engagement. The climate metrics reported in this document may differ from those reported in the 2023 TCFD Report. These differences are primarily due to increased data availability and improved data quality, including enhanced company disclosures and more comprehensive climate monitoring.

Decarbonisation target

Target: For the corporate fixed income holdings of the Fund, we aim to achieve a 50% reduction in emissions intensity (WACI) by 2030 (December 2029) relative to the Bloomberg Global Aggregate Corporate Index in December 2019. This means we aim to achieve a WACI of 120.9 tCO₂e/\$M revenue by 2030.

From December 2019 to December 2024, the Fund's WACI for corporate fixed income decreased from 77.9 to 76.5. Over the last 12 months to December 2024, the Fund's WACI declined from 112.1 to 76.5.

Fig. 4: Weighted Average Carbon Intensity (WACI) Scope 1 and 2 (tCO₂e/\$m sales)



Asset Alignment target

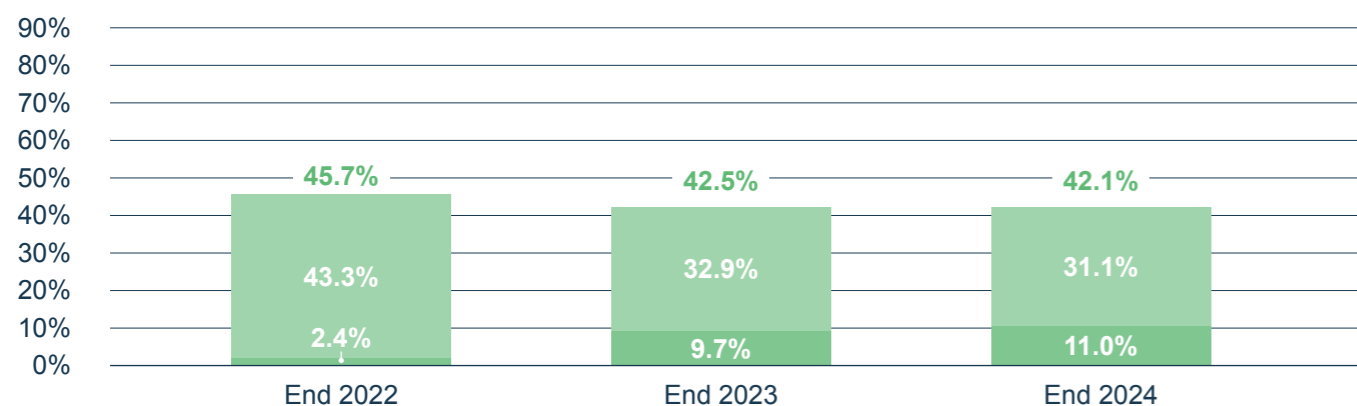
Target: For the corporate fixed income holdings of the Fund, we aim to increase the percentage of AUM in companies within material sectors which are net zero, aligned or aligning by 2025. Our overall ambition is to achieve 100% of AUM in companies within material sectors that are net zero or aligned by 2040.

As of 31 December 2024, the Fund alignment as a proportion of material sector value was 42.1%, which was below our 2025 target.

We are in the process of setting new medium-term targets. As part of this process, we are working closely with the underlying external managers to ensure that targets strike a balance between being achievable and being ambitious enough to progress us towards our longer-term targets. Please refer to appendix for commentary on alignment methodology.

Aggregate assets under management in material sectors net zero, aligned or aligning:

Fig. 5: Alignment as proportion of material sector value



Alignment	31/12/22	31/12/23	31/12/24
● Net Zero	0.0%	0.0%	0.0%
● Aligned	2.4%	9.7%	11.0%
● Aligning	43.3%	32.9%	31.1%
Total	45.7%	42.5%	42.1%

Engagement target (baseline as at 2022)

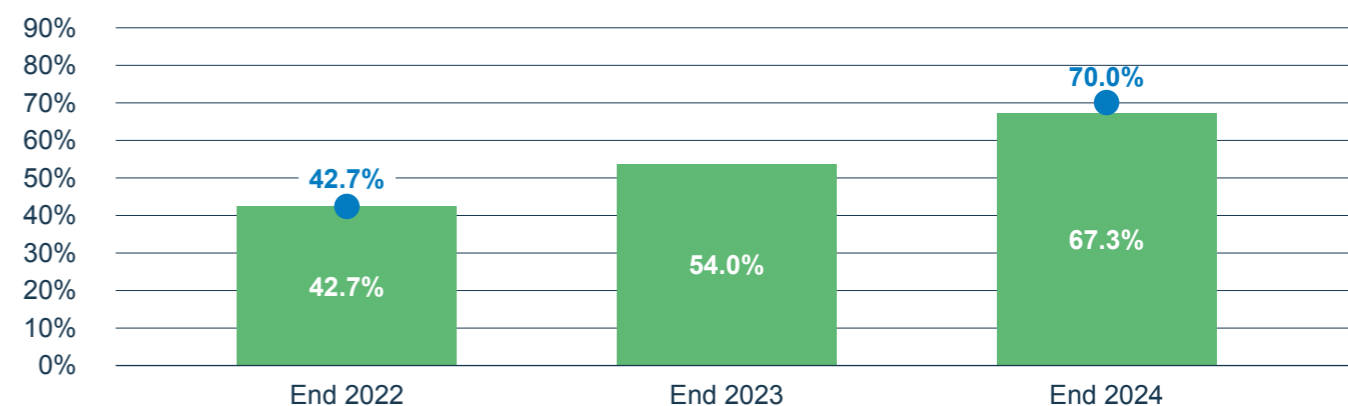
Target: For the corporate fixed income of the Fund, we aim to achieve an engagement threshold where at least 70% of financed emissions in material sectors are net zero, aligned, or under direct or collective engagement and stewardship actions by 2025. Our overall ambition is to increase the threshold to 90% by 2030.

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 31 December 2024 are shown below.

As of 31 December 2024, fund engagement was 67.3% which was substantially higher than the baseline position but just below our 2025 target of 70% of financed emissions. LPPI is in the process of setting new medium-term targets. As part of this process, we are working closely with the underlying external managers to ensure that targets strike a balance between being achievable and being ambitious enough to progress us towards our longer-term targets.

Fig. 6: Engagement threshold – percentage of financed emissions – material sectors



Engagement threshold	31/12/22	31/12/23	31/12/24
Engagement (% Financed Emissions - Material Sectors)	42.7%	54.0%	67.3%

● Actual % financed emissions in material sectors net zero, aligned or under engagement

● Target % financed emissions in material sectors net zero, aligned or under engagement

Appendix

Metrics and data limitations

Alignment & engagement methodology

We are reliant on assessments of our holdings alignment status provided by our Delegated Managers and map Delegated Manager provided data to our own alignment framework as closely as practically possible. The engagement activity is carried out by our managers on our behalf and is reported to us alongside the alignment data. We are undertaking further work with our Delegated Managers to obtain more granular data aligned with the IIGCC alignment framework which may result in a change in mapping methodology and therefore may result in re-baselining in future periods. This work is being undertaken alongside a wholistic review of our interim targets in 2025.

Data coverage and quality

Accurate computation of climate-related metrics in investment portfolios requires high quality security-level data including GHG emissions for underlying investee companies. Many companies are measuring and publicly reporting their GHG emissions, which facilitates the type of high-quality data that investors need to effectively calculate climate-related portfolio metrics. However, many companies have not yet begun their emissions reporting journey.

Recognising that deferring measurement and reporting until 100% reported data is available would impede the progress we could make in the near-term in providing transparency to stakeholders, estimates were used to fill data gaps, when necessary. Estimated data reduces the reliability of the metrics since estimated emissions may not accurately reflect the actual emissions of any given company. Over the period, updates to data coverage and quality for the Fund and index have resulted in changes to metrics reported in last year's report.

Lagged data

Climate-related data reporting by companies is often produced on a lag relative to financial data – as most climate-related data disclosure and reporting takes place on an annual basis and requires significant time to produce. In addition, there may be a lag between the time when data is disclosed by companies and when it is incorporated into the dataset produced by MSCI. While we sought to mitigate the impact of lagged data on the estimates by varying the holdings analysis date and the emissions effective date, emissions data included in the analysis for a given holding each year may reflect GHG emissions from prior year(s) for at least a subset of holdings included in the analysis.

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
Financed Emissions	Financed emissions are the greenhouse gas (GHG) emissions associated with the investments made by financial institutions. These emissions are attributed to the investors based on the amount of capital they provide to the assets generating the emissions. The total emissions of the portfolio represent the absolute GHG emissions from assets held, allocated on an ownership basis. This means a portfolio holding 1% of a company's stock would be attributed 1% of the company's emissions.
Scope 1 Greenhouse Gas Emissions (Metric Tonnes)	Direct GHG emissions that occur from sources owned or controlled by the reporting company—i.e., emissions from combustion in owned or controlled boilers, furnaces, vehicles, etc.
Scope 2 Greenhouse Gas Emissions (Metric Tonnes)	Indirect GHG emissions from the generation of purchased or acquired electricity, steam, heating, or cooling consumed by the reporting company. Scope 2 emissions physically occur at the facility where the electricity, steam, heating, or cooling is generated.
Scope 3 Greenhouse Gas Emissions (Metric Tonnes)	All other indirect GHG emissions (not included in Scope 1 and 2) that occur in the value chain of the reporting company. Scope 3 can be broken down into upstream emissions that occur in the supply chain (for example, from production or extraction of purchased materials) and downstream emissions that occur as a consequence of using the organisation's products or services.
Total Greenhouse Gas Emissions (Metric Tonnes)	Total of Scopes 1 and 2 and 3 emissions.
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 (WACI)	The Weighted Average Carbon Intensity (WACI) is a metric used to measure the carbon intensity of investment portfolios. It represents a portfolio's exposure to carbon-intensive companies, expressed in tons of CO ₂ equivalent per million dollars of revenue.

LPII calculates the emissions performance of its investments through two metrics:

Metric	Formula	Description
Carbon intensity	$\sum_n^i \left(\frac{\text{Current value of investment}_i}{\text{Issuer's market capitalization}_i} \times \text{Issuer's Scope 1 and Scope 2 GHG emissions}_i \right)$ $\sum_n^i \left(\frac{\text{Current value of investment}_i}{\text{Issuer's market capitalization}_i} \times \text{Issuer's \$M revenue}_i \right)$	Carbon emissions intensity measures the volume of carbon emissions per million dollars of revenue, also known as the carbon efficiency of a portfolio, expressed as tCO ₂ e/\$m revenue.
Carbon footprint	$\frac{\sum_n^i \left(\frac{\text{Current value of investment}_i}{\text{Issuer's market capitalization}_i} \times \text{Issuer's Scope 1 and Scope 2 GHG emissions}_i \right)}{\text{Current portfolio value (\$M)}}$	Portfolio carbon footprint total carbon emissions for a portfolio normalised by the market value of the portfolio, expressed in tCO ₂ e/\$m invested.



Material Sectors

IIGCC NZIF considers sectors covered by NACE codes A-H and J-L as material and should be covered at a minimum by net zero objectives and targets:

- Agriculture, forestry and fishing
- Mining and quarrying
- Manufacturing
- Electricity, gas, steam and air conditioning supply
- Water supply; sewerage; waste management and remediation activities
- Construction
- Wholesale and retail trade; repair of motor vehicles and motorcycles
- Transporting and storage
- Information and communication
- Financial and insurance activities
- Real estate activities

High Impact Material Sectors

Certain material sectors are deemed high impact based on GHG emissions in their value chain. Transition of high impact material sectors are critical to achieving net zero and are those linked to the company focus lists of Climate Action 100+ and TPI, plus banks, real estate, agriculture, forestry, and fishing. Currently these sectors equate to:

- Agriculture, forestry, and fishing
- Airlines
- Aluminium
- Automobiles
- Banking
- Cement
- Chemicals
- Consumer goods & services
- Coal and diversified mining

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.](#)

Climate Value at Risk (CVaR)

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.

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.

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)

NACE

A statistical classification in use within the European Community.

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.

NZIF

Net Zero Investment Framework.

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 our partner funds 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.

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.

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