



LPP

Local Pensions Partnership
Investments

Task Force on Climate-Related Financial Disclosure Entity Report

For the period to 31 December 2024

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Introduction from the CEO



Chris Rule
Chief Executive Officer

Welcome to our annual update on how LPPI is addressing climate-related risks and opportunities as an integral part of our fiduciary management approach.

Our second Entity Report closely resembles our first, published last year. This is deliberate and reflects the disclosure standards we are reporting under have not changed, continued progression from strong foundations naturally favours a consistent approach, and positive feedback on our first report was a recommendation for more of the same.

This is not suggesting that the last twelve months were uneventful. Investing in a time of climate change continually throws up challenges. Since we last reported, anti-ESG sentiment in the US escalated, support for investor collaborations engaging companies on transition weakened, and questions about net zero strategy proliferated. Physical climate risk materialised in extreme weather events globally and the priority of energy security saw tension between fossil fuels and renewables as part of the current energy mix and government policy focussed on the future. Climate-related issues were, are, and will continue to be material matters for us to interpret and navigate.

Significantly for LPPI, the reporting period saw us expand the coverage of our net zero target setting to encompass additional assets and the culmination of work to develop an Environmental Opportunities Fund in response to partner funds wishing to make a specific allocation to solutions which positively address the risks and opportunities arising from climate change. This is an exciting development for LPPI and our partner funds as asset owners.

I hope you find our update an enjoyable and informative read.

About LPPI

Local Pensions Partnership Investments Ltd (LPPI) is a UK based wholly owned subsidiary of Local Pensions Partnership Ltd (LPP). LPP is jointly and equally owned by the Lancashire County Council and the London Pensions Fund Authority, and are partner funds of LPPI. LPPI is incorporated in England and Wales and is authorised and regulated by the Financial Conduct Authority. We are an Alternative Investment Fund Manager (AIFM) and a MiFID investment firm with approximately £26.7 billion of assets under management (AUM) as of 31 December 2024, invested globally on behalf of Local Government Pension Scheme (LGPS) partner funds and the committed capital of GLIL Infrastructure LLP (GLIL or GLIL Infrastructure).

We employ 153 professionals with experience across asset management, pensions, banking, and professional services. We are primarily based in London with some of the team based in Preston.

LPPI's services and delegated model

We are unique among the LGPS investment pools in that we provide whole scheme management, managing 100% of our partner funds' assets. Whole scheme management means we strategically manage our partner fund pension assets and monitor liabilities, helping our partner funds ensure sufficient funds are available to pay pensions as they fall due. Our partner funds retain responsibility for their strategic asset allocation but delegate fully to us the implementation of investment management activities.

The delegated model helps us achieve economies of scale from which our partner funds can benefit, both by consolidating third party fund managers and the use of internal investment management. Our scale provides our partner funds with access to a broad range of diversified investment opportunities implemented in a cost-effective and liability-aware manner.

Advisory services

We provide tailored advice to our partner funds to support them in setting their strategic asset allocation and making other strategic investment policy decisions. We assist our partner funds to target and deliver appropriate risk adjusted returns, taking their assets and liabilities into account.

Investment management

The delegated model includes all sub-strategy, manager selection, and asset selection decisions. We operate with a mix of direct investments and investments in third party funds, and we delegate parts of the portfolio to external managers.

We manage several in-house investment pooling vehicles (IPVs, or funds) that are aligned to defined asset classes: Global Equities, Fixed Income, Diversifying Strategies, Credit, Infrastructure, Private Equity, and Real Estate. These asset classes include the investments in our IPVs along with any assets held on our partner funds' balance sheets. Approximately 96% of our partner funds' assets are pooled within our IPVs.

All our IPVs, except for the Private Equity asset class, have been set up as alternative investment funds (AIFs) and we are the AIFM for these funds. Two AIFs have been set up as authorised contractual schemes (ACS), namely the LPPI Asset Pooling ACS and the LPPI Real Estate ACS. The LPPI Asset Pooling ACS has two sub-funds, the LPPI Global Equities Fund and the LPPI Fixed Income Fund.

The LPPI Credit Fund, LPPI Infrastructure Fund, and the LPPI Diversifying Strategies Fund have been set up as unauthorised AIFs in the form of limited partnerships. We manage separate unauthorised limited partnerships to hold our partner funds' private equity assets.

The LPPI Diversifying Strategies Fund was liquidated in May 2024, and is expected to be legally wound up in 2025.

More information on our funds is available on our [website](#).

GLIL Infrastructure fund and The London Fund

We are the AIFM for GLIL Infrastructure which is an AIF whose founding members include six LGPS funds, including Greater Manchester, Merseyside, and West Yorkshire pension funds – collectively known as Northern LGPS – and the LPPI Infrastructure Fund which represents investments on behalf of Lancashire County Pension Fund, Royal County of Berkshire Pension Fund, and the London Pensions Fund Authority. On 31 March 2018 GLIL Infrastructure moved to an open-ended fund structure that allowed for the admission of new members. A new partnership was agreed with the National Employment Savings Trust (Nest) in April 2021.

We are also the appointed investment manager for The London Fund – a fund managed by the London LGPS CIV Ltd, which is the AIFM for the fund. The London Fund sources and selects sustainable projects with 80% of investments targeted within Greater London. The London Fund is marketed to the LGPS of the London boroughs and the London Pensions Fund Authority.



Background to TCFD requirements

The Financial Stability Board established the Task Force on Climate-Related Financial Disclosures (TCFD) in 2015 to improve and increase reporting of climate-related financial information. Their TCFD Recommendations and Recommended Disclosures, for voluntary adoption, set out how organisations across sectors and geographies should disclose climate-related financial information. The recommendations are structured around four thematic pillars that represent core elements of how organisations operate: Governance, Strategy, Risk management, and Metrics and targets.

Our regulator, the Financial Conduct Authority (FCA), requires us to prepare and publish reports consistent with the TCFD Recommendations and Recommended Disclosures for both our company in the form of a TCFD Entity Report, and for our authorised funds in the form of a TCFD Product Report by 30 June of each calendar year, covering a 12-month reporting period to 31 December.

The TCFD product reports for our authorised funds: Global Equities Fund, Fixed Income Fund, and Real Estate Fund are located on our [website](#).

This TCFD Entity Report has been structured to provide disclosures across the following TCFD Recommendations and Recommended Disclosures framework:

Governance

The governance around climate-related risks and opportunities including our board's oversight of, and our management's role in assessing and managing, climate-related risks and opportunities.

Strategy

The actual and potential impacts of climate-related risks and opportunities on our business, strategy, and financial planning where such information is material.

Risk management

Our processes for identifying, assessing, and managing climate-related risks and how they are integrated within our overall risk management.

Metrics and targets

The metrics and targets we use to assess and manage relevant climate-related risks and opportunities where such information is material.

Governance

In this section we disclose our governance around climate-related risks and opportunities, including the role and oversight of our board and management.



Oversight of climate-related risks and opportunities

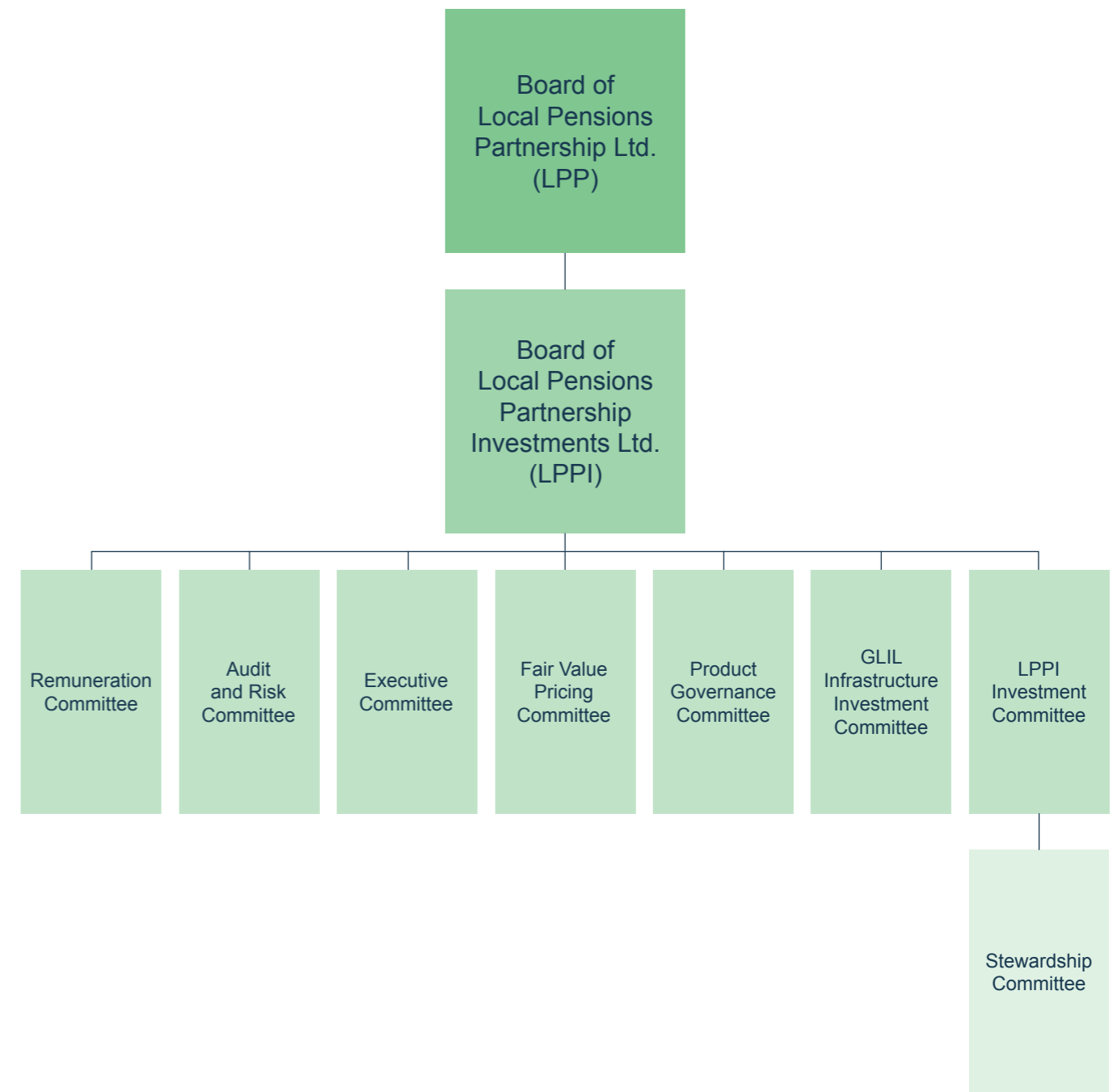


We have well developed governance, risk management and internal control frameworks which have been designed and implemented in proportion to the nature, scale, and complexity of our business. Through these frameworks our board, committees and senior management integrate climate-related risks and opportunities into our strategy, decision-making and business processes. Our governance arrangements are summarised in this section.

The Board is comprised of Non-Executive and Executive Directors, led by a Non-Executive Chair. The Board has established several committees, to which it has delegated certain activities, as detailed in each committee's terms of reference.

The day to day running of the business is delegated to the Chief Executive Officer and the Executive Committee, whose members are the Chief Executive Officer, the Chief Investment Officer, the Chief Legal and Compliance Officer, the Chief Operating Officer, the Chief People and Culture Officer, the Chief Risk Officer, and the Chief Business Development Officer (who joined LPPi in September 2024).

The chart opposite shows our governance structure:



Directors' skills and experience

The Board has in place a skills and experience matrix which is reviewed annually to ensure that the required skills and experience remain appropriate.

Further to that review, each Director is required to populate the matrix, indicating their level of skill and experience against each area listed. During 2023 the Board agreed to add net zero and TCFD in the matrix, to sit alongside responsible investment. The Board has benefited from additional training and experience in these two key areas and, along with approval of papers and reports for submission, Directors' knowledge and experience has materially increased in the past 12 months.

The Board annually reviews its own performance and that of its committees. It also agrees an annual programme of deep dives, ensuring that Directors keep abreast of developments.



Board activity

The Board sets the overall direction and culture of LPPI, overseeing LPPI's performance against its business plan and maintaining oversight of the climate-related risks and opportunities posed by both our portfolio management activities and our corporate operations as a UK-based asset management company.

The Board approves the annual business plan, including its key strategic initiatives, one of the current initiatives being the ESG Programme – comprising net zero, TCFD and the FCA's Sustainability Disclosure Requirements. The Board receives status updates on the progress of all strategic initiatives at its quarterly meetings, with additional updates in the interim periods, as considered necessary or appropriate. Over the reporting period, the Board also received quarterly updates on the position of our Global Equities, Fixed Income, and Real Estate Funds against their net zero targets.

While the Board delegates certain decisions, there are several matters which are reserved to the Board. In relation to climate considerations this includes approval of certain of the Responsible Investment Policy annexes, noting the inclusion of a specific Climate Change Annex.

Further to consideration by the Audit and Risk Committee, the Board approves LPPI's risk policies and the Risk Appetite and Tolerances Schedule. This includes the risk management approach and risk appetite and tolerances with respect to climate-related and sustainability risks, as well as reputational and conduct risk.

Specific delegations and activity to support the management of all Environmental, Social and Governance (ESG) topics and appropriate reporting to the Board during the past year have been as follows.

Non-Executive Committees' activity

Audit and Risk Committee

This committee has a solely Non-Executive Director membership and assists the Board with its oversight responsibilities for present and emerging risks associated with LPPI's activities; and for the financial reporting process, the system of internal control, the audit process and LPPI's process for monitoring compliance with laws and regulations.

In relation to its risk related responsibilities, the Committee provides oversight of the enterprise-wide risk management and practices, the promotion of a sound risk culture with clear accountability and ownership, the review of strategic risks, and the assessment of the effectiveness and efficiency of the Risk function.

As part of carrying out these responsibilities, the Committee reviews LPPI's risk policies and the Risk Appetite and Tolerances Schedule which is used to define the Board's appetite and tolerance for risk. The position against this Schedule is reported quarterly to the Audit and Risk Committee and the Board, and includes our position against the net zero targets for our Global Equity, Fixed Income and Real Estate Funds.

Remuneration Committee

This Committee meets to assist the Board in ensuring LPPI's remuneration policies and practices are in line with regulatory requirements and promote sound risk management and financial stability.



Management's role

Executive Committee

The Executive Committee assists the Chief Executive Officer with overseeing the activities of LPPI and determining key strategic and operational decisions under delegation from the Board. It also provides executive leadership of the business, taking responsibility for monitoring progress against the strategic initiatives and providing an escalation point for important decisions.

The Executive Committee has been closely monitoring progress with the ESG Programme through the receipt of monthly updates and regular formal and informal discussions.

Product Governance Committee

The name of the Funds Launch and Product Governance Committee was changed to the Product Governance Committee on 19 December 2024. There were no material changes to the purpose of the Committee which includes, further to the Board's approval in principle, acting under delegation from the Board to carry out whatever work is necessary to, amongst other things, establish a fund, and in doing so ensures that any new fund proposals include consideration of any impact on climate-related risk objectives. The Committee also ensures that ESG factors are appropriately considered when reviewing product governance.

Fair Value Pricing Committee

The Fair Value Pricing Committee provides oversight and monitoring of LPPI's compliance with its Valuation Policy and relevant aspects of regulation. It seeks to identify any risks related to the valuation work, which could include climate-related matters.

Investment Committee

The Investment Committee acts under delegated authority from the Board and is responsible for monitoring investment performance and risk, investment proposals, ongoing asset management and investment strategy. The Committee reviews proposals for fund specific targets and all investment proposals either submitted to the Committee or approved under delegated authority from the Committee must include consideration of ESG factors for informed decision-making.

The investment process is managed by and reported on by the Investment Team as the first line of defence, with oversight provided by Risk and Compliance as the second line of defence.

GLIL Investment Committee

The GLIL Investment Committee is a committee of the LPPI Board (with LPPI appointed by GLIL as its AIFM) through which LPPI (as AIFM) executes investment decision-making for the GLIL Infrastructure Fund. This committee is responsible for the monitoring of investment performance and risk, investment proposals, ongoing asset management and compliance with GLIL's investment strategy. All investment proposals submitted to the GLIL Investment Committee must include consideration of ESG factors, for informed decision-making.

Stewardship Committee

The Stewardship Committee operates under delegation from the Investment Committee, with the Board informed of the Stewardship Committee's activity. Its role is to monitor compliance with the UK Stewardship Code (and other related best practices), also to develop and deliver a co-ordinated approach to stewardship and engagement across LPPI's portfolio. Other responsibilities of this Committee include reviewing and recommending policies on Responsible Investment and Stewardship and the consideration of emerging stewardship matters.

ESG Programme

Reflecting that climate-related matters touch the breadth of our advisory and investment management activities we have established an ESG Programme, sponsored by our Chief Legal and Compliance Officer, with a Steering Committee and multiple Working Groups to bring staff with subject matter expertise and relevant delivery responsibilities together with project management. The Steering Committee comprises the Chief Legal and Compliance Officer, Chief Investment Officer, Chief Risk Officer, Head of Enterprise Risk, and Head of Responsible Investment, ensuring senior management involvement and sponsorship.

Strategy

In this section we disclose our framing of climate-related risks and opportunities as part of portfolio and business strategy and management.

Our purpose and strategy

Our corporate purpose is to deliver first class, value for money investment outcomes aligned to our partner funds' interests. We achieve this by bringing our expertise and spirit of collaboration together to help our partner funds invest sustainably in better futures.

Our strategy is to deliver sustainable investment returns for our partner funds, by seeking investment performance whilst managing and mitigating potential risks to their investment portfolios, including the exposure to climate-related risks. Our strategy centres on evaluating risks and opportunities as part of informed investment decision-making.

We are alive to and actively engaged in understanding a new investment context – one which is dynamic and changing under the stimulus of regulation, public sentiment, technological advance, and increasing demand and stipulation for corporate disclosure focused on emissions management and decarbonisation.

Our commitment to managing climate-related risks and opportunities is demonstrated through our strategic initiatives, which include a dedicated ESG Programme. This programme ensures a coordinated approach to the various regulatory and voluntary initiatives we are working on as an organisation.

Furthermore, our Technology and Data Roadmap strategic initiative, sponsored and led by our Chief Operating Officer, is a multi-year plan designed to ensure that there is a holistic approach to improving and enhancing the LPPI platform across the business, ultimately providing better service for our partner funds. As part of that initiative, we are evaluating the requirements for ESG-related data across our business to enable us to improve our monitoring and reporting on our net zero targets and alignment with the TCFD recommendations. These investments highlight our commitment to managing climate-related risks and opportunities while complying with relevant regulations.

We have voluntarily made a public commitment to the goal of aligning our portfolio with net zero emissions by 2050. We made the commitment in 2021 to ensure we were placing focus on climate change and specifically the implications of the energy transition which poses systemic risks for the market and partner fund portfolios. We selected the IIGCC Net Zero Asset Managers (“NZAM”) commitment and the IIGCC Net Zero Investment Framework 2.0 (“NZIF 2.0”) as our guide to ensure we were following a market standard. We have applied the guidance in a way that works for our context, taking an asset class specific approach to target setting which fits our asset management model and stewardship approach.

Recent developments in the US and different regulatory and partner fund expectations in investors' respective jurisdictions have led the six founding network partners of NZAM to launch a review of the initiative to ensure it remains fit for purpose in the new global context. We are supportive of the review.

Our position on climate change as a systemic risk remains unchanged. We use net zero targets to help us identify climate-related risks and opportunities and monitor their trajectory over time. Our net zero commitment is approved by our Board and is a priority objective identified in our business plan. As part of our ESG Programme we continue to evolve our approach and update and implement net zero targets for our asset classes.



Climate-related risks and opportunities

We define climate-related risk as the potential adverse impact on our ability to deliver our strategic objectives resulting from changes in the global climate. The adverse impacts could be financial, operational, or reputational and have the potential to arise from:

- **Physical Risk**
The risk of adverse changes in values of assets or income streams because of climate change, such as flooding or weather events, directly on physical assets (for example property) or indirectly (for example business disruption, resource availability, or 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.
- **Transition Risk**
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.





Climate-related risks and opportunities for our partner fund assets

Our revenue is derived from the market values of the assets we manage for our partner funds, and therefore we consider our main exposure to climate-related risks and opportunities to be through the £26.7 billion (31 December 2024) of our partner fund assets under management. Therefore, it is necessary for us to continually consider how transition risks and physical risks could affect the value of the assets already within the portfolio, and potential impact on the values of the universe of assets we could select from when implementing the investment strategies for our partner funds.

The actual and potential impacts of climate-related risks and opportunities will have negative and positive influences on the value of our partner funds' assets and the resilience of investment returns from our investment management activities. This includes the costs associated with the mitigation and adaptation to climate change, or the impact of physical climate events on the value of our assets under management. We also acknowledge that we cannot predict or control all the factors that may affect our investments and operations in a changing climate, and that we may face trade-offs and challenges in balancing our short-term and long-term objectives. Therefore, we aim to be flexible and responsive to the evolving climate landscape, and to seek out new opportunities and solutions that can enhance our resilience and value creation in a low-carbon and climate-resilient future.

The table on the following page outlines the climate-related risks and opportunities we have identified over the short, medium, and long term.

Our approach for the identification of these risks and opportunities was based on the categories defined by the TCFD Recommendations and adapted for our business model.

Our short-term horizon looks at a three-year period, which aligns with our business plan horizon and the triennial valuations of our partner fund pension schemes. Our medium-term horizon looks forward up to 10 years, which includes our interim investment net zero commitments. Our long-term horizon looks forward to 2050, the target net zero time horizon for our investment portfolios.

Many of these risks can be relevant across the short, medium, and long-term time horizons and therefore we have disclosed the primary timeframe within which we expect the risk could potentially materialise. These risks have been identified to support investment decision-making, and we continue to integrate this activity more fully into our decision-making and our regular risk management activity, as described in the Risk Management section of this report.

We have considered how climate-related risks and opportunities could impact the value of our partner funds' assets if they materialise and have provided illustrative insights below including the potential impact on income streams, costs, write-offs, and early retirement of existing assets. Because our revenue is derived from the value of these assets, we also summarise the consequent impact on our revenue.

Risks

Category	Description	Illustrative impacts	Primary timeframe	Impact on LPPI
Transition: Technology	Changes in technology, obsolescence, or new technology failure	Obsolescence of existing technology or new technology failure leading to investment write-offs and early retirement of assets	Medium term	Decreased AUM and revenue
Transition: Policy and legal	Changes in laws, regulations, or policy guidance	Increased capital expenditure to comply with regulation requiring more energy efficient assets	Short term	Decreased AUM and revenue
		Increased regulatory and legal costs to comply with changing regulation and laws	Medium term	
		Increased costs associated with processes changing to alleviate GHG emissions	Medium term	
Transition: Market and reputation	Changing demand for and supply of investee company assets and products	Reduced consumer demand for the assets or products of the companies we invest in due to higher input costs or reputation leads to reduced asset values and income streams	Medium term	Decreased AUM and revenue
Physical: Operational	Acute and chronic climate impact on physical operations	Investee company operations or assets affected by physical effects of climate change require increased recovery costs, insurance costs and capital expenditure	Long term	Decreased AUM and revenue
		Physical damage to investee company operations or assets resulting in investment write-offs and early retirement of assets	Long term	

Opportunities

Category	Description	Illustrative impacts	Primary timeframe	Impact on LPPI
Resource efficiency, energy source	Investment in more energy efficient companies or assets or those that shift towards low emission energy sources	Investing in companies that are positioned to benefit from a global transition to lower carbon could improve investment performance	Short term	Increased AUM and revenue
		Investing in companies using technologies to improve energy efficiency and sources could lead to increased income streams	Medium term	
Markets, products and services	Access to new markets, products and services, and enhanced portfolio diversification	Access to new and emerging markets could increase investment returns	Short term	Increased AUM and revenue
		Portfolio diversification by investing in new assets with superior emissions profiles and returns	Medium term	
Resilience	Investment in resilience to acute and chronic climate impacts	Investing in companies that are financing and supporting the development of resilient and sustainable solutions	Long term	Increased AUM and revenue

Asset Class	Commentary on Risks & Opportunities
Global Equities	Climate-related impacts on equities can affect a company's profitability or overall value. For instance, changing regulations that limit carbon emissions pose transition risks for companies with high emissions, leading to increased operational costs. Additionally, shifts in consumer preferences and demand can impact company revenue. However, the transition to net zero also presents opportunities for companies developing new technologies, such as renewable energy assets, which can replace traditional, more carbon-intensive solutions. Companies may also face physical risks with financial implications, such as damage to property and equipment from stronger storms and cyclones, or reduced access to essential inputs like water due to decreased rainfall. These risks can result in higher insurance premiums and capital costs, or even an inability to secure insurance coverage.
Fixed Income and Credit	The impact of climate change on fixed-income and credit investments, such as corporate and government-issued bonds, differs from its impact on shares. The primary risk in fixed-income and credit investments is the default risk of the issuer—the possibility that they will be unable to repay the principal or make the promised interest payments. Given that fixed-income and credit investments typically have a fixed term, climate-related impacts can be assessed over a more defined timeframe. Additionally, climate-related opportunities have emerged through green bonds and climate bonds, which finance low-carbon and renewable energy projects. Issuers can leverage the growing investor interest in these bonds to diversify their investor base.

Asset Class	Commentary on Risks & Opportunities
Real Estate & Infrastructure	Real estate and infrastructure investments have relatively greater exposure to the physical impacts of climate change than other asset classes. For example, the growing frequency and severity of extreme weather events leave assets in certain geographies increasingly exposed to the physical impacts of climate change, such as flooding. Real estate and infrastructure investors may also be exposed to regulatory actions designed to reduce carbon emissions and influence consumer behaviour. They may also face partner fund and public pressure to take a clear and systematic approach to emissions reductions and resilience preparedness. In transitioning the global economy toward net zero, climate resilient real estate may bring climate-related opportunities in the form of increased tenant retention, increased occupancy, shorter lease-up and down time and possibly also higher rent premiums.
Private Equity	<p>Private equity's strategy to invest in smaller companies, compared to large, listed companies, presents potentially greater vulnerability to climate risks and requires active management by General Partners to ensure portfolio company management teams are able to navigate through climate risks.</p> <p>Private equity's long-term ownership model makes it both vulnerable to climate risks and well-positioned to take advantage of climate transition opportunities. Transition risks, such as regulation, market pressures, including shifts in consumer preferences and demand, could lead to longer exit timelines and significant discounts to book value during divestitures.</p> <p>Physical risks such as droughts, floods, and heatwaves are already materialising in emerging markets, threatening infrastructure, agriculture, and supply chains. These risks are compounded by broader ESG concerns, including political instability, weaker regulatory frameworks, and governance challenges at the portfolio company level.</p>

Climate-related risks and opportunities for our business

In addition to our exposure to climate-related risks and opportunities through the assets we manage on behalf of our partner funds, we are also exposed to financial, operational, and reputational risks through the effect of climate change on our business and our operations, for example our staff, physical infrastructure, IT, and third parties.

These risks could impact the values of the assets and liabilities on our balance sheet, or increase any costs required to manage, mitigate, or adapt to climate change or to ensure the functional and operational resilience of our business. Costs may be incurred to recover from physical climate events that impact our operations, or those of our outsourced service providers, and the associated insurance cost could increase with increasing physical climate events.

The following table provides an overview of the climate-related risks and opportunities that we have identified and their potential impact on our business.

Regarding developing products and services in consultation with our partner funds, in 2024 LPPI developed the LPPI Environmental Opportunities Fund (EOF) which will launch in 2025. The EOF has an explicit mandate to target positive environmental outcomes in the themes of climate change and nature. EOF will invest thematically in assets which currently contribute towards a positive environmental outcome or have the potential to do so over time.

The foundations of the EOF have been built to align with the regulatory landscape emerging around sustainability products, such as the Sustainability Disclosure Requirements and Anti-Greenwashing Regulation.

Risks

Category	Description	Illustrative impacts	Primary timeframe	Impact on LPPI
Business risk	Changing demand for our products and services	Inability to provide products and services to meet our partner funds' climate-related demands leading to loss of business	Medium term	Decreased AUM and revenue
		Inability to meet differing partner fund climate-related demands under a pooling model leading to loss of business	Medium term	Decreased AUM and revenue
		Low availability of investment opportunities leading to overpriced assets and reduced income streams	Short term	Lower revenue
Reputation risk	Negative perceptions of actions or inactions could impact relationships with partner funds	Redemptions if our corporate approach to management of climate-related risks do not reconcile with partner fund expectations	Medium term	Decreased AUM and revenue
		Association with suppliers who do not meet our partner fund expectations regarding the management of climate-related risks	Medium term	
Operational risks	Acute and chronic climate impact on physical operations	Business disruption for LPPI or our suppliers resulting in poor delivery of products and services to partner funds	Medium term	Increased costs
		Operations affected by physical effects of climate change requiring increased recovery costs, insurance costs and capital expenditure	Long term	

Opportunities

Category	Description	Illustrative impacts	Primary timeframe	Impact on LPPI
Business	Changing demand for our products and services	Developing products and services that meet partner fund expectations around managing climate-related risks and opportunities	Short term	Increased AUM and revenue
Reputation	Positive perceptions of actions may positively influence current and potential relationships with partner funds	Potential to attract new business if corporate approach to management of climate-related risks align with partner fund expectations	Medium term	Increased AUM and revenue

Resilience of our strategy

In our context, evaluating resilience to climate change involves considering how climate change could affect markets and the value of assets and liabilities so we can consider our ability to withstand and adapt. Climate change is complex in its causes and its effects which makes it a challenging subject to model, particularly for a large, global, diversified portfolio. We are continuing to explore methods which can assist qualitative and quantitative evaluation and provide insights which are directly assistive to our advice and investment decision-making.

Climate scenarios are tools to help understand the potential risks and opportunities associated with different climate futures. We recognise that undertaking climate scenario analysis may assist us in understanding the impact of climate-related risks and opportunities on our business, strategy, and financial planning, with a view to better managing our outcomes. We also recognise that climate scenarios may help understanding and assessing the risks posed to our partner funds' funding goals under different circumstances and the impact on their strategic asset allocations. It is important to note that scenarios are not predictions but rather are a dynamic iterative process for exploring what might happen under different conditions, allowing for more informed decision-making.

In the previous reporting period, we undertook initial climate scenario modelling using our asset-liability modelling tool using Network for Greening the Financial System (NGFS) scenarios, which had been widely used by central banks and the financial sector. This was an important foundational step to begin to build the knowledge and critical thinking capacity needed internally to understand the outputs and ambition to eventually support the embedding of scenario analysis in decision-making processes. Alongside this top-down analysis of our partner funds' funding projections, we began a bottom-up assessment on our asset classes from NGFS scenarios using MSCI's ESG Regional Model of Investment and Development (REMIND) model.

As is inherent to all scenarios, climate scenario modelling involves significant assumptions and limitations, particularly with reference to the impact of physical risks and tipping points. Scenario analysis and modelling is challenging and has limitations because the outcomes are highly uncertain, particularly over the longer term and the modelling and interactions between variables is complex. For these reasons, we have continued not to use results from any quantitative climate scenario analysis for investment, risk, or decision-making processes.

We are still considering our approach to climate scenario analysis and will be building on existing approaches to assessing climate-related risks using scenarios, including considering which scenarios are appropriate and what form of quantitative or qualitative analysis is useful for decision-making. While we are not yet using quantitative results from a specific set of publicly available climate scenarios for decision-making, we have an ambition to be able to use climate scenarios in our decision-making and financial planning processes and to identify vulnerabilities, optimise resource allocation, and ensure long-term resilience. We continue to explore the options available to do this. This strategic foresight may not only enhance our ability to adapt to a changing climate but could also position us to capitalise on emerging opportunities from the transition.

We have considered proactive and responsible actions that we could take under climate scenarios that would ensure the resilience of our business, strategy, and financial planning. We continue to plan to undertake further work in this area and recognise there are opportunities for further integrating climate scenarios into our decision-making.

Some of the actions that we have considered include:

- Monitor and evaluate our exposure to sectors highly susceptible to transition and physical risks.
- Engage with companies, policymakers, and other stakeholders to encourage and support the orderly transition to a low-carbon economy and to enhance climate resilience and adaptation.
- Where there is strong evidence that a particular climate scenario is likely to materialise, adjust our portfolios to optimise the changing risk-return profile of different assets and sectors, and to capture the opportunities arising from the green transition.

Risk management

In this section we disclose how we identify, assess, and manage climate-related risks for the portfolio of assets we manage on behalf of our partner funds and for our business.

Assets we manage

Our management of climate-related risks for our partner funds' assets is based on incorporating climate-related considerations into investment decision-making as part of our core processes of underwriting, asset management, and stewardship. Our approach to systematically integrating ESG considerations accommodates a specific focus on climate change.

Identifying and assessing climate-related risks

Each of our asset classes is governed by an investment mandate and statement of investment guidelines. These include a requirement for our portfolio managers to consider ESG issues, including climate-related risks, in their investment analysis and decision-making processes. Investments are approved by our Investment Committee or by our Chief Investment Officer under delegation from that Committee, in accordance with our investment governance framework.

As part of that investment governance framework, input is obtained from key business areas including our dedicated Responsible Investment team and our second line Risk function on proposed investments.

Where we delegate the management of our partner funds' assets to external managers, our External Manager ESG Rating Framework includes a detailed due diligence questionnaire which informs our detailed selection, appointment and evaluation of external managers. The questionnaire includes specific questions on:

- i) how external managers assess, monitor, and report on climate change,
- ii) their approach to responsible investment, and
- iii) the integration of ESG factors into their investment processes.

ESG issues, including climate-related risks, alongside engagement priorities and progress are reviewed and monitored at our quarterly and annual asset class review meetings, which are also attended by our Responsible Investment team and our second line Risk function.

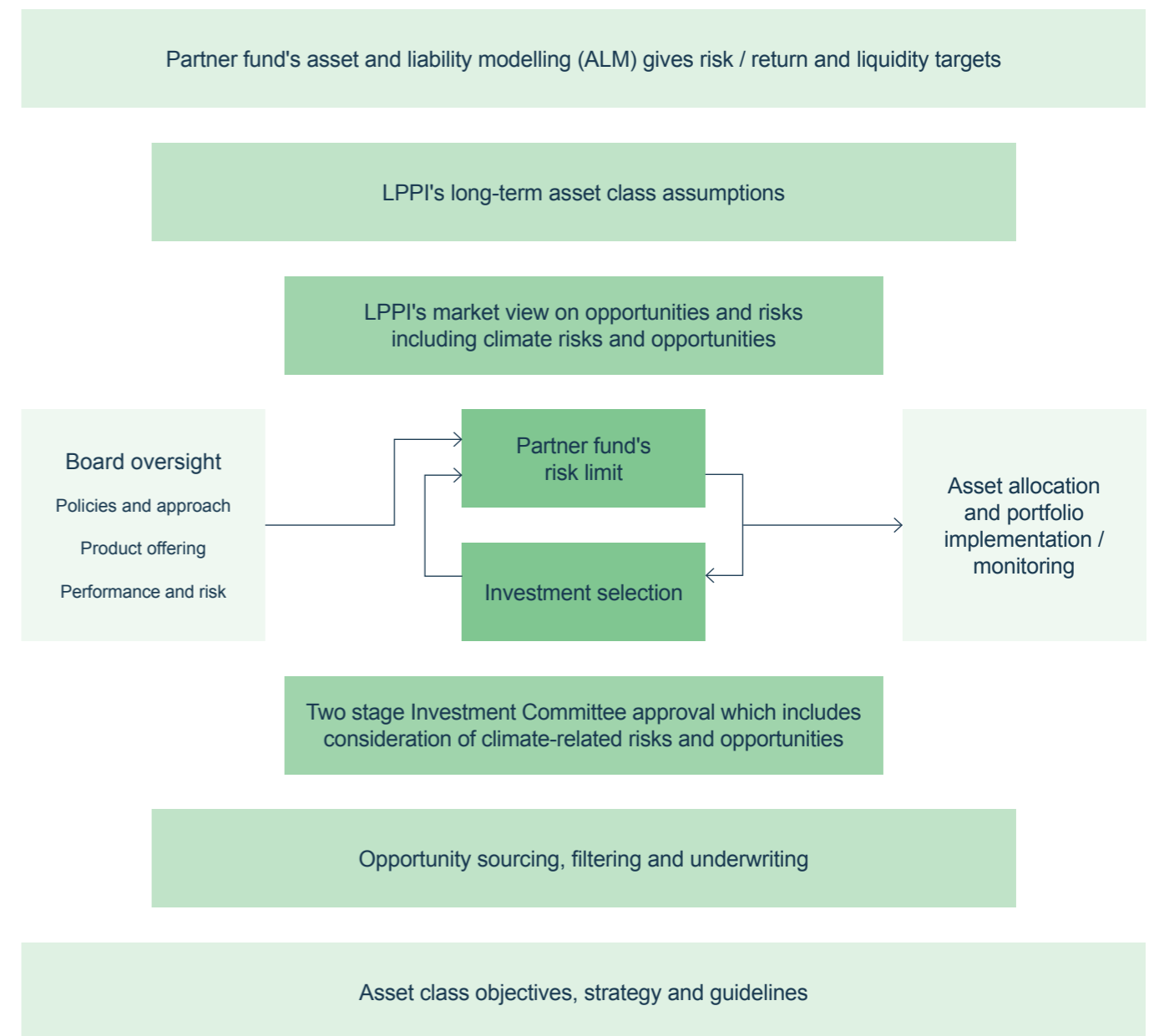
The portfolio managers prepare an ESG Supplement which aims to provide distilled insights on material ESG considerations for their asset class, by summarising the status of ongoing ESG materiality analysis and asset management activities underway. It is designed to support oversight and accountability via the asset class review meetings and is an input for quarterly ESG reporting to our Investment Committee.

In addition, climate risk analytics reports, which include the status against net zero targets, are prepared by our Risk function for the Global Equities, Fixed Income and Real Estate asset class review meetings. Climate risk analytics reports have been developed for the asset classes that have recently received approval for their net zero targets, namely Credit and Infrastructure. They will be provided to the asset class review meetings in 2025. Reports will be developed for the remaining asset classes over time as part of the ESG Programme.

A paper summarising the activities and discussions held at the asset class review meetings is provided to the quarterly Investment Committee by our Chief Investment Officer, including action logs with status updates. In addition, in line with the annual asset class review schedule, the portfolio managers provide a paper to the Investment Committee to update the members on their ESG activities and statuses against their net zero targets. The status against net zero targets includes assets that are managed by our external managers.

In addition, annual meetings with our portfolio managers are facilitated by our Risk function to identify and review the climate-related risks and opportunities specific for each asset class. This ensures that the register of climate-related risks and opportunities is reviewed, updated, and monitored on a regular basis, and forms an input into the production of the TCFD reports.

Investment process



Managing climate-related risks

We monitor exposure to high emitting sectors and activities likely to lose value because of global industrial transition. This informs our stewardship, voting and engagement activities which are discussed as part of the quarterly and annual asset class review meetings. We also assess climate-related investment opportunities. We continue to invest into companies and projects which contribute to the transition towards a less carbon-intensive economy and our portfolio includes infrastructure investments in renewable energy generation, solar, district heating, and low carbon transport. Our Environmental Opportunities Fund also aims to invest thematically in assets which currently contribute towards a positive environmental outcome or have the potential to do so over time.

We seek to ensure that companies or assets are taking steps to manage the exposure to risks from climate change and can therefore better withstand the change in industry landscape, as well as better navigate oncoming regulatory changes. For instance, we routinely assess the energy and resource efficiency of prospective and existing physical assets in our infrastructure and real estate portfolios. In partnership with our external manager for our Real Estate Fund, current and prospective assets within the direct UK real estate portfolio (“UK Directs”) are routinely assessed against recognised risk thresholds for flooding, a material physical climate risk in the UK.

However, there is more to do to encourage the companies and assets in our portfolio to prioritise and make plans to transition their businesses towards net zero emissions and build resilience to physical climate risk.

Identifying and managing the risks from climate change requires quantitative measurement along with qualitative interpretation. The availability of accurate data to assess climate-related risks is a challenge and we are continually seeking data and tools to help assess the position of our asset classes and to inform our ongoing dialogue with external managers around their evaluation of the climate change risks in their portfolios.

Our focus of quantification to date are the Global Equities, Fixed Income, Real Estate, and Infrastructure asset classes where information is most readily available. For instance, for our Global Equities investments we are using Transition Pathway Initiative (TPI) and Climate Action 100+ (CA100+) methodologies alongside data from CDP and our data and analytics provider MSCI as part of our application of the NZAM framework to aid our assessment of Global Equities. Learning gained here is being used to inform the more challenging and ongoing tasks of assessing the position of the remaining asset classes.

Currently, climate-related risks and opportunities are monitored for the corporate bonds held within the Fixed Income and Credit asset classes. We are at present unable to directly monitor the climate-related risks for the remaining holdings (such as sovereign bonds, asset-backed securities, and derivatives) due to a lack of data availability and lack of market solutions and methodologies to do so. We continue to engage with the industry, including our external managers and data providers, to increase the proportion of reported data.

We monitor sectors that are most likely to be impacted by transition risk using the Global Industry Classification Standard (GICS). GICS is widely used by finance firms and covers 11 industry sectors. We currently view Utilities, Energy and Materials as carbon intensive sectors. We have already taken measures to reduce exposure to climate-related risks through a focus on high emitting sectors. Pure play, thermal coal (i.e. a stock issued by a company that only operates in the thermal coal industry) has been excluded from our portfolio since 2019 and our Global Equities Fund has excluded extractive fossil fuel companies since the end of 2021.

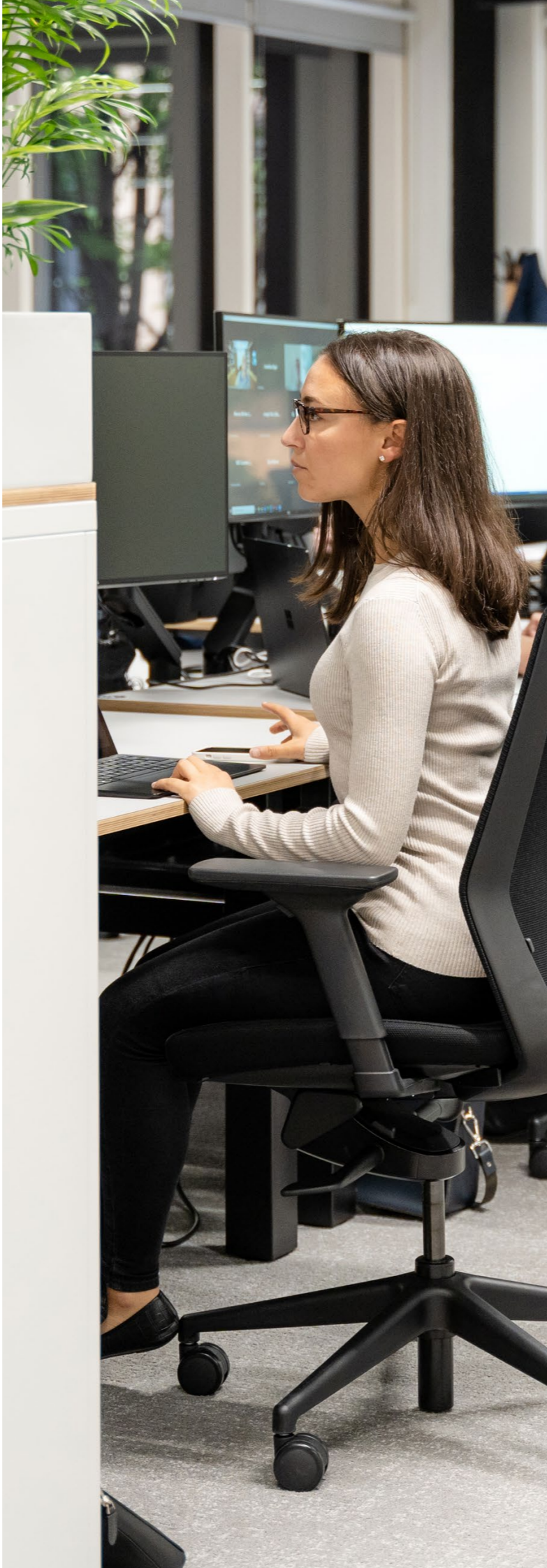
Listed companies covered by TPI metrics (which focus on globally high carbon sectors) are flagged upon entry to the portfolio. TPI Management Quality Scores are used to assess the quality of corporate climate change risk management and, where warranted, companies are subject to enhanced due diligence and may be flagged for further engagement where improvement is needed.

In partnership with our UK Directs external manager, our Real Estate investment team reviews, assesses, and monitors climate-related risks and opportunities that arise from the current portfolio or that may arise from new investment opportunities. We also use the Carbon Risk Real Estate Monitor (“CRREM”) tool to inform our assessment of where remediation is required to meet our net zero commitment and calculate the retrofit budget needed to upgrade properties. The CRREM tool supports companies in assessing the required reduction in carbon emissions at asset level.

Engagement is an integral part of our approach to help ensure that short, medium and long-term climate-related risks are being addressed given the systemic risk climate change poses. We work with service providers who support our asset management and stewardship activities to use the ownership powers available to us and employ the approach most likely to have a positive influence.

These include a proxy voting provider who supports our exercise of shareholder voting rights for our Global Equities Fund, and an external engagement provider who extends the resources we dedicate to engaging with publicly listed companies. Climate change can be viewed as an evergreen engagement theme for us as any facet of climate-related risk may influence an investee's ability to meet its financial obligations.

Effective management of climate change is a priority theme in our shareholder voting guidelines and we regularly join collaborative engagements and advocate for supportive policy through dialogue with regulators, standard setters, industry groups, and non-governmental organisations on matters related to net zero alignment and climate risk. We also engage directly with investee companies and external managers, setting explicit expectations for managers and service providers who engage on our behalf via feedback surveys, side letters, and ongoing monitoring calls. Our priorities for engagement reflect the materiality of issues to the portfolio we oversee, and we take account of our partner funds' interests and priorities. Our Stewardship and Responsible Investment Report provides examples of our engagement activities and is available from our website.



Risk management – our business

In addition to evaluating the risks and opportunities related to climate change at the portfolio level, we also consider how they might affect our corporate strategy and business model. We identify and assess both the strategic risks to our corporate strategy and business model, and emerging risks, which we define as trends or potential future events where the nature and timing of impact are uncertain.

Emerging risks help us to identify potential risks that could impact us in the future so that we can develop plans or position our company and our funds to mitigate or minimise their potential impact if they arise. Emerging risks are identified from internal and external sources and consider geopolitical, macroeconomic, legal, regulatory, operational, technological, and business and strategic risks. Our emerging risk register includes our potential exposure to physical and transitional climate-related risks arising from emerging regulation.

Strategic risks to our corporate strategy and business model relate to the short-term and are identified as part of the annual business planning process and include the potential impact of climate change.

Both strategic and emerging risks are reviewed, assessed, and updated on a quarterly basis with subject matter experts within the business. These risks are reported quarterly to our Executive Committee, the Audit and Risk Committee and to our Board.

In addition, our Compliance function hosts a quarterly Regulatory Change Working Group which is attended by key people across all functions within LPPI. The purpose of the working group is to identify and track regulatory change and, where appropriate, to ensure appropriate action is taken in response to regulatory change. Recent climate-related topics included the Financial Conduct Authority's consultation on Sustainability Disclosure Requirements, and their report on climate change adaptation challenges faced by financial services firms.

Our corporate risks that are impacted by climate-related risks are as follows:

Business risk

Business risk is the risk arising from exposure to factors or events which, if allowed to crystallise, could materially reduce our revenue, or increase expenses. The main factors or events include a decrease in assets under management or a change in the mix of investment portfolios leading to a reduction in fee income, or a sudden or material increase in the level of ongoing operational costs.

We are exposed to the risk that we may lose partner funds or fail to attract new partner funds if we cannot meet our partner fund demand or expectations, which includes addressing the risks and opportunities arising from climate change. In addition, given our pooling model, there is a risk that we cannot meet conflicting demands in this regard. For instance, some partner funds may prefer a lower carbon footprint or a higher exposure to green sectors, while others may prefer more transparency and reporting on the climate impact of their portfolios.

In response, we engage regularly with our partner funds to ensure that we continue to offer services and products designed to meet their needs. For each of our asset classes, the investment strategies are constructed to manage our short, medium and long-term responsibilities to both our partner funds and our shareholders, taking account of applicable regulations. As our partner funds have long-term obligations to pay pensions, our investment approach is also long dated.

Our decarbonisation approach requires a transitional shift to lower-carbon investments, whilst also maintaining a well-diversified portfolio across all sectors. In the short to medium-term, we will focus our efforts on understanding the sources of carbon intensity and encouraging companies to take action to reduce them. One change to our approach in the short term was to create the EOF, a vehicle which meets our partner funds' needs by supporting the financing and scaling of climate solutions and other environmental opportunities. This should support our portfolio companies to reduce emissions in the medium term. In the medium to long term, our approach may need to switch to pushing companies to support adaptation.

Our dedicated ESG Programme and Technology and Data Roadmap strategic initiatives assist us in managing our business risk by ensuring that we take a coordinated approach to the various regulatory and voluntary initiatives we encounter and evaluating the requirements for ESG-related data across our company to enhance our monitoring and reporting on our net zero targets and ensure alignment with the TCFD recommendations.

Reputation risk

We define reputation risk as the potential harm to our reputation and business resulting from our actions, inactions, or business practices not aligning with our strategic objectives and stakeholder expectations.

The outcomes include reputational damage impacting existing partner fund confidence and the future ability to grow the business and the risk that strategic actions are taken which either damage our brand or are not aligned with delivering our strategic aims.

This could lead to diminished partner fund trust and limit the future ability to grow the business.

Climate risk is an increasingly key concern for regulators and asset owners. Institutional asset owners are engaging more on climate risk which has the potential to cause reputational damage if we are unable to adequately address their needs and concerns. Engagement with our partner funds on our approach to integrating climate-related risks and opportunities forms part of our strategy. Alongside supporting our partner funds with their own requirements, for example through the provision of training and education on TCFD, we also engage with our partner funds collectively to share our insights. This includes both via frequent written communication and at the annual LPPI Investment Conference.

We also consider the impact that our third-party providers could have on our reputation, and we include questions in our operational due diligence questionnaire for new and continuing third parties around their adoption of climate-related policies or frameworks, such as net zero targets, science-based targets, TCFD reporting, and TPI. We also ask our third-party service providers to provide their environmental or sustainability policies.

Evaluating third parties on their adoption of net zero targets, science-based targets, and TCFD reporting enhances transparency and accountability. Additionally, requesting their environmental or sustainability policies verifies their commitment to sustainable practices, supporting our overall climate risk mitigation strategy. Collectively, these measures help to identify potential climate risks, to ensure alignment with our net zero goals and help protect our reputation.

Operational risk

Operational risk is the risk of loss from inadequate or failed internal processes, from personnel or systems, or from external events. Our definition of operational risk includes regulatory and legal risks.

One of the potential impacts of climate change is the increased frequency and severity of extreme weather events, such as heat waves, floods, storms, or wildfires. These events could affect our physical assets, such as buildings, infrastructure, equipment, or data centres, as well as our human capital, such as employees, contractors, or suppliers. Climate change could also affect the availability and reliability of critical services that we depend on, such as electricity, water, telecommunications, or transportation. Any disruption to our operations or those of our third-party providers could impair our ability to deliver our services to our partner funds and harm our reputation, revenue, and profitability. Therefore, we consider climate change as a material operational risk, and we take appropriate measures to mitigate it.

For example, we regularly maintain and test our business continuity planning and technology disaster recovery programs. We also operate a hybrid working model which allows staff to work from home without any disruption in the event of the loss of use of our offices. We also include questions in our operational due diligence questionnaire for new and continuing suppliers around their business continuity and disaster recovery programmes.

Additionally, we could face regulatory or legal risks if we do not comply with the evolving standards and frameworks for climate-related disclosures and risk management.



Integrating climate-related risks into our overall risk management

We are committed to continually strengthening and evolving our risk management activities to ensure they keep pace with business change and partner fund expectations. We believe a key factor in our ability to manage through challenging market conditions and business change is our integrated approach to climate change risk management.

We adopt an enterprise-wide perspective on risk facilitated through commitment to a strong risk culture. Our ambition is to protect our obligations to our partner funds and treat them fairly, whilst making better risk-return based business decisions resulting from a balanced awareness of the opportunities and threats; only taking risks we have the capability to understand and manage. We achieve this by linking our strategic objectives and approach to risk management through to the key business processes.

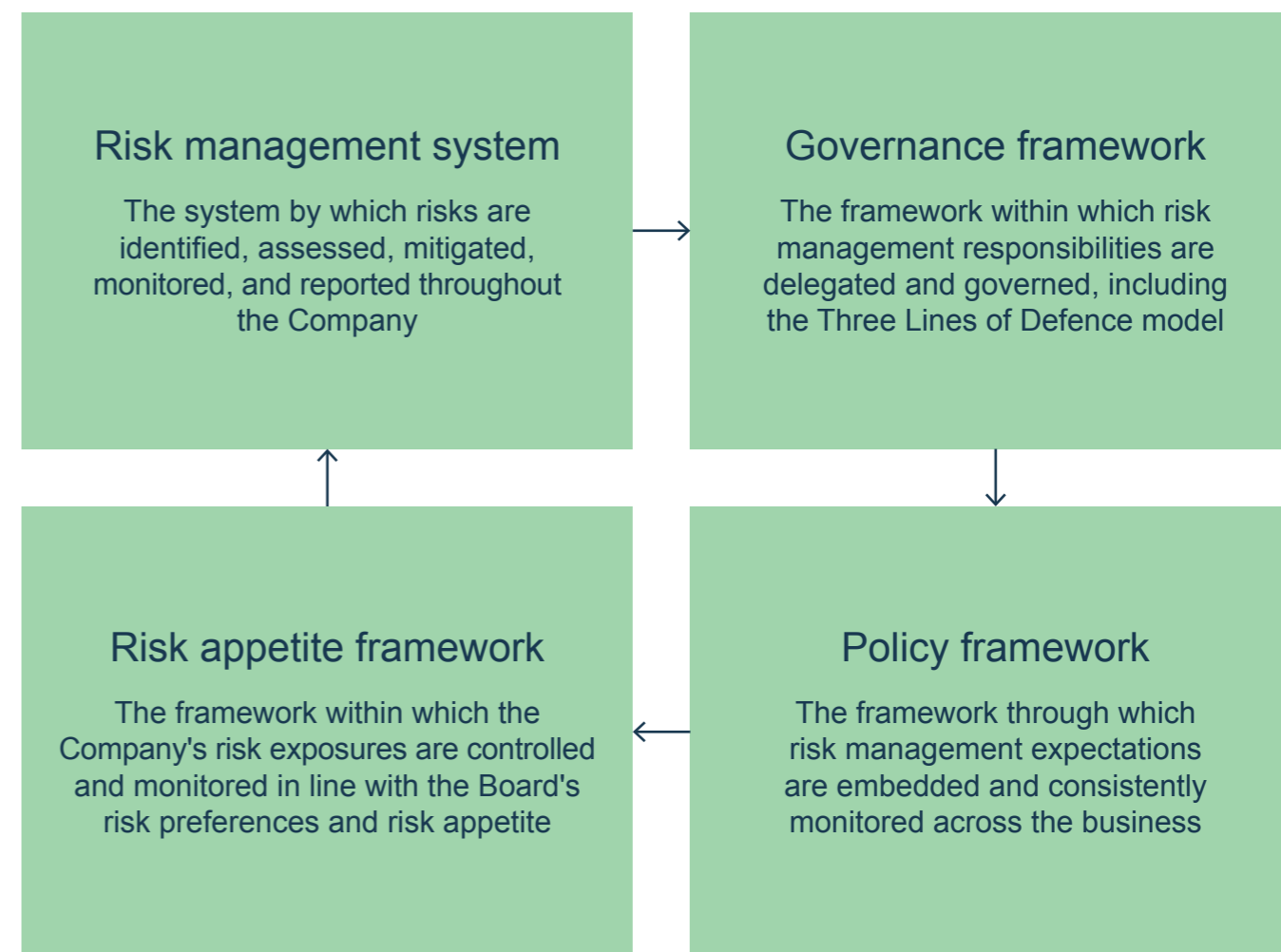
Primary responsibility for climate-related risk management is with the investment teams with a second line of defence provided by our risk and compliance teams. Our risk policies, supported by the Risk Appetite and Tolerances Schedule, provide a framework for managing risk and form an integral part of management and board processes, including decision-making processes.

The Risk Appetite and Tolerances Schedule includes the risk limits and acceptable bounds for these factors and statements within which management may operate to ensure the safe delivery of the plan. The status against the risk limits and acceptable bounds is reported quarterly to the Audit and Risk Committee and to the Board. The Risk Appetite and Tolerances Schedule includes the net zero targets for our asset classes that have received approval for their net zero targets and the status is reported to the Audit and Risk Committee and to the Board.

Our risk policies include our Climate Change Risk Policy which defines what climate change risk means for us and how the risk should be identified, monitored, managed, and reported. However, we do not see climate change as a standalone or separate risk and therefore climate-related risks are considered across the enterprise risk system including business, reputational, and operational risks. We believe that this approach ensures that climate financial risk is considered throughout our enterprise risk management system.

Our Risk Management Policy articulates the approach, appetite, and expectations in relation to the management of risks that, should they materialise, have the potential to cause material harm to our partner funds and counterparties, the markets within which we operate, and to ourselves. Our Risk Management Policy also supports meeting the expectations of our stakeholders.

The enterprise risk system is outlined in the following diagram:



Metrics and targets

In this section we disclose the metrics we are using to assess and monitor climate-related risks and opportunities and the targets we have set.

Carbon footprint of our assets under management

We use a range of metrics to identify and assess climate-related risks and opportunities, and track progress against our targets. This includes absolute metrics as well as intensity-based indicators that enable comparison across different issuers, portfolios, and transition scenarios. The key definitions and formulas used for calculating emissions metrics are set out in the appendix to this report.

We employ a variety of tools, including third-party carbon data from MSCI carbon portfolio analytics, to evaluate climate-related risks and opportunities. This data is used to generate a carbon footprint facilitating internal analysis of carbon risks. By doing so, we can identify the most significant emitters and understand contributors to the carbon footprint. The resulting data and insights are then shared with our portfolio managers to inform their analysis and investment decisions.

In common with our peers, we face challenges in sourcing data for private market assets, without which portfolio-wide analysis is not yet a realistic possibility. For public market assets where data coverage is good, challenges lie in the consistency with which emissions data is being reported by companies and in the different ways data providers solve for incomplete data through aggregation, estimation and modelling.

We currently rely on Scope 1 and 2 GHG emissions to inform investment decisions, and this can include both reported and estimated data. While we monitor Scope 3 emissions to inform our alignment and engagement targets, data quality, and disclosure of this emissions category remains poor making it less reliable for decision-making.

To assess and manage climate-related risks and opportunities, we also use a combination of local measures specific to particular asset classes, for example flood risk and energy efficiency ratings for our UK Directs. This allows us to track changes in the climate-related risks and opportunities affecting the portfolio over time as an aid to target engagement with managers.

Table 1 below shows the proportion of carbon emissions data for our asset classes that is reported and where there is currently no data available.

Data coverage for public market assets (listed company shares and corporate bonds) is high. Data coverage for private market assets is significantly weaker due to current standards of disclosure, which is an industry-wide issue.

Both coverage and quality are also relatively poorer for certain holdings, such as investments in emerging markets, private equity, cash, and derivatives. We are reliant upon companies, asset managers, and data providers for better access to the data required to calculate metrics. We continue to engage with the industry, including our external managers and data providers, to increase the proportion of reported data.

Table 1: Data availability

Asset class	% of LPPI assets under management	% of asset class covered in this report	% of asset class not covered in this report
Global Equities	46	98	2
Fixed Income (Corporate bonds)	4	19	81
Credit (Corporate bonds)	13	44	56
Infrastructure	22	75	25
Private Equity	6	0	100
Real Estate	6	53	47
Other	3	0	100

Global Equities, Fixed Income and Credit

The data in the tables below covers public markets assets held in the Global Equities, Fixed Income and Credit asset classes. The climate metrics reported in this document may differ from those reported in the LPPI 2023 TCFD Entity Report.

These differences are primarily due to increased data availability and improved data quality, including enhanced company disclosures and more comprehensive climate monitoring.

Table 2: Emissions and alignment metrics for Global Equities, Fixed Income and Credit (31 December 2024)

Climate metrics	Unit of measurement	Global Equities 31/12/22	Global Equities 31/12/23	Global Equities 31/12/24	Fixed Income 31/12/22	Fixed Income 31/12/23	Fixed Income 31/12/24	Credit 31/12/22	Credit 31/12/23	Credit 31/12/24
Scope 1 and 2 financed emissions	tCO ₂ e	189,853	182,394	158,989	305	2,882	11,068	62,192	83,837	124,039
Scope 3 financed emissions	tCO ₂ e	1,982,393	3,293,614	2,084,280	4,007	17,830	56,432	207,936	345,348	541,072
Total financed carbon emissions	tCO ₂ e	2,172,247	3,476,008	2,243,269	4,312	20,712	66,128	270,128	429,185	665,112
Total carbon footprint (Scope 1 and 2)	tCO ₂ e / \$m invested	16.0	13.0	10.4	4.5	19.5	38.0	87.7	91.9	113.7
Weighted average carbon intensity (Scope 1 and 2)	tCO ₂ e / \$m revenue	47.8	28.7	26.1	47.9	112.1	82.2	152.2	177.1	197.8
Implied temperature rise	°Celsius	1.4	2.2	1.7	2.11	2.3	2.7	2.4	2.6	2.6
Portfolio data coverage	AUM (%)	96%	98%	98%	81%	87%	93%	84%	80%	86%

Real Estate

The metrics in this section reflect the emissions intensity and portfolio alignment metrics for UK Directs managed by our external manager, where data is available, as of 31 December 2023. The timeliness with which data is available for underlying assets in the Real Estate Fund is challenging. There is a significant time lag between emissions data being released, reported at the corporate level and then being quality assured ready for disclosure by our external manager.

As such, in this report we apply tenant emissions data to relevant holdings as of 31 December 2023.

The carbon footprint analysis considers capital employed, owned area, and average portfolio intensity. This method measures the carbon efficiency of a portfolio, defined as the absolute GHG emissions of the portfolio per \$m of average capital employed (sum of capital employed divided by the months in the period and includes capital employed of sold assets).

Table 3: Emissions for Real Estate (31 December 2023)

Climate metrics	Unit of measurement	UK Directs & JV's 31/12/22	UK Directs & JV's 31/12/23	Indirects 31/12/23	Combined 31/12/23
Scope 1 GHG emissions	tCO ₂ e	231.0	35.6 ²	274.7	310.3
Scope 2 GHG emissions – market based	tCO ₂ e	127.4	0 ³	258.2	258.2
Scope 3 GHG emissions – tenant	tCO ₂ e	7,630.1	10,607.1	5,719.3	16,326.4
Total GHG emissions (Scope 1, 2 and 3)	tCO ₂ e	7,988.4	10,574.2	6,252.2	16,894.9
Fund Carbon Footprint (Scope 1, 2 & 3) GHG Intensity by Capital Employed	kgCO ₂ e / \$m invested	0.00	0.01	0.20	0.25
Weighted Average Carbon Intensity (Scope 1 & 2 & 3) GHG Intensity by Owned Area	kgCO ₂ e/m ²	19.4	24.6	11.2	35.8
Average portfolio energy intensity	kWh/m ²	174.4	237.4	52.7	290.1
Total Reported Data Coverage for the Fund	AUM (%)	83% ¹	89%	42%	67%

¹ UK Directs only.

² Change in methodology in 2023: Vacant areas have been assigned zero consumption value or recorded consumption attributed to Scope 3. Vacant units consumption was included in Scope 1 in the 2022 TCFD Report.

³ Change in methodology in 2023: Market-Based GHG emissions assumes 0 kg/CO₂e. All landlord electricity is 100% renewable. Because all landlord electricity is 100% renewable, a conversion factor of zero CO₂ per kWh was applied in 2023. Previously, in 2022, a conversion factor of 0.0153, originally from CRREM 2.03, was applied.

Flood risk

The UK Environment Agency (EA) provides flood risk ratings to help assess vulnerability to flooding. It categorises flood risk into different levels based on the likelihood of flooding in a specific area. The ratings include 'low risk' (areas where flooding is unlikely or very rare); 'medium risk' (areas with moderate flood risk, which may experience occasional flooding), and: 'high risk' (areas prone to frequent or severe flooding where properties in these areas are at significant risk). As of 31 December 2023, we have assessed the rental value (% of UK directs portfolio annual rental amount) subject to high, medium, and low risk.

Because the EA Flood Risk Map for Planning does not take into account local flood defence or asset-specific mitigations, our external manager has undertaken site-specific flood risk assessments for properties located in flood risk zones 2 and 3. The assessment found that, for medium-risk properties in the portfolio, there is an annual probability that in any year land has between a 1% and 0.1% chance of flooding from rivers and between a 0.5% and 0.1% chance of flooding from the sea. For high-risk properties in the portfolio, there is an annual probability that in any year land has a 1% or more chance of flooding from rivers, or a 0.5% or more chance of flooding from the sea. Of the 10 assets located in flood zones 2 and 3, two are protected by the Thames Barrier, while the balance are considered either low or very low risk based on site-specific risk assessments carried out.

Table 4: Flood risk metrics

Probability of flooding	Number of assets 31/12/22	Rental value flood risk 31/12/22	Number of assets 31/12/23	Rental value flood risk 31/12/23
High	4	6.0%	4	5.8%
Medium	6	13.2%	6	13.1%
Low	39	80.8%	40	81.2%

Infrastructure

The metrics in this section reflect the emissions intensity and portfolio alignment metrics for Infrastructure, where data is available, as of 31 December 2023.

The timeliness of available data for Infrastructure is challenging.

The latest data is from 2023, reflecting the time lag between emissions being released, reported at the corporate level. We are working to identify potential solutions to reduce the lag in reported emissions data. The metrics in the table below also do not currently include infrastructure assets on our partner fund balance sheets due to an absence of data providers for these assets.

Table 5: Emissions metrics for Infrastructure (31 December 2023)

Metrics	Scope	Unit of measurement	Performance 31/12/22	Coverage ⁴ (Reported) 31/12/22	Coverage ⁵ (Reported & Estimated) 31/12/22	Performance 31/12/23	Coverage ⁶ (Reported) 31/12/23	Coverage ⁷ (Reported & Estimated) 31/12/23
Total carbon emissions	Scope 1	tCO ₂ e	1,328,590	56.5%	88.9%	395,803	75.4%	92.8%
	Scope 2	tCO ₂ e	41,206	56.5%	88.9%	123,331	73.2%	92.8%
	Scope 3 ⁸	tCO ₂ e	300,266	29.1%	65.9%	1,388,230	58.7%	90.4%
	Scope 1 and 2	tCO ₂ e	1,369,795	56.5%	88.9%	519,134	74.3%	92.8%
	Scope 1, 2 and 3 ⁹	tCO ₂ e	1,670,061	32.3%	66.1%	1,811,392	69.1%	92.0%
Total carbon footprint	Scope 1 and 2	tCO ₂ e/\$m invested	7,958	56.5%	88.9%	46,927	74.3%	92.8%
	Scope 1, 2 and 3	tCO ₂ e/\$m invested	11,229	32.3%	66.1%	238,455	69.1%	92.0%
Weighted average carbon intensity	Scope 1 and 2	tCO ₂ e/\$m revenue	255	56.5%	88.9%	226	74.3%	92.8%
	Scope 1, 2 and 3	tCO ₂ e/\$m revenue	1,167	32.3%	66.1%	1,516	69.1%	92.0%

⁴ This coverage figure includes reported emissions from underlying holdings by AUM.

⁵ This coverage figure includes reported and estimated emissions from underlying holdings by AUM.

⁶ This coverage figure includes reported emissions from underlying holdings by AUM.

⁷ This coverage figure includes reported and estimated emissions from underlying holdings by AUM.

⁸ Scope 1, 2 & 3 metrics include scope 3 when reported and the portfolio coverage figure represents coverage across all scopes.

⁹ Scope 1, 2 & 3 metrics include scope 3 when reported and the portfolio coverage figure represents coverage across all scopes.

GLIL Infrastructure Fund

LPPI is the AIFM for GLIL Infrastructure, for which emissions metrics are provided below.

Over the reporting period around half of the portfolio companies within GLIL have improved their ESG data disclosures to a verifiable carbon accountancy standard that meet TCFD metrics reporting guidelines.

GLIL have subsequently reduced reliance upon proxy data estimates and have reported combined emissions metrics. The use of proxy data estimates limits our ability to accurately explain the drivers behind year-on-year changes, especially in relation to Scope 3 emissions. GLIL will continue to engage with portfolio companies to improve the emissions reporting standards that are conveyed within assets disclosures to reduce the reliance upon estimates within our underlying data.

Table 6: Emissions metrics for GLIL Infrastructure (31 December 2023)

Metrics	Scope	Unit of measurement	Performance 31/12/22	Coverage (Reported & Estimated) 31/12/22	Performance 31/12/23	Coverage (Reported & Estimated) 31/12/23
Total carbon emissions	Scope 1	tCO ₂ e	153,520.7	98.2%	36,802.77	99.4%
	Scope 2	tCO ₂ e	27,947.5	98.2%	49,504.10	99.4%
	Scope 3	tCO ₂ e	223,981.7	98.2%	183,614.16	99.4%
	Scope 1 and 2	tCO ₂ e	181,468.2	98.2%	86,306.87	99.4%
	Scope 1, 2 and 3	tCO ₂ e	405,449.9	98.2%	269,921.03	99.4%
Total carbon footprint	Scope 1 and 2	tCO ₂ e/\$m invested	68.8	98.2%	34.0	99.4%
	Scope 1, 2 and 3	tCO ₂ e/\$m invested	74.6	98.2%	95.2	99.4%
Weighted average carbon intensity	Scope 1 and 2	tCO ₂ e/\$m revenue	169.2	98.2%	20.41	99.4%
	Scope 1, 2 and 3	tCO ₂ e/\$m revenue	460.3	98.2%	102.73	99.4%

Carbon footprint of our business

Our NZAM commitment focuses on the financed emissions attributable to our assets under management, but the NZIF, a framework that provides investors with guidance in relation to governance, targets, strategic asset allocation, market engagement and policy advocacy, encourages investors to monitor and set targets for their own operational emissions as a direct contribution to reducing real world emissions.

We recognise that we have our own part to play in the transition to a low-carbon economy which includes understanding how our corporate activities contribute to total carbon emissions. As part of our net zero commitment, we are addressing operational emissions and determining an appropriate decarbonisation strategy for our business to maintain our [Planet Mark](#) accreditation and to ensure we are following an accepted and appropriate measurement approach.

Based on our submission for the period 1 April 2023 to 31 March 2024, our Planet Mark certification is valid to 30 June 2025. We intend to submit our data for the period 1 April 2024 to 31 March 2025 in due course. Planet Mark are a sustainability certification and net zero provider for organisations and the built environment.

We have not set a business target for emissions reduction at this point. We will do so in due course once efforts to collect further data improve our capabilities to capture our baseline and assess the options for improvement.

Table 7 shows the key metrics for LPPI business operations as of 31 March 2024.

Table 7: Carbon footprint for our business operations (market-based)

Carbon Footprint	31/03/23	31/03/24
Scope 1 Emissions	8.3	5.1
Scope 2 Emissions (market-based)	0	0
Scope 3 Emissions	62.8	47.9
Total (market-based)	71.1	53.0
Total per employee	0.6	0.4
Building emissions per sqm	0.001	0.010
Data Quality Score (Scope 1 and 2)	15 out of 20	16 out of 20
Reporting period	1 April 2023 to 31 March 2024	
Reporting boundary	11 F S, 1 Finsbury Avenue, London, EC2M 2PF	
Emissions measured	Electricity, natural gas, transmission and distribution losses, business travel, homeworking (not included in total footprint), paper, waste, water	

Table 8: Measured carbon footprint yearly comparison

Source Category	31/03/23	31/03/24
Buildings	9.0	6.7
Paper	0.5	0.6
Business Travel	57.9	45.4
Waste	2.1	0.2
Water	1.6	0.1
Total (market-based)	71.1	53.0

Targets

We have voluntarily made a public commitment to the goal of aligning our portfolio with net zero emissions by 2050. This involves setting forward targets for progressively increasingly the portfolio's alignment with net zero emissions with the aim of achieving this by 2050. Meeting our net zero commitment involves integrating net zero into all four TCFD pillars but is most obviously part of metrics and targets. Our net zero commitment has board approval and is a priority objective identified in our business plan with associated board level KPIs, supported by our ESG Programme. Therefore, many of the metrics we monitor are aligned to our net zero commitments.

[Our Roadmap to net zero](#) provides further information on our net zero strategy and why we have made a net zero commitment.

The NZAM commitment envisages 100% of assets under management being brought within the scope of net zero target setting over time. Our actual progress will depend on mandates from our partner funds, our regulatory environment, and the availability of sufficiently robust foundations for target setting. We need corporate disclosures to improve, and tools and methodologies to mature, across the full range of asset classes we manage.

Our net zero commitment focuses on extending the proportion of assets for which it is possible to establish a baseline (current position) and set forward targets that can inform underwriting, portfolio monitoring, and risk management.

The IIGCC guidance recommends and provides methodologies for setting two targets at asset class level (engagement and alignment) and two objectives at portfolio level (decarbonisation and investing in climate solutions) where these are compatible with an asset manager's remit and fiduciary arrangements.

We have set three of the four recommended targets and objectives for our Global Equities, Fixed Income, Real Estate, and Credit asset classes, and two for our Infrastructure asset classes. We are considering net zero targets for our remaining funds within our ESG Programme. We have not set a target for increasing investment in climate solutions at this point and instead work closely with our partner funds to support implementation of their preferences for products which invest in climate change solutions and the asset classes offering suitable scope. Meanwhile, we are already investing in climate-linked solutions, most obviously through our infrastructure funds which include direct investments in renewable energy (wind, solar, and energy from waste) and transition assistive projects including battery storage and district heating. We have also developed the EOF to enable our partner funds to increase their allocations to such investments which are deemed to provide climate and other environmental opportunities. LPPI's net zero targets are reported in the TCFD reports for our authorised funds: the Global Equities, Fixed Income, and Real Estate Funds.

Table 9: LPPI net zero targets¹⁰

	Portfolio Decarbonisation Reference Objective	Asset Alignment Target	Engagement Threshold Target
Target/ Objective	An emissions reduction objective aligned with a net zero pathway.	A target for increasing the proportion of AUM or financed emissions that is considered aligned with net zero.	A target for increasing the proportion of financed emissions that are aligned with net zero or under direct or collective engagement and stewardship actions.
Rationale	<p>The objective sets the required ambition for an investor's portfolio across the short, medium and longer term, and can set the basis for a net zero strategy, relative to the chosen net zero pathway(s) or carbon budget.</p> <p>The objective can act as a benchmark/performance monitoring tool to assess whether actions at the asset level are yielding the necessary portfolio level emissions reductions to be consistent with the investor's climate goals.</p>	Captures changes in the net zero alignment of assets over time against indicators or metrics that reflect backward, current and forward-looking alignment to net zero pathways. The target facilitates a focus on achieving net zero alignment at the asset level (aggregated at asset class level) and decarbonisation through real economy emissions reductions. As an increasing number of assets meet NZIF's alignment criteria, investors should see an increasing number of assets implementing robust transition plans and decarbonising in line with regional and sectoral net zero pathways.	Aims to ensure investors undertake stewardship and engagement actions with assets that are not transitioning at a pace aligned to a net zero pathway. To increase the proportion of assets that are aligned with regional and sectoral net zero pathways, investors can undertake engagement and stewardship, key levers of influence investors can use to support the net zero transition.

¹⁰ 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.

Table 9: LPPI net zero targets (continued)

	Portfolio Decarbonisation Reference Objective	Asset Alignment Target	Engagement Threshold Target
Global Equities Fund	The LPPI Global Equities Fund will achieve a 50.8% reduction in emissions intensity (WACI) by 2030 (Dec-29) relative to the fund's own baseline position in Dec-19, in line with its 1.5°C carbon budget pathway as determined by MSCI.	32% of AUM in material sectors is considered net zero, aligned or aligning by 2025; 55% by 2030; 100% of AUM in material sectors is considered net zero or aligned to net zero by 2040.	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 managers and our internal equities team.
	On track.	Short term target achieved.	Short term target achieved.
Fixed Income Fund	The corporate bond component of the LPPI Fixed Income Fund to achieve a 50% reduction in emissions intensity (WACI) by 2030 (December 2029) relative to the corporate component of the Bloomberg Global Aggregate benchmark position in December 2019. To avoid interference from other sectors in the overall benchmark, the Bloomberg Global Aggregate Corporate index will be used for calculation purposes.	The corporate bond element of the LPPI Fixed Income Fund will register an increased percentage of AUM in companies within material sectors which are net zero, aligned or aligning by 2025. Our overall ambition is for 100% of AUM within material sectors to be either net zero or aligned by 2040.	The corporate bond element of the LPPI Fixed Income Fund will 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.
	On track.	Short term target missed.	Short term target missed.

	Portfolio Decarbonisation Reference Objective	Asset Alignment Target	Engagement Threshold Target
Credit Fund (Investment Grade)	The Net Zero target for the Fund is a decarbonisation pathway of 50% reduction in the Bloomberg Corporate Global Aggregate Index WACI from Dec-2019 to Dec 2029 which equates to 125 tCO ₂ /\$M sales or below by 2030 (baseline 2019).	Starting from an end of 2023 baseline (35%), increase the percentage of AUM in companies within PAII NZIF High Impact sectors which are net zero, aligned or aligning to 50% by 2030. Increase the percentage of AUM in companies within PAII NZIF High Impact sectors which are net zero or aligned to 100% by 2040.	Starting from an end of 2023 baseline (47%), target 90% of financed emissions in PAII NZIF High Impact 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 2030.
	In progress. Target set in 2024.	In progress. Target set in 2024.	In progress. Target set in 2024.
Credit Fund (High Yield)	High yield corporate bond exposure: target 112 tCO ₂ /\$M sales or below by 2030. We are using a benchmark relative approach so our target is to remain below the Bloomberg Global High Yield Corporate Bond Index pathway which equates to 112 tCO ₂ /\$M sales or below by 2030. This is equivalent to a 50% reduction of WACI in the index from a 2022 baseline.	Starting from an end of 2023 baseline (48%), increase the percentage of AUM in companies within PAII NZIF High Impact sectors which are net zero, aligned or aligning to 60% by 2030. Increase the percentage of AUM in companies within PAII NZIF High Impact sectors which are net zero or aligned to 100% by 2040.	Starting from an end of 2023 baseline (61%), target 90% of financed emissions in PAII NZIF High Impact 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 2030.
	In progress. Target set in 2024.	In progress. Target set in 2024.	In progress. Target set in 2024.

Next steps

Table 9: LPPI net zero targets (continued)

	Portfolio Decarbonisation Reference Objective	Asset Alignment Target	Engagement Threshold Target
Real Estate Fund (UK Directs & JV's)	The LPPI Real Estate Fund direct portfolio is targeted to achieve a reduction in (average) emissions intensity of 50% by 2030 (December 2029) from the fund's own baseline position in December 2022.	At least 90% of direct portfolio will be assessed as net zero, aligned or aligning with a net zero pathway by 2025, with overall ambition 100% of assets to be net zero or aligned by 2040.	90% of the direct portfolio will be assessed as net zero, aligned with a net zero pathway or the subject of direct or collective engagement and stewardship actions by 2024.
	Off track. 31 December 2024 Fund WACI is above the net zero portfolio target for year.	Short term target achieved.	Short term target achieved.
Real Estate Fund (Indirects)	No target. Our Engagement target has been established to increase emissions data coverage managed by third party managers as soon as possible to at least 70% to allow for a decarbonisation objective to be set.	Increase the percentage of AUM managed by third party managers which are at least 'aligning' to at least 50% by 2030. By 2040, 100% of AUM managed by 3rd party managers should be classed as 'aligned' or 'net zero'. Managers of fixed-life value-add & opportunistic funds will be excluded from the alignment target. Their decarbonisation progress will be assessed individually.	Ensure that at least 90% of AUM managed by third party managers are either categorised as achieving net zero, aligned to a net zero pathway, or are subject of direct or collective engagement and stewardship actions by 2026. Ensure 100% of managers of fixed-life value-add and opportunistic funds are subject to engagement by 2030.
	In progress. Target set in 2024.	In progress. Target set in 2024.	In progress. Target set in 2024.
Infrastructure	No target.	50% of AUM will be assessed as net zero, aligned or aligning to a net zero pathway by 2030, 65% by 2035; 80% by 2040 and 100% by 2050.	50% of scope 1 and 2 financed emissions will be assessed as net zero, aligned to a net zero pathway or subject to direct or collective engagement by 2030; 75% by 2035; 100% by 2040. Progress on scope 3 will be monitored on an on-going basis.
		In progress. Target set in 2024.	In progress. Target set in 2024.

As set out in our disclosures, we have taken steps to identify, assess, and monitor the climate-related risks and opportunities for the assets we manage and for our business. However, we acknowledge that we still have much to do, including:



Strategy

We recognise that climate scenarios are subject to uncertainty and limitations, and that we need to monitor and update our assumptions, methodologies, or change our approach, as new data and evidence become available. There continue to be alternative approaches developing to assess climate-related risks and opportunities and their impact on strategy. Our views are anticipated to develop and we will continue to assess or change our approach accordingly. We intend to continue to explore the use of climate scenarios in our decision-making and financial planning processes and to identify vulnerabilities, optimise resource allocation, and ensure long-term resilience. This strategic foresight may not only enhance our ability to adapt to a changing climate but could also position us to capitalise on emerging opportunities from the transition.

Risk management

We are committed to continually strengthening and evolving our risk management activities to ensure they keep pace with business change and our partner fund expectations.

Metrics and targets

We will continue to work to improve data coverage and quality, and to establish methodologies for asset classes where they do not exist today. We expect metrics to improve through time.

Appendix

Scenario uncertainty

While the complex models at the heart of global temperature scenarios are becoming more accurate, their outcomes remain uncertain, driven by three factors:

Uncertainty	Description
Internal Variability	This is the measure of the variability of the climate system independent of human activities. This states that while overall temperatures will increase, these increases are not linear, and short-term fluctuations will be driven by internal variability which leads to forecast uncertainty.
Model Spread	Humans possess incomplete knowledge of the effect of the climate system on model outcomes. This means that running the same model with the same assumptions multiple times can still lead to different outcomes. This variability results in “model spread” uncertainty which again leads to forecast uncertainty.
Scenario Uncertainty	This is a measure of the uncertainty about future emissions and atmospheric CO ₂ capture. Shared Socioeconomic Pathways (SSPs) describe different scenarios in terms of the evolution of CO ₂ concentration over time; it is impossible to know what climate actions will be taken and what SSP scenario will be closer to the reality, and this leads to additional forecast uncertainty.

PAI net zero alignment – Global Equities Fund

Alignment category	Criteria for assessment
Committed	Ambition: A long term net zero goal
Aligning (material but not high impact)	Meet committed + Targets: Short- and medium-term emissions reduction target (Scope 1, 2 and material Scope 3). Disclosure: Disclosure of Scope 1, 2 and material Scope 3 emissions.
Aligning (high impact)	Meet committed + Targets: Short- and medium-term emissions reduction target (Scope 1, 2 and material Scope 3). Disclosure: Disclosure of Scope 1, 2 and material Scope 3 emissions. Decarbonisation strategy ¹¹ : A quantified plan setting out the measures that will be deployed to deliver GHG targets, proportions of revenues that are green and where relevant increases in green revenues.
Aligned (Material but not High Impact)	Meet aligning + Emissions performance ¹² : Current emissions intensity performance (Scope 1, 2 and material Scope 3) relative to targets.
Aligned (High Impact)	Meet aligning + Emissions performance ¹² : Current emissions intensity performance (Scope 1, 2 and material Scope 3) relative to targets. Capital allocation alignment: Clear demonstration that the capital expenditures of the company are consistent with achieving net zero emissions by 2050.
Net zero	Achieving the emissions intensity required by the sector and regional pathway for 2050. Ongoing investment plan or business model will maintain net zero performance.

PAI net zero alignment – Real Estate Fund

Alignment category	Criteria for assessment
Net Zero	An asset which is already achieving the energy and emissions intensity required by the CRREM 1.5°C pathway at 2050.
Aligned	An asset which is on track with the current energy use and emissions intensity levels that are consistent with achieving net zero and is expected to remain consistent the CRREM pathway based on projected performance including planned retrofits.
Aligning	An asset with a target to achieve consistency with CRREM pathway, and evidence of a strategy to achieve this.
Not aligned	All other assets.

Emissions metrics methodology

Our emissions metrics have been calculated in accordance with the Partnership for Carbon Accounting Financials (PCAF) guidance. PCAF published the Global GHG Accounting and Reporting Standard for the Financial Industry (“the PCAF Standard”). However, the PCAF Standard does not address all asset classes and has several methodological issues still to be explored.

Further, the PCAF Standard was developed primarily for use by banks and, therefore, has not yet fully addressed the asset management and portfolio context. As such, we have made several methodological decisions that are not included in the PCAF Standard, which are provided below. Table 10 highlights key methodological choices

Table 10: GHG emissions from assets under management – methodological highlights

Emissions included	Scopes 1, 2, 3
Asset classes included	<ol style="list-style-type: none"> Listed Equities Fixed Income (Corporates) Direct Real Estate Indirect Real Estate Infrastructure Credit (Corporates)
Asset Class not included	<ol style="list-style-type: none"> Private Equity Fixed Income (Sovereigns) Securitised and Structured Products Commodities Alternatives other than Real Estate Derivatives not linked to corporate issuers
Data sources	<ol style="list-style-type: none"> MSCI Company reported data External Manager reported data
Guidance & standards referenced	<ol style="list-style-type: none"> IIGCC Net Zero Investment Framework 2.0 PCAF (with adjustments to reflect issues not yet fully contemplated by PCAF Standard)



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. Emissions are based on the proportion of the company's revenue represented in the portfolio. Issuer-level Scope 1 and Scope 2 emissions data were obtained from MSCI. MSCI utilises reported data from companies where emissions are disclosed. Where companies do not disclose their emissions, MSCI applies proprietary methods to estimate emissions.

Because derivatives and short positions are not addressed by the PCAF Standard, we have included metrics that best approximate the net exposure to each corporate issuer obtained through derivatives. This methodological choice has a minimal impact on absolute emissions and carbon footprint estimates given that most of our assets under management is held in long-only portfolios with short positions and derivatives not being a significant component of the investment strategy.

For individual portfolios with more significant use of derivatives or short positions, it may be appropriate to report long and short positions separately.

Additional metrics focus specifically on the position of investee companies within the internally managed large cap mandate within our Global Equities and whether they have planning and targets in place for emissions reduction. The metrics assist our monitoring and engagement planning. Over **60%** of the targets set are aligned with Science Based Targets Initiative (SBTI), and **53%** of the targets are in line with SBTI's 1.5°C Business Ambition Initiative.

Metric	What it tells us	How we use it	Source
Scope 1 emissions	Measurement of direct GHG emissions from operations that are owned or controlled by a company. Typically relates to the combustion of fossil fuels on-site and in direct control of the company.	Emissions metrics at asset, portfolio, and firm level.	Collated by MSCI from company-reported data and MSCI activity-based estimates.
Scope 2 emissions	Measurement of indirect emissions of a company associated with the generation of purchased electricity, steam, heat, and cooling. It indicates a company's energy usage and can be helpful in highlighting energy intensity and efficiency.	Emissions metrics at asset, portfolio, and firm level.	Collated by MSCI from company-reported data and MSCI activity-based estimates.
Scope 3 emissions	Measurement of indirect emissions from a company's upstream and downstream value chain. Scope 3 effectively represents the emissions from the network within which a company operates. It is, therefore, useful in understanding wider emissions exposure and determining spheres of influence.	Emissions metrics at asset, portfolio, and firm level.	Collated by MSCI from company-reported data and MSCI activity-based estimates.
Total carbon 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.	Portfolio and firm level.	Sourced from MSCI reported and estimated data.
Carbon footprint	The carbon footprint (or 'financed emissions') of the portfolio represents the aggregated GHG emissions per million £/\$ invested and allows for comparisons of the carbon intensity of different portfolios.	Portfolio and firm level.	Sourced from MSCI reported and estimated data.
Weighted average Carbon intensity (WACI)	The WACI of the portfolio represents the aggregated carbon intensities of the companies in a portfolio (per million £/\$ revenue), scaled by the size of the holding. The WACI metric therefore helps measure a portfolio's exposure to high carbon intensity companies.	Portfolio and firm level.	Sourced from MSCI reported and estimated data.
Implied temperature rise	A fund's implied temperature rise measures, in aggregate, a fund's temperature alignment (in °C) to keeping the world's temperature rise to 2°C by 2100. Each company/issuer (invested into by the fund) is assessed for their potential emissions versus a budget allocated by sector and market share. This difference results in an estimated temperature which is then aggregated on a fund level.	Portfolio and firm level.	Sourced from MSCI reported and estimated data.
Portfolio coverage	This metric provides a guide to the level of data availability in all emissions metrics in the portfolio.	Portfolio and firm level.	Sourced from MSCI reported and estimated data.

Limitations

Although we understand how climate change is having an influence now and will do so into the medium and longer term, like our peers and the market in general our practice standards for measuring and forecasting are still developing and nascent. We face practical challenges with the consistency and coverage of data as a basis for reliable forms of measurement which can bring the type, scope, scale, and impact of exposures into clearer focus. Our strategy is focused on using the data that is currently available to gain a better understanding of current exposure and support thinking on how it will change going forward.

During the period, LPPI engaged third party data provider, MSCI ESG, for the provision of climate-related data to better measure, monitor and manage climate-related risks and opportunities. We are working to gather more data and to progressively embed new practices into our core processes, with ambition to evolve and improve our capabilities as we go forward.

Due to data challenges which include both consistency and coverage for the full range of asset classes we manage, our metrics to date have focused on public market assets and specifically our Global Equities, Fixed Income, Credit, Infrastructure and Real Estate asset classes which represent 90% of our assets under management (December 2024).

We recognise the need to grow our knowledge, skills, and data, and to evolve our approach. This will include collaborating with our peers and supporting the development of consistent frameworks and tools capable of assisting investors to navigate the way ahead.

We continue to develop data and insights on the quantum and makeup of existing investments in “green” and “brown” sectors, initially focusing on our listed equity, private equity, and infrastructure portfolios (where green denotes renewable energy and transition supporting activities and brown denotes fossil fuel-based activities including extraction/transportation, energy generation and utilities). Going forward our process will be shaped by the approach to identifying transition aligned activities outlined by the EU Green Taxonomy.

We regularly review data on the sustainability characteristics of our direct real estate portfolio which include Energy Performance Certification (EPC) ratings and flood risk ratings. We see long-term value opportunities in real estate investments where our investment manager is including green lease clauses within new leases to increase the number of properties climate-related data is reported upon and is executing on a long-term work plan to ensure the portfolio meets net zero commitments and Minimum Energy Efficiency Standards (MEES) as set by the UK Government.

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.

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.



Backward-looking

While we believe that absolute emissions and carbon footprint are an appropriate starting point for reporting of climate-related and portfolio alignment metrics, it is worth noting that these metrics are backward-looking in that they only consider past emissions of investees. They do not provide an assessment of how those investees may evolve their businesses to reduce their emissions in the future based on transition plans, emissions reduction targets, and goals. Therefore, decisions using these metrics alone may lead to a greater focus on shorter-term carbon reduction rather than a longer-term allocation to companies where the environmental position is expected to improve over time. Other metrics, such as implied temperature rise (ITR) and portfolio coverage attempt to incorporate a forward-looking component but have challenges and issues of their own in the case of ITR.

Sensitivity to market volatility

The PCAF Standard has been very helpful in setting a foundation for reporting absolute emissions and by default, carbon footprint, which measures absolute emissions per unit of assets under management. However, as a relatively new and incomplete standard, the metrics defined by PCAF have limitations that have yet to be addressed. One of those limitations is the sensitivity of absolute emissions and carbon footprint to fluctuations in asset values – particularly, though not exclusively, due to changes in enterprise value including cash from one period to the next.

In other words, as financial institutions use the metrics defined by PCAF to demonstrate progress towards decarbonisation of their portfolios, market volatility can introduce noise that reduces comparability from one year to the next. Other factors that drive changes in absolute emissions are changes to emissions of the underlying investee companies, and changes to asset allocation. Sensitivity to market volatility can obscure which of these factors is driving the changes in the metric year-on-year.

TCFD compliance statement and summary

The FCA and the Task Force on Climate Disclosures (TCFD) outlined 11 recommendations for organisations to include in their climate reporting. The table below directs to the relevant section where the 11 TCFD recommendations are covered in this report. Whilst we have complied with the 11 recommendations, we continue to work towards expanding the scope of our metrics and targets, developing the methodology of our climate scenario analysis and enhancing our disclosure in this area. In addition to the TCFD Final Report, we have also considered the TCFD Annex (issued October 2021).

The disclosures in this report comply with the requirements set out in 'ESG 2.2 entity report' and other relevant sections of the FCA ESG Sourcebook. They are consistent with the TCFD Recommendations and Recommended Disclosures. Reasonable steps have been taken to ensure that disclosures to the extent they are relevant and/or possible, also reflect sections C and D of the TCFD Annex titled 'Guidance for All Sectors' and 'Asset Managers' respectively. We view climate-related disclosures as evolutionary and endeavour to continue to improve on our disclosures.

This statement is made pursuant to FCA's ESG sourcebook (section 2.2.7) requiring a firm's TCFD entity report to include a compliance statement, signed by a member of senior management of the firm.

29 June 2025



Chris Rule
Chief Executive Officer



TCFD pillar	TCFD recommended disclosure	Section the disclosures are included in
Governance Disclose the organisation's governance around climate-related risks and opportunities.	a) Describe the board's oversight of climate-related risks and opportunities.	a) Oversight of climate-related risks and opportunities
	b) Describe management's role in assessing and managing climate-related risks and opportunities.	b) Management's role
Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.	a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	a) Impact of climate-related risks and opportunities
	b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	b) Scenario analysis
	c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	c) Resilience to climate-related risks
Risk management Disclose how the organisation identifies, assesses, and manages climate-related risks.	a) Describe the organisation's processes for identifying and assessing climate-related risks.	a) Managing climate-related risks
	b) Describe the organisation's processes for managing climate-related risks.	b) Process for managing climate-related risks
	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	c) Integration of climate-related risks into LPPI's overall risk management
Metrics and targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	a) Carbon footprint of our investments and operations
	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 GHG emissions, and the related risks.	b) LPPI operational metrics
	c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	c) Targets

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.

Location-based emissions

Location-based emissions are emissions based on the average emission factor of the local grid where energy consumption occurs and reflects the GHG intensity of the electricity physically received via the local grid.

Market-based emissions

Market-based emissions are emissions are calculated using emission factors from specific contractual instruments, such as power purchase agreements (PPAs) or energy attribute certificates (EACs). Market-based emissions reflect the emissions associated with the electricity purchased based on these contracts.

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.

Net zero

Achieving an overall balance between man-made emissions (greenhouse gases) 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 Manager's 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.

NZIF

Net Zero Investment Framework.

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.

PCAF

Portfolio self-decarbonisation.

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 emissions

Scope 1, 2 and 3 emissions are a way of categorising business emissions, accounting for both direct and indirect emitted greenhouse gases (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. Calculated as follows:

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

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:

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

Key risks identified by LPPI are detailed in the table below:

Climate risk	Type	Description
Physical	Acute	Increased severity of extreme weather events such as droughts, cyclones, wildfires, or floods. At the direct company level, this can potentially translate to lowered production and reduced revenues, increased insurance premiums and, increased capital costs due to need to replace damaged/unsuitable assets, amongst others.
	Chronic	Long-term, secular changing weather patterns, rising mean temperature and sea levels and biodiversity loss can result in. For corporates this can result in increased capital costs, higher energy costs and asset write-offs/ impairments, amongst other impacts, for corporates.
Transition	Policy and legal	This refers to the potential risk businesses face because of governments responding to climate change by implementing regulations such as carbon pricing, capping supply and use of resource, enhanced emissions reporting obligations, and the subsequent increased exposure to environmental litigation. At the company level this could result in lower returns on capital (via reduced customer demand and/or higher costs) and potential asset write-offs.
	Technology	Substitution of existing products/services with lower emissions alternatives, and/or costs associated with transitioning to these alternatives. This could result in lower customer demand, greater operating costs and higher investment requirements, all of which could drive lower returns on capital.
	Market	This refers to how consumer's behaviour could change (for instance substituting environmentally damaging products for more climate-friendly alternatives), which once again could lower corporate returns through reduced demand and higher production costs.
	Reputational	Shifts in customer preferences, sector stigma, negative stakeholder feedback, all of which could damage a company's reputation, thus negatively impacting demand and capital availability, and potentially lead to higher costs and lower profitability.

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