Lancashire County Pension Fund (LCPF) Responsible Investment Report – Q3 2022

This report has been prepared by LPPI for Lancashire County Pension Fund (LCPF) as a professional client.

1. Introduction

This report on Responsible Investment (RI) is a companion to the LPPI RI Dashboard (Appendix B) and the Quarterly Active Ownership Report (available from the online Pensions Library).

It covers stewardship in the period 1st July - 30th September 2022 plus insights on current and emerging issues for client pension funds.

[R] This symbol indicates a term explained in the reference section at the end of this report.

Key takeaways for the period:

- In Q3 2022 LPPI voted on 94% of company proposals, supporting 82% of these.
- Investments in Brown sectors (extraction, transportation, storage, supply, and generation of energy from fossil fuels) are 2.52% of the portfolio.
- Investments in Green sectors (renewable energy generation, clean technology, and decarbonising activities) are 4.21% of the portfolio.
- The PRI results for the 2021 reporting cycle have now been published and you can find LPPI's full report here. The PRI followed a new assessment framework for this submission so LPPI will take time to review the full set of feedback and results and will share an update in the next quarterly report.
- LPPI signed up as an 'endorser' to the PRI Advance initiative, which aims to support institutional investors to collaborate and take action on human rights and social issues. The initial focus sectors are Metals & Mining and Renewables.
- LPPI have received formal confirmation from the IIGCC[R] (Institutional Investors Group on Climate Change) that our first set of Net Zero targets have been accepted.

2. RI Dashboard – Portfolio Characteristics

This section of the report shares key takeaways from the RI Dashboard at Appendix B.

Asset class metrics (*Dashboard pages 1 & 2*) offer insights on the composition of the portfolio and its general characteristics. See the summary for Q3 2022 outlined below.

Listed equities (Dashboard p1)

Sector Breakdown

Categorised by GICS[R] the largest sectoral exposures for the GEF are Information Tech. (27%), Consumer Staples (15%), and Financials (14%).

Comparing the GEF with its benchmark (MSCI ACWI)[R] gives insight into how sector exposures for the fund differ from a global market index. The length of each horizontal bar indicates by how much exposures differ in total (+ or –) compared with the benchmark, which is the outcome of active managers making stock selection decisions rather than passively buying an index.

Top 10 Positions

The top 10 companies (10 largest positions) make up 24% of the total LPPI GEF.

In Q3 2022 Microsoft remains the largest holding in the GEF. Visa and Nestlé remain in the top three, although they have now swapped positions, with Nestlé above Visa. Alphabet and Diageo have both moved up 1 position. Accenture moved down 1 position, whilst Pepsico remained the same. Colgate, SPDR Gold Shares and Autozone were replaced by Intuit, Apple and Starbucks, which makes up the last positions in the top 10.

Portfolio ESG Score

The GEF's Portfolio ESG score has decreased from 5.8 to 5.7 between Q2 and Q3. In the same period the equivalent score for the benchmark had not changed, at 5.5.

Transition Pathway Initiative (TPI)

Monitoring against TPI[R] Management Quality ratings confirms the GEF continues its relatively low exposure to highly carbon intensive activities with minimal changes in ratings since Q2. By value, the coverage of the GEF represented within the globally high emitting companies under TPI assessment has increased from 10% to 11%, between Q2 and Q3.

The number of GEF companies in scope of TPI scoring has increased by 5 since Q2 2022, changing from 25 to 30. This increase represents an expansion to the TPI universe, bringing more companies in the portfolio into scope. There are six new companies in scope, all with ratings ranging between TPI 1 and TPI 4. Our existing monitoring approach of carrying out enhanced due diligence on those rated below TPI 3 will also apply to new companies in scope following the universe expansion. One company has dropped out of scope as it is no longer in the portfolio.

Of the 30 companies in TPI scope:

- 94% (by value) are rated TPI 3 and above – demonstrably integrating climate change into their operational planning (TPI3) and into their strategic planning (TPI 4). This is down from 96% in Q2 2022, which is a general reflection of the additional companies bringing down the ratio.
- 7 companies are scored below TPI 3 and are under monitoring.

Governance Insights

These metrics provide insights on governance issues for the GEF using data from ISS DataDesk (Institutional Shareholder Services) our provider of shareholder voting services.

Women on the board: A measure of gender diversity confirming the average proportion of female board members for companies in the GEF (where data is available).

In **Q3 2022**, an average of 29% of board members were female in the GEF. There was a coverage of 83% data availability, which was a result of several companies not being in scope of the ISS database.

Board independence: The average proportion of board members identified by ISS as independent. Please note independence expectations vary across markets with LPPI generally favouring greater independence as a route to an appropriate breadth of ideas, skills and experiences being drawn upon.

In **Q3 2022**, on average 69% of board members were independent in the GEF. There was a coverage of 83% data availability, which was a result of several companies not being in scope of the ISS database.

Say-on-pay: The average level of investor support for the most recent say-on-pay vote at a company meeting. Please note not all markets require say-on-pay votes. A vote of greater than 20% against (support < 80%) is generally considered significant.

In **Q3 2022**, an average of 88% were in support for say on pay, which indicates a high proportion of investors were supportive of the pay policies of investee companies. There was a coverage of 72% data availability, which was a result of several companies not being in scope of the ISS database.

<u>Other asset classes (Dashboard p2)</u>

Private Equity

Sector and geographical exposures remained similar to those reported in Q2 2022. The portfolio continued to have a strong United States presence (50%) and largest sector exposure is to Information Technology (31%).

The Real-World Outcomes section of the dashboard features examples of socially positive investments and this quarter the focus is on Private Equity. Pages 6-7 share information on a selection of investments within the LCPF portfolio which are based in the UK and abroad.

Infrastructure

The geographical exposures to UK based infrastructure remained unchanged from Q2 2022 at 52%. The largest sectoral exposure remained in Traditional Energy, Renewable Energy, Waste, which makes up 35% of the portfolio.

Real Estate

The geographical exposures continued to be largely deployed in the UK, slightly reducing from 74% in Q2 2022 to 73% of the portfolio in Q3. The largest sectoral exposure continued to be Industrial assets, remaining unchanged at 43% of the portfolio.

Green & Brown Exposures

Calculation of the Fund's exposure to Green and Brown activities focusses specifically on equity assets (Listed Equity, Private Equity, and Infrastructure) plus corporate bonds within Fixed Income. Figures give an indication, rather than a precise measure, as an assistance to reviewing the overall position.

Green activities are those directly contributing to real world decarbonisation, principally through renewable energy generation, but include other activities supporting lower emissions including district heating, and waste management. Brown activities are those directly involved with extracting, transporting, storing, and otherwise supplying fossil fuels, or using them to generate energy.

The dashboard presents information on the trend in Green and Brown exposures (commencing in Q4 2019). Quarterly changes in Green and Brown exposure reflect multiple factors at play including funds reaching maturity, assets being revalued, and investments being made and sold. The total value of the Lancashire County Pension Fund (LCPF) portfolio (as the denominator) also affects Brown and Green % shares quarterly.

Compared with Q2 2022, Brown exposure has had a minor decrease from 2.63% to 2.52%. The biggest contributor to the decreased exposure is from the Infrastructure asset class. This quarter, figures reflect several companies identified as Brown having exited from their respective funds. This has decreased Infrastructure's Brown exposure from 2.19% in Q2 to 2.08% of the portfolio in Q3. Other contributing factors have been a mark-to-market decrease in the respective sector's performance of Brown positions held in Infrastructure and Fixed Income.

Compared with Q2 2022, Green activities have increased from 3.99% to 4.21% of the portfolio. The biggest contributor to the increased exposure is from the Infrastructure asset class. This is a reflection of a good mark-to-market increase, demonstrating the sector's strong performance of Green positions held in Infrastructure. This has increased Infrastructure's Green exposure from 3.87% in Q2 to 4.15% of the portfolio in Q3.

Investments in renewable energy generation from wind, solar, hydro, and waste make up 84% of total Green exposure, and 99% of Green exposure is via Infrastructure assets.

3. Core Stewardship

This section of the report gives an overview of stewardship activities in the last quarter. Client pension funds delegate day to day implementation of the Partnership's Responsible Investment approach to Local Pensions Partnership Investments Ltd (LPPI). Ongoing stewardship activities by LPPI include portfolio and manager monitoring and the exercise of ownership responsibilities via shareholder voting, and engagement.

Shareholder Voting - LPPI Global Equity Fund (GEF) *(Dashboard page 3)*

Shareholder voting is overseen centrally by LPPI rather than by individual asset managers. LPPI receives analysis and recommendations from an external provider of proxy voting and governance research. We follow Sustainability Voting Guidelines focussed on material ESG considerations and liaise with providers and asset managers as needed to reach final voting decisions.

Full details of all shareholder voting by LPPI are publicly available from the LPP website within quarterly shareholder voting reports.

The period 1st July – 30th September 2022 encompassed 53 meetings and 485 resolutions voted. LPPI voted at 94% meetings where GEF shares entitled participation. The shortfall reflects the application of Do Not Vote to two Russian positions that were not fully liquidated before trading restrictions were introduced, and one company in a shareblocking market where LPPI applies Do Not Vote to maintain liquidity.

Company Proposals

LPPI supported 82% of company proposals in the period.

Voting against management concentrated on:

- non-salary compensation: 41% (addressing inadequate disclosure of underlying performance criteria, use of discretion, and the quantum of proposed rewards).
- the election of directors: 33% (addressing individual director issues, overall board independence, and over-boarding).

Case Study – Director Related

LPPI voted against 21 director-related resolutions across 15 companies. This was approximately 10% of all director-related votes.

LPPI voted against 14 resolutions across nine companies due to a lack of Board independence. Results (where disclosed): 3.9% - 16.7% Against.

LPPI voted against one director due to the lack of diversity on the Board. Result: 4.5% Against.

Case Study – Non-Salary Compensation

LPPI voted against 26 compensation resolutions across 15 companies. This was approximately 41% of compensation-related votes. Of the 26 votes LPPI opposed, one received a majority of votes against.

At Black Knight (USA: Application Software), LPPI voted against the advisory vote on golden parachutes (pay outs to executives who depart following a merger). Approximately half the payment was attributed to a potential discretionary bonus, with no rationale shared for its magnitude. Result: 82.3% Against.

At Berkeley Group Holdings (UK: Homebuilding), LPPI voted against the remuneration policy. The Remuneration Committee did not provide a compelling rationale for the introduction of new elements, including a long-term option plan, which raised concerns around the magnitude of total remuneration. Result: 39.7% Against.

At Nike (USA: Footwear), LPPI voted against the say on pay. This was driven by factors including: the majority of the long-term incentive plan comprised awards lacking performance conditions, and the awarding of annual bonus payments to plan members that did not meet threshold performance targets. Result: 35.1% Against.

Shareholder Proposals

LPPI supported two of six (33.3%) shareholder resolutions over the quarter.

Four out of the six shareholder resolutions came from an activist fund targeting Compagnie Financiere Richemont (Switzerland: Apparel, Accessories, and Luxury Goods). LPPI supported two of the proponent’s resolutions which sought to improve board independence and enhance minority shareholder rights. Results: 16.6% and 17.7% For.

Case Study – Real Asset Engagement

During September 2022 LPPI Credit Investments LP funded an investment in a new multi-asset credit strategy. The External Managers team did a lot of upfront due diligence when selecting the investment manager to ensure that material ESG factors were appropriately integrated into the investment process in a systematic way. This included spending time going through individual case studies across the underlying sub-strategies. This is a core component of our investment due diligence and if a manager doesn’t meet the standards that we require we won’t progress. This was the case with another manager over the last year where we stopped work after reviewing individual case studies as we felt the ESG analysis was superficial in places. During the recent multi-asset credit strategy underwrite we also spent time understanding the investment managers top-down responsible investment philosophy and looked to ensure that it was aligned with our own, including our net zero target. The investment was setup as an LPPI dedicated single investor fund which has the benefit of allowing us to work with the manager to create bespoke investment restrictions, including the exclusion of certain energy related sectors, and design enhanced transparency, including carbon reporting.

4. Robeco Summary

Engagement (Public Markets): Robeco *(Dashboard page 4)*

This section of the dashboard outlines the engagement activities undertaken by Robeco in the public markets by topic, sector, method, and region (indicating the number of companies engaged / geographical distribution). This quarter Robeco engaged with 27 companies in the GEF, accumulating to 17.5% of the total GEF portfolio.

Engagement (Public Markets): Robeco *(Dashboard page 5)*

Engagement progress by theme, also shown on page 2 in the Robeco Active Ownership report, summarises our engagement activities for the quarter and breaks them down into sub-sectors, where they are rated on success/progress (shown as a %).

The data outlined in our dashboard is specifically related to the companies in LPPI's portfolio and the engagements Robeco undertake on our behalf.

Robeco Active Ownership Report: Content Overview

The below information is a summary of Robeco Active Ownership report, from page 3 onwards, which covers case study insights from across their work that they have chosen to give an update on this quarter. All information represents Robeco's findings for their entire assets under engagement. Although it is still relevant to LPPI, it is not specific to the companies that are under engagement for LPPI. These insights can refer to companies inside and outside our portfolio, depending on our specific exposure to the given theme being highlighted.

Diversity and Inclusion

The relevance of Diversity and Inclusion (D&I) for investors can be understood through the double materiality lens. Firstly, from a financial standpoint, human capital management strategies, including the promotion of diversity and inclusion, are significantly important in determining a company's underlying quality and intrinsic value. Investors should therefore integrate such factors into their investment approach. Subsequently, the benefits stemming from an inclusive and diverse workforce flow through to the macro environment and have a direct impact on society and the economy as a whole.

Robeco formulated five engagement objectives to facilitate their dialogue on D&I: developing a D&I policy, define D&I implementation strategies, disclose workforce diversity data, address overall pay equality, and promote an inclusive culture. The lack of data is the main challenge identified by investors when assessing companies' efforts on diversity and inclusion. Robeco identified and selected those industries that are lagging in disclosure of diversity data and identified the first set of companies for engagement.

Promoting D&I is a challenging topic at its core due to differences in company cultures and regional practices. One significant hurdle that Robeco expect to face is how to equally address all aspects of diversity and move the conversation beyond simply looking at gender. There are still many countries where identifying as LGBTQ+ remains illegal, and cultural norms prohibit companies from promoting an inclusive culture. Promoting practices that address the benefits of the integration of various minority groups will be challenging.

Natural Resource Management

The world is facing a dire shortage of freshwater, a situation that is set to only get worse due to urbanization, population growth, climate change and socio-economic development. To act upon these risks, Robeco has expanded its environmental engagement program to include the responsible management of natural resources and the mitigation of adverse impacts on the environment. The engagement theme aims to address the impacts of corporate operations related to their intensive water use and generation of waste.

The discharge of wastewater remains a problematic issue. Robeco will focus on companies where the management of water/waste generation and disposal management is a financially material issue, or where corporate operations have a significant negative environmental impact due to water or waste issues. In July 2022, Robeco started engaging with the first group of six companies. They were chosen using a bottom-up and fundamental approach by Robeco's research and investment analysts.

Robeco has developed a water and waste management framework tool to assess how well a company has incorporated the management of such risks into their practices, depicted in Figure 1 in the full Quarterly Active Ownership Report 2022 Q3. The insights from this assessment inform their engagement priorities and facilitates the tracking of progress against the engagement objectives. Robeco expect their methodology to identify suitable companies will continue to evolve and be refined as the relevant data continues to improve and become more broadly available, including that used to measure the Principal Adverse Impact Indicators (PAI[R]) defined in the EU Sustainable Finance Disclosure Regulation (SFDR[R]).

Climate Transition of Financial Institutions

It has become increasingly clear that the banking sector has a critical role to play in the low-carbon transition. Banks can facilitate investments in low-carbon solutions and encourage emission reductions through climate-aware financing and engagement with their clients. While many banks are dealing with operational challenges such as emission data collection and new governance structures, the expectations around disclosures and targets are becoming ever more stringent.

The Climate Transition of Financial Institutions theme has now reached its mid-point in the three-year engagement program. Robeco are collaborating with the Institutional Investor Group on Climate Change (IIGCC[R]) which, in partnership with Transition Pathway Initiative (TPI[R]), is developing a framework to assess how prepared banks are for the low-carbon transition. There are several indicators grouped into six areas, providing a comprehensive picture of a bank's net zero transition plan: 1. Net zero commitments, 2. Short and medium-term targets, 3. Decarbonization strategies, 4. Climate governance, 5. Climate policy engagement and 6. Audit and accounts.

The results so far show the average alignment with credible net zero trajectories amongst banks is relatively low. This is in part due to the lack of disclosure of carbon emission data throughout their loan books, but also because of insufficient target-setting at the time of the assessment. These are both areas of improvement for banks climate strategies and will become more accessible as greater transparency on how they engage with clients is expected in the coming years. In the upcoming second half of the engagement theme, Robeco will use the outcomes of this assessment framework to emphasize the changes that they expect banks to make.

Responsible Executive Remuneration

The Shareholder Rights Directive (SRD II), introduced by the EU in 2019, has given shareholders the right to a vote on remuneration on a structural basis, mirroring the 'say-on-pay' votes seen in the US. In 2020, Robeco initiated the Responsible Executive Remuneration theme and have focussed on four areas (below), while observing the impact of SRD II on companies' remuneration practices.

- To better align pay with performance (including performance on sustainability).
- To promote equity holding requirements (rather than option structures or cash pay-outs) to have a more straightforward alignment with shareholders.
- To use ratios and benchmarks in order to avoid excessive pay discrepancies between and within organizations.
- To have strong and independent oversight from the supervisory board and feedback mechanisms towards its shareholders.

Robeco note there remains much work to ensure the alignment of pay and long-term shareholder interests. For example, Robeco continues to see companies that have poorly designed stock plans which fail to incentivize executives to focus on delivering long-term sustainable performance. They consider it best practice for a majority of an executive's long-term incentive award to be in the form of equity vesting based on performance against quantifiable targets. They also focus on ensuring that adequate ownership guidelines are in place for executives, which helps ensure that executives build and maintain a meaningful level of stock ownership throughout their tenure to align shareowner incentives.

Robeco also find that some companies use sustainability-related performance as a remuneration cushion but fail to provide disclosure. When linking ESG metrics to pay, Robeco seek to ensure that sustainability metrics are measurable, relevant to the strategy, and sufficiently ambitious.

5. Collaborations and Partnerships

LPPI participates in a range of investor groups and partnerships which provide opportunities for shared learning and a platform for collective action. The following are headlines for Q3 2022.

PRI/Business & Human Rights Resource Centre

LPPI was one of 39 investors, representing £4.5tn AUM, which supported a letter calling for the UK government to introduce mandatory human rights due diligence in line with the UN Guiding Principles on Business and Human Rights for UK linked companies.

PRI Advance

PRI Advance aims to support institutional investors to collaborate and take action on human rights and social issues. Investors will use their collective influence with companies and other decision makers to drive positive outcomes for workers, communities and society. The initial focus sectors are Metals & Mining and Renewables. LPPI signed up as an 'endorser' to the initiative, recognising other investors were better placed to lead engagements in sectors LPPI has little exposure to in the Global Equities Fund (Advance's target companies represented <0.5% of the Fund at the time of assessment), while still signalling our public support for the objectives.

ISS policy benchmark survey

LPPI responded to ISS's Benchmark Policy survey, in which clients help shape future voting research and recommendations. A range of ESG topics are covered each year. Notable this year was the attention paid to climate risk management, in which LPPI supported higher expectations when assessing investee companies' climate-related performance.

WDI letters

LPPI is a member of the Workforce Disclosure Initiative (WDI) investor coalition which supports the collection of new workforce data through annual surveys to give richer insights into the management of workforce risks. Over Q3, we identified four priority companies in the Global Equities Fund and engaged via a letter campaign, requesting they participate in this year's survey. The disclosure period ends in Q4; we are currently monitoring progress.

CA100+ Membership Survey

LPPI responded to the CA100+[R] signatory consultation on the second phase of the project, covering 2023-2030. Feedback was sought regarding how best the initiative can continue to effectively support investor engagements with focus companies and drive greater company ambition and action on climate change in this critical decade. Key focus areas included scope, governance, company benchmarking, and recalibrating signatory participation.

Plastics Treaty

LPPI endorsed the vision statement or 'founding document' for the creation of a Business Coalition for a Global Plastics Treaty, which you can find on their website here. The coalition brings together businesses and financial institutions committed to supporting the development of an ambitious, effective and legally binding UN treaty to end plastic pollution. This follows on from our initial support of a UN Treaty on Plastic Pollution in advance of the fifth session of the UN Environment Assembly when we joined the Business Call for a Global Plastics Treaty. The UNEA meets to set priorities for global environmental policies and develop international environmental law.

OPSC Workplan Update

LPPI has signed up to the OPSC 2022/23 workstreams on Climate, focusing on Net Zero and TCFD[R], and Private Assets, which will explore best practice stewardship approaches within private asset classes. Kick-off meetings will be held in Q4 2022.

6. Other News and Insights

PRI Results

The PRI results for the 2021 reporting cycle (which was the pilot year for a new reporting framework) have now been published, and you can find LPPI's full report here. Publication of the results was delayed until September 2022 and they follow a new assessment framework which has made comparison with previous results difficult. LPPI will take time to review the full set of feedback and results and will share an update in the next quarterly report.

In response to issues experienced in the pilot year (2021), PRI signatories were not required to report in 2022 (effectively a “gap year”) to allow an appropriate period for the PRI’s full review. As such, the next reporting period will be for the 2023 reporting year. PRI have not yet confirmed final details of the reporting process or the deadline and arrangements for signatories making submissions. We will provide an update when these details are known.

Net Zero Update

LPPI have received formal confirmation from the IIGCC (Institutional Investors Group on Climate Change) that our first set of Net Zero targets have been accepted, which means they are in line with Net Zero Asset Manager commitment we made this time last year. We are proud to have reached this milestone in our net zero journey and of all the hard work put in by the responsible investment team and across LPPI. Further information in relation to the targets that we have set can be found on the Net-Zero Asset Manager Initiative website here.

Stewardship Code update

LPPI successfully submitted its Annual Report on Stewardship and Responsible Investment (2021/22) to the Financial Reporting Council, ahead of the October 2022 deadline. The final document is a strong submission addressing the requirements of the UK Stewardship Code (2020) and illustrates the huge amount of work carried out by the responsible investment team and wider business in 2021/22.

The report will be published on the LPPI website in Q4 2022 and the FRC will assess LPPI’s report and confirm (in early 2023) whether it meets the standard required for retaining signatory status.

LGPS TCFD Consultation update

In September 2022, the Department for Levelling Up, Housing and Communities issued a consultation specifically for LGPS administering authorities on their assessment, management and reporting on climate related risks, in line with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD[R]). The deadline for a response is 24th November. LPPI will be preparing a response which will be shared with clients to support the development of a response should they wish to make one, and will be made public on LPPI’s website thereafter.

TPI Global Climate Transition Centre

LPPI has been a supporter of the Transition Pathway Initiative (TPI) since its launch in 2017 as a global, asset-owner led initiative, which assesses corporate preparedness for the transition to a low carbon economy.

The TPI:

- Evaluates and tracks the quality of a company's management of greenhouse gas emissions and the risks and opportunities related to the low-carbon transition;
- Evaluates how a company's planned or expected future carbon performance compares to international targets and national pledges made as part of the Paris Agreement;
- Publishes the results of this analysis online through a publicly available tool.

LPPI's quarterly RI Dashboard includes a metric which shows how companies in the GEF are positioned against the TPI Management Quality staircase which scores them from 0 to 4*. On 28 September 2022, TPI took a significant step forward, with the official launch of a Global Climate Transition Centre. The Centre was established in June 2022 within the Grantham Research Institute on Climate Change and the Environment, which is based at the London School of Economics and Political Science (LSE). The launch marks a new chapter for TPI. The scale of TPI corporate analysis will be expanded considerably to encompass a significantly larger population of global companies and give investors access to a broader range of data, metrics, tools, and insights as a support for their monitoring, decision-making and engagement. Details of the new Centre are available here.

For Reference

GICS - Global Industry Classification System
The most widely used approach to categorising activities into industry sectors. The main standard in use for public markets with growing use for other asset classes. For more information on GICS and the activities that fall into each sector, please see:
https://www.spglobal.com/marketintelligence/en/documents/112727-gics-mapbook_2018_v3_letter_digitalspreads.pdf

Climate Action 100+
Climate Action 100+ is an investor-led initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change.

Paris Agreement
The Agreement is a legally binding international treaty to tackle climate change and its negative impacts. The Agreement includes commitments from all countries to reduce their emissions and work together to adapt to the impacts of climate change. It entered into force on 4 November 2016.

The Agreement sets long-term goals to guide all nations to:

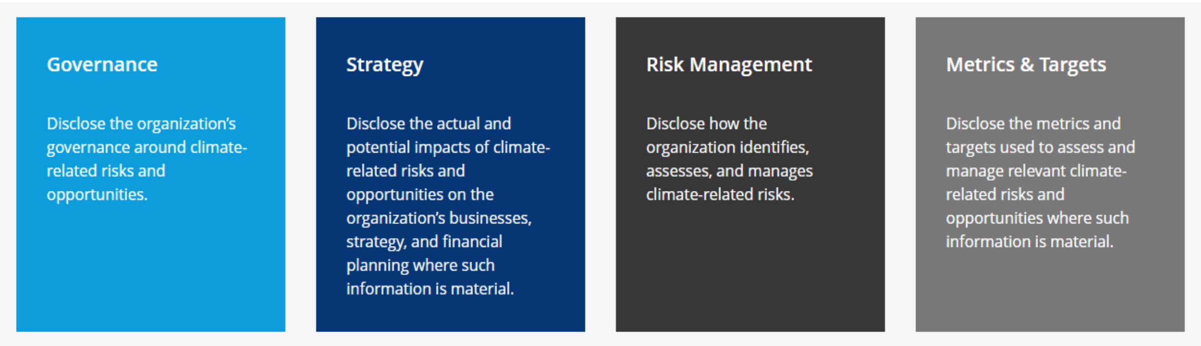
- substantially reduce global greenhouse gas emissions to limit the global temperature increase in this century to 2 degrees Celsius while pursuing efforts to limit the increase even further to 1.5 degrees,
- review countries' commitments every five years,
- provide financing to developing countries to mitigate climate change, strengthen resilience and enhance abilities to adapt to climate impacts.

https://www.un.org/en/climatechange/paris-agreement

MSCI ACWI - MSCI All Country World Index
A stock index designed to track broad global equity-market performance. The LPPI Global Equity Fund's benchmark.

MSCI - **Morgan Stanley Capital International**
A global index provider.

TCFD - Taskforce on Climate Related Financial Disclosure
The Financial Stability Board created the Task Force on Climate-related Financial Disclosure (TCFD) to improve and increase reporting of climate-related financial information by companies and investors.
Recommendations include annual disclosure under 4 pillars:



TPI - **Transition Pathway Initiative** https://www.transitionpathwayinitiative.org/
The TPI assesses the highest emitting companies globally on their preparedness for a transition to a low carbon economy. 368 companies are rated TPI 0-4* for Management Quality based on 19 separate datapoints. TPI Management Quality scores provide an objective external measure of corporate transition readiness.

NZAMI – Net Zero Asset Managers Initiative https://www.netzeroassetmanagers.org/
The Net Zero Asset Managers Initiative launched in December 2020 and aims to galvanise the asset management industry to commit to a goal of net zero emissions.

GLIL - https://www.glil.co.uk/
GLIL is an innovative collaboration between aligned and like-minded investors who are seeking investment into core infrastructure opportunities predominately in the United Kingdom.

PAI - Principal Adverse Impact Indicators
Impacts are defined by the EU as "negative, material, or likely to be material effects on sustainability factors that are caused, compounded by, or directly linked to investment decisions and advice performed by the legal entity."

SFDR - Sustainable Finance Disclosure Regulation
This is a set of EU rules which aim to make the sustainability profile of funds more comparable and better understood by end-investors. The regulation focuses on pre-defined metrics for assessing the environmental, social and governance (ESG) outcomes of the investment process.

IIGCC
Institutional Investor Group on Climate Change. LPPI is a member.

PRI - Principles for Responsible Investment https://www.unpri.org/
A United Nations-supported international network of financial institutions working together to implement its six aspirational principles, often referenced as "the Principles"