Lancashire County Pension Fund (LCPF) Responsible Investment Report – Q1 2023

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 January - 31st March 2023 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 Q1 2023 LPPI voted on 94% company proposals, supporting 88% of these.
- Investments in Brown sectors (extraction, transportation, storage, supply, and generation of energy from fossil fuels) have fallen to 2.52% of the portfolio.
- Investments in Green sectors (renewable energy generation, clean technology, and decarbonising activities) have increased to 5.23% of the portfolio.
- LPPI has joined the IIGCC's[R] Net Zero Engagement Initiative (NZEI). By expanding the universe of companies engaged beyond the Climate Action 100+[R] focus list, the objective is to help investors align more of their portfolio with the goals of the Paris Agreement[R].
- LPPI has been participating in the FCA-convened Vote Reporting Group. The Group aims to bring together a range of stakeholders with knowledge and interest in good practice vote disclosure to develop a more comprehensive and standardised vote disclosure regime.
- The conclusion of the DLUHC[R] consultation on the introduction of climate risk reporting for LGPS will be delayed, after originally being planned to be in place by April this year. This means that the requirements will not come into place for the 2023/24 financial year.

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 Q1 2023 outlined below.

The Real-World Outcomes section of the dashboard features examples of socially positive investments and this quarter the focus is on Infrastructure. Pages 6-9 share information on a selection of investments within the LCPF portfolio which are developing solutions based in the UK and abroad.

Listed equities (Dashboard p1)

Sector Breakdown

Categorised by GICS[R] the largest sectoral exposures for the GEF are Information Tech. (20%), Financials (17%), and Consumer Discretionary (15%).

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 22% of the total LPPI GEF.

In Q1 2023 Microsoft moved up 2 positions and is now the largest holding in the GEF. Visa and Nestle remain in the top three, with Visa remaining stationary and Nestle moving down by 2 positions. Accenture and Starbucks have moved down 1 and 2 positions respectively, whilst Alphabet and LVMH have both moved up by 1 position. Pepsico, Colgate and Diageo were replaced by Intuit, Rockwell Auto and Apple, which makes up the last positions in the top 10.

Portfolio ESG Score

During a period of ongoing dialogue with our provider related to licensing to publish ESG ratings for the GEF, LPPI has temporarily removed this metric from our reporting. We expect the process to conclude by next quarter and for monitoring of the score to continue. We will communicate details privately until matters have been concluded.

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 Q4 2022. By value, the coverage of the GEF represented within the globally high emitting companies under TPI assessment has increased from 11.0% to 11.9%, between Q4 and Q1.

The number of GEF companies in scope of TPI scoring has increased by 2 since Q4 2022, changing from 31 to 33. This increase is a result of 3 new assets entering the portfolio from our external managers, which are already part of the TPI universe. One company has dropped out of scope as it is no longer held in the portfolio.

Of the 33 companies in TPI scope:

- 91% (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 92% in Q4 2022, which is a general reflection of mark-to-market changes in the valuations of in scope companies.
- 8 companies are scored below TPI 3 and are under monitoring.

Governance Insights

The following 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 Q1 2023, an average of 30% of board members were female in the GEF, which is up from 29% in Q4 2022. There was a coverage of 85% data availability (up from 84% in Q4), 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 Q1 2023, on average 69% of board members were independent in the GEF, which is up from 68% in Q4 2022. There was a coverage of 84% data availability (unchanged from Q4), 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 Q1 2023, an average of 88% were in support for say on pay (unchanged from Q4), which indicates a high proportion of investors were supportive of the pay policies of investee companies. There was a coverage of 62% data availability (down from 69% in Q4), which was a result of several companies not being in scope of the ISS database.

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

Private Equity

The geographical exposure continued to have a strong United States presence, although slightly reducing from 53% in Q4 to 50% in Q1 2023. The largest sectoral exposure continued to be Information Technology, remaining at 29% in Q1 2023.

Infrastructure

The geographical exposures to UK based infrastructure slightly decreased, moving from 48% exposure in Q4 to 46% in Q1 2023. The largest sectoral exposure remained in Traditional Energy, Renewable Energy, Waste, which makes up 41% of the portfolio.

Real Estate

The geographical exposures continued to be largely deployed in the UK, increasing from 72% in Q4 to 74% in Q1 2023. The largest sectoral exposure continued to be Industrial assets, making up 40% 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 Q4 2022, brown exposure has decreased slightly from 2.72% to 2.52%. The biggest contribution to the reduced exposure comes from the Infrastructure asset class. The figures reflect one company, identified as Brown, leaving the portfolio from an existing fund reflecting the opportunity to capitalise on a high MOIC (Multiple on Invested Capital). This has reduced infrastructure's Brown exposure from 2.12% in Q4 to 2.00% of the portfolio in Q1 2023. Other contributions were from the GEF asset class, where there has been a small mark-to-market decrease in the performance of Brown positions held in portfolio.

Compared with Q4 2022, green activities have increased from 4.60% to 5.23% of the portfolio. The biggest contributor to the increased exposure is from the Infrastructure asset class. The figures reflect one new company being added to an existing fund which has been identified as Green. Infrastructure's contribution also reflects a positive mark-to-market increase, indicating strong performance by Green positions held in portfolio. This has increased infrastructure's Green exposure from 4.45% in Q4 to 5.06% of the portfolio in Q1 2023.

Investments in renewable energy generation from wind, solar, hydro, and waste make up 86% of total green exposure, and 97% 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 Equities 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 January – 31st March 2023 encompassed 49 meetings. LPPI voted at 46 (94%) meetings where GEF shares entitled participation, totalling 460 resolutions voted. LPPI did not vote in three meetings. LPPI was prevented from voting two meetings due to custodian delays during the onboarding of the Baillie Gifford mandate to our proxy voting platform. The operations team will address this issue in the next service review. An expired Power of Attorney precluded voting at a further meeting. The custodian has subsequently rectified this.

Company Proposals

LPPI supported 88% of company proposals in the period.

Voting against management included:
- the election of directors: 33% of votes against (addressing overall board independence, over-boarding, and company specific issues such as diversity).
- compensation: 13% of votes against (addressing inadequate disclosure of underlying performance criteria, use of discretion, and the quantum of proposed rewards).

Case Study – Director Related

LPPI voted against 21 director-related resolutions across nine companies. This was 8% of all director-related votes.

LPPI voted against four directors across four companies due to the lack of diversity on the Board. Results (where disclosed): 9.2%-18.8% Against.

LPPI voted against one director due to overboarding (results: not disclosed)

Case Study – Compensation

LPPI voted against eight compensation resolutions at five companies. This was approximately 13% of compensation-related votes.

At Estun Automation (China: Industrial Machinery), LPPI voted against the stock option incentive plan. This was driven by the potential for conflict of interest by those eligible to receive the stock option plan being involved in its administration. Result: 20.1% Against.

At SimCorp A/S (Denmark: Application Software), LPPI voted against the remuneration report. This was driven by the lack of a rationale behind changes made in flight to LTIP (Long Term Incentive Plan) targets. Result: not disclosed.

At Titan Company Ltd (India: Apparel, Accessories & Luxury Goods), LPPI voted against the Performance Based Stock Unit Scheme. This was driven by the lack of disclosure around performance targets. Result: 7.8% Against.

Shareholder Proposals

LPPI supported 25 out of 38 (66%) shareholder resolutions over the quarter.

At Starbucks Corporation (USA: Restaurants), LPPI supported the resolution requesting the Board “Commission Third Party Assessment on Company's Commitment to Freedom of Association and Collective Bargaining Rights”. This follows an uptick in union organising among Starbucks employees in recent years. The vote passed with 52% support.

At Apple Inc. (USA: Technology Hardware, Storage & Peripherals), LPPI supported a shareholder resolution seeking the disclosure of median pay gaps across race and gender, as disclosure could be improved in this area. The vote did not pass, but received support of 33.8%.

At Becton, Dickinson and Company (USA: Health Care Equipment), LPPI supported a shareholder resolution requesting enhanced shareholder say on new severance or termination packages that exceed 2.99x the executive’s base salary plus short-term bonus. The vote passed with 61.7% support.

Climate Voting

In line with the updated LPPI Shareholder Voting Guidelines (published December 2022), LPPI rolled out its enhanced climate voting policy, targeting the laggards among the GEF’s high impact holdings.

In Q1, meetings of six companies in this population occurred. A vote against management was cast in one instance on climate-related grounds. A second company avoided a vote against management despite its laggard status as no incumbent directors were up for election. Companies avoided votes against management where disclosure has improved or there is evidence of adequate progress.

No CA100+ flagged resolutions took place in Q1 23.

4. Active Ownership

LPPI continually monitors external managers and engages to encourage the evolution of ESG integration practices. The following examples from Private Equity (PE) and GLIL (Infrastructure) indicates positive progress being made.

Case Studies – Manager Engagement

PE

In late 2021 the PE team identified three priority areas for engagement where improvement was required following the underwriting of a manager, these included:

1. No current carbon reporting.
2. Limited resourcing for ESG. Despite positive plans, only 30/40% of an associate's time on ESG was being allocated in a planned manner.
3. Early-stage investment governance framework and processes around ESG portfolio monitoring (including the theoretical framework for ESG ratings for investments / assets).

By engaging with the manager and monitoring their progress, as of February 2023, they have confirmed the following improvements:

1. An annual ESG report is now produced – The report includes firm and fund level proxy carbon reporting and ESG metrics such as turnover rate, manager ESG rating score, and gender diversity. Fund level TCFD[R] reporting is the next focus for 2023.
2. One associate has become fully focused on sustainability, working with other analysts, building and implementing ESG frameworks, and contributing to underwriting.
3. All investments for all funds have now been rated 1-5 on E, S and G risks by the investment leads. Higher ESG risk investments, as part of an ESG watchlist, are discussed in portfolio review committee meetings where they review 2 ratings – the investment rating and the ESG rating. This is also one of the most well attended committees, with IC members and a larger complement of investment staff present than routinely attends IC meetings.

GLIL

Agility Trains East (ATE) has been established to work in partnership with the Department for Transport in developing the Intercity Express Programme (IEP), to replace Britain's ageing fleet of Intercity trains. As an investor, GLIL joined a group of shareholders in a collaborative engagement aimed at developing an ESG survey for ATE to complete. The aim was to develop a survey that is compliant with industry standard ESG initiatives and reporting metrics. ATE first completed the survey in the early months of 2023, covering the 2022 period.

The suggested survey was aligned with metrics monitored under the EU taxonomy, UN Global Compact, PRI[R], TCFD[R], GRESB[R] and NZAMI[R]. Following a successful engagement and joint development, ATE were able to allocate sufficient resource to significantly improve their annual ESG disclosures to GLIL and ultimately identify gaps that can be improved in the coming reporting period.

5. 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). Robeco currently engages with 34 companies in the LPPI Global Equities Fund (GEF) and 10 companies in the LPPI Fixed Income Fund (FIF), accounting for 22.4% and 2.9% of the total portfolios respectively.

Robeco-linked voting is a new section within the engagement activity by topic, which represents the number of companies engaged through the new *AGM engagement 2023 theme* (described below).

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

Engagement progress by theme, also shown on page 2 in the Robeco Active Ownership report, summarises their engagement activity for our portfolio over the quarter and breaks them down into sub-sectors, where they are rated on success/progress (shown as a %). For this quarter, three themes were removed as they have now been concluded. They include:

- Single Use Plastics (conclusions found in the Q2 2022 Robeco report)
- Digital Innovation in Healthcare (conclusions found in the Q2 2022 Robeco report)
- Social Impact of Artificial Intelligence (conclusions found in the Q4 2022 Robeco report)

Also included in the progress chart is Robeco's new ad hoc engagement metric *AGM engagement 2023*, which is used to formalise Robeco's dialogue with corporates on their voting decisions. Whilst we do not use Robeco for proxy-voting, we value their opinion and expertise, and it will be of interest to track the success of engagement activity indicated by this metric.

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

Lifecycle Management of Mining

Robeco launched an engagement program in 2020 with the objective of encouraging mining companies to mitigate their impacts on the environment. After three years of engagement, Robeco are now closing the program.

From 2020 to 2023, Robeco engaged with 14 mining companies located across four continents. The engagement targeted the largest mining companies and aimed to improve water management, increase the safety management of tailing dams, and improve asset retirement planning, including financial surety, liquidity and accessibility. The dialogues were centred around nine objectives split equally across the three headline objectives.

Of the 14 companies, the engagement with four of them was halted. The Russia-Ukraine conflict prevented Robeco from continuing their engagement with two companies, while one case was transferred to the Controversies Engagement program as a result of a severe environmental breach. The fourth case was transferred to the Sustainable Development Goals theme where the engagement objectives were expanded. Of the 10 remaining companies, Robeco closed 9 cases successfully. Details of the progress seen as a result of the engagement and Robeco's next steps following its conclusion can be found in the attached report.

Proxy Voting – Market Insight

Investors are increasingly looking beyond balance sheets to understand a company's 'double materiality' impact on the wider world. To reinforce this, regulators worldwide are tightening their requirements for disclosure on ESG issues.

2022 saw the SEC adopt a host of new rules which will improve the quality of US companies' disclosure and enhance a board's accountability to shareholders. A selection of the key changes and Robeco's view is below:

1. SEC's adoption of new rules requiring the use of 'universal proxy cards' (UPCs) for any meetings involving contested elections.

The new rules strengthen the means by which shareholders can hold companies accountable for poor governance by placing investors voting in person and by proxy on an equal footing.

2. SEC proposed changes to the process by which shareholder proposals are included in a company's proxy statement. Under rule 14a-8, a company may omit a shareholder proposal from its proxy statement if it falls within one of 13 substantive bases for exclusion.

Robeco view the shareholder proposal process as being one of the most important means of engagement between companies and shareholders, and believe that an effective process is crucial in ensuring that a variety of ESG issues reach ballots.

Labour Practices in a Post Covid-19 World

The pandemic put frontline workers and their labour conditions at the centre of public attention. In many cases, the labour issues that surfaced were an amplification of existing, yet often hidden industry characteristics, from seasonal demand spikes at hotels and low wages at food retailers, to unprotected worker contracts within the online food delivery sector. While the world seems to have moved on, the aftermath of the global lockdown and the labour issues they highlighted continue to mark low-wage earners' lives, especially as costs of living are rising.

In 2021, Robeco launched their engagement on 'Labour practices in a post Covid-19 world', focusing on those sectors where working conditions were put into the spotlight throughout the pandemic, whether due to extreme pressures on them, or a complete halting of operations. As such, they began to engage with companies from across the hotel, food retail and online food delivery sectors to encourage them to address the systemic labour risks highlighted throughout the times of crisis. So far, out of the 7 companies Robeco engaged with, 3 have shown positive progress on 'Wages and benefits'.

Walmart Case Study:

US food retail company Walmart Inc. has for a long time been under severe scrutiny for its low starting wages. Robeco focused its dialogue with the company on conducting a living wage assessment and adapting minimum wages appropriately, which has resulted in positive progress. Over the last year, Walmart has engaged in simple payment restructuring following employee feedback, such as integrating bonus pay-outs in hourly pay instead of quarterly pay-outs, as well as raised minimum wages by 17%, from USD 12 to USD 14 per hour in March 2023. While not yet meeting living wages and continuing to fall behind peers, these amendments do showcase first considerations towards helping to meet employees' rising cost of living.

6. 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 Q1 2023.

Institutional Investor Group on Climate Change's (IIGCC) Net Zero Engagement Initiative

Following application, LPPI has joined the IIGCC's[R] Net Zero Engagement Initiative (NZEI). By expanding the universe of companies engaged beyond the Climate Action 100+[R] focus list, including those across the demand side, the objective is to help investors align more of their portfolio with the goals of the Paris Agreement[R] as set out by investor net zero commitments, such as the Net Zero Asset Managers initiative. The central ask of investor engagement via NZEI is a corporate net zero transition plan. 107 focus companies have been sent letters from a total of 93 investors outlining their expectations for a net zero transition plan. LPPI is due to find out during Q2 whether or not we will lead engagements with companies in this group, as the next steps depend on company responses to the initial letter.

Global Plastics Treaty

In early 2022, LPPI signed up to The Business Call for a UN Treaty on Plastic Pollution, in alignment with the Internal Equity engagement theme on packaging and waste. The initial coalition can be considered a success, following agreement at the March 2022 UN Environmental Assembly to develop a binding treaty to end plastic pollution by 2024. The group has evolved into a new body, the Business Coalition for A Global Plastics Treaty (still convened by the Ellen MacArthur Foundation and WWF[R]), which seeks to ensure the binding treaty developed is an ambitious and effective international policy framework. LPPI has re-affirmed our commitment to these aims by signing up as a supporter to the Business Coalition for A Global Plastics Treaty.

Workforce Disclosure Initiative (WDI)

The WDI released their 2022 dataset in Q1, which contains in-depth insights into workforce practices. As an investor signatory to the WDI, LPPI supports efforts to enhance corporate disclosure on workforce practices. During the 2022 engagement cycle, LPPI contacted six companies to encourage participation in the survey. Following engagement, three out of the six companies targeted responded to the survey, providing us with enhanced insights on their workforce management.

FCA – Vote Reporting Group

LPPI has been participating in the FCA-convened Vote Reporting Group. The Group aims to bring together a range of stakeholders, such as pension funds, insurers, investment consultants, asset managers, proxy advisors, issuers and civil society groups, with knowledge and interest in good practice vote disclosure to develop a more comprehensive and standardised vote disclosure regime. The Group met roughly monthly in the six months from October 2022. The FCA plans to launch a public consultation on the Group's output in H2 2023.

Local Government Chronicle Investment Seminar

LPPI's Head of RI was a panellist at the LGC Investment Seminar at Carden Park in Cheshire (30/31 March 2023).

Panel members shared their insights on ESG challenges in a session called "ESG - the good, the bad, and the ugly" which incorporated three different perspectives, those of LPPI as an LGPS pool, Quinbrook as an infrastructure manager, and Accounting for Sustainability (A4S) as an advocate for a global sustainable financial system.

Noting considerable progress made and that ESG has become mainstream, challenges include a lack of consistent definitions and universally applicable frameworks to give assurance about rigour and comparability and the need for broader disclosure by companies. The panel noted that regulators are increasingly acting to address these issues in efforts to tackle greenwashing and expand information available to investors.

The politicisation of ESG in the USA where it is polarising positions and producing rhetoric which misrepresents what ESG is (a lens for assessing sustainability) was noted as ugly. Anti ESG measures in some states suggest traction is being achieved. However, an alternative perspective is that unsustainable business practices (including reliance on fossil fuels) are increasingly being brought into question, triggering reaction and backlash from sectors, industries, communities, and economies directly affected. The scale of the shift implied by the goal of a net zero emissions world economy by 2050 will inevitably create risks and losses as well as opportunities and wins.

7. Other News and Insights

Net Zero Update

This year LPPI are working towards bringing real estate and corporate fixed income into scope of net zero target setting. In preparation, work has begun on establishing the baseline for emissions data and in particular working with our provider, KFIM (Knight Frank Investment Management), on a detailed net zero strategy for the individual assets within the direct portion of the real estate portfolio. Monitoring and implementation of LPPI's existing targets is also underway. LPPI have received the first round of enhanced engagement reporting from external managers within the GEF and will be discussing responses over the next month to understand the methods managers are using to track and monitor their climate related engagements. Work is also under way by the Risk team to undertake a data scoping exercise across the portfolio in preparation for bringing all asset classes into scope of TCFD[R] reporting by June 2024.

DLUHC

The conclusion of the DLUHC[R] consultation on the introduction of climate risk reporting for LGPS will be delayed, after originally being planned to be in place by April this year. This means that the requirements will not come into place for the 2023/24 financial year. Whilst awaiting the delayed regulations expected to be in place by April 2024, LPPI will align TCFD[R] preparations with the FCA requirements on asset managers combined with the draft DLUHC requirements set out in the consultation in order to best prepare for the eventual requirements.

UK Green Finance Update

In March 2023, the UK released an update to its 2019 Green Finance Strategy, found here. The report sets out how continued UK leadership on green finance will cement the UK's place at the forefront of the growing global market, and how it will mobilise the investment needed to meet the UK's climate and nature objectives. This is important because it indicates the shape of the policy context which will have an influence on investment opportunities going forward.

The strategy aims to reinforce and expand the UK's position as a world leader on green finance and investment, hoping to deliver on its five key objectives:

1. UK financial services growth and competitiveness
2. Investment in the green economy
3. Financial stability
4. Incorporation of nature and adaptation
5. Alignment of global financial flows with climate and nature objectives

The structure of the report focuses on three key pillars, with each outlining the UK's detailed approach to help achieve the objectives set out above.

Three key pillars:

- Foundations – UK approach to green finance.
- Align – Enabling the market to align with UK climate and environmental goals.
- Invest – Mobilising and creating opportunities for green investment.

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:

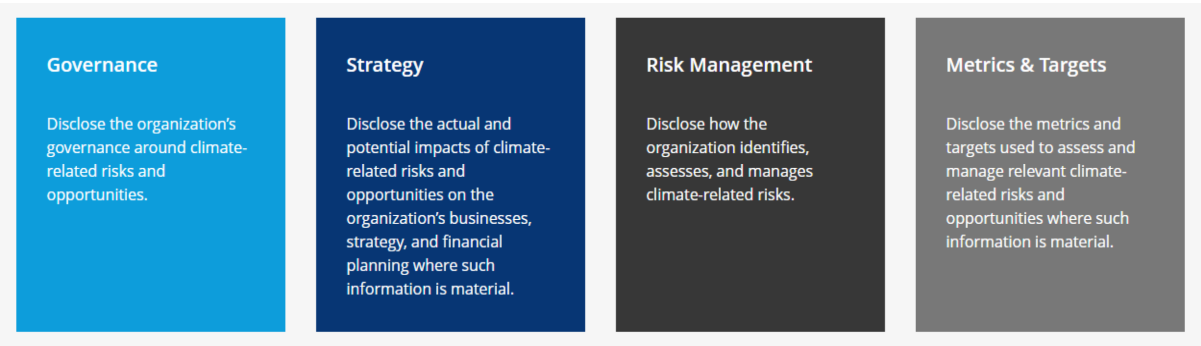
- substantially reduce global greenhouse gas emissions to limit the global temperature increase in this century to 2 degrees Celsius while pursuing efforts to limit the increase even further to 1.5 degrees,
- review countries' commitments every five years,
- provide financing to developing countries 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.

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"

GRESB - https://www.gresb.com/nl-en/
GRESB is an independent organization providing validated ESG performance data and peer benchmarks for investors and managers to improve business intelligence, industry engagement and decision-making.

WWF - World Wide Fund for Nature https://www.wwf.org.uk/

DLUHC - Department for Levelling Up, Housing & Communities