Royal County of Berkshire Pension Fund (RCBPF) Responsible Investment Report – Q2 2022

This report has been prepared by LPPI for Royal County of Berkshire Pension Fund (RCBPF) as a professional client.

1. Introduction

This report on Responsible Investment (RI) is a companion to the LPPI RI Dashboard (Appendix 1) and the Quarterly Active Ownership Report (Appendix 2).

It covers stewardship in the period 1st April - 30th June 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 Q2 2022 LPPI voted on 98% of company proposals, supporting 89% of these.
- Investments in Brown sectors (extraction, transportation, storage, supply, and generation of energy from fossil fuels) are 1.63% of the portfolio.
- Investments in Green sectors (renewable energy generation, clean technology, and decarbonising activities) are 4.44% of the portfolio.
- LPPI attended the Full Council of the Occupational Pension Scheme Stewardship Council (OPSC) where priority work strands for next year were discussed and agreed preparatory to planning getting underway.
- GLIL[R], has made its first investment in renewable energy generated by offshore wind turbines, helping to support the UK's energy transition and Net Zero ambitions.
- LPPI entered its second year as a supporter of the 10,000 black interns programme, hosting two interns for a 6-week training programme.

2. RI Dashboard – Portfolio Characteristics

This section of the report shares key takeaways from the RI Dashboard at Appendix 1.

Asset class metrics (*Dashboard pages 1 & 2*) offer insights on the composition of the portfolio and its general characteristics. See the summary for Q2 2022 outlined below.

Listed equities (Dashboard p1)

Sector Breakdown

Categorised by GICS[R] the largest sectoral exposures for the GEF are Information Tech. (26%), Consumer Staples (16%), and Financials (13%).

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 Q2 2022 Microsoft remains the largest holding in the GEF. Visa, Nestlé, and Accenture also remain in the top four, although Visa moved up 1 position. Pepsi moved down 3 positions, whilst SPDR Gold Shares and Alphabet moved up 1 and 4 positions respectively. Starbucks was replaced by AutoZone, which makes up the last position in the top 10.

Portfolio ESG Score

The GEF's Portfolio ESG score has increased from 5.4 to 5.8 between Q1 and Q2. In the same period the equivalent score for the benchmark increased from 5.2 to 5.5. Methodology changes implemented by MSCI is the main driving factor for the increased scores.

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 Q1. By value, the coverage of the GEF represented within the globally high emitting companies under TPI assessment has decreased from 11% to 10%**,** between Q1 and Q2. This change is a reflection of the fluctuations in the % of market value for the companies under TPI.

The number of GEF companies in scope of TPI scoring has increased by 2 since Q1 2022, changing from 23 to 25. The two new companies came into scope at TPI 2 and TPI 4.

Of the 25 companies in TPI scope:
- 96% (by value) are rated TPI 3 and above – demonstrably integrating climate change into their operational planning (TPI 3) and into their strategic planning (TPI 4). This is unchanged from Q1 2022.
- 5 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 Q2 2022, an average of 29% of board members were female in the GEF. There was a coverage of 84% 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 Q2 2022, on average 68% 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 Q2 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 75% 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

The largest sector exposure continued to be in Health Care, although reducing down from 42% in Q1 2022 to 39% in Q2. The portfolio continued to have a strong United States presence, increasing slightly from 36% in Q1 2022 to 38% in Q2.

Infrastructure

The geographical exposures to UK based infrastructure slightly increased, moving from 47% exposure in Q1 to 52% in Q2. The largest sectoral exposure remained in Traditional Energy, Renewable Energy, Waste, which makes up 35% of the portfolio.

Real Estate

Sector and geographical exposures remained similar to those reported in Q1 2022. The portfolio continued to be largely deployed in the UK, with 74% assets here. The largest sectoral exposure continued to be Industrial assets, making up 33% of the portfolio.

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

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 <u>indication</u>, 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 Q2 2021). 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 Royal County of Berkshire Pension Fund (RCBPF) portfolio (as the denominator) also affects Brown and Green % shares quarterly.

Compared with Q1 2022, Brown exposure has increased from 1.47% to 1.63%. The biggest contributor to the increased exposure is from both Private Equity and Infrastructure asset classes. This quarter, Infrastructure figures reflect a noticeable increase in the proportion of pooled funds RBCPF have allocated. This has increased Infrastructure's Brown exposure from 0.80% in Q1 to 0.92% of the portfolio in Q2. Other contributing factors have been a mark-to-market increase in the respective sector's performance of Brown positions held in Infrastructure and the Private Equity.

Compared with Q1 2022, green activities have increased from 3.67% to 4.44% of the portfolio. The change is a result of a large increased exposure from the Infrastructure asset class. The figures reflect several new companies being added to existing funds, which have been identified as Green. Combined with the increase in proportion of pooled funds RBCPF have been allocated, Infrastructure's Green exposure has increased from 3.43% in Q1 to 4.22% of the portfolio in Q2. Another contributing factor has been a mark-to-market increase reflecting the sector's strong performance of Green positions held in Infrastructure.

Investments in renewable energy generation from wind, solar, hydro, and waste make up 60% of total Green exposure, and 95% 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.

<u>Shareholder Voting - LPPI Global Equity Fund (GEF) *(Dashboard page 3)*</u>

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 April – 30th June 2022 encompassed 233 meetings and 3207 resolutions voted. LPPI voted at 98% of the meetings where GEF shares entitled participation. The shortfall reflects the application of Do Not Vote to a Russian position that was not fully liquidated before trading restrictions were introduced, two companies in shareblocking markets where LPPI applied Do Not Vote, and two custodian errors in the voting chain. LPPI has worked with the custodian to fix the latter.

Company Proposals

LPPI supported 89% of company proposals in the period.

Voting against management concentrated on:

- the election of directors (addressing individual director issues, overall board independence, and over-boarding), 38% of votes against company proposals.
- non-salary compensation (addressing inadequate disclosure of underlying performance criteria, use of discretion, and the quantum of proposed rewards), 18% of votes against company proposals.
- the support of shareholder resolutions, covering topics including climate change, human rights, diversity, and political lobbying (25%).

Case Study – Directors Related

LPPI voted against 145 directors-related resolutions across 66 companies. This was approximately 8% of all directors-related votes.

LPPI voted against 31 resolutions across 11 companies due to a lack of Board independence. Results (where disclosed): 8.9% - 49.3% Against.

LPPI voted against 18 directors across 16 companies due to the lack of diversity on the Board. Results (where disclosed): 0.9% - 63.3% Against.

LPPI voted against four directors across two companies due to overboarding. Results not disclosed.

Case Study – Non-Salary Compensation

LPPI voted against 66 compensation resolutions across 156 companies. This was approximately 22% of compensation-related votes. Of the 66 votes LPPI opposed, five received a majority of votes against.

At Agnico Eagle Mines Limited (USA: Gold), LPPI voted against the say-on-pay. This was driven by the fact that pay, persistently above the peer group median, has not reflected company performance vs the peer group over the one, three, and five year time periods. Result: 75.6% Against.

At Masimo (USA: Health Care Equipment), LPPI voted against the say-on-pay. This was driven by the presence of a single-trigger provision allowing the executive the ability to unilaterally discontinue employment and receive excessive severance pay-outs in the event of a change in control event (e.g. acquisition). Result: 52.6% Against.

At Netflix (USA: Movies and Entertainment), LPPI voted against the say-on-pay. This was driven by a lack of performance conditions linked to significant options grants. It also follows a lack of responsiveness to low support for previous say-on-pays. Result: 72.9% Against.

Shareholder Proposals

LPPI supported 115 out of 163 (71%) shareholder resolutions over the quarter.

LPPI supported 17 out of 22 (77%) diversity related shareholder resolutions. At McDonalds (USA: Restaurants), LPPI supported a shareholder resolution requesting the company oversee a third-party civil rights audit analysing its policies and practices on stakeholders. The vote passed with 55.1% support.

LPPI supported seven out of nine (78%) climate-related shareholder resolutions. At The Travelers Companies (USA: Property & Casualty Insurance), LPPI supported a shareholder resolution requesting the company issue a report considering how it intends to measure, disclose, and reduce GHG emissions associated with its insurance practices in line with the Paris Agreement[R]. The vote passed with 55.2% support.

LPPI supported 13 out of 16 (81%) political lobbying related shareholder votes. At Netflix (USA: Movies and Entertainment), LPPI supported a shareholder resolution requesting that the company increase its disclosures on its lobbying expenses and related policies and procedures. The vote passed with 60.1% support.

LPPI supported six out of six human rights specific shareholder resolutions. None of the votes received majority support. At Amazon (USA: Internet & Direct Marketing Retail), LPPI supported two shareholder resolutions seeking greater information around the human rights due diligence processes linked to surveillance technologies. The votes received 40.3% and 40.7% support.

Case Study – Manager Monitoring

Infrastructure

The infrastructure team has undergone a deep dive exercise to further develop its ESG monitoring approach, focused on what information could be readily identified, measured, and compared. For the most recent quarter, 5 managers who manage approximately 50% of externally managed assets and represent 20% of the total NAV in the investment pooling vehicle (IPV) were chosen. Priority was given to these managers on the basis of sector exposure, holding period and size. A combination of a manager ESG call and review of ESG documentation, was used to build a dashboard of key indicators on manager ESG processes. Our engagement found all 5 managers to be PRI signatories who provided or were in the process of providing some level of carbon reporting. However, managers were behind in setting Net Zero targets or formalised physical climate risk monitoring processes. The findings support LPPI's commitment to engage external managers on developing carbon reporting and integrating physical climate risk assessments into portfolio monitoring.

4. Robeco Summary

Net Zero Emissions

The new Net Zero Emissions theme is an extension of Robeco's existing corporate decarbonisation theme and will work with companies towards achieving net-zero emissions globally by 2050. It will outline expectations for companies to set long-term net-zero targets, and to substantiate them with credible short- and medium-term emissions reduction strategies, as well as transition plans that ensure a reduction in real-world emissions over the next decade reflecting the urgency to act now. Robeco have used external benchmarks such as Climate Action 100+[R] to define their objectives.

The Net Zero Emissions theme also brings an expansion to their company selection process for climate engagement, which has resulted in an additional 15 companies. They are also now co-leading the engagement for Climate Acton 100+[R] for five of the 15 companies and acting as a collaborative engager for a further five. Robeco expect to see quantitative results in 18-24 months' time.

Good Governance

The AGM season (when most companies hold their annual general meeting of shareholders) presents a unique opportunity for investors to engage with companies. The Covid-19 pandemic forced AGMs to be held virtually, with potentially lasting impacts. While digital meetings have allowed a wider set of shareholders to join meetings, it has led to low accountability as management can avoid awkward questions with little opportunity for shareholders to ask follow-up questions when the answers given are too vague. Hybrid AGM meetings are now being incorporated at many companies, as this allows a broad group of shareholders to attend online AGMs and ask questions from their location, whilst also facilitating an in-person attendance.

Over the 2022 AGM season, Robeco have also seen an increasing number of remuneration reports and policies that have been subject to shareholder dissent. Regulations (such as the EU's amended Shareholder Rights Directive) have given more tools to express disapproval, and the Covid-19 pandemic has changed the perspective of what shareholders consider to be acceptable remuneration practices. Robeco's engagement with companies urge remuneration committees to use pay packages to align incentives with long-term value creation considering both financial returns and sustainability.

Social topics are also gaining support, as shareholders are increasingly using their voting rights to push companies to take responsibility for environmental and social issues. Although shareholder proposals are a good way to flag 'E&S' issues, such resolutions are not filed consistently across markets and geographies. Robeco want to push companies to introduce additional mechanisms e.g., submitting their climate transition plan or improving their risk reporting on sustainability issues.

Single Use Plastics

From 2019 to 2022, Robeco engaged with 10 companies with the aim of driving the global plastics value chain towards a more circular economic model. After three years, they have successfully closed 80% of the engagement dialogues. The results from this engagement saw companies implementing innovative recycling initiatives, but there is little progress towards a fully circular model and evidence of more responsible lobbying efforts regarding regulation was limited. Robeco has been leading the call for a UN treaty on plastics and has urged other investors and financial industry stakeholders to sign up to it.

Digital Innovation in Healthcare (DIH)

In May 2022, Robeco closed the DIH theme with two-thirds of the engagement cases closed successfully. Most companies under engagement have defined a comprehensive digital strategy and supported it by integrating newer digital technologies within their innovation process. When it comes to cybersecurity, companies remain reluctant to share detailed information on external attacks and internal policy adherence failures due to commercial sensitivity issues.

The digital transformation that health care has seen over recent decades is now accelerating on a wider scale. The onset of the Covid-19 pandemic has fast-tracked the adoption of digital technologies in the health care sector and also forced companies to overcome their non-technological barriers to adapt to the new dynamic and remain competitive in the post-pandemic era. Robeco have also seen an increased recognition of the importance of sound cybersecurity, either voluntarily, or sometimes involuntarily through learning their lessons following impactful cybersecurity breaches and taking active steps to mitigate third-party risks. However, the engagements Robeco have undertaken show some bottlenecks, for example, health care centres have tightened their budgets and now have more limited resources to invest in high-tech solutions.

Sustainable Development Goals (SDG) Engagement

The SDGs provide a holistic, measurable roadmap to the world, outlining what countries, civil society, organisations, and corporates should do to solve the planet's most pressing issues. In 2021, Robeco created a new engagement programme, focused on improving companies' contributions to the SDGs. It marks a new engagement approach that focuses on seeking a measurable improvement in the contribution that investee companies can make to the goals. The SDG engagement theme focuses on companies with a high, unfulfilled potential when it comes to positively contributing to one or more of the 17 SDGs. Robeco selects companies for engagement using their proprietary SDG framework, which assesses contribution to the SDGs throughout the companies' products, procedures and potential involvement in controversies.

Guiding the SDG engagement are three key processes:

1. Fundamental analysis and engagement strategy
2. Engagement itself
3. Continued evaluation of the engagement impact

During its first year, Robeco have initiated engagement with 35 companies, engaging them on one or more of the 17 SDGs. While companies recognise that the SDGs are in everyone's interest, more structured and integrated approaches are needed to realise the 2030 goals.

Shareholder Engagement - Robeco Active Ownership

Company and manager engagements are underway on an ongoing basis, directly through board seats and Limited Partner Advisory Committees (LPAC) for private market assets, and more conventionally through shareholder engagement with listed companies.

LPPI's engagement partner Robeco has completed a full quarter of engagement activity. The RI Dashboard (page 4) presents engagement headlines for the quarter which confirm the Robeco Active Ownership Team undertook 39 activities in total, and the predominant focus (by topic) was Environmental Management.

Page 5 of the Dashboard summarises the status of each live engagement theme (as it stood at the end of Q2 2022).

The Active Ownership Report at Appendix 2 provides detailed narrative on thematic engagements underway with listed companies (**representing shares held by the Global Equities Fund, or corporate bonds held by the LPPI Fixed Income Fund**).

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 Q2 2022.

OPSC Future Work Streams (Meeting)

LPPI attended the Full Council of the Occupational Pension Scheme Stewardship Council (OPSC) where priority work strands for next year were discussed and agreed preparatory to planning getting underway.

Over the summer, LPPI communicated our areas of focus and ideas for how the OPSC could best support us in 1:1 meeting with the OPSC secretariat. These suggestions were collated across the membership into a longlist of possible themes for the year ahead. LPPI then cast our votes for our priority areas and attended the Full Council meeting where the themes were debated and finalised. The final list includes: climate change and TCFD[R] (approaches and best practice), joint engagement with service providers, workshops to streamline reporting, developing portfolio monitoring and engagement practices for private assets.

Investor Statement to Governments in the Climate Crisis 2022

LPPI once again added our name to the 2022 Global Investor Statement to Governments on the Climate Crisis. LPPI has been a signatory to successive Global Investor Statements to Governments on Climate Change since 2018. The annual statements are co-ordinated by The Investor Agenda and are a collective call to governments to rapidly implement priority policy actions that will enable investment of the trillions in private capital needed to respond to the climate crisis and meet the goals of the Paris Agreement[R]. The 2021 Statement had been the most demanding one to date and was directly cited as part of the COP26 discussions in order to demonstrate financial industry support for greater ambition. The most recent statement calls for governments to keep their COP26 pledges and ensure their targets and actions are in line with limiting global emissions to 1.5C. This is a great example of policy advocacy we carry out which supports our Net Zero by 2050 commitment as part of the NZAMI[R].

6. Other News and Insights

GLIL

GLIL[R] has made its first investment in renewable energy generated by offshore wind turbines through a stake in Hornsea One, the world's largest operational offshore wind farm which is located off the Yorkshire coast and spans more than 400 square kilometres.

As an investor in GLIL[R], the fund is directly helping to support the UK's energy transition and Net Zero ambitions. Further information on this recent investment is available here.

Consideration of Social Risks by Occupational Pension Schemes

In March 2021, the Department for Work and Pensions launched a call for evidence seeking views on whether Occupational Pension Scheme trustees' policies and practices on social factors are sufficiently robust and what the Government could do to ensure that trustees are able to meet their legal obligations in this respect.

LPPI submitted a response welcoming the focus on 'S' within ESG and suggested the Government's most productive role would be as:

- a facilitator using influence to encourage the investment sector to convene and develop standards that will solve perceived issues in a resource efficient way
- an advocate for the good practice being called for
- an exemplar of the processes and outcomes being urged on pension fund trustees (through incorporating material social factors within Covid recovery planning, and improving the ability of investors to hold companies to account by setting high standards for corporate governance via routes including listing rules).

The DWP published its response to the consultation on 15th July 2022 which confirmed the Department's view that *"it is up to schemes to determine how to consider financially material social risks and opportunities and whether to take an integrated approach to ESG or create standalone policies covering specific social factors. Whichever approach is taken, trustees should – where possible – consider financially material social risks and seize opportunities in this space. This will help trustees fulfil their fiduciary obligations by mitigating against financial risk and thereby safeguarding savers' money"*.

The main outcome is the creation of a new cross-department Minister-led working group which will lead work to:

1. Identify reliable data sources and other resources, which could be used by pension schemes to identify, assess and manage financially material social risks and

opportunities; and which could be used to inform guidance on investment risks from social factors;
2. monitor and report on developments with the International Sustainability Standards Board, and other international standards.

The DWP response can be read in full here.

FRC - The Impact of the Stewardship Code

The Financial Reporting Council (FRC) commissioned new research into the impact the revised UK Stewardship Code has had on the practice and reporting of asset managers and owners. The research consisted of a survey and interviews, carried out by a team from Minerva Analytics, the Durham University Business School and The Dickson Poon School of Law, King's College London, on behalf of the FRC. 55 asset managers and owners took part and provided evidence, with both groups providing very positive feedback about the impact of the revised 2020 Code. Notably, there was strong evidence of material changes to practice in the areas of governance and resourcing of stewardship, stewardship activities, processes and outcomes, and monitoring and reporting of stewardship.

Some of the key findings are as follows, with the full report found here.

- All organisations in the sample had undertaken some organisational restructuring to better integrate stewardship within their investment decision-making, a new requirement of the Code.
- 96% of the respondents reported increases in the size of their stewardship teams since the introduction of the revised Code and noted opportunities for more formal career progression in stewardship.
- 77% said the quality of engagement was better because of the Code's influence.
- Asset owners reported the most significant way the Code has influenced their approach is that they now feel more empowered to monitor their investment managers and were supportive of the contribution to industry-wide change on long-term goals for the investment community.

Next steps for the FRC, working with the Financial Conduct Authority, the Department of Work and Pensions and the Pensions Regulator, is to carry out a review of the regulatory framework for effective stewardship including the operation of the Code, from 2023. This research is the first step in assessing whether the Code is creating a market for effective stewardship and the need for any further regulation in this area.

Net Zero Update

Significant progress has been made this quarter on developing LPPI's Net Zero climate action plan. MSCI has been brought on board as our preferred climate data provider for listed equities, and we have used their analytical capabilities to understand the Global Equities Fund's emissions baseline and begun to set targets against this using the IIGCC framework for asset managers. Our focus over the next quarter is on developing an engagement strategy which will underpin these targets and prepare for publication in October. Please see our recent client update for more details.

10,000 Black Interns

This summer, LPPI entered its second year as a supporter of the 10,000 black interns programme. Two interns joined us for a 6-week training programme which saw them rotating between different teams, seeing the full breadth of work that we do at LPPI. Both spent a week with the Responsible Investment team and showed great curiosity and enthusiasm for the work we do Their research projects involved investigating recent incidents of greenwashing across the finance industry and the latest advice on assessing deforestation risk in order to support development of our Net Zero engagement strategy.

Stewardship Code Update

LPPI is preparing its Annual Report on Stewardship and Responsible Investment (2021/22) to the Financial Reporting Council, ahead of the October 2022 deadline. The report is our annual submission as a signatory to the UK Stewardship Code (2020) and reflects LPPI's commitment to high standards of stewardship defined as the responsible allocation, management, and oversight of capital.

This is the second time LPPI is submitting a report under the more demanding requirements of the UK Stewardship Code (2020), we intend to build upon our achievement and continue to improve our stewardship processes. The FRC will assess LPPI's Report and confirm (in early 2023) whether it meets the standard required for retaining signatory status.

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,

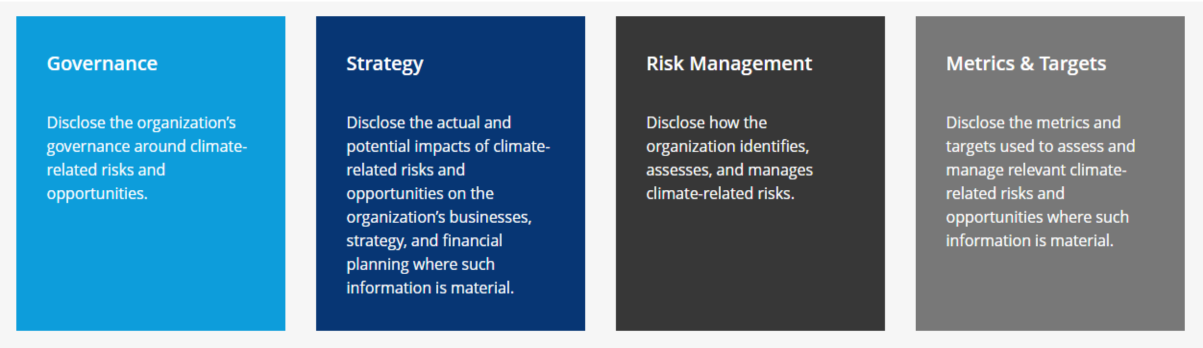
- provide financing to developing countries to mitigate climate change, strengthen resilience and enhance abilities to adapt to climate impacts.

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.