

London Pensions Fund Authority Investor Climate Action Plan



your pension our world



A net zero progress report:
Protecting our members'
pensions from the impact
of climate change
2024-25 update



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Over **80%** of our assets are now covered by our net zero plans.

Front cover: The UK monitors air quality through a national network of stations, primarily the Automatic Urban and Rural Network (AURN), which provides real-time data on common pollutants at over 300 sites across the UK.



Foreword by Jo Donnelly, LPFA CEO

The impact of climate change poses a risk to the financial security of our members' pensions.

To manage these risks, in 2021, we made a commitment to be a net zero pension fund by 2050 or before.

This is our annual update on our progress.

This report is made up of two parts: a simple executive summary and then sections providing much more detail. At the time of publication of this report, we have expanded our net zero work into new asset classes, with over 80% of our Fund covered by net zero goals. In June 2025, we also announced that we will commit to having 5% of our Fund invested in Climate Solutions.

This means that we're pushing companies in which we're invested to reduce their carbon emissions, as well as increasing our investment in companies developing clean technologies and renewable energy.

As we have expanded our work to more and more asset classes, our reporting has become more complicated. It's important that we show how we are doing in each area so, this year, we have tried to simplify how we share our progress. We are now reporting on two primary areas: Emissions reduction – including investing in climate solutions (Table 3), and Engagement and Alignment (Table 4).

We would like to thank our partners, LPPI (Local Pensions Partnership Investments), Redington and our stakeholders in helping us reach this point. We welcome any questions that you might have.

Regards

Jo Donnelly | LPFA CEO

For more information: communications@lpfa.org.uk

We wanted to reduce our emissions by 75% from our 2019 baseline. Our emissions are now **76% lower.**



London Pensions Fund Authority Investor Climate Action Plan

Executive summary



“ This is a strategic move to ensure that we are investing in opportunities that help us pay members their pensions when they come to retire. Of course, the investments that we make will also generate green jobs, help to reduce air, water and noise pollution, improve public health, protect biodiversity and help bolster the UK’s energy security” .

What is net zero and why is it important?

The [United Nations](#) says that net zero is “cutting carbon emissions to a small amount of residual emissions that can be absorbed and durably stored by nature and other carbon dioxide removal measures, leaving zero in the atmosphere”.

Put simply, net zero means balancing what we put into the atmosphere with what we pull out.

Net zero is about protecting pensions

The impact of climate change is already being felt. From flooding to biodiversity loss to wildfires and droughts, climate change poses a risk to businesses in which we invest because so much of their activities are reliant upon what nature provides. This means that the income that we get from those businesses – which we use to help pay our members their pension – is also at risk.

We are acting on climate change to protect our members’ pensions.

To do this, we ask companies and managers that we invest in to prove that they are identifying and managing the risks that climate change poses to their business. After all, companies that protect their income are also protecting ours.

What are we doing?

Acting on climate change means many things:



It means that we vote at company meetings to push companies to have their own plans in place to move to a low carbon future.



It could mean selling our holdings in companies that won't act, if this inaction poses an unacceptable risk to our investment.



It means investing in renewable technologies from wind power to solar farms.



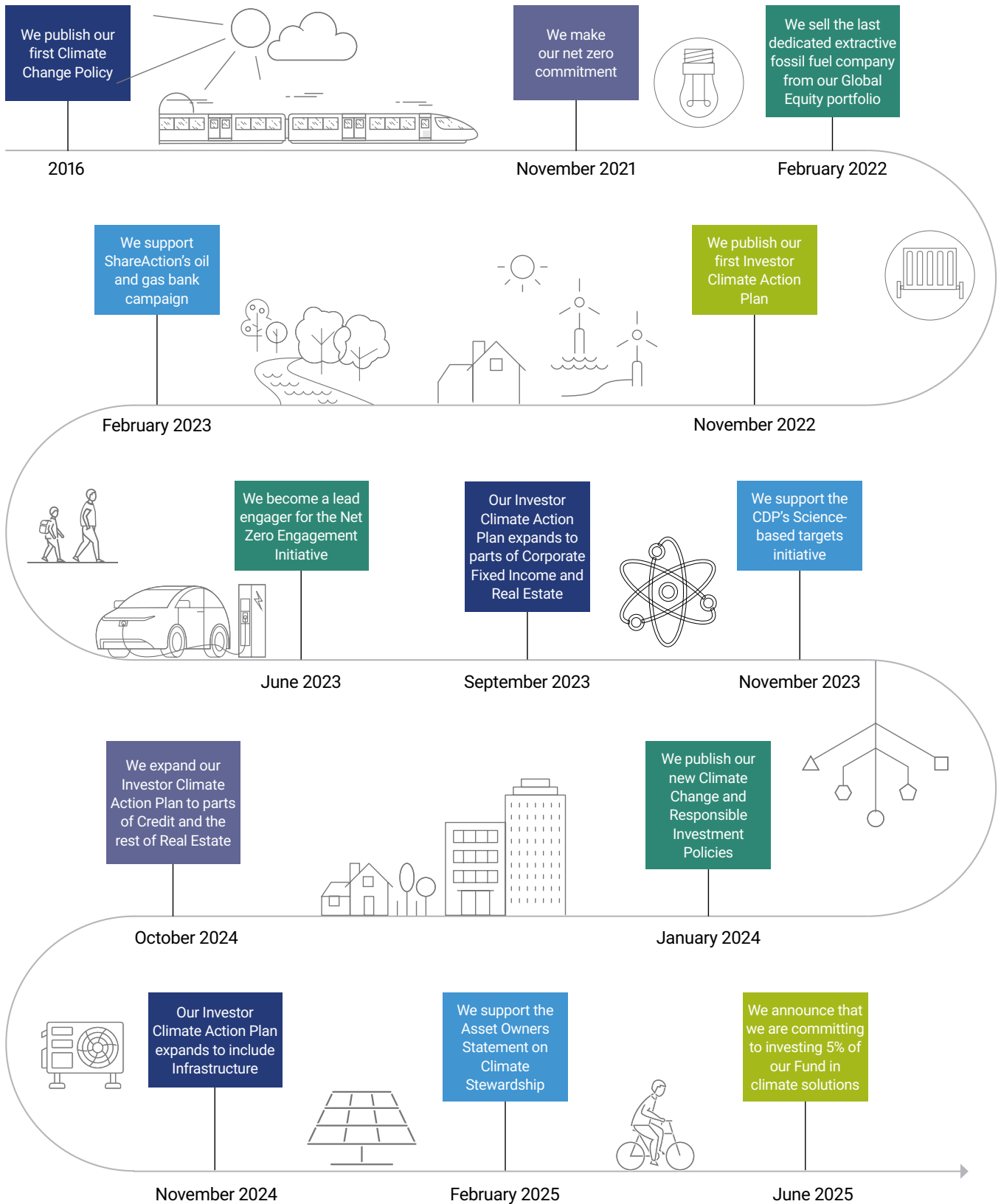
It means working with investors to support campaigns to reverse biodiversity loss, or to lobby banks to reduce fossil fuel investment.



It means lobbying policy makers to create a positive environment for responsible investment and sustainable finance.

Our net zero timeline

A timeline of our work towards net zero is below. We've been busy but there is more to do.



How are we doing?

We have made great progress. Most of our Fund is now covered by our net zero work (see Table 1).

In one goal, we have improved the way that emissions are measured, which now means that we are reporting more emissions than we were before. In others, we have taken a staged approach, particularly in terms of the expansion of targets across our various asset classes.

With each year, we are improving the quality and scope of the information available to us and are making better informed decisions as we learn. We have always known that this work isn't straightforward to us. This means that we're making better and more informed decisions as we learn.

In 2022, we started with Global Equities – already around 50% of our £8 billion Fund – and we have been expanding that each year. In 2023-24, we added targets to the portion of our Real Estate Fund considered directly managed and Corporate Fixed Income assets within the Fixed Income Fund. This year, we have expanded coverage to the indirectly managed part of the Real Estate Fund and Corporate Fixed Income within the Credit Fund as well as all our Infrastructure.

We now have just over 80% of our assets covered by net zero targets (see Table 2).^{*} This is excellent news.

We still have work to do as we have yet to map much of the rest. This includes the Private Equity asset class. There is much less transparency in that asset class compared to, say, Global Equities, and we are working on getting much more detail here. We know that we have some exposure to fossil fuels in this asset class and we are working to make sure that these assets are aligned with our policies.



We have a target for **5%** of our Fund to be invested in climate solutions by 2030.

^{*} Precise number will fluctuate depending on market movement and asset values.

How are we doing? continued

In our Global Equity holdings, we divested from companies whose primary purpose is to extract oil and gas out of the ground. Our engagement work with companies which are still making use of fossil fuels prioritises transitioning away from them, making sure that their business models support the goals of the Paris Agreement.

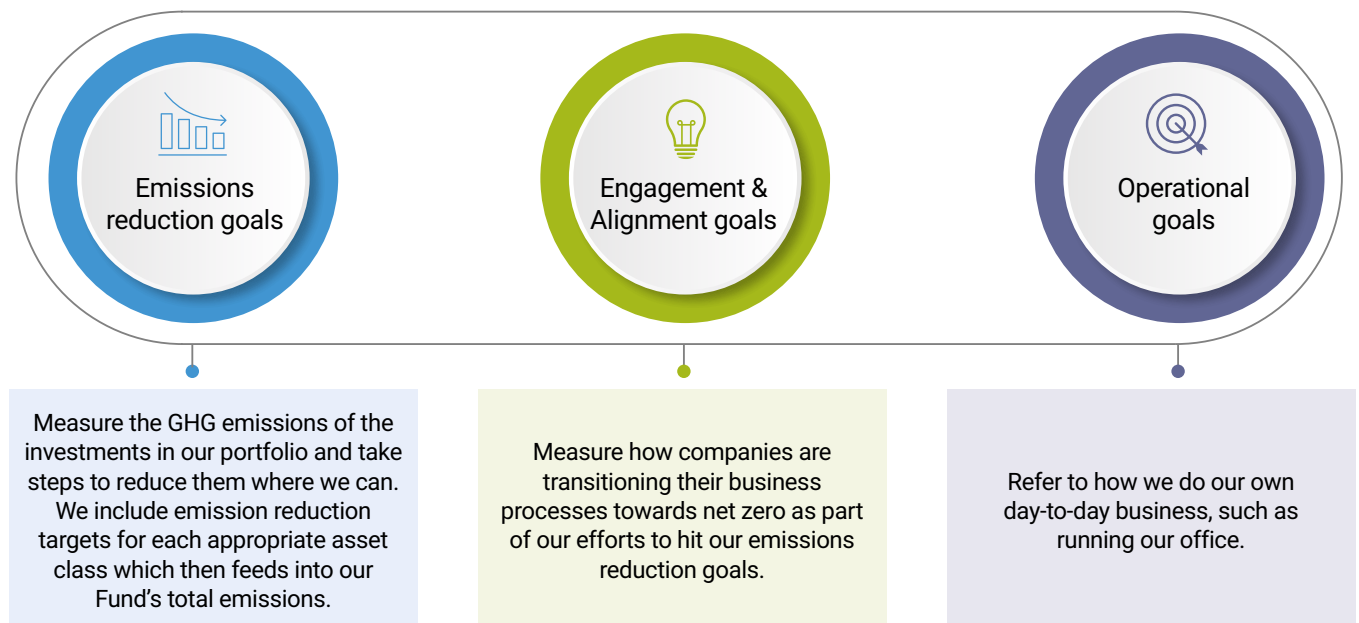
Of course, our society is built around fossil fuels, and we cannot get rid of it all at once. This is why we talk about the transition to net zero.

We are doing our bit to help this transition.

In June 2025, for example, we were proud to announce that we commit to having 5% of our £8 billion Fund invested in climate solutions. This is a strategic move to ensure that we are investing in opportunities that help us pay members their pensions when they come to retire. Of course, the investments that we make will also generate green jobs, help to reduce air, water and noise pollution, improve public health, protect biodiversity and help bolster the UK's energy security.

This is the transition in action.

Our targets: We have three groups of goals.



The table below summarises how we're doing compared to what we said in our 2023-24 Report. In that report, we announced that we had increased coverage to Global Equities and added some targets for parts of our Corporate Fixed Income and our Real Estate holdings managed directly by LPPI.

Table 1: A summary of our progress

The goals	We said...	Definition	Status
Emissions reduction goals	We would reduce emissions by 75% by 2030 from our 2019 baseline.	Global Equities: Emissions are 76% lower.	
	We would reduce emissions intensity by 50% by 2030 from our 2022 baseline.	Real Estate (LPPI)*: Increased by 3.8% due to improvement in data collection and quality during the period.	
	Maintain an implied temperature rise that is consistent with the Paris Agreement (well below 2.0°C).	2.2°C. We have recently slipped to 0.2°C behind our target due to an improvement in how it is calculated	
	We would maintain our investment in the climate solutions needed to meet net zero by 2050 or sooner.	In 2025, we set a target of 5% to be invested in climate solutions by 2030.	
Engagement & Alignment goals	At least 32% of material sector investments aligning to net zero by the end of 2025.	Global Equities: 46% of material sector investments are aligning to net zero.	
	At least 90% of Real Estate (LPPI) aligning to net zero by 2025.	Real Estate (LPPI)*: 100% of directly held Real Estate is aligning to net zero.	
	At least 70% of financed emissions aligned with net zero, align or subject to engagement, starting immediately.	Global Equities: 79.2% of our financed emissions are at least aligning to net zero or under engagement to do so.	
	At least, 90% of Real Estate (LPPI) under engagement by 2024.	Real Estate (LPPI)*: 100% of directly held Real Estate is under engagement.	
Operational goals	By 2030, we aim to reduce Scope 1 and 2 GHG emissions by 50% per full-time employee, relative to our GHG emissions in 2022-23.	Our tCO ₂ e per employee was 3** for Scope 1 and 2 compared to our baseline of 18.1 for 2022-23.	



On track



Target in progress

Note: All data is correct as of 31 June 2024.

* (LPPI) means that only the part of the asset class considered directly managed by LPPI (as opposed to being managed by external managers selected by LPPI) is currently covered.

** According to Planet Mark as of 31 March 2024.

What are we doing next?

There are two things that we're looking at now.

Firstly, for our investments, we're again expanding the number of assets that we include in our net zero plan. This year, we've added the rest of our Real Estate assets (non-LPPI*), Corporate Fixed Income assets in the Credit Fund, as well as Infrastructure. We'll report on those next year.

Our £8 billion Fund is invested in a wide variety of assets and the table below shows which parts of our Fund are on the path to net zero, which have targets set and which don't.

Table 2

Asset class	Estimated proportion of our £8 billion assets (31 March 2024)	Date of targets included in our net zero plan
Global Equity	51%	2022-23
Fixed Income (Corporate bonds)	2.5%	2023-24 <ul style="list-style-type: none"> • Target set for Corporate bonds (0.5% of total assets under management (AUM)) • Non-corporate bonds (2% of total AUM) included but target not yet set
Real Estate (LPPI)	11%	2023-24 <ul style="list-style-type: none"> • Targets set for LPPI managed assets (5% of AUM), • Non-LPPI assets (6% of AUM) included but targets not yet set
Infrastructure	14%	Targets now set
Cash	1.5%	Excluded
Credit	15%	Targets now set on Corporate Bonds portion (c. 4.2% of AUM)
Diversifying Strategies	0%	Excluded as this holding is being sold
Private Equity	5%	Not yet included

* Note (LPPI) and (non-LPPI) refers to, respectively, assets that are directly managed by LPPI and assets managed by other external fund manager appointed by LPPI.

We are working with Planet Mark to make sure that we are reducing our own operational emissions.

We wanted to maintain a portfolio that has emissions in line with the Paris Agreement (below 2.0°C). We are currently at **2.2°C**.



This section gives some background to our Fund and how we work with LPPI. Our plans and goals are outlined in more detail from page 10 onwards.

About us

- £8 bn in assets
- 100,000 members¹

We are a Local Government Pension Scheme (LGPS) Fund. Our main purpose is to ensure that our members are paid their pensions when they retire and to help the 116 employers in our Fund manage the costs of pension provision for their employees. Our members work – or have worked – for organisations that make up so much of London’s cultural, educational, and administrative life – from schools to museums, from arts centres to government bodies and from universities to housing associations.



We wanted 90% of our Real Estate holdings to be under engagement by 2024. We’re currently on **100%** primarily through [our work with the Good Economy](#).

Working with LPPI

We set the strategic direction of our Fund, for example making a net zero commitment or setting our overarching strategic asset allocation, but day-to-day investments are made on our behalf by our asset manager, LPPI.

Both we and LPPI have made our own net zero commitments (see page 22). We are committed to promoting progressive climate action and a just transition by policy makers and market participants.

For our climate change work, we are both using the [IIGCC’s Net Zero Investment Framework \(NZIF\)](#) to guide us on our journey to net zero.

Through LPPI, we encourage companies to improve their behaviour on a range of issues from climate change to human rights, workers’ rights to corporate governance and pay². See our [Responsible Investment Policy](#) for more information.

Once we are invested in a company, LPPI, and the other investment managers that we use monitor and observe them, engaging with them when improvements to the way they act are needed. For example, the companies who are the heaviest emitters in our portfolio are the ones we most need to engage with to reduce their emissions in order to reduce our implied temperature rise (ITR) measure.

Both our organisations often work with other like-minded investors or organisations like the Local Authority Pension Fund Forum (LAPFF) to lobby for change. Our policy is that we believe that our voice is louder when we work with others.

We are committed to transparency and will share our progress with all our stakeholders on our website and social media channels.

¹ As at 31 March 2023. Please see our 2022-23 Annual Report for more information: <https://www.lpfa.org.uk/library/our-performance/annual-reports>

² Our priority issues are set out in our 2024 Responsible Investment Policy: <https://www.lpfa.org.uk/library/our-policies-and-procedures>

We have three main groups of goals: Emissions reduction, Engagement & Alignment and Operational. Emissions reduction goals target the emissions from our Fund as a whole. Each asset class has its own contributing targets to our net zero ambition as you'll see in Table 3. The second group is the Engagement & Alignment goals. These are a measure of how well we are pressuring companies into heading to net zero. The final one, Operational goals, covers our day-to-day business, such as running our office. Please note that due to rounding some figures may not be consistent.

Emissions reduction goals

We aspire to being net zero by 2050 and each asset class plays a role in getting us there. In Table 3, you'll see targets, where they've been set, and progress for each asset class.

Table 3

Goal number	What is the intention of the goal?	Target	Progress (as at June 2024)
	<p>To decrease our overall greenhouse gas emissions</p> <p>The portfolio emissions reduction goal: monitoring reductions in financed emissions</p>	<p>Global Equities and Corporate Fixed Income (Fixed Income Fund)</p> <p>By 2030, we aim to reduce Scope 1 and 2 portfolio level emissions intensity for the Global Equities and Fixed Income Fund to 12 tCO₂e/£m invested.</p> <p>This is a 75% reduction relative to the portfolio emissions of 48.1 tCO₂e/£m in 2019 which is our baseline.</p>	<p>Global Equities and Corporate Fixed Income (Fixed Income Fund)</p> <p>Emissions intensity as measured in tCO₂e/£m invested, has already reduced by 76% compared to our 2019 baseline.</p> <p>In June 2024, it stood at 11.1 tCO₂e/£m compared to 48.1 tCO₂e/£m in our December 2019 baseline.</p> <p>This is well ahead of our 2030 target and has been delivered partly through our divestment from extractive fossil fuel companies.</p>
		<p>Real Estate (LPPI)*</p> <p>Reduce (average) building emissions intensity by 50% from 20.7 to 10.4 kgCO₂e/m² by 1 January 2030.</p> <p>Real Estate (non-LPPI)*</p> <p>Increase emissions data coverage managed by third party managers to at least 70% as soon as possible (2029 at the latest) to enable a decarbonisation reference target to be set.</p>	<p>Real Estate (LPPI)</p> <p>Our Real Estate emissions intensity figure has increased from 20.7 tCO₂e/£m to 21.5 tCO₂e/£m due to better data collection which showed a higher emissions level than when we had estimated it previously.</p> <p>Real Estate (non-LPPI)</p> <p>Target was adopted in October 2024 so no progress to report yet. Data coverage baseline figure is 57.8%.</p>
		<p>Infrastructure</p> <p>Decarbonisation target not recommended under the NZIF Guidance.</p>	
	<p>To measure our real-world impact</p> <p>The implied temperature rise (ITR) goal: maintaining a portfolio that is consistent with the Paris Agreement</p>	<p>We will measure the temperature rise implied by the public equity and fixed income fund assets in our portfolio.</p> <p>We will aim for this ITR to be consistent with the Paris Agreement to keep global temperature rises well below 2°C by the end of the century.</p>	<p>The ITR increased from 1.9°C in Q4 2023 to 2.2°C in June 2024.</p> <p>This is attributed to a change in methodology at MSCI, notably for the treatment of Scope 3 emissions.</p>
	<p>To invest in companies that help the world reduce carbon emissions</p> <p>The climate solutions goal: investing in assets that help the global economy achieve net zero</p>	<p>We will increase our investment in the climate solutions required to meet net zero by 2050 or sooner.</p>	<p>In June 2025, we announced that we would commit to 5% of our Fund being invested in Climate Solutions</p>

* Note: (LPPI) and (non-LPPI) refers to, respectively, assets that are directly managed by LPPI and assets managed by another external fund manager appointed by LPPI.

Engagement & Alignment goals

To get to net zero and hit the targets in Table 3, we need to make sure that our investments are taking climate action too. Table 4 covers our engagement efforts with those companies, shows our progress and tells us if our investments are aligned with net zero. While we started with Global Equities in 2022, we now have much wider coverage across many asset classes.

Table 4

Goal number	What is the intention of the goal?	Target	Progress
	To ensure that companies we are invested in are aligning to net zero The alignment goal: evidencing what proportion of our portfolio investments are aligning to net zero	Global Equities We aim to ensure that by 2025 at least 32% (by value) of our Global Equities investments in material sectors meet the criteria to be considered aligning to net zero (as a minimum) as defined by the NZIF. We aim for this proportion to rise to 55% by 2030. By 2040, we aim to ensure that all our Global Equities investments in material sectors meet the criteria to be considered aligned to net zero (as a minimum) as defined by the NZIF.	Global Equities 45.9%
		Real Estate (LPPI)* At least 90% of Asset under management (AUM) of the direct portfolio will be assessed as net zero, aligned or aligning with a net zero pathway by 2025. We aim to reach 100% of AUM by 2040 or sooner.	Real Estate (LPPI)* 100% (up from a baseline of 95%).
		Real Estate (non-LPPI)* Increase the % of AUM managed by third party managers which are at least “aligning” to at least 50% by 2030, and 100% assessed as “aligned” or “net zero” by 2040.	Real Estate (non-LPPI)* No progress to report yet, target adopted in October 2024. Baseline: 1% of AUM.
		Infrastructure 50% of AUM will be assessed as net zero, aligned or aligning to a net zero pathway by 2030, 65% by 2035; 80% by 2040 and 100% by 2050.	Infrastructure No progress to report yet – target adopted in November 2024. Baseline: 21% of AUM.

* Note: (LPPI) and (non-LPPI) refers to, respectively, assets that are directly managed by LPPI and assets managed by another external fund manager appointed by LPPI.



At least 32% of material sector investments aligning to net zero by end of 2025. We are at **46%**.

Table 4 continued

Goal number	What is the intention of the goal?	Target	Progress
	<p>To encourage companies towards net zero</p> <p>The engagement goal: advocating for companies to put net zero plans in place</p>	<p>Global Equities and Corporate Fixed Income (Fixed Income Fund)</p> <p>We will aim for at least 70% of financed emissions in material sectors resulting from our Global Equities exposure being assessed as net zero, aligned with a net zero pathway, or the subject of direct or collective engagement and stewardship actions.</p> <p>By 2030, we will aim for at least 90% of financed emissions in material sectors resulting from our Global Equities exposure to be meeting these standards.</p>	<p>Global Equities</p> <p>79.2%</p>
		<p>Real Estate (LPPI)</p> <p>90% of financed emissions of the direct portfolio will be assessed as net zero, aligned with a net zero pathway or the subject of direct or collective engagement and stewardship actions by 2024.</p>	<p>Real Estate (LPPI)</p> <p>100%</p>
		<p>Real Estate (non-LPPI)</p> <p>Increase the emissions data coverage managed by third party managers as soon as possible to at least 70% (but at the latest by 2029) to allow for a decarbonisation objective to be set.</p> <p>Also, ensure that at least 90% of AUM managed by third party managers are either categorised as achieving net zero aligned to a net zero pathway or are subject to direct or collective engagement and stewardship actions by 2026.</p>	<p>Real Estate (non-LPPI)</p> <p>No progress to report yet, target set in November 2024. Baseline figure was assumed to be 0% given no formal process had been implemented at that point.</p>
		<p>Infrastructure</p> <p>50% of Scope 1 and 2 financed emissions will be assessed as net zero, aligned to a net zero pathway, or subject to direct or collective engagement by 2030; 75% by 2035; 100% by 2040. Progress on Scope 3 will be monitored on an ongoing basis.</p>	<p>Infrastructure</p> <p>No progress to report yet, target adopted in November 2024. Baseline: 40.2% of financed emissions.</p>

Operational goals

This goal covers our emissions as an organisation. This is separate from our investment portfolio but it's important that we're doing what we ask of the companies in which we invest.

Table 5

Goal number	What is the intention of the goal?	Target	Progress
	<p>To walk the talk.</p> <p>The operational emissions reduction goal: reducing the emissions from running the Fund.</p>	<p>By 2030, we aim to reduce Scope 1 and 2 GHG emissions by 50% per full-time employee, relative to our GHG emissions in 2022-23.</p>	<p>Our tCO₂ per employee was 3 for Scope 1 and 2 compared to our baseline of 18.1 for 2022-23. This was largely due to a reduction in business travel.</p>

This section provides more detail on each goal and targets that we have set for ourselves in section 4.

Emissions reduction goals

The emissions goals cover emissions for specific asset classes.

Goal 1: The portfolio emissions reduction goal: Monitoring reductions in financed emissions

What we said...

In 2022, we said that by 2030, we wanted to reduce Scope 1 and 2 portfolio-level emissions intensity to 13 tCO₂e/£m invested for our Global Equity and Fixed Income Fund. This is a 75% reduction compared to the portfolio emissions in 2019 of 48.1 tCO₂e/£m. Our Global Equity investments are held through the LPPI Global Equities Fund (GEF). The GEF is actively managed, meaning that the individual companies it holds can change over time depending on LPPI's and their external managers investment views. Changes in the companies held in the GEF can result in changes in carbon footprint – both up and down – from one year to the next. The GEF's carbon footprint should be expected to rise and fall each year on its way to the 2030 goal – it is unlikely to be a steady, predictable, downward trend. The 2030 goal was set based on analysis of the GEF's current and projected future carbon footprint using the sectoral decarbonisation pathways implied by the [One Earth Climate Model](#). We know that our goal of 13 tCO₂e/£m by 2030 is an ambitious one. For comparison, in 2021 the GEF's benchmark had a carbon footprint of 148 tCO₂e/£m.

In 2023, we said that by 2030, we wanted to reduce the portfolio emissions intensity of the directly held Real Estate assets to 10.4kgCO₂e/m²/y (10.4 kg of CO₂ emitted per square metre per year). This represents a 50% reduction relative to the portfolio emissions in 2022.

The NZIF, the framework that we use, aims to avoid an approach to target setting that incentivises investors to take actions that reduce their GHG emissions purely to meet a specific target each year – sometimes referred to as 'greening the portfolio'. For example, it would be counterproductive to divest from a company where engagement is generating results. Furthermore, investors like us divesting might risk stalling progress for that company altogether because future shareholders may not prioritise decarbonisation, meaning that the potential "real-world" progress falters. For this reason, the portfolio emissions reduction goal is considered as a "reference target" – it is used to keep track of progress, but it is not the primary way of making progress towards net zero.

Where we are now?

As of 30 June 2024, the Scope 1 and 2 emissions intensity for Global Equities and Corporate Fixed Income (LPPI)* was 11.1tCO₂e/£m invested. This is the lowest measurement since we announced our net zero ambition. It's also the first time it has gone below the level we said we want our Fund to be by 2030 (see Graph 1). Over time, the list of companies we are invested in changes as our managers make decisions about the best companies to invest in and which investments to sell, and with that may come some fluctuation in the emissions intensity of the portfolio, especially in Fixed Income where investments may be held for a shorter period of time. However, the current position is positive.

During the first half of 2024, the number of high carbon intensity companies in our portfolio remained low. This contributed to keeping this low portfolio emissions intensity. We continued to push for change with high emitting companies in our portfolio. This is where we will make the most real-world change because it is company behaviours changing that will impact the real-world conditions. Effecting change from the inside as shareholders at higher emitting companies is an important part of the role we must play in the energy transition.

A vital part of measuring the carbon footprint of our investments is obtaining reliable data. Sometimes it is challenging to obtain real data, which is why some of our net zero targets are also about increasing the proportion of investments with which we engage, because a key part of engagement is asking for data that is not yet available. In some cases, we need to estimate data for reporting in the meantime by making assumptions about probable emissions based on the company's sector. As our data collection improves over time (for example, by successfully convincing more companies to collect and report their supply chain emissions), so does our understanding of the real picture.

We wanted to reduce our emissions intensity by 50% by 2030 from our 2022 baseline. Emissions intensity in our Real Estate Fund assets has increased by 3.8% due to better data collection.



* Note: (LPPI) and (non-LPPI) refers to, respectively, assets that are directly managed by LPPI and assets managed by another external fund manager appointed by LPPI.

Sometimes this may mean that we find out the actual emissions are higher than we assumed them to be, and this can in turn make it look as if our emissions have increased when we report that new data. This is what has happened with the emissions data we report below for the directly held assets in the Real Estate (LPPI) Fund.

The graphs below show how our emissions are declining in Global Equities and Corporate Fixed Income (Graph 1) while they have risen in Real Estate (Graph 2).

Goal 2: The implied temperature rise goal: Maintaining a portfolio that is consistent with the Paris Agreement

What we said...

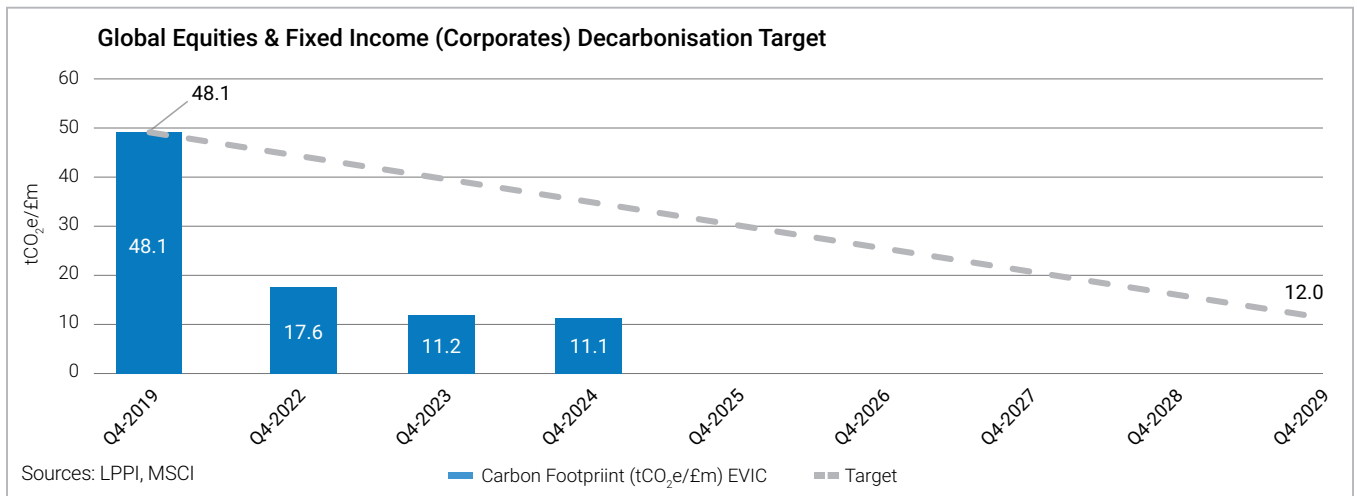
We will measure the temperature rise implied by the assets in our portfolio. We will aim for this implied temperature rise (ITR) to be consistent with the Paris Agreement to keep global temperature rises well below 2°C by the end of the

century. According to MSCI³, the ITR is designed to show the temperature alignment of companies and portfolios and funds with global temperature goals. In many ways projections such as this are more useful for making decisions than considering historic portfolio emissions. The ITR is calculated by estimating a global “carbon budget” – the amount of GHG that humanity can emit and still be likely to meet the goals of the Paris Agreement.

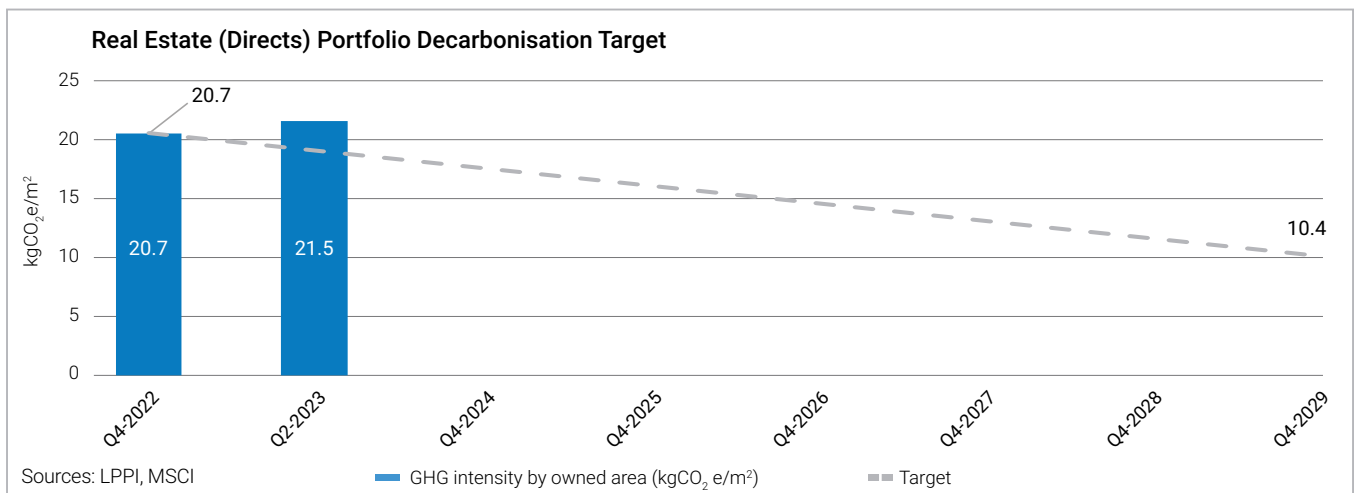
This global carbon budget is then allocated to each sector and each company within that sector, allowing us to compare each company’s projected future GHG emissions against its carbon budget. Companies with credible, ambitious, net zero plans are better placed to run within their carbon budgets than those with no plans in place.

By comparing each company’s estimated future emissions against its budget, it is possible to show if they are on track to over- or undershoot their budget and from there, calculate the

Graph 1



Graph 2



3 Implied Temperature Rise – MSCI

ITR. The ITR can help tell us what the global temperature rise will be by the end of the century (if all companies and sectors over- or undershot their carbon budget to the same extent).

In the same way, an ITR for our Global Equities portfolio can be calculated by comparing the total projected GHG emissions of all companies in the GEF against their total carbon budget.

We will monitor the ITR and review other forward-looking information. Ensuring that our ITR is consistent with the Paris Agreement is a deliberately challenging one. We want the companies in our portfolio to have projected emissions that are within their budgets, and we will engage with companies that are operating outside their carbon budget to encourage them to improve.

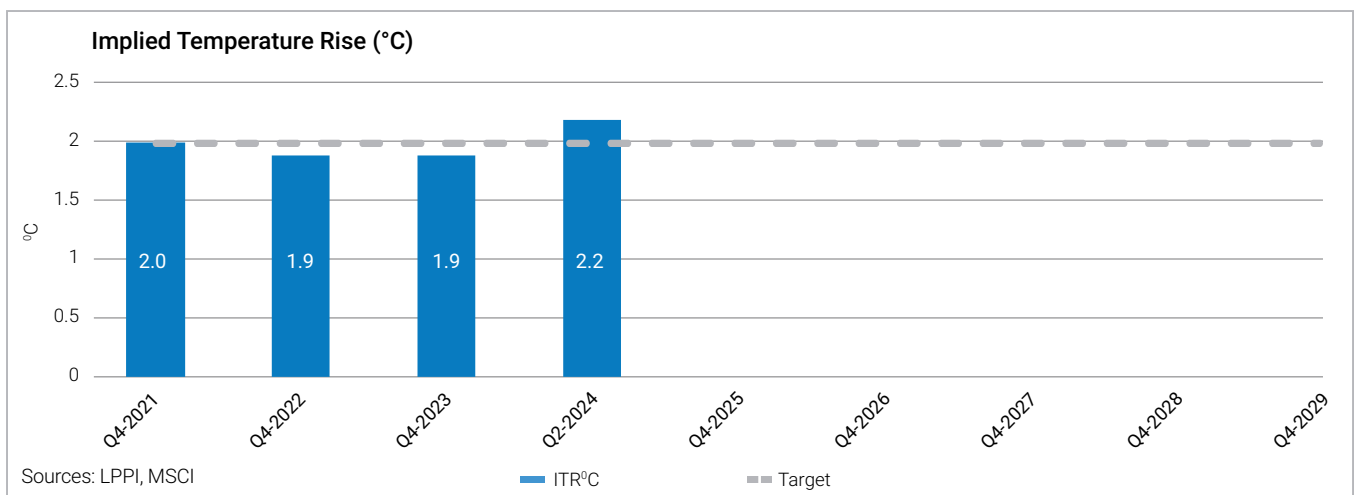
Where we are now?

On 30 June 2024, the ITR of our Global Equity and Corporate Fixed Income was 2.2°C degrees, 0.2°C higher than our target (Graph 3).

In 2023-24, we reported it as 1.7°C. This year-on-year swing is explained by the way we use assumptions about emissions that have to be estimated in the calculations. Usually, the most sizeable portion of a company’s emissions are what’s called Scope 3 emissions – for example, emissions made by suppliers in their supply chain, or by their customers’ use of the products and services they provide. Because this involves collecting data from organisations or individuals external to the company, it can be very challenging to get actual figures, so often these numbers are estimated.

Graph 3

The ITR increased from 1.9°C in Q4 2023 to 2.2°C in Q4 2024. This is attributed to a change in methodology at MSCI, notably in relation to the treatment of Scope 3 emissions.



When a company reports these estimated data, investors must evaluate the assumptions used and make adjustments. As data gradually gets better, we can test the assumptions we used to make and modify them in future calculations. When LPPI’s data providers did that during 2024, the result was an uptick in the projected emissions of our current portfolio companies, and hence an increase in the implied temperature rise of our portfolio.

Goal 3: The climate solutions goal: Investing in assets that help the global economy achieve net zero

What we said...

We will increase our investment in the climate solutions needed to meet net zero by 2050 or sooner. When we published our net zero action plan in 2022, we did not set a goal for the percentage of assets to be invested in climate solutions because of the lack of a definitive methodology for interpreting the available data.

Where we are now?

In June 2025, we publicly committed to ensuring 5% of our Fund is invested in climate solutions. Guidance from the [Institutional Investor Group on Climate Change \(IIGCC\)](#) has historically characterised climate solutions as including ‘activities, goods or services that contribute substantially to or enable emissions reductions to support decarbonisation in line with credible 1.5°C pathways towards net zero’. The term includes a diverse range of investment opportunities for us including energy efficiency and renewable energy, sustainable industry and transport to reforestation and wetland restoration projects.

Engagement & Alignment goals

These goals show our engagement efforts with those companies and our progress, and tells us if our investments are aligning with net zero. We use the Net Zero Investment Framework (NZIF) which helps us to categorise companies by setting the criteria. These criteria set a high standard for companies to be considered net zero or aligned to a net zero pathway, reflecting the fact that meaningful change is needed in the real world to achieve the Paris Agreement.

The purpose of the alignment goals is to increase the number of companies that are making the real-world changes required to align to net zero.

Goal 4: The alignment goal: Investing in companies that are aligned to net zero

What we said...

We aim to ensure that by the end of 2025 at least 32% (by value) of our Global Equities investments in material sectors meet the criteria to be considered aligning to net zero (as a minimum) as defined by the NZIF. We aim for this proportion to rise to 55% by 2030. By 2040, we aim for 100% of our Global Equities investments in material sectors meet the criteria to be considered “aligned” to net zero (as a minimum) as defined by the NZIF.

The interim goals for 2025 and 2030 are approximate milestones in our journey towards full alignment. We intend to reach these goals by engaging with companies to ensure that they align to net zero. We believe that successful engagement can lead to better outcomes than divestment, but the latter is sometimes necessary. Our managers will consider divestment from companies that do not respond sufficiently to engagement where the risk that inaction poses to the investment is thought unreasonable.

Where we are now?

On 30 June 2024, 45.9% of Global Equities in material sectors are net zero, aligned or aligning (Graph 4). We have also added a Real Estate (LPPI) alignment target. 100% of those asset classes are net zero, aligned or aligning (page 18, Graph 5).

Since we published our first report, the methodology and data for this goal has evolved meaning that more companies in which we invest are now classed as being in material sectors than we first reported (see ‘Abbreviations and Glossary’ section for the list of sectors deemed material). The LPPI Net Zero Alignment Framework and underlying criteria used to categorise a company as Aligning vs Aligned has also been tightened.

We now assess that we have 293 companies in material sectors within the Global Equities Fund which is a very similar number to what would have been the original position of 280, had we been able to apply the current methodology at the outset.

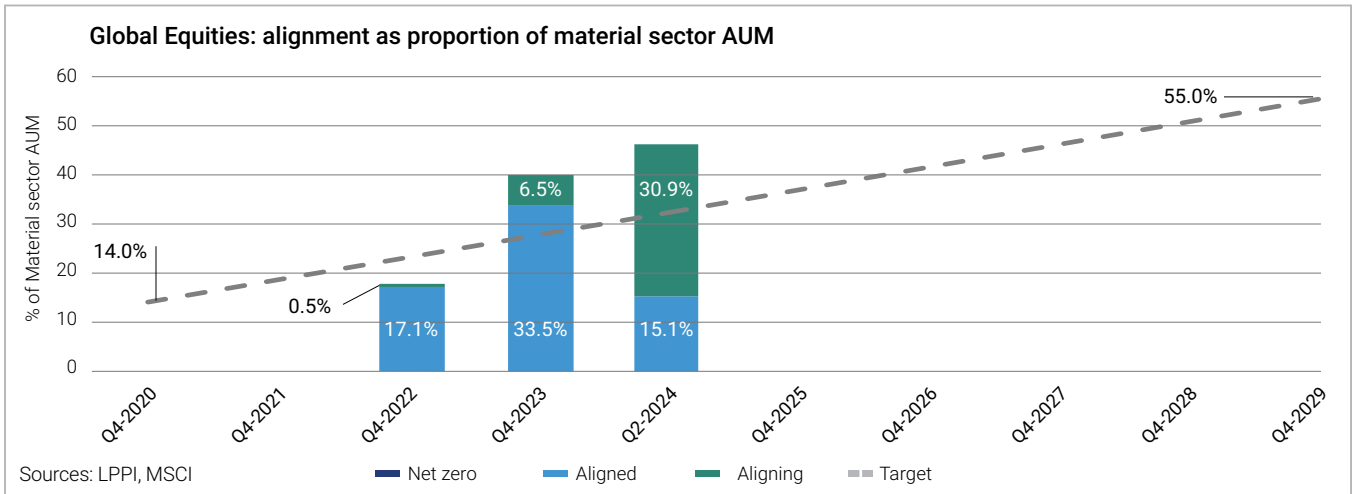
Table 6: A summary of the proportion of asset classes under engagement.

Alignment	31-12-22	31-12-23	30-06-24
Global Equities	17.6%	39.9%	45.9%
Real Estate (Directs)	95.0%	100.0%	100.0%

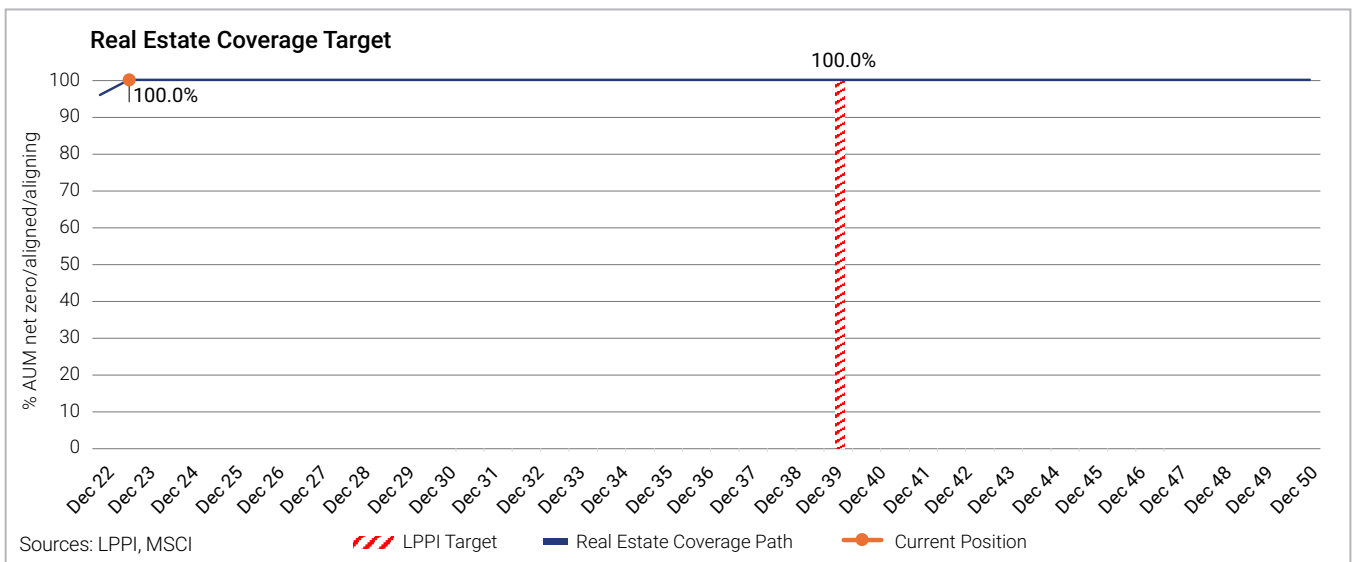


We wanted at least 70% of financed emissions aligned with net zero, aligning or under engagement. We are currently at **79%**.

Graph 4



Graph 5



Note: Net zero isn't displayed as none of the companies in which we invest are net zero.

Goal 5: The engagement goal: Engaging with companies to put net zero plans in place

What we said...

We will ensure that at least 70% of financed emissions resulting from material sectors in our Global Equities exposure are either assessed as net zero, aligned with a net zero pathway, or the subject of direct or collective engagement and stewardship actions. By 2030, we aim to ensure that at least 90% of financed emissions in material sectors resulting from our Global Equities exposure meet these standards.

We will ensure that our asset manager, LPPI, engages robustly with companies to achieve the engagement goal. This is where real-world impact might be most easily shown, where successful company engagement results in companies changing and reporting on their behaviours, also reducing their emissions as a result.

Where we are now

Table 8 summarises our engagement targets. On 30 June 2024, whilst only 5.2% of our Global Equities financed emissions in material sectors were net zero or aligned, 79.2% are under engagement. (Table 7 and Graph 6). We have also expanded into Real Estate, where 100% is under engagement (Graph 7).

Our engagement activity is varied and includes:

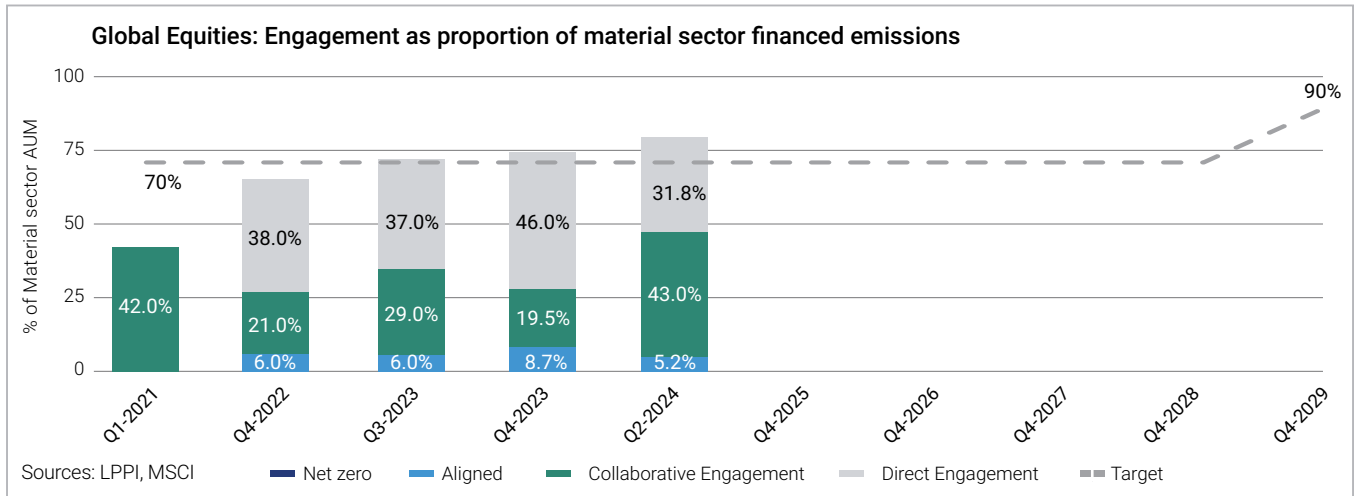
- LPPI votes at company meetings on our behalf. We have appointed Minerva Analytics to understand how votes made by our Fund Manager are aligned with our [Climate Voting Principles](#).
- We participate in the Net Zero Engagement Initiative, where we are lead engagement partners for three portfolio companies
- Through signing collaborative engagement letters and statements, we lobby groups of companies or regulators to implement policies to improve energy transition and reduce high emitting activities.

Table 7

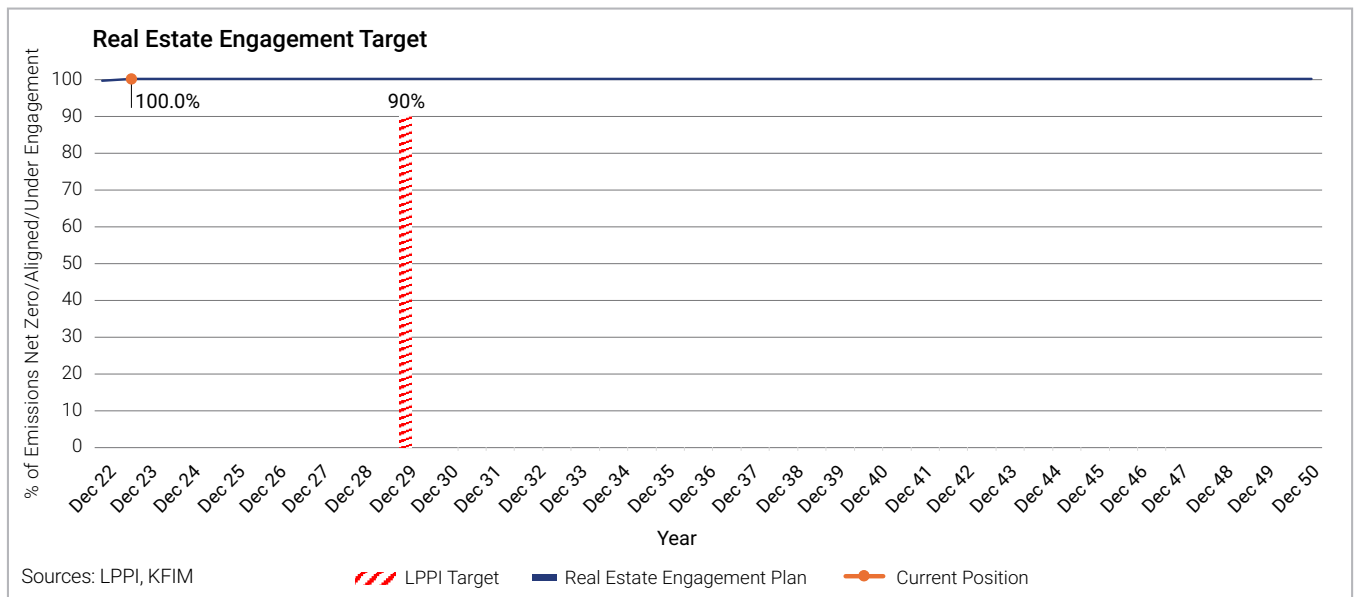
Engagement target		31-12-22	31-12-23	30-06-24
% Of financed emissions that are under engagement	Global Equities	50.0%	65.5%	74.1%
	Fixed Income (Corporates)	42.7%	54.0%	54.0%
	Real Estate (Directs)	69.5%	73.3%	
% Of financed emissions that are net zero or aligned (if not already net zero)	Global Equities	6.0%	8.7%	5.2%
	Fixed Income (Corporates)	0.0%	0.0%	0.0%
	Real Estate (Directs)	30.5%	26.7%	
Total	Global Equities	65.0%	74.2%	79.2%
	Fixed Income (Corporates)	42.7%	54.0%	54.0%
	Real Estate (Directs)	100.0%	100.0%	

Sources: LPPI, MSCI, KFIM

Graph 6



Graph 7



Note: Real Estate Engagement delivered through our project with the Good Economy:
<https://www.lpfa.org.uk/story/lpfa-publishes-investing-uk-report>

Operational goals

**Goal 6: The operational emissions reduction goal:
Reducing the emissions from running the pension fund**

This goal covers our emissions as an organisation, not our investments. It's important that we're doing what we ask our investments to do.

What we said...

By 2030, we aim to reduce Scope 1 and 2 GHG emissions by 50% per full-time employee, compared to our GHG emissions in 2022-23. We use Planet Mark to calculate our operational emissions from data we provide. This calculation covers pro-rata use of utilities, waste, paper usage as well as business travel by our CEO and Chair.

We use the 2022-23 figure (18 tCO₂/e) as our baseline. It was the first full year post-COVID and is a more exact reflection of normal working life than previous years.

Where we are

We have been recertified by Planet Mark for the fifth year running and our Scope 1 and 2 emissions currently stand at 3 tCO₂/e. This is mainly due to a reduction in business travel.



We continue to work with Planet Mark to reduce our operational emissions.



The Paris Aligned Asset Owners Commitment statement

The full text of our commitment can be found [below](#).

“As asset owners with millions of beneficiaries around the world, we reiterate our full support for the Paris Agreement and strongly urge governments to implement the actions that are needed to achieve the goals of the accord, with utmost urgency. Recognising the need to address the risks that investors and their beneficiaries face from climate change, investors are acting, but we acknowledge that there is an urgent need to accelerate the transition towards global net zero greenhouse gas emissions and do our part in helping deliver the goals of the Paris Agreement.

In this context, my institution commits to the following consistent with our fiduciary obligations:

Commitment	Progress
1. Transitioning our investments to achieve net zero portfolio GHG emissions by 2050, or sooner.	In progress
2. Implementing this commitment with the aim of achieving real economy emissions reductions and undertaking a comprehensive set of actions available to investors, drawing on the Paris Aligned Investment Initiative’s Net Zero Investment Framework.	In progress
3. Setting objectives and targets, including an interim target for 2030 or sooner for reducing Scope 1, 2 and 3 emissions associated with our portfolios and setting a target for increasing investment in climate solutions, consistent with a fair share of the 50% global reduction in CO ₂ identified as a requirement in the Intergovernmental Panel on Climate Change special report on global warming of 1.5°C.	In progress in most asset classes
4. Where offsets are necessary and there are no technologically and/or financially viable alternatives to eliminate emissions, investing in long-term carbon removals.	Under consideration
5. Ensure any direct and collective policy advocacy we undertake supports policy and regulation relevant for achieving global net zero emissions by 2050 or sooner.	In progress
6. Implementing a stewardship and engagement strategy, with clear voting policy that is consistent with an objective for all assets in the portfolio to achieve net zero emissions by 2050 or sooner.	In progress
7. Engaging with asset managers, credit rating agencies, auditors, stock exchanges, proxy advisers, investment consultants, and data and service providers to ensure that funds, products and services available to investors are consistent with achieving global net zero emissions by 2050 or sooner.	In progress
8. Setting a target and reducing our operational (Scope 1 and 2) emissions in line with achieving global net zero emissions by 2050, or sooner.	Complete
9. Disclosing objectives and targets and publishing a clear Investor Climate Action Plan for achieving these goals as soon as possible, no later than one year from making this commitment, and reviewing and updating targets every five years or sooner.	Complete (ongoing) Continual commitment
10. Reporting annually on the strategy and actions implemented and progress towards achieving objectives and targets, and in line with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations.	In progress (ongoing)

Our institution’s commitment recognises that investors across the globe have different opportunities, constraints and starting points for achieving net zero emissions and there are a range of methodologies and approaches available to investors to set targets and implement strategies. In some asset classes or for some investment strategies, agreed net zero methodologies do not yet exist. We will, therefore, work to address these challenges, including through the Paris Aligned Investment Initiative. Our commitment is based on the expectation that governments and policy makers will deliver on their commitments to achieve the 1.5°C temperature goal of the Paris Agreement, and in the context of fulfilling our fiduciary obligations.”

Abbreviations and Glossary

The definitions in the glossary are given to make this document easier to understand. Our wording may not be the only definition in use.

AUM	Assets under management
FIF	See: Fixed Income Fund
GEF	See: Global Equities Fund
GHG	See: Greenhouse gas
LPPI	See: Local Pensions Partnership Investments Ltd
NZIF	See: Net Zero Investment Framework
PAII	See: Paris Aligned Investment Initiative

Term	Definition
Aligned, Alignment	A company is aligned to a net zero pathway if it meets the relevant criteria outlined in the Net Zero Investment Framework. These criteria include having a credible commitment to be net zero by 2050 or sooner, putting in place short- and medium-term targets for GHG emission reduction, and disclosing its emissions.
Asset	Assets are the things that the pension fund owns, which either generate money to pay pensions or can be sold in future to pay pensions. LPFA's assets include cash, shares in companies, loans to companies, and ownership of buildings and infrastructure.
Asset class	An asset class is a grouping of investments that exhibit similar characteristics and are subject to the same laws and regulations. LPFA invests in seven asset classes: cash, credit, fixed income, infrastructure, private equity, public equities, and real estate. More information is available in our Investment Strategy Statement.
Asset manager	An organisation responsible for buying and selling assets on behalf of an asset owner.
Asset owner	Asset owners (including LPFA) are institutional investors that are responsible for investing assets to achieve a purpose. In LPFA's case, our purpose is to ensure that over the long term the Fund will have sufficient assets to meet all pension liabilities as they fall due.
Benchmark	A standard against which investment performance can be assessed. For example, the investment performance of the GEF is measured compared to the MSCI ACWI index.
Carbon budget	At a global level, this is an estimate of the maximum amount of GHGs (expressed in CO ₂ equivalents) that can be emitted by humanity if we are to achieve the Paris Agreement. This global carbon budget is then divided between sectors and companies for comparison against their actual GHG emissions.
Carbon footprint	The amount of GHGs released into the atmosphere because of the activities of a particular individual, organisation, or community. See also: tCO ₂ e/£m.
Climate solutions	Activities that deliver a substantial contribution to mitigating climate change. Examples include generating renewable energy, improving energy efficiency, and developing carbon capture technology.
Collective engagement	Groups of asset owners and asset managers working together to apply pressure to companies to ensure that they align to a net zero pathway. See also: direct engagement.
Corporate Fixed Income	Fixed income is a class of assets and securities that pay out a set level of cash to investors, typically in the form of fixed interest or dividends. Corporate Fixed income is issued by companies, not Governments.
Direct engagement	A single asset owner or asset manager applying pressure to companies to ensure that they align to a net zero pathway. See also: collective engagement
Decarbonisation	The process of reducing GHG emissions.

Abbreviations and Glossary continued

Term	Definition
Divestment	The sale of assets to another party.
Engagement	In the context of this document, engagement means the process of applying pressure to companies to ensure that they align to a net zero pathway. Examples of engagement include sending emails or letters, meeting or speaking with representatives of the company, and voting at Annual General Meetings.
Equities	Equities are shares in the ownership of a company.
Exposure	A term used to describe how much of an investment is held by an asset owner or asset manager.
Financed emissions	The share of GHG emissions that are paid for using the money provided by an investor.
Fixed Income	Fixed income is a class of assets and securities that pay out a set level of cash flows to investors, typically in the form of fixed interest or dividends. Government and corporate bonds are the most common types of fixed-income products.
Fixed Income Fund (FIF)	This is an investment vehicle set up by LPPI to invest in fixed income worldwide. Further information is available from the LPPI website.
Global Equities Fund (GEF)	This is an investment vehicle set up by LPPI to invest in public equities worldwide. Further information is available on the LPPI website.
Greenhouse gas (GHG)	Greenhouse gases are gases that can absorb infrared radiation and thereby trap heat within the atmosphere. The 1997 Kyoto Protocol defines six gases as GHGs: carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, and sulphur hexafluoride. These gases have different potencies, and to reflect this we express GHG emissions as carbon dioxide equivalents, written as CO ₂ e. For example, gram for gram methane can trap 80 times more heat than carbon dioxide, so one kg of methane emissions would be expressed 80kg CO ₂ e.
Investment returns	The income from an asset, plus the change in value of the asset.
Implied temperature rise	Implied temperature rise is a metric that can be calculated for a company or portfolio. It is an attempt to answer the question "how much might global temperatures be likely to rise by 2100 if all companies and sectors over- or undershot their carbon budget to the same extent as this company is expected to?"
Listed equities	Shares in the ownership of a company that are available to buy and sell on an exchange, such as the London Stock Exchange.
Local Pensions Partnership Investments Ltd (LPPI)	LPPI is an FCA authorised company to which LPFA has delegated all aspects of investment implementation. It was set up by the LPFA and Lancashire County Council for the purpose of achieving economies of scale, greater internal resource, and superior investment opportunities.
Material sectors	These are the economic sectors named in the NZIF as being most important for the global net zero transition. NZIF considers sectors covered by NACE codes A-H and J-L as material and should be covered at a minimum by net zero objectives and targets: A) Agriculture, forestry and fishing, B) Mining and quarrying, C) Manufacturing, D) Electricity, gas, steam and air conditioning supply, E) Water supply; sewerage; waste management and remediation activities, F) Construction, G) Wholesale and retail trade; repair of motor vehicles and motorcycles, H) Transporting and storage, J) Information and communication, K) Financial and insurance activities, L) Real estate activities.
Net zero	A state in which GHG emissions are as close to zero as possible, with any remaining emissions re-absorbed from the atmosphere by, for example, oceans and forests.
Net Zero Investment Framework (NZIF)	The Net Zero Investment Framework, published in March 2021 by the Paris Aligned Investment Initiative, provides a common set of recommended actions, metrics and methodologies through which investors can maximise their contribution to achieving global net zero emissions by 2050 or sooner. The NZIF implementation guide is publicly available here.

Abbreviations and Glossary continued

Term	Definition
One Earth Climate Model	This is a methodology for estimating decarbonisation pathways for twelve of the sectors of the economy that are most important to the global net zero transition.
Paris Agreement	The Paris Agreement on climate change is a 2015 global accord seeking to keep the rise in global average temperature to well below 2°C above pre-industrial levels and to pursue efforts to limit the increase to 1.5°C. As of 2021, the Paris Agreement has been signed by 191 countries and ratified by 186 countries.
Paris Aligned Investment Initiative (PAII)	The Paris Aligned Investment Initiative is a collaborative investor-led global forum enabling investors to align their portfolios and activities to the goals of the Paris Agreement. It is a collaboration between four regional investor networks across the globe, including the Institutional Investors Group on Climate Change (IIGCC), which represents European investors and of which LPFA is a member. More information is available on the PAII website.
Pathway	A future projection of expected or required GHG emissions.
Portfolio	The term used to describe all the assets held by an asset owner.
Real Estate	Real estate is defined as the land and any permanent structures, like a home, or improvements attached to the land, whether natural or manufactured. It differs from personal property, which is not permanently attached to the land, such as vehicles, boats, jewellery, furniture, and farm equipment.
Scope 1 GHG emissions	An organisation's direct GHG emissions. These might be created when an organisation combusts fossil fuels or uses fuel in transportation.
Scope 2 GHG emissions	An organisation's emissions associated with the generation of purchased electricity, heating/cooling, or steam for own consumption.
Scope 3 GHG emissions	An organisation's indirect emissions other than those covered in Scope 2. This includes the emissions associated with an organisation's supply chain and its customers.
Stewardship actions	The actions taken by the asset owner and asset manager to supervise assets responsibly. LPFA's approach to stewardship is set out in our Responsible Investment Policy and Climate Change Policy, which are available on our website.
tCO ₂ e/£m	The units of carbon footprint, tonnes (t) of carbon dioxide equivalent (CO ₂ e) per million pounds (£m) of investment. See also: carbon footprint.

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