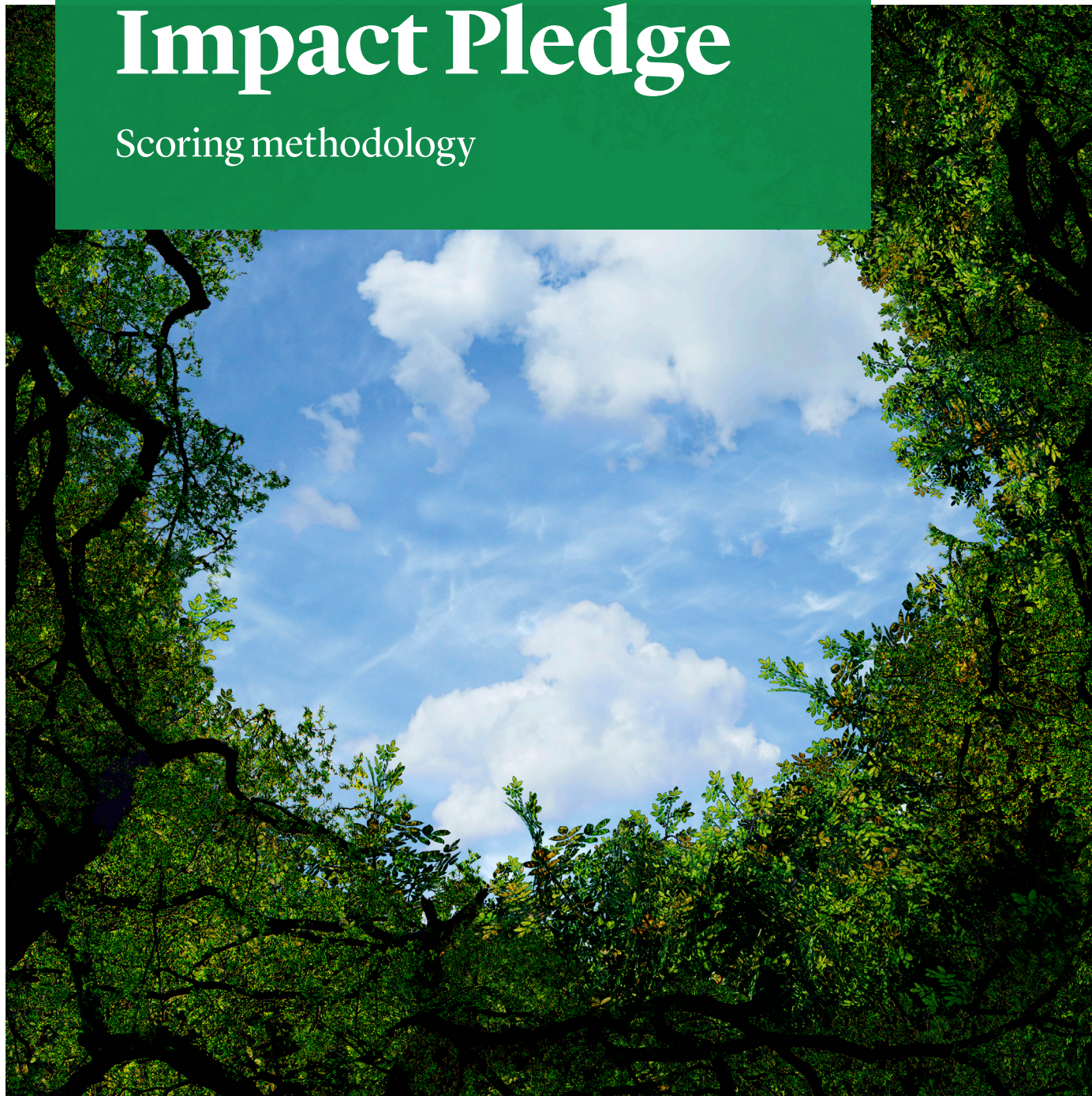


LGIM's Climate Impact Pledge

Scoring methodology



Introduction

LGIM believes that climate change carries significant risks to society and long-term financial stability. The purpose of our ratings is to help drive progress in the market through increased transparency and engagement with consequences under our Climate Impact Pledge (CIP) programme¹.

This document sets out the framework, governance processes and methodology of the updated LGIM Climate Impact Pledge ratings (CIP ratings). The CIP rating is used as a key input into climate-related stewardship activities such as voting.

By making our assessments public, we want to encourage companies to address any gaps in their climate disclosures and sustainability strategies, whilst sanctioning companies falling short of our minimum standards.

Data

Data sources: Data for the CIP rating is obtained from third-party sources, in addition to leveraging proprietary data points from LGIM's Destination@Risk tool. The CIP ratings will be refreshed and uploaded to the website every six months in October and March.

Data sources	
Destination@Risk/LGIM	Sustainalytics
CDP	ISS
InfluenceMap	TPI (Transition Pathway Initiative)
HSBC	Bloomberg
CA100+	FAIRR
Fashion Revolution	

Data availability: Where a data point is not provided by the third-party provider for a given issuer, it will be treated as not available (N/A). The weightings allocated for N/A data points are redistributed on a pro-rata basis to the data points that are disclosed. However, when data is not available for an issuer on a CDP indicator, the issuer is penalized (scored 0) as CDP data is self-disclosed and we strongly encourage companies to disclose via the CDP framework.

Data quality: Data needs to meet the following quality checks in order to be considered for inclusion:

Quality	Description
Reliability	The data is available in a quantitative format, reported on a regular basis in a way available for data capture.
Coverage	The data is available for companies globally and is not dependent on their country of incorporation or listing.
Comparability	The data uses the same definitions across companies, countries and year-on-year.
Materiality	The data point is capturing a material climate issue that can impact long-term return or presents a risk if not addressed.

1. For more details on our engagement programme, please see our Climate Impact Pledge Report: <https://www.lgim.com/uk/en/responsible-investing/climate-impact-pledge/>

Rating overview

Coverage: Starting from LGIM's holdings universe, we have selected 20 'climate-critical' sectors – those deemed to be key in the global transition to a low-carbon economy and identified as most carbon intensive within our portfolios. The mapping of our sectors to the GICS international classification is outlined below.

GICS sector	GICS sub-industry	CIP sector
Materials	Aluminium	Aluminium
Consumer discretionary	Apparel retail	Apparel
Consumer discretionary	Apparel accessories & luxury goods	
Consumer discretionary	Footwear	
Consumer discretionary	Textiles	
Consumer discretionary	Automobile manufacturers	Autos
Industrials	Airlines	Aviation
Financials	Diversified banks	Banks
Financials	Regional banks	
Financials	Diversified capital markets	
Materials	Construction materials	Cement
Chemicals	Commodity chemicals	Chemicals
Chemicals	Diversified chemicals	
Chemicals	Specialty chemicals	
Chemicals	Fertilisers & agricultural chemicals	
Consumer staples	Packaged foods & meats	Food
Consumer discretionary	Food retail	
Consumer discretionary	Restaurants	
Consumer discretionary	Food distributor	
Consumer staples	Hypermarkets & super centers	
Consumer staples	Agricultural products	
Materials	Forest products	Forestry
Materials	Paper packaging	
Materials	Paper products	
Materials	Metal & glass containers	Glass
Financials	Multi-line insurance	Insurance
Financials	Property & casualty insurance	
Financials	Life & health insurance	
Financials	Reinsurance	
Industrials	Air freight & logistics	Logistics
Materials	Diversified metals & mining	Mining
Energy	Coal & consumable fuels	
Utilities	Gas utilities	Multi-utilities
Utilities	Multi-utilities	
Utilities	Water utilities	

GICS sector	GICS sub-industry	CIP sector
Energy	Integrated oil & gas	Oil & gas
Energy	Oil & gas exploration & production	
Energy	Oil & gas refining & marketing	
Real estate	Specialized REITs	Property
Real estate	Industrial REITs	
Real estate	Office REITs	
Real estate	Diversified REITs	
Real estate	Residential REITs	
Real estate	Retail REITs	
Real estate	Hotel & resort REITs	
Real estate	Diversified real estate activities	
Real estate	Real estate development	
Real estate	Real estate operating companies	
Industrials	Marine	Shipping
Materials	Steel	Steel
Electric utilities	Electric utilities	Utilities
Utilities	Independent power producers & energy traders	
Communications services	Interactive media & services	Tech & telecoms
Communications services	Integrated telecommunication services	
Information technology	Technology hardware, storage & peripherals	
Information technology	Technology distributors	
Information technology	Systems software	
Information technology	Semiconductors	
Information technology	Semiconductor equipment	
Information technology	IT consulting & other services	
Information technology	Internet services & infrastructure	
Information technology	Electronic manufacturing Services	
Information technology	Electronic equipment & instruments	
Information technology	Electronic components	
Information technology	Data processing & outsourced services	
Information technology	Communications equipment	
Information technology	Application software	
Information technology	Wireless telecommunication services	

Figure 1

Indicators: Circa 70 individual indicators have been selected for inclusion. Some indicators are sector-specific, whilst others are applied across sectors.

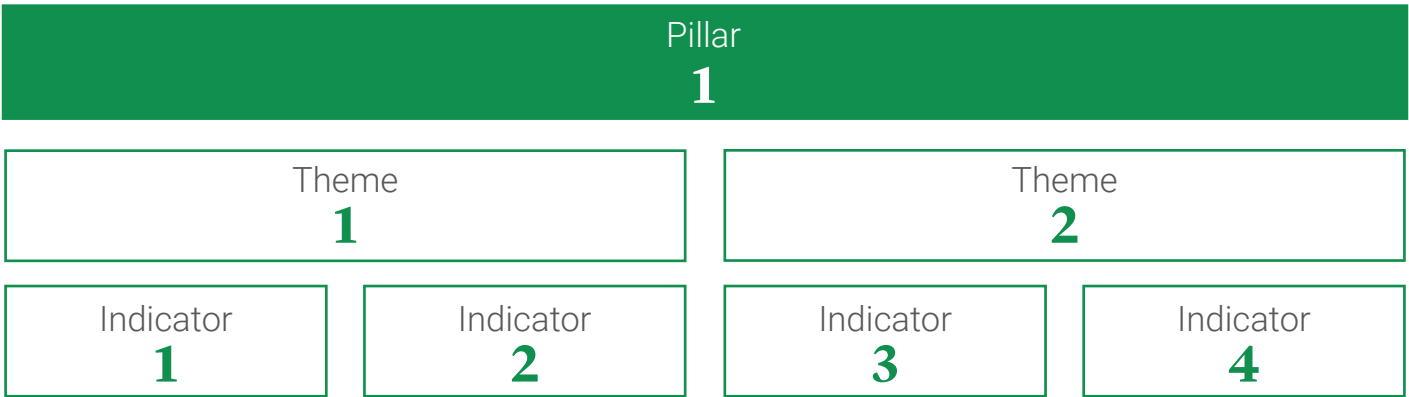
TCFD	Section	CIP sector/ GICS sub-industry applicability	Data provider	Indicators
Governance	Climate governance	All	CDP	Board members with responsibility of climate-related issues
		All	CDP	Integration of climate related issues into governance mechanisms
	Disclosure - TCFD reporting and sector relevant scope 3	All	CDP	CDP letter score
		Apparel retail, apparel accessories & luxury goods, footwear, textiles, automobile manufacturers, commodity chemicals, Diversified chemicals, specialty chemicals, fertilisers & agricultural chemicals, packaged foods & meats, agricultural products, food retail, hypermarkets & super centers, restaurants, forest products, paper packaging, paper products, tech & telecoms.	CDP	Disclosure of scope 3 from purchased goods and services
		Automobile manufacturers, commodity chemicals, diversified chemicals, specialty chemicals, fertilisers & agricultural chemicals, diversified metals & mining, coal & consumable fuels, Integrated oil & gas, oil & gas refining & marketing	CDP	Disclosure of scope 3 emissions from use of sold products
		REITs	CDP	Embodied carbon emissions disclosure
		Diversified banks, regional banks, diversified capital markets, multi-line insurance, property & casualty insurance, life & health insurance, reinsurance	CDP	Disclosure of portfolio emissions
		All REITs: specialized REITs, industrial REITs, office REITs, diversified REITs, residential REITs, retail REITs, hotel & resort REITs, diversified real estate activities, real estate development, real estate operating companies	CDP	Disclosure of scope 3 emissions from leased assets
		Apparel retail, apparel accessories & luxury goods, footwear, textiles, packaged foods & meats, agricultural products, food retail, hypermarkets & super centers, restaurants, forest products, paper packaging, paper products	CDP	CDP forest questionnaire letter score

Strategy	Company policies	All except financials	Sustainalytics	Environmental Policy
		All except financials	Sustainalytics	GHG reduction programme
		All except for banks, insurance, T&T, chemicals, shipping, steel and aluminium	Sustainalytics	Biodiversity Programmes
		Packaged foods & meats, agricultural products, food retail, hypermarkets & super centers, restaurants	Sustainalytics	Sustainable agriculture programmes
		Packaged foods & meats, agricultural products, food retail, hypermarkets & super centers, restaurants, forest products, paper packaging, paper products	Sustainalytics	Supplier environmental programmes
		Packaged foods & meats, agricultural products, food retail, hypermarkets & super centers, restaurants, forest products, paper packaging, paper products, apparel retail, apparel accessories & luxury goods, footwear, textiles	Sustainalytics	Deforestation Policy
		Packaged foods & meats, agricultural products, food retail, hypermarkets & super centers, restaurants, forest products, paper packaging, paper products, apparel retail, apparel accessories & luxury goods, footwear, textiles	Sustainalytics	Deforestation Programme
		Forest Products, Paper Packaging, Paper Products	Sustainalytics	Forest certifications
		Forest Products, Paper Packaging, Paper Products	Sustainalytics	FSC certified sourcing
		Multi-line insurance, property & casualty insurance, reinsurance	Sustainalytics	Underwriting standards
		Multi-line insurance, property & casualty insurance, life & health insurance, reinsurance	Sustainalytics	Responsible investment programme
		Diversified banks, regional banks, diversified capital markets	Sustainalytics	Credit & loan standards
		Diversified banks, regional banks, diversified capital markets	Sustainalytics	Corporate finance - ESG integration
		Apparel retail, apparel accessories & luxury goods, footwear, textiles, automobile manufacturers, metal & glass containers	Sustainalytics	Eco-design
		Specialized REITs, industrial REITs, office REITs, diversified REITs, residential REITs, retail REITs, hotel & resort REITs, diversified real estate activities, real estate development, real estate operating companies	Sustainalytics	Real estate LCA
		Specialized REITs, industrial REITs, office REITs, diversified REITs, residential REITs, retail REITs, hotel & resort REITs, diversified real estate activities, real estate development, real estate operating companies	Sustainalytics	Customer eco-efficiency programmes
		Specialized REITs, industrial REITs, office REITs, diversified REITs, residential REITs, retail REITs, hotel & resort REITs, diversified real estate activities, real estate development, real estate operating companies	Sustainalytics	Green buildings investments
		Steel, aluminium, glass, forestry	Sustainalytics	Recycled material use
		Steel, aluminium, glass, logistics	Sustainalytics	Renewable energy programmes
		Shipping, aviation, logistics	Sustainalytics	Green logistics programmes
		Integrated oil & gas, oil & gas exploration & production	Sustainalytics	Oil sands extraction-revenue level of involvement
		Autos, aviation, cement, chemicals, mining, oil & gas, steel, utilities, multiutilities (except for water utilities)	CA100+	Capital allocation alignment
		Autos, aviation, cement, chemicals, mining, oil & gas, steel, utilities, multiutilities (except for water utilities)	CA100+	Decarbonization strategy
		Apparel accessories & luxury goods, footwear, apparel retail	Fashion revolution	Overconsumption, waste & circularity
		Apparel accessories & luxury goods, footwear, apparel retail	Fashion revolution	Sustainable sourcing & materials
	Climate lobbying	All, but remove for apparel, banks, food, insurance, REITs, shipping, water utilities, aluminium, forestry, logistics, glass	InfluenceMap	Total organisational score
		Banks, insurance	Sustainalytics	PRI signatory or UNEPFI signatory
		All REITs: specialized REITs, industrial REITs, office REITs, diversified REITs, residential REITs, retail REITs, hotel & resort REITs, diversified real estate activities, real estate development, real estate operating companies	Sustainalytics	Green building memberships
		Packaged foods & meats, food retail, hypermarkets & super centers restaurant, agricultural products	Sustainalytics	Food & beverage Sustainability Initiatives

Risks & opportunities	Climate value-at-risk	All	Destination @Risk	Climate value-at-risk
	Green opportunities	All, but remove for banks, food, insurance, shipping, logistics, tech & telecoms, glass	HSBC	Green revenues
		All REITs: specialized REITs, industrial REITs, office REITs, diversified REITs, residential REITs, retail REITs, hotel & resort REITs, diversified real estate activities, real estate development, real estate operating companies	Sustainalytics	Share of green buildings
		Banks, insurance	Sustainalytics	Sustainable financial initiatives
		Packaged foods & meats	FAIRR	Sustainable proteins
		Specialized REITs, industrial REITs, office REITs, diversified REITs, residential REITs, retail REITs, hotel & resort REITs, diversified real estate activities, real estate development, real estate operating companies	CDP	New construction or major renovations projects designed as net zero carbon in the last three years
		Utilities, multi-utilities (except for water utilities)	ISS	Utilities, power generation output (coal)
		Utilities, multi-utilities (except for water utilities)	ISS	Utilities, power generation output (renewables)
		Autos, aviation, logistics, utilities, multi-utilities (except for water utilities), oil and gas, steel, cement, chemicals, mining, aluminium	CDP	Disclosure of investments in low-carbon R&D over the last three years
		Packaged foods & meats, agricultural products, forest products, paper packaging, paper products	CDP	Disclosure of agriculture or forest management practices with a climate change mitigation and/or adaption benefit
		Apparel retail, apparel accessories & luxury goods, footwear, packaged foods & meats, agricultural products, food retail, hypermarkets & super centers, restaurants, paper packaging, paper products, glass	Sustainalytics	Sustainable products & services
Scenario analysis	Paris-alignment	All	Destination @Risk	2030 temperature alignment
		Food	Bloomberg	Climate scenario analysis
		All	ISS	Issuer temperature score
		Airlines, autos, chemicals, cement, mining, electric utilities, oil & gas, shipping, steel, aluminium, paper products, paper packaging	TPI	Carbon performance alignment (2035)
Metrics & targets	Net Zero ambition	Autos, aviation, cement, chemicals, mining, oil & gas, steel, utilities, multiutilities (except for water utilities)	CA100+	Short-term (up to 2025) GHG reduction target (s)
		Autos, aviation, cement, chemicals, mining, oil & gas, steel, utilities, multiutilities (except for water utilities)	CA100+	Medium-term (2036-2050) GHG reduction target (s)
		Utilities, multi-utilities (except for water utilities)	CA100+	COAL PHASE-OUT
		Utilities, multi-utilities (except for water utilities)	CA100+	GAS PHASE-OUT
		Packaged foods & meats	FAIRR	Scope 3 target
		All	ISS	Issuer GHG reduction targets
	Emissions intensity	All except banks, insurance and all REITs	Sustainalytics	Carbon emissions intensity
		All	ISS	Absolute emissions trajectory in past 3 years
		All	ISS	Emissions intensity trajectory in past 3 years
		Oil & gas	Bloomberg	Methane emissions trajectory 3y (%)
		Chemicals, glass, aluminium	Sustainalytics	Renewable energy use
		Autos	Sustainalytics	Fleet emissions trend

Figure 2

The indicators are aggregated to form a theme score, which in turn are aggregated to form the pillar scores. Each indicator is scored between 0 and 100, with 0 corresponding to the minimum score and 100 the maximum possible. **Each indicator contributes equally to a theme, and each theme contributes equally to five pillars.**



The choice of pillars reflects the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD).

Governance pillar	Strategy pillar	Risks and opportunities pillar	Scenario analysis pillar	Metrics and targets pillar
How is the oversight of climate issues exercised at the board level and communicated to investors?	What policies do companies have in place, and what policies are they lobbying governments for?	How much of companies' current earnings comes from 'green' activities, and how much of potential future earnings is at risk in the low-carbon transition?	What level of global warming are companies' plans aligned to?	How ambitious are companies' emission targets, and how do they compare to past performance?
Climate governance	Company policies	Climate value-at-risk	Paris alignment	Net-zero ambition
Disclosure - TCFD reporting and Scope 3 emissions	Climate lobbying	Green opportunities		Emissions intensity and trajectory

Sanctions and minimum standards: Our indicators capture LGIM's view of best practices, as well as minimum standards. Companies scoring negatively on relevant indicators flagged below as reflecting minimum standards are likely to receive voting sanctions from LGIM.

The indicators deemed most critical are categorised as "minimum standards". Considering the regional differences in climate ambitions and the levels of maturity, companies in **developed markets must meet at least three minimum standards and emerging/frontier market companies must meet at least one.**

Since the 2021 voting season, LGIM has voted globally against the reports and accounts of all companies not meeting these standards. We will increase the stringency of our minimum standards and sanctions over time – for example, chairs of companies who persistently fell short received a vote against during the 2022 AGM season and this will continue for further seasons.

Summary of indicators we consider to be minimum standards:

CIP sector/GICS sub-industry	Data provider	Indicators
All	CDP	Board members with responsibility of climate related issues
All	CDP	CDP letter score
Apparel retail, apparel accessories & luxury goods, footwear, textiles, automobile manufacturers, commodity chemicals, diversified chemicals, specialty chemicals, fertilisers & agricultural chemicals, packaged foods & meats, agricultural products, food retail, hypermarkets & super centers, restaurants, forest products, paper packaging, paper products, tech & telecoms	CDP	Disclosure of scope 3 emissions from purchased goods and services
Automobile manufacturers, commodity chemicals, diversified chemicals, specialty chemicals, fertilisers & agricultural chemicals, diversified metals & mining, coal & consumable fuels, integrated oil & gas, oil & gas refining & marketing	CDP	Disclosure of scope 3 emissions from use of sold products
Diversified banks, regional banks, diversified capital markets, multi-line insurance, property & casualty insurance, life & health insurance, reinsurance	CDP	Disclosure of portfolio emissions
REITs	CDP	Disclosure of scope 3 emissions from downstream leased assets
All except financials	Sustainalytics	Environmental policy
All except financials	Sustainalytics	GHG reduction programme
Packaged foods & meats, agricultural products, food retail, hypermarkets & super centers, restaurants, forest products, paper packaging, paper products, apparel retail, apparel accessories & luxury goods, footwear, textiles	Sustainalytics	Deforestation policy
Packaged foods & meats, agricultural products, food retail, hypermarkets & super centers, restaurants, forest products, paper packaging, paper products, apparel retail, apparel accessories & luxury goods, footwear, textiles	Sustainalytics	Deforestation programme
Multi-line insurance, property & casualty insurance, reinsurance	Sustainalytics	Underwriting standards
Multi-line insurance, property & casualty insurance, life & health insurance, reinsurance	Sustainalytics	Responsible investment programme
Diversified banks, regional banks, diversified capital markets	Sustainalytics	Credit & loan standards
Apparel retail, apparel accessories & luxury goods, footwear, textiles, automobile manufacturers, metal & glass containers	Sustainalytics	Eco-design
Specialized REITs, industrial REITs, office REITs, diversified REITs, residential REITs, retail REITs, hotel & resort REITs, diversified real estate activities, real estate development, real estate operating companies	Sustainalytics	Real estate LCA
All	ISS	Emissions intensity past 3 years

TCFD pillar: Governance

Theme 1: Climate Governance

Indicator: Board members with responsibility of climate related issues

We believe that for companies in climate-critical sectors, climate change and the energy transition pose material risks as well as opportunities, and therefore should be integrated into governance frameworks as the company would with any other key risk.

This indicator captures whether the company has disclosed, via CDP, that there are one or more individuals on the board with oversight of climate change. Companies without board oversight of climate change receive a negative score.

We consider having board oversight of climate change a minimum standard.

Indicator: Integration of climate related issues into governance mechanisms

We believe that for companies in climate-critical sectors, climate change and the energy transition pose material risks as well as opportunities and should therefore be integrated into mainstream governance frameworks and the board's general oversight functions.

This indicator captures the number of governance mechanisms the company has reported via CDP into which climate-related issues are integrated, for example, the oversight of major capital expenditures, or the incorporation into risk management policies.

Companies which report that climate change is integrated into several governance mechanisms receive a positive score.

Theme 2: Disclosure

Indicator: CDP climate questionnaire letter score

This indicator captures a company's alphabetical score on the CDP Climate Questionnaire.

The alphabetical score is an assessment of how comprehensively the company is disclosing via this questionnaire.

The CDP climate is closely tailored to the TCFD framework, which is rapidly becoming the global standard for disclosure of material climate-related financial information. Disclosing via the CDP framework allows investors and other stakeholders to gather climate data on a large number of issuers in a comparable format.

Companies with higher alphabetical scores on their CDP report will receive a positive score.

We consider climate disclosure a minimum standard.

Indicator: Scope 3 disclosure

This indicator captures whether a company is disclosing its most material source of scope 3 emissions.

For several sectors, the most significant part of their overall carbon footprint – and thus an important source of climate-related risks – does not come from their company operations, but from their up- or downstream ('scope 3') emissions, such as those associated with their purchased goods and services, the use of sold products or leased assets, or their investments. We expect companies to provide visibility of relevant emissions along their value chain, as outlined on the next page.



Indicator	GICS sub-industry
Scope 3 - Purchased goods and services	Apparel retail, apparel accessories & luxury goods, footwear, textiles, automobile manufacturers, commodity chemicals, diversified chemicals, specialty chemicals, fertilisers & agricultural chemicals, packaged foods & meats, agricultural products, food retail, hypermarkets & super centers, restaurants, forest products, paper packaging, paper products, tech & telecoms
Scope 3 - Use of sold products	Automobile manufacturers, commodity chemicals, diversified chemicals, specialty chemicals, fertilisers & agricultural chemicals, diversified metals & mining, coal & consumable fuels, integrated oil & gas, oil & gas refining & marketing
Scope 3 – Portfolio emissions	Diversified banks, regional banks, diversified capital markets, multi-line insurance, property & casualty insurance, life & health insurance, reinsurance
Scope 3 - Downstream leased assets	REITs
Embodied carbon emissions	REITs

Companies disclosing sector-relevant scope 3 emissions will receive a positive score.

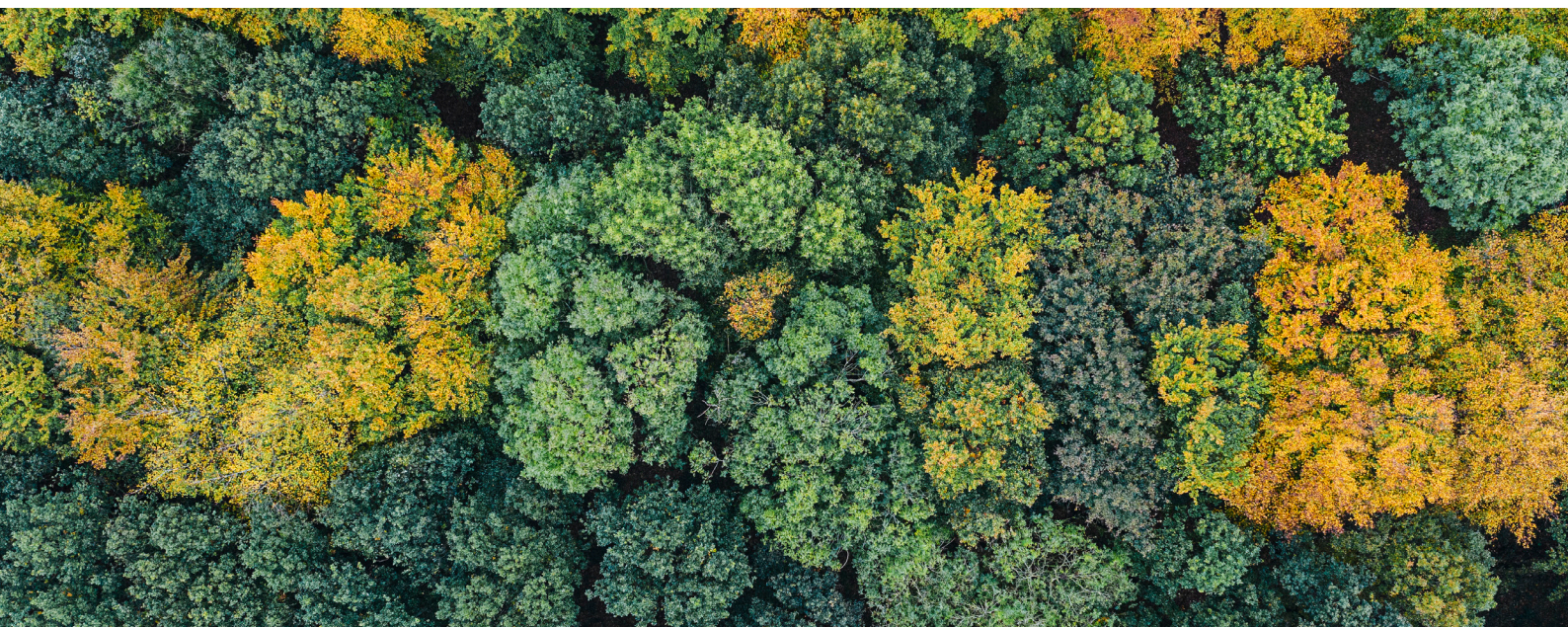
We consider material scope 3 emissions disclosure a minimum standard (except for embodied carbon indicator at this point in time).

Indicator: Forest questionnaire letter score

This indicator captures a company's alphabetical score on the CDP forest questionnaire.

The alphabetical score is an assessment of how comprehensively the company is disclosing via the questionnaire, which captures, for example, the company's performance on supply chain traceability and certification.

Companies with higher alphabetical scores will receive a positive score.



TCFD pillar: Strategy

Theme 3: Company policies

Indicator: Environmental policy

This indicator captures whether a company has an environmental policy, and the strength of this policy (for example, whether a company is committed to monitoring its environmental performance, to reducing emissions, releases and waste, and whether the policy has been approved by senior management or the board of directors).

Companies with a strong policy will receive a positive score, while companies with weak or adequate policies will receive negative or neutral scores.

We consider having an environmental policy to be a minimum standard.

Indicator: GHG reduction programme

This indicator captures whether a company has a programme in place to reduce greenhouse gas (GHG) emissions, and the strength of this programme. For example, whether the company has GHG reduction targets and deadlines in place, and regularly audits its GHG emissions.

Companies with a strong programme will receive a positive score, while companies with weak or adequate programmes will receive negative or neutral scores.

We consider having a GHG reduction programme to be a minimum standard.

Indicator: Biodiversity programmes

This indicator captures the strength of a company's biodiversity programme (if any): for example, whether the company has a commitment to 'no net loss' or 'net positive impact' on biodiversity; identification and management plans for biodiversity priority areas; reporting on biodiversity programmes or impacts; implementation of best-practice mitigation hierarchy; managerial or board level responsibility on biodiversity issues.

Companies with a strong biodiversity programme will receive a positive score, while companies with weak or adequate programmes will receive negative or neutral scores.

Indicator: Sustainable agriculture programmes

This indicator captures whether a company has a programme in place to minimise the impact of farming on natural resources and biodiversity. For example, by minimising chemical use and soil erosion.

Companies with a strong programme will receive a positive score, while companies with weak or adequate programmes will receive negative or neutral scores. negative or neutral scores.

Indicator: Supplier environmental programmes

This indicator captures whether a company has an environmental programme in place for its suppliers, and the strength of this programme. For example, is compliance with environmental standards included in legally binding agreements with suppliers, and does the company monitor its supplier's environmental performance?

Companies with a strong programme will receive a positive score, while companies with weak or programmes will receive negative or neutral scores.



Indicator: Deforestation policy

This indicator captures whether a company has a deforestation policy in place and the strength of this policy. It assesses whether the company has a commitment to achieve zero gross and net deforestation and whether this policy is approved by senior management.

Companies with a strong policy will receive a positive score, while companies with weak or adequate policies will receive negative or neutral scores.

We consider having a deforestation policy to be a minimum standard.

Indicator: Deforestation programme

This indicator captures whether a company has a deforestation programme in place and the strength of this programme. For example, does the company have targets related to deforestation management and are there traceability programmes in place for both own operations and direct and third-party suppliers?

Companies with a strong programme will receive a positive score, while companies with weak or adequate programmes will receive negative or neutral scores.

We consider having a deforestation programme to be minimum standard.

Indicator: Forest certifications

This indicator captures a company's performance with regards to the percentage of forests managed with certification standards.

Companies will receive a positive score if they have a good performance in managing a large percentage of their forests with certification standards.

Indicator: FSC certified sourcing

This indicator captures the strength of a company's certified sourcing.

Companies will receive a positive score if they have a strong certified sourcing in place.

Indicator: Underwriting standards

This indicator captures the environmental and social (E&S) standards the insurer has in place for its underwriting activities. For example, whether there is managerial responsibility for the integration of E&S standards and whether a company excludes clients on the basis of environmental, social or governance (ESG) factors.

Companies with strong standards will receive a positive score, while companies with weak or adequate standards will receive negative or neutral scores.

We consider having sustainability-linked underwriting standards to be minimum standard.

Indicator: Responsible investment programme

This indicator captures whether the insurer has a responsible investment programme in place and the strength of this programme. For example, are there requirements for investment managers to integrate ESG issues into investment strategies and are there investment exclusions which are based on ESG factors?

Companies with a strong programme will receive a positive score, while companies with weak or adequate programmes will receive negative or neutral scores.

We consider having a responsible investment programme to be minimum standard.

Indicator: Credit and loan standards

This indicator assesses whether banks have detailed and specific standards with regards to ESG for their lending activities, and whether they exclude certain industries from financing for sustainability reasons.

Companies with strong standards will receive a positive score, while companies with weak or adequate standards will receive negative or neutral scores.

We consider having sustainability-linked credit and loan standards to be minimum standard.

Indicator: Corporate finance – ESG integration

This indicator assesses whether the bank has a programme to integrate ESG into its corporate financing activities, and the strength of this programme. For example, are high-risk industries subject to enhanced due diligence, or avoided altogether, and does the bank report its high-risk loans as a percentage of the overall portfolio?

Companies with strong practices will receive a positive score, while companies with weak or adequate practices will receive negative or neutral scores.

Indicator: Eco-design

This indicator assesses the extent to which environmental impact is systematically considered at the design stage of products.

Companies with strong practices will receive a positive score, while companies with weak or adequate practices will receive negative or neutral scores.

We consider disclosing the extent to which environmental impact is considered at the design stage to be minimum standard.

Indicator: Real estate lifecycle assessment

For REITs, the sector's GHG footprint is found in the upstream supply chain, from the production of building materials (so-called "embedded carbon" in steel and cement), as well as the operational emissions once a building is in use. Analysing emissions over the lifecycle of a new building is therefore crucial for these companies to manage their climate impact.

This indicator looks at whether REITs conduct a lifecycle assessment (LCA) of emissions to manage their climate impact.

Companies which systematically apply LCA to new real estate projects receive a positive score.

We consider disclosing the use of LCA to be a minimum standard.

Indicator: Customer eco-efficiency programmes

This indicator assesses whether the company has an eco-efficiency programme in place for its customers, and the strength of this programme.

Companies with a strong programme will receive a positive score, while companies with weak or adequate programmes will receive negative or neutral scores.

Indicator: Green buildings investments

This indicator captures the strength of a company's programme to increase the share of sustainable buildings in its property portfolio.

Companies receive a positive score if they have a strong and detailed programme to increase investments in sustainable buildings.

Indicator: Recycled material use

This indicator captures a company's performance with regards to the share of recycled or reused materials in manufacturing.

Companies receive a positive score if more than 50% of the raw material used is made of recycled or reused material.

Indicator: Renewable energy programmes

This indicator assesses the strength of companies' initiatives to increase the use of renewable energy in its operations.

Companies with strong programme will receive a positive score, while companies with weak or adequate programme will receive negative or neutral scores.

Indicator: Green logistics programmes

This indicator assesses the strength of companies' programmes to reduce GHG emissions from logistics activities.

Companies with strong programmes will receive a positive score, while companies with weak or adequate programmes will receive negative or neutral scores.

Indicator: Oil sands extraction-revenue level of involvement

This indicator captures whether a company has any involvement in oil sands extraction.

Companies with no involvement will receive a positive score, while companies with involvement will receive a negative score.

Indicator: Capital allocation alignment

This indicator captures to what extent a company's capital allocation is aligned with a low-carbon transition. For example, it captures whether the company is working to decarbonize its capital expenditure; has commitments in place to align its capital expenditure plans with its long-term GHG reduction target or to phase out planned expenditure in unabated carbon intensive assets or products; and discloses the methodology used to determine the Paris alignment of its future capital expenditures.

Companies receive a positive score if they demonstrate their alignment as set out by CA100+, while companies with weak or no capital allocation alignment will receive negative or neutral scores.

Indicator: Decarbonisation strategy

This indicator captures to what extent a company has a decarbonization strategy in place to meet its GHG reduction targets. For example, it captures whether the company identifies the set of actions it intends to take to achieve its GHG reduction targets over the targeted timeframe. These measures should clearly refer to the main sources of its GHG emissions, including scope 3 emissions where applicable; quantifies key elements of this strategy with respect to the major sources of its emissions, including scope 3 emissions where applicable; and the company's decarboniation strategy (target delivery) specifies the role of 'green revenues' from low carbon products and services.

Companies receive a positive score if the decarbonization strategy includes sufficient elements and disclosure as set out by CA100+, while companies with weak or no decarbonization strategy will receive negative or neutral scores.

Indicator: Overconsumption, waste and circularity

This indicator captures a company's transparency performance with regard to overconsumption, waste and circularity as related to SDG 12: Responsible Consumption and Production. For example, it captures whether the company provides disclosure of pre-production and post-production waste generated annually; breakdown (percentage or tonnes) of how pre-consumer waste is reused or recycled; if the company offers permanent, year-round take-back schemes/ in-store recycling and repair services in order to increase clothing longevity, or offers new business models such as renting and reselling; evidence of the company developing circular solutions that enable textile to textile recycling beyond reuse and downcycling; and disclosure percentage of products that are designed to enable closed loop or textile to textile recycling at end of life.

Companies receive a positive score if they disclose most elements with regards to overconsumption, waste and circularity as set out by Fashion Revolution, while companies with insufficient or no disclosure will receive neutral or negative scores.

Indicator: Sustainable sourcing and materials

This indicator captures a company's transparency performance with regards to sustainable sourcing and materials as related to UN SDG 12: Responsible Consumption and Production. For example, it captures whether the company provides disclosure of a time-bound and measurable sustainable materials strategy, roadmap or targets; publishes annual progress on achieving sustainable material targets (e.g. what percentage of materials are made using conventional/ virgin materials verses more sustainable materials such as organic/Fairtrade/BCI cotton, recycled/repurposed, recycled and sustainable wool, or recycled polyester); provides explanation of what tool or process they use to define what is considered a 'sustainable' material; publishes measurable, time-bound targets for the reduction of textiles deriving from virgin fossil fuels.

Companies receive a positive score if they disclose most elements with regards to sustainable sourcing and materials as set out by Fashion Revolution, while companies with insufficient or no disclosure will receive neutral or negative scores.



TCFD pillar: Risks & opportunities

Theme 4: Climate lobbying

Indicator: Total organisational score (InfluenceMap)

It is important that companies' official positions on climate change are not contradicted or undermined by the messages they are sending to policymakers, both directly and indirectly, through the trade bodies and other associations of which they are members.

This indicator assesses the intensity and nature of a company's lobbying activities related to climate change – whether the company is lobbying for, or against, policy measures to curb emissions, as well as the practices of the trade bodies it is a member of.

Companies that are covered by InfluenceMap research and which lobby both actively and positively for climate policy receive a positive score, while those companies which lobby both actively and negatively against climate policy receive negative scores.

Membership of relevant initiatives

Memberships of climate and sustainability-related industry initiatives signals to investors, policymakers and other stakeholders that a company is actively seeking to address climate challenges and works collaboratively with peers to identify solutions.

Indicator: UNEPFI and/or PRI signatory

This indicator captures whether a company is a signatory to the PRI or is a member of the United Nations Environment Programme (UNEP) Finance Initiative – a partnership between UNEP and the global financial sector to mobilise private sector finance for sustainable development.

Companies receive a positive score if they are signatories of UNEPFI or PRI.

Indicator: Green building memberships

This indicator captures whether REITs are members of sustainability-related building initiatives such as the Better Buildings Partnership.

Companies which are members of the most important initiatives receive a positive score.

Indicators: Food and beverage sustainability initiatives

This indicator captures whether food companies are members of sustainability-related industry initiatives, such as the Roundtable on Responsible Soy.

Companies which are members of the most important initiatives receive a positive score.



TCFD pillar: Risks & opportunities

Theme 5: Climate value at risk and green opportunities

Indicator: Climate value at risk (VaR)

This indicator captures the impact on a company's earnings in a scenario that meets the goal of the Paris Agreement to limit global warming to well below 2°C relative to pre-industrial times. The data is the output from a climate scenario analysis tool developed by LGIM's Destination@Risk.

Companies with greater VaR than their peer group in a low-carbon scenario receive a lower score.

Indicator: Green revenues

This indicator captures the percentage of a company's revenues which is derived from 'green'/sustainable products or services.

Companies which derive revenues from low-carbon services and technologies are assigned a green revenue score, in proportion to the percentage of company revenue derived from 'green' activities. We follow our data provider's classification of green revenue streams, but exclude carbon trading, gas- and nuclear-related activities.

Currently, many companies' disclosures are not sufficiently granular enough to identify green revenue streams. We encourage companies to improve disclosures in this area.

Indicator: Share of green buildings

This indicator captures the percentage of the REIT's property portfolio that is invested in sustainable buildings.

Companies with a greater share of sustainable buildings receive a positive score.

Indicator: Sustainable financial initiatives

This indicator captures whether banks and insurers have a programme in place to grow exposure to sustainability-related products and services.

Companies with a strong programme will receive a positive score, while companies with weak or adequate programmes will receive negative or neutral scores.

Indicator: Sustainable products and services

This indicator captures whether a company offers sustainability-related products or services and the level of revenue from these.

Companies disclosing a greater percentage of revenue will receive a positive score.

Indicator: Sustainable proteins

This indicator captures the extent of a company's diversification of products to alternative protein sources with smaller climate footprint.

Companies with a comprehensive approach towards diversifying its product range to include plant-based and alternative proteins receive a positive score, while companies with adequate or no approach will receive neutral or negative scores.

Indicator: New net zero construction or major renovations

This indicator captures whether a company has completed any new net-zero constructions or major renovations in the past three years.

Companies that have completed any net-zero constructions/renovations will receive a positive score.

Indicator: Coal power generation output

This indicator captures the level of power generation output derived from coal as it applies only to utilities companies. It is important that cleaner electricity is made available in every market.

Companies with 0% of coal generation output receive a positive score, companies with 1-19% receive a neutral score, and companies with 20% or greater coal generation output receive a negative score.

Indicator: Renewable power generation output

This indicator captures the level of power generation output derived from renewables. It is important that cleaner electricity grid is made available in every market.

Companies with 20% or more of renewable generation output receive a positive score, companies with 10-19% receive a neutral score, and companies with less than 10% generation output receive a negative score.

Indicator: Investments in low-carbon solutions

This indicator captures whether a company has disclosed the approximate percentage of research and development (R&D) spending allocated to low-carbon technologies (average over the past three years).

This indicator is applicable to autos, aviation, logistics, utilities (except for water utilities), oil & gas, steel, cement, chemicals, mining and aluminium.

Companies disclosing this will receive a positive score, and companies with no disclosure will receive a negative score.

Indicator: Agriculture or forest management practices

This indicator captures whether the company implements agriculture or forest management practices on its own land with a climate change mitigation and/or adaption benefit.

Companies such as those involved in beef, soy, paper/ pulp, timber and palm oil are often linked to deforestation and companies with direct or indirect links to agriculture and/or forestry should have responsible management practices in place.

Companies with agriculture or forest management practices in place receive a positive score.

TCFD pillar: Scenario analysis

Theme 6: Paris alignment

Indicator: 2030 Temperature alignment

This indicator analyses the company's historical emissions trend to assess what 2030 temperature trajectory a company is currently aligned to.

Companies aligned to the goal of the international Paris Agreement - to limit global warming to well below 2°C relative to pre-industrial times (ideally 1.5°C) – will receive a positive score, with negative scores depending on the degree of misalignment.

The data is the output from a climate scenario analysis tool developed by LGIM's Destination@Risk.

Indicator: Climate scenario analysis

This indicator captures whether a company conducts climate scenario analysis.

Companies conducting climate-related scenario analysis receive a positive score.

Indicator: Issuer temperature score

Issuer temperature score assesses the temperature score of the issuer. Analysis is based on International Energy Agency (IEA) sustainable development scenarios (SDS), projected future emissions and science-based targets.

Companies aligned to a below 2°C temperature will receive a positive score, those aligned to 2°C will receive a neutral score, with negative scores depending on how high the temperature score is.

Indicator: Carbon performance alignment 2035

This indicator evaluates how a company's planned or expected future carbon performance compares to international targets and national pledges made as part of the Paris Agreement.

Companies aligned to a below 2°C trajectory will receive a positive score, those aligned to a 2°C trajectory will receive a neutral score, and those currently aligned with higher temperatures or no disclosure receive a negative score.

TCFD pillar: Metrics and targets

Theme 7: Net-zero ambition

Indicator: Short-term GHG reduction target

This indicator captures whether a company has set short-term (up to 2025) targets in support of an overall net-zero ambition.

Companies with a set target meeting all CA100+ criteria receive a positive score, companies partially meeting these criteria receive a neutral score, and companies not meeting any of these criteria receive a negative score.

Indicator: Medium-term GHG reduction target

This indicator captures whether a company has set medium-term (up to 2035) targets in support of an overall net-zero ambition.

Companies with a set target meeting all CA100+ criteria receive a positive score, companies partially meeting these criteria receive a neutral score, and companies not meeting any of these criteria receive a negative score.

Indicator: Coal phase-out

This indicator captures whether a company has announced a phase-out of coal power generation aligned with the Paris Agreement.

Companies that have announced full retirement plans for their coal/gas fired generation fleet consistent with beyond 2 degrees scenario (B2DS) receive a positive score, companies with full retirement plans but not yet consistent with B2DS receive a neutral score, and companies with partial retirement plans or unannounced/insufficient data on retirements receive a negative score.

Indicator: Gas phase-out

This indicator captures whether a company has announced a phase-out of gas power generation aligned with the Paris Agreement.

Companies that have announced full retirement plans for their coal/gas fired generation fleet consistent with B2DS receive a positive score, companies with full retirement plans but not yet consistent with B2DS receive a neutral score, and companies with partial retirement plan or unannounced/insufficient data on retirements receive a negative score.

Indicator: Scope 3 target

This indicator captures whether a company has a target in place for agricultural scope 3 emissions.

This applies only to packaged foods and meats given the data coverage by FAIRR.

Companies with a low risk as determined by FAIRR receive a positive score, companies identified with a medium risk receive a neutral score, and companies identified as high risk receive a negative score.

Indicator: Issuer GHG reduction targets (Science Based Target)

This indicator assesses the strength of issuers' GHG reduction targets, including whether a company has a certified science-based target (SBT) in place.

Companies with an ambitious, committed target or with an approved SBT by SBTi receive a positive score, companies with a non-ambitious target receive a neutral score and companies without a target receive a negative score.



TCFD pillar: Metrics and targets

Theme 8: Net-zero ambition

Indicator: Carbon intensity

This indicator captures how a company's carbon emissions intensity compares to the mean of its industry.

Companies with an emissions intensity well below the industry mean receive a positive score.

Indicator: Absolute emissions past three years

This indicator captures whether a company's absolute greenhouse emissions have been rising, falling or remained static over the past three years.

Companies whose absolute emissions have decreased receive a positive score.

Indicator: Emissions intensity past three years

This indicator captures whether a company's greenhouse gas emissions intensity has been rising, falling or remained static over the past three years.

Companies whose emission intensity has decreased receive a positive score.

We consider demonstrating a reduction in emissions intensity to be a minimum standard.



Contact

We encourage companies to verify the accuracy of the data, which is sourced from third-party data providers as listed.

In case of an inaccuracy, we expect companies to first verify their own public disclosures and contact the data providers directly to rectify them.

Contact details for our data providers can be found on the [Climate Impact Pledge microsite](#).

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