

Is your decarbonisation strategy future-proof?

✔ **As the race to net-zero accelerates, investors need to act urgently**

To limit global warming to 1.5°C, net emissions must fall 50 per cent by 2030 and be eliminated by 2050. Meeting these targets means disrupting entire industries and impacting all sectors of the economy, posing a crucial question: Can a company be profitable as the economy decarbonises, and reaches net zero?

How existing solutions fall short

For us, net zero means investing in the transition, not merely today's low-carbon companies. Our approach goes beyond methods such as simple exclusions, carbon offsets or tracking a climate benchmark. These approaches focus on current carbon footprints and lack a forward-looking analysis of decarbonisation pathways. They miss fast-transitioning companies in vital economic sectors with credible plans to decarbonise. Excluding such companies can increase concentration risk and miss transition opportunities.

Decarbonising necessarily involves

capturing an accurate picture of all emissions. Other approaches give investors poor emissions visibility because they focus only on a company's direct (Scope 1) emissions, which creates a fundamentally incorrect carbon footprint. By analysing Scope 1, 2 and 3 emissions¹, we aim to assess more accurately a company's carbon footprint at all levels, leading to a stronger, forward-looking assessment of climate impact.

Prioritising carbon reduction

Our approach invests in the transition across all sectors, and prioritises carbon reductions in the real economy. This enables investors to:

- invest in companies that are cutting their carbon footprint
- accelerate the climate transition
- maintain portfolio diversification, and
- target climate growth opportunities

Climate Value Impact for champions and casualties

Our proprietary approach analyses the financial impact of climate change and the transition to net zero. Called Climate Value Impact (CVI), it captures both the preparedness of companies for the climate transition ahead, as well as the financial impact on risk and return. Taking into account transition risks, adaptation risks and the evolution of emissions, we use CVI to identify if a company is a transition champion or a casualty.

Future-proof strategies designed to step up decarbonisation

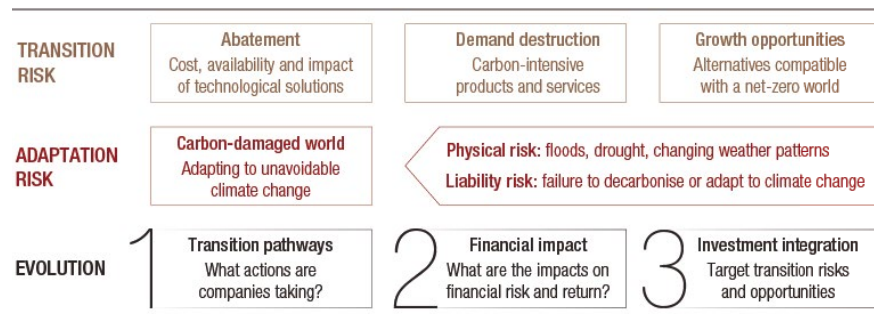
Driven by investment and sustainability expertise, our range of TargetNetZero solutions aims to decarbonise, diversify and drive the transition. In both fixed income and equities, we adopt an economy-wide approach that:

- maintains diversification
- reduces sector biases, and
- avoids excessive risk²

Our team of 20 sustainability experts works closely with experienced portfolio managers to apply science-based, academically verified and globally recognised carbon analysis to identify companies most able to contribute to a zero-carbon portfolio in the long term. The portfolio emissions of our strategies are at least 30 per cent below their benchmarks' carbon footprint at inception. They target a 50 per cent reduction by 2030 and net-zero emissions by 2050.

To learn more, [download our viewpoint](#).

Figure 1. Climate Value Impact to analyse the financial impact of the transition



Source: LOIM analysis. For illustrative purposes only.

IMPORTANT INFORMATION

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