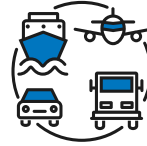


Net-zero: Logistics

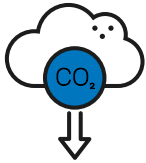


c.9.5% global greenhouse gas emissions are attributed to logistics (comprising air, rail, sea and road freight).¹

What does the **logistics sector** need to do to reach net-zero?

LGIM will vote and implement investment sanctions against companies falling short of our climate expectations. LGIM expects companies' boards to oversee and publicly disclose answers to the following:

Net-zero commitment



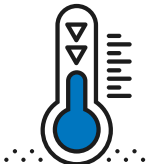
- Does the company have a comprehensive target for net-zero by 2050 or earlier, covering scopes 1, 2 and material scope 3 emissions?²
- Has the company made a commitment to certify/certified this target with the SBTi or other external independent parties?
- Does the company have a net-zero transition plan that includes short- and medium-term targets?³

Strategy



- What are the actions and investments embedded in the company's plan to reach net-zero, and what is the contribution of each action towards meeting its targets?⁴
- Is the company increasingly offering low-carbon services?
- Does the company have a time-bound plan in place to transition to low carbon fleets?
- Is executive remuneration aligned with the company's short- and/or medium-term emission targets, as set out in the net-zero transition plan?
- Does the company's net-zero strategy consider the potential impacts and dependencies on biodiversity - for example, in relation to land use change (e.g., from biofuel production and offsetting)?

Resilience



- Has the company analysed its business model resilience to climate-related risks and opportunities using scenario analysis (including the IEA's net-zero by 2050 scenario and a 'Business as usual' scenario) and disclosed how the output has influenced its strategy?
- Has the company analysed the physical climate risks to its assets, operations, and value chain, including potential financial impacts, and evidenced measures to mitigate or adapt to them?

Targets



- Does the company have a target to increase revenue from low/zero-carbon logistics offering?

Collaboration



- How is the company working collaboratively across its value chain to reduce emissions (e.g. suppliers, customers, strategic R&D partnerships, sector initiatives)?
- Is the company advocating meaningful policy action, including from regulators, to meet global net-zero targets (e.g. with carbon pricing)?

Red lines



- Does the company have a net-zero operational emissions target?
- Does the company disclose its climate-related lobbying activities, including trade association memberships, and explain the action it will take if these are not aligned with a 1.5°C scenario?

1. ITF, Transport Outlook (2019).

2. Aiming to cover all segments of the business, as articulated within the GHG protocol guidance.

3. Short-term refers to 2022 - 2025, medium-term 2026-2035 and long-term 2036-2050.

4. E.g., rollout and adoption of low carbon fuels (including SAFs, advanced biofuels and synthetic fuels for air and ocean freight); fleet optimisation, efficiency, and electrification for road and rail freight; warehouses and facilities powered by renewables; new aircraft technologies that can improve efficiency as well as reduce emissions and fuel use, and alternative propulsion technologies; etc.

Further areas for company consideration

Biodiversity expectations

Why? The climate and nature crises are inextricably linked.⁵ Net-zero requires both emission avoidance and sequestration. Functioning natural systems are essential to this, but increasingly vulnerable due to climate change.

LGIM's expectations: An assessment of the impacts and dependencies on nature and biodiversity, and appropriate mitigation actions.

Sector-specific considerations: Indirect impacts could result from the use of biofuels and infrastructure, and direct impacts from the use of vehicles and polluting emissions.



Company levers

- Sustainable aviation fuels (SAF) including advanced biofuels and synthetic fuels
- Fleet optimisation and electrification
- Renewables
- Energy efficiency
- Hydrogen and ammonia fuels

Government policies

- Carbon pricing and taxation
- Support for renewables and hydrogen infrastructure
- Policy coordination between international regulators, airports, ports, and transport operators to boost freight consolidation
- Regulation of sustainable aviation fuels (including biofuels)
- Tightening/enforcing energy efficiency standards and low/zero-carbon fuel mandates



Challenges

Price of current technologies
 Battery range and density
 Fragmented industry structure
 Lack of robust policies
 EV charging infrastructure
 Energy storage to create zero carbon rail stations
 Hydrogen and ammonia



Opportunities

Growing consumer demand to reduce transport-related product emissions

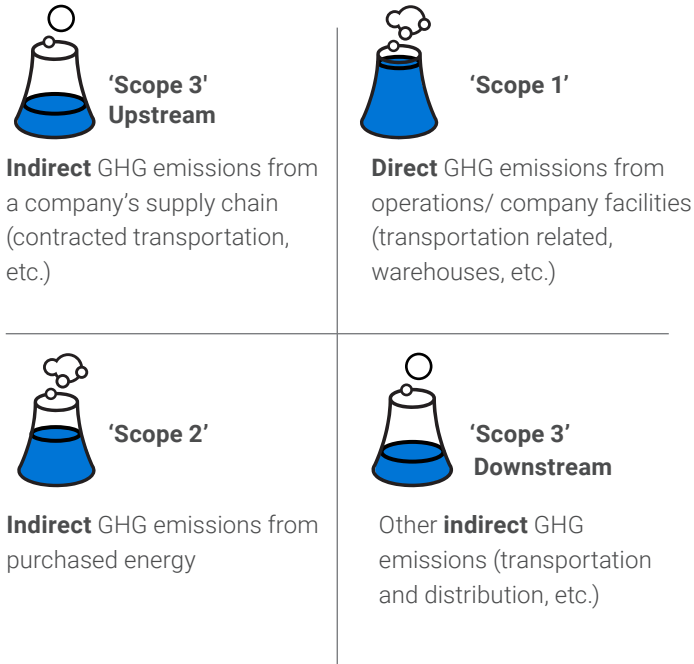


What is needed?

Company leadership	Research and innovation	Consumer behaviour
Companies transforming their freight fleets to zero carbon	Reducing costs of electrolysis Synthetic fuels Carbon capture and storage Battery storage	Demand for products with reduced transport emissions Modal shifts in transport

5. UN IPCC-IPEBS, [Biodiversity and Climate Change workshop report \(2021\)](#)

Sources of emissions



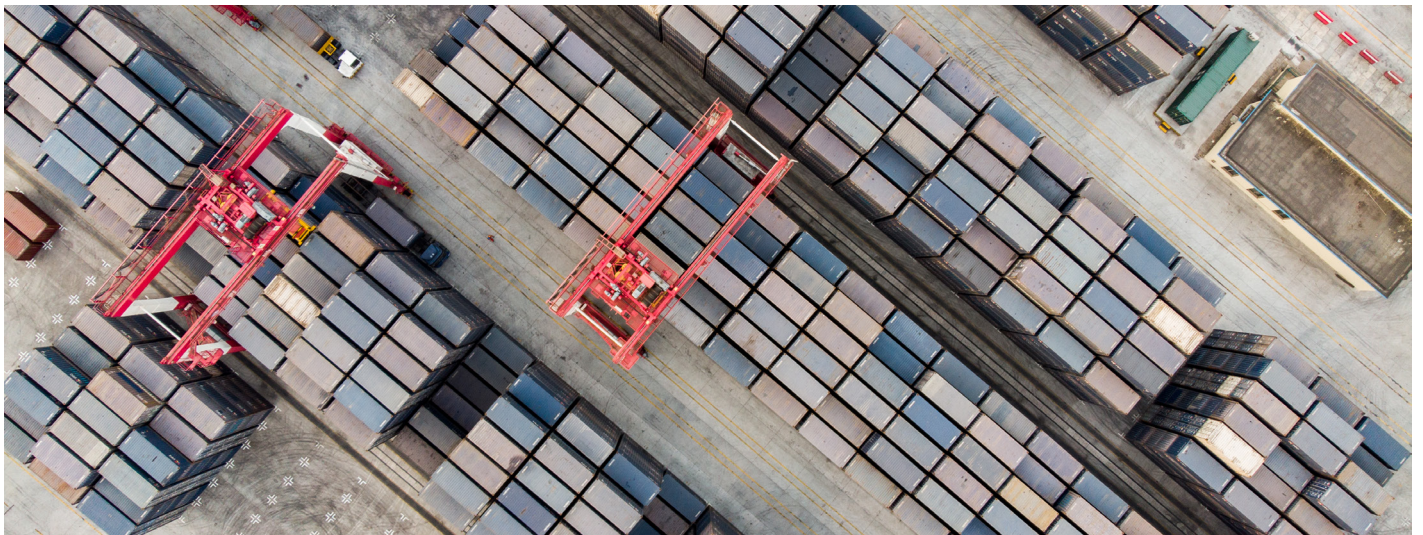
'Just Transition' considerations

The potential implications for employees, the supply chain, customers and communities from the transition to a lower-carbon business model

Physical risk impacts

Disruption to global transport routes, supply chains (including sustainable aviation fuel production) and hubs from extreme weather

Source: Logistics UK (2022).



For more information and to see how companies are rated

[LGIM Climate Impact Pledge score](#)

[LGIM Climate Impact Pledge](#)

Important information

Source: LGIM as at September 2023. The value of an investment and any income taken from it is not guaranteed and can go down as well as up, you may not get back the amount you originally invested. The above information does not constitute a recommendation to buy or sell any security.

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