L&G Destination@Risk

L&G Destination@Risk is a proprietary toolkit designed to assess climate-related risk and impact for our investments. It allows us to explore a range of possible climate futures and examine their company, sector and portfolio-level financial implications, as well as our investments' alignment with net zero outcomes.

It allows us to answer the questions we believe investors should be asking:

1. What could different climate outcomes mean for the global economy?
2. What risks does climate change expose portfolios to?
3. Which climate outcome is my portfolio aligned with?
4. To what extent is my portfolio aligned with a net zero 2050 outcome?

The toolkit consists of four modules:

Module	Primary inputs	Primary outputs
1. Scenarios	Carbon budgets, technology costs, energy service demand projections	Energy mix, oil prices, carbon prices, economic output, emissions pathways
2. Climate risk	Carbon prices, energy demand, emissions pathways	Risk to GDP, inflation, and asset values (for corporate and sovereign bonds and listed equities)
3. Temperature alignment	Energy mix, sectoral emissions pathways, economic output	Corporate and sovereign issuer temperature alignment scores
4. Net Zero Investment Framework (NZIF)	Issuer emissions and targets, green revenue and capital expenditures, temperature alignment analytics	Issuer categorization into NZIF 2.0 classes, including 'achieving net zero' and 'aligning to a net zero pathway'

L&G Destination@Risk is constructed to follow the recommendations of the TCFD. The scenarios and risk modules explore a range of future climate pathways and their potential impacts; they do not make predictions or assign probabilities. Our scenario, risk and temperature alignment models all rely on approximations, assumptions and external data, which could in turn include approximations, assumptions and errors, all of which could significantly alter results.

1. Scenarios

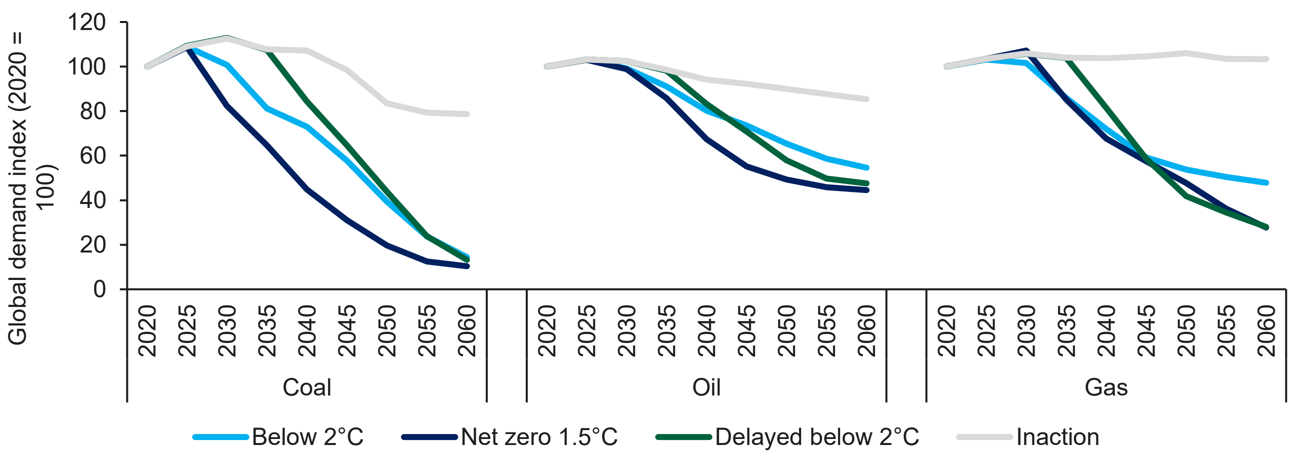
Scenario analysis helps us understand the implications of possible climate pathways, including the key features of a transition to a net zero CO2 economy.

At L&G, we develop our own bottom-up scenarios of how energy and land systems may evolve between now and 2060. This helps us understand the key trade-offs involved in transitioning to a low-carbon economy in more detail than if we got scenarios from third parties.

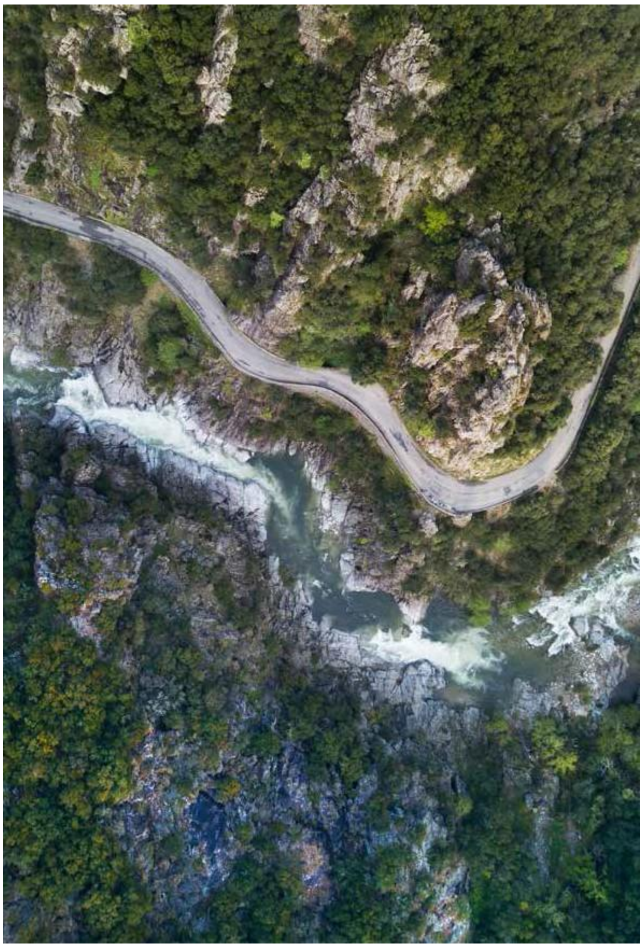
L&G Destination@Risk includes four scenario pathways to 2060, defined by their approximate global warming to 2100 relative to pre-industrial temperatures:

Net zero 1.5°C	Below 2°C	Delayed below 2°C	Inaction
Ambitious policy action leads to a reduction in global CO2 emissions to net zero around 2050, and global warming is most likely limited to 1.5°C.	There is significant and immediate policy action to limit global warming to below 2°C, however, warming most likely exceeds 1.5°C.	Policy to limit global warming to well-below 2°C is delayed until 2035, resulting in much more disruptive change. Warming most likely exceeds1.5°C.	National governments do not implement further climate policies, but low carbon technology is built where it is cheaper than the alternatives.

Example output: Fossil fuel demand pathways



Source: L&G Destination@Risk analysis, July 2026



2. Climate risk

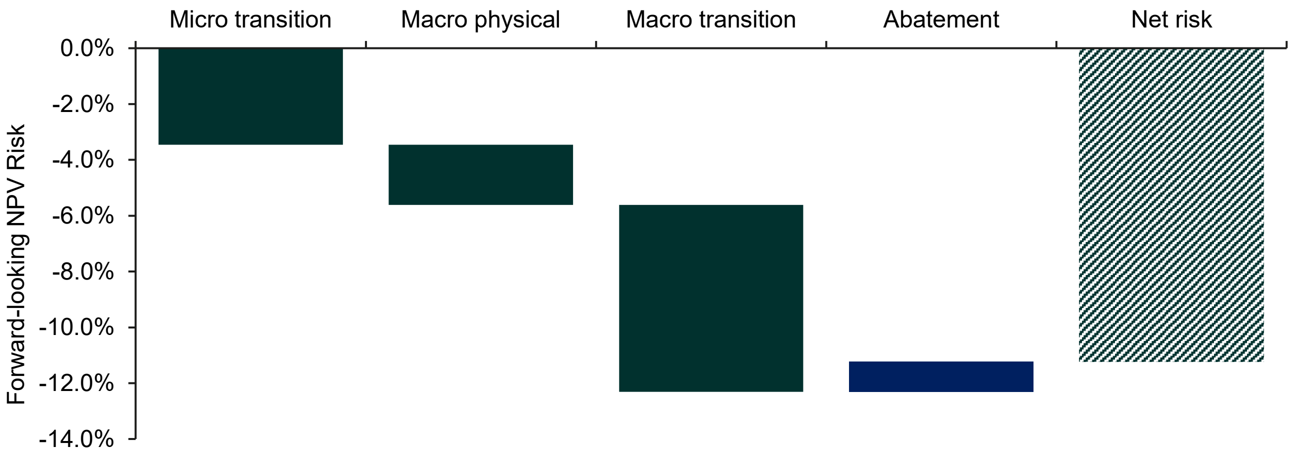
Climate risk assesses the transition and physical risks from climate change for issuers and portfolios, across scenarios.

Risks are based on forward-looking valuations of individual companies across the capital structure, recognising the stock-specific nature of climate risk. Given the uncertainty around future climate outcomes, it is unlikely that climate risk is properly priced into markets today.

The climate risk metric offers a view on the extent of this mispricing across various climate scenarios. To quantify total climate risk, we consider microeconomic transition risk, macro transition risk, macro physical risk, and company abatement potential (which can partially offset micro transition risk). While the default configuration of the model is to run on L&G scenario outputs, the model can also take in external scenarios to assess climate risk.

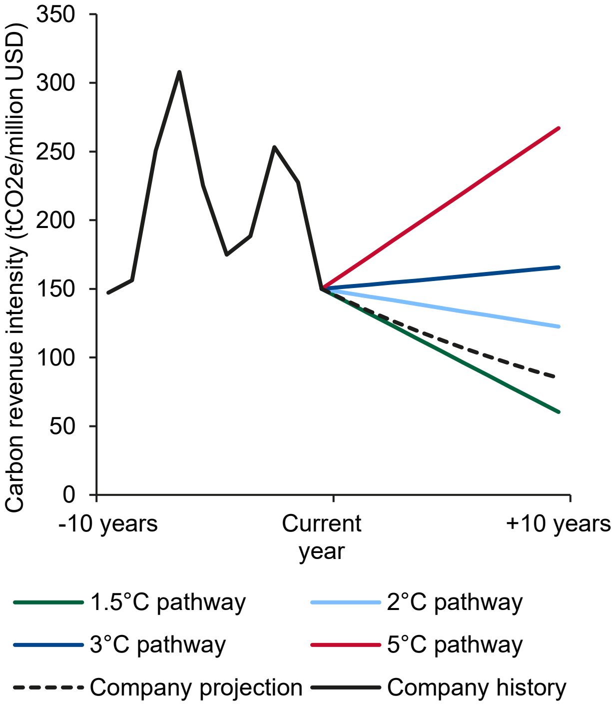
Beyond security-level impacts, we also assess risk to GDP and inflation at a country level.

Example output: Company NPV risk composition in delayed below 2°C scenario



Source: L&G Destination@Risk analysis, July 2026

Example output: Company temperature alignment



Source: L&G Destination@Risk analysis, July 2026

3. Temperature alignment

Temperature alignment provides a tool for measuring and managing the impact of investments on climate change.

The metric is an environmental metric focused on climate impact that enhances our portfolio management and research, enabling us to consider investment impact alongside other investment considerations. The metric assesses which climate outcome are issuers' actions are most compatible with. The approach reflects the direct connection between greenhouse gas (GHG) emissions and global warming. The metric covers listed corporate and sovereign debt issuers.

It allows investors to measure their impact on climate change through their investments and evaluate performance against the goals of the Paris Agreement, which aims to limit global warming to below 2°C, ideally 1.5°C. In the example output at left, the company is aligned to around 1.7°.

4. Net Zero Investment Framework

L&G's implementation of the NZIF 2.0 framework assesses issuers' alignment with net zero emissions by 2050.

Building on insights from our temperature alignment module, this assessment provides a measure of transition maturity for both corporate and sovereign issuers, ranging from 'not aligning' through to 'achieving net zero'. To advance within the framework, issuers must demonstrate progress towards net zero by 2050 – defined as setting relevant targets, disclosing high-quality emissions data and decarbonization plans, as well as demonstrating investment in decarbonization for corporate issuers. To achieve the highest classifications, issuers must demonstrate that their emissions are evolving in line with (or already compatible with) a relevant net zero pathway.

Contact us:

For further information about L&G, please visit am.landg.com or contact your usual L&G representative.

Key Risks

The value of an investment and any income taken from it is not guaranteed and can go down as well as up, and the investor may get back less than the original amount invested.

Important information