

NET ZERO INVESTMENT CONSULTANTS INITIATIVE (NZICI)

PROGRESS REPORT 2023

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NZICI MEMBERS

- Bfinance
- Barnett Waddingham
- Cambridge Associates
- Cardano
- Frontier Advisors
- Hymans Robertson
- JANA Investment Advisers
- LCP
- Redington
- WTW
- XPS (new member in 2023, so not due to report until 2024)

Thank you to the representatives from member firms who have made time for NZICI this year. Particular thanks go to NZICI Co-Chairs Simon Hallett of Cambridge Associates and Tim Conly of JANA.

PRI SECRETARIAT

- Aiman Zaidi, Senior Associate, Sustainability Initiatives
- Melanie Jarman, Manager, Sustainability Initiatives

Disclaimer

Member adherence to the NZICI commitments takes place in the context of members' legal and fiduciary duties to clients and unless otherwise prohibited by applicable law. They are subject to the mandates agreed with their clients and their regulatory environments. The presentation, consideration, adoption and/or implementation of any commitment is subject to any individual signatory's legal, fiduciary, ethical and other duties and obligations owed to its clients as a whole and individually and to applicable law and regulations.

INTRODUCTION

Launched in September 2021, the Net Zero Investment Consultants Initiative ([NZICI](#)) is an industry-led alliance that brings together global investment consultants seeking to align operations and advisory services with the 1.5°C emissions trajectory in the Paris Agreement.

The Paris Agreement is a legally binding international treaty that sets goals to limit the global average temperature increase to well below 2°C above pre-industrial levels, and to pursue efforts to limit the temperature increase to 1.5°C above pre-industrial levels. Meeting these goals requires greenhouse gas emissions to drop by half by 2030 and reach net zero around mid-century. In this context, members of NZICI commit to support the goal of net zero greenhouse gas emissions by 2050 or sooner. Each member firm defines how net zero is integrated in their own strategy.

NZICI is a partner of the [UN's Race to Zero campaign](#) and secretariat services are provided by Principles for Responsible Investment ([PRI](#)). NZICI is part of the Glasgow Financial Alliance for Net Zero ([GFANZ](#)), the world's largest coalition of financial institutions committed to transitioning the global economy to net zero greenhouse gas emissions.

THEORY OF CHANGE

While investment consultants do not necessarily have discretion over investment decisions, they can have a catalytic impact on net zero progress by enabling clients to navigate the complexity of this dynamic topic. For instance, they can help asset owners think through why and whether to adopt a net zero approach, and then assist them to determine what strategy is right. This can accelerate progress by enabling clients to have the impact they want faster and more ambitiously than might have been the case without informed advice.

Investment consultants' clients include pension funds, endowments, foundations, sovereign wealth funds, insurers, family offices, private wealth clients and other types of asset owners. Investment consultants advise in accordance with relevant laws and regulations and act in the best interests of their clients.

HOW DOES NZICI OPERATE?

NZICI is overseen by a Steering Committee made up of a representative from each member firm.

Membership in NZICI is open to any firm that provides investment consulting services to institutional asset owners. Once a firm joins NZICI, it must sign up to the commitments (see Appendix 1) and contribute to NZICI's activities through participation in the Steering Committee. Member firms can exit NZICI at any time.

Members are held to account through each firm reporting publicly and annually on a comply or explain basis against the NZICI commitments.

WHY JOIN NZICI?

- Share best practices: push ambition towards net zero goals together. Build knowledge on the role the finance sector plays in the transition to a low-carbon economy.
- Enable and support clients: develop products and services that can assist clients to move towards net zero.
- Cross-alliance engagement: directly engage with others in the financial system, such as asset owners and asset managers through other net zero alliances. NZICI also provides an opportunity to participate in GFANZ workstreams.
- Social impact: push for an inclusive low-carbon economy for the planet and future generations.
- Increase the credibility of, and accountability for, member firms' net zero commitments.

PROGRESS TO DATE

2023 is the first year in which NZICI members have reported formally against the initiative's commitments, with progress aggregated as below¹. The reporting covers the calendar year 2022.

What comes out strongly in the 2023 reporting is a commitment to innovation, to joint efforts that develop and deepen work on net zero, and a commitment to translate ambition into practical tools and approaches.

A number of NZICI members referred to the 2022 volatility in the UK government bond market, which was an unexpected development that took up capacity. However, they managed to progress their net zero work regardless. Progress across members includes:

- Development and delivery of internal training programmes as well as client-facing materials focused on net zero
- Ongoing development of tools to inform clients of progress on decarbonisation
- Assessing climate approaches of asset managers, with a view to tracking managers' progress
- Improved environmental performance in their own operations

See members' own publications via the links in Appendix 1 for more details.

¹ NZICI members represent a wide variety of business models and ways of working with clients. This leads to a varying ability to inform and support their clients' net zero plans. As such, some of the commitments may be neither relevant nor possible for some members and shall in those cases not apply.

COMMITMENT 1

With respect to their investment advisory services, each member has committed to integrate advice on net zero alignment into all their investment consulting services as soon as practically possible and within two years of making this commitment.

“For [Cambridge Associates], to align our work with net zero is fundamentally a forward-looking idea; it means understanding and influencing the path of real-world emissions over the next 30+ years without undermining our fiduciary duty to our clients.”

[Net Zero Investment Consultants Initiative Progress Report](#), Cambridge Associates

PROGRESS OVERVIEW

All members recognised that the advice that they provide to their clients depends on the clients’ needs, net zero or other objectives. NZICI members reported a range of efforts they made to integrate advice on net zero alignment in their activities.

For instance, members supported clients with education and training opportunities by integrating net zero into their standard processes. Integration into standard materials such as training slides helped clients understand the importance of aligning their portfolios with a net zero economy, with a focus on real world emissions reductions. Members adjusted client-facing materials as appropriate for clients’ needs.

A few members have defined the meaning of ‘net zero’ for their firm and are also developing comprehensive net zero service frameworks for their clients. These are intended to assist clients in understanding what alignment to net zero investment looks like for their organisation.

Several members have set up mandatory training for their own consultancy colleagues on net zero and climate, along with separate training for senior leaders and trustees. The training programmes varied across members, but the following topics were mentioned: client case studies, possible challenges, scenario analysis, roadmaps, climate metrics and investment considerations. The training included tools, investor frameworks and analytics that consultants can use to assist their clients. A few members have also produced public educational material through publications, thought leadership papers, blogs and podcasts.

Several members reported an increase in the number of clients that made net zero commitments, set interim targets and invested in climate solutions. One member indicated that 60% of their advisory clients and one fiduciary client that received education on net zero alignment decided to incorporate a

net zero ambition for 2050 or sooner into their policy, and also set a net zero target for 2050 or sooner along with interim targets with the intention to be Paris-aligned. Another member stated that four of their clients with an AUM over A\$100bn have made a net zero commitment, and two of them have set their interim targets. Similarly, seven of their clients with an AUM of A\$10bn -100bn have made a net zero commitment and four of them have set interim targets.

CASE STUDY: SUSTAINABILITY ADVICE CONTRIBUTING TO A NET ZERO COMMITMENT AND ACTION PLAN

LCP provides sustainability advice to a £10bn DB pension scheme, including supporting them on climate change risk management and reporting using the framework from the Taskforce on Climate-related Financial Disclosures.

In early 2022, the Chair of Trustees and the Chair of the Scheme's Sustainability Committee decided that the Trustee should consider making a commitment to achieving net zero emissions by 2050 or sooner across the Scheme's assets. LCP provided training on net zero at the next Sustainability Committee meeting. This included the financial case for net zero, examples of net zero commitments and practical implications for managing the Scheme's assets. Following discussion by the Committee, a recommendation was made to the Trustee Board to make a net zero commitment, and this was agreed.

LCP is now supporting the Sustainability Committee in overseeing the implementation of that commitment. At the September 2022 Committee meeting, LCP presented a draft action plan for the next twelve months, based on the Net Zero Investment Framework (NZIF) published by the Paris Aligned Investment Initiative. It included agreeing a set of interim targets, stewardship strategy and climate transition plan. The Committee agreed to focus initially on three priority mandates, namely those (other than LDI) which form part of the Scheme's planned long-term asset allocation. LCP is now working with the Scheme's in-house team and the three priority managers on implementing the Trustee's net zero commitment and establishing a clear framework to help the Trustee monitor their progress.

[Net zero investment progress report 2022](#), LCP

COMMITMENT 2

With respect to their investment advisory services, each member has committed to work with institutional asset owner clients to identify the investment risks from climate change, highlight the importance of net zero alignment and, where applicable, support clients in developing policies that align their portfolios to a net zero pathway.

“ESG analysis and sustainable investment practices are fundamental to sound investment decision-making”

[‘ESG assessment challenges in investment manager due diligence’](#), bfinance

“To assist clients with identifying the investment risks from climate change, we have quantified investment risks as in the form of forecasted return impacts on specific asset classes under various temperature scenarios that emphasise either transition or physical risks... We plan to continue enhancing and complementing this with other quantitative analysis such as bottom-up scenario analysis and stress testing.”

[The Net Zero Investment Consultants Initiative – Frontier Advisors Annual Report](#), Frontier Advisors

PROGRESS OVERVIEW

Most members acknowledged that each client has different beliefs, priorities, and objectives depending on their type, location, experience and stakeholders, and not all of them have set net zero targets. Therefore, NZICI members tailor their approach. They aim to enable and educate their clients, so they have the tools and the knowledge to make their own choices on climate change and net zero.

One member reported that some of their larger clients have addressed climate for many years and have well-established net zero commitments. As such, these clients require limited support in revising their investment policies and education. On the other hand, small and medium sized clients require the NZICI member to be actively involved in reviewing and developing their clients’ investment policies and educational programmes.

One member highlighted that providing education to their clients’ seniors, committees and boards was helpful to identify points of tension in development of a climate change policy. Another member mentioned that identifying the barriers for clients not committed to net zero was key in providing them with relevant support.

Some members are helping their clients assess their path for transition towards net zero and the implications for their investment strategies. Members are also carrying out research to explore material and effective means of decarbonising clients' portfolios while aligning to clients' investment objectives. Members have helped their clients in the preparation of their reporting in line with the recommendations of the Taskforce on Climate-related Financial Disclosures as well as providing metrics and scenarios for disclosures. Members have helped their clients understand climate risks of different asset allocations. In their reporting, NZICI members illustrated how they approached consideration of climate-related risk through various temperature scenarios, scenario analysis and stress testing.

Members have assisted their clients in developing effective sustainability, climate and stewardship policies. Members also acknowledged the challenges faced by clients such as market disruptions, the need to adapt around these and to keep a focus on sustainable investment matters.

CASE STUDY: TOOLS AND REPORTING TO HELP ASSESS AND DESIGN A CLIENT'S NET-ZERO STRATEGY

Hymans Robertson's client had already achieved its interim target of 50% reduction in Weighted Average Carbon Intensity (WACI) measured against a market benchmark. To help inform what this meant in absolute emissions terms and how on track the client was for its pre-2050 net zero target for the whole portfolio, Hymans Robertson carried out a forward-looking assessment. This helped to establish the scale of what is still needed for the portfolio to reach a true net zero position, looking at scope 1, 2 and 3 emissions.

Focusing on the period up to 2030 and the level of commitments in place for the underlying assets, Hymans Robertson identified engagement priorities for the client both between and within mandates. The firm also used this assessment to inform discussion on alternative strategies, including the consideration of climate impact solutions that provide additionality in terms of avoided emissions. The client has allocated a portion of the assets to such investments and is looking to increase this.

The outcome of this forward-looking analysis is that the client, while meeting its current interim target early, understands the magnitude of work still needed in order to achieve its net zero target. However, it is also understood that while the client can push ahead as much as possible with its portfolio, the ability to meet its net zero target will rely on global progress more generally.

To achieve net zero and do so in a real-world context, simply reducing exposure to high-emitting assets will not solve this and so engagement, collaboration and opportunities in climate solutions will be the client's primary focus.

[The Net Zero Consultants Initiative Progress Report](#), Hymans Robertson

CASE STUDY: SUPPORTING A CLIENT'S NET ZERO POLICY

For portfolio construction, Barnett Waddingham uses a three-pronged framework to help break down the task at hand and set priorities and manage expectations around what is possible.

- A focus on downside risk (“do no harm”),
- A focus on enhancing returns (“access opportunities”), and
- A reminder that ‘perfect’ may not exist (“control the controllables”)

Barnett Waddingham’s client made it a strategic priority to develop their investment beliefs around climate change and reflect these in the investment choices available to members. By helping understand attitudes to climate change, where they felt the risks lie, attitudes to engagement versus exclusion - along with other driving forces - Barnett Waddingham gained insight to a full review of the climate change policy and the client’s portfolio.

Throughout the project, Barnett Waddingham highlighted the importance of placing climate change into context against the other investment risks facing the scheme. While trustees must address climate-related matters to offer ongoing and improving value for members, they should not do so at the expense of all else. Similarly, it was important to keep in mind the trustees’ wider investment beliefs, such as a preference for engagement over exclusion.

In relation to their equity management, Barnett Waddingham used the output from discussions on aims, beliefs and constraints in conjunction with the framework above to eliminate the use of a Paris-aligned transition approach in favour of tracking an index meeting the EU’s minimum requirements for Climate Transition Benchmarks. This recognises that the products developed in this space all go ‘beyond’ the minimum requirements. Recent examples in the industry highlight the dangers of investing without appropriate due diligence – namely, significantly higher turnover than expected.

With Barnett Waddingham’s guidance, the trustees understood the importance of balancing different priorities for risk/return (including climate as one of these). The extensive due diligence carried out in the selection of an appropriate index provided confidence that the index chosen will offer significant, and improved, value for members.

[Sustainability Report 2022](#), Barnett Waddingham

COMMITMENT 3

With respect to their investment advisory services, each member has committed to support efforts to decarbonise the global economy by helping clients prioritise real economy emissions reductions, reflecting the target of 50% global emissions reduction by 2030 or sooner using existing decarbonisation methodologies.

“Our commitment to targeting the reduction in emissions and ability to provide clients with information on the most appropriate decarbonisation methodologies is done with the client’s aims, beliefs and constraints in mind.”

[Sustainability Report 2022](#), Barnett Waddingham

PROGRESS OVERVIEW

Members recognise that the impact of financed emissions reduction is a key part of their investment assessment process. Members provided clients with data and models to track progress against objectives and alignment of their assets. They have also provided clients with information through research and publications on the most appropriate decarbonisation methodologies and emissions reduction in the real economy. Members have supported asset owner clients through implementation of carbon reduction targets and climate solutions specifically through the manager selection process.

Members have also reported the impact of emissions reduction across different asset classes for their clients. One of the members stated that they are helping their clients set, monitor and work towards interim targets, typically including increasing their portfolio alignment with net zero pathways and reducing emissions consistent with a 50% reduction by 2030.

A few members mentioned that their modelling approach and reporting has helped their clients assess their alignment with net zero and encouraged them to engage on challenges such as harder to abate sectors, and to outline what a successful transition would look like.

TABLE: One member’s provision of climate-related advice to clients, helping them establish metrics and targets and assisting them in advancing decarbonisation of their portfolios

	Total clients	Trained on climate change	Completed TCFD governance element	Received carbon emissions data	Completed TCFD reporting	Invested in climate solutions
>£5B	12	12 (100%)	10 (83%)	7 (58%)	7 (58%)	6 (50%)
£1-5B	24	24 (100%)	19 (86%)	13 (54%)	0 (0%)	6 (25%)
<£1B	17	12 (71%)	0 (0%)	0 (0%)	0 (0%)	1 (6%)
Defined contribution	9	5 (56%)	N/A	N/A	N/A	N/A

[Sustainable Investment and Impact Report](#), Redington

CASE STUDY: CARBON/CLIMATE REPORTING SERVICE

Frontier offers clients reporting on carbon emissions in their externally managed portfolios covering the more conventional metrics including exposures to fossil fuel revenues, some forward-looking metrics such as estimated future emissions from fossil fuel reserves, and exposure to companies with climate-aligned solutions in their revenue base.

In addition to reports available to the clients for individual manager portfolios, Frontier has developed in-house asset class configuration or ‘Fund of Fund’ reports that illustrate the relative contribution individual managers make to a sector configuration. This is a crucial starting point for most of the clients they expect to be servicing under this arrangement, as it will assist them to establish baselines for target-setting towards a net zero objective. This will also provide guidance to clients on manager selection and allocation, and effective engagement with those managers to progress towards their net zero target.

The current scope of the reporting service extends to listed equities and corporate debt. Frontier is mindful the asset class coverage will need to extend to other asset classes, particularly unlisted property and infrastructure, and are considering options in these sectors. They also acknowledge the reporting of carbon emissions and climate metrics will be largely based on historical data and there will be a need to evolve to where forward-looking metrics and analysis are employed to examine carbon/transition risks more comprehensively. However, their current service proposition is a reasonable starting point for clients to better understand the relevant exposures in their portfolios, and to begin the process of integrating climate change considerations into portfolio construction and developing an implementation plan within a net zero investment framework.

[The Net Zero Investment Consultants Initiative – Frontier Advisors Annual Report](#), Frontier Advisors

COMMITMENT 4

With respect to their investment advisory services, each member has committed to assess and monitor asset managers on the integration of climate risks and opportunities in their investment decisions and stewardship and reflect this evaluation in client recommendations.

“We would like to make it clear that a fund label is not what will drive our selection of managers. We will remain focused on the content, process, and people.”

[Cardano's 2023 letter to managers](#), Cardano

PROGRESS OVERVIEW

All members that reported were able to describe how they had assessed and monitored managers on the integration of climate risks and opportunities, while also recognising that asset managers' investment strategies and objectives can vary. Some referred to their firm's proprietary systems for this assessment and monitoring, and in many cases the approach during selection was customised to reflect requirements of clients.

While several referred to the inclusion of net zero guidance (such as the Paris Aligned Investment Initiative's Net Zero Investment Framework) in assessment and monitoring, one member stated that it encouraged managers to become members of NZAM, and published best practice expectations to encourage managers to improve their practices, for example, to use voting and engagement effectively in order to encourage investee entities to reach net zero emissions by 2050.

One member stated they'd seen a material improvement in their ESG ratings across managers, with more than 50% tracking their portfolio's carbon footprint. This was balanced by the member's comment that there's still room for improvement, as they noted that only a quarter of managers surveyed had decarbonisation targets in place.

CASE STUDY: HELPING AN INVESTOR IMPLEMENT A “CLIMATE SOLUTION” ALLOCATION

Bfinance supported an endowment in implementing a private equity climate impact allocation, including manager research and selection. Private markets, while playing a crucial role in driving forward the transition to net zero, come with challenges. These include a lack of maturity in the approaches undertaken by the investment managers, data challenges and a potentially lower level of transparency.

The bfinance team engaged with the client to fully understand their priorities around investment outcomes, net zero goals and reporting requirements. This is a key part of bfinance’s process as their clients often differ in their precise expectations/beliefs around these matters and the extent to which certain aspects should be prioritised above others.

Bfinance conducted a thorough manager search and due diligence process, layering their standard ESG process (which enables explicit consideration of climate) with their proprietary impact due diligence process (leveraging the more credible industry frameworks). The process engaged a large number of investment managers, ranging in size. This enabled bfinance to map the market and get a true sense of leaders and laggards as well as best practice relating to the specific mandate. They are confident that this process, and the high quality of feedback provided to asset managers regarding how they were scored and why, will help to raise the standards within this important and evolving asset class.

Bfinance see it as a core part of their responsibility - as an investment consultant involved in manager selection - to drive best practice and overall improvements in standards. Key points examined during the manager search/analysis included: managers’ firm-level commitments to net zero (for example, through resource commitments, expertise, participation in industry initiatives); managers’ processes and capabilities (including the ability to allocate capital to investments that will seek to increase the amount of CO2 avoided/mitigated/reduced); and of course navigating through the now-widespread ‘greenwashing’ and ‘impact-washing’ which can obscure the real picture. Bfinance’s support has been fundamental to the client selecting the right manager and to helping them in achieving their financial and non-financial objectives through robust implementation of their strategy.

[Net Zero Investment Consultants Initiative Progress Report](#), bfinance

CASE STUDY: CONTINUOUS IMPROVEMENT IN MANAGER CLIMATE ASSESSMENT

In 2022 Cambridge Associates began rebuilding and expanding their approach to manager climate assessment, alongside other sustainability and diversity areas. The firm recognises that net zero goals are collective, and neither the firm nor their clients can achieve as much as they would like without progress from the investment management industry.

The intended benefits of the new approach focus on developing a consistent cross-asset class view of investment managers' climate awareness (incorporation of climate risk and opportunity) and potential contribution to real-world net zero goals. Cambridge Associates took the opportunity to incorporate industry-leading guidance from the Paris Aligned Investment Initiative's Net Zero Investment Framework (NZIF) and the Supplementary Guidance on Target Setting, as well as the Institutional Limited Partners Association's ESG Assessment Framework.

The climate assessment framework is effectively two separate modules. The first assesses how effectively an investment manager integrates climate risks and opportunities into the firm's policies and governance, communications and reporting, investment process, and portfolio construction. This information is aggregated into a five-level integration assessment, from 'none' to 'industry leading'. The second module is an assessment of net zero alignment; its goal is to indicate how effective a manager might be as a component of a portfolio seeking to align with net zero, acknowledging that different managers or asset classes may play different roles. Cambridge Associates takes NZIF's approach of placing portfolio companies on a maturity scale of how they are aligning with net zero goals and adapts it to the practice of asset manager due diligence. The outputs are expressed in language (such as 'aligned', 'aligning') that matches the scale proposed in the NZIF. Investment in climate solutions is incorporated flexibly, according to its importance to the strategy. For a manager where financing solutions is the primary role, this will obviously be given higher relative importance in the assessment than for one seeking broad market coverage.

The approach allows for some flexibility in certain asset classes (for example, risk managed strategies and other diversifiers) where there is no existing industry framework for assessing net zero alignment. The expectation is that these asset classes will be incorporated once industry guidance becomes available.

Cambridge Associates expects to implement the framework across the investment research platform in 2024. This dataset will support efforts to engage systematically with investment managers, track progress over time, and build net zero aligned portfolios.

[Net Zero Investment Consultants Initiative Progress Report](#), Cambridge Associates

CASE STUDY: CONTRIBUTING TO EVOLVING INDUSTRY PRACTICE VIA ASSET MANAGER ENGAGEMENT AND THE THINKING AHEAD INSTITUTE

Engagement with asset managers

WTW's main topic of asset manager engagement during 2022 was climate change. In particular the importance placed on asset managers being able to measure, report and manage climate risk, and undertaking stewardship that supports a Paris-aligned climate transition.

In 2022 WTW's manager research team conducted engagements with over 200 managers on over 600 products on sustainability and stewardship. Common engagement requests were TCFD disclosures and engagement reporting. Climate change will continue to be the key topic of asset manager engagement in 2023.

Thinking Ahead Institute

The Thinking Ahead Institute (TAI) is a global not-for-profit innovation and research membership organisation set up by WTW in 2015. As at end 2022, membership consisted of 33 asset owners and 27 asset managers with these groups accounting for approximately US\$16trn combined assets under management. In 2022 TAI published the ['Pay now or pay later?'](#) report on the logic of addressing the climate challenge now. Other TAI highlights include:

The Investing for Tomorrow (IFT) working group guides investors' behaviours to become a driving force in transforming the global economy in line with climate targets. Its environment working group covered three topics over 2022: what does a halving of emissions by 2030 mean? Is biodiversity loss a risk that the investment industry should care about? How can organisations achieve their climate goals?

The IFT society working group was set up in 2022, and covered inequality, just transition and moving from interest to action on societal issues.

TAI was also selected by PRI to research and assess the appropriate level of resources that institutional investors should be prepared to dedicate to stewardship.

[UK Stewardship Code report](#), WTW

COMMITMENT 5

With respect to fully discretionary services, where relevant, members have committed to align with the Net Zero Asset Managers initiative as soon as practically possible and within two years of making this commitment.

PROGRESS OVERVIEW

Only three NZICI members have fully discretionary services and are subject to this commitment.

Two are also members of NZAM and have publicly reported on their progress in line with the NZAM commitments.

The third member with discretionary services is aligning its investment processes with the Net Zero Investment Framework and reported that all of their fiduciary discretionary clients are managed in line with a Net Zero commitment by 2050 with interim targets at 2030 or earlier, with the intention to be aligned with the objectives of the Paris Agreement.

For more information on the Net Zero Asset Managers (NZAM) initiative see

<https://www.netzeroassetmanagers.org/>

COMMITMENT 6

With respect to own business operations, members have committed to set emissions reduction targets across all operational emissions in line with 1.5°C scenarios.

“Our vision of a net zero carbon future includes a pledge to offset our historic carbon emissions dating back to 1921, be carbon neutral from 2021 and halve our carbon footprint by 2025.”

[The Net Zero Consultants Initiative Progress Report](#), Hymans Robertson

NZICI members are actively reducing their environmental impact and improving their environmental performance. Several members outlined air travel, office space heating/cooling and printing as their main focus for this commitment. Most members have increased hybrid/remote work, reduced air travel and set up cycle to work schemes. Some members already use office spaces that use 100% renewable power. One member mentioned that they will be moving offices and that the new office requires less energy.

One member purchases recycled and recyclable supplies for the office space. They have also moved to vegetarian food as a default and are financing tree-planting and reforestation. Another member is finalising their measurement of Scope 3 emissions including those in their supply chain and is developing a carbon emissions reductions plan aligned with the requirements of the Science-Based Targets initiative (SBTi). One member mentioned that they purchase voluntary carbon offsets. Another member is exploring carbon offsetting options but is currently checking whether they are credible and cost effective.

One NZICI member has been certified carbon neutral since 2020 by their government. They have zero Scope 1 and 2 emissions therefore their focus is on Scope 3 emissions.

CASE STUDY: GREENING OUR FOOTPRINT

JANA has been certified as a Carbon Neutral organisation since 2020 by the Australian Government Climate Active program. Maintaining their carbon neutral certification ensures they are publicly accountable for their corporate emission reduction plans and active in their collaboration with other local organisations on the long-term changes needed to avert the climate crisis.

As a result of actions taken to date JANA has reduced their Scope 1 and Scope 2 emissions to zero. Their updated emission reduction strategy now focuses on the largest sources of Scope 3 emissions, business flights (49% of 2022 emissions) and purchased vendor services (31% of 2022 emissions).

[2023 Sustainability Report](#), JANA

COMMITMENT 7

Within the wider financial community, members have committed to, where suitable net zero methodologies do not exist, work collaboratively for the benefit of clients to address these challenges, seeking harmonised methodologies.

“We expect challenges to emerge as we progress along our journey, such as a lack of suitable methodologies in some areas. We believe such issues are best addressed through collaboration.”

[Net zero investment progress report 2022](#), LCP

“To be most effective in managing climate risk and stewarding the transition to net zero, we need to collaborate with others.”

[UK Stewardship Code report 2022](#), WTW

All NZICI members provided several examples of their collaborative work for the benefit of their clients. It is worth noting that collaboration took place with service providers as well as collective groups due to the role that those play - for instance, few consultants are generating data internally. Here are a few examples:

- Participation in the UK’s Investment Consultant’s Sustainability Working Group (ICSWG) – a group of investment consultants working together to improve sustainability and stewardship across the investment industry.
- Engagement with GFANZ’s workstreams, for example, on portfolio alignment and on financial institutions’ net zero transition plans.
- Involvement with the Association of Investment Management Sales Executives (AIMSE) - to support the inclusion of sustainability and stewardship topics on the agenda of their conferences, roundtable and academy sessions, providing speakers and other input to events.
- Membership in the Institute and Faculty of Actuaries (IFoA) boards and working parties, and working with others across the actuarial profession on sustainability, as well as engaging with regulators and policymakers.
- Membership of Pensions for Purpose - a collaborative initiative of impact managers, pension funds, social enterprises and others providing thought leadership on impact investment.
- Other organisations and initiatives with which members said they had interacted (through, for example, consultation responses, participation in working groups, discussions, speaking at public events) included: Climate Action 100+, Institutional Investors Group on Climate Change, Initiative Climat International, PRI, Confluence Philanthropy, Mission Investors Exchange, Intentional Endowments Network, UK Stewardship Code, Smart, Global Impact Investing Network, Interfaith Center on Corporate Responsibility.

COMMITMENT 8

Within the wider financial community, members have committed to engage, independently or as a group, with regulators and policymakers, to facilitate the transition to net zero carbon emissions, addressing any barriers to clients adopting and achieving their net zero targets.

“If the world is not on a net zero path, then this poses greater long-term threats for the portfolio irrespective of the actions taken to reduce carbon exposure and climate risk in the portfolio.”

[2023 Sustainability Report](#), JANA

“We engage on policy matters to help solve market-wide issues that we identify as significant and systemic. We recognise that by working together with our clients, we can have an outsized impact on the evolution of sustainable finance.”

[Sustainable Investment and Impact Report](#), Redington

All NZICI members indicated their engagement with regulators and policymakers in their regions. Most members regularly engage with regulators and policy makers through consultations, one to one discussions and roundtables either as an individual organisation or as part of collaborative groups such as the UK’s Investment Consultants Sustainability Working Group. This engagement helps to maintain awareness of emerging risks and contribute to emerging policy and regulation to support sustainable investment. It also aids discussions on client positioning towards managing climate change risk, and helps with an exchange of ideas on how best to overcome existing barriers to implementation. Members respond to public policy consultations in their relevant regions covering a range of sustainability topics including social risks and opportunities, climate change and stewardship.

One member stated that through interactions with regulators and policy makers they highlight the need for all investors, not just the larger ones, to be able to achieve net zero. Another member mentioned that they had the opportunity to address specific rules and guidelines set out by UK state bodies through general letters to government on climate issues. Another member is working across the actuarial profession on sustainability and engaging with regulators and policymakers on policy issues.

CASE STUDY: POLICY ENGAGEMENT

Cardano sees policy engagement as a natural extension of their net zero commitment. They recognise the need to improve the sustainability of the market as a whole, and that there are clear benefits to the firm and their clients through well-designed and implemented sustainable investment policy reform. In particular, Cardano will respond to policy consultations relevant to sustainable investment in the UK, Netherlands and Europe, and will offer their expertise and experience where it is appropriate to do so.

In 2022 Cardano responded to seven public policy consultations, in the UK, EU and US, covering a range of sustainability topics including social risks and opportunities, climate change and stewardship.

A particular focus for Cardano in this period was deforestation and the impact that it makes on both climate change and biodiversity. To achieve a goal of net zero deforestation by 2030 across portfolios and to increase impact, in addition to the collaborative company engagement programme that Cardano initiated, they also engaged at the policy level. For example, in November 2022, they co-signed an open letter to the EU Commissioner about the inclusion of the financial sector in the Deforestation Regulation.

[Net Zero Investment Consultants Initiative Progress Report 2023](#), Cardano

COMMITMENT 9

To ensure accountability, members have committed to report progress against the commitments made here at least annually in the public domain.

Links to members' reports can be found in Appendix 1.

CONCLUSION

In this first year of reporting NZICI members have shown they are prepared to engage with the hard thinking and iterative learning that's required to tackle complex problems such as finding a path to net zero, and transitioning to a low carbon economy.

Every member acknowledges that there's still work to be done. For example, while not all reported in full against all of NZICI's Key Performance Indicators this year (see Appendix 3) several stated that they planned to do so next year, and intend to provide more quantifiable information in future.

Importantly, what's apparent from the content summarised above is that investment consultants have a crucial role to play in the transition to a low carbon economy; and the NZICI group of consultants is at the forefront of laying out what that looks like.

APPENDIX 1: LINKS TO MEMBERS' INDIVIDUAL REPORTS

Member	Link to individual report
bfinance	Link
Barnett Waddingham	Link
Cambridge Associates	Link
Cardano	Link
Frontier Advisors	Link
Hymans Robertson	Link
JANA	Link
LCP	Link
Redington	Link
WTW	Link
XPS	New member in 2023, so report not due until 2024

APPENDIX 2: THE NET ZERO INVESTMENT CONSULTANTS COMMITMENT

The 2015 Paris Agreement is a legally binding international treaty that sets goals to limit the global average temperature increase to well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5°C above pre-industrial levels. In accordance with the best available science, meeting these goals requires greenhouse gas emissions to drop by half by 2030 and reach net zero around mid-century. In this context, we commit to support the goal of net zero greenhouse gas emissions by 2050 or sooner.

This commitment is made in the context of our legal and fiduciary duties to clients and unless otherwise prohibited by applicable law. It is subject to the mandates agreed with our clients and their regulatory environments.

Our Net Zero Commitment applies to our: investment advisory services, fully discretionary services, and our own business operations.

With respect to our investment advisory services, we commit to:

1. Integrate advice on net zero alignment into all our investment consulting services as soon as practically possible and within two years of making this commitment
2. Work with our institutional asset owner clients to identify the investment risks from climate change, highlight the importance of net zero alignment and, where applicable, support our clients in developing policies that align their portfolios to a net zero pathway
3. Support efforts to decarbonize the global economy by helping our clients prioritize real economy emissions reductions, reflecting the target of 50% global emissions reduction by 2030 or sooner using existing decarbonization methodologies (such as Paris Aligned Investment Initiative Net Zero Investment Framework, Science Based Targets Initiative for Financial Institutions and Net Zero Asset Owner Alliance Target Setting Protocol)
4. Assess and monitor asset managers on the integration of climate risks and opportunities in their investment decisions and stewardship and reflect this evaluation in our client recommendations

With respect to our fully discretionary services, we will:

5. Align with the Net Zero Asset Manager Initiative as soon as practically possible and within two years of making this commitment

With respect to our own business operations, we will:

6. Set emissions reduction targets across all our operational emissions in line with 1.5°C scenarios

7. Within the wider financial community, we will:
8. Where suitable net zero methodologies do not exist, work collaboratively for the benefit of our clients to address these challenges, seeking harmonized methodologies
9. Engage, independently or as a group, with regulators and policymakers, to facilitate the transition to net zero carbon emissions, addressing any barriers to our clients adopting and achieving their net zero targets

To ensure accountability, we will:

10. Report progress by our firm against the commitments made here at least annually in the public domain.

APPENDIX 3: RESPONSES UNDER KEY PERFORMANCE INDICATORS (KPIs)

The NZICI reporting framework includes KPIs under commitments 1, 2 and 3 (jointly), commitment 5 and commitment 6. These are not requirements but are strongly recommended, recognising that they represent different points in a journey, in different regulatory environments, and that different clients, or types of clients, will proceed at a different pace along that journey.

In all cases, reporting against the KPIs remains subject to the unilateral decision of the member concerned. Members are not required to disclose sensitive or confidential information.

KPIs under commitments 1, 2 and 3:

1. the number of clients, and their respective assets under management, who received meaningful education on net zero alignment (where “meaningful” should be interpreted as at least one meeting with key management personnel at the client for which this was a specific agenda item and / or provision of a tailored report to the client);
2. the number of clients, and their assets under management, who had access to baseline carbon emissions data on their portfolio, for asset classes where it is available², and ongoing reporting thereof;
3. the number of clients, and their respective assets under management, who decided to incorporate a net zero ambition³ for 2050 or sooner into their policy;
4. the number of clients, and their respective assets under management, who set a net zero target for 2050 or sooner along with interim target(s) and the intention to be Paris-aligned using appropriate methodology⁴ (these targets do not have to be publicly declared); and
5. the number of clients, and their respective assets under management, who agreed a formal goal to increase exposure to ‘climate solutions’ however defined.

KPIs under commitment 5:

1. the number of fully discretionary clients, and their respective assets under management, who set a net zero ambition for 2050 or sooner; and
2. the number of fully discretionary clients, and their respective assets under management, who also set a 2050 net zero target as well as interim target(s) with the intention to be to be Paris-aligned using appropriate methodology.

² To begin with this may be limited to public equities and corporate bonds. If practical, estimates can be made on other asset classes to get to an aggregate portfolio figure.

³ This net zero ambition should be formalised in a client’s investment policy but need not go as far as stating explicit interim targets, for example because the client is reliant on pooled fund investment managers who may have a range of differing targets in relation to net zero.

⁴ This net zero target should be formalised in a client’s investment policy and is expected to follow generally accepted methodology like the IIGCC’s Net Zero Investment Framework.

KPI under commitment 6:

1. Level of emissions, as defined above, across all its operations.

Please find below the information from those member firms that reported against the KPIs.

KPIs	Meaningful education	Baseline carbon emissions data	Net zero ambition	Net zero target/ intention to be Paris-aligned	Climate solutions	Discretionary clients - net zero ambition	Discretionary clients - net zero targets	Level of emissions
Cambridge Associates	120 clients (\$96B/20% of AuA)	162 (\$95B/20% of AuA)	56 clients (\$76B/16% of AuA)	21 clients (\$41B/8% of AuA)	121 clients (\$112B/23% of AuA)	17 clients (8% of AuM)	8 clients (2.6% of AuM)	Aim is to reduce by 33% by 2025 from its 2019 baseline

KPIs	Meaningful education	Baseline carbon emissions data	Net zero ambition	Net zero target/ intention to be Paris-aligned	Climate solutions	Discretionary clients - net zero ambition	Discretionary clients - net zero targets	Level of emissions
Cardano	Over 60% clients	One third of their clients, (representing over 60% of all their clients' AUM)	Over 60% clients	Over 60% clients	No clients have formally set the goal	All fiduciary discretionary clients meet the KPI	All fiduciary discretionary clients meet the KPI	Scope 1, 2, 3 (1319.7 t CO2e)

KPIs	Meaningful education	Baseline carbon emissions data	Net zero ambition	Net zero target/ intention to be Paris-aligned	Climate solutions	Discretionary clients - net zero ambition	Discretionary clients - net zero targets	Level of emissions
Frontier Advisors	12 clients (A\$ 338.8)	14 clients (A\$ 516.6)	10 clients (A\$ 509.6)	5 clients (A\$ 210.4)	6 clients (A\$ 183.7)	N/A	N/A	Scope 1, 2, 3 (150,387 kg CO2e)

KPIs	Meaningful education	Baseline carbon emissions data	Net zero ambition	Net zero target/ intention to be Paris-aligned	Climate solutions	Discretionary clients - net zero ambition	Discretionary clients - net zero targets	Level of emissions
Hymans Robertson	40% of clients	40% of clients	19% of clients	14% of clients	16% of clients	N/A	N/A	Scope 1, 2, 3 (150,387 kg CO2e)

KPIs	Meaningful education	Baseline carbon emissions data	Net zero ambition	Net zero target/intention to be Paris-aligned	Climate solutions	Discretionary clients - net zero ambition	Discretionary clients - net zero targets	Level of emissions
JANA	34 clients	36 clients	18 clients	8 clients	5 clients	N/A	N/A	Scope 1, 2, 3 (1,027.11 t CO2-e)

KPIs	Meaningful education	Baseline carbon emissions data	Net zero ambition	Net zero target/intention to be Paris-aligned	Climate solutions	Discretionary clients - net zero ambition	Discretionary clients - net zero targets	Level of emissions
LCP ⁵	52 clients, (£98bn). A higher proportion of clients had already received this.	46 clients (£100bn)	22 clients (£72bn)	8 clients (£36bn)	10 clients (£25bn)	N/A	N/A	Scope 1, 2, 3 (146.2 t CO2e) Emissions given to end of March 2023 rather than end Dec 2022, see page 18

⁵ For info on challenges in the data collection see p15, [LCP net zero report](#)