Principles for Responsible Investment

NET ZERO INVESTMENT CONSULTANTS INITIATIVE (NZICI)

SECOND PROGRESS REPORT 2024

United Nations Global Compact

An investor initiative in partnership with UNEP Finance Initiative and UN Global Compact

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NZICI MEMBERS

- bfinance
- Barnett Waddingham
- Cambridge Associates
- Cardano
- Frontier Advisors
- Hymans Robertson
- JANA Investment Advisers
- LCP
- Redington
- WTW
- XPS
- ISIO (new member and will report in the next reporting cycle)

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

PRI SECRETARIAT

- Aiman Zaidi, Specialist, Sustainability Initiatives
- Melanie Jarman, Manager, Sustainability Initiatives

INTRODUCTION

The Net Zero Investment Consultants Initiative (NZICI) is a commitment from some of the world's most prominent investment consultants to align their operations and advisory services with the 1.5 degree emissions trajectory outlined in the Paris Agreement. Each member individually defines how they will integrate net zero.

2024 is the second year in which NZICI members have reported. The reporting covers the calendar year 2023 unless stated otherwise in the member's report. NZICI members publish their progress individually and the secretariat has aggregated this below.

All the member reports showed a strong focus on internal education of investment teams, and external education and increased awareness amongst clients about net zero. There was also an eagerness to innovate and provide tools, guidance, and data that would be decision-useful for investors to meet their objectives. Members also found that their clients were actively developing policies and had made progress with implementing their net zero ambitions over the past year. See members' own publications via the links in Appendix 1 for more details.

2024 also saw members revise the nine NZICI commitments, based on lessons learnt in the first year of reporting. The revised commitments are in Appendix 4 and the revised Reporting Framework is in Appendix 5. Members will report against these in 2025.

HOW DOES NZICI OPERATE?

NZICI is overseen by a Steering Committee comprised of 11 representatives, one from each member firm. It is supported by the PRI providing secretariat services. The Steering Committee meets quarterly to oversee the work programme. It has two elected co-chairs.

All members commit to reporting annually against the NZICI commitments (see Appendices 2 and 4). They can also choose to report against eight Key Performance Indicators (KPIs – see Appendix 3).

Any firm that offers investment consulting services to institutional investors can join NZICI. Once a firm joins, it must sign up to the commitments and contribute to NZICI's activities through participation in the Steering Committee. Members are held to account through annual public reporting on a comply or explain basis against the NZICI commitments.

WHY JOIN NZICI?

- Exchange best practices to drive ambition towards achieving net zero.
- Enhance understanding of the finance sector's pivotal role in the transition to a low carbon economy.
- Support and enable clients through advice on their path to net zero.
- Access to other financial actors such as other net zero alliances and GFANZ workstreams.
- Active participation to encourage an inclusive low carbon economy.
- Increase the credibility of, and accountability for, member firms' net zero commitments.
- NZICI has partner status under the UN's Race to Zero campaign. NZICI is also 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.

ROLE OF INVESTMENT CONSULTANTS IN THE INVESTMENT CHAIN

The transition towards a low carbon economy requires all parts of the investment chain to participate. While institutional investors have a central role to play, investment consultants are crucial in supporting them to make progress towards their climate goals.

NZICI members' primary channel of influence comes from informing, encouraging and enabling their clients to adopt investment strategies that contribute to real-world emissions reduction. Members typically advise rather than manage assets and, where they manage, it is usually under bespoke agreements negotiated with individual clients.

As is evident from individual reporting under the NZICI commitments, and from stewardship-related case studies in those reports, members pay close attention to the theory of change underpinning their net zero advice. They aim to make a difference in the real world, rather than focussing on backward-looking metrics. Whilst reported portfolio emissions may be influenced by a range of factors, investment consultants can play an important role in supporting clients on developing effective net-zero strategies.

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.

PROGRESS OVERVIEW

All members put Environmental, Social and Governance factors (ESG) and climate change as a central consideration in their research and advice to their clients. However, there was also recognition that one size doesn't fit all, and it's important to understand clients' preferences and priorities.

Many members created internal working groups to help clients build an understanding of their net zero ambitions, make action plans and create model portfolios. All members continued to deliver education and training so that their investment teams had sufficient knowledge and support to provide net zero advice. For instance, members ran regular sustainability training sessions covering topics such as net zero, sustainability frameworks, target-setting, and best practice. In one case, training also covered systemic risks, communicating climate risk and systemic stewardship to their internal team.

One member outlined how they considered net zero across different sectors such as property, infrastructure and real assets, listed equities and fixed interest. For example, the member encouraged clients from the property sector to actively monitor asset managers' commitment to net zero objectives and their effectiveness in implementing these objectives.

One member created templates for their clients to set net zero objectives, targets and ambitions. They also created research papers on investment manager selection and assessment to help clients that were interested in investing in climate solutions.

CASE STUDY: APPLYING OUR PROCESS TO DEVELOP A NET-ZERO STRATEGY

Hymans Robertson was engaged by a new client that wanted support in understanding their current portfolio's emissions baseline, the setting of a net zero target, the potential trajectory of their strategy and the alignment of investment objectives to help achieve their net zero target. They also wanted to develop a Climate Transition Action Plan (CTAP) to document their objectives and actions in accordance with their net zero ambition.

Hymans Robertson designed a series of three workshops to support the client in understanding more about climate change and net zero, how this related to their current positioning and the methods that the client could use to achieve net zero. The focus of the workshops was to provide education and training on net zero, the allocation of capital to different types of climate solutions and the importance of engagement.

The first workshop provided education and training to support knowledge-building of how net zero targets are situated in the broader global context of climate change risk and net zero goals. Consideration for the current baseline position was also assessed here, with in depth discussion on engagement vs divestment and exclusion.

The second workshop took a more granular approach to ideas about policy provisions based on the initial workshop's discussion. Greater focus was placed on understanding how different trajectories could result in the achievement of different net zero targets at different dates.

The workshops were highly collaborative and contained many open-ended discussions to gather the client's thoughts on various mechanisms to implement net zero and how Hymans Robertson could support in forming these ideas into a coherent plan. The workshops' participants included the Committee, the Pension Board, and other stakeholders such as employee representatives, which helped generate a broader viewpoint.

The final workshop presented a summary of the ideas discussed at the first two workshops, in the form of a finalised Net Zero Policy and CTAP, which was presented to the client for review. Once any proposed changes were discussed, Hymans Robertson implemented the changes and issued a final draft. The aim is for the policy to be revised on an ongoing basis and be formally reviewed and monitored annually.

Adapted from Being Better Stewards: UK Stewardship Code Review of the year ending 31 December 2023, Hymans Robertson

CASE STUDY: CARBON/CLIMATE REPORTING SERVICE: EXTENSION TO UNLISTED ASSET CLASSES

Frontier Advisors undertook a lengthy process to establish a carbon emissions/climate reporting service for small to medium sized clients who typically did not have access to such services due to a lack of direct access to relevant data, limited internal resources, and cost constraints for each individual asset owner.

The scope of the reporting service extended to listed equities and corporate debt. Frontier Advisors was mindful that coverage needed to extend to other asset classes, particularly unlisted property and infrastructure, but also private equity and private debt. Many of their clients have significant exposures to these asset classes and are also exposed to sectors of the economy that have a pivotal role to play in real-world decarbonisation.

Frontier Advisors recognises the complexity of measuring and estimating carbon emission metrics across these asset classes and the need to report metrics that are accessed via a standardised methodology that will satisfy industry conventions and regulatory requirements. Frontier Advisors is emphasising to clients that they need to have access to climate data that is decision-useful.

Adapted from The Net Zero Investment Consultants Initiative – Frontier Advisors Annual Report, Frontier Advisors

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.

PROGRESS OVERVIEW

Similar to reporting under Commitment 1, members recognised that clients have different beliefs and priorities and therefore, a tailored approach is more effective. For one member, education on climate change is part of the onboarding process, and this enables them to actively integrate it into the services they provide.

All members provided knowledge, educational material and training sessions to improve clients' understanding of ESG and climate change. For some members, training on net zero and Taskforce on Climate-related Financial Disclosures (TCFD) reporting is part of standard practice available for all advisory and fiduciary clients.

Some members found it easier to tailor their approach to the stage that clients are at on their climate journey. For example, a member found that some clients had already established their net zero commitments and were working towards meeting those. For clients that were small or were new to net zero, one member delivered education programmes for a trustee board and senior staff to advance their understanding of net zero.

Members also worked with data providers to enhance client reporting on climate change. One member has a monitoring system in place that incorporates climate KPIs beyond carbon emission reporting and gives useful information regarding climate risk and net zero. For example, they can provide data on climate transition alignment and can stress test portfolios to explore future climate scenarios.

Many members found systemic risk a critical theme and a complex topic that was worth bringing up with their clients. One member led a successful training session with their client's trustee board leading to a re-focus on systemic risk and the importance of mitigation.

A number of members mentioned working with clients with a specific focus on nature risk. One member developed a training session that considered how nature interacts with other systemic risks and provided ways for their client to monitor and mitigate these risks as part of meeting their climate objectives. Another member worked with their clients to educate them about investing in a nature-positive way.

CASE STUDY: CREATING A DETAILED CLIMATE CHANGE COURSE FOR PENSION TRUSTEES

WTW launched an in-depth climate course for clients in 2023 designed to give pension scheme trustees the understanding of climate change they need to fulfil their fiduciary responsibilities. The course drew on WTW's breadth of climate expertise across its Climate practice, Investments, Retirement, Covenant and Employee Experience teams.

As climate change increasingly presents significant risks and opportunities to pension schemes, WTW recognised that trustees need to understand enough about the topic to make informed decisions and to challenge advisers. WTW therefore created a syllabus which builds a foundation of knowledge about key climate concepts and then focuses on the key considerations for UK pension schemes. The varied course content ranged from understanding the causes and impacts of climate change and considering the intersection with nature and biodiversity, to investment considerations and practical actions, including disclosure requirements, metrics and stewardship.

At the time of publishing this case study, a UK-based independent trustee group was undergoing the course, having enrolled all staff which are responsible for more than 470 appointments, supporting schemes which collectively represent over 10 million members.

Adapted from 2023 UK Stewardship Code: Full Report, WTW

CASE STUDY: IMPROVING AWARENESS OF THE DRAWBACKS OF QUANTITATIVE SCENARIO ANALYSIS

When supporting clients with climate-related scenario analyses, Cardano typically used Climate Value at Risk (CVaR) or the estimated financial loss of warming scenarios at 1.5°C, 2°C and 3°C. In 2023, Cardano spent more time going into detail with clients about the drawbacks of relying on quantitative data for climate decision-making. These models give counterintuitive results that seem to underestimate risks particularly in hotter scenarios. Cardano believes a major reason for this is a failure to properly capture the full systemic effects of climate change on overall markets. This may include effects on growth, productivity and inflation. There are also limitations in the reporting on all asset types.

As a result, Cardano carried out an extensive exercise to better support clients to adopt qualitative scenario analysis from 2024 reporting and onwards. They found that this approach brought the key issues to the fore in a way that the quantitative data does not. It encouraged active discussion and provided a more comprehensive assessment of the potential climate-related risks for a portfolio. Cardano are encouraging clients to adopt this approach and become less reliant on quantitative analysis.

Adapted from The Net Zero Investment Consultants Initiative: Progress Report 2024, Cardano

ROUNDTABLE: BETTER APPROACHES TO CLIMATE-RELATED RISK

In May 2024, NZICI hosted a roundtable with Carbon Tracker to consider their report 'Loading the DICE Against Pensions'. The report suggests pension funds are at risk by relying on economic research that ignores scientific evidence about financial risks in a warming climate. For example, economists have claimed that 6ºC of global warming will reduce future global GDP by less than 10%. In contrast, scientists claim that a rise of 5ºC implies damages that are "beyond catastrophic, including existential threats". The report concludes that the dominant approach has led to governments, central banks, regulators, and financial stakeholders operating under a false sense of security. The topic has been explored in further reports, such as The Emperor's New Climate Scenarios, which was co-authored by Sanjay Joshi at NZICI member firm Hymans Robertson.

The roundtable was open to NZICI members and other PRI signatories that were investment consultants. It saw a fruitful discussion, including wide recognition that numbers used in investors' climate reports are inadequate but, at the same time, quantification cannot be ignored; and criticisms of quantitative analysis can be helpful for initiating a deeper exploration of risks and opportunities, and have led to improved conversations with clients. There was wide support for more qualitative reporting and a stronger narrative alongside, or as a caveat to, the numbers. Participants identified a need for better conversations on the non-diversifiable nature of risk, and a focus on drivers of risk.

In this year's reporting we heard how NZICI member firms are taking this work forward. For example, following the approach outlined in their paper 'Building Narrative-driven Climate Scenarios', Hymans Robertson ran pilot exercises with clients to share their thinking. One learning from this was that quantification, particularly in certain formats, distracts from the more detailed discussion on the risk drivers, thus derailing the broader goal of the methodology.

In their NZICI report LCP said they discussed these issues with clients to help them update their decisions if appropriate. LCP developed materials to remind clients of narratives of the scenarios they had seen previously, the limitations of the scenarios, and the limitations of the modelling that may be leading to underestimates of the physical impacts of climate change on the economy. These materials were used with large pension clients who needed to consider whether to commission updated climate scenario analysis for their TCFD reporting. The messaging in LCP's standard climate scenario material has also been updated to improve communication of the limitations. This has helped clients focus on key messages and consider both the physical and transition risks from climate change in a more informed context.

NZICI members will continue to discuss climate scenario modelling as an important topic within the initiative to share learning and experiences.

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.

PROGRESS OVERVIEW

Reporting under Commitment 3 builds on examples given under Commitments 1 and 2. Members understand that investments have financial and real-world impact and therefore, they may need to consider the impact of emissions reduction as a key part of the investment assessment process. One member explained that their clients found their sustainability monitoring reports very helpful as they can see their carbon emissions data over the course of a few years. Therefore, the clients were able to see changes in their carbon emissions, and aim to reduce them. NZICI members have helped their clients understand the various factors that can influence changes in emissions over time.

Members prioritised stewardship and policy engagement as tools to meet their climate targets, encouraging clients to set actionable targets and actively engage with their fund managers. Members also emphasised the energy transition. For example, one organised sessions on implementing net zero investment strategies with a focus on emissions reductions in the real economy.

CASE STUDY: DEVELOPING A MARKET-LEADING CLIMATE STRATEGY

Background

XPS had a client that wanted to be market-leading in their commitment to climate change and wanted to establish a net zero strategy.

Action

XPS helped design a comprehensive framework for implementing the net zero strategy while considering the nuances of the client's mandate and their manager's capabilities. The framework included an ambition to reach net zero by 2050, with interim targets to reduce emissions by 50% by 2030 with a 7% year-on-year absolute reduction, and is aligned to the Institutional Investors Group on Climate Change (IIGCC) Net Zero Investment Framework. A specific client requirement was that the net zero target should be future proof, so XPS worked with investment managers to agree wording and targets to capture this. Managers are required to report formally against the carbon reduction target and exclusion policies.

Outcome

The client implemented their net zero strategy into their mandates with a clear understanding of how the emissions profile should change over time. In addition, the client is clear how this will be managed alongside other objectives, and how this new strategy drives the investment managers' and the client's own investment decisions. The client monitors progress of the carbon emissions against the defined pathway annually.

Adapted from Net Zero Investment Consultant Initiative Progress Report, XPS Group

CASE STUDY: ALLOCATING TO SUSTAINABLE INFRASTRUCTURE

Bfinance had a client interested in allocating to sustainable infrastructure. A range of thematic diversified funds and renewables-focused strategies were assessed. While it would have been logical for the client to allocate to renewables, bfinance helped the investor to partner with a manager with a strong transition mindset and capability. This required dedicated knowledge transfer to get the client comfortable with transition-focused opportunities (which may have a high footprint in the short term) as well as thorough due diligence to assess the manager's authenticity in delivering the intended outcomes.

Outcome

Bfinance enabled their client to participate and contribute to real-world decarbonisation of existing legacy assets. Through this and other similar engagements bfinance has demonstrated a commitment to supporting investors to allocate capital with genuine impact.

Adapted from 2024 Report: Net Zero Investment Consultants Initiative, bfinance

CASE STUDY: HELPING CLIENTS UNDERSTAND THE ROLE OF NATURE IN ACHIEVING NET ZERO

Redington worked with a large UK endowment to develop a net zero strategy that was ambitious, achievable, and, crucially, nature-positive. Redington started with detailed training on the inter-relationship between nature and climate, and the need to consider both in tandem on the road to a net zero world. This included, among other things, the regulatory environment, net zero in the real economy, the key drivers of nature loss, the importance of natural carbon sinks, and also an introduction to some of the metrics available for investors to start identifying nature-related risks within portfolios.

Redington then proceeded with an in-depth climate and nature analysis of the endowment's portfolio, baselining the portfolio on a variety of metrics and highlighting any specific companies, funds and sectors particularly exposed to climate and nature risk.

Outcome

Redington took this analysis one step further and worked with the client to set ambitious and robust nature-positive net zero targets. The firm also developed a Net Zero Dashboard to ensure monitoring of progress against the stated targets (see page 36 here). The endowment's chosen targets center around forward-looking climate objectives and deforestation-oriented engagement objectives to respond to the nature challenge.

Redington continues to work with the client to ensure accurate monitoring of progress against these nature-positive net zero targets.

Adapted from Sustainable Investment and Impact Report 2024, Redington

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.

PROGRESS OVERVIEW

The approach described in Commitment 4 is now standard fare for NZICI members, with all reports giving an outline of how the member firms went about this. In all cases the assessment of managers went further than reflecting the evaluation in client recommendations: members also gave feedback to the asset managers they work with, noting areas where they could make improvements and monitoring those.

Regarding the “opportunities” element of this commitment, one member said they identified asset managers with specialist skills in the energy transition, as that gave clients an opportunity to invest in products that move towards decarbonisation.

Reflecting the intent of Commitment 1, one member reported that they aimed to include at least one sustainable option in all manager selection exercises, with the goal of increasing the number of clients investing in funds with net zero targets.

MANAGER ASSESSMENT WORKING GROUP

During the reporting period members created a dedicated working group that aims to develop a voluntary, principles-based net zero manager assessment framework or set of principles to support members in fulfilling Commitment 4. The work acknowledges and builds on existing frameworks and standards and adopts the five guiding principles of the Paris-Aligned Investment Initiative: impact, rigour, practicality; accessible; accountability.

The group has drafted categories to guide comparable net zero assessment of managers and is now exploring underlying criteria and metrics.

Thanks to working group Chair Joey Alcock (Frontier Advisors) and to Mhairi Gooch, (Hymans Robertson), Sarah Edwards (Cambridge Associates), Jamie Beard (LCP) and Michael Gillespie (JANA) for their contributions.

CASE STUDY: INSIGHTS ON ASSET MANAGERS

Barnett Waddingham enhanced the way they rate and report on managers, including reviewing and adding additional metrics to their questionnaire. This included asking about:

- any changes to stewardship and sustainability processes over the period;
- the availability of voting services (such as voting choices),
- use of carbon offsets; and
- how they voted in terms of a selection of a number of key votes.

Barnett Waddingham produced a public insights research report on their findings, with key learnings as follows:

Comparing apples with pears: due to characteristics specific to each asset class, comparing carbon data across different asset classes is not advised. In addition, caution should be taken when comparing year-on-year data for the same asset class, as methodologies and / or data coverage may have changed, meaning apparent trends can be misleading.

Words are not yet actions: whilst Barnett Waddingham found a significant uptick in the number of managers signing up to net zero initiatives, this was generally not at that stage resulting in managers integrating net zero commitments within their funds and providing better quality climate data.

Voting tug of war: climate and environmental management and stakeholder resolutions are increasingly divisive. Barnett Waddingham observed a large divergence in voting practices of asset managers.

Alignment of stewardship considerations: Barnett Waddingham found that asset managers were generally aligned with what investors are most concerned with when setting their stewardship priorities.

Adapted from Sustainability Report 2023 and Investment Insights: asset managers' sustainability disclosures - words vs. actions, Barnett Waddingham

CASE STUDY: ENGAGEMENT OVER CLIMATE REPORTING AND PROCESSES

Cambridge Associates engaged with a manager investing in small-cap buyouts. The manager was at an early stage of their ESG and climate journey, with limited ESG integration in its investment processes.

Through meetings and email correspondence with the manager, Cambridge Associates discussed ESG in deal processes, ESG reporting, and climate risk integration, and sought clarifications about investments with potentially controversial elements.

Cambridge Associates shared ESG guidelines and best practices, including for client reporting as well as tools for assessing climate risk and de-carbonising investments. Cambridge Associates also provided input about current market standards held by European clients.

The manager was open to considering the materials and recognised a need to improve sustainability practices and reporting at the firm. They stated they would consider annual ESG reporting, and participation in the ESG Data Convergence Initiative following their fundraising period.

The manager received Cambridge Associates' feedback positively, making firm-level and portfolio-level ESG and emissions reporting available to Limited Partners upon request. Cambridge Associates will monitor the manager's progress.

Adapted from 2024 Net Zero Investment Consultants Initiative, Cambridge Associates

CASE STUDY: NET ZERO ASSET MANAGER ASSESSMENT FRAMEWORK

JANA developed a proprietary framework to assess the investment teams and strategies in which JANA clients invest. The aim was to check alignment to the global goal of net zero emissions by 2050, and to help clients understand their managers' alignment to their own net zero commitments and plans.

JANA's framework was adapted from the Institutional Investor Group on Climate Change (IIGCC) criteria for assessing Paris-alignment of companies and augmented with learnings from a series of meetings with managers that JANA deemed to have best practice ESG integration capabilities. The framework is designed to discern whether the strategy has a credible focus on the decarbonisation of the investment portfolio that is consistent with the required real economy changes, or whether the strategy facilitates increased investment in the range of required climate and transition solutions.

JANA's Research Teams collected information from around 400 investment strategies across all asset classes. The research revealed the multitude of approaches that may support net zero objectives in investment portfolios and provided JANA with clarity around what can be considered a credible net zero plan in each asset class at this point of the global net zero journey. JANA's assessments confirmed a number of known knowns while also revealing new useful insights. For example, it is clear that private markets are further developed and have higher quality data and initiatives to support their net zero commitments and plans. This observation is exemplified by many leading property and infrastructure managers having net zero commitments much sooner than 2050, in part due to having a higher degree of direct ownership in the assets and being closer to the social license and cost benefits of making improvements in line with the net zero transition.

A new insight was the high level of understanding of net zero investment approaches exhibited in all asset classes, paired with the willingness and capability of a large proportion of asset managers to implement a client-directed net zero objective via a mandate or separately managed account. The takeaway being that the power to greatly lift the net zero alignment of portfolios is very much in asset owners' hands, once they have determined their net zero objectives and approach.

JANA's research found that there were a number of managers not part of collaborative industry initiatives that had developed innovative and credible plans to support the net zero transition. JANA also found that, based on the finding above, many managers are willing to implement net zero targets once directed by their clients.

Adapted from 2024 NZICI Progress Report, JANA Advisors

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.

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.

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

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.

PROGRESS OVERVIEW

As professional services firms, greenhouse gas emissions from NZICI member firms are largely not the result of activities from assets owned or controlled by them. They come from assets for which they're only indirectly responsible (scope 3 emissions). For example, one member found that purchased goods made up 90% of their emissions, services made up around 67%, commuting around 25% and business travel made up around 3% of emissions.

Nonetheless, members took steps to achieve Commitment 6 by addressing elements right across their scope 3 emissions. For example, one member reported implementing a 'virtual first' policy on meetings. Another had a target for 100% renewable energy by 2030. One member that bought offsets over-purchased to provide a further buffer of assurance, and planted 5,000 trees in lieu of paper cards to clients for the festive season.

Members are being transparent around these actions through, for example, reporting in line with the recommendations of the Taskforce on Climate-related Financial Disclosures.

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.

PROGRESS OVERVIEW

NZICI members are part of a wide range of industry initiatives, in some cases playing leading roles to drive thinking and practice around methodologies.

Several firms are part of the UK-based Investment Consultants Sustainability Working Group (ICSWG), and one member firm co-chaired that group in 2023. NZICI members took part in ICSWG projects such as updating guidance on the ESG metrics against which the ICSWG expects investment managers to report, and updating guidance on the TCFD fourth metric.

Another joint initiative where several NZICI members worked together with others is the Institutional Investors Group on Climate Change (IIGCC). One member hosted a roundtable on net zero levers and targets for externally managed investments, discussing barriers and opportunities to net zero investing. Another co-chaired the IIGCC's Derivatives and Hedge Funds Working Group as well as participating in the Strategies Programme Advisory Group. Members also contributed to IIGCC projects such as the development of a net zero investment framework for private credit, best practice guidance, and the work of the associated Paris Aligned Investment Initiative's Net-Zero Technical Working Group.

Working with members of other net zero alliances, one member contributed to the GFANZ Sectoral Decarbonisation workstream. This developed guidance to support financial institutions' use of sectoral pathways in the creation of net zero transition plans, alignment of portfolios, and engagement with real economy firms.

Connecting with another important link in the investment chain, one member worked with the actuarial profession, contributing to a number of boards and working parties of the UK's Institute and Faculty of Actuaries.

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.

PROGRESS OVERVIEW

One member said: “many sustainability issues can only effectively be addressed through broad industry-wide and or policy approaches that reflect the systemic nature of the issues”.

The sentiment in these quotes was reflected across NZICI members with all recognising the importance of the wider context when it comes to achieving net zero ambitions.

Either in their NZICI reports or through signposting to Stewardship Code reports, all members noted participation in public policy consultations and engagement with regulators and policymakers.

CASE STUDY: LCP’S CLIMATE POLICY ASKS

LCP has been working with regulators for several years to try and ensure that regulations and policy evolve to enable and promote a transition to a low carbon economy. They considered how to involve their clients in this process to add weight to the discussions, which led to the development of a set of climate policy asks. With the support from clients who have signed up, LCP refers to these policy asks and the support behind them when they engage with policy makers, to help drive change. In particular, LCP is urging regulators to focus on real-world actions that facilitate the net zero transition and enable asset owners to invest to support the transition.

LCP’s policy asks are:

1. Climate regulations for investors should aim for real-world impact, not just disclosure
2. It should be easier for DB and DC pension schemes to invest in climate solutions, including growth and/or illiquid assets
3. Climate action needs to match the scale of the risk, removing the current disconnect between the levels of policy ambition and implementation
4. Governments should set clear, credible, consistent net zero plans, which are nature friendly and socially just, so investors can invest in the net zero transition with confidence
5. Pension trustees’ fiduciary duty should be reinterpreted to have a longer time horizon and include macro (impact) as well as micro (risk) considerations

Adapted from Net zero investment progress report, LCP

COMMITMENT 9

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

PROGRESS OVERVIEW

Links to members' reports are in Appendix 1.

SUMMARY AND NEXT STEPS

In this second year of reporting against the NZICI commitments, several members said they were finding some larger clients had already made progress in developing policies and implementing plans to take net zero ambitions forward. One member said they had seen improvements across all five client-related metrics, demonstrating an increase in client engagement on climate issues.

However, as the content on climate scenario modelling under Commitment 2 demonstrates, this doesn't mean there's less of a need for investment consultants' services in the transition to a low carbon economy. It means that, as well as keeping internal learning and development up to date, the nature of the investment consultant's services may shift. For example, some have introduced more training and support on nature-related considerations, which are important factors in the path to net zero. Some have improved the monitoring systems that show changes in carbon emission data in order to help clients with their decision making. All are thinking about how to improve assessment and monitoring of asset managers on the integration of climate risks and opportunities. As one member said: "The way the investment world understands climate has been steadily evolving, and as the industry has developed its thinking, we have been evolving our processes and capabilities."

This work is likely to broaden and deepen as members continue on their journey to deliver the NZICI commitments.

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	Link

APPENDIX 2: THE NZICI COMMITMENTS

In 2024 NZICI members reported against the original set of commitments, which are as follows.

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

Within the wider financial community, we will:

7. Where suitable net zero methodologies do not exist, work collaboratively for the benefit of our clients to address these challenges, seeking harmonized methodologies

8. 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:

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

APPENDIX 3: 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.

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 available[1], and ongoing reporting thereof;
3. the number of clients, and their respective assets under management, who decided to incorporate a net zero ambition[2] 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 methodology[3] (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.

KPI under commitment 6:

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

[1] 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.
[2] 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.

[3] 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.

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
Barnett Waddingham[4]	30% Assets under advice	35% Assets under advice	40% Assets under advice	<5% Assets under advice	N/A	N/A	N/A	Scope 1,2 and 3 (990.5 kgCO2e)

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	N/A	169 clients	131 clients	21 clients	122 clients	N/A	N/A	Scope 1,2 and 3 (14,694 tCO2e)

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 95% of advisory AUM	over 90% of advisory AUM	over 95% of advisory AUM	over 95% of advisory AUM	One advisory and one discretionary client	All fiduciary clients meet the KPI	All fiduciary clients meet the KPI	Scope 1,2 and 3 (942.8 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	14 clients (A$ A 381.6 bn)	21 clients (A$ 601.9 bn	14 clients (A$ 580.7 bn)	5 clients (A$ 210 bn)	11 clients (A$ 211.8 bn)	N/A	N/A	Scope 1, 2 and 3 (154, 55 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	95% Assets under advice	89% Assets under advice	70% Assets under advice	61% Assets under advice	83% Assets under advice	N/A	N/A	Scope 1, 2 and 3 (1098 tCO2e)

[4] number rounded to nearest 5%

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	90% Assets under advice	71% Assets under advice	35% Assets under advice	31% Assets under advice	19% Assets under advice	N/A	N/A	Scope 1, 2 and 3 (158.7 tCO2e)

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
Redington	45 clients	24 clients	N/A	24 clients	10 clients	N/A	N/A	

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
XPS	223 clients	100%	5 clients	4 clients	N/A	N/A	N/A	Scope 1, 2 and 3 (1545 tCO2e)

APPENDIX 4: REVISED COMMITMENTS

The revised commitments against which members will report in 2025 are as follows.

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 provide advice on climate change and net zero ambitions across our client base in line with their mandates by:

1. working with our clients to identify how climate change impacts the risks and opportunities for their portfolio;

2. highlighting the importance for both the economy and asset values of global decarbonisation on a Paris-aligned path and consistent with the goal of net zero by 2050;

3. empowering willing clients to make a meaningful contribution to the goals of the Paris agreement[5] through investment practices that help drive real world emission reductions, toward the goal of net zero by 2050 as well as robust interim targets;

4. assessing, monitoring and engaging with asset managers on the integration of net zero ambitions in their independent investment decisions and stewardship, and reflecting this evaluation in our client recommendations.

With respect to our fully discretionary services[6], we will:

5. individually set goals consistent with the target setting framework of the Net Zero Asset Manager initiative.

[5] The Paris Agreement's long-term temperature goal is to keep the rise in mean global temperature to well below 2 °C above pre-industrial levels, and preferably limit the increase to 1.5 °C.
[6] Members that are also members of NZAM can choose to report their progress against the NZICI commitments under their NZAM report rather than a separate NZICI report to avoid duplication.

With respect to our own business operations, we will:

6. individually set emissions reduction targets across all our operational emissions consistent with Paris goals.

Within the wider financial community, we will:

7. where suitable net zero methodologies do not exist, work together for the benefit of our clients to address these challenges, seeking harmonised methodologies consistent with competition law;

8. 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:

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

COMMITMENTS DISCLAIMER

Signatories commit to engaging with policymakers, regulators, peers and other stakeholders in accordance with all applicable laws and regulatory requirements. The PRI and NZICI recognise that the laws and regulators to which signatories are subject differ by jurisdiction and signatories are not required to take action that is not in compliance with applicable laws. PRI and NZICI are committed to compliance with all applicable laws and do not seek, require or endorse individual or collective decision-making or action that is not in compliance with those laws. The use of particular tools and tactics discussed, and the scope of participation in this initiative is at the discretion of individual participants and subject to all relevant laws, including competition and antitrust laws. Participants must avoid coordination of strategic behaviour that impacts competition. They must make independent decisions regarding next steps and how they will pursue them, and are encouraged to consult their own counsel as appropriate.

APPENDIX 5: REVISED REPORTING FRAMEWORK

BACKGROUND

Members of NZICI make nine Commitments which apply variously to their investment advisory services, fully discretionary services and their own business operations.

The Commitments are made 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 member's legal, fiduciary, ethical and other duties and obligations owed to its clients as a whole and individually and to applicable law and regulations. This leads to varying ability to influence clients' net zero agenda.

For more details of the Commitments refer to the PRI website here:
https://www.unpri.org/climate-change/leading-investment-consultants-form-global-initiative-to-push-for-net-zero/8549.article

Note that unless otherwise stated, the term 'net zero' is taken to mean an objective of net zero greenhouse gas emissions by 2050 in line with global efforts to limit warming to 1.5°C above pre-industrial levels, consistent with the goals of the Paris Agreement. This requires aligning[7] with appropriate interim targets (for example, a 50% reduction in global emissions by 2030) and the development and implementation of an appropriate strategy that would allow progress to be demonstrated against such an objective. Within this concept of net zero, we further recognise the importance of facilitating a just transition, being the only politically feasible path to achieving the Paris Agreement goals.

It is important to note that NZICI members serve a variety of client types that operate in a variety of (and sometimes conflicting) legal and regulatory environments, using a variety of service models. Such clients may be more or less amenable to embracing net zero goals or may choose not to embrace them at all. For example, where members work with clients on a project basis rather than in a long-term advisory capacity, Commitments 2, 3, 5 may not be relevant.

Members are required to report annually in a public domain in accordance with Commitment 9. This Reporting Framework sets out the information they are expected to report. Where members are not able to report this information, they will explain why.

Members should make clear in their reporting how their business model and client base impact their activity against the Commitments. They should explain if and why any class of client is ruled out of scope, for example because the relationship is only for data provision, and make clear if / when the regulatory environment constrains reporting.

[7] The way in which a member aligns is up to the member at firm-level

The published reports will be aggregated by the Secretariat into an annual progress report.

Repeated failure to publish reports may result in the member being removed from NZICI in accordance with the Terms of Reference.

These reporting requirements have been developed collectively by members in partnership with the PRI.

DEFINITIONS

Commitment – one of the nine commitments under NZICI

Reporting Period End Date – the date that is the end date for members' regular reporting under Commitment 9, being a common date to facilitate aggregate reporting. Unless otherwise amended this will be 31 December each year.

Reporting Period – the 12-month period ending on the Reporting Period End Date. The first Reporting Period for any new members will be the first full calendar year after they join NZICI.

Reporting Publication Deadline – means the 30 September following each Reporting Period End Date.

Terms of Reference – the terms of reference as agreed with the NZICI Secretariat of the PRI (download (unpri.org)).

Shall – 'shall' means that a process is required for the purpose of the initiative but remains subject to the unilateral decision of the member concerned. If the member concerned does not follow the guidance, an explanation in the member's public reporting is required. This does not require a member to disclose sensitive or confidential information.

Should – 'should' means that a process is strongly recommended. If the member concerned does not follow the guidance, an explanation in the member's public reporting is required. This does not require a member to disclose sensitive or confidential information.

REPORTING EXPECTATIONS

The reporting expectations are described below under the nine Commitments of the NZICI, which are repeated below for ease of reference.

With respect to our investment advisory services, we commit to provide advice on climate change and net zero ambitions across our client base in line with their mandates by:

1. working with our clients to identify how climate change impacts the risks and opportunities for their portfolio;

2. highlighting the importance for both the economy and asset values of global decarbonisation on a Paris-aligned path and consistent with the goal of net zero by 2050;

3. empowering willing clients to make a meaningful contribution to the goals of the Paris agreement1 through investment practices that help drive real world emission reductions, toward the goal of net zero by 2050 as well as robust interim targets;

Members shall report the activities they have undertaken as well as related outcomes during the Reporting Period to satisfy Commitments 1, 2 and 3. It is desirable in addition to provide specific information on the following:

1. providing clients with access to tools to monitor their current alignment and potential future path(s) towards net zero along with exposure to climate-related investment risks;
2. assigning senior leader responsibility for the oversight and implementation of net zero alignment of the member's investment consulting services; and
3. meaningful training for all the member's investment consultants on climate change risks and opportunities and net zero alignment.

Members should report, where relevant, the following for the Reporting Period:

Actions:

Explain using examples and case studies what progress they have made in:

1. helping their clients to put in place investment beliefs and policies that incorporate net zero considerations,
2. helping clients incorporate net zero considerations into asset allocation and portfolio construction decisions,
3. helping clients assess and monitor their asset managers on net zero alignment,
4. helping clients select asset managers and design products that provide better alignment with net zero,
5. helping clients to shape voting policies and engagement priorities to better align their portfolios with net zero,
6. helping clients make their own net zero commitments, along with interim targets and transition plans.

KPIs:

The following represent progress metrics that members should report, 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.

1. the number of clients, and their respective assets under management, who by the Reporting Period End Date have 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 by the Reporting Period End Date had access to **baseline carbon emissions data** on their portfolio, for asset classes where it is available[8], and ongoing reporting thereof;

[8] 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. the number of clients, and their respective assets under management, who by the Reporting Period End Date had decided to incorporate a **net zero ambition**[9] for 2050 or sooner into their policy;
4. the number of clients, and their respective assets under management, who by the Reporting Period End Date had set a **net zero target** for 2050 or sooner along with interim target(s) and the **intention to be Paris-aligned** using appropriate methodology[10] (these targets do not have to be publicly declared); and
5. the number of clients, and their respective assets under management, who have agreed a formal goal to increase exposure to '**climate solutions'** however defined.

> ***Commitment 4)*** *assessing, monitoring and engaging with asset managers on the integration of net zero ambitions in their independent investment decisions and stewardship, and reflecting this evaluation in our client recommendations.*

Members shall report the activities they have undertaken during the Reporting Period to satisfy Commitment 4. This should include a description of the actions taken with asset managers.

Additional focus should be given to:

- encouraging better climate-related reporting and data availability and improved voting and engagement practices in respect of climate change with the underlying investee companies of asset managers' portfolios; and
- encouraging asset managers, where appropriate, to become members to the Net Zero Asset Managers (NZAM) initiative or adopt similar net zero approaches.
- For managers that have made a net zero commitment, ensuring manager evaluations consider how NZAM goals are being met and reflect this in client advice.

Members should report, where relevant, the following for the reporting period:

- Examples of how they have evaluated asset managers on net zero alignment and the integration of climate risks and opportunities, and examples of how clients may utilise this evaluation.
- Examples of how they have engaged with asset managers to encourage improvements in net zero alignment or helped clients to do so.

> ***With respect to our fully discretionary services, we will:***
>
> ***Commitment 5)*** *individually set goals consistent with the target setting framework of the Net Zero Asset Manager initiative.*

[9] 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.
[10] 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.

Members shall report the activities they have undertaken during the Reporting Period to satisfy Commitment 5.

KPIs:

Members should report publicly, where relevant, the following for the reporting period:

1. the number of fully discretionary clients, and their respective assets under management, who by the Reporting Period End Date had set a **net zero ambition** for 2050 or sooner; and
2. the number of fully discretionary clients, and their respective assets under management, who by the Reporting Period End Date had 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.

> ***With respect to our own business operations, we will:***
>
> ***Commitment 6)*** *individually set emissions reduction targets across all our operational emissions consistent with Paris goals.*

Members shall report the activities they have undertaken during the Reporting Period to satisfy Commitment 6. This report shall include:

- an update on emissions reduction targets to cover Scope 1 and 2 emissions and the extent to which Scope 3 emissions are included, across all its operational emissions, consistent with Paris goals; and
- use of offset schemes (if any) to achieve net zero.

KPIs:

- Level of emissions, as defined above, across all its operations for the Reporting Period.

> ***Within the wider financial community, we will:***
>
> ***Commitment 7)*** *where suitable net zero methodologies do not exist, work together for the benefit of our clients to address these challenges, seeking harmonised methodologies consistent with competition law*

Members shall report the activities they have undertaken during the Reporting Period to satisfy Commitment 7. This could include active participation in relevant industry groups and other accredited initiatives (such as the Institutional Investors Group on Climate Change's Paris Aligned Investment Initiative).

Members will collectively work to define an approach that will enable their clients to categorise their degree of alignment with net zero consistent with the Paris Agreement.

Commitment 8) *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.*

Members shall report the activities they have undertaken during the Reporting Period to engage with regulators and policymakers to satisfy Commitment 8. This may encompass:

- responding to regulator and policymaker consultations;
- meeting with regulators and policymakers;
- active participation in consultation groups or workstreams organised by regulators or policymakers; or
- providing expert resource to regulators or policymakers.

They should focus on their role in these interactions and how their contribution(s) helped to identify and/or address barriers to their clients' net zero ambitions.

To ensure accountability, we will:

Commitment 9) *report progress by our firm against the commitments made here at least annually in the public domain.*

Members will publish their individual progress reports in respect of each Reporting Period by the Reporting Publication Deadline.

To facilitate data aggregation, all members shall use a common Reporting Period for annual reports.

Each annual report shall include the information described in this Reporting Framework (as amended from time to time). Members are encouraged to report additional information on actions being taken and their progress against interim and long-term targets to support the Race to Zero in respect of their investment advisory activities.

Terms of Amendment

This Reporting Framework may be amended by the NZICI in accordance with their Terms of Reference, subject to agreement with the NZICI secretariat of the PRI and (unless agreed otherwise by the members) at least 12 months' notice to members of the amendments coming into force. The Reporting Framework will be reviewed at least every three years.

Agreement

This Reporting Framework is agreed by all current members of the NZICI and all future members, subject to the Terms of Amendment stated above.

Date agreed: November 2024