

03 March 2023

IIGCC's submission to the Global Stocktake first technical assessment of progress towards the goals of the Paris Agreement

Background – Institutional Investors Group on Climate Change (IIGCC)

The Institutional Investors Group on Climate Change (IIGCC) is one of the largest membership organisations for investor collaboration on climate change, with 400 members, mainly asset owners and managers, across 23 countries, with ~€60 trillion (tn) in assets under management (AUM).

IIGCC's mission is to support and enable the investment community in driving significant and real progress by 2030 towards a net zero and resilient future. This will be achieved through capital allocation decisions, stewardship and successful engagement with companies, policymakers and fellow investors. IIGCC works to support and help define the investment practices, corporate behaviours and public policies that address the long-term risks and opportunities associated with climate change.

All of IIGCC's work seeks to advance progress towards the goal of 'making finance flows consistent with low greenhouse gas emissions and climate resilient development' as set out in Article 2.1(c) of the Paris Agreement.

As such, this submission responds to guiding questions 11 and 15 as set by the Subsidiary Body Chairs for the Technical Assessment component of the first Global Stocktake.¹

Question 11: Progress towards Article 2.1(c) of the Paris Agreement via IIGCC

Guiding Question 11: *What is the collective progress in terms of the current implementation of, and ambition in, making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development towards achieving the goal defined in Article 2.1 (c) of the Paris Agreement?*

IIGCC's Investor Practices Programme helps investors integrate climate risks and opportunities into their investment strategies and how they align with the goals of the Paris Agreement. This supports progress towards achieving the goal of 'making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development' as defined in Article 2.1(c) of the Paris Agreement.

Clear evidence of progress towards achieving Article 2.1(c) can be seen in the work undertaken by IIGCC and partners in the context of the following investor initiatives and frameworks:

¹ https://unfccc.int/sites/default/files/resource/Draft%20GST1_TA%20Guiding%20Questions.pdf

- The Paris Aligned Investment Initiative and the associated Paris Aligned Asset Owners Commitment;
- The Net Zero Asset Managers initiative;
- The Net Zero Investment Framework.

In addition to these, IIGCC is also undertaking work to increase investors' awareness and action in relation to adaptation and resilience.

1/ The Paris Aligned Investment Initiative and the Paris Aligned Asset Owners Commitment

In May 2019 IIGCC launched the [Paris Aligned Investment Initiative \(PAII\)](#), an investor-led global forum enabling investors to align their portfolios and activities to the goals of the Paris Agreement. Subsequently, the initiative has grown into a global collaboration between four regional networks – Asia Investor Group on Climate Change (AIGCC) in Asia, Ceres in North America, IIGCC in Europe and the Investors Group on Climate Change (IGCC) in Australasia. The initiative is also a formal partner of the UNFCCC's Race to Zero campaign and is a founding member initiative of the Glasgow Financial Alliance for Net Zero (GFANZ).

The PAII includes the [Paris Aligned Asset Owners \(PAAO\)](#) Commitment where asset owner signatories voluntarily agree to a 10-point commitment around setting targets and transitioning their investee assets in the real economy to Net Zero greenhouse gas emissions by 2050, or sooner. The full PAAO commitment is available online and the recently published [Paris Aligned Asset Owners 2022 Progress Report](#), included at **Annex A** to this submission, provides further details on the progress that has been made and specific case studies.²

Headline statistics include:

- Currently 56 asset owners, managing US\$3.3 tn have made this commitment;
- 40 of these signatories have submitted interim targets;
- 100% of these signatories have drawn on the Net Zero Investment Framework (details below) in setting these targets.

2/ The Net Zero Asset Managers initiative

IIGCC and its members along with network partners AIGCC, CDP, Ceres, IGCC & the Principles for Responsible Investment (PRI) came together to form the [Net Zero Asset Managers \(NZAM\)](#) initiative in late 2020. NZAM is an international group of asset managers committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner. Signatories to NZAM voluntarily agree to a ten-point commitment, whereby they say they will:

- Work in partnership with asset owner clients on decarbonisation goals, consistent with an ambition to reach net zero emissions by 2050 or sooner across all assets under management ('AUM');
- Set an interim target for the proportion of assets to be managed in line with the attainment of net zero emissions by 2050 or sooner;

² <https://www.parisalignedinvestment.org/media/2021/03/PAII-Net-Zero-Asset-Owner-Commitment-Statement.pdf>

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- Review interim targets at least every five years, with a view to ratcheting up the proportion of AUM covered until 100% of assets are included.

Within a year of becoming an NZAM signatory, asset managers are also asked to disclose:

- The initial percentage of their portfolio that will be managed in line with net zero;
- Their ‘fair-share’ interim targets for AUM that will be managed in line with net zero, and target date;
- The methodology used in target setting.

As part of the commitment, asset managers aligning with net zero also prioritise real economy emissions reductions, consider material Scope 3 emissions, increase investment in climate solutions and create investment products in line with net zero. The NZAM signatories also agree to only use offsets that involve long-term carbon removal where there are no technologically and/ or financially viable ways to eliminate emissions.

Full details of the NZAM commitment as well as further details on the progress that has been made are included in the [Net Zero Asset Managers Initiative Initial Target Disclosure Report May 2022](#) and the subsequent [November 2022 update on initial target disclosure](#). Both are included in **Annex B** of this submission. Up-to-date details of NZAM signatories’ current targets are also publicly available online.³ The initiative is a formal partner of the UNFCCC’s Race to Zero campaign and is a founding member initiative of the Glasgow Financial Alliance for Net Zero (GFANZ).

Headline statistics for NZAM, accurate as of 31 December 2022, include:

- There are 301 signatories who manage US\$59 tn that have made this commitment;
- 196 Signatories have submitted interim targets, covering US\$ 22.2 tn;
- 121 signatories have used the Net Zero Investment Framework (details below) in setting these targets.

3/ The Net Zero Investment Framework

In addition to these two initiatives and to further support investors in aligning their activities with the goals of the Paris Agreement, IIGCC published the **Net Zero Investment Framework (NZIF)** in March 2021. NZIF was developed in collaboration with over 70 institutional investors.

The framework provides a common set of recommended actions, metrics and methodologies through which investors can maximise their contribution to achieving global net zero emissions by 2050 or sooner. It is an ‘investment strategy’ led approach, supported by concrete targets set at portfolio and asset level – combined with smart capital allocation, and engagement and advocacy activity. It is intended to ensure that investors can maximise their impact in driving real-world decarbonisation.

NZIF sets out a number of components for an effective net zero investment strategy, with recommendations on the key actions and methodologies that can be used. The aim is to provide a framework that can be used by asset owners and asset managers, considering their different mandates and starting points. The Framework currently provides guidance for investments in:

- Listed equity

³ <https://www.netzeroassetmanagers.org/signatories/>

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- Corporate fixed income
- Real estate
- Sovereign bonds

Further detail on NZIF via [the Net Zero Investment Framework Implementation Guide](#) is also included at **Annex C** to this submission.

Currently 161 investors, managing US\$ 12.1 tn use the NZIF towards their Net Zero commitments under NZAM or PAAO.

4/ Increasing awareness on Adaptation and Resilience

Work to date in this space has focused on four key areas, with the aim of capacity building to increasing investor awareness of adaptation and facilitating the integration of physical climate risks into investment processes which is evidenced through greater physical risk disclosures in TCFD reporting:

- 1. Improving investors' understanding of physical climate risks:** In 2019-20, IIGCC developed guidance, drawing on TCFD recommendations:
 - [Navigating climate scenario analysis](#) (Feb 2019)
 - [Understanding physical climate risks & opportunities](#) (May 2020)
 - [Addressing physical risks: key steps for asset owners and asset managers](#) (May 2020)
- 2. Corporate engagement to drive physical climate risk management and disclosures:** IIGCC has produced expectations of companies regarding their disclosure of physical climate risks and opportunities identifying 50 companies globally that are highly exposed. More than 50 IIGCC members (\$10tn AUM), signed an open letter to these companies asking them to adopt the expectations:
 - [Investor expectations of companies on physical climate risks and opportunities](#) (Sept 2021)
 - [Press release covering letter sent by investors to 50 highly exposed companies](#) (Sept 2021)
- 3. Interpreting the adaptation and resilience goals of the Paris Agreement into an actionable framework for investors via the Climate Resilient Investment Framework (CRIF):** The Framework will cover key components from governance, metrics, engagement, and advocacy as well as asset class specific guidance and tools. Our approach was explored through a discussion paper in September 2022:
 - [Working towards a Climate Resilient Investment Framework \(Sept 2022\)](#)
- 4. Advocating for physical climate risk disclosures and resilience strategies within policy and regulation:** emphasising that corporates and investors must address both transition and physical risks separately rather than on a basis of aggregated climate risk. Examples of our active policy engagement include:
 - [Strengthened physical risk indicators for the Principle Adverse Indicators in SFDR](#) (July 2020)

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- [Great prominence of physical risk and resilience in climate-related disclosures, including ISSB \(July 2022\)](#)
- [Expectations of Policymakers on Corporate Sustainability Disclosures \(June 2022\)](#).
- [Advocacy on the inclusion of planning for resilience in transitions plans, including the UK Government's recent Transition Plan Taskforce consultation \(July 2022\)](#)

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Question 15: Further steps to achieve Article 2.1(c)

Guiding Question 15: *In order to achieve the goal defined in Article 2.1(c) of the Paris Agreement as well as scale up the provision and mobilization of means of implementation (including finance, technology development and transfer and capacity-building), including in the short term, both from public and private sources, at the national and international levels to achieve the Paris Agreement goals:*

a) What further action is required?

b) What are the barriers and challenges and how can they be overcome at national, regional and international levels?

c) What are the opportunities, good practices, lessons learned and success stories?

a) Further action required and planned by IIGCC and partner initiatives

IIGCC's work with investors focuses on them using their influence, where possible, to align financial flows to the goals of the Paris Agreement. Throughout our programmatic work, this will continue on work to date and expand to include:

Net Zero Alliances:

- Continued growth of signatories to PAAO and NZAM into broader geographical regions, including developing markets.
- Using the yearly reporting against targets and of transition plans by signatories to identify risks and opportunities to their progress of their commitment to net zero by 2050 or sooner.
- Use the 5-year milestones for investors' re-submission of targets to increase ambition.
- Create feedback loops to policy and corporate engagement to ensure the appropriate enabling environment is consistently sought that the real economy is addressing both the risks and opportunities of the transition to a low carbon economy.

Net Zero Investment Framework:

- Various working groups are at different phases to expand the Net Zero Investment Framework across additional asset classes and thematic components, supporting investors with their transitions to a low-carbon future.
- Working groups include:
 - o Private equity
 - o Derivatives and Hedge Funds
 - o Infrastructure
 - o Real Estate
 - o Passive Investing/ Net Zero Benchmarks
 - o Investing in Climate Solutions
 - o Emerging Markets and Just Transition considerations for Net Zero investing
 - o The role of offsets

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Adaptation and Resilience

- We intend to work with our Adaptation and Resilience working group to build out the Climate Resilient Investment Framework (CRIF), looking first at infrastructure assets.
- IIGCC intends to work with the Coalition for Climate resilient Investment (CCRI) in the second phase of their framework for assessing physical climate risk - the Physical Climate Risk Assessment Methodology (PCRAM) '2.0' workstream. This will see engineering consulting firms, investors, data providers and ratings agencies working on case studies to measure the impacts of physical climate risk and the benefits of its mitigation on lifecycle cashflows of infrastructure projects.
- The buildout of this methodology will likely follow onto real assets (property) and then begin to assess corporates and their supply/ value chains.
- We believe the accurate pricing of physical climate risk at asset, portfolio and systemic (incl. government) levels will lead to more flows to climate resilient development *and* serve to hasten mitigation efforts, as this methodology highlights the decrease in future cashflows and hence asset valuations in future scenarios with greater temperature rise.

b) Barriers and challenges and how can they be overcome at all levels

Investors have made climate commitments based on the expectation that governments and policy makers will deliver on their commitments to achieve the 1.5°C temperature goal of the Paris Agreement, and in the context of fulfilling their fiduciary obligations around risk management and return on investment. Whilst progress continues to be made in the policy arena, there is more work required from governments at a range of levels to unlock policy barriers and enable investors to invest the trillions needed to respond to the climate crisis.

Effective policies, in line with limiting global warming to no more than 1.5°C, are essential for accelerating and scaling up private capital flows needed for a climate resilient, net-zero transition. Full implementation of the Paris Agreement will create significant investment opportunities in clean technologies, green infrastructure and other assets, products and services needed in this new economy. In turn, investors can use capital allocation and stewardship to support sustainable activities that generate jobs and economic growth, make a just transition from carbon-intensive activities and increase resilience.

Investors are urgently seeking to manage their exposure to climate risks and increase the contribution that their investments make to the Paris Agreement goals. Investors are taking action as it is not only permitted by law but is in many cases required to ensure their ability to generate returns in the long-term as a core fiduciary duty and benefit from the opportunities associated with the shift to a net-zero emissions economy.

In 2022, IIGCC alongside the other Founding Partners of the Investor Agenda – AIGCC , CDP, Ceres, IGCC, PRI and UNEP Finance Initiative – launched the [2022 Global Investor Statement to Governments on the Climate Crisis](#). The statement is signed by 532 institutional investors with US \$39

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tn in assets under management and advocates for governments to enact ambitious policies that would leverage the private capital required to effectively address the climate crisis.

Investor signatories to the statement are specifically urging governments to rapidly implement five priority policy actions. The full list of policy recommendations that will help overcome identified barriers and challenges can be found in the statement, included in **Annex D** to this submission. A summary is as follows.

Investors urge governments to:

- Ensure that the 2030 targets in their Nationally Determined Contributions align with the goal of limiting global temperature rise to 1.5°C;
- Implement domestic policies across the real economy and take early action to ensure that their 2030 greenhouse gas emissions are aligned with the goal of keeping global temperature rise to 1.5°C;
- Contribute to the reduction in non-carbon dioxide greenhouse gas emissions and support the effective implementation of the Global Methane Pledge to reduce emissions by at least 30 percent from 2020 levels by 2030;
- Scale up the provision of climate finance from the public and the private sector for mitigation, and for adaptation and resilience, with a particular focus on the needs of developing countries;
- Strengthen climate disclosures across the financial system.

The statement also makes clear that investors recognize that governments' ability to deliver on their commitments will depend on private capital flows playing a strong and supportive role in mobilizing finance at the scale needed to achieve the Paris Agreement's goals. It also emphasises that investors are committed to working with governments to ensure policy mechanisms are developed and implemented to transition to a climate-resilient, net-zero emissions economy by 2050 or sooner, with interim targets in line with credible 1.5°C pathways.

c) Opportunities, good practices, lessons learned and success stories

Investor Practices

Further details on opportunities, good practices, lessons learned and success stories from both the Paris Aligned Asset Owners (PAAO) and the Net Zero Asset Managers (NZAM) initiatives can be found in the associated reports included respectively in Annexes A and B to this submission where they are clearly signposted.

In this context it is worth noting that IIGCC's Net Zero Investment Framework is used by the majority of signatories of NZAM and all within PAAO. It outlines a set of recommended actions, metrics and methodologies to maximise investors contribution to globally achieving net zero emissions by 2050 or sooner. As such, it is widely recognised as supporting industry best practice in this area.

This best practice will continue to evolve as it is applied by a broader range of investors including those in emerging markets and those with broader investment mandates such as hedge funds, impact

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investors, private markets firms, and by a broader range of asset owners such as sovereign wealth funds, international finance institutions and endowments.

As learning rates increase in the sector, via engagement, reporting and accountability, climate risks and opportunities will be better integrated into overall investment decisions and, we expect, by governments in the real economy. We also expect investors to become more intentional about making finance flows align with these risks and opportunities.

Corporate Engagement

In addition to working with investors to integrate climate risks and opportunities into their investment strategies, IIGCC also helps inform and support investors in ultimately safeguarding and enhancing long term returns across their investments in listed equity and corporate bonds through its Corporate Programme. This includes a focus on seeking to ensure investee companies are working to business strategies that are consistent with the goals of the Paris Agreement.

The [Climate Action 100+](#) initiative, in which IIGCC plays a leading role, is a clear example of good practice with multiple success stories when it comes to supporting work to align private capital with Article 2.1(c) of the Paris Agreement.

Launched in December 2017 in the wake of the 2015 Paris Agreement, Climate Action 100+ is an investor-led initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change. 700 investors, responsible for over \$68 tn in assets under management, are engaging companies on improving climate change governance, cutting emissions and strengthening climate-related financial disclosures. The work of the initiative is coordinated by IIGCC and four other regional investor networks: AIGCC, Ceres, IGCC, IIGCC and PRI. It is supported by a global Steering Committee.

The investor signatories of Climate Action 100+ believe that engaging and working with the companies in which they invest to secure greater disclosure of climate change risks and robust company emissions reduction strategies is consistent with their fiduciary duty to manage risk and long-term return and essential to achieve the goals of the Paris Agreement.

Climate Action 100+ has become the largest ever global investor engagement initiative on climate change, with growing influence and impact.

Headline statistics for CA100+ as of 2022 include:

- Since launch CA100+ has experienced 170+ percent growth in investor participation. There are now over 700 investor signatories;
- Investors working through the initiative are now engaged across 33 markets and represent over 50 percent of all global assets under management (c. \$68 tn AUM);
- The initiative has 166 focus companies. These have been identified as key to driving the global net zero emissions transition and account for up to 80% of global corporate industrial greenhouse gas emissions;
- 75% of focus companies have net zero commitments;
- 92% of companies have some level of board oversight of material climate-related issues;

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- 91% of focus companies have taken steps to align with the Taskforce on Climate related Financial Disclosure (TCFD) recommendations.

A comprehensive overview on the progress made over the first five years of the CA100+ initiative can be found in the [CA100+ Progress Update 2022](#). This includes specific case studies and envisaged next steps for the initiative and is attached at **Annex E** of this submission.

List of annexes to this submission

- Annex A - Paris Aligned Asset Owners 2022 Progress Report
- Annex B - The Net Zero Asset Managers May 2022 Target Disclosure Report and subsequent November 2022 update
- Annex C - The Net Zero Investment Framework Implementation Guide
- Annex D - 2022 Global Investor Statement to Governments on the Climate Crisis
- Annex E - CA100+ Progress Update 2022

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Annex A - Paris Aligned Asset Owners 2022 Progress Report

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PARIS ALIGNED ASSET OWNERS

2022 Progress Report



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Introduction

This publication explores the progress that Paris Aligned Asset Owners signatories have made since the first asset owner net zero commitments were announced by the Paris Aligned Investment Initiative in 2021.

As the initiative's first Progress Report, it presents an overview of the actions taken by signatories to implement their net zero commitments, as well as the work underway by the investor networks and their members to develop methodologies and support implementation.

The report is structured around the initiative's 10-point net zero commitment statement which is signed by signatories on joining the initiative. The commitment statement covers a range of areas from target setting to stewardship, industry collaboration and policy advocacy. We focus on providing an analysis of the targets set to date, showcasing best practice and innovation in the range of strategies and approaches that asset owners have developed to reach their net zero goals.

The report will be useful for asset owners considering developing a net zero strategy or looking for inspiration, as well as external stakeholders that would like a better understanding of the initiative and how asset owners are taking meaningful steps towards supporting the net zero transition.

Signatories

Who are the Paris Aligned Asset Owners?

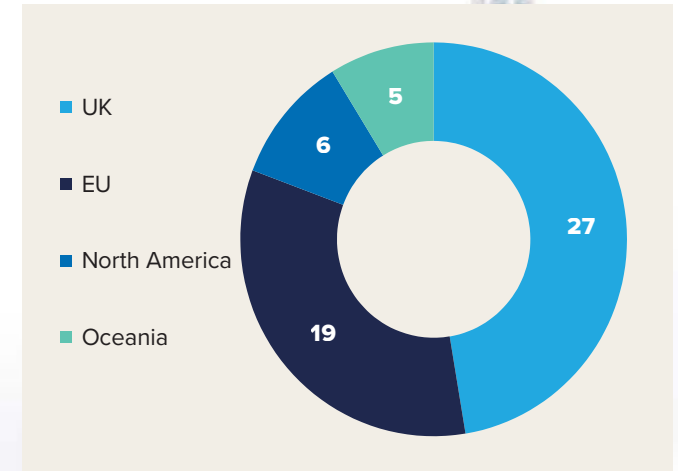
Paris Aligned Asset Owners is an international group of asset owners committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit temperature warming to 1.5°C above pre-industrial levels, with low- or no-overshoot.

The group is an outcome of the Paris Aligned Investment Initiative, which was established in May 2019 as a collaborative investor-led forum (coordinated by AIGCC, Ceres, IGCC and IIGCC) to support investors to align their portfolios and investment activities to the goals of the Paris Agreement.

As of November 2022, there are 57 Paris Aligned Asset Owners from Europe, North America, and Oceania. Below is a full list of Paris Aligned Asset Owner signatories.

Paris Aligned Asset Owners is governed by a steering group of nine asset owners, supported by four regional investor networks. The initiative is a partner to the UN Climate Champion's Race to Zero campaign and a member of the Glasgow Finance Alliance for Net Zero (GFANZ).

Figure 1. Regional distribution of Paris Aligned Asset Owner signatories



Steering Group

Adam Matthews (Co-Chair)
[Church of England Pensions Board](#)

Claudia Kruse (Co-Chair)
[APG Asset Management](#)

Akaash Sachdeva
[HESTA Superannuation](#)

David Adkins
[Lloyds Banking Group Pensions Trustee Limited](#)

Dewi Dylander
[PKA](#)

Faith Ward
[Brunel Pension Partnership](#)

Liz Gordon
[New York State Common Retirement Fund](#)

Michael Marshall
[Railpen](#)

Peter Smith
[TPT Retirement Solutions](#)

Investor Networks

AIGCC
[Asia](#)

Ceres
[North America](#)

IGCC
[Australasia](#)

IIGCC
[Europe](#)

Collaborations



Signatories

ABP

Accident Compensation Corporation

AP Pension

AP2 (Second Swedish National Pension Fund)

AP7 (Sjunde AP-fonden)

Avon Pension Fund

Barclays Bank UK Retirement Fund

BBC Pension Trust Ltd

Brunel Pension Partnership

BT Pension Scheme

Church of England Pensions Board

Church of Sweden

Cornwall Pension Fund

Devon County Council

Elo Mutual Pension Insurance Company

Environment Agency Pension Fund

Government Superannuation Fund Authority

HESTA

HSBC Bank Pension Trust (UK) Ltd.

Investment Management Corporation of Ontario
(IMCO)

Lægernes Pension

Lærernes Pension

Ilmarinen Mutual Pension Insurance Company

Lloyds Banking Group Pensions Trustee Limited

London Pensions Funds Authority

National Grid UK Pension Scheme

National Provident Fund

National Trust for Places of Historic Interest or Natural
Beauty

NEST Corporation

New York City Board of Education Retirement System
(BERS)

New York City Employee's Retirement System (NYCERS)

New York State Common Retirement Fund

New Zealand Super Fund

NN Group

Northern LGPS (Greater Manchester, Merseyside, West
Yorkshire)

Oxfordshire County Council Pension Fund

Pædagogernes Pension

PenSam

Pensioenfonds Metaal en Techniek

Pensioenfonds Zorg en Welzijn (PFZW)

PensionDanmark

PKA

Royal London Mutual Insurance Society

RPMI Railpen ('Railpen')

Scottish Widows, part of Lloyds Banking Group

Sierra Club Foundation

South Yorkshire Pensions Authority

Strathclyde Pension Fund

Superannuation Arrangements of the University of
London (SAUL)

Teacher's Retirement System of the City of New York

Tesco Plc Pension Scheme

The Church Pension Fund

TPT Retirement Solutions

Tredje AP-fonden AP3

Velliv, Pension & Livsforsikring A/S

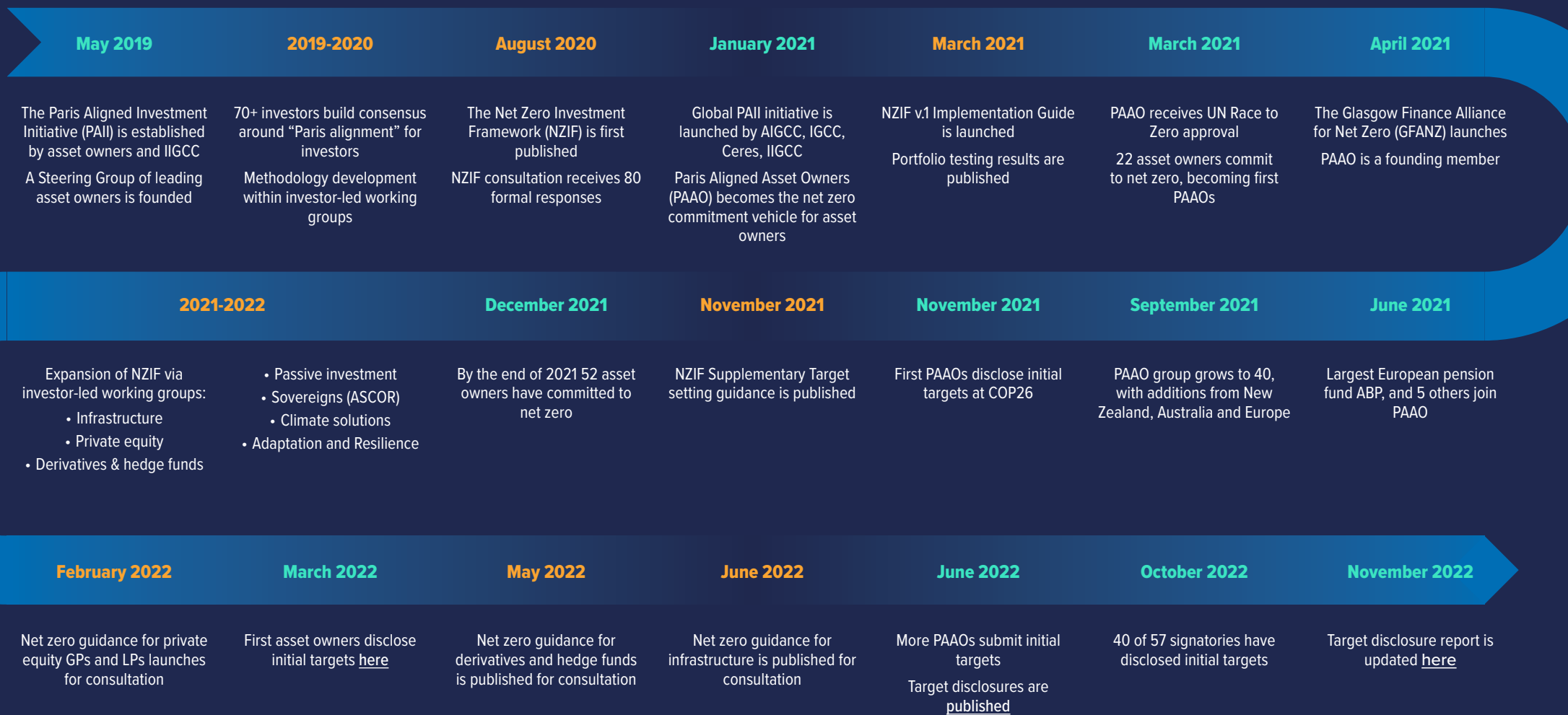
West Midlands Pension Fund

Wiltshire Pension Fund

Timeline

Key events relating to Paris Aligned Asset Owners (PAAO)

Key methodology updates to the Net Zero Investment Framework (NZIF)



Note: links to all resources are included in the Appendices.

10-point net zero commitment

What have Paris Aligned Asset Owners committed to?

Paris Aligned Asset Owners have made a voluntary commitment to deliver against a 10-point net zero commitment statement, in a manner consistent with their fiduciary duties. At the heart of the commitment statement is the goal to transition their investments to achieve net zero portfolio greenhouse gas (GHG) emissions by 2050, or sooner, and support emissions reductions in the real economy.

Paris Aligned Asset Owner Net Zero Commitment

As asset owners with millions of beneficiaries around the world, we reiterate our full support for the Paris Agreement and strongly urge governments to implement the actions that are needed to achieve the goals of the accord, with utmost urgency.

Recognising the need to address the risks that investors and their beneficiaries face from climate change, investors are taking action, but we acknowledge that there is an urgent need to accelerate the transition towards global net zero greenhouse gas emissions and do our part in helping deliver the goals of the Paris Agreement.

Our institution's commitment recognises that investors across the globe have different opportunities, constraints and starting points for achieving net zero emissions and there are a range of methodologies and approaches available to investors to set targets and implement strategies. In some asset classes or for some investment strategies, agreed net zero methodologies do not yet exist. We will, therefore, work to address these challenges, including through the Paris Aligned Investment Initiative.

Our commitment is based on the expectation that governments and policy makers will deliver on their commitments to achieve the 1.5°C temperature goal of the Paris Agreement, and in the context of fulfilling our fiduciary obligations.

In this context, my institution commits to the following consistent with our fiduciary obligations:

Access the commitment statement [here](#).

- 1. Transitioning our investments to achieve net zero portfolio GHG emissions by 2050, or sooner*
- 2. Implementing this commitment with the aim of achieving real economy emissions reductions and undertaking a comprehensive set of actions available to investors, drawing on the Paris Aligned Investment Initiative's Net Zero Investment Framework*
- 3. Setting objectives and targets, including an interim target for 2030 or sooner for reducing scope 1, 2 and 3 emissions associated with our portfolios and setting a target for increasing investment in climate solutions, consistent with a fair share of the 50% global reduction in CO₂ identified as a requirement in the Intergovernmental Panel on Climate Change special report on global warming of 1.5°C*
- 4. Where offsets are necessary where there are no technologically and/or financially viable alternatives to eliminate emissions, investing in long-term carbon removals.*
- 5. Ensure any direct and collective policy advocacy we undertake supports policy and regulation relevant for achieving global net zero emissions by 2050 or sooner*
- 6. Implementing a stewardship and engagement strategy, with clear voting policy that is consistent with an objective for all assets in the portfolio to achieve net zero emissions by 2050 or sooner*
- 7. Engaging with asset managers, credit rating agencies, auditors, stock exchanges, proxy advisers, investment consultants, and data and service providers to ensure that funds, products and services available to investors are consistent with achieving global net zero emissions by 2050 or sooner.*
- 8. Setting a target and reducing our operational (scope 1 and 2) emissions in line with achieving global net zero emissions by 2050, or sooner.*
- 9. Disclosing objectives and targets, and publishing a clear Investor Climate Action Plan for achieving these goals as soon as possible, no later than one year from making this commitment, and reviewing and updating targets every five years or sooner.*
- 10. Reporting annually on the strategy and actions implemented and progress towards achieving objectives and targets, and in line with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations.*

Methodology – the Net Zero Investment Framework

Paris Aligned Asset Owners commit to:

1. Transitioning our investments to achieve net zero portfolio GHG emissions by 2050, or sooner
2. Implementing this commitment with the aim of achieving real economy emissions reductions and undertaking a comprehensive set of actions available to investors, drawing on the Paris Aligned Investment Initiative's Net Zero Investment Framework Since 2019, investors have collaborated to develop what is now the most widely utilised net zero methodology by financial institutions, the Net Zero Investment Framework.

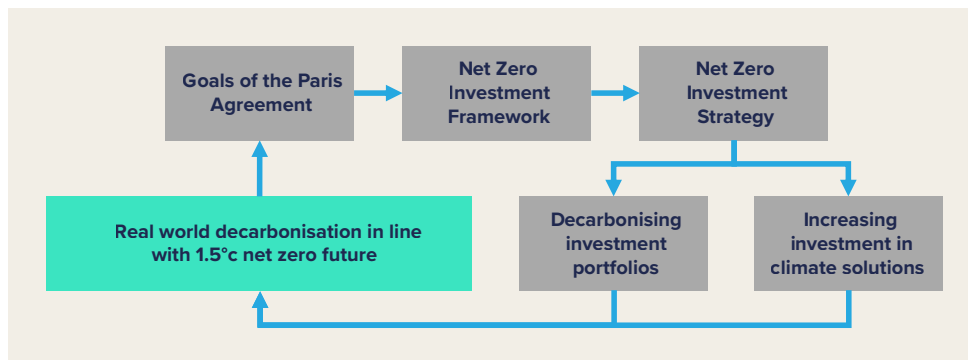
The Net Zero Investment Framework outlines a set of recommended targets, datasets, and actions that asset owners and asset managers can use to support the transition of assets in a portfolio and align investment portfolios to the Paris Agreement's 1.5°C temperature goal. This is explored in more detail in [*Commitment 2: Achieving real economy emissions reductions.*](#)

The framework sets out core components that define a net zero investment strategy and proposes that a net zero investment strategy should focus on two alignment objectives:

1. Decarbonising investment portfolios in a way that is consistent with achieving global net zero GHG emissions by 2050 or sooner
2. Increasing investment in the range of climate solutions required to meet that goal

Access the Net Zero Investment Framework [here](#).

Figure 2. The flow of investor actions to support real world decarbonisation



Message from the PAI Steering Group Co-chairs

The growth in net zero commitments from financial institutions over the last few years has been a positive step forward. As a founding member of the Glasgow Finance Alliance for Net Zero (GFANZ), Paris Aligned Asset Owners has been helping to drive this momentum across the finance industry.

With conflict in Europe that has led to an energy crisis and affected food security and the cost-of-living for people around the world, asset owners are navigating simultaneous challenges of a recovery from the COVID-19 pandemic, the energy crisis, and climate change.

Given the likelihood that climate change will only exacerbate challenges relating to energy and health, asset owners maintain that increasing our decarbonisation and adaptation efforts could contribute towards a common solution across all these fronts. We believe that this can help deliver economic growth, job creation, energy independence and affordability, and wider environmental and public health benefits.

Collaborative, investor-led forums such as the Paris Aligned Investment Initiative, have been pivotal in developing the industry standards to help inform financial institutions towards net zero and resilience goals. As climate change continues to impact their investments, asset owners are focusing on implementing the net zero commitments that have been made in order to accelerate flows of private capital into low-carbon and climate resilient solutions.

The first Paris Aligned Asset Owners Progress Report brings together the strategies that asset owners have developed over the last year and the actions they have taken to deliver against their commitments. It recognises the role that asset owners, on behalf of their beneficiaries, must play in the transition to a net zero and climate resilient future, as well as the innovation and dedication that they are demonstrating in playing their part in delivering this future.

The approaches detailed in this report show that asset owners are not focused only on “greening” their portfolios but delivering real world emissions reductions across all sectors of the economy and supporting a just and equitable transition across regions of the globe. In 2022, we’d like to highlight areas of action that support the decarbonisation of the economy.

98% of signatories have committed to increasing investments in climate solutions – the technologies and services required to decarbonise key industries such as energy, construction, and transport. Many asset owners have measured their current allocation and set ambitious quantitative targets ranging from 6% to 25% of AUM by 2030.

Our theory of change to deliver real world decarbonisation, as outlined in the Net Zero Investment Framework (NZIF), involves a significant focus on using stewardship and engagement to support companies in our portfolios to transition to net zero. We want to support companies to succeed in this complex multi-decade transition. This year, asset owners have increased their engagement with companies and refined the requests made of them to mitigate risks posed by the transition and ensure businesses are resilient. Asset owners have also set out the steps they will take when insufficient action is taken. Asset owners and asset managers together have stepped up engagement efforts, taking a time bound and structured effort.

In 2022, many signatories have updated and disclosed fossil fuel investment policies. Guidance from the International Energy Agency was clear; there are limits on the activities of fossil fuel companies within a 1.5°C scenario with low- or no-overshoot. Asset owners have doubled down on efforts to engage with such companies to join the transition to net zero, lowered thresholds at which they are willing to remain invested and set out clear time-bound expectations of these companies, which may end in divestment or exclusions when they fail to meet expectations.

Whilst we are encouraged by the progress made to date, we know that more is needed. If we are to collectively deliver against the Paris Agreement goals, and act in the best interests of beneficiaries, asset owners must continue to collaborate to maintain the high ambition expected of us and drive the innovative, practical solutions required for the global transition. We hope this Progress Report provides some insights to others whilst acting as a call for even greater collaboration across all actors that are required to shape this transition – asset owners, asset managers, all financial institutions, corporates, civil society, policy makers and regulators.



Adam Matthews

Chief Responsible Investment Officer
Church of England Pensions Board



Claudia Kruse

Managing Director Global Responsible Investment and Governance
APG Asset Management

2022 Executive Summary

In 2022, Paris Aligned Asset Owners have adopted a range of strategies and approaches to deliver against their net zero commitments.

The variety of actions taken to date demonstrate the dedication of signatories to delivering emissions reductions across our economy whilst supporting a just and equitable transition across the globe.

This report is structured around the 10-point net zero commitment statement Paris Aligned Asset Owners sign when joining the initiative.

Commitment 1

Three key areas of action in 2022: target setting for real world decarbonisation, innovative financial products to transition portfolios, development of comprehensive strategies to deliver on net zero targets.

Commitment 2

23 asset owners outline an approach to investment in fossil fuels. Strengthened engagement and escalation strategies targeting fossil fuel companies becomes a focus in 2022. Plus, a deep dive into asset class specific strategies.

Commitment 3

40 asset owners set a total of 92 targets to guide their net zero strategies for real world change. Four types of targets, guided by the Net Zero Investment Framework, focus on forward-looking alignment, engagement with assets, investment in solutions, and portfolio decarbonisation.

Commitment 4

Signatories avoid using offsets to reach net zero targets. Corporates are encouraged to follow a mitigation hierarchy and investors aim to advance industry guidance on the use of offsets.

Commitment 5

40 signatories form a segment of the 603 investors that sign the Global Investor Statement to Governments on the Climate Crisis. Key areas of policy advocacy in 2022 include SEC proposals in the U.S., 1.5°C aligned national targets in Australia, and transitioning planning in Europe.

Commitment 6

14 signatories set quantitative targets for engagement and stewardship. Asset owners refine expectations of companies, prioritise laggards, and set time-bound milestones linked to escalation actions, utilising voting policies, shareholder resolutions and litigation.

Commitment 7

Signatories drive innovation in net zero-aligned financial products and services in collaboration with asset managers, index providers and proxy advisors. Asset owner collaboration with asset managers becomes essential for the delivery of net zero and support a just transition.

Commitment 8

50% of signatories add operational emissions targets to their ambitions to reduce financed emissions from their investment portfolios.

Commitment 9

Through PAll, asset owners contribute to the wealth of guidance now available to financial institutions on net zero transition planning. Signatories set out comprehensive strategies to deliver against their targets.

Commitment 10

With disclosures of progress against targets due from 2023, signatories enhance TCFD reporting to report progress against net zero goals.

An aerial photograph of a dense, lush green forest covering a hillside. The trees are vibrant and varied in shades of green, creating a textured canopy. The lighting suggests a bright, sunny day, with some areas appearing slightly brighter than others.

Commitment 1:

Transitioning investments

**Transitioning our
investments to achieve net
zero portfolio GHG emissions
by 2050, or sooner**

Paris Aligned Asset Owners can take a range of actions to transition their investments to achieve net zero portfolio GHG emissions by 2050, or sooner. The 10-point commitment statement draws out some of the levers asset owners can use to facilitate the transition, creating a structure on which asset owners can guide their net zero strategies and reinforcing the actions embedded within the Net Zero Investment Framework.

Whilst Commitments 2 – 8 explore the range of actions signatories are taking to transition their investments in depth, this section contains some highlights and innovations from Paris Aligned Asset Owner signatories between 2021 and 2022.

Highlight 1: Transparent target setting and progress against targets

Paris Aligned Asset Owner signatories have set a range of targets and goals to establish the ambition of their net zero investment strategies. Signatories are required to disclose targets and objectives within 12 months of making the commitment and update targets at least every five years. To date, 40 of 57 signatories have disclosed initial targets. All target disclosures can be found in the initiative's *Initial Target Disclosure* report [here](#).

Figure 3. Total number of signatories and disclosures to date



Signatories are guided by a combination of four target types set out in the Net Zero Investment Framework. The combination of ‘top-down’ portfolio level targets and ‘bottom-up’ asset-level targets aims to incentivise asset owners to deliver against their net zero targets in a way that supports assets in their portfolio to transition and thereby, drive decarbonisation of the real economy. Meanwhile, the portfolio decarbonisation reference target acts as an accountability mechanism to ensure that assets are transitioning at the pace required by sectoral and regional net zero pathways and translating into emissions reductions at the portfolio level. Meanwhile, increasing allocation to climate solutions aims to direct additional capital to the technologies and industries required to reduce emissions across all sectors of the economy.

WHAT DOES THE NET ZERO INVESTMENT FRAMEWORK RECOMMEND?

PORTFOLIO LEVEL TARGETS

- A <10-year CO₂e emissions reduction target, with 5-year interim target milestones
- A <10-year goal for allocation to climate solutions

ASSET LEVEL TARGETS

- A 5-year portfolio coverage target for increasing the percentage of AUM in material sectors that are net zero or meeting criteria to be considered ‘aligned’ or aligning’ to a net zero pathway
- An engagement threshold which ensures that at least 70% of financed emissions in material sectors are either assessed as net zero, ‘aligned’ with a net zero pathway, or the subject of direct or collective engagement and stewardship actions

For further details of the recommended targets, and the rationale for the combination of these targets, see the Net Zero Investment Framework Supplementary Target Setting Guidance [here](#).

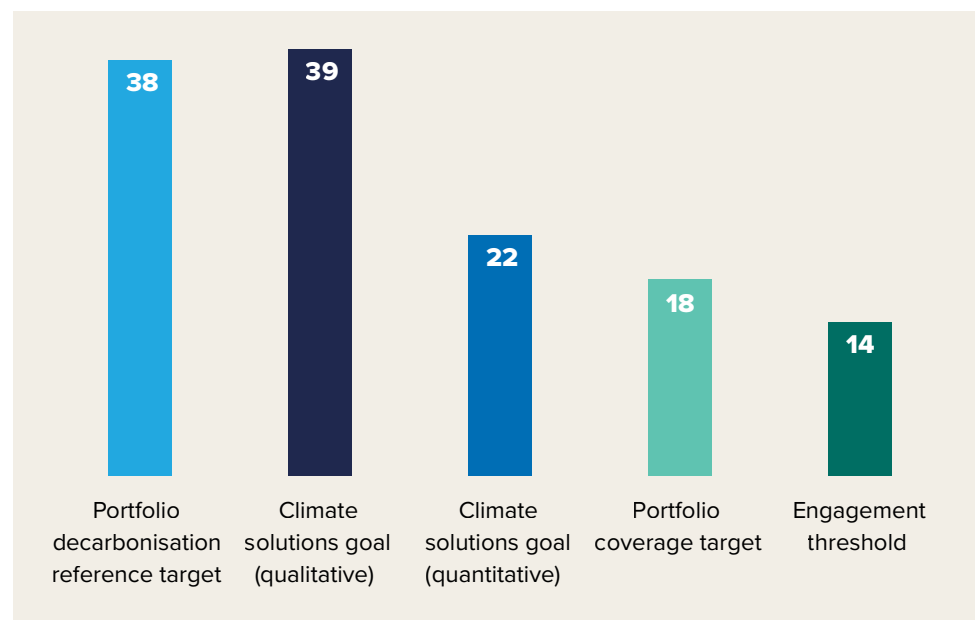
Signatories are already setting multiple types of targets, with the two portfolio-level targets most common:

- 95% of signatories have set a portfolio decarbonisation reference target.
- 98% of signatories have made a qualitative goal to increase investment in climate solutions, where possible.
- 55% of signatories have set a quantitative target for increasing investment in climate solutions, often expressed as a proportion of total AUM.
- 45% of signatories have set a portfolio coverage target to increase the proportion of assets classified as net zero, 'aligned' or 'aligning' to a net zero pathway.
- 35% of signatories have established a quantitative engagement threshold, most often expressed as a proportion of financed emissions under engagement and stewardship actions.

Many signatories have indicated that targets for climate solutions, portfolio coverage, and engagement are still under development, with many working to establish a baseline of current performance on which to set targets. Whilst its common practice for investors to measure emissions relating to the decarbonisation of their portfolios, methodologies and data to inform the other three types of targets are still relatively nascent. This is particularly the case for climate solutions whereby there has been an absence of definitions and standardised metrics for investors to apply across asset classes and in aggregate at portfolio level. Likewise, although the Net Zero Investment Framework recommends alignment definitions across asset classes, data coverage and quality across alignment criteria is still improving.

Despite there being little precedent to follow, asset owners such as NN Group are leading the way in terms of establishing ambitious targets underpinned by robust and transparent methodologies and data sources.

Figure 4. Number of targets set by signatories per target type





DEEP DIVE: SETTING TARGETS FOR A NET ZERO STRATEGY

NN GROUP

NN Group is an international financial services company which holds approximately \$199 billion general account assets.

12 months after signing the Paris Aligned Asset Owner commitment in March 2021, NN disclosed its initial targets with the aim to deliver real world impact by focusing on a range of alignment actions. NN Group has developed strategies and targets covering its corporate investment portfolio (listed equity and corporate fixed income), real estate and sovereigns.

NN Group has set a portfolio coverage target that will increase the proportion of assets in the corporate investment portfolio that can be considered to be at least 'aligning' towards net zero, as outlined in the Net Zero investment Framework. NN Group has gathered data and mapped its holdings against a range of criteria to determine the current alignment status of all corporate holdings. The analysis includes whether a company has set an ambition to achieve net zero GHG emissions by 2050 or sooner and nearer term targets, discloses scope 1, 2, and material scope 3 emissions, as well as emission intensity performance. In addition, for high impact companies (defined by companies included in Climate Action 100+ engagement or the TPI assessment from Transition Pathway initiative), the analysis also includes the presence of a quantified decarbonisation strategy and capital allocation plan. Multiple data sources were triangulated and combined with internal analyst research to perform the baselining assessment, including:

- Climate Action 100+ Net Zero Company Benchmark
- ISS ESG Climate Solutions data (carbon footprint and carbon budget assessment)
- Science Based Target initiative (SBTi)
- TPI assessment from Transition Pathway Initiative
- CDP

As part of this target setting process, NN Group has developed strategies for listed equity, corporate fixed income, sovereign bonds and real estate. Strategies include scoring investments against a set of current and forward-looking alignment criteria and setting targets.

For the corporate investment portfolio, NN Group developed a data hierarchy to identify the data sources that best fit each alignment criteria, as defined by data type 3 (raw dataset as listed in the IIGCC Net Zero Investment Framework recommended public data sources, with additional private vendor data to increase the coverage). It is clear that data gaps exist, particularly concerning the credibility of corporate decarbonisation strategies and capital allocation plans (criteria 5 and 6, respectively). In addition to public data sources, NN's external asset manager utilises research from their analysts to inform their view of a corporate's alignment status.

Analysts can incorporate information and fundamental analysis to provide more recent and granular picture of a company's alignment. NN Group expects that the data hierarchy would evolve over time as improved data quality and coverage becomes available. Further details will be provided in NN Group's climate action report to be published later in 2022.

For more details of targets set by NN Group and information about NN Group's strategies for real estate and sovereign bonds, see its target disclosure [here](#).

NN Group's targets for the corporate investment portfolio

Portfolio decarbonisation reference interim targets

Reduce the financed emissions (tCO₂e per Euro million)

- 2021 baseline*: 125 tCO₂e per Euro million invested
- 2025 target: -25%
- 2030 target: -45%

*Based on underlying emissions data from 2019

Portfolio coverage target

Using a range of criteria to assess holdings, increase the share of AUM that is considered at least 'aligning' to net zero

- 2021 baseline: 29%
- 2025 target: 45%

Engagement target

Increase the proportion of financed emissions that are either 'aligned' or under engagement and stewardship actions

- 2021 baseline: 66%
- 2025 target: 75%

Allocation to climate solutions

Across asset classes, increase the proportion of AUM invested in the range of technologies and solutions to support climate change mitigation

- 2030 target: an additional €6 billion, taking the total AUM invested in climate solutions to around €11 billion, or approximately 6% of AUM

Highlight 1 (continued)

After disclosing targets, PAAO signatories are required to report annually on the strategy and actions implemented and progress towards achieving targets. For most signatories, annual reporting on progress will begin in 2023. In some cases, signatories are already disclosing key information, such as portfolio emissions, stewardship and voting policies, outcomes from engagements and strategies for specific asset classes. Asset owners utilise reporting mechanisms such as TCFD and annual reports, which are often supplemented by more detailed stewardship reports and sustainability reports.

Historically, metrics relating to portfolio emissions have been important to understand the relative climate impact of an investment portfolio. Asset owners have therefore been measuring and tracking portfolio emissions for a number of years. Emissions reductions at the portfolio level can be achieved in multiple ways, such as through emissions reductions in underlying assets, divestment, or re-allocation of assets to sectors, industries or geographies that are already lower carbon. Signatories commit to undertaking actions that contribute to real world emissions reductions. Primarily this can be achieved by transitioning underlying assets through stewardship and engagement and re-allocating to best performers within industries. Transparency is therefore key to understanding how investment portfolios are meeting emissions targets, and whether the actions taken by investors are actually encouraging real world change. Swedish pension fund, AP2, uses attribution analysis to help the fund understand the drivers of its portfolio emissions reductions.





DEEP DIVE: UNDERSTANDING THE DRIVERS OF CHANGE IN PORTFOLIO EMISSIONS

AP2

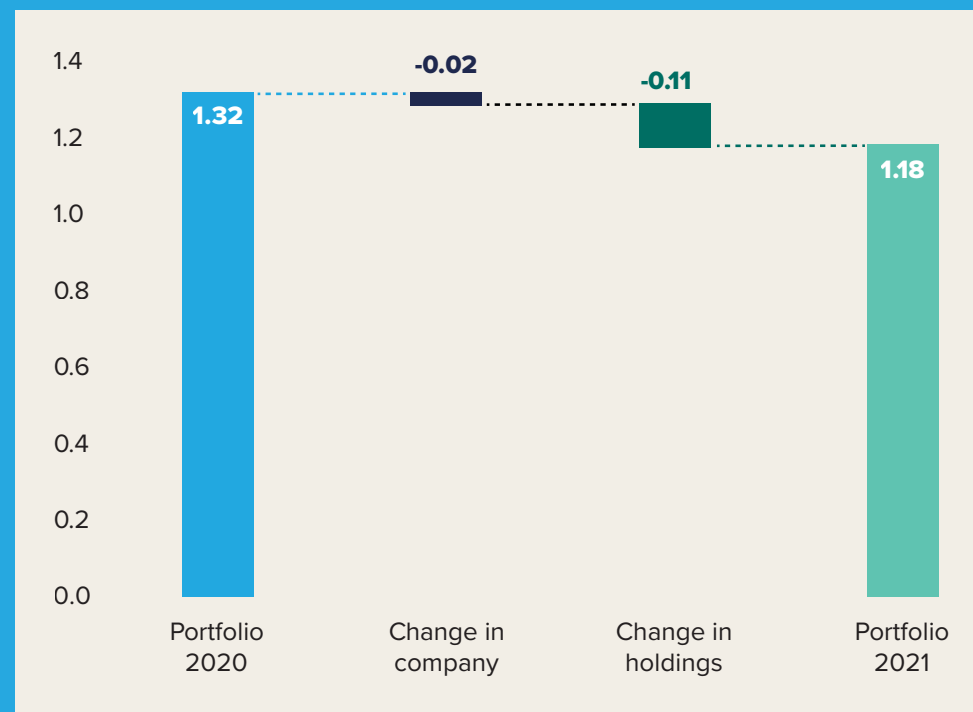
Andra AP-fonden has committed to net zero emissions by 2045, in line with the Swedish national target. The work to reduce portfolio emissions is ongoing and actions to date include the implementation of a Paris-aligned benchmark for all listed equities and credits, which has resulted in significantly reduced portfolio emissions (-36%) from 2019-2021.

While the net zero target is set for portfolio emissions, Andra AP-fonden's underlying objective is to contribute to the reduction of global emissions and the Paris Agreement target of limiting global warming to 1.5°C. If the Fund would only focus on, and measure, the portfolio's absolute emissions, emissions intensity and footprint, an important aspect could be overseen – understanding the drivers of change and to what extent these contribute to actual reductions of global emissions. The Fund could potentially achieve its reduction targets solely by shifting the portfolio to low-emitting assets.

Andra AP-fonden used its internally developed emissions data tool to analyse changes in portfolio emissions and to assess how these can be attributed to either changes in holdings or to changes in actual company emissions. Changes in company emissions represent actual reductions in emissions, why this is in focus in the Fund's climate strategy and stewardship efforts. The Fund also developed its reporting to include this measure, both in absolute emissions and emissions intensity, as illustrated in the graph to the right which has been adapted from AP2's 2021 TCFD report.

The graph presents an attribution analysis of the change in carbon footprint between 2020 and 2021 for Andra AP-fonden's portfolios for global equities and corporate bonds, in accordance with Paris-Aligned Benchmark metrics. The graph shows that most of the decrease is due to changes in the Fund's holdings, and company changes in emissions also contribute, but to a lesser extent.

Figure 6. Causes of change in AP2's carbon footprinting between 2020 and 2021, MT CO₂e



The analysis shows that more of the change needs to come from company emissions reductions and this is where Andra AP-fonden is focusing its climate efforts going forward. Internally, the emissions attribution analysis can be used to understand emissions changes with more granularity, in different parts of the portfolio, to identify which sectors, geographies and companies contribute the most and least to actual emissions reductions. Andra AP-fonden uses the conclusions from this analysis to actively engage with companies, both directly and in investor collaborations, to encourage companies with high emissions or insufficient mitigation plans to adopt and deliver on robust emissions reduction plans, and to report transparently.

Highlight 2: Cross-industry collaboration to develop net zero investment products and solutions

For asset owners to transition their whole portfolios, they require investment products that support their net zero goals. As indicated in *Commitment 7: Engaging with industry*, this requires collaboration across the finance industry to innovate and ensure asset owners have access to the solutions and services that enable them to transition. Many signatories have been collaborating with key industry partners such as asset managers, index providers, investment consultants, and data vendors.

One of the greatest challenges for signatories to date has been transitioning passively managed investments. The following page highlights an initiative by Brunel Pensions Partnership to design benchmarks that enable passive funds to target net zero. The initiative was possible through the collaboration with FTSE Russell, the index, data and analytics provider, and Legal & General Investment Management.



Brunel believes asset owners and asset managers need to act with added urgency to ensure finance can be part of the solution to climate change. A major element of the action needed is transitioning passive funds to Paris-aligned benchmarks. Globally, passive investments rose above \$15 trillion in 2020.







In November 2021, Brunel Pension Partnership opened the London Stock Exchange to mark its transition of what is now £4 billion to the new FTSE Russell Paris aligned benchmark series that it developed in coordination with FTSE Russell, the index, data and analytics provider.

The benchmarks form a core element of Brunel’s partnership’s collective commitment and journey to net zero. Legal & General Investment Management (LGIM) manages the Brunel passive equity funds now adopting the new benchmarks; the Brunel transition is one of the largest passive fund launches (by AUM) in LGIM history.

FTSE Russell’s two EU Climate Benchmarks Index Series not only meet the carbon emission 10-year reduction targets of the Paris-aligned benchmark criteria (50%) and Climate-transition benchmark criteria (30%), respectively, but go a step further by integrating forward-looking metrics and governance protections from the Transition Pathway Initiative (TPI). TPI provides assessments of how the world’s largest and most carbon exposed companies are managing the climate transition.

Exposure to any given index constituent rises or falls according to several exposure objectives, covering fossil fuel reserves, carbon reserves and green revenues, as well as forward-looking alignment with Paris goals, as shown in Figure 7. The indices also set a limit on the active weighting of banking sector constituents, given that funding of large carbon emitters is a significant factor in climate change, but is poorly reported. Crucially, the indices are also designed flexibly, in order to enable them to evolve as data improves, in line with research developments.

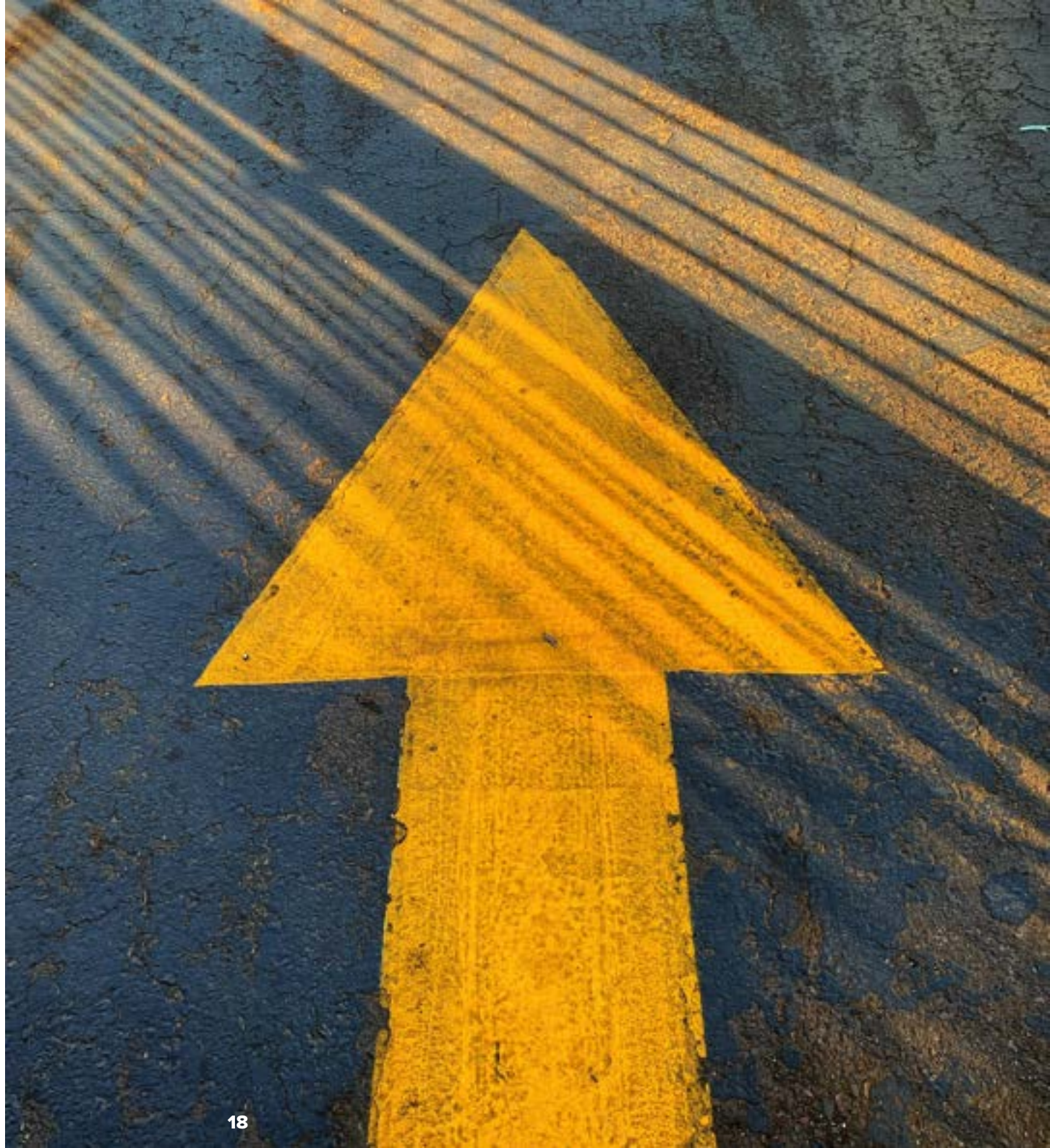
Figure 7. Climate exposure objectives within Brunel’s benchmark series

	Fossil fuel reserves	Underweight companies with fossil fuel reserves
	Carbon emissions	Over or underweight companies according to their carbon intensity
	Net Zero pathways	Apply annual decarbonisation (carbon emissions reduction) target - to reach 'Net Zero' by c.2050
	Green revenues	Overweight companies engaged in the transition to a green company
	TPI Management quality	Over or underweight companies according to their climate governance activities
	TPI Carbon performance	Over or underweight companies according to their carbon reduction commitments

Highlight 3: Development of strategies to achieve net zero targets

Transparency of investor actions towards net zero is key to demonstrating progress, as well as barriers to progress. Signatories are required to develop climate action plans to demonstrate how they will meet their net zero commitments.

In some cases, signatories have already started to develop net zero strategies or climate action plans which clearly articulate their ambitions and targets, and the actions that will be taken to achieve those. For this highlight, we focus on the climate action plan developed by one of the largest public pension funds in the U.S., The New York State Common Retirement Fund. Examples of other climate action plans produced by PAAO signatories are included in *Commitment 9: Disclosing objectives and targets and a plan for achieving goals*.





DEEP DIVE: A COMPREHENSIVE CLIMATE ACTION PLAN

NEW YORK STATE COMMON

In 2020, The New York State Common Retirement Fund adopted an ambitious goal to transition its portfolio to net zero greenhouse gas emissions by 2040, a date 10 years earlier than other U.S. pension funds, and in 2019 it created climate action plans to achieve these goals.

New York State Common's Climate Action Plan includes:

- Establishing industry-specific minimum standards and risk assessments to evaluate companies in high-impact sectors, starting with thermal coal mining companies, on their readiness to transition to a low carbon economy
- Utilising those assessments and standards to prioritise and evaluate engagements and inform investment and divestment decisions
- Creating a formal, multi-asset-class Sustainable Investment & Climate Solutions (SICS) Program with dedicated staff to pursue climate solution investments
- Committing an additional \$10 billion to the above SICS Program, leading to a total \$20 billion commitment over the next decade; and
- Enhancing the Fund's capacity to assess climate risks.

Two areas are of particular importance to The New York State Common Retirement Fund's climate action plan: investment in climate solutions and corporate engagement

Investment in climate solutions

The plan calls for doubling investments in Sustainable Investment & Climate Solutions (SICS) from \$10 billion to \$20 billion across all asset classes. The Fund's July 2022 Progress Report on the Climate Action Plan describes recent SICS investments, including a \$2 billion investment in the FTSE Russell's Russell 1000 TPI Climate Transition Index, over \$1 billion in the fixed income portfolio invested in solar-related asset-backed securities that fund solar panels and installation services in addition to green bonds that fund renewable energy and green buildings, and a \$750 million commitment to the Brookfield Global Transition Fund to reduce greenhouse gas emissions and energy consumption. The Fund considers divestment a "last resort" and prefers engagement to encourage companies to adopt transition strategies, such as investing in technologies that reduce emissions.

Engagement

The Fund engages with portfolio companies across high-impact climate sectors, including oil and gas production, coal mining, electric and natural gas utilities, automobile manufacturing, airlines, banking, materials, and real estate industries. The Fund urges them to establish net zero transition strategies, align CAPEX with the Paris Agreement, and adopt greenhouse gas emissions reduction targets and TCFD-based reporting.

The Fund also collaborates with other investors through Climate Action 100+, Ceres, and the CDP Non-Disclosure Campaign. It is also an active filer of shareholder proposals, filing over 150 climate-related shareholder resolutions since 2008 and reaching more than 70 agreements with portfolio companies. In 2021, the Fund voted against 404 individual directors at 88 companies that failed to address climate risks.



Commitment 2:

Achieving real economy emissions reduction

Implementing this commitment with the aim of achieving real economy emissions reductions and undertaking a comprehensive set of actions available to investors, drawing on the Paris Aligned Investment Initiative's Net Zero Investment Framework

In the year following the first net zero commitments, signatories have been developing strategies that utilise a range of levers to transition their underlying investments and subsequently, their investment portfolios.

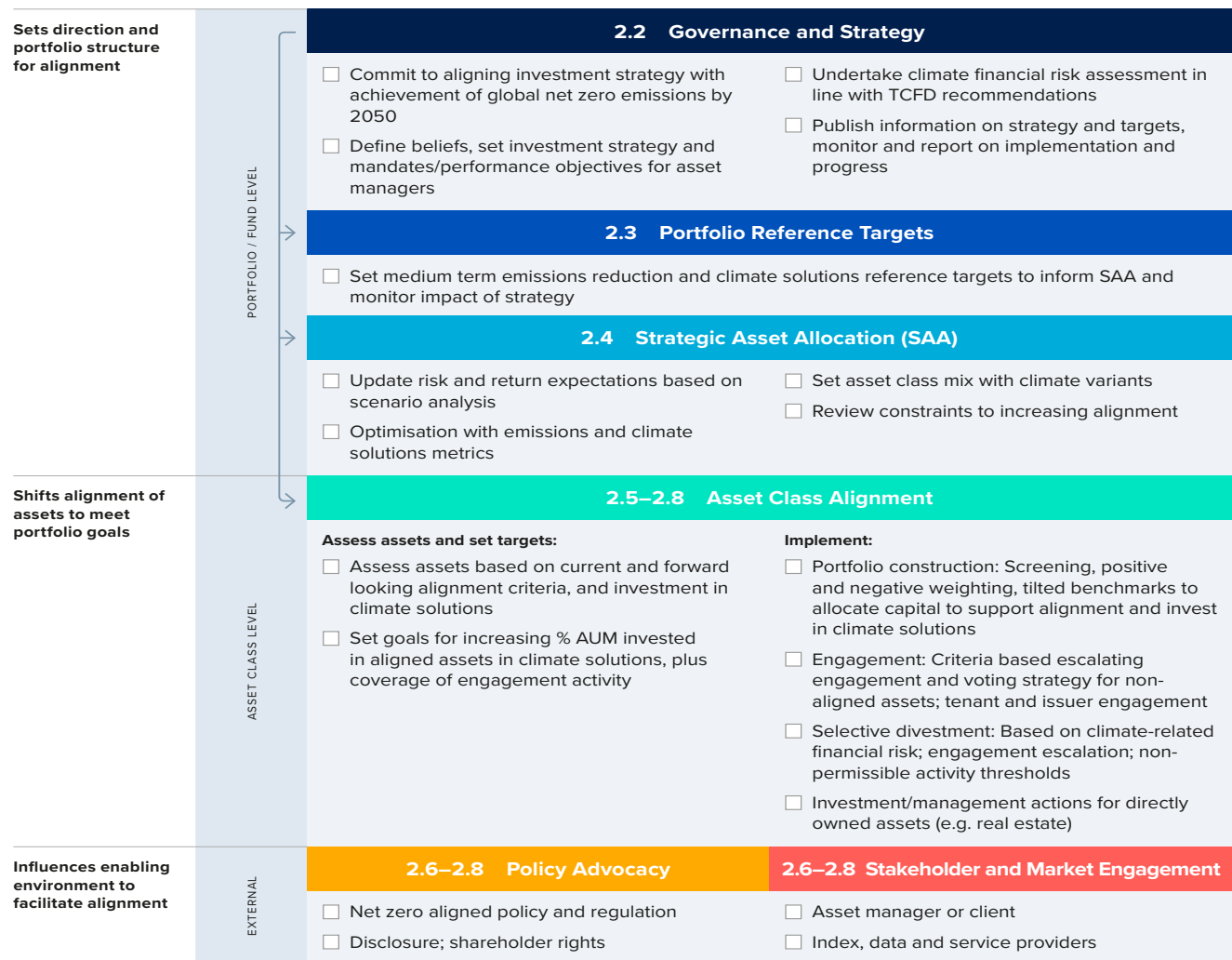
Setting targets is the first step many signatories take towards developing their net zero strategies. The types of targets chosen by signatories are important to incentivise emissions reductions in the real economy. The Net Zero Investment Framework recommends a combination of four targets that incentivise signatories to support underlying assets to transition and invest in the climate solutions providers required to drive decarbonisation. Target setting is explored in detail in *Commitment 3: Setting targets and objectives*.

Signatories have started to develop comprehensive net zero strategies that define the actions that will be taken to achieve targets. Some common actions include industry collaboration, such as with index providers and investment consultants, to develop new or improved tools and products for net zero. Policy advocacy to advocate for a supportive regulatory and policy environment on key topics such as corporate disclosures, shareholder rights, and real economy policies such as those relating to carbon pricing and building retrofits.

What does the Net Zero Investment Framework recommend?

The Framework sets out core components of a net zero investment strategy. Within each component, a broad menu of actions allows asset owners with different characteristics and constraints to utilise the range of levers best suited to their investment strategy.

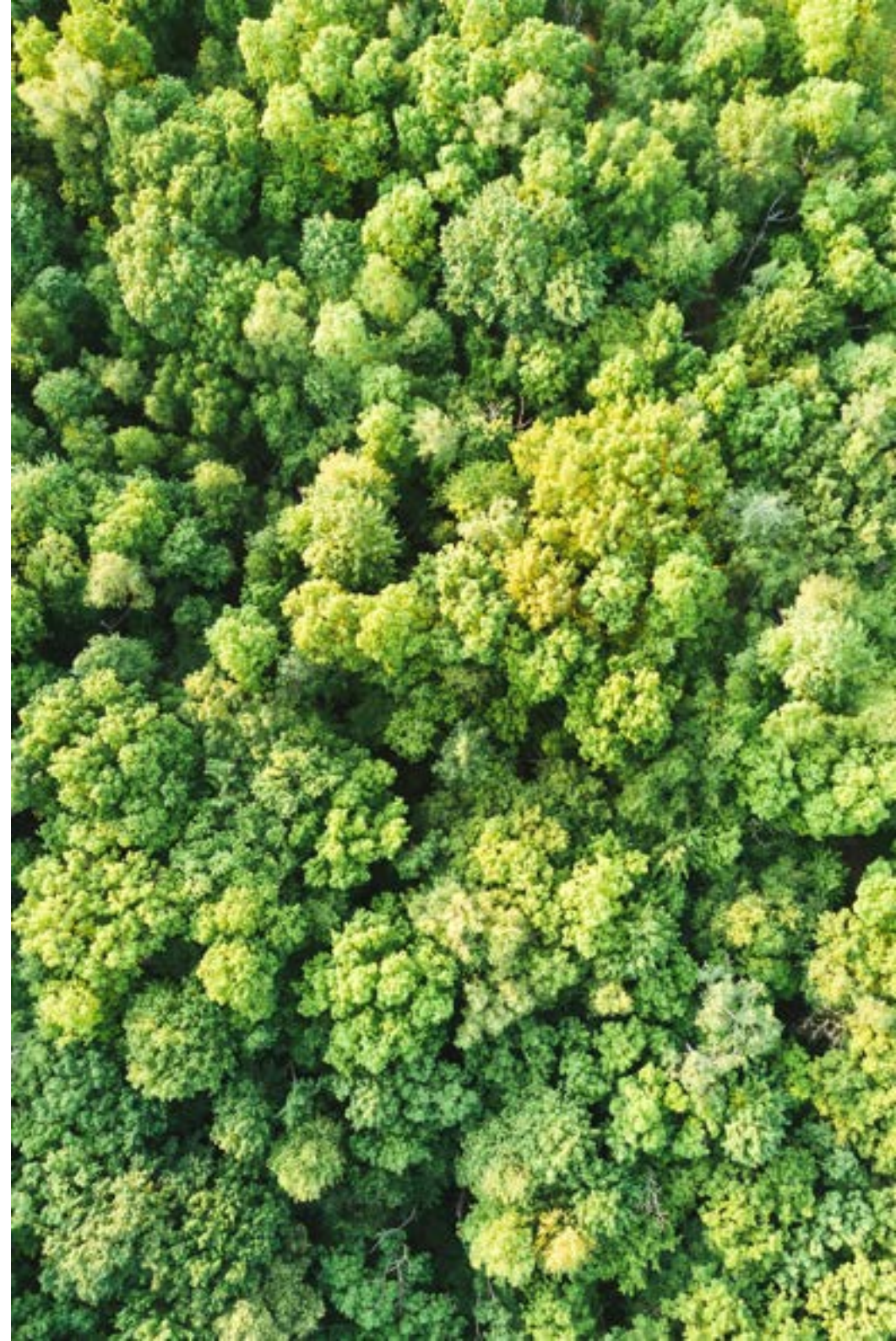
Figure 8. Core components and actions recommended in the Net Zero Investment Framework



As methodologies and data sources differ across asset classes, many signatories have started to develop asset class specific roadmaps. Currently, the Net Zero Investment Framework covers four asset classes with a number of others in development. Table 1 below shows the status of asset class specific methodologies.

Table 1. Status of asset class methodologies within the Net Zero Investment Framework

Listed equity	Finalised	Access the methodologies via the Net Zero Investment Framework 1.0 here .
Corporate Fixed Income		
Real estate		
Sovereigns		
Infrastructure	Finalised	Access the methodology here .
Private equity for LPs and GPs	Under development	Access the draft methodology here .
Derivatives and hedge funds	Under development	Access the discussion paper here .
Sovereigns (ASCOR, the Transition Pathway Initiative)	Under development	IIGCC is one industry partner. For more information, see here .



DEEP DIVE: TRANSITIONING REAL ESTATE

ILMARINEN MUTUAL PENSION INSURANCE COMPANY

Ilmarinen signed the Paris Aligned Asset Owner commitment in 2021. The Board of directors has confirmed an ambitious net zero by 2035 goal for the investment portfolio.

Using the Net Zero Investment Framework as a guide, in 2021 Ilmarinen established two asset class specific roadmaps:

- Finnish real estate
- Direct listed equity roadmaps.

The roadmaps set out interim targets, actions to achieve the targets, and indicators to monitor progress towards the portfolio’s net zero 2035 target.

Extensive co-operation throughout the value chain is required to achieve the climate goals. For the real estate roadmap, Ilmarinen interviewed key partners and stakeholders as well as expert organisations in the industry. Ilmarinen has outlined the capabilities and timeframe for reaching the lowest possible emissions and in-use energy consumption. These discussions have opened new doors for co-operation and driven collaboration for a low carbon built environment.

Ilmarinen’s real estate climate roadmap takes the building’s life cycle into consideration. Increasing both energy and material efficiency and decarbonising the energy and materials used are key factors, as well as circular economy solutions. The aim is to reduce both construction and use phase emissions, as well as adopting construction solutions that are as low carbon and sustainable as possible. Optimising energy efficiency plays a major role; structural energy efficiency and sensible in-use energy consumption go hand in hand with a low carbon economy.

An important step in 2021 was achieving use-phase fossil free energy. For district heat, the net zero carbon target will be reached by the end of 2030 at the latest.

It is possible that the life cycle of buildings will not be fully decarbonised by 2035. Therefore, Ilmarinen will utilise compensation as a last step of the mitigation hierarchy as a complementary solution to achieve a net zero carbon life cycle for buildings.

The principles and targets set out in the roadmap will be implemented through internal guidelines concerning maintenance, design and property development.





DEEP DIVE: CASH AND RISK MANAGEMENT STRATEGIES

AVON PENSION FUND

In 2022, IIGCC has been working with investors to develop guidance for new asset classes, including infrastructure, private equity, derivatives and hedge funds. On average, the asset classes already covered by the Net Zero Investment Framework (listed equity, corporate fixed income, real estate and sovereign bonds) represent over 75% of an investment portfolio and therefore, are the most important for the transition to net zero. However, some Paris Aligned Asset Owner signatories have started working in partnership with others in the industry to develop approaches for asset classes that do not yet have established net zero methodologies.

Avon Pension Fund (£5.5billion) has interim targets in place to monitor and quantify progress against its net zero targets. Avon has already made significant changes to its investment strategy, including £1.4 billion allocated to Paris-aligned and sustainable equity strategies and over £400 million committed to renewable infrastructure projects. To continue driving impact, Avon's focus is now on extending the climate policy into asset classes not covered by the Net Zero Investment Framework, which often face structural or regulatory barriers which makes climate-aware investing particularly challenging.

Integrating climate metrics and targets in cash investments and instruments

Significant capital is being invested in renewable infrastructure which typically draws capital over time as opportunities arise. Holding a large cash allocation in readiness is sub-optimal from a return perspective. In partnership with BlackRock, Avon designed a solution which invests in a suite of ETFs optimised to match its strategic asset allocation. It includes a Paris-aligned ETF which broadly tracks Avon's £520 million investment in Brunel's Paris-aligned fund. Avon monitors the ESG score and carbon intensity of this liquidity strategy to ensure it is aligned with its climate objectives. For the cash Avon holds, it was an early adopter of environmentally aware liquidity funds which employ positive and negative screens and commit a portion of fees generated to acquiring and retiring carbon offsets, whilst delivering the conventional money market fund metrics of yield, liquidity, and credit quality.

Integrating climate metrics and targets in risk management frameworks

To control leverage in the fund used to house Avon's liability hedging instruments, Avon is required to hold physical assets in the form of a passive equity fund. Avon works with the industry to address the structural and regulatory hurdles associated with holding certain low carbon & transition-aligned funds in investment vehicles otherwise reserved for derivative strategies. Through this, Avon aims to be a catalyst for change as it takes its first steps toward replacing the market-cap indices currently used with synthetic instruments directly referencing climate benchmarks.

“Avon has been at the forefront in developing innovative investment solutions to progress the net zero agenda. Working together with BlackRock and the wider industry to develop unique structures, in areas that present challenges to investors, is testament to their thought leadership and commitment. We are hopeful that other investors will take inspiration from this partnership approach as they seek to deliver on their own climate ambitions.”

Justin Wheeler, BlackRock.

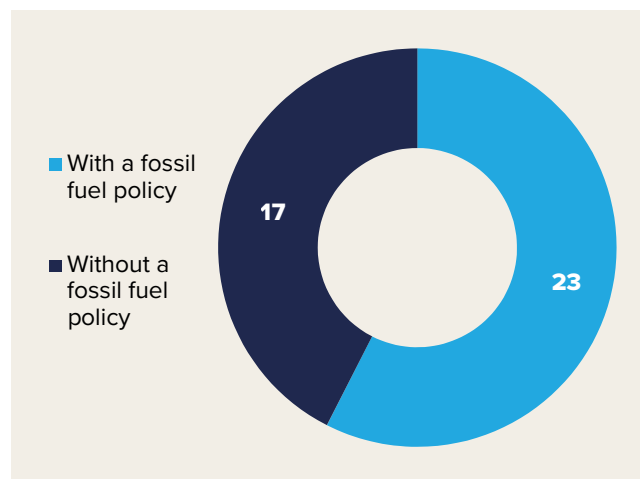
Another lever for transitioning investment portfolios well utilised by signatories is the development and implementation of policies for investment in fossil fuels. Signatories are asked to disclose details of their fossil fuel investment policies at the same time as disclosing targets and objectives to the initiative.

What does the Net Zero Investment Framework recommend?

Drawing on the Net Zero Roadmap from the International Energy Agency (IEA), the Net Zero Investment Framework recommends that signatories do not allocate additional capital to companies that are planning or constructing new thermal coal projects and associated infrastructure (power, mining) or taking forward new exploitation of tar sands.

Where investors are existing shareholders or bondholders in such companies, active and escalating engagement strategies are recommended, with the aim of ensuring no new thermal coal generation is developed and no further tar sand resources are exploited. Phase out of existing unabated capacity and activity should be undertaken in line with net zero pathways. In advocating for these transition plans, investors should recognise the need for a just transition in countries or regions where there is significant economic dependence on thermal coal power or mining.

Figure 9. Number of signatories with a fossil fuel investment policy



To date, the majority of signatories (58%) that have made disclosures have fossil fuel investment policies in place or under development. The types of policies vary but often include exclusions of companies that derive a certain proportion of sales or revenues from carbon-intensive activities such as those relating to coal mining, or fossil fuel extraction from tar sands or oil and gas.





DEEP DIVE: ADOPTING A STRENGTHENED FOSSIL STRATEGY

AP PENSION

Danish pension company AP Pension revised its [fossil fuel policy](#) in 2022. The revised policy ensures the company's USD 23 billion fund will only be invested in fossil fuel firms on a net zero pathway and aligned with the Paris Agreement. The strategy includes the following exclusion criteria:

- Coal companies: excluded if they have more than 5% revenue from the extraction of thermal coal or have expansion plans
- Utility companies: excluded if they have more than 25% revenue from energy production with thermal coal or they have expansion plans
- Fossil companies are excluded if they have more than 5% revenue from the extraction of tar/oil sands
- Oil and gas companies are excluded if they have more than 20% revenue from upstream activities

Fossil fuel companies which are assessed to have taken steps towards net zero but cannot yet demonstrate a transition compatible with the Paris Agreement will be placed on AP Pension's observation list.



Whilst the exact thresholds differ, many signatories have prioritised activities highlighted by the IPCC or the IEA as inconsistent with limiting global temperatures to 1.5°C above pre-industrial levels. Many are also revising their current policies and introducing tighter thresholds or further exclusions. Signatories also include an assessment of a company's transition plans and response to targeted engagement as important factors in determining if an exclusion should be applied.



DEEP DIVE: FOSSIL FUEL INVESTMENT POLICY

PENSIOENFONDS ZORG EN WELZIJN (PFZW)

PFZW is responsible for the pension policy and the pension capital of nearly 3 million current and former employees in the care and welfare sector in the Netherlands. The pension fund manages the invested capital, which amounted to €277.5 billion at the end of December 2021.

The GHG emissions of fossil energy companies represent a large part of the financed emissions in PFZW's listed equities portfolio. Bringing the emissions of these companies down in line with a 1.5°C emissions pathway is an important step towards achieving PFZW's goal of a 50% reduction in tCO₂e/EURmln invested.

Time-bound expectations of fossil fuel companies

PFZW sets expectations of fossil fuel companies to commit to the Paris Agreement goals of limiting global warming to well below 2°C and pursuing efforts to limit it to 1.5°C, within the next two years. PFZW will only remain invested in fossil fuel companies that have a convincing and verifiable climate transition strategy in line with the Paris Agreement by 2024. From 2024, PFZW will no longer invest in companies in the fossil fuel sector that do not meet these requirements.

PFZW will apply the following criteria when determining whether investments can be made in companies active in the fossil fuel sector:

- Companies must have a GHG emissions reduction target.
- Companies must make a clear commitment to 'Paris' by the end of 2022 and thus to the 1.5°C temperature target. If they fail to do so, investments in these companies will be sold in 2023.

- Companies that have committed to 'Paris' must draw up a convincing and verifiable climate transition strategy to support their commitment by the end of 2023. This strategy should include short- and medium-term targets in line with 'Paris'. If they do not, they will no longer be eligible for investment in 2024.

Engagement with fossil fuel companies

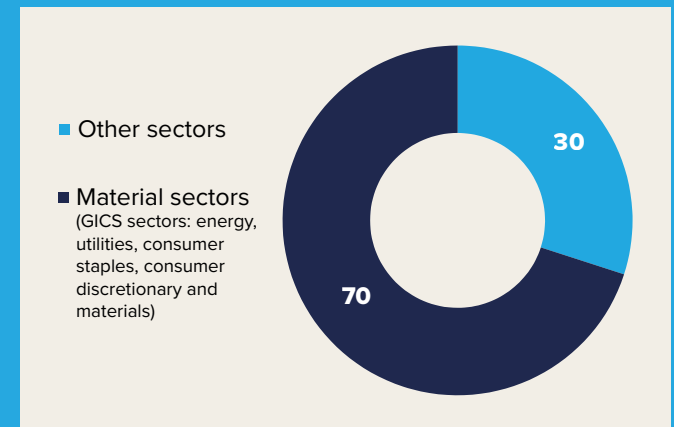
The timeline above gives companies the opportunity to implement a viable plan to reform their business models. During this period, PFZW will intensify its shareholder dialogue with companies that are willing to make the transition. PFZW will use its voting rights more emphatically in climate-related resolutions and Board proposals. Specific attention will be paid to stopping extraction in Arctic areas and PFZW will insist on stopping investments in new fossil fuel supply.

If necessary, a vote will be taken against the (re) appointment of directors who are making insufficient contribution to the transition of their company. To the extent possible, PFZW will join forces with like-minded parties to strengthen its influence. PFZW will continue intensive shareholder dialogue with the companies in this sector that do qualify for investment in 2024.

Expanding engagement to other materials sectors

PFZW's active ownership program is currently directed at fossil fuel companies in the energy sector. The financed emissions of these companies represent some 20% of total financed emissions of the PFZW listed equities portfolio. However, PFZW recognizes that addressing the demand side of fossil energy is also important. Therefore, it will expand its engagement program towards companies in other material sectors (GICS sectors: energy, utilities, consumer staples, consumer discretionary and materials). Financed emissions of material sectors – including the energy sector – represent some 70% of total emissions in listed equities for PFZW, as shown here.

Figure 10. Percentage of financed emissions by sector



Commitment 3:

Setting objectives and targets

Setting objectives and targets, including an interim target for 2030 or sooner for reducing scope 1, 2 and 3 emissions associated with our portfolios and setting a target for increasing investment in climate solutions, consistent with a fair share of the 50% global reduction in CO₂ identified as a requirement in the Intergovernmental Panel on Climate Change special report on global warming of 1.5°C

Paris Aligned Asset Owner signatories have set a range of targets and goals to establish the ambition of their net zero investment strategies. Signatories are required to disclose targets and objectives within 12 months of making the commitment and update targets at least every five years. To date, 40 of 57 signatories have disclosed initial targets. All target disclosures can be found in the initiative's *Initial Target Disclosure* report [here](#).

Highlight 1 above sets out the types of targets signatories are recommended to set. This section provides a deeper exploration of the different types of targets set by signatories, including the internal processes taken to establish targets, and the methodologies and data sources underpinning targets. The first case study provides insight into the journey that HSBC Bank Pension Trust (UK) Ltd. went through internally to develop and publish targets that were appropriate for the pension scheme.

DEEP DIVE: FIRST STEPS TO SETTING A MEANINGFUL GHG EMISSIONS TARGET

HSBC BANK PENSION TRUST (UK) LTD.

In 2021, HSBC Bank Pension Trust (UK) Ltd. (HSBC) set out to define an appropriate emissions target for the UK Pension Scheme in line with its investment and climate objectives, and the goals of the Paris Agreement. In recognition of the consideration and resource required, HSBC set up the Climate Risk Working Group (CRWG), to recommend a suitable objective to the Board.

The CRWG consisted of four Trustee Directors, three representatives from the Pension Scheme Executive and two advisors, with input from the Scheme's legal advisor, investment managers and other subject matter experts. The CRWG met monthly and was governed by a set of principles and Terms of Reference, approved by the Trustee and its work was overseen by the Asset and Liability Committee and the Trustee Board.

Financial outcomes for members and the legal basis for putting a net zero target in place were key starting points, along with a wide range of inputs on net zero and climate risk. Questions discussed ranged from high level to detailed, with key questions debated including:

- Should the objective be to drive real economy emissions reduction or achieve a net zero portfolio decarbonisation?
- What is the relationship between climate risk and net zero targets?
- What is in scope for the climate target in terms of asset classes and scopes of emissions?
- Should the targets be absolute or intensity based? What are the different timeframes for the targets?
- What mandate changes would the Trustee be prepared to make?

- How is the approach different for the DB and DC schemes, noting their different asset class exposures and time horizons?
- What are the views of the Sponsor and how can we consider that in our decision making?
- What might the emissions reduction journey plan look like?
- How do carbon footprinting, risk mitigation and alignment interact?
- Should the Trustee follow the PAII Net Zero Investment Framework to set and implement its objective?

After six months, the CRWG made the following recommendation to the Trustee Board: commit to achieving net zero GHG emissions across the Scheme's DB and DC assets by 2050 or sooner, along with a set of interim targets. The Board approved this recommendation and delegated the responsibility to implement the recommendations of the CRWG to the Asset and Liability Committee.



Portfolio decarbonisation reference target

Target description: A <10-year CO₂e emissions reduction target, with 5-year interim target milestones

Target aim: An accountability mechanism to ensure that investors' engagement with investees and its actions to support alignment at the asset level are yielding the necessary portfolio level emissions reductions required by a 1.5°C emissions trajectory applicable to a portfolio.

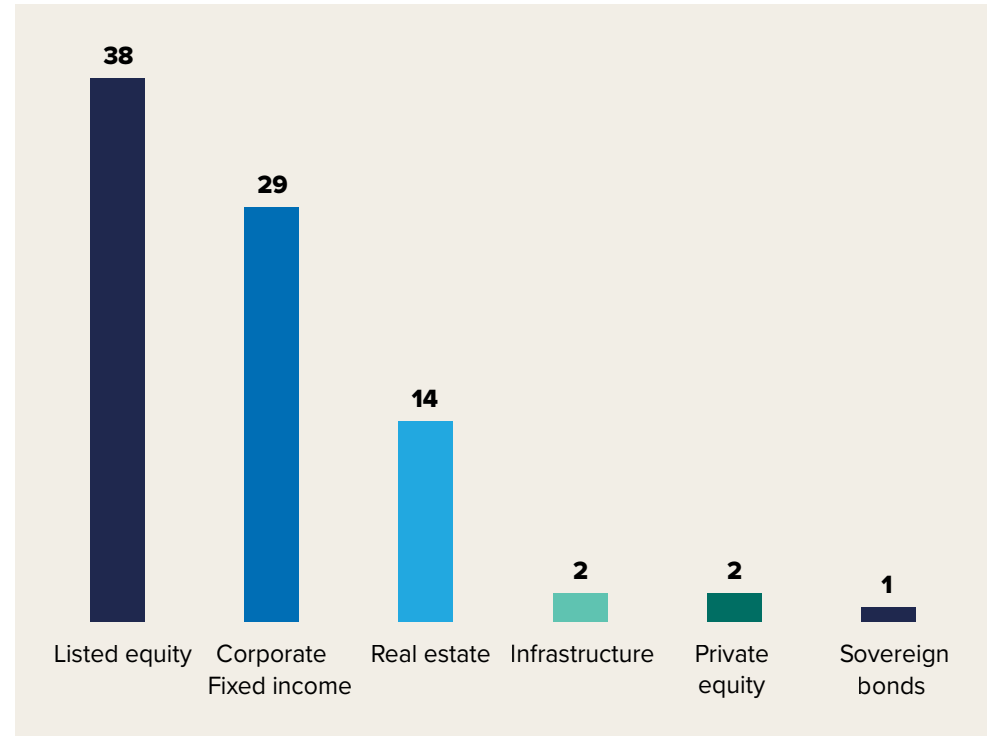
Signatory progress: 70% of signatories have set short-term targets for 2025 or sooner, with others setting targets for 2030 in addition or in place of 2025 targets. As targets disclosed must be consistent with a fair share of the 50% global reduction in CO₂ as set out in the IPCC Special Report on Global Warming of 1.5°C, most signatories have opted for 50% CO₂e reduction by 2030 and net zero portfolio emissions by 2050. Three signatories aim to reach net zero by 2035, and another three by 2045.

Investors use a mix of metrics to measure portfolio emissions. Financed emissions based on the PCAF methodology and Weighted Average Carbon Intensity (WACI) are the most utilised. Many signatories also track and disclose absolute emissions relating to the portfolio.

Scope 1 and 2 emissions have been covered by all signatories, with many planning to integrate scope 3 in the near future. A number of asset owners are already integrating scope 3 emissions into interim portfolio decarbonisation targets. Many include scope 3 emissions within the alignment assessments required by the portfolio coverage target and in engagement activities, for example for real estate, energy, and mining sectors. The initial target disclosures show that signatories plan to integrate material scope 3 emissions in 2023 as confidence in data improves.

In the first year after becoming a signatory, asset owners have prioritised certain asset classes for target setting and strategy development. Listed equity and corporate fixed income are the asset classes on which interim targets are most frequently set, as shown here.

Figure 11. Asset classes included in scope of signatories' portfolio reference decarbonisation targets





DEEP DIVE: INTEGRATING CARBON EMISSIONS INTO LISTED EQUITY AND CORPORATE BOND PORTFOLIOS

PKA

Committed to contribute to the objectives of the Paris Agreement and be net zero by 2050, PKA has set its first carbon reduction target of 29% by 2025. The target covers scope 1 and 2 emissions of PKA's investments in listed equity, real estate, and corporate bonds. By the end of 2022, PKA will set an additional carbon reduction target for 2030 which will also cover investments in direct infrastructure. PKA has already achieved carbon reduction of 43% on the three asset classes. However, the expectation is that the decarbonisation rate will fall as more asset classes are included within targets and scope 3 emissions are integrated.

To set the targets, PKA uses recommendations from the Net Zero Investment Framework and sets targets using carbon footprint (CO₂/invested capital) as a measure. PKA's listed equity and corporate bonds are managed by external asset managers, and to ensure ongoing progress on carbon reduction of these mandates, a Weighted Average Carbon Intensity (WACI) has been implemented as the internal measure for carbon emission reduction. Like carbon footprint, using WACI allows for the managers to draw comparison between different portfolios, peers, and benchmarks. Unlike carbon footprint, it allows for an intuitive and stable comparison between portfolio companies. PKA and the external managers have agreed to construct the portfolios in a way that, as a maximum, reaches 70% of the WACI of PKA's benchmark. This approach to portfolio construction is not expected to affect PKA's risk/return ratio. With this approach, combined with being an active owner and engaging with companies about their net zero strategies, PKA aims to contribute to a net zero future.



Investment in climate solutions

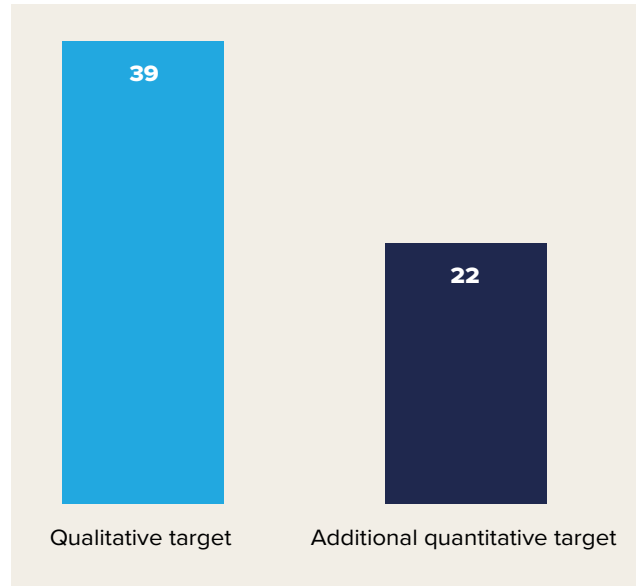
Target description: A <10-year goal for allocation to climate solutions

Target aim: Direct capital to the key activities, technologies, products and services required to support decarbonisation of the economy, across key industries and regions.

Signatory progress: 98% of Paris Aligned Asset Owners that have disclosed targets have established either a quantitative target or qualitative goal for increasing investments in climate solutions. Increased investment in climate solutions is a core element of the initiative's underlying methodology – the Net Zero Investment Framework. As the EU Taxonomy was finalised only recently and coverage and quality of taxonomy-aligned data is still improving, signatories have used various methodologies in the interim for defining and measuring climate solutions. The initiative is currently working with investors to develop a methodology for defining and measuring climate solutions that will leverage the EU Taxonomy and support industry standardisation.

Many asset owners have focused on SDG7: Clean and Affordable Energy, developing bespoke classifications across different assets classes. Others have used green classifications provided by data vendors or asset managers. Despite the absence of an industry standard that can be applied across an investment portfolio, signatories have measured their current allocation and set ambitious quantitative targets ranging from 6% of AUM to 25% of AUM by 2030.

Figure 12. Types of climate solutions targets set



Initiative work: IIGCC's Climate Investment Roadmap provides a breakdown of investment requirements within a net zero scenario, with granular technology and regional breakdowns. The Roadmap also provides a framework for investors to prioritise technology investment and methods to establish Paris-benchmarks for climate solutions and optimal metrics measure allocation to solutions within investment portfolios.





DEEP DIVE: ASSET ALLOCATION FOR CLIMATE SOLUTIONS

NORTHERN LGPS

Northern LGPS is the partnership between the Greater Manchester (GMPF), Merseyside (MPF) and West Yorkshire (WYPF) Local Government Pension Scheme (LGPS) funds, holding £46 billion AUM and representing 880,000 members and over 1,100 contributing employers.

Northern LGPS understands environmental factors can be financially material and, as such, should be part of the assessment and monitoring of investments in all asset classes. Achieving sustainable, long-term financial returns underpins the ability to pay pensions and a focus on ESG issues helps reduce risks to the partnership's beneficiaries. Hence, as well as setting a whole portfolio decarbonisation target of 50% emissions reduction by 2030 and net zero by 2050, Northern LGPS has committed to scaling up investments in climate solutions by 2030, as recommended by the Net Zero Investment Framework.

Measuring and setting targets for increasing allocations to climate solutions by 2030

Northern LGPS recognises the need to increase investment in the range of technologies required to support decarbonisation of sectors across the economy whilst also providing an attractive investment opportunity. Therefore, Northern LGPS analysed its current and projected investment in climate solutions in line with the methodology set out by IIGCC and the [Climate Investment Coalition](#), and joined the [collective COP26 pledge from Nordic and UK pension funds to increase investment in climate solutions by USD130 billion by 2030 and track progress against this target over time.](#)

In April 2015, GMPF and the London Pensions Fund Authority formed a joint venture to invest directly in infrastructure assets, with a focus on the UK. The joint venture is structured as a limited liability partnership and has been named GLIL Infrastructure LLP (GLIL). As part of the LGPS pooling discussions, West Yorkshire, Merseyside and Lancashire County Council pension funds joined GLIL in 2016. In 2018 GLIL was re-structured as an open-ended FCA Regulated fund to facilitate potential new members. Additional commitments made by existing members mean GLIL now has committed capital of approximately £3.6 billion. GLIL has invested £2.1 billion through thirteen transactions since 2015.

One third of GLIL's AUM is currently invested in climate solutions, with growth a key objective for the Northern LGPS pool; investments in climate solutions are expected to grow in parallel. Going forward, Northern LGPS will continue to be at the forefront of scaling up investments in climate solutions in the asset owner-space, emphasised by the partnership's commitment to increase investment in climate solutions to approximately \$2 billion by 2030, up from \$1 billion in the baseline year of 2021.

Clyde Wind Farm

An early transaction of GLIL was the purchase from SSE of a 21.7% stake in Clyde wind farm for £150 million, followed by an additional £30 million and £88 million in 2017 and 2018, respectively. Clyde now has a total generation capacity of 522MW, making it one of the largest onshore windfarms in Europe.



Portfolio coverage target

Target description: A 5-year portfolio coverage target for increasing the percentage of AUM in material sectors that are aligned to net zero pathway or meeting criteria to be considered “aligned” or “aligning” to a net zero pathway.

Target aim: Incentivise the transition of underlying assets in a portfolio by assessing the current alignment of assets with net zero pathways and the forward-looking transition-potential of assets, capturing changes in climate performance over time.

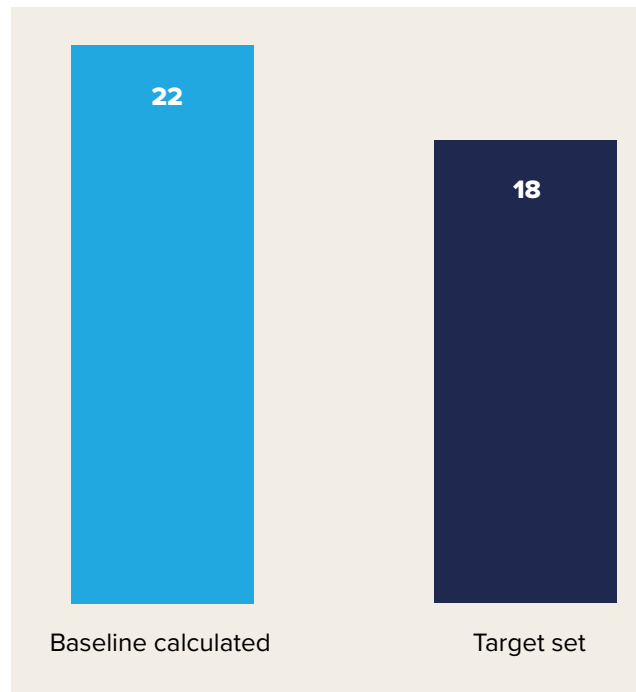
Signatory progress: Recommended alignment criteria and categorisations are set out in the Net Zero Investment Framework and Supplementary Target Setting Guidance. However, due to the granular data and resource-intensive processes required to perform a thorough alignment assessment across a portfolio, many Paris Aligned Asset Owners are still performing the assessment to understand their baseline or have adopted a more conservative approach, using fewer alignment indicators.

18 signatories have set a portfolio coverage target to date. Many have adopted the Net Zero Investment Framework’s recommendation of a 2025 target as well as a goal for reaching 100% of assets at least “aligning” to net zero by 2040 or sooner. In addition, 7 signatories have calculated a baseline without yet setting a target, whilst many others disclose that alignment assessments are a work in progress.

A key driver of investors’ progress towards net zero is the way in which they support their portfolio companies to transition. As a first step, many Paris Aligned Asset Owners have undertaken an assessment of the transition plans of companies in their portfolios. This includes mapping companies against multiple current and forward-looking criteria, as set out in the Net Zero Investment Framework and shown here.

Performing this assessment across a public equities portfolio is a significant undertaking, requiring large quantities of data from various sources and a good understanding of the portfolio companies under assessment. Significant challenges remain for investors looking to implement this across a portfolio, particularly in relation to access to quality and reliable data that match investors’ alignment criteria. Initiatives such as the Climate Action 100+ Net Zero Company Benchmark and the Transition Pathway Initiative are crucial to support investors’ alignment goals.

Figure 13. Portfolio coverage target



Criteria to assess the Paris-alignment of companies

- 1. Ambition:** A long term 2050 goal consistent with achieving global net zero
- 2. Targets:** Short- and medium-term emissions reduction target (scope 1, 2 and material scope 3)
- 3. Emissions performance:** Current emissions intensity performance (scope 1, 2 and material scope 3) relative to targets
- 4. Disclosure:** Disclosure of scope 1, 2 and material scope 3 emissions
- 5. Decarbonisation Strategy:** A quantified plan setting out the measures that will be deployed to deliver GHG targets, proportions of revenues that are green and where relevant increases in green revenues
- 6. Capital Allocation Alignment:** A clear demonstration that the capital expenditures of the company are consistent with achieve net zero emissions by 2050

Additional criteria to be incorporated where feasible

- 7. Climate Policy Engagement:** The company has a Paris-Agreement-aligned climate lobbying position and demonstrates alignment of its direct and indirect lobbying activities
- 8. Climate Governance:** Clear oversight of net zero transition planning and executive remuneration linked to delivering targets and transition
- 9. Just Transition:** The company considers the impacts from transitioning to a lower-carbon business model on its workers and communities
- 10. Climate risk and accounts:** The company provides disclosures on risks associated with the transition through TCFD Reporting and incorporates such risks into its financial accounts



DEEP DIVE: AN ALIGNMENT METHODOLOGY USING PUBLICLY AVAILABLE DATA

AP7 (SJUNDE AP-FONDEN)

AP7 (Sjunde AP-fonden) is a universal owner with over 3,000 listed equities globally. AP7 has set a portfolio coverage target of 50% of the ICAP portfolio by 2025. For more detail of AP7's targets, see their target disclosure here.

The alignment methodology is set out below, highlighting:

- AP7's approach to limited data
- Baseline calculations
- The assessment and measurement of alignment.

AP7 bases the assessment of company net zero alignment on publicly available data from the Climate Action 100+ Net Zero Company Benchmark and Transition Pathway Initiative. Both are asset owner led initiatives providing reliable and transparent data. However, data coverage is currently limited.

Table 1. Data coverage for AP7 equity portfolio

	Number of companies	AUM (million SEK)	Financed GHG emissions (tCO _{2e})
AP7 equity portfolio	3 056	829 128	3 932 182
AP7 equity portfolio – net zero data coverage	7.2%	11%	62%

Due to issues of data coverage AP7 developed an approach to targets based on an 'ICAP Portfolio'. This portfolio is composed of the companies with the largest carbon footprints (scope 1 and 2), which in aggregate correspond to at least 70% of financed emissions for the entire fund.

Table 2. Data coverage for ICAP portfolio

	Number of companies	AUM (million SEK)	Financed GHG emissions (tCO _{2e})
ICAP portfolio	132	86 349	2 753 580
ICAP portfolio % of entire portfolio	4.3%	10.4%	70%
ICAP portfolio – net zero data coverage	74%	44%	83%

Whilst the ICAP portfolio represents only 10% of the total assets under management, it represents 70% of financed emissions. Net zero data covers 74% of companies and 83% of financed emissions in the portfolio.

Company alignment categorisation is evaluated using the [Supplementary Guidance on Target Setting](#) for the Net Zero Investment Framework. Portfolio companies are evaluated and categorised according to the alignment maturity scale based on publicly available sources in the following hierarchy:

1. Climate Action 100+ Net Zero Company Benchmark (March 2022 or latest available)
2. Transition Pathway Initiative (TPI) – Carbon performance metrics and underlying datapoints within the Carbon Management assessment (April 2022) *Net zero categorisation and criteria used for assessment.*

AP7 takes a conservative approach to categorisation of companies:

- TPI carbon performance of “1.5 degrees” on short- or medium-term targets is a requirement for “aligning” status (“below 2 degrees” is not sufficient)
- AP7 recognises that the CA100+ Net Zero Company Benchmark and TPI criteria are not identical which may lead to discrepancies between evaluation methods implemented by investors
- Data from Science Based Target Initiative (SBTi) may be incorporated in future reporting as methodologies and guidance develops.

Table 3. Net zero categorisation and criteria used for assessment

	“Aligned”	“Aligning”	”Committed”	”Not aligned”
Net Zero Company Benchmark	Higher impact companies: Yes, on criteria 1-6 Lower impact companies: Yes, on criteria 2, 3, 4	Yes, on criteria 2 and 4 Partial fulfilment of criteria 5	Yes on criteria 1	All other CA100+ companies
TPI data		Management quality: Yes, on Q3, Q4, Q5, Q7, Q8, [Q12 where applicable] Carbon performance: “1.5 degrees” in 2025 or 2035		All other companies

Baseline results

Companies identified as “Achieving”, “Aligned”, “Aligning” and “Committed” are defined as “transitioning companies”, which constitutes our asset level alignment portfolio coverage target.

Linking alignment assessment to corporate engagement

AP7 has identified a list of priority companies for active ownership. The list consists of all companies within the ICAP Portfolio (covering 70% of financed scope 1 and 2 emissions), as well as additional companies which are climate disclosure laggards or have significant scope 3 emissions.

AP7 has set a target on active ownership:

- 2025: 100% of the priority companies will be subject to active ownership activities

Active ownership tools include collaborative and bilateral dialogue with companies, annual meeting actions, public blacklisting and legal processes. In addition, AP7 exercises its voting rights for all companies in its portfolio, (approximately 4000 meetings per year) with a strong voting policy on climate.

Table 4. Baseline results for ‘Transitioning companies’ in the ICAP Portfolio on which the asset level alignment target is set

	Achieving	Aligned	Aligning	Committed	Transitioning companies	Not aligned	No data
% Companies	0%	0%	5.3%	20.5%	25.8%	48.5%	25.8%
% AUM	0%	0%	2.1%	11.0%	13.1%	31.3%	55.6%
% Financed emissions	0%	0%	2.3%	29.9%	32.2%	50.6%	17.2%
Transitioning companies							

Engagement threshold

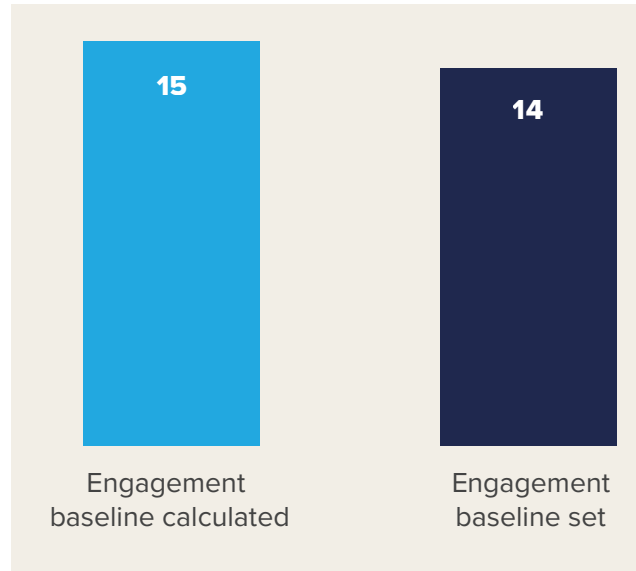
Target description: An engagement threshold which ensures that at least 70% of financed emissions in material sectors are either assessed as net zero, “aligned” with a net zero pathway, or the subject of direct or collective engagement and stewardship actions. The threshold should increase to at least 90% by 2030 at the latest.

Target aim: Ensure adequate and ongoing engagement with assets that are not yet aligned with a net zero pathway, focusing on the most material GHG emitters in a portfolio. In combination with the portfolio coverage target, driving portfolio emissions reductions via the transition of underlying assets in a portfolio.

Signatory progress: Many signatories have established engagement and stewardship policies and either carry out engagements with companies directly or instruct external managers to engage on their behalf. A number of signatories have indicated that they are or have already updated their stewardship policies and practices to incorporate their net zero strategies more explicitly.

35% of signatories that have disclosed initial targets have set a quantitative threshold for engagement, expressed as a proportion of financed emissions under engagement. 38% have established their current engagement baseline. These targets often reflect the recommended ambition outlined in the Net Zero Investment Framework of 70% of financed emissions in the shorter-term, working towards 90% of financed emissions under engagement by 2030.

Figure 14. Engagement threshold target



It’s also common for signatories to identify a number of “priority” companies for engagement. The prioritisation can be based on multiple criteria. Financed emissions and companies in high emitting sectors such as oil & gas and transport are often primary factors, supported by other considerations such as:

- The future emissions potential of the company (particularly in relation to scope 3 emissions)
- Jurisdiction of the company as this shareholder rights differ across jurisdictions
- Key thematic issues such as coal phase out or emissions from land use
- Opportunities to engage directly or through collaborative initiative such as Climate Action 100+ and likelihood of success.



Signatories have been guided by the six-step process set out in the [Net Zero Stewardship Toolkit](#), produced by IIGCC and released in 2022. The Toolkit provides a framework for investors to help prioritise high impact corporate engagement and hold laggard companies to account through six key steps.

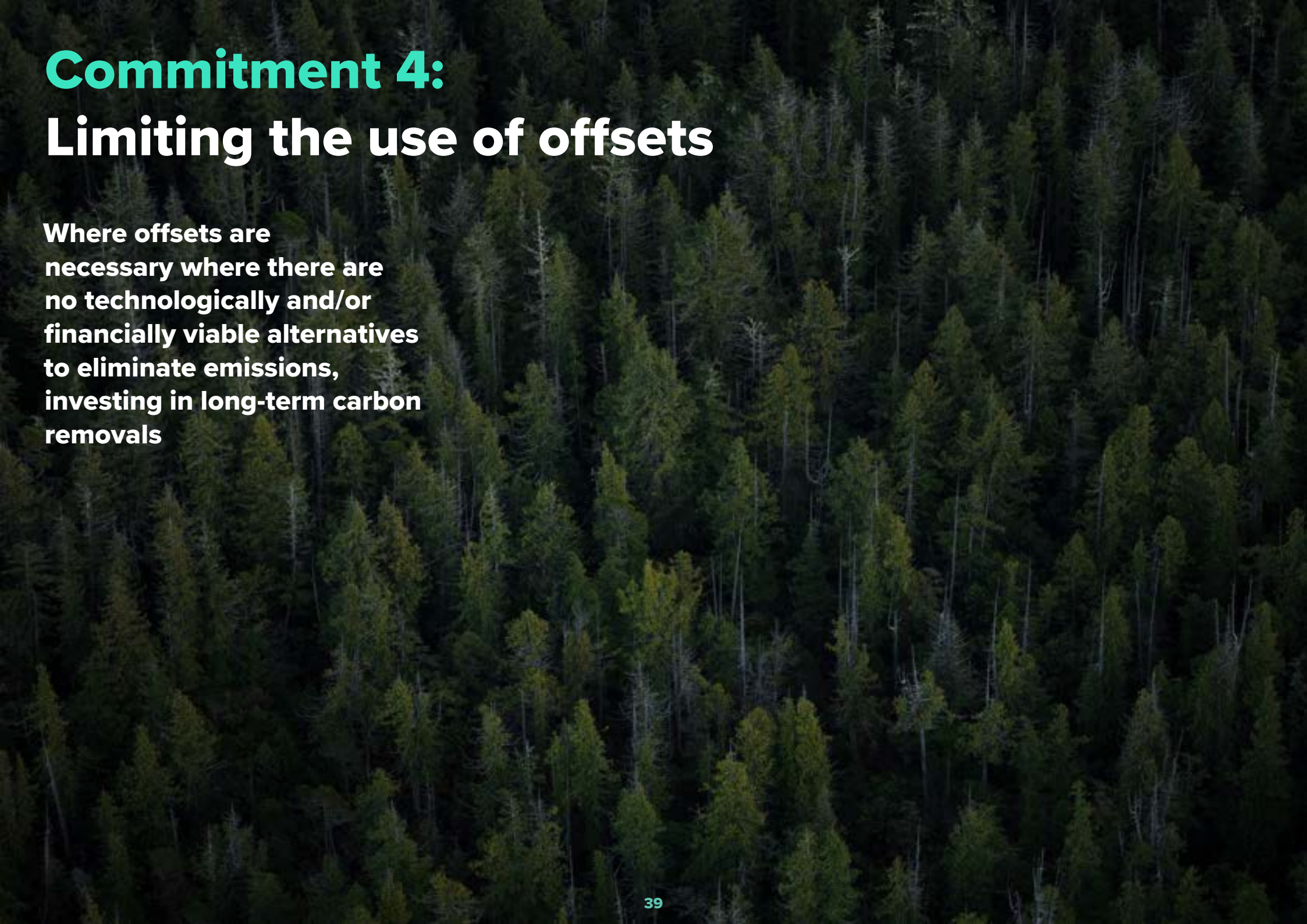
For asset owners, the process to determine which companies to prioritise for engagement is often a mixture of internal policies and practices and those of their external managers. Alignment between asset owners and managers is therefore crucial for successful implementation of asset owner stewardship approaches and engagement targets, and thus real world emissions reduction. Signatories are starting to establish specific stewardship expectations of managers that engage with companies on their behalf, utilising IIGCC's Net Zero Stewardship Toolkit.

For more information about the engagement and stewardship activities signatories are undertaking, including escalation strategies, voting policies, and engagement on key topics such as the just transition, see *Commitment 6: Implementing a stewardship and engagement strategy, with voting policy.*



Six step process within IIGCC's Net Zero Stewardship Toolkit

- 1. Undertake portfolio analysis and use the stewardship framework for prioritisation of key engagements**
- 2. Set net zero alignment criteria, time bound company level objectives and portfolio goals**
- 3. Develop an engagement strategy for priority companies**
- 4. Develop a baseline engagement (minimum level) and voting policy approach for all companies**
- 5. Asset owner and manager alignment and engagement**
- 6. Transparency and disclosure**



Commitment 4: **Limiting the use of offsets**

Where offsets are necessary where there are no technologically and/or financially viable alternatives to eliminate emissions, investing in long-term carbon removals

Paris Aligned Asset Owners are committed to prioritising mitigation of GHG emissions over offsetting to achieve their net zero goals. Therefore, signatories have not disclosed plans to use carbon offsets to achieve portfolio emissions targets. Whilst there is little tailored guidance as to how investors should use offsets across the portfolio, Ceres has published [Evaluating the Use of Carbon Credits](#) to help investors assess the integrity of corporate net zero commitments and the use of carbon credits to deliver on those commitments. Consistent with the SBTi Corporate Net-Zero Standard, Ceres suggests that corporates should follow a mitigation hierarchy, as detailed here.

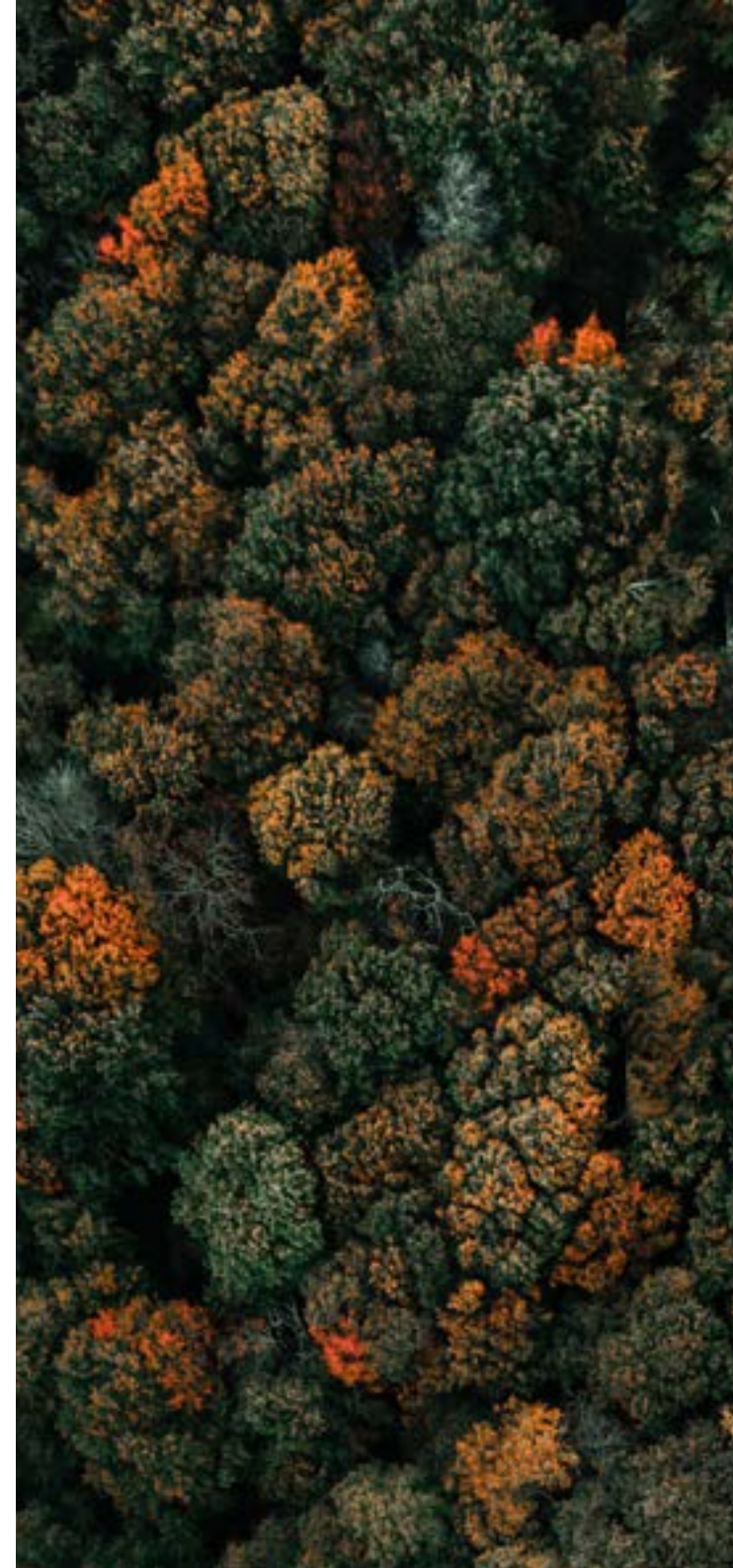


IIGCC has additional work underway to provide guidance on the credible use of offsets for investors and their portfolio companies. This aims to answer provide clarity on key questions such as “how should portfolio residual emissions be calculated?” and “what is the appropriate use of offsets by companies before 2050?”.

Despite the fact that asset owners appear to be encouraging companies to follow the ‘mitigation hierarchy’ and prioritise emissions reductions within their value chain before any offsetting measures, discussion continues around the role for investors (and companies) in the use of offsets to balance out residual emissions as part of net zero strategies on the way to 2050. This recognises the need to scale up the market for carbon offsets, invest in natural climate solutions with biodiversity benefits, and bridge the transformation where corporate progress remains inadequate.

MITIGATION HIERARCHY FOR CORPORATES

1. Prioritisation of value chain emissions reductions (scope 1, 2, and 3) following an emission pathway that limits warming to 1.5°C
2. Neutralisation of residual emissions that are unfeasible to abate
3. Finance emission reductions and carbon removals outside their value chains (e.g., by purchasing carbon credits)



Commitment 5:

Undertaking direct and collective policy advocacy

Ensure any direct and collective policy advocacy we undertake supports policy and regulation relevant for achieving global net zero emissions by 2050 or sooner

The policy and regulatory environment can either help or hinder investors aiming to align portfolios and the transition of assets within portfolios. For example, policy frameworks can help unlock capital flows to low carbon technologies and solutions and ensure investors have sufficient flow of quality, comparable, and decision useful information for assessing the credibility of investee transition plans. Engagement with policy makers, regulators, and other stakeholders should therefore form a core part of an investor's net zero strategy.

Signatories engage on "real economy" climate change policies and sustainable finance policy. Guidance from the Investor Agenda and within the Net Zero Investment Framework set out key asks investors can make and different modes of engagement and advocacy.

Key asks

- Enhanced NDCs including 1.5°C aligned targets for 2030
- Deadlines for fossil fuel phase out
- Mandatory TCFD reporting by companies
- Incorporation of transition plans into TCFD
- Company disclosures on climate solutions and alignment to net zero
- Disclosure of energy use data
- Shareholder rights across jurisdictions
- Carbon pricing
- Net zero pathways with granularity at sector and region level
- Policy to increase retrofits

Modes of engagement and advocacy

- Direct engagement with policymakers and/or regulators
- Writing position papers on specific policy areas
- Publishing research supporting policy actions
- Joining government-led technical advisory groups
- Signing investor letters to policymakers
- Media and public outreach
- Responding to policy consultations

Policy and regulatory environments differ across regions and the investor networks support investors with tailored policy asks most relevant to their jurisdictions. For example, Ceres has been instrumental in amplifying the investor voice following a U.S. Securities and Exchange Commission proposed rule mandating that publicly held companies report on their climate risk and opportunities. IIGCC has been active in responding to a number of "real economy" policy measures proposed by the European Commission, including those established under the EU's 'Fit for 55' package. IIGCC has also engaged on a range of sustainable finance policies, including the EU's strategy for financing the transition to a sustainable economy, and the evolving regulatory framework for sustainable finance in the UK. Recent policy asks from investors in Australia, led by IGCC, are highlighted below.

2022 Global Investor Statement to Governments on the Climate Crisis

Signed by 603 investors globally, with \$41 trillion USD in AUM, the statement advocates for governments to enact ambitious policies that would leverage the private capital required to effectively address climate change.

The 2022 statement contains the most ambitious policy recommendations from investors to date, including five priority actions:

1. Ensure that 2030 targets in NDCs the 1.5°C temperature goal
2. Implement domestic policies across the real economy and take early action to deliver 1.5°C-aligned 2030 targets.
3. Contribute to the reduction in non-carbon dioxide GHG emissions and support the effective implementation of the Global Methane Pledge.
4. Scale up the provision of climate finance from the public and the private sector for mitigation, and for adaptation and resilience, with a particular focus on the needs of developing countries.
5. Strengthen climate disclosures across the financial system.

Read the full statement [here](#).

Over the last financial year NZ Super has worked closely with the Treasury and the other Crown Financial Institutions (CFIs) to develop the [Crown Responsible Investment Framework](#) that was announced by the Minister of Finance in late 2021. This Framework includes a commitment to reporting against common carbon metrics.

NZ Super has reported on progress against their own commitments in detail through its [2022 Climate Change Report](#) and has signed the 2022 Global Investor Statement to Governments on the Climate Crisis.

Over the last year, NZ Super has made submissions supporting action on climate to:

- The External Reporting Board on the Climate-related disclosure standards (twice)
- The Ministry for the Environment on the Emissions Reduction Plan
- The Climate Change Commission on the Climate Action Plan
- The New Zealand Infrastructure Commission

All public submissions can be found [here](#).

Policy priorities for the Australian government

In October 2022, on behalf of members with more than \$3 trillion in Australian funds under management, IGCC released policy priorities for the Australian government that will unlock capital to fund Australia's transition to net zero. These include:

- Aligning national emissions targets to 1.5°C, which implies a 2035 target of approximately 75% reduction.
- Establishing sector goals to 2050, based on advice from the Climate Change Authority, to guide policy and investment.
- Ensuring that the country's current carbon pricing tool, the safeguard mechanism, is aligned with 1.5°C.
- Establishing a National Transition Authority to support a just and orderly transition to net zero.
- Unlocking private sector investment in adaptation and including climate risk in all relevant planning, land use rules, and direct investment policies.

Download the report [here](#) or summary slides [here](#).





DEEP DIVE: POLICY ADVOCACY FOR NET ZERO (UK/EUROPE/GLOBAL)

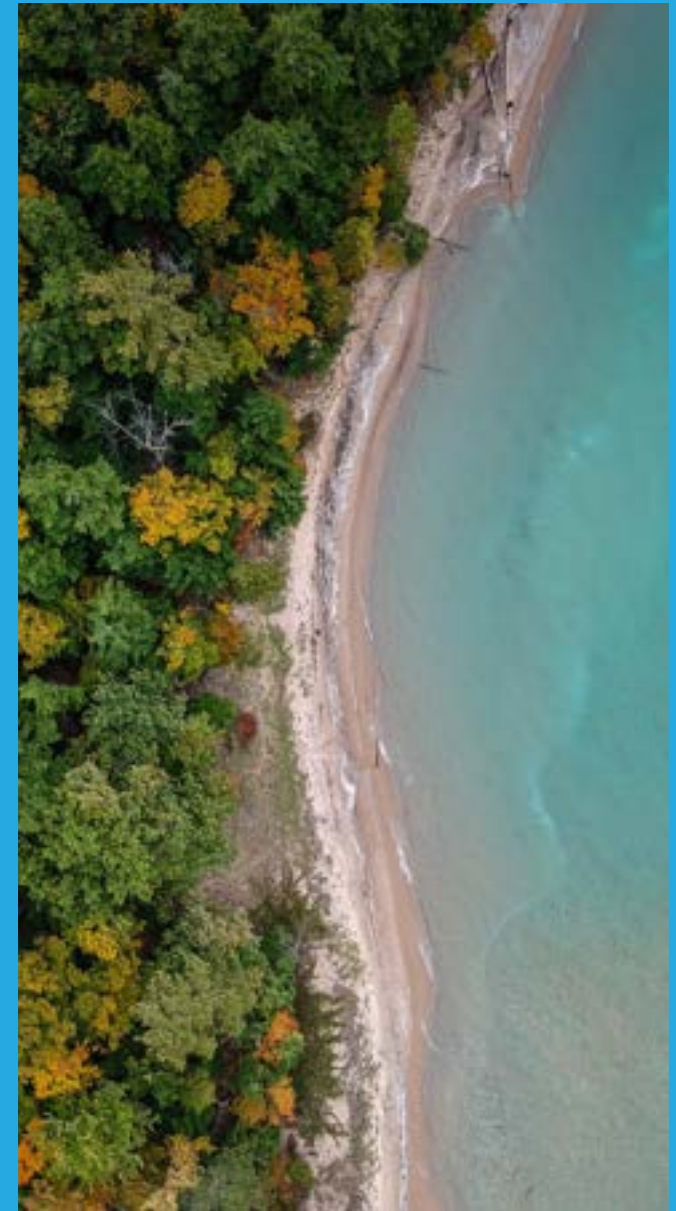
RAILPEN

Railpen responded to three key public policy consultations in July 2022 on climate-related disclosures on risks, opportunities and transition planning:

1. The UK Transition Planning Taskforce (TPT)
2. The Glasgow Financial Alliance on Net Zero (GFANZ)
3. International Sustainability Standards Board (ISSB)

Railpen responded with a view to enhance and standardise the form and substance of climate considerations in corporate and financial disclosures. A selection of Railpen's key recommendations include:

- To use existing TCFD recommendations as a foundation from which to build specific, consistent and comparable disclosure for investors.
 - To support ISSB to ensure interoperability of the standards with national and regional reporting frameworks to allow for comparability across jurisdictions.
 - For climate-related disclosures, to apply an 'inside-out' approach ('double materiality'), requiring corporates to consider and report issues financially material to their business and their own systemic impact on the environment, market and society.
 - To prioritise basic mandatory (quantitative & qualitative) disclosures from corporates, followed by investors, due to the dependencies of investors on corporate disclosures when implementing their own transition plans.
 - To ensure alignment with sector neutral and sectoral templates being developed by industry initiatives. Examples: IIGCC NZIF, Railpen's CRIANZA framework, TPT, Moody's, PACTA.
- To prioritise a standard framework and metrics for forward-looking alignment assessment, including additional forward-looking elements such as the long-term business vision and model for the corporate in a low carbon economy.
 - To adhere to best practice principles on offsets and their intended use to address residual emissions versus reaching emissions reductions targets as highlighted in the Exposure Draft.



Commitment 6: **Implementing a stewardship and engagement strategy, with voting policy**

**Implementing a stewardship
and engagement strategy,
with clear voting policy
that is consistent with an
objective for all assets in the
portfolio to achieve net zero
emissions by 2050 or sooner**

One of the most powerful levers asset owners have to contribute to the net zero transition is through stewardship and engagement of the assets within their portfolios. They are supported in this by asset managers, many of whom have also committed to implementing a stewardship and engagement strategy, with a clear escalation and voting policy, in way consistent with all assets transitioning to net zero by 2050 or sooner through a similar 10-point commitment via the Net Zero Asset Managers initiative (NZAM).

An unprecedented change in stewardship practices has already begun and more specific, time bound objective setting combined with escalation is starting to become the norm. Many Paris Aligned Asset Owners have started to develop and implement escalation strategies and communicate expectations for transition planning clearly to the companies they invest in. Australian superannuation fund, HESTA, provides a good example.



DEEP DIVE: IMPLEMENTING AN ESCALATION FRAMEWORK HESTA

H.E.S.T. Australia Ltd., as trustee for HESTA, has been engaging with emissions intensive companies through both direct and collaborative programmes for a number of years. In 2021, HESTA introduced an engagement escalation framework (“the Framework”).

In July 2022, as part of implementing the Framework, HESTA conducted its annual assessment of the climate change transition progress of companies that are key contributors to portfolio emissions. The assessment identified that AGL, Origin, Santos and Woodside faced significant decarbonisation challenges, requiring a major shift in their strategies to offer low carbon energy products. These companies have now been moved to a “watchlist” position according to the Fund’s engagement escalation framework which means that they are subject to closer engagement and monitoring.

HESTA informed AGL, Origin, Santos and Woodside that they were placed on a watchlist under the Framework and sought a response from the companies on how their climate strategies align with a 1.5°C pathway. Origin, Santos and Woodside were also asked to outline how they will demonstrate that the Final Investment Decision (FID) on major projects is consistent with a carbon budget aligned with a 1.5°C pathway.

The Framework also considers the use of votes against “Say on Climate” resolutions, Directors’ elections, support or filing of shareholder resolutions and/or consideration of divestment, where HESTA considers there is inadequate evidence of progress to address risks and it is in members’ best financial interests.

Nearly all Paris Aligned Asset Owner signatories are involved in, and lead on, collaborative climate engagements through Climate Action 100+, an investor initiative to ensure the world’s largest corporate greenhouse gas emitters take necessary action on climate change. A significant industry advancement in 2022 was the development of the [Net Zero Stewardship Toolkit](#), co-authored by IIGCC and Paris Aligned Asset Owner signatory, Railpen, and developed with the IIGCC Net Zero Stewardship Working Group, which is co-chaired by Railpen and NZAM signatories, EOS Federated Hermes and JP Morgan Asset Management.

The toolkit provides a framework for investors to identify priority companies for engagement (a necessary step for setting an engagement threshold target, see *Commitment 3*), establishing time-bound objectives for companies to develop and implement transition plans, and accompanying escalation actions when those objectives are not met.

The toolkit sets out a range of voting and non-voting stewardship and escalation tools at the disposal of investors. These include:

- Director votes
- Shareholder resolutions
- ‘Say on Climate’ votes
- Direct outreach to companies, including management responsible for implementing climate objectives and securing “check-ins” with Board members
- Engagement through collaborative initiatives such as CA100+
- Writing private letters and public statements/letters to the company’s Board
- Engagement with other actors in a company’s value chain
- Litigation

A full list of escalation actions that can be deployed by investors is available in Exhibit F of the Stewardship Toolkit, covering both equity and bond investors, with further guidance on credit stewardship in development involving Paris Aligned Asset Owner signatories.

Shareholder votes in particular are a critical tool for asset owners. A number of signatories have strengthened their voting policies in 2022, reinforcing their organisation’s commitment to net zero and delivering this with action, including PMT and Scottish Widows.

In 2022, PMT introduced its new climate strategy which outlines how the fund is tightening its net zero commitments for companies in the portfolio. In an approach shaped by consultation with its beneficiaries, the sectors they work in, and wider society, PMT significantly expanded its climate engagement program.

PMT's voting policy is one of the key components of the strategy. In 2022, for companies that are significant GHG emitters (for 2022, the current Climate Action 100+ focus company list), PMT voted against or withheld from the incumbent chair of the responsible committee in cases where the company was not taking the minimum steps needed to understand, assess, and mitigate risks related to climate change to the company and the larger economy. Minimum steps are defined as:

- Detailed disclosure of climate related risks according to the TCFD, including board governance measures, corporate strategy, risk management analyses, and metrics and targets
- Appropriate GHG emissions reduction targets (i.e. any well-defined GHG reduction target)

PMT's AGM voting strategy is aligned with the engagement objectives set by its climate engagement program. Within this program, PMT engages with more than 50 companies in the Oil & Gas and Utilities sectors. The following voting elements were executed for the companies PMT engaged with:

- PMT voted against re-election of all the board members at companies that did not communicate a public net zero emissions ambition for 2050. When there was no re-election on the agenda, PMT voted against the discharge of incumbent board members.
- PMT voted against the remuneration policy, annual remuneration and bonuses for incumbent board members when GHG emissions reduction was not one of the remuneration indicators.
- PMT proactively assessed climate resolutions, "Say on Climate" votes and votes 'flagged' by Climate Action 100+ and voted according to alignment with Transition Pathway Initiative (TPI) assessment of the 1.5°C degrees pathway.
- For each company where PMT leads the investor engagement through Climate Action 100+, PMT assessed the opportunity of 'flagging' a vote, which entails pre-declaring the intended vote on a specific voting item by a lead investor for Climate Action 100+. For two companies, Engie and TotalEnergies, this resulted in 'flagged' votes.
- PMT assessed the filing of shareholder resolutions on a case-by-case basis. At one company, TotalEnergies, this resulted in the (unsuccessful) filing of a shareholder's resolution on climate.

Furthermore, PMT publicly called on fellow investors to use their voting rights to accelerate the pace of the transition in all carbon intensive companies. PMT published a statement together with a group of other Dutch institutional investors in April 2022. In this [statement](#), the group urged fellow institutional investors to:

1. Take a critical approach to evaluating a company's climate transition plan and ensure voting guidelines are aligned.
2. Only vote in favour of a company's climate transition plan if it is aligned with the Paris Agreement, which should at least address the three objectives outlined in the statement.
3. Vote in favour of shareholder resolutions that encourage progress towards the Paris Agreement 1.5°C warming scenario.
4. Consider using escalation actions if objectives are not met, such as voting against the re-election of directors or voting against remuneration schemes that do not link executive pay to performance on climate targets.

Together with the same group of investors, PMT released a second statement in October 2022. The group calls on the oil and gas sector to (i) boost the availability of low-carbon solutions, (ii) explain how natural gas acts as a transition fuel, and (iii) not use the high oil prices as a reason to increase oil investments.



DEEP DIVE: VOTING POLICIES FOR SEGREGATED AND POOLED FUNDS

SCOTTISH WIDOWS

To play a greater role as active stewards of investments on behalf of its customers, Scottish Widows launched [Voting Guidelines](#) in 2022, aligned with its ESG beliefs. The guidelines cover various ESG factors, from climate to biodiversity, human rights and board diversity.

On climate, the Voting Guidelines support an annual shareholder vote on climate transition plans (“Say on Climate”) as Scottish Widows believes that shareholders can encourage better disclosure of corporate climate metrics and transition plans, as well as greater shareholder engagement and board accountability.

Scottish Widows will generally support voting against the Say on Climate, the report & accounts, and/or re-election of directors or members of a relevant committee in the event where there is:

- Insufficient climate disclosures
- The climate strategy lacks a credible transition plan, along with clear interim targets aligned with the latest science
- Lack of detail on climate governance and associated link to executive compensation
- No disclosures on climate lobbying activities
- No commitment to future capex alignment with the goals of Paris Agreement
- No disclosure to indicate that the company incorporates Just Transition considerations into its climate transition strategy.

Given that voting is largely delegated, these guidelines outline expectations for the asset managers Scottish Widows works with, shared with them as an ‘expression of wish’. Scottish Widows monitor how core investment managers vote against the guidelines and engage with them on areas of divergence. Where Scottish Widows holds a significant stake in a company, certain votes are directed themselves when they relate to stewardship priorities, as initiated in the 2022 AGM season.

Pooled Fund Voting Implementation and wider collaboration

The [Taskforce on Pension Scheme Voting Implementation](#), in which Scottish Widows played an integral role, recommended in September 2021 that fund managers should voluntarily offer pooled fund investors the opportunity to set expressions of wish. At the end of 2021, BlackRock announced it would be allowing pooled fund clients to vote their own shares through the adoption of a choice of ISS voting policies. Scottish Widows saw this announcement as an industry first, as the asset management industry has largely been reluctant to allow asset owners influence over voting. Scottish Widows worked closely with BlackRock on this development. Scottish Widows chose the ISS Socially Responsible Investment Policy, which was most closely aligned with Scottish Widows’ guidelines and progressive across a range of ESG factors. Since September 2022, Scottish Widows has been putting the policy into practice across a range of eligible funds and markets with BlackRock, having implemented it for segregated mandates several months prior.

This experience has also enabled Scottish Widows to collaborate with other asset owners through [Occupational Pensions Stewardship Council](#), specifically on an engagement campaign with asset managers, which kicked off at the end of 2021 and was directly supported by the Minister for Pensions and Financial Inclusion. Scottish Widows wrote to 44 large asset managers asking them about a range of options they would provide to their clients from enabling clients to share bespoke voting policies, communicating areas of misalignment between them and facilitating forward looking conversations, to allowing clients to override any significant votes.

37 responses were received and while only two respondents had formally implemented alternative approaches, asset managers showed an openness to considering client voting in pooled funds. The full report with findings can be found [here](#).

With expectations relating to engagement embedded into the Paris Aligned Asset Owner and Net Zero Asset Managers (NZAM) commitments, there is a growing focus on structured alignment between asset owners and asset managers in the stewardship process. For Paris Aligned Asset Owner signatories, it is important that methodologies for corporate alignment assessments and milestones (see *Commitment 3*), as well as voting and escalation actions, are refined and synced with that of any external managers. In 2022, asset owners have increased attention on ensuring that engagement activity from an asset manager delivers what the asset owner requires to align their own portfolios with net zero, optimises use of resources, and ensures consistency of goals and approaches across asset owner portfolio engagement efforts.

An important element of asset owner – asset manager delivery of net zero stewardship strategies is transparent and consistent reporting on portfolio alignment, engagement strategies, tracking and reporting. The Toolkit sets out four measures investors can take:

1. Engagement with asset managers that have not set net zero goals
2. Agreement on company alignment expectations between asset owners and communication to managers
3. Asset manager reconciliation across clients on corporate alignment milestones
4. Transparency and reporting, including development of standardised reporting templates for asset owners to use with managers

When a company does not respond positively to engagement and other escalation actions fail, legal resource against companies or specific directors can be an effective tool and help secure positive climate outcomes, objectives or returns.

Swedish Pension Fund, AP7, started working actively on responsible climate lobbying of corporates in 2015. Since then, AP7 has contributed to global standard on lobbying practices, engages in long-term dialogue with its portfolio companies on the topic, and uses its shareholders rights at AGMs to escalate the issue when necessary. The most recent example involves taking legal action against German car manufacturer, Volkswagen, in collaboration with other asset owners.

Six key steps within IIGCC's Net Zero Stewardship Toolkit

1. **Undertake portfolio analysis and use the stewardship framework for prioritisation of key engagements:** A process to identify companies in scope for engagement, to prioritise these engagements and allocate resource based on the importance of key companies to achieving portfolio goals and real-world emissions reduction.
2. **Set net zero alignment criteria, time bound company level objectives and portfolio goals:** Development of a framework of company net zero alignment criteria to be used to determine if companies can be classified as aligned and to set company level time bound objectives and milestones that drive stewardship priorities and enable measurement of portfolio alignment goals.
3. **Develop an engagement strategy for priority companies:** The establishment and implementation of strategies to increase alignment of priority companies, with clear escalation actions to be used where time bound objectives are not met. This step addresses the core portfolio alignment objectives under the various alignment frameworks.
4. **Develop a baseline engagement (minimum level) and voting policy approach for all companies:** The establishment and implementation of baseline engagement and voting approach, to be undertaken as a minimum for the maximum number of companies in material sectors within the boundaries of relevant portfolios and clear escalation actions to be used where time bound objectives are not met. This step addresses the requirement under NZAM and PAAO to implement a stewardship strategy across all AUM.
5. **Asset owner and manager alignment and engagement:** Guidance to ensure alignment of engagement priorities and objectives to reduce duplication and enhance impact by collaborating where valuable.
6. **Transparency:** A framework to inform disclosures on the net zero stewardship strategy.



DEEP DIVE: ACTIVE OWNERSHIP FOR RESPONSIBLE CLIMATE LOBBYING

AP7 (SJUNDE AP-FONDEN)

Corporate lobbying that negatively influences political decisions on climate change continues to be a widespread challenge for legislators, despite many companies officially declaring their support for the Paris Agreement. AP7 (Sjunde AP-fonden) expects corporations to demonstrate good governance and to assess whether, and to what extent, their corporate lobbying is aligned with the Paris goals. Where there is misalignment, AP7 expects corrective actions to be taken.

AP7 has taken a multifaceted, long-term approach to addressing this challenge through collaborative active ownership.

Long-term dialogue

In multi-year dialogues with corporations, investors have made the case for responsible climate lobbying and pushed for transparency. AP7 is thematic co-lead on lobbying within IIGCC and has worked closely with CA100+ lead investors to progress dialogue on the topic with key European companies.

Development of a standard

Together with Church of England Pensions Board and BNP Paribas Asset Management, AP7 instigated the development of the [Global Standard on Responsible Climate Lobbying](#). After extensive consultation, the Standard was launched in 2022 providing a framework for companies to report on responsible climate lobbying in practice. Climate policy engagement is evaluated in criteria 7 of the CA100+ Net Zero Company Benchmark and one of the alignment criteria for corporates in the Net Zero Investment Framework.

Acting at AGMs

Shareholder resolutions play an important role to drive corporate reporting on climate lobbying. AP7 began filing resolutions at general meetings in the United States in 2016 and has subsequently filed at European and Australian companies, in some cases over multiple years. In total, AP7 has brought 21 shareholder resolutions on climate lobbying to vote and withdrawn several more after reaching agreement with companies prior to meetings.

Legal case in Europe

When progress in engagement with Volkswagen stalled in 2022, investors tabled an amendment to the company's Articles of Association intended to ensure that future reporting incorporates climate lobbying. The company refused to table the amendment. As a result, investors are taking the matter to court in a case which tests whether VW has the right to refuse this AGM agenda item. Led by AP7, 6 asset owners (AkademikerPension, AP2, AP3, AP4, AP7, the Church of England Pensions Board) are represented by German law firm Hausfeld Rechtsanwälte LLP and supported by legal charity ClientEarth. A ruling in the investors' favour would reinforce the position of minority shareholders in Germany and incentivise German companies to engage in constructive dialogue with them. The case could also have implications for other civil law systems in Europe.

Results

Since AP7 started working actively on climate lobbying in 2015, 57 major corporations globally have published industry association reviews. Over 50% of the European companies in scope for the Climate Action 100+ initiative have published at least one climate lobbying review, and the majority of these have committed to repeat this disclosure annually. The efforts, persistence and collaborative spirit of many investors and other stakeholders have contributed to these results. For assessments of the quality of climate lobbying disclosures, see [InfluenceMap](#), as data partner of CA100+.

A universal active owner

AP7 is the default alternative within the Swedish premium pension system. With a diversified equity portfolio of more than 3,000 companies, AP7's ESG strategy focuses on active universal ownership, complemented with impact investments. AP7 believes that, in collaboration with like-minded responsible actors, the greatest impact can be achieved through active ownership.

Whilst there is a lot of focus on stewardship practices of equity investors, there is increasing work underway to support bondholders to engage. Bondholders may wish to take a more dynamic approach to identifying priority companies based on the cycle of issuances and the opportunity to make more strategic choices regarding which companies they have openings to engage with.

It's also important that asset owners use engagement as a tool to support assets in other asset classes to transition and consider key themes beyond emissions reductions such as resilience to physical climate risks, deforestation and the just transition. Two examples from Tesco Pension Investment and Royal London demonstrate good practice in these areas.



DEEP DIVE: ENGAGING PROPERTY FUND MANAGERS AND TENANTS

TESCO PENSION INVESTMENT

Engagement with new property fund manager

When a commitment was made to a property investment in the care home sector, for the Income Generating Assets Portfolio, Tesco Pension Investment (TPI) reviewed the fund manager's ESG approach and considered that improvements could be made. TPI engaged on a number of ESG issues. Its work in support of the Trustee's climate objectives is detailed here.

TPI, on behalf of the Trustee, worked with the manager to establish a bespoke "fund of one" investment programme for the Scheme. It was able to negotiate a commitment that the fund would be managed to a 2050 net zero target from the outset. The manager also made a commitment to provide ESG reporting to include absolute emissions and emissions intensity, and to adopt an approach to flood risk assessment that is consistent with the principles of TPI and the Trustee.

The improvements to the terms will help TPI and the Trustee to improve its data coverage and support the Trustee's net zero goals. The investment will also benefit from enhanced protection against climate change induced flood risk. The agreement is a step forward in encouraging fund managers to engage on climate related risks and disclosures and therefore in protecting long term value for the Scheme.

As per TPI's escalation policy, TPI will continue to engage with the manager to ensure that the commitment is implemented, with appropriate monitoring in place. TPI will liaise with the manager to ensure timely delivery of meaningful emissions data and to monitor the manager's application of the agreed ESG approach. The Trustee will also continue to be informed of TPI's engagement activities on a quarterly basis.

Engagement with tenants

The Scheme is funding the development of the UK's first BREEAM Outstanding rated office building in the UK, in Bristol. In order to ensure that the building's environmental credentials are maintained once the building is in use, TPI engaged with the prospective new tenants to ensure that they understood the energy efficiency features of the building and would not compromise these standards through their own fit out and use of the space. The engagement has the following results:

- TPI was able to agree "Green" lease clauses, including commitments to share energy usage data, and to promote efficient energy performance.
- TPI and its advisers reviewed fit out specifications to ensure that they did not reduce the building's efficiency.
- TPI agreed a memorandum of understanding with a major tenant of the building, which commits both parties to energy efficient management of the building. It includes information about the energy use information the tenant will provide, how it will source energy, and further details about its own commitment to the environment. It provides the Scheme with additional comfort beyond the provisions of the lease.
- TPI, on behalf of the Trustee, secured the provision of energy usage data to support its own data coverage and quality.
- TPI, on behalf of the Trustee, was also able to use the Outstanding target rating of the development to help to secure blue-chip tenants with their own ambitious emissions reduction targets.

In line with TPI's escalation policy, TPI will continue to engage with tenants to ensure that lease clauses are adhered to and that the building continues to operate efficiently. The Trustee will also continue to be informed of TPI's engagement activities on a quarterly basis.



When assessing the alignment of holdings in a portfolio, it is recommended that signatories use net zero pathways that are regionally or country specific. This accommodates the varying rates at which different economies are expected to transition. According to the IEA's net zero scenario CO₂ emissions in advanced economies fall to net zero by around 2045, and globally by around 2050. The pace of the transition will also vary across sectors, with the oil & gas and electricity sectors in advanced economies required to accelerate their decarbonisation to unseen levels.

As many economies in emerging and developing markets are still fossil fuel dependent today, Paris Aligned Asset Owner signatories are focused on ensuring their actions support a just and equitable transition. When energy systems are reliant on coal and other fossil fuels, for example, it is important that engagement and stewardship efforts involve working with the fossil fuel companies underpinning the energy system, as well as their workforce and local communities, to firstly understand and then support their transition. Earlier in 2022, a group of 12 UK pension funds, including Paris Aligned Asset Owners – the Church of England Pensions Board, BT Pension Scheme, Railpen, Brunel Pension Partnership, and Nest – committed to explore how greater impact could be achieved through a shared understanding of the need, opportunity and mechanisms to provide investments that support the climate transition in emerging economies. Other pension funds, such as Wiltshire Pension Fund and Royal London work with their asset managers to ensure that just transition considerations are built into engagement efforts and an overall understanding of the role of the transition of the company within its regional and economic context.





DEEP DIVE: INCORPORATING JUST TRANSITION FACTORS INTO CORPORATE ENGAGEMENT ALIGNMENT ASSESSMENTS

WILTSHIRE PENSION FUND

In 2022, Wiltshire Pension Fund supplemented emissions analysis of its portfolios with forward-looking analysis of the alignment of holdings with net zero pathways. The analysis utilised company-specific climate indicators from CA100+ Net Zero Company Benchmark and the Transition Pathway Initiative and has enabled the Fund to identify the largest GHG emitters in the portfolio that perform poorly when their climate commitments and transition plans were assessed.

Following the results of the analysis, Wiltshire Pension Fund engaged with its asset managers to develop a better understanding of the companies' performance and the steps the managers are taking to engage and escalate climate performance with the companies. Mining company, Anglo American, was identified through the Fund's analysis as it is heavily reliant on coal. Through conversations with their asset manager, Ninety One, the Fund found that Ninety One is working with the board of Anglo American to support decommissioning and develop a decarbonisation strategy. For example, Ninety One is working with Anglo American to advance their efforts to achieve net zero operations in South Africa, including through significant build out of renewable energy.

Grupo Mexico was another company identified. Disclosure issues and delayed updates to data provided by rating agencies means that obtaining accurate information to assess the company's emissions profile has been a challenge. However, Ninety One filled the information gap, showing that Grupo Mexico is consistently improving ESG credentials. For example, GHG emissions peaked in 2017 and have since been in decline year on year. In addition to its emissions profile, through its deeper understanding of the company, Ninety One was able to highlight the social credentials of the company, emphasising its role in providing good employment to local communities in which it operates. For example, the average wage of a Grupo Mexico employee is 11 times higher than the national average, it was the first company in Mexico to offer profit sharing to its employees, and the company has taken action to significantly improve health and safety practices.

Through initial analysis of its holdings and subsequent communication with its external managers, Wiltshire Pension Fund was able to understand and consider the broader ESG context in which these companies are operating, whether they have an active role in responsibly decommissioning fossil fuel assets or providing social benefits to local communities.





DEEP DIVE: CORPORATE ENGAGEMENT ON THE JUST TRANSITION

ROYAL LONDON

Royal London's customers, members, employees and the companies that Royal London provides workplace pensions to will all be impacted by the transition to a low carbon economy. Royal London wants to minimise the likelihood of the transition becoming a life shock.

The social risk of not taking climate action could be a significant barrier, if not addressed. Financial and social inclusion are also important drivers of Royal London's Purpose. Royal London believes that ensuring a Just Transition goes hand in hand with its decarbonisation and social inclusion aims.

Royal London is a large investor in the energy utilities sector, which has a critical role in decarbonising the economy by shifting away from fossil fuels towards green electrification. During 2021, in partnership with Friends Provident Foundation, Royal London continued active discussions with a number of utility companies about the trends transforming the power sector.

While most were already working on decarbonisation plans, the majority had not yet established specific approaches to addressing the social implications of their decarbonisation efforts. To remedy this, Royal London asked the companies to publish a Just Transition plan ahead of COP26. SSE published their plan in 2020 and five more companies responded in 2021:

- March 2021: E.ON published a section on Just Transition in its climate transition plan
- August 2021: National Grid committed to addressing the Just Transition in its Responsible Business Charter
- September 2021: Centrica published its Just Transition plan
- October 2021: EDF published its Just Transition plan
- November 2021: Scottish Power published its Just Transition plan

See Royal London's Annual Report and Accounts (2021) [here](#) for more details.



Commitment 7:

Engaging with industry, including asset managers and data providers

Engaging with asset managers, credit rating agencies, auditors, stock exchanges, proxy advisers, investment consultants, and data and service providers to ensure that funds, products and services available to investors are consistent with achieving global net zero emissions by 2050 or sooner



DEEP DIVE: TRANSITIONING TO PARIS-ALIGNED BENCHMARKS NZ SUPER

For a net zero economy, the whole financial system needs to transition. Asset owners have an influential role in generating a demand for the financial products and services they need to transition their own portfolios, thereby, driving innovation across the industry to provide more net zero-aligned products and services.

Alongside policy advocacy, the Net Zero Investment Framework identifies market engagement as a key component to transitioning investments. For asset owners, collaboration with asset managers and investment consultants will be integral to the development and delivery of a net zero strategy. Engaging other actors such as data vendors, index providers, and proxy advisors will also ensure a robust information base, tools and services on which to deliver net zero.

Paris Aligned Asset Owners have been working closely with asset managers to update mandates to include climate goals, develop funds to tilt portfolios towards net zero, and engage with the underlying constituents. The highlights included here showcase signatories collaborating with investment managers to design new funds, assessing asset managers' climate strategies and activities to inform manager selection and monitoring.

The NZ Super Fund has shifted about 40% of its overall investment portfolio to market indices that align with the [Paris Agreement](#). The changes apply to the Fund's index-tracking Reference Portfolio benchmark and its corresponding \$25 billion of passive investments in global equities. The changeover to the [MSCI World Climate Paris Aligned Index](#) and the [MSCI Emerging Markets Climate Paris Aligned Index](#) commenced in June 2022, with the new benchmark taking effect on 1 July 2022.

The changes will further reduce the Fund's exposure to carbon emissions as well as deliver better environmental, social and governance (ESG) outcomes across the board. They will also significantly reduce the number of publicly listed companies that the Fund owns directly.

The NZ Super Fund undertook many months of technical analysis weighing up a range of risk, return, cost and implementation considerations to ensure that making this shift will not have a detrimental impact on investment returns. The Fund also considered a range of ESG enhanced portfolios to ensure the selection of a set of portfolios that would have the best impact on social and environmental outcomes, including meeting net zero commitments.





Climate change considerations have long been considered in HSBC Bank Pension Trust Ltd's (HSBC) investment approach for its Defined Contribution (DC) pension scheme members. In 2016 it partnered with LGIM, FTSE Russell and Redington to develop the Future World Fund, which is a climate-tilted passively managed multi-factor global equity fund. The aim of the fund is to provide investors with exposure to a well-diversified global equity investment portfolio which uses climate tilts and four investment factors (quality, value, size and low volatility) to determine the benchmark weights of the underlying companies in which to invest. The Future World Fund also benefits from LGIM's [Climate Impact Pledge](#) which involves a programme of engagement, governed by a clear and transparent engagement framework, underpinned by divestment, where appropriate.

In 2021 HSBC sought to improve the positive climate characteristics of the Future World Fund, given that the fund's value factor investment benchmark characteristics were conflicting, at times with the fund's climate factor tilts. With support from investment advisor, LCP, HSBC began engaging directly with LGIM to understand the investment issues and to encourage the investment manager to review its processes. It also sought to improve the positive climate characteristics of the underlying benchmark index with FTSE Russell, the benchmark provider.

After considerable discussion and analysis, FTSE Russell made a number of benchmark construction changes which were incorporated in two steps in March and September 2021. The principal changes to the index which the fund tracks included modernising the existing tilting process to target more stable exposure across the desired factors, adding:

- New minimum weighted average carbon emissions intensity reductions of 30%
- A 100% increase in green revenues
- A 50% reduction in weighted carbon reserves intensity relative to the unadjusted market cap weighted benchmark index
- The introduction of a bespoke thermal coal exclusion position.

In addition, LGIM incorporated the FTSE Transition Pathway Initiative scores on both management quality and carbon performance, adding a new forward-looking dimension to security selection.

The outcome from this work has been to ensure the Future World Fund keeps pace with developing climate thinking and more effectively mitigates climate risk in the portfolio construction process.

Many Paris Aligned Asset Owners invest primarily through asset managers, with some of the larger funds having up to 40 external managers. It is therefore crucial that asset owners understand to what extent and how climate related risks and opportunities are being managed within each mandate or investment strategy, and what the climate outcomes are for each. This information is often then integrated into manager selection and engagement. Approaches from the Church Pension Fund Finland and UK Master Trust, Nest, and Australian superannuation fund, HESTA are highlighted below.

DEEP DIVE: ENGAGEMENT AND MONITORING OF MANAGERS' CLIMATE PERFORMANCE

THE CHURCH PENSION FUND FINLAND

The Church Pension Fund is predominantly invested through external asset managers. By conducting an annual ESG survey, the Church Pension Fund monitors the ability and resources of asset managers to assess the risks and opportunities arising from climate change. The survey, covering practices of asset managers across all asset classes, includes dedicated climate questions on both a firm and fund level.

The survey template is used as part of the due diligence conducted when selecting new asset managers and funds. The annual results are an important tool for the Church Pension Fund's engagement with asset managers. By providing feedback to all asset managers and funds, the managers may improve their practices, for example, in climate target setting and reporting, or carry out more active advocacy with portfolio companies.

In addition to asset manager engagement based on ESG surveys, the Church Pension Fund's net zero strategy includes:

- Engaging with selected asset managers based on results from the annual portfolio climate impact assessment conducted by ISS (covering listed equities and corporate bonds)
- Encouraging companies to develop climate strategies and related reporting and to set targets for reducing carbon risk
- Increasing investments in climate solutions across asset classes, targeting 10% of AUM allocated to green investments by 2025.

Firm level

1. Does your organisation have a policy or strategy that cover climate change related risks and opportunities? Please provide a link to the policy.
2. Has your organisation set interim targets? Please disclose your interim targets.

Fund level

1. Do you set any climate related targets (incl. decarbonisation) for this fund? Please describe the targets.
2. Do you implement fossil fuel exclusions for this fund? Describe the thresholds and details of your exclusion criteria including any exceptions allowing investment in transition companies.
3. Describe this fund's approach for assessing and managing physical risks from climate change.
4. Do you track the share of Paris aligned (net zero) / not aligned companies in the fund? What is the proportion of financed emissions in material sectors that already meet net zero aligned criteria?

Many Paris Aligned Asset Owners are using the findings of surveys and performance assessments to inform further engagement with managers. Examples from HESTA and Nest shows that signatories are initiating a feedback loop between managers' climate performance and increasing expectations to support clients to meet their own net zero goals. In the case of Nest, this includes time-bound objectives that managers must demonstrate progress against or risk losing their mandate.



DEEP DIVE: CLIMATE ANALYSIS OF INVESTMENT MANAGERS HESTA

In 2020, HESTA became the first major Australian superannuation fund to make a commitment to reach net zero carbon emissions by 2050 across its portfolio. HESTA's external investment managers have a key role in supporting implementation of HESTA's climate targets.

In Financial Year 2021/2022, as part of regular performance monitoring of its external investment managers on responsible investment issues under their mandates, HESTA conducted a deep-dive into the outcomes achieved by the application of managers' climate change policies and processes. The results of the analysis are being used by HESTA to inform ongoing priorities for engagement with external managers.

HESTA assessed investment manager responses against three pillars:

- **Risk Management** – How managers are underwriting climate risk
- **Opportunity** – How managers are investing in climate opportunities
- **Engagement** – How managers are engaging with material carbon emitters to reduce global emissions (as opposed to portfolio emissions)

Two key findings from the engagement included:

1. Managers with a sustainability focus to their investment approach demonstrated better climate risk management technique.
2. Net Zero Asset Managers initiative signatories demonstrated better engagement outcomes than other managers.



DEEP DIVE: SETTING TIME-BOUND OBJECTIVES FOR EXTERNAL MANAGERS NEST

Nest has been at the forefront of asset owner action to support the net zero transition. The pension fund developed a [Climate Change Policy](#) in 2020/21 which sets out an ambition to align its investment strategy with the 1.5°C global goal by reaching net zero emissions across its investment portfolio by 2050 at the latest. An important part of Nest's climate strategy focuses on the fund's engagement with its external investment managers.

In December 2020, Nest wrote to all existing external investment managers to set out its expectation that they will work towards aligning the portfolio they manage for the Scheme with a 1.5°C global warming limit. Specifically, Nest has formulated three key expectations for all investment managers:

- **Reducing emissions** – Nest expects its investment managers to develop a strategy to align the portfolio with the 1.5°C global warming limit.
- **Reporting** – Nest expects investment managers to report on the climate-related risks and opportunities in the portfolio they manage using the TCFD framework.
- **Voting** – Nest expects its investment managers to exercise their voting rights and engagement resource to positively influence the companies in their portfolio to transition to a low carbon economy.

To ensure delivery against these expectations, Nest set objectives and benchmarks for each fund manager based on how far they have already progressed in evolving their investment approach towards a low carbon economy. Nest set time-bound, mandate-specific climate-related objectives for existing managers and expects all objectives to be met by 2023 at the latest. If limited progress has been made in any individual portfolio by the end of 2023, Nest will withdraw their members' assets.

In total, Nest set 69 objectives across 23 portfolios and 13 fund managers. As of 31 March 2022:

- 65.2% objectives had been met
- 7.2% of objectives were on track
- 14.5% of objectives were in progress
- 13% of objectives had not progressed.

To set a comprehensive set of net zero targets, assess the forward-looking alignment of assets in a portfolio, and undertake engagement with companies, investors require a lot of data, as explored in Commitment 1 and Commitment 3. Currently asset owners utilise a range of public data sources, such as those recommended in the Net Zero Investment Framework:

- Transition Pathway Initiative (corporates)
- Climate Action 100+ Net Zero Benchmark (corporates)
- Science Based Targets Initiative (corporates)
- Carbon Risk Real Estate Monitor (real estate)
- The Climate Change Performance Index from Germanwatch (sovereigns)

With diversified portfolios, asset owners may also need to complement the above data sources with data sets from private vendors. This will help increase data coverage across a portfolio.

To support this effort, IIGCC published Delivering Net Zero: A Data Catalogue For Investors. The catalogue provides a detailed analysis of data sets and products in the market from 16 participating vendors. The catalogue will help investors find and assess the most relevant data sources for their needs. It will be particularly useful for any investor following the Net Zero Investment Framework and performing the recommended forward-looking asset alignment assessments.

16 private data vendors participate in the first edition of IIGCC's Data Catalogue

Arabesque (ESG Book)	Clarity AI	ISS ESG	Planetrics
Arcturus	FTSE Russell	Moody's	S&P Global
Carbon4 Finance	Iceberg Datalab	MSCI	Sustainalytics
CDP	Impact Cubed	Ortec Finance	Urgentem

The catalogue covers the following asset classes; corporates, real estate and sovereigns, as well as overarching data such as GHG emissions, climate solutions, fossil fuel exposure. The catalogue contains:

- Key findings and results of a dummy portfolio test
- Data needs for the Net Zero Investment Framework and data acquisition strategies
- A detailed and technical review of vendors' offerings
- One page summaries for each data vendor



Whilst engagement with asset managers is likely to be the most important industry engagement action signatories can take to deliver against their own net zero targets, engagement with other industry stakeholders will also be key.

IIGCC members have been engaging proxy advisors since 2021 to ask them to develop a suite of proxy advice solutions for investors and then make a public commitment to support net zero investing. Writing to Glass Lewis and ISS in November 2021, investors requested further action in four key areas:

1. Systematically consider and progressively incorporate the transition to a net zero economy into the benchmark policy
2. Development of a speciality net zero policy
3. Facilitate custom net zero solutions
4. Make a public commitment to support net zero investing

Further work is underway to continue engagement with proxy advisors on important topics such as benchmark policies, director accountability, and climate accounting and auditing.

Supported by IIGCC, investors have been engaging with auditors on climate risk since 2019, and in late 2021 and early 2022 investors wrote to the Big 4 in the UK and France respectively, seeking assurance that material climate risks were being integrated into company audits.

Asset owners rely heavily on companies in their portfolios to set out plans to transition their business models. Companies will need to understand transition risks and opportunities to do this. For example, a coal power company will need to consider rising carbon taxes and falling costs of renewable energy.

In order to deploy capital effectively, it is important for shareholders to see evidence that companies and their auditors are reflecting the impacts of the net zero transition on assets, liabilities, profits and losses in their financial statements. In line with existing regulation, investors expect auditors to alert them where material climate risks are not taken into account.

Investors have four key expectations of auditors:

- Confirm that critical accounting estimates reflect material climate risks, in line with accounting standards
- Confirm whether critical assumptions and estimates are aligned with a 1.5C pathway
- Alert shareholders to any inconsistency between narrative disclosures and financial statements
- Confirm dividend resiliency when climate impacts are accounted for

Auditors may provide this information through their disclosure of key or critical audit matters, and consider whether this would necessitate a qualification to their opinion on the financial statements.

There are welcome signs that some Lead Audit Partners are enhancing their focus on climate risks in their audits, and engagement is ongoing.

Investor Expectations for Paris-aligned Accounts

November 2020



Commitment 8:

Reducing operational emissions

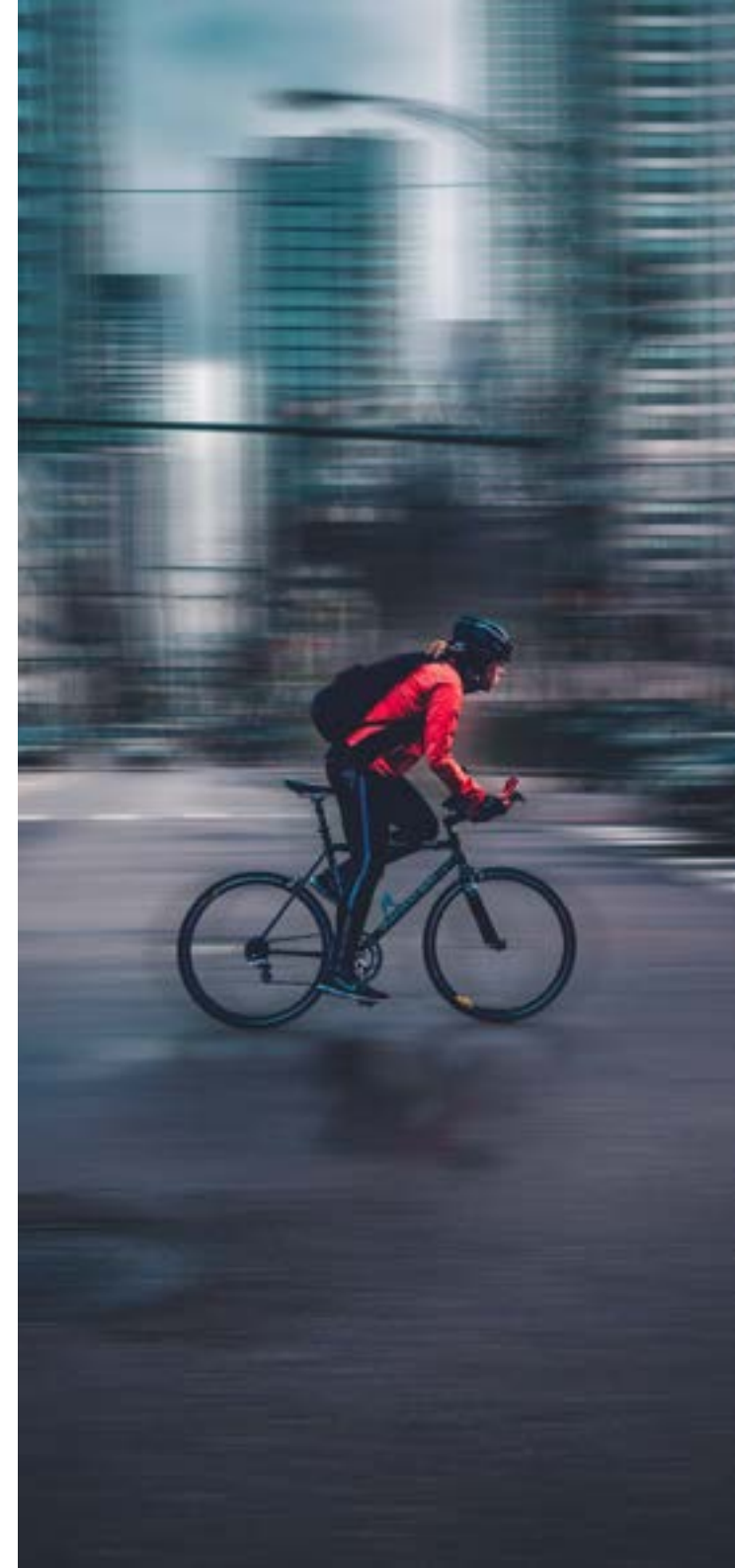
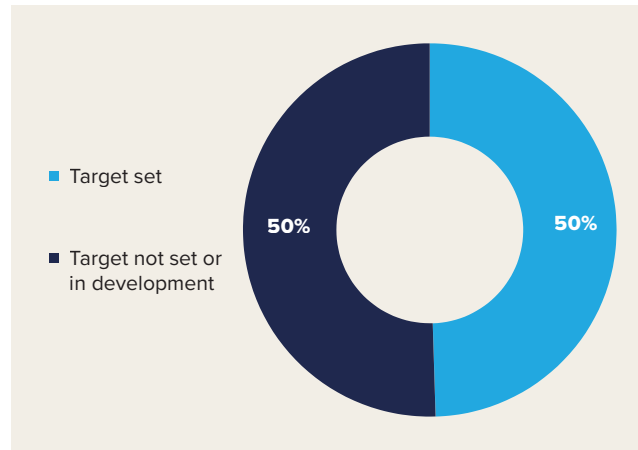
Setting a target and reducing our operational (scope 1 and 2) emissions in line with achieving global net zero emissions by 2050, or sooner

Portfolio emissions of financial institutions are, on average, over 700 times larger than the financial institution's direct emissions. Paris Aligned Asset Owners, therefore, are primarily focused on driving reductions of their organisation's financed emissions.

However, Paris Aligned Asset Owner signatories recognise that taking action to reduce operational emissions is important to maximise contribution to emissions reductions in the economy and show consistency between signatories' own actions and the requests made of portfolio companies, other assets, policy makers and others.

50% of Paris Aligned Asset Owner signatories that have disclosed targets to date also have a target covering their organisation's operational emissions. A number of signatories, whilst having not yet set a target for reducing operational emissions, are already carbon neutral. Many other signatories have noted that operational emissions targets are a work in progress and outlined the developments made so far. For some, this includes a calculation of baseline emissions from energy use in buildings and employee travel, for example. In the absence of quantified targets, other signatories have outlined actions taken to reduce operational emissions, such as by switching to renewable and/or carbon neutral energy providers, energy efficiency upgrades to buildings, reducing employee travel by air and increasing the use of online meetings and staff working from home, reducing employee commuting.

Figure 15. Number of signatories with operational emissions targets





DEEP DIVE: OPERATIONAL EMISSIONS STRATEGY

ROYAL LONDON MUTUAL INSURANCE SOCIETY

Royal London has committed to achieving net zero direct operational emissions by 2030 (scopes 1 and 2). Through renewable energy procurement and energy efficiency in offices, amongst other measures, Royal London has achieved its 2025 targets three years early, though recognises there may have been some positive impacts on emissions as a result of the pandemic.

Energy and electricity

- Royal London has reduced its scope 1 emissions by 68% from a 2019 baseline. 99% of electricity across its operational estate (scope 2) was sourced from renewable energy sources in 2021.
- Working with its facilities management partner, Mitie, Royal London has implemented 93 energy conservation measures, resulting in over 1 million kWh of energy savings in both gas and electricity across its offices.

Working with suppliers:

- Royal London works closely with its suppliers and requested that its key supply partners respond to the CDP's supply chain climate change questionnaire. This resulted in a 58% response rate and a strong foundation to build on in 2022.

Sustainable behaviour:

- Royal London installed ten electric vehicle (EV) charging points at its new office in Alderley Park, Cheshire and organised on-site displays of the benefits of electric vehicles to encourage employees to switch.
- All single-use plastic bottles from across its offices have been removed and compostable takeaway packaging has been introduced in its restaurants.
- Through the introduction of QR codes in certain customer communications, Royal London has saved over 200 tonnes of paper. In addition, Royal London saved over 2.5 million sheets of paper through the increased adoption of electronic signature technology.

Empowering employees:

- Royal London recognises its employees play an integral part in supporting its efforts and in 2021 launched the Pawprint app to enable all employees to measure, understand and reduce their carbon footprint.
- Royal London's 'Eco Champs' group grew substantially over 2021, with over 400 employees helping to build a culture of sustainability across the Group.

Whilst continuing to decarbonise, Royal London has maintained carbon neutrality in its direct operational emissions (scopes 1 and 2) through carbon offsetting. In 2021, Royal London's carbon offsetting supported solar energy systems for communities in India.



An aerial photograph of a tropical coastline. A river flows through a lush green forest, emptying into a sandy beach. The ocean is a vibrant turquoise color, with white waves crashing against the shore. The scene is captured from a high angle, showing the intricate patterns of the forest and the curve of the beach.

Commitment 9:

Disclosing objectives and targets and a plan for achieving goals

Disclosing objectives and targets, and publishing a clear Investor Climate Action Plan for achieving these goals as soon as possible, no later than one year from making this commitment, and reviewing and updating targets every five years or sooner

Asset owners are asked to develop a strategy or plan for achieving their net zero targets. Investors can draw on multiple guidance to do this, including the Net Zero Investment Framework core components and related actions, the Investor Agenda's Investor Climate Actions Plans (ICAPs), and the more recent pan-finance sector guidance from GFANZ on Net Zero Transition Plans.

In addition to leading the way with their own commitments and strategy development, many signatories have been early and leading contributors to projects and initiatives that have provided the investment and broader finance industry with the initial concepts, language, frameworks, approaches and methodologies that have ultimately helped drive the ambition and momentum of the sector towards net zero in more recent years. To illustrate, GFANZ now contains seven sector specific alliances, covering banks, insurers, investment consultants and financial service providers. When GFANZ was launched at COP26 in November 2021, only three of these alliances were already in operation, all of which were investor-focussed: Paris Aligned Asset Owners, Net Zero Asset Managers, Net Zero Asset Owner Alliance. Now, GFANZ plays an important role in bringing financial sector actors together to address sector-wide challenges associated with the net zero transition and broaden participation across the financial sector.

In addition to the climate action plan The New York State Common Retirement Fund described in *Transition Highlight 4*, Canadian asset owner IMCO has set out a climate action plan that supports the delivery of its net zero targets for the public sector institutions it acts on behalf of.

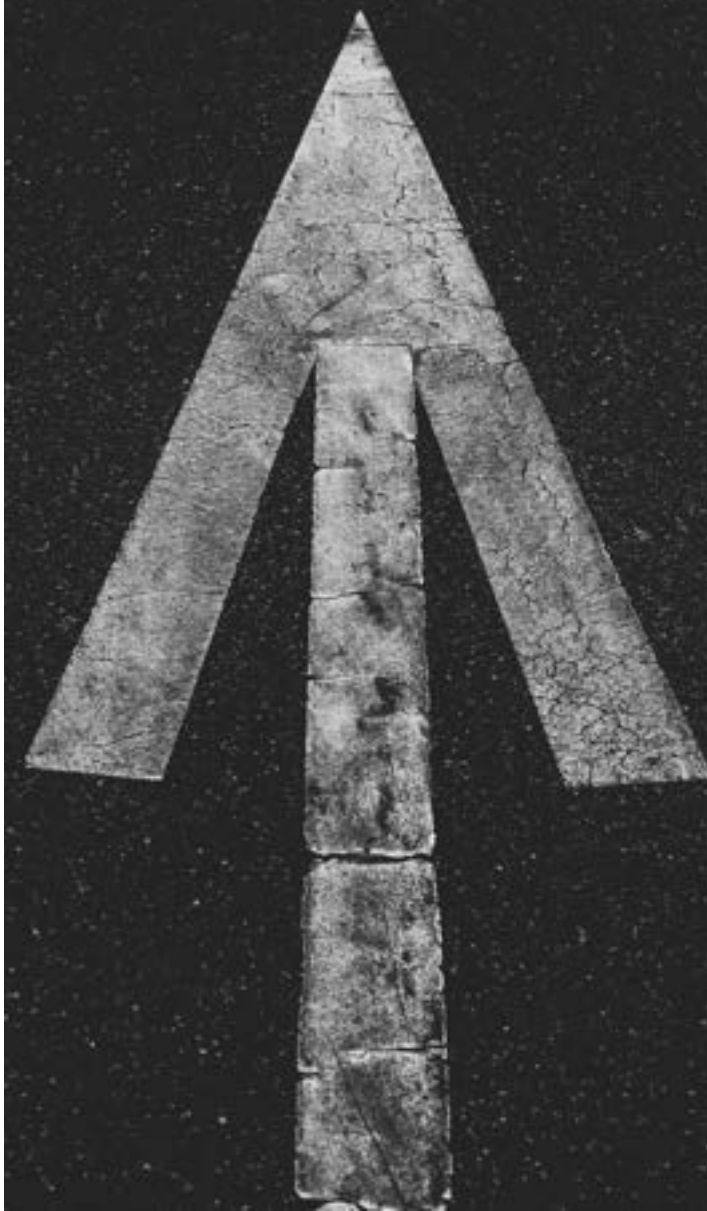
Guidance for climate action and transition planning

There is much commonality between the available guidance for signatories developing plans to fulfil their net zero commitments.

Some asset owners may utilise all elements, whilst others may wish to consider which levers they have available based on their own circumstances and constraints and prioritise action where it can maximise impact. Additional levers can be incorporated over time.

Common themes across guidance includes:

1. Governance
2. Risk management
3. Metrics and targets
4. Asset allocation
5. Engagement and stewardship
6. Industry collaboration
7. Products and services
8. Policy and regulation
9. Disclosure





DEEP DIVE: CLIMATE ACTION PLANNING

THE INVESTMENT MANAGEMENT CORPORATION OF ONTARIO (IMCO)

The Investment Management Corporation of Ontario (IMCO) manages over \$79 billion in assets on behalf of broader public sector institutions. In 2021, IMCO committed to achieving a net zero emissions portfolio by 2050 or earlier and joined the Paris Aligned Asset Owners.

Managing climate change and supporting the global transition to a net zero emissions economy are among IMCO's ESG priorities. IMCO's climate action focuses on four areas:

Capital deployment

IMCO pursues climate-positive and transition investment opportunities.

IMCO's investment in Pulse Clean Energy demonstrates both the unique opportunities available to investors and the complexities involved in identifying and capitalising on those opportunities. Battery storage capacity plays a critical role in providing stable, reliable and clean electricity to the grid, enabling the level of intermittent renewables required to achieve net zero. Pulse Clean Energy is leading innovation in energy storage by transforming diesel power generation to battery storage and energy optimization.

Portfolio management

IMCO focuses on further integrating climate-related risks and opportunities into the investment decision making processes, and continuously monitors climate risk across the portfolio.

IMCO requires external managers to complete an ESG due diligence questionnaire, with a dedicated section on climate change, which collects information on the manager's ESG-related policies, processes and performance. The goal is to help IMCO understand the manager's climate approach, and includes questions in the following areas:

- Net-zero commitment, portfolio alignment with low carbon transition and net zero
- Climate risk and opportunities assessment
- Carbon footprinting of scope 1, 2 and if appropriate, scope 3 emissions
- Targets and metrics
- TCFD implementation and reporting

Asset ownership

IMCO engages with portfolio companies and external managers on key issues related to climate and collaborates with like-minded investors and policymakers to drive collective climate action.

IMCO's [proxy voting guideline](#) outlines its expectations of companies to support their management-sponsored climate proposals. Expectations include:

- Commit to net zero carbon emissions by 2050 or sooner
- Set science-based emission reduction targets
- Disclose climate information in line with Task Force on Climate-Related Financial Disclosures (TCFD)

Climate Guardrails

IMCO will establish restrictions and limitations for high-emission sectors to minimize exposure to investments incompatible with a net-zero economy while also supporting assets with a viable transition path.

For IMCO, climate change is a multi-year journey, and it plans to continue to look for opportunities for value creation from the transition to a net zero economy, while mitigating the systemic risks presented by climate change.

Examples from other signatories include UK pension schemes Railpen and Scottish Widows which both define four pillars of their Net Zero Plan and Climate Action Plan published in September 2021 and February 2022, respectively.

Strategy and governance

Targets and objectives

Strategic asset allocation

Stewardship, policy advocacy and market engagement

CLIMATE ACTION PLAN 2022
SCOTTISH WIDOWS

Governance and strategy

Targets and objectives

Asset Class Alignment

Policy advocacy and market engagement

Commitment, beliefs, responsibility & ownership, reporting

Fund-level GHG reduction targets, climate solution targets

Portfolio-level alignment targets, engagement targets, selective divestment

Strategic policy and market-level engagement, direct and collaborative support for the Paris goals

NET ZERO PLAN
RAILPEN

Commitment 10: Reporting annually on strategy and actions

Reporting annually on the strategy and actions implemented and progress towards achieving objectives and targets, and in line with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations.

The first group of asset owners that joined the initiative by signing the 10-point commitment did so in March 2021, disclosing initial objectives and targets at least 12 months later. Therefore, signatories are not formally required to disclose progress against targets until 2023. Despite this, a number of asset owners have disclosed progress either through TCFD-aligned disclosures (discussed further below) and/or through initial case studies submitted to the regional investor networks, several of which are included in this report.

The initiative is currently developing a mechanism through which signatories can report progress annually. As signatories are already subject to a range of mandatory reporting requirements and voluntary disclosures, the initiative is committed to streamlining its disclosures recommendations. Signatories will be supported to incorporate information relating to their progress against the net zero commitment with existing reporting frameworks applicable to their jurisdiction, such as TCFD.

Since September 2021, Wiltshire Pension Fund has made progress in many of its climate related activities. This includes improving its annual TCFD report by:

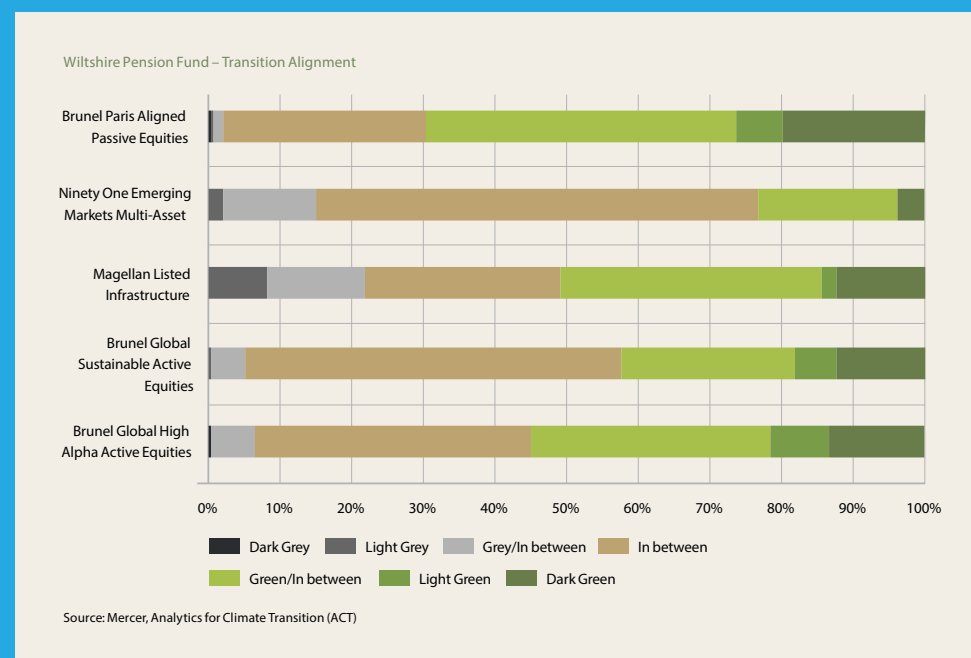
- Recalculating the Fund’s emissions baseline to align with the Net Zero Investment Framework recommendations and Brunel Pensions Partnership
- Integrating additional analysis of holdings to increase coverage of asset classes
- Incorporating forward-looking assessment of holdings to understand the alignment of different portfolios and highlight specific holdings to prioritise for engagement.

Forward-looking alignment analysis of holdings is a central part of the Net Zero Investment Framework. Leveraging Mercer’s Analytics for Climate Transition (ACT), Wiltshire Pension Fund now monitors both the decarbonisation progress and the forward-looking alignment of its portfolios, with holdings labelled shades of green, grey and in between. This analysis will inform the Fund’s net zero strategy, particularly in relation to corporate engagement priorities, and support granular target setting over the next 12-18 months following the disclosure of the Fund’s initial net zero targets in 2022. See *Commitment 6: Implementing a stewardship and engagement strategy* for an example of the Fund’s engagement with highest emitting holdings via its asset managers.

The forward-looking alignment analysis will also allow the Fund to report against any new TCFD disclosure requirements that may come into force for Local Government Pension Schemes in the UK, as is currently being consulted on. At present, many UK pension schemes are in scope of requirements from the Department for Work and Pensions to report, as far as they are able to, one absolute emissions metric, one emissions intensity metric, and a portfolio alignment metric. With the latter akin to the Net Zero Investment Framework’s asset-level alignment approach.

The Fund is committed to transparently reporting on progress made towards its net zero commitment. In addition to TCFD reporting and regular updates to the Wiltshire Pension Fund website, the Fund intends to produce a ‘Climate report’ for 2022/2023 and welcomes policy proposals that would require Local Government Pension Schemes in the UK to have effective governance, strategy, risk management and accompanying metrics and targets for the assessment and management of climate risks and opportunities and disclose these in line with TCFD.

Figure 16. Results of a forward-looking alignment assessment of Wiltshire Pension Fund’s portfolios



As the recommendations from TCFD are moving from a financial related risk focus to include forward-looking alignment and transition planning, there is likely to be further opportunities for asset owners to integrate reporting against their net zero commitment into TCFD disclosures. The Net Zero Investment Framework sets out a set of recommended disclosures that asset owners can make following the four pillars of the TCFD reporting structure: Governance, Strategy, Metrics and Targets, Management.

The PAAO initiative is committed to promoting and facilitating transparency of the actions signatories are taking to meet their net zero commitment.

TCFD also requires investors to measure, manage and report against physical climate risks and opportunities. In 2022, IIGCC and a working group of members have been developing a framework for investors to align their portfolios to the adaptation and resilience goals of the Paris Agreement.

Through collaboration with investors in Oceania and Asia, via AIGCC and IGCC, a discussion paper was published by IIGCC in September 2022. The paper outlines some of the underpinning theory of a “Climate Resilience Investment Framework”, highlighting the importance of addressing risks to assets as well as wider systemic risks. IIGCC proposed a structure and key components of a framework as well as initial indicators for investors to measure action towards resilience goals.

Work to support investors integrate physical climate risks into investment decisions and scale up capital flows towards resilience will continue into 2023.

GOVERNANCE

- The board/CEO level commitment to the goal of achieving net zero portfolio emissions by 2050 or sooner, as relevant for asset owners or asset managers, and responsibility for implementation of the commitment and strategy.
- How climate objectives have been incorporated into mandates and objectives for asset managers, portfolio managers, and other personnel as relevant.

STRATEGY

- The key principles and components of the investor’s strategy for achieving the commitments to net zero and implementing this Framework, and how the strategy and targets represent an investor’s maximum possible effort to reducing emissions and increasing allocation to climate solutions.
- If relevant, how climate metrics, targets and objectives have been incorporated into SAA or similar processes.
- Constraints identified to achieving greater alignment and how these have been addressed, as appropriate.
- The key principles and components of a net zero engagement and stewardship strategy, including escalation and milestones.

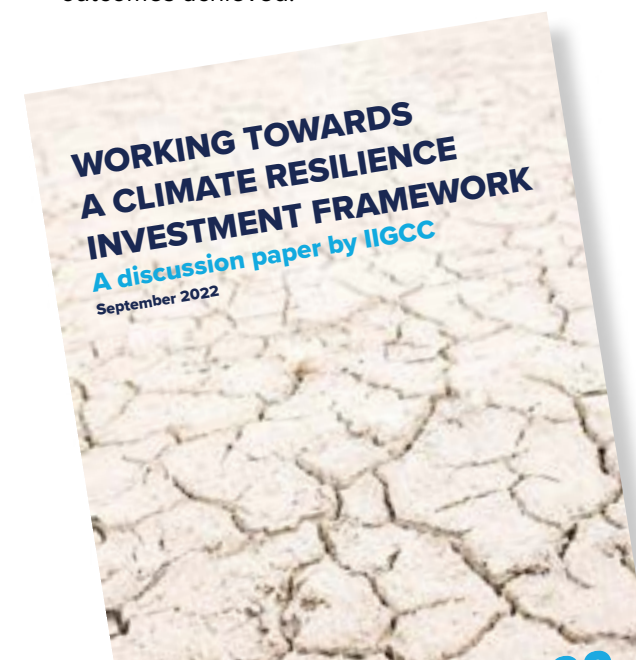
METRICS AND TARGETS

- The targets set including how these targets were calculated, and evidence and information that was used to inform the target setting process as referred to in section 5.
- The science-based scenario(s) or pathway(s) used to guide target setting and assess the alignment of companies, including the name of the relevant model(s), how these meet the parameters in Box 2, and critical assumptions used.
- Methodologies used to assess alignment of assets, and the extent to which these are consistent with the key features of the methodologies recommended in sections 7.1-7.3.

- Performance against targets over time, and any updates or adjustments to targets that are relevant.

MANAGEMENT

- Portfolio construction approaches implemented and/or products developed to facilitate allocation to products that support net zero aligned investing.
- Engagement, stewardship and direct management actions undertaken in line with recommendations in sections 7.1-7.3, performance in relation to the engagement threshold, and key outcomes achieved.
- Voting policy and voting record, including an explanation of any deviations from the policy.
- Policy in relation to exclusions or phase out of fossil fuel investments.
- Where divestment or exclusion has been used, the rationale, and the extent to which this has been the means to achieve targets.
- Information on direct and collective policy actions undertaken across the key areas for advocacy mentioned in section 8, including outcomes achieved.
- Information on market engagement actions undertaken as mentioned in section 8, including outcomes achieved.



Appendices

Joining the initiative

If your organisation is considering making a net zero commitment and would like to discuss the initiative as well as the methodology and implementation support offered by the investor networks, please get in touch.

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Investor networks – a summary of methodology guidance and implementation support

The PAII Network Partners (AIGCC, Ceres, IGCC, IIGCC) support asset owners and asset managers to implement the Paris Aligned Asset Owner 10-point commitment statement and develop guidance for net zero investment strategies, primarily through the Net Zero Investment Framework. The table below sets out the range of guidance developed recently by each of the investor networks and collectively within the Paris Aligned Investment Initiative.

Investor Network	Topic	Description	Link
PAII (AIGCC, Ceres, IGCC, IIGCC)	Net Zero Investment Framework (March 2021)	The Net Zero Investment Framework provides a common set of recommended actions, metrics and methodologies through which investors can maximise their contribution to achieving global net zero global emissions by 2050 or sooner. Its primary objective is to ensure investors can decarbonise investment portfolios and increase investment in climate solutions.	Net Zero Investment Framework Implementation Guide
PAII (AIGCC, Ceres, IGCC, IIGCC)	Private equity (February 2022)	The proposed private equity component for the Net Zero Investment Framework, is relevant to both GPs and LPs – it will allow GPs to make and implement net zero commitments for the first time, while LPs can incorporate private equity into net zero strategies for multi-asset class portfolios.	Private Equity Component for the Net Zero Investment Framework
PAII (AIGCC, Ceres, IGCC, IIGCC)	Derivatives and hedge funds (May 2022)	This discussion paper considers how portfolio measurement, asset alignment and portfolio management would be affected by the inclusion of derivatives and hedge funds.	Incorporating Derivatives and Hedge Funds into the Net Zero Investment Framework
PAII (AIGCC, Ceres, IGCC, IIGCC)	Infrastructure (July 2022)	This new component for the Paris Aligned Investment Initiative’s Net Zero Investment Framework provides guidance on aligning and managing infrastructure portfolios with the goal of achieving global net zero emissions by 2050 or sooner.	Proposed Components for Infrastructure
PAII (AIGCC, Ceres, IGCC, IIGCC)	PAOO target disclosures (November 2022)	This publication presents the initial targets disclosed by 40 of the 57 Paris Aligned Asset Owner signatories. Signatories are due to disclose targets one year after signing the commitment, as per the commitment statement .	PAOO Initial Target Disclosures
Investor Agenda (AIGCC, Ceres, CDP, IGCC, IIGCC, PRI, UNEP FI)	Policy advocacy	In the run-up to COP 27, Paris Aligned Asset Owner signatories were among the 532 investors representing \$39 trillion in assets that submitted the 2022 Global Investor Statement to Governments on the Climate Crisis to government leaders from all around the world assembled at the U.N. in September.	Global Investor Statement to Governments on the Climate Crisis
AIGCC	Investor Progress (February 2021)	AIGCC has been undertaking an annual study since 2019 to gather insights on how the market is defining and investing in climate-aligned opportunities, and the barriers to increased investment they continue to face. This report provides the collective view of Asian investors, and non-Asian investors with significant investment in Asia, with funds representing over \$6 trillion total assets under management globally surveyed in December 2021.	Pursuit of Ambitions: Net Zero Investment in Asia (3rd edition)

AIGCC	Corporate Engagement: Asian Utilities Engagement Program (AUEP)	Investor engagement with Asian electric utilities will play a key role in addressing climate risk as the sector contributes approximately 23 per cent of global greenhouse gas emissions and has a young asset age profile of about 13 years (versus an average economic lifetime of 40 years). This report discusses some of the key issues facing the Asian utilities sector and some high-level reporting of the engagement progress to date with the five focus companies.	Asian Utilities Engagement Program 2021-2022 Progress Report
AIGCC	Investor Expectations of the Asian Electric Utilities Companies	This document sets out key insights into trends affecting Asian electric utilities, followed by investor expectations framed in a series of questions that investors can use for constructive engagement with the boards and management of electric utilities.	Investor Expectations of Asian Electric Utilities Companies – Crossover to net zero. Also available in Simplified Chinese, Traditional Chinese, Japanese, and Korean
AIGCC	Member masterclasses	AIGCC held three member masterclasses to support investors on their net zero climate journey and development of investor climate action plans. The topics include: 1) Investment and Governance, 2) Investor Disclosure, and 3) Corporate Engagement and Policy Advocacy.	Investor Practice Masterclasses series
AIGCC	Carbon Capture and Storage (December 2021)	In the decisive decade for decarbonization, the prospect of Carbon Capture and Storage (CCS) deployment has become a discussion of critical importance. To validate whether such capacity projections for 2050 are plausible in the Asian context, AIGCC commissioned Wood Mackenzie to assess the drivers of CCS feasibility, consisting of cost competitiveness to alternatives, policy and regulatory support and storage availability, to assess the competitiveness of CCS in the power generation and steel sectors of China, India, Japan and South Korea.	Carbon Capture and Storage in the decisive decade for decarbonisation – The Case for Asia
AIGCC	Tools on Physical Climate Risks and Resilience	This Guide profiles the tools that are designed for a variety of purposes including portfolio assessment, security selection, strategic and tactical asset allocation, risk management and regulatory reporting. This guide is useful for investors at the beginning of their climate risk journey, and also for those who are more advanced – to screen and determine relevant tools that fit in their investment process, to conduct deep dive analyses and develop investor action and engagement plans.	Riding the wave of physical risks – A compendium of tools and service providers for investors in Asia
AIGCC	Policy Advocacy	AIGCC submitted a response to the U.S. Securities and Exchange Commission on The Enhancement and Standardisation of Climate-Related Disclosures for Investors.	AIGCC Statement on the US SEC Proposal
AIGCC	Policy Advocacy	AIGCC submitted feedback on Exposure draft IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Financial Information.	AIGCC Feedback on ISSB Exposure Draft
Ceres	Policy advocacy	The U.S. Congress passed the Inflation Reduction Act, the most significant climate legislation in U.S. history, was propelled by investor and corporate support in letters and visits with lawmakers organized by Ceres. The Act provides \$370 billion towards renewable energy, clean transportation and environmental justice investments in measures that incentivize further private sector investment.	The Inflation Reduction Act was years in the making, and will power our economy for years to come
Ceres	Policy advocacy	Nundreds of investors have supported a U.S. Securities and Exchange Commission (SEC) proposed rule mandating that publicly held companies report on their climate risk and opportunities, filing written comments testifying to the need for such a mandate. Comments were submitted by institutions including the Office of the New York City Comptroller and the Office of the New York State Comptroller that oversee four of the city and state retirement systems that are signatories to PAAO. Ceres also filed a letter in support of the proposal, hosted a briefing with the SEC Chair Gary Gensler, and convened a direct dialogue between investors and the Chair's office. This proposed rule did not happen in a vacuum. Ceres along with investors around the U.S. and the world with tens of trillions of dollars in assets, has been advocating for standardized, mandatory corporate climate disclosure for decades. Investors with more than \$4 trillion in AUM have also signed Ceres' Statement of Essential Principles, a collective statement of principles that the SEC should incorporate into its final rule. The final rule is expected in early 2023.	SEC Climate Disclosure Ceres final comment letter to the SEC Briefing with the SEC Chair Gary Gensler Ceres' Statement of Essential Principles

Ceres	Investor Climate Action Plans	North American investors are publishing robust Investor Climate Action Plans (ICAPs) that show how they will meet the strong interim targets they have set and articulate how they'll take key climate actions, including corporate engagement, to support the goals of the Paris Agreement. To help more asset owners develop ICAPs and plan their climate journey, Ceres is launching an 8-week ICAPs course in January 2023.	Develop Your ICAPs: A Ceres Course for Asset Owners
Ceres	Investor collaboration	Ceres also continues to run monthly Paris Aligned Investment Working Group meetings for its Investor Network members to foster peer learning on target setting, climate action plans development, net zero implementation and just transition.	Ceres Investor Network
IGCC	Just Transition (July 2021)	This report highlights the challenges and opportunities for Australian communities economically tied to fossil fuel industries, providing an assessment of energy markets and the climate policy landscape. The report includes key actions investors can take to drive a just transition across (1) investment strategy and capital allocation; (2) corporate engagement; (3) impact measurement and evaluation; (4) advocacy and partnerships; and (5) disclosure.	Empowering Communities: How investors can support an equitable transition to net zero
IGCC	Investor progress (June 2021)	IGCC's investor survey provides insights into how Australian and New Zealand investors are responding to climate risk and net zero investment opportunities. 2022 State of Net Zero Investment in Australia and New Zealand reports are launched in November 2022.	Aspiration to Action: Insights into investor progress towards net zero
IGCC	Investor expectations: Company directors (November 2021)	This report finds Australian company directors lack the skills and experience to lead the corporate transition to net zero emissions by 2050. The report provides guidance on what outcomes investors want to see directors and boards deliver as companies set out their net zero ambitions and approaches.	A changing climate: What investors expect of company directors on climate risk
IGCC	Climate disclosures (January 2022)	This report considers emerging global best practice for standards on climate risk disclosure regimes and how they might be adopted into the incoming mandatory regime in New Zealand to enable investors to make well-informed decisions.	Climate disclosures: Lessons from Global Trends for Aotearoa New Zealand
IGCC	Corporate transition plans (March 2022)	This report aims to help companies preparing climate transition plans and investors engaging with these improved plans. By summarising existing guidance it provides a clear set of investor expectations for Australian businesses' climate plans.	Corporate Climate Transition Plans: A Guide to Investor Expectations
IGCC	Sectoral deep dive: Gas (April 2022)	This report highlights that under 1.5°C Paris-aligned scenario new gas projects may be economically challenged, and investors are likely to be cautious of capital expenditure in the sector.	Changing Pathways for Australian Gas
IGCC	Circular economy (June 2022)	This discussion paper provides a briefing on circular economy fundamentals, indications of the investment opportunity, and the link between circular economy approaches and climate mitigation, resilience and adaptation.	Regenerate and Restore: A Circular Economy Discussion Paper for Investors
IGCC	Sectoral deep dive: Hydrogen (August 2022)	Investors want Australia to prioritise the development of a low emissions hydrogen industry, favouring green hydrogen over blue. The report identifies that investors have a key role to play in: <ul style="list-style-type: none"> • Generating demand from hydrogen users for low-emissions hydrogen • Advocating for the creation of robust standards for certifying low-emissions hydrogen • Supporting market enablers of the industry including increasing renewable energy investment • Supporting policy settings that will accelerate the transition away from fossil fuels 	Unlocking investment in the Australian hydrogen industry
IGCC	IGCC: Member masterclasses (2022)	IGCC held five half day masterclasses to support investors on their journey to net zero, bringing together best practice. The sessions focussed on target setting, ICAPs, corporate & policy engagement Just Transition and physical risk & resilience.	Investor Practice Masterclass Series: The Net Zero Journey: Target setting, implementation and overcoming barriers

IGCC	IGCC: three year strategy (September 2022)	In September 2022, IGCC launched its plan to accelerate investment for a clean and resilient economy. It covers the strategic landscape and the three impact strategies that IGCC will implement taking us to the mid-point in this critical decade.	
IGCC	IGCC: Policy priorities (October 2022)	IGCC's policy priorities are based on extensive input from the mainstream of Australia's institutional investment industry, including IGCC's membership and industry peak bodies.	IGCC Policy 2025 Priorities
IIGCC	Target setting (December 2021)	This document provides step-by-step guidance for investors implementing the recommendations of the Net Zero Investment Framework. The guidance will support asset owners and asset managers utilising the Framework to establish their targets in line with their net zero commitments.	The Net Zero Investment Framework: Supplementary Target Setting Guidance
IIGCC	Climate solutions (April 2022)	The Climate Investment Roadmap was developed with support and analysis from Vivid Economics and aims to support investors in understanding the \$126 trillion of investment in climate solutions required to meet the goals of the Paris Agreement.	Climate Investment Roadmap: A tool to help investors accelerate the energy transition through investment and engagement
IIGCC	Adaptation and resilience (September 2022)	This discussion paper acts as a call for input and feedback from the investment community, climate resilience experts, and the wider group of stakeholders that have already pushed the resilience agenda within the financial industry; such as insurers, banks, and regulators.	Working towards a climate resilience investment framework
IIGCC	Data for net zero (October 2022)	The catalogue provides a detailed analysis of data sets and products in the market from 16 participating vendors and will help investors implementing net zero strategies to find and assess the most relevant data sources for their needs.	IIGCC launches data vendor catalogue for investors
IIGCC	Sustainable Finance Disclosure Regulation (April 2022)	The Q&A supports investors with the implementation of the EU's Sustainable Finance Disclosure Regulation (SFDR) and to explore the interaction between SFDR and recommended disclosures under the Net Zero Investment Framework.	Q&A: Net Zero Investment Framework and the Sustainable Finance Disclosure Regulation
IIGCC	Stewardship (April 2022)	The Net Zero Stewardship Toolkit provides investors with a foundational process to enhance their stewardship practices and deliver the rapid acceleration in decarbonisation required to halve emissions by 2030 and give the world a chance achieving net zero by 2050. Signatories have now formed an Asset Owner Alignment working group to develop more specific expectations for asset managers on climate-focused stewardship and provide a functional framework for assessment and monitoring.	IIGCC Net Zero Stewardship Toolkit
CA100+ (AIGCC, Ceres, IGCC, IIGCC, PRI)	Corporate engagement	Climate Action 100+ signatories – about 700 institutional investors, including about 180 from North America, with combined assets of about \$68 trillion – have been engaging with the world's largest corporate emitters and issued a Net Zero Company Benchmark along with recent interim updates on the status of progress by those companies.	Climate Action 100+ Net Zero Company Benchmark



Investor Group on
Climate Change



Annex B - The Net Zero Asset Managers May 2022 Target Disclosure Report and subsequent November 2022 update

Disclaimer: All written materials, meetings, communications and initiatives undertaken by IIGCC are designed solely to support investors in understanding risks and opportunities associated with climate change and take action to address them. Our work is conducted in accordance with all the relevant laws, including data protection, competition laws and acting in concert rules. IIGCC's services to members do not include financial, legal or investment advice.

NET ZERO ASSET MANAGERS INITIATIVE

INITIAL TARGET DISCLOSURE REPORT MAY 2022



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Introduction

The Net Zero Asset Managers initiative (NZAM) is an international group of asset managers committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5°C. The initiative was launched in December 2020 with an initial group of 30 signatories, and is convened by six investor networks:

- AIGCC (Asia)
- Ceres (North America)
- IGCC (Australasia)
- IIGCC (Europe)
- CDP (Global)
- UN PRI (Global)

As of 31 May 2022, the initiative has 273 signatories who together have more than USD 61 trillion in assets under management (AUM).

The commitment

Signatories to NZAM must comply with a ten-point commitment.

Within a year of becoming a signatory, asset managers are required to disclose:

- The initial percentage of their portfolio that will be managed in line with net zero
- Their ‘fair-share’ interim targets for AUM that will be managed in line with net zero, and target date
- The methodology used in target setting

As part of the commitment, asset managers aligning with net zero must also prioritise real economy emissions reductions, consider material Scope 3 emissions, increase investment in climate solutions and create investment products in line with net zero. The signatories also agree to only use offsets that involve long-term carbon removal where there are no technologically and/or financially viable ways to eliminate emissions.

The commitment is consistent with the UNFCCC Race to Zero criteria, and NZAM is accredited by Race to Zero.

Net Zero Asset Managers commitment statement

In line with the best available science on the impacts of climate change, we acknowledge that there is an urgent need to accelerate the transition towards global net zero emissions and for asset managers to play our part to help deliver the goals of the Paris Agreement and ensure a just transition.

In this context, my organisation commits to support the goal of net zero greenhouse gas (GHG) emissions by 2050, in line with global efforts to limit warming to 1.5°C. It also commits to support investing aligned with net zero emissions by 2050 or sooner.

Specifically, my organisation commits to:

- a. Work in partnership with asset owner clients on decarbonisation goals, consistent with an ambition to reach net zero emissions by 2050 or sooner across all AUM
- b. Set an interim target for the proportion of assets to be managed in line with the attainment of net zero emissions by 2050 or sooner
- c. Review our interim target at least every five years, with a view to ratcheting up the proportion of AUM covered until 100% of assets are included

In order to fulfil these commitments my organisation will:

For assets committed to be managed in line with the attainment of net zero emissions by 2050 or sooner (under commitment b)

1. Set interim targets for 2030, consistent with a fair share of the 50% global reduction in CO₂ identified as a requirement in the IPCC special report on global warming of 1.5°C
2. Take account of portfolio Scope 1 & 2 emissions and, to the extent possible, material portfolio Scope 3 emissions
3. Prioritise the achievement of real economy emissions reductions within the sectors and companies in which we invest
4. If using offsets, invest in long-term carbon removal, where there are no technologically and/or financially viable alternatives to eliminate emissions
5. As required, create investment products aligned with net zero emissions by 2050 and facilitate increased investment in climate solutions

Across all assets under management

6. Provide asset owner clients with information and analytics on net zero investing and climate risk and opportunity
7. Implement a stewardship and engagement strategy, with a clear escalation and voting policy, that is consistent with our ambition for all assets under management to achieve net zero emissions by 2050 or sooner
8. Engage with actors key to the investment system including credit rating agencies, auditors, stock exchanges, proxy advisers, investment consultants, and data and service providers to ensure that products and services available to investors are consistent with the aim of achieving global net zero emissions by 2050 or sooner
9. Ensure any relevant direct and indirect policy advocacy we undertake is supportive of achieving global net zero emissions by 2050 or sooner

Accountability

10. Publish TCFD disclosures, including a climate action plan, annually, and submit them to the Investor Agenda via its partner organisations for review to ensure the approach applied is based on a robust methodology, consistent with the UN Race to Zero criteria, and action is being taken in line with the commitments made here

We recognise collaborative investor initiatives including the Investor Agenda and its partner organisations (AIGCC, CDP, Ceres, IGCC, IIGCC, PRI, UNEP-FI), Climate Action 100+, Climate Lague 2030, Paris Aligned Investment Initiative, Science Based Targets initiative for Financial Institutions, UN-convened Net-Zero Asset Owner Alliance, among others, which are developing methodologies and support investors to take action towards net zero emissions. We will collaborate with each other and other investors via such initiatives so that investors have access to best practice, robust and science-based approaches and standardised methodologies, and improved data, through which to deliver these commitments.

We also acknowledge that the scope for asset managers to invest for net zero and to meet the commitments set forth above depends on the mandates agreed with clients and clients' and managers' regulatory environments. These commitments are made in the expectation that governments will follow through on their own commitments to ensure the objectives of the Paris Agreement are met, including increasing the ambition of their Nationally Determined Contributions, and in the context of our legal duties to clients and unless otherwise prohibited by applicable law. In some asset classes or for some investment strategies, agreed net zero methodologies do not yet exist. Where our ability to align our approach to investment with the goal of net zero emissions by 2050 is, today, constrained, we commit to embark with determination and ambition on a journey, and to challenge and seek to overcome the constraints we face.

How the initiative operates

The initiative is open to any asset manager globally that is also a current member of one of the network partners.

The six network partners coordinate the initiative and provide support to signatories, including advice and guidance on best practice for implementation of the commitment. Each network partner offers a range of activities to support implementation of the commitment, as part of their broader ongoing efforts to support investors in achieving net zero emissions.

The network partners are also responsible for assurance regarding compliance of signatories with the commitment. This includes confirming that methodologies for target setting are science-based and in line with net zero pathways, and ensuring initial disclosures and annual reporting are completed appropriately.

In addition to the implementation support for members offered by each network partner, the initiative holds biannual meetings for all investor signatories to the initiative as a forum to share best practice and discuss implementation challenges and solutions.

The management and implementation of NZAM is overseen by the Steering Committee, made up of network partner CEOs.

The initiative also has an Advisory Group of six signatory investors, who work closely with the network partners. The Advisory Group is responsible for advising on any proposed changes to the commitment, recommendations on the operation of the initiative and informing the Steering Committee in its management and coordination of the initiative. Advisory Group members serve on a rotational basis, with an initial term of two years.

Steering Committee members

Stephanie Pfeifer
CEO, IIGCC (Chair)

Rebecca Mikula-Wright
CEO, AIGCC and IGCC

Paul Simpson
CEO, CDP

Mindy Lubber
CEO, Ceres

David Atkin
CEO, PRI

Advisory Group members

Edward Mason
Generation Investment Management

Catherine Ogden
Legal and General Investment Management

Charles Nguyen
Neuberger Berman

Silvia Deželan
Stafford Capital Partners

Takahashi Wada
Sumitomo Mitsui Trust Asset Management

Wendy Cromwell
Wellington Management

Other organisations that have asset manager signatories or members can become supporter organisations who agree to support the aims and objectives, as well as the outreach and mobilisation of signatories.

Target setting approaches

The commitment is designed to be ‘methodology neutral’ and asset managers may choose the most appropriate target methodology for their business. The network partners, through the Investor Agenda, recognise and endorse three target setting approaches:

- Paris Aligned Investment Initiative’s Net Zero Investment Framework (NZIF)
- Science Based Targets initiative for Financial Institutions (SBTi)
- Net Zero Asset Owner Alliance Target Setting Protocol (TSP)

To ensure targets are robust and science-based, asset managers should choose one or a combination of the above methodologies. If asset managers wish to use an alternative methodology, they should explain the rationale in their disclosure and reporting, including how their alternative methodology is in line with best available science on achieving the 1.5°C goal of the Paris Agreement.

Within a year of becoming a signatory, asset managers are required to disclose:

- The initial percentage of their portfolio that will be managed in line with net zero
- Their ‘fair-share’ interim targets for AUM that will be managed in line with net zero, and target date
- The methodology used in target setting

Interim targets should cover all of the funds or mandates that a manager commits to manage in line with net zero emissions by 2050. Fulfilling the commitment is likely to be contingent on working in partnership with asset owner clients.

What constitutes a ‘fair share’ of CO₂ emissions reduction may depend on several factors. For example, a portfolio may have already achieved significant emissions reductions, which may result in a shallower trajectory required to be in line with net zero while remaining consistent with an overall global net zero trajectory. The sectoral or regional exposure may also influence the level of the target given the expected pace of decarbonisation varies between sectors and regions, and should be in line with 1.5°C scenarios.

The targets should be reviewed at least every five years. The expectation – as set out in part c) of the commitment – is that the proportion of AUM covered by the target will grow over time until 100% of assets are included, by 2050 at the latest. It is possible, however, that there may be times when the proportion has to be restated downwards, for example if a manager’s AUM declines. Similarly, the interim target may need to be restated if there are significant changes in the profile of the AUM.

Transparency and accountability

An important feature of NZAM is that the commitment requires all signatories to publicly disclose the proportion of assets to be managed in line with net zero and the interim targets set. Furthermore, all signatories will report annually in line with TCFD recommendations, including information on their climate action plan, and progress towards targets.

The initial disclosure to the Network Partners must be made within 12 months of joining the initiative and includes information on:

- Proportion of AUM to be managed in line with net zero
- If less than 100% AUM is initially committed, a brief explanation of why the proportion is the maximum currently achievable and how it will increase over time
- Baseline and target years
- Quantified target(s) to be achieved by target year
- Methodology used to set targets
- Coverage of Scope 1, 2 and extent of Scope 3 coverage of financed emissions
- Underlying science-based net zero scenarios/pathway from which targets are derived
- Brief description of how the asset manager considers the target to be consistent with delivering a fair share of the 50% global reduction in CO₂ emissions by 2030 identified as a requirement in the IPCC special report on global warming of 1.5°C
- Information on the asset manager's policy in relation to fossil fuel investment

Following the initial disclosure, signatories will then report annually to demonstrate implementation of the commitment and progress against their target. This will begin in the first reporting cycle following the 12-month disclosure and investors will report via CDP or PRI annual reporting processes, and the information will be publicly available. CDP and PRI are currently updating their reporting platforms to integrate the elements of the Net Zero Asset Managers initiative commitment.

To ensure transparency and rigorous accountability, annual reporting is expected to follow TCFD recommendations, set out the elements of a signatory's climate action plan, and report on actions taken and progress made against all elements of the 10-point commitment.

The Investor Agenda has produced [expectations for an investors' climate action plan](#), including the following components:

- Investment
- Corporate engagement
- Policy advocacy
- Investor disclosure
- Governance

The network partners work closely with asset managers to ensure all signatories are taking action in line with the commitments made and reporting appropriately. Signatories that do not declare the proportion of assets to be managed in line with net zero, interim target and methodology within one year of signing the commitment will receive an initial notification from the network partners requesting the appropriate declaration. If this is not addressed within one year, the signatory will be delisted from the initiative, following notification by the network partners.

Signatories that do not provide any annual reporting against commitment requirements will receive an initial notification from the network partners. If this is not addressed within one year, the signatory will be delisted from the initiative following notification by the network partners.

In the first two years of a signatory joining the initiative, the network partners may provide feedback to any signatory that is not providing adequate evidence in reporting that they are meeting other aspects of the commitment, to improve their compliance.

The network partners may propose further elements or assurance of compliance through the reporting process, following this introductory period to build capability around compliance.

The Steering Committee also has the right to refuse an asset manager's request to join the initiative where it has reason to doubt the asset manager's ability or intent to comply with the commitment, or if their joining the initiative may otherwise damage the credibility and reputation of the initiative.

Progress update

Since the launch of the initiative in December 2020, and building on the considerable momentum of the initiative so far, 273 signatories, representing over USD 61 trillion in AUM, have joined over multiple waves of public announcements. This includes 53 new signatories that have joined since COP 26 in November 2021.

To date, the Steering Committee has met six times and the Advisory Group has met four times, focusing on how to ensure effective implementation of the initiative, and to ensure credible action by signatories in relation to their net zero commitments. The initiative has also held three biannual meetings of all signatories which have focused on supporting them in fulfilling the initial requirements to set targets.

Based on learnings from the initial wave of target disclosures, the network partners developed a web form for target disclosures to enable more consistent disclosures and facilitate the process. The web form was presented at the NZAM biannual meeting in March 2022 and asset managers were required to use it to submit their target disclosure to the initiative.

NZAM is also a part of the Glasgow Financial Alliance for Net Zero (GFANZ) that brings together leading net zero initiatives across the financial system, to accelerate the transition to net zero emissions by 2050. It is also a formal partner of the UNFCCC's Race to Zero campaign, with the terms of the NZAM commitment meeting Race to Zero's minimum criteria.

Target disclosure – May 2022

Nearly 18 months on from the initiative's launch and following publication of the first set of asset managers' initial targets ahead of COP 26 in November 2021, a further 43 managers have now set their initial proportions of AUM to be managed in line with net zero and interim targets. The majority of managers disclosing joined the initiative in March and April 2021, although the report also includes targets from some managers who are reporting early or updating their targets. AXA Investment Managers and Wellington Management are among those who have made updates to targets set in November. New targets can be found in Annex A of this report, while previous targets are available in Annex B. Three targets were rejected by the initiative as they did not meet the commitment's minimum requirements. Network partners will work with those three managers to improve their targets and resubmit ahead of the next report.

This new set of targets brings the total assets under management committed to be managed in line with achieving net zero by 2050 and subject to targets consistent with a 50% global emissions reduction by 2030 to USD 16 trillion out of a possible USD 42 trillion managed by the 84 investors who have set targets so far. This represents around 39% of total assets, which is an increase of 4% from the proportion shared in the November 2021 report. If this proportion were maintained for all initial disclosures expected in 2022, by COP27 more than USD 22 trillion would be managed in line with net zero.

11 additional signatories have been able to commit 100% of their AUM, bringing us to a total of 24 signatories with a combined AUM of over USD 530 billion. We have also seen 19 managers commit more than 75% of their assets and 30 exceed 50%.

Those unable to commit 100% at present, due to business model or methodology changes, have provided information on plans to increase their proportions of assets to be managed in line with net zero, and subject to interim targets, in the near term. This is consistent with the expectations of the initiative that percentage of AUM will increase over time to reach 100%.

All disclosing signatories provide information on the interim targets that have been set in relation to the proportion of assets managed in line with net zero, including the science-based scenarios used to determine these targets. The overwhelming majority have used one, or a combination, of three endorsed target setting methodologies:

- Paris Aligned Investment Initiative's Net Zero Investment Framework (NZIF) – 18 signatories
- Science Based Targets initiative for Financial Institutions (SBTi) – 14
- Net Zero Asset Owner Alliance Target Setting Protocol (TSP) – 4
- Combination – 4
- Own/other methodology – 3

Where asset managers have not used an endorsed methodology, or a methodology has not been used in full, the network partners will continue to engage and support signatories to ensure effective and science-based implementation of targets and strategies going forward. For signatories indicating use of the SBTi methodology, it is noted that the process for target setting is as follows:

- Committing to a Science Based Target via a letter of intent (optional)
- Developing a target in line with SBTi criteria
- Presenting target to SBTi for official validation (within 2 years of committing)
- Communicating this validation to stakeholders
- Reporting progress against these targets annually

Asset managers disclosing targets to the NZAM are not specifically required to have committed or have targets validated by SBTi at the point of this disclosure.

In addition to information on targets, and in light of the network partners' expectation that signatories have science-based policies on investment in coal and other fossil fuels, asset managers were invited to disclose information on their policies. Signatories that do not have broad policies in place were able to indicate how they were planning to consider this issue.

Further detail of each asset manager's specific proportion and targets is set out in Annex A. The network partners have published the key elements of the information provided by each signatory, in relation to the initial proportion of assets to be managed in line with net zero and interim targets set in relation to those assets. This information is based on information self-reported by the signatories, and there is therefore variation in the way it has been prepared. However, while network partners validate methodology usage, publication does not imply network partner verification of information provided or targets set. All asset managers are expected to provide further information on their compliance with all elements of the commitment, including setting out a climate action plan, as part of the annual disclosure and reporting process.

For consistency and aggregation, all asset manager's proportion of AUM was requested to be disclosed in USD. The network partners used the figures as provided by the asset manager.

Key themes highlighted

Throughout the target disclosure and review process, there were several notable themes which were noted by a number of asset managers and are key drivers behind the targets presented in this report and the approaches taken to setting them.

The geopolitical backdrop

These targets are being set against an increasingly challenging geopolitical backdrop. The current energy crisis has increased short-term demand for fossil fuels and had a drastic impact on the cost-of-living for many individuals. There has also been increased politicisation of ESG issues more broadly, which we recognise add a layer of complexity to the target setting process.

Additionally, there is increased variation in the regulatory and policy environments that managers are operating in. This affects their ability to shift existing funds towards net zero alignment and can impact the level of client demand for such a shift. There are a number of cases where, due to policy changes or engagement with clients, asset managers have been able to commit a significantly higher proportion of assets than would have been possible even a few months ago. But equally, there are some who are operating in less supportive regulatory environments and are working to overcome some of the current constraints. For organisations that operate globally, they must balance a range of jurisdictional requirements when setting targets and implementing their net zero commitments.

Target-setting approaches

Given the wide variety of business models, geographic footprints and asset class mixes amongst the asset management community – which is reflected within the NZAM signatory base – we expect to see variation in the approach to target setting and what is achievable in terms of the initial proportion of assets managed in line with net zero.

To reflect this and provide flexibility to signatories, there are three target-setting methodologies endorsed by NZAM – the Paris Aligned Investment Initiative Net Zero Investment Framework, Science Based Target initiative for Financial Institutions and the UN-convened Net Zero Asset Owner Alliance Target Setting Protocol. All three methodologies include different options for target setting, or the possibility to set a combination of targets, allowing signatories to take either a ‘top-down’ emissions reduction approach or a ‘bottom-up’ portfolio coverage approach, or a combination of both.

A portfolio emissions reduction approach is an intuitive method of demonstrating alignment with a fair share of the 50% reduction of emissions required by 2050 but can encourage investors to sell high carbon assets rather than engaging to drive real world impact. Meanwhile, the portfolio coverage approach focuses on getting companies themselves onto a decarbonisation pathway which achieves real world reductions but can be more difficult to determine the portfolio emissions impact. This is why the initiative encourages the use of a combination of targets and actions to ensure real world impact while also being able to effectively track emission reductions. It has also built in some safeguards to ensure managers are engaging with companies across their entire AUM and focusing on both overall reductions and real-world impact.

Variations in business model and investment approach

It is important to remember that the money that asset managers invest is not their own – they are managing it on behalf of their clients and, depending on their individual business model, they could have thousands of different clients invested across hundreds of funds. Making changes to how these funds invest and what they invest in is often a complicated process that requires consultation with a number of stakeholders. From an NZAM perspective, asset managers' initial targets represent a starting point, often made up of the funds that can be most easily aligned with net zero. However, many have indicated that there are ongoing conversations with clients and other stakeholders which they expect to result in significant increases in the proportion of AUM managed in line with net zero in future. This is consistent with the terms of the NZAM commitment, which requires managers to review their target at least every five years and encourages them to do so more frequently where possible.

Where funds are actively managed, the fund manager has greater power to decide how the money is allocated and which companies to invest in. However, for passive investments or index funds it is more difficult. These investments typically track a benchmark and do not allow for active stock picking or deviation from the benchmark. It is possible for passive funds to implement additional criteria, but this cannot be done without changing the fund's terms and conditions, which would need to be accepted by existing investors in the fund. While there are some net zero index funds that have been set up with additional criteria applied, this is a relatively recent development and there are far more funds that do not have an explicit net zero objective.

However, as long-term owners of the assets that they hold – at least for as long as the companies remain in the benchmark – index funds have an important responsibility when it comes to engaging with the companies they are invested in. Investment stewardship is a key mechanism for encouraging company management to better understand and address material climate risks and work towards achieving net zero emissions by 2050 or sooner. The challenge around aligning index funds more broadly will be an area of focus for network partners in the coming months, and one that they will be working collaboratively across the sector to address.

Availability of methodologies and data

For many asset managers a key constraint identified is the absence of methodologies for accounting for specific asset classes or measuring alignment to net zero. Several managers noted that this was the case for derivatives, private equity, green bonds, sovereign bonds, covered bonds, structured products and cash, among others. There are a number of efforts in train, supported by the network partners and individual managers, to address these gaps in methodologies, which will allow a broader range of asset classes to be included in future.

Similarly, data quality and availability continue to be challenges. Many have noted that they only have included strategies, funds and geographies where data quality and availability was sufficient to underpin robust science-based target setting. However, they are continuing to make efforts to gather relevant data to enable setting of additional targets or broadening the scope of current targets going forward.

ANNEX A:

ASSET MANAGER TARGET DISCLOSURES

(May 2022)

Algebris Investments

57% of total AUM initially committed to be managed in line with net zero

USD 12 billion currently committed to be managed in line with net zero

Information on interim target(s) covering the proportion of assets to be managed in line with net zero

Baseline year: 2020

Target year: 2040

Target(s): 100% of portfolio companies setting a science-based target (SBT) by 2040

Baseline year performance for the target metric(s): 0%

GHG scopes included: In setting SBTs, investee companies will need to follow SBTi criteria for covering Scope 1 and 2 emissions, as well as Scope 3.

Methodology: Science Based Targets initiative for Financial Institutions

Scenario(s): Paris Agreement – well below 2°C

Additional information

Proportion of AUM committed: The methodologies recognised by NZAM are in our view currently not applicable to our non-performing loans (NPL) strategy, which has therefore not been included in our initial commitment. Our NPL strategy accounts for approximately 10% of total AUM as of December 2021.

Discretionary mandates account for approximately 27% of total AUM as of December 2021. We aim to add discretionary mandates to our target upon approval by clients. We prudently exclude these assets from our initial AUM target pending such approval.

A residual approximate 5% of total AUM combined is invested in our Italian equity strategy and our global credit strategy. These have not been included in our interim target at this time, but we are working towards including them in the near future.

Policy on coal and other fossil fuel investments: Yes, we have a science-based fossil fuel policy. Funds included in scope for our NZAM initial target are prevented from any investment in companies operating in the coal sector, Arctic oil and tar sands, and are subject to strict limits for investment in companies operating in conventional oil and gas. Funds currently not in scope for our NZAM initial target are nevertheless also subject to strict limits regarding investment in coal and/or unconventional oil and gas.

Further information: Since 2019, Algebris has planted 82,000 trees and in 2020 the company launched the AlgeTrees project with a commitment to plant 1 million more trees in the coming years. The project entails assessing Algebris emissions, translating CO₂ into an equivalent number of trees by making assumptions on the trees' absorption capacity over their life cycle, planting trees that can contribute to the economic welfare of the local community in line with the UN Sustainable Development Goals, monitoring their growth on an ongoing basis and replenishing the stock in the event some perish.

More information available [here](#).

Allianz Global Investors

12% of total AUM initially committed to be managed in line with net zero

USD 88 billion currently committed to be managed in line with net zero

Information on interim target(s) covering the proportion of assets to be managed in line with net zero

Baseline year: 2019

Target year: 2024, 2025

Target(s): Listed equity and corporate bonds: 25% reduction in carbon intensity by the end of 2024

Direct infrastructure equity: 28% absolute emission reduction by the end of 2025

- Our target is to grow portfolio share of low emitting (i.e. low greenhouse gas emission intensity) and EU Taxonomy eligible assets.
- The low / medium / high greenhouse gas (GHG) emission categories are based on the GHG emissions intensity of each company.

Baseline year performance for the target metric(s): Baseline year performance is defined at portfolio level, with progress to be regularly measured.

GHG scopes included: We use Scope 1 and 2 in our carbon targets. We intend to include Scope 3 progressively over time.

Methodology: UN Asset Owner Alliance Target Setting Protocol

Scenario(s): The IPCC special report on global warming of 1.5°C. 25% reduction by 2025 aligns linearly with the 50% reduction by 2030.

Additional information

Proportion of AUM committed: The first interim targets on listed equity, corporate debt and direct infrastructure equity and debt are those set by Allianz Group for its proprietary assets based on the Group's commitment as a member of the UN-convened Net Zero Asset Owner Alliance. Part of the Allianz proprietary assets are managed by Allianz Global Investors, which corresponds to the above reported share of AUM.

At Allianz GI we are committed to continuously working on our net-zero commitment. In the near future we will increase the scope of our assets and set intermediate targets for our third-party assets in line with our NZAM commitment. We will continue to actively engage with our institutional clients and distributors on integrating net zero objectives in their investment mandates and into our mutual funds.

Policy on coal and other fossil fuel investments: Allianz GI has a firm-wide exclusion policy, which covers thermal coal exclusion. This Policy is applicable to mutual funds for which Allianz Global Investors is acting as management company. We review our exclusions policy at least annually.

Further information: AllianzGI key policy document and reports [here](#). Allianz Group's commitment and targets as a member of NZ AOA are available in its [sustainability report](#).

Alquity Investment Management

94% of total AUM initially committed to be managed in line with net zero

USD 0.1 billion currently committed to be managed in line with net zero

Information on interim target(s) covering the proportion of assets to be managed in line with net zero

Baseline year: 2019, 2021

Target year: 2030

Target(s): For our Future World, Asia and Indian Subcontinent funds we have constructed a net zero aligned emissions pathway, using each fund's benchmark at the base year and reducing this by -60% by 2030. The Global Impact Fund intensity will remain at 60% lower than the intensity of its index (ACWI) at all times.

We target that our emerging market funds will have, on average, 20% of financed emissions in material sectors being net zero or aligned by 2030. For our Global Impact Fund, 100% of financed emissions in material sectors will be net zero or aligned.

100% of financed emissions to be under engagement.

Baseline year performance for the target metric(s): Future World Fund (AUM: USD 37.6): 465tCO_{2e}/\$mn invested, 7% of financed emissions aligned.

Asia Fund (AUM: USD 42.3): 530.5tCO_{2e}/\$mn invested, 5% of financed emissions aligned.

Indian Subcontinent Fund (AUM: USD 32.2): 683.6tCO_{2e}/\$mn invested, 0% of financed emissions aligned.

Global Impact Fund (AUM: USD 7.4): 60tCO_{2e}/\$mn invested, 100% of financed emissions aligned.

GHG scopes included: Scope 1 and 2 only for the portfolio-level emissions pathway. In sectors where Scope 3 emissions are material, our company-level assessment covers disclosure, and for certain companies considers whether company targets cover all relevant scopes.

Methodology: Paris Aligned Investment Initiative Net Zero Investment Framework – Engagement Threshold and Portfolio Decarbonisation Reference Target

Scenario(s): We use the IPCC special report on global warming of 1.5°C as a basis from which to derive the target

Additional information

Proportion of AUM committed: Not included within the scope of this target currently is the Alquity Africa Fund due to a lack of reliable available emissions data, which we hope will improve over time to enable us to add this fund.

Policy on coal and other fossil fuel investments: We exclude all coal or fossil fuel investment from our portfolios. This is consistent with our [climate declaration](#).

APG Asset Management

61% of total AUM initially committed to be managed in line with net zero

USD 445 billion currently committed to be managed in line with net zero

Information on interim target(s) covering the proportion of assets to be managed in line with net zero

Baseline year: 2019

Target year: 2030

Target(s): 50% reduction in portfolio emissions in absolute terms.

Reduction of the absolute carbon footprint (tCO_{2e} based on attribution using EVIC) of the equities and fixed income credits portfolios (including any real estate investments within these asset classes) by 50% between 2019 and 2030.

For direct real estate investments (not including any real estate investments managed within equities or fixed income credits), measurement and target setting is focused on the CRREM framework (% of portfolio aligned with CRREM pathways and average stranding year).

For infrastructure investments, measurement and target setting will be based on the percentage of assets that has established net zero targets.

Baseline year performance for the target metric(s): Not provided

GHG scopes included: For equities and fixed income credits, the target considers Scope 1 and 2 emissions from portfolio companies. Scope 3 emissions are not included in the decarbonisation target. We will start to phase-in measurement of Scope 3 emissions in line with the schedule as denoted by PCAF as part of our CO₂ emission inventory disclosure and explore possibilities to start including Scope 3 emissions in target setting.

For real estate, Scope 1, 2 and 3 (tenant energy use) has been used.

Methodology: Paris Aligned Investment Initiative Net Zero Investment Framework – Portfolio Decarbonisation Reference Target

Scenario(s): We have used the IEA Net Zero report and associated sector pathways to benchmark the target. For real estate, CRREM pathways have been used, which are based on a 1.5°C trajectory.

Additional information

Proportion of AUM committed: This percentage includes the AUM of the following asset classes: equities, fixed income credits, real estate and infrastructure. We aim to increase the percentage over time by expanding measurement and target setting to multiple asset classes, including sovereign bonds and private equity.

APG Asset Management

Target setting: We will be working to further articulate portfolio coverage and engagement thresholds in further iterations of the approach. In addition to decarbonisation targets, clients of APG Asset Management have established targets based on exposure to sustainable development investments (SDIs). This might include targets on specific SDGs, such as SDG 7 (clean & affordable energy). As such, the SDI exposure contributes towards net zero investing by allowing for measuring and increasing exposure to climate solutions. This is however not currently articulated as a target.

Policy on coal and other fossil fuel investments: APG Asset Management excludes companies that derive more than 30% of their revenues from thermal coal mining, or 20% of revenues from tar sands extraction and/or transportation. In addition, we screen investments for any plans to expand coal-fired power generation capacity. The majority of APG Asset Management's assets are managed on behalf of pension fund ABP, who has decided to exclude investments in companies that produce fossil fuels.

Further information: APG AM [responsible investment report](#)

Asteria Investment Managers

100% of total AUM initially committed to be managed in line with net zero

USD 0.2 billion currently committed to be managed in line with net zero

Information on interim target(s) covering the proportion of assets to be managed in line with net zero

Baseline year: 2020

Target year: 2030

Target(s): 100% of assets under management meeting the criteria to be considered aligned with net zero.

Baseline year performance for the target metric(s): The assets under management currently meeting the criteria to be considered aligned to net zero represent 70% of total assets.

GHG scopes included:

Currently Scope 1 and 2. Planning to integrate Scope 3 as soon as coverage is sufficient.

Methodology: Paris Aligned Investment Initiative Net Zero Investment Framework

Scenario(s): P2 emission pathway of the IPCC 1.5°C report (2018)

Additional information

Proportion of AUM committed: 100%

Target setting: Asteria considers its target is consistent with delivering a fair share of the 50% global reduction in CO₂ emissions by 2030 as the AUM currently meeting the criteria to be considered aligned to net zero already represent 70% of total assets, aiming to reach 100% by 2030. This is well ahead of the expected deadline of 2040 set out in the PAII Net Zero Investment Framework.

Policy on coal and other fossil fuel investments:

Investments in coal activities are excluded at the group level. Activities in fossil fuel (extraction; energy generation, etc) are considered as negative impact and not included in investment equity opportunities. On fixed income we select only green bonds with science-based transitioning strategies.

Asteria's policy is available [here](#), and covers 100% of Asteria's AUM.

AXA Investment Managers

65% of total AUM initially committed to be managed in line with net zero

USD 650 billion currently committed to be managed in line with net zero

Information on interim target(s) covering the proportion of assets to be managed in line with net zero

Baseline year: 2019, 2021

Target year: 2025, 2030, 2040

Target(s): 100% of AUM in material sectors is considered net zero, aligned or aligning by 2040.

Corporate equities and bonds – reduction of WACI (tCO₂e / USD mn revenue) by 25% by 2025 and 50% by 2030 against 2019 baseline

Sovereign Bonds – continue to be in line with the NZIF methodology

Real estate – reduction of WACI (tCO₂e / USD mn EV) of 20% by 2025 and 50% of real estate AUMs under CRREM pathway by 2025

50% of financed emissions in material sectors to be net zero or aligned in 2025

70% of financed emissions in material sectors to be subject to engagement in 2025 and 90% in 2030

6% of AUM allocated to climate solutions by 2025

Baseline year performance for the target metric(s):

2019:

- Engagement and stewardship actions (collaborative for 42% and/or individual for 38%)
- Corporate equities and bonds: 116.3298 tCO₂e/\$m revenue
- Real estate: 8.5 tCO₂e / USD mn EV
- 2.1% of AUM allocated to climate solutions.

2021:

- 52% of financed emissions in material sectors are subject to direct or collective Engagement and stewardship actions (collaborative for 42% and/or individual for 38%)
- 46% of financed emissions in material sectors are already net zero or aligned
- 36% of corporate AUM in material sectors is considered net zero, aligned or aligning
- Sovereign bonds: already compliant with NZIF recommended target setting guidance based on CCPI score
- Baseline for percentage of assets under CRREM pathway currently under development, anticipated Q3 2022

GHG scopes included: Corporate equities and bonds: Scope 1 and 2 only as data quality and coverage for Scope 3 is too low

Direct real estate: Scope 1 and 2 as well as portion of Scope 3

We have set an objective to increase capture of Scope 3 data in coming years

Methodology: Paris Aligned Investment Initiative Net Zero Investment Framework

Scenario(s): IPCC 1.5°C pathways report and CRREM for direct real estate

AXA Investment Managers

Additional information

Proportion of AUM committed: The proportion is 65% of total scope including JVs and 75% of total scope excluding JVs. We aim to continue to increase this over time as reliable methodologies become available for all asset classes.

Targets have been set for the majority of assets where net zero methodologies are available, and where AXA IM has the ability to set such targets from a legal perspective (ie. JVs are out of scope for the time being). Possibility of defining net zero targets for infrastructure and private equity is under review.

Target setting: In 2021, AXA IM reinforced its climate engagement and stewardship policy with a view to focus on climate laggards.

From 2022, AXA IM will engage with a selection of companies which do not have a net zero commitment or have quantified emissions reduction targets deemed to be not credible or demanding enough. This more forceful engagement policy, with a 'three strikes and you're out' principle, aims at applying sufficient pressure to effect timely change, and is applied on behalf of third-party clients. Clear objectives are defined for each of those companies, tailored to their activities, and communicated to management.

AXA IM will regularly engage with those companies to steer them to achieve progress on those objectives, using escalation techniques when necessary (e.g., voting against management). If the objectives have not been achieved after three years, AXA IM will divest.

Policy on coal and other fossil fuel investments:

Coal, oil and gas policy (84% of AXA IM AUM)

Further information: AXA IM [road to net zero](#)

Updated target – initial target can be seen in Annex B or found in the [NZAM Progress Report](#) from November 2021

LBP AM and TFSA

80% of total AUM initially committed to be managed in line with net zero

USD 48 billion currently committed to be managed in line with net zero

Information on interim target(s) covering the proportion of assets to be managed in line with net zero

Baseline year: 2019
Target year: 2030
Target(s): 80% of total assets will have decarbonisation targets by 2030
Baseline year performance for the target metric(s): Not provided
GHG scopes included: The latest SBTi criteria for companies to set Scope 1 and 2 targets, as well as Scope 3 targets where their Scope 3 emissions are material, are applied where possible.
Methodology: Science Based Targets initiative for Financial Institutions – portfolio coverage
Scenario(s): IPCC special report on global warming of 1.5°C

Additional information

Proportion of AUM committed: The target 80% of total AUM corresponds to a target of 90% applied to our ‘required and operational activities’ as defined by Financial Sector Science-Based Target Guidance.

Our initial ambition of achieving 100% faces certain constraints such as: feasibility due to availability of methodologies and data; investments which are characterised by limited influence and engagement capacity; countries and regions with varying decarbonisation pathways, dynamics and predictability; varying type and size of issues with different access and capacity to set and validate targets; and variation in asset class, geographical and sectoral breakdown of investments in 2030 when compared to the target setting year.

Policy on coal and other fossil fuel investments: LBP AM’s coal policy is based on exclusion and engagement. 100% of open-end funds (USD 30.6 bn) covered by the policy.

Oil & gas policy is currently under development and applicable to integrated, upstream, downstream oil & gas companies as well as project finance. Using the IEA Net Zero by 2050 scenario as a reference for the sector transition pathway, our policy will include a specific focus on unconventional resources, combining exclusions based on revenue exposure, engagement on transparency and the development of new capacities, and E&S risk management, and develop a robust engagement framework with specific requirements on all GHG emissions reductions, exclude companies that have no demonstrable transition strategy. Based on our engagement practices we will expand environmental analysis and stock picking with a qualitative analysis encompassing reduction targets, capex plans, long-term production outlook and energy mix.

Further information: LBP AM’s [voting policy](#), [engagement policy](#) and [exclusion policy](#).

BankInvest Asset Management Fondsmæglerselskab A/S

43% of total AUM initially committed to be managed in line with net zero

USD 9.3 billion currently committed to be managed in line with net zero

Information on interim target(s) covering the proportion of assets to be managed in line with net zero

Baseline year: 2019

Target year: 2030

Target(s): Reduce portfolio emissions by 55% in intensity terms

Baseline year performance for the target metric(s):

87tCO_{2e} / USD mn invested

GHG scopes included: Scope 1 and 2. Scope 3 will be incorporated once data availability and quality reach sufficient levels.

Methodology: Paris Aligned Investment Initiative Net Zero Investment Framework

Scenario(s): The IPCC special report on global warming of 1.5°C has guided our target setting. A 55% reduction by 2030 corresponds to approx. 7.5% yearly reduction based on the benchmarks for the committed funds. Combined, the benchmarks associated with the committed strategies are broad-based and global in nature and thus considered applicable for the global reduction requirement as specified by the IPCC special report.

Additional information

Proportion of AUM committed: Some strategies have been excluded from our initial commitment due to insufficient data. Data availability and quality will be monitored and expected to improve over time. Our initial commitment represents AUM only in asset classes for which there are well established methodologies with data access from third party data providers.

BankInvest applies PCAF models. For segregated mandates, client approval is required. BankInvest has initiated dialogue with our clients to grant this approval. Lastly, we believe it is critical that our net-zero targets and action plans are well supported by data, tools, and internal systems. Now that our initial commitment is rolled out and tested, we will continue working towards expanding our committed AUM to reach 100% asset coverage by 2040.

BankInvest Asset Management Fondsmæglerselskab A/S

Target setting: Data and methodology on companies' net zero alignment is deemed immature for target setting purposes. BankInvest intend to set targets for Portfolio Coverage and Engagement Thresholds when data and metrics become more mature. We are continuously looking into data coverage and frameworks that will enable us to set an asset alignment target in the future.

The same applies to metrics and data for climate solutions. Targets for the allocation on these are work in progress and expectedly dependent on the evolution of the EU Taxonomy as the new classification system for investments in climate solutions. We expect the data availability and quality to increase significantly in the coming years as companies become subject to the reporting obligations of the EU Taxonomy and Corporate Sustainability and Reporting Directive (CSRD). BankInvest collaborates with external data providers on the provision of data.

Policy on coal and other fossil fuel investments: BankInvest has a general ban on investing in companies in which more than 5% of the revenue comes from extraction of coal and production of tar sands. The ban applies to all assets under management.

BlackRock

77% of total AUM initially committed to be managed in line with net zero

USD 7.3 trillion currently committed to be managed in line with net zero

Information on interim target(s) covering the proportion of assets to be managed in line with net zero

Baseline year: 2021

Target year: 2030

Target(s): As the transition proceeds and issuers and asset owners continue to position themselves in front of it, we anticipate that by 2030, at least 75% of BlackRock corporate and sovereign assets managed on behalf of clients will be invested in issuers with science-based targets or equivalent.

To read BlackRock's full 2030 Net Zero statement, which provides additional and important background about the firm's position on this matter, please see BlackRock's [2030 Net Zero Statement](#).

Baseline year performance for the target metric(s): Currently, approximately 25% of BlackRock assets under management with respect to corporate and sovereign issuers is invested for clients in issuers with science-based targets or equivalent.

GHG scopes included: The methodology used does not include the calculation of financed emissions.

Methodology: For listed equities and corporate fixed income, we have used an approach based on the Science-Based Targets initiative for Financial Institutions Portfolio Coverage, and may consider issuers aligned if they follow another science-based framework.

For sovereign bonds, we have used the Germanwatch Climate Change Performance Index (CCPI) referenced by NZIF, as well as Climate Action Tracker. To define alignment thresholds, BlackRock is considering the countries in the top two tiers of the frameworks as net-zero aligned. Sovereign bond methods are still in development for most target-setting frameworks and are thus subject to change.

Scenario(s): The guidance set by the Science-Based Targets initiative is based on mitigation pathways that limit warming in line with the climate goals of the Paris Agreement.

The Climate Action Tracker (CAT) rating method evaluates a broad spectrum of government targets and actions to reduce greenhouse gas emissions in line with the Paris Agreement temperature goal. To assess the climatic impact of all the targets put forward by countries – and, thus the consistency with the Paris Agreement – CAT derives a global emissions pathway to 2100 which is used as input to a carbon-cycle / climate model (MAGICC6). It is run multiple times to obtain a probability distribution of global mean temperature and the corresponding central median estimate and corresponding exceedance probabilities.

BlackRock

Additional information

Proportion of AUM committed: Scope reflects the vast majority of listed corporate securities (listed equities and debt with ACWI IMI issuers) and treasuries, and was chosen based on currently available data and methodologies. BlackRock is actively engaging with the Partnership for Carbon Accounting Financials (PCAF), the Institutional Investors Group on Climate Change (IIGCC), Science-based Targets Initiative (SBTi), and a range of other industry initiatives and working groups to help contribute to the development and advancement of data and methodologies for the financial industry.

Policy on coal and other fossil fuel investments: As an asset manager with multiple offerings across equities, fixed income, multi-asset, systematic, liquidity, alternatives and ETFs and index investments, BlackRock’s approach to climate risk and the role of fossil fuel investment requires a combination of approaches. However, on behalf of our clients, we expect to remain long-term investors in carbon-intensive sectors like traditional energy, and we do not pursue broad divestment from sectors and industries as a policy. In alignment with our conviction that climate risk is investment risk, BlackRock has taken a number of actions including:

- **Thermal Coal:** In 2020, BlackRock, after extensive analysis, took an investment view in discretionary active investment portfolios to exit public debt and equity investments in businesses generating greater than 25% of revenue from thermal coal production. Our active portfolio managers concluded that the long-term economic or investment rationale no longer justified continued investment in these businesses.
- **Investment Stewardship:** The BlackRock Investment Stewardship (BIS) team engages with companies to assess how material sustainability-related factors impact a company’s ability to generate long-term shareholder returns. In 2020, BIS focused engagement on a climate universe of 440 public companies, representing about 60% of the global Scope 1 and Scope 2 greenhouse gas (GHG) emissions of the companies in which we invest on behalf of our clients. In 2021, we expanded our focus universe to over 1,000 carbon-intensive public companies that represent 90% of the global scope 1 and 2 GHG emissions of our clients’ public equity holdings with BlackRock. The BIS Climate Focus Universe can be found [here](#).
- **Implementation of a Heightened Scrutiny Framework (HSF) for climate risk:** BlackRock developed and implemented a “Heightened Scrutiny Framework” to track, analyse, and manage active positions in issuers that are significantly exposed to climate risk due to: a) high carbon emissions today, b) insufficient preparation for the net zero transition, and c) low reception to our investment stewardship engagement. Where we do not see enough progress for these issuers, and in particular where we see a lack of alignment combined with a lack of engagement, we may not support management in our voting for the holdings our clients have in index portfolios, and we will also flag these holdings for targeted review and engagement in our discretionary active portfolios where we believe they may present a risk to performance.

The AUM is as of 30/09/21.

For further information: [BlackRock 2021 TCFD Report](#)



Boston Common Asset Management

93% of total AUM initially committed to be managed in line with net zero

USD 5.6 billion currently committed to be managed in line with net zero

Information on interim target(s) covering the proportion of assets to be managed in line with net zero

Baseline year: 2021

Target year: 2025

Target(s): By 2025 to have engaged the 31% of portfolio holdings* (in covered AUM) that either have no target or have an insufficient target to move to either a Science-Based Targets initiative (SBTi) target or equivalent and to increase the % of firm level holdings from 67%** to 90%.

*The actual engagement target list is subject to change for example if we discover they have already adopted a target or if the holding is no longer held we would deprioritize engagement.

**67% of our firm level holdings (as of 12/31/21) have a climate commitment or target

- 35% of which are approved SBTs
- 32% of which are either committed SBTs or considered an ambitious target

Baseline year performance for the target metric(s): 67% of our holdings have a climate commitment or target

- 35% of which are approved SBTs
- 32% of which are either committed SBTs or considered an ambitious target
- 18% of our holdings do not have any target.
- 13% have some sort of target and are aligned with net zero decarbonization pathway by 2050.

GHG scopes included: Our firm's total financed Scope 1 and 2 emissions are 153,197 tons versus 471,956 for the MSCI ACWI benchmark or 67.5% less than its relevant benchmark.

At this time, we decided to not include fixed income and several sub-advised strategies (which have other impact guidelines). In future years, we will consider adding Scope 3 into assessment and target-setting under NZAM as data quality and company disclosure expands on Scope 3. One of our key engagement focus areas is for companies we invest in to expand their GHG emissions disclosure and target-setting to include Scope 3.

Methodology: Science Based Targets initiative for Financial Institutions

Additionally: According to Boston Common Asset Management's Firm Level Baseline Assessment (12/31/21) for covered listed equities (utilising ISS as a carbon analytics data provider)

Scenario(s): While we did not set a temperature alignment goal under NZAM, our assessment at the firm and portfolio strategy level does monitor and compare the scenario alignment for current and future portfolio greenhouse gas emissions with the carbon budgets for the IEA Sustainable Development Scenario (SDS), Stated Policies Scenario (STEPS) and the Current Policies Scenario.

Boston Common Asset Management

Additional information

Proportion of AUM committed: This AUM exposure represents the total of our in-house actively managed public equity investments but does not include fixed income exposure. It also excludes an externally managed small cap strategy and a passive index product that has other impact investment criteria.

Policy on coal and other fossil fuel investments: Yes. As of the end of 2019 we adopted a guideline to no longer invest in fossil fuels for all our in-house actively managed strategies.

See pages 3 and 4 of ICAP for more details.

The 93% of covered AUM linked to NZAM commitment is covered by these policies. The AUM is as of 31/12/21.

Further information: Please see link to Boston Common Asset Management's [Investor Climate Action Plan](#).

Boston Trust Walden

80% of total AUM initially committed to be managed in line with net zero

USD 11.8 billion currently committed to be managed in line with net zero

Information on interim target(s) covering the proportion of assets to be managed in line with net zero

Baseline year: 2019

Target year: 2025, 2030, 2040

Target(s): Our primary target utilizes the SBT Portfolio Coverage method, which includes elements of the PAII NZIF Portfolio Coverage Target and Engagement Threshold types. Our aspiration is that nearly 100% of discretionary client equity assets will be invested in companies with science-based targets by 2040. In the interim, by 2025, we aspire to have approximately 30% of client equity assets invested in companies with science-based GHG emission reduction targets.

Our secondary target utilizes the PAII NZIF Portfolio Decarbonization Reference Target. By 2030, we aim to have 100% of discretionary client equity assets invested in assets with a carbon intensity of at least 50% less than their respective benchmarks in 2019. This is based on Scope 1 and 2 emissions of companies in which we invest. As data quality and associated methodologies improve for calculating Scope 3 emissions, we may evolve our approach.

Baseline year performance for the target metric(s):

Baseline portfolio emissions: The weighted average carbon intensity of model equity assets was 84 metric tons of CO₂e/million dollars of revenue. This compares to the aggregate benchmark weighted average carbon intensity of 181. The average result being that model equity assets were invested in assets that were 54% less carbon intensive than their benchmark.

% of portfolio companies setting a science based target: We do not have a 2019 baseline for this effort. As of year-end 2021, 65% of discretionary client equity investments were invested in companies with some type of emissions reduction goal or target. However, only approximately 8% were invested in companies that had set a science-based emissions target that had been officially recognized by the Science Based Targets initiative.

GHG scopes included:

Primary goal: Regarding our engagement on science-based emissions reduction targets, for most companies, some efforts around reducing Scope 3 emissions are required for a science-based target. Scope 3 emissions reduction targets are required for companies where Scope 3 emissions account for more than 40 percent of the sum total of Scope 1, 2, and 3 emissions.

Secondary goal: Our weighted average carbon intensity (WACI) target is based on Scope 1 and 2 emissions of companies in which we invest. As data quality and associated methodologies improve for calculating Scope 3 emissions, we may evolve our approach.

Methodology: Paris Aligned Investment Initiative Net Zero Investment Framework and Science Based Targets initiative for Financial Institutions.

Scenario(s): Our primary goal utilizes the SBTi Portfolio Coverage method to set targets. Our secondary goal utilizes guidance provided by the Net Zero Investment Framework.

Boston Trust Walden

Additional information

Target setting: Engagement forms the core of our commitment as part of the Net Zero Asset Managers Initiative. Our primary goal utilizes the SBT Portfolio Coverage method since we believe broad-based, absolute emissions reductions are the only way to mitigate the risks associated with climate change. As such, we believe all companies should set science based GHG emissions reduction targets and this has guided our engagement efforts for nearly the last decade. Our secondary goal utilizes elements of the PAII Net Zero Investment Framework.

Policy on coal and other fossil fuel investments: Boston Trust Walden uses a multifaceted approach to managing and mitigating climate risk, including through our approach to portfolio construction and active ownership. Our discretionary fossil fuel free (FFF) investment strategies avoid investing client assets in companies whose primary business is to explore, develop, produce, refine, service, distribute, or transport by pipeline fossil fuel resources (coal, oil, and natural gas), or to use fossil fuel resources to generate electricity for public consumption. We avoid coal investments in client portfolios, in alignment with guidance from the Intergovernmental Panel on Climate Change (IPCC) 1.5°C scenario, which states that coal usage should be phased out in OECD markets by 2030, and globally by 2040. We will not invest client assets in companies whose primary business is coal mining, or in companies that are planning or constructing new coal-fired power stations. Further, we will not invest client assets in companies that acquire new acreage, after March 31, 2022, for the purpose of developing tar sands resources.

This policy applies to all equity assets on the Boston Trust Walden approved list of securities.

For discretionary portfolios that do not follow a FFF investment strategy or utilize FFF investment guidelines, as with other portfolio holdings with higher carbon intensity, we utilize an active ownership approach to mitigating climate risk, by encouraging companies to pursue an aggressive path toward a net zero future.

Brookfield Asset Management

33% of total AUM initially committed to be managed in line with net zero

USD 147 billion currently committed to be managed in line with net zero

Information on interim target(s) covering the proportion of assets to be managed in line with net zero

Baseline year: 2020

Target year: 2030

Target(s): Portfolio decarbonization reference target:

Reduce portfolio emissions by 66% in absolute terms.

Our Real Estate portfolio will use December 31, 2019 baseline data which is more representative of the business (pre-COVID emissions).

Allocation to climate solutions: Brookfield Renewable operates one of the world's largest publicly traded, pure-play renewable power platforms with an installed capacity of 21 GW. We aim to develop an additional 21 GW of new clean energy capacity by 2030, doubling our portfolio to 42 GW.

In 2021, we launched the Brookfield Global Transition Fund which aims to accelerate the global transition to net zero by investing in the development and accessibility of renewable energy sources and the transformation of carbon-intensive businesses. As such, Brookfield Global Transition Fund has dual objectives of earning strong risk-adjusted returns and generating a measurable positive environmental change.

Baseline year performance for the target metric(s): Our interim targets are for portfolio holdings where we have control, and therefore consolidate in accordance with The Greenhouse Gas Protocol.

GHG scopes included: We cover Scope 1 & 2 for all portfolio holdings under the control approach, using estimates when data is not available. We intend to include Scope 3 once data is available and of sufficient quality.

Methodology: Paris Aligned Investment Initiative Net Zero Investment Framework

Scenario(s): We will utilise Paris-aligned pathways and science-based methodologies to set targets. For Renewable Power, we will leverage the established Science Based Targets initiative (SBTi) power sector pathway while for our Real Estate portfolio we will use Carbon Risk Real Estate Monitor (CRREM). We intend to use the IEA Net Zero Emissions (NZE) 2050 scenario for most other asset classes. However, given the lack of comprehensive, robust and granular pathways currently available, our portfolios select the most appropriate pathways for their sectors.

Brookfield Asset Management

Additional information

Proportion of AUM committed: The AUM in scope represents the emissions reduction targets for assets where we have identified credible net zero plans and targets and have control to implement emission reduction strategies and influence outcomes. Our intention is to increase the proportion of assets to be managed in line with net zero annually to reach 100% over time.

We are implementing actions based on PAII NZIF to effectively achieve portfolio alignment, meet targets and enable a broader transition towards net zero. Does not include \$148 billion of AUM managed by our partner, Oaktree Capital Management, which carries out its investment activities independently from Brookfield Asset Management and is currently developing its own climate strategy.

Policy on coal and other fossil fuel investments: We do not have a firm-wide exclusion on coal or other fossil fuel investments. For example, the objective of Brookfield Global Transition Fund is to provide capital to accelerate the transition to net zero. Therefore, we believe it is important to “go where the emissions are” and utilize our operating capabilities to drive value and impact by acquiring select coal- and fossil fuel-based investments and setting them on a path to net zero consistent with Paris alignment.

Further Information: <https://www.brookfield.com/responsibility/brookfields-net-zero-commitment>

Clean Energy Ventures Management, LLC

100% of total AUM initially committed to be managed in line with net zero

USD 0.1 billion currently committed to be managed in line with net zero

Information on interim target(s) covering the proportion of assets to be managed in line with net zero

Baseline year: 2018

Target year: 2030/2050

Target(s):

By 2030:

- 100% of target portfolio companies that have raised a Series C financing or 30% of the target portfolio companies (whichever is greater) committed to achieving NZC emissions by 2050 and demonstrating alignment through their ambition, targets, emission performance, disclosure, strategy and capital allocation.
- These companies shall also be engaged to submit an application to SBTi's PE/VC target setting program. It is important to note that the SBTi's guidance states that it is only applied to firms investing in latter stage companies. CEV is going above and beyond this guidance by applying it to the early-stage companies CEV invests in.
- 100% of the portfolio to be invested in companies offering solutions that significantly reduce GHG emissions compared to the baseline technology.

By 2050:

- 100% of Fund I and Fund II companies commit to reach net zero by 2050. The emissions reductions will need to be supported by respective LCAs and SBTi reporting.
- A fundamental investment criteria of companies that CEV invests in is that they have the potential to reduce 2.5 Gigatonnes of CO₂eq emissions by 2050 (cumulatively) from the baseline. These reductions come from impact throughout the portfolio company's customers and partners' supply chains and though they may not be captured in standard Scope 1, 2 and 3 emissions assessments, they can be tracked and measured.

Baseline year performance for the target metric(s): We cannot yet provide an aggregated figure for the baseline carbon intensity for all assets to be managed in line with net zero by 2050.

Clean Energy Ventures Management, LLC

GHG scopes included: Our early-stage investments focus on technologies that reduce emissions for their customers or across the value chain in their target industries and therefore cover Scope 3 emissions. Due to the early nature of the start-ups as pre-revenue or early revenue companies, current Scope 1 & 2 emissions are de minimis and being tracked to a limited degree. Notwithstanding this, we are initiating a quarterly reporting process for key emissions metrics that are specific to each company, which will then also be compiled and reported on a portfolio basis.

Over time, we anticipate all companies will be tracking Scope 1, 2 and 3, though many of our companies may be acquired by other companies or be publicly listed at that time. We are assessing how to continue to get rights to the impact of our companies after liquidity events. Scope 3 emissions reductions in our analysis cover how customers plan to use the innovation in their supply chain compared to the existing solution. All of CEV’s investments are in companies that enable significant Scope 3 reductions compared to baseline solutions.

Methodology: Our methodology is based on the principles outlined in the GHG protocol, ERP Methodology & Mission Innovation Avoided Emissions Framework.

As early-stage venture investors in new technology companies which are either pre-revenue or early-revenue, our methodology is tailored towards forward- looking assessments over a longer time horizon. Our calculation is based on unit impact, market adoption S-curves, per unit carbon intensity, allocation of ‘credit’, and enabling effects. As outlined in the base methodologies, our calculations are based on verifiable data wherever possible including LCAs and third-party research.

Scenario(s): The IPCC 1.5C Pathways and the resulting emissions gap highlighted in the UNEP Gap Report.

Additional information

Proportion of AUM committed: 100%

Policy on coal and other fossil fuel investments: CEV’s investment mandate is that it will not invest in the production, processing, transportation, distribution and use of fossil fuels. Additionally, each company we invest in must have the potential to mitigate or reduce GHG emissions by 2.5 Gt by 2050 cumulatively. CEV does not and cannot invest in the fossil fuel industry or in technologies supporting the fossil fuel industry.

Coutts & Co.

89% of total AUM initially committed to be managed in line with net zero

USD 35 billion currently committed to be managed in line with net zero

Information on interim target(s) covering the proportion of assets to be managed in line with net zero

Baseline year: 31/12/2019
Target year: 31/12/2025, 31/12/2030
Target(s):
 Portfolio decarbonisation target:

- 50% reduction in the weighted average carbon intensity (tCO₂e/\$M revenue) of in-scope AUM by 2030, compared to a scope AUM by 2030, compared to a 2019 baseline

Portfolio coverage targets in-scope AUM:

- 50% is considered net zero, aligned or aligning by 2025
- 70% is considered net zero, aligned or aligning by 2030
- 100% is considered net zero, aligned, aligning or under engagement to become aligned by 2030

Baseline year performance for the target metric(s):

- Portfolio decarbonisation target: disclosed on an individual fund and portfolio basis, see coutts.com
- Portfolio coverage targets: In scope AUM considered net zero, aligned or aligning in 2019: 0%
- Baselines will be reported publicly on coutts.com and updated dynamically

GHG scopes included: Our current decarbonisation target is set based on Scope 1 and 2 emissions. We track Scope 3 emissions and aim to report on this and include in our targets when data availability and quality improves. Where deemed material we consider Scope 3 emissions in our engagement with investee companies and fund managers.

Methodology: Paris Aligned Investment Initiative’s Net Zero Investment Framework
Scenario(s): IPCC special report on global warming of 1.5°C

Additional information

Proportion of AUM committed: The proportion of AUM in scope covers all core strategies (managed funds and discretionary portfolios). It currently excludes bespoke (customised) discretionary and advisory portfolios, given that those assets are subject to specific conditions/restrictions.

Due to our bespoke and advisory mandates being managed in line with clients’ requirements and objectives we do not have full discretion over the net zero trajectory of these mandates. However, we aim to engage with all bespoke and advisory portfolio clients to seek their approval to include these assets in our net zero 2050 goals.

Coutts & Co.

Target setting: As a globally diversified multi-asset manager our target reduce the weighted average carbon intensity of our investments by 50% by 2030 aligns with the IPCC special report on global warming of 1.5°C and corresponds to a fair share given our exposure to global equity and fixed income markets.

Asset classes in scope are determined based on the availability of data and net zero methodologies at the time of target setting. Our decarbonisation target includes equities and corporate fixed income held directly within active and passive third-party funds. Our portfolio alignment targets also include sovereign bonds. Cash is currently excluded due to methodological limitations.

Alignment assessment and engagement: As most of our investment are in third-party funds, we assess the alignment to a Net Zero trajectory on a fund level. Our approach is based on the PAII Net Zero Investment Framework and tailored to our investment process. We are currently undertaking an assessment of all funds we invest in based on their potential to transition and this grouping (Net Zero, aligned, aligning, committed to aligning, not aligned) will guide our stewardship activity and asset allocation process once established. In line with our commitment to affect real world change we will focus on engaging with our existing fund managers to increase their efforts to align with Net Zero. Over time we aim to limit new investment in fund managers which we have assessed as having low/no potential to transition to Net Zero. We also continue to work with the industry, for example through collective engagement bodies and industry working groups, to align stewardship efforts and develop methodologies for remaining asset classes.

Policy on coal and other fossil fuel investments: Yes, Coutts, as part of the NatWest Group, is a member of the Powering Past Coal Alliance and our engagement is aligned with the timeframes set out by the PPCA, recognising different trajectories across the world.

Where we have direct control, we do not invest in companies that derive more than 5% of revenue from thermal coal extraction, Arctic oil and gas and unconventional oil and gas (including tar sands), or that derive more than 25% of revenue from thermal coal energy generation.

Where we invest in third-party fund managers we will engage with fund managers to invest in line with the timeframes set out by the PPCA.

For further information: Our climate strategy and targets are available [here](#). Our approach to climate change, responsible investing policy, stewardship policy and TCFD statement are available [here](#). Please also see our cautionary note about [climate-related data and information](#).

Danske Bank

68% of total AUM initially committed to be managed in line with net zero

USD 84 billion currently committed to be managed in line with net zero

Information on interim target(s) covering the proportion of assets to be managed in line with net zero

Baseline year: 2020

Target year: 2025, 2030

Target(s): Two main targets:

1. 50% reduction of the weighted average carbon intensity by 2030
2. Engagement with the 100 largest emitters by 2025

Baseline year performance for the target metric(s):

1. Weighted Average Carbon Intensity (tCO₂e / mUSD revenue) = 85.40
2. No baseline performance as we will engage with all 100 companies regardless of historical engagement activities and/or the individual company's current net zero alignment. Alignment tracking and assessment will constitute the fundament for the engagement target.

GHG scopes included: Scope 1 and 2. Scope 3 from 2023 onwards. However, Scope 3 is already considered in relation to the engagement target, where we use a sectoral approach and consider those scopes of emissions that are material from an industry value chain perspective, following best practice such as the Transition Pathway Initiative. With the top 100 emitters we seek to increase the number of companies aligned or committed to align with the Paris Agreement by engaging on gaps we identify through sector-based assessment.

Methodology: Paris Aligned Investment Initiative Net Zero Investment Framework and UN Net Zero Asset Owner Alliance Target Setting Protocol

Scenario(s): We have chosen to adopt the IPCC SR1.5 P2 pathway as the underlying scientific framework, supported by the IEA's Net Zero 2050 pathway

Additional information

Proportion of AUM committed: The proportion covers investment products (funds and managed accounts). The reason for omitting discretionary mandates with asset owners at this stage is that it must be based on specific customer demands for each mandate. The plan for engaging with asset owners on this topic is yet to be defined.

Policy on coal and other fossil fuel investments: Yes

Developing World Markets

100% of total AUM initially committed to be managed in line with net zero

USD 0.6 billion currently committed to be managed in line with net zero

Information on interim target(s) covering the proportion of assets to be managed in line with net zero

Baseline year: 2021

Target year: 2030, 2040

Target(s): Portfolio coverage: 100% of AUM in material sectors is considered net zero aligned or aligning by 2040

Engagement threshold: 100% of financed emissions under engagement by 2030

Allocation to climate solutions: 20% of AUM allocated to climate solutions by 2030

Baseline year performance for the target metric(s): 10% of financed emissions under engagement in 2021. 10% of AUM allocated to climate solutions.

GHG scopes included: Scope 1: DWM does not operate any facilities or vehicles

Scope 2: Purchased electricity for DWM offices

Scope 3: Business travel and financed emissions from our investment portfolio

Methodology:

Paris Aligned Investment Initiative Net Zero Investment Framework

Scenario(s): Not provided

Additional information

Proportion of AUM committed: 100%

Policy on coal and other fossil fuel investments: N/A

Further information: DWM makes impact investments, i.e. investments made with the intention of generating positive social and environmental outcomes aligned with its impact objectives. DWM's current assets are largely inclusive financial institutions serving poor and low-income clients in emerging and frontier markets. The inclusive finance sector is not carbon intensive and most countries where DWM invests are relatively low emitting. Nevertheless, DWM plans to both reduce the emissions intensity of our existing portfolio and increase investments in climate solutions that support the transition to a green economy, in line with the Net Zero Investment Framework. Please see our 2021 impact report for more information - <https://dwmarkets.com/wp-content/uploads/2021/Developing-World-Markets-Impact-Report-2021.pdf>.

DigitalBridge

90% of total AUM initially committed to be managed in line with net zero

USD 40 billion currently committed to be managed in line with net zero

Information on interim target(s) covering the proportion of assets to be managed in line with net zero

Baseline year: 2021
Target year: 2030
Target(s): We aim to achieve 100% portfolio coverage net zero target in 2030 in accordance with SBTi guidance for private capital investors.
Baseline year performance for the target metric(s): 121,000 tons of CO₂e (as estimated by South Pole Group)
GHG scopes included: DigitalBridge seeks to cover all financed emissions (the Scope 1 & 2 of portfolio companies). In addition, we seek to cover significant (as defined by SBTi) Scope 3 emissions from portfolio companies.
Methodology: Science Based Target initiative for Financial Institutions
Scenario(s): As an investor and manager of digital infrastructure assets we know that our sector can lead the way in the race to zero. Thus, we set a target that is well ahead of the pathways defined by SBTi and other organisations.

Additional information

Proportion of AUM committed: In our initial target, we had committed 100% of AUM. However, we recently made an acquisition of another asset manager that is not 100% digital and we are in the process of assessing the portfolio.
Policy on coal and other fossil fuel investments: DigitalBridge invests exclusively in digital infrastructure and has no future plans to invest in fossil fuels.

Further information: [2020 ESG Report](#)

Updated target – initial target can be seen in Annex B or found in the [NZAM Progress Report](#) from November 2021

Ecofin Investments

68% of total AUM initially committed to be managed in line with net zero

USD 1.3 billion currently committed to be managed in line with net zero

Information on interim target(s) covering the proportion of assets to be managed in line with net zero

Baseline year: 2020
Target year: 2030
Target(s): 75% of portfolio companies setting a science-based target
Baseline year performance for the target metric(s): 22% of portfolio companies setting a science-based target
GHG scopes included: SBTi verification includes Scope 1, 2 and, where appropriate, 3 emissions
Methodology: Science Based Target initiative for Financial Institutions
Scenario(s): Not provided

Additional information

Proportion of AUM committed: The covered assets represent all of Ecofin’s publicly traded equity strategies and any future public equity strategies we may launch. We intend to continue engaging with all investments and clients to encourage them to adopt science-based greenhouse gas reduction targets and commit to net zero emissions by 2050. There is not currently an approved methodology appropriate for us to measure and set targets for our private infrastructure and fixed income investments. We will continue working with network partners to assess methodologies and will include these assets into our commitment as it is practical to do so.

Policy on coal and other fossil fuel investments: Additional information will be available on our website shortly and will apply to 100% of our AUM.

In short, our policy is that Ecofin will not invest in energy and power companies that have not demonstrated a commitment to a business model designed to succeed in a low-carbon economy. While Ecofin may invest in companies with a history of or legacy exposure to fossil fuels, such an investment would heavily rely on evidence that the company’s business model has shifted to alignment with net zero emissions. In no case will Ecofin invest in a company that has a material amount of revenues from selling fossil fuel reserves.

FSN Capital Partners

100% of total AUM initially committed to be managed in line with net zero

USD 4.3 billion currently committed to be managed in line with net zero

Information on interim target(s) covering the proportion of assets to be managed in line with net zero

Baseline year: 2019 (Scope 1, 2 and 3 category 5 and 6); 2020 (Scope 3 category 15)

Target year: 2026, 2030

Target(s): 100% of portfolio companies setting a science-based target by 2030

Baseline year performance for the target metric(s): Not provided

GHG scopes included: For financed emissions – ensure 100% of capital is invested in companies that have set their own approved science-based targets by 2030, a decade before the timeframe required by SBTi – with an interim target of approved science-based targets covering 60% of invested capital by 2026. All companies will follow SBTi’s requirement on coverage of Scope 1, 2 and material Scope 3.

Methodology: Science Based Targets initiative for Financial Institutions

Scenario(s): IPCC’s and SBTi’s 1.5°C emissions scenarios

Additional information

Proportion of AUM committed: 100%

Policy on coal and other fossil fuel investments: We have historically not invested in coal or other fossil fuels, and we will continue to not invest in these industries. Per our [Responsible Investment Policy](#), we have an exclusion criterion dictating that we shall not invest in companies that ‘have an unacceptable high greenhouse gas footprint and have failed to take reasonable steps to reduce these emissions’.

Further information: FSN’s [ESG report](#) and [SBTi verification](#)

Insight Investment

41% of total AUM initially committed to be managed in line with net zero

USD 475 billion currently committed to be managed in line with net zero

Information on interim target(s) covering the proportion of assets to be managed in line with net zero

Baseline year: 2020
Target year: 2023, 2025, 2030, 2040, 2050
Target(s):
Portfolio decarbonisation: 2025 – 30%, 2030 – 50%, 2050 – 100%
Engagement threshold:
 2023 – 50% of corporate bond and equity financed emissions to be either net zero aligned or aligning to NZ or subject to direct/ collaborative engagement.
 2025 – 70% of corporate bond and equity financed emissions to be either net zero aligned or aligning to NZ or subject to direct/collaborative engagement.
Temperature ratings:
 2030 – 1.95°C
 2040 – 1.5°C
Sovereign bonds:
 High or very high under Germanwatch CCPI framework and almost sufficient or 1.5°C Paris Agreement compatible under Climate Action Tracker
Baseline year performance for the target metric(s):
 Portfolio decarbonisation: 2020 – 169tCO₂e/\$mn
 Engagement threshold: 2020 – N/A
 Temperature ratings: 2020 – 2.4°C
 Sovereign bonds: 2020 – 100%
GHG scopes included: The portfolio level decarbonisation targets currently cover Scope 1 and 2 only, albeit we will look to add Scope 3 to these targets in due course. The ITR target incorporates Scopes 1, 2 and 3.
Methodology: Paris Aligned Investment Initiative Net Zero Investment Framework and Science Based Target initiative for Financial Institutions
Scenario(s): IPCC special report on global warming of 1.5°C

Insight Investment

Additional information

Proportion of AUM committed: Insight's initial commitment covers 75% of UK managed corporate bonds and equities (mainly for European and UK clients). We have not currently committed 100% of these assets due to our concentration in segregated mandates and resulting lack of clarity on adoption. US managed corporate assets are not included, with implications for ERISA accounts currently unresolved.

In addition, we cover 100% of our UK sovereign holdings – the largest constituent of our total sovereign assets. We envisage introducing similar methodologies for other sovereign bonds and developing methodologies for more esoteric assets.

Ultimately, the proportion committed will depend on asset and geographical mix over time. Our significant derivative holding means it may be impossible to reach close to 100% unless relevant methodologies are developed.

Target setting: The PAll framework provides best practice for corporate bond and equity portfolios in terms of setting decarbonisation pathways.

However, whilst metrics are transparent, portfolio-level decarbonisation is worth little unless accompanied by real world transition. Higher carbon companies with strong transition stories should be investible and hence Insight has chosen to use an additional metric – ITR recommended by SBTi – to better enable transition stories to be held. ITR scores are relatively new and best practice is not yet established so Insight did not feel it was appropriate to build a commitment solely around this. Instead, reporting against and targeting improvements in both metrics gives the highest level of accountability. For sovereign holdings, only the PAll outlines a recommended methodology. Whilst many have chosen not to set targets relating to sovereigns, given the skew in our book of business to UK Gilts, we felt it was inappropriate to ignore these holdings whilst waiting for clearer methodologies to be developed.

Policy on coal and other fossil fuel investments: As part of our net zero strategy, Insight has developed a science-based policy relating to thermal coal investments where we commit to ensure any holdings we have related to thermal coal usage will have a clear and actionable plan to exit coal (SBTi definition - < 5% revenues) by 2030 for developed market holdings and 2040 for emerging market holdings. This is in line with the IPCC requirements to limit global warming to 1.5°C, while balancing the imperatives of a just transition as stated in the Paris Agreement.

Insight will look to achieve this, where possible, through effective engagement as we feel this is likely to achieve a better real-world outcome. However, the policy developed also has an escalation function which may ultimately lead to divestment if coal exit strategies are not sufficiently aspirational.

Please find more information [here](#).

Further information: [Q&A document](#)

Invesco

12% of total AUM initially committed to be managed in line with net zero

USD 195 billion currently committed to be managed in line with net zero

Information on interim target(s) covering the proportion of assets to be managed in line with net zero

Baseline year: 2019

Target year: 2025, 2030, 2040, 2050

Target(s):

Portfolio coverage: Every five years, meaningfully increase the percentage of AUM in material sectors which are considered net zero, aligned or aligning with annual report on progress.

100% of AUM in material sectors is considered net zero or aligned by 2040.

In support of our clients and investments teams we will continue to progress collective understanding of net zero solutions as data and methodologies evolve.

Portfolio decarbonisation reference targets:

1. 50% lower carbon footprint as measured by tCO₂/\$ invested by 2030 versus 2019 baseline
2. Net zero by 2050 against 2019 baseline

Engagement threshold: Companies making up 70% of financed emissions in material sectors will either be assessed as net zero, assessed as aligned or subject to direct engagement / active management by 2025.

Companies making up 90% of financed emissions in material sectors will either be assessed as net zero, assessed as aligned or subject to direct engagement / active management by 2030.

100% of assets in material sectors are aligned or achieving net zero by 2040, as stipulated in the PAII NZIF.

Baseline year performance for the target metric(s): Portfolio coverage: 39% of AUM in material sectors is considered net zero, aligned or aligning

Portfolio decarbonisation reference targets: Absolute emissions: 4,557,759

Carbon footprint: 73 tCO₂e / USD mn invested

Coverage: 74%

Engagement threshold: 2% of financed emissions in material sectors achieving net zero or aligned

20% of financed emissions in material sectors are subject to engagement

GHG scopes included: Our measurements include Scope 1 and 2 top-down portfolio reduction targets. Given the estimated nature of current Scope 3 assessment methodologies available, we believe this measurement is too immature at this stage. Whilst Scope 3 emissions are not considered in the emissions target, they are still crucial in assessing the alignment of companies at the issuer level.

Invesco

Methodology:

Paris Aligned Investment Net Zero Investment Framework and Vivid Economics / Planetrics (specifically for sovereign bonds)

Scenario(s):

The interim target of a 50% global reduction in CO₂ emissions by 2030 using a 2019 baseline is based on IPCC pathway S1/P2 (47% reduction based on 2010 baseline) to have a better than 66% chance of staying under 1.5°C with limited or no overshoot.

Additional information

Proportion of AUM committed: Our approach to net zero is client- and investor-led, thoughtful and rigorous. Our AUM commitment includes portfolios where clients are seeking to implement a decarbonisation objective consistent with net zero by 2050 or sooner, as well as where the investment team is committed to working with companies to support their efforts to manage transition risk in line with client objectives. It also includes approaches where broad alignment with net zero is embedded in the fund strategies. As methodologies continue to evolve, we will work with our clients and investment teams to further increase our committed AUM over time.

Target setting: Invesco offers a broad range of investment capabilities and vehicles to its clients across the globe. We are being thoughtful with regard to assessing the feasibility of Net Zero for all asset classes and vehicles. Our AUM commitment reflects the broad and diverse nature of capabilities across Invesco, as well as our client- and investor-led approach.

More specifically, we are:

- Having conversations with clients to understand their needs and refine our approach to support them in their transition to net zero
- Engaging with company management and, where it makes sense, collaborating globally to ensure a coordinated approach to support companies on their net zero pathway
- Building tools to support our investment teams in screening portfolios for alignment, track metrics and identify issuers for engagement
- Producing a net zero research methodology that generates a net zero rating to assess alignment

Policy on coal and other fossil fuel investments: Certain Invesco funds have a fossil fuel exclusion policy, including revenue thresholds on thermal coal extraction and power generation. Due to our client- and investor-led approach, we do not have a firm-wide fossil fuel exclusion policy.

Further information: [Climate Change Report](#)

JGP

22% of total AUM initially committed to be managed in line with net zero

USD 1.6 billion currently committed to be managed in line with net zero

Information on interim target(s) covering the proportion of assets to be managed in line with net zero

Baseline year: 2019
Target year: 2030, 2040
Target(s):
Temperature Rating:
 2030 - 2°C
 2040 – 1.5°C
Portfolio companies setting a science-based target:
 2030 – 50%
 2040 – 100%
Baseline year performance for the target metric(s):
 Above 2.5°C
 Less than 10%
GHG scopes included: Full coverage (Scope 1, 2 and 3) on the in scope assets
Methodology: Science Based Target initiative for Financial Institutions
Scenario(s): IPCC special report on global warming of 1.5°C

Additional information

Proportion of AUM committed: We have included in our targets all of our equities and credit AUM. The other asset classes under our AUM, hedge funds and retirement funds, are temporarily excluded from our commitments as we currently lack a global methodology to align parts of those asset classes (mostly derivatives, currencies, and futures). JGP is committed to aligning these asset classes once suitable methodologies become available.
Policy on coal and other fossil fuel investments: We've developed an exclusion list for all funds which states that we won't invest in companies that derive more than 10% of its revenue from coal mining or doesn't have plans for diversification.

Further information: [Decarbonisation plan](#)

Lazard Asset Management

9% of total AUM initially committed to be managed in line with net zero

USD 22 billion currently committed to be managed in line with net zero

Information on interim target(s) covering the proportion of assets to be managed in line with net zero

Baseline year: 2019
Target year: Year-end 2029 as default but with certain strategy-specific variation.
Target(s): For most portfolios, the target will be a fair share of 50% reduction in portfolio Weighted Average Carbon Intensity (WACI) over the target horizon. Certain strategies will also use alternative targets, such as SBTi penetration.
Baseline year performance for the target metric(s): Year-end 2019 as default but with certain strategy-specific variation.
GHG scopes included: Initial target setting will be made on a Scope 1 and 2 basis with Scope 3 run in tandem ahead of implementation deadlines, such as the NZIF guidance for inclusion from 2023.
Methodology: Paris Aligned Investment Initiative Net Zero Investment Framework
Scenario(s): Pathways derived from the IPCC’s Special Report on Global Warming of 1.5°C, as reflected in the original objectives of the Net Zero Asset Managers Initiative.

Additional information

Proportion of AUM committed: Lazard Asset Management’s initial commitment comes from either underlying client commitments with a net zero commitment or strategies that are already compatible with being managed in a net zero fashion, while we expand the range of methodologies available across geographies and asset classes. Lazard Asset Management’s AUM commitment has been determined on a bottom-up basis, with either specific client mandates or product strategies being considered on a standalone basis.

The initial commitments covers 9% of total AUM. Each of them has been subject to a top-down forecast of portfolio emissions trajectory, and a bottom-up assessment of asset-level alignment, derived from the Net Zero Investment Framework. In total, 50% of Lazard Asset Management’s AUM has been assessed using this combination of top-down and bottom-up portfolio analysis. As additional clients and portfolio managers formally agree to manage these portfolios according to our net zero portfolio framework, Lazard Asset Management will add additional AUM from our pipeline to the formal proportion of AUM committed.

Policy on coal and other fossil fuel investments: No

LGT Capital Partners

22% of total AUM initially committed to be managed in line with net zero

USD 18.8 billion currently committed to be managed in line with net zero

Information on interim target(s) covering the proportion of assets to be managed in line with net zero

Baseline year: 2020, 2022

Target year: 2030

Target(s): SDA - 155.9 gCO₂ / MWh

LGT Capital Partners sets yearly interim targets. The target for 2022 is at 35.5 tCO_{2e} / USD mn invested for the AUM committed.

For 2030, we are aiming to reduce our baseline year emissions by 50%.

Baseline year performance for the target metric(s): SDA – 217 gCO₂ / MWh

2020 baseline year performance for the AUM committed (funds and mandates) is 40.4 tCO_{2e} / USD mn invested

GHG scopes included: Scope 1 and 2 are the basis for the targets. In our view, Scope 3 data coverage is not yet sufficient, but we intend to include Scope 3 over time.

Methodology: Science Based Target initiative for Financial Institutions and a combination of SDA and value-add approach

Scenario(s): IEA Net Zero 2050 sectoral pathways. As data providers continue to update their tools and methodologies we will follow through and further enhance the underlying analysis.

Additional information

Proportion of AUM committed: We decided to designate asset classes in scope where we have a robust greenhouse gas emission measurement framework and the ability to effect change through our investment decisions. Therefore, we included listed corporate investment instruments of our managed funds and customised mandates in asset classes such as listed equities and fixed income as well as liquid alternative strategies. This includes listed corporate assets that are part of our dedicated sustainability funds across public equities, fixed income and multi-asset solutions.

Not yet in scope are asset classes such as money market instruments, sovereign debt, insurance-linked strategies and private equity and private debt programs. For these, we recognise that methodologies are still early stage and that data coverage/quality needs further improvements.

Since private equity investments account for a substantial portion of our AuMs, as an initial effort, we started to measure the carbon footprint through a proxy-matching approach with public market comparables. We also engaged with our investments teams and PE managers to include greenhouse gas considerations throughout the investment process. In addition, we put efforts into the improvement of coverage and quality regarding data of the underlying portfolio companies. In this context, we recently joined the ESG Data Convergence Project, which provides a standard template and guidance for GPs reporting on six standard ESG KPIs, including greenhouse gas emissions.

LGT Capital Partners

Target setting: LGT Capital Partners decided to use a combination of approaches that best fit our needs. As the SDA approach is mainly applied to companies with high emitting, homogeneous business activities, we decided to also apply a value-added approach to cover companies with lower-emitting or heterogeneous business activities. The approaches are science-based and for high-emitting industries based on the industry-specific pathways from the IEA Net Zero 2050 scenario. Therefore, our approach provides a rigorous and consistent framework how to achieve net zero emissions in the real economy.

The applied approach is similar to Trucost's SDA-GEVA approach which is already used by many institutional investors. It supports the identification of industry leaders and laggards when it comes to decarbonisation. A key advantage of this approach is its ability to be applied across a wide variety of portfolio holdings which can be consistently aggregated to portfolio level. LGT Capital Partners takes a science-based approach with a combination of a sector decarbonisation approach (SDA) and a value-added approach.

The SDA approach is applied for high emitting industries while the value-added approach is based on a gross profit adjusted global budget. Each portfolio receives a carbon budget derived from the respective sectoral pathway from the IEA Net Zero 2050 scenario or if no matching sectoral pathway exists, from the global IEA Net Zero 2050 scenario. The IEA scenario data is scaled down based on the production level of the company respectively share of gross profit on GDP. For internally managed and passive strategies the budget targets are derived based on the underlying holdings. For externally managed funds the emission budget targets are based on the industry-mix of the corresponding benchmark.

Policy on coal and other fossil fuel investments: LGT Capital Partners has a firm wide coal exclusion policy that prohibits investments in thermal coal production and power generation from thermal coal. In addition, there is a very strict fossil fuel policy that applies to the firm's dedicated sustainable funds.

Lombard Odier Investment Managers

70% of total AUM initially committed to be managed in line with net zero

USD 49 billion currently committed to be managed in line with net zero

Information on interim target(s) covering the proportion of assets to be managed in line with net zero

Baseline year: 2022
Target year: 2030
Target(s): 1.5°C
Baseline year performance for the target metric(s): 2.6°C
GHG scopes included: This target comprises scope 1, 2 and relevant scope 3 emissions. Relevant scope 3 emissions are defined as those upstream and downstream emissions that are reasonably and primarily within a company's ability to decarbonise, through supply chain engagement or improved product design.
Methodology: Science Based Target initiative for Financial Institutions
Scenario(s): Our custom benchmarks are aligned at a sectoral level to scenarios outlined in the IPCC's global warming of 1.5°C report. More detailed industry-specific pathways are aligned to these sectoral benchmarks, but offer more granularity, having been derived from the CTI/ClimateWorks 'Net Zero 2050' model for the EU, adapted by Lombard Odier and its research partners.

Additional information

Proportion of AUM committed: The 70% target represents 100% of the AUM and asset classes where we presently have access to the methodologies, metrics and data needed to assess alignment. Increased coverage of carbon data and carbon metrics is the key priority, and most significant constraint we still face today. We are actively seeking to expand coverage of alignment metrics to infrastructure, hedge funds, and other alternatives, which would allow us to expand the coverage of our target. The assessment of alignment of sovereign debt issuance is a key near-term priority. We have already developed a draft version of alignment metrics for this asset class, and are working with Oxford University to further refine these assessments.

Target setting: Our coverable universe is 70% AUM (this represents the asset classes that are within scope of our target setting). The calculation of our current alignment, for the baseline year of our target, is based on the 54% of total LOIM AUM (77% of the coverable universe) where we currently have good data. We are actively working on expanding the coverage of our assessment of alignment to cover the entire coverable universe as soon as possible.

Policy on coal and other fossil fuel investments: For all AUM in scope, we apply these exclusions and restrictions.

Macquarie Asset Management

43% of total AUM initially committed to be managed in line with net zero

USD 229.6 billion currently committed to be managed in line with net zero

Information on interim target(s) covering the proportion of assets to be managed in line with net zero

Baseline year: 2019

Target year: 2030

Target(s): Private markets: By 2030, we aim to have 100% of our portfolio companies to be aligned or aligning with net zero using the Paris Aligned Investment Initiative Net Zero Infrastructure and Real Estate methodology.

Listed equity and corporate bond investments: We are targeting 50% of in-scope portfolio holdings to be aligned or aligning to a net zero framework by 2030, by setting net zero commitments as recognised by a well-accepted net zero methodology such as the Science Based Target initiative or the Transition Pathways Initiative.

The portfolio coverage targets set for listed equity and corporate bonds are anticipated to lead to emissions intensity reduction of at least 50% by the year 2030 in these asset classes.

In line with the NZIF methodology, we are targeting that by 2030 at least 90% of our financed emissions in material sectors are either assessed as net zero, aligned or aligning with a zero pathway or subject to engagement either directly or as part of a collaborative effort.

Baseline year performance for the target metric(s): Private markets: As our net zero commitment and tracking of assets commenced in 2020, we do not have sufficient information to provide an assessment of the % of assets which were aligned or aligning in 2019. Based on the available information and the level of maturity of the industry we are estimating that 0% of private markets was aligned or aligning to net zero in 2019.

Listed equity and corporate bond investments: 6% of portfolio holdings were aligned or aligning with net zero commitments as of 2019.

Engagement target: MAM's formal net zero programmes including company engagement within our public investments and private markets businesses were introduced in 2020. 2019 Baseline - 0%.

GHG scopes included: Scope 1 and 2 portfolio emissions. We continue to work towards improving scope 3 data availability and will include this over time.

Methodology: Paris Aligned Investment Initiative Net Zero Investment Framework

Scenario(s): 1.5°C

Macquarie Asset Management

Additional information

Proportion of AUM committed: MAM currently committed USD 229.6 billion to be managed in line with net zero including 100% of our infrastructure and agriculture portfolio and more than 80% of our real estate portfolio. We intend to increase our committed AUM over time. AUM not yet committed includes asset classes where actions that can influence change (proxy voting and engagements) are not yet widely available, asset classes where companies currently have limited capacity to adopt a net zero framework, passively managed portfolios that must be aligned to an external benchmark and select segregated mandates where we will seek explicit client approval.

We intend to deploy aspects of our net zero framework across these asset classes to the extent possible. We will continue to engage and collaborate with peers and industry bodies to improve methodologies and data availability to enable their inclusion in the future.

Target setting: While no formal target has been set, MAM is aiming to increase the proportion of AUM invested in climate solutions. As of 30 September 2021, 7.9% of our private markets AUM constituted renewable energy assets (USD 12.6 billion).

Policy on coal and other fossil fuel investments: Since 2019, our private markets businesses have been subject to a policy restricting investments in businesses with exposure to coal: no further investments will be made in standalone coal fired generation or in any asset for which more than 25% revenue is dependent on coal. For businesses with a smaller exposure to coal, the investment case must incorporate a transition away from that dependency.

For listed equity and corporate bond investments, we will commit to phasing out our investments in thermal coal activities (specifically thermal coal mining and coal-fired power generation). By 2030, any investee companies with residual exposure to these activities must have a net zero target in place in line with an acceptable framework.

Further information: MAM's [Sustainability Report](#) and [Stewardship Report](#)

Massachusetts Financial Services

90% of total AUM initially committed to be managed in line with net zero

USD 572 billion currently committed to be managed in line with net zero

Information on interim target(s) covering the proportion of assets to be managed in line with net zero

Baseline year: 2022
Target year: 2030, 2040
Target(s): 2030 – 90% of in scope AUM is considered net zero aligned or aligning
 2040 – 100% of in scope AUM is considered net zero aligned. Our aim is to have 100% of AUM in scope by this date.
 2050 – 100% of AUM is considered ‘achieving net zero’
Baseline year performance for the target metric(s): We do not yet have sufficient information to full evaluate our baseline for aligned or achieving net zero. However, we estimate that approximately 33% of our in scope AUM has, or has committed to set, a science-based target and therefore may be deemed aligning once we have reviewed plans and reporting.
GHG scopes included: Financed emissions will include Scope 1 and 2 emissions and Scope 3 to the extent they are material to the sector. This is in reference to SBTi requirements, and to the extent possible based on the quality of available data. We expect data quality on Scope 3 to improve enabling us to provide enhanced reporting over time.
Methodology: Paris Aligned Investment Initiative Net Zero Investment Framework
Scenario(s): In line with good practice, we seek to utilise a consensus of IPCC-reviewed 1.5°C no/low overshoot scenarios. Our reference pathways will primarily be the IEA Net Zero by 2050 scenario and the sector pathways of the SBTi. SBTi scenarios are drawn primarily from the Integrated Assessment Modelling Consortium (IAMC) and the IEA. Additionally, our data providers offer different climate scenarios as part of their climate data sets.

Additional information

Proportion of AUM committed: We need to better understand net zero pathways for certain asset classes and instrument types, including but not limited to: sovereign, municipal, other non-corporate fixed income issuers, and derivatives before committing 100% of our AUM. We seek to expand the AUM coverage by 2025. The target assumes no material change in the mix of our AUM.

Massachusetts Financial Services

Target setting: It is engagement and investee company alignment with net zero that is the core of our strategy for net zero alignment and so we have set a corresponding target on portfolio coverage. While we believe our approach, if successful, will achieve results aligned with other target types, we have elected not to set such targets at this time.

We believe a portfolio coverage target using an engagement-based approach allows us to maximize the proportion of in-scope AUM on the path to achieving net zero, while being aligned with our overall investment philosophy and our fiduciary responsibilities to our clients. We believe this approach reflects the aspiration and ambition of the NZAM initiative to achieve real world emissions reduction in our portfolios.

Importantly, we do not intend to use divestment or purchase “green” companies solely for the purpose of achieving our net zero goals, as such an approach neither reduces real world emissions nor aligns with our fiduciary obligations to our clients. We may, however, elect to selectively divest from an investee company, if we believe an investee company is not making sufficient progress toward addressing climate risk in their operations, which could impact our long-term investment thesis for holding such company. We may also elect to invest in companies that aid climate change mitigation and adaptation if we believe this to be in the best interest of our clients and in line with our fiduciary duty.

We will report and monitor investee company GHG emissions over time and aim to report on the financed emissions equivalent of our portfolio coverage target and performance against it. We aim to monitor and report on portfolio decarbonization and allocation to climate solutions. The targets set will be reviewed annually.

Policy on coal and other fossil fuel investments: We have not adopted such a policy; however, we consider the risk of stranding of fossil fuel assets when reviewing issuers. Coal and other fossil fuel related holdings are within the scope of the AUM coverage of our NZAM targets set out above as well as our proactive engagement strategy.

Further information: MFS [Climate Manifesto](#) and [Sustainable Investing Annual Report](#)

Mirova

100% of total AUM initially committed to be managed in line with net zero

USD 30 billion currently committed to be managed in line with net zero

Information on interim target(s) covering the proportion of assets to be managed in line with net zero

Baseline year: 2022
Target year: 2022
Target(s): Mirova has consistently sought net zero alignment of all its investments for several years and continues to do so.
Baseline year performance for the target metric(s): The target metric is the implied temperature rise of all our investments, for which we have set a target < 2°C for several years.
GHG scopes included: Mirova relies on two main indicators related to the assessment of GHG emissions:
 Emissions ‘induced’ by the life cycle of a company’s activities, taking into account both direct emissions and those of suppliers and products (Scope 1,2 and 3 for all sectors)
 Emissions ‘saved’ through energy efficiency improvements or ‘green’ solutions, also on a life-cycle basis so taking into account Scopes 1,2 and 3 for all sectors of the economy.
Methodology: Mirova has worked with French consultancy Carbon4Finance since 2014 on the measurement of the alignment of all its investments with the most ambitious climate goals. We do not consider current methodologies to sufficiently allow for the measurement of the positive climate impact of companies and projects. We therefore combine parts of a number of them in our own unique methodology.
Scenario(s): Mainly IPCC 1.5°C scenario with no overshoot and IEA NZE

Additional information

Proportion of AUM committed: 100%
Policy on coal and other fossil fuel investments: Fossil fuel exclusion policies apply to 100% of our AUM.

Further information: Mirova’s [net zero roadmap](#), [engagement report](#) and carbon scenario alignment.

Montanaro Asset Management

70% of total AUM initially committed to be managed in line with net zero

USD 3.9 billion currently committed to be managed in line with net zero

Information on interim target(s) covering the proportion of assets to be managed in line with net zero

Baseline year: 2019
Target year: 2030, 2040
Target(s): 50% achieving science-based targets by 2030 and 100% by 2040
 7% emissions reduction year-on-year, derived from the IPCC special report on global warming
 50% emissions reduction by 2030
Baseline year performance for the target metric(s): Not provided
GHG scopes included: The targets cover Scope 1 and 2 emissions and aims to include Scope 3 once data is sufficiently available. Data disclosure continues to be an issue in small and mid-cap markets.
Methodology: Paris Aligned Investment Initiative Net Zero Investment Framework and Science Based Target initiative for Financial Institutions
Scenario(s): Our approach is in line with a 7% emission reduction year-on-year is derived from the P2 model in the IPCC special report on global warming of 1.5°C which is consistent with a 50% global reduction in CO₂ emissions by 2030.

Additional information

Proportion of AUM committed: Our target covers Montanaro’s open ended funds (both Ireland and UK domiciled). We are working with the asset owners of our segregated accounts to understand their own approaches to net zero carbon. We also manage two Investment Trusts and a net zero carbon commitment is something that is being discussed by the respective Investment Trust Boards.
Target setting: NZIF is used to set an annual 7% emissions reduction target across our portfolios. The 7% annual reduction target will apply across each of our in-scope portfolios.
 SBTi coverage target: 50% of designated AUM achieving SBT coverage by 2030 and then 100% by 2040. SBTs are recognised when a target is set, rather than when a commitment to set a SBT is made.
 Our direct allocation to climate solutions comes via our impact strategy, the Better World Fund. The fund utilises themes to select companies that are contributing to environmental and societal solutions. Two of these themes relate to the climate change crisis. These themes are green economy and environmental protection. Allocation to companies contributing to these themes is currently 36%.

Montanaro Asset Management

Policy on coal and other fossil fuel investments: We have the following restrictions across 100% of our AUM:

- Exclusion of companies involved in the exploration and production of coal, oil and gas.
- Ban encompasses both onshore and offshore extraction.
- We also ban investment in fossil fuel refinement companies.

Further information: Montanaro's [net zero report](#) and [ESG handbook](#).

Newton Investment Management

67% of total AUM initially committed to be managed in line with net zero

USD 93 billion currently committed to be managed in line with net zero

Information on interim target(s) covering the proportion of assets to be managed in line with net zero

Baseline year: 2021

Target year: 2030

Target(s): 50% of portfolio company financed emissions setting a science-based target

Baseline year performance for the target metric(s): 27% of portfolio company financed emissions setting a science-based target

GHG scopes included: We note that under the SBTi methodology, Scope 3 emissions need to be taken into consideration when they represent more than 40% of the emissions value chain. For the meantime, only Scope 1 and 2 emissions will be included within the financed emissions calculations until we are comfortable with data accuracy and double-counting issues. Scope 3 emissions will be taken into account through the engagement process, alongside engaging on other companies' Scope 1 and 2 emissions.

Methodology: Science Based Target initiative for Financial Institutions

Scenario(s): SBTi scenarios are drawn primarily from the Integrated Assessment Modelling Consortium (IAMC) and the International Energy Agency (IEA).

Additional information

Proportion of AUM committed: The in scope NZAM AUM is the active equity and corporate bonds. This means that cash, derivatives, multi-factor equity (quantitative), multi-asset solutions (quantitative), sovereign bonds and funds are excluded due to a lack of methodology to implement NZAM at the moment. We will work to understand the options available to implement NZAM within these strategies going forward.

Policy on coal and other fossil fuel investments: We are still considering the best way to codify our NZAM commitment in relation to fossil fuel investments.

Further information: [Newton TCFD report](#)

Nissay Asset Management

60% of total AUM initially committed to be managed in line with net zero

USD 148 billion currently committed to be managed in line with net zero

Information on interim target(s) covering the proportion of assets to be managed in line with net zero

Baseline year: 2019
Target year: 2030
Target(s): Reduce portfolio emissions by 50% in intensity terms
Baseline year performance for the target metric(s): 91.6 tCO_{2e} / USD mn
GHG scopes included: Scope 1 and 2. Due to the data availability and reliability problem, Scope 3 is not included.
Methodology: Pairs Aligned Investment Initiative Net Zero Investment Framework
Scenario(s): The IPCC special report on global warming of 1.5°C

Additional information

Proportion of AUM committed: All listed equities and corporate bonds we have invested except for long-short funds are included in the interim targets. On the other hand, most of the AUM not included are sovereign bonds and alternative assets since data availability is still a concern. We will continue to review data availability and improvements in methodologies annually.
Policy on coal and other fossil fuel investments: No

Quinbrook Infrastructure Partners

100% of total AUM initially committed to be managed in line with net zero

USD 1.9 billion currently committed to be managed in line with net zero

Information on interim target(s) covering the proportion of assets to be managed in line with net zero

Baseline year: 2021
Target year: 2030
Target(s): <0.1 tCO₂e/MWh
Baseline year performance for the target metric(s): <0.1 tCO₂e/MWh
GHG scopes included: Quinbrook’s emissions intensity accounts for estimated Scope 1, 2 and 3 emissions of portfolio investments.
Methodology: Science Based Target initiative for Financial Services – Sectoral Decarbonisation Approach
Scenario(s): Quinbrook has assessed a pathway based on the Sectoral Decarbonisation Approach, SBTi 1.5 degree Celsius, Power, Fixed Market Share approach.

Additional information

Proportion of AUM committed: 100%
Policy on coal and other fossil fuel investments: Quinbrook’s [ESG Policy](#) excludes investment in coal exploration, production, mining, or energy generation.

Ridgewood Infrastructure

100% of total AUM initially committed to be managed in line with net zero

USD 700 million currently committed to be managed in line with net zero

Information on interim target(s) covering the proportion of assets to be managed in line with net zero

Baseline year: 2020
Target year: 2030
Target(s): Emissions reduction targets per sector (Water) -50%
 Target number of engagements (2025) - Collaborative engagements supported e.g. via Climate Action 100+: 20
 Direct engagement with investees: 20
 Sector and value chain engagement – with numerous companies and stakeholders from the same sector or value chain: 5
 Engagement outcomes targets (2025):
 Number of investees having SBTi aligned targets or committed to net-zero following engagement: 5
 Number of investees having SBTi approved targets following engagement: 5
 Allocation to climate solutions – 75%
Baseline year performance for the target metric(s): Baselines to be set for individual investments. Current overall portfolio baseline is ~38000 MT CO_{2e}
 Allocation to climate solutions: 0%
GHG scopes included: Confirmed, Scope 1 and 2
Methodology: UN Asset Owner Alliance Target Setting Protocol
Scenario(s): IPCC 1.5°C (low/no overshoot) - linear pathway to achieving our target of a 50% reduction by 2030

Additional information

Proportion of AUM committed: 100%
Policy on coal and other fossil fuel investments: We do not invest in coal or other fossil fuels.

Royal London Asset Management

71% of total AUM initially committed to be managed in line with net zero

USD 146 billion currently committed to be managed in line with net zero

Information on interim target(s) covering the proportion of assets to be managed in line with net zero

Baseline year: 2020

Target year: 2030, 2040

Target(s): 2030: We aim for a 50% reduction of tCO₂e/\$mn invested from a 2020 baseline.

Our objective is to evaluate and/or influence through engagement companies representing 70% of RLAM's corporate financed emissions to adopt emissions reductions targets linked to science-based sector-specific alignment methodologies (such as SBTi or other similar initiatives) and climate transition plans.

Property emissions – net zero for directly managed property assets by 2030 and indirectly managed property assets by 2040.

Baseline year performance for the target metric(s): For corporate fixed income and equities (2020 baseline*) – Scope 1 and 2 emissions intensity: 45.2 tCO₂e/\$mn

For property (2019 baseline) – operational emissions: 51,704 tCO₂e, embodied carbon emissions: 11,353 tCO₂e

Metrics for monitoring – absolute Scope 1 and 2 financed emissions: 3,24 M tCO₂e, Weighted Average Carbon Intensity Scope 1 and 2: 98.5 tCO₂e/\$mn sales, Scope 3 emissions intensity (estimated): 337 tCO₂e/\$mn invested, absolute scope 3 financed emissions (estimated): 24,20 M tCO₂e

*Baseline year performance metrics for equities and corporate fixed income is calculated using Enterprise Value Including Cash, in line with PCAF recommendations. The figure currently excludes private corporate credit due to methodological constraints.

GHG scopes included: Equities and corporate fixed income: Scope 1 and 2 reported and estimated emissions (2020) = 86.4%

Financed Scope 1 and 2 emissions – EVIC based (2020) = 67.8%

Financed Scope 3 emissions – EVIC based (2020) = 67.7%

Property portfolio: Operational and embodied carbon emissions = 100%

As % value of equities, fixed income and property in overall AUM not 'net zero in scope' sub-set. The coverage reduction from 86.4% to 67.8% reflects limitations in EVIC coverage, only available for publicly listed companies. We follow PCAF to measure private corporate debt and may disclose as a separate baseline as we gain methodological confidence. Emissions data is the latest available from our portfolio at 31/12/20. In practice, this means the majority of emissions are from company operations in FY19.

Royal London Asset Management

Methodology: Paris Aligned Investment Initiative Net Zero Investment Framework

Scenario(s): Our approach is informed by the IPCC special report on global warming of 1.5°C and the IPCC AR6. We aspire to follow a trajectory aligned with 1.5°C with low or limited overshoot, broadly equivalent to IPCC scenarios ‘SSP1-1.9’ or ‘SSP2- 2.6’. For a sectoral breakdown of the pathways, we aim to use International Energy Agency Net Zero and Central Banks’ Network for Greening the Financial System (NGFS) scenarios.

Additional information

Proportion of AUM committed: Includes: Funds/assets directly owned or controlled by RLAM and segregated mandates where clients made explicit commitments to net zero. Excludes: Funds/assets that, due to mandate, or presently unclear pathway to net zero by 2050. Funds tracking external indexes, from which we do not have control and assets with insufficient data to make a commitment at this time. This may include emerging markets, commodities, derivatives, cash, and foreign exchange.

Target setting: Sovereign bond funds are included in our net zero commitments although their emissions have not been captured in the emissions baseline. This asset class was covered by PCAF November 2021 consultation, and we expect methodologies to evaluate alignment with the Paris goals to follow.

We hope regulatory efforts, innovation, methodology convergence and additional voluntary disclosure will support our

development of additional approaches to include other asset classes into our net zero targets. We are keen to find ways to use our entire AUM to support faster decarbonisation.

Policy on coal and other fossil fuel investments: We are favour actions that deliver positive impact in the real economy. Therefore, we prioritise engagement over divestment of high emissions assets. We will continue evaluating policy and technological developments, trends and actions that support demand reductions. We are evaluating best practice to avoid unintended consequences and maximise real economy benefits. While we evaluate portfolio decarbonisation for risk minimisation, we will continue evolving our understanding of the impact of engagement vs divestment on real emissions rather than exclusively on portfolio decarbonisation.

To give our clients choice, a number of our funds have explicit fossil fuels exclusions e.g. Bond ICVC funds, Ethical bond fund and Sustainable funds range.

Further information: [Climate risk policy](#), [stewardship report](#) and [NZ property pathway](#)

Russell Investments

25% of total AUM initially committed to be managed in line with net zero

USD 57.4 billion currently committed to be managed in line with net zero

Information on interim target(s) covering the proportion of assets to be managed in line with net zero

Baseline year: 2019
Target year: 2025, 2030
Target(s): 25% of AUM in material sectors to be net zero, aligned to net zero or aligning to net zero by 2025
 Reduce Weighted Average Carbon Intensity (WACI) by 50% by 2030
 Target financed emissions in material sectors are net zero, aligned to net zero, aligning to net zero or subject to engagement as follows: 70% by 2025 and 90% by 2030
Baseline year performance for the target metric(s): 15% of AUM in material sectors is considered net zero, aligned to net zero or aligning to net zero
 WACI: 234tCO₂e/USD mn revenue
 4% of financed emissions in material sectors are net zero or aligned and 65% of financed emissions in material sectors are either aligned or subject to direct or collective engagement and stewardship actions
GHG scopes included: Our target covers Scope 1 and 2 emissions with Scope 3 to be phased in as data quality and availability improves.
Methodology: Paris Aligned Investment Initiative Net Zero Investment Framework
Scenario(s): Russell Investments referenced the IPCC SR1.5 global emissions pathway scenarios that limit global warming to 1.5°C by 2050 with no or limited overshoot, to establish the target '50% reduction in emission intensity by 2030'

Additional information

Proportion of AUM committed: Our approach is client and solutions led and we are focused on setting realistic and achievable targets. Our initial efforts are centred on net-zero committed clients, sustainable solutions, and regions where transition alignment is a client objective. For instance, two-thirds of our EMEA-domiciled funds are included in our initial target group. Although this bottom-up approach leads to conservative interim targets, we are fully committed to working with clients to achieve our collective net zero commitments. Furthermore, we only included equities and corporate debt in our initial targets after assessing that these asset class methodologies were the most robust. Other methodologies & data availability will continue to improve, and we will aspire to phase in additional asset classes in the coming years.
Policy on coal and other fossil fuel investments: Our climate action plan includes a phase out of thermal coal by 2030 in OECD countries and by 2040 in the rest of the world for net zero aligned investments. Russell Investments' Global Exclusions Committee will continue to assess our policy on coal and other fossil fuels over time, incorporating the latest climate science, considerations for a just transition, while acknowledging a practical need for energy security.

Further information: More information on [responsible investing](#) at Russell Investments.

Sage Advisory

15% of total AUM initially committed to be managed in line with net zero

USD 1.5 billion currently committed to be managed in line with net zero

Information on interim target(s) covering the proportion of assets to be managed in line with net zero

Baseline year: 2021
Target year: 2030
Target(s): 2°C and 70% of portfolio companies setting a science-based target
Baseline year performance for the target metric(s): 3°C and 15% of portfolio companies setting a science-based target
GHG scopes included: Portfolio reference targets were set with Scope 1 and 2 emissions in mind. As only 70% of S&P 500 companies report on GHG emissions (with less than 30% for small and mid-cap), the US investment universe still has a lot of work to do. We utilise ISS ESG Climate Analytics to make the estimates for us when this information is lacking. However, based on these gaps in reporting for Scope 1 and 2, the estimates in Scope 3 right now are really for educational purposes only, and we still need better standardisation and disclosure from US companies on emissions in general.
Methodology: Science Based Target initiative for Financial Institutions – Temperature Ratings and Portfolio Coverage Approach
Scenario(s): Targets are derived and we model our portfolios glidepaths by utilising the IEA’s Sustainable Development Scenario

Additional information

Proportion of AUM committed: Sage has made the determination not to include all portfolios under the goal at the current time. Some clients still need to be educated on what the potential impacts on portfolio construction (and investment outcomes) would be with the adoption of a net zero aligned strategy. Also, as we manage US dollar denominated strategies that include primarily US companies, there is still a lag on greenhouse gas reporting and target setting from US companies, which makes it harder for us as asset managers to fully assess the implications of going to 100% net zero.
Target setting: Sage’s goal by 2030 is to have all companies within the portfolio be on a credible net zero path or very close. For those companies that aren’t on a 1.5°C temperature path, we want to make sure we are selecting those that have as close of a temperature score of 1.5°C as possible.
Policy on coal and other fossil fuel investments: Sage currently has a policy that prohibits investing in companies involved with thermal coal extraction. The in scope AUM includes all policies that are committed to be in line with the NZAM initiative. Sage is in the process of enhancing this strategy to include other fossil fuel utilisation (which will include companies throughout the oil and gas value chain to include utilities and mid-stream companies).

Santander Asset Management

27% of total AUM initially committed to be managed in line with net zero

USD 51.5 billion currently committed to be managed in line with net zero

Information on interim target(s) covering the proportion of assets to be managed in line with net zero

Baseline year: 2019 for tCO₂e emissions and 2021 for financial instrument data

Target year: 2030

Target(s): 50% portfolio emissions in intensity terms

Baseline year performance for the target metric(s): 95.7tCO₂e/USD mn

GHG scopes included: We are using Scope 1 & 2 to determine and reach our targets of 2030 and 2050 as noted above. We aim to incorporate and disclose Scope 3 based on data quality and availability in the future.

Methodology: Paris Aligned Investment Initiative Net Zero Investment Framework – Portfolio Decarbonisation Reference Target

Scenario(s): IPCC 1.5°C P1 and P2 emissions pathway with no or limited overshoot

Additional information

Proportion of AUM committed: Certain asset classes are initially out of scope of our target due to methodological and data limitations. This includes sovereign, municipal and regional authority bonds, cash, derivatives, green bonds, alternatives and illiquid assets. The AUM in scope has been identified based on the PAII NZIF. As new methodologies become available and data granularity and coverage improves, additional financial instruments will be included.

Private client mandates are out of scope initially, subject to client consent. We are proactively engaging with our asset owner clients providing expertise and analytics on net zero investing and encouraging them to adopt net zero criteria in their mandates, with the aim to increase the proportion of clients' mandates to be managed in line with net zero goals.

Target setting: In addition to portfolio decarbonisation target, and with the goal of supporting real economy transition, we have been closely working with our main data provider to develop a custom-built solution to assess the alignment of assets according to the methodological approach defined by the Net Zero Investment Framework. This tool will leverage different sources of data to evaluate the six core criteria defined by the framework in the first phase, progressively incorporating the additional criteria 7-10 in the second phase.

The results of this assessment will be the basis for defining our asset level targets which will be set by end of Q4 2022.

Policy on coal and other fossil fuel investments: The scope of application of [this policy](#) will be all Santander Asset Management's investment except for private client mandates, sovereign bonds, municipal and regional authorities' bonds, cash, derivatives, liquid alternatives and illiquid assets.

Further information: Details on Santander Asset Management's approach to [sustainability](#) and its [road to net zero](#).

SEB Investment Management

50% of total AUM initially committed to be managed in line with net zero

USD 62.5 billion currently committed to be managed in line with net zero

Information on interim target(s) covering the proportion of assets to be managed in line with net zero

Baseline year: 2019
Target year: 2025, 2030
Target(s): 50% reduction in CO_{2e} by 2025
 75% reduction in CO_{2e} by 2030
Baseline year performance for the target metric(s): N/A
GHG scopes included: Scope 1 & 2 (which currently is available for approximately 80% of AUM). Scope 3 is currently included for utilities.
Methodology: Net Zero Asset Owner Alliance Target Setting Protocol
Scenario(s): Sustainable Development Scenario (SDS)

Additional information

Proportion of AUM committed: Only internal funds are included in the initial proportion of AUM to be managed in line with net zero: Listed equities; corporate bonds and real estate. Mandates are excluded.
 SEB is delivering its targets in line with the commitment by engaging with companies, increasing green investments, and including Scope 3 in the SDS transition pathway.
Policy on coal and other fossil fuel investments: SEB's policy is applicable to 100% of internally managed funds. The policy is available at [Climate_statement_eng_latest.pdf](#) (sebgroup.com)

Stafford Capital Partners

100% of total AUM initially committed to be managed in line with net zero

USD 8.1 billion currently committed to be managed in line with net zero

Information on interim target(s) covering the proportion of assets to be managed in line with net zero

Baseline year: 2020

Target year: 2030

Target(s):

Portfolio exposure targets:

1. 0% fossil fuels: no (indirect) investment in companies deriving more than 20% of their revenue from fossil fuel value chain. This will include upstream, midstream, distribution and electricity generation and exclude transportation assets.
2. 0% exposure to coal power generation

Financing transition targets:

1. Increasing the % of timberland AUM that is optimised for carbon capture and creating carbon offsets to 33%
2. 40% of total Infrastructure AUM in sectors that actively contribute to reducing greenhouse gas emissions, such as renewable energy, energy efficiency, green hydrogen, among others.
3. 40% of total private equity AUM in financing transition.
4. Target 20% farmland AUM in permanent crops, whereby greenfield development (indicative 25% of total investment cost) classifies as a climate-neutral/ positive investment. Up to 15% of farmland AUM invested into capital improvements which can include climate-neutral/positive investments.

Engagement targets:

1. Engagement with managers of top ten highest- emitting infrastructure assets (or those responsible for 30% of emission in infrastructure portfolio) on setting up decarbonisation plans.
2. Engagement with managers of the top ten highest emitting private equity funds (according to their contribution to estimated Scope 1 and Scope 2 emissions in our private equity portfolios) on the steps that they are taking to reduce carbon emissions of their portfolio companies.
3. Engage with timberland managers who need to enhance their assessment of the carbon costs of harvesting and delivering wood for domestic and export processors, and managers of our timber processing investments (which represent the main timberland investments with a net positive CO₂ emission profile).
4. Engage with our local farmland partners to develop a perspective on the carbon footprint of our portfolio and to identify options to reduce the carbon footprint, with a focus on the most relevant (highest emitting) assets.

Stafford Capital Partners

Baseline year performance for the target metric(s):

1. 1.5% of total Stafford AUM indirectly invested in fossil fuels-related investments (at the end of 2020)
2. 0.9% of total Stafford AUM indirectly invested in coal power generation (at the end of 2020)

Allocation to climate solutions. End of 2020 baseline performance:

1. 100% of Timberland AUM is in negative emissions assets, but 0% is managed to optimise carbon capture
2. 15% of Infrastructure AUM in Renewables at the end of 2020
3. 20% total private equity AUM in financing transition
4. 4% farmland AUM in permanent crops. < 1% farmland AUM invested into capital improvements which can include climate-neutral/positive investments.

GHG scopes included: Scope 1 and 2 emissions are included in Stafford's estimated financed emissions for 2020. As company-level Scope 1 and 2 emissions data or physical activity data to carry out a GHG accounting were not attainable, emissions of portfolio companies in the funds we are invested in were largely estimated using averaged-data method, i.e., industry proxies or environmentally extended input-output data calibrated by an external consultant.

For our timberland portfolios, we estimated sequestered and stored CO₂ based on the proprietary model that has been reviewed by a recognised external consultant.

For our agriculture portfolios, an external consultant has provided estimates of annual emissions reduction potential (based on agricultural best practice) using regional data sourced from the Soils Revealed platform.

Methodology: UN Asset Owner Alliance Target Setting Protocol

Scenario(s): N/A

Additional information

Proportion of AUM committed: 100%

Policy on coal and other fossil fuel investments: Stafford will not allocate any new capital to funds invested in companies which are planning or constructing new thermal coal projects and associated infrastructure.

By 2030 we will phase out our indirect investments in coal. Furthermore, we will phase out our exposure to fossil fuels to have no (indirect) investment in companies deriving more than 20% of their revenue from fossil fuel value chain and less than 2% in aggregate at the (fund) portfolio level. This will include Upstream, Midstream, Distribution and Electricity Generation, but exclude transport assets.

Simultaneously, we will increase the proportion of our investments that have no exposure to fossil fuels, such as timberland, farmland and renewables.

Further information: [Climate change report](#)

State Street Global Advisors

14% of total AUM initially committed to be managed in line with net zero

USD 582.7 billion currently committed to be managed in line with net zero

Information on interim target(s) covering the proportion of assets to be managed in line with net zero

Baseline year: 2019

Target year: 2025, 2030, 2040

Target(s):

Emissions reduction: 50% reduction in financed Scope 1 and 2 carbon emissions intensity by 2030, relative to 2019 baseline (based on emissions intensity attributed using EVIC, adjusted for EVIC inflation)

Engagement: by 2030, 90% of financed emissions in material sectors are either assessed as net zero, aligned with a net zero pathway, or the subject of direct or collective engagement and stewardship actions.

Portfolio Coverage: Increase AUM invested in assets in material sectors that are achieving net zero or aligned to net zero to 100% by 2040.

Baseline year performance for the target metric(s): We are currently in the process of calculating baseline performance for our targets, and will disclose these when the process is complete.

GHG scopes included: Our emissions reduction target will currently include only Scope 1 and Scope 2 emissions; Scope 3 emissions to be phased in over time when disclosure and methodology improve sufficiently.

Methodology: Paris Aligned Investment Initiative Net Zero Investment Framework

Scenario(s): We have assessed multiple net zero pathways (including IPCC P1, P2, P3 scenarios, One Earth Climate Model, IEA Net Zero Emissions by 2050), and our overall emissions reduction target of 50% is broadly in-line with emission reductions indicated by these pathways. We will provide additional information on specific pathways being used, should we pursue region or sector-specific target-setting in future.

State Street Global Advisors

Additional information

Proportion of AUM committed: Intended to drive credibility and accountability, our approach is based on considerations of clients, methodology robustness and data availability, as well as our business model.

1. We include assets from clients who have adopted net zero targets or similar climate commitments or may be reasonably expected to do so.
2. We consider portfolios invested in equities and corporate fixed income. These asset classes represent 68.5% of AUM, of which 20.5% are included in our interim targets.
3. We include index portfolios (78.2% of AUM) that have a climate component currently, or may be reasonably expected to adopt a climate objective.

As we work to increase our in-scope assets to 100% over time, we intend to engage with clients to encourage them to adopt net zero goals and consider strategies that are aligned with net zero, where appropriate. In addition, we will look to expand coverage to other asset classes (e.g., sovereign bonds, cash) where we have material AUM, as clear methodologies develop in the industry.

Target setting: We are currently studying the prevalent public methodologies and external vendor data to assess the trade-offs in coverage and quality. We will set quantified targets for the years 2025 and 2030, based on a linear approach to achieve the 100% by 2040 goal. Our emissions reduction target will currently include only Scope 1 and Scope 2 emissions; Scope 3 emissions will be phased in over time when disclosure and methodology improve sufficiently.

Policy on coal and other fossil fuel investments: We believe engagement and stewardship efforts to be the most effective tool to achieve long-term progress on energy transition. We will consider developing a science-based energy transition policy in the long run.

The AUM is as of 31/12/21.

Further information: Further information in relation to our targets and net zero strategy will be found [here](#).

Vanguard

4% of total AUM initially committed to be managed in line with net zero

USD 290 billion currently committed to be managed in line with net zero

Information on interim target(s) covering the proportion of assets to be managed in line with net zero

Baseline year: 2019

Target year: 2030

Target(s): 17% of actively managed assets totalling USD 1.7 trillion is currently invested in a net zero aligned manner.

Under the portfolio coverage approach, by 2030, each strategy is expected to reach at least 50% of market value in companies with targets consistent with a net zero glidepath. Targets are considered ‘science-based’ if they are in line with what the latest climate science deems necessary to meet the goals of the Paris Agreement: Limiting global warming to well-below 2°C above pre-industrial levels and pursuing efforts to limit warming to 1.5°C.

Baseline year performance for the target metric(s): Each fund will have a different baseline performance relative to its benchmark.

GHG scopes included: For the committed funds, emission data coverage of Scope 1 and 2 emissions is 96% of market value for equity assets and 74% for fixed income assets.

The data quality and coverage of estimated Scope 3 emissions is currently too low to be incorporated into standard weighted average carbon intensity (WACI) measurements. As reporting and methodologies improve, we expect coverage to increase.

Methodology: Science Based Target initiative for Financial Institutions

Scenario(s): The targets set by each fund follow a portfolio coverage glidepath that are consistent with science-based pathways.

Additional information

Proportion of AUM committed: Our meaningful engagement with portfolio companies on climate risk across both our actively managed and index-based products and our approach reflects the different nature of these investment strategies. We remain clear that our duty to maximize returns for the investors in our products is our central objective. We believe any successful transition supporting net zero aligned investing will require the action of governments and policymakers.

Of the products included in the disclosure, representing USD 1.7 trillion in actively managed assets under management, we identified USD 290 billion, or 17% of the total, that are investing in a net zero-aligned manner. A portion of these assets is in actively managed ESG products with net zero commitments as part of the product design.

Vanguard

The assets also include actively managed funds without explicit ESG mandates that nonetheless align to net zero objectives because of the existing philosophy and process used by the investment managers to maximize total returns for investors. These managers account for and consider climate risk in their process and believe that robust science-based strategies for managing climate risk will be critical for companies to deliver long-term shareholder value.

Target setting: As Vanguard considers how our approach may evolve to include a greater portion of our actively managed assets, several considerations will be important. These include evolving net zero methodologies in assets in which net zero methodologies either do not exist or are evolving, the way varying investment approaches to mitigate climate risks evolve, and how methodologies could be developed to account for multi-manager product structures that have portions of the product managed in a net zero-aligned manner.

Approximately 80% of Vanguard investors’ assets are held in index funds, the majority of which, by mandate, track broad equity and fixed income market indexes. These assets cannot be committed to net zero targets without substantial action by the underlying companies or clarity on government actions related to climate risks. While we have excluded our index funds in our initial NZAM commitment, Vanguard’s investment stewardship and credit research teams engage with portfolio companies held in our index funds to better understand how they are addressing material risks, including climate risks.

Of the more than \$5 trillion in index equity assets that Vanguard manages, over \$1 trillion is invested in companies that have committed to net zero targets, according to data from MSCI. And per MSCI, an additional \$2.8 trillion in assets are invested in companies that have some other form of emission reduction targets. In total, more than 70% of Vanguard’s index equity assets are invested in companies with publicly stated emission reduction goals. Our investment stewardship teams will continue to engage with companies about their commitments.

We expect proper board oversight, appropriate risk mitigation, and effective disclosure. This is done to ensure that these risks do not undermine the long-term investment outcomes of our investors.

Policy on coal and other fossil fuel investments: We have published the following [report](#) outlining Investment Stewardship’s expectations for companies with significant coal exposure in our equity index funds. As part of our fiduciary duty to shareholders in the Vanguard funds to support the long-term value of their investments, we seek to understand the actions coal-exposed companies are taking to mitigate this risk.

Further information: Vanguard’s [corporate sustainability goals](#), [approach to climate change](#), [TCFD report](#), and [stewardship annual report](#)

Valo Ventures

100% of total AUM initially committed to be managed in line with net zero

USD 0.2 billion currently committed to be managed in line with net zero

Information on interim target(s) covering the proportion of assets to be managed in line with net zero

Baseline year: 2022

Target year: 2030, 2040

Target(s): By 2030 at least 50% of our AUM invested in Series C or later companies (the benchmark we use to initiate carbon accounting) will have achieved net zero or be demonstrating alignment through their ambition, targets, emission performance, disclosure, strategy, and capital allocation. By 2040 that number will increase to 100%.

Reduce financed emissions by 50% by 2030, compared to our first quantitative benchmark.

Baseline year performance for the target metric(s): Because we have not been able to establish a 2022 baseline, our target performance will be measured from our 2023 quantitative benchmark.

GHG scopes included: Due to the early nature of the start-ups Valo invests in, most of our assets are deployed towards companies with de minimis Scope 1 & 2 emissions.

Four of our portfolio companies have surpassed the Series C benchmark, and we are working with them to implement an annual reporting practice. Reporting will, at a minimum, include process, transportation and other emissions from company-owned assets for Scope 1 and electricity use and purchased heat emissions for Scope 2.

As we begin to track Scope 3 emissions for qualified companies, it is important to note that approximately half of Valo's portfolio will be companies offering products or services that have a significantly lower carbon footprint than existing solutions.

Methodology: Paris Aligned Investment Initiative Net Zero Investment Framework – Engagement Threshold

Scenario(s): The IPCC 1.5°C Pathways and the resulting emissions gap highlighted in the UNEP Gap Report

Additional information

Proportion of AUM committed: 100%

Policy on coal and other fossil fuel investments: Yes

Wellington Management

32.4% of total AUM initially committed to be managed in line with net zero

USD 436 billion currently committed to be managed in line with net zero

Information on interim target(s) covering the proportion of assets to be managed in line with net zero

Baseline year: 31 December 2019

Target year: 31 December 2029

Target(s):

- a. SBT Portfolio Coverage: By 2030, achieve a minimum %MV in companies with SBTi targets (or equivalent as assessed by Wellington Management), consistent with a linear increase from the portfolio’s 2019 baseline value to 100% by 2040
- b. Portfolio Construction: By 2030, achieve a 50% reduction in weighted average carbon intensity (WACI, tons CO₂/\$mn Revenue) vs 2019 baseline

We have initially defined two basic glidepath options for targets focused on Engagement and Portfolio Construction. Each investment team determines which approach is most consistent with their philosophy and process, and this becomes the default proposed approach for consideration by clients with net zero targets.

Baseline year performance for the target metric(s): The baseline performance is defined individually for each investment strategy.

GHG scopes included: For the SBT Portfolio Coverage glidepath, Scopes 1 and 2 are always included, and Scope 3 is included where material, as SBTi validation requires Scope 3 inclusion where Scope 3 emissions represent 40% or more of the company’s overall footprint. This is also the case for investment teams committed to driving decarbonisation through engagement only. For the Portfolio Construction glidepath, we include Scope 1 & 2 in our interim 2030 target. We expect to introduce a secondary target that addresses Scope 3 emissions, pending improved coverage and comprehensiveness of Scope 3 disclosures.

Methodology: Our approaches are aligned with a combination of the SBTi Guidance for Financial Institutions (Portfolio Coverage Approach) and the PAII Net Zero Investment Framework (Listed Equity and Corporate Fixed Income: Portfolio Construction).

Scenario(s): For the SBT Portfolio Coverage glidepath, the underlying targets being set are consistent with science-based pathways. These targets can be derived using the sectoral decarbonisation approach (SDA) where industry-specific guidance is available, which has a pathway for 1.5°C. The absolute contraction approach (4% in absolute terms or 7% in intensity terms) is also sufficiently rigorous to be consistent with science-based pathways. For the Portfolio Construction glidepath, a 50% reduction by 2030 is consistent with a net zero pathway, as reflected in the NZAM commitment language. We do not expect to require linear annual reductions but will regularly monitor progress for these strategies to ensure continuous improvement.

Wellington Management

Additional information

Proportion of AUM committed: Because we see our asset commitment and clients' objectives as inextricably linked, we assess client portfolios and investment strategies one by one, commencing with asset classes with established methodologies (equities, corporate fixed income). Our AUM commitment includes a) accounts where clients approved implementation of a decarbonisation objective consistent with net zero by 2050 or sooner, and b) accounts where the investment team is committed to driving decarbonisation through engagement with the intention of improving client outcomes (encouraging companies to manage transition risk consistent with net zero). We currently exclude AUM managed for/ accepting ERISA assets as we monitor the US regulatory environment. We intend to update as we reach milestones e.g. new asset class in scope and/or incremental client approvals.

Policy on coal and other fossil fuel investments: Our current exclusion policy is summarized in our Client Exclusions Policy, updated on 1 October 2021. The segment of the policy relevant to climate risk covers thermal coal extraction, thermal coal power generation, and oil sands extraction and evaluates companies based on revenue thresholds, reserves, and, in certain situations, announced phase-out plans. The AUM currently covered by this policy is USD45.8 billion as of 30 April 2022, representing more than 90% of Wellington's cross-border sponsored funds.
Link: [2021.pdf](#)

Further information: [Our commitment to net zero](#)

Updated target – initial target can be seen in Annex B or found in the [NZAM Progress Report](#) from November 2021

ANNEX B:

ASSET MANAGER TARGET DISCLOSURES

(November 2021)

ASSET MANAGER TARGET DISCLOSURES (NOVEMBER 2021)



abr dn

30% AUM initially committed to be managed in line with net zero

233bn USD currently committed to be managed in line with net zero, subject to mandate changes

Information on Interim target(s) covering the proportion of assets to be managed in line with net zero

Baseline Year: 2019

Target Year: 2030

Target(s): The assets aligned to net zero 2050 will be managed to a target of at least 50% carbon intensity reduction by 2030 (PCAF economic emission intensity or WACI dependent on client requirements), and we will also increase investment in climate solutions and focus on a net zero stewardship strategy. We aim to increase the proportion of AUM invested in net zero aligned companies and climate solutions to measure real world decarbonisation, but have not set a specific bottom up target for this yet. We are developing transition alignment tools before we can set a baseline and evolve our approach.

We are committed to have a clear net zero pathway for all our Real Estate funds (£38bn) by 2025 – the pathway may be to target net zero by 2030, 2040 or 2050 at the latest and is subject to clients agreeing to mandate changes to deliver this.

Baseline Year Performance for the target metric(s): We cannot yet provide an aggregated figure for the baseline carbon intensity for all assets to be managed in line with net zero by 2050.

GHG scopes included: Scope 1 & 2 is included in target setting, Scope 3 to be tracked and reported on for most material sectors in line with PCAF.

Methodology: Paris Aligned Investment Initiative’s Net Zero Investment Framework as a foundation, complemented by the Net Zero Asset Owner Alliance Target Setting Protocol where this is requested by asset owners.

Scenario(s): The target has been derived on the basis of bespoke net zero 2050 climate scenario analysis developed in partnership with Planetrics and recommendations of the Net Zero Asset Owner Alliance Target Setting Protocol which is aligned with the latest available science on net zero pathways.

Additional information:

Proportion AUM committed: A phased approach will be applied to implement alignment. abrdn do not have full discretion over setting net zero 2050 goals for our investments as this is dependent on our client mandates and objectives. We aim to increase this proportion over time by actively engaging with clients and continuing to develop solutions for net zero 2050 across all asset classes.

Beyond what our clients mandate, we are setting decarbonisation targets across our assets where we have discretion to do so and expect the carbon intensity of the assets in scope to reduce by 50% by 2030 vs 2019. More detail on this will be published in a target setting approach paper in due course.

Policy on coal and other fossil fuel investments: abrdn has a [fossil fuel position statement](#) and aligns fossil fuel engagements with science-based policies. For example, we are members of the Powering Past Coal Alliance and align our engagements with PPCA recommended coal phase out timelines – we also have restrictions on fossil fuels for certain products.

For further information: Climate commitments made are available on [our website](#). Our approach to climate change, TCFD report and climate related white papers are available [here](#). This [investing for net zero article](#) provides detail on how we are thinking about net zero solutions. Further detail on what net zero directed investing means for us will be published by the end of 2021. For abrdn’s [fossil fuel position statement](#).

Anaxis Asset Management

100% AUM initially committed to be managed in line with net zero

0.538bn USD currently committed to be managed in line with net zero

Information on Interim target(s) covering the proportion of assets to be managed in line with net zero

Baseline Year: 2018

Target Year: 2030

Target(s):

Target 1: Decrease portfolios' GHG intensity by 60% for Scope 1 & 2 (expressed in metric tons of CO₂ equivalent per EUR 1 million in turnover).

Target 2: Increase to 100% the percentage of assets invested in material sectors that are achieving net zero or meeting the criteria to be considered either 'aligned' or 'aligning' to net zero (with an intermediary target of 70% in 2026).

Target 3: Ensure that at least 90% of financed emissions in material sectors are either net zero, aligned to a net zero pathway, or the subject of direct or collective engagement and stewardship actions (with an intermediary target of 70% in 2022).

Baseline Year Performance for the target metric(s): 267 t of CO₂ eq. per EUR 1 million in turnover (average across all bond portfolios, gathering 95% of AUM at the time).

GHG scopes included: We cover Scope 1 & 2 for all portfolio holdings, using estimates when data is not available. In our investment universe (mainly comprised of high-yield corporate bonds) Scope 3 disclosure is still uncommon. We intend to include Scope 3 in our strategy when enough data becomes available from companies.

Methodology: Paris Aligned Investment Initiative Net Zero Investment Framework.

Scenarios: Our targets are derived from the P1 pathway of the IPCC.

Additional information:

Target setting: Our objective GHG intensity target exceeds the IPCC recommendations, so that we deliver a fair share of the required reduction efforts.

Policy on coal and other fossil fuel investments: Yes, more information can be found at: <http://anaxis-esg.com/en/anaxis-ams-esg-policy-documents/>. Our policy applies to all assets under management.

For further information: <http://anaxis-esg.com/en/>

Arisaig Partners (Asia) Pte Ltd

100% AUM initially committed to be managed in line with net zero

~5bn USD currently committed to be managed in line with net zero

Information on Interim target(s) covering the proportion of assets to be managed in line with net zero

Baseline Year: 2019

Target Year: 2025, 2030

Target(s):

2025 Targets

- Target 1: Normalised financed Scope 1 & 2 emissions and corresponding Economic Emissions Intensity to reduce by 1.6% annually until 2025, based on 2019 level (or 9% in total).
- Target 2: As of 2020, 23 out of 67 holdings (34%) have reached Level 2 or higher of the Transition Pathway Initiative (TPI) Climate Risk Management Quality Score. We target to increase this to 100% of the portfolio by 2023.
- Target 3: Increase of 20% of proportional AUM aligned or aligning to 'Net Zero' by 2025.
- Target 4: Engage with every company ranked as TPI Level 0 and 1 on at least an annual basis until we achieve *Target 2*.
- Target 5: From 2023, we will shift the focus of engagement to the top emitters which constitute 20% of proportional AUM. Each of them is expected to be aligned or aligning to 'Net Zero' by 2025.

2030 Targets:

- Target 1: Normalised financed Scope 1 & 2 emissions and Economic Emissions Intensity to reduce at 6.1% annually between 2025 and 2030 (or 34% in total by 2030 based on 2019 level).
- Target 2: An increase of 37.6% of AUM aligned or aligning to 'Net Zero' (based on 2019 level).

Baseline Year Performance for the target metric(s):

- Financed Scope 1 & 2 emissions in 2019: 39,196 tons of CO₂e. This is calculated via PCAF's methodology using reported and estimated data, which still only covers 65% AUM. By achieving Target 2, we would increase data coverage to 100%.
- Economic Emissions Intensity in 2019 (based on AUM with data available): 14.35 tons CO₂e/ \$mn invested
- % of AUM aligned to 'Net Zero' in 2019: 0%

GHG scopes included: Our 2025 and 2030 targets cover Scope 1 & 2 of financed emissions.

Methodology: Paris Aligned Investment Initiative's Net Zero Investment Framework (self-decarbonisation approach).

Scenario(s) used: Net Zero 2050 Pathway by International Energy Agency for Emerging and Developing Markets

Arisaig Partners (Asia) Pte Ltd

Additional information:

Target setting: Our Target 1 (1.6% annual reduction at portfolio-level) is derived from a 1.5°C aligned pathway designed by International Energy Agency (NZE). We chose NZE as the reference mainly due to our focused investments in emerging markets. NZE is one of the few 1.5°C pathways that provide a granular, and therefore fairer, pathway for emerging markets. Nevertheless, we also recognise that this pathway takes the entire emerging market economy as a whole and does not consider sectoral differentiation. Therefore, we will keep looking for granular pathways that are more suitable for the decarbonisation of the sectors in which we have exposure to, which tend to be lower carbon intensity.

The bottom-up targets of increasing 20% of AUM to be aligned or aligning to 'Net Zero' by 2025 is following an almost linear growth from 0% in 2019 to 100% aligned in 2050. We believe it is fair to give a longer preparation phase for emerging markets companies to transform from "net zero aligning" to "net zero aligned" at the beginning of the journey.

Policy on coal and other fossil fuel investments: We do not invest in companies involved in the production of fossil fuels across all our funds; [Arisaig-Partners-Long-term-Investing-Policy-ESG-Integration-and-Constructive-Ownership-2020.pdf](#)

For further information: Link to policy in public domain will be available in November 2021.

a.s.r. Asset Management

~60% AUM initially committed to be managed in line with net zero

~36bn USD currently committed to be managed in line with net zero

Information on Interim target(s) covering the proportion of assets to be managed in line with net zero

Baseline Year: 2015

Target Year: 2030

Target(s): 50% reduction in emissions intensity. However, we are currently re-evaluating this percentage to further increase our ambition.

Baseline Year Performance for the target metric(s): We are currently working through a combined and weighted baseline metric, to expand the scope to include other asset classes.

GHG scopes included: We currently include Scope 1 & 2 emissions and aim to include Scope 3 once data is sufficiently available and of sufficient quality.

Methodology: We use PCAF to account for carbon within our investment portfolios. We have trialled PACTA and SBTi for selected products/portfolios but have – amongst others due to methodological concerns and data limitations – opted for a straight carbon reduction target, in lieu of a sound science-based methodology underpinned by sufficient data. We are currently reviewing complementary data sets to allow us to set science-based reduction targets, and/or evidence that our current targets are aligned with the ambitions of the Paris Agreement.

Scenario(s) used: P2 emissions pathway from the IPCC special report on global warming of 1.5°C, deriving a 7% year-on-year reduction from that (corresponding to the UN Production Gap percentage for 2020-2030). We expect the P2 emissions pathway to be updated in the WG3 section of the IPCC AR6 report.

a.s.r. Asset Management

Additional information:

Proportion AUM committed: We are the inhouse asset manager for ASR, the Dutch insurance company. For our proprietary investments we manage inhouse on behalf of ASR Nederland (our asset owner) we have set the follow interim target, for the asset classes listed equities, credits, and sovereign debt. We have targets for our investment portfolios in fixed income and equities (for our proprietary assets and on behalf of policy holders).

We are currently working through setting reduction targets for our proprietary investments in real estate and mortgages, which will bring our coverage to around 80%, leaving cash, equity associates and certain loans to still work through.

Target Setting: Our reduction targets are based on an increasingly stringent exclusion policy with respect to fossil fuels (informed by the most recent climate science and energy production insights) combined with achieving real world impact through active ownership and taxonomy-aligned (green) investing.

Besides an increasingly stringent exclusion policy for high GHG emitting sectors, we have targets on impact investing across all our asset classes. We have aligned these AUM targets as much as possible with investing in climate solutions; thereby lowering our portfolio footprint while realising real world impact.

Besides the abovementioned target, we have a series of ESG instruments which launched in 2017, which are also available to our institutional clients. The funds invested in listed equities have set their own 2030 carbon reduction targets in line with the pathway of the EU Paris Aligned Benchmark (PAB).

We are a signatory to, or a user of, relevant methodologies such as CA100+, SBTi, PACTA and PCAF.

Policy on coal and other fossil fuel investments: We have a formal exclusion policy on coal and non-conventional oil extraction. We are working through expanding this formal policy towards a science-based policy on conventional oil & gas. https://asrvermogensbeheer.nl/media/x3enexto/asr-nederland-sri-policy_en.pdf

For further information:

Asset Management One Co. Ltd.

53% AUM initially committed to be managed in line with net zero

273bn USD currently committed to be managed in line with net zero

Information on Interim target(s) covering the proportion of assets to be managed in line with net zero

Baseline Year: 2019

Target Year: 2030

Target(s): Portfolio alignment with a 1.5°C scenario where 95% of portfolio is classified as Net Zero, Aligned or Aligning as a proxy for emissions reductions

Baseline Year Performance for the target metric(s): N/A

GHG scopes included: We currently include Scope 1 and 2 emissions, and aim to include Scope 3 once data is sufficiently available.

Methodology: Paris Aligned Investment Initiative Net Zero Investment Framework and Science Based Targets Initiative

Scenario(s) used: IEA's Sustainable Development Scenario. One of the inputs to determine the portfolio alignment with 1.5°C scenario is based on SDS scenario at this point. When the data vendor updates it to the NZE scenario, Asset Management One will update accordingly.

Additional information:

Target Setting: Asset Management One assess net zero by using portfolio alignment methodology (Net Zero, Aligned, or Aligning), by which we can assess the alignment with 1.5°C scenario of each portfolio company and the portfolio as the aggregate. Also we can assess the situation of each portfolio company including its emission in a holistic and forward-looking way.

Policy on coal and other fossil fuel investments: Asset Management One is working on a policy on coal and fossil fuel investment.

For further information: http://www.am-one.co.jp/pdf/english/60/210910_AMOne_newsrelease_E.pdf

ATLAS Infrastructure

100% AUM initially committed to be managed in line with net zero

2bn USD currently committed to be managed in line with net zero

Information on Interim target(s) covering the proportion of assets to be managed in line with net zero

Baseline Year: 2019

Target Year: 2030

Target(s):

66% reduction in Scope 1 & 2 by 2030 (calculated on EVIC basis). This equates to a 1.5°C pathway under the SBTi pathways.

Consistent with the PAII Net Zero Investment Framework, ATLAS categorises companies on their level of alignment to a Net Zero pathway. The categories are:

- Currently Net Zero aligned (Consistent with IIGCC’s category of “Achieving Net Zero”)
- Aligned with Paris pathway (Consistent with “Aligned to a Net Zero Pathway”)
- Potential to align (Broadly consistent with “Aligning to net zero pathway and Committed to aligning”)
- Misaligned (Broadly consistent with “Not aligned”)

ATLAS has a current portfolio constraint of 70% of companies being either “Currently Net Zero aligned” or “Aligned with Paris pathway” or under engagement.

By 2030 100% of ATLAS portfolio companies must be either “Currently Net Zero aligned”, “Aligned with Paris pathway” or under engagement.

Baseline Year Performance for the target metric(s): 172 tCO₂ / \$mn (Calculated on EVIC basis)

GHG scopes included: The assessment includes all Scope 1 & 2 emissions for each company as well as a broader estimate of Network/volume-based emissions associated with use or operation of the companies’ assets.

Methodology: Paris Aligned Investment Initiative’s Net Zero Investment Framework. We use SBTi pathways using specific sector pathways where possible.

Scenarios used: Emissions forecasts are compared to a 1.5°C scenario and the IEA’s Beyond 2 Degrees Scenario (B2DS), both used by the Science-Based Targets initiative (SBTi). The 1.5°C scenario was created by the SBTi from IPCC scenarios that limit warming to 1.5°C with a >50% probability. B2DS is considered aligned with a Well-Below 2 Degrees temperature goal and is consistent with limiting warming to 1.75°C with a 50% probability. For further information please see SBTi, “Foundations of Science-based Target Setting” (April 2019), link <https://sciencebasedtargets.org/resources/files/foundations-of-SBT-setting.pdf>

By using sector specific pathways we can ensure that the heaviest emitting sectors are required to produce the greatest reductions.

ATLAS Infrastructure

Additional information:

Policy on coal and other fossil fuel investments: No – as an infrastructure fund our universe does not include coal and oil production or refining.

For further information: <https://www.atlasinfrastructure.com/esg/>

Aviva Investors

~70% AUM initially committed to be managed in line with net zero

346bn USD currently committed to be managed in line with net zero

Information on Interim target(s) covering the proportion of assets to be managed in line with net zero

Baseline Year: 31 December 2019

Target Year: 31 December 2024, 31 December 2029

Target(s): 25% tCO₂e/mn by 2025 & 60% by 2030

GHG scopes included: Scope 1 & 2 are the basis for targets with sufficient coverage to enable measurement of progress towards the targets. Scope 3 data coverage is not sufficient currently to enable target setting or measurement against. That said, where it is available it is measured and reported on internally.

Methodology: Net Zero Asset Owners Alliance Target Setting Protocol, specifically:

Public Equities & Credit: Carbon Intensity by Revenue (Scope 1 & 2)

Direct Real Estate: Carbon Intensity by m² (Scope 1, 2 & 3), where Scope 3 emissions only apply to tenant emissions

Sovereign: TBC on NZ AOA methodology guidance

Infrastructure Equity: TBC on NZ AOA methodology guidance

Scenario(s) used: The IPCC special report on global warming of 1.5°C. 25% reduction by 2025 aligns linearly with the 50% reduction by 2030, i.e. an average of 5% reduction per year (we are not following yearly targets).

Additional information:

Proportion AUM committed: Asset classes outside of the 2025 NZ AOA guidance will be excluded. Cash and derivatives will also be excluded for the time being. In addition, it will be at the discretion of the client where they hold segregated mandates and so for the time being, we prudently exclude their assets. Finally, there are some assets managed by external managers, which for the time being we will exclude.

Policy on coal and other fossil fuel investments: We will have divested all companies making more than 5% of their revenue from thermal coal unless they have signed up to Science-Based Targets. This applies to all AI managed funds subject to investor consent & regulatory approval.

For further information: <https://www.avivainvestors.com/en-gb/responsibility/our-climate-approach/>
<https://www.avivainvestors.com/en-gb/capabilities/real-assets/real-assets-net-zero-carbon-pathway/>

AXA Investment Managers

15% AUM initially committed to be managed in line with net zero

159.3bn USD currently committed to be managed in line with net zero

Information on Interim target(s) covering the proportion of assets to be managed in line with net zero

Baseline Year: 2019

Target Year: 2025

Target(s):

AUM with AOA Methodology (USD 147.1bn): We expect to achieve a 22% reduction in carbon intensity by 2025, in comparison with 2019 performance.

AUM with NZIF methodology (USD 12.2bn): We are in the process of setting the initial interim target at fund level for these funds, and will disclose the information by early 2022. The target will be consistent with a fair share of the required 50% reduction in global emissions by 2030.

Baseline Year Performance for the target metric(s):

Baseline year performance is defined at portfolio / client level and reported accordingly, with progress regularly measured.

GHG scopes included:

- For Corporate bonds and stocks, Scope 1 & 2 only are included at this stage as the data quality and coverage are still too low for Scope 3 at this stage to allow to use them in a robust enough manner. We intend to progressively include Scope 3 over time.
- For direct real estate, Scope 1 & 2 are included, as well as a portion of Scope 3 (e.g. whole building gas or district heating/cooling but not Tenant Scope 3 emissions).

Methodology: Net Zero Asset Owner Alliance Target Setting Protocol and Paris Aligned Investment Initiative's Net Zero Investment Framework

Scenario(s): IPCC special report on global warming of 1.5°C. Direct real estate will move to CRREM-based pathways for Real Estate from 2025.

AXA Investment Managers

Additional information:

Proportion AUM committed: USD 159.3bn represents 41% of USD 388.7bn in eligible/measurable AUM – that is total corporate bonds, stocks and direct real estate. We define eligible assets as those covered Net Zero methodologies as of today and where we have a capacity to effect change. For direct real estate, the scope is focused on assets with good quality data coverage.

To ensure we preserve the best interest of our clients, we carefully selected the strategies which will be managed in line with net zero, while engaging in particular with policymakers to help to clarify the regulatory guidance and improve the convergence between EU Sustainable Finance policies and Net Zero initiatives. We intend to increase the proportion of assets managed in line with Net Zero objectives over time and are looking at setting internal targets to increase this proportion over time from next year. We expect to see an increase in proportion by end 2022 which we will report to NZAM/PRI/CDP in due time.

Alignment assessment and engagement: In addition to this quantitative target, and with the objective of supporting real economy change, AXA IM has defined climate categories in line with the Net Zero Investment Framework proposal, as described in our paper on 1.5°C investing (link available below). Unless otherwise specified by the asset owner, we will aim at limiting reinvestments/new investments in issuers identified as Climate Laggards. We also plan to use engagement techniques for sectors at stake, with clear objectives communicated at the inception of the engagement, as well as a very clear timeframe to achieve these. On a focus list of companies in sectors at stake, if we do not see progress, we will activate the escalation process and will divest if progress is not sufficient in the timeframe.

Policy on coal and other fossil fuel investments: AXA IM has committed to exit all coal investments in OECD countries by the end of this decade (and throughout the rest of the world by 2040) and applies a robust coal policy combining exclusion and engagement. Exclusions apply to 88% of AUMs. [0210226_AXA_IM_Climate_Risks_Policy_.pdf \(axa-im.com\)](#). AXA IM plans to announce a policy which will cover the Oil & Gas sector in November – which will notably cover unconventional sources of energy.

For further information:

AXA IM annual TCFD report: [Sustainability at AXA IM | Our Strategy | AXA IM Corporate \(axa-im.com\)](#)

AXA IM roadtesting in relation with NZ AOA Target Setting Protocol: [Net Zero Emissions through investments: Road testing a pilot for intermediary target setting | AXA IM Corporate \(axa-im.com\)](#)

AXA IM view on 1.5°C investing: [Climate Alignment Principles: How to invest in line with a +1.5°C goal | AXA IM Corporate \(axa-im.com\)](#)

BMO Global Asset Management (Canada)¹ / BMO Global Asset Management (EMEA)²

BMO Global Asset Management (Canada): **0.55% AUM**

BMO Global Asset Management (EMEA): **12% AUM**

initially committed to be managed in line with net zero

BMO Global Asset Management (Canada): **0.707bn USD**; BMO Global Asset Management (EMEA): **16.3bn USD** currently committed to be managed in line with net zero

Information on Interim target(s) covering the proportion of assets to be managed in line with net zero

Baseline Year: 2019

Target Year: 2030

Target(s): Reference pathway for emissions intensity of the fund's benchmark – 50% reduction by 2030. Metric is financed emissions intensity (EVIC measure), CO₂e/\$mn invested.

We will also have targets for (1) Proportion of portfolio emissions rated 'aligned' (2) Proportion of portfolio emissions 'aligned' or 'engaged'.

Baseline Year Performance for the target metric(s): Fund specific

GHG scopes included: Scope 1 & 2 only for the portfolio-level emissions pathway. In sectors where Scope 3 emissions are material, our company-level assessment covers disclosure, and for certain companies considers whether company targets cover all relevant scopes.

Methodology: Paris Aligned Investment Initiative's Net Zero Investment Framework. We are using a benchmark-relative approach for portfolio emissions target-setting. We have constructed a net zero aligned emissions pathway, using each fund's benchmark at the base year and reducing this by 50% by 2030. Each fund will aim to keep within this pathway.

Scenario(s): We use the IPCC special report on global warming of 1.5°C as a basis, which states that for global emissions pathways that feature 'no or limited overshoot', global GHG emissions need to decline by 45% by 2030 from 2010 levels. According to the UNFCCC, global GHG emissions grew by 11% between 2010 and 2011. Therefore, a 50% reduction from 2019 levels is needed by 2030.

¹ On April 12, 2021, BMO Financial Group announced that it had reached a definitive agreement to sell the entities that represent its EMEA asset management business to Ameriprise Financial, Inc. The transaction is expected to close in the fourth quarter of 2021, subject to regulatory approval and other customary closing conditions. Please note the AUM % aligned & Total AUM number are for the assets managed by BMO Global Asset Management (Canada) only.

² Ameriprise Financial, Inc announced the acquisition of the EMEA asset management business of BMO Financial Group on 12th April 2021. This is expected to close by the end of this year, subject to regulatory requirements. Please note the AUM % aligned & Total AUM number are for the assets managed by BMO Global Asset Management (EMEA) only, excluding Pyrford International. "BMO Global Asset Management (EMEA)" is a trading name of the EMEA asset management business of The Bank of Montreal.

BMO Global Asset Management (Canada) / BMO Global Asset Management (EMEA)

Additional information:

Proportion AUM committed:

In selection of funds, we have focused on active equities given the availability of methodology and data, and primarily on products which are part of our ESG product range. In the case of BMO GAM EMEA the funds committed cover 53% of our active listed equity exposure.

We plan to further expand the proportion of AUM going forward, including in other asset classes.

Target setting: In relation to choice of benchmark, we consider each fund's own benchmark to be a proxy for the relevant global/regional/national economy. Setting a reference pathway based on this allows us to estimate how the economy as a whole needs to transition. A benchmark-relative approach allows us to take account of the start point of each fund, and whether this is below or above the economy-wide average. We then aim to keep each fund within the pathway representing a 1.5°C consistent trajectory.

Policy on coal and other fossil fuel investments: We do not have a firm-wide exclusion. Exclusions related to exposure to thermal coal apply to most funds in scope. Criteria and thresholds vary by fund.

For further information: Methodology document on net zero approach to be published shortly. Link to be included when available.

Calvert Research and Management

69% AUM initially committed to be managed in line with net zero

24.88bn USD currently committed to be managed in line with net zero

Information on Interim target(s) covering the proportion of assets to be managed in line with net zero

Baseline Year: 2019

Target Year: 2030, 2050 or sooner

Target(s): 50% reduction across targeted assets. The target metric used is the weighted average carbon intensity.

Baseline Year Performance for the target metric(s): For 2019, our baseline year, performance for this target metric was 106.5 metric tons of carbon emissions per USD 1 million sales, based on the weighted average of firm-wide assets subject to our 2030 net zero target.

GHG scopes included: We are using Scope 1 & 2 to determine and reach our targets of 2030 and 2050 as noted above. We will incorporate Scope 3 based on data quality and availability in the future.

Methodology: Calvert used a combination of methodologies to set the targets. We used the PAII Net Zero Investment Framework 1.0 as the starting point to assess portfolio holding companies and to determine the targets. For assessing the criteria 2, 3 and 4 (section 7.2) of the framework we used entity information from SBTi, other pledges (e.g., RE100) and data from several other vendors to determine alignment. Calvert uses a proprietary approach to assess the strength of the carbon management and policies of companies as part of the research process. Only securities that are deemed eligible as a result of our research process are included in the targeted Calvert Funds.

Calvert has an established internal model to identify climate solutions providers.

Scenario(s): We assessed our portfolios using the IEA NZ 2050 sectoral pathways to determine the potential CO₂ reduction by 2030. We also assessed our portfolios using the IPCC “Below-1.5°C and 1.5°C-low-OC pathways”, “1.5°C-high-OS” and the combination of those two IPCC pathways.

Calvert Research and Management

Additional information:

Proportion AUM committed: We are committed to a 50% reduction across the vast majority of our assets (i.e. those subject to our Net Zero commitment under management by 2030).

Calvert has chosen to include our equity and corporate fixed income portfolios in our initial group of assets to be managed toward the Net Zero goal. At this point in time, we have chosen to exclude sovereigns, green bonds, municipal bonds, private and securitized loans, and separately managed accounts (SMAs) and non-proprietary index funds. We anticipate industry metrics and methodologies will be developed around green bonds, municipal bonds and private and securitized loans and that data availability will improve. Over time, we plan to incorporate these assets into our commitment. We plan to engage with our SMA clients to confirm their Net Zero priorities.

Alignment assessment and engagement: Furthermore, we are engaging or have engaged some of the companies that are among the largest contributors to Calvert's carbon footprint. We plan to expand engagement to address the heaviest emitters in Calvert's portfolios via both individual and collaborative engagements. In addition, we will engage solutions providers and other companies that can play an important role in the low carbon transition. We believe such actions will aid us in both reaching our targets and encouraging issuers to improve and strengthen their own carbon emission reduction goals as they commit to set Net Zero targets.

Policy on coal and other fossil fuel investments: Not at this time but we consider measures of assessment when reviewing issuers.

While we do have a strong internal principles-based approach on coal and fossil fuel investment and generally do not invest in these industries, at this time, our proprietary approach is not based on a prescriptive science-based target. We are currently in the process of reviewing this issue and considering how the implementation of science-based targets will support an effective and just transition of the global energy system.

For further information: Our information is forthcoming and will be added to our website when it is ready: www.calvert.com.

Capricorn Investment Group

73% AUM initially committed to be managed in line with net zero

7.519bn USD currently committed to be managed in line with net zero

Information on Interim target(s) covering the proportion of assets to be managed in line with net zero

Baseline Year: 2020
Target Year: 2025
Target(s): 30% reduction of GHG emissions
Baseline Year Performance for the target metric(s): 2020: approx. 500,000t CO₂ emissions across Scopes 1, 2 & 3.
GHG scopes included: All scopes across portfolio holdings
Methodology: Science Based Targets initiative for Financial Institutions
Scenario(s): SBTi-FI Sectoral Decarbonisation Approach. Where SDA is not applicable, portfolio coverage approach will be used.

Additional information:

Proportion AUM committed: The proportion included represents the assets over which we have discretionary investment control. We will work with our LPs across our remaining assets, most of which are clean technology companies, to achieve net zero alignment.
 This commitment gets 60% of the way to a reduction of GHG emissions by half in 2030.
Policy on coal and other fossil fuel investments: Full divestment of fossil fuels since 2010. Full exclusion – all holdings. Partial exemption for legacy hydrocarbon assets of utilities rapidly expanding renewable energy.

For further information:

Cardano

100% AUM initially committed to be managed in line with net zero

45bn USD currently committed to be managed in line with net zero

Information on Interim target(s) covering the proportion of assets to be managed in line with net zero

Baseline Year: 2019
Target Year: 2030
Target(s): 50% global emissions reduction (which includes 30% emissions reduction for emerging markets). We measure our portfolio financed emissions per pound invested, based on enterprise value including cash (EVIC).
Baseline Year Performance for the target metric(s): N/A
GHG scopes included: We will measure our Scope 1 & 2 emissions across our portfolios.
Methodology: Paris Aligned Investment Initiative’s Net Zero Investment Framework
Scenario(s): We are undertaking scenario analysis across 1.5, 2 and 3°C scenarios. MSCI is our data provider. A 1.5°C degrees Paris-aligned transition – this is our goal, how we direct our capital and how we engage. This assumes measures are taken that will keep the rise in temperature limited to 1.5°C. In MSCI, the scenario is, AIM CGE 1.5°C scenario, with physical risk average.

Additional information:

Proportion AUM committed: Cardano also provides investment advisory services and has £45bn AUA. For AUA our default position is net zero, but ultimately it is at the client’s discretion. We are a signatory to the Net Zero Investment Consultants Initiative with respect to these services.
Target setting: Climate justice is critical to the success of the Paris climate agreement. For government bonds, we favour CO₂e per capita for carbon foot-printing. In addition, we look at historical emissions, ‘fair share’ carbon budgets, and how emissions will evolve over time. For LDI portfolios in both UK and NL, where we invest in government debt, we are reliant on the government meeting its net zero target (we are engaging governments and regulators on net zero). We have reviewed data sets provided by Climate Action Tracker (which, in turn, sets out a number of methodologies for calculating fair share), the IEA 1.5°C report, and the IPCC data sets. We believe that countries with historically higher emissions (which tend to be developed markets) should decarbonise more rapidly than countries with historically lower emissions (which tend to be emerging markets).
Policy on coal and other fossil fuel investments: No, however, we do exclude direct commodity investment in fossil fuels.

For further information: <https://www.cardano.co.uk/cardano-and-sustainability/our-plan-to-address-the-climate-crisis/>

CCLA Investment Management

50% AUM initially committed to be managed in line with net zero

9.7bn USD currently committed to be managed in line with net zero

Information on Interim target(s) covering the proportion of assets to be managed in line with net zero

Baseline Year: 2018

Target Year: 2030

Target(s): 57% reduction in maximum portfolio carbon footprint, based upon MSCI World Index

With regard to sectors, we will be setting targets for companies using the CA100+ Benchmark, which will be integrated into our engagement programme.

Baseline Year Performance for the target metric(s): 147.2 (weighted average carbon intensity – Tons of CO₂e/\$mn sales)

GHG scopes included: Scope 1 & 2 emissions

Methodology: Paris Aligned Investment Initiative's Net Zero Investment Framework

Scenario(s): IPCC 1.5°C/net zero pathway (P2)

Additional information:

Proportion AUM committed: Scope of current target relates to our listed equity assets, we will be working on targets for other directly managed asset classes over the coming 12 months.

Target setting: CCLA's target setting approach utilises the Paris Aligned Investment Initiative's Net Zero Investment Framework. Specifically, it utilises a benchmark-relative approach using the MSCI World Index. This benchmark was selected as it is both a universal benchmark, and the funds' own benchmark. These targets then apply a point-in-time emissions reduction goal in comparison to a baseline (the emissions of the 2018 MSCI World Index). The reduction goal has an upper bound of a 7.6% linear annual reduction, in line with the UNEP Gap Report & EU Climate Transition Benchmark Criteria, and a lower, more ambitious line derived from the IPCC special report on global warming of 1.5°C. This line represents a point in time reduction of 50% by 2025, that is consistent with the fair share contributions.

CCLA are an active investment manager, our priority is to accelerate the decarbonisation of the global economy. By reducing the maximum carbon footprint of our funds over time, we are committing to control the carbon intensity of our portfolios whilst using our active ownership capability to drive real world change.

Policy on coal and other fossil fuel investments: Yes. Please see [A Climate for Good Investment.pdf](#) (ccla.co.uk)

For further information: [A Climate for Good Investment.pdf](#) (ccla.co.uk)

DigitalBridge

100% AUM initially committed to be managed in line with net zero

32bn USD currently committed to be managed in line with net zero

Information on Interim target(s) covering the proportion of assets to be managed in line with net zero

Baseline Year: 2021

Target Year: 2030

Target(s): We aim to achieve 100% portfolio coverage net zero target in 2030 in accordance with SBTi guidance for private capital investors.

Baseline Year Performance for the target metric(s): We are currently collecting this data.

GHG scopes included: DigitalBridge seeks to cover all financed emissions (the Scope 1 & 2 of portfolio companies). In addition, we seek to cover significant (as defined by SBTi) Scope 3 emissions from portfolio companies.

Methodology: Science Based Targets initiative for Financial Institutions

Scenario(s): 1.5°C

Additional information:

Target setting: Our net zero 2030 target was set with the understanding that net zero cannot wait until 2040 or 2050 for investors and companies that truly care about addressing the challenge of climate change.

Policy on coal and other fossil fuel investments: DigitalBridge invests exclusively in digital infrastructure and has no future plans to invest in fossil fuels.

For further information: Page 14 and 15 of our 2020 ESG report:
<https://www.digitalbridge.com/docs/DigitalBridge2020ESGReport.pdf>

DWS Group

35.4% AUM initially committed to be managed in line with net zero

344bn USD currently committed to be managed in line with net zero

Information on Interim target(s) covering the proportion of assets to be managed in line with net zero

Baseline Year: 2019 for tCO_{2e} emission and revenue data 2020 for financial instrument data (AUM)

Target Year: 2030 as required by the NZAM commitment and in line with further initiatives such as EU's "Fit for 55" or IPCC special report on global warming of 1.5°C

Target(s): 50% reduction target in weighted average inflation-adjusted financial carbon intensity (WACI adj.)* related to Scope 1 & 2 emissions, consistent with a fair share of the 50% global reduction in CO₂ identified as a requirement in the IPCC special report on global warming of 1.5°C

Baseline Year Performance for the target metric(s): 170 tCO_{2e} / USD m (referring to Scope 1 & 2 emissions of 286 bn USD AUM only, excluding 58 bn USD in companies without financial emission intensity data.)

GHG scopes included: For the target: Scope 1 & 2 emissions to the extent possible and in line with NZAM requirements. We aim to disclose Scope 3 emissions and absolute apportioned emissions; furthermore, DWS aims at setting targets for Scope 3 emissions on more granular basis following SBTi methodology.

Methodology: Underpinning the interim in-scope portfolio target, DWS has signed the commitment that we will work with SBTi to set a science-based emission reduction target. Thereby we are aiming to apply the SBTi Sector Decarbonization Approach and complement it with the Portfolio Coverage approach. Notwithstanding this commitment, as methodologies and approaches may further expand and evolve over time, we will continue to work with our partners at IIGCC and others on emerging standards to support the development of frameworks that best deliver on our corporate ambition in line with our fiduciary duty.

Scenario(s): IPCC special report on global warming of 1.5°C, IEA Net Zero 2050

DWS Group

Additional information:

Proportion AUM committed: The asset scope represents identified asset classes in scope for decarbonisation strategy in consideration of SBTi guidance. Implementation of decarbonisation measures at fund/portfolio/mandate level is subject to client/legal entity/fund board consent. The AUM in scope has been identified in consideration of SBTi guidance, currently including certain financial instruments mostly in mutual funds (equities, fixed income, liquid real assets, real estate alternatives) and some in selected managed accounts. As new methodologies and emission data become available, additional financial instruments can be included in scope. We aim to further increase asset scope of 35.4% over time subject to client/legal entity/fund board consent.

On baseline year performance, DWS plans to provide read across to the same coverage in future disclosures in case of enhancements of data availability and asset coverage. This includes details on the corresponding re-baselining procedure in case applied.

Target setting: The overall financial carbon intensity (WACI) reduction target is to be complemented by tracking of absolute apportioned emissions; we aim at applying the sectoral decarbonisation approach (SDA) for high emitting sectors and complemented with portfolio coverage approach following the SBTi for Financial Institutions. Combined tracking of the above-mentioned indicators shall support the delivery of a fair share of CO₂ reduction until 2030.

Policy on coal and other fossil fuel investments: DWS is currently working on a comprehensive energy policy, including coal, in accordance with SBTi's time frame and framework. While DWS does not currently have a coal exclusion policy, one coal exclusion criterion is already applicable to those funds in scope where DWS Minimum ESG Standards (MESGS) are applied. Further, in context of our net zero engagement activities we aim to accelerate the energy transition process of our investee companies in line with net zero.

For further information: *De Nederlandsche Bank (DNB) has proposed to enhance the ordinary Weighted Average Carbon Intensity in order to ensure that inflation and exchange rate effects do not lead to a misleading improvement of the target indicator. Source: <https://www.dnb.nl/media/3n1mbtnj/os-misleading-footprints.pdf>

FAMA Investimentos

100% AUM initially committed to be managed in line with net zero

0.45bn USD currently committed to be managed in line with net zero

Information on Interim target(s) covering the proportion of assets to be managed in line with net zero

Baseline Year: 2019

Target Year: 2025

Target(s): 28.6% of FAMA's listed equity portfolio by invested value will have set science-based targets by 2025

Baseline Year Performance for the target metric(s): 0% of our listed equity portfolio by invested value have set science-based targets by 2019

GHG scopes included: The target covers Scope 1 & 2 for all assets and Scope 3 when these emissions represent more than 40% of total Scope 1, 2 & 3 emissions.

Methodology: Science Based Targets initiative for Financial Institutions – Portfolio Coverage approach

Scenario(s): At least well below two degrees

Additional information:

Target setting: We have adopted the SBT Portfolio Coverage methodology, which is one of the three methodologies available for setting Scope 3 emissions targets for listed equity portfolios, according to the SBTi for Financial Institutions. We meet all the conditions and criteria established by the initiative, thus, ensuring that we have a robust methodology, validated by science. The SBT Portfolio Coverage give us reassurance that each of our portfolio companies is setting science-based targets and focusing on real economy emissions reductions, consistent with delivering a fair share of the 50% global reduction in CO₂ emissions by 2030 as identified by the IPCC special report on global warming of 1.5°C and which consequently improve our own portfolio emissions.

Policy on coal and other fossil fuel investments: As part of our investment strategy, we do not invest in coal or any other fossil fuel. Our Responsible Investment and Stewardship Policy brings more details on our investment strategy and how we incorporate ESG issues

For further information: www.famainvestimentos.com.br/ESG, www.famainvestimentos.com.br/stewardship

Fidelity International (FIL)

35% AUM initially committed to be managed in line with net zero

~151bn USD currently committed to be managed in line with net zero

Information on Interim target(s) covering the proportion of assets to be managed in line with net zero

Baseline Year: 2020 (using 2019 data, representing pre-COVID emissions)
Target Year: 2025 (and five- year intervals thereafter), 2030
Target(s):
 Firm-wide reduction target: 50% reduction in financed emissions across equity and corporate bond holdings globally by 2030 from the Baseline Year
 Fund-level alignment target: Align the stated AUM proportion to a net zero pathway according to Fidelity’s proprietary Climate Rating (based on the Net Zero Investment Framework portfolio coverage approach), with the first interim target in 2025 and at five-year intervals thereafter
Baseline Year Performance for the target metric(s): For the purposes of our firm-wide reduction target, 102.28 tCO₂e / \$mn invested, representing our carbon footprint as at 1 January 2020
GHG scopes included: The firm-wide reduction target covers Scope 1 & 2 emissions of our investee companies, with Scope 3 due to be integrated at a later date. The fund-level alignment target will include Scope 3 analysis both as a current measurement and as part of issuer target setting.
Methodology: The firm-wide reduction target is calculated on the carbon footprint of our equity and corporate bond holdings expressed in terms of the value of the investment. Equity and corporate bond holdings represent the substantial majority of our investments by value. The formula used for these calculations is:

$$\frac{\sum_i \left(\frac{\text{current value of investment}_i}{\text{investee company's enterprise value}_i} \times \text{investee company's Scope 1,2 GHG emissions}_i \right)}{\text{current value of all investments (€M)}}$$

The methodology for our fund-level alignment target is based on the Paris Aligned Investment Initiative’s Net Zero Investment Framework portfolio coverage approach. It makes use of Fidelity’s proprietary climate rating, an internal tool which leverages our fundamental research capabilities to assess the likelihood of companies achieving net zero by 2050. The methodology uses multiple qualitative and quantitative factors, including emissions reductions over time, emissions reduction targets, climate governance, capital expenditure and others, to provide an overview of the company’s alignment to net zero or their potential for transition. The outcome will be a 5-point scale ranging from issuers which have “achieving or enabling net zero” to those which show “no evidence of transition potential”.

Scenario: IPCC 1.5°C pathway P1

Fidelity International (FIL)

Additional information:

Proportion AUM committed: The AUM in scope represents FIL's global proportion of assets managed in portfolios which promote environmental or social characteristics (including those which we currently categorise as Article 8 or 9 of SFDR). These funds (which include our Sustainable Family fund range) are those with a higher focus on sustainability and as such, will be the first set to align to net zero, with the target setting for these funds individually starting in 2022. We expect to be setting interim targets for 2025 and at 5-year intervals thereafter reaching full alignment by 2050. We expect the proportion of our funds which promote environmental and social characteristics or which target sustainability objectives to continue to grow over time. For the remainder of our funds and our institutional segregated mandates, we will be continuing to assess the applicability and integration of net zero objectives in their investment mandates in partnership with our clients and distributors.

Target setting: From 2022 onwards, we will be setting portfolio coverage targets in each portfolio subject to this methodology (initially, our Article 8 and 9 classified funds as stated above) such that they will be required to have certain minimum proportions of their NAV in issuers in higher scoring categories. We expect that our first interim target will be in 2025 and will be re-evaluated at 5-year intervals thereafter. We expect that different funds will have the flexibility to adopt different pathways towards net zero based on their investment strategy and investible universe.

The firm-wide target is a 50% reduction in financed emissions and as such represents Fidelity's fair share of the global 50% reduction according to the IPCC special report on global warming of 1.5°C.

Policy on coal and other fossil fuel investments: Yes, our energy transition / coal phase-out policy is based on the IPCC 1.5°C scenario, whereby coal usage should end in OECD markets by 2030 and globally by 2040. It is a policy focused on engagement to accelerate transition where achievable. Where companies show no progress towards, and no potential for, transition after an engagement period not exceeding three years, we will look to divest.

Further information on this policy is available [here](#).

For further information: Further information on our full approach to net zero, climate rating methodology, energy transition policy and climate stewardship is available [here](#).

Generation Investment Management

100% AUM initially committed to be managed in line with net zero

36bn USD currently committed to be managed in line with net zero

Information on Interim target(s) covering the proportion of assets to be managed in line with net zero

Baseline Year: 2021

Target Year: 2030

Target(s): 100% Science Based Target coverage by 2030 across all AUM. Interim target of 60% SBT coverage by 2025 across all AUM. Percentage coverage is calculated on a portfolio weighted basis. SBTs are recognised when a target is set, rather than when a commitment to set a SBT is made.

Baseline Year Performance for the target metric(s): Generation's Global Equity strategy, accounting for USD 32 billion of assets, currently has 25% Science Based Target coverage on a portfolio weighted basis.

GHG scopes included: Scope 1, 2 & 3 financed emissions are covered in line with SBTi requirements (SBTi requires companies to set Scope 3 targets when their Scope 3 emissions are more than 40% of their total Scope 1, 2 & 3 emissions).

Methodology: SBTi Financial Sector Science-Based Targets Guidance, Pilot Version 1.1, April 2021.

Scenario(s): SBTi scenarios are drawn primarily from the Integrated Assessment Modelling Consortium (IAMC) and the International Energy Agency (IEA).

Additional information:

Target setting: SBTi requires 100% Science Based Target coverage by 2040 for alignment with net zero by 2050. Generation has committed to align with net zero by 2040, and we have therefore elected to commit to 100% Science Based Target coverage by 2030. We will also monitor portfolio emissions and portfolio implied temperature rise. We expect to see linear annual portfolio emissions reductions of at least 5%, consistent with delivering a fair share of the 50% global reduction in CO₂ emissions by 2030 identified as a requirement in the IPCC special report on global warming of 1.5°C.

Policy on coal and other fossil fuel investments: Generation has no investments in fossil fuel companies across our entire AUM, exceeding the SBTi requirement to phase out financial support to thermal coal across all investment activities in line with a full phaseout by 2030 globally.

For further information:

GIB Asset Management

1.26% AUM initially committed to be managed in line with net zero

0.164bn USD currently committed to be managed in line with net zero

Information on Interim target(s) covering the proportion of assets to be managed in line with net zero

Baseline Year: 2019

Target Year: 2025, 2030, 2050

Target(s): Asset Alignment: Our target is to have 80% of in-scope assets to be 'Committed to aligning', 'Aligning with Net Zero', 'Aligned with Net Zero', or 'Achieving Net Zero', by 2025; 90% by 2030; and 100% by 2035, including >50% *fully aligned* by 2035, as defined by the PAII methodology.

Portfolio Emissions Reference Targets: Our point-in-time Scope 1 & 2 benchmark targets for in-scope portfolios:

- Reduce emissions by ~30% by 2025
- Reduce emissions by ~55% by 2030
- Reduce emissions by ~92% by 2050

Baseline Year Performance for the target metric(s): We have 41% in-scope AUM (in material sectors) *at least* committed to net zero targets. We will engage with other assets to ensure that at least 70% are aligned or subject to engagement as recommended by the Net Zero Investment Framework. This will be prioritised on an AUM/emission basis.

Our estimated Financed Emissions in millions of tons

- GIB Global Sustainable World Fund segregated mandate emissions: 2.414m ton CO_{2e}; benchmark: 3.278
- GIB Global Sustainable World Fund UCITS: 0.526; benchmark 1.373
- GIB ESG Plus 0.762; benchmark 1.374
- Benchmark: MSCI World

GHG scopes included: Using third party estimates to fill in gaps in reporting, we had 100% coverage or estimated coverage of the in-scope portfolios. We did not include any Scope 3 emissions. We shall phase in Scope 3 emissions in future iterations of our targets as data quality and processes improve.

Methodology: Paris Aligned Investment Initiative's Net Zero Investment Framework. For our portfolio reference target, financed emissions was the chosen metric for reporting. The holding date chosen for portfolio positions was 01/10/2021. This is the oldest date possible to have consistent holding date between the three portfolios. Benchmark year for emissions was chosen as 2019, as this was the most recent year with complete reported emissions for companies that report emissions. We will align holdings and emissions data dates as soon as possible, likely in late 2022/early 2023, when calendar year 2021 emissions data are made available.

GIB Asset Management

We used a simple benchmark method to calculate emissions and emissions targets. Benchmark Financed Emissions were calculated and grossed to the same size as each portfolio. Benchmark emissions were then reduced by 8.5% per annum to establish the maximum emissions allowed in 2025, 2030, and 2050. We will also monitor and report absolute emissions along with our financed emissions targets. While our portfolio targets are tied to benchmark emissions, by monitoring our absolute emissions we will remain committed to achieving a Net Zero pathway even if benchmark emissions go up

Scenario(s): IPCC P2 scenario (no or limited overshoot) global 1.5°C Pathway. As the base year is 2010, we have grossed up emissions by about 1.5% per year and now require, globally, approximately an 8.5% reduction in emissions annually between 2020 and 2030 to remain in line with 1.5°C scenario. Our view is slightly more aggressive than the oft-cited 7.6% reduction in emissions, in-line with our view that it is better to front-load emissions reductions.

Additional information:

Proportion AUM committed: GIB AM manages USD 13 billion of assets, of which the majority is passively managed segregated mandates and 1.26% are active or index plus products. Of our actively managed assets 100% are managed in line with net zero targets. We expect our suite of active products to grow and will manage all new products in line with net zero. We therefore expect the percentage of our AUM managed in line with net zero to expand over time. Our passively managed accounts are considered out of scope for the current net zero target setting but we are committed to engaging with our clients to achieve net zero goals. Fixed income and sovereign bonds have also been excluded from in-scope assets due to the complexity in determining emissions and aligning with net zero goals. We hope to include these in the near future as data improves for these asset classes.

We believe that our target setting methodology is the most appropriate methodology for our products and current stage, and is consistent with our guiding principle of *real world* carbon emission reduction and impact. Using a benchmark target methodology acknowledges the strong emissions reduction work the companies in our portfolio have already achieved. We believe that including our absolute emissions reported will keep us focused and aware of the overall real-world impact of our portfolios.

Policy on coal and other fossil fuel investments: Yes, see https://gibam.com/assets/RI_POLICY_2019.pdf

For further information:

Handelsbanken Fonder AB

100% AUM initially committed to be managed in line with net zero

87bn USD currently committed to be managed in line with net zero

Information on Interim target(s) covering the proportion of assets to be managed in line with net zero

Baseline Year: 2019

Target Year: 2030

Target(s):

1. 50% carbon intensity reduction for our total AUM
2. Double proportion of AUM in climate solutions

Baseline Year Performance for the target metric(s): Preliminary performance. Data per 2020. We are still backtracking data to calculate the performance for 2019.

1. 3.98 tCO₂e/mSEK EVIC
2. 10% of AUM in climate solutions, as defined by internal taxonomy (will be updated as soon as EU Taxonomy data is available)

GHG scopes included: Target includes Scope 1, 2 & 3. Scope 1 & 2 has very good coverage when including estimated data (which we believe to be of high quality). Scope 3 has very good coverage but it mainly consists of sector estimates at this point in time. However, the granularity and reliability of the estimates within high climate impact sectors we believe to be of reasonably high quality.

Methodology: Paris Aligned Investment Initiative's Net Zero Investment Framework

Scenario(s): IPCC's 1.5°C trajectory with no or limited overshoot.

Additional information:

Target setting: Given our starting point at a 45–60% lower intensity level than a global market and a tilt towards the Nordic region which needs to decarbonise faster than the global average, we believe a further decrease of 50% is a 'fair share' in regards to the 50% global reduction.

With regard to increasing investment in climate solutions, we acknowledge that there is a lack in research on this issue, but we believe a doubling of our current exposure is a realistic but challenging target.

Policy on coal and other fossil fuel investments: Applies to 100% of AUM per 1st of December (we are closing the last ETFs that do not comply with our exclusion strategy). See our policy for Shareholder Engagement and Responsible Investments for presentation of our exclusion strategy:

<https://www.handelsbanken.se/tron/public/info/contents/v1/document/32-109154>, or page 55 in our Sustainability Report for more details:

<https://www.handelsbanken.se/tron/public/info/contents/v1/document/32-109154>

We have a broader exclusion strategy which applies for all our AUM but one ETF. This ETF is however not invested in fossil fuels, which why we say the fossil fuel exclusion strategy applies to 100% of AUM.

For further information: Our Climate Report for 2020 covers our net zero strategy and specific targets:

<https://www.handelsbanken.se/tron/public/info/contents/v1/document/32-94732>

IFM Investors Pty Ltd

43% AUM initially committed to be managed in line with net zero

55.9bn USD currently committed to be managed in line with net zero

Information on Interim target(s) covering the proportion of assets to be managed in line with net zero

Baseline Year: 2019

Target Year: 2030

Target(s): Reduce Scope 1 & 2 emissions by at least 1.2 million tonnes of CO₂e in the infrastructure asset class by 2030. This represents an absolute 40% reduction in emissions from the 2019 baseline of IFM's infrastructure asset class. This reduction target will be adjusted annually to reflect both divestments and acquisitions.

Baseline Year Performance for the target metric(s): Carbon footprint (financed emissions) = 3,014,357 tCO₂e³

GHG scopes included: Scope 1 & 2 financed emissions

Methodology: There is currently no existing recommended methodology or framework for target setting and alignment measurement for the infrastructure assets class. IFM is a member of the IIGCC PAII infrastructure working group, and will adopt and integrate the best practice recommendations developed by the group.

Scenario(s): The final target for the infrastructure equity asset class is based on the IEA NZE scenario. The IEA NZE estimates global CO₂ emissions (aggregated across sectors) will have to reduce by ~40% by 2030, against a 2019 baseline. The 2021 NGFS Net Zero 2050 Scenario (Global) projects CO₂ emissions reduction of 34% by 2030 (from 2020 baseline).

Additional information:

Proportion AUM committed: In September 2021, IFM announced an interim 2030 emissions reduction target and sectoral investment restrictions for our infrastructure equity asset class. The strategy for the infrastructure equity asset class is the most progressed, and it represents our largest asset class by AUM and has been the focus of our first stage of work since announcing our commitment to target net zero emissions across all asset classes by 2050.

For other asset classes in which we manage investments, (listed equities, infrastructure debt and diversified credit), the majority of our portfolios are managed on behalf of individual clients under Investment Management Agreements (IMAs). While our intent is to manage these portfolios in line with net zero, additional client engagement and approval is required before we can commit and include these portfolios in our initial target commitment. Additional work is also required to address issues with data availability and quality in these asset classes, as well as the lack of climate aware benchmarks for Australian passive equities portfolios. This work is well underway and we anticipate being able to announce more detailed targets and commitments for these asset classes, as well as for private equity, by the end of 2021.

³ Includes both Australian and Global infrastructure portfolios calculated on an equity share approach. Emissions attributed based on Equity Value (as opposed to Enterprise Value including Cash). IFM is still examining the feasibility of recalculating and restating emissions using EVIC.

IFM Investors Pty Ltd

Target setting: Credible, science-based 1.5°C climate scenarios generally point to the need for a 40-50% reduction in emissions by 2030 on a 2019 baseline.

In determining our target for infrastructure, we considered this top-down requirement, while also taking account of the energy and emissions profile of the assets in our portfolio and the decarbonisation options available to the highest contributors of emissions – to understand as best we can, the decarbonisation the assets can achieve using existing technologies.

We also undertook modelling to forecast the likely contribution of the decarbonisation electricity grid in the regions where our assets are located.

Several of our portfolio assets already have existing transition and targets in place. So we have designed a custom SBT alignment tool and provided this to assets to use in assessing the adequacy of initiatives and targets.

We believe our 40% reduction target constitutes a 'fair share' in light of the asset class it applies to, and the emissions profile and use case for the assets in our portfolio. Infrastructure is a challenging sector to decarbonise given the essential nature of the services it provides (i.e. heating, electricity, transportation, etc.), long asset lives and the lack of clear policy settings in several jurisdictions in which our assets are located. We are also committed to reporting on our progress annually and reviewing our commitments and targets every three years in response to updated guidance and available technologies or policy settings.

Policy on coal and other fossil fuel investments: Across IFM's infrastructure equity portfolios we will not make new investments in assets that derive more than 20% of their revenues from the production or transport of thermal coal, or its use in electricity or heat generation. We are also committed to phasing out exposure to thermal coal revenues from our infrastructure portfolio by 2030, in line with IPCC guidance for developed economies. IFM will continue to consider investments in oil and gas related infrastructure. However, in line with the IEA NZE scenario, we will not make investments in infrastructure that would facilitate material new upstream extraction of oil and gas.

For further information: We publicly announced our commitment to targeting net zero emissions across all asset classes in October 2020 and the media release is available on our website at: <https://www.ifminvestors.com/about-us/media-centre/archive/news/2020/10/11/ifm-investors-targets-net-zero-by-2050>.

We have also publicly announced our 2030 target and strategy for the infrastructure equity asset class, with the media release and fact sheet available for download from our website at: <https://www.ifminvestors.com/about-us/media-centre/news/2021/09/07/ifm-investors-sets-2030-interim-emission-reduction-target-to-help-achieve-net-zero-by-2050> and <https://www.ifminvestors.com/insight-article/new-2030-interim-emission-reduction-target-for-our-infrastructure-portfolios-on-our-way-to-net-zero-by-2050>

Inherent Group, LP (“IG”)

74% AUM initially committed to be managed in line with net zero

0.742bn USD currently committed to be managed in line with net zero

Information on Interim target(s) covering the proportion of assets to be managed in line with net zero

Baseline Year: 2019

Target Year: 2030

Target(s): By 31 December 2030 each Fund’s annual t CO₂e/\$mn invested is equal to or less than one half (1/2) of that of the applicable baseline (as defined below) in the baseline year

Baseline Year Performance for the target metric(s): For each Fund, the applicable “Baseline” in the Baseline Year is defined as follows:

1. Cr Fund Baseline: Barclays Capital High Yield index (“HY”): 173 t CO₂e/\$mn invested
2. Cr/Eq Fund Baseline: Russell 2000 (weighted 2/3) and HY (weighted 1/3): 101 t CO₂e/\$mn invested

Accordingly, the “50% Targets” for the Funds are as follows:

1. Cr Fund: 86 t CO₂e/\$mn invested
2. Cr/Eq Fund: 50 t CO₂e/\$mn invested

GHG scopes included: At this time, all CO₂e intensity figures cited herein cover only Scope 1 & 2. IG carefully evaluated material Scope 3 data available for its funds and the baselines and determined that such data is, at present, neither consistently available nor calculated in a comparable and transparent manner. IG intends to add Scope 3 data to its analysis when such challenges are sufficiently addressed, which will require significant updates to the figures cited herein, including the 50% Targets.

Methodology: Paris Aligned Investment Initiative’s Net Zero Investment Framework

Scenarios: Based on the recommendations of the Paris Aligned Investment Initiative

Additional information:

Proportion AUM committed: The 74% of total AUM represents AUM across two funds invested in publicly traded securities: a credit fund (“Cr Fund”) and a credit & equity fund (“Cr/Eq Fund”); each a “Fund” and together, the “Funds”). IG is initially focused on the Funds based on their size and CO₂-equivalent (“CO₂e”) data availability for the Funds and their relevant baselines. Substantially all of the remainder of IG’s AUM is invested in various private equity strategies. IG currently intends to include 100% of AUM in the 50% Targets by 2030 once data availability and quality improves for investments outside the Funds.

Target setting: IG considers each Fund to be similar in important respects to its respective baseline, although each Fund is managed in an ESG-integrated and climate-aware manner, unlike the baselines. Accordingly, IG believes that the 50% targets relative to the baselines are representative of IG’s fair share of global CO₂e reductions.

Inherent Group, LP (“IG”)

Alignment assessment and engagement: Furthermore, as related to the Net Zero Asset Managers initiative, by 31 December 21, IG intends to engage with 100% of the issuers held in the Funds to encourage their rapid adoption of net zero targets and reporting. IG works closely with a subset of its portfolio companies on strategic and ESG matters, including their net zero strategies. IG is developing plans for various CO_{2e}-neutral investment products. IG has adopted exclusions on investing in certain sectors. IG invests in a wide range of climate solutions-oriented companies in the public and private markets and continues to explore associated investment strategies. At present, IG intends to reach net zero emissions across 100% of its AUM by 2040.

Policy on coal and other fossil fuel investments: Yes. IG has adopted, in substance, the PAIL statement on thermal coal, associated infrastructure, and tar sands.

Important notes: This document is not an offer for any product or service. IG’s responses herein represent the firm’s current intent as a signatory to the Net Zero Asset Managers initiative. The information presented herein, especially the CO_{2e} data and calculations, is derived from multiple data sources and relies upon numerous assumptions. Although IG currently intends to revise the figures cited herein as better information becomes available, IG does not undertake to do so, the responses presented herein are for discussion purposes only, the figures contained herein may be materially inaccurate, and all information presented herein is subject to change without notice. In the event of any conflict between the offering memorandum (“OM”) of a Fund and any applicable information presented herein, the OM shall control.

For further information: Additional information is available in IG’s ESG Policy:

<https://www.inherentgroup.com/wp-content/uploads/2019/12/Inherent-Group-ESG-Policy-12.10.2019.pdf>

J. Safra Sarasin Sustainable Asset Management

100% AUM initially committed to be managed in line with net zero

34.2bn USD currently committed to be managed in line with net zero

Information on Interim target(s) covering the proportion of assets to be managed in line with net zero

Baseline Year: 2020

Target Year(s): 2030, 2035

Target(s):

- 50-60% emissions reduction by 2030, depending on the different investment strategies
- 100% reduction, carbon neutral outcome by 2035

Baseline Year Performance for the target metric(s): Varies by strategy

GHG scopes included: The target considers currently Scope 1 and 2 emissions, and over time Scope 3 emissions will be phased in.

Methodology: The methodology is outlined in the J. Safra Sarasin Climate Policy. The methodology is derived from EU Climate Transition Benchmarks. For the base year the upper threshold target for the CO2 footprint is set and in each subsequent year is reduced by 7%. For benchmark oriented strategies the starting point is set at 30% below the benchmark.

Scenario(s): The target is aiming to limit global warming by 2100 to 1.5°C and net-zero by 2050 or sooner. IPCC 1.5°C climate scenarios, were used as the basis for the EU Benchmarks (CTB/PAB).

Additional information:

Proportion AUM committed: In 2020 J. Safra Sarasin Sustainable Asset Management issued a Climate Pledge, aiming for carbon neutral outcome by 2035 for all assets under management (AUM). The Climate Pledge is currently under implementation and the above proportion of AUM reflects where the Climate Pledge was implemented.

Target Setting: The decarbonisation pathway corresponds to a fair share intermediary target of approx. 50% reduction by 2030. Bank J. Safra Sarasin is member of Science Based Targets Initiative and aims to set and validate science based targets in the future.

J. Safra Sarasin Sustainable Asset Management

Policy on coal and other fossil fuel investments: The J. Safra Sarasin Climate Policy includes exclusions and divestments from coal. A threshold of 20% has been set considering coal's current share in the global energy mix and its trajectory in a scenario below 2°C. The sustainability assessment follows a best-in class approach and includes a number of sustainable investment tools outlined in the policy. The reporting includes carbon foot printing and fossil fuel reserve exposure/stranded asset risks.

For further information: J. Safra Sarasin Sustainable Asset Management [Climate Pledge](#); [Climate Policy](#); [Sustainable Investment Policy](#); [Sustainability Website](#)

Jupiter Asset Management

41.6% AUM initially committed to be managed in line with net zero

41.6bn USD currently committed to be managed in line with net zero

Information on Interim target(s) covering the proportion of assets to be managed in line with net zero

Baseline Year: 31 December 2020
Target Year: 2030 for portfolio level reference target
Target(s): Emissions Intensity of AUM within target reduced by 50% by 2030.
 In line with the requirements of the Paris Aligned Investment Initiative’s Net Zero Investment Framework we will be setting asset alignment targets. Our intention is to publish these targets for our individual investment strategies and to disclose these in Jupiter’s 2021 Stewardship Report (published in April 2022).
Baseline Year Performance for the target metric(s): 47.7 tCO₂e/\$mn invested (Scope 1 & 2)
GHG scopes included: Jupiter’s portfolio reference target covers Scope 1 & 2 emissions for all AUM within scope. Scope 3 will be incorporated in time as data availability improves, in line with the guidance provided by the Net Zero Investment Framework.
Methodology: Paris Aligned Investment Initiative’s Net Zero Investment Framework. Jupiter will look to reference the One Earth Climate Model (OECM), 2020 for determining sector-specific pathways that can be applied at the investment strategy level and have applied the following science-based tools and methodologies for baselining asset alignment to net zero: Climate Action 100+’s Net-Zero Company Benchmark, TPI’s Carbon Performance and Management Quality indicators, and the Science Based Targets initiative.
Scenario(s): Jupiter’s portfolio reference target adopts the modelled global pathways for reaching net zero by 2050. Jupiter will look to reference the One Earth Climate Model (2020) for determining sectors pathways at the investment strategy level.

Additional information:

Proportion AUM committed: We have included our fundamental, long-only, developed market equities strategies within our initial target scope. These investment strategies make up the core of our franchise and this is also where the greatest GHG emission visibility lies. We shall also be including all funds which are looking to be designated as Article 8/9 under SFDR classifications. The target scope will be reviewed and expanded over time as more GHG emission data becomes available and as net zero methodologies for other geographies and asset classes develop. In the meantime, we will continue to engage with our investee companies in all jurisdictions to encourage them to align their business models, set forward-looking targets and disclose their GHG emissions in readiness for a formal target framework.

Jupiter Asset Management

Target setting: The IPCC special report provides modelled pathways for limiting global warming to 1.5°C. It is evidenced within this report that the pathways that limit global warming to 1.5°C with no or limited overshoot include GHG emissions reduction in the range of 58-47% by 2030, where the scenarios depict 'low energy demand' (P1) or are 'sustainability oriented' (P2). Jupiter have modelled a pathway to achieve a 50% reduction in emissions by 2030, which is in line with the IPCC's modelled global pathways.

We have chosen 31st December 2020 as our baseline due to the merger with Merian Global Investors which was completed on 30th September 2020. Using December 2020 therefore ensures that we have a baseline that is as close a representation of our current AUM as possible to enable accurate targets to be calculated.

Policy on coal and other fossil fuel investments: Jupiter will adopt a science-based policy with regards to thermal coal and tar sands projects and associated infrastructure, as per the recent guidance issued by the Net Zero Investment Framework. This policy will be applied initially to those strategies which are to be managed in line with net zero. This science-based policy will be expanded across Jupiter's fund range once systems and data sets are in place to make this practicable.

For further information: Jupiter will make further disclosures on our net zero target framework, including at the investment strategy level, in our 2021 Stewardship Report (April 2022).

La Financière de l'Echiquier

50% AUM initially committed to be managed in line with net zero

8.7bn USD currently committed to be managed in line with net zero

Information on Interim target(s) covering the proportion of assets to be managed in line with net zero

Baseline Year: 2020

Target Year(s): 2030

Target(s): 50% reduction in weighted average carbon intensity (WACI) vs baseline = 70tCO₂/m€ of enterprise value

Baseline Year Performance for the target metric(s): 138.8tCO₂/m€ of enterprise value

GHG scopes included: We will use data on scope 1 and 2, and scope 3 when available with our data provider Carbon 4 Finance which prioritize the bottom up analysis of high carbon intensive sectors.

Methodology: Paris Aligned Investment Initiative's Net Zero Investment Framework

Scenario(s): P2 emission pathway of the IPCC 1.5-degree report

Additional information:

Proportion AUM committed: 50% AUM corresponds to our SRI funds for which carbon emissions reduction is part of the investment philosophy and customer demand. It is consequently the maximum proportion for which we are confident to reach the targets. We are working with fund managers to increase the proportion of SRI AUM.

Target setting: We commit to reduce the carbon intensity of our portfolios by encouraging companies to reduce their emissions through engagement rather than selection or allocation. We monitor the carbon footprint of each of our portfolios through our data provider Carbon 4 Finance and identified the most emissive issuers within our scope who become our priority for engagement.

Finally, we aim to increase our investments in climate solutions companies.

Policy on coal and other fossil fuel investments: Yes, for more information see https://cdn.lfde.com/upload/partner/20210216_PolitiqueCharbonLFDE_EN.pdf

For further information:

Legal & General Investment Management (LGIM)

38.2% AUM initially committed to be managed in line with net zero

688 bn USD currently committed to be managed in line with net zero

Information on Interim target(s) covering the proportion of assets to be managed in line with net zero

Baseline Year: 2019

Target Year(s): 2030

Target(s): Funds are considered net zero aligned if they meet either of:

- At least 50% reduction in GHG intensity (weighted average carbon intensity) from 2019 baseline (relative to fund or reference index); or
- Temperature alignment of 1.5°C by 2030

This is in addition to other requirements as set out below.

Baseline Year Performance for the target metric(s): Baseline performance may vary according to portfolio. For funds launched at later dates, the 50% reduction can be pro-rated over the remaining time to 2030.

GHG scopes included: Scope 1 & 2 emissions of investee companies represent the main data sources into our calculations. Temperature alignment calculations are also primarily driven by Scope 1 & 2 emissions data, with the exception of financial and energy sectors where estimates of Scope 3 emissions in investments/lending and production respectively from investee companies are included.

Methodology: Our methodology incorporates recommendations from the Paris-Aligned Investment Initiative's Net Zero Investment Framework, as well as the UN Net Zero Asset Owner Alliance and the Science-Based Targets Initiative's guidance for financial institutions. It incorporates core components of these frameworks, including net zero targets, decarbonisation pathways, targeted sector-based exclusions, engagement and allocation to green opportunities.

Scenario(s): 50% reductions by 2030 are derived directly from the NZAM commitment. This is benchmarked against Climate Action Tracker 1.5°C, IEA Net Zero by 2050 scenario, NGFS scenarios. Currently, LGIM's modelling of temperature for a 'well below 2°C' scenario is approximately mapped to IPCC RCP 2.6 and IEA SDS (aggressive mitigation) pathways. Future iterations of the modelling, currently underway, will involve a Net Zero by 2050 scenario, broadly in line with recent 1.5°C/net zero carbon budgets from IPCC/IEA.

Legal & General Investment Management (LGIM)

Additional information:

Proportion AUM committed: LGIM has set its target using a top-down approach, whereby we forecast the proportion of clients, by region and client type, that we expect to adopt net zero strategies by 2030. For this first interim target LGIM has excluded Government securities and Derivative assets due to lack of clear industry methodologies to account for these asset classes. As a result, LGIM has set targets covering 70% of AUM it considered eligible for net zero alignment. We will be reviewing our target every 2 years, taking into account developments across our client-base and the markets in which we operate.

Target setting: We have initially directly transposed the global reduction in absolute emissions identified by IPCC into a 50% emissions intensity reduction target by 2030. However, we will monitor and seek to address any outside contribution of the chosen relevant divisors [revenue or EVIC] to the decarbonisation of the assets. These are volatile and depend on key macroeconomic variables such as economic growth, market valuations, inflation and FX, as well as microeconomic factors at a company level. Our ambition is for a 50% reduction by 2030 in fixed divisor terms which translates to 65% in carbon intensity terms if revenue is assumed to grow (inflate) at 3% in nominal dollar terms.

In certain portfolios (for example, actively managed funds) it is possible that changes of asset allocation (for example, switching from financials to utilities) may result in an increase in carbon footprint, even if the chosen securities represent the best in class from a climate performance. That is why we are proposing the use of temperature alignment (which measures the forward-looking alignment of individual issuers to a net zero trajectory) as an alternative method, where appropriate.

Alignment assessment and engagement: Our Climate Impact Pledge, which targets companies associated with ~60% of greenhouse gas emissions from listed businesses, and through both direct and collaborative engagement, we will ensure that in net -zero funds we engage with issuers responsible for >50% of a portfolio's associated emissions; increasing this figure further over time, to ensure alignment with best practice set out in key net- zero investment frameworks e.g. the PAII Net Zero Investment Framework

Policy on coal and other fossil fuel investments: LGIM is adopting a science-based policy on coal and tar sands on all AUM we have committed to manage in line with net zero. Therefore, in addition to applying our LGIM-wide coal exclusion policy within these funds, companies making new investments in thermal coal and tar sands will also be excluded. The LGIM-wide coal exclusion policy can be found here https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/lgimh-coal-policy.pdf.

Within portfolios that do not apply these exclusions, we will use active and escalating engagement to ensure no new thermal coal generation is developed and no new tar sand resources are exploited.

Legal & General Investment Management (LGIM)

For further information:

<https://www.legalandgeneralgroup.com/csr/journey-to-net-zero/> <https://www.lgimblog.com/categories/esg-and-long-term-themes/why-lgim-has-committed-to-net-zero-emissions/>

<https://brand.legalandgeneral.com/tackling-the-climate-crisis/real-estate-roadmap-to-net-zero/>

For details on our use of temperature alignment: https://www.lgim.com/landg-assets/lgim/_document-library/insights/long-term-thinking/net-zero-a-practical-guide-for-investors.pdf.

M&G Investments

20% AUM initially committed to be managed in line with net zero

80bn USD currently committed to be managed in line with net zero

Information on Interim target(s) covering the proportion of assets to be managed in line with net zero

Baseline Year: 2019

Target Year: 2030

Target(s):

50% emissions reduction by 2030 (based on enterprise value including cash (EVIC) financed emissions / AUM)

M&G Investments intends to develop this plan to evolve and show progress for the following necessary NZIF assessments:

1. Portfolio coverage, (investments that are net zero, aligned or aligning to 1.5°C)
2. Climate engagements coverage of 70% coverage of financed emissions for the portfolios.

Baseline Year Performance for the target metric(s):

Listed Equities: 65.91tCO₂/mnUSD

Public Corporate Fixed Income: 35.75tCO₂/mnUSD

The baseline performance metrics relate to the listed equities and corporate debt within the portfolio of funds that make up the AUM to be managed in line with net zero as of 31 December 2019. Since the baseline, the AUM of the portfolios has doubled, as well as expanding into other geographic regions where emissions intensity is higher. In the future, numbers will require re-baselining to reflect changes in composition.

GHG scopes included: Scope 1 & 2 emissions. M&G Investments intends to phase in scope 3 emissions as per the PAII NZIF methodology guidance in 2023.

Methodology: Paris Aligned Investment Initiative's Net Zero Investment Framework

Scenarios: Sectoral analysis was conducted using IEA NZE 2050 sector pathways plus IPCC P1 scenario. Regional analysis was conducted using scenarios from Climate Action Tracker: <https://climateactiontracker.org/methodology/cat-rating-methodology/modelled-domestic-pathways/>

M&G Investments

Additional information:

Proportion AUM committed: The AUM proportion is based on the commitment of public equities and public corporate debt portfolios managed on behalf of Prudential UK, the internal Asset Owner within M&G plc, our largest client. With the agreement of our external clients we will expand our commitment over time. Methodologies to enable alignment of a broader set of asset classes are still developing.

Achieving net zero across all of our portfolios by 2050 is a significant undertaking, with far reaching implications for our customers and our business. We are taking important steps to meet this challenge by scaling our capability over time.

- We will enhance our operating model with continued investment in our Stewardship and Sustainability infrastructure and resources.
- We will embed the Net Zero Investment Framework (and climate scenario modelling outputs of the future) into analysis and investment decision making
- We will continue to enhance our climate capability across people, processes, technology and data.
- We will scale client engagement in support of transition.
- We will advocate for positive change by running our own coal and climate engagement programmes, and leading and engaging in industry collective initiatives for advancement of ambition and accountability.

Target setting: The analysis to set targets was conducted on sector and region splits of financed carbon emissions, which concluded that the range of required emissions reduction of the assets between -44% and -54%. The financed carbon emissions, calculated using EVIC and Scope 1 & 2 emissions data, are proportioned into sectors using GICS Industries and into regions using their risk country classification. Where these sectors are not available, or there is no pathway present, a 7.6% year on year reduction as recommended by the UN Environment Programme was used. Where the regions are not available, or there is no pathway present, the IEA P1 scenario is used.

Policy on coal and other fossil fuel investments: In March 2021, M&G Plc committed to phase out thermal coal from its public assets by 2030 for developed countries, and 2040 for emerging markets. For M&G Investments, this commitment will need to be delivered in partnership with clients, and is a key building block in the Net Zero Investment Framework, as well as providing a foundation for approaching other contentious carbon investments in the future, such as tar sands and fracking.

M&G Investments' approach to delivering coal phase out evaluates exposure in both relative and absolute threshold terms (30%, 10GW capacity, 20Mt p/a extraction), excluding new expansion. In addition, we undertake analysis to enable a forward looking view of the credibility of companies' coal phase out plans and how they consider a just transition. By adopting a forward-looking approach as an active investor, we can support companies to phase out coal from the energy system in line with the IPCC timelines, and finance the necessary investments to get to net zero. Link to the overview of our position on coal investment: <https://www.mandgplc.com/sustainability/coal>

For further information:

Maitri Asset Management (Maitri)

50% AUM initially committed to be managed in line with net zero

USD currently committed to be managed in line with net zero is confidential, as Maitri is a family office

Information on Interim target(s) covering the proportion of assets to be managed in line with net zero

Baseline Year: 2019

Target Year(s): 2030

Target(s):

Portfolio Level 1: To halve the emissions intensity of 50% of Maitri's AUM.

Asset Class Level 1: As this target is dependent on companies setting targets in line with net zero frameworks, which are relatively new, we will evaluate the setting of this target at our next review. In the meantime, Maitri commits to meaningfully increasing the proportion of our AUM invested in companies in the material sectors, which are either achieving, 'aligned' to, or 'aligning' to net zero.

Asset Class Level 2: Engaging at least 70% of financed emissions in the material sectors assessed to be net zero or aligned with a net zero pathway, either directly or through collective investor initiatives.

Baseline Year Performance for the target metric(s): Emissions intensity as of 2019 of 50% of Maitri's AUM: 41.7 tCO₂e / mUSD (for Scope 1 & 2)

GHG scopes included: Our targets coverage include Scope 1 & 2 portfolio emissions. We will evaluate the inclusion of Scope 3 at the next review.

Methodology: Paris Aligned Investment Initiative's Net Zero Investment Framework

Scenario(s): The underlying pathway is the P2 emission pathway as outlined in the IPCC special report on global warming of 1.5°C.

Additional information:

Proportion AUM committed: The current target accounts for the fact that Maitri is undergoing an expansion phase, which could lead to meaningful changes to our AUM and portfolio strategies. Furthermore, climate-related disclosures, frameworks, and data availability are still at a nascent stage and evolving quickly. We anticipate the climate data space to mature over the next few years, which will further enhance data quality and visibility to support our target-setting. Since 2020, Maitri has been tracking, and hence mindful, of the climate impacts of our sustainable portfolios.

Target Setting: We commit to halving the emissions intensity of 50% of our AUM, and to step up our engagement with companies in the material sectors that are yet to align to net zero. These targets will be reviewed within the next 5 years.

We will evaluate the setting of a target for investing in climate solutions at our next review.

Policy on coal and other fossil fuel investments: Yes, this is documented in our Responsible Investment Approach, which is available on our website: www.maitriam.com

For further information:

NN Investment Partners

37% AUM initially committed to be managed in line with net zero

133.5 bn USD currently committed to be managed in line with net zero

Information on Interim target(s) covering the proportion of assets to be managed in line with net zero

Baseline Year: 2019 (emissions)

Target Year(s): 2025, 2030, and 2050

Target(s): The objective of the sovereign bond portfolio and corporate investment portfolio is to achieve net-zero emissions by 2050. For the corporate investment portfolio, the following CO₂ reduction reference targets for the short and medium-term have been set:

- 25% by 2025
- 45% by 2030

The target for the corporate investment portfolio will be set on an absolute basis with metric used normalise: tCO₂e/EURm invested.

Baseline Year Performance for the target metric(s): N/A

GHG scopes included: The top-down carbon reduction reference target for the corporate investment portfolio is set on Scope 1 & 2 of the financed emission (absolute carbon footprint). Scope 3 is not yet included in financed emissions because data quality is still largely based on estimations. However, disclosure and target-setting on material Scope 3 emissions is part of the bottom-up assessment of investee companies and engagement objectives.

Methodology: Paris Aligned Investment Initiative's Net Zero Investment Framework was used as a main guide for the development of our approach.

Scenario(s): The available tools used to inform the top-down target-setting of the corporate investment portfolio use the IEA's Sustainable Development Scenario (SDS) reference trajectory. Some pragmatic adjustments were made to accelerate the pathway in line with our ambition to steer the investment portfolio towards net-zero emissions by 2050. When data providers will further update tools and methodologies, such as with the IEA Net Zero by 2050 scenario, we will further enhance the underlying analysis.

Additional information:

Proportion AUM committed: Our first step in our commitment to Net zero in 2050 was to work together with a large client to develop Paris Aligned strategies. This has resulted in our initial scope as described in this document. In addition, we aim to develop new Paris Aligned products. As this takes time this has not yet been included in the initial scope. In the near future we aim to increase our scope of our assets managed in line with net zero as part of the NZAM commitment and expand the range of new Paris Aligned products.

NN Investment Partners

Target setting: In the target-setting, we supported the client with analysis using various approaches and methods. In addition to the IIGCC recommended carbon budget approach, portfolio comparisons of carbon intensity were also made with regards to the industry average and peers to the extent possible. We believe that the intermediate reference targets are ambitious and consistent with delivering a fair share of 50% global reduction in CO₂ emissions by 2030.

The IIGCC PAII Net Zero Investment Framework was used as a main guide for the development of our approach. To inform the top-down target setting process for the corporate investment portfolio, various approaches amongst which the IIGCC recommended carbon budget approach have been used.

We aim to reach these reference targets via a bottom-up corporate Paris alignment approach in which we focus on achieving impact in the real world. We focus on transitioning the corporate portfolios in scope towards the global goal of net zero emissions by 2050 via two dimensions: decarbonisation of the investment portfolios and increasing investment in climate solutions. Active ownership plays an integral role in this strategy.

For sovereign bonds, we developed a strategy by following the approach as laid down in the PAII Net Zero Investment Framework. In this strategy sovereign bonds are scored against a climate scoring methodology, which consists of a set of forward-and backward looking climate related indicators. For new or re-investments, there is preference for allocation for issuers performing better on climate and/or eligible green bonds. Also, we seek to increase dialogue with sovereigns on ESG and climate change related topics.

Policy on coal and other fossil fuel investments: NN IP has a companywide restriction in investments in companies (see our [Climate Change Policy and norms-based RI criteria](#)):

- That derive 20% or more of their revenues from thermal coal extraction or thermal coal distribution for all investments.
- That derive more than 20% of their revenues from oil sands extraction or oil sands pipeline transportation.

For sustainable and impact funds we have stricter criteria (For sustainable and impact funds we have stricter criteria ([see our viewpoint policy](#)).

- This is a 5% restriction criterium on revenues from thermal coal related activities.
- Have 10% restriction criterium of combined exposure to all forms of unconventional oil and gas related activities
- The sustainable and impact strategies will not finance companies with expansion plans for unconventional oil & gas extraction and electric utilities constructing additional coal-based power production installations.

For further information:

Nordea Asset Management (NAM)

17.5% AUM initially committed to be managed in line with net zero

55.4bn USD currently committed to be managed in line with net zero

Information on Interim target(s) covering the proportion of assets to be managed in line with net zero

Baseline Year: 2019

Target Year(s): 2025, 2030

Target(s): NAM's commitment initially has two types of quantified targets:

“Top-down” emissions reference targets for 2030: Each investment strategy in scope (i.e., every individual portfolio counted in the 58% of listed equity AUM) is subject to a strategy-specific carbon footprint target for 2030, expressed in terms of tCO_{2e}/mUSD invested. The precise target value for any given investment strategy varies depending on the investment universe and composition of the strategy, but the AUM-weighted average target value is currently 34.5 tCO_{2e}/mUSD, equivalent to a 48% reduction relative to the benchmark intensity in the baseline year.

Asset alignment / engagement “bottom-up” targets for 2025: NAM sets a 2025 target to increase 1.5°C alignment among the top-200 contributors to NAM's aggregated financed emissions in listed equity. These issuers currently account for ~90% of NAM's financed emissions in listed equity. All are categorized as either: a) “Aligned with 1.5°C”; b) “Aligning with 1.5°C”; c) “Committed to aligning with 1.5°C”; or d) “Not aligning”. NAM's target is to increase the share of investments in categories (a)-(c), measured in terms of the share of financed emissions that they represent. Specifically, the target is to increase the share “Aligned” investments to 7%, increase the share of “Aligning” investments to 15% and increase the share of “Committed” investments to 21%. Additionally, NAM sets a 2025 target for 80% of these 200 issuers to be either categorized as “Aligned” or else be subject to engagement to become aligned. This target will increase to 100% by 2030.

Baseline Year Performance for the target metric(s): The baseline for top-down emissions targets is determined based on the 31 December 2019 carbon footprint (tCO_{2e}/mUSD invested) of each investment strategy's benchmark or reference index, making adjustments for differences in sectoral and geographical exposures where appropriate. The overall AUM-weighted average baseline value of the benchmarks is 65.9 tCO_{2e}/mUSD. The AUM-weighted carbon footprint (and hence performance against targets) of the investment strategies themselves was 41.2 tCO_{2e}/mUSD.

At 31 December 2019, the extent of alignment across NAM's top-200 contributors to financed emissions in listed equity was as follows: “Aligned” investments accounted for 0.4%; “Aligning” investments accounted for 9%; and “Committed” investments accounted for 15%.

GHG scopes included: Top-down targets are based on a financed emissions metric which includes Scope 1 & 2, but not Scope 3. The data coverage ratio for the % of AUM that is managed in line with net zero is 97%. Scope 3 emissions data is included in the bottom-up assessments of issuers' 1.5°C alignment for the purposes of NAM's engagement/bottom-up targets.

Methodology: Paris Aligned Investment Initiative's Net Zero Investment Framework

Scenario(s): IPCC special report on global warming of 1.5°C P2 & One Earth Climate Model (OECM)

Nordea Asset Management (NAM)

Additional information:

Proportion AUM committed: The portfolios initially to be managed in line with net zero represent 58% of NAM's listed equity AUM. Other asset classes were not included due to lack of sufficient data coverage and/or adequate target methodologies. NAM will pursue further methodological development to enable also these asset classes to be managed in line with net zero in future. For corporate bonds, which can be subject to the same methodology as equities, NAM will work to enhance data coverage and modelling capabilities to enable this asset class to be managed in line with net zero in future. For the remaining 42% of listed equity AUM, these will be considered for future management in line with net zero when this would be compatible with NAM's client mandates and how relevant products are marketed and sold. NAM will continue to engage clients to increase inflows to strategies that are managed in line with net zero.

Target setting: Notable methodological choices that NAM has made include:

- The use of a sector and geography-adjusted "custom baseline" approach to determine the baseline values for carbon footprint targets for investment strategies where this was deemed feasible, in order to eliminate sectoral and geographical biases and prioritise real world emissions reductions over sector allocation effects
- The use of sector- and geography-specific decarbonisation pathways, primarily based on the One Earth Climate Model (OECM)

NAM's target-setting methodology has been calibrated such that, when applied to a broad reference index such as MSCI All Country World Index (ACWI), it requires a 50% reduction in the carbon footprint by 2030 for that index. It also includes a regional and sectoral differentiation (based primarily on OECM) which means that when it is applied to an investment strategy with relatively more exposure to sectors/regions that need to achieve a higher share of decarbonisation, it requires a >50% reduction and vice versa, for a strategy with relatively less exposure to such sectors/regions.

Policy on coal and other fossil fuel investments: Yes, applied to all AUM: <https://www.nordea.com/en/doc/namripolicy2021260521.pdf>. Also applied to all AUM managed in line with net zero: <https://www.nordea.com/en/doc/nam-fossil-fuel-policy.pdf>

For further information:

Nykredit Asset Management

100% AUM initially committed to be managed in line with net zero

78.7 bn USD currently committed to be managed in line with net zero

Information on Interim target(s) covering the proportion of assets to be managed in line with net zero

Baseline Year: 2020

Target Year(s): 2030

Target(s):

- 100% of AUM aligned with a pathway to net zero by 2050 at the latest, based on NZIF methodology
- 60% emissions reductions (intensity-based)

Baseline Year Performance for the target metric(s):

CO_{2e}: N/A. We are currently in the process of setting up a data warehouse that supports emissions data across holdings, funds and asset classes, but for now not available.

Net zero pathway alignment: ~70%

GHG scopes included: Current target is set for Scope 1 & 2 emissions, but we aim to integrate Scope 3 emissions in the target, while maintaining the ambition of the target.

Methodology: Paris Aligned Investment Initiative Net Zero Investment Framework

Scenario(s): IEA Net Zero 2050 Scenario

Additional information:

Target Setting: Nykredit is a global investor (IPCC 50% reduction target), with our primary investment activities in Europe (EU 55% reduction target) and Denmark (70% reduction target). Following these targets and taking into account our aim to contribute to global sustainable development, while maintaining our commitment to clients who prefer a broad investment universe, our target for 2030 is 60% emissions reduction.

Policy on coal and other fossil fuel investments: https://www.nykredit.com/siteassets/samfundsansvar/filer/politik-for-baeredygtige-investeringer_2021_uk.pdf

Nykredit's Sustainable Investment Policy stipulates that extreme climate laggards (including activities linked to thermal coal) are engaged or excluded. Likewise, Nykredit engages material emitters in the portfolio on climate-related matters. Our voting policy reflects our support of the goals of the Paris Agreement. Nykredit is in the process of implementing a revised fossil fuel policy, based on the IEA 1.5-degree scenario, due to be finalized before 2022.

For further information:

Rathbone Greenbank Investments

~80% AUM initially committed to be managed in line with net zero

2.3 bn USD currently committed to be managed in line with net zero

Information on Interim target(s) covering the proportion of assets to be managed in line with net zero

Baseline Year: 31 December 2020

Target Year(s): 31 December 2030

Target(s):

- 60% reduction in the carbon intensity of investments
- Bottom-up, portfolio alignment target (covering direct equities, corporate fixed income and real estate):
% portfolio to be 'aligned' or net zero:

Year	High impact	Low impact
2020	0%	17%
2025	33%	45%
2030	66%	70%
2035	100%	>90%
2040	Net zero	Net zero

Baseline Year Performance for the target metric(s): 28.37 tco2e/\$m invested as at 31 December 2020

GHG scopes included: Current financed emissions data is restricted to scope 1 and 2 emissions only. We hope to build out coverage of scope 3 emissions over time as data coverage and quality increases.

Methodology: Paris Aligned Investment Initiative Net Zero Investment Framework

Scenario(s): IEA Net Zero 2050 Scenario

Rathbone Greenbank Investments

Additional information:

Proportion AUM committed: We have excluded ~5% of our AUM that is held in investments we class as ‘tail stocks’. As a discretionary wealth manager, we provide bespoke investment portfolios for over 2,000 individual clients. When we take on new clients, it is common for their existing portfolios to transfer in specie and to contain holdings that sit outside our core universe. Such holdings – ‘tail stocks’ - are managed to be sold down over time as the portfolio is reorganised in line with our sustainable investment approach. However, this may need to happen over an extended period to manage tax liabilities, market movements and other factors. We also exclude cash and sovereign bonds. While sovereign bonds are assessed for climate alignment, they are not included in our targets at this stage due to a lack of methodology for doing so. As a percentage of total AUM (inclusive of assets with methodological gaps) our target has ~80% coverage.

Target Setting: The 2030 emissions reduction target is our interim target , enabling us to be on track to achieve net zero emissions by 2040. Using the baseline year of 2020 allows Greenbank to include investments in actively managed funds in our coverage, adding ~40% of AUM. The target is for 60% reduction by 2030, surpassing the 50% threshold. In addition, Greenbank’s 2020 baseline in scope holdings are less emissions intensive than the ‘universal’ benchmark (MSCI World). Therefore our targeted reductions are from a lower starting point and go above and beyond our fair share of global emissions reduction. For the portfolio alignment target, collectives are excluded at this stage due to lack of data, meaning coverage for this target is ~40% of AUM.

Policy on coal and other fossil fuel investments: We do not have a formal policy in place, however our ethical and sustainable investment focus means that we have a de facto exclusion on coal mining and significant involvement in coal-fired energy generation. Investment in other fossil fuel producers is also extremely limited across our portfolios.

For further information:

Robeco

~40% AUM initially committed to be managed in line with net zero

87.3 bn USD currently committed to be managed in line with net zero

Information on Interim target(s) covering the proportion of assets to be managed in line with net zero

Baseline Year: 2019 (as measured on 31 December 2019)

Target Year(s): 2025 (as measured on 31 December 2024)

Target(s): For portfolio emissions, we aim at a 30% reduction of the carbon footprint (tons of CO_{2e} per invested million EUR) by 2025, relative to 2019, with the ambition to reach 50% by 2030 and net zero by 2050.

In future we intend to set asset alignment targets, when data and methodology are more mature.

Baseline Year Performance for the target metric(s): Portfolio carbon footprint: 104 tons CO_{2e} per million EUR invested. This baseline will be subject to re-calculation, as we will correct for EVIC inflation, changing asset mix, changing composition of reference indices, improved data quality (e.g. Scope 3 emissions). Rules for re-calculating the baseline will be clearly defined and disclosed.

Alignment of companies with net zero, in 2021, based on top-200 highest emitters in our investment universe:

- Companies that are fully aligned: 10%
- Companies that are aligning: 11%
- Companies committed to align: 24%
- Companies that are not aligning: 13%
- Insufficient data: 42%

GHG scopes included: We measure Scope 1, 2 & 3 of our portfolio emissions. In line with the guidance from net zero investing frameworks, our decarbonisation target is set and measured in terms of our bond and equity share of the absolute Scope 1 & 2 emissions of investee companies. As of FY2021, we will include Scope 3 of investee companies in our disclosures.

Methodology: Robeco's net zero strategy is based on the Paris Aligned Investment Initiative's Net Zero Investment Framework and the Net Zero Asset Owner Alliance Target Setting Protocol

Scenario(s): 7% emission reduction year-on-year is derived from the P2 model in the IPCC special report on global warming of 1.5°C.

Robeco

Additional information:

Proportion AUM committed: Segregated client accounts are out of scope initially, because our clients set their own decarbonisation goals. Whilst we will not initially set targets on carbon reduction in our managed accounts, we will review this every five years at least, with a view to ratcheting up the proportion of segregated solutions in line with attainment of net zero emissions by 2050 or sooner. We will proactively provide our asset owner clients with information, expertise, and analytics on net zero investing, climate risk, opportunities arising from a lower carbon global economy and stewardship and engagement.

A number of asset classes are initially out of scope of our carbon reduction target for 2025, due to methodological limitations (Sovereign bonds; Robeco's Green Bonds fund; Cash and derivatives)

Target setting: Our decarbonisation targets are set at entity-level and will be reported as such. Internally, the target must be met by each investment block (fundamental equities, fixed income, quant equities) and the aggregate of their underlying funds. For each fund a baseline is set by taking the carbon footprint of its respective index by end of year 2019. Each fund is expected to decarbonise against that baseline, contributing to the aggregate target.

We measure current and forward-looking alignment of the highest emitting companies in our investment universe, as well as the climate performance of countries. We take these assessments into account for portfolio construction, engagement, voting and selective divestment. However, due to data challenges we are not yet able to set alignment targets at asset level. While we cannot set targets on investing in climate solutions, we are committed to grow investments in climate solutions in partnership with our clients.

Policy on coal and other fossil fuel investments: Yes. Robeco is a signatory of the Powering Past Coal Alliance. While we believe that engagement is the best route to accelerate emission reductions in the real economy, we do revert to exclusion in those cases where we see no positive engagement outlook. Concomitantly, Robeco excludes companies on the basis of the degree of their involvement in thermal coal, oil sands, and Arctic drilling.

- As of January 2021, Robeco implemented maximum revenue thresholds above which companies are excluded: 25% for thermal coal and oil sands and 10% for Arctic drilling for our Sustainability Inside fund range; 10% for thermal coal and oil sands and 5% for Arctic drilling for our Sustainability Focused and Impact Investing fund ranges.
- As of 2022, Robeco adds a new criterion to its fossil fuel policy regarding expansion plans for new unabated coal power plants. Based on the Global Coal Exit List, we will exclude a number of companies that are identified as developers of coal-fired power plants. If we are confident that the company may forego their coal expansion plan and instead adopt a transition strategy in line with a below 2 degrees objective, then we will initially engage with the company for a maximum period of two years.

For further information:

<https://www.robeco.com/en/insights/2021/10/roadmap-outlines-plan-for-move-towards-net-zero-emissions.html>

Sarasin & Partners LLP

71% AUM initially committed to be managed in line with net zero

19.93 bn USD currently committed to be managed in line with net zero

Information on Interim target(s) covering the proportion of assets to be managed in line with net zero

Baseline Year: 31 December 2019

Target Year(s): 2030

Target(s): Our target is a 50% reduction of real-world emissions, normalised for sector/geographic exposure by 2030. We will measure emissions intensity (tCO₂e/\$ revenue or tCO₂e/EVIC) to track emissions performance.

Baseline Year Performance for the target metric(s): 2019 is the baseline year against which we track our emission reductions.

GHG scopes included: We will include Scope 1 & 2, and Scope 3 when reliable data is made available.

Methodology: Paris Aligned Investment Initiative's Net Zero Investment Framework

Scenario(s): We will measure holdings' emissions reduction pathways against 1.5°C science-based pathways, such as those offered by SBTi.

Additional information:

Proportion AUM committed: We will extend our Net Zero approach to cover 100% of our fully discretionary (both investment and stewardship) AUM by 2025. AUM excluded from the NZAM initiative consist of:

- non-discretionary assets (and including assets subject to restricted mandates, e.g. capital gain tax)
- assets for which we do not have stewardship oversight (e.g. voting and engagement)
- small holdings held outside our core strategies.

Together these account for c23% of our AUM, as of 31 August 2021. All (100%) of high-risk holdings covered by our AUM commitment (71% in 2022 rising to 100% discretionary AUM by 2025) will be subject to our engagement and climate voting policy.

Alignment assessment and engagement: A central tenet of our target approach is a focus on reducing real world emissions, rather than creating the impression of emission reduction through divestment. Therefore, we plan to use a rolling three-year average, or allow for a divergence range around the central pathway in any specific year, to permit us to focus on bringing down real-world emissions through active engagement.

All of our core holdings (on any of our internal buy lists that populate all our strategies) in the covered AUM will be subject to our Paris-alignment methodology – which means all entities in high-risk categories will be classified as either aligned, or we will be engaging & voting to deliver alignment.

Sarasin & Partners LLP

We will be assessing the financed emissions embedded in our holdings by reference to SBTi pathways, which are in turn benchmarked to the IPCC scenarios. We will focus our engagement work on the high-risk sectors identified by the TPI, CA100+ Focus list and also include banks and real estate. We will keep this priority list under review to ensure we expand the scope in line with evolving data and understanding of new risk categories.

In line with the NZIF, we apply a climate 'materiality' threshold to focus our energies on those entities with the highest emissions profiles. To do this we look for:

- High impact sectors – these include both sectors that have high direct emissions (Scope 1 & 2), but also those that are linked to high emissions activities (Scope 3). We use the Transition Pathway Initiative (TPI) high impact sectors as a guide, adding in banks and real estate.
- High impact companies – in certain instances, we find individual companies have high carbon footprints outside the high impact sectors. To ensure we do not miss these, we screen our holdings for the CA100+ focus list – see <https://www.climateaction100.org/whos-involved/companies/>

Policy on coal and other fossil fuel investments: Yes, in keeping with our broader commitment, all high-risk sectors will be subject to our targets for emission reductions in line with SBTi. We have explicitly committed to avoid providing fresh capital for fossil fuel extraction or energy generation principally powered by fossil fuels, unless they are an engagement target with clear time-bound Paris-alignment objective. This includes investment in any new issue of shares or bonds. We further commit not to purchase such bonds in the secondary market.

In keeping with our NZAM commitment, the above will apply to 71% fully discretionary AUM from 2022, rising to 100% AUM by 2025.

This policy will be published in our NZAM Action Plan in November 2021.

For further information: Sarasin plan to publish a Net Zero Action Plan in Nov 2021.

Schroders plc

60% AUM initially committed to be managed in line with net zero

396 bn USD currently committed to be managed in line with net zero

Information on Interim target(s) covering the proportion of assets to be managed in line with net zero

Baseline Year: 2019

Target Year(s): 2030 (Mid-term), 2040 (Long term)

Target(s):

Portfolio temperature score:

- Mid term Scope 1 & 2: 2.19°C by 2030
- Long term Scope 1, 2 & 3: 1.5°C by 2040

Portfolio coverage (AUM managed in line with the above):
100% by 2050

Baseline Year Performance for the target metric(s):

Portfolio temperature score:

- Mid term Scope 1 & 2: 2.92°C
- Long term Scope 1, 2 & 3: 3.15°C

Portfolio coverage: 60%

GHG scopes included: For the baseline year 2019, our financed emissions includes Scopes 1 & 2. Going forward, we will include Scope 3 as mandated by the PCAF timeline.

Methodology: SBTi for Financial Institutions

Scenario(s): IPCC AR5 1.5°C

Additional information:

Proportion AUM committed: Currently we have included our listed equities and credit asset classes as we have been able to obtain the required data and have developed models to measure the financed emissions and temperature alignment of these assets.

Going forward, we will include more asset classes as methodologies develop such that the proportion will increase over time.

Policy on coal and other fossil fuel investments: We are planning to start disclosing our investments in fossil fuel sectors and have coal exclusions for our sustainable product range. We continue to keep our fossil fuel investment policy under review.

For further information: We will be publishing more detail around our climate change strategy ahead of COP26 which will be in the public domain. At the time of submission of this form, this is not yet available.

Storebrand Asset Management

100% AUM initially committed to be managed in line with net zero

120bn USD currently committed to be managed in line with net zero

Information on Interim target(s) covering the proportion of assets to be managed in line with net zero

Baseline Year: 2018

Target Year(s): 2025

Target(s):

- 32% reduction in emissions for equity, corporate bonds and real estate
- 15% of total investment in solution companies

Work systematically with 20 top emitters

Baseline Year Performance for the target metric(s):

Carbon footprint from equity investments in tonnes of CO₂e per NOK 1 million in sales income (against index):

2018: 22 (32)

Carbon footprint from corporate bonds at baseline year (2018): 4.86 tCO₂e/1mnsales

Investments in solutions (solution companies, green bonds and property with environmental certification) in NOK billion / share of total assets:

2018: 38.8 / 5.5 %

GHG scopes included: Scope 1 & 2

Methodology: Net Zero Asset Owner Alliance Target Setting Protocol

Scenario(s): IPCC's 1.5°C scenarios with no or limited overshoot

Additional information:

Target setting: The -32% is based on the Intergovernmental Panel on Climate Change's (IPCC's) 1.5°C scenarios with no or limited overshoot and added adequate reductions (5%-points) for using end of 2018 as baseline instead of end of 2019. If you take the median of the 35 IPCC scenarios with no or low overshoot, and that have actual 2015 data and limited emission reductions between 2015-2020 (only up to 2% emission reductions between 2015-2020), the median is 27.2%. The 5 percentage points per year added is to ensure adequate reductions to accommodate to earlier base years due to large changes in our funds from 2018-2019. These are also derived from the IPCC scenarios but it's more a rule of thumb approach.

Policy on coal and other fossil fuel investments: Storebrand divested from coal in 2020. Storebrand will no longer invest in companies that derive more than 5 % of their revenues from coal. <https://www.storebrand.no/en/asset-management/sustainable-investments/our-climate-strategy>

For further information:

Swedbank Robur Fonder AB

67% AUM initially committed to be managed in line with net zero

146 bn USD currently committed to be managed in line with net zero

Information on Interim target(s) covering the proportion of assets to be managed in line with net zero

Baseline Year: 2019

Target Year(s): 2030

Target(s): The following targets are set for AUM in scope of target setting:

1. Weighted average Scope 1 & 2 carbon intensity = 27.1 t CO₂/mUSD
2. % AUM invested in assets in material sectors that are i) achieving net zero or meeting the criteria to be considered ii) 'aligned' or iii) 'aligning' to net zero = 60%
3. % revenues from AUM allocated to renewable energy = 1.39%
4. % owned (financed) carbon emissions in material sectors not aligned to NZ we commit to engage with = 100%

Baseline Year Performance for the target metric(s):

1. Weighted average Scope 1 & 2 carbon intensity = 54.2 t CO₂/mUSD
2. % AUM invested in assets in material sectors that are i) achieving net zero or meeting the criteria to be considered ii) 'aligned' or iii) 'aligning' to net zero = 13%
3. % revenues from AUM allocated to renewable energy = 0.44%
4. % owned (financed) carbon emissions in material sectors not aligned to NZ we commit to engage with = 70% (2021)

GHG scopes included: Weighted average carbon intensity (WACI) target is based on Scope 1 & 2 emissions of the invested companies. Aggregated equities and bonds data coverage is approximately 90%.

Methodology: Paris Aligned Investment Initiative's Net Zero Investment Framework

Scenario(s): IEA NZE 2050

Additional information:

Proportion AUM committed: The initial targets disclosed include corporate bond and equity holdings for funds managed by Swedbank Robur. These assets are those for which we have robust methodologies. The targets do not yet cover discretionary mandates, rate funds and alternative investments, but our intention is to do this as soon as methodologies are developed. This will be achieved by continued engagement with discretionary mandate customers, and developing tools and capacity to handle rate funds and alternative investments.

Swedbank Robur Fonder AB

Target setting: Swedbank Robur's net zero timeline is an aggressive one, being set at 2040. We applied the IEA's NZ2050 scenario adjusted for 2040 to generate our decarbonisation and solutions curves. From an already low baseline (compared to benchmarks) we set a 50% decarbonisation by 2030 intensity-based target. We are also tracking absolute carbon emissions to ensure that these are close to zero by 2040.

Policy on coal and other fossil fuel investments: Commencing in 2021 Swedbank Robur adopted an aggressive exclusion policy on fossil hydrocarbon-based extraction (exclude companies with > 5% revenue from coal, oil and gas) and power generation (exclude companies with > 5% revenue from coal and oil, and > 50% from gas). Whilst the effect of this policy and other actions have not been SBT verified, it has resulted in an approximate 50% decrease in the carbon intensity of our aggregated investments in the last 3 years, and lead to Swedbank Robur being one of the top 5 large asset managers globally according to CDP/Climetrics ratings.

[Policy for Responsible Investments](#)

[Climate Strategy](#)

[Include, Exclude and Engage Strategies](#)

AUM scope = 67%

For further information: Swedbank Robur's net zero methodology document – available upon request.

[Paris Aligned funds](#), [TCFD report 2020](#)

Terra Alpha Investments LLC

100% AUM initially committed to be managed in line with net zero

0.12 bn USD currently committed to be managed in line with net zero

Information on Interim target(s) covering the proportion of assets to be managed in line with net zero

Baseline Year: 31 December 2020

Target Year(s): 31 December 2025

Target(s):

- Achieve Science Based Targets in Terra Alpha Investments LLC equities portfolios by 2025 from a 2020 base year. Terra Alpha Investments commits that 75% of its equities portfolios by invested value will have set Science Based Targets by 2025.

Terra Alpha’s portfolio targets cover 100% of its total investment activities by AUM.

Baseline Year Performance for the target metric(s): 43% of invested value with set Science Based Targets as of 31 December 2020.

GHG scopes included: This target covers 100% of Terra Alpha’s Scope 3 financed emissions.

Methodology: SBTi for Financial Institutions – Portfolio Coverage methodology

Scenario(s): SBTi for Financial Institutions – Portfolio Coverage methodology

Additional information:

Target setting: As an active manager that invests only in public equities, the vast majority of our GHG emissions footprint comes from “financed emissions” via our common or preferred stock investments. The most impactful way to reduce our footprint is thus to engage with portfolio companies on their own emissions reduction initiatives--and we consider the Science Based Targets Initiative (SBTi) one of the best available verification options for our portfolio companies’ emissions reduction targets. We have therefore chosen to follow the Science Based Targets initiative’s (SBTi) Portfolio Coverage methodology, whereby “financial institutions commit to engaging with their borrowers and/or investees to set their own science-based targets, which shall be validated by the SBTi, such that the financial institution is on a linear path to achieve 100% SBT coverage by 2040.” We are committed to 75% SBT portfolio coverage by 2025, a pace that should put us on-track towards 100% SBT coverage well before SBTi’s 2040 deadline.

Policy on coal and other fossil fuel investments: Yes. Our policy applies to 100% of AUM and can be found on page 8 of “Our Commitment to a Net Zero Emissions Portfolio” (September 2021): https://terraalphainvestments.com/wp-content/uploads/2021/09/NZAM-Targets-Overview_Fall-2021-1.pdf

For further information: Our Commitment to a Net Zero Emissions Portfolio (September 2021): https://terraalphainvestments.com/wp-content/uploads/2021/09/NZAM-Targets-Overview_Fall-2021-1.pdf

Trillium Asset Management

60% AUM initially committed to be managed in line with net zero

3bn USD currently committed to be managed in line with net zero

Information on Interim target(s) covering the proportion of assets to be managed in line with net zero

Baseline Year: 2019

Target Year(s): 2030

Target(s): 75% of the equity assets held in our larger cap equity portfolios will have approved science-based targets (SBTs) for reducing their greenhouse gas emissions, approved by Science Based Target initiative (SBTi) by December 31, 2030.

Baseline Year Performance for the target metric(s): As of 12 December 2019, ~15% of the equity assets included in our commitment had either committed to setting science based targets or had done so, according to data from SBTi

GHG scopes included: Using the portfolio coverage approach, we expect our portfolio companies' targets will include their Scope 1 and 2 emissions, and Scope 3 when required by being greater than 40% of total emissions.

Methodology: Science Based Targets for Financial Institutions – Portfolio Coverage approach.

Scenario(s): Applying the Science Based Targets initiative methodology to our large cap holdings, our goal is aligned with a 1.5 degree scenario.

Additional information:

Proportion AUM Committed: The proportion represents all of the Trillium-advised equity investment strategies that invest primarily in larger cap equities, which excludes our U.S. Small and Midcap Core Strategy, and any similar strategies we may launch. We intend to continue engaging with companies in our Small/Mid Cap equity strategy to encourage them to adopt science-based greenhouse gas reduction targets and commit to net zero emissions by 2050.

We anticipate continuing to assess methodologies appropriate for us to measure and set targets for our fixed income investments, which contains a mix of sovereign and sub-sovereign government, supranational and corporate debt, a large portion of which is use-of-proceeds debt such as certified green bonds.

We also anticipate working with the Advisers of investment products that Trillium is the Sub-Advisor for, towards setting and achieving their own Net Zero goals.

Trillium Asset Management

Target Setting: We believe that if 75% of the assets in our large cap equity portfolios have approved science based targets by 2030, that will indicate significant progress being made towards emissions reduction goals and that a fair share of the 50% global reduction in CO₂ emissions by 2030 will have been delivered.

Engagement and Alignment: We will continue our long history of shareholder engagement to encourage and work with our portfolio companies to set their science based targets, and make and report progress against the targets, including in collaboration with other investors and non-profits.

Policy on coal and other fossil fuel investments: Yes. This information will be available on our website shortly, and will apply to 100% of our AUM.

In short, our policy is that Trillium will not invest in Energy and Power companies that have not demonstrated a commitment to a business model designed to succeed in a low-carbon economy. While Trillium may invest in companies with a history of or legacy exposure to fossil fuels, such an investment would heavily rely on evidence that the company's business model has shifted to alignment with net zero emissions.

For further information: <https://www.trilliuminvest.com/esg/esg-integration-criteria>

UBS Asset Management

20% AUM initially committed to be managed in line with net zero

235 bn USD currently committed to be managed in line with net zero

Information on Interim target(s) covering the proportion of assets to be managed in line with net zero

Baseline Year: 2019

Target Year(s): 2030

Target(s): By 2030, weighted average carbon intensity of funds to be 50% below the carbon intensity of the respective 2019 benchmark

Baseline Year Performance for the target metric(s): Each strategy will have a different baseline metric performance relative to their benchmark.

GHG scopes included: Scope 1 & 2 emissions. Each strategy will have different data coverage and we have taken this into account in setting our target. We are exploring how to make best use of Scope 3 metrics given the current range of data availability and quality.

Methodology: UBS AM is using the Paris Aligned Investment Initiative's Net Zero Investment Framework to set our targets. We have focused on a benchmark relative approach, using each strategy's own benchmark. In addition, we will continue to use our climate engagement programme to ensure real economy transition.

Scenario(s): P2 emission pathway of the IPCC special report on global warming of 1.5°C.

Additional information:

Proportion AUM committed: UBS AM has a little over 50% of our AUM in scope for the target (i.e. that we are able to apply a net zero alignment methodology).

- This includes:
- Active equities
- Active fixed income
- Index equities
- A proportion of our Real Estate assets.

We currently estimate that approximately 35% of these assets are capable of net zero alignment (i.e. USD235 billion) by 2030. Our target includes UBS AM investment products as well as discretionary mandates and separately managed accounts where we see these can be moved into net zero alignment.

UBS AM has identified a set of strategies that we consider suitable for net zero alignment, dependent on broader decarbonisation in the economy and in dialogue with our clients. The broad-based nature of the benchmarks associated with these strategies are consistent with referencing the global reduction requirement to set our target.

UBS Asset Management

Of the in-scope assets that cannot be managed in line by 2030:

- UBS AM has a substantial indexing business; bringing market capitalization weighted assets into net zero alignment requires clients to agree to track alternate, low-carbon benchmarks.

Not in scope

- The remaining assets that are not in scope for net zero alignment include our multi-asset funds, hedge funds, money markets and sovereign and municipals issuers. These are areas where there is currently no methodology for net zero-aligned investing.

Actions being taken

- We continue to work on developing methodologies, including participating in industry working groups and other forms of collaboration, to address assets where there is currently no methodology for net zero
- We are also working collaboratively with our clients to ensure that they have access to best practices, robust approaches, standardized methodologies, and improved data.

Policy on coal and other fossil fuel investments: Yes. UBS AM has a policy which covers thermal coal and oil sands exclusions. Our Exclusion Policy is published here: <https://www.ubs.com/global/en/asset-management/investment-capabilities/sustainability.html>

It contains requirements to exclude thermal coal mining and oil sands above 20% revenue across all of our active equity and fixed income funds. And coal-fired power generation above 20% revenue for our SI-focused and impact funds.

For further information: The UBS Net Zero statement and commitments can be found [here](#).

Van Lanschot Kempen

100% AUM initially committed to be managed in line with net zero

123.8 bn USD currently committed to be managed in line with net zero

Information on Interim target(s) covering the proportion of assets to be managed in line with net zero

Baseline Year: 2019 (on fund level, for listed funds where data is available)

Target Year(s):

- 2050 Long-term commitment: Become a net zero investor.
- 2030 Mid-term ambition: All listed and non-listed investments (where we have influence) aligned with Paris pathway.
- 2025 Short-term objectives: All listed investments (where we have data) aligned with Paris pathway.

Target(s): We use the pathway of the EU Benchmarks, based on the IPCC 1.5°C climate scenarios. This translates to an average of 7% carbon reduction (on fund level, on a comply or explain basis), based on the benchmark of the specific portfolios. For 2025 for our listed investments and 2030 for our listed and non-listed investments.

Baseline Year Performance for the target metric(s): We cannot give this baseline performance as we use a bottom-up approach, which means that the performance depends on the fund (and benchmark used).

GHG scopes included: We use Scope 1 & 2 in our carbon targets, and use Scope 3 as part of our engagements with investee companies.

Methodology: We use the EU Benchmark pathway as the method for target setting which are being used by our funds, with on average 7% reduction (comply or explain). For our sustainable funds, we use the Climate Transition Benchmark (CTB)/ Paris Aligned Benchmark (PAB) starting point (30/50% lower than the benchmark). The metric used is weighted average carbon intensity.

Scenario(s): IPCC 1.5°C climate scenarios, which was also the basis for the EU Benchmarks (CTB/PAB).

Additional information:

Target setting: With our commitment, policy, governance, targets, measures and reporting we aim to decarbonise our investment portfolios in a way that is consistent with achieving global net zero greenhouse gas emissions by 2050. Our approach incorporates elements from the Paris Aligned Investment Initiative’s Net Zero Investment Framework, and we will enhance our approach going forward whereby we will also take this framework into account as well.

Van Lanschot Kempen

Alignment assessment and engagement: We use ESG instruments to reach our objectives and ensure reductions in the real economy. These include climate sector engagements (direct and collaborative engagements via the Climate Action 100+), integration of climate risks and opportunities in portfolios, climate related exclusions and impact related investments. More details can be found in our climate change policy.

We have integrated climate change in our governance, strategy, targets and metrics (where feasible and relevant). We report on these climate change elements in our annual TCFD disclosures (to be found here: [task-force-on-climate-related-financial-disclosures-25-02-2021.pdf](https://www.vanlanschotkempen.com/~/media/Asset-Management/ESG/Climate-change-policy.pdf) ([vanlanschotkempen.com](https://www.vanlanschotkempen.com))).

Policy on coal and other fossil fuel investments: In our climate change policy, we take into account coal and fossil fuel related activities.

For further information: <https://www.kempen.com/-/media/Asset-Management/ESG/Climate-change-policy.pdf>

Wellington Management

10.6% AUM initially committed to be managed in line with net zero

146 bn USD currently committed to be managed in line with net zero

Information on Interim target(s) covering the proportion of assets to be managed in line with net zero

Baseline Year: 31 December 2019

Target Year(s): 31 December 2029

Target(s):

A. SBT Portfolio Coverage: By 2030, achieve a minimum %MV in companies with SBTi targets (or equivalent as assessed by Wellington Management), consistent with a linear increase from the portfolio's 2019 baseline value to 100% by 2040.

B. Portfolio Construction: By 2030, achieve a 50% reduction in weighted average carbon intensity (WACI, tons CO₂/\$mn Revenue) vs 2019 baseline

We have initially defined two basic glidepath options for targets focused on Engagement and Portfolio Construction. Each investment team determines which approach is most consistent with their philosophy and process, and this becomes the default proposed approach for consideration by clients with net zero targets.

Baseline Year Performance for the target metric(s): The baseline performance is defined individually for each investment strategy.

GHG scopes included: For the SBT Portfolio Coverage glidepath, Scope 3 is implicitly included as SBTi validation requires Scope 3 inclusion where Scope 3 emissions represent 40% or more of the company's overall footprint. This is also the case for investment teams committed to driving decarbonisation through engagement only. For the Portfolio Construction glidepath, we include Scope 1 & 2 in our interim 2030 target. We expect to introduce a secondary target that addresses Scope 3 emissions, pending improved coverage and comprehensiveness of Scope 3 disclosures.

Methodology: Our approaches are aligned with a combination of the SBTi Guidance for Financial Institutions (Portfolio Coverage Approach) and the PAII Net Zero Investment Framework (Listed Equity and Corporate Fixed Income: Portfolio Construction).

Scenario(s): For the SBT Portfolio Coverage glidepath, the underlying targets being set are consistent with science-based pathways. These targets can be derived using the sectoral decarbonisation approach (SDA) where industry-specific guidance is available, which has a pathway for 1.5°C. The absolute contraction approach (4% in absolute terms or 7% in intensity terms) is also sufficiently rigorous to be consistent with science-based pathways. For the Portfolio Construction glidepath, a 50% reduction by 2030 is consistent with a net zero pathway, as reflected in the NZAM commitment language. We do not expect to require linear annual reductions but will regularly monitor progress for these strategies to ensure continuous improvement.

Wellington Management

Additional information:

Proportion AUM committed: Because we see our asset commitment and clients' objectives as inextricably linked, we are assessing clients' investment portfolios and investment strategies one by one. It represents client AUM only in asset classes for which there are well established decarbonisation methodologies. Within these asset classes, our AUM commitment is a combination of accounts where we have client approval to implement a decarbonisation objective consistent with net zero by 2050 or sooner, as well as accounts for which the investment team is committed to driving decarbonisation through engagement with the intention of improving client outcomes, specifically encouraging companies to manage transition risk consistent with net zero by 2050 or sooner. We intend to update our commitment as we reach AUM milestones, such as when we establish actionable climate plans for a new asset class and/or receive incremental client approvals. For further context, this represents nearly 30% of AUM that we currently consider to be eligible for net-zero implementation. To arrive at eligible AUM: from all client assets invested in primarily in equities and corporate fixed income, we exclude sub-advisory AUM (as our ongoing dialogue continues with these clients) and AUM that currently manages or can accept ERISA assets (as we monitor the evolving US regulatory environment).

Current factors affecting our initial commitment include:

- **Business model:** Nearly 90% of our business is comprised of separately managed and sub-advisory accounts. As such client approval is required prior to making any material changes to an investment strategy, including adding a formal climate objective
- **Methodology availability:** A substantial portion of client assets are managed in asset classes where additional guidance is needed, such as private equity, hedge funds, and sovereigns. We therefore currently exclude strategies for which the majority of assets are non-corporate.
- **Data availability –** for some strategies investment teams are not yet comfortable with the quality for their investment universe
- **Sequencing execution:** It is critical that strategy-specific net zero implementation plans are well supported by data and tools. Now that our data and tools have been rolled out, we expect we can accelerate our climate action development plans and support a wider group of clients and investment teams.

Target setting: We have selected WACI as the portfolio metric for the interim 2030 target. This is primarily due to the recency of the PCAF methodology relative to internal/external familiarity with WACI, as well as the financed emissions metric's sensitivity to market movements.

Policy on coal and other fossil fuel investments: Our current exclusion policy is summarized in our [Client Exclusions Policy](#), updated on 1 October 2021. The segment of the policy relevant to climate risk covers thermal coal extraction, thermal coal power generation, and oil sands extraction and evaluates companies based on revenue thresholds, reserves, and, in certain situations, announced phase-out plans. The AUM currently covered by this policy is USD50.5 billion as of 30 September 2021, representing more than 90% of Wellington's cross-border sponsored funds.

For further information: [Our Commitment to Net Zero](#); [2020 TCFD Report](#); [Developing net zero commitments and tools](#) (webinar replay)

WHEB Asset Management

100% AUM initially committed to be managed in line with net zero

2.03 bn USD currently committed to be managed in line with net zero

Information on Interim target(s) covering the proportion of assets to be managed in line with net zero

Baseline Year: 2019

Target Year(s): 2025, 2030

Target(s):

For 2025:

1. Achieve carbon reductions from portfolio companies that are consistent with our 2030 and 2050 targets (equivalent to a mid-single digit annual decline in emissions).
2. At least 50% of investee companies⁴ committed to achieving NZ carbon emissions by 2050 and demonstrating alignment through their ambition, targets, emission performance, disclosure, strategy and capital allocation.⁵
3. >30% of the portfolio to be invested in companies offering climate solutions (and expected to be EU taxonomy eligible).

For 2030:

1. Achieve an absolute carbon reduction from portfolio companies that is consistent with the 50% global reduction in carbon emissions considered necessary to achieve global NZC emissions by 2050.
2. 100% of investee companies⁶ committed to achieving NZ carbon emissions by 2050 and demonstrating alignment through their ambition, targets, emission performance, disclosure, strategy and capital allocation.⁷
3. >30% of the portfolio to be invested in companies offering climate solutions (and expected to be EU taxonomy eligible).

Baseline Year Performance for the target metric(s):

Total Scope 1 & 2:

1,501,463tCO₂e

Carbon footprint:

127tCO₂e/£1m invested

Carbon intensity:

306tCO₂e/£1m sales

Weighted average carbon intensity:

220tCO₂e/£1m sales

⁴ WHEB's commitment covers 100% of our strategy. It is worth stating though that less than 10% of the strategy is invested in companies that are in 'high impact' sectors (eg subject to analysis by either the Transition Pathway Initiative or the CA100+). And a further 10-15% are in sectors that are not subject to any of these criteria (sectors in NACE codes M-U).

⁵ These six criteria are set out in the Net Zero Investment Framework 'Implementation Guide' (https://www.parisalignedinvestment.org/media/2021/03/PAII-Net-Zero-Investment-Framework_Implementation-Guide.pdf)

⁶ op. cit. 1

⁷ op. cit. 2

WHEB Asset Management

GHG scopes included: The targets cover Scope 1 & 2 emissions from portfolio businesses. We include Scope 3 emissions on an ad hoc basis depending on the materiality of Scope 3 emissions to the company in question.

Methodology: Our methodology is based on the Paris Aligned Investment Initiative’s Net Zero Investment Framework/SBT Portfolio Coverage approach. We have used a linear ‘Absolute Contraction’ approach to determine annual emission reductions from 2019 to achieve the 50% reduction in emissions by 2030 and then a similar linear calculation from 2030 to zero emissions in 2050. We have based our definition of ‘climate solution’ on the EU Taxonomy in order to determine whether a company’s products/services qualify as a ‘climate solution’.

Scenario(s): IPCC models that deliver no or limited overshoot of 1.5°C of global warming require CO₂ emissions to decline by 45-50% by 2030 and to reach net zero by 2050. These are the targets that we have chosen to achieve for WHEB’s portfolios.

Additional information:

Target setting: Our strategy is wholly invested in developed markets and while portfolio businesses do own assets in emerging and developing countries, we have chosen to set a stricter target of a 50% reduction in emissions by 2030.

We will engage with portfolio companies in order to achieve the above targets. Where engagement is not successful we reserve the right to divest from these holdings.

Policy on coal and other fossil fuel investments: As part of our policy on portfolio carbon emissions we have clearly stated that WHEB investment strategies do not, have not and will not invest in companies 1) planning new fossil fuel production or power infrastructure, 2) deriving significant (more than 5%) revenues from fossil fuel or power generation sales or 3) producing fossil fuels or generating more than 5GW of captive power from fossil fuels. <https://www.whebgroup.com/media/2021/03/202102-NZC-Policy-Portfolio-emissions.pdf>

For further information: Annual impact report including portfolio and operational carbon data: <https://impact.whebgroup.com/media/2021/06/WHEB-Impact-Report-2020.pdf>



The Net Zero Asset Managers initiative

News

NZAM update – November 2022 initial target disclosure

Posted on [9 November 2022](#)

Since the launch of the Net Zero Asset Managers initiative in December 2020 with an initial group of 30 signatories, and building on the more than 291 signatories, representing over USD 66 trillion in AUM, have joined and committed to align their portfolios with achieving net zero by 2050, more than 291 signatories, representing over USD 66 trillion in AUM, have joined and committed to align their portfolios with achieving net zero by 2050, who have joined since the last target disclosure update in [May 2022](#).

Since the last target disclosures report, the network partners have developed the NZAM website to enable signatory targets to be accessed and reviewed to review initial and resubmitted targets and facilitate the network partners in updating progress on an ongoing basis when signatories submit their [ten-point commitment statement](#).

NZAM is one of the investor-focused financial sector alliances of the Glasgow Financial Alliance for Net Zero (GFANZ) that brings together leading financial institutions to accelerate the transition to net zero emissions by 2050. It is also a formal partner of the UNFCCC's Race to Zero campaign.

The Net Zero Asset Managers initiative is delivered by six investor networks. For more on how the initiative operates, [see here](#).

Since COP26, the Steering Committee has met 5 times and the Advisory Group has met 2 times, focusing on how to ensure effective implementation of net zero commitments. The initiative also held 2 biannual meetings of all signatories which have focused on implementing targets, and for more longstanding signatories, compliance with annual reporting requirements.

Target disclosures

Almost two years on from the initiative's launch and following publication of a second set of asset managers' initial targets in [May 2022](#), a further 291 signatories have joined, representing more than USD 66 trillion in AUM, and committed to align their portfolios with achieving net zero by 2050 or sooner.

All signatory's targets, including new and previously submitted ones, are [now available](#) on the Net Zero Asset Managers initiative website.

The latest disclosures take the total number of asset managers setting initial targets to 169. 21 additional signatories have joined the initiative since May 2022, representing more than USD 66 trillion in AUM.

The latest targets mean that, collectively, approximately USD 21.8 trillion – out of a possible USD 55.3 trillion managed by the asset manager – is now committed to be managed in line with achieving net zero by 2050 or sooner. This represents around 39% of total assets.

We have also seen 63 managers commit more than 75% of their assets and 97 exceed 50%.

29 targets are currently still being reviewed by the initiative. 13 targets are non-compliant as they were not submitted ahead of the 6 July or disclosures on 9 November, to coincide with Finance Day at COP27. Network partners will assess these when they are ready and signatory pages are complete.

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Those unable to commit 100% at present, due to business model or methodology challenges, have provided information on plans to increase with net zero, and subject to interim targets, in the near term. This is consistent with the expectations of the initiative that percentage of A

Target setting methodologies

All disclosing signatories provide information on the interim targets that have been set in relation to the proportion of assets managed in line with net zero scenarios used to determine these targets. The overwhelming majority have used one, or a combination, of three endorsed target setting r

- Paris Aligned Investment Initiative's Net Zero Investment Framework (NZIF) – 87 signatories
- Science Based Targets initiative for Financial Institutions (SBTi) – 39
- Net Zero Asset Owner Alliance Target Setting Protocol (TSP) – 9
- Combination – 23
- Own/other methodology – 11

For more on target setting approaches, [see here](#).

Where asset managers have not used an endorsed methodology, or a methodology has not been used in full, the network partners will continue to support the effective and science-based implementation of targets and strategies going forward. For signatories indicating use of the SBTi methodology, the following applies:

- Committing to a Science Based Target via a letter of intent (optional)
- Developing a target in line with SBTi criteria
- Presenting target to SBTi for official validation (within 2 years of committing)
- Communicating this validation to stakeholders
- Reporting progress against these targets annually

Asset managers disclosing targets to the NZAM are not specifically required to have committed or have targets validated by SBTi at the point of disclosure, and in light of the network partners' expectation that signatories have science-based policies on investment in coal and other fossil fuels, information on their policies. Signatories that do not have broad policies in place were able to indicate how they were planning to consider t

Further detail of each asset manager's specific proportion and targets is set out on individual signatory pages on the NZAM website, [available here](#). This information is based on information self-reported by the signatories, and there is therefore variation in the way it has been prepared. This includes methodology usage, publication does not imply network partner verification of information provided or targets set. All asset managers are expected to be in compliance with all elements of the commitment, including setting out a climate action plan, as part of the annual disclosure and reporting r

For more on transparency and accountability, [see here](#).

For consistency and aggregation, all asset manager's proportion of AUM was requested to be disclosed in USD. The network partners used t

Key themes highlighted

During the target disclosure and review process for the [May 2022 progress report](#), a number of prominent themes were identified by asset managers. The November 2022 update reinforces that asset managers are operating against a similar backdrop of challenges, which has implications for their performance and influences the approaches taken to setting targets.

Collectively signatories have now committed on average 39% of assets to net zero by 2050, with all NZAM signatories committing to reach 100%. Achieving this, however, is dependent on numerous factors including the mandates agreed with clients, clients' and managers' environments and the development of target setting methodologies for all asset classes.

1) The geopolitical backdrop

These targets are being set against an ongoing challenging geopolitical backdrop. The war in Ukraine is entering its ninth month, following the energy crisis has increased short-term demand for fossil fuels and had a drastic impact on the cost-of-living for many individuals. The political environment we recognise adds a layer of complexity to the target setting process.

There continues to be increased variation in the regulatory and policy environments that managers are operating in. This affects their ability to reach net zero and can impact the level of client demand for such a shift. There are a number of cases where, due to policy changes or engagement with clients, managers have disclosed a significantly higher proportion of assets than would have been possible even a few months ago. But equally, there are some who are operating

are working to overcome some of the current constraints. For organisations that operate globally, they must balance a range of jurisdictions implementing their net zero commitments.

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2) Approaches to target setting

Given the wide variety of business models, geographic footprints and asset class mixes amongst the asset management community – which we expect to see variation in the approach to target setting and what is achievable in terms of the initial proportion of assets managed in line with

To reflect this and provide flexibility to signatories, three target-setting methodologies endorsed by NZAM – the Paris Aligned Investment Return Based Target initiative for Financial Institutions and the UN-convened Net Zero Asset Owner Alliance Target Setting Protocol. All three methodologies, or the possibility to set a combination of targets, allowing signatories to take either a ‘top-down’ emissions reduction approach or a combination of both.

A portfolio emissions reduction approach is an intuitive method of demonstrating alignment with a fair share of the 50% reduction of emissions to sell high carbon assets rather than engaging to drive real world impact. Meanwhile, the portfolio coverage approach focuses on getting a clear pathway which achieves real world reductions but can be more difficult to determine the portfolio emissions impact. This is why the initiative and actions to ensure real world impact while also being able to effectively track emission reductions. It has also built in some safeguards across their entire AUM and focusing on both overall reductions and real-world impact.

3) Variations in business model and investment approach

It is important to remember that the money that asset managers invest is not their own – they are managing it on behalf of their clients and could have thousands of different clients invested across hundreds of funds. Making changes to how these funds invest and what they invest in requires consultation with a number of stakeholders.

From an NZAM perspective, asset managers’ initial targets represent a starting point, often made up of the funds that can be most easily aligned with that there are ongoing conversations with clients and other stakeholders which they expect to result in significant increases in the proportion of assets managed. This is consistent with the terms of the NZAM commitment, which requires managers to review their target at least every five years and encourage where possible.

Where funds are actively managed, the fund manager has greater power to decide how the money is allocated and which companies to invest in. In index funds it is more difficult. These investments typically track a benchmark and do not allow for active stock picking or deviation from the benchmark. Additional criteria, but this cannot be done without changing the fund’s terms and conditions, which would need to be accepted by existing investors. In index funds that have been set up with additional criteria applied, this is a relatively recent development and there are far more funds that do not have these criteria.

However, as long-term owners of the assets that they hold – at least for as long as the companies remain in the benchmark – index funds have been engaging with the companies they are invested in. Investment stewardship is a key mechanism for encouraging company management to be more transparent and work towards achieving net zero emissions by 2050 or sooner. The challenge around aligning index funds more broadly will be an area of ongoing work and one that they will be working collaboratively across the sector to address.

4) Availability of methodologies and data

For many asset managers a key constraint identified is the absence of methodologies for accounting for specific asset classes or measurement approaches. That this was the case for derivatives, private equity, green bonds, sovereign bonds, covered bonds, structured products and cash, among others, is supported by the network partners and individual managers, to address these gaps in methodologies, which will allow a broader range of asset classes to be included.

Similarly, data quality and availability continue to be challenges. Many have noted that they only have included strategies, funds and geographies that are sufficient to underpin robust science-based target setting. However, they are continuing to make efforts to gather relevant data to enable the achievement of current targets going forward.

The initial targets are only a starting point and represent what asset managers can feasibly commit to today. For instance, most targets cover common asset classes and methodologies for both asset classes, whereas fewer cover other asset classes, such as private equity and infrastructure, due to limited methodologies. The intention is that as methodologies develop to cover more asset classes, as illustrated by the ongoing development and implementation of the NZIF, additional asset classes will be incorporated into targets.

Since launching, 4 managers have resubmitted higher targets (including 1 in this latest wave), highlighting how targets are not static and in line with the fact that targets are just that, a starting point.

[Previous: Net Zero Asset Managers initiative publishes initial targets for 43 signatories as the number of asset managers committing to net zero grows to 273](#) [Next: Net Zero Asset Managers initiative publishes initial targets for 43 signatories as the number of asset managers committing to net zero grows to 273](#)

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Annex C - The Net Zero Investment Framework Implementation Guide

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NET ZERO

INVESTMENT
FRAMEWORK **1.5°C**

IMPLEMENTATION GUIDE

PRODUCED BY



PARIS ALIGNED INVESTMENT INITIATIVE

VERSION 1.0 MARCH 2021

The Paris Aligned Investment Initiative is delivered by four investor networks. The four networks are supporting investors globally to implement the Net Zero Investment Framework 1.0.



IIGCC

Europe

The Institutional Investors Group on Climate Change (IIGCC) is the European membership body for investor collaboration on climate change and the voice of investors taking action for a prosperous, low-carbon future. IIGCC has more than 275 members, mainly pension funds and asset managers, across 16 countries, with over €35 trillion in assets under management.

Our mission is to mobilise capital for the low carbon transition and to ensure resilience to the impacts of a changing climate by collaborating with business, policy makers and fellow investors. IIGCC works to support and help define the public policies, investment practices and corporate behaviours that address the long-term risks and opportunities associated with climate change. www.iigcc.org



Ceres

North America

Ceres is a nonprofit organization working with the most influential capital market leaders to solve the world's greatest sustainability challenges. Through our powerful networks and global collaborations of investors, companies and nonprofits, we inspire action and drive equitable market-based and policy solutions throughout the economy to build a just and sustainable future. www.ceres.org



Asia Investment Group on Climate Change

Asia

The Asia Investor Group on Climate Change (AIGCC) is an initiative to create awareness and encourage action among Asia's asset owners and financial institutions about the risks and opportunities associated with climate change and low carbon investing. AIGCC provides capacity for investors to share best practice and to collaborate on investment activity, credit analysis, risk management, engagement and policy. With a strong international profile and significant network, AIGCC represents the Asian investor perspective in the evolving global discussions on climate change and the transition to a greener economy. AIGCC has 49 members from 11 markets representing over US\$13 trillion in assets under management. www.aigcc.net



Investor Group on Climate Change

Australasia

The Investor Group on Climate Change (IGCC) is a collaboration of Australian and New Zealand institutional investors and advisors, managing over \$2 trillion in assets under management and focusing on the impact that climate change has on the financial value of investments. IGCC aims to encourage government policies and investment practices that address the risks and opportunities of climate change. www.igcc.org.au

IIGCC is grateful to the sponsors and funders of this initiative:



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1. Foreword



CLARENCE HOUSE

The climate crisis has been with us for too many years. It is now rapidly becoming a catastrophe that will dwarf the impact of the Coronavirus pandemic. To build a productive and sustainable future, it is critical that we accelerate and mainstream sustainability into every aspect of our economy – this lies at the heart of my Terra Carta which aims to serve as the basis of a recovery plan for Nature, People and Planet.

I am very glad to know that the global investment community is responding to the urgency of the situation we face. I welcome the net zero commitments being made by both asset owners and asset managers and these commitments signal the understanding of the climate imperative and the willingness to take action. Through IIGCC and their network partners, we can see institutional investors coming together as a true community and “coalition of the willing” who are making public commitments to support a net zero and resilient future.

Market-leading companies have demonstrated that it is entirely possible to be profitable and sustainable at the same time. In fact, businesses and investments that are ESG-aligned are increasingly out-performing those that are not. By COP26, my great hope is that we might also see global financial institutions and institutional investors go beyond commitments and outline publicly accessible roadmaps that define the steps to take their portfolios towards net zero between 2021 to 2030. After all, we know that it is not a lack of capital that is impeding our progress, but how we deploy it.

The good news is that, on every pressing issue we face, there are solutions that are not just available, but increasingly cost effective. At the same time, there are trillions of dollars in sovereign wealth funds, pension funds, insurance and asset portfolios looking for investible and sustainable projects with good long-term value and rates of return. To meet the commitments being made by investors, there will be a need not only to decarbonise portfolios, but also to increase financing for sustainable solutions in a way that can transform the economy.

This Net Zero Investment Framework both encourages and raises ambition for the investment community, and supports investors in realising their net zero goals. This is a time for urgent action and the Framework provides a practical blueprint guiding, supporting and enabling investors to make significant progress this decade and well beyond.

I need hardly say that the time is now. The global firepower of institutional investors must be harnessed and directed towards a net zero future. I very much welcome the work of IIGCC in creating a framework that shows how this can be done, in practical measures, to support investors and our global society. I greatly welcome those investors who are already implementing the Framework and would encourage all those in the global investment community to commit to net zero and use this Framework to align their future returns with the future of our planet.

HRH The Prince of Wales

2. Introduction

The Paris Aligned Investment Initiative was launched by the Institutional Investors Group on Climate Change (IIGCC) in Europe in May 2019, to explore how investors can align their portfolios with the goals of the Paris Agreement.

More than 110 IIGCC members, representing over USD 33 trillion in assets under management engaged in a series of working groups which provided key inputs to the development of a draft Net Zero Investment Framework ('the Framework'). The Framework was first published in August 2020, and IIGCC undertook a public consultation period during which over 90 written responses to the consultation were received. IIGCC also engaged with more than 780 stakeholders through events and roundtables to showcase the Framework and receive feedback. IIGCC is grateful to all those who provided valuable and thoughtful feedback to the consultation. A number of amendments and clarifications have been made to the Framework based on this feedback as outlined in IIGCC's consultation response document. This version of the Framework, therefore, represents an updated version of the initial Framework: The Net Zero Investment Framework 1.0.

Following the initial phase of work and publication of the draft Net Zero Investment Framework, four regional investor networks have come together to launch the Paris Aligned Investment Initiative as a global effort. This includes further development of the Net Zero Investment Framework as a key tool for implementation, and supporting investors globally to implement net zero commitments and align with the Paris goals.

The investor networks are working globally to deliver the [Paris Aligned Investment Initiative](#):

- Asia Investor Group on Climate Change (AIGCC): Asia
- Ceres: North America
- Investor Group on Climate Change (IGCC): Australasia
- Institutional Investors Group on Climate Change (IIGCC): Europe

This new global Paris Aligned Investment Initiative includes the following work to expand and enhance the Framework: providing methodologies and approaches for the alignment of two additional asset classes (infrastructure and private equity); incorporating recommendations relating to alignment with the adaptation and resilience goals of the Paris Agreement; and addressing analytical and data gaps, including investment trajectories to guide target setting for climate solutions, assessment of scope 3 emissions, and use of offsetting.

The work of the PAII recognises, and will continue to take account of, evolving work and best practice in relation to methodologies and approaches, and will incorporate these in future updates of the Framework. The networks supporting the Paris Aligned Investment Initiative will publish the Net Zero Investment Framework 2.0 ahead of COP26. The PAII will continue to follow the five principles used to assess methodologies, as outlined in Box 1.

This Net Zero Investment Framework 1.0 is presented as an implementation guide. Key requirements of the Framework are denoted by check boxes (), with additional recommendations and guidance provided in boxes.

Learn more about the initiative here:

[Paris Aligned Investment Initiative](#)

Box 1: Guiding principles for developing the Framework

The PAII follows **5 key principles** to guide its work, and to assess methodologies and test conclusions.

► Impact

The primary objective is achieving emissions reductions in the real economy. While different investors have varying scopes for undertaking action, the Framework should encourage investors to maximise their efforts to achieve the greatest impact possible.

► Rigour

Alignment should be based on sound evidence and data, and be consistent with the best available science on meeting the temperature goals of the Paris Agreement (see Box 2).

► Practicality

The methods and approaches should be feasible for a range of investors to implement, build on existing work, and be compatible with existing processes or requirements of investors.

► Accessibility

Definitions, methodologies and strategies should be clear and easily applied, using publicly available information and assessments where possible.

► Accountability

Definitions, methodologies and strategies should allow clients, beneficiaries and other stakeholders to assess whether investors and assets are aligned with the goals of the Paris Agreement.

The Net Zero Investment Framework 1.0 is designed to provide a basis on which a broad range of investors can make commitments to achieving net zero emissions and define strategies, measure alignment, and transition portfolios. It sets out a number of components for an effective net zero investment strategy, with recommendations on the key actions and methodologies that can be used to implement such a strategy. The aim is to provide a framework that can be used by asset owners and asset managers, considering their different mandates and starting points. In that context, investors adopting the Framework are expected to use it on an 'implement or explain' basis, in the context of their fiduciary duties, and may, therefore, take account of specific contexts and strategies where some elements of the Framework may not be applicable. This includes where approaches may not be possible in certain regions or jurisdictions, or where regulation or best practice may determine or affect the approach that can be taken. The Framework is also based on the expectation that governments and policymakers will deliver on commitments to achieve the 1.5°C temperature goal of the Paris Agreement.

The Framework is primarily written from the perspective of an asset owner, who would be expected to consider and use all Framework components or ensure their asset managers are implementing mandates accordingly. The Framework is also a tool to guide asset manager actions, including supporting the implementation of commitments made by asset managers that are part of the Net Zero Asset Managers initiative. Asset managers should refer to Section 10 for specific recommendations on their expected application of the Framework components.

As part of the Paris Aligned Investment Initiative, the four investor networks are inviting investors to make a net zero commitment as set out in this Framework, and to use the Framework as a basis to implement their net zero strategies. Investors who want to make this commitment are also invited to join one of the partner networks – AIGCC, Ceres, IGCC, IIGCC – through which they can access further support and guidance in taking forward their actions towards Paris-alignment.

3. The Net Zero Investment Framework 1.0

The Net Zero Investment Framework 1.0 ('the Framework') proposes key components of a net zero investment strategy. Such a strategy should focus on achieving two alignment objectives:

- Decarbonise investment portfolios in a way that is consistent with achieving global net zero greenhouse gas (GHG) emissions by 2050.
- Increase investment in the range of 'climate solutions' needed to meet that goal.

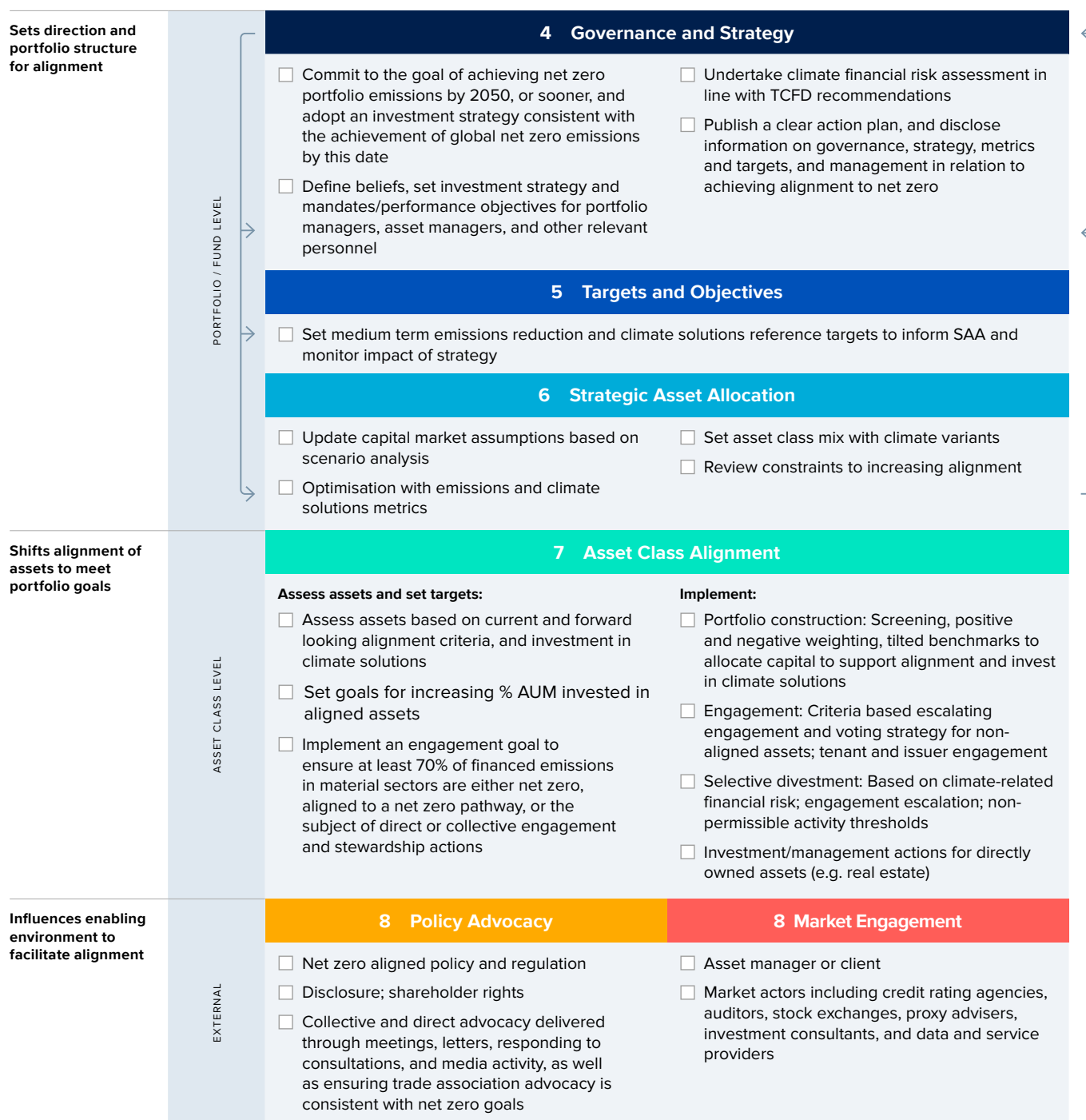
The Framework recognises that investors have a range of levers at their disposal to drive decarbonisation and increase investment in climate solutions, and these should be used to ensure progress in the real economy as well as reaching targets for the portfolio itself. It provides recommended methodologies and actions which asset owners and asset managers should use to assess and undertake alignment of their portfolios

towards net zero, to maximise their contribution to the decarbonisation of the real economy.

The Framework puts forward metrics to assess investments and measure alignment, and requires investors to set clear, science-based targets at the portfolio and the asset class level. It also sets out implementation actions in order to effectively achieve portfolio alignment, meet targets and enable a broader transition towards net zero, through a combination of portfolio construction, engagement, and policy advocacy. The Framework covers four asset classes, and PAII expects only these asset classes to be addressed by investors undertaking net zero commitments and net zero investment strategies. References to the 'portfolio' therefore refer only to the scope of assets covered by this Framework, with the expectation that further asset classes will be incorporated and used by investors over time.



The following diagram outlines the main components and actions of the Net Zero Investment Framework 1.0 and signposts to the corresponding sections of this document which provide more detail on the recommended actions.



While the Framework does not seek to create its own reporting standard, investors using the Framework are encouraged to disclose their targets, and report annually on progress towards these targets and actions to implement net zero. A summary of recommended disclosures is provided in Section 9, which can be reported in the structure of the Task Force on Climate-related Financial Disclosures (TCFD) reporting standard.

4. Governance and Strategy

Appropriate governance and a portfolio-wide strategy provides the basis for portfolio alignment and broader actions by an investor to achieve the net zero goal. The following components should be implemented to set the appropriate strategic direction, and provide accountability for implementation of an effective strategy over time:

- The board or investment committee commits to the goal of achieving net zero portfolio emissions by 2050, or sooner¹. The PAII recommends making public commitments as set out by the [Net Zero Asset Managers](#) initiative for asset managers and the Paris Aligned Investment Initiative [Net Zero Asset Owner Commitment](#) for asset owners. See Appendix C and Appendix D.
- The board or investment committee agrees principles and publishes beliefs in relation to Paris alignment, and adopts an investment strategy consistent with the achievement of global net zero emissions by 2050 or sooner.¹
- The approach and investment strategy should address the five elements of the Net Zero Investment Framework:
 - governance and strategy
 - targets and objectives
 - strategic asset allocation (or equivalent process)
 - asset class level alignment, for sovereign bonds, listed equity, corporate fixed income and real estate, including portfolio construction, engagement and management strategies, and selective divestment
 - policy advocacy and market engagement.

The investment strategy should define how the investor considers these targets and actions to represent the maximum possible effort to achieve real economy emissions reductions and increase allocations to climate solutions, subject to fiduciary and regulatory constraints.

- Undertake risk assessment and management including scenario analysis, in line with the recommendations of the TCFD.
- The board or investment committee updates mandates and performance objectives for asset managers, portfolio managers and other relevant personnel as relevant to ensure assets are managed to reflect the net zero investment strategy, reviewing the implementation of these mandates and performance over time.
- The board or investment committee monitors and reports on the implementation of the net zero investment strategy and performance against objectives and targets set.



1. The main focus of investor net zero commitments relates to addressing GHG emissions associated with investments in the portfolio, which is also the focus of this Framework. However, as reflected in the recommended commitment texts, investors should also set a target and take action to reduce their operational emissions in line with the goal of achieving global net zero emissions by 2050 or sooner.

5. Targets and Objectives

Objectives and targets set the direction and ambition of a net zero investment strategy and act as a means to monitor the effectiveness of this strategy. Targets should be set in line with science-based pathways that are consistent with achieving net zero global emissions by 2050, or sooner. The main driver for achieving portfolio emissions reduction targets should be the increasing alignment of assets within the portfolio with net zero pathways.

At the portfolio level, set the following reference targets, and review and update at least every 5 years:

- A <10-year² CO₂e emissions reduction target, covering listed equity and corporate fixed income, and real estate³. At portfolio level, this should include scope 1 and 2 emissions. This target may be expressed in absolute or intensity terms (CO₂e/\$mn invested). However, when doing so investors should provide the following to the extent possible:
 - evidence of how the target has been determined and a) reflects net zero pathways that will meet absolute emissions reductions required over time, and b) is adjusted to take account of factors that are not related to real economy emissions reductions⁴ as relevant.
 - when monitoring and reporting progress annually, measure a) absolute emissions reductions achieved in aggregate at the asset level, and b) progress towards an absolute or intensity target at the portfolio level.
- A <10-year goal for allocation to climate solutions representing a percentage of revenues or capex from AUM (based on EU taxonomy mitigation criteria⁵), increasing over time, in line with investment trajectories based on a net zero pathway.

Emissions reduction targets and monitoring at the portfolio level should include at least scope 1 and 2 emissions initially, and phase in scope 3 emissions over time⁶, although these should be set and reported on separately given measurement and aggregation challenges.

It is expected that targets will be determined by identifying the relevant sector and regional pathways towards net zero emissions by 2050 or sooner, as well as the various current exposures and starting points of individual investors. See Box 2 on pathways.

At the asset class level, set:

- A 5-year portfolio coverage goal for increasing the percentage of AUM invested in assets in material sectors⁷ that are i) achieving net zero, or, meeting the criteria to be considered ii) 'aligned' or iii) 'aligning' to net zero (see asset class sections 7.1-7.3). This target should increase towards the goal of 100% of assets to be i) net zero or ii) aligned to net zero, by 2040.⁸
- An engagement goal which ensures that at least 70% of financed emissions in material sectors are either assessed as net zero, aligned with a net zero pathway, or the subject of direct or collective engagement and stewardship actions. This threshold should increase to at least 90% by 2030 at the latest. Investors should disclose the proportion that is considered net zero or aligned, disaggregated from the total.

To set the asset level targets, investors will need to first undertake the alignment assessment set out in sections 7.1-7.3.

The Framework is focused on supporting investors to achieve net zero in relation to an investor's portfolio (or 'financed' emissions). However, the PAII also encourages investors to address their operational emissions, consistent with efforts to achieve global net zero emissions by 2050 or sooner. Therefore, investors should:

- Set a target and reduce operational (scope 1 and scope 2) emissions in line with achieving global net zero emissions by 2050, or sooner.

2. This timeframe is currently consistent with the UNFCCC Race to Zero criteria. However, investors are encouraged to set 5 year targets if possible.

3. The portfolio level target setting methodology of the UN-Convened Net-Zero Asset Owner Alliance Target Setting Protocol is consistent with this approach and can be used to inform investors in setting these targets.

4. Non-relevant variables such as exchange rate, inflation and interest rate.

5. Both climate change mitigation and climate change adaptation categories of the EU taxonomy are relevant here. IIGCC is developing more comprehensive guidance for the inclusion of adaptation and resilience into the Net Zero Investment Framework as part of Phase II of the Paris Aligned Investment Initiative.

6. In line with the emerging European timetable for the Sustainable Finance Disclosure Regulation.

7. Material sectors is defined as those in NACE code categories A-H and J-L.

8. This target is comparable to the Science Based Targets initiative for financial institutions (SBTi FI) portfolio coverage metric, and in this regard the target should involve a linear increase year on year to the extent possible. The 2040 date to reach 100% recognises that, in order to be consistent with net zero by 2050, companies and assets will have to have set targets and made plans to achieve the transition well in advance of the 2050 date.



Box 2: Pathways

Pathways is the term used to describe the emissions, technologies and investment trajectories that will be needed to deliver net zero. Pathway information will be used by investors to determine their own portfolio level targets regarding emissions reductions and investments, to assess the alignment of underlying assets with a net zero pathway, and to ensure methodology providers who offer these services are using an appropriate basis for their analysis. They are therefore the keystone of a rigorous investment strategy towards net zero.

The PAII considered that economic, emissions, and technology pathways that result in a high probability of achieving the 1.5°C goal will be considered to be 'Paris aligned'. Achieving this is only likely in the context of reaching global net zero CO₂ emissions by 2050, with corresponding reductions in other GHGs, such as methane. Optimally, therefore, Paris aligned investors should use pathways that are consistent with global net zero emissions by 2050 to inform alignment of their portfolios and underlying assets.

As part of the PAII, a range of global models and scenarios were assessed to determine available pathways to guide alignment. A key finding of our work is that very few available and credible pathways achieve net zero emissions by 2050. While available pathways are sufficient to suggest general trajectories for a decline in portfolio emissions, the most significant gap is robust pathways for net zero emissions and investment trajectories broken down by sector and region.

The PAII emphasises the need for the development of these granular pathways to provide decision-useful information for investors and ensure that portfolio alignment and the assessment of the alignment of assets is credible and science-based. At a minimum, pathways used by investors, companies and data providers should:

- Be associated with limiting warming to 1.5°C above pre-industrial levels with at least 50% probability.
- Reach global net zero emissions by 2050, or sooner.
- Provide differentiated pathway information for regions and sectors which may require net zero emissions earlier or later, consistent with the global goal.
- Have a global peak emissions year of the current year or later.
- Ideally be (or linked to) a multi-sector model, taking account of all emissions sources.
- Rely on a limited volume of Negative Emissions Technologies (NETs) to 2050.

Investors should be transparent on the pathways and scenarios used as the basis for target setting or assessing asset alignment, main assumptions and limitations, and the rationale where models not consistent with the above parameters are being used. The networks also welcome the announcement by the International Energy Agency (IEA) that it will produce a 2050 net zero scenario in May 2021, and expects this to become broadly used as the basis for methodologies for assessing net zero alignment.

6. Strategic Asset Allocation

Most investors have a top-level process for allocating assets across different investment opportunities in order to achieve long-term objectives. This is often known as strategic asset allocation (SAA). SAA and other similar processes are a key tool for the achievement and fiduciary governance of Paris alignment by asset owners. SAA and similar processes can optimise the way assets are allocated for achieving Paris alignment by incorporating alignment objectives within the process. Investors should aim to do the maximum possible to reduce emissions and increase allocations to climate solutions, subject to relevant constraints.

Investors should select from the following tools to improve alignment through SAA or similar processes, as relevant.

- Use scenario analysis to ensure capital market assumptions are informed by a realistic assessment of climate risks and opportunities, or to stress test portfolios. As a consequence, investors should also more systematically incorporate this analysis in risk/return expectations, including at the stock-specific level. This may involve updating terminal values, adjusting discount rates, altering revenue assumptions etc.
 - Supplement standard financial objectives with the following climate change objectives:
 - CO₂e/\$m invested (at least scope 1 and 2)
 - Climate solutions allocation as % of portfolio (using EU Taxonomy standards)
 - Forward-looking metrics that capture the transition potential of an asset may also be included, such as:
 - Exposure to fossil fuel reserves
 - Percentage of portfolio with net zero targets
 - Aggregate management indicators score
 - Level of capex relating to EU Taxonomy activities
 - Set targets for these metrics according to the targets set for the portfolio and in line with a trajectory consistent with net zero emissions by 2050, taking into account specific circumstances of the investor.
 - Consider less familiar asset classes when constructing portfolios, such as renewable energy infrastructure.
 - Specify variants of asset classes that use more systematic approaches to reduce carbon intensity and increase exposure to climate solutions. Examples of recommended variants include:
 - Climate-tilted indices
 - Custom benchmarks
 - Climate-focused variants
 - Optimisation: implement portfolio construction to include alignment objectives alongside standard indicators such as expected returns, expected volatility and other relevant risk measures used in formulating SAA views. Such additional alignment objectives are:
 - carbon intensity
 - percentage allocated to climate solutions (EU Taxonomy)
- Judgement is necessary to ensure that the optimal portfolio is not overexposed to specific risk factors. It will be important to consider whether a proposed optimal portfolio is well-diversified across regions, technologies and sectors, and not over-exposed to the risk of policy reversals.
- Review constraints to achieving alignment to understand if they are strictly necessary.
 - Set investment mandates and benchmarks to ensure that climate-related objectives are specified in sufficient detail and performance objectives clearly defined.
 - Monitor achievement of alignment objectives including portfolio carbon intensity and allocation to climate solutions.

7. Asset Class Alignment

The key driver for achieving net zero targets and securing emissions reductions in the real economy is the increasing alignment of assets to net zero pathways within asset class portfolios. The sections below outline the actions required to assess alignment and transition a portfolio towards net zero and deliver impact over time.

The Framework recommends following a consistent process across the four asset classes:

- Set the scope to confirm which assets should be considered within scope for alignment action.
- Assess the current and forward-looking alignment of existing and new assets using the criteria and methodologies specified below.
- Set alignment targets and implement a strategy to increase alignment of assets to net zero and increase allocation to climate solutions over time.

Overall, the PAll recommends that an investment strategy should prioritise engagement and stewardship and direct management (where relevant), particularly for existing assets, as the primary mechanism to drive alignment. Portfolio construction can also be a relevant tool to weight portfolios towards assets aligned or transitioning towards net zero as an incentive for these companies to align. Selective divestment is recommended in specific circumstances as part of the toolbox for aligning a portfolio.

Asset class targets and measurement			
Asset Class	Sovereign Bonds	Listed Equity/Corporate Fixed Income	Real Estate
Targets/ objectives	<ul style="list-style-type: none"> ▶ Increase average climate performance / AUM (maximum extent possible), exceeding the average benchmark score ▶ Increase allocation to green or SDG climate bonds, if possible 	<ul style="list-style-type: none"> ▶ Set portfolio coverage target for % of AUM in net zero, aligned, or aligning assets ▶ Set target for increase % climate solutions revenues/AUM ▶ Set engagement goal for coverage of assets aligned or under active engagement at >70% of financed emissions from material sectors 	
Asset alignment and climate solutions assessment criteria	<ul style="list-style-type: none"> ▶ Past and future expected territorial production emissions performance /capita or /GDP against net zero pathway ▶ Past and future performance on key sectors (energy use, and exposure of the economy to fossil fuels) ▶ Other national and international policy positions + allocation to verified green or SDG climate bonds	<ul style="list-style-type: none"> ▶ A long term 2050 goal consistent with global net zero; ▶ Short & medium term emissions reduction targets; ▶ Current emissions intensity performance (scope 1, 2, and material scope 3) ▶ Disclosure of scope 1, 2 and material scope 3 emissions ▶ A quantified plan to deliver targets; ▶ Capital allocation alignment + Revenues from EU mitigation taxonomy activities	<ul style="list-style-type: none"> ▶ Current alignment of building carbon emissions and energy use in line with regional/building type net zero pathway ▶ Future expected alignment based on plan for retrofit, demand management and renewable energy use
Recommended Methodologies	Germanwatch Climate Change Performance Index	Climate Action 100 benchmark; Transition Pathways Initiative; Science Based Targets Initiative	Carbon Risk Real Estate Monitor (CRREM)

7.1. Sovereign Bonds

Assessment of assets	Implementation
<ul style="list-style-type: none"> <input type="checkbox"/> Include all sovereign issuance in scope, except domestic issuance for liability matching <input type="checkbox"/> Assess and score assets against performance criteria <input type="checkbox"/> Prioritisation for engagement based on level of current performance, emissions and investor exposure 	<p>A. Portfolio construction</p> <ul style="list-style-type: none"> <input type="checkbox"/> Increase weighting, or use tilted benchmarks, towards higher climate performing issuance to the maximum extent possible <input type="checkbox"/> Increase allocation to green or SDG climate bonds, including municipal green bonds <p>B. Engagement:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Active direct engagement with highest impact sovereigns or largest exposures that do not score highly across the scoring criteria. <input type="checkbox"/> Participate in collective engagement both directly with governments or indirectly through networks such as IIGCC, AIGCC, Ceres, IGCC, the Investor Agenda etc. <input type="checkbox"/> Engage with issuers, investment banks and development agencies to increase issuance of Paris-aligned verified green and SDG climate bonds <p>C. Selective divestment:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Consider exclusion of continued poor performers from portfolios
Alignment Metrics (M) and Targets (T)	
<p>M. Current and forward looking alignment criteria</p> <ul style="list-style-type: none"> ▶ Past and future expected emissions performance / capita or /GDP ▶ Past and future performance on key sectors (energy use, and exposure of the economy to fossil fuels) ▶ Other national and international policy positions <p>T. Increase average climate performance / AUM to the maximum extent possible, at a minimum exceeding the weighted average benchmark score for climate performance</p> <p>T. Increase allocation to verified green or SDG climate bonds, if possible</p>	

Set the scope:

- Include all issuers that are national governments. Investors may exclude domestic issuance held for liability matching purposes.
- Regional and municipal authorities that issue bonds may be included on a best effort basis as assessment methodologies are not widely available.
- Where the issuer is a publicly (majority) owned company, investors should follow the Framework for corporate fixed income.

Assess the alignment of assets:

- Past and future expected territorial production emissions performance per capita, or per GDP, against a net zero pathway. The most relevant GHG performance indicators are:
 - Past trend of GHG emissions

- Current level of GHG emissions compared to a 1.5°C pathway
- GHG emissions reduction targets

- Past and future expected performance in key sectors/indicators (energy use, renewables, fossil fuel exports). The most relevant policy and sectoral decarbonisation indicators are:

- Past trend of total primary energy supply (TPES)
- Current level of TPES compared to a 1.5°C pathway
- TPES target
- Current share of renewable energy (RE) compared to a 1.5°C pathway
- Renewable Energy Targets
- Economic dependency on fossil fuels

- Other national and international policy positions. Other policy indicators are:

- National policy strength towards net zero global emissions (e.g. low carbon transport; fossil fuel subsidy phase out; carbon pricing; decarbonisation of state owned enterprises)
- International policy positions.

To assess GHG performance, methodologies should account for all emissions associated with the territory on a production basis; normalise emissions measurements by GDP or per capita, and account for the differentiated pathways towards net zero that can be expected from countries at different levels of economic development.

Methodologies used to assess the alignment of assets should include the above features. The recommended methodology for the assessment of this asset class is:

- ▶ Germanwatch Climate Change Performance Index⁹

The PAII notes that no equivalently comprehensive or directly applicable performance assessment exists for municipalities, and availability of data to conduct such an assessment is very limited. Various sources of information that include relevant indicators have been identified during the assessment of the working group, such as, 100 resilient cities¹⁰ and CDP city ranking¹¹. In the short term, investors who wish to apply a scoring methodology to municipalities may be able to use elements of this information and rankings to identify and increase allocation to 'good performers'. However, the PAII encourages data providers and issuers to provide information relating to the following metrics in order to facilitate a scoring of municipal issuance. Relevant indicators for municipalities may include:

- Past trend in GHG emissions, and GHG emissions reduction targets
- Past trend of total primary energy use, and energy use targets
- Proportion of renewables in total energy use, and renewables targets
- Policy frameworks and targets, in particular transport, electrification and emissions; waste-related emissions; and buildings.

Set targets for alignment:

- Increase average climate performance/ AUM (to the maximum extent possible), exceeding the average benchmark score.

9. The CCPI includes all above metrics except dependency on fossil fuels. Data to include this additional metric in assessment of relative performance is available from public sources such as the BP Statistical Review of World Energy.

10. <https://www.100resilientcities.org/>

11. <https://www.cdp.net/en/cities/cities-scores/>

12. These sectors include: Agriculture Forestry and Fishing; Mining and Quarrying; Manufacturing; Electricity, Gas, Steam and Air Conditioning Supply; Water supply; sewerage; waste management and remediation activities;

- Increase allocation to verified green or SDG climate bonds, if possible.

Actions to align portfolios and achieve targets:

- Tilt portfolios towards higher performing issuers based on the climate performance indicators set out above, to the maximum extent possible, exceeding the average benchmark score.
- Provide transparency on the climate performance of the sovereign portfolio relative to the benchmark, and how the maximum available reallocation towards higher climate performance has been assessed.
- Maintain an appropriate proportion of exposure between developed market and emerging market.
- Increase allocation to verified green (mitigation) or SDG climate-linked bonds, if possible.

Engage with assets, policymakers and other stakeholders:

- Engage in active, direct engagement with sovereigns to which you have the largest exposure or that have the highest impact on global emissions and that do not score highly across the scoring criteria.
- Participate in collective engagement both directly with governments, or indirectly through the investor networks, the Investor Agenda, etc (see section 8: Policy Advocacy and Market Engagement).
- Engage with index providers and data/service providers to request data and services based on the scoring system of this Framework.
- Engage with issuers, investment banks and development agencies to actively seek to increase issuance of Paris aligned green and SDG climate bonds.

Set the scope:

- Identify listed equity and corporate fixed-income assets undertaking activities material to the transition to net zero for assessment and alignment action. The PAII recommends these material companies are those covered by sectors in NACE code categories: A-H and J-L.^{12 13}

Construction; Wholesale and retail trade; repair of motor vehicles and motorcycles; Transporting and Storage; Information and Communication; Financial and insurance activities; Real Estate. These codes are translated to BICS and GICS codes more commonly used by investors in: EU TEG (2019) Report on Benchmarks; Handbook of Climate Transition Benchmarks, Paris-Aligned Benchmark and Benchmarks' ESG Disclosures, December 20th 2019.

13. The PAII notes that for financial institutions such as banks, the alignment criteria will not be applicable in the same way, and the approach to alignment may be more similar to implementing this investment framework. An IIGCC working group is developing investor expectations for the alignment of banks.

7.2. Listed Equity and Corporate Fixed Income

Assessment of assets	Implementation
<ul style="list-style-type: none"> <input type="checkbox"/> Identify assets in material sectors for assessment and alignment action <input type="checkbox"/> Assess assets against criteria to assess: i) achieving net zero, ii) aligned, iii) aligning, iv) not aligned/transitioning <input type="checkbox"/> Assess assets' revenues from climate solutions (EU taxonomy revenues or capex) <input type="checkbox"/> Prioritisation for engagement based on emissions intensity/exposure 	<p>A. Portfolio construction:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Active. Screening and/or weighting new investments based on alignment criteria and climate solutions revenues <input type="checkbox"/> Invest in specialist products/funds (alignment/climate solutions focussed) <input type="checkbox"/> Passive. Apply benchmark with positive weightings for alignment criteria and climate solutions revenue metric <p>B. Engagement:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Set engagement strategy with clear milestones and escalation <input type="checkbox"/> Undertake engagement and voting to improve company performance against metrics in line with strategy <p>C. Selective divestment</p> <ul style="list-style-type: none"> <input type="checkbox"/> Selective divestment based on a) climate financial risk or b) escalation following engagement <input type="checkbox"/> Exclusions based on inconsistency of company activity with credible net zero pathways over time
Alignment Metrics (M) and Targets (T)	
<p>M. Current and forward looking alignment criteria:</p> <ul style="list-style-type: none"> ▶ A long term 2050 goal consistent with global net zero; ▶ Short & medium term emissions reduction targets; ▶ Current emissions intensity performance (scope 1, 2, and material scope 3); ▶ Disclosure of scope 1, 2 and material scope 3 emissions; ▶ A quantified plan to deliver targets; ▶ Capital allocation alignment; <p>T. Increase % AUM in net zero or aligning assets – 5 year goal</p> <p>T. Set target for increasing % climate solutions revenues/AUM</p> <p>T. Set goal for coverage of assets aligned or under active engagement to 70% of financed emissions from material sectors (combined with real assets)</p>	

Assess the alignment of assets:

- Assess higher impact companies¹⁴ against the following high level current and forward-looking alignment criteria that constitute a Net Zero Transition Plan:
 1. **Ambition:** A long term 2050 goal consistent with achieving global net zero
 2. **Targets:** Short- and medium-term emissions reduction target (scope 1, 2 and material scope 3)
 3. **Emissions performance:** Current emissions intensity¹⁵ performance (scope 1, 2 and material scope 3) relative to targets
 4. **Disclosure:** Disclosure of scope 1, 2 and material scope 3 emissions

5. **Decarbonisation Strategy:** A quantified plan setting out the measures that will be deployed to deliver GHG targets, proportions of revenues that are green and where relevant increases in green revenues
6. **Capital Allocation Alignment:** A clear demonstration that the capital expenditures of the company are consistent with achieve net zero emissions by 2050

Additional criteria that are part of a company's overall net zero transition plan that should be incorporated where feasible, as data availability increases, include:

7. **Climate Policy Engagement:** The company has a Paris-Agreement-aligned climate lobbying position and demonstrates alignment of its direct and indirect lobbying activities

14. Companies on the Climate Action 100+ focus list; companies in high impact sectors consistent with Transition Pathway Initiative sectors; banks; and real estate are considered high impact for the purposes of this assessment. See Appendix B for the relevant GICS classification for TPI sectors.

15. This assessment should be the performance against targets set, where targets have been set in line with science-based net zero pathways. It may be relevant for companies to provide information on absolute as well as intensity-based metrics

8. **Climate Governance:** Clear oversight of net zero transition planning and executive remuneration linked to delivering targets and transition
9. **Just Transition:** The company considers the impacts from transitioning to a lower-carbon business model on its workers and communities
10. **Climate risk and accounts:** The company provides disclosures on risks associated with the transition through TCFD Reporting and incorporates such risks into its financial accounts

- Assess other (lower impact) companies within scope ~~assessed~~ against criteria 2, 3 and 4.
- Assess all companies for revenues associated with activities compliant with EU taxonomy mitigation criteria, from both categories 'substantial mitigation contribution' and 'enabling activities'. Capex may be used where relevant.

Emissions reduction targets, strategies and capex allocations should be consistent with sector specific pathways related to emissions performance, that are in line with a science-based global net zero emissions trajectory.

The criteria laid out above provide a high level framework for the alignment assessment of companies, and their Net Zero Transition Plans. Methodologies used to assess the alignment of assets should include the above features. The recommended existing methodologies that can be used in the assessment of this asset class are:

- ▶ The Climate Action 100+ Net Zero Company Benchmark and associated sector specific guidance
- ▶ Transition Pathway Initiative carbon performance and management quality indicators
- ▶ Science Based Targets Initiative (for assessing criteria 2, 3, and 4)

To represent best practice, data vendors providing assessments consistent with the alignment criteria should ensure alignment with the latest detailed guidance on indicators from Climate Action 100+. We anticipate continued evolution of indicators under each criterion including subsequent enhanced guidance notes on indicators.

Using the above criteria and methodologies, investors should determine whether an asset sits on the alignment maturity scale:

■ Achieving **net zero**, defined as: companies that have current emissions intensity performance at, or close to, net zero emissions with an investment plan or business model expected to continue to achieve that goal over time

■ **Aligned** to a net zero pathway, with defined as:

- Meeting criteria 1-6 (or 2, 3 and 4 for lower impact companies)
- Adequate performance over time in relation to criterion 3, in line with targets set.

■ **Aligning** towards a net zero pathway, defined as:

- Have set a short or medium-term target (criteria 2)
- Disclosure of scope 1, 2 and material scope 3 emissions data (criteria 4)
- A plan relating to how the company will achieve these targets (partial criteria 5)

■ **Committed to Aligning**, defined as:

- A company that has complied with criteria 1 by setting a clear goal to achieve net zero emissions by 2050

■ **Not aligned** – all other companies

This assessment of categories enables investors to set and measure performance against the targets below. It should also inform the strategy for alignment actions as described in the following sections. Assets not aligning or showing progress towards meeting the criteria to be considered as "aligning" (such as the complementary indicators) should be the immediate and urgent priority for engagement or reweighting in portfolio construction.

Consideration for selective divestment or exclusions should be given to assets that do not meet any of the criteria that indicate they have the potential to transition within a specified timeframe that is consistent with remaining on a global net zero pathway. Investors should also address companies that do not continue to improve performance against the criteria over the longer term.

Set targets for alignment as described in Section 5:

- A 5-year portfolio coverage goal for increasing the percentage of AUM in material sectors¹⁶ classified as achieving net zero, aligned or aligning.
- An engagement goal to ensure at least 70% of financed emissions in material sectors are either net zero, aligned to a net zero pathway, or the subject of direct or collective engagement and stewardship actions.

16. Material sectors is defined as those in NACE code categories A-H and J-L.

- A target for increasing the percentage of revenues from climate solutions (revenues/ AUM)

Actions to align portfolios and achieve targets:

A. Portfolio construction

- For existing active assets, positively weight towards good performers and underweight poor performers within a sector based on alignment criteria and climate solutions revenues.
- For new active assets, apply screening criteria as part of investment analysis for inclusion based on alignment or potential for transition.
- Use specialist benchmarks, products or funds focussed on alignment and climate solutions.
- For passive assets, apply an index that utilises positive weightings based on alignment criteria and a climate solutions revenue metric.
- Increase allocation to green bonds that are based on verifiable forward-looking use of proceeds for climate mitigation activities, as part of the strategy to increase investment in climate solutions.

B. Engagement and stewardship

- Publish a voting policy that aligns to the Framework.
- Set an engagement strategy with clear milestones and an escalation process with a feedback loop to investment, weighting, and divestment decisions.
- Prioritise engagement efforts based on relative exposure (weighted carbon intensity)
- Undertake engagement with companies to improve performance against the assessment criteria set out above.
- Inform companies of expectations in relation to alignment criteria. For listed equity this should include informing companies of voting intentions in advance of votes being taken, and reasons for the vote after it has taken place, to improve company performance against metrics in line with the engagement strategy.

- Join collective engagement initiatives, such as Climate Action 100+, and play an active role in engagement activities.

- Publish voting records, and rationale for deviating from policy and be clear how assets have been managed in alignment with clients' stewardship and investment policies.

For listed equity, specifically:

- Implement an escalation approach, using the full range of routine AGM routes
- Where a company is not on track to achieve its transition plan or targets set for two years or more, vote against the board, remuneration policy, annual report and accounts.
- Vote against M&A unless the post M&A company meets or can be expected to meet the criteria within a reasonable period.
- Ensure you or your managers have voting rights to undertake the above actions.
- Co-file and/or support shareholder resolutions in line with the criteria.

For corporate fixed income:

- Engage issuers to secure agreement to alignment criteria including the potential use of covenants and KPI linked bonds as mechanisms to ensure alignment criteria are met during the lifetime of the bond.
- Engagement should commence well in advance of the issuance process itself, both as a key part of the research informing investment strategy and decisions and to set clear expectations of companies in relation to alignment criteria that should be demonstrated to secure financing.
- Corporate fixed income instruments can be issued by different entities within a single group. The assessment of alignment should be made at issuer level, although consideration may be given to parent performance and engagement undertaken at parent level.

C. Selective divestment

In particular, where investors already have holdings in assets that are not aligned to net zero, engagement and stewardship actions are recommended as the first tool to drive alignment. However, investors should consider divestment or exclusion:

- As a consequence of climate financial risk assessment.
- As a consequence of escalation following engagement.
- For companies whose primary activity is no longer considered permissible within a credible pathway towards global net zero emissions, identify exclusions over relevant timeframes.

In this regard, it is recommended that investors should not allocate additional capital¹⁷ to companies which are planning or constructing new thermal coal projects and associated infrastructure (power, mining) or taking forward new exploitation of tar sands. Where investors are existing shareholders or bondholders in such companies, they should use active and escalating engagement with the aim of ensuring no new thermal coal generation is developed and no further tar sand resources are exploited, and also that phase out of existing unabated capacity and activity is undertaken in line with net zero pathways. In advocating for these transition plans, investors should recognise the need for a just transition in countries or regions where there is significant economic dependence on thermal coal power or mining.

Box 3: Benchmarks and Indexes

The PAll recommends use of benchmarks and indexes that reflect company performance against the set of alignment and transition criteria, and by weighting companies in benchmarks to incentivise companies to align to net zero goals. The PAll notes that the EU has set out the Paris-Aligned Benchmark (PAB) and the Climate Transition Benchmark (CTB), where the benchmark construction currently expresses “Paris Alignment” as a very ambitious reduction relative to the respective market, region or sector benchmark (-50%/-30% GHG emissions intensity in PAB/CTB) which the PAB/CTB achieve with/without exclusions, respectively. Both the CTB and PAB indices also focus on a 7% year-on-year carbon footprint reduction as also endorsed by the UN’s Emissions Gap report and can be developed based on any regionally or sector-focused instead of overall market benchmarks, thereby permitting investors to choose diverging emissions reduction pathways (e.g. between developed and emerging markets).

The PAll wants to incentivize allocation of capital to assets whose emissions are declining over time and to climate solutions. However, it considers this may be more effectively achieved by maintaining investment in assets, where there is an opportunity to maximise real world impacts by driving reductions in companies that need to transition through stewardship and engagement, rather than initially excluding issuers from a benchmark to achieve an immediate ambitious emissions reduction target. Therefore, the PAll suggests that investors would not necessarily need to meet the PAB requirements for benchmarks used as part of alignment strategies. CTB style benchmark construction, where a less aggressive initial emissions intensity reduction is incorporated, may better reflect an approach which can take account of transition potential of assets in the short term, while also expecting the overall emissions reduction requirement to be met over time through index constituent’s weighting towards best-performing assets according to alignment criteria. The PAll would encourage the European Commission to further reflect the relevance of products that take account of the transition dynamic for assets as they promote sustainable finance in the EU and further implementation of its sustainable finance strategy.

17. Additional capital refers to a) primary investment through new share or bond issuance and b) secondary investment in shares or bonds purchased on the secondary market.

7.3. Real Estate

Assessment of assets	Implementation
<ul style="list-style-type: none"> <input type="checkbox"/> Set scope for assessment and alignment <input type="checkbox"/> Assess assets using CRREM tool to determine alignment with 1.5 degree pathway <input type="checkbox"/> Prioritisation for engagement based on level of stranding risk and exposure <input type="checkbox"/> For direct investments assess options for investment/management to achieve alignment 	<p>A. Portfolio construction:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Screening and setting criteria for potential investments using CRREM tool <p>B. Investment/management</p> <ul style="list-style-type: none"> <input type="checkbox"/> For direct investments (and own buildings) agree investment / management plans to align assets through retrofits to reduce energy use, increase renewable energy use <p>C. Engagement:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Tenant engagement to improve data collection and facilitate investment/management for alignment of assets; <input type="checkbox"/> Alignment based escalation strategy and voting (for listed assets); <input type="checkbox"/> Encourage corporate tenants to adopt targets and align including occupied buildings
Alignment Metrics (M) and Targets (T)	
<p>M. Current and forward looking alignment based on carbon emissions and energy use in line with net zero pathways (CRREM tool)</p> <p>T. Increase % AUM in net zero or aligned assets – 5 year goal</p> <p>T. Total coverage of assets aligned or under active management or engagement 70% of financed emissions from material sectors (combined with equities and corporate fixed income)</p>	

Set the scope:

- Include individual direct investments, investments in assets pooled through a fund structure, and investments in listed real estate companies.
- Include all types of real estate (e.g. commercial, residential, industrial etc).

Assess the alignment of assets:

- Assess current and forward-looking alignment based on carbon emissions and energy intensity in line with net zero pathways¹⁸.
- For projections of future alignment, account for:
 - assumptions about the energy mix and demand in different buildings and locations
 - potential for, and plans relating to, retrofit and other investments to address emissions and energy use

Carbon reduction pathways should include scope 1, 2 and relevant scope 3 emissions. Scope 3 emissions in the 2019 Global Real Estate

Sustainability Benchmark (GRESB) Assessment were calculated as the emissions associated with tenant- controlled areas, electricity purchased by the tenant and indirectly managed assets if these have not been reported upon already in scope 1 and scope 2 emissions. Scope 3 emissions should not include emissions generated through the entity's operations or by its employees, transmission losses or upstream supply chain emissions. Embodied carbon is not included at this time, but should be considered in strategies and accounted for as methodologies become available.

The PAII proposes that, where corporate tenants have their own net zero targets, these can be taken into account, providing that these targets include appropriate goals for energy use in occupied buildings and meet the criteria, for example, on the use of offsets, set out in this document.

Methodologies used to assess the alignment of assets should include the above features. The recommended methodology for the assessment of this asset class is:

- ▶ The Carbon Risk Real Estate Monitor (CRREM)¹⁹

¹⁸. The PAII recommends including all buildings in the analysis, using estimates and approximations to cover areas where data is missing, rather than excluding these from scope.

¹⁹. <https://www.crrem.eu/> and <https://www.crrem.org/>

Set targets for alignment as described in Section 5:

- A 5-year target to increase the percentage of AUM in net zero or aligned assets.
- An engagement goal to ensure at least 70% of financed emissions in material sectors are either net zero, aligned to a net zero pathway, or the subject of direct or collective engagement and stewardship actions.

Actions to align portfolios and achieve targets:

A. Portfolio construction

- Collect necessary data to assess a portfolio using the CRREM tool or equivalent standard, using estimations and approximations to cover areas where data is missing.
- Screen new investments using the CRREM model or equivalent standard to assess alignment, and incorporate into decision-making in order to achieve targets over time.

B. Investment / management

- Develop a clear timebound management and investment strategy supported with strong ESG policies and appropriate carbon reduction commitments that, over time, achieves a portfolio consistent with the pathways set out in the CRREM tool, or equivalent standard.
- Strategies and plans adopted and implemented by all relevant stakeholders and translated into agreements with relevant parties involved in the management of real estate assets.
- For direct investments (and own buildings) agree investment/management plans to align assets through retrofits to reduce energy use and increase renewable energy use.

C. Engagement and stewardship

- Prioritise engagement based on the level of stranding risk and exposure. For listed real estate companies, follow the actions set out in the listed equity and corporate fixed income section (section 7.2).
- Engage with tenants, prioritising engagement based on the level of stranding risk and size of exposure to assets, in order to:
 - Improve the data collection process for energy use by encouraging or even requiring tenants to share energy use data with building owners
 - Facilitate actions and investments that reduce energy costs for tenants and owners, and cut carbon emissions in line with science-based net zero goals
 - Address the split incentive which sometimes exists between building owners and tenants and allow the costs of retrofits to be shared between building owners and tenants through building service charges
 - Encourage corporate tenants to adopt corporate emissions reduction targets consistent with net zero
 - Strengthen the role of green leases
 - Strengthen cooperative policy engagement to improve the policy framework around investments in building retrofits
 - Report and disclose with the objective of achieving a positive scoring on the GRESB tenant engagement indicators related to climate and energy use.

8. Policy Advocacy and Market Engagement

- Investors should ensure that direct and collective policy advocacy supports policy and regulation relevant for achieving global net zero emissions by 2050 or sooner.
- Collectively or directly engage with policymakers and regulators on:
 - Carbon pricing relevant to achieving the net zero transition
 - The availability of granular sector and regional pathways towards net zero emissions by 2050
 - Improving disclosure of information relevant to assessing alignment and investment in climate solutions, and advocating for mandatory TCFD disclosure from companies
 - Increasing shareholder rights
 - Integrating the CRREM 1.5°C relevant national emission reduction pathways for different building types, into meaningful and binding targets, policy frameworks and corresponding timelines for the real estate industry
 - Enabling improved energy use data disclosure and data-sharing initiatives
 - Incentives to promote retrofits and new builds that meet the required energy efficiency

This advocacy may be delivered through activities such as meetings, letters, responding to consultations, and media activity, as well as ensuring trade association advocacy is consistent with net zero goals.

- Participate in collective policy advocacy activities of investor networks including signing the Investor Agenda's²⁰ Global Investor Statement on Climate Change, as well as regional or national policy advocacy activities.
- Engage with market actors including credit rating agencies, auditors, stock exchanges, proxy advisers, investment consultants, and data and service providers to ensure that their assessments, data and products are based on alignment criteria, robust methodologies, and consistent with net zero emissions by 2050.
- Asset owners should include engagement with existing and potential asset managers to encourage managers to provide strategies and products to achieve asset owners net zero investment goals. Asset managers should engage with existing and potential clients to encourage uptake of such strategies and products, provide research and analysis to support climate risk assessment and net zero investing.



20. <https://theinvestoragenda.org/>

9. Recommended Disclosures

The networks recognise that investors already have a range of reporting requirements and voluntary disclosures which they are undertaking. The PAI does not intend to create a separate reporting template or standard, and investors should implement disclosures in line with regulatory requirements and specific best practice relevant to their jurisdiction. However, the networks consider it best practice for investors to set out a transparent climate action plan which outlines how they intend to take forward action relevant to alignment with net zero, including how they expect to implement components of this Framework.

In terms of disclosure, the networks already advocate that asset owners and asset managers should disclose annually in line with the recommendations of the TCFD with respect to climate-related financial risk. To ensure transparency and robust implementation of net zero commitments the networks also recommend disclosing the following information related to implementation of the Framework, which can be done in line with the TCFD reporting structure as follows.

Governance

- The board/CEO level commitment to the goal of achieving net zero portfolio emissions by 2050 or sooner, as relevant for asset owners or asset managers, and responsibility for implementation of the commitment and strategy.
- How climate objectives have been incorporated into mandates and objectives for asset managers, portfolio managers, and other personnel as relevant.

Strategy

- The key principles and components of the investor's strategy for achieving the commitments to net zero and implementing this Framework, and how the strategy and targets represent an investor's maximum possible effort to reducing emissions and increasing allocation to climate solutions.
- If relevant, how climate metrics, targets and objectives have been incorporated into SAA or similar processes.
- Constraints identified to achieving greater alignment and how these have been addressed, as appropriate.
- The key principles and components of a net zero engagement and stewardship strategy, including escalation and milestones.

Metrics and Targets

- The targets set including how these targets were calculated, and evidence and information that was used to inform the target setting process as referred to in section 5.
- The science-based scenario(s) or pathway(s) used to guide target setting and assess the alignment of companies, including the name of the relevant model(s), how these meet the parameters in Box 2, and critical assumptions used.
- Methodologies used to assess alignment of assets, and the extent to which these are consistent with the key features of the methodologies recommended in sections 7.1-7.3.
- Performance against targets over time, and any updates or adjustments to targets that are relevant.

Management

- Portfolio construction approaches implemented and/or products developed to facilitate allocation to products that support net zero aligned investing.
- Engagement, stewardship and direct management actions undertaken in line with recommendations in sections 7.1-7.3, performance in relation to the engagement threshold, and key outcomes achieved.
- Voting policy and voting record, including an explanation of any deviations from the policy.
- Policy in relation to exclusions or phase out of fossil fuel investments.
- Where divestment or exclusion has been used, the rationale, and the extent to which this has been the means to achieve targets.
- Information on direct and collective policy actions undertaken across the key areas for advocacy mentioned in section 8, including outcomes achieved.
- Information on market engagement actions undertaken as mentioned in section 8, including outcomes achieved.

When disclosing the information set out above, where an investor has decided to use an alternative approach or methodology to those recommended in the Framework, the investor should provide an explanation as to how this meets the key criteria set by the PAI for alignment action as set out in Box 1.

10. Asset Manager application of the Framework components

Asset Managers range from those who provide all services to a single asset owner, through large diversified multi-client managers, to specialist managers (e.g. sector/product/asset class specific). Where asset managers are carrying out full management of a single client portfolio, all elements of this framework can be applied. Where asset managers are specialists in low-carbon, green or sustainable investments and are, therefore, already managing products and portfolios which are consistent with pathways to net zero, the PAII encourages these managers to follow the principle of maximising the contribution to alignment and to use best practice methods and approaches in implementing their investment strategies as set out in this Framework.

The PAII encourages other asset managers to implement the Framework across their funds under management to the greatest extent possible. The following describe specific expectations of asset managers in this context.

Governance and Strategy

All components in section 4 should be applied by asset managers. However:

- Concerning the overarching commitment to net zero emissions by 2050, asset managers should commit their organisation to support the goal of net zero greenhouse gas ('GHG') emissions by 2050 or sooner, and to work in partnership with asset owner clients on decarbonisation goals, consistent with an ambition to reach net zero emissions by 2050 or sooner across all AUM.
- It is expected that asset managers will develop a strategy as set out in this section. Components of the Framework, and the associated strategy, such as policy advocacy, stewardship and engagement should be implemented across the business and all AUM. Alignment actions such as portfolio construction may only apply to the proportion of assets under management that are being managed in line with net zero goals
- It is also expected that asset managers will assess climate risk and incorporate this in their processes and decision-making for all funds under management.

- Client engagement is an additional key component of a net zero strategy for asset managers, to ensure clients are encouraged to agree on mandates that are Paris aligned, and are aware of and enabled to invest in aligned funds and products.
- Asset managers are also encouraged to develop new Paris aligned products, funds and strategies across asset classes and educate clients regarding these offerings.

Targets and Objectives

While asset owners have the jurisdiction to set a net zero goal and targets across their AUM, asset managers will need to engage with clients over time to secure mandates and adjust or design products to enable an increasing proportion of funds under management to be managed in line with net zero. Therefore:

- In the short term, asset managers should establish and disclose what proportion of assets will be managed in line with a net zero investment strategy and set the recommended targets across the AUM being managed accordingly.
- Asset managers should seek to increase the proportion of assets being managed in line with net zero to 100% over time.

Strategic Asset Allocation

Not all asset managers are responsible for undertaking strategic asset allocation, and therefore the actions set out in this section will only be relevant where asset managers are responsible for these processes on behalf of clients. At the same time, it is relevant for asset managers to implement the recommendations where they undertake similar activities in their investment processes, such as portfolio optimisation.

Asset Class Alignment

For assets under management being managed in line with net zero:

- asset managers should use the recommended assessment criteria and methodologies, targets, and alignment actions to measure alignment and transition the portfolio over time.

11. Appendix

11.1. Appendix A: Emissions accounting and offsetting

At the whole portfolio level, investors should set targets based on scope 1 and 2 emissions associated with their investments. In the longer term, inclusion of scope 3 emissions may be possible. However, noting the significant issue of double-counting at the portfolio level, it is relevant to consider these separately from scope 1 and 2. Proxies for main scope 3 emissions (i.e. fossil fuel reserves) should be used in the short term and reported separately. Investors may wish to additionally report separately on emissions associated with green bonds to demonstrate how these are impacting the overall performance against emissions reduction targets, although these should not be wholly disaggregated from portfolio emissions targets and reporting.

At asset level, to assess an asset's alignment with net zero, investors should assess scope 1, 2 and material scope 3 emissions associated with the assets in their portfolios, to the extent possible, based on GHG protocol accounting methodologies. For companies, emissions reported should be on an equity share basis. In terms of the attribution to the investor, as proposed by Partnership for Carbon Accounting Financials (PCAF), emissions should be proportionally attributed to the providers of the company's total capital (exposure divided by the sum of enterprise value). In Phase II of the PAII, we expect to assess the definition for material scope 3 emissions by sector, and identify the most robust scope 3 accounting approaches to recommend. Investors need to advocate for transparent reporting on emissions from companies, including scope 3, through policy engagement on disclosure regulations and corporate engagement on TCFD disclosures.

For sovereign bonds, as set out in section 7.1, when considering the alignment performance of a sovereign issuer, the PAII considers it relevant to assess the full territorial emissions of the issuer on a production basis to assess alignment performance. As such, these represent very significant emissions and are not comparable to other equity, corporate fixed income or real assets. Aggregating these emissions within a target could result in significantly over-rewarding

small changes in sovereign alignment in the achievement of targets versus other assets where arguably investors have more direct influence. The PAII, therefore, does not recommend including sovereign issuers within the portfolio target or as part of alignment through changes to SAA. There is considerable potential for double-counting emissions across a portfolio, depending on the approach taken. Examples include corporate emissions of an equity holding being double counted as part of territorial emissions of a sovereign bond. However, emissions accounting for the purposes of alignment does not have an objective of apportioning responsibility for emissions or assessing distribution among investors. The purpose is to track the trajectory of emissions associated with a portfolio overall towards net zero. Therefore, providing emissions accounting is done consistently over time, double-counting should not be a concern.

As a general principle, investors should not use purchased offsets at the portfolio level to achieve emissions reduction targets. They should also adopt a precautionary approach when assessing assets' alignment with net zero and the use of offsets. Recognising the finite availability of offsets from land use in particular, and the need to rapidly decarbonise all activities within sectors to the extent possible, investors should not allow the use of external offsets as a significant long-term strategy for achievement of decarbonisation goals by assets in their portfolios, except where there is no technologically or financially viable solution. The PAII will undertake further analysis in Phase II to assess the appropriate use of offsetting in specific sectors. Credits purchased by participants within regulated carbon markets that are designed to meet the net zero emissions goal can be used.

Decarbonisation and avoided emissions should generally be treated separately. Similarly, investors should not offset emissions in one part of their portfolio through accounting for avoided emissions in another part. Given the necessity of effectively reaching zero emissions from investments over time, trading these two against each other is not consistent with creating incentives for investors and underlying assets to maximise their efforts to decarbonise their portfolios to the full extent possible.

11.2. Appendix B: High Impact Sectors

TPI Sector	GICS Sector Name	GICS Sub Industry
Electricity utilities	Energy	Integrated Oil & Gas (10102010)
		Electric Utilities (55101010)
	Utilities	Independent Power Producers & Energy Traders (55105010)
		Multi-Utilities (55103010)
Oil & gas	Energy	Integrated Oil & Gas (10102010)
		Oil & Gas Refining & Marketing (10102030)
		Oil & Gas Exploration & Production (10102020)
		Oil & Gas Storage & Transportation (10102040)
	Materials	Diversified Chemicals (15101020)
Oil & gas distribution	Energy	Oil & Gas Storage & Transportation (10102040)
		Oil & Gas Exploration & Production (10102020)
	Materials	Diversified Chemicals (15101020)
Coal mining	Energy	Coal & Consumable Fuels (10102050)
		Oil & Gas Refining & Marketing (10102030)
	Consumer discretionary	Automobile Manufacturers (25102010)
	Industrials	Industrial Conglomerates (20105010)
		Trading Companies & Distributors (20107010)
	Materials	Diversified Metals & Mining (15104020)
Steel (15104050)		
Autos	Consumer discretionary	Automobile Manufacturers (25102010)
Airlines	Industrials	Airlines (20302010)
Shipping	Energy	Oil & Gas Storage & Transportation (10102040)
	Industrials	Marine (20303010)
Aluminium	Materials	Aluminum (15104010)
		Diversified Metals & Mining (15104020)
	Industrials	Trading Companies & Distributors (20107010)
Cement	Materials	Construction Materials (15102010)
Pulp & paper	Materials	Paper Packaging (15103020)
		Paper Products (15105020)
Steel	Materials	Steel (15104050)

11.2. Appendix B: High Impact Sectors

TPI Sector	GICS Sector Name	GICS Sub Industry
Chemicals	Materials	Commodity Chemicals (15101010)
		Diversified Chemicals (15101020)
		Fertilizers & Agricultural Chemicals (15101030)
		Industrial Gases (15101040)
		Specialty Chemicals (15101050)
Diversified mining	Materials	Diversified Metals & Mining (15104020)
		Copper (15104025)
		Steel (15104050)
Other industrials	Information technology	Electronic Equipment & Instruments (45203010)
		Technology Hardware, Storage & Peripherals (45202030)
	Industrials	Aerospace & Defense (20101010)
		Construction Machinery & Heavy Trucks (20106010)
		Heavy Electrical Equipment (20104020)
		Electrical Components & Equipment (20104010)
	Consumer discretionary	Consumer Electronics (25201010)
	Materials	Construction Materials (15102010)

11. Appendix

11.3. Appendix C: The Paris Aligned Investment Initiative Net Zero Asset Owner Commitment

Commitment

As asset owners with millions of beneficiaries around the world, we reiterate our full support for the Paris Agreement and strongly urge governments to implement the actions that are needed to achieve the goals of the accord, with utmost urgency.

Recognising the need to address the risks that investors and their beneficiaries face from climate change, investors are taking action, but we acknowledge that there is an urgent need to accelerate the transition towards global net zero greenhouse gas emissions and do our part in helping deliver the goals of the Paris Agreement.

In this context, my institution commits to the following consistent with our fiduciary obligations:

1. Transitioning our investments to achieve net zero portfolio GHG emissions by 2050, or sooner
2. Implementing this commitment with the aim of achieving real economy emissions reductions and undertaking a comprehensive set of actions available to investors, drawing on the Paris Aligned Investment Initiative's Net Zero Investment Framework
3. Setting objectives and targets, including an interim target for 2030 or sooner for reducing Scope 1, 2 and 3 emissions associated with our portfolios and setting a target for increasing investment in climate solutions, consistent with a fair share of the 50% global reduction in CO₂ identified as a requirement in the Intergovernmental Panel on Climate Change special report on global warming of 1.5°C
4. Where offsets are necessary where there are no technologically and/or financially viable alternatives to eliminate emissions, investing in long-term carbon removals.
5. Ensure any direct and collective policy advocacy we undertake supports policy and regulation relevant for achieving global net zero emissions by 2050 or sooner
6. Implementing a stewardship and engagement strategy, with clear voting policy that is consistent with an objective for all assets in the portfolio to achieve net zero emissions by 2050 or sooner
7. Engaging with asset managers, credit rating agencies, auditors, stock exchanges, proxy

advisers, investment consultants, and data and service providers to ensure that funds, products and services available to investors are consistent with achieving global net zero emissions by 2050 or sooner.

8. Setting a target and reducing our operational (Scope 1 and 2) emissions in line with achieving global net zero emissions by 2050, or sooner.
9. Disclosing objectives and targets, and publishing a clear Investor Climate Action Plan for achieving these goals as soon as possible, no later than one year from making this commitment, and reviewing and updating targets every five years or sooner.
10. Reporting annually on the strategy and actions implemented and progress towards achieving objectives and targets, and in line with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations.

Our institution's commitment recognises that investors across the globe have different opportunities, constraints and starting points for achieving net zero emissions and there are a range of methodologies and approaches available to investors to set targets and implement strategies. In some asset classes or for some investment strategies, agreed net zero methodologies do not yet exist. We will, therefore, work to address these challenges, including through the Paris Aligned Investment Initiative.

Our commitment is based on the expectation that governments and policy makers will deliver on their commitments to achieve the 1.5°C temperature goal of the Paris Agreement, and in the context of fulfilling our fiduciary obligations.

Any institutional asset owner may sign the Net Zero Asset Owner Commitment and use the Net Zero Investment Framework. To be recognised and showcased as making a net zero commitment under the Paris Aligned Investment Initiative an asset owner must complete and submit a signatory form to one of the four regional investor networks (AIGCC, Ceres, IGCC, IIGCC) indicating their CEO has approved signing on.

Asset owners that are members of AIGCC, Ceres, IGCC, IIGCC will have access to activities to support implementation of the commitment provided by the networks.

A separate Q&A document is available upon request and will be updated as relevant to provide further explanation and clarification of the commitment.

11. Appendix

11.4. Appendix D: Net Zero Asset Managers Commitment

In line with the best available science on the impacts of climate change, we acknowledge that there is an urgent need to accelerate the transition towards global net zero emissions and for asset managers to play our part to help deliver the goals of the Paris Agreement and ensure a just transition.

In this context, my organisation commits to support the goal of net zero greenhouse gas ('GHG') emissions by 2050, in line with global efforts to limit warming to 1.5°C ('net zero emissions by 2050 or sooner'). It also commits to support investing aligned with net zero emissions by 2050 or sooner.

Specifically, my organisation commits to:

- a) Work in partnership with asset owner clients on decarbonisation goals, consistent with an ambition to reach net zero emissions by 2050 or sooner across all assets under management ('AUM')
- b) Set an interim target for the proportion of assets to be managed in line with the attainment of net zero emissions by 2050 or sooner
- c) Review our interim target at least every five years, with a view to ratcheting up the proportion of AUM covered until 100% of assets are included

In order to fulfil these commitments my organisation will:

For assets committed to be managed in line with the attainment of net zero emissions by 2050 or sooner (under commitment b)

1. Set interim targets for 2030, consistent with a fair share of the 50% global reduction in CO₂ identified as a requirement in the IPCC special report on global warming of 1.5°C

2. Take account of portfolio Scope 1 & 2 emissions and, to the extent possible, material portfolio Scope 3 emissions
3. Prioritise the achievement of real economy emissions reductions within the sectors and companies in which we invest
4. If using offsets, invest in long-term carbon removal, where there are no technologically and/or financially viable alternatives to eliminate emissions
5. As required, create investment products aligned with net zero emissions by 2050 and facilitate increased investment in climate solutions

Across all assets under management

6. Provide asset owner clients with information and analytics on net zero investing and climate risk and opportunity
7. Implement a stewardship and engagement strategy, with a clear escalation and voting policy, that is consistent with our ambition for all assets under management to achieve net zero emissions by 2050 or sooner
8. Engage with actors key to the investment system including credit rating agencies, auditors, stock exchanges, proxy advisers, investment consultants, and data and service providers to ensure that products and services available to investors are consistent with the aim of achieving global net zero emissions by 2050 or sooner
9. Ensure any relevant direct and indirect policy advocacy we undertake is supportive of achieving global net zero emissions by 2050 or sooner

11. Appendix

Accountability

10. Publish TCFD disclosures, including a climate action plan, annually, and submit them to the Investor Agenda via its partner organisations for review to ensure the approach applied is based on a robust methodology, consistent with the UN Race to Zero criteria, and action is being taken in line with the commitments made here

We recognise collaborative investor initiatives including the Investor Agenda and its partner organisations (AIGCC, CDP, Ceres, IGCC, IIGCC, PRI, UNEPFI), Climate Action 100+, Climate League 2030, Paris Aligned Investment Initiative, Science Based Targets Initiative for Financial Institutions, UN-convened Net-Zero Asset Owner Alliance, among others, which are developing methodologies and supporting investors to take action towards net zero emissions. We will collaborate with each other and other investors via such initiatives so that investors have access to best practice, robust and science based approaches and standardised methodologies, and improved data, through which to deliver these commitments.

We also acknowledge that the scope for asset managers to invest for net zero and to meet the commitments set forth above depends on the mandates agreed with clients and clients' and managers' regulatory environments. These commitments are made in the expectation that governments will follow through on their own commitments to ensure the objectives of the Paris Agreement are met, including increasing the ambition of their Nationally Determined Contributions, and in the context of our legal duties to clients and unless otherwise prohibited by applicable law. In some asset classes or for some investment strategies, agreed net zero methodologies do not yet exist. Where our ability to align our approach to investment with the goal of net zero emissions by 2050 is, today, constrained, we commit to embark with determination and ambition on a journey, and to challenge and seek to overcome the constraints we face.

Learn more about the Net Zero Asset Managers initiative here: www.netzeroassetmanagers.org

Investor Participation

The Framework was, and continues to be, developed through discussions and collaborative efforts of the Paris Aligned Investment Initiative Working Groups. Members continue to be generous in contributing reflections from their own experiences in aligning portfolios and strategies with climate goals and provide insightful comments during working group meetings and on draft reports from the working groups. We are grateful for the time that continues to be put into this process. The names of the organisations involved are below.

Aberdeen Standard Investments	GAM Investments
Aegon Asset Management	Generation Investment Management LLP
AIP Management P/S	Goldman Sachs Asset Management International
Allianz Global Investors	Greater Manchester Pension Fund
Allianz Investment Management	Handelsbanken AB Publ
Ambienta Sgr S.p.A.	Hermes GPE LLP
AP2 (Second Swedish National Pension Fund)	HSBC Bank Pension Trust (UK) Ltd.
APG Asset Management	HSBC Global Asset Management
Arisaig Partners Research Services (UK) Ltd	IFM Investors
Atlas Infrastructure	Impax Asset Management
ATP	Insight Investment
AustralianSuper	Invesco UK Limited
Aviva Investors	Janus Henderson Investors
Avon Pension Fund	JP Morgan Asset Management
AXA Investment Managers	Jupiter Asset Management
Baillie Gifford & Co	KBI Global Investors
Barclays Bank UK Retirement Fund	Kempen Capital Management
BlackRock	La Banque Postale
BMO Global Asset Management (EMEA)	Lærernes Pension
Brunel Pension Partnership	Lazard Asset Management
Bundespensionskasse AG	Legal & General Investment Management
CCLA Investment Management	LGPS Central
CDC Group PLC	LGT Capital Partners
Central Finance Board of the Methodist Church	Linklaters LLP
Church Commissioners for England	Lloyds Banking Group Pensions Trustee Limited
Church of England Pensions Board	Local Pensions Partnership Investments Ltd
DWS	Lombard Odier (Bank Lombard Odier & Co. Ltd)
EBRD (European Bank for Reconstruction and Development)	M&G Investments
Elo Mutual Pension Insurance Company	Macquarie Asset Management
Environment Agency Pension Fund	Mercer
ERAFF	MN
FIL Investments International (Fidelity)	Moody's Investor Service
FTSE Russell	Moody's Analytics
Fulcrum Asset Management	MSCI ESG Research (UK) Limited
FullCycle Management LLC	

Investor Participation

National Trust for Places of Historic Interest or Natural Beauty

NEST

NextEnergy Capital Ltd

Ninety One

NN Group

NN Investment Partners

Nordea Asset Management

OFI Asset Management

Ortec Finance

Pension Protection Fund

PGGM

Phoenix Group

Pictet Asset Management

PIMCO LLC

PKA

RAM Active Investments SA

Rathbone Greenbank Investments

Redington Limited

Robeco

Royal London Asset Management

RPMI Railpen

Russell Investments

Santander Asset Management

Sarasin & Partners LLP

Scottish Widows, part of Lloyds Banking Group

SEB Investment Management AB

Storebrand Asset Management

Swedbank Robur Fonder AB

T. Rowe Price International Ltd

The international business of Federated Hermes

The Lankelly Chase Foundation

TPT Retirement Solutions

UBS Asset Management

Union Investment Institutional GmbH

Universities Superannuation Scheme

University of Cambridge

Wellington Management LLC

Wermuth Asset Management

West Midlands Pension Fund

WHEB Group

Willis Towers Watson

Legal Disclaimer

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No Financial Advice:

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Exclusion of liability:

To the extent permitted by law, we will not be liable to any user for any direct, indirect or consequential loss or damage, whether in contract, tort (including negligence), breach of statutory duty or otherwise, even if foreseeable, relating to any information, data, content or opinions stated in this Report, or arising under or in connection with the use of, or reliance on the Framework or this Report.



Paris Aligned Investment Initiative: Implementation Guide



Annex D - 2022 Global Investor Statement to Governments on the Climate Crisis

Disclaimer: All written materials, meetings, communications and initiatives undertaken by IIGCC are designed solely to support investors in understanding risks and opportunities associated with climate change and take action to address them. Our work is conducted in accordance with all the relevant laws, including data protection, competition laws and acting in concert rules. IIGCC's services to members do not include financial, legal or investment advice.

2022 Global Investor Statement to Governments on the Climate Crisis

This statement, coordinated by the seven Founding Partners of [The Investor Agenda](#), is signed by 602 investors representing almost USD \$42 trillion in assets under management.

The 2021 United Nations Climate Change Conference (COP26) reaffirmed governments' commitments to the goals of the Paris Agreement on climate change, and the importance of taking action to limit global temperature rise to 1.5°C above pre-industrial levels.

The urgency of taking action has been reinforced by the 6th Assessment Report from the Intergovernmental Panel on Climate Change (IPCC), which anticipates that global warming could exceed 1.5°C by as early as 2040 unless global greenhouse gas emissions are significantly reduced¹. The International Energy Agency's (IEA's) 2021 World Energy Outlook² warns that current climate commitments and investments in clean energy, and in the net-zero transition are far below the level needed to ensure that global average temperature rise is limited to 1.5°C. The ongoing energy security crisis further highlights the imperative for an orderly transition and accelerated clean energy policies and investments, which can secure countries against volatile prices and supply side shocks.

COP26 marked a significant step forward. Many governments strengthened their Nationally Determined Contributions (NDCs, their formal commitments to action on climate change). Together, and if fully implemented, these commitments would reduce the projected level of global warming from 2.7°C to somewhere between 2.1°C and 2.4°C³. This is a significant acceleration of action, but much more is needed if governments are to meet the 1.5°C goal which is necessary to avoid the worst impacts of climate change.

Effective policies, in line with limiting global warming to no more than 1.5°C, are essential for accelerating and scaling up private capital flows needed for a climate resilient, net-zero transition. Full implementation of the Paris Agreement will create significant investment opportunities in clean technologies, green infrastructure and other assets, products and services needed in this new economy. In turn, investors can use capital allocation and stewardship to support sustainable activities that generate jobs and economic growth, make a just transition from carbon-intensive activities and increase resilience.

Investors are urgently seeking to manage their exposure to climate risks and increase the contribution that their investments make to the Paris Agreement goals. Investors are taking action as it is not only permitted by law but is in many cases required to ensure their ability to generate returns in the long-term as a core fiduciary duty and benefit from the opportunities associated with the shift to a net-zero emissions economy. We encourage governments to engage closely with investors to make sure these risks are effectively managed and that these opportunities are fully realized.

¹ IPCC (2021), *6th Assessment Report*, <https://www.ipcc.ch/assessment-report/ar6/>

² IEA (2021), *World Energy Outlook 2021*, <https://www.iea.org/reports/world-energy-outlook-2021>

³ Climate Action Tracker (2022), *Temperatures: Addressing Global Warming* (last viewed 18 February 2022), <https://climateactiontracker.org/global/temperatures/>

Our Call to Governments

The 27th United Nations Climate Change Conference (COP27) to be held in Egypt in November 2022 provides an opportunity for governments to raise their ambition and to focus attention on adopting and implementing the specific policies needed to enable large scale zero-emissions, climate-resilient investments.

We, therefore, call on all governments in 2022 to:

1. Ensure that the 2030 targets in their Nationally Determined Contributions align with the goal of limiting global temperature rise to 1.5 °C. If their targets are not aligned, governments must enhance and strengthen their 2030 targets before COP27, taking into account different national circumstances.
2. Implement domestic policies and take early action to ensure that their 2030 greenhouse gas emissions are aligned with the goal of keeping global temperature rise to 1.5 °C. This will require governments to accelerate the development, deployment and dissemination of technologies that enable the transition towards a net-zero emissions economy, including:
 - a. Guaranteeing long-term resilience and energy security by rapidly scaling up the deployment of low-carbon energy systems, electrification, flexibility and storage, including the development of enabling infrastructure.
 - b. Implementing robust carbon pricing mechanisms, rising over time, with appropriate coverage and adequate social considerations.
 - c. Setting a deadline to phase out thermal coal power and fossil fuel subsidies, and establishing plans and targets to peak and then phase out the use of other fossil fuels, in line with credible 1.5°C pathways.
 - d. Developing transparent just transition plans involving affected individuals, workers and communities.
 - e. Establishing new or more ambitious commitments to end all deforestation globally.
3. Contribute to the reduction in non-carbon dioxide greenhouse gas emissions, and support the effective implementation of the Global Methane Pledge to reduce emissions by at least 30 percent from 2020 levels by 2030⁴.
4. Building on the agreed outcomes of COP26, scale up the provision of climate finance from the public and the private sector for mitigation, and for adaptation and resilience, with a particular focus on the needs of developing countries.
5. Strengthen climate disclosures across the financial system through:
 - a. Requiring mandatory TCFD-aligned reporting for the largest companies and financial institutions to report on climate-related risks and opportunities, backed by a robust global taxonomy.
 - b. Requiring the public disclosure of 1.5°C pathway-aligned, science-based, independently verifiable climate transition plans for listed and large non-listed companies, asset managers and regulated asset owners.
 - c. Coordinating and driving consistency across global financial regulation in the areas of mandatory climate risk disclosure and prudential risk supervision, as critical engines of progress necessary to address systemic risks.

⁴ Global methane emissions need to reduce from approx. 357 MtCO_{2e} in 2020 ([IEA, 2021](#)) to approx. 235 MtCO_{2e} in 2030 ([IPCC, 2018](#)), a drop of approximately 35% under a low-overshoot 1.5°C pathway.

The IPCC's 6th Assessment Report underlines the linkages between climate change and vulnerable environmental, social and economic systems, including food and agriculture, energy, water resources, nature and biodiversity, noting that certain ecosystem impacts are already irreversible. We therefore encourage governments to ensure that their actions take full account of the potential impacts on ecosystems, individuals, workers and communities, minimize and mitigate any negative social or environmental impacts resulting from the actions taken, and enhance the resilience and sustainability of their environmental, social and economic systems.

Our Commitment as Investors

We recognize that governments' ability to deliver on their commitments will depend on private capital flows playing a strong and supportive role in mobilizing finance at the scale needed to achieve the Paris Agreement's goals.

Investors are stepping up to the challenge. More investors than ever before are making net-zero commitments, embedding science-based net-zero goals and strategies into their portfolio decisions, laying out Investor Climate Action Plans⁵, engaging companies to cut their emissions and forge transition plans and calling on policymakers to deliver robust climate action. This is being driven by our need to decrease our exposure to climate risk as a core fiduciary duty and by the potential opportunities associated with the transition to a net-zero emissions economy.

We are committed to working with governments to ensure policy mechanisms are developed and implemented to transition to a climate-resilient, net-zero emissions economy by 2050 or sooner, with interim targets in line with credible 1.5°C pathways.

⁵ For more information on the Investor Climate Action Plans developed by The Investor Agenda, please see [here](#).

A.P. Moller Capital
 a.s.r. asset management
 Aargauische Pensionskasse (APK)
 ABP
 abrdn
 Accident Compensation Corporation (ACC)
 Achmea BV
 Achmea Investment Management
 ACTIAM
 Active Super
 Adrian Dominican Sisters, Portfolio Advisory Board
 Aegon UK
 Afa Försäkring
 AIP Management P/S
 Aiyka Investment Management
 AkademikerPension
 Aktia Bank
 Alcentra
 Alfaquest Saboya Assessors
 Algebris Investments
 AllianceBernstein
 Allianz Global Investors GmbH
 Allianz Investment Management SE
 Alquity Investment Management Limited
 Altis Property Partners Pty Ltd
 Altius Asset Management
 Amundi
 Anaxis Asset Management
 Andra AP-fonden (AP2)
 ANESVAD FOUNDATION
 Angel Oak Capital Advisors, LLC
 Anthos Fund & Asset Management
 AP Pension
 AP3
 AP4 The Fourth Swedish National Pension Fund
 AP7
 APG Asset Management
 APK-Pensionskasse AG
 Arbeitskreis Kirchlicher Investoren (AKI)
 Arcano Partners
 ARDEA Investment Managemt
 Ardevora Asset Management
 Arisaig Partners
 Arjuna Capital
 Artemis Investment Management LLP
 ARTICO Partners
 Arvella Investments
 Asahi Life Asset Management
 AshGrove Capital LLP
 Ashmore Group
 ASN Impact Investors
 Assenagon Asset Management S.A.
 Asset Management One Co., Ltd.
 Assicurazioni Generali S.p.A.
 Asteria Investment Managers
 ATISA Personalvorsorgestiftung der Tschümperlin-Unternehmungen
 ATLAS Infrastructure
 Aurora Capital
 Ausbil Investment Management Limited
 Australian Ethical Investment
 AustralianSuper
 Avaron Asset Management
 AVENA - Fondation BCV 2e pilier
 Avera Health
 Aviva Investors
 Avon Pension Fund
 Aware Super
 AXA Investment Managers
 BaltCap AS
 BancoPosta Fondi Sgr
 BankInvest Asset Management
 Fondsmæglerselskab A/S
 Barclays Bank UK Retirement Fund
 Barrow Cadbury Trust
 Bâtirente
 BBVA Asset Management
 BC Partners
 Beach Point Capital Management LP
 Bernische Lehrerversicherungskasse
 Bernische Pensionskasse BPK
 BMO Global Asset Management
 BNP Paribas Asset Management
 Border to Coast Pensions Partnership
 Boston Common Asset Management
 Boston Trust Walden
 BPI Gestão de Ativos
 Brawn Capital
 Bridges Israel
 British Dietetic Association
 Brother Servants of the Blessed Virgin, Servite Order
 Brunel Pension Partnership
 BT Financial Group
 BT Pension Scheme
 BVG-Stiftung der SV Group
 Caisse Cantonale d'Assurance Populaire - CCAP

Caisse de pension du Comité international de la Croix-Rouge
 Caisse de pension Hewlett-Packard Plus
 Caisse de pensions de l'Etat de Vaud (CPEV)
 Caisse de pensions du CERN
 Caisse de pensions du personnel communal de Lausanne (CPCL)
 Caisse de pensions ECA-RP
 Caisse de pensions Féd. int. des Stés. de la Croix-Rouge et du Croissant-Rouge
 Caisse de prév. des Fonctionnaires de Police & des Etablissements Pénitentiaires
 Caisse de Prévoyance de l'Etat de Genève CPEG
 Caisse de Prévoyance des Interprètes de Conférence (CPIC)
 Caisse de prévoyance du personnel communal de la ville de Fribourg
 Caisse de prévoyance du personnel de l'Etat de Fribourg (CPPEF)
 Caisse de prévoyance du personnel de l'Etat du Valais (CPVAL)
 Caisse de retraite professionnelle de l'industrie vaudoise de la construction
 Caisse des Dépôts
 Caisse intercommunale de pensions (CIP)
 Caisse paritaire de prévoyance de l'industrie et de la construction (CPPIC)
 Caixa Gestão de Ativos, SGOIC, S.A.
 Caixabank Asset Management SGIIC, S.A.U.
 Caja de Ingenieros
 CAJA INGENIEROS GESTIÓN SGIIC
 California Public Employees' Retirement System (CalPERS)
 California State Controller's Office
 California State Teachers' Retirement System (CalSTRS)
 Calvert Research and Management
 Cambridge Associates
 Canada Life Asset Management
 Canada Post Corporation Pension Plan
 CANDRIAM
 CAP Prévoyance
 Capital Dynamics
 Capital Fund Management S.A.
 Capricorn Investment Group
 CAPUVA Caisse de prévoyance des travailleurs et employeurs du commerce de détail
 Cardano

Carmignac
 Cassa pensioni di Lugano
 Castlefield Investment Partners
 Cathay Financial Holdings
 Cbus Super
 CCLA Investment Management
 CCOO, FP
 CDPQ
 CDT Foundation NPC
 CenterSquare Investment Management
 Change Finance
 Charles Stanley
 China Southern Asset Management
 Chorus Capital Management Limited
 Christian Brothers Investment Services, Inc.
 Christian Super
 Church Commissioners for England
 Church Investment Group
 Church of Sweden
 CIEPP - Caisse Inter-Entreprises de Prévoyance Professionnelle
 Clean Energy Venture Management, LLC
 Clear Skies Investment Management
 ClearBridge Investments
 CMA Impact Inc., part of the Canadian Medical Association Group of Companies
 CNP Assurances
 Collier Capital
 Colonial First State
 Committee on Mission Responsibility Through Investment of the Presbyterian Church U.S.A.
 Congregation of Sisters of St. Agnes
 Congregation of St. Joseph
 Cornwall Pension Fund
 Coutts & Co.
 CPCN - Caisse de pensions de la fonction publique du canton de Neuchâtel
 Crédit Mutuel Asset Management
 Cruelty Free Super
 Daiwa Asset Management Co.Ltd.
 Daiwa House Asset Management Co.,Ltd.
 Danica Pension
 Danske Bank
 Daughters of Charity, Province of St. Louise
 Desjardins Group
 Developing World Markets
 Diageo Pension Trust Limited
 Didner & Gerge Fonder AB
 Discovery Limited
 Domini Impact Investments LLC

Dorval Asset Management
Downing LLP
DPAM
Dragon Capital Group Ltd
DSC Meridian Capital ,LP
DSM Capital Partners LLC
Dundas Global Investors
DWS Group
Dynam Capital Limited
Earth Capital Limited
East Bay Municipal Utility District Employees'
Retirement System
East Capital Group
East Sussex Pension Fund
Eastspring Investments Group Pte. Ltd.
ECO Advisors
Ecofi
EdenTree Investment Management
EFG Asset Management
EGAMO
Elo Mutual Pension Insurance Company
EMK Capital
Emmi-Vorsorgestiftung
Environment Agency Pension Fund
EQ Investors
Eric Sturdza Investments
ESG Book
ESG Portfolio Management
Etablissement Cantonal d'Assurance (ECA
VAUD)
Etablissement cantonal d'assurance et de
prévention (ECAP- Neuchâtel)
Ethical Partners Funds Management
Ethos Foundation
Etica Funds - Responsible Investments
Evangelisch-reformierte Landeskirche des
Kantons Zürich
Evanston Capital Management, LLC
Evenlode Investment
Everence and the Praxis Mutual Funds
Evli Plc
Exponent Private Equity
EZLAND VIETNAM DEVELOPMENT JSC
FAMA Investimentos
Fasanara Capital
Federated Hermes Limited
Federation Asset Management
Fidelity International
Fiducie globale de placement Université Laval
– Fondation de l'Université Laval

Figure 8 Investment Strategies
Findlay Park Partners
First Affirmative Financial Network
First Sentier Investors
Flexstone Partners
FM Insurance Company Limited Pension Fund
& Life Assurance Scheme
Folksam Group
Fondation de la métallurgie vaudoise du
bâtiment (FMVB)
Fondation de prévoyance Artes & Comoedia
Fondation de prévoyance des Paroisses et
Institutions Catholiques (FPPIC)
Fondation de prévoyance du Groupe BNP
PARIBAS en Suisse
Fondation de Prévoyance Edmond de
Rothschild
Fondation de prévoyance professionnelle en
faveur de AROMED
Fondation de prévoyance Romande Energie
Fondation Interprofessionnelle Sanitaire de
Prévoyance (FISP)
Fondation Leenaards
Fondation Patrimonia
Fondazione Ticinese per il secondo pilastro
Fondo de Pensiones de Empleados de
Telefónica
Fondo di Previdenza per il Personale dell'Ente
Ospedaliero Cantonale
FONDOPOSTE
Fonds de Prévoyance de CA Indosuez
(Suisse) SA
Fonds interprofessionnel de prévoyance (FIP)
Foresight Group
Första AP-fonden (AP1)
Franciscan sisters of Allegany NY
Franklin Templeton Investments
Friends Fiduciary Corporation
FSN Capital Partners
Fulcrum Asset Management
Future Super Group
GAM Investments
Gateway Partners
Gebäudeversicherung Luzern
Gebäudeversicherung St. Gallen
Generation Investment Management LLP
Glasswing Ventures
Glennmont Partners from Nuveen
GMO, LLC
Gore Street Energy Storage Fund plc

Gothaer Asset Management AG
 Governance Committee of the Hymans
 Robertson Staff Pension Plan
 Government Superannuation Fund Authority
 Greater Manchester Pension Fund
 Green Century Capital Management
 GREENPLINTH AFRICA LIMITED
 Grosvenor Pension Plan
 Group La Francaise
 Guinness Global Investors
 Hannon Armstrong Sustainable Infrastructure
 Hermes Group Pension Scheme
 HESTA
 Hg
 Honeytree Investment Management
 Horizon Capital AG
 HSBC Asset Management
 HSBC BANK (UK) PENSION SCHEME
 ICM Limited
 IFM Investors
 Ilmarinen Mutual Pension Insurance Company
 Impact Investors
 Impax Asset Management PLC
 Inherent Group, LP
 InnovaFonds
 INOKS Capital
 Insight Investment
 Intech Investment Management LLC
 Intentional Endowments Network
 Interfaith Center on Corporate Responsibility
 (ICCR)
 Intermediate Capital Group Plc
 Investor Advocates for Social Justice
 Irish Life Investment Managers
 ISGAM AG
 J. Safra Sarasin Sustainable Asset
 Management
 James Hambro & Partners
 JANA Investment Advisers
 Japan Post Insurance Co., Ltd.
 Japan Real Estate Asset Management Co.,
 Ltd.
 Jesuit Committee on Investment Responsibility
 Jesuits in Britain
 Jesus College Cambridge
 JLens
 Joseph Rowntree Charitable Trust
 Jupiter AM
 Jyske Capital
 Kåpan Pensioner

Karner Blue Capital, LLC
 KBI Global Investors
 Keva
 Khumo Capital (Pty) Ltd
 Kinnerton Credit Management A/S
 Kirk Kapital Fondsmæglerselskab
 KJR Management
 Kutxabank Gestion SGIIC SAU
 Kyma Investment Partners
 La Banque Postale
 La Financière de l'Echiquier
 Länsförsäkringar Liv
 Lazard Asset Management
 Le Regroupement pour la Responsabilité
 Sociale des Entreprises (RRSE)
 Legal & General Investment Management
 (LGIM)
 Lendlease
 Lewis & Clark College
 LGPS Central Limited
 LGT Group Holding
 Liechtensteinische AHV-IV-FAK
 Lincluden Investment Management
 Lion Global Investors Limited
 Liontrust Investment Partners LLP
 Lloyds Banking Group Pensions Trustees
 Limited
 Local Authority Pension Fund Forum
 Local Pensions Partnership Investments
 (LPPI)
 LocalTapiola Asset Management Ltd
 Lombard Odier Investment Managers
 London Pensions Fund Authority
 Longview Partners
 Los Angeles County Employees Retirement
 Association (LACERA)
 Lothian Pension Fund
 Loyalis BVG-Sammelstiftung
 Luzerner Kantonalbank
 Luzerner Pensionskasse
 Lyrical Asset Management
 Macroclimate LLC
 MAIF
 Maitri Asset Management
 Manulife Investment Management
 Maple-Brown Abbott
 Martin Currie Investment Management Limited
 Maryknoll Sisters
 Meiji Yasuda Asset Management
 Mercer Investments

Mercy Investment Services, Inc.
Mergence Investment Managers (Pty) Ltd
Merseyside Pension Fund
Metrics Credit Partners
Miller/Howard Investments, Inc.
Minnesota State Board of Investment
Mitsubishi UFJ Kokusai Asset Management
Mitsubishi UFJ Trust and Banking
Mitsui & Co. Alternative Investments Limited
Modular Asset Management
Momentum Invest
monopole
Montagu Private Equity
Montanaro Asset Management
Mott MacDonald Pension Scheme
Munich Re Investment Partners
Muzinich & Co.
MV Credit Partners LLP
Nanuk Asset Management Pty Ltd
Nathan Cummings Foundation
National Provident Fund
National Trust
Natixis Pension Scheme
Natural Investments
Natwest Pension Trustee Limited
NEI Investments
Neo Investimentos Ltda
Nest Sammelstiftung
Neumeier Poma Investment Counsel
New Forests Pty Ltd
New York City Office of the Comptroller
New York State Common Retirement Fund
New Zealand Funds Management Limited
New Zealand Superannuation Fund
Newton Investment Management
NextEnergy Capital
Niederösterreichische Vorsorgekasse AG
Nikko Asset Management Co., Ltd.
Ninety One
Nissay Asset Management Corporation
NN Group
Nomura Asset Management Co., Ltd.
Nomura Real Estate Asset Management Co., Ltd.
Nordea Asset Management
North East Scotland Pension Fund
Northern Ireland Local Government Officers' Superannuation Committee (NILGOSC)
Northwest Coalition for Responsible Investment

NOW: Pensions
Öhman Fonder
Old Mutual Investment Group
Oldfield Partners LLP
OPTrust
Osmosis Investment Management
Ossiam
Ostrum AM
Ownership Capital
Oxfordshire County Council Pension Fund
P+, Pension Fund for Academics
P1 Investment Management Ltd
Pædagogernes Pension - PBU
Palisade Investment Partners Limited
Pantheon Ventures
Pathfinder Asset Management
PATRIZIA SE
Pensam
Pensioenfonds Metaal en Techniek
Pensioenfonds Rail & Openbaar Vervoer (Rail & OV)
Pension Protection Fund
PensionDanmark
Pensionskasse Römisch-katholische Landeskirche des Kantons Luzern
Pensionskasse AR
Pensionskasse Bank CIC (Schweiz)
Pensionskasse Basel-Stadt
Pensionskasse Bühler AG Uzwil
Pensionskasse Caritas
Pensionskasse der Basler Kantonalbank
Pensionskasse der Diözese St.Gallen
Pensionskasse der Schweizer Paraplegiker-Gruppe Nottwil
Pensionskasse der Schweizerischen Nationalbank
Pensionskasse der Stadt Frauenfeld
Pensionskasse der Stadt Weinfelden
Pensionskasse der Stadt Winterthur
Pensionskasse der Technischen Verbände
SIA STV FSAI USIC
Pensionskasse des Kantons Nidwalden
Pensionskasse Pro Infirmis
Pensionskasse Schaffhausen
Pensionskasse SRG SSR
Pensionskasse Stadt Luzern
Pensionskasse Stadt St. Gallen
Pensionskasse Unia
Pensionskasse von Krankenversicherungs-Organisationen

Personalvorsorgekasse der Stadt Bern
 Personalvorsorgestiftung der Würth-Gruppe
 Schweiz
 PGGM
 Phitrust
 Pictet Group
 PKA
 Plato Investment Management Limited
 Polaris Capital Group Co., Ltd.
 Poste Vita S.p.A.
 Prentiss Smith & Company
 previva, fonds de prévoyance des
 professionnels du travail social
 Prévoyance Santé Valais (PRESV)
 PRO BTP FINANCE
 Profelia Fondation de prévoyance
 Progressive Investment Management
 Promethos Capital
 Prosperita Stiftung für die berufliche Vorsorge
 Prudential plc
 QIC Limited
 Quaero Capital
 Quaestio Capital SGR SpA
 Quest Ventures
 Quilter
 Quoniam Asset Management
 radicant Bank AG
 Raiffeisen Pensionskasse Genossenschaft
 Railpen
 RAM Active Investments
 Rathbones Group Plc
 Redwheel
 Redwood Grove Capital
 Region VI Coalition for Responsible
 Investment
 Rentes Genevoises
 Resona Asset Management Co., Ltd.
 Retail Employees Superannuation Trust (Rest)
 River and Mercantile
 Rize ETF Limited
 Robeco
 Rockefeller Asset Management
 Royal London Asset Management (RLAM)
 Royal London Mutual Insurance Society
 RP - Fonds institutionnel
 Russell Investments
 Sampension Administrationssselskab
 San Francisco Employees' Retirement System
 (SFERS)
 San Francisco State University Foundation

Sant Charitable Foundation
 Santander (UK) Group Pension Scheme
 SANTANDER ASSET MANAGEMENT
 Scottish Widows
 SDG Invest
 Seattle City Employees' Retirement System
 (SCERS)
 SEB Investment Management
 Secunda Sammelstiftung
 SEIRYU Asset Management Ltd
 Sekisui House Asset Management, Ltd.
 Seventh Generation Interfaith Inc
 SG29 Haussmann (Société Générale Private
 Banking)
 SHARE
 SharePower Responsible Investing
 Silver Leaf Partners, ESG Practice
 Sisters of St. Dominic of Caldwell, NJ
 Sisters of St. Francis of Philadelphia
 Sjätte AP-fonden (AP6)
 Skandia Fonder
 Skandia Liv
 SKY Harbor Capital Management, LLC
 Smith & Nephew UK Pension Fund
 Söderberg & Partners Asset Management S.A.
 Solaris Investment Management Ltd
 Sophia University
 Spida Personalvorsorgestiftung
 St. Galler Pensionskasse
 Stafford Capital Partners
 Steinberg Asset Management
 StepStone Group
 Stichting Pensioenfonds voor Huisartsen
 Stiftung Abendrot
 Stiftung Auffangeinrichtung BVG
 Stiftung Personalvorsorge Liechtenstein
 Storebrand
 Strathclyde Pension Fund
 Sumitomo Mitsui DS Asset Management
 Company, Limited
 Sumitomo Mitsui Trust Asset Management
 Summit Charitable Foundation
 Superannuation Arrangements of the
 University of London (SAUL)
 Sustainable Insight Capital Management
 SVA Zürich
 Swedbank Robur Fonder
 Swiss Federal Pension Fund PUBLICA
 Swissbroke Vorsorgestiftung
 Swisscanto by Zürcher Kantonalbank

Symova Sammelstiftung BVG	Universities Superannuation Scheme - USS
Taaleri Plc	University of Toronto Asset Management (UTAM)
Tareno AG	University Pension Plan Ontario
TBF Global Asset Management	UOB Asset Management Ltd
TCI Fund Management Limited	Van Lanschot Kempen N.V.
Telligent Capital Management	Vancity Investment Management
Terra Alpha Investments	Vantage Infrastructure
Terre des hommes Schweiz	Varma
Tesco Pension Trustees Limited	Vauban Infrastructure Partners
The 22 Fund	Velliv
The Atmospheric Fund	Vendis Capital Management
The Church Pension Fund	Verein Barmherzige Brüder von Maria-Hilf (Schweiz)
The Dai-ichi Frontier Life Insurance Co., Ltd.	Veritas Investment Partners (UK) Limited
The Episcopal Church	Veritas Pension Insurance Company Ltd
The Esmée Fairbairn Foundation	Vermont Pension Investment Commission
The Highland Council Pension Fund	Vert Asset Management
The Phoenix Group	Verve Super
The SCA UK Pension Plan	Victory Hill Capital Advisors LLP
The Trustees of the Smith & Nephew UK Pension Fund	Vidia Equity
Thematics AM	VinaCapital Group
Treehouse Investments, LLC	Vision Super
Trillium Asset Management	Vontobel
Trinetra Investment Management LLP	Vorsorge SERTO
Triple Point	Water Asset Management
Troy Asset Management	Wespath Benefits and Investments
U Ethical	West Midlands Pension Fund
U.S Missionary Oblates of Mary Immaculate/OIP	West Yorkshire Pension Fund
UBS Asset Management	Wetherby Asset Management
Unfallversicherungskasse des Basler Staatspersonals	WHEB Asset Management
Union Bancaire Privée, UBP	William Leech (Investments) Limited
Union Investment	Wiltshire Pension Fund
Unipol Group	Witan Investment Trust
UniSuper	Woodbridge Capital
Université de Genève (UNIGE)	Zevin Asset Management

Annex E – CA100+ Progress Update 2022

Disclaimer: All written materials, meetings, communications and initiatives undertaken by IIGCC are designed solely to support investors in understanding risks and opportunities associated with climate change and take action to address them. Our work is conducted in accordance with all the relevant laws, including data protection, competition laws and acting in concert rules. IIGCC's services to members do not include financial, legal or investment advice.

Progress Update 2022

Five years of Climate Action 100+



About

Climate Action 100+ is coordinated by its five founding investor networks: AIGCC, Ceres, IGCC, IIGCC and PRI. It is led by the global Climate Action 100+ Steering Committee, which comprises five investor representatives and the heads of the investor networks. The strategy is delivered by investor network staff who work closely with investors and support making their engagements with focus companies as effective as possible.



Legal Disclaimer

Climate Action 100+ does not require or seek collective decision-making or action with respect to acquiring, holding, disposing and/or voting of securities. Signatories are independent fiduciaries responsible for their own investment and voting decisions. The use of particular engagement tools and tactics, including the Scope of participation in Climate Action 100+ engagements, is at the discretion of individual signatories. Signatories may not claim to represent other signatories or make statements referencing other signatories without their express consent. Any decision by signatories to engage in collective decision-making or action with respect to acquiring, holding, disposing and/or voting of securities shall be at their sole discretion and made in their individual capacities and not on behalf of Climate Action 100+, its investor networks or their other signatories or members.

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The terms of engagement, responsibilities, rights and other information contained elsewhere herein are intended to be interpreted in a manner consistent with the foregoing.

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Climate Action 100+ at a glance



700+

investor signatories (up from 615 December 2021)



\$68

trillion AUM (up from \$65 trillion December 2021)



166

focus companies



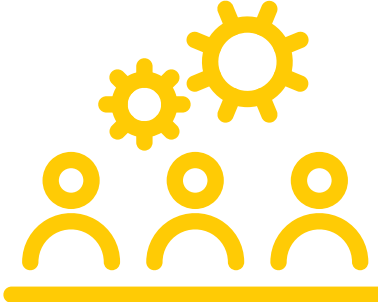
75%

of focus companies have net zero commitments (up from 50% March 2021)



92%

of focus companies have some level of board oversight (up from 87% March 2021)



91%

of focus companies have aligned with TCFD recommendations (up from 72% March 2021)

Foreword

Andrew Gray, Director, ESG and Stewardship at AustralianSuper and current chair of the global Steering Committee for Climate Action 100+



The past five years have seen unimaginable shifts in the global natural, economic and political landscape. Fractures in economic blocs and energy infrastructure, pandemics and war, all underpinned by the ever-increasing threat of climate change on our food systems, our energy security and our natural resources.

Throughout these existential changes, Climate Action 100+ has continued to change the global conversation, putting the spotlight on the world's largest corporate greenhouse gas emitters and the important role of investors in corporate engagement: **a major and unrivalled achievement, and one that continues to gain momentum.**

The number of investor participants now surpasses 700, representing \$68 trillion in assets under management (AUM). Of 166 focus companies, 75% have now committed to net zero, 92% have some level of board oversight of material climate-related issues, and 91% have now taken steps to align with the Taskforce on Climate related Financial Disclosure (TCFD) recommendations, either by supporting the TCFD principles or by employing climate-scenario planning.

The Climate Action 100+ Net Zero Company Benchmark, first launched in 2021, has continued to evolve and improve, with each new iteration building upon the successes, and opportunities for improvement, of the last. **Yet the work is far from over.**

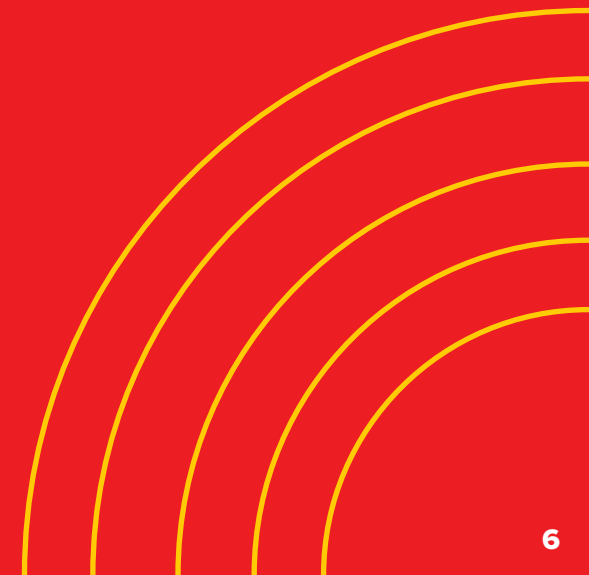
Climate Action 100+ has played a significant role in accelerating the net zero journey of focus companies – but recognises that they all need to go further and faster to support efforts to limit global temperature rise to 1.5°C. As our Benchmark has illuminated, the lack of credible short- and medium-term decarbonisation strategies across the majority of focus companies needs to be tackled. So, too, does the clear lack of capital allocation commitments towards climate-change mitigation.

The above presents the initiative with a clear challenge and opportunity for Phase 2, which will run until the end of this crucial decade. We will continue to centre engagement as our core currency. We intend to maintain focus on largely the same companies and sectors. We will refresh the initiative's goals to reflect the move beyond disclosure and towards real-economy decarbonisation.

Crucially, in recognition that Climate Action 100+ is an investor-led initiative, we will continue to work in consultation with them to evolve and diversify the ways in which they can contribute. This includes helping them to address some of the sectoral barriers to decarbonisation that currently make it hard for companies to align their business models with a net zero pathway. **We are excited about the next phase of the initiative and look forward to working with all signatories and partners towards our stated goals.**

5 years of Climate Action 100+

Phase 1: Key Highlights



Milestones

December 2017	Climate Action 100+ is officially launched at the One Planet Summit in Paris, with an initial list of 100 focus companies and 225 signatories.
January 2019	The Asia Advisory Group is formed to support engagements in the region.
March 2019	First proxy season engagements in North America and Europe
March 2020	Initiative reaches 450 signatories responsible for \$41 trillion in AUM, representing a 65% growth in investor participation since launch.
March 2021	First Net Zero Company Benchmark released
March 2022	Over 700 signatories, responsible for \$68 trillion AUM. 2 nd iteration of Company Benchmark
October 2022	Interim Benchmark results
Mid 2023	Proposed launch of Phase 2

Progress against the three asks

Tracking the progress of Climate Action 100+ against its goals, headway has been harder to achieve in some areas than others.

Concerning the first ask, to **improve board-level oversight of material climate-related issues**, 92% of focus companies now have some level of executive oversight, and 75% of companies have now committed to net zero by 2050. To put this in perspective, when Climate Action 100+ launched at the end of 2017, only five focus companies had set net zero commitments. Although the issue of decarbonisation and net zero have become increasingly important in the public realm, investor engagement has played a significant part in communicating the legitimacy, urgency and practicality of these commitments, emphasising the importance of board-level involvement in cementing them within company strategy.

Progress against the second ask to **make absolute emission reductions in the real economy**, however, needs to improve rapidly. Disclosures and commitments without action are not enough. In order to halve emissions by 2030 and keep 1.5°C within reach, companies need to work now to develop and implement credible transition plans aligned with the Paris Agreement.

Finally, **corporate climate-related disclosures**, pertaining to the third ask, have substantially improved. 91% of focus companies have now aligned with TCFD recommendations, either by supporting the TCFD principles or by employing climate scenario planning. Although this is merely the beginning of many companies' net zero journey, greater transparency on climate-related risks and opportunities faced by companies will help investors make more informed decisions and lay the foundation for re-orienting capital towards material climate-related issues.

Net Zero Company Benchmark

The creation of the Benchmark arose from the need for Climate Action 100+ investor signatories to better understand how focus companies are performing against the three asks. Launched in 2021 and now moving into its third iteration, the tool has proven crucial in enabling greater transparency and comparability between companies, allowing investors to engage companies more effectively. There has been promising progress against the corporate disclosure indicators measured by the Benchmark. However, the Benchmark has also highlighted the areas that require further improvement.

See [pages 10-14](#) for more details.

Proxy Season

Climate Action 100+ highlights resolutions of interest to members, alerting them to key proposals for investors to take into consideration during proxy season [on our website](#)*.

In 2022, Climate Action 100+ flagged 37 resolutions aligned with the goals of the initiative, comprised of 11 shareholder proposals and 26 management proposals.

See [page 17](#) for further details.

*Climate Action 100+ does not provide voting recommendations. Signatories are independent fiduciaries responsible for their own investment and voting decisions. Please refer to our disclaimer for further information ([page 2](#)).

Global Sector Strategies

Companies can only deliver on their long-term net zero targets if policy and real economy conditions (including financing, technology, and value chains) enable their transition. As such, Climate Action 100+ recognises there are limits to what can be achieved through investor company engagement.

Climate Action 100+ established the Global Sector Strategies workstream in 2021 to identify and deliver the sector-wide actions needed to turn company net zero commitments into reality.

Under Phase 1 of the initiative, Climate Action 100+ has produced four Global Sector Strategy reports that mapped out the key transition levers and supporting investor actions for the aviation, food and beverage, electric utilities, and steel sectors. These have contributed to the establishment of investor-led working groups focused on implementing key actions required for these sectors to transition to net zero.

Going into Phase 2, the Global Sector Strategies will focus on helping to identify investor actions relevant to policy and real economy conditions across sectors, creating new investor opportunities for sector-specific stakeholder engagement.

Thematic Working Groups

During Phase 1, Climate Action 100+ investors also engaged focus companies on key thematic areas critical for the net zero transition, such as ensuring corporate financial statements reflect climate risks accurately and companies align their climate policy engagement activities with the Paris Agreement. These thematic efforts complement lead investor engagements, bringing in greater technical expertise on key climate-related issues.

Going forward, Climate Action 100+ will consider launching additional thematic projects focused on topics such as fixed income engagement on climate change, the use of offsetting, and engagement strategies for state-owned companies in certain markets.

Net Zero Company Benchmark

Net Zero Company Benchmark

The Benchmark builds on the three asks. Using its disclosure framework and alignment assessment, it analyses company climate performance and alignment with the Paris Agreement and net zero.

The Climate Action 100+ Net Zero Company Benchmark was launched in March 2021 to establish a high level of ambition for companies across all sectors and regions.

The evolution of the Benchmark

March 2021

Aiming to drive corporate disclosures in areas where levels of transparency had previously been low, Climate Action 100+ published the first Net Zero Company Benchmark assessments ahead of the 2021 US and Europe proxy season. As anticipated, whilst there was growing global momentum around focus companies making ambitious climate commitments (52% had announced a net zero emissions ambition by 2050 or sooner at that stage), focus companies still had a long way to go in delivering on these promises.

March 2022

To reflect the pace of change required to limit global warming to 1.5°C and to ensure it is aligned with the most up-to-date science-based pathways available, Climate Action 100+ updated the Benchmark methodology in 2022, assessing companies against the IEA's more ambitious Net Zero Emissions by 2050 scenario for available sectors.

A set of alignment assessments were added to the Disclosure Framework. New indicators and assessments focused on just transition and climate accounting and audit were also piloted to drive greater company ambition and reflect evolving investor priorities.

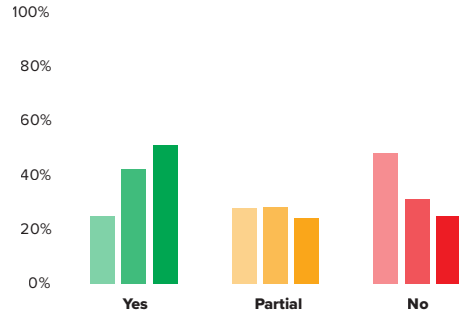
October 2022

Climate Action 100+ published a third set of Net Zero Company Benchmark assessments. As this was the second set of Benchmark assessments released in 2022 and the last set before the initial five-year time horizon of the initiative, these were considered interim assessments. The timing of their release was in response to investor feedback that publishing Benchmark data in September/October worked better for corporate reporting and engagement purposes.

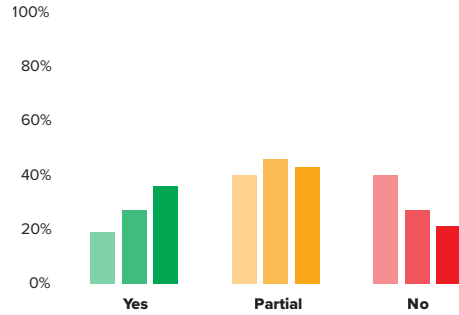
To provide critical benchmarking data ahead of their AGMs, the initiative published updated Benchmark assessments for Australian focus companies in early September 2022.

Disclosure Framework results at a glance

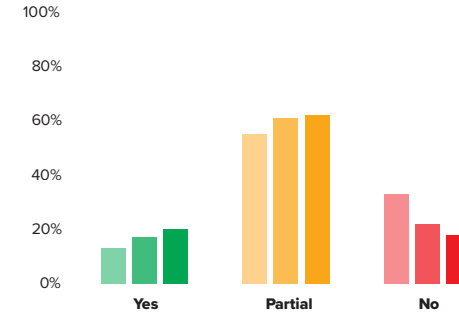
1) Net zero by 2050 ambition



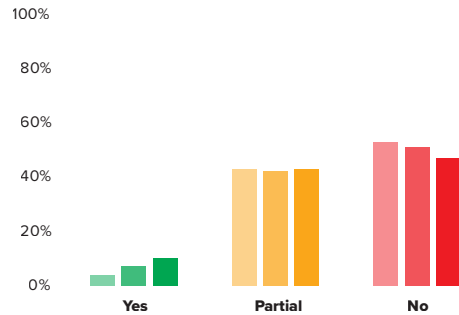
2) Long-term targets (2036-2050)



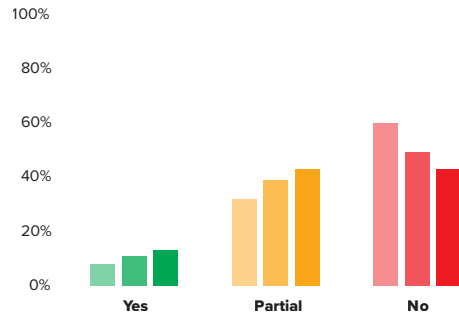
3) Medium-term targets (2025-2036)



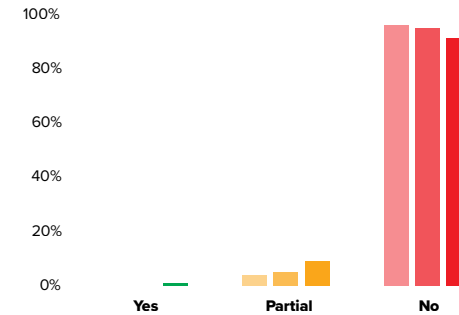
4) Short-term targets (up to 2025)



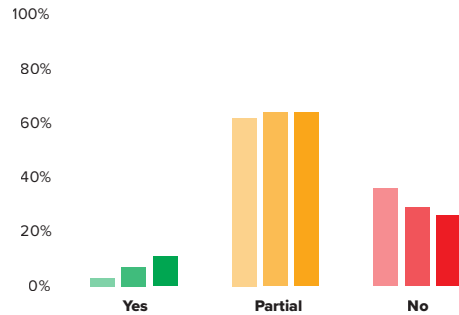
5) Decarbonisation strategy



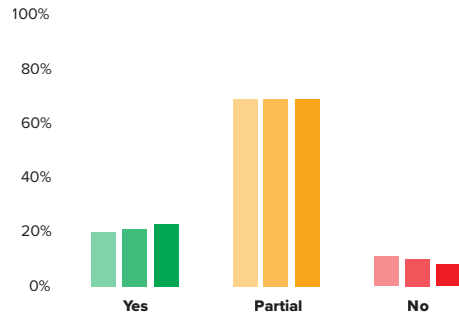
6) Capital alignment



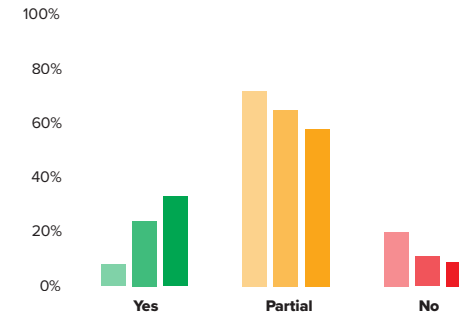
7) Climate policy engagement



8) Climate governance



10) TCFD Disclosure



■ March 2021 ■ March 2022 ■ October 2022

* These figures exclude the Just Transition indicator, as it was still in beta form at the time of publication.

Alignment Assessments

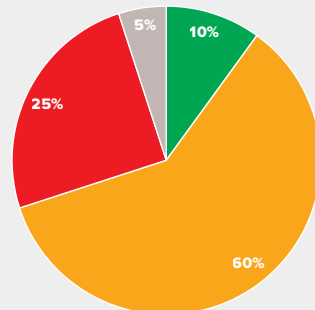
The Alignment Assessments, introduced in 2022, complement the Benchmark's Disclosure Framework by measuring implementation of Paris-aligned corporate actions. Adopting a dual approach to assessing company climate performance, the framework uniquely provides investors with a range of data points so that they can better understand not only company disclosures, but also the real-world actions companies are taking on climate.

The most recent results of the alignment assessments suggest that, despite continued progress on some disclosure indicators, real world activities do not yet demonstrate any meaningful shifts in business models to align with the Paris Agreement.

The accompanying graphs on this page summarise the latest results of the Alignment Assessments.

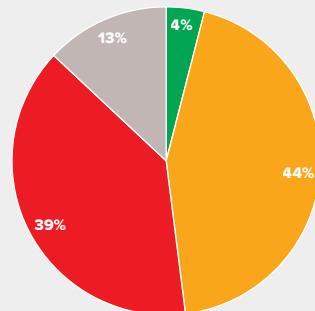
CLIMATE POLICY ENGAGEMENT ALIGNMENT (InfluenceMap)

All focus companies – direct engagement



- Broadly aligned with Paris
- Mixed engagement
- Misaligned with Paris
- Not applicable

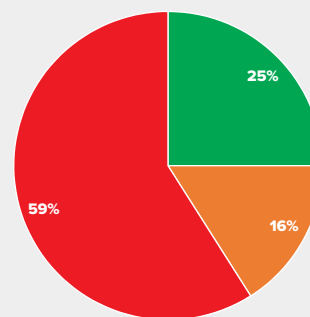
All focus companies – indirect engagement



- Broadly aligned with Paris
- Mixed engagement
- Misaligned with Paris
- Not applicable

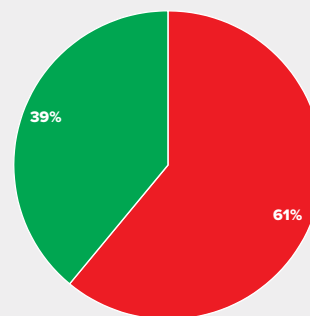
CAPITAL ALLOCATION ALIGNMENT FOR UTILITIES AND OIL & GAS (Carbon Tracker Initiative)

Utility focus companies



- Announced full coal phaseout consistent with B2DS
- Announced full coal phaseout inconsistent with B2DS
- Announced partial coal phaseout / provided insufficient information

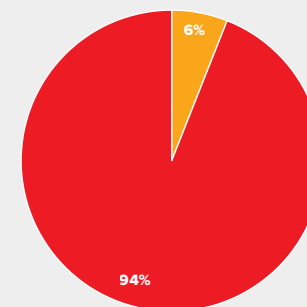
Oil and gas focus companies



- Sanctioned new O&G projects inconsistent with B2DS
- Sanctioned new O&G projects consistent with B2DS

CLIMATE ACCOUNTING & AUDIT (Carbon Tracker Initiative)

All focus companies



- Assessment criteria partially met
- Assessment criteria not met

CAPITAL ALLOCATION ALIGNMENT FOR UTILITIES, AUTOS, STEEL, CEMENT & AVIATION (Rocky Mountain Institute)

Electric utilities	Significant distance to being aligned with 1.5°C
Autos	Significant distance to being aligned with 1.5°C
Steel	Moderate distance to being aligned with 1.5°C
Cement	Significant distance to being aligned with 1.5°C
Aviation	Significant distance to being aligned with B2DS (1.75°C outcome)

Looking to 2023

Following a public consultation in late 2022, the initiative is enhancing the Benchmark to ensure that it continues to effectively support investor engagements and drives both company ambition and action in the critical period up to 2030.

This will include revisions to the Disclosure Framework indicators on decarbonisation strategy (Indicator 5), CapEx alignment (Indicator 6), climate policy engagement (Indicator 7) and just transition (Indicator 9), as well as enhancements to Benchmark Climate Policy Engagement, Capital Allocation and Climate Accounting and Audit Alignment Assessments.

Details on proposed enhancements can be found [here](#).



2022 A Year in Review



Accelerating Engagement

In the final year of the initiative's first phase, the global signatory base continued to expand and bolster company engagements. Over 85 new investors joined the initiative in the past year alone, with a waiting list emerging, demonstrating an accelerated year-on-year appetite from investors to engage with focus companies.

However, the increase in signatories is just the beginning. Over the past year, investors have seen promising improvements in responsiveness and constructive participation from focus companies in engagements, which in turn shows a gradual increase in progress against the three asks.

Investors cited an array of engagement outcomes in 2022, but some key themes emerged, including:

- New or enhanced corporate GHG reduction goals and targets, including more ambitious commitments from companies to include scope 3 emissions in their reduction targets, align targets with a 1.5°C scenario, or reach net zero in a more ambitious timeframe.
- Enhanced climate reporting, especially through the publication of climate transition plans, climate policy engagement disclosures, and TCFD reports.
- Tangible company actions, such as investment in decarbonisation projects and technology; progress in the retirement of coal plants; corporate leadership in industry partnership groups for sector decarbonisation; company support for climate-related shareholder proposals; and improved corporate governance through new board appointment to oversee climate change.





Proxy Season

2022 proved to be another impactful proxy season, with investors maintaining pressure on laggard focus companies, using tools including shareholder proposals, director votes, climate transition plan or implementation report resolutions.

To ensure that signatories have an opportunity to properly consider votes that are aligned with the goals of the initiative, the Climate Action 100+ initiative flags both shareholder and management proposals for investors to take into consideration during proxy season [on its website](#).

In 2022, the initiative flagged 37 resolutions of interest in total, comprised of 11 shareholder and 26 management proposals. Notably, four flagged shareholder proposals received a majority of the votes cast in support. In addition, investors procured 22 withdrawals for agreement at North American focus companies, an unprecedented number of early proxy season wins.

In Europe, three shareholder proposals submitted for inclusion on ballots were not accepted by the companies. Follow up engagement and legal action is proceeding. Additionally, European climate transition plans flagged for lack of ambition received a higher level of opposition than the baseline of all such votes.

Investors will continue to engage companies on the topics raised during the 2022 proxy season. As the initiative enters its fifth year, signatories will continue utilizing this platform as a tool to highlight laggard companies who have not made requisite progress against the goals of the initiative.

Consultations

Climate Action 100+ held two consultations on the future of the initiative and its Benchmark respectively. The first, a consultation on the direction of Phase 2, had responses from 25% of the initiative's investor base (172 responses) and 78% of its lead investors. The second, a consultation on the future of the Net Zero Company Benchmark, with 125 responses, has provided a clear foundation for its direction of travel in 2023.

See [pages 25-26](#) for further details.

Just Transition

As decarbonisation accelerates, investors are looking for companies to demonstrate that they are planning proactively to protect long-term value and mitigate severe disruption to the economy, while ensuring that workers and communities are given a fair opportunity to transition into new, sustainable livelihoods. Nascent corporate disclosures that focus on these social implications are beginning to define good practice, while investor expectations continue to evolve on this emerging topic.

Just Transition is one of ten disclosure indicators of the Climate Action 100+ Net Zero Company Benchmark. It was introduced in beta form in the March 2022 Benchmark. At its core, this indicator calls for companies to develop a just transition plan or policy in coordination with relevant stakeholders.

Focus companies were privately assessed against the beta indicator in March and October 2022. Results from both assessments show that a majority of the largest global emitters are not sufficiently prepared to deliver a just transition.

The beta indicator went through public consultation in 2022 and feedback is being used to inform the development of an updated indicator. All focus companies are expected to be publicly assessed against the indicator in Autumn 2023.



Steering the global conversation

Below is just a small selection of worldwide media coverage and social buzz around the initiative.

Financial Times



Reuters



Social media



Bloomberg



Bloomberg



Case studies



Sasol: A Deep Dive

Sasol, South Africa's largest integrated energy and chemicals company, is one of the highest corporate emitters on the African continent. The company is targeted by Climate Action 100+ because its combined Scope 1, 2 and 3 GHG emissions make it systemically important for the global transition to net zero.

Climate Action 100+ investors consistently engaged the company throughout the past two years to ensure that it develops a sufficiently credible and robust decarbonisation strategy.

Key milestones have included:

- **June 2020:** Sasol releases its first 2020 Climate Change Report. The report indicates that Sasol is in the process of defining a 2050 emissions reduction ambition and roadmap, which will be communicated in Q4 2021.
- **December 2020:** Climate Action 100+ investors meet with Sasol for the first time.
- **March 2021:** The first Climate Action 100+ Net-Zero Company Benchmark company assessments are published. Sasol issues a public response to the Climate Action 100+ Benchmark, outlining where it disagrees with its assessment.
- **May 2021:** The Climate Action 100+ investor coalition holds two meetings with Sasol to discuss the company's 2030 and 2050 emissions reduction strategy. The company commits to releasing information on this in Q4 2021.
- **September 2021:** Ahead of Sasol's Capital Markets Day, the Climate Action 100+ investor coalition sends a letter to the company's Board, outlining what it expects to see in their upcoming public climate change disclosures. Following significant engagement with investors, the company publishes its 2021 Climate Change Report.
- **November 2021:** Ahead of the company's AGM, Climate Action 100+ investors send a letter to Sasol's Board and meet with the company's CEO and Chairman to discuss the company's decarbonisation strategy and how the company is going to address the remaining gaps. The transition plan vote passes with majority support.
- **January 2022:** Climate Action 100+ investors send another letter to Sasol's Board, outlining what they expect in terms of the execution of the company's transition plans and additional disclosures. They request a meeting in early Q2 2022 to discuss this further.
- **H1 2022:** Climate Action 100+ investors engaged with Sasol again in the first half of 2022, following the release of the March 2022 Climate Action 100+ Net-Zero Company Benchmark company assessments, pushing for deeper commitment and alignment with 1.5°C.
- **August 2022:** Sasol releases its second Climate Change Report, further expanding its climate disclosures.
- **October 2022:** The latest Benchmark has seen Sasol improve its disclosures substantially across its long- and medium-term targets incorporating Scope 3 into its commitments, in line with their investor's asks of the company. Nevertheless, Sasol still has scope for further progress on Alignment Assessments.
- **December 2022:** Sasol puts its decarbonisation strategy up for a shareholder vote at its AGM.
- Climate Action 100+ investors are now focusing the engagement on absolute emissions reductions Sasol has to make by 2030 and on the execution of Sasol's decarbonisation plans. They plan to accelerate the engagement in the next phase of the initiative.

Enel

Italian energy company Enel has been a great example of progress made as a result of Climate Action 100+'s engagement.

One year ago, Enel had only managed to disclose across six indicators. This year saw the company score 100% across all Disclosure Indicators making it the first company globally to fulfil all the disclosure indicators on the Net Zero Company Benchmark.

While investors would still want to see the company improve on the alignment indicators, the Benchmark has proved to be an invaluable engagement tool, making visible both the progress, and areas that must improve.

For full details, see the press release [here](#).

Formosa Petrochemical

Following continuous investor engagement, the Taiwanese oil and gas company announced its commitment to achieve carbon neutrality by 2050, with short-term and medium-term targets to reduce 22% and 28% GHG emissions by 2025 and 2030 respectively. The company also published its first standalone TCFD report in 2022 and plans to update the report annually.

Back in October 2021, Formosa Petrochemical's parent company, Formosa Plastics Group, announced the commitment to achieve carbon neutrality by 2050 covering Scope 1 and 2 emissions. Despite Formosa Plastic Group claiming that this commitment applies to all its affiliate companies, there was no formal announcement of carbon neutrality at the individual company level, such as Formosa Petrochemical.

After continuous private dialogues between the Climate Action 100+ investor group and the company, the chairman of Formosa Petrochemical announced the commitment at its company level, in addition to the group-level target, at the Annual General Meeting in May 2022.

Dominion Energy

Following years of sustained dialogue and in response to multiple shareholder proposals, Dominion Energy made important progress in 2022:

- **Climate Lobbying Report:** This report reviews Dominion's direct and indirect lobbying activities and expressly supports the goals of the Paris Agreement. In line with best practice, investors hope to see the company's reporting continue to evolve through annual disclosure.
- **Scope 3 GHG Target:** Dominion joins Duke and Xcel as early movers in setting comprehensive Scope 3 targets. Recognizing this important progress, this target should be matched with interim targets and a robust decarbonization strategy.
- **Capital Expenditure Plan:** Dominion has explicitly linked its capital investment plan and net zero goal. In addition, the company identified a \$73 billion investment opportunity by 2035, focused on building zero-carbon generation, energy storage and upgrading the electric grid. Based on its key resource plans, the company estimates its zero-carbon generation will increase to 69% in 2035, alongside a near complete phaseout in coal generation volumes.

Ecopetrol

Ecopetrol, the national oil company of Columbia, has been engaged by Climate Action 100+ signatory investors since 2019. Across these four years, the company has made a great deal of improvement in its climate action, setting a positive example for how oil companies, and state-owned enterprises in emerging markets, might respond to the energy transition.

Improved transparency and reporting against TCFD was a key priority of the investor engagement. In August 2021, investors welcomed Ecopetrol's first TCFD-aligned climate report, identifying climate-related management processes through discussions on governance, strategy, risk, metrics and targets. Ecopetrol released its second TCFD aligned report in September 2022, which progressed these discussions further.

In February 2022, Ecopetrol's launched its 2040 strategy - "Energy that Transforms" - which set commitments to increase investment in decarbonisation and diversification. Overall, the company has been active and responsive to Climate Action 100+ engagement, openly disclosing its climate strategy, enabling productive discussion and informed investor decision-making.

Origin Energy

Despite ongoing contention about credible decarbonisation pathways for the oil and gas sector globally, Origin Energy made progress on its climate-related disclosures in 2022 following sustained engagement from investors. Notable improvements include:

- A decision to bring forward the closure of its coal-fired power stations by 2025, seven years earlier than previously planned
- Inclusion of Scope 3 emissions in Origin Energy's long-term net zero emissions ambition, medium-term emissions intensity target and decarbonization strategy
- Emissions reduction targets, which now includes a 40% reduction of emissions intensity across Scope 1, 2 and 3 emissions by 2040
- More comprehensive climate scenario analysis based on several IPCC and IEA 1.5-aligned scenarios which underpins Origin Energy's updated emission reduction targets

Together, these improvements led to one of the highest votes in support of an Australian 'Say on Climate' vote in 2022 (93.5% 'for').

ENEOS Holdings

The Japanese petroleum and metals company announced in May 2022 its plan to reduce its Scope 1 and 2 emissions by 46% by fiscal 2030 over the fiscal 2013 base year and expanded its net zero ambition to cover Scope 3 emissions (net zero by fiscal 2050).

The company had announced its ambition to achieve carbon neutrality for Scope 1 and 2 emissions by fiscal 2040, and the lead investors had encouraged them to set ambitious interim targets and include Scope 3 emissions in their carbon neutrality plan.

Phase 2

Climate Action 100+

2023 to 2030



A Crucial Decade

Building on the success of Phase 1 and the lessons learnt, the initiative is currently developing the strategy for its second phase. The focus will be on ensuring effective engagement, especially in the critical years remaining before 2030.

The initiative held a consultation in the summer of 2022 on the proposed phase 2 strategy, which would run from 2023-2030. In total, 172 (24%) signatories responded and 78% of lead investors, with a fairly even distribution across regions and AUM range.

CA100+ is currently reviewing the findings and the final phase 2 details will be announced in 2023 when the new strategy is launched.

See overleaf for further details.

Updating the three asks and scope

To reflect the evolution of climate science, changes in disclosure standards and the critical role of partnership between companies and investors, it is proposed to revise the three goals of the initiative.

Enhancing Benchmarking

It is proposed to enhance and refine the Benchmark to ensure it continues to effectively inform investor engagements with companies. A separate consultation on updating the Benchmark was completed in November.

Expanding the ways investors can contribute

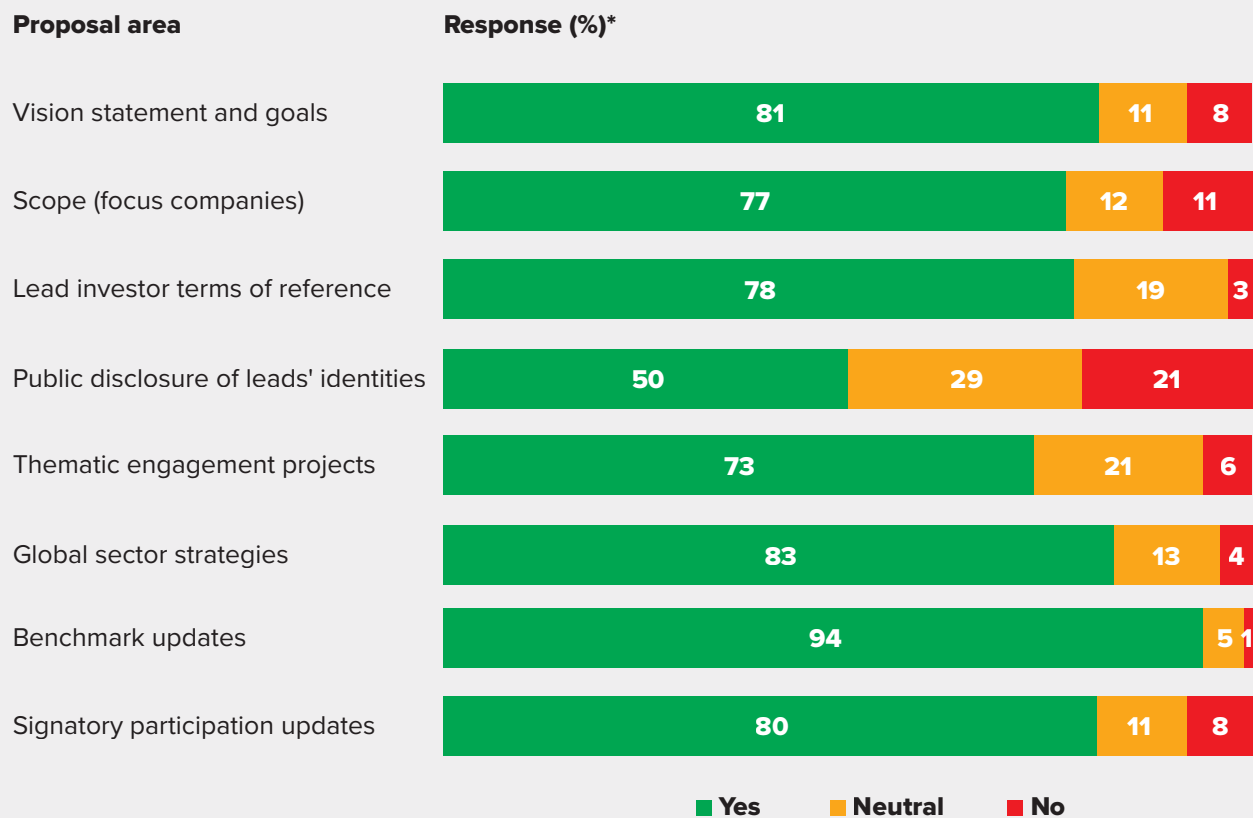
To advance engagement on a range of complex areas, the initiative proposes adding a diverse set of sector- and theme-focused projects that investors can opt into.

Recalibrating signatory participation

The initiative proposes creating new ways for signatories to contribute to the initiative, helping them address some of the sectoral barriers to decarbonisation that currently make it hard for companies to align their business models with a net zero pathway.

Survey responses

This table sets out the responses to quantitative questions in the survey. It demonstrates support for the overall proposed direction for Phase 2, although please note that many investors provided more nuanced qualitative comments which are not represented here. We expect Phase 2 to build on the proposal areas put to consultation in the summer, but there will be refinements and enhancements to operationalize the strategy, reflect the full range of feedback received and meet the renewed goals of the initiative.



*visual is an estimate, not to scale

Timeline until Phase 2 launch

March 2023

Benchmark 2.0 framework
published

April 2023

Proxy season begins

May/June 2023

Phase 2 begins

