



Stakeholder & Market Engagement



Introduction

This section is dedicated to facilitating the availability of data, mandates, and investment advice necessary to achieve net zero objectives.

Stakeholder and market engagement is deemed a critical component of net zero strategies and transition plans. NZIF concepts are widely used by investors but are yet to permeate across the wider body of actors serving the investment community.

Relative to NZIF's alignment system, investors may struggle to assess the alignment of investments without the necessary disclosures, analysis, and data products. Furthermore, long term improvements in alignment may be impeded by investment products, such as by index providers environments.

Core action points

NZIF recommends the following actions for investors using the framework and considers them core:

- ✓ Participate in advocacy to market service providers (directly or collectively through industry networks) for the tools, data, and advice required to achieve net zero goals.
- ✓ Undertake stewardship with market actors to ensure that their assessments, data and products are based on alignment criteria, robust methodologies, and are consistent with net zero goals.
- ✓ Undertake stewardship with industry peers to share expertise, experience, and address common challenges in support of the achievement of net zero objectives.

- ✓ Engage external fund managers on the need to manage funds in alignment with net zero that is consistent with NZIF's alignment criteria.
- ✓ Engage with existing and potential clients to encourage the uptake of net zero investment strategies and products, provide research and analysis to support climate risk assessment and net zero investing.
- ✓ Promote disclosure of corporate transition plans across industries, such as in accordance with IIGCC's sector neutral transition plan guidance and net zero standards covering high impact material sectors.¹¹⁰



Advanced action points

NZIF recommends the following advanced actions. These may initially be difficult but would likely prove beneficial:

- ✓ Participate in regulator-industry initiatives to develop voluntary and mandatory standards of transition plans and other disclosures, such as Paris-aligned accounts.¹¹¹
- ✓ Participate in investor industry network associations to advance knowledge around benchmarking portfolios with the Paris Agreement goals.
- ✓ Engage with existing and potential asset managers to encourage managers to provide strategies and products to achieve asset owners' net zero investment goals.
- ✓ Engage private data vendors to pursue assessments that are consistent with alignment criteria within the latest detailed guidance on indicators from the Climate Action 100+ Net Zero Company Benchmark.¹¹²
- ✓ Engage private data vendors to pursue data on scope 3 emissions that details which categories are used within assessments and their accuracy disclosed.

- ✓ Undertake participation in activities of the investor networks to facilitate knowledge creation relating to net zero investment.
- ✓ Communicate expectations relating to alignment criteria across asset classes (e.g. pre-issuance of bonds).
- ✓ Engage with index providers to provide benchmarks better aligned with net zero.¹¹³
- ✓ Engage with providers of bond indices that may inadvertently require investors to purchase new bonds irrespective of climate impacts.
- ✓ Encourage through signalling, early-stage investing, or other methods for compatible firms to make it to the IPO stage.
- ✓ Encourage credit rating agencies, sell-side analysts, and fund managers to incorporate climate-related risk factors into financial analysis.
- ✓ Advocate for the development of contextually specific sector transition pathways which can be used to assess the alignment of investments.¹¹⁴

