

Case Studies

Produced by IIGCC, supported by AIGCC, Ceres, and IGCC

IIGCC



Section 1:

Using NZIF to set robust net zero targets and strategy: **Aegon**3

Developing a target hierarchy for real world decarbonisation: **Brunel Pension Partnership**.5

Embedding net zero targets into a net zero strategy: **Eurizon Capital**8

Section 2:

Implementation of an attribution analysis for decarbonisation: **Allianz**.....13

Building an approach to attribution and rebaselining: **NGUKPS**16

Developing internal guidelines for rebaselining: **Phoenix Group**19

Identifying emission reductions in the real economy: **PIMCO**21

Section 5:

Implementing alignment and engagement strategies across multiple asset classes:
Local Pensions Partnership Investments25

Section 6:

Setting asset level targets using the Net Zero Investment Framework: **Comgest**.....32

Using the Net Zero Investment Framework to develop an effective engagement programme:
KBI Global Investors36

Implementing a robust engagement strategy:
Nest Pensions39

Section 7:

A fair assessment of governments' transition to net zero: **Ninety One**.....41

Section 9:

Implementing the Net Zero Investment Framework for infrastructure: **Macquarie Asset Management**45



Using NZIF to set robust net zero targets and strategy: Aegon UK

This case study, which is authored and provided by Aegon UK, demonstrates the role of net-zero targets and benefits of forward-looking management in an investor transition plan.

Rationale and development

The scale and urgency of the climate crisis is unprecedented. As one of the UK's largest asset owners, we have both the opportunity and a responsibility to play an active role in fighting climate change. We believe this is not just an environmental issue, but one that is vital for the future financial wellbeing of our customers. In 2023, we published our net-zero transition plan, our [climate roadmap](#).

Our roadmap is an actionable transition plan with specific targets that sets out our route to net zero scope 1, 2 and 3 greenhouse gas emissions across all our asset classes excluding cash, starting with our workplace default funds. We developed our climate roadmap by leveraging our customer views and best practice in the industry.

	ALIGN with science and industry best practice	INCREASE responsible investments in the context of climate change	ENGAGE for long-term value and systemic change
Aligning the default portfolio with the Paris agreement to reach net zero emissions by 2050	Increasing responsible investments to support climate change mitigation/adaptation and the low-carbon transition	Engaging with fund managers and the wider market to increase concrete climate ambition and action	
<ol style="list-style-type: none">1. Setting short- and medium-term targets2. Using pathways for decarbonisation3. Reviewing strategic asset allocation	<ol style="list-style-type: none">4. Increasing investments in assets aligning to net zero5. Increasing investments in climate solutions	<ol style="list-style-type: none">6. Partnering with fund managers and data providers to decarbonise our portfolio7. Supporting climate policy regulation8. Collaborating with industry groups to collectively reach net zero9. Engaging with customers and advocating for their financial wellbeing	

Our roadmap was guided by the Paris Aligned Investment Initiative's Net Zero Investment Framework (NZIF), which we felt encouraged ambitious and credible targets but was flexible enough for our business model as a large asset owner. The content and targets of our roadmap were informed by NZIF, whilst the structure followed our own three-pillar climate strategy and nine-point transition plan.

Our targets

In alignment with NZIF, we set out four target categories:

- Emissions' reduction targets**, in order to guide our decarbonisation journey, in particular via short-term targets,
- Engagement targets**, directly reflecting active ownership actions that would help reduce emissions in our portfolio and the market,
- Investment targets**, as per the IIGCC's guidance to both reduce emissions and invest in climate solutions,
- Tracking targets**, complementing the other targets, for example where methodologies may have been developing, such as net-zero alignment tracking.

As a universal asset owner, the biggest way we can drive change is through how we engage with our asset managers and the wider market, hence why we focus heavily on engagement in our targets. In addition, one of our key climate roadmap principles is that we look for real economy outcomes rather than divesting our portfolio away from climate change risks. Having a range of targets beyond emissions' reductions helps us track concrete progress and any shortcomings of our three-pillar strategy. In addition, we use emissions' attribution analysis to distinguish between real-world emission reductions from corporates and decreases resulting from other factors such as market movements.

Emissions targets	Engagement targets	Investment targets	Tracking targets
<p>Short-term targets</p> <p>(1) 14% reductions in scope 1 and 2 over 2023-26*</p> <p>(2) 14% reductions in scope 1 and 2 over 2027-30*</p> <p>Medium-term target</p> <p>(3) 50% reductions in scope 1 and 2 by 2030*</p> <p>Long-term target</p> <p>(4) Net zero GHG emissions in scope 1, 2 and 3 for all asset classes by 2050</p>	<p>(1) Engage via our fund managers with companies representing at least 70% of our financed emissions (scope 1, 2 and 3) through direct or collective engagement by 2025</p> <p>(2) Engage to support market-wide decarbonisation in two or more net-zero-relevant industry groups/policy forums a year</p>	<p>(1) £500 million invested in climate solutions by 2026</p> <p>(2) 70% of our default funds' assets under management screened and/or optimised for ESG factors by 2026</p>	<p>(1) Significant % increase in assets under management in net-zero aligned or aligning assets, so that 100% of assets are net zero or aligned to net zero by 2040</p> <p>(2) Progress from engagement with fund managers based on climate outcomes and expectations</p>

An evolving strategy going forward

We understand that targets are likely to change as new data and methodologies become available. Emissions' data at a specific reporting date may be restated over time where there are improvements in calculations and methodologies, or new emissions' coverage is obtained by our data provider. This means that our baseline and annual emissions may change retroactively, as more data becomes available. We report against our targets using the most accurate and available data from our provider at our agreed reporting frequency. For example, at the time of publication we reported progress against 2020 since 2019 enterprise value including cash (EVIC) was not available to calculate our 2019 scope 1 and 2 carbon footprint using EVIC.

Our climate roadmap is one step along our decarbonisation journey. We see it as a living, evolving plan and will monitor our progress and review targets at Board level annually. We expect the relevance of specific targets to change over time as impactful decarbonisation levers evolve across the industry. For example, scope 1 and 2 emissions' reductions and assets screened and/or optimised for ESG factors are likely to become less impactful in the next couple of years compared to targets such as % of emissions engaged, policy engagement or net-zero alignment. As per our industry engagement target, we will continue to support market-wide decarbonisation through industry groups and forums, encouraging and contributing to best practice. We believe that sharing how we leveraged industry guidance to develop our own transition plan can further inspire ambitious market-wide decarbonisation.

Developing a target hierarchy for real world decarbonisation: Brunel Pension Partnership

This case study, authored and provided by Brunel Pension partnership, outlines Brunel's approach to net zero targets and how they are an integral part of the organisation's net zero strategy.

Background

Brunel Pension Partnership (Brunel), with around £35bn in AUM, is one of eight national Local Government Pension Scheme (LGPS) pools in the United Kingdom and is widely recognised as a global leader on Responsible Investment.

Brunel was established to consolidate the investment of pension assets from several LGPS funds, with the aim of achieving cost savings, enhancing investment opportunities, and improving risk management. The partnership invests in equities, fixed income, and alternative assets guided by our [climate policy](#).

Overview of Brunel's net zero targets and strategy

Our 2023 Climate Change Policy identifies specific targets related to five priority areas which are intended to ensure that Brunel's investment portfolios are aligned with the goals of the Paris Agreement.

Overall Strategy

We committed to be net zero by 2050, with the goal of limiting global temperature rise to 1.5°C and achieving net zero in Brunel's operations (scope 1 and 2) by 2030. This commitment is made through the Paris Aligned Asset Owners, part of the Paris Aligned Investment Initiative (PAII). Brunel was and continues to be involved in the development of PAII's Net Zero Investment Framework, which has been used to support the development of Brunel's net zero targets and strategy.

85% of Brunel's total AUM (which is 92% of in scope assets) will be covered by an Alignment Target by June 2024, with the ambition being 100%¹ by June 2025.

Brunel has made several commitments, show in the table below:

¹ In scope assets – excludes cash, overlays and assets held in bespoke risk matching products which are not Brunel portfolios.

Target type	Overview of Brunel's commitment	Status
Product Governance Target – Portfolio alignment	100% AUM in material (high impact) sectors in developed listed equities and sterling corporate bonds that are i) achieving Net Zero or ii) meeting a criterion considered to be aligned or iii) aligning by 2030, extending to all markets by 2040. ²	In progress
	No less than 50% AUM in real estate and infrastructure assets are i) achieving Net Zero or ii) meeting a criterion considered to be aligned by 2030 and 100% by 2040.	New Target
	100% AUM in Secured Income and the Cornwall Local Impact Portfolio is i) achieving Net Zero or ii) meeting a criterion considered to be aligned by 2030.	New target
	100% of the portfolio's corporates and quasi-sovereign exposure to be considered as 'achieving net-zero' or 'aligned to net-zero' ³ by 2040, achieving 50% progress by 2030.	New target
	100% of directly held Sovereign debt (UK Gilts) is covered by engagement to achieve Net Zero by 2050.	Achieved & maintain
Persuasion Target – Portfolio stewardship	Ensure 70% of financed emissions in material sectors are either aligned, aligning or subject to direct or collective engagement stewardship actions for all listed equity and corporate bonds by June 2024, increasing to 90% by June 2027.	Achieved & maintain
	Engage with 100% of investment managers and general partners on measuring emissions, disclosure levels and setting targets for decarbonisation and alignment by June 2024.	
	Engage 100% of carbon-based energy and transport infrastructure assets as part of collective or direct engagement, or management interventions.	
Portfolios – Decarbonisation	Reduce portfolio emissions by 50% by 2030, with an implied trajectory of at least 7% per annum reduction.	Achieved & maintain
	Decarbonisation targets to cover Scope 3 : <ul style="list-style-type: none"> 100% of directly held high impact and banks to disclose their own material Scope 3 emissions by 2030. 100% of AUM in largest directly held IT companies to disclose their own upstream and downstream Scope 3 emissions by 2030. 	New Target/s
Public Policy Target – Sovereign debt	100% ⁴ of UK sovereign issuance to be subject to direct or collective engagement.	Achieved & maintain
Positive Impact – Climate solutions	Global Sustainable equity portfolio (reporting green revenues) 14.2% of the GSE Portfolio is exposed to Green Revenues on a Weighted Average basis. This equates to £485,122,253 of the portfolio being exposed (as at 31/12/2023)	Achieved & need to be maintained
	Green, Climate and SDG bonds (report % AUM and £m) 7.3% (c £185,969,495) in labelled bonds (as at 31/12/2023)	
	Brunel's infrastructure portfolios have strong ESG credentials, limiting exposure to high climate impact areas, and have strategy targets, including: <ul style="list-style-type: none"> Cycle 1: >35% in renewable energy Cycle 2: 50% in renewable and climate solutions Cycle 3: 70% minimum target for Sustainable Infrastructure, of which at least 40% (i.e. most of the SI allocation) will be in climate solution 83% of total infrastructure committed capital £914,731,697 (as at 30/09/2023) – using FTSE Green revenues classification (Tier 1 & 2)	

² Currently in scope are listed companies on the Climate Action 100+ focus list and companies in high impact sectors consistent with Transition Pathway Initiative sectors including banks.

³ Where methodologies to assess alignment still do not exist by 2040, and the investments are not obviously contrarian to the net-zero objectives, they will be assumed to be compatible.

⁴ 100% of Brunel direct sovereign debt exposure is UK Gilts.

Why Brunel's targets were chosen & target hierarchy

Brunel's Policy commits their investment portfolios to net zero emissions by 2050 and sets out the near-term actions they must take to achieve their target, including engaging with investment managers and companies; collaborating with peers; engaging policymakers; and investing in climate solutions.

This is an extension to ESG integration, where, in addition to individual company ESG risks, the approach considers climate change as a systemic risk. It also considers the role Brunel can play in their portfolios and in the wider economy to address climate change with real-world decarbonisation outcomes.

Pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels is entirely consistent with securing long-term financial returns and is aligned with the best long-term interests of Brunel's clients. For society to achieve a net zero carbon future by 2050 (or before), it requires systemic change in the investment industry. Brunel believes equipping and empowering their clients (and other investors) is central to this change.

Brunel has adopted a clear hierarchy of its targets to prioritise real economy changes that will support the net zero transition. Priority is given to alignment, although current data availability limits scope of assessment. Brunel also stresses the need to look at performance across multiple metrics, as no one metric will be useful in isolation. The prioritisation below solely relates to the targets – not the ambition or actions more broadly.

1. Product Governance – portfolio alignment
2. Persuasion – stewardship
3. Policy
4. Positive Impact – climate solutions investment
5. Portfolio decarbonisation

The broad decarbonisation trajectory from the UNEP Gap Report (2019) that stated global GHG emissions need to fall by 7.6% annually between 2020 and 2030 to remain in line with a 1.5°C scenario relates to the whole economy. However, across that spectrum, individual countries, sectors, companies, and other assets will each have their own decarbonisation pathway that enables alignment.

Brunel's portfolios will always be a subset of the economy and our primary focus will be on the level of alignment, as this will be a more accurate reflection of the climate risk of the portfolio than its emission intensity.

Embedding the targets into Brunel's net zero strategy

Examples of actions Brunel has undertaken in pursuit of their net zero strategy include:

Policy Advocacy: Promoted development of policy instruments, taxonomies, product and sector standards that limit high carbon technologies and support investment in low carbon, nature-based and adaptation solutions – thus Brunel advocated for expanded mandatory reporting on climate change.

Asset allocation: Prioritised the evidencing of alignment of their private market portfolios through enhanced reporting and disclosure to meet portfolio goals. Investment in energy and climate transition solutions.

Stewardship: Analysed the risk data relating to their active holdings and conducted a specific Adaption and Climate Resilience Engagement project linked to their most vulnerable holdings. Engaged with 100% of investment managers on emissions, disclosure levels, and decarbonisation targets. Undertaken biodiversity footprinting at portfolio-level (in progress) and targeted engagement with specific sectors.

Current progress against targets

We have taken action to meet the commitments in our climate change policy on the five priority areas and are currently on track to meet these targets.

[Disclaimer](#)

Embedding net zero targets into a net zero strategy: Eurizon Capital

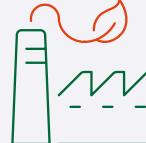
Background

Recognising that the financial community has a major role to play in accelerating the transition by directing capital towards more sustainable business models in the medium and long term, Eurizon Capital SGR (“Eurizon” or “we”) was the first Italian asset manager to join the Net Zero Asset Managers initiative (NZAM) in November 2021.

In this case study, authored and provided by Eurizon, we outline the target setting process undertaken at Eurizon, how we utilised the Net Zero Investment Framework, and the progress we have made towards these net zero targets.

Our targets

We published our net zero targets a year after joining NZAM, drawing on the Paris Aligned Investment Initiative’s Net Zero Investment Framework as the underlying framework. The targets are outlined in the table below.

Target	Our commitment
Target 1 - Asset Level Alignment	 <p>We identified a “Portfolio in Scope” of 67.5 billion euro, equivalent to 15.39% of our AUM as at 31 December 2021, which will be managed with the aim of achieving climate neutrality by 2050, thereby undertaking to include over time up to 100% of our assets.</p>
Target 2 - Portfolio Reference Level	 <p>We aim to reduce by 50% the intensity of Scope 1 and Scope 2 greenhouse gas emissions of the “Portfolio in Scope” by 2030. We aim to include Scope 3 emissions when data quality and availability become more robust.</p>
Target 3 - Stewardship	 <p>We aim to carry out engagement activities with 48 companies by 2025 (representing 70% of the emissions financed by the “Portfolio in Scope”) and another 107 companies by 2030 (up to 90% of financed emissions).</p>
Target 4 - Climate Solutions	 <p>We have committed to increasing the portion of our total AUM invested in Green Bonds from 1.53% to around 4% by 2025.</p>

From theory to practice: How we set out targets

At first, we set a portion of AUM to be managed in line with a net zero pathway (the “Portfolio in Scope”) and the baseline year of the analysis.

We selected listed equities and corporate fixed income to be included in the Portfolio in Scope as, at the time, these asset classes benefitted from more robust and established methodologies.

Sovereigns, as well as derivatives and investments in private markets, have been temporarily excluded from the analysis given the lack of consolidated methodologies. We remain committed to monitoring market best practices and evolving methodologies with the aim of including additional asset classes over time.

As a result, the Portfolio in Scope amounted to c. EUR 67.5 billion, representing 15.39% of the Eurizon Asset Management Division’s AUM at the baseline year (which was set at 2019-year end in line with best practices).

Having defined the Portfolio in Scope and set the baseline year, we proceeded to define the four targets recommended by the Paris Aligned Investment Initiative’s Net Zero Investment Framework (NZIF), which has been implemented by many of our peers, as well. It illustrates the target setting process and was accompanied by the support from IIGCC in addressing our questions along the way.

The development of criteria to assess the degree of alignment of issuers

We have made use of the six criteria suggested by NZIF to analyse investee companies’ degree of alignment to a net zero pathway:

- 1. Ambition:** Several metrics were used to assess the “Ambition” criterion, taking into consideration the quality, granularity, and availability of data from the following data providers: CA100+, SBTi, Net Zero Tracker, MSCI, Alliance Signatories (NZAMI, NZBA, NZAO).
- 2. Targets:** Data on short-, medium- and long-term GHG emissions reduction targets were sourced from the following providers, depending on the quality, granularity and availability of the data: CA100+ and SBTi.
- 3. Emissions performance:** Quantitative data on the emission level intensity compared to previously defined targets were used, leveraging MSCI data.
- 4. Disclosure:** Information regarding the publication of emissions level data was leveraged from two data providers, TPI and MSCI, taking into account the quality, granularity and availability of the data.
- 5. Decarbonisation strategy:** Metrics on the presence of a strategic plan to achieve emissions reduction targets were used, using data from CA100+ and TPI according to their quality, granularity, and availability.
- 6. Capital expenditures:** Metrics on investment in innovative solutions that contribute to the net zero objective (e.g., capital expenditure aligned with the Paris Agreement’s objective of limiting global warming to 1.5° Celsius) were used, leveraging data from CA100+ and TPI.

Below is an example of the alignment analysis performed on company X of the Portfolio in Scope:

Company	CA100+ focus list	High/Low Impact Sector	Criterion 1	Criterion 2	Criterion 3	Criterion 4	Criterion 5	Criterion 6	Alignment
Company X	Yes	High Impact	Yes	Yes	Yes	Yes	Partial	No	Aligning towards a Net Zero Pathway

Engagement: Planning and prioritisation

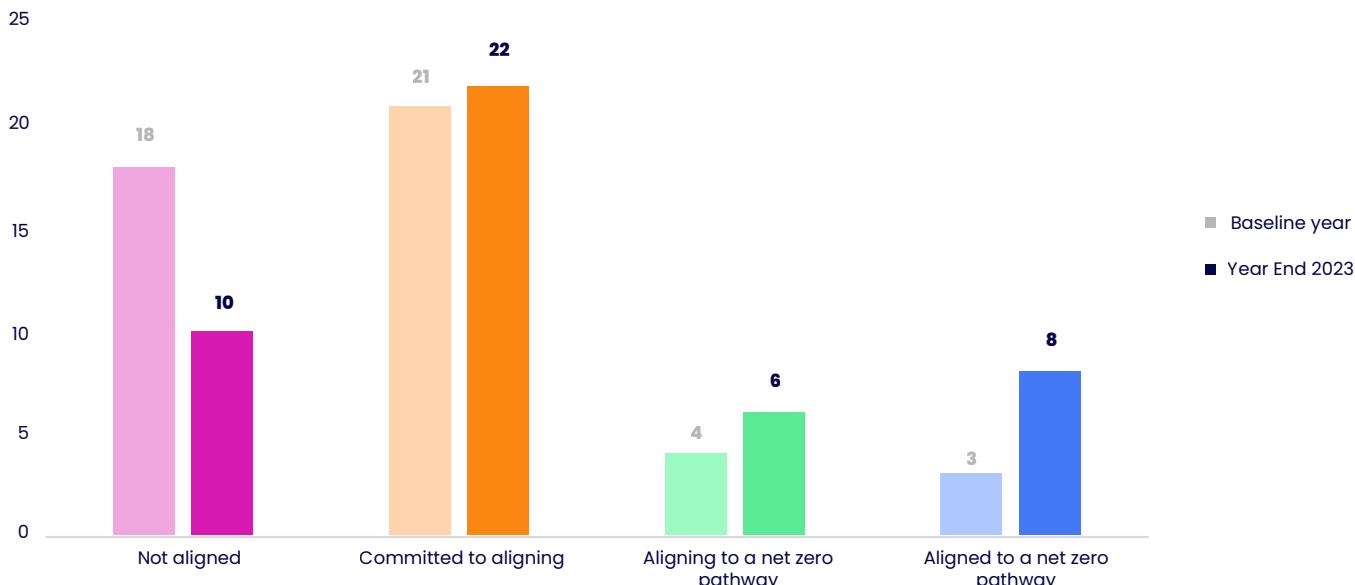
We have developed an internal net zero stewardship strategy, encouraging companies to undertake processes to decarbonise their businesses and progressively align with a net zero pathway through the implementation of appropriate strategies. We have identified those companies representing 70% and 90% of the emissions financed by the Portfolio in Scope (in the baseline year) to engage with by 2025 and 2030, respectively. Overall, 155 companies have been identified and we have set out a process to prioritise the dialogues. The factors considered include:

- GHG emissions** – Higher priority was given to portfolio companies representing the highest share of financed emissions
- Progress to date** – Higher priority was given to companies that have not yet defined a decarbonisation process with objectives and investment plans in line with ‘Net Zero’
- Jurisdiction** – Feasibility of implementing the engagement was acknowledged, including recognising the issuer’s country of residence
- Future GHG emissions** – Higher priority was given to companies that may increase their emissions levels in the future
- Addressing critical thematic issues** – Higher priority was given to those issuers that are involved in controversial activities (e.g. thermal coal or Oil &Gas extraction from oil sands).

Correlation between alignment and engagement

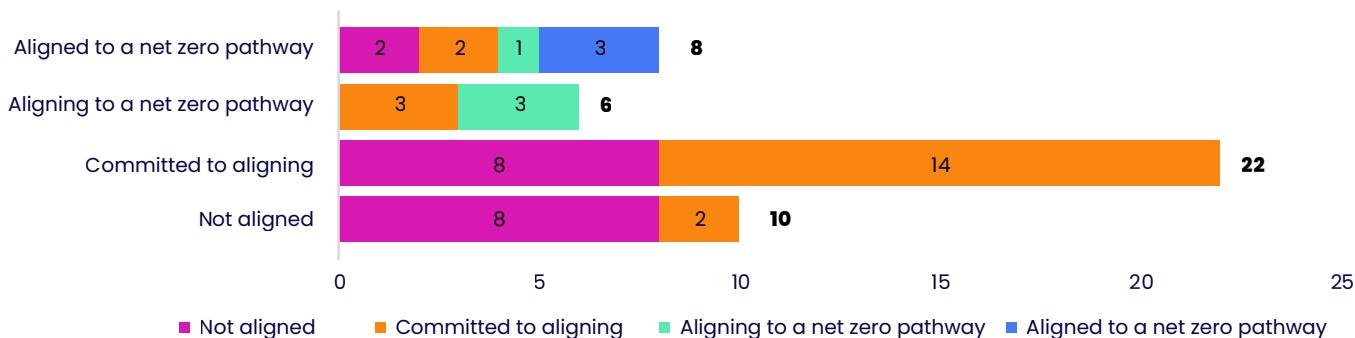
One year after beginning the net zero stewardship activities, we analysed how targeted issuers (46 companies) that have been already engaged and are included under Target 3) had progressed on their alignment pathway.

The graph below shows the targeted issuers alignment in the baseline year (2019) vs. the end of 2023:



Source: Eurizon elaboration

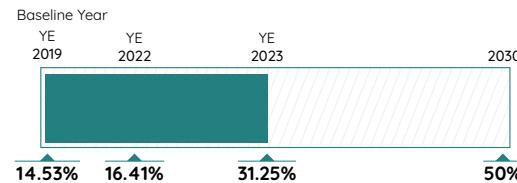
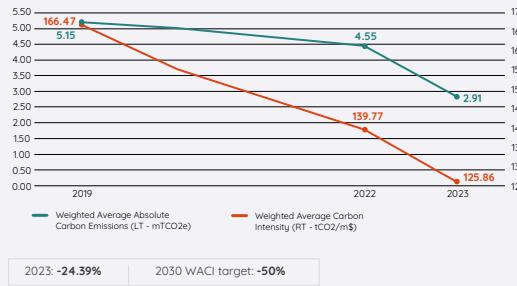
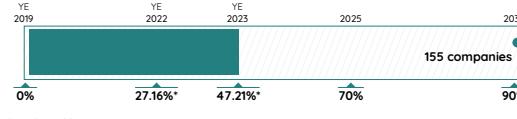
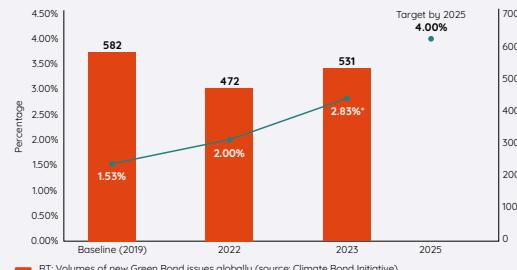
As shown in the following graph of December 2023, the issuers' distribution has changed. The colours of the bars indicate which category an asset belonged to in the baseline year, showing how many of the portfolio's assets have moved up NZIF's alignment maturity scale. For example, of the 18 issuers that were "Not aligned" at the end of the baseline year, 8 still belong to the same category while 8 have moved to the "Committed to aligning" and 2 to the "Aligned to a net zero pathway" category.



Source: Eurizon elaboration

Progress as of 31/12/2023

At the beginning of 2024, we published a '**Net Zero Progress Report**'¹ on a voluntary basis, showing the progress against its commitments at year-end 2023:

Target	2023 progress	Source: Eurizon elaboration.																		
Target 1 – Asset Level Alignment	<p>The % AUM of the Portfolio in Scope that is considered at least equal to "Aligning to a net zero pathway" increased from 14.53% at the baseline year to 31.25% in December 2023. To date, no company is assessed as "Achieving Net Zero".</p>  <table border="1"> <thead> <tr> <th>Year</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>YE 2019</td> <td>14.53%</td> </tr> <tr> <td>YE 2022</td> <td>16.41%</td> </tr> <tr> <td>YE 2023</td> <td>31.25%</td> </tr> <tr> <td>2030</td> <td>50%</td> </tr> </tbody> </table>	Year	Percentage	YE 2019	14.53%	YE 2022	16.41%	YE 2023	31.25%	2030	50%									
Year	Percentage																			
YE 2019	14.53%																			
YE 2022	16.41%																			
YE 2023	31.25%																			
2030	50%																			
Target 2 – Portfolio Reference Level	<p>As part of Target 2, we monitor the performance of the Portfolio in Scope's Weighted Average Carbon Intensity (WACI). The WACI of the Portfolio in Scope was 125.86 tCO2/m\$ in December 2023 compared to 166.47 tCO2/m\$ in 2019, recording a 24.39% reduction. We aim to reduce the WACI of its Portfolio in Scope by 50% by 2030 vs the baseline year.</p> <p>The graph below shows both the performance of the WACI compared to the Baseline Year (2019) as well as the trend of the absolute average emissions of the Portfolio in Scope, which decreased from 5.15 mtCO2e to 2.91 mtCO2e.²</p>  <table border="1"> <thead> <tr> <th>Year</th> <th>WAAE (mtCO2e)</th> <th>WACI (tCO2/m\$)</th> </tr> </thead> <tbody> <tr> <td>2019</td> <td>166.47</td> <td>5.15</td> </tr> <tr> <td>2022</td> <td>165.55</td> <td>139.77</td> </tr> <tr> <td>2023</td> <td>125.86</td> <td>2.91</td> </tr> </tbody> </table> <p>2023: -24.39% 2030 WACI target: -50%</p>	Year	WAAE (mtCO2e)	WACI (tCO2/m\$)	2019	166.47	5.15	2022	165.55	139.77	2023	125.86	2.91	Source: Eurizon elaboration.						
Year	WAAE (mtCO2e)	WACI (tCO2/m\$)																		
2019	166.47	5.15																		
2022	165.55	139.77																		
2023	125.86	2.91																		
Target 3 – Stewardship	<p>In the context of Target 3, since joining NZAM at the end of December 2023, we have engaged with issuers responsible for 47.21% of the finance emissions of the Portfolio in Scope through bilateral and collective engagement actions (46 issuers).</p>	<p>Number of companies contacted vs. the 2025 and 2030 objectives.</p>  <table border="1"> <thead> <tr> <th>Year</th> <th>Percentage</th> <th>Count</th> </tr> </thead> <tbody> <tr> <td>YE 2019</td> <td>0%</td> <td>0</td> </tr> <tr> <td>YE 2022</td> <td>27.16%*</td> <td>42</td> </tr> <tr> <td>YE 2023</td> <td>47.21%*</td> <td>72</td> </tr> <tr> <td>2025</td> <td>70%</td> <td>105</td> </tr> <tr> <td>2030</td> <td>90%</td> <td>155 companies</td> </tr> </tbody> </table> <p>Source: Eurizon elaboration.</p>	Year	Percentage	Count	YE 2019	0%	0	YE 2022	27.16%*	42	YE 2023	47.21%*	72	2025	70%	105	2030	90%	155 companies
Year	Percentage	Count																		
YE 2019	0%	0																		
YE 2022	27.16%*	42																		
YE 2023	47.21%*	72																		
2025	70%	105																		
2030	90%	155 companies																		
Target 4 – Climate Solutions	<p>At year-end 2023, investments in Green Bonds grew to 2.83% of the total AUM, although new issue volumes were below expectations globally.</p>	 <table border="1"> <thead> <tr> <th>Year</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Baseline (2019)</td> <td>1.53%</td> </tr> <tr> <td>2022</td> <td>2.00%</td> </tr> <tr> <td>2023</td> <td>2.83*</td> </tr> <tr> <td>2025</td> <td>4.00%</td> </tr> </tbody> </table> <p>Source: Eurizon elaboration.</p> <p>* As of December 2023, the figure considers the amounts invested in both Green Bonds and Sustainability Bonds.</p>	Year	Percentage	Baseline (2019)	1.53%	2022	2.00%	2023	2.83*	2025	4.00%								
Year	Percentage																			
Baseline (2019)	1.53%																			
2022	2.00%																			
2023	2.83*																			
2025	4.00%																			

¹ <https://www.eurizoncapital.com/-/media/Project/Eurizon/EurizonPortals/EurizonPortal/Files/Sustainability/ENG/Net-Zero-Progress-Report-2023-EN.pdf>

² WACI is an intensity-based metric calculated relative to an issuer's revenues in Euro; absolute emissions are expressed as tons of CO2e.

Challenges and lessons learned

Since we became a signatory of NZAM, we have experienced significant progress in the degree of alignment towards net zero of the issuers included in the Portfolio in Scope. However, there are several challenges for the financial industry.

Lessons learned

Changes require time even for the most “virtuous” companies, and the effects of decarbonisation or energy transition plans require medium- to long-term timeframes; this is due to both ordinary business management reasons (e.g., investments planning, project set up, etc.) as well as regulatory issues (e.g., speed of permits).

In this context, monitoring and ongoing engagement activities over time is essential to encourage the companies to align themselves with a net zero pathway.

Over the last year, it can be observed that more awareness is shown by companies (especially in Europe) on issues related to the energy transition. This is increasingly becoming integral to business strategies/levers and no longer a marginal or temporary project. Furthermore, companies have been more willing to provide data, to organise dedicated meetings, and to submit targets for validation, where possible.

Dialogues are based on building a long-lasting relationship with investee companies since changes will take time. Thus, our stewardship approach and related actions and expectations are focused on the medium- to long-term.

Challenges

- **Methodologies:** As of today, due to the lack of robust methodologies, specific asset classes/ products (such as sovereign debt, derivatives, and private markets) are excluded from the Portfolio in Scope and will be considered in the future, subject to the development of robust methodologies. Furthermore, institutional and retail mandates remain subject to clients' own instructions.
- **Data:** Data availability, as well as data quality and verification are essential in order to avoid (i) conflicting information between different data sources and (ii) data provision at “parent company level” only and not at “subsidiary” level.
- **Effort:** Finally, the high number of companies to contact has to be considered, as well as their different geographies; investors should develop an engagement approach that aims to maximise the impact they can have on the decarbonisation of their portfolios.

Disclaimer:

Nothing in this document should be intended neither as investment research or as a marketing communication, nor a recommendation or suggestion, express or implied, with respect to an investment strategy concerning the financial instruments managed or issued, nor a solicitation or offer, investment, legal, tax or other advice.

The opinions, forecasts or estimates contained herein are made with reference only to the date of preparation, and there can be no assurance that results or any future events will be consistent with the opinions, forecasts or estimates contained herein. The information provided and opinions contained are based on sources believed to be reliable and in good faith. However, no representation or warranty, express or implied, is made by Eurizon Capital SGR S.p.A. as to the accuracy, completeness or fairness of the information provided.

Any information contained in the present document may, after the date of its preparation, be subject to modification or updating.

Implementation of an attribution analysis for decarbonisation: Allianz

Background

As an active member of the UN-convened Net-Zero Asset Owner Alliance (the “Alliance”), Allianz contributed in 2023 to the Alliance’s working group on “Emissions Attribution Analysis”. Additionally, we, Allianz, a member of the IIGCC Board, recently presented our experiences of implementing an emissions attribution analysis at an IIGCC Net Zero Surgery in March 2024, “What is driving portfolio decarbonisation?”¹.

This case study, authored and provided by Allianz, delves into these experiences.

Why conduct emission attribution analysis

We recommend that all investors setting a decarbonisation target conduct an emissions attribution analysis. This enables an enhanced understanding of the drivers of decarbonisation within the investment portfolio, in turn allowing for active steering and informing dialogues with management, investment and asset managers, and investee companies. Finally, it provides transparency for public reporting.

The main drivers of investment portfolio decarbonisation include changes in allocation (such as new investments and divestments), changes in coverage, changes in the emissions of investee companies, or changes in the investee companies’ EVIC².

Methodology

In early 2023 there was limited guidance on how to perform emissions attribution. This prompted the Alliance to launch a working group to discuss various methodologies and options for emissions attribution modelling. The results have been published in the Alliance paper “Understanding the Drivers of Investment Portfolio Decarbonisation”³, while the appendix of the paper includes all formulas needed for various possible calculations considered in the group discussions.

In parallel, Allianz implemented those calculations for its proprietary corporate bond and listed equity portfolio (scope 1&2) using the simplified approach with sector averages. The results have been published in the Allianz Sustainability Report 2023⁴.

1 iigcc.org/_hcms/mem/login?redirect_url=https%3A%2F%2Fwww.iigcc.org%2Fmember-events%2Fwhat-is-driving-portfolio-decarbonisation-a-net-zero-surgery-mini-series

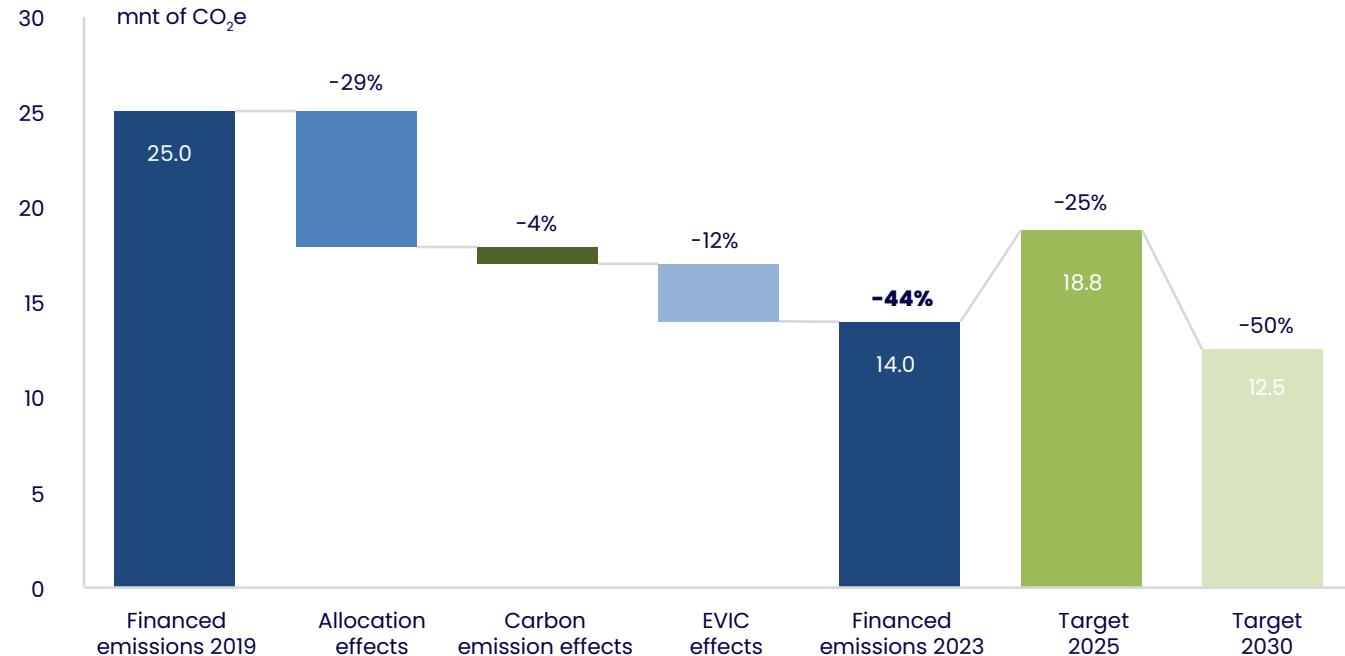
2 Enterprise Value including Cash

3 [Understanding the Drivers of Investment Portfolio Decarbonisation – United Nations Environment – Finance Initiative \(unepfi.org\)](https://www.unepfi.org/resources/report/understanding-the-drivers-of-investment-portfolio-decarbonisation)

4 [Sustainability Report 2023 Allianz Group, page 77](https://www.allianz.com/sustainability-report-2023)

Implementing emissions attribution analysis

Listed Corporates (equity and debt)



Allianz set an absolute decarbonisation target for its proprietary listed equities and corporate bond portfolio based on 2019 financed emissions data. The baseline was 25 million tons of e (scope 1&2), roughly one-third of the total proprietary investment portfolio. As of December 31, 2023, this sub-portfolio had decarbonised by 44% to 14.0 million tons of e, thereby meeting the 2025 target (18.8 million tons of e (scope 1&2)).

Most of the decarbonisation of 44% resulted from allocation effects (29%). The most favourable driver, decarbonization of investees, contributed only with 4%. The rest, EVIC change, which may have been driven by organic growth or by price effects, accounted for 12%. This reflects, as reported in many other publications, that the decarbonisation of the real-economy is not happening fast enough.

In September 2023, Allianz set a decarbonisation target of 50% emissions reduction by 2030, in line with a 1.5°C low-overshoot ambition level. This is equal to financed emissions of 12.5 million tons of e (scope 1&2) by 2030 for the proprietary listed equity and corporate bond investment portfolio.

Internally, Allianz now runs an analysis that drills down to sector, sub-sector, and single constituent level. Monitoring sector and sub-sector analysis is highly relevant to prevent unintended shifts in sector allocation. The sector analysis reports on carbon intensities at NACE sector levels and splits into inter-sectoral allocations (changes in sector weights) and intra-sectoral effects (changes in carbon intensities). Further down, re-allocations and emission changes within one sector can be analysed to the constituent level. Changes in carbon intensity are further analysed by splitting into the drivers of emissions, investments in green bonds and changes in EVIC.

Conclusion

The results of this analysis provide a deep understanding of drivers of emissions performance in very high granularity. It thereby informs our senior management and our investment managers for more efficient investment portfolio steering with respect to our climate targets.

Key challenges

While looking into the results and reviewing existing standards, such as "The Global GHG Accounting and Reporting Standard" by PCAF⁵ and the "Platform on Sustainable Finance's Recommendations on Data and Usability"⁶, several discussion topics were raised, including:

1. How to deal with large market value fluctuations, including FX effects?

Carbon accounting can be significantly impacted by price fluctuations, particularly emissions intensity⁷. The desire to neutralise price fluctuations in order to avoid diluting the measure of decarbonisation is understandable.

In theory it may be possible, but it can lead to new, and possibly major, issues. Adjustments lead to values that no longer match carbon accounting. They are not transparent and require equal price adjustments in both the investment (numerator) and EVIC (denominator). However, the sources are usually different, making it very likely that price adjustments won't align.

Furthermore, PCAF's and the EU PSF's guidance suggest adjusting EVIC only, distorting the ownership share. Comparisons to indices or peers would nearly become impossible. Therefore, Allianz tends to keep the original values and analyse and comment on the respective drivers.

Related to this discussion, the sensitivity of the metrics discussed above from price fluctuations is one reason why the NZAOA recommends setting sector decarbonization targets, in addition to financed emissions and/or carbon footprint target setting. The respective metric is production-based per sector and therefore not impacted by economic price effects.

2. Analysing one-year versus multi-year emissions attribution analysis

The emissions analysis is a single-period model which can be applied over multiple years. As management needs to be informed of year-on-year developments, a split into single years may be necessary. However, combining single-year analyses will not yield the same results as a single-period emissions analysis for the same period, because the allocation results and the weightings of the various drivers will differ.

So far, we have not found a perfect solution for linking single-year calculations to a multi-year analysis. Consequently, we tend to use the single-period calculation for multiple years and explain year-by-year changes in this analysis, adding a one-year analysis on top.

5 The Global GHG Accounting and Reporting Standard for the Financial Industry (carbonaccountingfinancials.com)

6 Platform on Sustainable Finance's recommendations on data and usability of the EU taxonomy (europa.eu)

7 For financed emissions, market price is reflected in the numerator and denominator. For carbon intensity, the price effect shows up again, in the denominator, the total investment portfolio.

Building an approach to attribution and rebaselining: National Grid UK Pension Scheme

Background

The National Grid UK Pension Scheme (NGUKPS) consists of two sections (Section A and Section B) with combined assets of c. £8.5bn. Both sections are well-funded and mature with a corresponding low risk asset allocation. It has published two Climate Disclosure Reports¹ and is currently working on its third.

In addition, the Trustee strongly believes in being part of the real-world net zero transition. This mindset forms part of its fiduciary duty to manage risk and ensure the best financial outcomes for members of the Scheme. To that end, the Trustee has made a net zero commitment via the Paris Aligned Asset Owners initiative.

The assets of the Scheme are all externally managed and the Scheme has appointed a Master Manager, Russell Investment, to oversee the external managers under the guidance of the Trustees in-house team, the Trustee Executive Limited (TEL).

This case study, authored and provided by NGUKPS, focusses on the work carried out in 2022 and 2023 on attribution in climate change-related metrics and the subsequent rebaselining of the targets to help preserve their integrity. Recalculating portfolio emissions in the baseline year adjusts the reference point for tracking progress and setting future carbon reduction targets.

Targets

The Trustee has set a number of climate change-related targets, including:

- Weighted Average Carbon Intensity (WACI): target a 50% reduction by 2030 versus a baseline of 30 June 2020
- Financed Emissions/ £m invested: target a 50% reduction by 2030 versus a baseline of 30 June 2020

Attribution

After setting the targets and initially refining the quarterly ESG reporting cycle to assess the progression of the various metrics the Trustee monitors, the attention in 2022 turned to better understanding the evolution of the reported metrics from one quarter to the next. With a view to ascertain if the changes were driven by real-world carbon emissions reductions, TEL worked with Russell Investments to develop a way of attributing changes in climate change related metrics. Real world emissions reductions refer to the tangible decrease in greenhouse gas emissions achieved through implemented actions and measures, i.e. if the underlying assets of the portfolio are decarbonising their operations as opposed to divesting the portfolio of high emitting assets.

Underpinning the development of this work was a strong belief that having an approach that acknowledges any shortcomings is much preferred to having no approach. As such, the initial aim was to get an attribution analysis up and running with a view to develop the analysis over time.

The work focused on an attribution between "asset allocation" (allocation impact) and "stock selection" (metric impact)" compared to the 2020 baseline:

- **The allocation impact** provides a way to understand how asset allocation changes between portfolios through time has affected the metrics and delivery versus targets.
- **The metric impact** captures all other factors, including real world carbon reduction, but also other factors such as Enterprise Value Including Cash (EVIC) and revenue evolution, trading within the portfolios, and data/ coverage changes.

¹ [NGUKPS-Climate-Disclosure-Report-2022-23-Final.pdf](https://nationalgrid.com/NGUKPS-Climate-Disclosure-Report-2022-23-Final.pdf)

Exhibit 1: Example of WACI attribution results



As Exhibit 1 shows, for Section A and Section B, the majority of the reductions seen in WACI were a result of allocation impact, which made up c. 60% for both sections. Meanwhile, the metric impact made up c. 20% of the reduction in WACI.

Since the initial version of the model, a residual component has been added to capture data and coverage changes. We acknowledge that this approach does not generate a pure real-world carbon reduction assessment, but is a good starting point to understand the drivers of carbon reductions/increases.

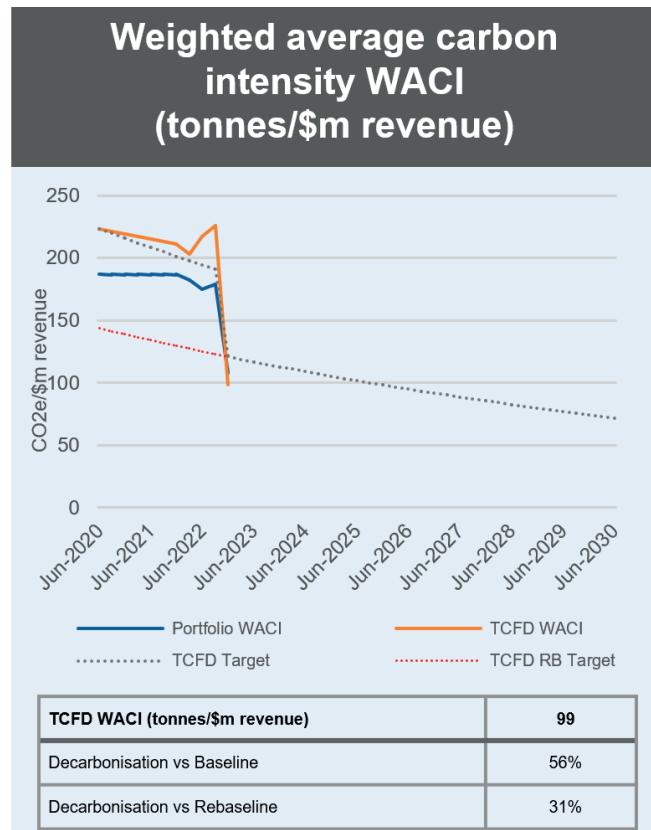
Adjusting the baseline

During 2022, the target of a 50% reduction in WACI was close to or had been reached for both sections. The attribution, however, showed that a large part of this reduction came from the asset allocation change and did not represent a real-world carbon emissions reduction, as shown in Exhibit 1 and described above. As such, we felt the need to rebaseline to help preserve the integrity of the targets that had been set, and to ensure that the targets remain relevant to the current asset allocation.

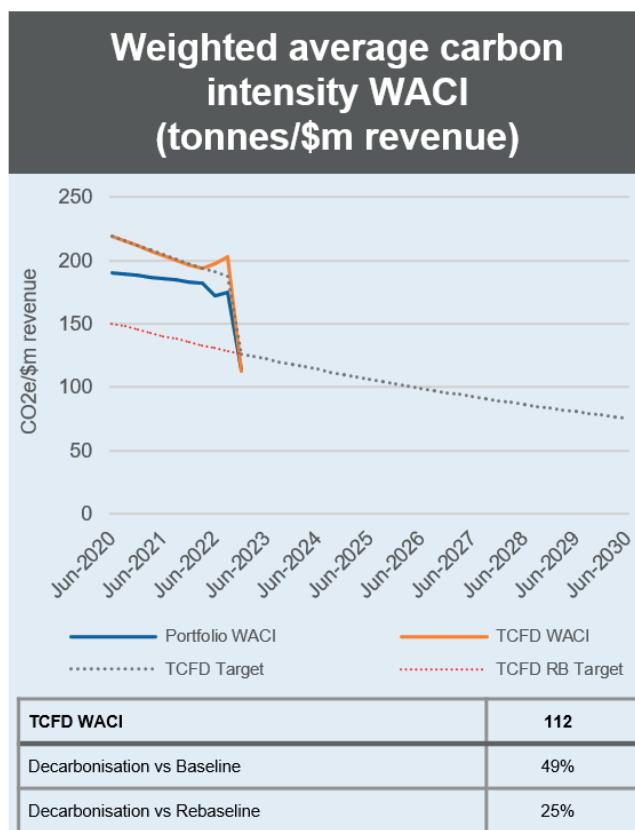
Rebasing targets preserves their integrity by ensuring that they reflect accurate and current data for more effective tracking and accountability.

The approach to the rebaselining exercise was pragmatic: what would the baseline metric be if the portfolios that were later sold, were not included at the baseline date? This is easier shown graphically, as depicted in Exhibit 2, which shows a new red dotted line tracing back from the December 2022 asset allocation to the baseline period.

Exhibit 2: WACI progression over time against the baseline and adjusted baseline, Section A to the left and Section B to the right



The table beneath each graph shows the impact, i.e. the WACI reduction was around 50% prior to rebaselining and around 25-30% post-rebaselining, which we believe is much more representative of progress made. The rebaselining was also applied to the Financed Emissions target, which had a less pronounced impact when compared with the WACI target.



Future developments

As outlined above, we placed value on getting an attribution model up and running, acknowledging any shortcomings and then working on these. We acknowledge that this approach does not generate a pure real-world carbon reduction assessment, but is a good starting point to understand the drivers of carbon reductions/ increases.

As such, current developments are focused on better disentangling and attributing data/ coverage changes, separating out the trading effect within portfolios and tackling areas like EVIC/ revenue changes. Ultimately, we see the attribution playing an integral part in demonstrating that real-world progress is being made and provides a way to focus engagement with managers where this is not the case.

Developing internal guidelines for rebaselining: Phoenix Group

This case study, authored and provided by Phoenix Group, outlines the organisation's approach to rebaselining.

Background

Phoenix Group is the UK's largest long-term savings and retirement business, with c.12m customers and c.£283bn of total assets under administration as at year-end 2023. We offer a broad range of savings and retirement income products to support people across all stages of the savings life cycle through our family of brands; Standard Life, SunLife, Phoenix Life, and ReAssure.

We are on a journey from being a closed-book life consolidator to a purpose-led retirement savings and income business. The business is evolving such that future growth is not solely dependent on significant merger and acquisition (M&A) activity, but also through actively writing new business. This dynamic means that the profile of our business evolves each year, with some business in run-off, new business being written, and possible M&A activity.

This context helps to ground our thinking with respect to rebaselining, which refers to the recalculation of the carbon footprint baseline of our portfolio. Our carbon footprint baseline year is 2019, as recommended by the Net Zero Investment Framework. It is also the reference point from which our decarbonisation targets are set. Our primary concern with respect to rebaselining is therefore whether we need to retrospectively change the starting point of our decarbonisation trajectory due to a material change in our asset portfolio. Whilst we don't necessarily use rebaselining as a way to identify the value added by portfolio managers, we have developed our approach to attribution analysis to understand and disaggregate drivers of change in the carbon profile of our portfolio (in parallel to our recent thinking on rebaselining).

Our approach

In 2023 we developed our internal rebaselining guidelines¹. The guidelines provide us with a starting point from which to shape our thinking with respect to rebaselining, and our expectation is that these guidelines will evolve over time as industry best practice develops. Our general approach is to determine possible factors that could drive a rebaseline, and isolate the impact that these factors would have on the economic emissions intensity profile of our investment portfolio. We think economic emissions intensity is an appropriate reflection of the carbon profile of our portfolio, and is the metric on which our decarbonisation targets are set.

In our guidelines we define two possible trigger points:

- If the economic emissions intensity changes by >5%, we define this as a "soft trigger" and table this at a relevant internal governance forum for discussion
- If the economic emissions intensity changes by >10%, we define this as a "hard trigger" and we will conduct a rebaseline

We set out the following examples of possible factors that could drive a rebaseline in our internal guidelines (noting that this is not necessarily an exhaustive list):

- Changes in our asset values due to business acquisition or disposal (e.g. merger and acquisition activity)
- Material changes in our carbon footprint methodology (e.g. to align to emerging guidance from PCAF)
- Changes in data vendors and/or their datasets which drive corrections in prior years, or changes in methodology
- A restatement of financials in our annual report and accounts which has a material impact on our asset portfolio

Implementing our guidelines

In 2023 we acquired Sun Life Financial of Canada UK Limited (SLOC UK) and, as a result, we were able to test out our rebaselining guidelines. To determine whether our rebaseline trigger points would be breached as a result of this business acquisition, we calculated the carbon emissions intensity of our Group investment portfolio including and excluding SLOC as at Q3 2023, as a proxy for understanding how different the SLOC portfolio is from the Group portfolio from an emissions intensity perspective.

Applying appropriate asset growth rate assumptions enabled us to reverse engineer an indicative year-end 2019 position, and our analysis showed that the intensity profile of SLOC UK was very similar to our overall Group portfolio. Neither the soft or hard triggers were breached, and so we chose not to rebaseline as a result of this acquisition.

Moving forward

We will continue to consider the appropriateness of our rebaselining trigger points (and the likely factors that could drive a rebaseline), and base our approach on emerging best practice and industry developments in this space.

Identifying emission reductions in the real economy: PIMCO

PIMCO is a global leader in active fixed income with deep expertise across public and private markets. PIMCO manages \$1.89 trillion in assets, including \$1.51 trillion in third-party client assets as of 31 March 2024. This case study, authored and provided by PIMCO, outlines the organisation's approach to decarbonisation attribution analysis.

Objective

Many investors have committed to decarbonising their portfolios and fostering the transition to a low-carbon economy aligned with Paris Agreement targets. PIMCO seeks to support investors who have elected to follow a path towards lower emissions by offering access to our rigorous research and portfolio analytics. Our four-pillar Net Zero Framework provides a realistic approach to decarbonising portfolios over time, while engaging with climate leaders and investing in climate solutions optimally positioned to contribute to real-economy emissions reductions.

PIMCO's framework addresses one overarching challenge in this area: the lack of data or standards to quantify the extent to which portfolio decarbonisation is linked to actual emission reductions in the real economy.¹

Overview of the methodology

Portfolio attribution is a familiar concept in the context of performance, offering an analytical breakdown of how relative allocations and returns of specific sectors or investments contribute to (or detract from) overall portfolio returns. Along these lines and building on PIMCO's expertise in fixed income, our portfolio carbon attribution tool measures and reports the contribution of different factors to the overall emissions attributed to a bond portfolio, and relative to its benchmark, over time:

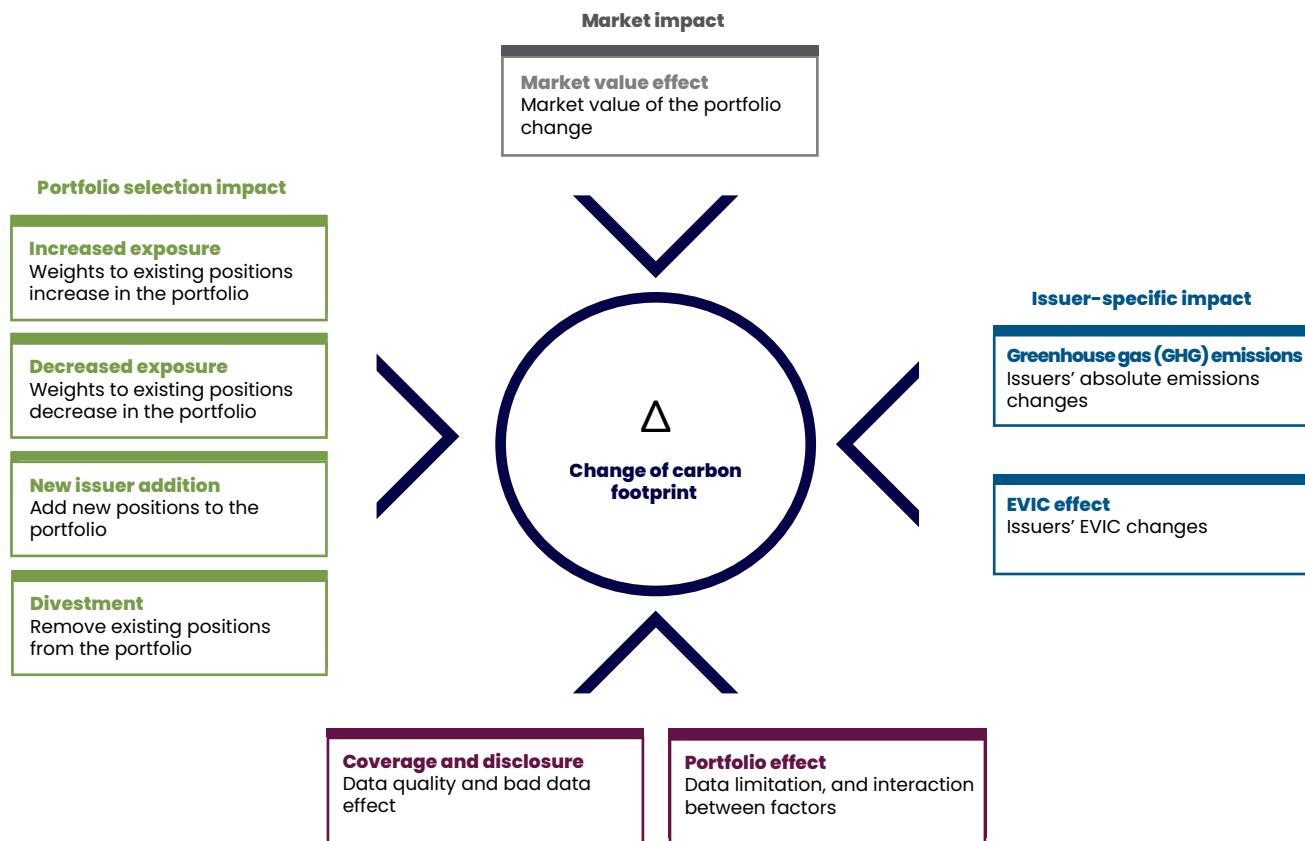
- The universe of issuers in scope (e.g., new issuers, divestment)
- Data coverage (e.g., changes in an issuer's disclosure)
- Financial variables used in carbon metrics calculation, at the issuer level (e.g., sales, enterprise value) or the portfolio level (e.g., market values, sector weights)
- Carbon emissions reported by issuers or estimated by third parties

¹ The real economy refers to all real or nonfinancial elements of an economy (source: Corporate Finance Institute, GFANZ). Emissions reductions in the real economy may therefore occur in all nonfinancial sectors and be driven by various measures, such as energy savings, or a shift from high- to low-carbon energy sources.

Hypothetical case study illustrating portfolio carbon attribution

PIMCO's ESG tool can support carbon attribution analysis under various carbon metrics, and the carbon attribution factors would differ accordingly. Taking carbon footprint as an example, we consider nine effects as the attributions to carbon footprint change over time.

Figure 1: Attributing carbon footprint change in a portfolio



For Illustrative Purposes Only

Source: PIMCO

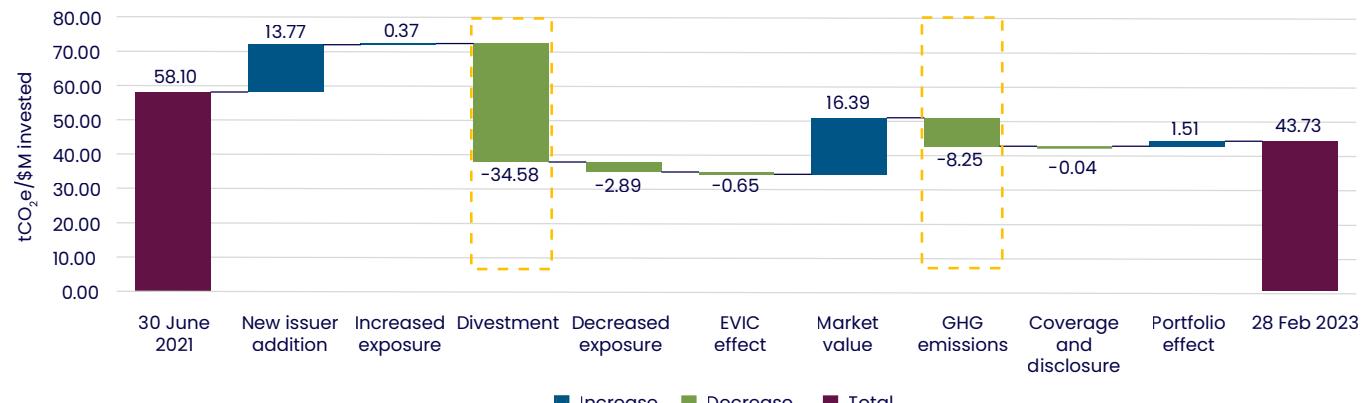
In a hypothetical case study (see Figure 2), first, when looking at the aggregate changes in the carbon footprint for the sample portfolio from June 2021 to February 2023, the divestment effect was the main driver of the carbon footprint reduction, with a “negative” contribution to the portfolio emissions amounting to a 59.5% decrease from June 2021. The contribution of emissions reductions from the portfolio holdings is approximately a 14.2% decrease from June 2021.

Second, the tool can dive into each factor, at the sector and then the individual issuer level, to see the largest contributors to total carbon footprint change and each attribution.

Third, at each timestamp, the carbon footprint difference between the portfolio and the benchmark can be attributed to the allocation effect and the selection effect:

- **Allocation effect** refers to the carbon footprint the portfolio manager subtracts or adds by having different sector weights in the portfolio than the sector weights in the benchmark.
- **Selection effect** refers to the carbon footprint the portfolio manager subtracts or adds by holding individual securities or instruments within the sector on top of the weight contributed from the allocation decisions.

Figure 2: Hypothetical portfolio carbon footprint change through time attribution (June 2021 – Feb. 2023)



Source: MSCI, PIMCO as of 28 February 2023.²

² **Hypothetical example for illustrative purposes only.** Absolute corporate carbon emissions attributed to the portfolio divided by the market value, expressed as tCO₂e / \$M invested (corporate issuers only, Scope 1 and Scope 2). The effect is based on the total differential to calculate the effect brought about by each variable. The analysis above is presented for illustrative purposes only, as a general example of PIMCO's ESG research capability and/or engagement capability and is not intended to represent any specific portfolio's performance or how a portfolio will be invested or allocated at any particular time. PIMCO's ESG processes may yield different results than other investment managers and ESG factors may change over time. **Past performance does not predict future returns.**

How the results may be used

We see many use cases for the portfolio carbon attribution tool to help investors and portfolio managers look through the noise in portfolio decarbonisation:

- **Identify decarbonising assets** – Identify the changes in a portfolio's carbon emissions driven by issuers effectively reducing absolute emissions. As first step this involves assessing whether this is estimated or reported data, and for reported data disentangling changes associated with carbon emissions from changes driven by all other parameters, including the share that has been engaged on emissions reduction. Additional considerations may apply to estimated data, such as engagement with vendors regarding estimation methods.
- **Understand impact of active management decisions** – Understand to what extent the changes in the portfolio's carbon emissions have been driven by active portfolio management decisions, including divesting climate laggards (issuers with weak decarbonisation commitments and plans) and investing in climate leaders (issuers with strong decarbonisation commitments and plans), versus broader market trends or factors not directly related to emissions, such as bond maturities. (We also note the spectrum of issuers between "laggards" and "leaders," and that investment decisions can reflect nuances among issuer decarbonisation approaches.)
- **Evaluate need for rebaselining** – Evaluate whether it is appropriate to change the baseline of a portfolio emission reduction target, for example as a result of a significant change in the universe of issuers with data.

The portfolio attribution tool is only the first step to assess whether there are carbon emissions changes in the real economy that are linked to a portfolio. As a second step, our evaluation and engagement with corporate issuers can help make a similar distinction between carbon emissions changes and other parameters. For example, changes in the reporting scope due to acquisitions, divestments, and mergers, or real-economy reductions based on targeted measures (e.g., efficiency improvements, material or fuel substitution) or other factors (e.g., closure, production level).

The ultimate objective is to enhance the investment decision-making process, notably when seeking to make an impact on real-economy emissions reductions based on active portfolio decisions.



Local Pensions Partnership Investments

Implementing alignment and engagement strategies across multiple asset classes: Local Pensions Partnership Investments

Background

Local Pensions Partnership Investments (LPPI) is a UK asset manager for Local Government Pension Scheme (LGPS) funds with £25 billion of assets under management across seven major asset classes. LPPI signed up to the Net Zero Asset Managers initiative in 2021 and has since set targets on an asset class basis to better integrate and reflect the nuances of each strategy into the target setting process. LPPI believes net zero is a commitment to stewardship and has focussed efforts on setting alignment and engagement targets as a priority, while ensuring decarbonisation targets can reflect engagement efforts where possible. You can find more information [here](#).

This case study, authored and provided by LPPI, outlines LPPI's alignment approaches, targets and engagement strategies across multiple asset classes: real estate, listed equities, corporate fixed income and multi-asset credit.

Real estate

Alignment approach

For direct real estate assets, LPPI's alignment framework is based on the supplementary guidance on target setting for the Net Zero Investment Framework and asset data modelled using the EU Carbon Risk Real Estate Monitor (CRREM). The alignment definitions and example CRREM outputs are as follows:

Alignment definitions:

Net zero: An asset which is already achieving the energy and emissions intensity required by the CRREM 1.5C pathway at 2050

Aligned: An asset which is on track with the current energy use and emissions intensity levels that are consistent with achieving net zero and is expected to remain consistent with the CRREM 1.5C pathway based on projected performance including planned retrofits

Aligning: An asset with a target to achieve consistency with the CRREM 1.5C pathway and evidence of a strategy to achieve this

Not aligned: All other assets

Figure 1: Aligned/Net zero: The emissions of the asset in 2022 are under the CRREM target pathway. The asset (including retrofits) has a plan to reach net zero by 2050. This means it is Aligned in 2022. It will be net zero by 2034. Source: LPPI, CRREM

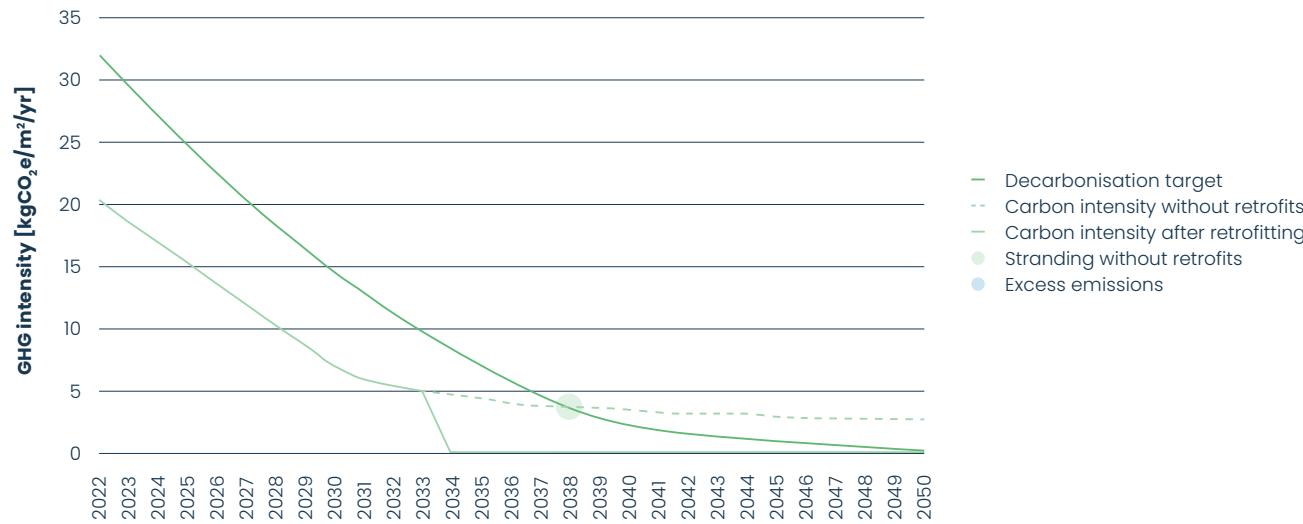


Figure 2: Aligning/Net zero: The emissions of the asset in 2022 are above the CRREM target pathway. The asset (including retrofits) has a plan to reach net zero by 2050. It will be net zero by 2033. Source: LPPI, CRREM

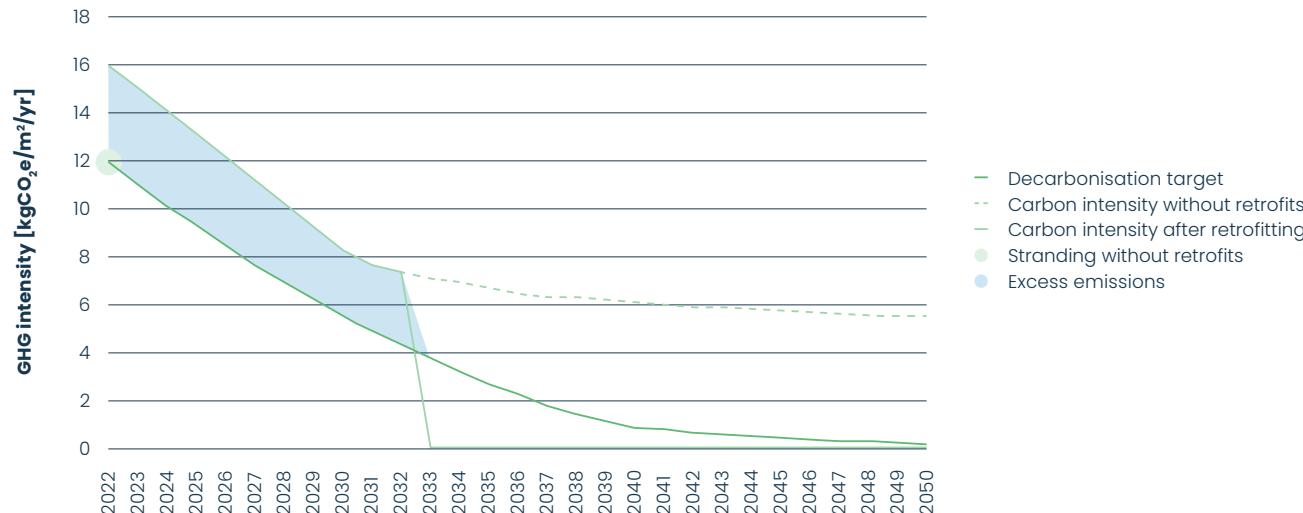
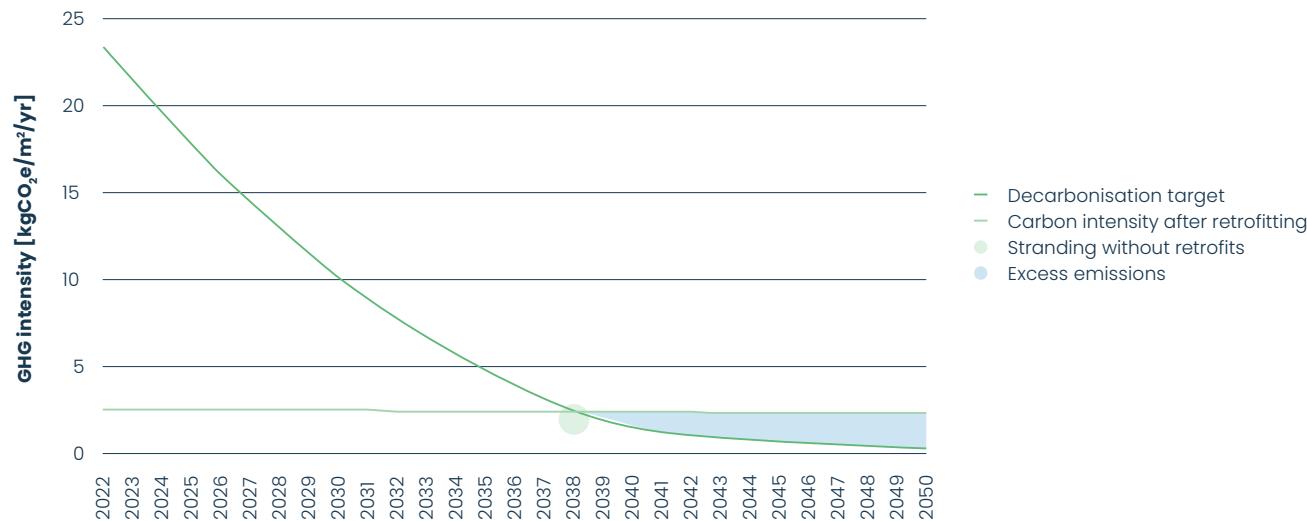


Figure 3: Not aligned: The emissions of the asset in 2022 are under the CRREM target pathway, but the asset has no plan to reach net zero by 2050. Source: LPPI, CRREM



Target setting

The LPPI Real Estate Fund IPV is considered two thirds directly invested via a delegated asset manager who recommends and manages existing assets for a diversified portfolio of UK real estate. LPPI set targets for the direct portfolio first due to greater data coverage, degree of leverage and asset level reporting compared to the externally managed funds.

LPPI has set two coverage (alignment) targets:

- At least 90% of the direct portfolio will be assessed as net zero, aligned or aligning with a net zero pathway by 2025
- The overall ambition is for 100% of assets in the direct portfolio to be assessed as net zero or aligned to a net zero pathway by 2040.

In 2022, LPPI's delegated asset manager launched a tenant engagement survey and completed a smart metre installation exercise which enabled Scope 3 emissions to be reported for the first time. Supported by green clauses in lease agreements, data coverage reached 95% reported and 5% proxied across Scope 1, 2 and 3. Over 2022/23, a transition strategy for each asset was modelled and agreed with LPPI's delegated asset manager based on retrofits occurring on current assets at lease expiry to reach an EPC¹ target of 'A'. EPC 'plus' reports were utilised to assess retrofit requirements and costs for a selection of assets with proximal stranding risk. Immediate capex costs have been built into the business plan and will be progressively assessed across the remainder of the portfolio over time.

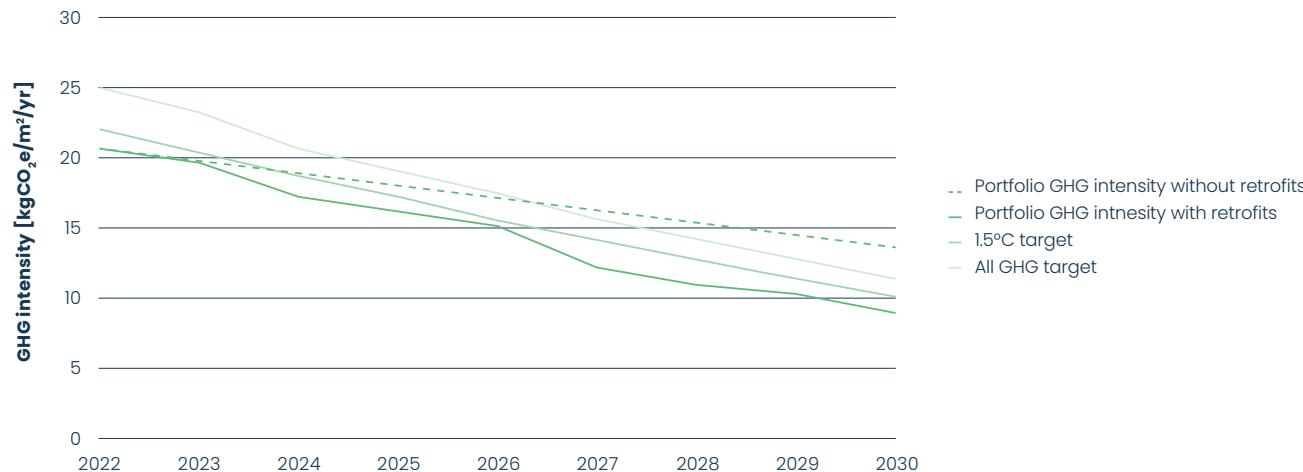
Alignment baseline (2022):

- Net zero: 0%
- Aligned: 51%
- Aligning: 45%
- Not aligned: 4%

The resulting decarbonisation plan was used to set LPPI's 2030 decarbonisation target based on CRREM modelling as depicted below. The 1.5°C pathway for the fund requires a reduction in GHG intensity of 48% between 2022 and 2030. The LPPI Real Estate Fund plans to achieve 50% by December 2029.

1 Energy Performance Certificate (EPC): Indicates energy efficiency of a building with assessments branded from A to G, where A (or A+ for non-domestic properties) represents the most efficient in terms of likely fuel costs and carbon dioxide emissions

Figure 4: Real Estate decarbonisation pathway



Source: LPPI, CRREM

Engagement strategy

LPPI assesses any asset within its delegate manager's portfolio as under engagement, hence it chose IIGCC's higher engagement threshold as its target (90% of financed emissions to be net zero, aligned or under engagement, achieved by 2024). LPPI has been engaging with its delegate manager for a number of years to develop their overall ESG capabilities, and specifically their climate change awareness and related activity. For example, a carbon footprinting exercise and a tenant engagement survey were key priorities in 2021/2022. They have since developed their own net zero strategy including short-, medium- and long-term targets which was integral to the net zero analysis used for LPPI's target setting. LPPI will continue to engage with them to implement its respective net zero strategy.

Ongoing due diligence of new direct assets include:

- The expectation of a net zero readiness assessment carried out by its delegate manager, covering building certifications and energy mix
- A transition plan for the asset to be established within a year
- Minimum standards for refurbishments (BREEAM² 'Very Good') and for new developments (BREEAM 'Very Good' or where viable 'Excellent').

Engagement baseline (2022):

- Net Zero: 0%
- Aligned: 30.5%
- Under engagement: 69.2%
- Not committed: Remaining 0.3%
- Total: 99.7%

2 Building Research Establishment Environmental Assessment Method (BREEAM): A sustainability assessment method used to evaluate the environmental performance of buildings during design, construction, and operation.

Listed equities

Alignment approach

The LPPI Global Equities Fund also has several mandates managed externally and internally, representing nearly 50% of LPPI's total assets under management. LPPI created its own LPPI alignment framework based on the IIGCC alignment criteria as set out below:

Target setting

LPPI has improved its methodology over time based on data availability and the development of 1.5C aligned methodologies. Analysis now uses data from MSCI, augmented using Net Zero Tracker, Climate Action 100+/TPI and the Scope 3 materiality framework from CDP. To set the alignment target, LPPI followed the linear pathway method proposed by the IIGCC from its baseline amount of 14% (2021) to set the following targets:

- 32% of assets under management in material sectors will be assessed as net zero, aligned or aligning with a net zero pathway by 2025
- 55% of assets under management in material sectors will be assessed as net zero, aligned or aligning with a net zero pathway by 2030
- The overall ambition is for 100% of assets under management to be assessed as net zero or aligned to a net zero pathway by 2040.

Alignment category	Criteria for assessment
Committed	Ambition: A long term net zero goal
Aligning (material but not high impact)	<p>Meet committed +</p> <p>Targets: Short- and medium-term emissions reduction target (Scope 1, 2 and material Scope 3)</p> <p>Disclosure: Disclosure of scope 1, 2 and material scope 3 emissions</p>
Aligning (high impact ³)	<p>Meet committed +</p> <p>Targets: Short- and medium-term emissions reduction target (Scope 1, 2 and material Scope 3)</p> <p>Disclosure: Disclosure of Scope 1, 2 and material Scope 3 emissions.</p> <p>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</p>
Aligned (material but not high impact)	<p>Meet aligning +</p> <p>Emissions performance: Current emissions intensity performance (Scope 1, 2 and material Scope 3) relative to targets</p>
Aligned (high impact)	<p>Meet aligning +</p> <p>Emissions performance: Current emissions intensity performance (Scope 1, 2 and material Scope 3) relative to targets</p> <p>Capital allocation alignment: Clear demonstration that the capital expenditures of the company are consistent with achieving net zero emissions by 2050</p>
Net zero	<p>Achieving the emissions intensity required by the sector and regional pathway for 2050</p> <p>Ongoing investment plan or business model will maintain net zero performance</p>

³ Material: NACE codes A-H and J-L. High impact: Company focus lists of Climate Action 100+ and TPI, plus banks, real estate, agriculture, forestry, and fishing

Engagement strategy

LPPIs listed equities are engaged through a number of avenues, including:

- External engagement partner, Robeco
- Collaborative initiatives, for example the Net Zero Engagement Initiative and Climate Action 100+
- An internal investment team
- External managers on LPPI's behalf
- Through voting its shares for both sections of the fund in house

LPPI has an engagement threshold of 70% of financed emissions to be net zero, aligned or under engagement (achieved by 2022) and has developed an in-house priority matrix which identifies the companies most material to engage. Where the company is not already engaged with externally, these become priority companies for LPPI's internal portfolio and for external managers to engage with directly on its behalf. The alignment criteria form the basis of engagement expectations for LPPI's managers, internal portfolio and shareholder voting. The LPPI voting policy includes minimum thresholds which can trigger an escalation with a company and a vote against relevant parties at their AGM – more details can be found [here](#).

Corporate fixed income

Alignment approach

LPPI's corporate bonds exposure is split between two funds, the LPPI Fixed Income Fund and the LPPI Credit Fund, which are both 100% externally managed. LPPI's strategy for alignment has been led significantly by its managers' capabilities in this area with regards to reporting and target setting.

Within the LPPI Fixed Income Fund, the managers have a net zero strategy at firm level developed in accordance with the Net Zero Asset Managers initiative and SBTi alignment criteria which includes a significant focus on engagement and alignment monitoring at fund level. LPPI chose to adopt its managers' alignment frameworks and worked closely with them to translate these into the IIGCC categories of net zero, aligned, aligning and not committed.

Alignment Baseline (2022):

- Net zero: 0%
- Aligned: 2.4%
- Aligning: 43.3%
- Not committed/aligned or no data: 55.3%

Target Setting

LPPI has set two coverage (alignment) targets:

- To increase the portion of assets under management in material sectors that are net zero, aligned or aligning by 2025
- The overall ambition is for 100% of assets under management to be assessed as net zero or aligned to a net zero pathway by 2040.

In setting the short-term alignment target, no specific quantum of percentage increase was used. The straight-line methodology used for listed equities was not appropriate as the variability of the portfolio means the Fund's trajectory to the target is unlikely to follow a linear pathway and the investment team did not want to create incentives for LPPI's managers to exclude based on alignment to meet a specific target at this time. LPPI plan to review its target and reassess the framing over time based on progress and experiences from implementation.

Engagement strategy

LPPI has an engagement threshold of 70% of financed emissions to be net zero, aligned or under engagement (achieved by 2025). The approach taken by LPPI's managers is to engage with companies in material sectors which contribute the most to the benchmark's Weighted Average Carbon Intensity. This results in a small list of priority companies as emissions are highly concentrated. As the fund follows a benchmark driven approach, this approach makes the engagement strategy more robust to changes in the portfolio as carbon-intensive companies will be covered whether their corporate bonds are in current holdings or not. Engagement is linked to alignment predominantly through the pursuit of holdings setting SBTi targets which would increase the proportion considered 'aligning'. LPPI sourced emissions data in-house from MSCI to establish the decarbonisation target.

Engagement baseline (2022):

- Net zero: 0%
- Aligned: 0%
- Under engagement: 43%
- Other (not net zero, aligned or under engagement): 57%

Multi-asset credit

The LPPI Credit Fund holds diversified exposure to multiple security types across both public and private markets, including the largest portion of LPPI's corporate bonds exposure. Emissions and alignment data are not readily reported and the net zero capabilities of managers are less consistent. At this stage, LPPI has taken a pragmatic approach to establish an engagement strategy which prioritises the most material exposures in the portfolio and targets improvements in reporting as a first step.

For managers with >75% of their portfolios in corporate fixed income (or otherwise determined to be material and in scope) managers are expected to report detailed holdings information with GHG emissions at the portfolio level and to engage with the highest emitters in their portfolios and provide reporting on this to LPPI. Due to the concentration of emissions in a few holdings, over time this is expected to mean engagement with the top 10 emitters and/or contributors in the portfolio based on contribution to financed emissions, but requirements will be determined according to context. LPPI will continue to develop its approach to target setting in this asset class over time.

This document has been prepared to inform the intended recipient of information regarding Local Pensions Partnership Ltd (LPP) and/or its subsidiary, Local Pensions Partnership Investments Ltd (LPPI, LPP and LPPI together the LPP Group) only, subject to the following disclaimer: LPPI is authorised and regulated by the Financial Conduct Authority.

This document does not provide advice on legal, taxation or investment matters and should not be relied upon for any such purpose including (but not limited to) investment decisions.

No person or entity may rely on or make decisions based on the content of this document whether they receive it with or without consent and this disclaimer is repeated fully in respect of any third party recipient.

This information may contain 'forward-looking statements' with respect to certain plans and current goals and expectations relating to LPP Group's future financial condition, performance results, strategic initiatives and objectives. By their nature, all forward-looking statements are inherently predictive and speculative and involve known and unknown risk and uncertainty because they relate to future events and circumstances which are beyond LPP Group's control. Any projections or opinions expressed are current only as of the date of the document.

This document and its content is provided 'as is' without any representation or warranty (express or implied) and no member of the LPP Group or any of their respective directors, officers and employees shall be held liable howsoever to any person or entity as to the appropriateness, accuracy or completeness of the information provided.

This document is proprietary and confidential and should not be shared with anyone other than the intended recipient(s) without the prior written consent of a member of the LPP Group.

Copyright: Local Pensions Partnership 2024

Setting asset level targets using the Net Zero Investment Framework: Comgest

Background

This case study, authored and provided by Comgest, details the organisation's approach to asset level targets.

Comgest is an equity-focused asset manager with a quality growth investment philosophy that has guided our portfolios consistently for the past three decades. As long-term investors, understanding our investee companies' climate profiles is a key element of our investment process. It strengthens our research and informs our engagement on material climate issues which, in turn, helps us deliver durable earnings to our clients.

In 2022, we became signatories to the Net Zero Asset Managers (NZAM) initiative and in 2023, set our initial climate targets across 100% of our listed equity assets under management (AUM). Our ESG team worked closely with our investment team when establishing these targets, agreeing that they would help us navigate climate-related risks and opportunities, respond to current and upcoming regulations, and satisfy client requirements.

Implementing the Net Zero Investment Framework

When it came to selecting a target setting methodology, it was important for us to match high standards for quality with flexibility and pragmatism. We recognise that the climate challenge ahead is immense and we need to pull multiple levers to contribute to real-economy decarbonisation, including supporting the scale of climate solutions. The 'dashboard' approach provided by the Net Zero Investment Framework (NZIF), focusing on several targets instead of one, was the key element that pushed us to select it.

At this stage, Comgest has set two climate targets using the NZIF guidelines: an **engagement threshold** and a **portfolio coverage target** (asset alignment target). We see these targets as complementary: assessing companies' alignment allows us to identify engagement priorities and asks, and engaging with companies allows us to better monitor climate alignment progress and contribute to improving companies' climate profiles.

Comgest's climate targets and roadmap

ENGAGEMENT THRESHOLD	Baseline	43% of financed emissions were subject to individual or collaborative engagement.	NZAM accepted threshold	70% of financed emissions are subject to individual or collaborative engagement (if not already assessed as achieving net zero or aligned).	Ambition
			2025		As per NZIF, 90% of financed emissions are subject to individual or collaborative engagement (if not already assessed as achieving net zero or aligned).
PORTFOLIO COVERAGE TARGET	2022	2023	2027	2030	2040
Baseline	35% of our listed-equity AUM is considered: - Achieving net zero - Aligned - Aligning	48% of our listed-equity AUM is considered: - Achieving net zero - Aligned - Aligning	NZAM accepted target	50% of our listed-equity AUM is considered: - Achieving net zero - Aligned - Aligning	NZAM accepted target
					Ambition
					As per NZIF, 100% of our listed-equity AUM is considered: - Achieving net zero - Aligned

Source: Comgest, 31 December 2023.

Engagement threshold

Active ownership is central to our responsible investment approach and climate strategy. As long-term investors managing high conviction concentrated portfolios, we aim to develop strong relationships with our companies. Regarding climate, we prioritise investee companies that represent the highest share of our financed emissions and which are least advanced on their climate alignment. Our target is to engage companies that represent 70% of our financed emissions by 2025. In pursuit of this target, we take the following steps:

1. Calculate Comgest's financed emissions on an annual basis

To calculate financed emissions, we use MSCI carbon emissions data and financial data (Enterprise Value Including Cash) and consider all three scopes of emissions. The data used is either reported or estimated. Including scope 3 data (even if estimated) allows us to have a more comprehensive view of companies' risks and impacts and ensure highest emitting actors and most at risk actors are targeted for engagement.

2. Establish a climate engagement priority list on an annual basis

We select the companies that represent 70% of our financed emissions which are not considered to have reached the 'aligned' status yet¹. This represents approximately 30 companies. This list is shared with our ESG Analysts and Company Analysts.

¹ Further details on how we assess companies' climate alignment is detailed below.

3. Engagement and monitoring throughout the year

ESG Analysts and Company Analysts lead the engagement efforts throughout the year and progress is measured on a quarterly basis. Prior to an engagement starting, the ESG team can prepare a 'climate engagement sheet' that summarises a company's climate profile as well as engagement asks. These asks are notably derived from gaps found against key frameworks, including [Climate Action 100+'s Net Zero Company Benchmark](#), [IIGCC's Investor Expectations of Corporate Transition Plans](#), and [Transition Pathway Initiative's Management Quality](#). The climate engagement sheets also summarises past climate engagement activities and outcomes, as well as past significant climate votes.

4. Reporting and transparency

At the end of the year, we check the engagement status of all companies on our priority list and report the share of financed emissions we have engaged in our Annual Sustainability Report. Our investment style generally leads to low portfolio rotation on an annual basis, ensuring continuity in our engagement activities. Out of the 28 companies on our 2024 climate engagement priority list, 23 were already present on our 2023 list. Updating our list of companies representing 70% of our financed emissions on an annual basis ensures that we always focus engagement resources on highest emitters for which climate is an important topic.

Asset alignment target (or portfolio coverage target)

Assessing the alignment of assets is a necessary step to better understand companies' material climate-related risks and opportunities as well as the robustness of their climate transition plans. Using NZIF's alignment criteria has allowed us to systematise alignment assessment across all invested companies². To carry out this annual alignment assessment we use publicly available sources such as SBTi and Climate Action 100+ (CA100+), as well as external data providers such as CDP and MSCI. The data points we use to assess each NZIF criteria are mapped out in the table below:

² Comgest only invests approximately 20% of its listed equity AUM in higher impact companies. Higher impact companies represent companies on the Climate Action 100+ focus list, companies in high impact sectors consistent with Transition Pathway Initiative sectors, banks and real estate.

Criteria	NZIF definition	Data points used in the assessment of the criteria	
Ambition	A long term 2050 goal consistent with achieving global net zero	SBTi	Net zero target committed
		CA100+	1. Net Zero GHG emissions by 2050 (or sooner) ambition
		CDP	C4.2c regarding net-zero target(s)
		MSCI	Net zero target by 2050
Targets	Short- and medium-term emissions reduction target (scope 1, 2 and material scope 3)	SBTi	Near-term target set
		CA100+	3. Medium-term GHG reduction target 4. Short-term GHG reduction target
		CDP	C4.1a regarding absolute emissions target(s) C4.1b regarding emissions intensity target(s)
Disclosure	Disclosure of scope 1, 2 and material scope 3 emissions	CDP	C6.1 regarding scope 1 emissions C6.3 regarding scope 2 emissions C6.5 regarding scope 3 emissions* <i>*Assessment done for higher impact companies, notably checking disclosures of category 1 and 11 and category 15 for banks.</i>
		MSCI	Scope 1 emissions reported Scope 2 emissions reported Scope 3 emissions upstream and downstream reported* <i>*Assessment done for higher impact companies</i>
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	CA100+	5. Decarbonisation strategy
		CDP*	C3.1 regarding 1.5°C aligned transition plans C3.5 regarding spending/revenue aligned to 1.5°C transition C4.5a regarding products/services classified as low carbon C3.3 regarding climate risks/opportunities and strategy C3.4 regarding climate risks/opportunities and financial planning
		Criteria assessed only for higher impact companies. <i>*No direct mapping with CDP questions however the questions highlighted above can assist in assessing this criteria.</i>	
Capital allocation	A clear demonstration that the capital expenditures of the company are consistent with achieve net zero emissions by 2050	CA100+	6. Capital allocation
		CDP*	C3.1 regarding 1.5°C aligned transition plans C3.5 regarding spending/revenue aligned to 1.5°C transition C4.2 regarding targets for R&D investments C9.6 regarding low carbon investments
		Criteria assessed only for higher impact companies. <i>*No direct mapping with CDP questions however the questions highlighted above can assist in assessing this criteria.</i>	

When setting our targets in 2023, we concluded that we did not have a robust enough methodology to assess the NZIF criteria relating to 'Emissions performance'. We decided to take a prudent approach and classify companies in the following three categories: 'aligning' towards a net zero pathway, 'committed to aligning' and 'not aligned'. Consequently, our first five-year target focuses on increasing the portion of AUM invested in 'aligning' companies from 35% in 2022 to 50% in 2027. We are closely monitoring guidance development to assess emissions performance and will work on what data points allow to best assess this criteria in the coming months.

As mentioned above, we carry out this assessment on an annual basis, taking the following steps:

Step 1: Initial assessment

A first assessment is carried out to determine the alignment of each investee company. The mapping table above forms the basis of an in-house tool to regroup all collected data and facilitate the assessment. The output of this assessment is compared to the previous year's assessment and key elements of progress (or regression) are flagged (i.e. SBTi near-term target approved during the year).

Step 2: Assessment confirmation

Each alignment assessment is then confirmed by the ESG Analyst and/or Company Analyst as we recognise that companies may be disclosing additional information to what is captured by the data sources cited above.

Step 3: Internal communication & reporting

Investee companies' alignment status is made available to our investment teams on our in-house 'ESG dashboard'. Additionally, this yearly update of alignment statuses allows us to monitor and report on progress against our target. The share of our AUM invested in 'aligning', 'committed to aligning' and 'not aligned' companies is disclosed in our Annual Sustainability Report.

Concluding remarks

We are still at the start of our climate journey. Nevertheless, we have already experienced the benefits of having set these two climate targets. The target setting journey itself has been a great way to further train our investment teams on assessing climate-related risks and opportunities while establishing a standard set of metrics and analysis framework. We expect to further refine our assessment of companies' climate performance to be ever more detailed in our engagement asks and contribute to improving companies' climate alignment.

Legal Entity Disclosure

Comgest S.A. is a portfolio management company regulated by the Autorité des Marchés Financiers with its registered office at 17, square Edouard VII, 75009 Paris, France

For Professional/Qualified Investors Only

This document is the property of Comgest and is provided on a confidential basis. It may not be reproduced, republished, distributed, transmitted, displayed or otherwise exploited in any manner, in whole or in part. The information in this document is presented for illustrative purposes only and is not intended to, either explicitly or implicitly, recommend or suggest a specific security or to provide an opinion as to the present or future value or price of such a security. The contents of this document should not be treated as advice in relation to any potential investment. The views expressed in this document are valid at the time of publication only, do not constitute independent investment research and should not be interpreted as investment advice. Investing involves risk including possible loss of principal.

Please refer to our Responsible Investment Policy available on our website for a full description of our ESG integration process.

ESG Quality Levels are assigned following the ESG analysts in-depth review which takes place when a security enters a portfolio. While ESG quality levels cover a large majority of Comgest's assets under management, a Quality Level may not be assigned for all investments, depending on the strategy.

Using the Net Zero Investment Framework to develop an effective engagement programme: KBI Global Investors

Background

KBI Global Investors is an investment manager specialising in equities, based in Ireland but with a global client base. We have a long-standing commitment to Responsible Investing and launched our first dedicated thematic ESG strategies almost 25 years ago.

Although we had been active in engagement for many years, our decision to adopt the Net Zero Investment Framework (NZIF) in 2021 encouraged us to formulate specific numerical targets for engagement. We also needed to put in place a framework for monitoring the proportion of portfolio companies which were aligned or aligning with net zero.

In this brief case study, authored and provided by KBI, we set out below the process we went through to develop the numerical targets recommended by NZIF, as well as how we monitor progress towards those targets, and – perhaps most importantly – we describe how useful this has been to us in terms of developing our engagement programme.

Setting an Engagement Target

Process

We signed the Net Zero Asset Managers Initiative in 2021. This was a straightforward decision, at least in principle, as KBI has always been a strong supporter of climate-related collaborative engagements, for example joining Climate Action 100+ at a very early stage.

We decided that NZIF was the obvious methodology for our organisation to adopt. This principally recommended us setting four main targets, focussing on emissions reduction, climate solutions investment, alignment, and engagement.

The focus of this case study is on the engagement target:

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.

NZIF recommends that 70% of financed emissions¹ in material sectors are from companies which are either already assessed as net zero, or aligned with a net zero pathway, or the subject of engagement, and further sets out that the 70% threshold should rise to 90% by 2030 at the latest.

¹ Note that the engagement requirement relates to the percentage of financed emissions in material sectors, and not the percentage of AUM, or of investee companies, in material sectors. Oddly enough, perhaps, this means that companies which achieve net zero, and thus have no net emissions, will fall out of the denominator and no longer be relevant for this calculation. Thus, the engagement target will remain relatively challenging even for investment managers whose portfolios are heavily invested in companies that have already achieved net zero. But that issue is not likely to arise for quite some time given the very small number of companies that have already eliminated all emissions.

Our first step was of course to look at where we stood in 2019 (the base year for this project). We were unable, for data availability reasons, to calculate the percentage of *financed emissions* in material sectors that were considered net zero, aligned or aligning. However, we established that 14% of our AUM in material sectors achieved the criteria, while 28% of material sector AUM was subject to direct or collective engagement. We will use *financed emissions* for our target, as recommended by NZIF, with AUM being used as a proxy for the baseline. Note that the base year is not relevant for this target in any case – the engagement target is an absolute, forward-looking metric, and is not measured relative to a base year.

Combined, therefore, we had 42% of material sector emissions that were net zero, aligned, aligning, or the subject of engagement, estimated using AUM, in the base year. This was well below the 70% target recommended by NZIF at the end of the first five-year period.

A key consideration here was our ability to monitor, measure and report on the proportion of our material sector financed emissions that qualifies as net-zero aligned or aligning. With investments in close to 1,000 different listed companies around the world, it would clearly not be possible to monitor this manually – a data solution was required. Our data supplier supplied us with information on whether a company had a Science Based Target Initiative-approved net zero target in place. We used this data to build a monitoring system so that various internal and external parties, including most importantly our Portfolio Managers, could easily check the proportion of financed emissions considered to be aligned to a net zero pathway.

Targets

Next, we looked at the trend in that number. As mentioned, the 2019 baseline was 14% considered net zero, aligned or aligning. By 2021, that number had already increased substantially. In 2022, we set separate 2025 alignment and engagement targets, equalling the 70% recommended by NZIF:

- **Alignment:** 40% of financed emissions in material sectors will be net zero or aligned actions by 2025; 50% by 2030.
- **Engagement:** A further 30% of financed emissions in material sectors are subject to direct or collective engagement and stewardship actions by 2025; 40% by 2030.

It's worth pausing for a moment to note the very large increase in the proportion of assets that were considered aligned to a net zero pathway in our portfolios between 2019 and 2021. While there were multiple factors at play, it's fair to assume that pressure from investors, particularly through – but not limited to – the work of Climate Action 100+, played a role in this. Through Climate Action 100+, the climate performance of high-emitting corporates rose up the engagement agenda for many investors, driven by the need to create long-term shareholder value.

Returning to the target setting process, we had already decided that we would commit to having at least 40% of financed emissions aligned to a net zero pathway, and, under NZIF, we were recommended to scale this to a total of 70% when including engagement. It was a relatively easy decision to set a minimum target of 30% for engagement. No rocket scientists were needed to calculate that number!

We were also very aware, of course, of the need to go still further than 70%. We therefore set a target of 90% by 2030 at the latest.

Consequences

We all know that "*what gets measured gets managed*". The creation of a public target for the proportion of material sector financed emissions that is on a pathway to net zero, or is the subject of engagement, can impact an investment manager in two ways.

Portfolio construction: It may lead to portfolio changes, such as divestment from companies that are not aligned. While at KBI we recognise that divestment is required in some circumstances, it is generally not our preferred option for several reasons, including that we then lose our ability to generate positive change in the company.

Incentivise engagement: The second channel is that the target may help boost the level of engagement with companies in material sectors that are not aligned. This was, and remains, our preferred way to reach our 70% combined target by 2025.

Ramping up engagement

So how can an investment manager ramp up their engagement activity? KBI is fortunate in that we have been active in climate-related engagement for many years, so this was not a particularly difficult challenge for us. We joined Climate Action 100+ in 2017 and have been part of the investor group leading engagements with four CA100+ target companies. We are active in CDP and participate in its annual "Non-Disclosure" and Science-Based Targets campaigns. We are also involved with the ShareAction Chemical Decarbonisation Investor Coalition and the IIGCC Net Zero engagement initiative.

Additionally, we have been active in other climate-related collaborative engagement groups, such as a group engaging with audit committee chairs and auditors – we encourage auditors to make sure that audited accounts and annual reports contain enough disclosures on climate issues to allow shareholders to make an informed judgement on the risks and opportunities facing the company. And we continue to engage directly (one-to-one) with specific companies from time to time. However, we generally see collaborative engagements as being more effective.

What has changed since we committed to this target, though, has been a sharper focus on net zero. In the early years of our climate-related engagement, we often focussed on disclosure of climate data, principally emissions, as such disclosures were far too limited. Today, merely disclosing emissions is not nearly good enough.

In our engagements, we are now pressing for companies to commit (via SBTi) to net zero. And looking forward, we expect a further evolution of engagement, away from encouraging companies to “set” net zero targets, and towards a focus on developing transition plans to ensure companies achieve those targets.

Conclusion and next steps

Adopting NZIF and setting targets for net zero alignment and engagement activity was a relatively straightforward process for KBI, giving us an extra focus to our work on climate. It allowed us to shift the focus of our engagement, over time, from mere the backward-looking disclosure of GHG emissions to a more forward-looking approach regarding the adoption of credible net zero targets.

The next step along this road will be to put in place good systems for monitoring how companies that have set net zero targets are progressing towards achieving those targets.



Implementing a robust engagement strategy: Nest Pensions

Background

Nest is one of the largest pension schemes in the UK, helping over 13 million members save for their retirement, with more than £40bn in assets under management as at March 2024. This case study, authored and provided by Nest, details the organisation's engagement strategy.

We developed a Climate Change Policy in 2020 which sets out our ambition to align our investment strategy with the 1.5°C global goal by reaching net zero emissions across our investment portfolio by 2050 at the latest.¹ Our implementation strategy focuses on four key levers: asset allocation, fund manager selection and monitoring, stewardship and public policy.

In 2021, we published a climate change roadmap to 2030. This included a target to engage with companies responsible for at least 70% of financed emissions in our developed market equity fund, from a baseline of 14.5% in March 2021. This accounts for around 46% of the fund's total assets.

We have also set climate change objectives for all of our external fund managers, including expectations on stewardship. In total, we set 69 objectives across 23 portfolios and 13 fund managers. At the end of 2023, a total of 83% of objectives had been met.

Tracking progress

28.5% of financed emissions of the portfolio and 44.4% of financed emissions of the benchmark are now under engagement. The portfolio coverage is lower due to the exclusion of engagement laggards from the portfolio, as well as the focus of the engagement programme on companies underweighted compared to the benchmark due to climate factors. While this means that they do not contribute as much to portfolio financed emissions, the engagement has a greater impact on real-world emissions. The manager has been working on developing an alignment assessment, and we will be looking to expand this target in the next year.

Engagement strategy

We believe that stewardship is one of the most powerful tools investors can use to influence companies to transition their business in line with the goals of the Paris Agreement to limit warming to well-below 2°C and pursue efforts to limit warming to 1.5°C. We invest entirely through external fund managers, who are expected to align the portfolios they manage for Nest with goals of the Paris Agreement. This includes the expectation that managers use their voting rights and engagement resource to positively influence the companies in their portfolio to transition to a low carbon economy.

Nest's in-house responsible investment team also carries out engagement directly, and has developed its own voting policy and expectations for companies. We focus on engaging with our largest holdings on systemic risks to complement engagement by our external managers. The climate engagement workstream has focused on the oil & gas and banking sectors, and has recently been expanded to the demand-side and nature risk. We engage both directly and through our participation in coalitions such as Climate Action 100+, the Net Zero Engagement Initiative, Nature Action 100 and the IIGCC Banks Engagement and Research Initiative.

¹ Nest's latest climate change policy is available [here](#)

For every stewardship activity, we will set time-bound milestones on which we expect the company to deliver over the short or medium term.

Escalation

Where engagement is unsuccessful, in that a company is considered to be progressing insufficiently or too slowly towards alignment with the goals of the Paris Agreement, we will consider divesting. This will usually only take place after several escalation options have been explored, such as engaging collectively with other investors, voting against management, speaking at the annual general meeting (AGM) or co-filing shareholder resolutions.

In December 2021, we announced that we would divest from five energy companies that had been unresponsive to engagement by our developed market equity fund manager, UBS Asset Management. The decision followed a 3-year engagement program by UBS AM, with 49 oil and gas companies identified as lagging on climate change performance.

More recently, we have escalated our engagement with Shell. Nest has engaged with Shell for several years, asking the company to set targets for reducing oil and gas production, set absolute reduction target for scope 3 by 2030 and increase capital expenditure in genuine renewables and energy transition technologies. Ahead of Shell's 2023 annual general meeting, we publicly pre-declared our decision to vote against Shell's energy transition report and the company's Chair of the Sustainability Committee. We also supported a shareholder resolution filed by Follow This, which asked the company to align its existing 2030 reduction target, covering the greenhouse gas (GHG) emissions of the use of its energy products (Scope 3) with the goals of the Paris Agreement.

We engaged further with Shell in 2023, including pushing the company to set a target for the use of its energy products. However, at its capital markets day, Shell announced changes to its production targets. It had previously suggested that oil production would fall by 1-2% per year until 2030, but it would now be kept stable.

This shift in strategy was misaligned with our Climate Change Policy. We therefore decided to escalate engagement by co-filing a shareholder resolution with Follow This and 27 other institutional investors. The resolution asked Shell to align its medium-term emissions reduction targets covering the use of its energy products (Scope 3) with the goals of the Paris Agreement.

In March 2024, Shell published an updated strategy, responding to the resolution's ask in part by setting an ambition to reduce emissions from oil products by 15-20% by 2030 from 2021. However, at the same time, Shell scaled back other targets for 2030 and retired its 2035 target. We therefore decided to continue with the shareholder resolution and also voted against the re-election of the CEO.

Moving forward

In the first few years of implementing our climate change policy, we were able to achieve reductions in financed emissions primarily through asset allocation, for example by introducing climate change tilts and through selective exclusions across our portfolio. Going forward, stewardship will be an even more important tool to reduce portfolio as well as real-world emissions by encouraging our investee companies to decarbonise. We will continue to track progress in meeting our engagement coverage targets, as well as measuring the alignment of companies under engagement. We plan to expand the engagement programme to other portfolios and asset classes, including fixed income.

The data contained in this case study has been obtained from third parties. Nest Corporation assume no responsibility for the accuracy of the data.



A fair assessment of governments' transition to net zero: Ninety One's Net Zero Sovereign Index

Index rationale and overview

When asset owners began setting net-zero targets, sovereign debt portfolios were often placed in the 'too-hard' basket, with initial efforts focussing on corporate exposure. The task of prioritising real-world decarbonisation is different – and can be more complex – in sovereign allocations. That said, there has been considerable progress in this field to help investors include their sovereign allocations in their net-zero efforts and gain exposure to positive momentum in countries that are advancing their climate goals. At Ninety One, we created the Net Zero Sovereign Index (launched in 2021) to help do that.

Countries are required to measure carbon emissions at a national level as mandated by the Paris Agreement. Investors can use this data to assess their sovereign portfolios' emissions profile: i.e., comparing countries in terms of their footprint or carbon intensity (via measures such as emissions as a proportion of GDP). However, such an approach does not provide a complete picture, which introduces the risk that investors will use carbon intensity measures to reduce portfolio-level emissions by simply avoiding the highest emitters. Many of those high-emitting countries are developing or emerging markets with meaningful plans to address climate change – countries that can build momentum if appropriately funded. For a successful transition to net zero, we need a different approach – one that covers all corners of the globe and is forward-looking in nature.

The Net Zero Sovereign Index facilitates a shift in focus from carbon intensity-based measures towards transition alignment. We believe portfolios targeting net-zero alignment can make a meaningful contribution to transition goals. In contrast, reducing portfolio-level emissions risks slowing decarbonisation efforts by potentially starving developing economies of the capital they need to transform. The Index embeds the Common but Differentiated Responsibilities principle – a critical component of the Paris Agreement, aiming to build fairness into net-zero assessments. By analysing the climate actions of governments in 117 countries – examining trends in emissions, energy use, land use, renewable energy and policies – the Index provides an independent, quantitative assessment of whether a sovereign investment or sovereign portfolio is aligning to a net-zero pathway that works for the world.

Methodology

Investors interested in evaluating net-zero alignment rather than pursuing portfolio-level carbon targets now have an expanding set of tools and data. These encompass Climate Action Tracker, ClimateWatch, Climate Equity Reference Checker and the Climate Change Performance Index. Commercial providers like Bloomberg offer Government Climate Risk Scores. Additionally, the Assessing Sovereign Climate-Related Opportunities and Risks (ASCOR) Project assessment tool has been developed, and Ninety One actively contributed to the project.

We analysed the underlying methodologies and outcomes of these tools in detail. All provide helpful insights, but a typical drawback is that smaller emerging economies are not covered. Also, several aspects of the assessments are based on qualitative analysis, meaning it is not always easy to get to the bottom of differences in scoring, let alone replicate the methodology. Ultimately, we chose to use the Climate Change Performance Index (CCPI) as the foundation scoring methodology of our Net Zero Sovereign Index. It aligns with the recommendations of the IIGCC's Sovereign Bond Working Group, in which Ninety One participated.

The CCPI tracks countries' efforts to combat climate change and compares climate-protection efforts and progress made by individual countries. In particular, we like that the CCPI framework considers future pathways, climate policy and 'hard data' on recent emissions and energy usage trends. It is also encouraging that, unlike many other environmental indices, there is no inherent income bias. The main problem with the CCPI scoring mechanism is that it only covers 63 countries and the European Union. We hope that coverage increases in the coming years. The Net Zero Sovereign Index is based on a simplified version of the CCPI with an added measure of climate justice applied to each country in the universe.

Filling the data gaps – extending coverage

Several data points underpinning the CCPI scores are readily available, like data on GHG emissions, total primary energy supply and renewables. The main challenges are modelling 1.5-degree pathways for countries not covered under CCPI and scoring climate policy for those countries. The CCPI's climate policy section evaluates national and international climate policy performance based on contributions from around 350–400 climate and energy experts. This is a challenge when trying to replicate such analysis across the wider emerging market universe. Therefore, we opt for a simplified score for climate policy, taking a more quantitative approach. For instance, we review fiscal policy assessing factors such as energy subsidies and environmentally-aligned tax revenue.

We have added the Emissions Target Assessment, conducted by Net Zero Tracker and a land use category, where we show trends in deforestation. This is partly captured in the emissions score of CCPI, but we think it is crucial and, therefore, give it a more specific weight.

While the CCPI Project incorporates the concept of fair pathways to net zero, we expand on this by using the Climate Equity Reference Project (CERP), given the high level of transparency CERP provides around its methodology. The CERP Calculator covers the full list of countries in our EM investment universe. It offers great flexibility to apply metrics that fit a fair transition and is a valuable tool for introducing the equity principles that are part of the Paris Agreement into transition pathways. To quantify this fairness element, we set key parameters, as outlined below.

■ **Mitigation pathway:** 1.5 degrees standard pathway, which is based on the Climate Action Tracker pathway and is consistent with the Paris Agreement's objective of "well below 2 degrees".

■ **Responsibility:** We measure historical responsibility for emissions since 1990 rather than go further back in the past. We believe that all countries must play their part within their respective capabilities and that putting too much weight on historical responsibility could lower the chances of aligning with the desired global pathway.

■ **Capability:** exempting emissions from individuals below this income threshold – effectively allowing the lowest-income individuals to move out of poverty without incurring an additional cost due to carbon emissions.

■ **Progressivity:** purchasing power parity terms). Fair emissions allocations are progressively pro-rated between the development and luxury threshold, allowing for a gradual path out of poverty and towards developed status.

Together, these settings give us a fair-share pathway for each country. The tool then tracks the distance between an expected emission pathway (based on current trends) and the fair-share pathway. We use the predicted gap between these pathways as at 2030 as a critical score under 'climate policy'. Countries that see emissions rise and do not move in line with the fair-share pathway receive a lower score than those moving closer to the pathway. These fairness measures do not absolve low- and middle-income countries from responsibility for meeting ambitious emissions-reduction pathways; their design creates room for the least-developed nations to generate the sustainable growth needed to lift the poorest out of poverty.

Bringing it all together: The Net Zero Sovereign Index scorecard

We have adopted a scorecard approach for the Net Zero Sovereign Index, similar to the CCPI methodology, but somewhat simplified to allow an extension to the full range of countries typically included in both developed and emerging market portfolios. Each country's index score is made up of six metrics – the table below lists these, their weights and the respective indicators for each.

Emissions	Energy use	Renewable energy	Pathways	Land use	Policy & potential
CO ₂ emissions per capita (production). CO ₂ emissions per capita (production) trend.	Total Primary Energy Supply (TPES) per capita. TPES per capita trend.	Renewable energy (excl. hydro) % total electricity production. Renewable energy (excl. hydro) % total electricity prod.– trend. Renewable energy (incl. hydro) % total electricity prod.	Current GHG emissions vs 2030 'fair share' pathway. TPES per capita vs 'well below 2°C' pathway. Renewable energy share vs. the well below 2°C pathway.	5-year deforestation trend. Recent change in deforestation trend.	Climatescope renewable energy potential. Energy subsidies % GDP. Environmentally aligned taxes % of revenue. Quant. Assessment of emission targets.
20%	15%	20%	25%	5%	15%

Overall results

For each metric in the Index, we score countries for Paris-alignment, with scores falling into one of five categories, ranging from 'very high' alignment to 'very low'. A country's alignment score across the various metrics is then aggregated. Below are the top 10 markets in the Index.

Net Zero Sovereign Index – Top 10

Rank	Country	Overall alignment	Emissions	Energy use	Renewable energy	Pathways	Land use	Policy & potential
1	Costa Rica	Very High	Very High	Very High	Very High	High	High	High
2	Albania	High	High	Very High	Very High	Very High	Very High	Very Low
3	Kyrgyzstan	High	Very High	Very High	Very High	Very High	Medium	Very Low
4	Ecuador	High	High	Very High	Very High	Very High	High	Very Low
5	Jordan	High	Very High	Very High	High	Very High	Medium	Very Low
6	Angola	High	Very High	Very High	High	Very High	Very Low	Very Low
7	Mozambique	High	Very High	Very High	Very High	High	Very Low	Very Low
8	Kenya	High	Medium	High	Very High	Very High	High	Medium
9	Ethiopia	High	Medium	Very High	Very High	Very High	High	Very Low
10	Uganda	High	Medium	High	Very High	Very High	High	Medium

Source: Ninety One, 31 December 2023. For illustrative purposes only. Full index ranking available on request.

Implementing the Net Zero Investment Framework for infrastructure: Macquarie Asset Management

Background

Macquarie Asset Management (**MAM**, also referred to as **we, our, or us**) is a global asset manager invested across public and private markets. Managing approximately \$US611.7¹ billion in assets with a team of over 2,450 people operating in 23 markets, we provide a diverse range of investment solutions across Real Assets (Infrastructure, Green Investments, Agriculture), Real Estate, Credit, Equities & Multi-Asset, and Solutions (a cross-MAM business providing new strategies and initiatives).

This case study, authored and provided by MAM, outlines the organisation's target-setting approach for Real Assets infrastructure assets.

In late 2020, we set the foundations of our net zero journey by announcing our net zero commitment. As the world's largest infrastructure manager², we set the goal to invest and manage our Real Assets infrastructure portfolio in line with net zero Scope 1 and 2 financed emissions by 2040, where we have control or significant influence – defined as a shareholding of 25 per cent or more and board representation³. Where we do not have control or significant influence, we will invest and manage our portfolio in line with net zero financed emissions by 2050.

Developing and applying targets

In further support of our net zero commitment, MAM joined the Net Zero Asset Managers (NZAM) initiative in March 2021. Like many other investors who joined NZAM, we have used the Paris Aligned Investment Initiative (**PAII**) Net Zero Investment Framework (NZIF). Across our infrastructure portfolio, we have over 170 portfolio companies⁴ operating within the energy, utility, transportation, digital, waste management and social sectors which means the implementation of our net zero commitment is inherently complex. Having supported with the development of the Infrastructure Component of the Net Zero Investment Framework as part of the IIGCC-led Infrastructure Working Group, we have adopted the framework for our infrastructure portfolio. The framework offers a pragmatic bottom-up asset-focussed approach, which can be applied to different industry sectors.

The launch of the guidance in March 2023 allowed us to review the progress we have made since 2020 and explore how it could enhance our targets to ensure they remain in line with market practices. Using the guidance, we have set the following asset alignment target⁵:

- 1 As at 31 March 2024. Assets under management (AUM) within MAM's private markets businesses includes equity yet to deploy and equity committed to assets but not yet deployed. It also includes assets owned or managed by specialist real estate platforms in which MAM may hold a minority interest or otherwise have limited governance rights.
- 2 IPE Real Assets 2024 Top 100 Infrastructure Investment Managers 2024, published in July 2024. The ranking is the opinion of IPE Real Assets and not Macquarie. No such person creating the ranking is affiliated with Macquarie or is an investor in Macquarie-sponsored vehicles. IPE Real Assets surveyed and ranked global infrastructure investment managers. The ranking is based on infrastructure AUM as at 31 March 2024. AUM is defined by IPE Real Assets as the total gross asset value of all assets managed and committed capital (including uncalled). There can be no assurance that other providers or surveys would reach the same conclusions as the foregoing.
- 3 MAM has adopted the Infrastructure Component of the Net Zero Investment Framework methodology to define control or significant influence across its Real Assets infrastructure portfolio. There are circumstances where, despite MAM having control or significant influence over an asset, MAM nevertheless does not have the influence required to set a 2040 net zero target or setting a 2040 net zero target is otherwise not practicable for the relevant asset. For example, assets which are subject to governmental conditions, legal or regulatory requirements or guidance which prevent or otherwise restrict the asset from setting a 2040 net zero emissions target are excluded from our 2040 commitment. MAM generally only has influence over scope 1 and 2 emissions. To the extent possible, in line with the Net Zero Asset Managers initiative guidance, MAM intends to support assets where it has control or significant influence to reduce their scope 3 emissions.
- 4 As at 31 December 2023
- 5 Previously named the "portfolio coverage target".

Macquarie's asset alignment target

Methodology		
PAII NZIF – Infrastructure Component		
Interim target	Year ⁶	Description
Asset alignment target	2030	<p>By 2030, we aim to have 100 per cent of in-scope portfolio holdings aligned or aligning with net zero by 2050 or sooner (Scope 1 and 2 emissions only) using the specified methodology.</p> <p>In-scope portfolio holdings may exclude assets acquired within a 24-month period prior to 31 December 2030 which may not be aligned or aligning with net zero by the target date due to their recent acquisition.</p>
Metric used to measure progress		
Asset alignment metric	Per cent of in-scope portfolio holdings by AUM aligned or aligning with net zero (Scope 1 and 2 emissions only) per the specified methodology.	

MAM has also adopted the NZIF guidance to assess the alignment of assets, using the following criteria:

Criteria underpinning alignment assessment

Criteria	Committed to aligning	Aligning to a net zero pathway	Aligned to a net zero pathway	Achieving net zero
Asset with emissions intensity required by the sector and regional pathway for 2050 and whose operational model will maintain this performance.				✓
Emissions performance: Current and forecast emissions performance (scope 1, 2 and material scope 3) relative to target or net zero benchmark/ pathway, or an asset's science-based target. An aligned asset would need to see emissions decline consistent with targets set to converge an asset with a net zero pathway.			✓	✓
Decarbonisation plan: Development and implementation of a quantified plan setting out a decarbonisation strategy for scope 1, 2, and material scope 3.			✓	✓
Governance: Governance/ management responsibility for targets/ decarbonisation plan.		✓	✓	✓
Disclosure: Disclosure of scope 1 and 2 emissions, and disclosure of material scope 3, in line with regulatory requirements where applicable or the PCAF standard.		✓	✓	✓
Targets: Short and medium term targets for scope 1, 2 and material scope 3 emissions in line with science based 'net zero' pathway. These may be absolute, or intensity based: <ol style="list-style-type: none"> Where available, a sectoral decarbonisation/ carbon budget approach is encouraged to be used Minimum for other assets is a global or regional average pathway. 		✓	✓	✓
Ambition: A long term goal consistent with the global goal of achieving net zero by 2050.	✓	✓	✓	✓

⁶ Where MAM has set interim targets for the year '2030', we intend to reach these by 31 December 2030.

Making progress towards targets

To support the achievement of the asset alignment target, we are focused on working closely with the management and boards of our portfolio companies to develop net zero business plans, and then seek to ensure their plans are firmly embedded within their organisations and supported by the right resources. The approach taken is adapted to the requirements of the specific portfolio company, but actions can include:

- Providing guidance and tools to help portfolio companies understand the fundamentals of net zero, how to set targets to meet our expectations, and to deliver against these expectations;
- Supporting the development of baseline emissions inventories, in preparation for third-party verification;
- Providing business planning materials and templates to support the net zero business plan development process;
- Connecting portfolio companies to technical experts and consultants to help them identify abatement strategies and develop their net zero plans;
- Providing feedback and supporting management with initial board presentation preparations and ongoing progress reporting to the board;
- Harnessing and sharing our green investments expertise, industrial capabilities and specialist external partners to accelerate practical climate solutions and support portfolio companies on their decarbonisation journeys;
- Holding Asset Leadership Forums annually and facilitating sectoral and regional working groups connecting management teams from across our portfolio companies to network, cross-pollinate ideas and share learnings; and
- Conducting regular training and education webinars on a range of ESG issues including climate change, GHG emissions and decarbonisation.

Ongoing improvement

Since we made our net zero commitment in December 2020, we have continued to challenge ourselves to convert our commitment into real world action. However, despite making progress to date, we recognise there is still a long way to go to meet our targets. In recognition of this, we are focused on implementing the asset alignment target and will seek to contribute to the IIGCC and its working groups in further developing the framework and associated guidance.

Refer to MAM's website at www.macquarie.com/mam for further information.