

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:

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- 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".

Methodology		
PAII NZIF – Infrastructure Component		
Interim target	Year ⁶	Description
Asset alignment target	2030	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. 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.
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: a. Where available, a sectoral decarbonisation/ carbon budget approach is encouraged to be used b. 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.