

New Zealand Investors Stepping up to the Climate Challenge

Results of a survey of asset owners and fund managers

Prepared by Barry Coates, Mindful Money
for the Aotearoa New Zealand Investor Coalition for Net Zero

Executive Summary

Barry Coates

A fundamental shift in finance from the polluting economy to the clean economy is needed to enable the transition to Net Zero carbon emissions. Leading global financial actors are now stepping up to the challenge of aligning their investment funds with the decarbonisation of economic activity. Around half of global funds under management are covered by pledges to reduce their emissions to net zero. As well as contributing to the shared mission of tackling climate change, these pledges are also being undertaken for sound financial reasons – to manage climate risk and take advantage of the exciting opportunities emerging as economies decarbonise.

Net Zero pledges are undertaken within a framework of guidance for emissions reductions, including interim targets and disclosure of plans and progress reports. These conditions strengthen the integrity of commitments and ensure they result in real reductions in emissions. Those committing to Net Zero are subject to scrutiny and will be held accountable for their performance.

Management of funds to reduce greenhouse gas emissions is now becoming an expectation for the international funds sector. However, so far, only a few New Zealand asset owners and fund managers have been at the forefront of climate action. This has prompted the formation of a coalition of organisations to encourage and support investors to deepen their climate action – the Aotearoa New Zealand Investor Coalition for Net Zero. Recently, the Coalition undertook a survey of asset owners and fund managers to establish a baseline of current pledges, plans in progress, and their intentions regarding reductions in climate emissions.



The survey, undertaken between mid-September and early October 2021, attracted a good response, including nine of the 10 largest fund managers and covering 75% of the estimated total New Zealand funds under management. The survey revealed five pledges to Net Zero by New Zealand investment organisations: BT/Westpac, Mercer Investments, Pathfinder Asset Management, Russell Investments, and QBE Insurance. Collectively, their funds under management amount to around \$40 billion.

Since the survey, government Ministers and several Crown Financial Institutions have also announced a pledge to Net Zero emissions by 2050 – covering the New Zealand Superannuation Fund, Accident Compensation Commission, Government Superannuation Fund and National Provident Fund, which collectively administer around \$110 billion.

The survey revealed that most other fund managers and asset owners also intend to reduce the carbon intensity of their portfolios. New Zealand asset owners and fund managers are clearly moving in the direction of deeper climate action and towards adopting a Net Zero target. However, the survey also showed that there was still a long way to go, with only half of the respondents currently measuring the carbon emissions within their portfolios. Only one-fifth had started work on preparing emissions reductions plans.

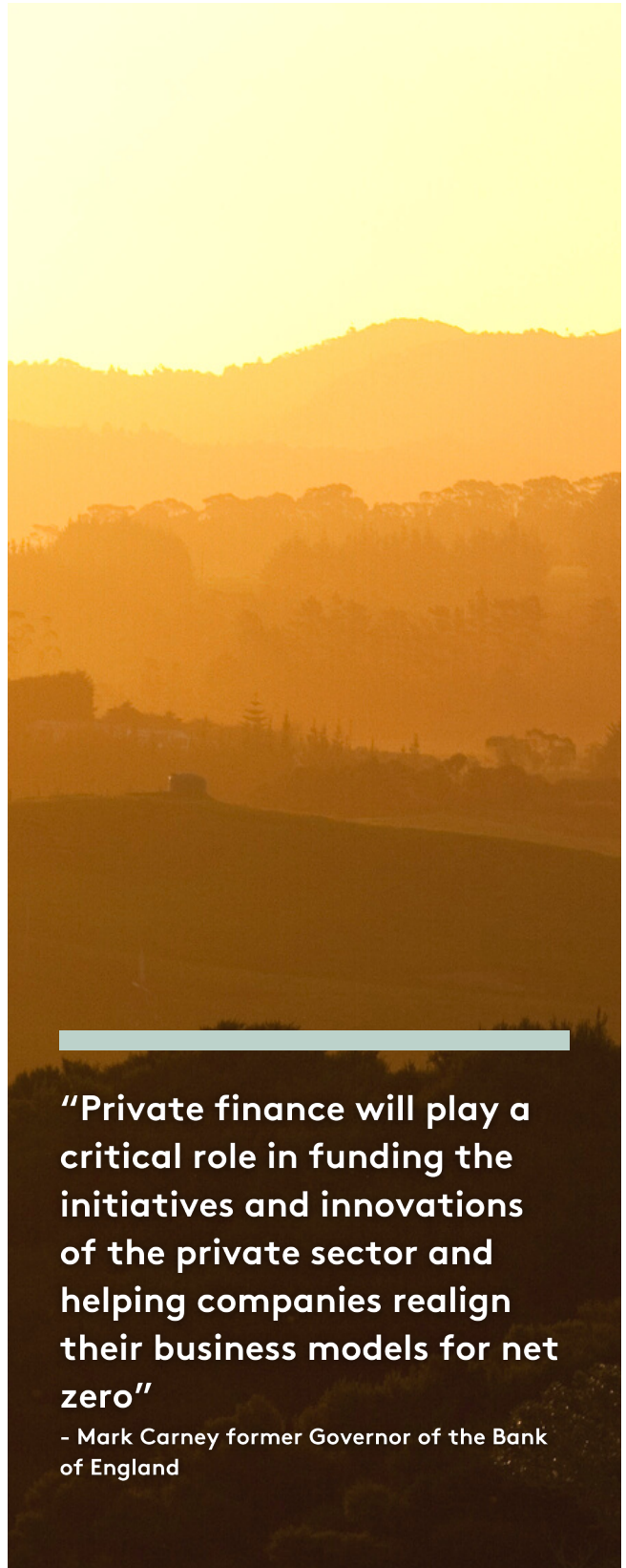
There was strong interest expressed in the survey in capability-building to assist asset owners and fund managers in moving through the stages of measuring carbon intensity, developing strategies, setting targets, and pledging to Net Zero. The Aotearoa New Zealand Investor Coalition for Net Zero will continue to encourage more Net Zero commitments and facilitate capability building. We will undertake reviews to track the progress of New Zealand asset owners and fund managers as they reduce the carbon footprint of their portfolios.

Overall, the high levels of interest and intention by asset owners and fund managers to decarbonise their portfolios that were shown in the survey provide a foundation for New Zealand’s investment sector to play a role in driving the transition to Net Zero and in establishing a strong international reputation for sustainable finance.

Aotearoa New Zealand Investor Coalition for Net Zero consists of a core group of:



Supporting organisations are



“Private finance will play a critical role in funding the initiatives and innovations of the private sector and helping companies realign their business models for net zero”

- Mark Carney former Governor of the Bank of England

Investor Action on Climate Change


The 2015 Paris Agreement contained a commitment by the world's nations to limit climate change to an average temperature rise of well below 2°C, and preferably to no more than 1.5°C. Research shows that the 1.5 degree pathway requires decarbonising the global economy by 2050 or earlier.

Investors have a key role to play.

Meeting this commitment will require an unprecedented shift of global capital away from the carbon economy and into clean production and consumption. In assessing the pathway to keeping global warming to 1.5°C, the International Energy Agency reported that annual clean energy investment worldwide will need to more than triple by 2030 to about US\$4trillion.

Leaders in the finance sector are now stepping up to take on their responsibility to contribute towards meeting that goal. Many recognise that climate change is not only a systemic financial risk that needs to be managed but also an exciting opportunity to generate sustainable returns from the profound transformation of the global economy and financial systems that is underway.

Beyond the financial implications, climate action is also becoming part of the business purpose for leading financial services companies. Uniquely, they have control over the capital that is essential to scale up climate solutions. They draw their mandate not only from the financial returns for their investors, themselves, and their shareholders but also from the aspirations of their stakeholders – the health of our planet, the welfare of communities, and a viable future for generations to come.



"This is a herculean task, because this is nothing short of complete transformation of the way we do business."

- Angela Merkel, Chancellor of Germany



The Global Net-Zero Challenge

Climate finance is a major focus of the United Nations Summit on Climate Change in Glasgow from 1 to 12 November (COP26). The spotlight is on companies and investment funds to disclose their climate-related actions and plans for emissions reductions that are consistent with the UN-agreed 1.5°C pathway towards Net Zero emissions by 2050 or sooner.

An important context for New Zealand investors, particularly fund managers, is the massive growth of Net Zero commitments at the global level. The world's largest global asset owners and fund managers have already signed pledges to reduce their greenhouse gas emissions to zero by 2050.

These pledges now amount to over US\$43 trillion for fund managers and US\$8.5 trillion for asset owners, under UN-registered initiatives, including the:

- [Net Zero Asset Managers Initiative](#)
- [The Paris Aligned Investment Initiative Net Zero Asset Owners Commitment](#)
- [The UN-convened Net Zero Asset Owner Alliance](#)
- [The Certified B Corps Net Zero by 2030 initiative](#)

Together, these commitments represent a significant proportion of global assets under management, and they are setting the standard for investment management.

This has implications for New Zealand institutions. Asset owners have access to international fund managers that are now seeking to align their portfolios with Net Zero emissions, supported by credible frameworks, targets, and reporting. New Zealand fund managers need to be able to show they can meet these standards in order to meet the expectation of local and international asset owners, as well as the demands for climate action from their customers.

Aligning fund management to the 1.5°C pathway is increasingly becoming the standard for investment management and an entry requirement into many international markets.

Net Zero pledges are commitments made to reduce to zero the greenhouse gas emissions of companies and other assets in a portfolio of investments. The pledges may be made by an asset owner, an institution (such as a foundation, iwi, or insurance company whose assets are managed by others), or a fund manager that directly manages the funds (such as a KiwiSaver provider, retail investment provider, or wholesale funds manager).



Countries turn Paris Agreement targets into credible climate policies and legislated objectives



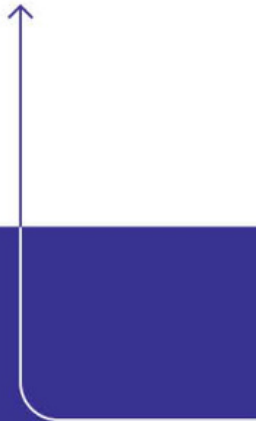
This sets the terms of the new economy, providing certainty for future investment



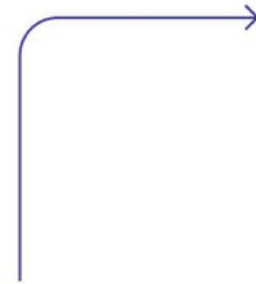
This encourages companies to develop and implement "transition plans" to adjust their businesses for a net zero world



Private finance will help companies realign their business models for net zero by funding the initiatives and innovations of the private sector



This amplifies the effectiveness of government climate policies and accelerates the transition to net zero, minimises costs, smooths adjustment while promoting jobs and growth



A VIRTUOUS CYCLE OF INNOVATION AND INVESTMENT FOR NET ZERO

EMBEDDED THROUGH A FRAMEWORK TO ENSURE EVERY FINANCIAL DECISION TAKES CLIMATE CHANGE INTO ACCOUNT



REPORTING

of climate-related financial risks and opportunities by companies in line with TCFD



RISK MANAGEMENT

of physical and transition risks from climate change



RETURNS

realised from the enormous commercial opportunities in the transition to net zero



MOBILISATION

of private finance for investment in developing and emerging economies through new market structures and public-private partnerships

Net Zero Pledges as a Commitment to Action

There is widespread public unease over broken promises in relation to climate change. Ever since the initial Climate Change Framework Convention was signed in 1992, inadequate progress has been made on climate action, and the public is rightly wary about yet more promises.

Net Zero commitments extend beyond aspirational promises.

Investors' Net Zero commitments are undertaken within a framework of supporting actions and interim steps to ensure the signatories disclose their plans and progress towards interim targets. These conditions strengthen the integrity of the commitments and ensure they result in reductions to emissions. Those committing to Net Zero are subject to scrutiny and will be held accountable for their performance.



One of the key guidance documents for Net Zero pledges is the [Net Zero Investment Framework 1.0](#), published by a coalition of international organisations, including the Australia and New Zealand Investor Group on Climate Change.

It highlights the following steps:

- Decarbonise investment portfolios in a way that is consistent with achieving global net zero greenhouse gas emissions by 2050 or sooner.
- Short- and medium-term targets should be set to provide a suitable basis for monitoring progress. These should be reviewed every five years, and progressively ratcheted up to meet the zero emissions target across all assets under management.
- Emissions should include all Scope 1 and 2 emissions for the portfolio and, to the extent possible, Scope 3 emissions for all greenhouse gases.
- Commitments should include targets for investment in climate solutions, including renewable energy, carbon reduction and carbon removal.
- Public disclosure should include an action plan and an annual climate report (even for those not designated as reporting entities under New Zealand's new Climate Disclosure Bill).
- Emissions from investments should be reduced to the lowest level possible. Any residual or transitional emissions should be balanced or exceeded by emissions reductions and/or removals through investment in net negative companies or sequestration. Amongst other criteria, these offsets should be transparent, measurable, long term, additional, and verified.

Net Zero Can Make a Difference

The rationale for making Net Zero commitments is that investor action can support (or in some cases even drive) emissions reductions, while at the same time mitigating the risk of climate change to returns. Research shows that this can translate into a real reduction in the emissions of companies.

The main strategies to reduce emissions and ultimately decarbonise portfolios are as follows:



Portfolio Construction

Investors can alter the carbon footprint of their portfolios by shifting their investments from carbon-intensive companies to companies that have lower carbon intensity. This can be undertaken through using the tools of Environmental, Social and Governance (ESG) analysis or screening out categories of companies with high emissions, such as fossil fuel producers. When undertaken at scale, switching investment can have an impact on a company's share price, access to capital and cost of capital. An example is the fossil-free campaign that has gained the support of institutional investors and now has over US\$40 trillion of funds under management.

Corporate Engagement

Investors can engage directly with the companies held in their portfolios to reduce their emissions. Coordinated investor engagement is starting to have a larger impact. One such investor-led initiative is Climate Action 100+, which has increased the frequency of engagement on climate change among a list of 167 carbon-intensive companies. Net zero commitments from the target companies have risen from just five to 111 (September 2021) and the associated emissions reductions could total 3.7 billion metric tonnes of CO₂ by 2030.

Investors are also demonstrating that they are willing to take more forceful engagement action if companies fail to respond.



A recent example was provided when major fund managers joined a small hedge fund, Engine No. 1, to elect three new dissident directors to push for cleaner energy at Exxon Mobil.

This demonstration of investor power sent shockwaves through board rooms internationally.

Investment in Climate Solutions

Investors can direct more funding into companies that prioritise the development, production, and deployment of low-carbon solutions, including renewable energy, low-emissions transport, green buildings, and agricultural innovations. This is crucial to funding the transition to clean energy, a circular economy, and regenerative ecosystems.

Policy Advocacy

Fully addressing climate risk and the transition to Net Zero emissions by 2050 will take a coordinated and collaborative effort among governments, financial organisations, companies, communities, and civil society. Investors have a powerful voice in policy discussions to encourage the goals and frameworks that will unlock the scale of investment needed for clean industries and infrastructure. Recently, 733 investors, with more than \$US52 trillion in assets under management, signed the [2021 Global Investor Statement to Governments on the Climate Crisis](#) to end fossil fuel subsidies, phase out coal, and mandate climate risk disclosure.

These actions do not signify a trade-off with returns. On the contrary, there is growing evidence that decarbonising portfolios can result in higher returns AND a reduction in climate risk. A local example was shown when the New Zealand Superannuation Fund analysed its progress in reducing the carbon intensity of its portfolio. The [analysis showed](#) that they not only achieved their carbon intensity reduction target early but the carbon exclusion policy added approximately \$800 million to the Superannuation Fund and approximately 60 basis points per annum to performance.



Net Zero in New Zealand

The New Zealand government has put a Net Zero framework in place at the national level. The Climate Change Amendment Act (Zero Carbon Bill) was passed in November 2019. It established a Climate Commission to advise the government and recommended five-yearly carbon budgets. The first report of the Commission was delivered in June 2021. The government is currently preparing a response, the Emissions Reduction Plan, due for release in May 2022. These measures are supported by a new Climate Disclosure Bill requiring mandatory reporting by large companies and funds.

At the corporate level, the Climate Leaders Coalition is a grouping of businesses that have undertaken commitments to taking climate action, including measuring and publicly reporting on their emissions, setting a public emissions reduction target, and working with suppliers to reduce their emissions. Currently, the Coalition has 104 signatories, with members collectively accounting for almost 60% of Aotearoa New Zealand's gross emissions and around 38% of GDP, and employing almost 220,000 people.

“New Zealand is inter-connected with global markets and our largest businesses have known for some time that they need transition plans with science based targets to retain access to global capital. ”

Decarbonising Finance

Climate action by the New Zealand investment sector has also been gearing up in recent years, as part of a significant shift towards responsible investing. The Responsible Investment Association Australasia estimates growth in the responsible investment market (broadly defined) at 28% in the past year.

Action on climate change has also been driven by strong public demand, supported by public awareness campaigns by Mindful Money and others. Annual surveys show that around three-quarters of the public want to avoid investment in fossil fuels. This has been reflected in an increase in divestment policies by KiwiSaver and retail investment funds. Mindful Money's analysis of portfolio holdings showed that in 2019, 2% of KiwiSaver funds were managed with fossil fuel exclusion policies; by August 2021, that had risen to 19%.

The Sustainable Finance Forum's 2030 roadmap for action, an initiative of the Aotearoa Circle, provides a broad agenda for mainstreaming climate into finance and for financing climate action. Toitū Tahuā: Centre for Sustainable Finance has been established to implement the roadmap.



Net Zero Commitments

The New Zealand investment sector has not yet featured strongly in the global movement to drive down emissions in investment portfolios. While some asset owners and fund managers have started to measure the emissions within their investment portfolios, at this stage few have developed plans and targets for emissions reductions and even fewer have pledged to drive emissions down to Net Zero. Currently, there are only five New Zealand signatories to the international pledges, and three of those are the local subsidiaries of global organisations.

Aotearoa New Zealand Investor Coalition for Net Zero

The Aotearoa New Zealand Investor Coalition for Net Zero has been founded to accelerate the adoption of credible pledges among New Zealand asset owners and fund managers.

The Coalition was convened by Mindful Money and developed by a core group comprising of:



A wider support group comprises of:



Since the Coalition undertook a baseline survey, there has already been progress on Net Zero commitments. On 28 October, four Crown Financial Institutions (New Zealand Superannuation Fund, Accident Compensation Commission, Government Superannuation Fund and National Provident Fund) agreed to reduce their emissions to Net Zero by 2050 – collectively, they hold more than \$110 billion in assets. This is a sign of the rapid progress that is possible in the future as more funds and asset owners focus on driving emissions reductions.

The baseline survey (results described on the next pages) and a seminar on 4 November 2021 have been the Coalition's first steps in encouraging, publicising, and supporting climate action and Net Zero pledges.



Survey of Climate Action in New Zealand

Methodology

This survey was undertaken between mid-September and early October 2021. It was sent to the Chief Investment Officers (or equivalent position) of the largest fund managers and asset owners involved in managing New Zealand's financial assets.

The respondents completed a short survey on their current activities and their intentions for reducing the carbon emissions of the companies in their portfolios. The information was provided on a non-attributable basis, and company examples in this report have been approved by the companies concerned.

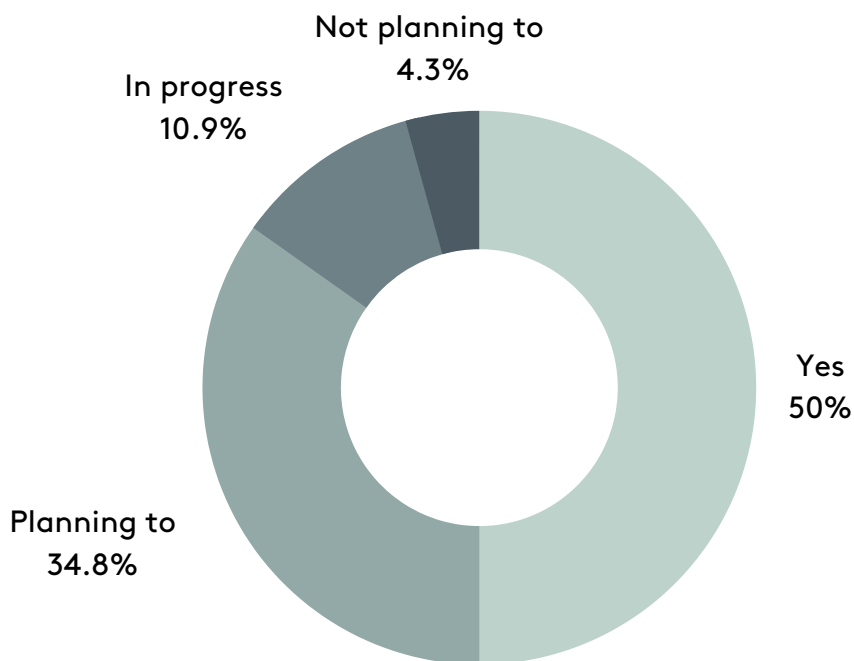
The response rate was high for fund managers. All but one of the top 10 retail fund managers responded, including the investment arms of the top five banks. Overall, responses from 24 (out of 48 – a 50% response rate) of the retail fund managers captured an estimated 85% of funds under management. Responses were also received from 35% of the private equity managers surveyed.

Comprehensive information on the composition of asset owners in New Zealand was more difficult to obtain. Surveys were sent to the largest asset owners among Crown Financial Institutions, trusts and foundations, the insurance sector, and iwi. Responses were received from the largest Crown Financial Institutions and the largest trusts and foundations, but response rates were lower for insurance companies and iwi. Follow-up work is planned with those groups. Overall, the survey responses covered an estimated 75% of total funds under management in New Zealand.

Net Zero Commitments by New Zealand Investors

The survey showed an almost universal intention from fund managers and asset owners to reduce the carbon intensity of their portfolios. New Zealand asset owners and fund managers are clearly moving in the direction of deeper climate action towards adopting a Net Zero target. However, the survey showed that there is still a long way to go and that there is strong interest in receiving support during the process of moving through the stages of measuring carbon intensity, developing strategies, setting targets, and pledging to Net Zero emissions.

Have you calculated the carbon intensity of your fund?



Carbon Measurement

Many of the New Zealand asset owners and fund managers surveyed fall under the definition of reporting entities and are now required to report under the new Carbon Disclosure Bill that has recently been passed by Parliament. Other entities that make Net Zero pledges will also be required to report their emissions data annually under the rules for pledges. The survey showed that half of the respondents were calculating the carbon emissions within their portfolios, just over 10% had this work in progress, and over a third were planning to do so. That is, almost all (96%) intended to undertake carbon emissions measurement for their portfolios.

The reporting entities will need to gear up quickly to prepare for their reporting obligations, due for the 2022-23 Financial Year. Of the 50% of respondents who were already calculating the data, fewer than 40% of them were publicly reporting their carbon intensity. While the External Reporting Board has only just released its first consultation paper on specific standards for carbon disclosure, many funds are aiming to develop reports for the current year. This will provide an opportunity to test and improve their reporting prior to mandatory disclosure.



Net Zero profile from Westpac / BTNZ:

"At Westpac NZ, we believe we have a duty and responsibility to drive positive outcomes for our environment, our communities, and our customers, and since 2019 we've reduced our own operational greenhouse gas emissions by 35%. This view is shared by the team at BT Funds Management (NZ) Ltd (BTNZ), which is the bank's KiwiSaver and investment arm.

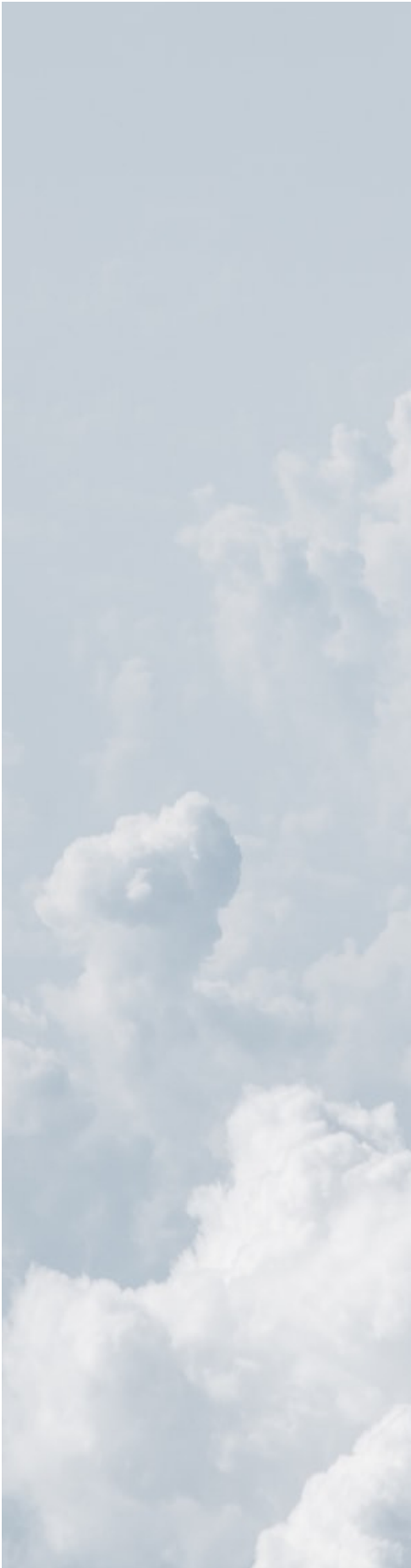
We believe investing sustainably is a powerful way to achieve results both on and off the balance sheet. We believe that companies that follow this approach will contribute positively to the world in which we all live, and will also perform well financially over the longer term. We are committed to aligning our investment portfolio to achieve net zero greenhouse gas emissions by 2050 or sooner as well as aligning our assets under management with a 1.5°C temperature pathway.

As part of BTNZ's four pillar sustainable investment approach, we are seeking to i) invest more in companies that provide climate change solutions; ii) integrate climate change as well as other environmental, social and governance aspects within our investment processes; iii) have company engagement and voting standards which meet our climate change expectations and iv) exclude a wide range of fossil fuels activities in addition to companies breaching international laws on human rights, tobacco and controversial weapons companies.

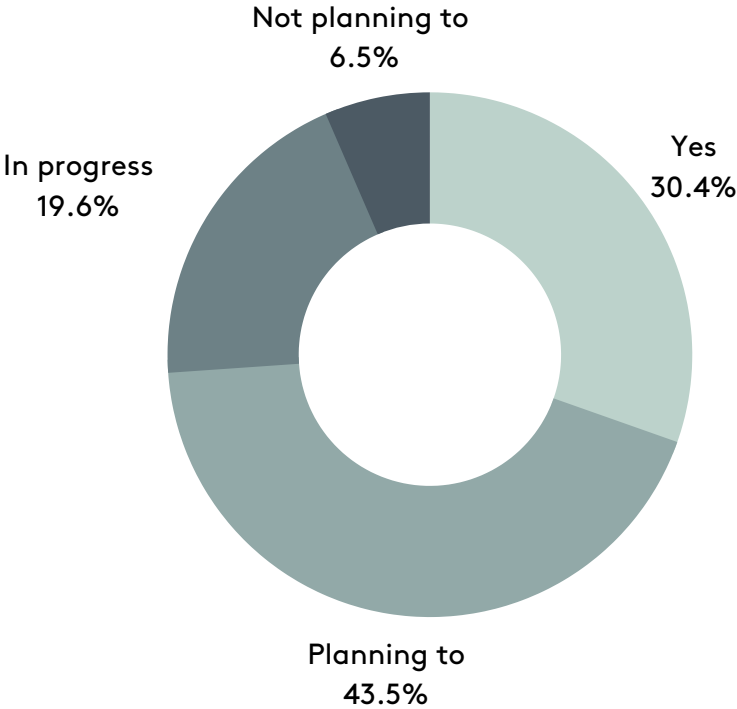
BTNZ is a signatory to the Net Zero Asset Manager's Initiative, Climate Action 100+, Investor Group on Climate Change and a public supporter of the Taskforce on Climate-related Financial Disclosures, which means we are publicly committed to act on climate change.

In mid-2020, BTNZ committed to a 1.5°C pathway and a bold sustainability enhancement strategy and has since made significant progress on increasing sustainability and climate change considerations within our investment processes and solutions. We also support actions by our delegated investment managers to do the same. The BTNZ team is passionate about addressing climate change and incorporating sustainability and has been active in engaging and collaborating with others to drive change."





Do you have a carbon emissions reduction plan?



Carbon Emissions Reduction Plans

Emissions reduction plans are a crucial step in the process of systematically reducing the carbon intensity of portfolios and preparing for a Net Zero commitment. Around 30% of the asset owners and fund managers surveyed had already prepared an emissions reduction plan; almost all the rest were either planning to do so in the future or working on developing a plan.

NET ZERO BY 2050



Net Zero profile from Russell Investments:

"Russell Investments has made a commitment to achieve net-zero carbon emissions for its global operations by 2030 and applicable investment portfolios globally by 2050, building on our goal of creating long-term sustainable value for clients and in recognition of the real societal and economic risks of climate change.

To accelerate our efforts, we have joined the Net Zero Asset Managers Initiative, and are establishing a global taskforce to develop our transition plan to zero carbon emissions within our portfolios. This taskforce will set interim targets in collaboration with our clients globally and build upon established practices, such as our manager research process, environmental stewardship, and climate risk reporting.

The Net Zero initiative asks for targets set at five-year intervals to track progress. We will first work to define our priorities and detail our implementation strategies, which will include enhancing our research efforts on quantitative and qualitative climate risks, collaborating with clients and advisors on their decarbonisation goals engaging with institutional investor groups such as the IIGCC. Our core focus remains on meeting our fiduciary duties to clients and helping them achieve their long-term investment objectives. ESG issues are already critical considerations for many of our global clients and our net-zero commitment reflects an extension of ongoing discussions we are having with investors and fund managers around the world.

Within our NZ business, our approach will be one of leveraging global best practice for our clients and delivering solutions that work for Kiwi investors. We have already begun this process, collaborating with some of our clients to address carbon emissions within their portfolios through both research and the upcoming launch of a decarbonised global equity fund."

Net Zero Commitments

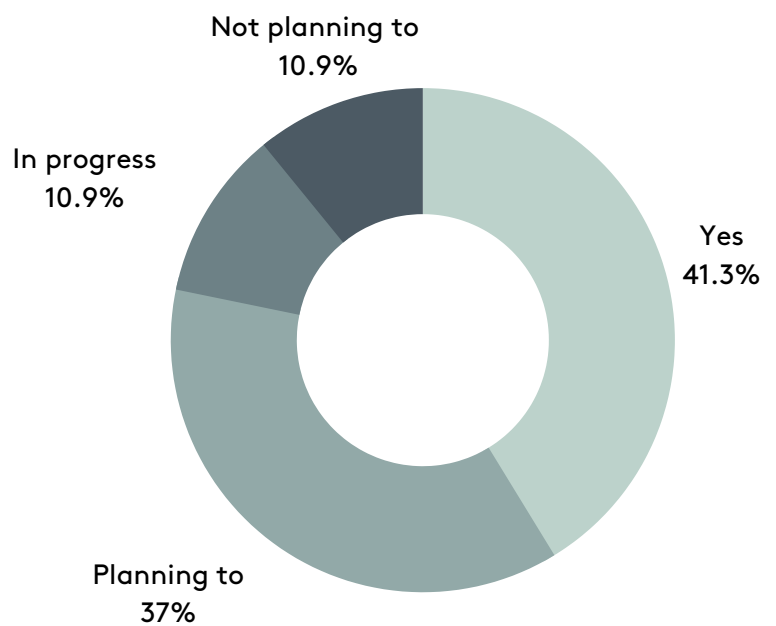
The survey showed that New Zealand asset owners and fund managers have been slow in their adoption of Net Zero targets, compared with the international funds management sector. At the time of the survey, the only funds to make a pledge into a UN-linked Net Zero initiative were BT/Westpac Funds Management, Mercer Investments, Russell Investments, Pathfinder Asset Management, and QBE Insurance.

These pledges represent approximately \$40 billion of assets under management, a small contribution to the \$70 trillion (or more) that is pledged globally.

However, the survey found extremely high levels of intention to progress towards a Net Zero pledge. Almost all (96%) fund managers and most (79%) asset owners responding to the survey expressed an intention to pursue a Net Zero target. In addition, some of the asset owners who did not state an intention to pledge a Net Zero target were supportive of the commitments their fund managers were making to Net Zero.

This was a surprising and encouraging result. Consultations prior to launching the survey had suggested that there might be few responses and little interest, especially from the smaller funds. However, it was clear from the survey that there was a strong intention to reduce climate emissions and submit a Net Zero pledge.

Are you interested in making a pledge to reduce emissions to net zero by 2050 or sooner?





Net Zero profile from Mercer:

"In July 2021, following similar commitments made by Mercer in Australia, UK, Europe and Asia, Mercer New Zealand committed to a target of net-zero absolute portfolio carbon emissions by 2050 for its Funds. To achieve this, Mercer expects to reduce portfolio carbon emissions by 45% from 2020 baseline levels by 2030. The commitment is consistent with targeting a 1.5°C limit on global temperature increases and the Paris Agreement's ambitions.

Under Mercer's Climate Transition Plan, we will be working closely with our appointed investment managers to identify and manage a staged emissions reduction plan, oversee portfolio allocations to climate solutions, and steward an increase in transition capacity across the Funds.

Progress on absolute emissions and carbon intensity reductions will be monitored annually – together with analysis on transition capacity and allocation to 'green' solutions – using Mercer's Analytics for Climate Transition (ACT) tool.

At Mercer, sustainability is one of our key investment beliefs. We believe a sustainable investment approach is more likely to create and preserve long-term investment capital. Our research over many years and across asset classes has supported our view that investing for a 1.5°C scenario is expected to lead to better outcomes for investment portfolios.

Mercer does not typically select investments directly. Rather, we combine specialist investment managers into portfolios. We expect our investment managers to assess and reflect ESG risks and opportunities in security or asset selection and portfolio construction, acknowledging that the degree of relevance or materiality varies between asset classes. We have rigorous selection and monitoring processes for potential and appointed investment managers, informed by our in-depth research.

Globally, Mercer participates in a number of initiatives where we collaborate with other investors for greater impact, including the Responsible Investment Association Australasia, the Investor Group on Climate Change, Climate Action 100+, CDP, Transition Pathway Initiative, Investor Statements to Governments and the 30% Club.

In addition to managing close to NZ\$11 billion, Mercer manages almost US\$400 billion and advises on over US\$3 trillion worth of assets globally. Being a large participant in the global investment industry, with a focus on addressing and managing climate change risks, we believe we are well positioned to make meaningful impact across our portfolios both in NZ and globally."

Targeting
net zero
by 2030

65% less
carbon in our portfolio
(than the market average)

As a part of the
B Corp Climate Collective,
In partnership with the
UNFCC Race to Zero
campaign

Zero
investment in fossil fuel
exploration, extraction
and distribution

Zero
investment in factory
farming

Zero
investment in coal fired
electricity production

Net Zero profile from Pathfinder:

"Pathfinder's vision is to help fund the lasting transformation to a more ethical world. Aspiration inspires us, but we need practical steps to bring this into the 'real world'.

Each business should focus on steps it can take - a net-zero commitment is a great starting point. We've committed to net-zero by 2030 as part of the B Corp Climate Collective (in partnership with the UNFCC Race to Zero campaign).

Setting a net-zero target doesn't mean it will happen, it needs action. Here's some suggestions:

- Set ambitious but attainable annual goals through the business. For example, our 2020 goals included reporting Scope 3 emissions (we acknowledge we're responsible for our share of the scope 1 and 2 emissions produced by companies we invest in) and reducing the carbon intensity of our investments to 65% below the global benchmark. Our 2021 targets include compiling better data on water and waste and removing the top 20 fossil fuel financiers from all portfolios (18 are now gone, two to go).
- Embed your values and low carbon thinking into your business DNA. Your leadership must support and lead, but your wider team must believe and drive this. Embedding values and a transition to a lower carbon world cannot authentically be achieved by top executives sending out memos.
- Articulate within your team and to the outside world (your customers, shareholders, community etc) what you believe as a business. We see climate change as the greatest crisis facing our planet and humanity. We also see companies failing to transition to a low carbon economy exposing themselves to greater future financial risks. Our concern for our planet aligns with smart, long-term investing. We're not afraid to articulate that message again and again.
- Prioritise reduction of your carbon footprint. Identify and make the big early gains, it will require change. You can use carbon offsets for the remainder (and we do) but in terms of priority, reduction is the 'go to' and offset is the 'last resort'.

Don't lose sight of why we are doing this. It's not simply about complying with disclosure regulations, appeasing pesky customers or polishing the greenness of a brand. It's about the world for our grandkids, healthy ecosystems, social equity and long-term sustainability as a business all tied in together."

Pathfinder

Invest Ethically

Resources for Net Zero pledges and action plans

UN 'Race to Zero'-aligned pledges

- [Net Zero Asset Managers commitment](#)
- Paris Aligned Investment Initiative [Net Zero Asset Owner Commitment](#)
- Net Zero Asset Owners Alliance [UN-convened Net Zero Asset Owner Alliance](#)
- B-Corps Net Zero initiative [Certified B Corps Net Zero by 2030](#)

Selected guidance

- [Net Zero Investment Framework Implementation Guide 1.0, March 2021](#)
- [Investor Climate Action Plans](#) – Guidance on using the Expectations Ladder, The Investor Agenda, May 2021
- [Assessment of company alignment, Climate Action 100+ Net Zero Company benchmark, March 2021](#)
- [Financial Sector Science-based Targets Guidance, April 2021](#)
- [GHG Protocol](#) including Scope 3 standard and investments and latest guidance for accounting for GHG emissions associated with lending and investments
- MSCI [Net Zero Hub](#)
- Aviva, [Taking Climate Action](#), March 2021

Net Zero in New Zealand

- [Toitū Tahua: Centre for Sustainable Finance](#)
- [Mindful Money](#)
- [Investor Group on Climate Change](#)

