Survey of Aotearoa New Zealand Investors: Climate Policies and Actions 2025

Investor Group on Climate Change

CENTRE FOR Sustainable Finance TOITŪ TAHUA

Mindful Money

Foreword

The Climate Ministerial meeting in Glasgow in 2021 saw a wave of enthusiasm for climate pledges amongst the world's largest financial institutions, orchestrated by former central banker Mark Carney, recently elected Canada's Prime Minister.

Pledges to achieve net zero in financed emissions were made by many of the worlds' largest financial institutions. This survey started as a follow up to the 2021 summit and provides an assessment of progress.

About

The survey and this report are a collaboration of three organisations:

Investor Group on Climate Change

CENTRE FOR Sustainable Finance TOITŪ TAHUA

Mindful Money

This is the fourth survey. The coalition conducted surveys in 2021, 2022 and 2023 of asset owners and fund managers to establish a baseline of net zero pledges, plans in progress, and intentions regarding reductions in climate emissions.

Acknowledgements

This survey was coordinated by Marwa Curran and Duncan Paterson from IGCC and the research was undertaken by Lonergan Research as part of a comparable survey for New Zealand, Australia and the Asia- Pacific. The New Zealand analysis and report drafting was undertaken by Barry Coates from Mindful Money.

The Centre for Sustainable Finance: Toitū Tahua

www.sustainablefinance.nz

The Centre for Sustainable Finance (CSF) is an independently governed charitable trust founded in 2021. It partners with the New Zealand government, philanthropies and financial institutions to accelerate progress towards a sustainable and equitable financial system in Aotearoa New Zealand.

Mindful Money

www.mindfulmoney.nz

Mindful Money is a charity that promotes ethical and impact investment in New Zealand. It provides transparency for KiwiSaver and managed fund investors on portfolio holdings, together with public education and engagement. Mindful Money provides services to the financial sector including research on the integration of climate change into investment portfolios.

The Investor Group on Climate Change

www.igcc.org.au

The Investor Group on Climate Change (IGCC) is a collaboration of Australian and New Zealand institutional investors focused on the impact of climate change on investments. IGCC represents investors with total funds under management of over $5 trillion in Australia and New Zealand and $35 trillion globally. IGCC members' beneficiaries include more than 14.8 million Australians and millions more New Zealanders.

Lonergan Research

www.lonerganresearch.com.au

Lonergan research is an independent strategic research consultancy. Lonergan interprets data and research findings holistically to deliver evidence based, yet creative insights and recommendations to our clients. We combine a wide range of disciplines and approaches to solve complex business challenges.

Overview

- The online survey provides an overview of the current state of climate policy and actions undertaken by institutional investors.
- The study was conducted among 140 asset owners, asset managers and service providers across Australia, New Zealand, Asia, North America and Europe. Of these investors, 108 were existing IGCC or Asia Investor Group on Climate Change (AIGCC) members and 32 were non-members.
- The New Zealand report includes data from 27 investors, including 7 asset owners, 17 asset/fund managers and 3 wealth managers, representing global assets under management (AUM) of $263 billion, around 54% of total NZ AUM.
- For the analysis, the asset/fund managers and wealth managers are reported on collectively and referred to as Asset or Fund Managers.

Methodology

- After a review of the 2023 survey, the list of questions was streamlined from 91 in 2023 to 49 in 2024.
- The aim of refining the questions was to create a more applicable and meaningful set of questions for all respondents.
- As such, many questions were either altered or removed and cannot be tracked against earlier surveys.
- The data was collected between Friday,13th September and Friday, 8th November 2024.

Appreciation

- We would like to extend our sincere thanks to those asset owners, fund managers and wealth managers that took the time to complete the survey during a busy period, including for initial Climate-Related Disclosure reports.

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Key Survey Insights

The top drivers for climate action were sound financial management - compliance with fiduciary duty and management of climate risk - and contribution to positive environmental and social outcomes.

The barriers to climate action cited by respondents were a lack of clear definitions/frameworks and policy/regulatory uncertainty, reflecting difficulties in Climate Related Disclosure (CRD) reporting.

There has been a strengthening of climate governance, but there are still gaps such as integrating formal climate change responsibilities into Board structures and executive remuneration.

Most investors have climate policies, but the level of attention to nature and deforestation is lower than for the Australian investment sector.

Almost all investors surveyed said ESG integration forms part of their climate strategy, with a high proportion also using screening/exclusions and strategic asset allocation..

There has been an increase in the number of investors, particularly Asset Owners, setting Net Zero targets.

Almost all investors surveyed measure at least some of the emissions of the companies or entities in their portfolios (financed emissions), reflecting CRD reporting.

A low proportion of investors invest in climate solutions (such as investing in renewable energy) and few have set a published target. Investment in nature positive solutions is low.

Most investors use engagement on climate issues with investee companies, but few are willing to escalate in cases where companies do not make improvements.

Policy or regulatory uncertainty is a challenge. Most investors respond by avoiding controversial or risky investments.

Executive Summary

Perhaps the most significant development over the past year has been the change in climate economics. Costs of decarbonisation, and especially renewable energy, have continued to fall. Investment incentives now favour investment in climate solutions. It is disappointing that this has not yet been reflected in an increase in the level of investment by asset owners and fund managers in New Zealand.

At the same time, climate risks are accelerating. Extreme weather events have increased the economic costs of storms, floods, bushfires and drought, resulting in supply chain disruptions and a wide range of additional costs. Climate risks are on the increase as well as climate opportunities.

After a wave of enthusiasm for net zero pledges at the Climate Ministerial in 2021, a number of international institutional investors and banks have subsequently dropped their net zero pledges. Some of them were responding to political pressure in the US. Others recognised that action would be needed and that the pledges would be monitored. While there are fewer pledges internationally, there is now a greater degree of realism in climate reporting and planning.

Public and regulatory expectations of the finance sector in taking action on climate change have increased - there is more scrutiny, stronger guidance on the steps that investors need to take towards net zero, and an emphasis on action rather than pledges. The expectation is for tangible steps in reducing financed emissions and building resilience.

This year's findings come at a crucial time. Investors are navigating a complex environment. There are now sharper differences in climate policy and financial investment practices between the US and other countries. The politicisation of responsible investing in the US, including on climate change, is creating new challenges. Meanwhile, other countries, including the EU, UK, Australia, Canada and others are continuing to evolve and deepen their climate policy, regulation and reporting.

Global standards are emerging and the expectations of many international investors are rising. There have been policy changes in New Zealand, some of them stepping back from progressive climate policies, but so far the legislative framework in New Zealand remains intact, particularly the Climate Change Response (Zero Carbon) Amendment Act 2019, and the Financial Sector (Climate-related Disclosures and Other Matters) Amendment Act 2021.

Our previous climate survey reports have expressed concern over the slow progress in Aotearoa New Zealand, not only in comparison with leaders in the EU, but also in comparison with Australia. The good news from this survey is that the pace has picked up, at least partly as a result of reporting obligations under the Climate-Related Disclosures (CRD) legislation.

The survey shows that, while contributing to positive climate outcomes is important to some investors, business reasons predominate, including fulfilling fiduciary duty and managing risk, avoiding transitional costs and gaining a market advantage. Other recent **surveys** show continued high levels of public concern over climate change. Three quarters of retail investors expect their financial provider to take action to reduce their financed emissions.

The next few years will be critical. As CRD reporting beds down, and the scope of reporting widens to include transition plans and the financial estimates of risks, there will hopefully be more emphasis on forward looking action, rather than the focus on reporting on governance, policies and past emissions.

The core questions in the survey cover the key elements of a structured pathway for investors, including Net Zero pledges, interim targets, governance, investment policies, risk assessment, investing in climate solutions, enhanced resilience, and engagement with the legal and policy framework. Some themes emerge from an analysis of the responses.

Analysis of the drivers for action show that investors consider good climate integration to be good financial practice. The primary factors cited include compliance with fiduciary obligations, managing risks, reaching more customers, gaining competitive advantage and avoiding transition disruption.

The survey responses make it clear that CRD reporting has been a challenge. The highest barriers cited in the survey are around the lack of clear definitions, regulatory uncertainty, and a lack of tools or data. This is unsurprising in the first year of reporting. The barriers in this survey are generally perceived to be lower than last year, and it will be interesting to see if the barriers reduce further now that most climate reporting entities have gone through their first cycle of reporting. It is also striking how quickly other countries have put in place similar climate reporting regulation over the past year.

There has been a strengthening of climate governance, particularly in providing regular reporting to the Board and senior management on financial metrics related to climate change, and training for Board members. However, there are still gaps in governance such as integrating formal climate change responsibilities into Board or Board Committee Terms of Reference and role descriptions, and a lack of integration of climate performance into executive remuneration.

Almost all investors use some form of integration of climate into their investment strategies. However, thematic investing in climate-related assets by New Zealand fund managers has fallen since last year and is considerably lower than Australia.

There has been an increase in the number of investors, particularly Asset Owners, setting Net Zero targets. This is important, particularly as the targets set by Asset Owners are reflected in investment mandates for Fund Managers. Other surveys show strong public demand for Net Zero targets and climate action by investors.

Almost all investors surveyed (93%) measure at least some of the emissions of the companies or entities in their portfolios (financed emissions). This reflects improvements in data availability for listed equities. There are still challenges in data availability for asset classes such as private debt, hedge funds and derivatives and timber, forestry and agriculture.

There are now growing opportunities for investment in a range of climate solutions and increased interest from New Zealand investors. However, this has not yet translated into capital flows. The survey shows there is a low level of investment in climate solutions compared with Australian investors, and few New Zealand investors have published a target.

Engagement with investee companies on climate issues is common, but few New Zealand investors have an escalation path and a willingness to use stronger tactics such as voting against the re-election of directors, supporting or filing resolutions or publishing stewardship updates. These are emerging practices, and a number of fund providers are building their capacity.

Drivers of Climate Investing

Climate Drivers

It is clear from the survey that investors recognise climate as a core part of financial management.

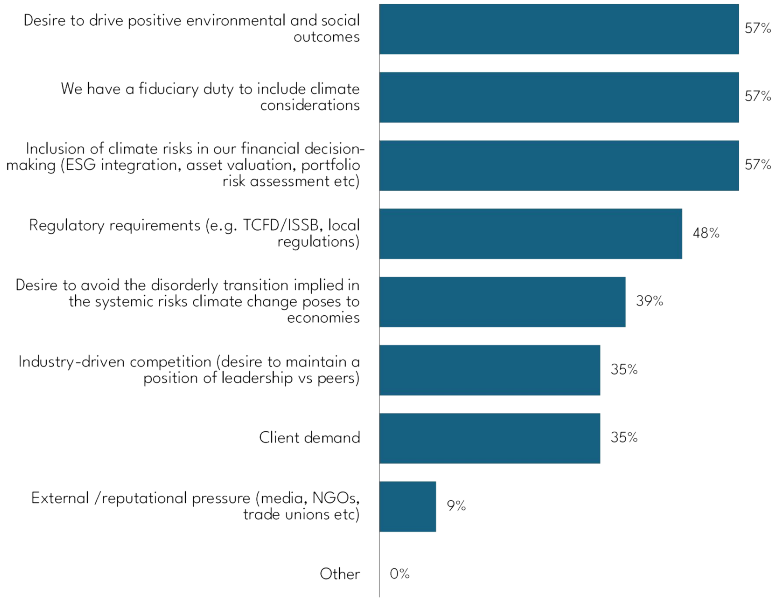
For most investors there is no single driver for them to consider climate investing, with 87% of respondents selecting multiple drivers from the list presented.

However, analysis of the drivers shows that most of the primary factors reflect good financial management, such as to operate according to fiduciary obligations, manage risks, reach more customers, gain competitive advantage and avoid transition disruption.

More than half of respondents said the three top drivers were the desire to drive positive environmental and social outcomes, fiduciary duty and management of climate risk (57%).

Less than half of NZ investors cite regulatory requirements as a main driver (48%). By comparison, regulatory requirements is one of the top drivers among Australian investors (66%).

Investors' drivers for Climate Action



Q: What have been the top drivers to consider climate considerations and net zero investing for your organisation?

Barriers to Climate Investing

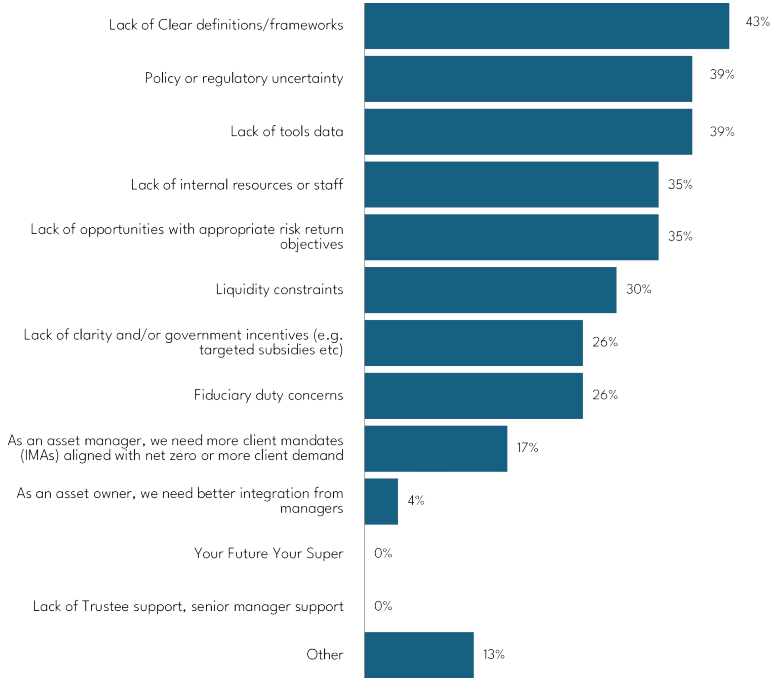
Barriers to Climate Action

There has been a significant increase in this year's top two barriers: Lack of clear definitions/frameworks and policy/regulatory uncertainty. This may reflect difficulties in CRD reporting.

Lack of data is still an important barrier, despite progress by reporting entities under the CRD, and by research data providers. A lack internal resources and staff has become a more important barrier as the pressure for reporting has increased.

A lack of client demand was not seen as a barrier this year, and has been confirmed in other surveys. The **annual survey** of the NZ public on Ethical and Impact investing shows three quarters (74%) consider their fund should reach net zero before 2050. This is also reflected in **global survey** data.

Investors identify frameworks, regulations, and tools as the main barriers to climate investing



Q36. In your view, what are the main barriers to climate solution investments/ climate aligned investments? Investors (Base n = 23)

Barriers to Climate Investing

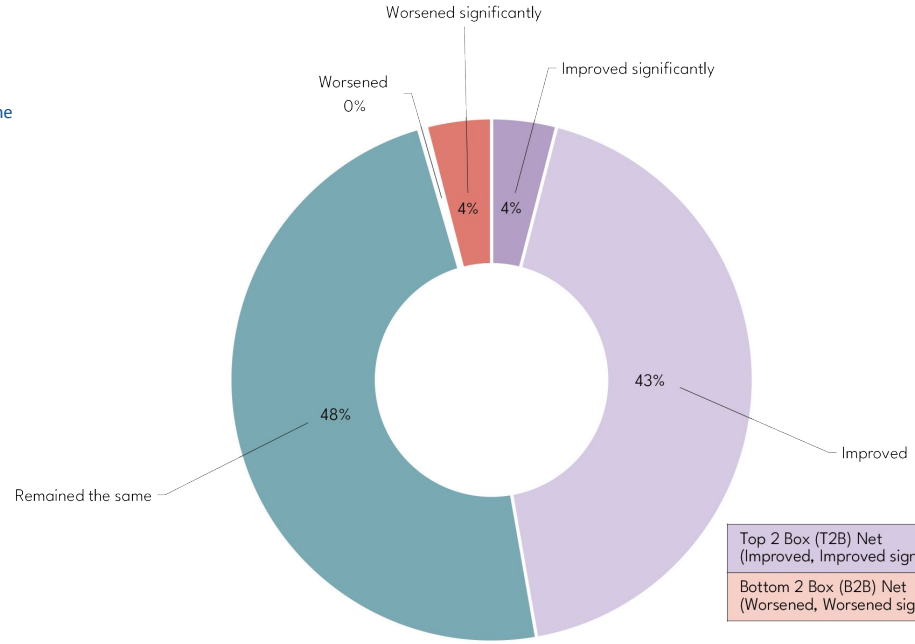
Changes to Barriers

Almost all investors saw barriers to climate investing improve or stay the same over the past 12 months (improved 48%, stayed the same 48%), with only a single respondent (4%) saying they have worsened.

Asset managers were most likely to say the barriers have improved (53%).

Asset owners were most likely to see no change in the barriers they face (67%).

Australian investors were not significantly different in their experience of barriers.



Top 2 Box (T2B) Net (Improved, Improved significantly)	48%
Bottom 2 Box (B2B) Net (Worsened, Worsened significantly)	4%

Q: Overall, have you seen barriers to climate investing improve or worsen over the previous 12 months?

Board Governance

Climate governance structures reflect the processes used by investors to manage climate-related risks and opportunities. This includes how management reports to the board, as well as how and when the board is informed of climate-related issues.

Governance factors are a key area for investors under the Climate Related Disclosures (CRD) reporting framework. This includes how the governing body is informed of these risks and opportunities, how responsibilities are assigned, and how performance is monitored and overseen.

Almost all investors foster awareness at the board level of their organisational climate strategy and risks (91%).

However, a lower proportion have defined formal climate change responsibilities in Board or Board Committee Terms of Reference and role descriptions (48%) compared to last year (67%).

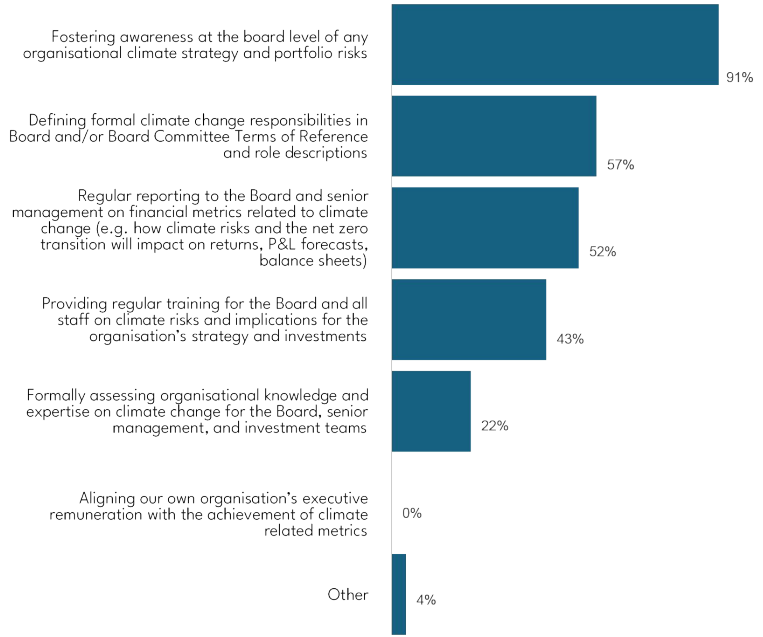
Just over half (52%) of investors say their organisation has regular reporting to the Board and senior management on financial metrics related to climate change. This has increased by almost 20% since last year (33%).

More Boards are providing training on climate issues to Board members (43%) compared to last year (33%), but this is still lower than in Australia (55%).

Fewer New Zealand investors are formally assessing knowledge and expertise of their board members on the topic of climate (22% compared with 33% last year).

A major difference to Australia is in executive compensation. The survey shows that no New Zealand investors align executive remuneration with climate performance, compared with 28% of Australian respondents.

Board level awareness of Climate Strategy and Risk



Q: Regarding your climate-related organisational governance structures, which of the following apply?

Climate Policies

A clear policy regarding climate change signals the investor's commitment to addressing climate concerns. Policies should cover the main elements related to investment approaches, as well as real world investment impacts.

Among investors surveyed, 85% indicate they have an investment policy regarding climate change, up from last year (77%). Some of the smaller investors do not publish the policy (22%).

Among investors with a policy, fossil fuels or other high emitting assets are included in 87% of policies. Addressing climate risks and/or opportunities are included in three-quarters of funds (74%). Specific climate solutions are included fewer policies (39%).

The only survey respondents that do not have an investment policy on climate change are smaller asset owners and private equity funds.

Asset managers were more likely to include more targeted topics such as:

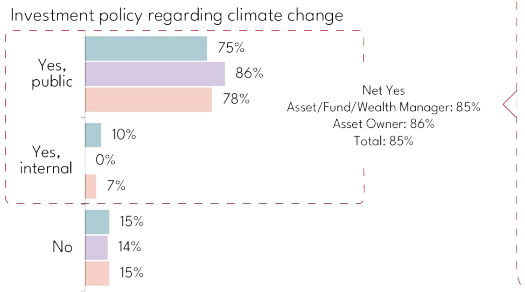
- biodiversity/ nature (18%)
- circular economy (12%)
- deforestation (12%)

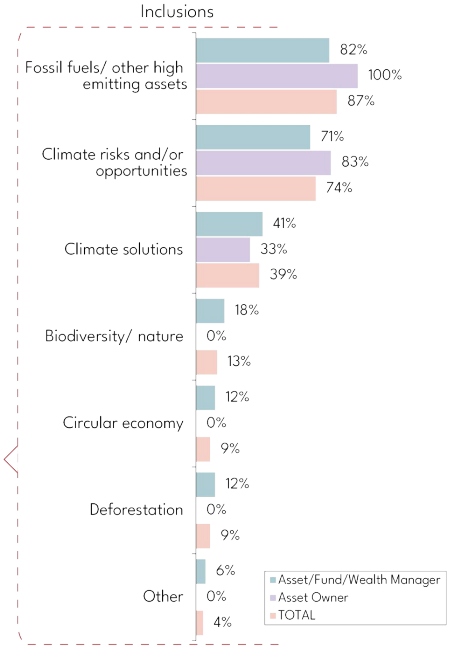
None of these were selected by asset owners.

The lack of attention to nature and deforestation is of concern. Preserving biodiversity is "our strongest natural defence" against the impacts of climate change, according to the United Nations.

There is growing interest in the topic, but few investors have translated that into specific policies or integrated nature into their climate strategies.

The Responsible Investment Association of Australasia (RIAA) has published a Nature Investing Toolkit and Mindful Money is currently undertaking research into the the impacts of investment on nature, initially focusing on oceans and marine ecosystems.





Q: Do you have an investment policy regarding climate change?

Climate Investment Strategies

Climate Strategies

Multiple strategies are used by investors:

- Almost all investors surveyed (93%) said ESG integration forms part of their climate strategy. This is a reflection of the importance of climate in the risk management processes of most investors.
- Nearly two-thirds (63%) use sector and/or activity screening or exclusions. Full or partial screens to exclude investments in high emissions companies or sectors, such as fossil fuels, is a core strategy for most investors.
- Asset owners are most likely to use a combination of screens (71%) and high level measures, such as strategic asset allocation (71%).
- They also show a far higher intention to invest in thematic climate solutions (71%) than asset managers (30%).

The survey results are similar to those from Australia, except that thematic investing in climate-related assets by New Zealand fund managers has fallen since last year (30% compared with 46%), and is considerably lower than Australia (60%).

Fossil Fuel Strategies

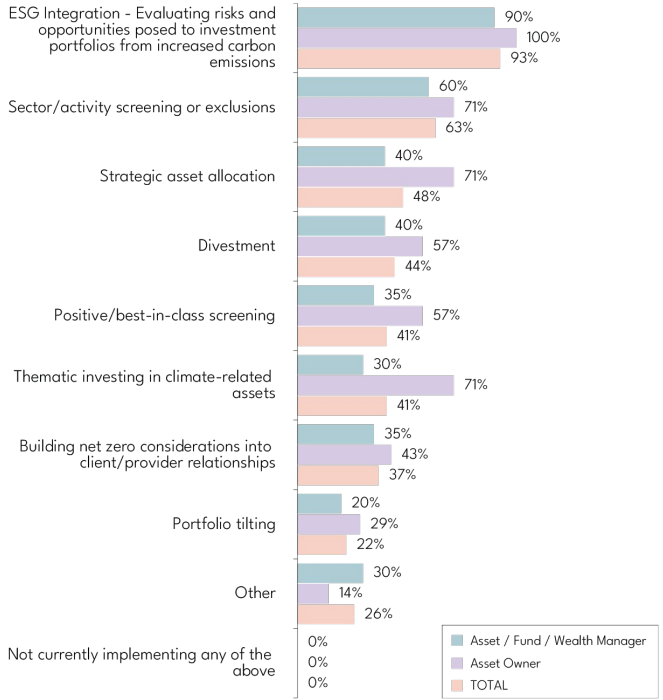
With regard to strategies specifically on fossil fuel investments, almost all investors use exclusionary screens:

- Just under half (48%) apply the screen across ALL their portfolio.
- Another 41% apply screens to PART of their portfolio.

Over half of investors have a specific strategy on thermal coal, tar sands, fracking and new fossil fuel exploration and production. The inclusion of fracking and new production is far higher in New Zealand than Australia.

Stewardship is undertaken as well as exclusions (37%), but only 7% of strategies include a time-bound escalation strategy as part of their stewardship approach, compared with 25% in Australia.

An approach to advocate for just transition is used by only 7% of funds in New Zealand compared with 42% in Australia.



Q: Which of the following form part of your climate strategy?

Net Zero Targets

Net Zero Commitments

Targets and commitments are important to drive action. International initiatives exist to promote harmonisation and transparency around the target setting and implementation process. Two leading initiatives are the Net Zero Asset Managers (NZAM) initiative for asset managers, and the Paris-Aligned Asset Owners' (PAAO) initiative for asset owners. Both initiatives work with signatories using a common set of guidance, the Net Zero Investment Framework (NZIF).

NZIF provides a consistent basis for asset owners and asset managers to measure and manage portfolios, with the goal of achieving global Net Zero emissions."

Almost half (48%) of New Zealand investors have set Net Zero target, including 30% that have set a public Net Zero target across the whole of their portfolio.

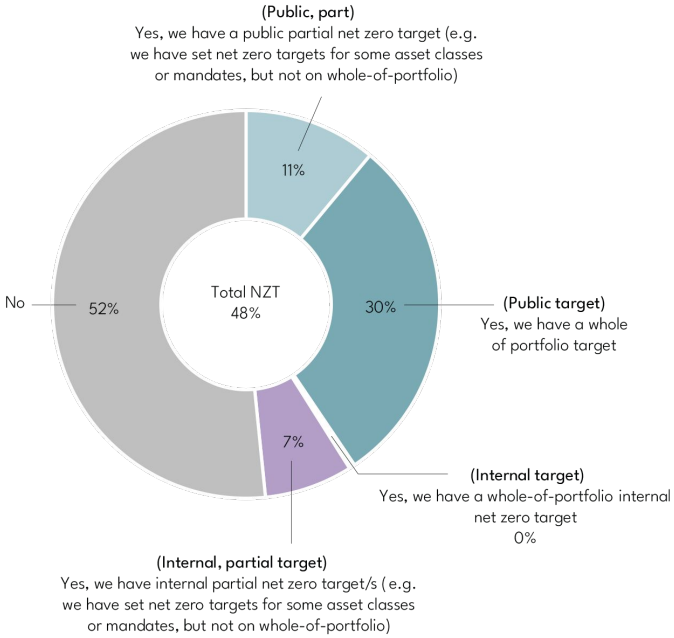
This shows an increase since 2023, which saw only 30% of respondents having set Net Zero targets, with only 15% having set public, whole-of-portfolio targets.

It is welcome to see an increase in targets set by asset owners, including relatively small trusts and foundations.

The higher number of Net Zero pledges by asset managers appears be in response to the strong public interest in climate action by KiwiSaver and investment providers.

The increased level of commitments to net zero is in the context of increased scrutiny of pledges and more clearly defined actions required to demonstrate progress.

The comparable proportion of investors in Australia that have set net zero targets is higher at 82%, but most of these are larger than their New Zealand counterparts and they are mainly IGCC members, whereas the New Zealand survey is broader across the investment sector.



Q: Have you set a net zero emissions target aligned with global net zero emissions pathways (e.g. by 2050)?

Measurement of Financed Emissions

Emissions Measurement

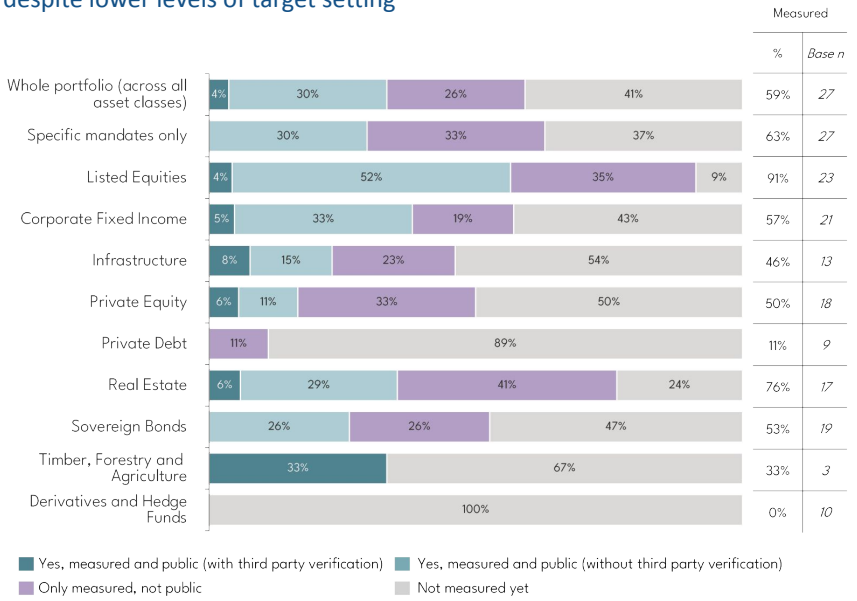
Almost all investors surveyed (93%) measure at least some of the emissions of the companies or entities in their portfolios (financed emissions).

There has been an increase from 2023, partly due to reporting requirements under Climate-Related Disclosures (CRD). However, this survey also reveals that many smaller asset owners and fund managers are measuring their emissions even though they are not required to report on them.

Data is most readily available for listed equity investments - a high proportion of survey respondents with listed equity investments are measuring GHG emissions (91%), up from 2023 (77%).

Measurement of emissions from asset classes such as private debt, hedge funds and derivatives and timber, forestry and agriculture are more difficult, and few funds are able to provide reliable information.

Measurement of GHGs is high across portfolios, despite lower levels of target setting



Q: Have you measured the greenhouse gas (GHG) emissions of your portfolio?

Measurement of Financed Emissions

Methodology

ESG data providers are relied upon by a third of investors (33%) when they are measuring net zero alignment and target setting.

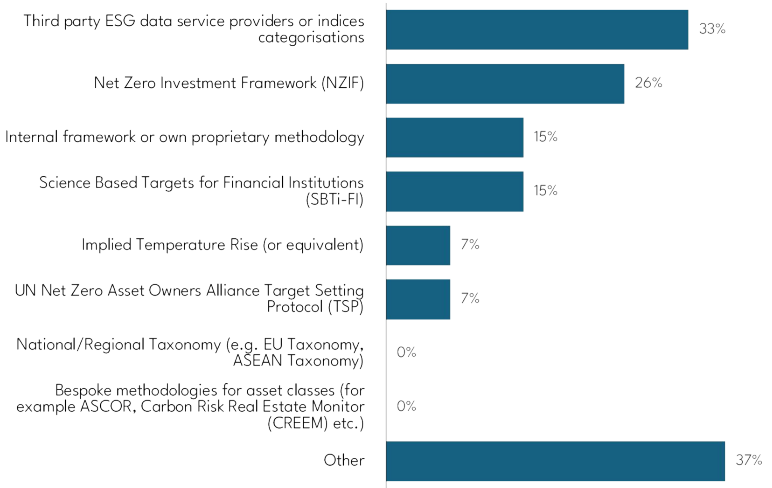
A quarter (26%) of investors use the Net Zero Investment Framework (NZIF) for guidance on net zero alignment and target setting.

This increases to 71% among asset owners, compared to just 10% of asset managers in New Zealand.

The **Science-Based Targets initiative** offers a credible standards and verification for measurement of emissions of companies in portfolios, but is used by only a limited number of investors (15%).

15% of surveyed investors use their own internal framework or proprietary methodology for net zero alignment and target setting.

Third party methodologies are most commonly used in investor's approach to net zero alignment



Q: Please identify the methodology(ies) that most closely compliments your approach to net zero alignment and target setting.

Tracking and Reporting on Climate Change

Over half of investors (57%) produce CRD or other TCFD aligned reports. This proportion will rise over the next year as Reporting Entities fulfil their regulatory obligations.

In the first year of reporting, there is an exemption from scope 3 reporting. This is relevant to asset owners and fund managers because the emissions they report on are not their operational emissions but their scope 3 emissions - those of the companies and other entities in their portfolios.

While most of the Reporting Entities (those with assets under management of over $1 billion) have reported their financed emissions in year 1, others have used the exemption.

A further 9% of respondents say they will publish a report on financed emissions within a year.

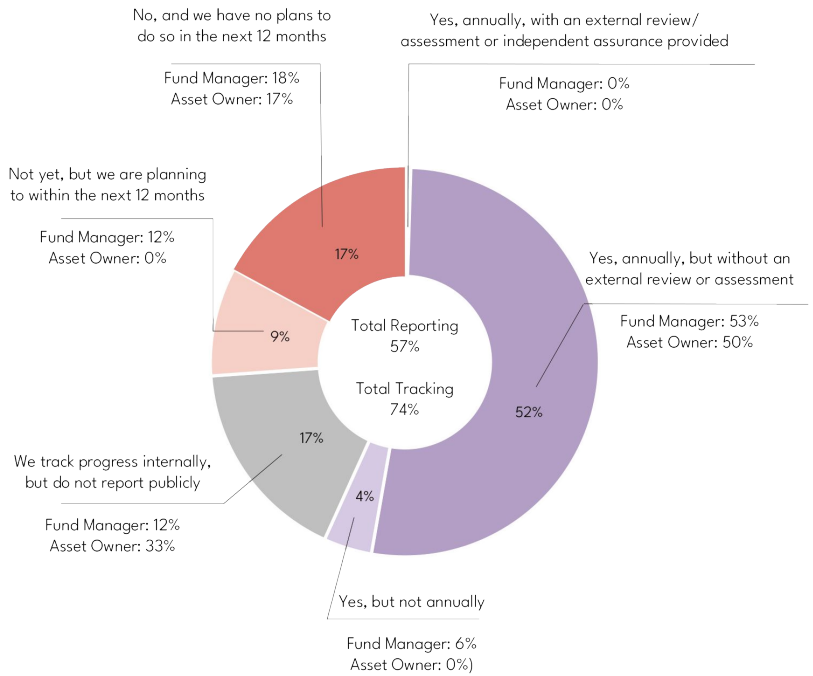
A further 17% of respondents are tracking their emissions but do not have an intention to report in the short term. These tend to be smaller investors without reporting obligations.

There is also an exemption on assurance for climate reports until December 2025. Therefore it is not surprising that no survey respondents had undertaken an external review of their climate statements.

At the time of writing this report, the government is consulting on changes to the CRD regulations.

While the first round of reporting has been difficult for many investors, rolling back the current obligations would risk New Zealand investors shifting from a world-leading position to lagging good practice internationally.

There has been progress in developing internationally-comparable standards and reporting frameworks through the International Sustainability Standards Board, and New Zealand should aim for alignment with good practice.



Q: Do you produce TCFD/ ISSB aligned reporting?

Physical Risk and Resilience

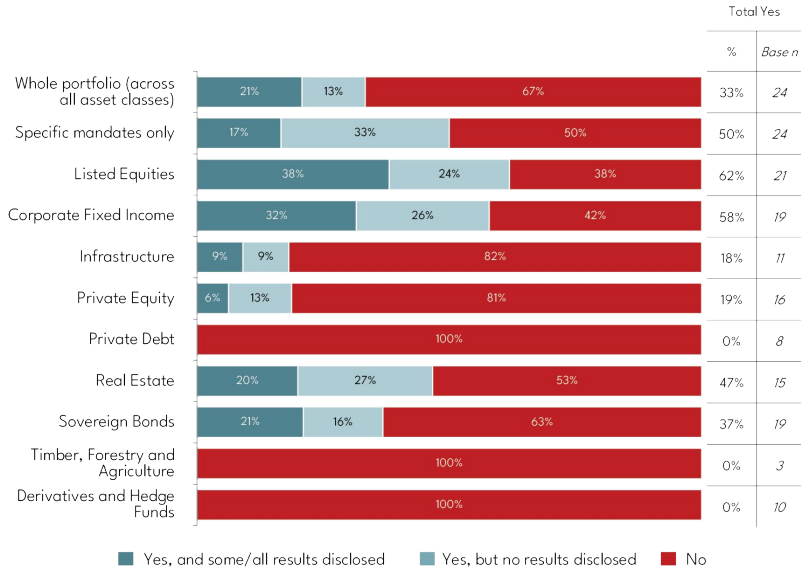
Physical Risk Assessment

The frequency, scale and intensity of climate-related disasters has increased significantly in recent years. Attribution analysis now shows a clearer causal connections between the impacts and the impacts. Physical risk from storms, floods, fires, droughts and other forms of extreme weather have become even more important financial risks.

Climate risk assessments help investors develop effective risk management, inform asset valuations, and identify specific risks in their portfolio.

- Nearly two-thirds (63%) of New Zealand investors surveyed have undertaken a climate-related physical risk or resilience assessment across any of their assets, with a third (33%) doing so across their whole portfolio.
- The most common asset class investors where investors are assessing physical risk is listed equities, with 62% of investors conducting an assessment.
- No investors report undertaking a physical risk and resilience assessment in the Private Debt, Timber, Forestry and Agriculture, or Derivatives/Hedge Funds asset classes.

Undertaken a Physical Risk Assessment



Q: Have you undertaken a climate-related physical risk or resilience assessment?

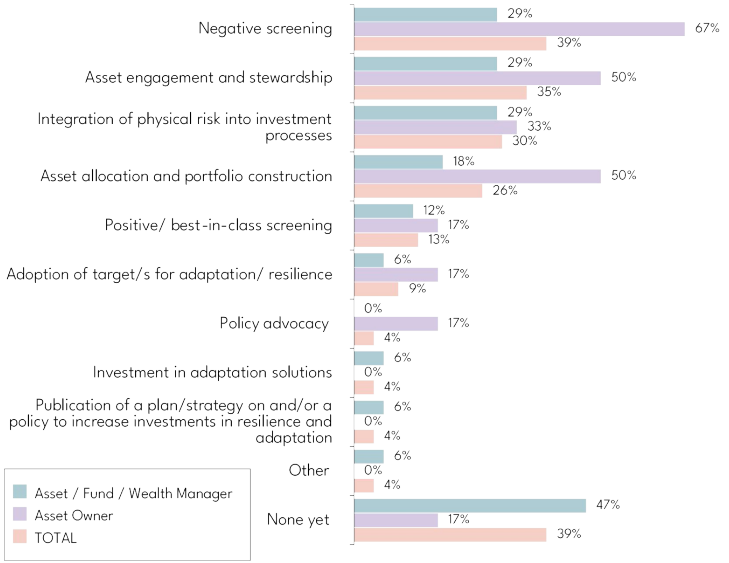
Physical Risk and Resilience

Physical Risk and Resilience

Most investors rely on two main approaches to manage risks and build stronger resilience across their portfolios:

1. Integrating physical risk into investment processes: actions may include adjustments to asset valuations, diversification of investments to mitigate the risks in any one asset class or region, and improvements to the resilience of investments.
    - Negative screening to increase portfolio resilience is the most common response (39%) in this survey. As with most other responses, this is being undertaken by more asset owners (67% compared with 29% for Asset Managers).
2. Asset engagement and stewardship: Physical risk and adaptation is one of the top areas of engagement with investees.
    - Over a third of surveyed investors are implementing asset engagement and stewardship (35%) in response to physical risk.
    - (30%) are integrating physical risk into investment processes to increase resilience.
    - Nearly half (47%) of Asset Managers surveyed have not implemented physical risk and resilience measures, while this is the case for only one in six (17%) Asset Owners.

Responses to Physical Risk Assessment



Q: What type of response(s) to physical risk are you implementing to increase resilience?

Investing in Climate Solutions

Approach to climate solutions

Investment in climate solutions needs to be rapidly scaled up in order to accelerate decarbonisation and the transition to renewable energy.

When asked about their investment in climate solutions, 42% of investors tracked their level of investment.

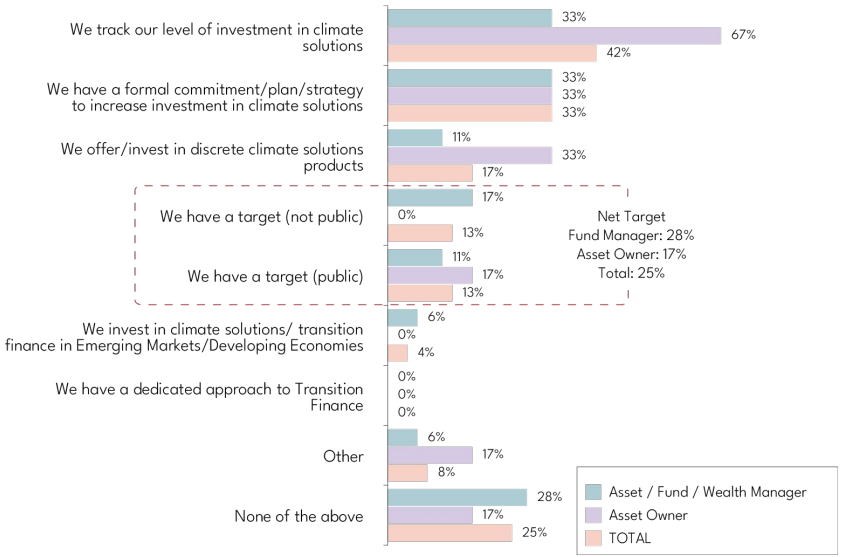
A low proportion (17%) of investors invest in climate solutions, and few have set a published target (13%).

- Australian investors are more likely to invest in climate solutions (37%) and to make their target public (22%).

A higher proportion of Asset Owners report having investments in climate solutions, but they are less likely than Asset Managers to set specific targets for investment.

While the level of investment in climate solutions is low, it is starting to rise. Mainstream New Zealand investors are increasing their investment. There are now increasing opportunities for investors in New Zealand funds and companies, including in private companies.

Approach to investing in Climate Solutions



Q: Which of the following apply to your investments in climate solutions?

Investing in Climate Solutions

Investing in Climate Solutions

The economics of investment in climate solutions have become far more favourable in recent years as the costs of solar panels, battery storage and other clean technologies have continued to fall.

The most popular opportunity for climate solutions investment is renewable energy generation (71%).

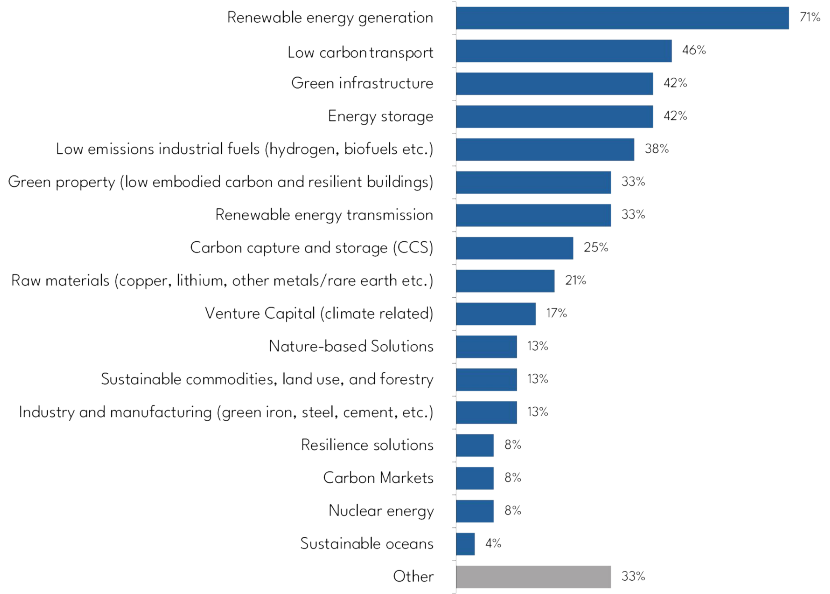
- This has increased by significantly since 2023 (44%).

Low carbon transport (46%), green infrastructure (42%), and energy storage (42%) have been identified as opportunities for the near future by at least 40% of respondents.

- Low carbon transport increased by 13% over 2023 (33%).

A striking difference with the Australian survey is in investor's interest in investing in nature solutions, such as biodiversity and natural capital. In New Zealand 13% of respondents rated it as a primary opportunity, compared with 43% in Australia.

Most investors see opportunities in renewable energy generation



Q: What have been the top drivers to consider climate considerations and net zero investing for your organisation?

Stewardship and Engagement

Engagement with Companies

Climate-related corporate engagement with investee companies is an important tool for investors to manage climate risks and opportunities, alongside proxy voting.

Most New Zealand investors use a third party (69%) to engage with companies.

Most of the third parties are external fund managers (58%), used by:

- 83% of Asset Owners.
- 50% of Asset Managers.

Two in five (42%) investors surveyed said they directly engage with companies on climate:

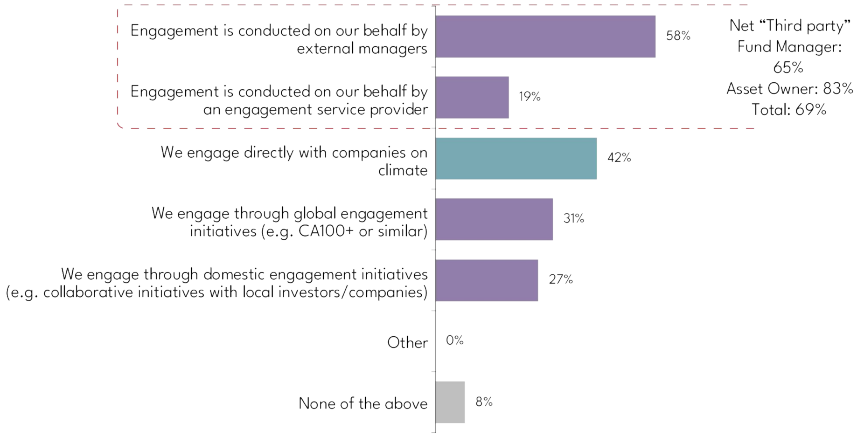
- There were all Asset Managers - no Asset Owners reported engaging directly with companies.

The level of shareholder activism is lower in New Zealand:

- 22% would vote against a director's re-election on climate grounds compared to 66% in Australia.
- 7% would file or support climate resolutions, compared to 42% in Australia.
- 7% would publish updates and expectations of companies, compared to 26% in Australia.

This may reflect the smaller size of Fund Managers and Asset Owners surveyed, and their more limited capacity to follow through on engagement initiatives.

How Investors Engage with Companies



Q: With regards to your climate-related corporate engagement, which of the following apply?

Stewardship and Engagement

Key Concerns and Challenges for Stewardship

When asked about the key challenges or concerns in relation to climate-related stewardship, half of investors surveyed said they had:

- Difficulties in measuring and reporting the impact or effectiveness of stewardship activities (48%): or
- Inadequate resources and capabilities to undertake stewardship functions (48%).

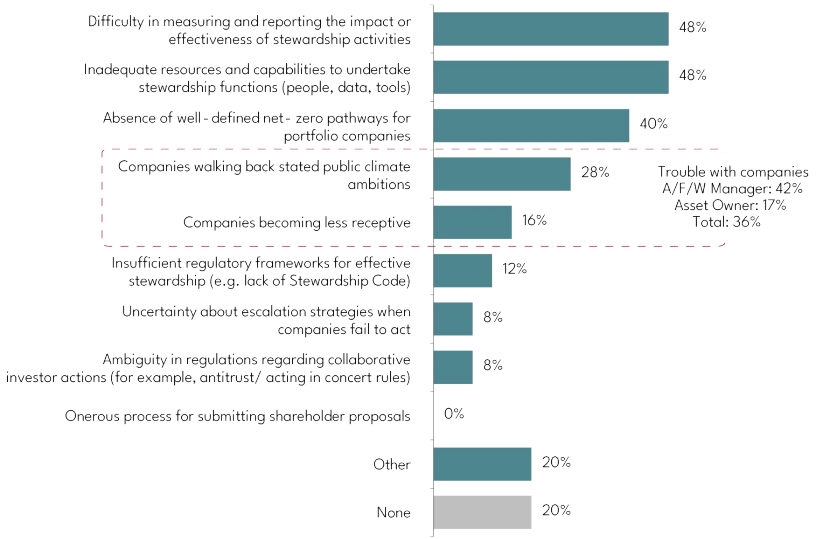
Information and data is also a constraint:

- 40% of investors report an absence of well-defined net-zero pathways for portfolio companies.

Over a third (36%) of respondents expressed challenges with companies:

- walking back stated climate ambitions (28%): or
- becoming less receptive (16%).

Key Challenges for Stewardship



Q: What are the key challenges or concerns that you are facing in relation to climate-related stewardship practices?

The Policy Framework

Policy and Regulatory Uncertainty

Managing climate risk in the face of uncertainty is crucial, given the diffuse and pervasive climate impacts and significant changes to government responses.

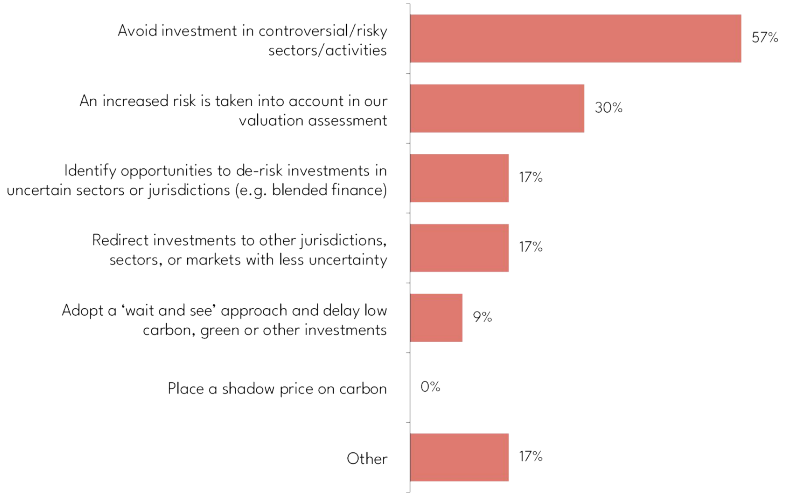
Policy or regulatory uncertainty was one of the main barriers in climate investment practice identified by investors, as shown on page 9 of this report (39%).

To manage policy or regulatory uncertainty in investment or portfolio management decisions, 57% of respondents avoid investment in controversial/risky sectors/activities.

- Among those investors who said policy or regulatory uncertainty was one of the main barriers, avoiding controversial investments increases to 67%.

Three in ten (30%) investors surveyed said they take an increase in risk into account in their valuation assessment.

- 50% of Asset Owners take an increase in risk into account, compared to 24% of Asset Managers.



Q: How do you manage policy or regulatory uncertainty in investment and/or portfolio management decisions?

The Policy Framework

Policy and Advocacy Activity

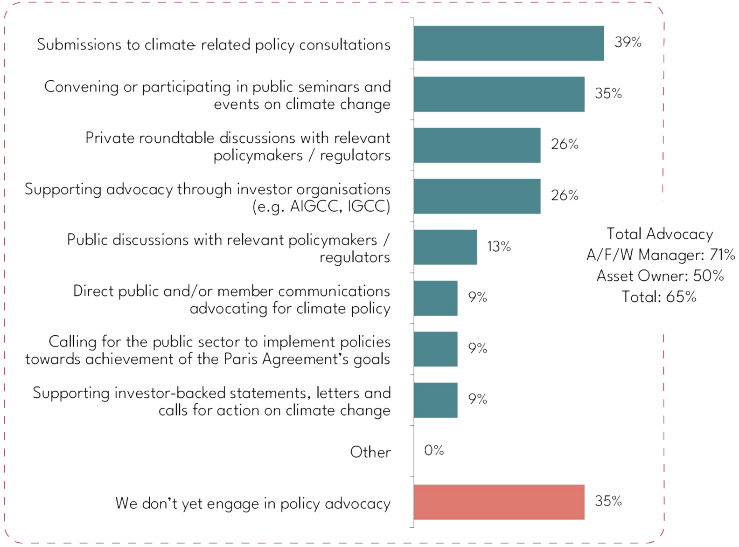
There have been significant changes to New Zealand's policies on climate change. The voice of finance is important in ensuring there is a policy framework that supports investment into climate solutions and aligning with the net zero transition.

Two-thirds (65%) of New Zealand investors surveyed indicated they have engaged in some form of policy advocacy over the past year. The survey does not identify the policy position of respondents.

An example of industry initiatives is the **Global Investor Statement**, which calls for a whole-of-government approach to climate change. New Zealand signatories included ACC, Aurora Capital, New Zealand Funds Management, New Zealand Superannuation Fund and Pathfinder Asset Management.

Most commonly advocacy is in the form of submissions to climate-related policy consultations (39%), or convening or participating in public seminars and events on climate change (35%).

- 85% of investors with a net zero emissions target have engaged in climate policy advocacy over the past year.
- Asset managers were more likely than asset owners to have engaged in policy advocacy over the last year (71% for Asset Managers compared with 50% for Asset Owners).



Q: Please indicate any of the following types of policy advocacy you have undertaken over the past 12 months regarding climate change.


Investor
Group on
Climate
Change


CENTRE FOR
Sustainable
Finance
TOITŪ TAHUA


Mindful
Money