

Climate Risk Capacity Building Series APAC

Session 4: Net Zero Initiatives and Implementation

20 March 2024





Housekeeping and Introduction

Climate Risk Capacity Building Series APAC

1. **Governance and risk** (8th February)
2. **Strategies and scenarios** (29th February)
3. **Metrics and targets** (14th March)
4. **Net zero initiatives and implementation** (20th March)
5. **Net zero transition plans** (22nd April)

Speakers



Daniel Gallagher

Senior Lead, Climate Change

PRI



Lisa Caripis

Manager, Investor Practice Program

IGCC



Alison Chan

Investment Director, Sustainable Finance

Metrics Credit Partners



Lilian Wang

Research Director, Impact and Engagement

Arisaig Partners

Agenda

- **Housekeeping & Introductions**
 - James Robertson (PRI)
- **Part 1: Overview of Net Zero Initiatives and Implementation**
 - Daniel Gallagher (PRI)
 - Lisa Caripis (IGCC)
- **Part 2: Investor Experience**
 - Metrics Credit Partners
 - Arisaig Partners
- **Conclusion and Q&A**



1. Overview of net zero initiatives

So far in this series, we have reviewed the TCFD recommendations on **climate-related risks and opportunities**.

Recommendations and Supporting Recommended Disclosures

Governance

Disclose the organization's governance around climate-related risks and opportunities.

Strategy

Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.

Risk Management

Disclose how the organization identifies, assesses, and manages climate-related risks.

Metrics and Targets

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

Net zero initiatives are an extension of investor action on climate risk to commit to transitioning their portfolios in line with the transition that is underway towards the low carbon economy

Since 2019, actors across the financial system have increasingly focused on the need to transition investments and services to net zero

**Net Zero Asset
Owner Alliance
(NZAOA)**

**Net Zero Asset
Managers initiative
(NZAM)**

**Paris Aligned Asset
Owners (PAAO)**

**Net-Zero Banking
Alliance (NZBA)**

**Net-Zero Insurance
Alliance (NZIA)**

**Net Zero Financial
Service Providers
Alliance (NZFSPA)**

**Net Zero Investment
Consultants
Initiative (NZICI)**

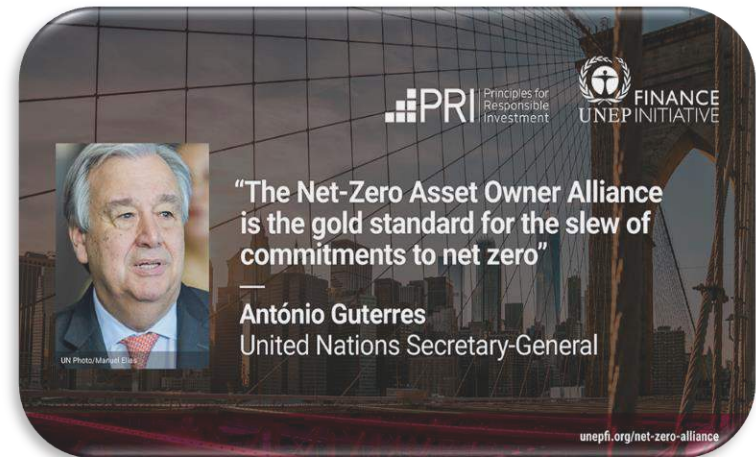
**The Venture Climate
Alliance (VCA)**



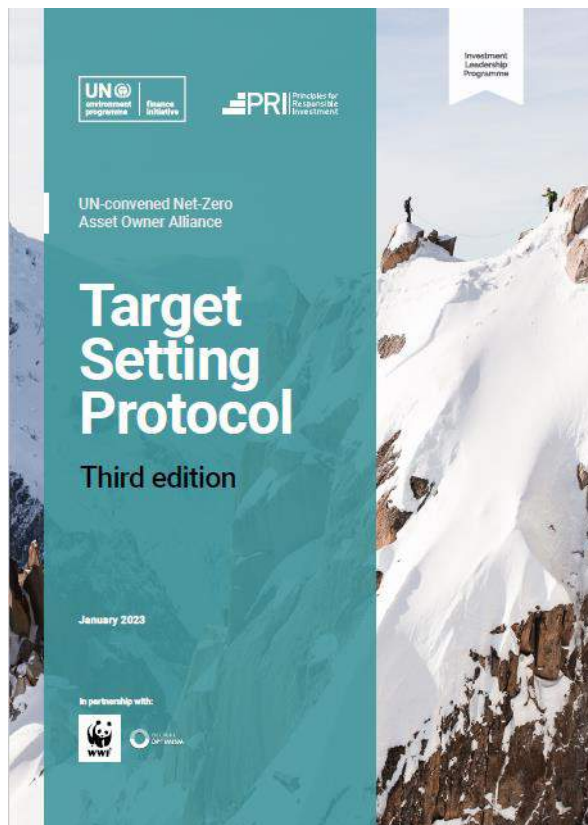
United Nations
Framework Convention on
Climate Change

The members of the UN-convened Net Zero Asset Owner Alliance (NZAOA) established net zero target setting guidance for AOs and AMs

- The UN-convened Net Zero Asset Owner Alliance (NZAOA) is a **member-led initiative of institutional investors committed to transitioning their investment portfolios to net-zero GHG emissions by 2050** – consistent with a maximum temperature rise of 1.5°C
- As of March 2024, The Alliance has **88 AO members with more than \$9.5 Trillion** in Assets under Management
- The Alliance members were the finance industry's **first to set intermediate targets**, which include CO₂ reduction ranges for 2025 (22 – 32%) and for 2030 (40% – 60%)
- The obligation of Alliance membership can be summarised in three parts **i) making the commitment, ii) boosting the efficacy of like-minded initiatives, and iii) reporting on progress**



The members of the UN-convened Net Zero Asset Owner Alliance (NZAOA) established net zero target setting guidance for AOs and AMs



Engagement targets

Set at least one KPI in two of the following types of engagement:

- Corporate—Engage 20 companies with highest owned emissions or those responsible for combined 65% owned emissions in portfolio (either directly or via membership/asset manager/service provider)
- Asset Manager—Participate in engagements led by the Alliance, or their own internal systematic approach
- Published Positions—Participate in Alliance position paper creation or write their own
- Sector/Value Chain: Participate in Alliance sector work or external sector engagement activities

Sub-portfolio (later portfolio) emission targets

- 22% to 32% CO₂e reduction by 2025 (per IPCC 1.5°C SR scenarios) on equity and debt to listed corporates, infrastructure, and with the same reduction or CRREM national pathways for real estate.
- 50% (40% to 60%) CO₂e reduction by 2030 (per IPCC 1.5°C SR scenarios).
- Covers portfolio emissions Scope 1 & 2, tracking of Scope 3.
- Absolute or intensity-based reduction KPIs.

Sector targets

- Intensity-based/absolute-reductions on all material sectors.
- Scope 3 to be included wherever possible.
- Sector specific intensity KPIs recommended.
- Sectoral Decarbonization Pathways used to set targets.

Intermediate targets for 1.5°C aligned, net-zero world by 2050 with real-world impacts

Financing transition targets

- Reporting climate solution investments to the Alliance and ideally showing a positive trend in climate solution investments over time (individual public quantitative progress target is optional)
- Active contributions to Alliance's Financing Transition working or consultation groups

Since 2019, the NZ AOA has grown to 88 AOs with \$9.5 trillion AUM

North America

- CalPERS (US)
- CDPQ (Canada)
- Co-operators (Canada)
- David Rockefeller Fund (US)
- Jessie Smith Noyes Foundation (US)
- The Russell Family Foundation (US)
- Wespeth (US)
- University of Toronto – endowment (Canada)
- University Pension Plan (Canada)
- UN Pension Fund (US)

Africa

- African Risk Capacity (S.A.)
- FGIS (The Gabonese Strategic Investment Fund)
- Old Mutual (S.A.)
- Eskom Pension and Provident Fund (S. A.)



Europe

- | | | | | |
|--|--|--|---|--|
| • Aegon (Netherlands) | • Church of England Commissioners (UK) | • Intesa Sanpaolo Vita S.p.A (Italy) | • PFA (Denmark) | • IBM (Netherlands) |
| • Aema Groupe (France) | • CNP (France) | • Just Group (UK) | • Phoenix Group (UK) | • Stichting Pensioenfonds Medisch Specialisten (Netherlands) |
| • Ageas (Belgium) | • Coface (France) | • Kenfo (Germany) | • PKA (Denmark) | • St. James's Place Wealth Management (UK) |
| • Akademiker Pension (Denmark) | • Danica Pension (Denmark) | • Lægernes Pension (Denmark) | • Provinzial Holding (Germany) | • Storebrand (Norway) |
| • Alecta (Sweden) | • Detailhandel (Netherlands) | • Legal & General (UK) | • Pensions Caixa 30 FP (Spain) | • Swiss Re (Switzerland) |
| • Allianz (Germany) | • ERAFP (France) | • LVM Landwirtschaftlicher Versicherungsverein (Germany) | • P+ (Denmark) | • Unipol Gruppo (Italy) |
| • AMF (Sweden) | • Folksam (Sweden) | • M&G (Prudential Assurance) (UK) | • Rothesay (UK) | • UNIQA (Austria) |
| • Aviva (UK) | • FRR (France) | • MAIF (France) | • R+V Versicherung AG (Germany) | • Uninvest Company BV (Netherlands) |
| • Axa (France) | • Generali (Italy) | • MAPFRE (Spain) | • SCOR (France) | • VidaCaixa (Spain) |
| • Bayerische Versorgungskammer (Germany) | • Groupama Group (France) | • Munich Re (Germany) | • Société Générale Assurances (France) | • Vita Sammelstiftung (Switzerland) |
| • BNP Paribas Cardif (France) | • Groupe BPCE (France) | • Nordea L&P (Sweden) | • SV Sparkassen Versicherung (Germany) | • Zurich (Switzerland) |
| • BT Pension (UK) | • Group Versicherungskammer (Germany) | • Novartis (Switzerland) | • Sparkassen-Versicherung Sachsen (Germany) | |
| • Credit Agricole Assurances (France) | • Gothaer Group (Germany) | • Pension Danmark (Denmark) | • Stichting Pensioenfonds | |
| • CDC (France) | • HUK-COBURG (Germany) | • Pension Insurance Corp. (UK) | | |
| • CEGC (France) | • Industriens Pension (Denmark) | | | |

Asia

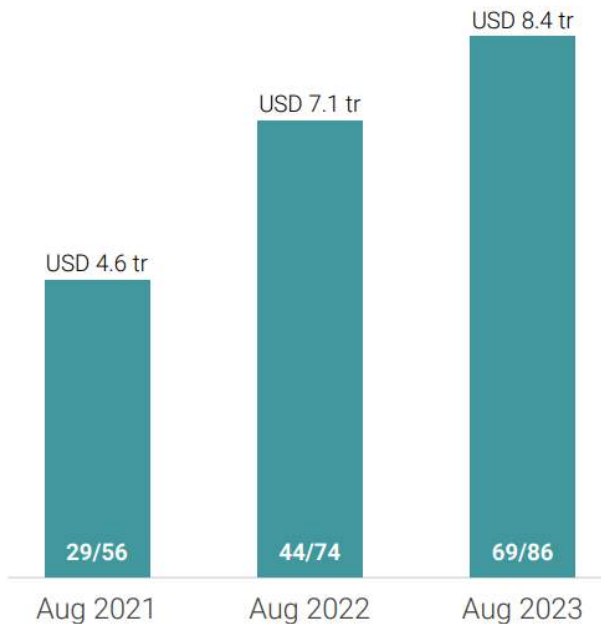
- Dai-ichi Life (Japan)
- Meijia Yasuda Life (Japan)
- Nippon Life (Japan)
- Prudential plc (UK/Hong Kong)
- Sumitomo Life (Japan)
- SOMPO Holdings (Japan)

Australia

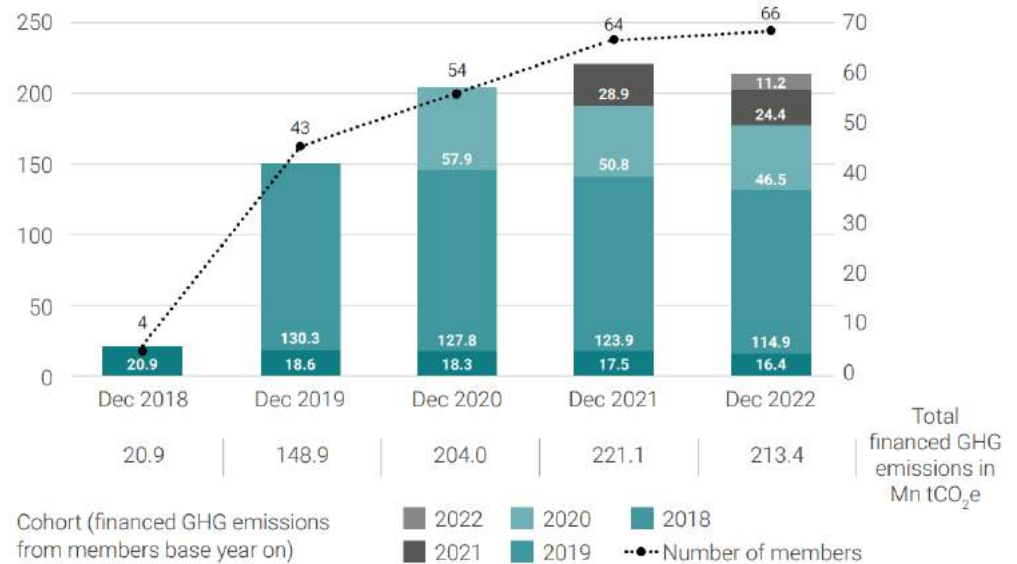
- QBE (Australia)

Asset Owner members are implementing the commitments made, through commitments, to targets, to actions, and outcomes

Members with science-based targets



Outcomes that align with the science



The Net Zero Asset Managers Initiative (NZAM) has grown to > 320 members from every region, with > US\$ 57 trillion AUM

The Net Zero Asset Managers initiative

The Commitment

In line with the best available science on the impacts of climate change, we acknowledge that there is an urgent need to accelerate the transition towards global net zero emissions and for asset managers to play our part to help deliver the goals of the Paris Agreement and ensure a just transition.

In this context, my organisation commits to support the goal of net zero greenhouse gas ('GHG') emissions by 2050, in line with global efforts to limit warming to 1.5°C ('net zero emissions by 2050 or sooner'). It also commits to support investing aligned with net zero emissions by 2050 or sooner.

The commitment is 'methodology neutral' and AMs can choose the most appropriate target methodology for their business. The network partners, through the Investor Agenda, recognise and endorse three target setting approaches:

- [Paris Aligned Investment Initiative's Net Zero Investment Framework \(NZIF\)](#)
- [Science Based Targets initiative for Financial Institutions \(SBTi\)](#)
- [Net Zero Asset Owner Alliance Target Setting Protocol \(TSP\)](#)

A number of themes are emerging from AMs implementing net zero commitments - demonstrating progress from learning in practice

1. NZAM's reach:

- 65% of world AUM
- Global (EU/UK/US majority)
- Full range AM size/type

2. Fiduciary approach:

- Typical signatory starts with 58% of AUM
- Methodology, client demand shape expansion

3. Research, engagement:

- Over 4 / 5 signatories engage to effect real world change
- Categorization of investee alignment common

4. Climate metrics:

- Developments in tracking financed emissions
- Emissions typically part of metrics dashboard/suite

5. Transition planning:

- Centered on NZAM commitments
- Need for policy action noted

Source: 2023 interviews with Asset Managers

Net zero targets and the question of 1.5 C

- Scientific consensus is now that we are unlikely to remain below 1.5 C of warming above pre-industrial levels.
- What does this mean for investor target-setting based on 1.5 C (with no/low overshoot) ambition?
- Every fraction of a degree matters to the growth in systemic and uncertain levels of climate risk.
- A massive policy acceleration is required if investors are to deliver on their net zero targets for 2030. How can investors best advocate for an enabling policy environment that limits overshoot beyond 1.5C?
- How should investors best stay informed on latest policy acceleration, momentum and developments?

