

NET ZERO ASSET MANAGERS

Target Disclosures Report 2024



DISCLAIMER

The Net Zero Asset Managers Initiative (NZAM), its Network Partners and signatories are committed to complying with all laws and regulations that apply to them, including antitrust and other regulatory laws and regulations and the restrictions on information exchange and other collaborative engagement that said laws and regulations impose. Signatories will not be asked for and must not disclose or exchange strategic or competitively sensitive information about their competing businesses, meaning data or information that reduces uncertainty as to how they intend to act commercially now or in the future (e.g., pricing, volumes, detailed costs, detailed customer or supplier information, business strategy, investment plans).

Signatories must not coordinate views or conduct in such a way that could restrict competition between them or their investment companies, or result in signatories or the investment companies acting in concert (this includes one-way disclosure of information). It is important to note that an exchange of information can achieve the same end as an explicit agreement and it is important to avoid exchanging information which might result in a breach of competition law, even if only inadvertently.

Signatories may not claim to represent other signatories or make statements referencing other signatories without their express consent. Signatories are independent fiduciaries responsible for their own investment and voting decisions and must always act completely independently to set their own strategies, policies and practices based on their own best interests and the overarching fiduciary duties owed to their clients and beneficiaries for long-term value preservation.

The use of particular tools and guidance, including the scope of participation in NZAM, is at the discretion of individual signatories. NZAM is a voluntary initiative and signatories joining do so in the context of their own strategies, agendas, starting points and regulatory considerations from which and with which, they make their own unilateral decisions regarding the ways and means with which they will set and reach net zero targets.

NZAM and its Investor Networks do not provide investment, legal, accounting or tax advice.

The information in this document and all other documentation related to NZAM are intended to be interpreted in a manner consistent with the foregoing.

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FOREWORD

The Net Zero Asset Managers (NZAM) provides a platform for investors to publicly set individual targets and make commitments to net zero by 2050 or sooner, in the context of their individual strategies, agendas, client mandates and local policy and legal settings. NZAM signatories also agree to report on their progress towards their net zero commitment annually. Since its launch in December 2020, NZAM has grown considerably reaching more than 325 signatories by the end of January 2024. This report presents aggregated data on progress and outlines the approaches and strategies independently undertaken by NZAM signatories.

The economic implications of climate risk are significant. Last year, 2023, the average surface air temperature was 1.45°C above pre-industrial levels. As more heat accumulates in the climate system, we've seen more frequent and intense storms, floods, heat waves, droughts and fires. While these hazards are unevenly distributed, impacts of different kinds can be expected in all geographies. With every increment of further warming, the worse the expected impacts. For investors and the assets they manage, the effects of climate change present a range of financial and economic risks, which include but are not limited to physical damage to assets, rising insurance costs, supply chain disruption, adverse impacts on worker health and safety, stranded assets in high carbon industries, and the broader systemic risks to global financial stability.

NZAM signatories, as independent fiduciaries with an overarching fiduciary duty to consider risk and return in the interests of their clients and beneficiaries, have an interest in mitigating risk. By participating in the initiative signatories gain a valuable tool which they can use to reach various global standards and benchmark themselves against peers from across the globe, gaining helpful insights into industry trends and best practices as all economic entities deal with the unprecedented financial threat posed by climate change.

The approaches detailed in this report demonstrate that asset managers are working to safeguard their clients' portfolios, prioritising real economy decarbonisation across all sectors in line with their individual risk management and sustainability goals.

However, the necessary work to transition and align asset manager portfolios with net zero cannot happen in a vacuum. Ongoing dialogue between investors, clients, governments, and other key stakeholders is needed to create an enabling policy environment—one that promotes the deployment of significant capital at the pace and scale necessary to meet the goals of the Paris Agreement and the realities of a warming planet.

We thank signatories for their continued commitment to the initiative and for taking important steps each year to set individual targets and deliver against their voluntary commitments. We understand the critical role asset managers play in enabling the net zero transition and in strengthening the financial sector's resilience against the impacts of climate change. Our efforts remain focused on supporting NZAM signatories as they contribute to this vital transition. We are committed to ensuring that asset managers have the support, tools, and resources to implement their commitments effectively.

THE STEERING COMMITTEE

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Pratima Divgi, Head of Capital Markets, North America, CDP

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Principles for
Responsible
Investment

ABOUT



Net Zero Asset Managers (NZAM) is an investor-led initiative that supports the asset management industry to commit to a goal of net zero emissions in order to mitigate financial risk, safeguard the long-term value of assets and decrease portfolio transition risks for their clients and beneficiaries.

Through NZAM, more than 325 independent asset managers responsible for over \$57.5 trillion in assets under management have committed, consistent with their fiduciary duty to their clients and beneficiaries, to support the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5 degrees Celsius; and to support investing aligned with net zero emissions by 2050 or sooner.¹

Signatories of NZAM's [Commitment Statement](#) work in partnership with their asset owner clients to achieve net zero by 2050, set an interim target (subject to client mandates) for the proportion of assets to be managed in line with the attainment of net zero emissions by 2050 or sooner, and engage with investee companies on managing climate-related risks and opportunities, in order to create and safeguard long-term shareholder value. By actively engaging in policy advocacy, signatories seek to ensure supportive regulatory frameworks that accelerate the transition to a low-carbon economy and are conducive to sustainable investment practices. Signatories also work on creating investment products aligned with net zero emissions by 2050 and facilitate increased investment in climate solutions by working in close partnership with asset owner clients and other stakeholders.

For more information on how to join, please [contact us](#) or [your Network Partner representative](#).

¹ As of 31 January 2024.

GOVERNANCE

The initiative is open to any asset manager globally that is also a current member of one of the six Network Partners.

The Network Partners administer the initiative and provide support to individual signatories, including one-to-one target-setting support. Each Network Partner offers a range of activities to support individual investors in the implementation of their commitment[s], as part of their broader ongoing efforts to support investors in achieving net zero emissions.

The Network Partners are also responsible for reviewing signatories' targets and reporting under the commitment. This includes confirming that methodologies for target setting are based on latest scientific consensus and in line with net zero pathways and ensuring that initial disclosures and annual reporting are completed.

In addition to the implementation support for members offered by each Network Partner, the initiative holds bi-annual webinars for all signatories to the initiative as a forum to share best practice and discuss implementation challenges and solutions.

The management and implementation of NZAM is overseen by the Steering Committee, made up of senior representatives from the Network Partners. The initiative also has an Advisory Group of twelve signatory investors,² who work closely with the Network Partners. The Advisory Group is responsible for advising on any proposed changes to the commitment, recommendations on the operation of the initiative and informing the Steering Committee in its management and administration of the initiative. Advisory Group members serve on a rotational basis, with an initial term of three years as of late 2023.

STEERING COMMITTEE MEMBERS

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Pratima Divgi,
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² Initially, the Advisory Group was made up of six members. In response to the growth and diversity of the initiative, this number was increased to twelve at the end of 2023.

INTRODUCTION

NZAM signatories are part of a global cohort of peers committed to aligning their investment portfolios with the goals of the Paris Agreement by 2050 or sooner. They pledge to increase ambition over time subject to mandates, investment strategies, and government policies, and set targets to guide them along the way. The 2020s mark the beginning of our signatories' net zero emissions journey.

By engaging with the Network Partners on their initial target disclosures, reporting annually, and reassessing their targets every five years, NZAM signatories work on reducing the transition risk of clients' and beneficiaries' portfolios. NZAM supports signatories on their individual net zero journeys, providing a platform for comprehensive and consistent disclosure of targets, enhancing accountability.

NZAM at a glance



Over
325
signatories



Reporting more than
USD \$57.5 trillion
AUM



Signatories
across over
35 countries



100%
AUM commitment
to net zero by
2050 or sooner



42%
of total AUM
committed
in-scope

The report

Structured around key quantitative metrics, including geographical distribution, target-setting methodologies, and types of targets and combinations, the report aims to provide signatories with valuable benchmarking opportunities and insights into industry-wide trends. We encourage signatories to explore the findings and glean actionable insights for their own net zero journey.

The data of initiative-wide trends is based on the entire signatory base as of 31 January 2024. The target-setting data is based on the 264 signatories, also named hereafter “the targets cohort”, which have had their initial target disclosures reviewed by the NZAM Secretariat by 31 January 2024. Signatories set their targets within 12 months of joining the initiative.

What a signatory commits to

Net Zero Asset Managers have made a voluntary commitment at C-suite level to deliver against a 10-point net zero commitment statement, in a manner consistent with their fiduciary duties. At the heart of the commitment statement is the goal to transition their investments to achieve net zero portfolio greenhouse gas (GHG) emissions by 2050, or sooner, and support emissions reductions in the real economy.

NZAM signatories also commit to increasing the proportion of AUM covered by targets over time, to undertake policy advocacy to facilitate the creation of supportive regulatory frameworks, to facilitate increased investment in climate solutions, and to undertake stakeholder engagement, providing asset owner clients with information and analytics on net zero investing and climate risk and opportunity.

Within a year of becoming a signatory, asset managers are asked to disclose:

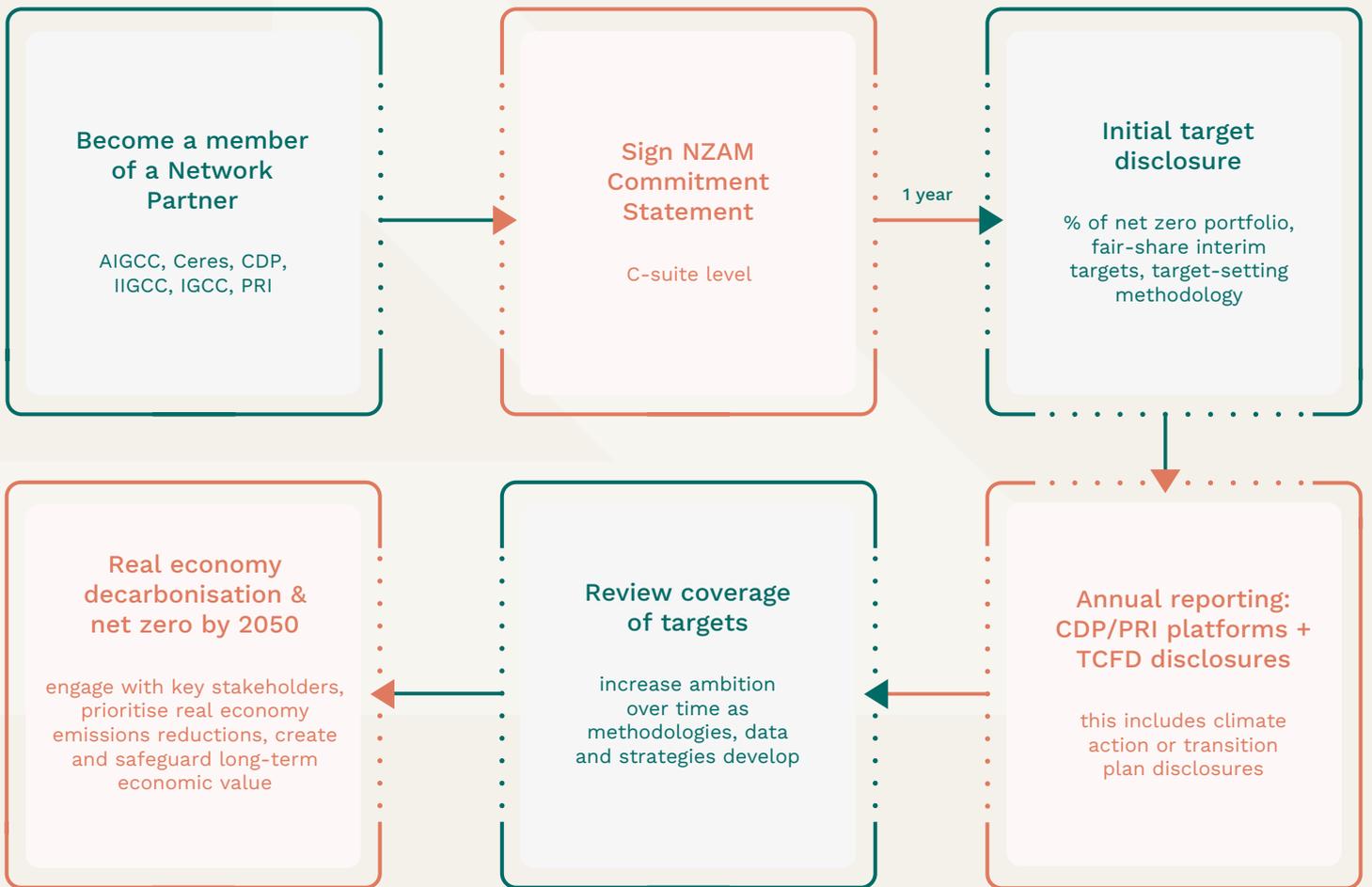
- The initial percentage of their portfolio that will be managed in line with net zero
- Their ‘fair-share’ interim targets for AUM that will be managed in line with net zero, and target date
- The methodology used in target setting

The targets should be reviewed at least every five years. The expectation is that the proportion of AUM covered by the target will grow over time until 100% of assets are included, by 2050 at the latest. It is possible, however, that there may be times when the proportion has to be restated downwards, for example if the value of AUM in scope of targets decreased relative to a manager’s wider portfolio. Similarly, the interim target may need to be restated if there are significant changes in the profile of the AUM.

To support real-economy decarbonisation, signatories have three primary levers available: portfolio management, stewardship, and policy advocacy.



Figure 1. A signatory’s NZAM journey



Where NZAM sits in the initiative landscape

In the landscape of investor-led climate change and net zero initiatives, NZAM occupies a significant role, working with various campaigns, coalitions, methodologies, reporting frameworks, and tools aimed at addressing climate change.

The initiative is accredited by United Nations Framework Convention on Climate Change (UNFCCC)’s Race to Zero initiative and is consistent with its criteria.

Since April 2021, NZAM has been a formal partner of the Glasgow Financial Alliance for Net Zero (GFANZ), collaborating with peer initiatives to accelerate the transition to a net-zero global economy. Of GFANZ’s eight sector-specific alliances, NZAM is the biggest initiative, with our signatories making up more than half of the financial institutions under GFANZ.

NZAM’s commitments are complemented by a number of asset owners who are working with asset managers on net zero mandates. Many have made other voluntary net zero commitments through Paris Aligned Asset Owners (PAAO) and the UN-convened Net-Zero Asset Owner Alliance (NZAOA).



RECENT TRENDS

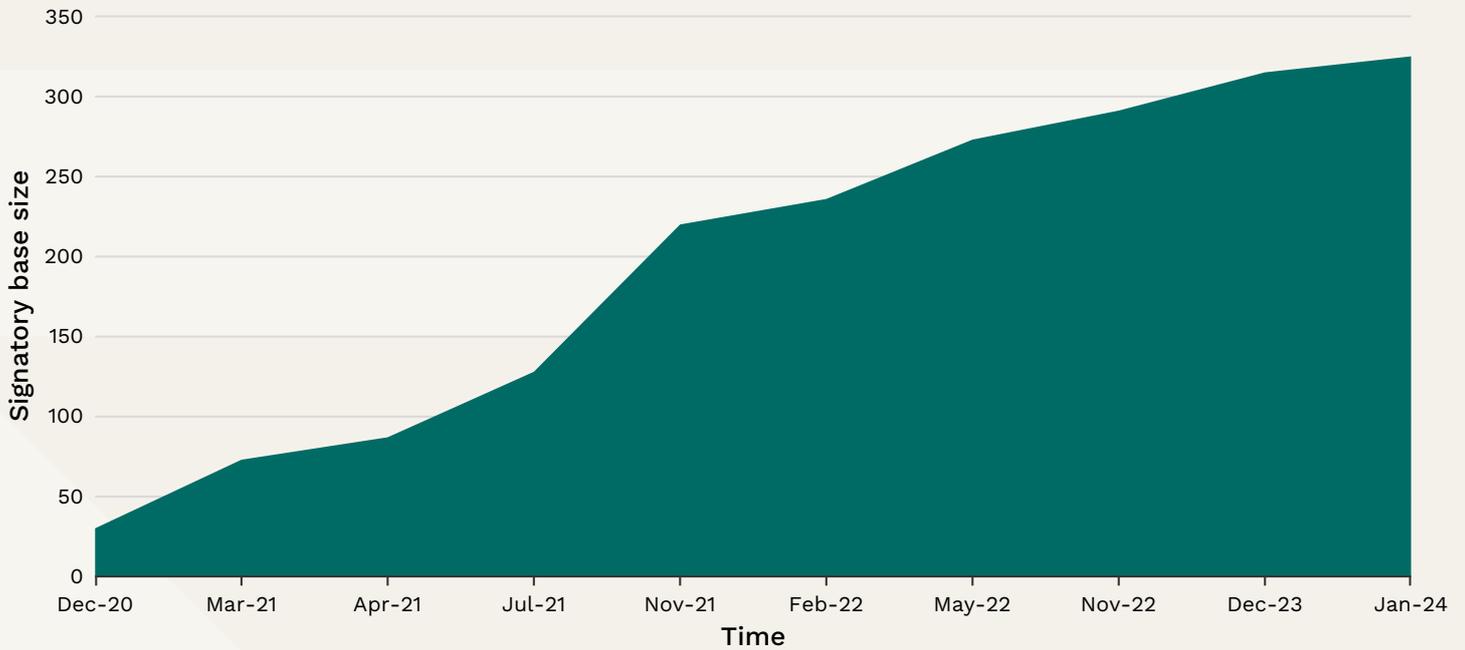
Signatory base

The initiative has experienced continuous and substantial growth, reaching over 325 signatories by the end of 2023.

Since its inception in December 2020, NZAM has shown significant growth. As can be seen in Figure 2, there has been a steady increase in the number of asset managers committed to achieving net zero emissions by 2050.



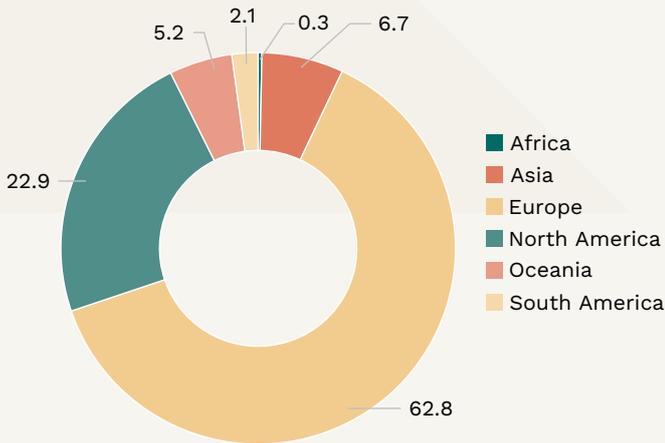
Figure 2. Signatory base size since December 2020



Geographical backdrop

Europe leads in representation, with over 200 signatories, followed by North America with over 70, and Asia with over 20. Oceania follows with 17 signatories, whilst South America and Africa have seven and one signatories, respectively.

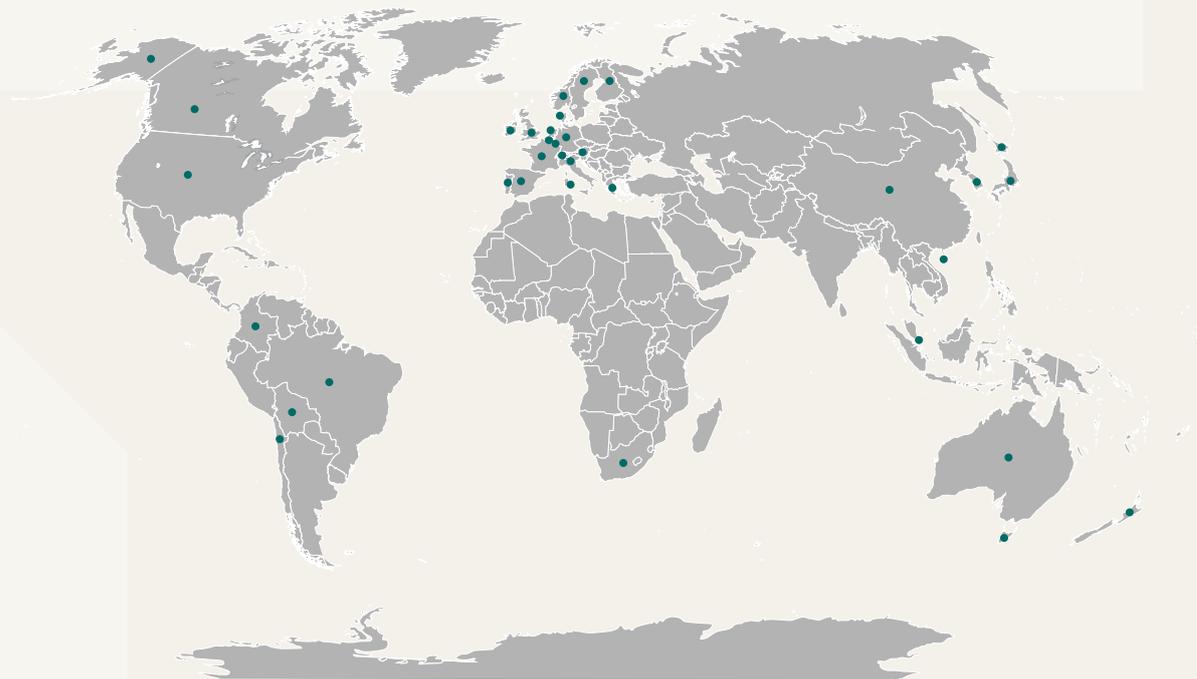
Figure 3. Regional distribution of NZAM signatories (%)



The United Kingdom holds the highest national percentage, accounting for approximately 28% of the signatory base, with over 90 managers headquartered there. The United States follows closely with 59 signatories (18%), and France is third with 23 (7%) asset managers.

NZAM is focused on scaling up recruitment of investor signatories in Asia-Pacific via the Network Partners.

Figure 4. Map of signatory headquarters

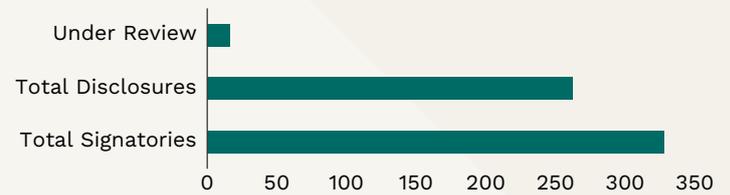


Target disclosures

Signatories disclose an initial target within 12 months of making the commitment and update targets at least every five years. All initial target disclosures can be found on the initiative’s website [here](#). NZAM signatories have individually set a range of targets to guide them on their net zero emissions journey.

As of 31 January 2024, the NZAM Secretariat has reviewed and confirmed targets from 264 signatories. This targets cohort represents around 80% of the whole signatory base at that date.

Figure 5. Total number of signatories and disclosures as of 31 January 2024



Target setting by asset class

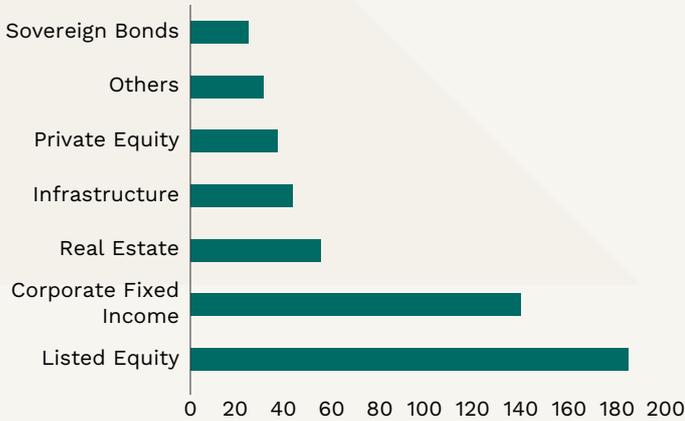
Of the targets cohort, asset class targets by number of signatories are Listed Equity (184), followed by Corporate Fixed Income (139), Real Estate (55), Infrastructure (43), Private Equity (37), Others (31), and Sovereign Bonds (24).

Listed equities and corporate fixed income have the highest inclusion rate in target setting. The lower

adoption rate observed in real estate, sovereign bonds, infrastructure, and private equity assets may be attributable to lower holdings, challenges posed by insufficient data or capacity constraints, or a lack of established methodologies and guidance.

In 2021, we reported that for many asset managers a key constraint was the absence of methodologies for certain types of asset classes. Since then, signatories and the Network Partners have worked to address these gaps. and now, methodologies for infrastructure, private equity and private debt have since been added.

Figure 6. Asset class target types by number of signatories



Target types

Across the targets cohort, 129 signatories are already setting multiple targets types.

Decarbonisation targets emerged as the predominant target type. Grouping NZIF’s Portfolio Decarbonisation Reference Target (134), SBTi’s Sector Decarbonisation Approach Target (11), and NZAOA TSP’s Sector Target (3) and Sub-Portfolio Emissions Targets (17), a total of 165 signatories (62.5%) have set decarbonisation targets. These signatories are employing quantitative decarbonisation, usually framed in terms of emissions intensity, to guide them on their net zero journey.

Alignment targets present the second most commonly utilised target type. Over half of the signatory base (53%) opted to implement either NZIF’s Portfolio Coverage Target (97) or SBTi’s Portfolio Coverage Approach (43), totalling 140 signatories or around 53%. This indicates that the majority of signatories are considering the percentage of investee companies that have a strategy in place to align with net zero by 2050.

Notably, Engagement Targets are the least used overarching target type. Around 35% of the targets cohort used NZIF’s Engagement Threshold Target (79) or TSP’s Engagement Target (14).

Methodological approaches

Across the targets cohort (which had initial targets reviewed by the NZAM Secretariat by 31 January 2024), 134 (51%) choose to use the Paris Aligned Investment Initiative’s Net Zero Investment Framework (NZIF), 58 (22%) choose to use the Science Based Targets initiative for Financial Institutions (SBTi), 14 (5%) choose to use the UN-convened Net Zero Asset Owner Alliance Target-Setting Protocol (TSP), 32 choose to use a combination (12%) and 26 (10%) choose to use their own unique methodology.

The percentage of signatories adopting bespoke approaches has increased, indicating a growing recognition of the importance of flexibility and customisation in addressing climate-related challenges.

Figure 7. Target-setting approaches by usage, 2021–2024

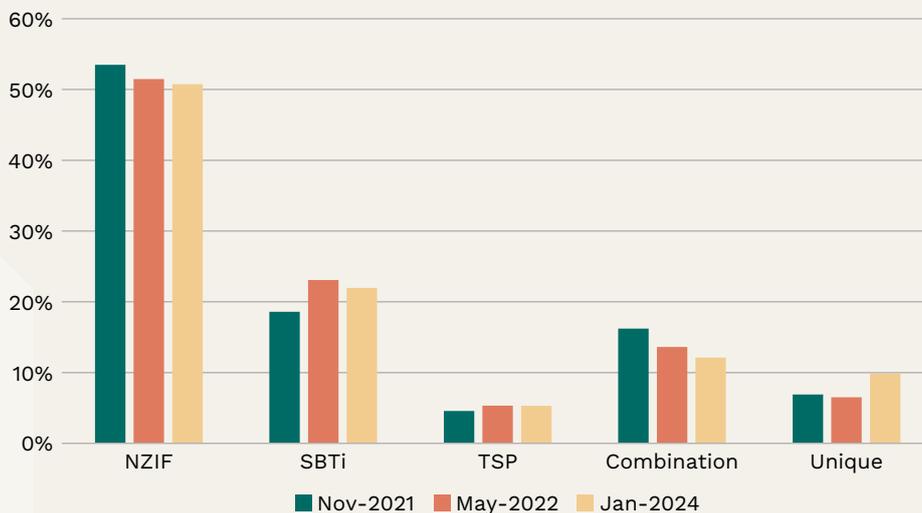
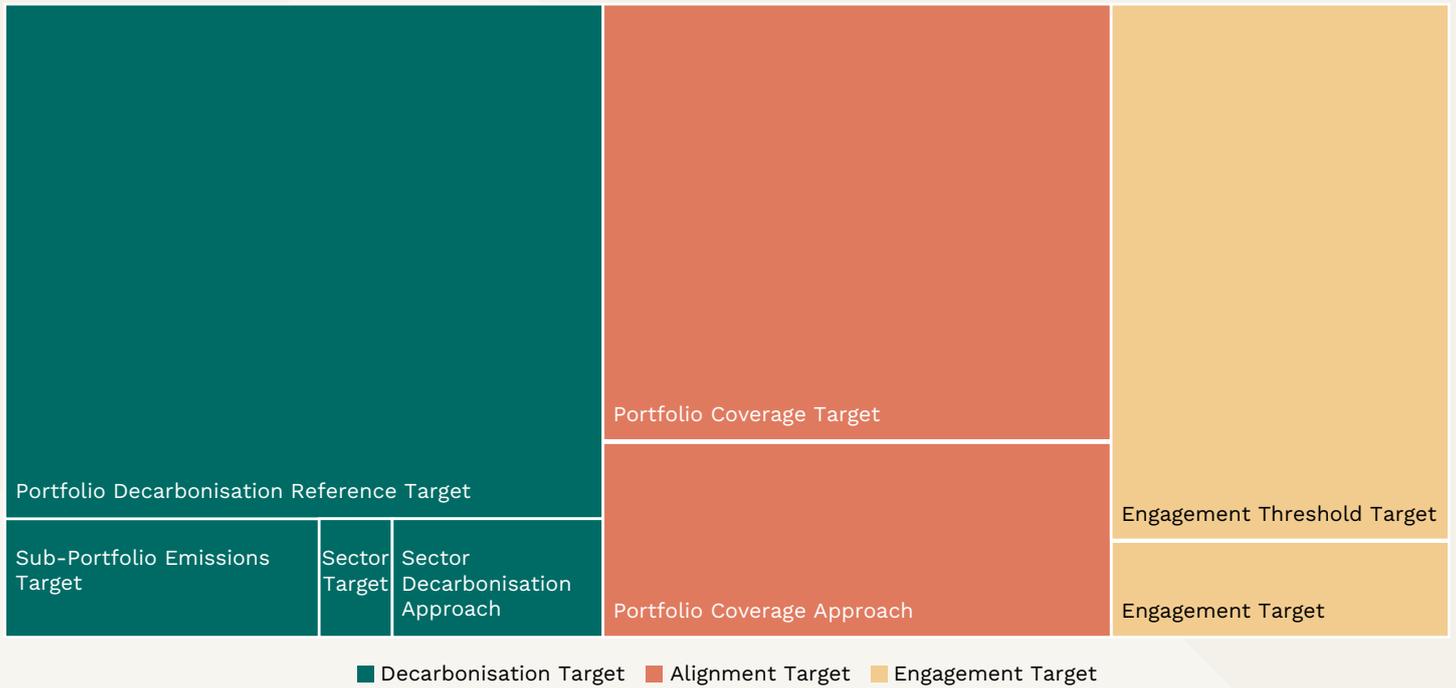
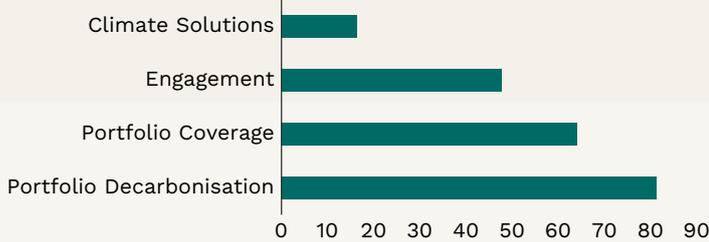


Figure 8. Treemap of target types



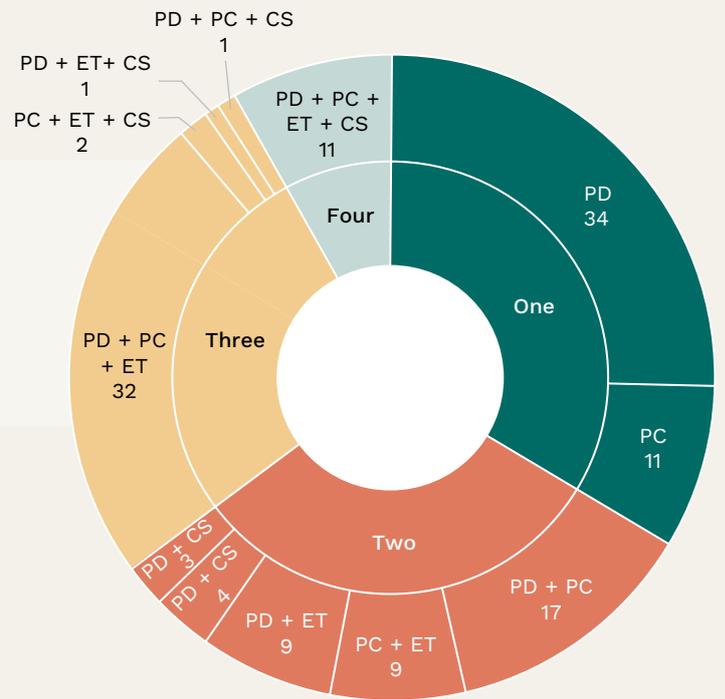
Net Zero Investment Framework

Figure 9. NZIF target type usage in %



Portfolio Decarbonisation Reference Target³ (PD) is the most commonly used target type using the NZIF. Across the targets cohort, 134 signatories choose to use the NZIF target-setting methodology with targets as of 31 January 2024. Of those, 109 (81%) have set a Portfolio Decarbonisation Reference target under NZIF, 86 (64%) have set Portfolio Coverage⁴ (PC) target, 64 (48%) have set an Engagement Threshold (ET) target, and 22 (16.4%) have set a Climate Solutions (CS) target.

Figure 10. Number and combinations of targets set using NZIF



³ Portfolio decarbonisation reference targets are referred to as portfolio decarbonisation reference objective in NZIF 2.0.

⁴ Portfolio coverage targets are referred to as asset alignment targets in NZIF 2.0.

Signatories are encouraged to include all targets over time as part of a comprehensive net zero investment strategy. Eleven (8%) of those 134 signatories have demonstrated a comprehensive commitment by setting all four targets within the NZIF. Additionally, 26% of signatories that have adopted the NZIF methodology have a three-target approach, with the combination of Portfolio Decarbonisation Reference target, Portfolio Coverage target, and Engagement Threshold target emerging as the most favoured option, embraced by 32 out of the 36 signatories utilising three targets.

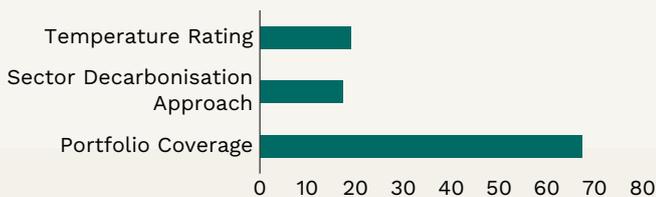
Furthermore, 33.5% of signatories have concentrated on establishing a singular target, with Portfolio Decarbonisation (34) and Portfolio Coverage (11) being the primary areas of focus. Among those advancing their commitment with two targets, comprising 31.3% of the total, combinations such as Portfolio Decarbonisation plus Portfolio Coverage (17) (PD + PC) targets and Portfolio Coverage plus Engagement Threshold (9) (PC + ET) targets have emerged as the most prevalent choices.

On average, those with all four targets are likely to have a higher AUM than those with fewer targets in place, pointing to the significant capacity required at firm-level for comprehensive target-setting and net zero implementation.

Overall, the breakdown of targets highlights a diverse range of approaches taken by signatories to address climate-related issues within their investment portfolios.

Science Based Targets initiative

Figure 11. SBTi target type usage in %

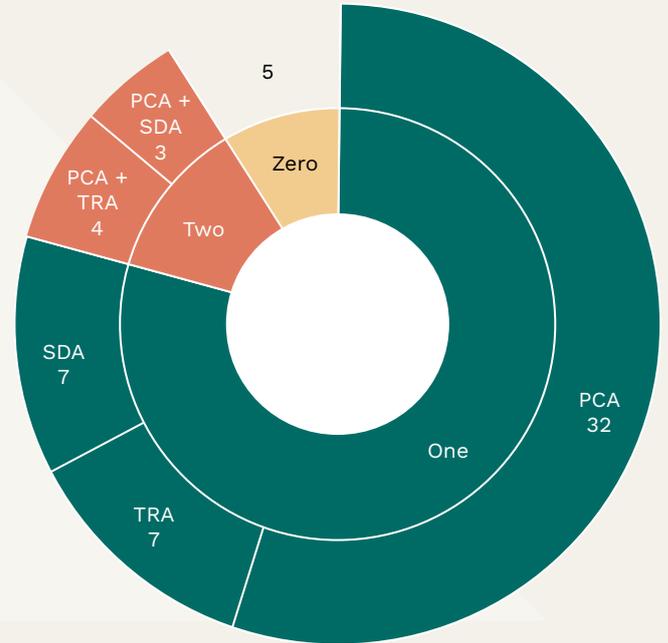


Across the targets cohort, 58 signatories use the Science Based Targets initiative (SBTi) target-setting approach. Of those 67.2% (39) are using the Portfolio Coverage Approach (PCA), while 18.9% (11) have chosen the Temperature Rating (TR) and 17% (10) have selected the Sector Decarbonisation Approach (SDA).

The trend among SBTi-utilising signatories is the adoption of a single target, with 32 signatories solely focusing on the Portfolio Coverage Target. Additionally, four signatories have combined Portfolio Coverage and Temperature Rating (PC and TR), while three have combined Portfolio Coverage and SDA (PC and SDA). Interestingly, seven signatories have exclusively embraced Temperature Rating (TR), and another

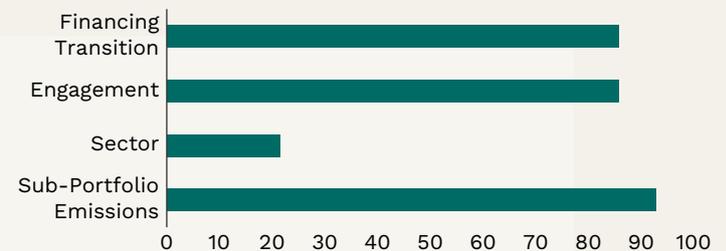
seven have solely adopted the Sector Decarbonisation Approach (SDA).

Figure 12. Number and combinations of targets set using SBTi



Target-Setting Protocol

Figure 13. TSP target type usage in %



Across the targets cohort, 14 signatories use the UN-convened Net Zero Asset Owner Alliance Target-Setting Protocol (TSP).

Interestingly, while the engagement target is the recommended target type, more NZAM signatories that use TSP have set sub-portfolio emissions targets (92.8%) than engagement (85.7%). Financing Transition targets are utilised to the same extent as engagement targets with 12 (85.7%) signatories using them. Sector targets emerge as the least used target type under TSP with only 21.4% of signatories having opted to include it.

As can be seen in Figure 14, 10 of the 14 signatories which have opted for TSP, have set three targets. Of those, all have set an Engagement Target. Two signatories have set all four targets, while two others have only set one target, with that one being the Sub-Portfolio Emission Target.

Figure 14. Number and combinations of targets set using TSP

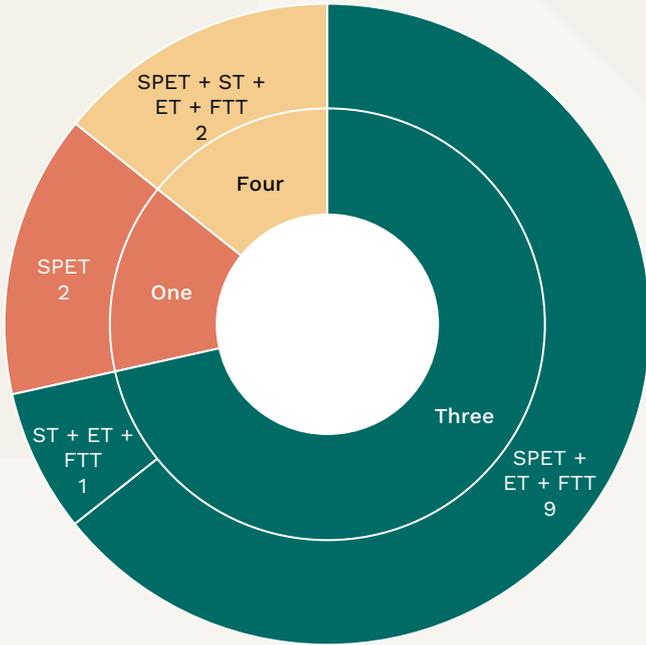
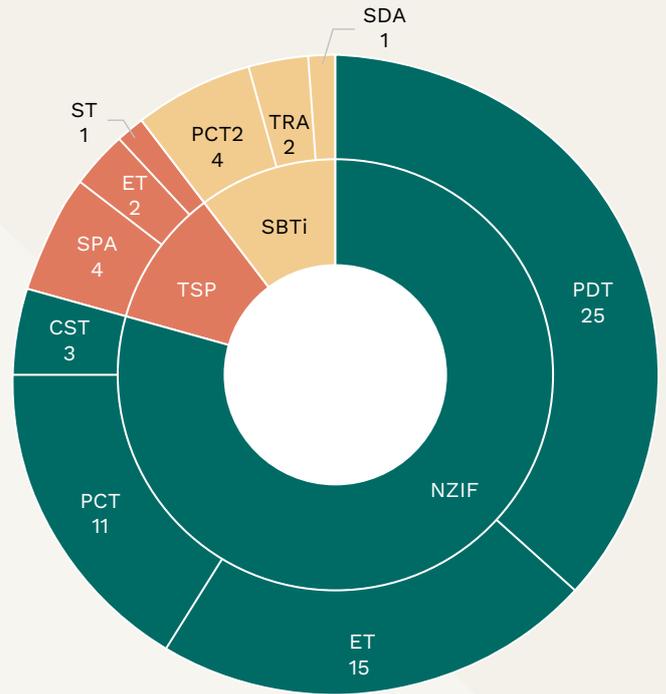


Figure 15. Combination targets by methodology



Combination & unique methodologies

To ensure targets are robust and science-based, asset managers are recommended to choose one or a combination of the above methodologies. However, the commitment is designed to be ‘methodology neutral’ and asset managers choose the most appropriate target methodology for their business.

If asset managers wish to use an alternative methodology, they should explain the rationale in their disclosure and reporting, including how their alternative methodology is in line with best available science on achieving the 1.5°C goal of the Paris Agreement.

Across the targets cohort, 26 chose to pursue their own methodology, while 31 have opted to pursue a combination of the above methodologies.

Interim target years

As of 31 January 2024, the majority of signatories are setting their interim target for 2030 (132; 50%), followed by those setting interim targets for both 2025 and 2030 (44; 17%), and those setting targets for 2025, 2030, and 2040 (23; 9%), indicating that NZAM signatories are taking the imperative to address climate change in the short term as well as long term.

Across the targets cohort, 260 (98.48%) have set a target for 2030 or sooner. Around 26% of signatories have their first target set for 2025.



LOOKING AHEAD



As the financial sector continues to evolve, NZAM remains focused on supporting signatories on their individual net zero journeys.

The Network Partners are focused on supporting signatories with the necessary tools, methodological guidance and resources to operationalise and improve upon their individual targets. This should enable signatories to bring more asset classes in-scope of their NZAM commitment.

In the coming years, NZAM anticipates further growth, with the Network Partners focused on scaling up recruitment of investors in the Asia-Pacific region. This expansion is expected to not only broaden the geographic reach but also deepen the initiative's impact.



**Net Zero
Asset Managers
Initiative**