

# NZICI Reporting Framework

## Background

Members of NZICI make nine Commitments which apply variously to their investment advisory services, fully discretionary services and their own business operations.

The Commitments are made in the context of members' legal and fiduciary duties to clients and unless otherwise prohibited by applicable law. They are subject to the mandates agreed with their clients and their regulatory environments. The presentation, consideration, adoption and/or implementation of any Commitment is subject to any individual member's legal, fiduciary, ethical and other duties and obligations owed to its clients as a whole and individually and to applicable law and regulations. This leads to varying ability to influence clients' net zero agenda.

Note that unless otherwise stated, the term 'net zero' is taken to mean an objective of net zero greenhouse gas emissions by 2050 in line with global efforts to limit warming to 1.5°C above pre-industrial levels, consistent with the goals of the Paris Agreement. This requires aligning<sup>1</sup> with appropriate interim targets (for example, a 50% reduction in global emissions by 2030) and the development and implementation of an appropriate strategy that would allow progress to be demonstrated against such an objective. Within this concept of net zero, we further recognise the importance of facilitating a just transition, being the only politically feasible path to achieving the Paris Agreement goals.

It is important to note that NZICI members serve a variety of client types that operate in a variety of (and sometimes conflicting) legal and regulatory environments, using a variety of service models. Such clients may be more or less amenable to embracing net zero goals or may choose not to embrace them at all. For example, where members work with clients on a project basis rather than in a long-term advisory capacity, Commitments 2, 3, 5 may not be relevant.

Members are required to report annually in a public domain in accordance with Commitment 9. This Reporting Framework sets out the information they are expected to report. Where members are not able to report this information, they will explain why.

Members should make clear in their reporting how their business model and client base impact their activity against the Commitments. They should explain if and why any class of client is ruled out of scope, for example because the relationship is only for data provision, and make clear if / when the regulatory environment constrains reporting.

The published reports will be aggregated by the Secretariat into an annual progress report.

Repeated failure to publish reports may result in the member being removed from NZICI in accordance with the Terms of Reference.

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<sup>1</sup> The way in which a member aligns is up to the member at firm-level

These reporting requirements have been developed collectively by members in partnership with the PRI.

## Definitions

**Commitment** – one of the nine commitments under NZICI

**Reporting Period End Date** – the date that is the end date for members' regular reporting under Commitment 9, being a common date to facilitate aggregate reporting. Unless otherwise amended this will be 31 December each year.

**Reporting Period** – the 12-month period ending on the Reporting Period End Date. The first Reporting Period for any new members will be the first full calendar year after they join NZICI.

**Reporting Publication Deadline** – means the 30 September following each Reporting Period End Date.

**Terms of Reference** – the terms of reference as agreed with the NZICI Secretariat of the PRI.

**Shall** – 'shall' means that a process is required for the purpose of the initiative but remains subject to the unilateral decision of the member concerned. If the member concerned does not follow the guidance, an explanation in the member's public reporting is required. This does not require a member to disclose sensitive or confidential information.

**Should** – 'should' means that a process is strongly recommended. If the member concerned does not follow the guidance, an explanation in the member's public reporting is required. This does not require a member to disclose sensitive or confidential information.

## Reporting expectations

The reporting expectations are described below under the nine Commitments of the NZICI, which are repeated below for ease of reference.

*With respect to our investment advisory services, we commit to provide advice on climate change and net zero ambitions across our client base in line with their mandates by:*

- 1. working with our clients to identify how climate change impacts the risks and opportunities for their portfolio;*
- 2. highlighting the importance for both the economy and asset values of global decarbonisation on a Paris-aligned path and consistent with the goal of net zero by 2050;*

*3. empowering willing clients to make a meaningful contribution to the goals of the Paris agreement<sup>1</sup> through investment practices that help drive real world emission reductions, toward the goal of net zero by 2050 as well as robust interim targets;*

Members shall report the activities they have undertaken as well as related outcomes during the Reporting Period to satisfy Commitments 1, 2 and 3. It is desirable in addition to provide specific information on the following:

- 1) providing clients with access to tools to monitor their current alignment and potential future path(s) towards net zero along with exposure to climate-related investment risks;
- 2) assigning senior leader responsibility for the oversight and implementation of net zero alignment of the member's investment consulting services; and
- 3) meaningful training for all the member's investment consultants on climate change risks and opportunities and net zero alignment.

Members should report, where relevant, the following for the Reporting Period:

**Actions:**

Explain using examples and case studies what progress they have made in:

- 1) helping their clients to put in place investment beliefs and policies that incorporate net zero considerations,
- 2) helping clients incorporate net zero considerations into asset allocation and portfolio construction decisions,
- 3) helping clients assess and monitor their asset managers on net zero alignment,
- 4) helping clients select asset managers and design products that provide better alignment with net zero,
- 5) helping clients to shape voting policies and engagement priorities to better align their portfolios with net zero,
- 6) helping clients make their own net zero commitments, along with interim targets and transition plans.

**KPIs:**

The following represent progress metrics that members should report, recognising that they represent different points in a journey, in different regulatory environments, and that different clients, or types of clients, will proceed at a different pace along that journey.

- 1) the number of clients, and their respective assets under management, who by the Reporting Period End Date have received **meaningful education** on net zero alignment (where "meaningful" should be interpreted as at least one meeting with key management personnel at the client for which this was a specific agenda item and / or provision of a tailored report to the client)

- 2) the number of clients, and their assets under management, who by the Reporting Period End Date had access to **baseline carbon emissions data** on their portfolio, for asset classes where it is available<sup>2</sup>, and ongoing reporting thereof;
- 3) the number of clients, and their respective assets under management, who by the Reporting Period End Date had decided to incorporate a **net zero ambition**<sup>3</sup> for 2050 or sooner into their policy;
- 4) the number of clients, and their respective assets under management, who by the Reporting Period End Date had set a **net zero target** for 2050 or sooner along with interim target(s) and the **intention to be Paris-aligned** using appropriate methodology<sup>4</sup> (these targets do not have to be publicly declared); and
- 5) the number of clients, and their respective assets under management, who have agreed a formal goal to increase exposure to '**climate solutions**' however defined.

**Commitment 4)** *assessing, monitoring and engaging with asset managers on the integration of net zero ambitions in their independent investment decisions and stewardship, and reflecting this evaluation in our client recommendations.*

Members shall report the activities they have undertaken during the Reporting Period to satisfy Commitment 4. This should include a description of the actions taken with asset managers.

Additional focus should be given to:

- encouraging better climate-related reporting and data availability and improved voting and engagement practices in respect of climate change with the underlying investee companies of asset managers' portfolios; and
- encouraging asset managers, where appropriate, to become members to the Net Zero Asset Managers (NZAM) initiative or adopt similar net zero approaches.
- For managers that have made a net zero commitment, ensuring manager evaluations consider how NZAM goals are being met and reflect this in client advice.

Members should report, where relevant, the following for the reporting period:

- Examples of how they have evaluated asset managers on net zero alignment and the integration of climate risks and opportunities, and examples of how clients may utilise this evaluation.
- Examples of how they have engaged with asset managers to encourage improvements in net zero alignment or helped clients to do so.

<sup>2</sup> To begin with this may be limited to public equities and corporate bonds. If practical, estimates can be made on other asset classes to get to an aggregate portfolio figure.

<sup>3</sup> This net zero ambition should be formalised in a client's investment policy but need not go as far as stating explicit interim targets, for example because the client is reliant on pooled fund investment managers who may have a range of differing targets in relation to net zero.

<sup>4</sup> This net zero target should be formalised in a client's investment policy and is expected to follow generally accepted methodology like the IIGCC's Net Zero Investment Framework.

***With respect to our fully discretionary services, we will:***

**Commitment 5)** *individually set goals consistent with the target setting framework of the Net Zero Asset Manager initiative.*

Members shall report the activities they have undertaken during the Reporting Period to satisfy Commitment 5.

**KPIs:**

Members should report publicly, where relevant, the following for the reporting period:

- 1) the number of fully discretionary clients, and their respective assets under management, who by the Reporting Period End Date had set a **net zero ambition** for 2050 or sooner; and
- 2) the number of fully discretionary clients, and their respective assets under management, who by the Reporting Period End Date had also set a 2050 net zero target as well as **interim target(s)** with the intention to be to be Paris-aligned using appropriate methodology.

***With respect to our own business operations, we will:***

**Commitment 6)** *individually set emissions reduction targets across all our operational emissions consistent with Paris goals.*

Members shall report the activities they have undertaken during the Reporting Period to satisfy Commitment 6. This report shall include:

- an update on emissions reduction targets to cover Scope 1 and 2 emissions and the extent to which Scope 3 emissions are included, across all its operational emissions, consistent with Paris goals; and
- use of offset schemes (if any) to achieve net zero.

**KPIs:**

- Level of emissions, as defined above, across all its operations for the Reporting Period.

***Within the wider financial community, we will:***

**Commitment 7)** *where suitable net zero methodologies do not exist, work together for the benefit of our clients to address these challenges, seeking harmonised methodologies consistent with competition law*

Members shall report the activities they have undertaken during the Reporting Period to satisfy Commitment 7. This could include active participation in relevant industry groups and other accredited initiatives (such as the Institutional Investors Group on Climate Change's Paris Aligned Investment Initiative).

Members will collectively work to define an approach that will enable their clients to categorise their degree of alignment with net zero consistent with the Paris Agreement.

**Commitment 8)** *engage, independently or as a group, with regulators and policymakers, to facilitate the transition to net zero carbon emissions, addressing any barriers to our clients adopting and achieving their net zero targets.*

Members shall report the activities they have undertaken during the Reporting Period to engage with regulators and policymakers to satisfy Commitment 8. This may encompass:

- responding to regulator and policymaker consultations;
- meeting with regulators and policymakers;
- active participation in consultation groups or workstreams organised by regulators or policymakers; or
- providing expert resource to regulators or policymakers.

They should focus on their role in these interactions and how their contribution(s) helped to identify and/or address barriers to their clients' net zero ambitions.

**To ensure accountability, we will:**

**Commitment 9)** *report progress by our firm against the commitments made here at least annually in the public domain.*

Members will publish their individual progress reports in respect of each Reporting Period by the Reporting Publication Deadline.

To facilitate data aggregation, all members shall use a common Reporting Period for annual reports.

Each annual report shall include the information described in this Reporting Framework (as amended from time to time). Members are encouraged to report additional information on actions being taken and their progress against interim and long-term targets to support the Race to Zero in respect of their investment advisory activities.

## **Terms of Amendment**

This Reporting Framework may be amended by the NZICI in accordance with their Terms of Reference, subject to agreement with the NZICI secretariat of the PRI and (unless agreed otherwise by the members) at least 12 months' notice to members of the amendments coming into force. The Reporting Framework will be reviewed at least every three years.

## **Agreement**

This Reporting Framework is agreed by all current members of the NZICI and all future members, subject to the Terms of Amendment stated above.

**Date agreed:** November 2024