

Net Zero Investment Consultants Initiative (NZICI)

NET ZERO MANAGER ASSESSMENT TOOLKIT

**A guide to assessing asset managers' net zero
competencies**

March 2026

An investor initiative in partnership with
UNEP Finance Initiative and UN Global Compact



United Nations
Global Compact

NZICI members

- bfinance
- Barnett Waddingham
- Cambridge Associates
- Frontier Advisors
- Hymans Robertson
- JANA Investment Advisers
- LCP
- Gallagher
- XPS
- ISIO

Thank you to representatives from member firms who led the development of this toolkit, and to all who contributed their time and expertise.

DISCLAIMER

This document is provided for information only. It should not be construed as advice, nor relied upon. PRI and NZICI are not responsible for any decision or action taken based on this document or for any loss or damage arising from such decision or action. All information is provided “as-is” with no guarantee of completeness, accuracy or timeliness and without warranty of any kind, expressed or implied. PRI and NZICI are not responsible for and do not endorse third-party content, websites or resources included or referenced herein. The inclusion of examples or case studies does not constitute an endorsement by PRI, NZICI or their respective signatories. Except where stated otherwise, the opinions, recommendations and findings expressed are those of PRI and/or NZICI alone and do not necessarily represent the views of the contributors or PRI or NZICI signatories (individually or as a whole). It should not be inferred that any third party referenced endorses or agrees with the contents hereof. PRI and NZICI are committed to compliance with all applicable laws and do not seek, require or endorse individual or collective decision-making or action that is not in compliance with those laws. This content may not be reproduced, or used for any other purpose, without the prior written consent of PRI and/or NZICI, as appropriate.

NZICI’s net zero manager assessment toolkit is a voluntary educational tool and is not prescriptive. Practices outlined may not be applicable for all users; users must judge how best to apply the Toolkit in ways that are relevant to them. Each user’s implementation of the Toolkit is subject to any client mandate and any legal, regulatory, fiduciary or other professional obligations that apply to them (their “duties”). In the event of any conflict, the users’ duties will prevail. Each user retains their discretion to act independently in the best interests of their clients and beneficiaries.



Contents

Background to the net zero manager assessment toolkit	4
Using the Toolkit	4
The toolkit	6



Background to the net zero manager assessment toolkit

This Toolkit was developed by the Net Zero Investment Consultants Initiative (NZICI) to provide practical support for users (such as investment consultants) when assessing an asset manager's net zero competency and credibility.

The Toolkit enables users to:

- assess managers' net zero competency, an investment approach that supports the decarbonisations of the real economy across asset classes;
- set engagement priorities;
- report portfolio progress to asset owners.

It should also facilitate constructive engagement on net zero between users and asset managers and encourage ongoing improvement.

The toolkit is organised into nine assessment categories, each underpinned by indicators that will help users gauge managers' levels of competency in that category. While the components of the Toolkit can be considered interconnected, it is ultimately at the discretion of the user to determine which components are material and relevant to their assessment.

The guidance provided in the Toolkit draws on the following resources from other credible and recognised¹ net zero initiatives including, but not limited to:

- **The Net Zero Investment Framework (NZIF):** developed by the Paris Aligned Investor Initiative, [NZIF](#) provides investors with guidance to develop net zero strategies and transition plans.
- **Elevating Asset Manager Net-Zero Engagement Strategies:** [paper](#) developed by the Net Zero Asset Owner Alliance, it creates a foundation for asset owner expectations of asset managers regarding climate engagement.

- **Taskforce on Climate-related Financial Disclosures (TCFD):** [guidance](#) on disclosure of metrics, targets and transition plans; some countries mandate TCFD reporting on an annual basis.
- **Science Based Targets Initiative (SBTi):** [best practice, science-based guidance](#) and approval body for corporate emissions reductions and net zero targets in line with climate science; companies can adopt an absolute or sector-relevant approach.
- **The Institutional Investors Group on Climate Change (IIGCC):** [global investor membership body](#) that works with business and policy makers to define investment practices needed to address climate change; specific asset class guidance provided.

NZICI supports asset managers' use of suitable third-party guidance to support their net zero approaches. The onus for determining whether guidance is suitable is on the user.

This Toolkit focuses specifically on assessing net zero competency, an investment approach that supports the decarbonisation of the real economy in line with the [2015 Paris Agreement](#). This differs from assessing climate competency, which encompasses an asset manager's approach to identifying, assessing and managing financially material climate risks and opportunities as part of their investment process.

Using the Toolkit

This Toolkit is designed to assist users in establishing views on the net zero competency of an asset manager with respect to the design and/or execution of a particular investment product. The primary purpose of establishing these views is to support the user in determining the relative strengths and weaknesses of different investment products to identify preferred and/or aligned investments. NZICI recognises that users of the Toolkit will typically have pre-existing approaches to the assessment of asset managers more generally (e.g. a manager rating process), therefore, the Toolkit has been designed to allow for flexibility in its use and to complement existing assessment approaches.

¹ References to external frameworks or industry groups within this Toolkit are illustrative only. Users should apply their own judgement to determine whether a given framework or group is credible and relevant in their context.



Assessment levels

To facilitate relative assessments of asset managers, the indicators have been classified as demonstrating either a foundational or advanced level of competency in each category.

- **Foundational** – foundational indicators reflect what could be deemed minimally acceptable for a credible net zero strategy.
- **Advanced** – advanced indicators reflect a more sophisticated net zero strategy, that is meaningfully superior to a foundational offering.

Use cases

It is not the intent of the Toolkit to define a minimum or industry standard across all indicators which must be met for an investment product to be designated as “net zero aligned”. Rather, the articulation and disclosure of any derived assessment outcomes is entirely at the discretion of the user. The Toolkit’s modular design enables users to assess managers across either the full set or a subset of the assessment categories, depending on what is required. It is feasible that a manager may be assessed to be at different levels of competency in different categories.

NZICI encourages the use of the Toolkit, not only for the assessment of investment products which have been explicitly developed and marketed as being “net zero aligned”, but also for any investment product where an understanding of how it may support an investor’s climate transition strategy is desired. For example, a user may wish to focus specifically on an asset manager’s capabilities with respect to investing in climate solutions, even if the investment product does not have stated targets with respect to financed emissions reduction.

NZICI recognises that success in the global effort to reach net zero by 2050 requires action across a range of related, intersectional themes which support the decarbonisation of the real economy. These themes include, but are not limited to, achieving a just transition, advancing climate justice and securing a nature positive world. Users of the Toolkit are encouraged to incorporate these as standing considerations in the net zero assessment process – when deemed material – to form their view on an asset manager.

NZICI acknowledges that the applicability and usefulness of the Toolkit will vary by asset class and/or type of investment product. Some strategies, such as most risk-managed strategies or hedge funds (excluding long/short equity hedge funds), may present the user with greater challenges in assessing net zero alignment

due to the relative lack of industry guidance. However, the Toolkit has been developed to allow its constructive use in most cases, as nuances within asset classes or strategy cohorts can be allowed for by the individual user.

NZICI also acknowledges that asset managers who operate across multiple jurisdictions may face additional requirements or challenges with respect to net zero, and that the user should take these into account when using the Toolkit.

While the Toolkit provides high-level guidance on the assessment of asset managers with respect to net zero, such assessments form only part of the overall effort. Engagement with asset managers on net zero should focus on the impact of their investment processes, tracking progress using tangible, measurable changes that drive real-world outcomes.

Users may find this toolkit useful to inform and enhance their internal manager assessment methodologies as well as related activities such as engagement and advocacy.



The toolkit

Category	Foundational	Advanced
Governance, philosophy and policy	<ul style="list-style-type: none">• The manager will implement an asset owners' net zero commitment and beliefs via a mandate (e.g. it can provide adequate net zero aligned or low carbon screens).• The manager has a clear policy setting out its role in addressing climate change; credibility may be supported by a firm-level commitment to net zero.• The manager has established board-level responsibility for setting and monitoring its overarching net zero approach.• The manager ensures consistency in messaging and practices across all their funds and products.• The manager demonstrates a commitment to ongoing education and improvement on its net zero mandate.	<ul style="list-style-type: none">• The manager demonstrates strong leadership and ambition as an agent for change, embedding its philosophy into investment practices through a clear, senior-endorsed theory of change aligned with net zero objectives; there is visible buy-in from other investment leaders and portfolio managers.• The manager has a robust approach to the governance of net zero goals, including a clear policy framework, senior leadership buy-in and monitoring of progress, remuneration alignment and a transparent continuous-improvement approach to its climate plans.• The manager has made clear commitments to:<ul style="list-style-type: none">– protect nature – at a minimum, halting deforestation.– support a just transition that proactively incorporates equity considerations into investment decision-making and monitoring.
Resourcing and tools/data	<ul style="list-style-type: none">• The manager can demonstrate that all members of the investment team buy-in to and actively participate in the integration of net zero considerations in investment decisions.• The manager's investment team or specialist has access to relevant climate expertise and integrates these into the net zero strategy.• The manager has a suitable budget for and access to relevant data, analytics and climate scenario analysis to support net zero integration and reporting.• The manager is aware of and takes reasonable steps to address data limitations; examples may include carrying out their own estimations and supporting investee companies to calculate data.	<ul style="list-style-type: none">• The managers' climate and net zero specialists (where relevant and at their discretion) inform and drive net zero alignment into decision-making.• The manager seeks out academic and science-based climate evidence, including climate scenario analysis. This evidence is incorporated into consistent and systematic improvements at the firm and made available across strategies.



Category	Foundational	Advanced
Target setting and transition planning	<ul style="list-style-type: none">• The manager has established long-term real-world emissions reduction targets and/or climate transition solutions targets appropriate to the asset class or strategy and is developing near term science-based targets (SBTs) to support action in line with its long-term goal.• The manager has disclosed its plan to deliver progress towards its net zero goal or emission reduction target.	<ul style="list-style-type: none">• The manager has set long-term (2050) and appropriate science-based interim targets for the portfolio. Science-based targets for higher emitting investments are such that actual alignment can be achieved by 2050.• The manager has a climate action plan to drive reductions in real-world emissions (not just portfolio emissions) and can demonstrate suitable progress against the plan. The climate action plan references industry guidance on transition plans recognised by the user as being credible.• The manager has an effective process for assessing the credibility of climate transition plans of underlying investments (e.g. for an investee company's real estate assets) including reference to appropriate and accepted transition frameworks, such as NZIF 2.0, enabling consistency of approach and collaboration with other industry participants.
Investment strategy and portfolio construction	<ul style="list-style-type: none">• The manager has made a clear net zero commitment or has a theory of change that links activities to outcomes.• The manager undertakes capital allocation and engagement activities that support real economy emissions reductions.• The manager integrates net zero alignment into investment selection, favouring investments with emissions reduction plans or climate solutions.• The manager provides examples of how intersectional themes, such as climate justice and biodiversity, are meaningfully integrated into decision-making.• The manager applies sector-based decarbonisation pathways at a basic level, with some differentiation for high-emitting sectors where applicable.	<ul style="list-style-type: none">• The manager embeds net zero objectives as a core pillar of strategy, with capital allocation and engagement systematically driving measurable real economy decarbonisation.• The manager proactively and holistically integrates net zero alignment, climate justice, biodiversity and social considerations into all investment decisions and portfolio construction.• The manager applies deep, repeatable process for the assessment of physical and transition climate risks and opportunities, with transparent, detailed methodologies for calculating financed, estimated and avoided emissions.• The manager systematically applies sector-specific decarbonisation pathways, with a rigorous approach for high-emitting sectors and clear emphasis on risk and opportunity.• The manager provides clear, consistent evidence that net zero and climate considerations are central to investment selection, position sizing and ongoing portfolio management, considering measurable real-world impact.



Category	Foundational	Advanced
Climate solutions²	<ul style="list-style-type: none">• The manager has a clear understanding and definition of investment objectives related to climate solutions.• The manager actively looks to incorporate the financing of asset transition plans or managing the phase down of high-emitting assets into its net zero strategy, where appropriate. This applies to strategies with a clear intent to invest in climate solutions.	<ul style="list-style-type: none">• The manager’s approach includes integrating climate adaptation, intersectional themes, such as climate justice and natural capital into investment decision-making.• The manager actively incorporates transition finance needs and emission reduction plans into capital allocation decisions consistent with net zero goals.• The manager has developed and implemented dedicated climate solution strategies (which can include strategies with climate solutions as a core theme).• The manager’s strategy includes meaningful exposure (level depends on the asset class) to climate solutions and/or transition finance where emissions mitigation, reduction or removal is the outcome. This applies to strategies with a clear intent to invest in climate solutions.• The manager has developed strategies to drive positive real-world outcomes through investments, for example by investing in climate solutions in developing countries.
Engagement (and voting if applicable)	<ul style="list-style-type: none">• The manager demonstrates collaborative efforts and engagement on decarbonisation or net zero aligned transition plans and deploys active ownership tools relevant for the asset class (e.g. proxy voting, shareholder resolutions etc. for public equities).• The manager’s stewardship themes are clear and linked to net zero (e.g. emissions reduction alignment, nature-related topics like deforestation, social implications of the transition); the manager can demonstrate that it is frequently and actively engaging and voting on these topics.	<ul style="list-style-type: none">• The manager has set consistent, milestone and time-based engagement with portfolio investments on net zero alignment and climate risks and opportunities. The manager demonstrates a track record of engagement and voting outcomes related to decarbonisation or net zero aligned transition plans. This engagement and voting may form part of a dedicated engagement program or be core to its overall engagement program.• The manager has a centralised tracking system to evidence its progress in manager engagement and voting, and a clear engagement policy framework that includes escalation and the incorporation of lessons learnt into their process.

² Defined by the Net Zero Asset Owners Alliance as “investments in economic activities that contribute substantially to climate change mitigation. These are investments that reduce greenhouse gases (GHGs) by avoiding emissions and/or by sequestering carbon dioxide already in the atmosphere, or investments in climate change adaptation that contribute to enhancing adaptive capacity, strengthen resilience and reduce vulnerability to climate change”.



Category	Foundational	Advanced
Industry leadership and collaboration	<ul style="list-style-type: none">• The manager actively participates in recognised climate or net zero-related industry groups and collaborative engagements, including policy advocacy.• The manager demonstrates transparency and openness to sharing ideas to advance the industry's understanding of and action towards net zero emissions.	<ul style="list-style-type: none">• The manager actively seeks leadership positions in industry groups to advance net zero efforts in investing (e.g. supporting the creation or adoption of frameworks). The manager produces thought-leading original content on managing climate risk or investing with a net zero lens to support advancement in the industry.• The manager advocates for and builds understanding of the importance of net zero among other industry participants.
Policy advocacy	<ul style="list-style-type: none">• The manager participates in collaborative engagement with policy makers.• Responds to relevant consultations, advocating for policies that facilitate net zero alignment.	<ul style="list-style-type: none">• The manager leads collaborative engagements or dedicated direct engagements with policy makers, including governments of emerging markets and developing economies.• The manager advocates for governments encouraging alignment with net zero and policy stability and provides education to support this.• The manager has a track record of taking public positions on how to improve key net zero-related policies e.g. blogs, newsletters.
Reporting and transparency	<ul style="list-style-type: none">• The manager discloses scope 1, 2 and material scope 3 emissions at the portfolio level as well as at the holdings level.• The manager reports annually on progress against net zero actions (on <i>most</i> of the categories in this document).• The manager's reporting is aligned with internationally recognised standards (e.g. TCFD, International Financial Reporting Standards (IFRS) S2, Taskforce on Nature-related Financial Disclosures TNFD), if relevant.	<ul style="list-style-type: none">• The manager's reporting shows progress against stated net zero objectives through consistent annual reporting over several years.• The manager demonstrates positive real economy impact in relation to net zero and shares case studies of its actions which demonstrably help inform other market participants on successful integration and outcomes.• The manager contributes to driving the future of reporting (e.g. by reporting positive <i>and</i> negative impact).• The manager is supportive of and working to report in line with TNFD.