NZIF 2.0 Consultation

# Overview

IIGCC is conducting this public consultation to gather feedback on the updated version of NZIF 2.0 and the changes that are specific to the high-level guidance within.

Responses will be confidential and used for internal purposes only to assess the outcomes of this survey. IIGCC's Private Notice can be accessed here: https://www.iigcc.org/privacy

# Feedback requested

* Recommended action points - Additional action points (originating from industry related processes and prominent reports) are highlighted throughout for NZIF users to adopt at their discretion. Comments are sought on whether additional action points help investors when they develop their transition plans.
* Objective and target setting - Clarifications and minor edits have been made to the Portfolio Decarbonisation Reference Target and the Portfolio Coverage Target. Comments are sought on the utility of these changes.
* Listed equities and corporate fixed income - Very minor changes. Comments sought on the interpretation on the emissions performance alignment criteria.
* Sovereign bonds - Total change to the alignment methodology which now uses an approach similar to the 'listed equities and corporate fixed income' methodology. Recommended action points remain unchanged. Comments are sought on whether the proposed methodology changes facilitate alignment assessment and target setting. Real estate - Changes to the alignment methodology which now uses alignment criteria (as well as classifications). Additional minor changes to supporting text. Comments sought on the scope of the methodology and the switch to alignment criteria to determine classifications.
* General feedback is welcomed on the future development of NZIF which is an iterative process determined by investor-led processes.

# Out of scope

No changes have been made to the infrastructure and the private equity asset class methodologies. We are not currently seeking feedback on these as the guidance was only recently produced, reviewed, and published. NZIF 2.0 provides a snap shot of the PAII guidance for these asset classes. Readers are expected to revert to those document for in depth guidance.

# Sequential Guidance Consultations

* There are concurrent and sequential pieces of guidance we aim to include in the final NZIF 2.0 document, which we will be taking feedback on in their own separate consultations, these are:
* External Manager Targets: Concurrent consultation which can be found on IIGCCs website (see Resources tab) Sovereign Bonds: A consultation for this aspect is forthcoming in April. Although the detailed consultation will be held later, feedback is encouraged on the high-level components presented in this document.
* Private Credit: A consultation for private credit guidance will take place in April. NZIF 2.0 will take a snapshot of the forthcoming guidance once it has been published.

# Legal Disclaimer

All written materials, communications, surveys and initiatives undertaken by IIGCC are designed solely to support investors in understanding risks and opportunities associated with climate change and take action to address them. Our work is conducted in accordance with all relevant laws, including data protection, competition laws and acting in concert rules. These materials serve as a guidance only and must not be used for competing companies to reach anticompetitive agreements. Whilst IIGCC encourages investors to adopt the guidance to assist them in meeting their own voluntary net zero commitments, it is a foundational principle of how IIGCC and its members work together that the choice to adopt guidance, best practice tools or tactics prepared by IIGCC is always at the ultimate discretion of individual investors based on their own mandates and starting points from which they make their own internal decisions. IIGCC’s materials and services to members do not include financial, legal or investment advice.

# Responder details

1. Name \*
2. Job title \*
3. Email address \*
4. Which organisation do you represent? \*
5. Which best describes your organisation? \*
   1. Asset manager
   2. Asset owner
   3. Investment consultant
   4. NGO
   5. Research/policy thinktank
   6. Data service provider
   7. Other
6. IIGCC may wish to contact members that have responded to this survey to discuss the survey response in more detail. Are you willing to be contacted by IIGCC in relation to your survey response? \*
   1. Yes
   2. No

# Recommended Action Points

NZIF 2.0 has integrated recommended action points from relevant industry initiatives and prominent reports by external stakeholders. The result is that NZIF acts as a repository of best practice which investors can choose to adopt to further their transition plan and benchmark themselves against industry expectations.

1. Do the integration of additional recommended action points help investors to develop and assess transition plans? \*
   1. Yes
   2. No
2. Do you have any comments to support your answer?

# Governance & Strategy

This NZIF section helps investors to set ambition towards global net zero emissions as well as provide direction and basis for action.

Little has changed to this section except the addition of recommended action points highlighted for NZIF users to adopt at their discretion. We welcome comments on whether action points help investors when they develop their transition plans.

1. Do the recommended action points help investors to develop transition plans? \*
   1. Yes
   2. No
2. Do you have any comments to support your answer?

# Objectives

This NZIF section helps investors to define anticipated progress in emissions reduction and increasing investment in climate solutions.

Objective setting and target setting have been split so that they are not conflated. Clarifications have been made to the Portfolio Decarbonisation Reference Objective, specifically to highlight its utility for performance monitoring and not top- down target-setting based on financed emissions. Reporting guidelines have been enhanced to improve nuance into changes to financed emissions.

1. Do clarifications to the Portfolio Decarbonisation Reference Objective improve its value within the wider context of the NZIF framework? \*
   1. Yes
   2. No
2. Do you have any comments to support your answer?
3. Does the new reporting guidance for portfolio emissions (with and without STEM emissions) likely to support a more nuanced understanding of investor efforts to align their portfolios with the goals of the Paris Agreement? \* (STEM emissions are those associated with 'climate solutions, transition assets, and emerging markets')
   1. Yes
   2. No
4. Do you have any comments to support your answer, including resources to help enhance NZIFs guidance on the reporting of financed emissions?
5. Do you have any comments on action points within the 'Objectives' section?

# Strategic Asset Allocation

This NZIF section helps investors to define asset allocation to support an individual investor to achieve net zero alignment goals alongside risk/return objectives.

Little has changed to this section except the addition of recommended action points highlighted for NZIF users to adopt at their discretion. We welcome comments on whether action points help investors when they develop their transition plans.

1. Do you have any comments on the recommended action points within 'Strategic Asset Allocation'?

# Asset Level Assessment and Targets

This NZIF section helps investors to drive real economy emission reductions through asset selection, management, as well as engagement and stewardship.

Minor changes to this section have been made:

The Portfolio Coverage Target has been renamed the "asset alignment target" and it has been explicitly recognised that investors may wish to use %financed emissions or %AUM as the metric. This represents how it has been used within current practice and that some investors may wish to focus on high-impact sectors.

Clarifications on the performance expectations have been made.

A few additional recommended action points have been integrated.

1. Do clarifications to the Portfolio Coverage Target (renamed to Asset Alignment Target) makes sense given its role within the wider context of the NZIF framework? \*
   1. Yes
   2. No
2. Do you have any comments on the recommended action points within 'Asset Level Assessment and Targets'?

# Listed Equities and Corporate Fixed Income

NZIF 2.0 has made a minor change to clarify the interpretation of criteria 3 (emissions performance). We welcome comments on this clarification.

Additional reporting guidelines have been included for 'derivatives and hedge funds' and 'climate solutions'. We are not currently seeking feedback on these aspects as they are taken from recently reviewed and published guidance.

1. Do the clarifications to NZIF criteria 3 (emissions performance) make it easier to understand? (Current absolute or emissions intensity GHG emissions is at least equal to a relevant net zero pathway)\*
   1. Yes
   2. No
2. Do you have any comments to support your answer?

# Sovereign Bonds

NZIF 2.0 contains high level new target setting and implementation guidance for sovereign bonds, developed by an investor- led working group (58 representatives across 42 entities). Supplementary guidance will soon be available to support investors to operationalise the high level guidance provided.

Please note that NZIF is not a data source or an engagement platform. It is recognised that practical limitations currently exist to the extent to which sovereign issuers can be aligned. As a framework NZIF is not itself a commitment and has no performance requirements.

1. Does the high level target setting and implementation guidance for sovereign bonds help support investors to assess and devise high-level approaches to improve the alignment of their sovereign bond holdings? \*
   1. Yes
   2. No
2. Do you have any comments to support your answer?

# Real Estate

NZIF 2.0 contains revised target setting and implementation guidance for real estate. It was revised by an investor-led working group comprising both asset owners and managers. Supplementary material exists to support investors to operationalise NZIFs high level guidance for real estate. More material to support operationalisation of the guidance is expected to be developed in the near future, including assessment of new pathway tools.

1. Does the revised high level target setting and implementation guidance for real estate help investors to assess and devise high-level approaches to improve the alignment of their real estate holdings? \*
   1. Yes
   2. No
2. Do you have any comments to support your answer?

# Policy Advocacy

This NZIF section helps investors to encourage the necessary policy environment to support decarbonisation and investment in climate solutions, increasing the ability of investors to implement a net zero strategy.

Little has changed to this section except the addition of recommended action points highlighted for NZIF users to adopt at their discretion. We welcome comments on whether action points help investors when they develop their transition plans.

1. Do you have any comments on the recommended action points within 'Policy Advocacy' section?

# Stakeholder & Market Engagement

This NZIF section helps investors to encourage the market to provide mandates, data, tools, and advice that supports the operationalisation of an investor’s net zero strategy.

Little has changed to this section except the addition of recommended action points highlighted for NZIF users to adopt at their discretion. We welcome comments on whether action points help investors when they develop their transition plans.

1. Do you have any comments on the recommended action points within 'Stakeholder & Market Engagement' section?

# Certificate of deposits

Within NZIF 2.0 some guidance for certificate of deposits is provided. It is purposefully an ‘appendix’ and not a ‘main report’ item (e.g. due to nascent carbon footprinting methodologies). The guidance is designed to support investors that wish to initiate efforts to manage their cash holdings in combination with NZIFs corporate fixed income and sovereign bond methodologies.

1. Do you believe that the informal guidance is currently sufficient and appropriate for investors to initiate alignment discussions with banks and custodians? \*
   1. Yes
   2. No
2. Do you have any comments to support your answer?

# Future development of the Framework

The PAII follows 5 key principles to guide its work and to assess methodologies and test conclusions: impact, rigour, practicality, accessibility, and accountability.

Please answer the optional questions below if you want to influence the broad direction of NZIFs future development.

1. How might the framework better emphasises emissions reductions in the real economy?
2. How might the framework be improved so that it better aligns with evidence, data, and climate science?
3. How might the framework be improved to be more feasible for investors to implement and compatible with existing processes?
4. How might the framework be improved to better allow concepts and guidance to be more easily understood and applied?
5. How might the framework better allow clients and stakeholders to assess portfolio/fund alignment?
6. Should NZIFs alignment classification system be expanded to include the notion of corporates converging to a net zero pathway (e.g. using the preceding 3 years emissions performance to determine whether emissions performance exceeds the trajectory of a net zero pathway)?
   1. Yes
   2. No
7. Which asset classes are missing and are important to ensuring that all AUM can be managed in line with net zero?