



Intentional
Endowments
Network

Intentional Endowments Network
NET ZERO ENDOWMENTS ROADMAP

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this guide*



OVERVIEW

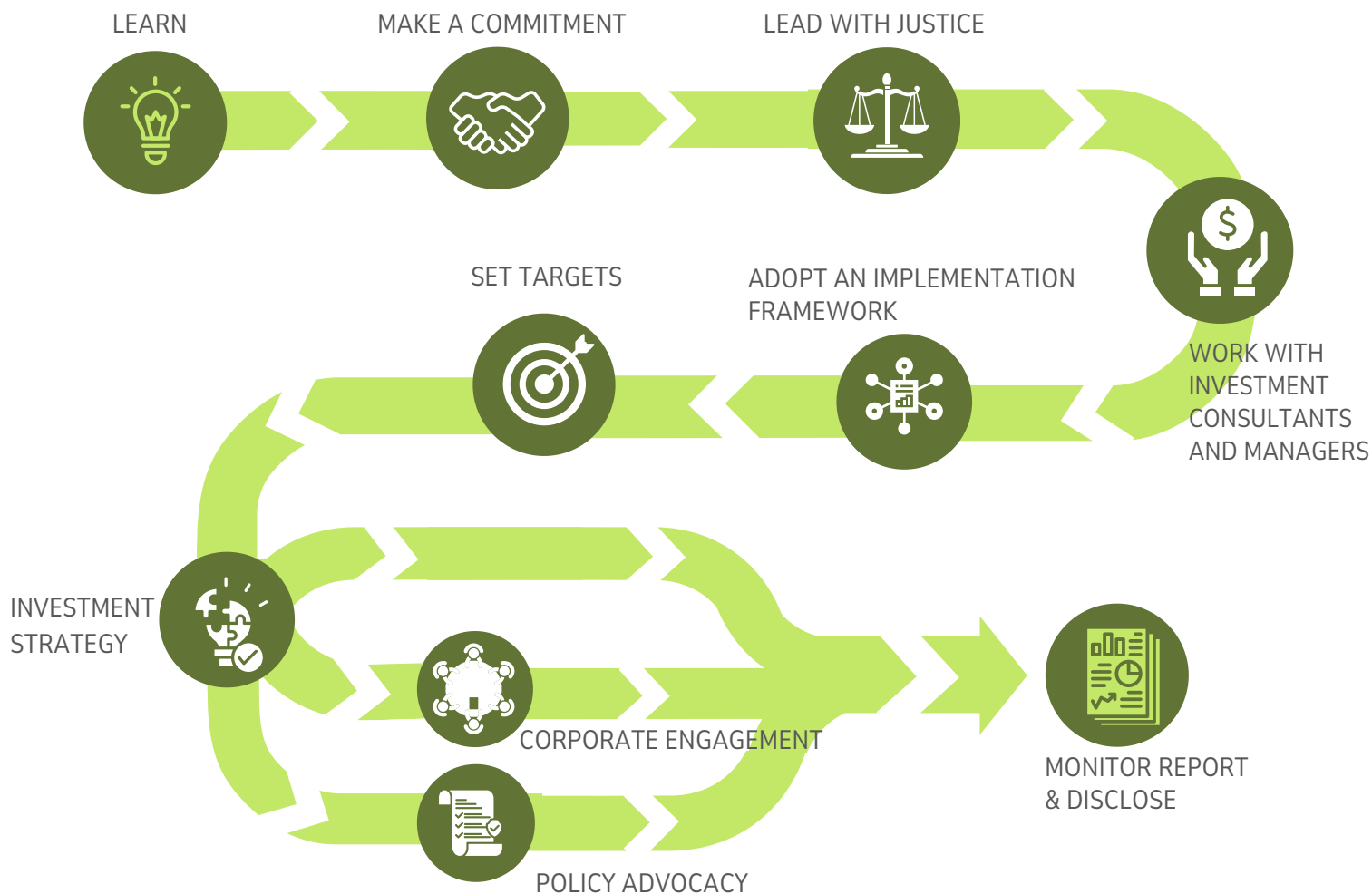
This Net Zero Endowments Roadmap is a guide for endowments in making and implementing net zero portfolio commitments. It provides a high-level overview, laying out common steps taken in this process with links to more detailed resources in the field to provide guidance and best practices on each aspect of the net zero journey.



Why Make a Net Zero Portfolio Commitment?

Climate risk is not just an environmental concern but a financial risk and the effective management of such risks through net zero portfolios can foster long-term value creation. Additionally, endowments support institutions that strive to create sustainable societies. Thus, net zero portfolios are key to aligning their assets with the mission.

The Net Zero Endowments RoadMap



LEARN

Learning, Stakeholder Engagement & Consensus Building



MAKE A COMMITMENT

Publicly commit to transition portfolios to net zero carbon



LEAD WITH JUSTICE

Acknowledge that climate justice is central to achieving net zero goals



WORK WITH INVESTMENT CONSULTANTS AND MANAGERS

Collaborate with investment managers to develop plans for net zero portfolios



ADOPT AN IMPLEMENTATION FRAMEWORK

Create a long-term framework with actionable steps specific to your organization to reach net zero targets



SET TARGETS

Set target and interim dates for specific emissions reductions in the portfolio



INVESTMENT STRATEGY

Utilize a combination of strategies to reach net zero such as risk assessment, asset allocation, ESG integration, etc.



POLICY ADVOCACY

Engage with policymakers to advance policies that support a net zero transition



CORPORATE ENGAGEMENT

Engage meaningfully with portfolio companies through proxy voting, resolution filing, direct and indirect engagements, etc.



MONITORING AND DISCLOSURE

Measure progress against targets, and report on progress periodically

Making the Commitment

An important first step is publicly committing to achieving a net zero portfolio. While these are long-range commitments and elements of future conditions are inherently unknowable, it is important that asset owners are clear in their intent to prepare for and support a just transition to a low-carbon economy. This sends powerful signals to the market and helps ensure that asset managers, investment consultants, data providers and others are prepared to help asset owners navigate this transition and that all actors are proactively working to address this systemic risk. IEN maintains a regularly updated [list of endowments with net zero commitments](#).

Educate the Board and investment team on the benefits and drivers for making a commitment. Resources include:

- [Investment Stewardship Academy](#) | CommonFund Institute
- Building Board Expertise on Sustainability | University of Michigan Ross School of Business
- [Directors' Fiduciary Duties and Climate Change: Emerging Risks](#) | Harvard Law School (2021)
- [Primer on Climate Change, Director's Duties and Disclosure Obligations](#) | Climate Governance Initiative (2021)
- [Fiduciary or Not: Are You Fulfilling Your Duties to Protect Your Employees' Savings From Climate Risk?](#) | National Association of Corporate Directors (2023)

Familiarize the team with major initiatives in the field, including:

- [IEN's Net Zero Endowments Initiative](#)
- [Paris Aligned Asset Owners](#)
- [Net Zero Asset Owners Alliance](#)
- [Net Zero Asset Managers Initiative](#)
- [Net Zero Investment Consultants Initiative](#)
- Net Zero Venture Climate Alliance
- Race to Zero Campaign

Build consensus around making the commitment.

- [Roadmap for Endowments: Consensus Building](#) | IEN (2018)

Codify the commitment in writing and publicly communicate it out to stakeholders. Some templates include:

- [Net Zero Asset Owner Commitment](#) | Paris Aligned Asset Owners (2021)
- [Commitment Document](#) | Net Zero Asset Owners Alliance (2022)

Leading with Justice

Climate change is inextricably linked with a range of issues related to justice, equity, diversity, and inclusion in terms of which communities are impacted the most by climate impacts, how decisions are made about the transition to a low-carbon economy, and who benefits from this transition.

The following resources provide examples of climate justice investment opportunities and expand on the central role of climate justice in achieving net zero goals:

- [Investing in Racial Equity: A Primer for Colleges & Universities](#) | IEN (2020)
- [Investing for Climate Justice: An Intersectional Approach](#) | Cambridge Associates (2021)
- [Leading with Justice: Net Zero Investing and Conversations on Climate Justice](#) | IEN (2022)
- [Racial Equity as a Topic for Responsible Investing](#) | Harvard Kennedy School Center for Public Leadership (2023)

Work with your Investments Consultants & Managers

Many investment consultants and managers have existing commitments or programs focused on net zero portfolios. If that is not the case then engaging with your managers to develop these is an important early step in the process.

The following guides assist in navigating the investment process with your investment managers, from manager selection to asking the right questions and governance:

- [Investment Consultants and ESG](#) | United Nations Principles for Responsible Investment (2019)
- [Guidance on Using the ICAPs Expectations Ladder](#) | The Investor Agenda (2022)
- [Elevating Asset Managers Net Zero Engagement Strategies](#) (2023) | Net Zero Asset Owner Alliance
- [Net Zero Strategies for Externally Managed Investments: New Levers & Targets](#) (2024) | IIGCC



Adopt a Framework for Implementation & Create an Investor Climate Action Plan (ICAP)

It is important to create a long-term framework that can be distilled into actionable steps for initiating, advancing, and monitoring progress on your net zero portfolio commitment and that can be maintained by your successors as turnover occurs on investment committees and investment teams.

The [Paris Aligned Investment Initiative \(PAII\) Net Zero Investment Framework](#) consists of the following elements, which are detailed in the Net Zero Investment Framework Guide:

- Governance & Strategy
- Targets & Objectives
- Strategic Asset Allocation
- Asset Class Alignment
- Stakeholder and Market Engagement
- Policy Advocacy

The [Investor Climate Action Plans \(ICAPs\) Expectations Ladder](#) (2023) developed by Investor Agenda recommends four interlocking focus areas with Governance as a cross-cutting theme across these four focus areas.:

- Investment
- Corporate engagement
- Policy Advocacy
- Investor disclosure

The following resources serve as aids in formulating an organization's framework for a net zero portfolio:

- [Net Zero Investment Framework Implementation Guide](#) | IIGCC, Paris Aligned Investment Initiative, Ceres, & AIGCC (2021)
- [Guidance on Using the ICAPs Expectations Ladder](#) | The Investor Agenda (2022)

[Interpretation Guide](#) | Race to Zero Campaign (2022)

Target Setting

Target setting entails setting a target date for achieving a net zero portfolio (this is typically 2040 or 2050), taking into account the latest science, and available guidance depending on methodology or framework. In addition to target dates, interim targets for specific emission reductions should also be defined by more immediate dates (typically 2025, 2030, 2035). Most frameworks require 2030 targets to be consistent with a “fair share” of the goal of a 50% reduction of global carbon emissions by 2030.

The following resources provide a basis in addition to tools and examples for net zero target setting:

- [IIGCC's Supplementary Guide on Target Setting | Net Zero Investment Framework \(2021\)](#)
- [Net Zero Investment Framework Implementation Guide | IIGCC, Paris Aligned Investment Initiative, Ceres, & AIGCC \(2021\)](#)
- [Target Setting Protocol Third Edition | Net Zero Asset Owners Alliance \(2023\)](#)
- [Set a target as a company or financial institution | Science Based Targets Initiative \(SBTi\)](#)

Measurement of portfolio carbon emissions is integral to the target-setting process, providing a starting point and aiding in setting intermediate and final targets. While there is no standardized methodology used by asset owners to measure the carbon footprint of their portfolios, there are various resources that illustrate the calculation using a combination of existing methodologies:

- [Partnership for Carbon Accounting Financials \(PCAF\)](#) - Networks such as PCAF can provide standards and a methodology for disclosure of greenhouse gas emissions associated with financial activities in order to manage risk, identify opportunities associated with greenhouse gas emissions and begin the journey towards decarbonization.
- [How Measuring Portfolio Carbon Footprint Can Help | UN PRI \(2015\)](#) - A general guidance for portfolio carbon emissions consisting of high-level steps for fixed income and equity asset classes. It also addresses certain data challenges and how they can be overcome.
- [Carbon Footprinting: An Investor Toolkit | State Street \(2020\)](#) - This educational guide breaks down carbon pricing and enables investors to build and design portfolios that are aligned with the Paris Agreement goals.
- [Implementing Net Zero: A Guide for Asset Owners | MSCI \(2022\)](#) - A comprehensive resource for net zero portfolio building and management that includes a section dedicated to Assessing Portfolio Carbon Emissions (Section 2). The guide uses the Global GHG Accounting and Reporting Standard developed by the Partnership for Carbon Accounting Financials (PCAF) that details asset class-specific methodologies for calculating financed emissions.
- [Portfolio Carbon Footprint Methodology | Allianz](#) - From one of the founders of the Net Zero Asset Owners Alliance, this document details how Allianz carries out its carbon footprint calculation in accordance with Sustainable Finance Disclosure Regulation (SFDR) guidance, Final Report on draft Regulatory Technical Standards, the guidance of the Task Force on Climate-related Financial Disclosures, and The Global GHG Accounting & Reporting Standard for the Financial Industry.



Investment Strategy

Building a net zero portfolio can be achieved using one or more strategies depending on the size of the fund, investment preferences, targets set, risk appetite, and time horizon among other factors.

This is an illustrative list of strategies that could be employed:

ESG integration

Integration of Environmental, Social, Governance criteria in portfolio decisions is crucial to the fiduciary duty of investment managers and consultants. There is a growing body of evidence that substantiates the role of ESG as a driver of financial performance as it provides a fuller understanding of how the company manages material issues. The incorporation of ESG factors includes but is not limited to consideration of sustainability-related risks in the structured investment process, asset allocation and selection of market instruments with stellar ESG performance in terms of ratings/scores by ESG data providers or based on evaluation of sustainability reports and policies that meet preferred ESG criteria, and engagement with portfolio companies on ESG issues.

Resources for ESG integration within net zero portfolios:

- [Investment Consultants and ESG](#) | UN PRI (2019)
- [Guidance on Using the ICAPs Expectations Ladder](#) | The Investor Agenda (2022)

Asset allocation and sustainable investments

Asset allocation refers to the strategic distribution of the portfolio across various classes of assets that include equity, fixed income, cash equivalents, real estate, etc. Incorporating Strategic Asset Allocation (SAA), the allocation of assets based on an overarching objective/(s), offers a viable pathway to net zero. Endowments can deliver on their net zero commitments by increasing allocation to climate solutions such as green bonds, renewable energy investments, low-carbon real estate, clean technologies, etc.

Resources for asset allocation methodologies and recommended practices:

- [Net Zero Investment Framework Implementation Guide](#) | IIGCC, Paris Aligned Investment Initiative, Ceres, & AIGCC (2021)
- [Investing for a Net-Zero World: A Guide for Investors](#) | Cambridge Associates (2021)
- Resources by Asset Class
 - **Multi-asset class**
 - [Net Zero Alignment for Multi-Asset-Class Portfolios](#) | MSCI (2022)

- **Public Equities**
 - [Pursuing Net Zero Goals in Public Equities](#) | Bridgewater Associates (2022)
- **Fixed Income**
 - [Building Better Carbon Transition Fixed Income Portfolios](#) | J.P. Morgan Asset Management (2022)
 - Setting an Active Fixed Income Portfolio on a Net Zero Pathway | Morgan Stanley (2022)
 - There is Nothing Passive About Net Zero in Fixed Income | Breckinridge Capital Advisors (2023)
- **Venture Capital**
 - Venture Capital Alliance
- **Private Equity**
 - [A Case for Net Zero in Private Equity](#) | UN PRI (2022)
 - [Net Zero Investment Framework for the Private Equity Industry](#) | Institutional Investors Group on Climate Change (2023)
 - [Decarbonisation Methodologies for Private Equity](#) | UN PRI (2023)
- **Real Estate**
 - [How to Get to Net Zero in Real Estate Investment](#) | Schroder's (2022)
 - [Net Zero Carbon Pathway](#) | Nuveen LLC (2023)

Climate Risk Assessment

Climate risk forms a material component of investment risk. Two fundamental risks emerge from climate change: physical risk (i.e., the impact of natural disasters, sea-level rise, floods, droughts, wildfires, heat waves, storms, etc.), and transition risk (i.e., the financial risk of the shift to a low carbon economy is influenced by government policy such as carbon taxes, transition technologies, shifting consumer demand, etc.) Consistent with the fiduciary duty of investment managers, assessing, evaluating, and mitigating climate risk in investment portfolios is integral to creating value for beneficiaries. This is also aligned with the [ICAPs Expectations Ladder](#) that emphasizes portfolio climate risk assessment using a recognized quantitative and qualitative methodologies and reporting on the analyses in accordance with the [TCFD framework](#). The [Net Zero Investment Framework](#) recommends the use of scenario analysis as a tool to assess risks in the asset allocation process, including at the stock-specific level for net zero-aligned portfolios.

These [case studies](#) are a compilation of best practices to address portfolio climate risk management used by some of the largest global asset owners and financial institutions.

Corporate Engagement

- Corporate Engagement is a viable pathway to leveraging fiduciary duty through active ownership. Depending on which stage your organization is at in its net zero journey, various options exist to engage meaningfully with companies through proxy voting, resolution filing, direct engagement, joining collaborative efforts, and working with investment consultants and managers.
 - Proxy voting policies - serve to align the institutional mission with current investments, encompassing voting in support of resolutions related to GHG emissions measurement and reporting, transition technologies, and sustainable business practices for long-term value creation.
 - As You Vote, led by the nonprofit organization As You Sow, is an ESG-aligned proxy voting service for institutional investors, including endowments.
 - Direct Engagement which involves engaging in dialogue, signing on to investment statements, filing and co-filing resolutions with portfolio companies.
 - Engage with external managers to ensure that just transition is central to their investment process and engagement with companies.
- Sign-On Letters
 - Periodically, investor groups coordinate public statements or letters in support of various initiatives or policies related to ESG issues and other materials investment considerations. IEN shares these statements here as opportunities for endowments to add their names and offer support, at their own discretion.
- Resources on corporate engagement:
 - Net Zero Investment Framework Implementation Guide | IIGCC, Paris Aligned Investment Initiative, Ceres, & AIGCC (2021)
 - Guidance on Using the ICAPs Expectations Ladder | The Investor Agenda (2022)
 - Climate Action 100+ Net Zero Company Benchmark | Climate Action 100+ (2023)
 - Climate Action 100+ is an investor-led initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change through collective shareholder engagement.



Policy Advocacy

- A key pillar for many net zero portfolio commitments is engaging with public policymakers to advance effective policies that will support the transition to a low-carbon economy and reduce systemic climate risk. Given the systemic nature of climate risk, individual investors cannot address this risk alone, or even as an industry. Government policy is needed to comprehensively address the climate crisis and meaningfully reduce climate risk.
- Asset owners can engage directly with policy makers, and also engage with their managers and the underlying companies about how their policy engagement work supports climate policy.
- Resources on policy advocacy:
 - [Guidance on Using the ICAPs Expectations Ladder pages 36 & 37](#) | The Investor Agenda (2022)
 - [Aligning Climate Policy Engagement with Net-Zero Commitments: A foundation for asset owner engagement of asset managers](#) | Net Zero Asset Owners Alliance (2023)
 - [The Changing Climate Policy Landscape: Considerations for Policymakers and the Needs of Investors](#) | The Investor Agenda (2023)
 - [Freedom to Invest](#) | Ceres

Monitoring, Measuring & Reporting / Investor Disclosure

- It is necessary to establish systems for measuring progress against your interim targets and require managers to report back on their progress on the main pillars in your net zero framework (e.g., GHG emissions, investments in climate solutions, engagement with companies, policy engagement).
- This can be done by the organization using internal mechanisms or engaging third parties to analyze quantitative and qualitative data to track progress on net zero portfolio alignment.
- Measurement of carbon footprint is an important step in the net zero journey that bridges the gap between target setting, portfolio alignment, and reporting. Refer to the section Target Setting for resources on the calculation of portfolio carbon footprint based on existing methodologies.
- The following resources outline certain reporting frameworks to monitor progress on various net zero targets:
- [Recommendations of the Task Force on Climate-related Financial Disclosures](#) | TCFD (2017) - A reporting framework with 11 recommendations across 4 different areas, designed to facilitate transparency of an organization's climate-related risk exposures. The TCFD has provided [examples of disclosures](#) aligned with the TCFD framework.

- ISSB and TCFD | IFRS Foundation - As of 2024, the IFRS Foundation's International Sustainability Standards Board (ISSB) is taking over responsibility for monitoring progress of companies' climate-related disclosures from the Financial Stability Board's (FSB) Task Force on Climate-related Financial Disclosures (TCFD).
- California's Climate Disclosure Laws | JD Supra (2023) - The Climate Corporate Data Accountability Act, the Climate-Related Financial Risk Act, and the Voluntary Carbon Markets Disclosures Act require the measurement and disclosure of carbon emissions and related impacts.
- SEC's Climate Disclosure Rules | U.S. Security and Exchange Commission (2024) - These rules enable disclosure of information on the governance of climate-related risks, the impacts of these risks on the business and financial statements, and reporting on GHG emissions.
- IEN's Endowment Impact Benchmark, piloted in 2023, serves as a rating system to track the sustainable investing progress of endowments.



Learn More & Engage

If you would like to further engage with IEEN's Net Zero Endowments Initiative please contact Georges Dyer at georges@intentionalendowments.org

We invite you to further examples of climate leadership in the field captured on IEN's growing list of case studies and endowments that have made net zero commitment.



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