



UN-convened Net-Zero
Asset Owner Alliance

Policy Engagement Guidelines

December 2023



Introduction

The physical and financial risks of unchecked climate change are clear. For asset owners in particular, the financial risks can pose an existential threat to the core business functions of ensuring retirement security and/or providing affordable insurance products. That is why members of the UN-convened Net-Zero Asset Owner Alliance (“the Alliance”) have each individually committed to transitioning investment portfolios to net-zero GHG emissions by 2050, in line with limiting temperature rise to 1.5°C above pre-industrial levels by the end of the century.

To do that and to meet our fiduciary duty to manage risks and achieve target returns, it is important that this commitment is embedded within a holistic approach to managing sustainability considerations.

This includes active and constructive engagement within public policy debates to shape robust frameworks to support transition across all sectors and around the globe. Such engagement also creates an enabling environment for investors to be able to fulfill climate commitments and have certainty in allocating capital.

Principles

Alliance members should have an approach to public policy engagement and advocacy, directly or indirectly, which is:

- 1. Accountable:** It is important that asset owners form their own views reflecting the interests of beneficiaries, customers, shareholders, and the wider communities in which they operate. There is no “one size fits all” approach to effective climate advocacy and engagement will vary from jurisdiction to jurisdiction.
- 2. Active:** Asset owners should actively assist policymakers in finding solutions to transition challenges and should be ready to share expertise to support the development of climate-positive policy. Asset owners need to be active in helping to find solutions and cannot simply wait on the sidelines.
- 3. Consistent:** Asset owners’ climate-relevant engagements with policymakers, and their engagement with industry associations or other coalitions should be in line with their net-zero commitments. This means advocating for climate-positive action, and not against it.
- 4. Transparent:** Asset owners should be able to explain how they ensure that their external communications on climate policies are aligned with net-zero commitments.

What could this look like in practice?

The points below are designed to help asset owners better understand how to apply these principles in practice:

1. Accountable

Asset owners need to manage long-term climate risks and opportunities in ways that ensure they maintain responsibilities to beneficiaries and other stakeholders. To do this, we need to be able to explain to stakeholders how our external engagement activities with policymakers link to their interests, and our responsibility to manage their money and meet our fiduciary duties.

2. Active

Active engagement with policymakers to find solutions for the net-zero transition forms a critical part of asset owners' stewardship responsibilities. To address systemic risk, particularly systemic risk arising from both physical and transition risks from climate change, as well as to leverage the economy-wide benefits from the transition, asset owners should be engaging with policymakers on a regular basis. This engagement can sit alongside engagement with portfolio companies and asset managers to ensure a coherent and consistent approach.

This activity also includes cooperation in developing standards, policies, and regulations that are important for an economy-wide net-zero transition, as well as supporting the objective of the Paris Agreement to make financial flows consistent with a pathway towards low GHG emissions and climate-resilient development.

3. Consistent

Asset owners should have a clear strategy and a governance framework that ensure consistent messaging reflecting their net zero target.

Asset owners should ensure that their positions within membership organisations also adequately reflect their climate commitments.

4. Transparent

The qualitative and often confidential nature of climate policy engagement can make public reporting difficult. However, ensuring transparency and accountability are important, and therefore, asset owners should be ready to explain to how they ensure their engagement with public policy debates are consistent with their climate commitments.

Conclusion

The above principles and supporting points provide the asset owner community, with a basis for driving greater alignment between their systemic long-term interests and climate policy engagement practices.

Given the Alliance's commitment to support real-world change towards net zero by 2050, members could make a positive contribution by supporting policy decisions that make this goal a reality.



UN-Convened Net-Zero Asset Owner Alliance

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