



# Achieving Net Zero:

## 5 steps to building a net zero strategy and Climate Transition Action Plan

The world must undergo a period of systemic change to protect our environment, societies, and economy from climate change.

Asset owners need to effectively plan the actions that they'll take to achieve their climate ambitions and realise positive real-world change. When it comes to fiduciary duty, systemic risks such as climate risk must be taken into consideration, irrespective of scheme or fund size.

Our ABC approach to responsible investment, as set out in our [RI mission statement](#), begins with 'Achieving net zero' and as part of this pillar we support our clients in understanding what net zero means for them.

This includes how they can take meaningful action to align with this ambition and setting credible net zero strategies in line with the broader goal of decarbonisation.

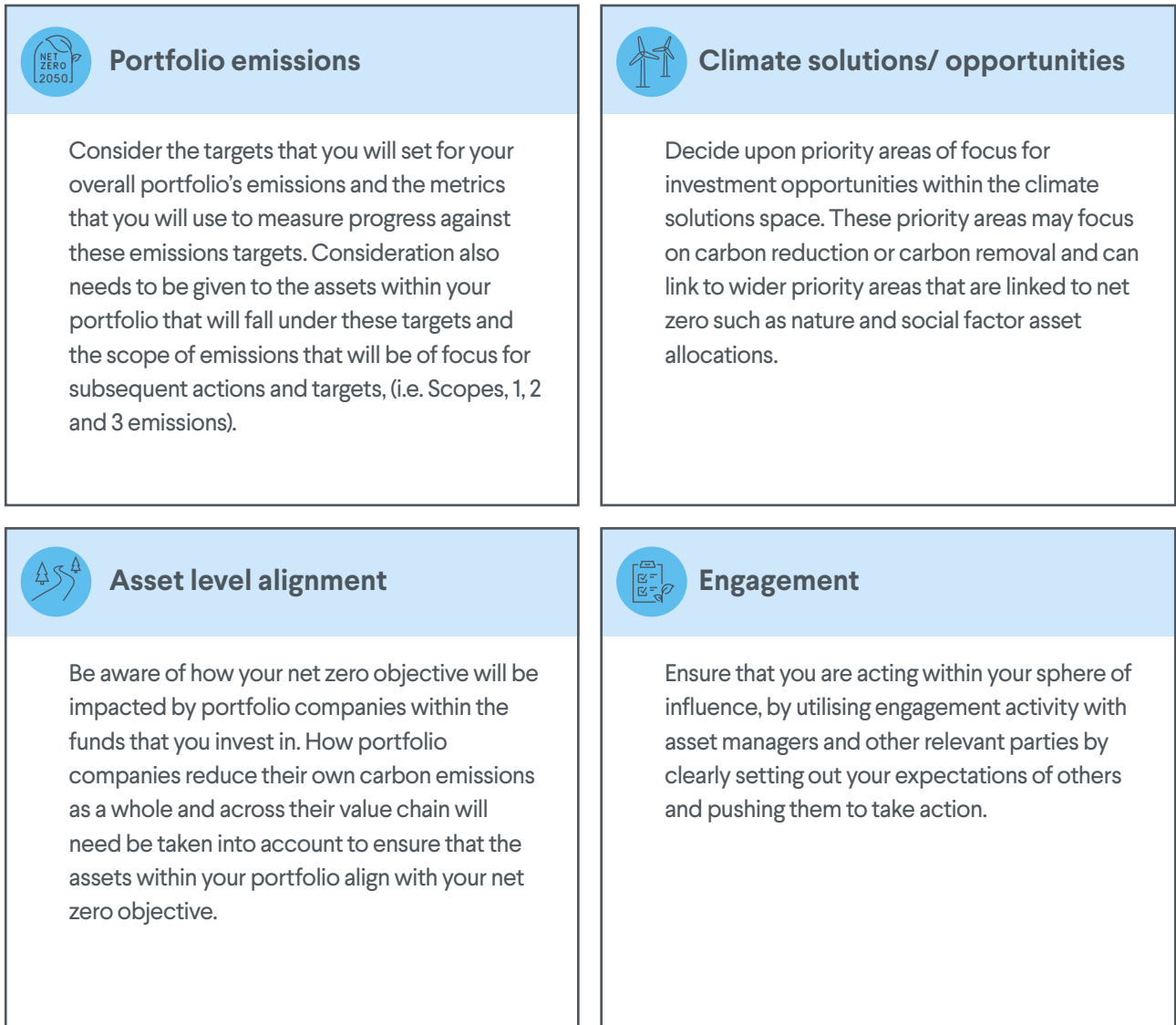
So how can you go about setting a credible net zero strategy? It all starts with a Climate Transition Action Plan (CTAP) – translating your climate ambitions into measurable actions on policy, strategy and stewardship.

### The CTAP

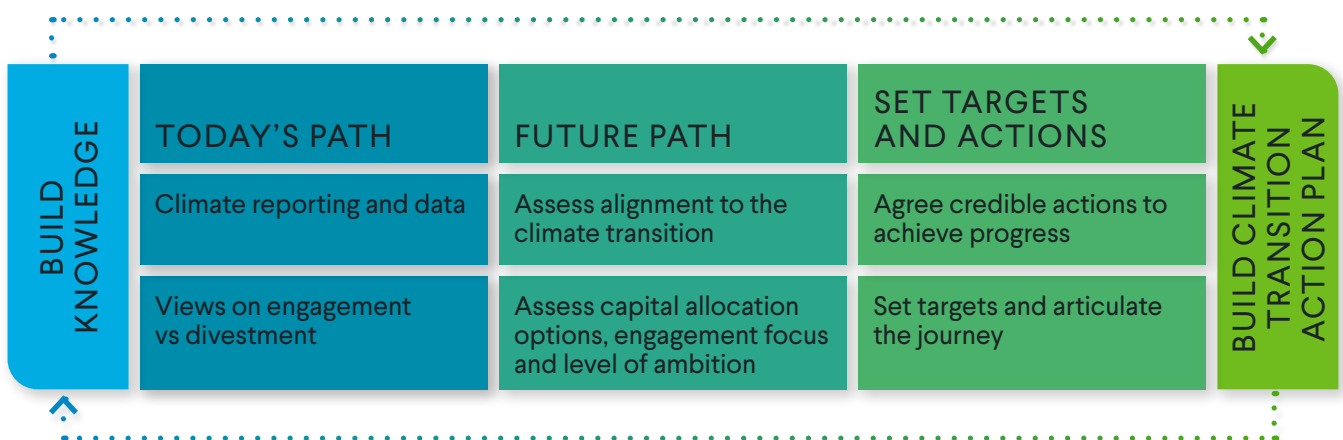
The CTAP captures the agreed fund/scheme and mandate-level targets and areas of focus, whilst clearly communicating your net zero strategy to stakeholders. Actions to manage climate-related risks and how the fund/scheme will meet its net zero target are also captured. The CTAP covers targets and actions in four key areas: portfolio emissions, climate solutions, asset alignment and engagement, as well as the rationale, beliefs and process taken to establish these commitments.



**The four key areas of targets and actions in more detail are:**



**Key building blocks required to build a credible net zero plan and CTAP**



## Here we outline five essential steps to building a credible plan, and how you can get started:

### 1 Build Your Knowledge

The journey to net zero starts with education. Education and training should be ongoing throughout this process. It's important that you, as decision makers, have a solid understanding of climate risks and net zero in order to lay the foundation for developing a robust net zero strategy and CTAP. Workshop sessions can be a really effective way to do this, allowing for discussion and consensus-building.

### 2 Understand Your Baseline

Net zero goals encourage you to reduce the carbon emissions owned or financed by your investment strategy. Knowing your portfolio's starting point is crucial when building a comprehensive net zero strategy.

Typical assessments will show your current carbon emissions profile today, considering metrics such as your carbon footprint and absolute emissions. You'll also want to understand your direct or indirect exposure to the fossil fuel industry and define your exposure to climate solutions.

Comparing against baseline measures will often show progress, however it won't show the full picture. You'll also need to shift focus to the future, i.e. assessing the progress of your strategies against net zero goals and pathways to ensure alignment with your ambitions. A key focus here is placed on forward-looking metrics by assessing the portfolio's alignment with net zero and assessing the levers that can improve that alignment and accelerate the net zero strategy.

### 3 Optimize Levers of Change

After assessing your baseline, it's important to think about improving your journey over time and how to be most effective as an asset owner. There are two main levers – capital allocation and stewardship – both of which you can optimise to build an effective net zero strategy:

- **Capital allocation** – explore how your capital allocation strategy and mandate changes could put your investments on a better path, or even how to accelerate the journey. Two strategic areas to consider here are reducing emissions or removing emissions from your portfolio.
- **Stewardship** – establish engagement priorities and identify targets that will help to inform engagement activity with your asset managers and hold them accountable.



#### **4 Set Targets and Actions**

Clear objectives and credible but ambitious milestones need to be set. These, and supporting actions, should focus on emissions reductions, alignment improvement, climate solution investment opportunities, and engagement activity.

Then clearly articulate your net zero journey and strategy, including the reasoning for your targets, to effectively communicate them to stakeholders. Include your position on the synergies with nature and social factors; this should include subsequent actions to take on these important areas, such as prioritising biodiversity loss as an engagement theme or allocating capital to nature-based solutions. For social factors, the just transition could be an engagement theme of focus.

Your CTAP should detail how you plan to drive change and achieve your goals in line with your objectives. This includes targets and actions across the areas of portfolio emissions, climate solutions, asset class alignment, and engagement, as well as the rationale, beliefs, and processes taken to establish these commitments.

#### **5 Monitor, Report, and Evolve**

Measuring, assessing, and reporting progress against set targets and objectives is essential to achieving net zero. Implementing a net zero strategy is a dynamic and iterative process and the CTAP reflects this, by providing an initial basis to assess and monitor progress against that strategy. Therefore, regularly reviewing and evolving your CTAP to adapt to changes in government responses, market developments, and improvements in data will be essential for a robust plan. Annual reviews of progress against targets and objectives, alongside periodic reviews of the economic, regulatory, and investment backdrop are necessary to address risks and opportunities.

# Ready to get started?

Building a net zero strategy and CTAP is a significant undertaking, requiring a structured approach and ongoing commitment. By following these five steps—building knowledge, understanding your baseline, optimising levers of change, setting targets and actions, and monitoring, reporting, and evolving—you can make meaningful progress towards reducing your carbon footprint, achieving your net zero ambitions and contributing to a sustainable future.

Over the last three years, we've helped over 30 clients to build a net zero strategy, committing over £1bn to real asset strategies that will have meaningful climate impact.

*This is the first in a series of articles to help you understand and set a credible strategy in order to achieve net zero. Look out for more over the coming months as we explore each of these steps in more detail.*

## Contact us

We have the skills and resources to help you explore all these areas. Please get in touch if you'd like to discuss how to investigate natural capital as an investment opportunity in your asset portfolio.

[Get in touch](#)



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