AIGCC
ASIA INVESTOR GROUP ON CLIMATE CHANGE

State of Investor Climate Transition in Asia 2025

Asian Institutional Investor Climate Progress

April 2025

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About the Asia Investor Group on Climate Change.

We are an initiative to create awareness and encourage action among Asia's asset owners and asset managers about the risks and opportunities associated with climate change and low-carbon investing. AIGCC provides capacity and a trusted forum for investors active in Asia to share best practice and to collaborate on investment activity, credit analysis, risk management, engagement and policy related to climate change.

Our members are custodians of more than $28 trillion globally, include asset owners, asset managers and come from 11 different markets in Asia and internationally. We are a not-for-profit organisation, funded by members' fees, philanthropy, partnerships, and sponsorship from supporters who understand the power of capital to support climate action.

With a strong international profile, AIGCC also engages with government pension and sovereign wealth funds, family offices, and endowments, AIGCC represents the Asian investor perspective in the evolving global discussions on climate change and the transition to a net-zero emissions economy.

About This Report

This report is the region's most comprehensive and rigorous snapshot of the industry's progress in navigating the risks and opportunities associated with climate change, a very significant factor in financial returns to beneficiaries.

It is based on an extensive desktop review of 230 significant investors across Asia, with median assets under management (AUM) of approximately US $100 billion. This cohort comprises 113 Asset Owners and 117 Asset Managers, with approximately 80% headquartered across 19 Asian markets. This is supplemented with more granular data from 52 investors who participated in the AIGCC Climate Investment Survey 2024. As such, the report represents mainstream capital ownership and management within the Asia region. Refer to the methodology for more details.

Acknowledgments

Special thanks to the members who provided their perspectives, feedback and information that fed into this project. From AIGCC, Harrison Smith led this project, with input from across AIGCC.

The report's lead sponsor is MSCI, and supporting sponsors are ASIFMA, China SIF, JSIF, HKGFA and KOSIF. We are deeply grateful for their support.

Individual AIGCC members may hold different views and information from what is in this paper. The Asia Investor Group on Climate Change takes sole and final responsibility for the content of this paper. Please refer to the disclaimer on the final page for more important legal information.

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CEO's Foreword

Rebecca Mikula-Wright
CEO, Asia Investor Group on Climate Change

This sixth year of the AIGCC's annual industry report shows the progress of major institutional investors across Asia in addressing climate change. As the climate crisis is intensifying, Asia and the Pacific Region faces growing climate impacts while remaining a significant source of global greenhouse gas emissions. While some progress has been made, the pace of decarbonisation remains insufficient to limit global warming to levels that have the greatest net economic benefit for Asia.

The global energy landscape is undergoing a rapid transformation and investment, driven by renewable energy technology improvements, cost efficiencies and energy security concerns globally. However, continued significant fossil fuel investments across Asia and the external policy environment outside of Asia pose a significant risk to long-term global climate stability and global carbon neutrality goals.

The investment landscape is evolving. In some jurisdictions, parties have politicised investors integrating climate risks and opportunities into their portfolio management. This increases the pressure on investors and investor networks to be explicit and unequivocal in that investors' fiduciary duty includes integrating financially material physical risks, transition risks and opportunities in climate solutions.

Despite these challenges, the need for climate action remains urgent. Growing interest and action from institutional investors across Asia shows that investors across the region will continue to play a critical role in financing the transition to a net zero economy. This includes accelerating the decarbonisation of portfolios, capital allocation to scale mitigation and adaptation solutions in emerging and developing markets in Asia and engaging with companies for a credible and just transition while advocating for governments to implement stronger climate policies.

Encouragingly, several Asian markets are witnessing significant regulatory progress. China's Carbon Emission Trading Scheme, the world's largest, is driving decarbonisation across key sectors. Japan's 'GX' (Green Transformation) Strategy is spurring investment in decarbonisation, including innovations in renewable energy, hydrogen and the development of supply chains, with the upcoming launch of Japan's Emissions Trading Scheme expected to further accelerate its transition to a low-carbon economy. Singapore is actively developing its green finance sector with initiatives like the Singapore Green Finance Action Plan and its Taxonomy of Sustainable Finance. Hong Kong is fostering a thriving green and sustainable finance hub, while South Korea's climate policy is gaining momentum, with a 2024 Constitutional Court ruling reinforcing regulatory responsibility for climate action. Countries in the ASEAN region, are also making strides. Indonesia has launched its Carbon Exchange in 2023 to support its net zero goals and Malaysia is advancing its National Energy Transition Roadmap, focusing on renewable energy and carbon capture technologies. Across the region, updates on natural disclosure standards are occurring as regulations align with ISSB standards, and taxonomies are being formulated to promote green finance. At the same time, more markets are considering greater adaptation and resilience-building strategies.

This report provides valuable insights into the progress of investors across Asia in addressing climate change. We hope it will spur further investor action to accelerate the transition to a net zero economy and build a more sustainable future that, in turn, protects and enhances investor returns.

Rebecca Mikula-Wright

Executive Summary

Institutional investors across Asia continue to step up climate integration and action. Yet the pace remains insufficient to limit global warming to levels that have the greatest net economic benefit for Asia.

Decarbonising the global economy and building climate resilience are crucial to investors' long-term returns and the economic goals of governments in Asia.[1]

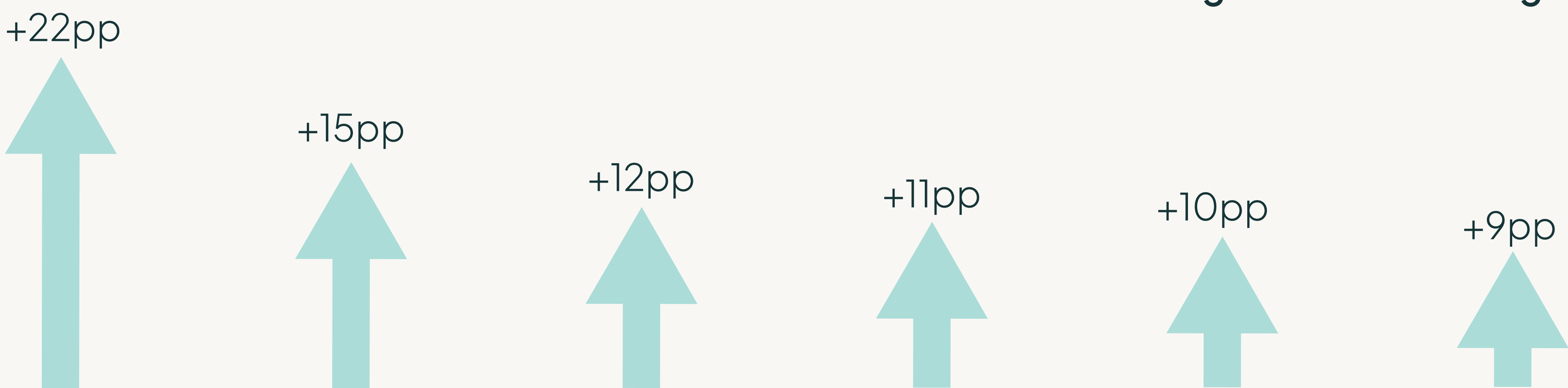
This report presents the most extensive assessment to date of investor climate progress across Asia. It is based on an extensive desktop review of 230 significant investors across Asia[2], with median assets under management (AUM) of approximately US $100 billion. This cohort comprises 113 Asset Owners and 117 Asset Managers, with approximately 80% headquartered across 19 Asian markets. This is supplemented with more granular data from 52 investors who participated in the AIGCC Climate Investment Survey 2024. As such, the report represents mainstream capital ownership and management within the Asia region.

The progress detailed in this report is evaluated using the Investor Climate Action Plans (ICAPs) Expectations Ladder, which serves as a roadmap for developing investors' transition plans towards a net zero economy. This framework provides a standardised approach to investor climate action, regardless of their current stage in addressing climate challenges, and forms the foundation for the structure and assessment criteria of this report.

1 The potential loss of GDP in Asia is 26% and ASEAN and 37% by 2048 under a severe climate scenario (a 3.2°C-rise in temperatures). *Farajzadeh et al: "The impact of climate change on economic growth: Evidence from a panel of Asian countries" (September 2023)*

2 Investors included in this review include the most significant (by AUM) and influential investors across the region. Investors were identified via lists, including Willis Towers Watson's Thinking Ahead Institute The Asset Owner 100 – 2024; Thinking Ahead Institute 'The world's largest asset managers – 2024'; Caproasia 2022 Top 100 Asset Owners Ranking; SWFI Top 100 Largest Insurance Rankings by Total Assets; S&P Global Market Intelligence; local market figures taken from regional websites; https://www.statista.com; https://www.asiaasset.com; other domestic websites to ensure a balance of geographic diversity, with a focus on including larger AUM or influential investors across each market.

Key Progress Areas Since Last Year



Climate solutions	+22pp	*More investors in Asia are investing in climate solutions. Now a collective 33% of Asian investors have a target or track investments in climate solutions.*
Fossil fuel policies	+15pp	*More investors in Asia are adopting fossil fuel policies (now a total of 43%), although actively supporting a phase down or out of fossil fuels remains a challenge.*
Physical risk assessments	+12pp	*More investors in Asia have done physical risk assessments, but responses to build resilience and adaptation across portfolios remain more nascent.*
Climate policies	+11pp	*Investors across Asia are incorporating climate change into their investment policies, with 68% now having done so.*
Asset alignment targets	+10pp	*More investors in Asia are doing bottom-up target setting to drive action and alignment at the asset level, now 25%, most using frameworks like NZIF 2.0.*
Deforestation policies or strategies	+9pp	*Now 21% of investors have a policy or strategy on deforestation, while 33% of investors have adopted a biodiversity-related strategy or disclosures.*

Note: some changes are due to slight methodological changes, including the climate solutions pillar in particular. Other variances may be attributed to (in part) changes in the format of the desktop review and survey responses, or changes in investors included in sample.

Asian investors now generally imbed climate change considerations, though the level of integration, effectiveness and comprehensiveness of investors' actions and strategies varies significantly.

It has been a year of fundamental, necessary progress – reflecting a clear appreciation from the Asian investment community of the need to act on climate risks. Since last year (see the 2024 State of Net Zero Investment in Asia report), investors have improved across all 14 climate metrics through capacity building and growing expertise.

- **Climate solutions investment and transition finance:** Progress was seen in investors increasing ambition to invest in climate solutions (+22 percentage points ('pp') increase from last year).[3] Now, 33% of investors in Asia have a target or track investments in climate solutions or transition finance. This shows a clear trend as investors race to allocate capital and improve exposure to green and transitioning assets set to benefit from the net zero transition. However, often these only relate to a small portion of the portfolio.
- **Fossil fuel policies:** More investors have adopted fossil fuel policies (+15 pp) since last year, with a total of 43% of institutional investors across Asia now having policies in place. However, effective policies that actively support a phase down or out of fossil fuels remain the exception. As investors grapple with transition finance and sunset periods for domestic fossil fuel use, the focus remains on scaling green energy solutions exposure and improving dialogue with policymakers. The aim is to influence policy frameworks to drive better climate outcomes at investor and country levels. AIGCC's Policy Team over 2024 has focused on supporting Asian government policies that support rapid real-economy decarbonisation.
- **Physical risk assessments:** Assessing and managing physical climate impacts remains a challenge for investors, but more investors are focusing on this. An additional 12 pp of investors on last year have now assessed physical risk across portfolios (totalling 43% of Asian investors, up from 31% last year). Investment responses to build resilience and adaptation across portfolios remain nascent. AIGCC continues to focus on capacity building and collaboration with government bodies across Asia to promote policies that will enhance economies' resilience to rapidly worsening physical climate impacts.
- **Deforestation policies and strategies:** More investors have adopted deforestation policies (+9 pp since last year), with 21% of investors now publishing a policy or strategy on deforestation. The results also show that 33% of investors have adopted a biodiversity-related strategy or disclosures. Investor attention on nature has increased significantly over the past year as the financial impacts[4] of nature become clearer to institutional investors across Asia.

In each of theses areas, asset owners continue to lag behind asset managers. However, AIGCC's newly formed Asset Owner Working Group strives to bridge this gap and provide dedicated support and peer knowledge-sharing among asset owners. Overall, AIGCC members continue to outperform across the board, demonstrating a cohort of leadership and advanced integration.

To protect beneficiaries from climate damage, investors must continue improving key governance processes while also driving real-economy decarbonisation and directing capital towards transition and climate adaptation activities.

3 Note that the annual progress for this metric could be inflated in part due to a changed methodological review by AIGCC. The review now includes investors who disclosed their current investments in climate solutions, which was not the case last year when only targets for climate solutions investments were captured within the scope of assessment.

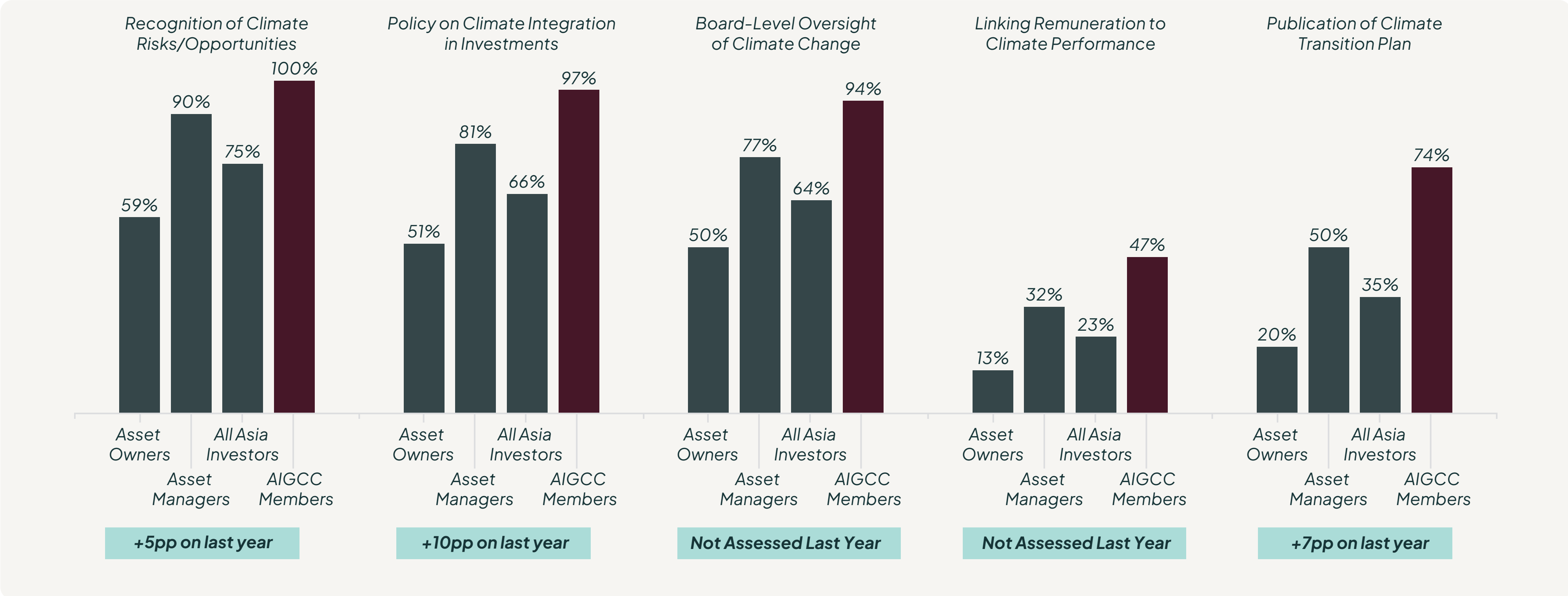
4 PWC, AIGCC, 2024, Nature at a Tipping Point: A guide and case studies for Asia Pacific investors on managing nature-related risks, prepared by PwC in partnership with AIGCC.

Summary Findings

These summary findings cover the key indicators that AIGCC tracks annually and are based on an analysis of 230 investors across Asia.

Climate Governance

Recognition, board oversight, integration, incentives and transition planning

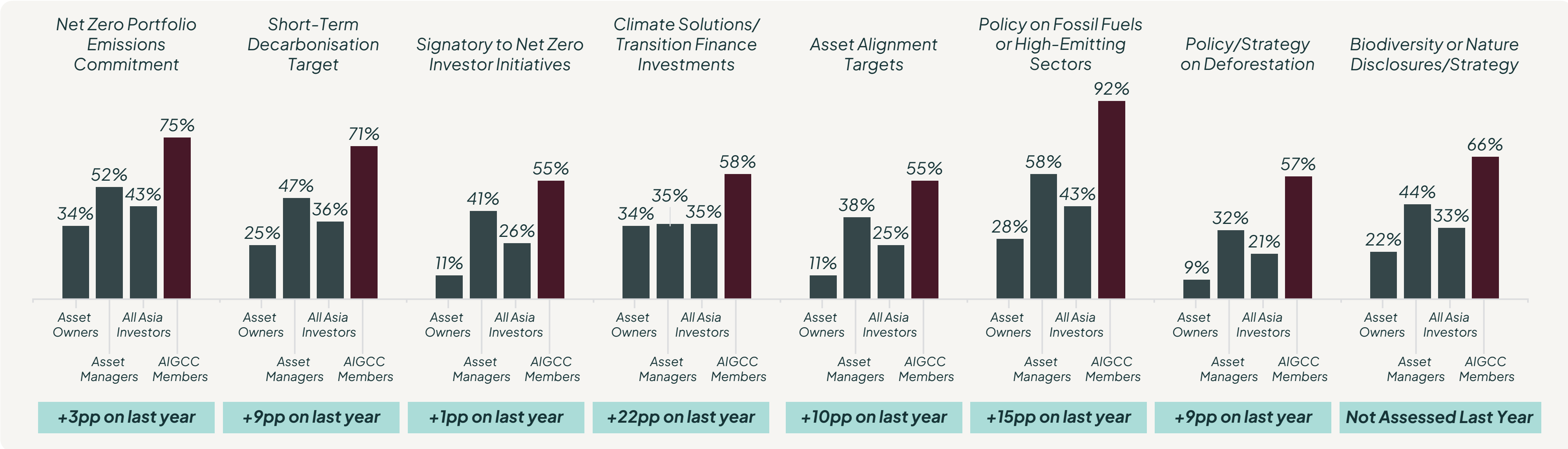


Note. Results show average of N = 230 investors (113 asset owners, 117 asset managers); within this are 62 AIGCC Member Investors. Percentages reflect investors who have achieved or partly satisfied the relevant criteria.

Investors across Asia continue to improve the robustness and comprehensiveness of climate governance practices, but gaps remain. While most investors now recognise climate change and have climate-relevant policies and governance structures at the board level, few have published a comprehensive climate transition plan or linked executive remuneration to climate outcomes.

Climate Investment

Targets, investment policies, strategies and capital allocation



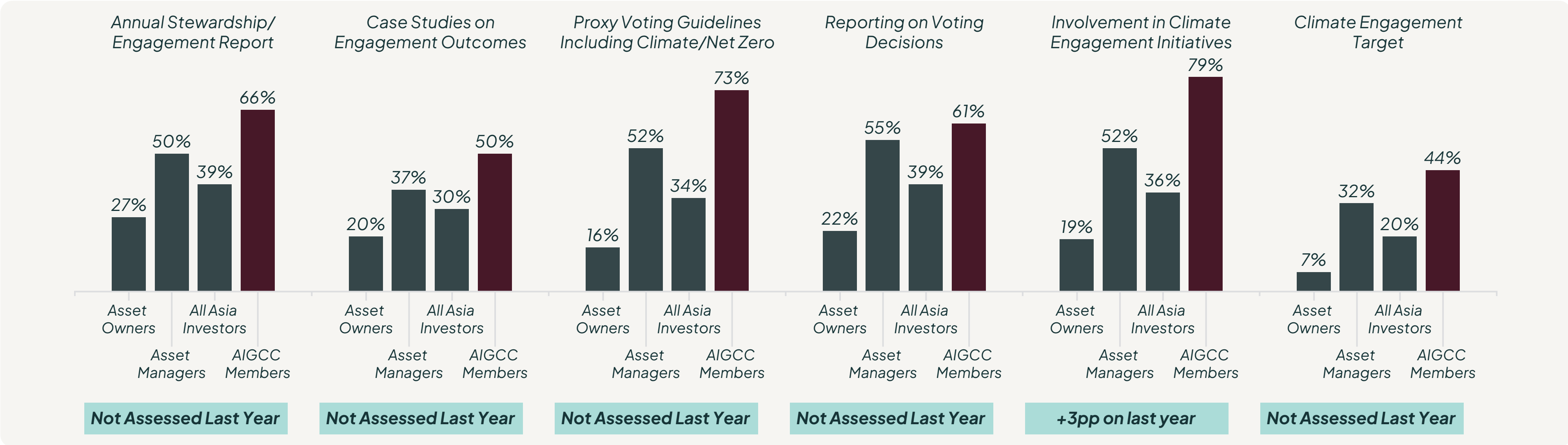
Note. Results show average of N = 230 investors (113 Asset Owners, 117 Asset Managers); within this are 62 AIGCC Member Investors. Percentages reflect investors who have achieved or partly satisfied the relevant criteria.

Investors across Asia are setting climate targets and policies, and are increasingly investing in climate solutions and transition investments to drive growth across portfolios though more is needed.[5] However, asset owners are still slower in integrating climate considerations than fund managers, indicating more work and cross dialogue are needed across the investment community. Investors are increasingly aware of deforestation and nature-related risks. However, they remain at a nascent stage of assessing their portfolios for nature risk or factoring it into their investment management practices.

5 USD $1.1 trillion in annual investment is required to meet climate mitigation and adaptation needs in emerging and developing Asia. Actual investment falls short by about $800 billion. International Monetary Fund (IMF): "Unlocking Climate Finance in Asia-Pacific: Transitioning to a Sustainable Future" (January 2024)

Climate Corporate Engagement

Stewardship targets, reporting, voting and involvement

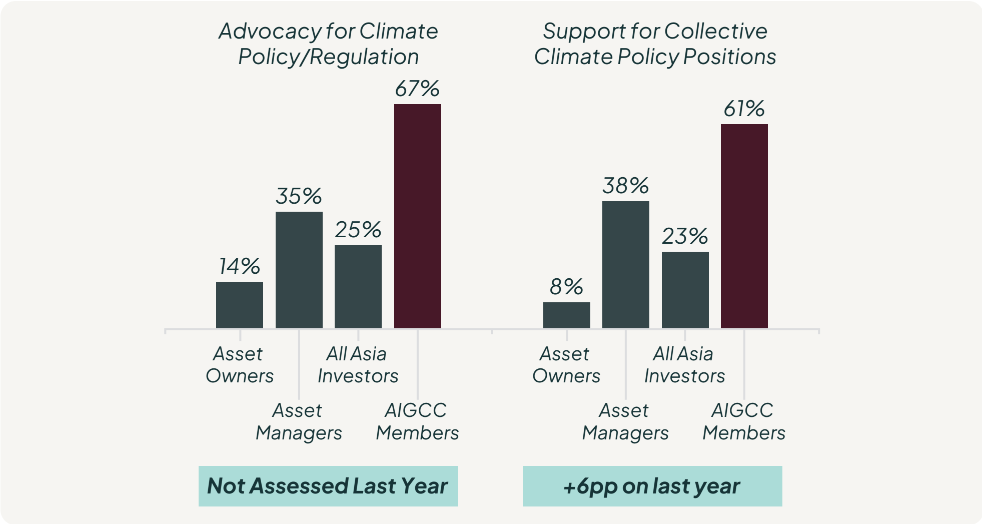


Note. Results show average of N = 230 investors (113 Asset Owners, 117 Asset Managers); within this are 62 AIGCC Member Investors. Percentages reflect investors who have achieved or partly satisfied the relevant criteria.

Corporate engagement is a key potential lever that Asian investors can use to drive Paris-aligned outcomes for portfolios. A sizeable minority of investors are using corporate engagement strategies, which also leaves significant room to increase fit-for-purpose actions in this area. Investors are employing a range of engagement strategies to drive improved climate outcomes that reduce portfolio company risks and increase transparency on credible transition plans that build resilience into business operations.

Climate Policy Advocacy

Direct and indirect engagement with policymakers

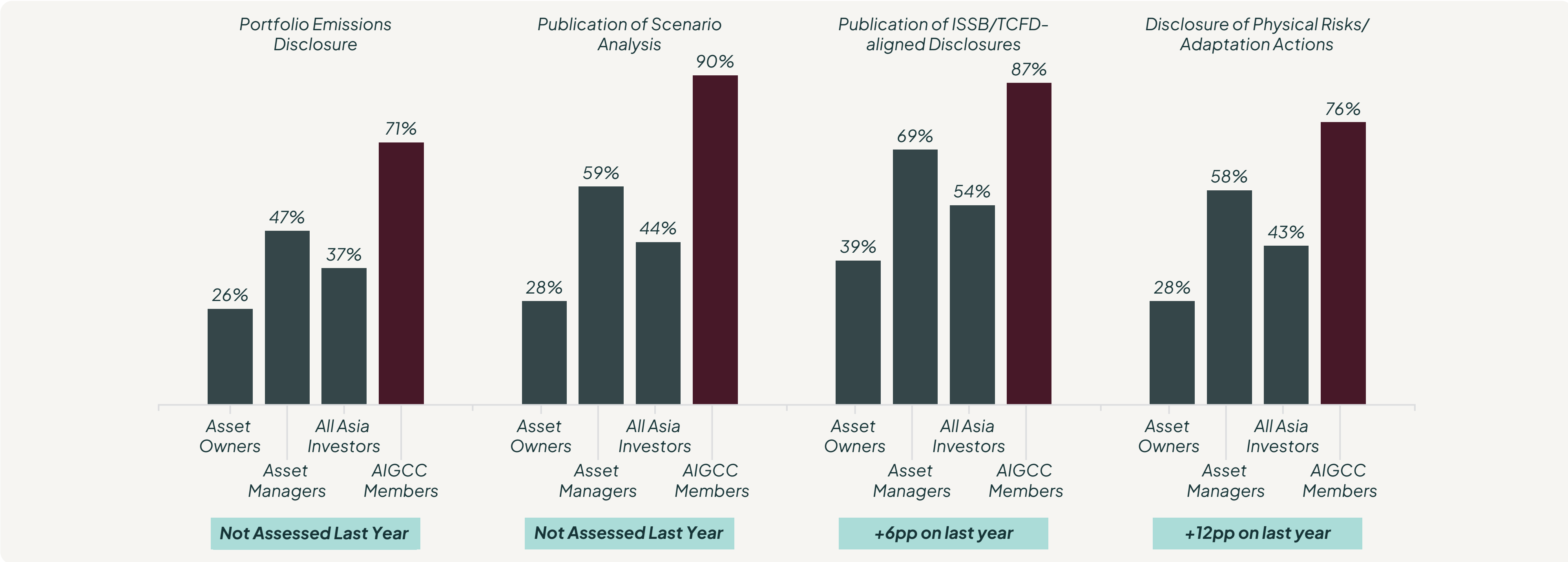


Note. Results show average of N = 230 investors (113 Asset Owners, 117 Asset Managers); within this are 62 AIGCC Member Investors. Percentages reflect investors who have achieved or partly satisfied the relevant criteria.

Across Asia, more institutional investors have recognised the benefits of collaborative and open dialogue with policymakers to drive a supportive policy and regulatory environment that improves climate-aligned investment. More investors now view climate policy advocacy as an extension of investor responsibilities to deliver the best outcomes for their beneficiaries. Still, disclosure of such policy engagement actions remains low.

Climate Disclosures

TCFD/ISSB Reporting, emissions, scenario analysis and physical risk exposure



Note. Results show average of N = 230 investors (113 Asset Owners, 117 Asset Managers); within this are 62 AIGCC Member Investors. Percentages reflect investors who have achieved or partly satisfied the relevant criteria.

Annual investor climate-related disclosures are increasingly common across Asia, particularly as more countries, including Japan, Hong Kong, Singapore and soon, China, make them mandatory. In Southeast Asia, Malaysia and Thailand are also progressing. Malaysia's Securities Commission encourages TCFD-aligned disclosures, and Thailand's Securities and Exchange Commission has introduced guidelines for sustainability reporting. Other Southeast Asian countries, like Indonesia and Vietnam, are exploring similar frameworks as part of their broader climate strategies. To enhance transparency, improve risk management and inform investment decisions, AIGCC advocates for mandatory corporate climate disclosures across Asian markets, including recently in South Korea. Fifty-four per cent of investors across Asia have now completed disclosures, reflecting a +6 pp increase on last year. However, the quality and nature of climate disclosures vary greatly across investors.

The Takeaway

Leading investors across Asia are making climate strides, while some investors are yet to take meaningful action.

Asia's institutional investors are making progress as the global economy transitions to net zero. Leading investors are showing advanced and detailed climate implementation across portfolios. However, the real economy still has a long way to go until investors align their portfolios with net zero trajectories. A large portion of investors are yet to show enough progress across each of the five investor climate action focus areas above. Still, enhanced focus on these areas is becoming evident as investors across the region strive to manage climate risks and opportunities.

What are the leading investors across Asia doing?

AIGCC conducts an investor climate integration deep dive questionnaire for leaders across Asia through its AIGCC Climate Investment Survey 2024. The survey this year covered 50+ questions with participation from 52 investors with a median AUM of US$229 billion. AIGCC has assessed and published results on:

- contents of investor climate policies
- emissions measurement, disclosure and target setting across different asset classes
- investment strategies to transition portfolios
- investor scenario analysis and related use cases
- fossil fuel strategies
- investment management agreements incorporating climate change
- approaches to increase effectiveness of stewardship
- attractiveness of different regions in Asia for climate solutions investments
- markets in Asia highly exposed to physical climate risks
- actions to improve resilience to physical risks
- climate governance actions
- top drivers for investor climate action.

This is an AIGCC member-only resource. Please email us at info@aigcc.net for more information.

Focus Area 1: Governance

This section examines how investors handle climate change. It finds that investors in Asia are increasingly aware of climate risks and are improving their climate-related practices. This entails having climate policies and board-level oversight.

However, many still need to take more concrete actions, like publishing detailed plans for transitioning to a low-carbon economy and linking executive pay to achieving climate goals.

1.1. Most investors across Asia now recognise climate risks and opportunities

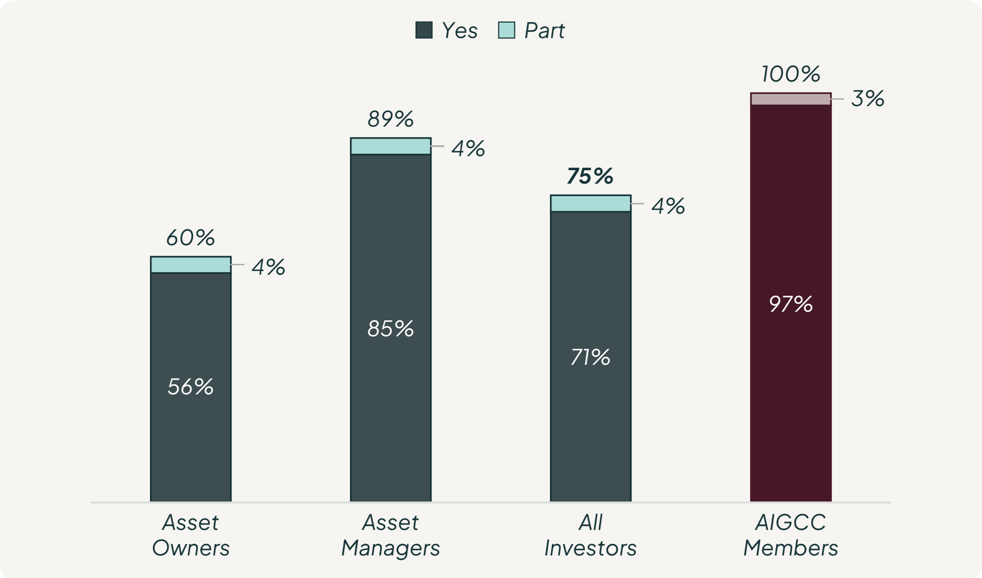


Figure 1. Investors who recognise climate change as a financial risk/opportunity (%)
Note. Investors reviewed N = 230 (113 Asset Owners, 117 Asset Managers, of which 62 AIGCC Members).

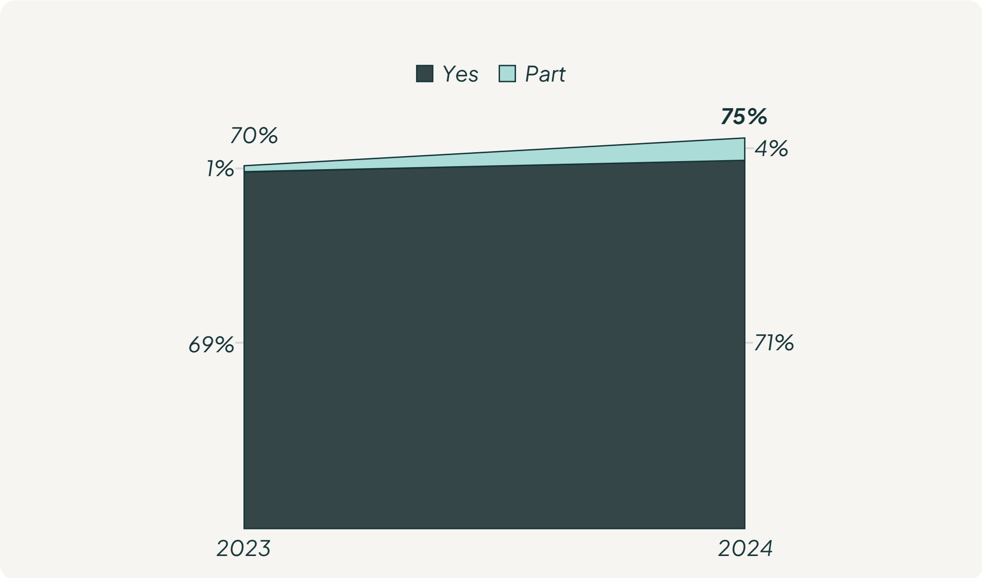


Figure 1a. Progress 2023 vs. 2024

A growing majority of investors across Asia recognise climate change as a material factor impacting portfolios.

Seventy-five per cent of Asian investors (173 out of 230, a +5 pp increase on last year) – close to a staggering US$95 trillion in AUM – publicly acknowledge that climate change poses material risks and opportunities. Asset managers continue to lead (89% recognition compared to 60% of asset owners), highlighting a divide in climate awareness between fund managers and their clients. Among AIGCC members, recognition of climate risks are universal: 100% of investors identified climate change as a financially material consideration.

This upward trend shows a growing awareness and acceptance of climate-related financial risks and opportunities across Asia. Recognition of such risks as financially material is the first crucial step to stimulate the structures and decisions needed to steer capital towards more sustainable and resilient pathways.

As a financially material risk to all investors, we expect public recognition of climate risks by investors across Asia to continue to spread across all investors in the region over the coming years. Failing to recognise such risks may introduce legal risks. Markets across Asia now require climate disclosures where financially material. AIGCC will continue to advocate and educate investors across Asia on how to disclose and act on such risks.

1.2. Most investors across Asia now publish an investment policy incorporating climate change

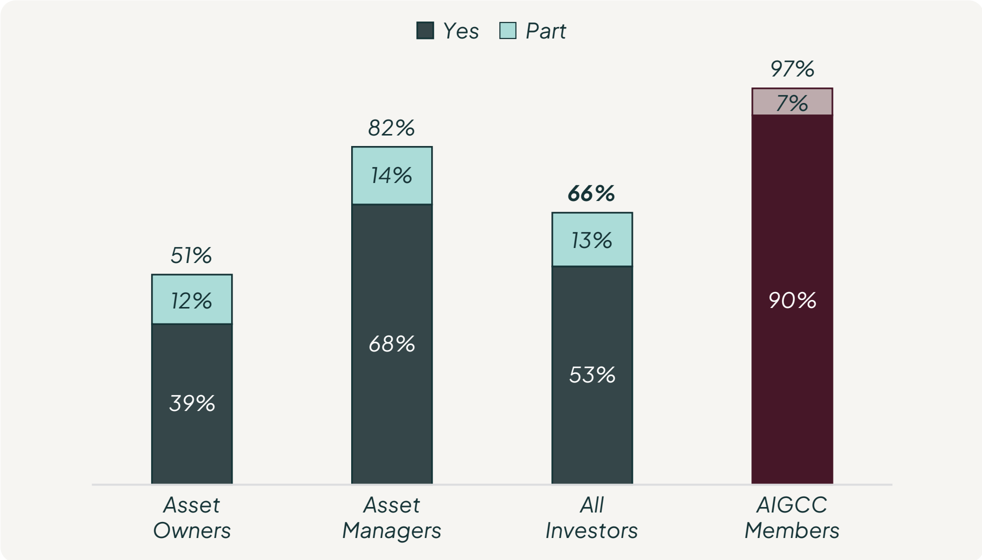


Figure 2. Investors with an established policy integrating climate into investments (%)
Note. Investors reviewed N = 230 (113 Asset Owners, 117 Asset Managers, of which 62 are AIGCC Members).

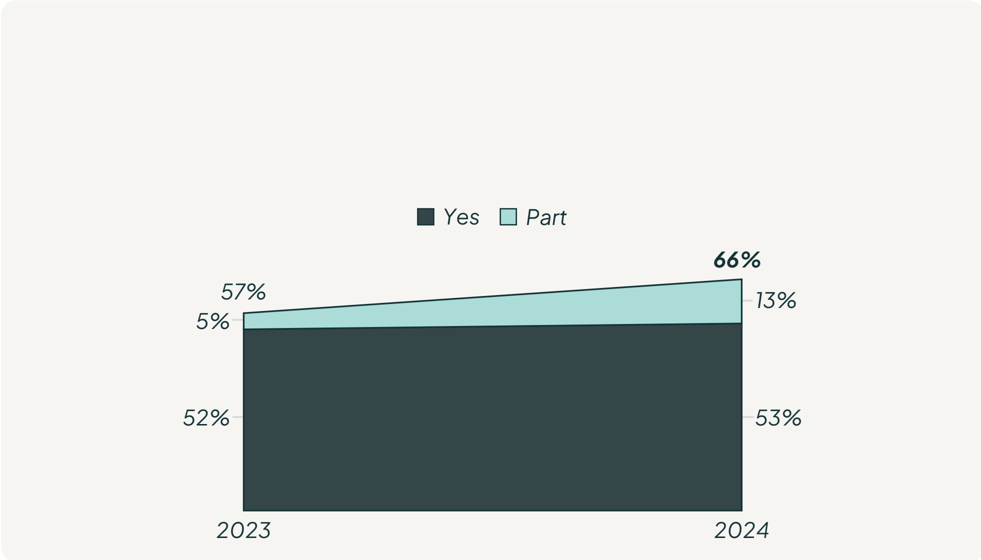


Figure 2a. Progress 2023 vs. 2024

Asian investors are increasingly embedding climate change considerations into their investment policies, signalling that formal policies on climate change are now a market expectation.

Sixty-eight per cent of Asian investors (152 out of 230) have integrated climate change into their investment policies, marking an +11 pp increase compared to last year. This metric represents the highest percentage increase among the 26 metrics in the report, ranking fourth in terms of absolute percentage. AIGCC members lead the way in the category: 97% incorporate climate considerations into their investment strategies.

Establishing robust climate-focused investment policies is critical for aligning portfolios with Paris Agreement outcomes and mitigating systemic risks of climate change.

AIGCC survey: Contents of climate policies

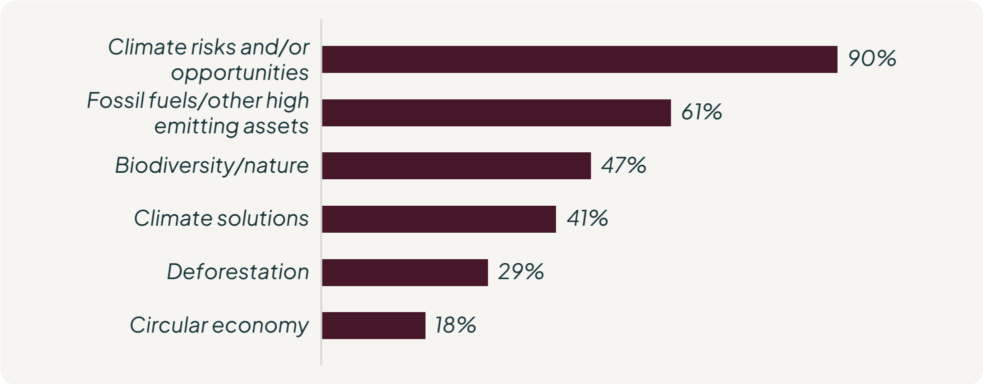


Figure 3. Which of the following topics does the climate change policy include?
Note. Investor survey responses N = 52 (9 Asset Owners, 43 Asset Managers).

A deeper dive into the results of a smaller subset of investors surveyed in the AIGCC Climate Investment Survey 2024 showed that among leaders actively engaged in climate change topics, investor climate policies are increasingly comprehensive. Most of these investors (90%) address climate risks and opportunities in their policies, while 61% include considerations related to fossil fuels, and 47% address nature-related risks.

AIGCC will continue to support members and the broader investment community in adopting best-practice climate policies. It will further support integration to propel deeper alignment of net zero objectives across portfolios and scaling of climate solutions and transition mechanisms.

1.3. Nearly two-thirds of investors show board-level oversight of climate change

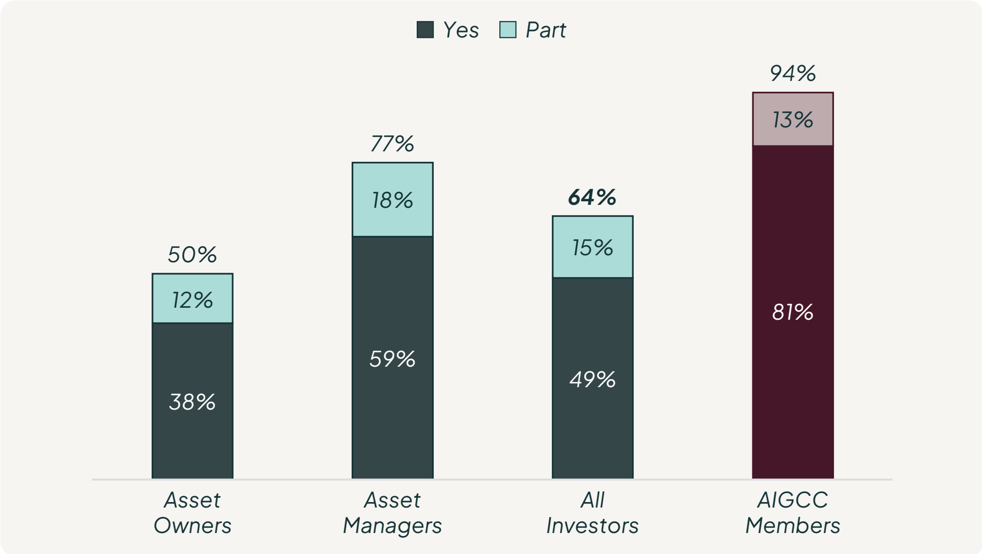


Figure 4. Investors with board-level oversight of climate (%)
Note. Investors reviewed N = 230 (113 Asset Owners, 117 Asset Managers, of which 62 AIGCC Members).

There is widespread board-level oversight of climate matters from Asian institutional investors. The levels and quality of oversight vary greatly, with asset managers more advanced than asset owners.

Sixty-four per cent of Asian investors (146 out of 230) have board-level oversight of climate-related matters. However, 15% of investors were seen to have only basic ESG oversight at the board level, without a specific focus on climate issues. Notably, AIGCC members showed the importance of adopting sound governance structures; 94% have established board-level oversight for climate-related matters.

Board-level oversight of climate-related issues is critical to set clear organisational commitment and action to address climate challenges at the highest level of organisational governance. Without this, driving systemic change in investment practices is unlikely.

AIGCC survey: Organisational governance structures

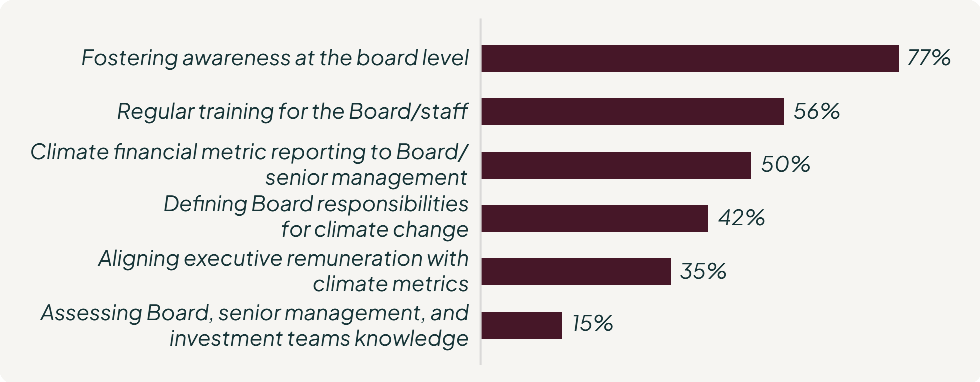


Figure 5. Regarding your climate-related organisational governance structures, which of the following apply?
Note. Investor survey responses N = 52 (9 Asset Owners, 43 Asset Managers).

The results of a smaller subset of investors surveyed in the AIGCC Climate Investment Survey 2024 showed that leading investors are implementing a range of climate governance actions. All these investors surveyed implemented at least one climate action at the board level, with 50% regularly reporting to the board on financial metrics related to climate and 42% defining formal climate change responsibilities for the board.

While progress is encouraging, significant disparities exist among board members in their knowledge of climate-related risks and opportunities, especially for asset owners who need more targeted engagement and capacity building. AIGCC will continue to support its members by providing tools, frameworks and guidance to elevate climate governance and promote comprehensive oversight across all investor types. Investors can draw on our Investor Climate Action Plans Ladder for steps to improve climate governance structures.

1.4. Few investors in Asia link remuneration to climate performance

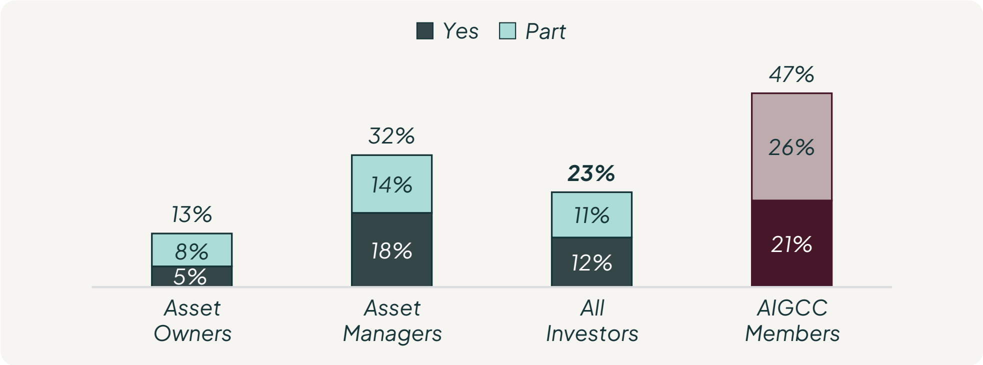


Figure 6. Investors who explicitly link remuneration/incentives to climate performance (%)
Note. Investors reviewed N = 230 (113 Asset Owners, 117 Asset Managers, of which 62 AIGCC Members).

Investors, notably asset owners across Asia, show limited linkage from climate outcomes to executive remuneration.

Twelve per cent of the Asian investors (27 out of 230) have implemented clear incentives tied to climate performance at the board or executive level. An additional 11% link remuneration to broader sustainability outcomes or ESG-related KPIs. Asset managers are outpacing asset owners in this area, with 32% implementing such incentives compared to 13% of asset owners.

Linking remuneration to climate performance is a significant step in incentivising climate accountability in corporate decision-making at the highest level. Despite starting at a low base, progress on this metric highlights the importance investors place on aligning financial incentives with long-term sustainability outcomes. Fostering genuine executive responsibility for a fund's transition to lower emissions is critical to safeguard portfolios from mounting climate risks.

AIGCC's ongoing work is focused on expanding executive climate training across the membership, including through one-to-one board training sessions and providing data to members. This should ensure senior executives understand the impact climate change has on portfolio performance in a rapidly changing world. A focus on practical guidance and case studies from leading investors is improving the adoption of climate risk governance and best-practice avenues to link remuneration to climate outcomes, driving portfolio resilience and longer-term growth.

1.5. Momentum and uptake continue in publishing investor climate transition plans

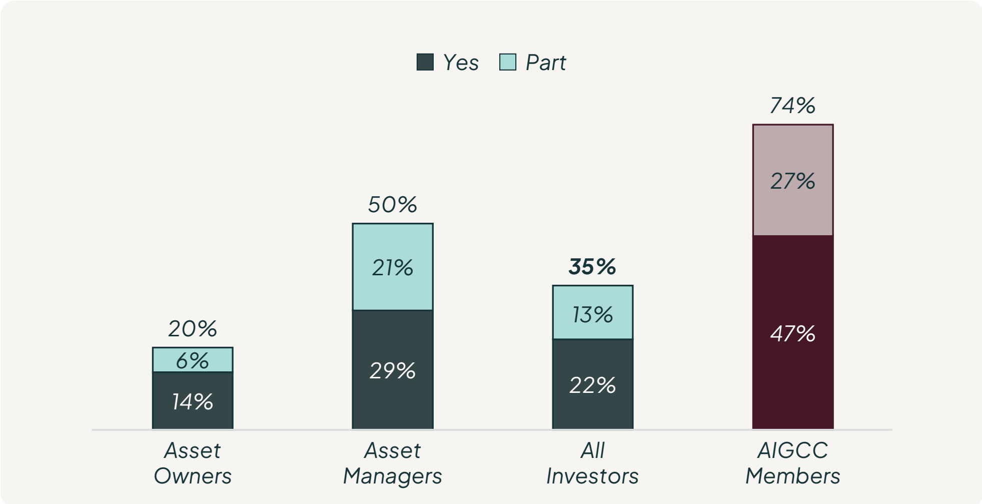


Figure 7. Investors with a published investor transition plan (%)
Note. Investors reviewed N = 230 (113 Asset Owners, 117 Asset Managers, of which 62 AIGCC Members).

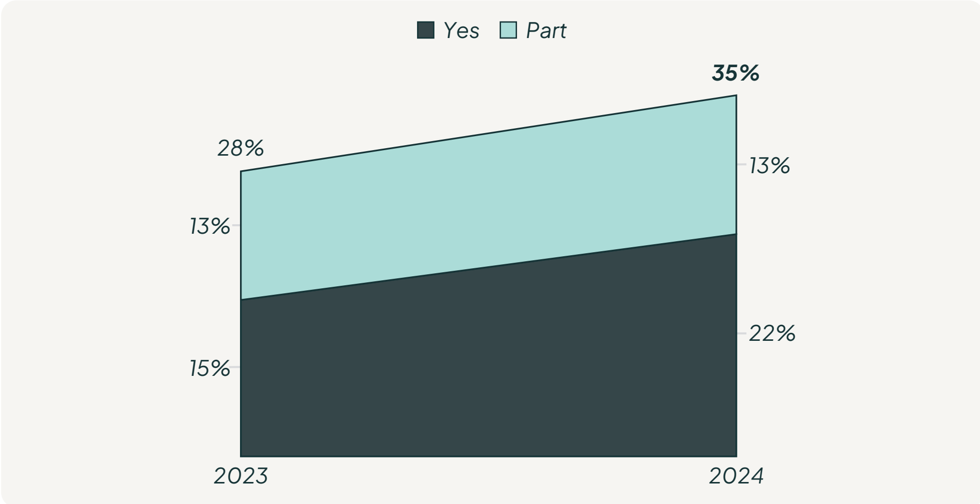


Figure 7a. Progress 2023 vs. 2024

Comprehensive investor climate action planning and voluntary disclosure of such proposed plans continue to become common practice across the Asian investment community.

Thirty-five per cent of Asian investors (81 out of 230) have published a climate transition plan, reflecting a +7pp increase from last year. Asset managers perform notably better than asset owners, with 50% of managers publishing plans compared to just 20% of owners. Among AIGCC members, progress is even more pronounced: 74% have published such plans.

These action plans serve as a blueprint for investors defining their approach to navigating climate risks in portfolios and formally exploring investment opportunities in the shift to a low-carbon economy. Climate transition plans[6] and the public disclosure of those plans are shifting from a voluntary practice to a regulatory requirement in several jurisdictions worldwide. These include Japan, India, Singapore, the EU, the UK, Canada, Switzerland and more. Current and future regulations require investors and companies to disclose not only their climate risks but also their plans for addressing these risks. Publishing a climate transition plan is a critical step for investors to set out actionable and forward-looking strategies to align their portfolios with a low-carbon world.

6 A climate transition plan is a set of goals, actions, and accountability mechanisms to align an organisation's business activities with a pathway for greenhouse gas emissions consistent with reaching net zero by 2050 at the latest. The Investor Climate Action Plans (ICAPs) Expectations Ladder provides a framework for ensuring that an investor's transition plan is comprehensive and that it includes decision-useful information for clients, regulators, and other stakeholders in four interlocking areas of action: investment, corporate engagement, policy advocacy and investor disclosure, with governance as a cross-cutting area. Source: ICAPs Guidance

AIGCC continues to increase awareness and adoption of forward-looking investor climate transition plans that show increased ambition and progress over time. In leveraging existing tools like the ICAPs, Expectations Ladder, Guidance Document and the Net Zero Investment Framework 2.0, AIGCC will continue to conduct in-market implementation workshops and respond to regional regulatory consultations on transition plans. This is to ensure an Asian investor lens is considered, increasing the global alignment and integration of the above tools. We anticipate regulators and policymakers will continue to focus on the need for corporate and investor transition plans. As such, investors who have already developed their plans will be well positioned to meet emerging regulatory and disclosure requirements.

Focus Area 2: Investment

This section focuses on the ‘Investment’ pillar of the ICAPs Ladder. In short, many investors across Asia take climate change investment seriously, set targets and increase capital in green projects in support of transitioning corporates.

Issues like deforestation and nature also appear to be gaining traction as more Asian investors realise their portfolios could be impacted.

However, asset owner climate investment actions lag that of fund managers across all fundamental areas.

2.1. Nearly half of investors in Asia have adopted a net zero portfolio objective

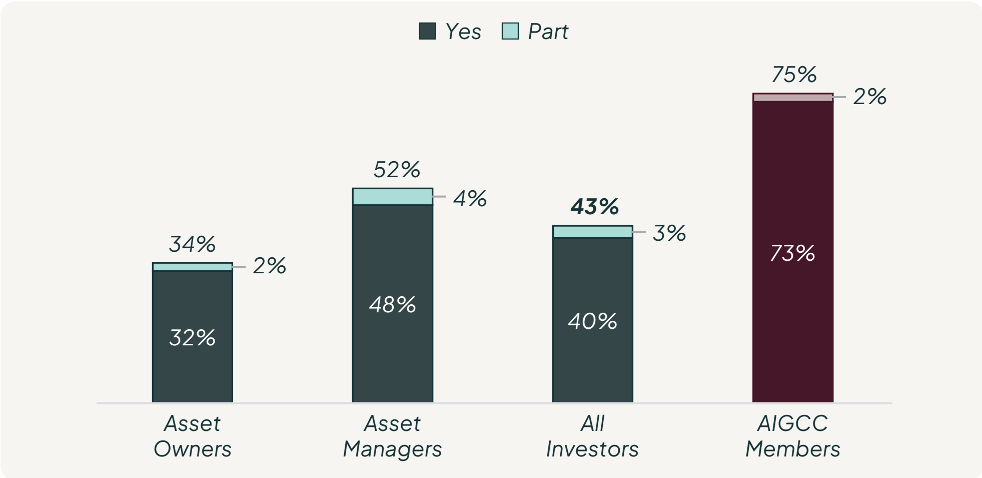


Figure 8. Investors committed to achieving net zero portfolio emissions (%)
Note. Investors reviewed N = 230 (113 Asset Owners, 117 Asset Managers, of which 62 AIGCC Members).

Forty-three per cent of investors (99 of 230) were seen to have set a net zero emissions target, marking a +3 pp year-on-year increase. Specifically, net zero ambitions have now been set by 52% of asset managers, 34% of asset owners and 75% of AIGCC members.

Investors use portfolio decarbonisation objectives to guide strategic planning, maintain accountability and assess the effectiveness of climate actions. Supporting the transition to the real economy while setting a net zero portfolio emissions will continue to be a focus for AIGCC. AIGCC supports investors in using frameworks like the Net Zero Investment Framework (NZIF) 2.0 and the revised NZIF Implementation Guidance for Objectives and Targets to guide target-setting approaches in line with fiduciary duties.

2.2. Short-term portfolio emissions reduction targets remain relatively uncommon

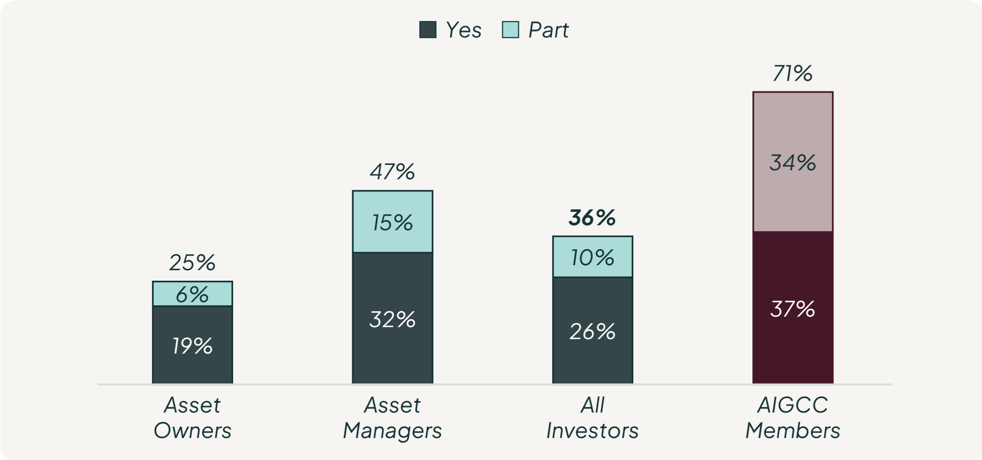


Figure 9. Investors who have set an interim/short-term target to reduce portfolio emissions (%)
Note. Investors reviewed N = 230 (113 Asset Owners, 117 Asset Managers, of which 62 AIGCC Members).

One-third of Asian investors have set short-term targets for portfolio emissions reduction. Thirty-six per cent of investors (84 out of 230) have set interim targets to reduce portfolio emissions across all or part of the portfolio, a +7pp increase compared to last year. Asset managers outperform asset owners in this area, with 47% of managers adopting such targets, compared to only 25% of owners.

Setting these interim targets for portfolio emissions reduction shows that investors are preparing and making short term progress that will help them meet their long-term net zero commitments, driving portfolio integration and demonstrating leadership.

With the US political environment and ESG headwinds, Asian investors are increasingly looking to take a leadership position in the climate transition. AIGCC will continue to support investors adopting target-setting methods to accelerate alignment with the transition towards net zero ambitions.

2.3. Investors show progress in climate solutions investment metrics

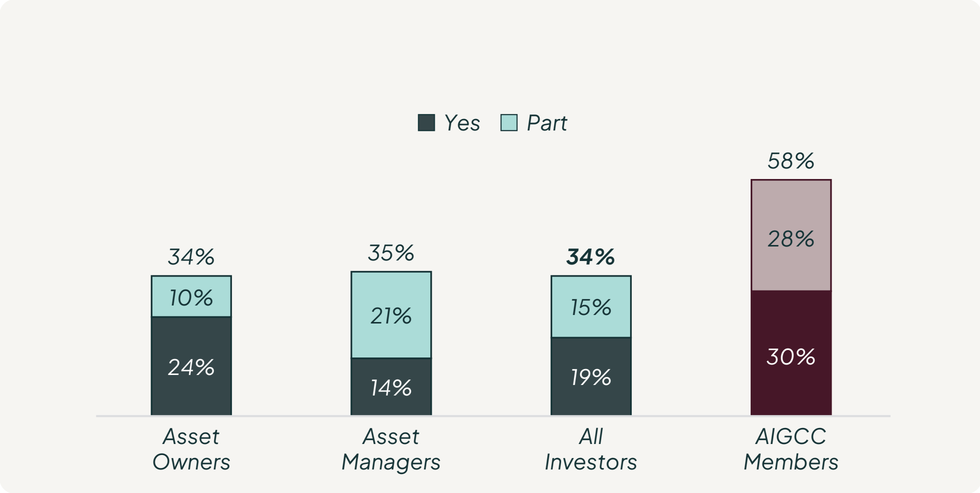


Figure 10. Investors committed to increasing investments in climate solutions or transition finance assets (%)
Note. Investors reviewed N = 230 (113 Asset Owners, 117 Asset Managers, of which 62 AIGCC Members).

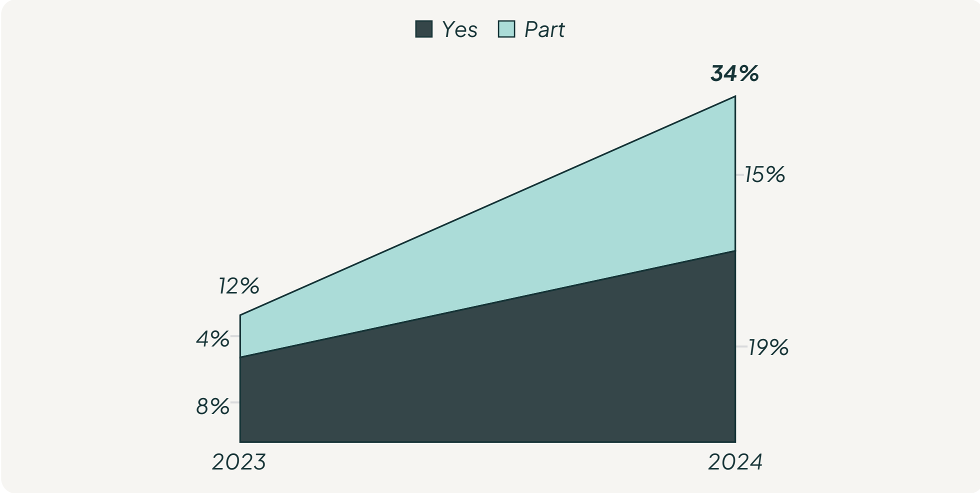


Figure 10a. Progress 2023 vs. 2024

Climate solutions commitments and investments are increasing among investors in Asia, yet these need greater acceleration.

Thirty-four per cent of Asian investors have set targets for, or track investment in, climate solutions or transition finance, marking a +22pp increase compared to last year. This year, 78 out of 230 investors have either set quantitative or qualitative climate solutions goals or measured exposure to climate solutions investments or transition finance.[7] However, often these only relate to a small portion of the portfolio.

This metric reflects investors' increasing ambition to scale investments in climate solutions, clean energy and transition finance. All are critical for addressing climate change and preparing investor portfolios for a net zero world. This significant progress, particularly from AIGCC members, where 58% now have set targets or track their investments in climate solutions, shows a strong desire from the Asia investment community to leverage the associated opportunities. This is expected to continue over 2025, as AIGCC will support this area with guidance and forums for peer dialogues to accelerate the scale of investments needed. The AIGCC Climate Investment Survey 2024 provides deeper insight into the strategies investors are adopting within this theme.

7 Note that the annual progress for this metric appears inflated in part due to a changed methodological review by AIGCC; the review now includes investors who disclosed their current investments in climate solutions/ transition finance, which was not the case last year when only targets for climate solutions investments were captured.

2.4. Asset alignment targets remain challenging but are clearly in focus for leading investors

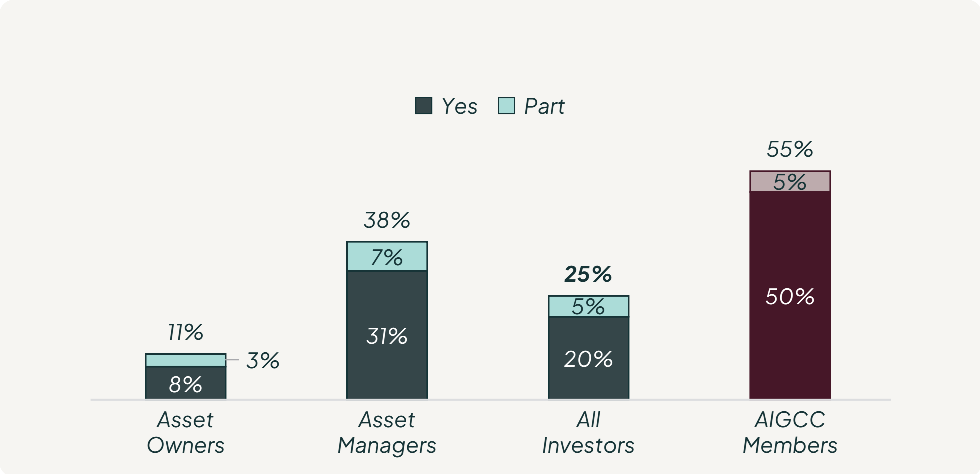


Figure 11. Investors who have set asset alignment (bottom-up) targets (%)
Note. Investors reviewed N = 230 (113 Asset Owners, 117 Asset Managers, of which 62 AIGCC Members).

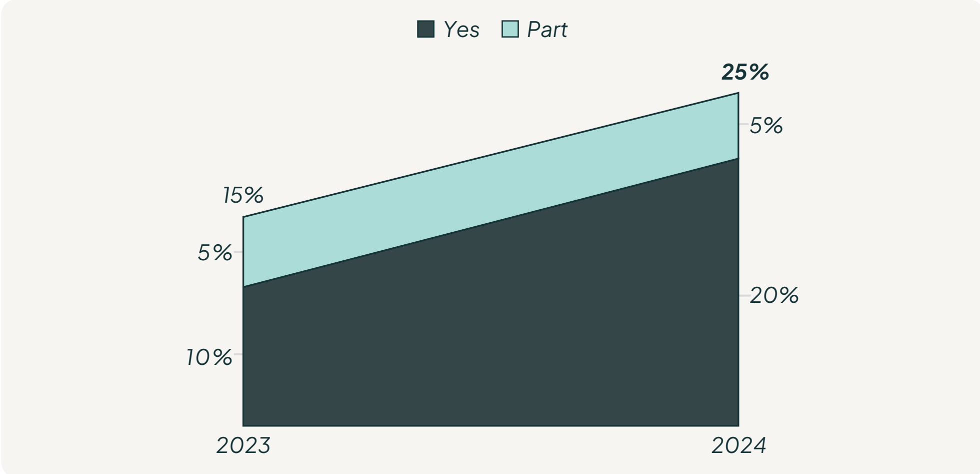


Figure 11a. Progress 2023 vs. 2024

An increasing number of investors have set asset alignment targets over the past year despite challenges remaining across key asset classes. Twenty-five per cent of investors (56 out of 230) have set asset alignment or sectoral targets (bottom-up targets), reflecting a +10 pp increase compared to last year. Asset managers lead the charge, with 38% setting targets, compared to just 11% of asset owners. Notably, AIGCC members are significantly ahead of the curve; 55% of members have set such targets.

Asset alignment targets, particularly those aligned with guidance from the Net Zero Investment Framework 2.0, provide credibility and flexibility to systemise asset-level climate strategies and drive real-world emission reductions while incorporating regional nuances. Investors across Asia are shifting from a stringent focus on achieving portfolio decarbonisation to a bottom-up approach to track and drive progress.

AIGCC survey: Short-term target types

	Number of Investors Responded	Decarbonisation Target	Climate Solutions Target	Asset Alignment Target	Engagement Target	Other Target Type(s)	No Formal Target, But Working Towards Net Zero	No Material Progress Yet
Whole Portfolio	52 investors (40% with at least one target)	25%	10%	10%	15%	4%	31%	**29%**
Specific Mandates Only	52 investors (38% with at least one target)	19%	8%	12%	19%	6%	21%	40%
Listed Equities and/or Corp Fixed Income	47 investors (77% with one target)	53%	11%	15%	38%	4%	15%	9%
Corp Fixed Income	41 investors (71% with a target)	49%	10%	20%	37%	5%	20%	10%
Infrastructure	25 investors (24% with one target)	16%	8%	8%	4%	8%	48%	28%
Private Equity	33 investors (24% with one target)	15%	6%	6%	6%	6%	36%	39%
Private Debt	29 investors (14% with one target)	7%	3%	3%	7%	7%	45%	41%
Real Estate	28 investors (39% with one target)	32%	14%	11%	11%	4%	39%	21%
Sovereign Bonds	39 investors (15% with one target)	5%	3%	0%	5%	8%	44%	41%
Derivatives and Hedge Funds	23 investors (0% with one target)	0%	0%	0%	0%	0%	52%	48%

Figure 12. What interim targets have you set?
Note. Investor survey responses N = 52 (9 Asset Owners, 43 Asset Managers).

The results of a smaller subset of investors surveyed in the AIGCC Climate Investment Survey 2024 show robust short-term target-setting is a priority but remains challenging. Across the whole-of-portfolio, 10% of investors have set asset alignment targets (see Figure 12). Transparency and disclosure of target types also vary: 42% of investors disclose all target types, 29% disclose some, but not all, targets and 29% do not disclose targets.

The NZIF remains the most widely used net zero methodology by institutional investors to set alignment targets, with 60% of asset managers reporting use of the framework, as opposed to 22% of asset owners. The focus for many investors is now conducting this detailed assessment across all asset classes, with data availability and quality improving across assets.

Sponsor Case Study:

Using MSCI Data to Support Climate Transition Strategies: Insights from Eastspring-Prudential's Framework

Investors transitioning to a low-carbon economy face growing complexities, including market uncertainty, diverging transition pathways and the urgent need to mitigate climate risks. To navigate these challenges, they require precise, data-driven strategies.

Eastspring Investments, a leading Asia-based asset manager under Prudential plc, manages USD 271 billion in assets (as of 30 September 2024)[1], provides an example of how a data-driven climate transition strategy could be used to strengthen its climate commitments. As part of this approach, they leveraged aspects of MSCI's suite of sustainability and climate solutions to bring clarity on alignment with credible climate objectives.

At the firm-level, Eastspring's climate-related objectives include:

- **Emissions control:** Achieving a 55% reduction in Weighted Average Carbon Intensity of Prudential's investment portfolio by 2030 (using 2019 as the baseline), in alignment with global initiatives like the Net Zero Asset Owners' Alliance (NZAOA).
- **Stewardship:** Engaging with companies responsible for 65% of the portfolio emissions, that it manages on Prudential's behalf.
- **Financing the transition:** Working with Prudential to fulfil internal investment targets that support a lower-carbon future.

As a responsible investor aligned with global initiatives such as being a signatory of the United Nations-supported Principles of Responsible Investment (PRI), Eastspring recognises that climate action is a key component that should be considered for long-term risk-adjusted returns.

Bridging the climate gap

In support of the "Financing the Transition" objective, Eastspring deepened its climate approach to recognize climate as an investment opportunity and work to close the climate investing gap, especially in Asia. This has resulted in a Climate Bonds Initiative (CBI)-endorsed proprietary Eastspring-Prudential "Framework for investing in climate transition in the capital markets"[2] (the Framework), first launched in September 2024.

The Framework aims to provide guidance to investors looking to construct an investible portfolio of companies that are taking credible action towards climate transition. This aims to address several challenges in climate transition investing globally, especially in Asia and Emerging Markets through:

- Providing action-driven guidance using market and sustainability data to select eligible companies that can be aggregated at the corporate level;
- Supporting a sector-agnostic, real-economy brown-to-green transition rather than only focusing on already-green or low-emission companies;
- Incorporating social and climate adaptive elements of the climate transition.

1 Eastspring Website

2 Climate Bonds Initiative, an international not-for-profit organisation working to mobilise global capital for climate action, conducted a technical review of the Eastspring-Prudential approach on climate transition in capital markets and has endorsed the framework. They confirm that the transition category alignment and composite transition screen developed by Eastspring and Prudential were guided by the core principles of the Climate Bonds Initiative to ensure credibility of transition finance. https://www.eastspring.com/insights/whitepapers/framework-for-investing-in-climate-transition-in-the-capital-markets.

V

The Framework takes the whole investment cycle into consideration, using a composite screening process during portfolio construction to increase exposure to transitioning companies taking action in both climate adaptation and/or mitigation as business drivers. The screen then flows through to providing quantifiable indicators for monitoring and engagement.

Exhibit 1: Illustrative sub-components of the Eastspring-Prudential Composite Transition Screen (not exhaustive)

	Composite Transition Opportunity Screen	Emissions Reduction Efforts Screen
Input Measures	Evaluates efforts in the development and sales cycle of transition-related (both adaptation and mitigation) products and services, such as green capital expenditure.	Metrics to identify trends in renewable energy capacity and energy efficiency improvements, including the expansion of green building portfolios in the real estate sector.
Performance Measures	Indicators such as patents in climate mitigation and adaptation technologies, and revenue generation from green or sustainable products.	Tracks indicators such as sustained reductions in carbon emissions over time, alignment with national climate commitments (Nationally Determined Contributions) or Net-Zero 2050 targets
Macro Exposures	Assessment of a company's exposure to geographies with policy incentives for relevant green and transition solutions	Examines geographic exposure to carbon reduction incentives, such as jurisdictions enforcing green building standards or offering renewable energy subsidies.

Progressing towards climate success

Eastspring's proprietary approach seeks to assess companies taking credible action towards climate transition. MSCI datapoints can be used to align with the Framework's composite screen components by integrating:

- MSCI low-carbon patents and green revenues
    - These highlighted potential growth areas and are covered under MSCI's Scenario Analysis Models to quantify low-carbon technology opportunities, alongside policy risk and physical risk.
- MSCI emissions and targets data
    - This offered a view of companies' current, historical and forward-looking emissions performances. Both metrics are part of MSCI's Portfolio Alignment Metrics to assess a company's performance against granular 1.5°C pathways or the NZIF Maturity Scale.
- MSCI social indicators, such as absolute scores or relative gauges
    - These offered insights into social risks by evaluating workforce welfare and community impacts during decarbonisation.

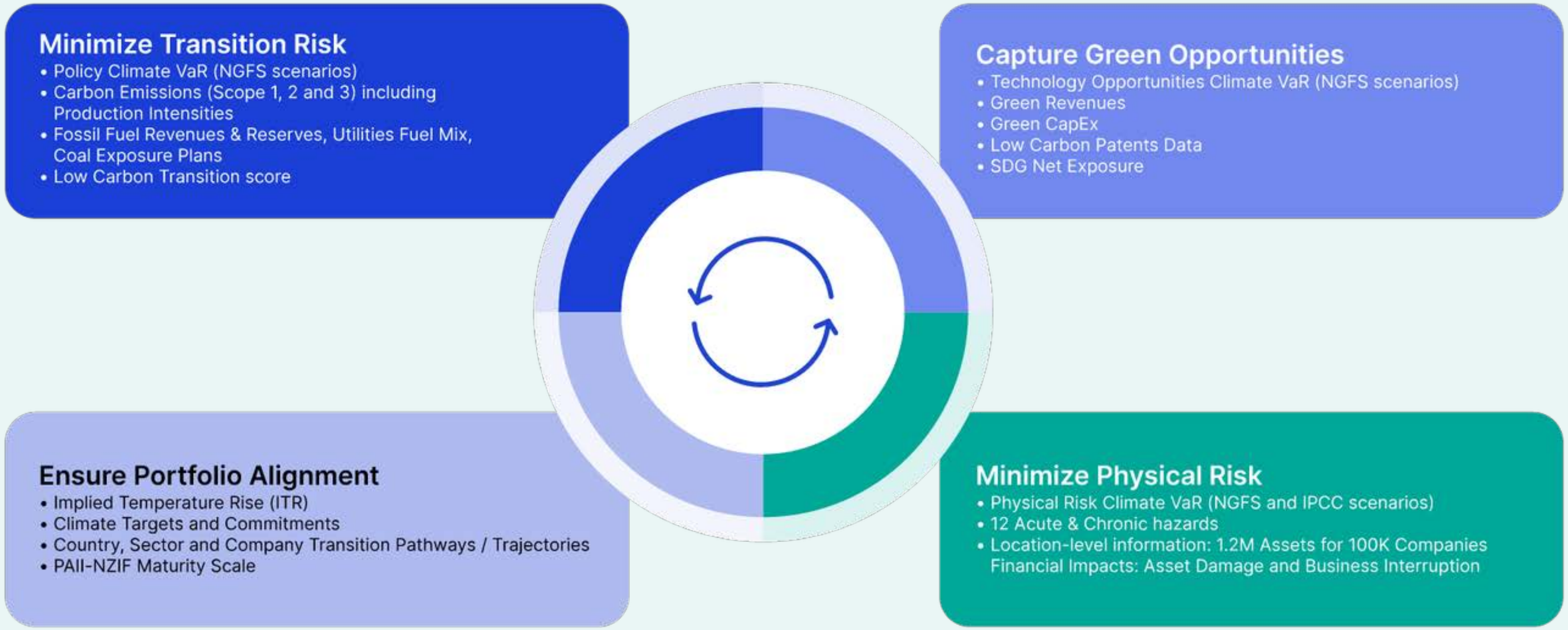
Beyond the screening in the transition framework, MSCI is also able to provide complimentary insights for climate transition through climate scenario analysis and temperature alignment data to monitor a portfolio company's ongoing progress towards net-zero, sharpen engagement and help support TCFD and ISSB disclosures.

Looking Forward

Eastspring's Framework was designed to bridge critical data gaps by applying layered screening to assess climate action while considering industries vital to Asia's growth. It also has a purposeful inclusion of adaptation and mitigation solutions. Building on this foundation, Eastspring and Prudential have since begun developing investment solutions that aims to further narrow the region's climate financing gap.

For assets managers and asset owners, this Framework offers one approach to structuring climate assessments and setting transition targets. Investors creating their own frameworks can also leverage metrics from MSCI's four-pillar approach to integrate climate considerations into portfolios and align with unique sustainability objectives.

Exhibit 2: An Overview of MSCI's Climate Metrics



To learn more, please contact MSCI.

This case study is a collaboration between MSCI Inc. and Eastspring Investments. The information herein is for illustrative purposes only. The content should not be interpreted as a recommendation, nor is it in any way an endorsement by MSCI Inc., or intended to indicate an endorsement of Eastspring Investments.

2.5. Adoption of effective investor fossil fuel policies remains challenging, but investors continue to adopt policies to address high-emitting sectors

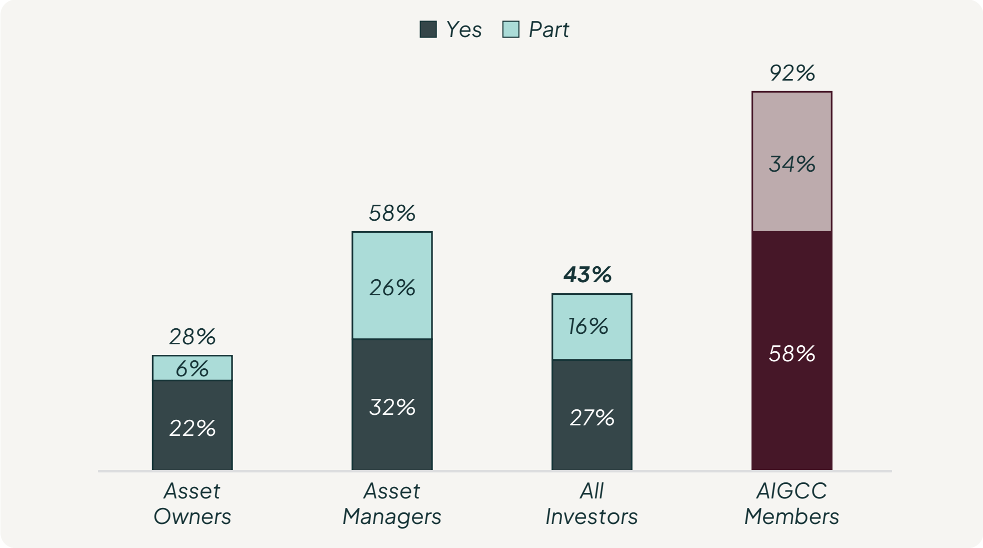


Figure 13. Investors with an established policy or strategy on fossil fuels (%) (an energy investment policy) or other high-emitting sectors

Note. Investors reviewed N = 230 (113 Asset Owners, 117 Asset Managers, of which 62 AIGCC Members).

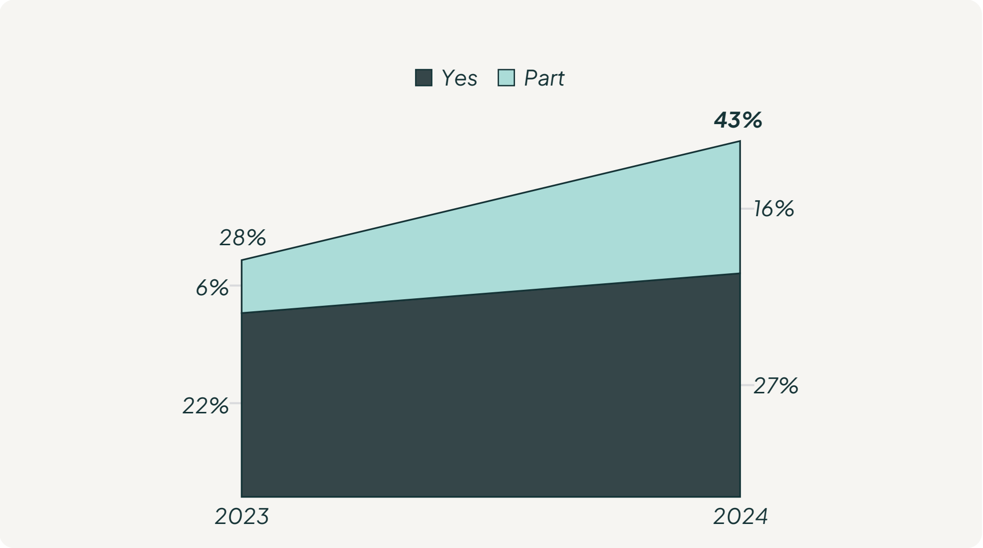


Figure 13a. Progress 2023 vs. 2024

While investor adoption of fossil fuel-related policies has grown, implementing effective policies to phase down or phase out fossil fuels remains a challenge.

Forty-three per cent of investors have adopted fossil fuel policies or strategies, a significant +15 pp increase from last year. The adoption rate is higher among asset managers (58%) than asset owners (28%).

Adopting an effective fossil fuel policy to support a phase down or out of fossil fuels is challenging for investors. Many investors are adopting more dynamic policies that actively support the transition to renewable energy and the electrification of industries. Investors are increasingly driving credible transition plans from portfolio companies demonstrating transition actions in line with Paris Agreement objectives. As investors navigate transition finance and fossil fuel sunset periods, the focus is on scaling green energy and transition technologies while advancing climate policy advocacy to enhance the green energy investment landscape.

AIGCC survey: Investor approaches to fossil fuels

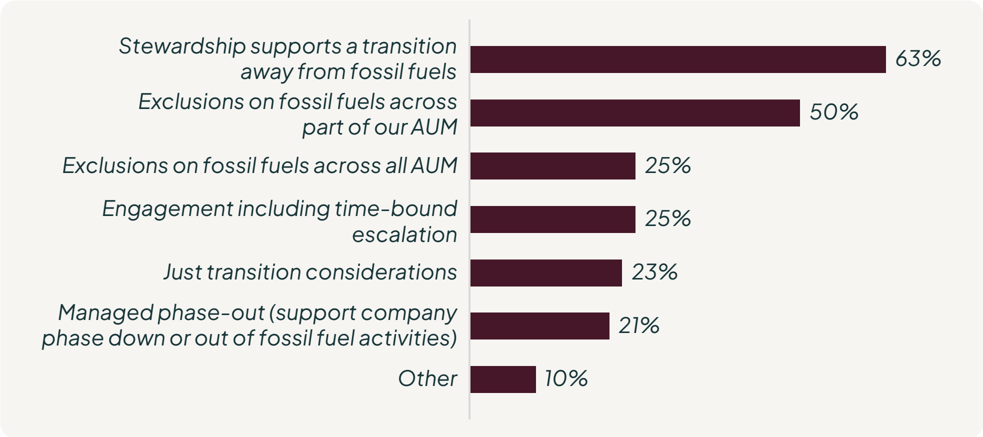


Figure 14. Which of the following are included in your organisational approach on fossil fuels?
Note. Investor survey responses N = 52 (9 Asset Owners, 43 Asset Managers).

From the results of a smaller subset of investors surveyed in the AIGCC Climate Investment Survey 2024, we saw that leading investors adopt a range of approaches to fossil fuels, with 30% adopting three or more of the approaches below (see Figure 14).

AIGCC continues to work with investors, policymakers and stakeholders across Asia to implement managed phase down strategies for fossil fuels, guiding effective transition models and encouraging policy alignment with science-based net zero pathways.

2.6. Proportion of investors with a policy or strategy on deforestation continues to grow

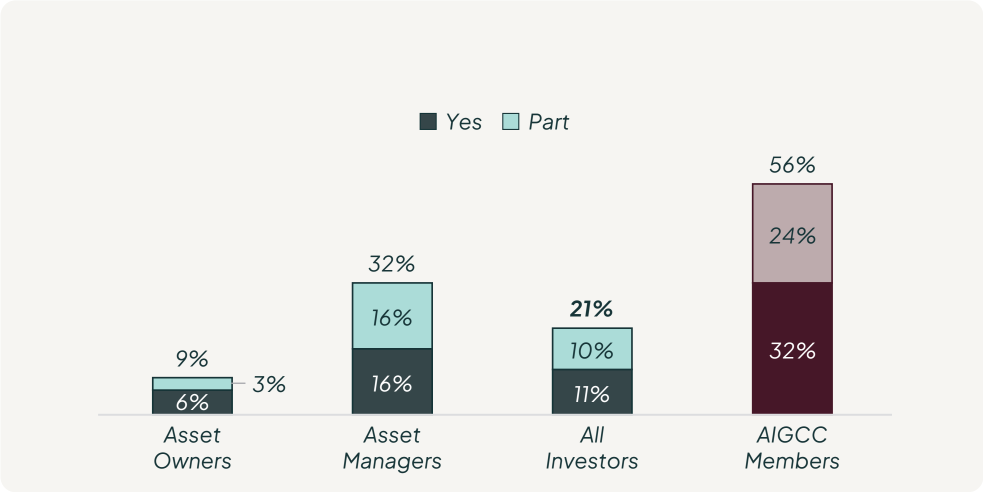


Figure 15. Investors with an established policy, position or strategy on deforestation (%)

Note. Investors reviewed N = 230 (113 Asset Owners, 117 Asset Managers, of which 62 AIGCC Members).

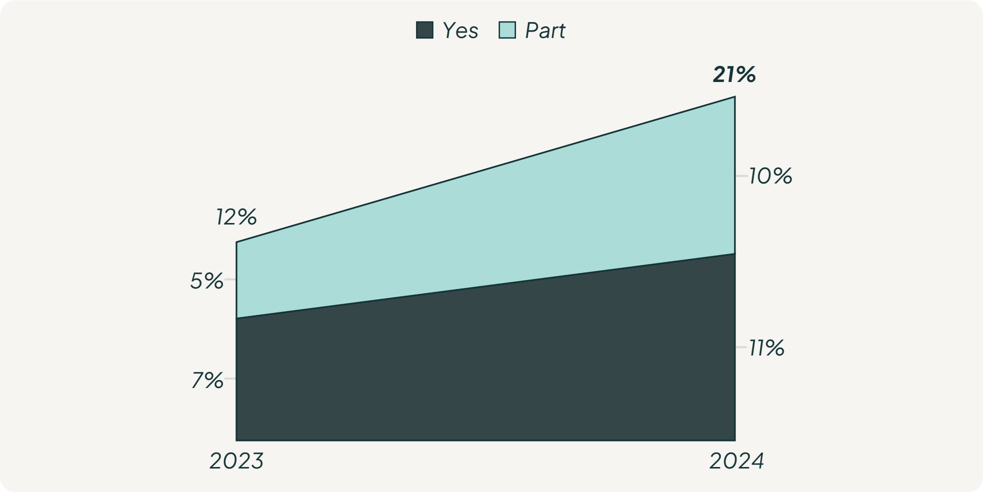


Figure 15a. Progress 2023 vs. 2024

Asset owners across Asia are slower to progress on deforestation, while the asset management community increasingly recognises its financial materiality to investor portfolios.

Twenty-one per cent of the Asian investors (48 out of 230) now have a policy or strategy on deforestation, marking a +9pp increase on the previous year. Ten per cent of investors expressed a general stance on deforestation, while the other 11% adopted a detailed position. Asset managers and AIGCC members are ahead of the investor average in the region, showing a focus on improving deforestation-related risk assessments and engaging with investees to address and manage related risks to their portfolios.

Deforestation drives significant carbon emissions and biodiversity loss. The growing number of investors taking deforestation-related action underscores the shift towards adopting strategies to manage these deforestation risks in their portfolios. Looking beyond risks, addressing deforestation could provide ample investment opportunities through the lens of Nature-Based Solutions.

The AIGCC Forest & Land Use Working Group will continue to build investors' capacity to understand and manage their deforestation and land conversion risk exposure in this region.

2.7. Biodiversity and nature disclosures move to mainstream as nature dependency becomes increasingly apparent to investors

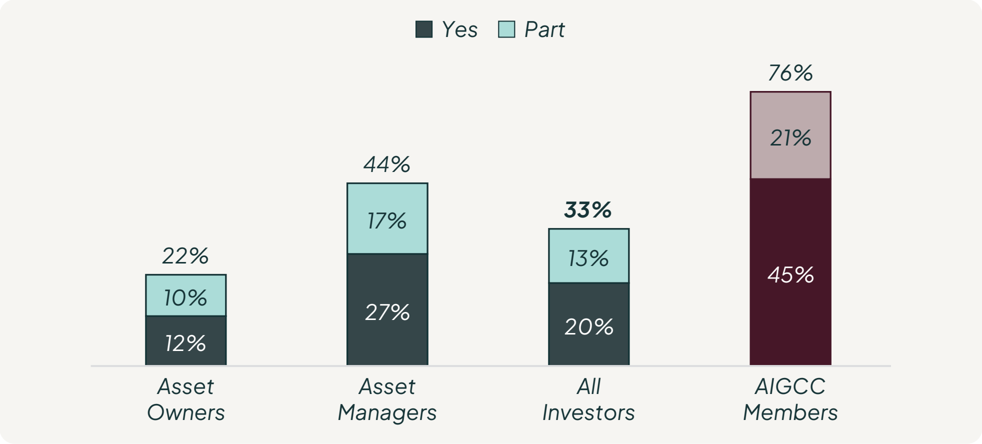


Figure 16. Investors with comprehensive disclosures or a strategy on biodiversity/nature (%)
Note. Investors reviewed N = 230 (113 Asset Owners, 117 Asset Managers, of which 62 AIGCC Members).

Investors are increasingly interested in understanding and acting on addressing nature and biodiversity issues.

Thirty-three per cent of Asian investors (77 out of 230) have adopted biodiversity-related disclosures and/or a strategy, with 10% (22 investors) publishing a Taskforce on Nature-related Financial Disclosures (TNFD) report. However, 13% of investors provide only high-level or generic disclosures. Asset managers lead the charge, with 44% adoption compared to 22% of asset owners. AIGCC members are significantly ahead: 76% have public disclosures, highlighting the growing importance of nature and biodiversity-focused initiatives for investors.

Biodiversity and nature-related strategies are increasingly recognised as essential, particularly in sectors with high dependency on nature, such as agriculture, construction, food and beverage, fisheries and aquaculture. Investors are increasingly taking steps to assess nature-related risks and to integrate nature into their investment and decision-making processes, with disclosure an important first step towards properly managing such risks.

AIGCC continues to drive investor capacity building and best practices, including through its Nature at a Tipping Point Report. This report equips investors with the economic and financial rationale to act on addressing nature loss within the region, steps on nature risk assessment approaches, and case studies from investors on integrating nature risk into decision-making.

Focus Area 3: Corporate Engagement

This section concerns the stewardship activities of Asian investors. Most investors across the region now utilise engagement with companies as a primary way to drive improved portfolio alignment with Paris Agreement goals.

While progress is apparent, as industry understanding, capacity and expertise continue to grow, room for improvement exists in several areas. The section outlines several strategies for investors to engage with companies on climate change and drive active ownership.

3.1. Investor publication of annual stewardship and engagement reports is increasingly common

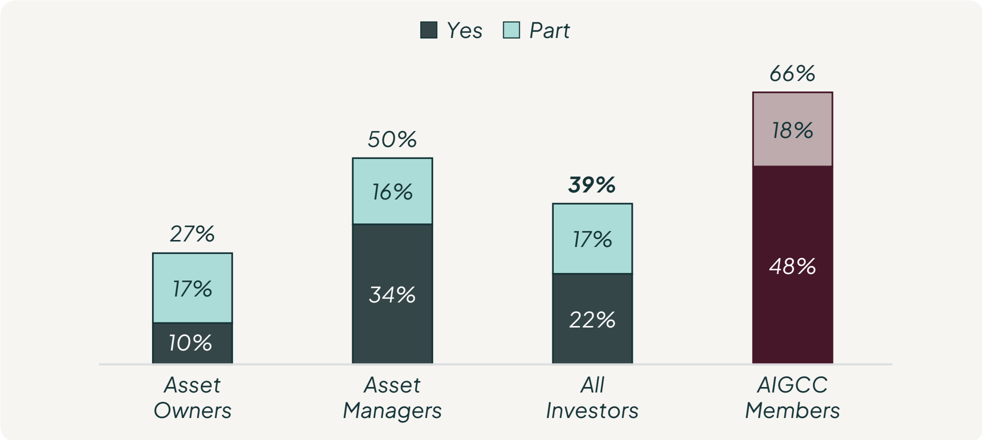


Figure 17. Investors who produce an annual stewardship or active ownership report outlining activities and material issues on engagement with companies and proxy voting activities (%)

Note. Investors reviewed N = 230 (113 Asset Owners, 117 Asset Managers, of which 62 AIGCC Members).

A relatively high level of stewardship reporting among investors in Asia reflects growing transparency and improvement in the adoption and sophistication of climate investee engagement processes.

Twenty-two per cent of investors in Asia (51 out of 230) have published a standalone stewardship report. An additional 17% earned a 'Part' rating for integrating climate stewardship components into their generic reporting. Asset managers are significantly ahead of asset owners;[8] 50% produce public standalone reports compared to 27% of asset owners, allowing better communication of stewardship activities. Among AIGCC members, 66% have published standalone stewardship reports, showing their strong commitment to active ownership and transparency.

Clearer communication from asset owners on material climate issues would strengthen the alignment of engagement priorities and relevant targets set by companies. Stewardship reporting provides insight into the investor dialogue and management of material climate-related issues with portfolio companies, while evidencing actions being taken in line with net zero ambitions.

8 This disparity may be partly attributed to asset owners delegating responsibilities to fund managers, which could explain their lower disclosure rates.

AIGCC survey: Investor approaches to increase engagement effectiveness

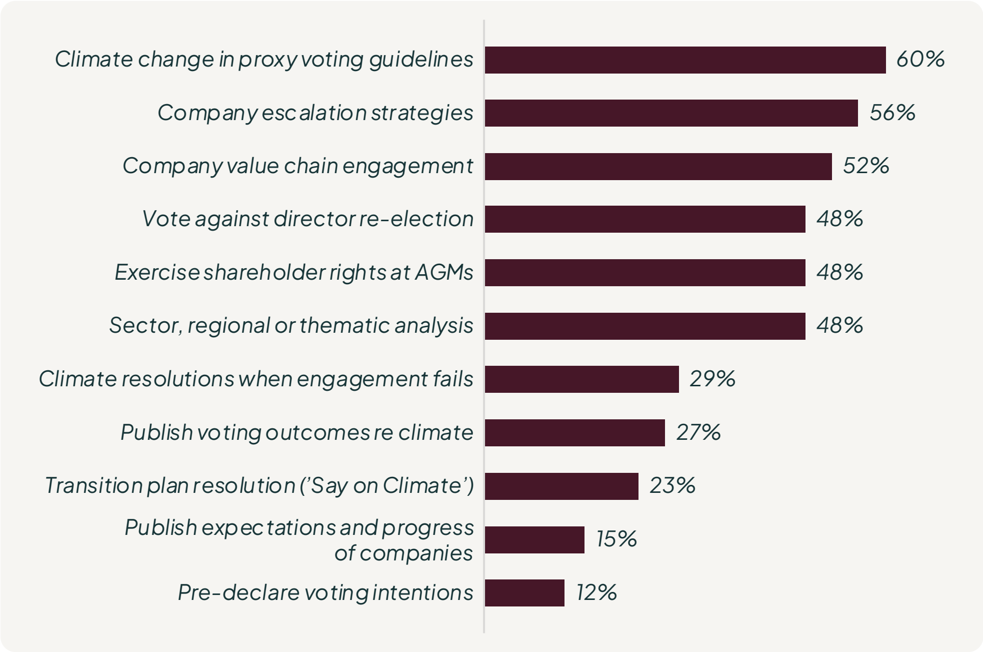


Figure 18. In relation to climate, which of the following form part of your approach to increase the effectiveness of shareholder and corporate engagement?
Note. Investor survey responses N = 52 (9 Asset Owners, 43 Asset Managers).

The results of a smaller subset of investors surveyed in the AIGCC Climate Investment Survey 2024 show that leading investors are implementing a wider range of actions to increase the effectiveness of shareholder engagement. Positively, 22% of investors who responded to the survey adopted eight or more of the stipulated strategies in Figure 18 to increase the effectiveness of corporate engagement.

As the standard of climate stewardship reporting continues to improve across Asia, AIGCC will monitor the trends and continue to provide insights to members on best practice.

3.2. Investors publish case studies on climate-related corporate engagement activities to demonstrate ambitions and outcomes

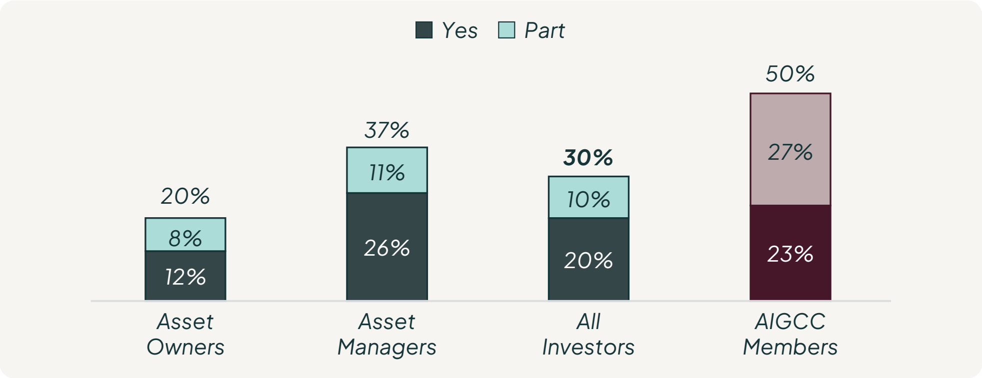


Figure 19. Investors who report bilateral engagements with specific investee companies (%). Publishing case studies illustrates the objectives of their engagement, the related course of action and the associated outcomes
Note. Investors reviewed N = 230 (113 Asset Owners, 117 Asset Managers, of which 62 AIGCC Members).

Publishing climate case studies and, where appropriate, naming the portfolio company is important to communicate how stewardship activities by institutional investors drive an effective transition.

Thirty per cent of Asian investors (67 of 230) communicate meaningful stewardship actions by publishing climate case studies, which detail engagement objectives, actions and outcomes. Additionally, 20% of the 230 investors name the portfolio company subjects in the case study. Asset managers lead this area, with 37% taking action compared to 30% of asset owners. AIGCC members stand out, with 50% publishing such case studies, reflecting a strong commitment to communicating the ambitions and outcomes of their climate stewardship activities.

This metric underscores the importance of transparency in advancing climate goals through publishing case studies that can communicate the crux of the transition challenges for companies across a range of sectors. Case studies are a tool that can cultivate an environment of constructive dialogue for pragmatic and ambitious action on climate, and an opportunity to shed light on opportunities and barriers at a systems or sectoral level. AIGCC will continue fostering case studies and knowledge-sharing to enhance stewardship practices across the region.

3.3. More investors incorporate climate change in proxy voting guidelines

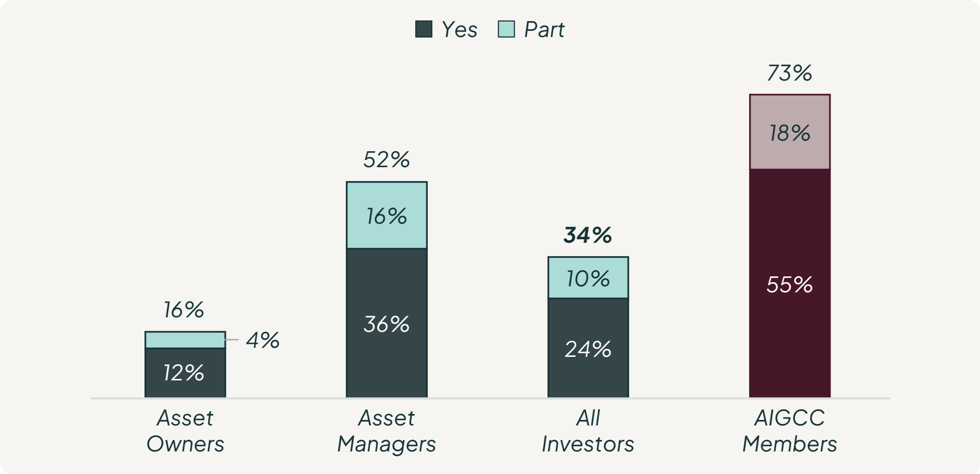


Figure 20. Investors with proxy voting guidelines incorporating climate considerations (%)
Note. Investors reviewed N = 230 (113 Asset Owners, 117 Asset Managers, of which 62 AIGCC Members).

Integrating climate into proxy voting guidelines is a key stewardship strategy for investors, including AIGCC members, who significantly lead in this area, with about 70% having done so.

Thirty-four per cent of investors (80 out of 230) explicitly integrate climate considerations into their proxy voting guidelines. Over half of asset managers meet this criterion, while asset owners perform lower, presumably since many monitor their external managers rather than vote directly.[9]

Proxy voting is a critical mechanism for investors to influence corporate governance and drive climate action, ensuring alignment with net zero ambitions. Explicitly including climate considerations in voting guidelines shows a proactive, considered and consistent approach to addressing climate risks and opportunities across portfolios.

AIGCC aims to broaden guidance and the adoption of net zero-aligned proxy voting guidelines by investors. This can help to strengthen the robustness of corporate transition strategies in investors' best interests and transform the state of climate alignment across major Asian emitting corporations.

9 AIGCC's research and assessment did not include assessing whether asset owners monitor proxy voting policies of external managers. There are many guidelines and best practice to monitor external managers' proxy voting, which asset owners should incorporate to drive climate outcomes.

3.4. Reporting on voting decisions is best practice for Asian investors, but for most, further progress is needed

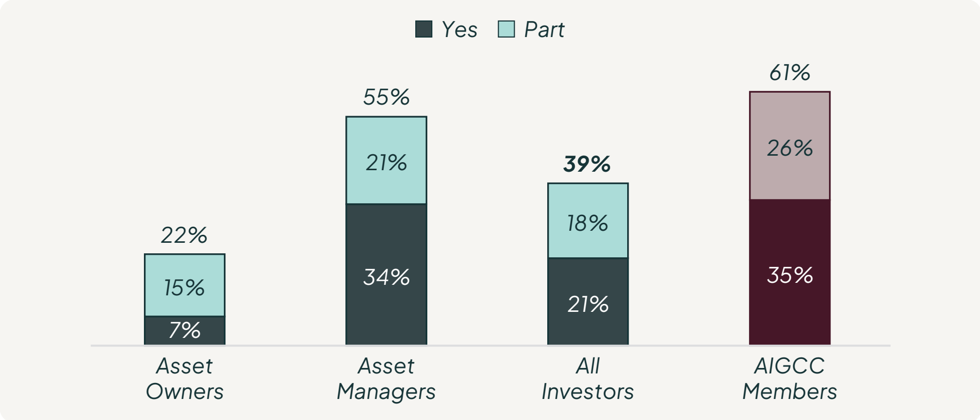


Figure 21. Investors who report on voting decisions/activities for all portfolio companies (%)
Note. Investors reviewed N = 230 (113 Asset Owners, 117 Asset Managers, of which 62 AIGCC Members).

A material proportion of investors across Asia disclose their voting decisions for all portfolio companies, showing progress in transparency, but room for improvement remains.

Twenty-one per cent of Asian investors (89 out of 230) have disclosed their voting decisions for all portfolio companies. A further 18% only disclose aggregated voting results. Asset managers lead the way, with 55% reporting their voting decisions, compared to 22% of asset owners.[10]

This process imparts a high level of transparency in investor voting decisions, driving accountability in climate-related stewardship. Public disclosure of voting activities, including votes made on climate grounds, reflects a growing investor commitment to climate action and enhances trust with stakeholders.

We expect this metric to continue to improve over time as enhanced transparency from investors leads to better climate processes, risk management and outcomes. Each of these will help investors navigate the complexities of the climate transition.

10 This disparity may be partly attributed to asset owners delegating voting responsibilities to fund managers, which could explain their lower disclosure rates.

3.5. Involvement in climate engagement initiatives remains consistent

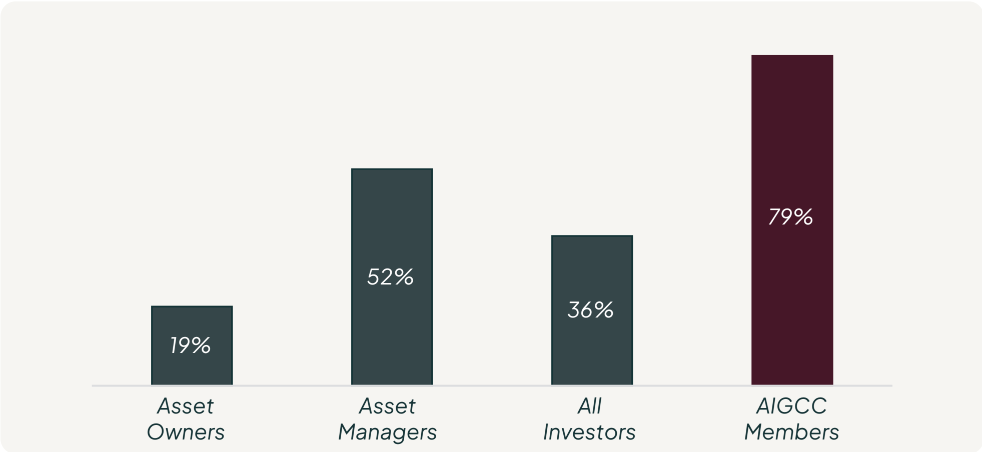


Figure 22. Investors who are part of a climate corporate engagement initiative (%)
Note. Investors reviewed N = 230 (113 Asset Owners, 117 Asset Managers, of which 62 AIGCC Members).

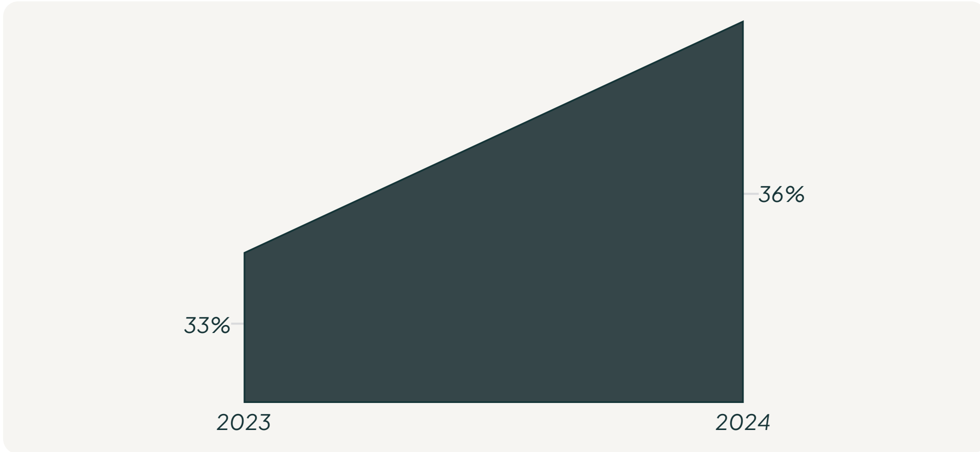


Figure 22a. Progress 2023 vs. 2024

Among a challenging US political backdrop, participation in climate-focused corporate engagement initiatives has remained constant, with a net increase in investor participation in corporate engagement initiatives in Asia. Investors continue to see such initiatives, including Climate Action 100+ and the Asia Utilities Engagement Program (AUEP), as an effective and impactful mechanism to drive climate alignment across portfolios.

Thirty-six per cent of investors in Asia (83 out of 230) engage in climate-focused corporate initiatives, marking a +3pp increase compared to last year. Asset managers are leading the charge, with 52% participating, compared to only 19% of asset owners.

Such investor-led initiatives that encourage the world's largest corporate GHG emitters to take necessary action on climate change are a powerful tool for driving positive change, managing risk, enhancing value, fulfilling investor fiduciary duties to address climate risks, and increasing transparency and accountability.

AIGCC members' strong participation in the AUEP and Climate Action 100+ highlights the invaluable synergies, resources and guidance investors obtain through engaging companies in this effective manner. AIGCC will support other regional initiatives, such as the China Climate Engagement Initiative, which signals Asian investors' continued value towards joint efforts to achieve effective engagement outcomes.

3.6. Climate engagement targets remain important but underutilised

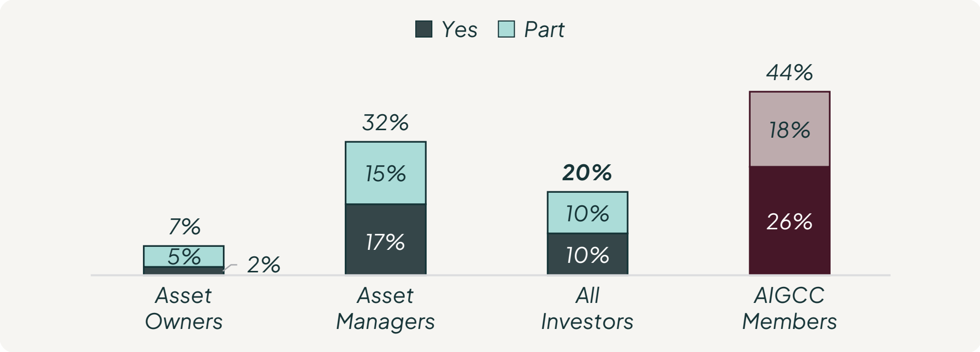


Figure 23. Investors with a climate corporate engagement target (%)
Note. Investors reviewed N = 230 (113 Asset Owners, 117 Asset Managers, of which 62 AIGCC Members).

While investors have progressed in setting targets for engaging with corporations on climate issues, broader adoption across the investment community remains low.

Analysis of investors' sustainability reporting reveals that 10% (22 out of 230) have a formal target for engaging with corporations on climate issues. Another 10% received a 'Part' rating for disclosing their current level of climate engagement without having a formal target. Asset managers are leading in this area, with 32% reporting engagement levels and targets compared to only 7% of asset owners.

A formalised commitment to engage with a proportion of financed emissions under management on climate issues drives a systematic approach to engagement. It encourages investors to prioritise engaging the portfolio's highest emitters to drive real-world emission reductions.

While progress across the AIGCC membership is promising, Asian asset owners, particularly, have expressed a desire to scope the engagement coverage across their portfolio and improve methods of effective climate engagement with top portfolio emitters.

Focus Area 4: Policy Advocacy

This section summarises Asian institutional investor progress on climate policy advocacy. In summary, the section shows that investors across the region are increasingly active in conveying climate priorities to domestic governments.

More investors recognise the importance of working with government and policymakers to support the development of policy settings that stimulate climate-aligned investment and physical risk resilience building across economies. However, information on investors' policy actions and the effectiveness of such actions is not yet readily observed through investor disclosures.

4.1. Most investors across Asia are only just starting climate-related policy advocacy

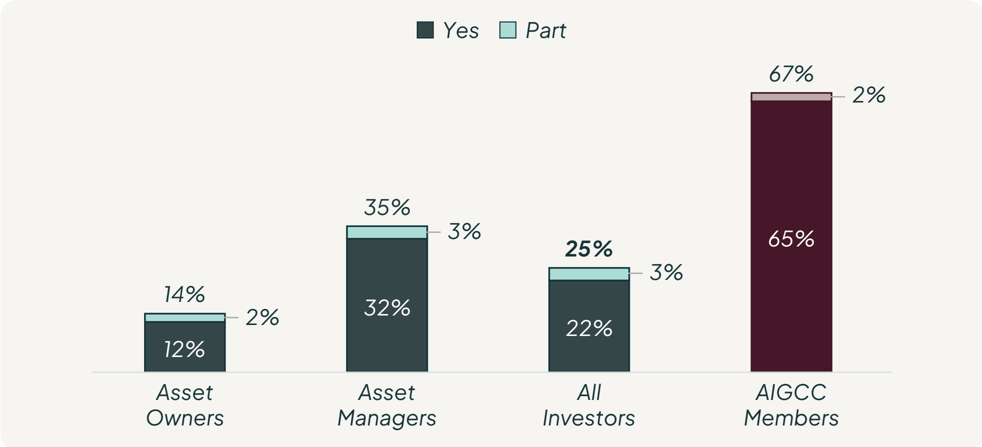


Figure 24. Investors who mention climate policy advocacy/climate regulation advocacy (%)
Note. Investors reviewed N = 230 (113 Asset Owners, 117 Asset Managers, of which 62 AIGCC Members).

While most investors in Asia are not yet actively involved in government dialogues on climate change, leading investors are making strides.

Assessing investors' public disclosures revealed that 25% (56 investors of 230 investors) referenced climate policy advocacy. Asset managers also significantly lead asset owners here (35%, compared to 14%, respectively).

Current policy and regulations across most markets in Asia remain key barriers to investors' climate progress. Investor engagement and collaboration with policymakers on addressing climate risks and seizing opportunities can increase. Investors play a crucial role in shaping the regulatory environment, which will ultimately dictate the speed and effectiveness of the transition to low emissions.

AIGCC survey: Policy advocacy actions

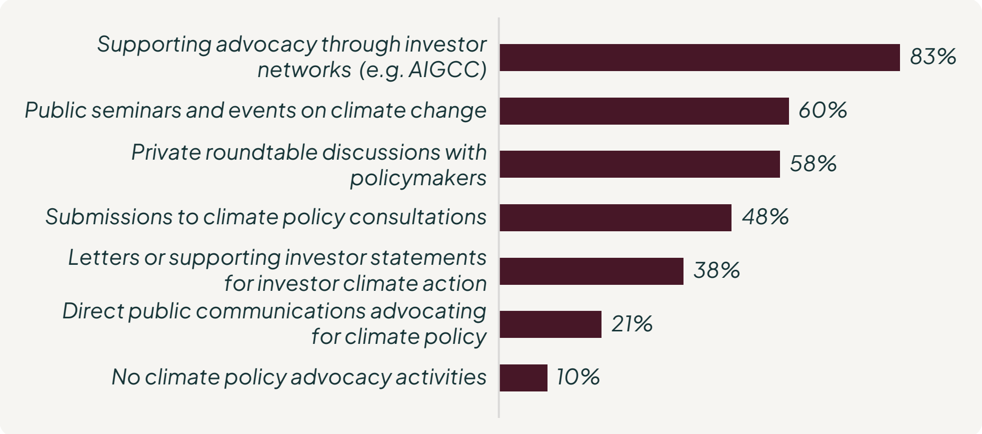


Figure 25. Please indicate any of the following types of policy advocacy you have undertaken over the past 12 months regarding climate change

Note. Investor survey responses N = 52 (9 Asset Owners, 43 Asset Managers).

From the results of a smaller subset of investors surveyed in the AIGCC Climate Investment Survey 2024, we looked at the actions investors have taken over the past year on climate policy advocacy. In the last 12 months, 90% of these investors engaged in at least one form of climate policy advocacy, and notably, 58% took part in private roundtable discussions with policymakers and regulators.

Through AIGCC's Policy Advocacy workstream, AIGCC will continue to take a range of actions to work with investors, government bodies and industry associations across Asia. This work aims to accelerate greater climate ambition on themes including energy transition, mandatory climate disclosures, nature and deforestation regulations and resilience to physical climate risk – considering national and global climate policies – to unlock climate investing opportunities.

Different jurisdictions have different mechanisms for investors to participate in the policy process. Advocacy engagements, based on investor engagements with corporates and implementation of climate frameworks, will be facilitated and delivered through meetings and roundtable discussions with government officials and policymakers.

4.2. Transparency of climate policy advocacy activities from investors is low

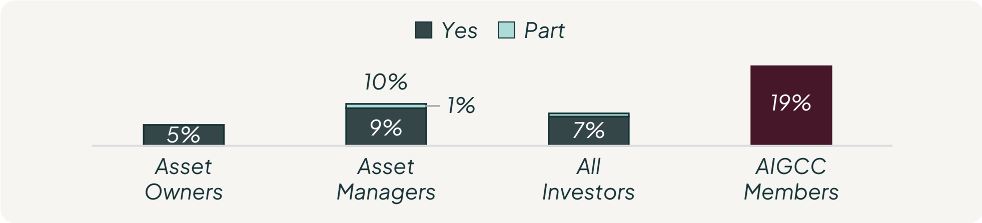


Figure 26. Investors publicly disclosing their climate-related policy advocacy engagements, position or plan (%)
Note. Investors reviewed N = 230 (113 Asset Owners, 117 Asset Managers, of which 62 AIGCC Members).

Climate policy advocacy remains a key opportunity for investors to positively impact returns and manage risks, though disclosure rates indicate it is currently underutilised.

Only 7% of investors (17 out of 230) disclosed the nature of their policy advocacy engagements, highlighting minimal progress in this critical area, while 19% of AIGCC members currently provide disclosures.

Policy advocacy disclosures reflect transparency and accountability in driving systemic change through investor influence on the policy landscape.

Involvement in climate policy advocacy actions (and subsequent disclosure) can be an impactful lever for investors. AIGCC will continue to support members in advancing conversations with local policymakers across Asia to drive improved climate outcomes and help with best-practice disclosure.

4.3. Collective investor statements to governments from investors on climate change remain low across Asia but can be impactful

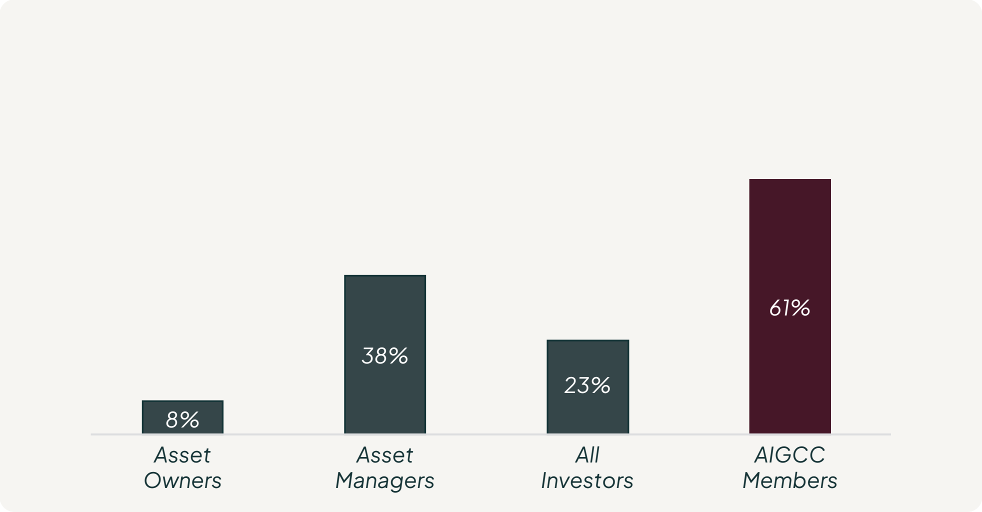


Figure 27. Investors who have supported a collective, positive policy position or letter on climate/net zero (%)
Note. Investors reviewed N = 230 (113 Asset Owners, 117 Asset Managers, of which 62 AIGCC Members).

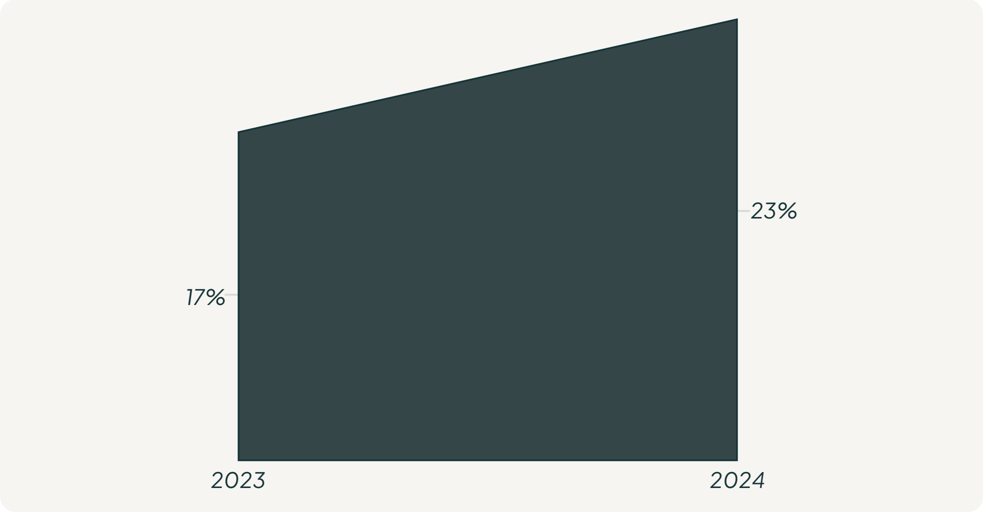


Figure 27a. Progress 2023 vs. 2024

From a low base, we see investors across Asia increasingly turn to collectively sign and support climate statements to governments to drive necessary action.

Twenty-three per cent of Asian investors (53 out of 230) backed at least one collective statement to government(s) on climate change, a +6 pp increase on the previous year. AIGCC members are particularly active in this area, with 61% supporting such letters and public statements.

The Global Investor Statement to Governments on the Climate Crisis remains the most widely supported declaration, highlighting the crucial role of coordinated advocacy in driving policy change.

AIGCC continues to grow investor demand for joint statements to governments across Asia to drive impact and as an efficient way to highlight investor needs and priorities across markets.

AIGCC survey: Investor priorities for governments across Asia

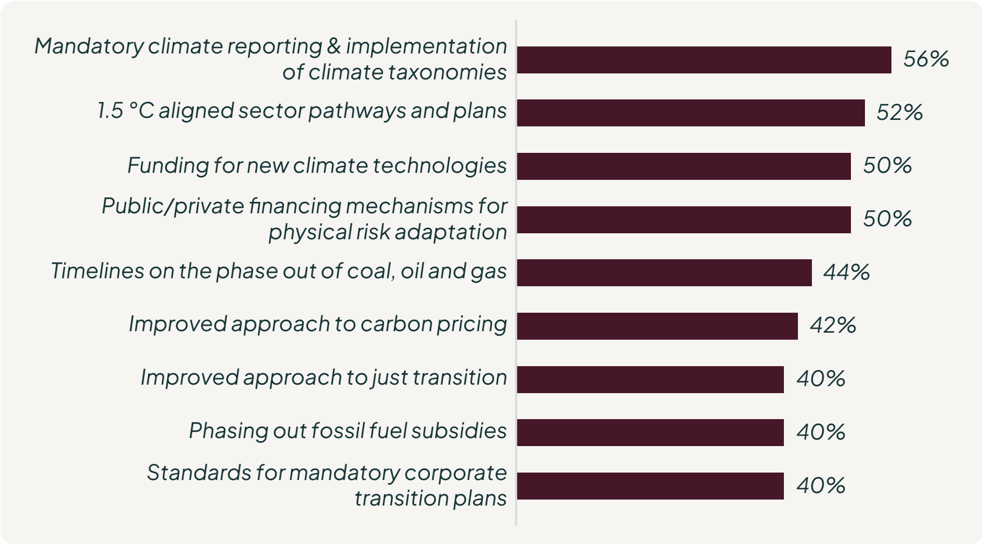


Figure 28. What do you think should be the key climate-related priorities of the national governments across Asia

Note. Investor survey responses N = 52 (9 Asset Owners, 43 Asset Managers).

From the results of a smaller subset of investors surveyed in the AIGCC Climate Investment Survey 2024, we looked at the top priorities investors have for national governments across Asia. The top priority for investors in Asia from governments is mandatory corporate climate reporting (56%), with the second-ranking priority being the development of government-led, 1.5 °C-aligned sector pathways (52%).

Focus Area 5: Investor Disclosure

This section shows that climate disclosure is on the rise across investors in Asia[11], driven by changing regulations and improved investor risk management.

While over half of investors now disclose climate-related information, the quality, consistency and nature of that information varies widely. This section shows how Asian investors are progressing in a few key areas of practice related to climate disclosure and reporting.

11 Climate disclosure developments across Asian markets are rapidly evolving, driven by both global standards and local regulatory initiatives, making them increasingly relevant for institutional investors. In Japan, large companies are required to provide TCFD-aligned disclosures since FY2022, while China is pushing for mandatory environmental reporting for listed firms in key sectors by 2025. Hong Kong's HKEX mandates ESG reporting with TCFD-aligned climate disclosures, and Singapore's SGX requires listed companies to adopt TCFD reporting on a 'comply or explain' basis from FY2023. In India, SEBI has introduced the Business Responsibility and Sustainability Reporting (BRSR) framework, including climate-related metrics for the top 1,000 listed companies, while South Korea has made ESG reporting mandatory for large firms, with plans to expand TCFD-aligned disclosures. These regulatory shifts reflect a growing emphasis on transparency and climate risk integration, aligning with institutional investors' increasing focus on sustainable and resilient investment strategies.

5.1. A high instance of portfolio emissions disclosures is observed from Asian investors

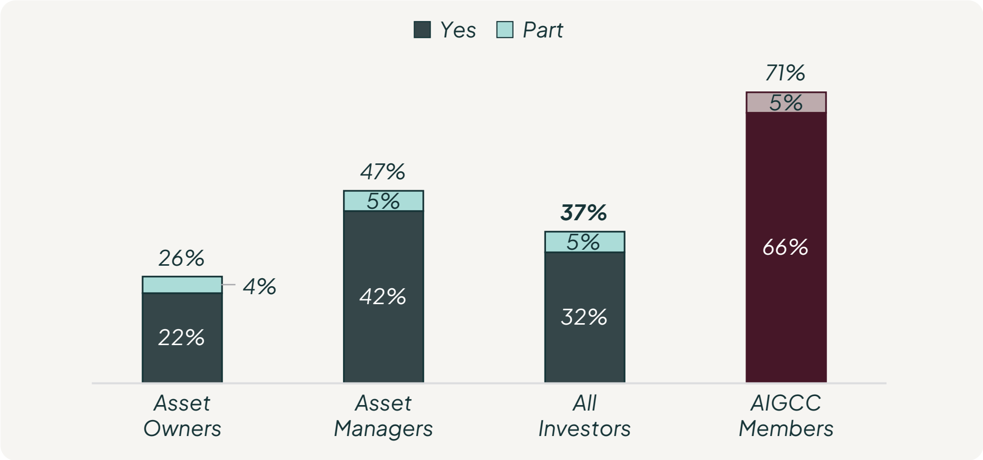


Figure 29. Investors who disclose portfolio emissions (%)
Note. Investors reviewed N = 230 (113 Asset Owners, 117 Asset Managers, of which 62 AIGCC Members).

There has been encouraging adoption of financed emissions disclosures from institutional investors across Asia.

Thirty-seven per cent of the Asia-based investors (85 out of 230) disclosed their financed emissions for all or most asset classes, with 5% disclosing emissions for just a limited subset of asset classes. Among investor categories, asset managers continue to lead, with 47% of climate GHG emission disclosures compared to 26% of asset owners. Meanwhile, 71% of AIGCC members have disclosed such portfolio emissions.

Financed emissions disclosures remain critical to assess climate risks across assets, allow investors to make informed decisions, identify opportunities, stay ahead of the changing regulatory environment and optimise long-term portfolio performance.

AIGCC survey: Portfolio emissions Scope 3 measurement

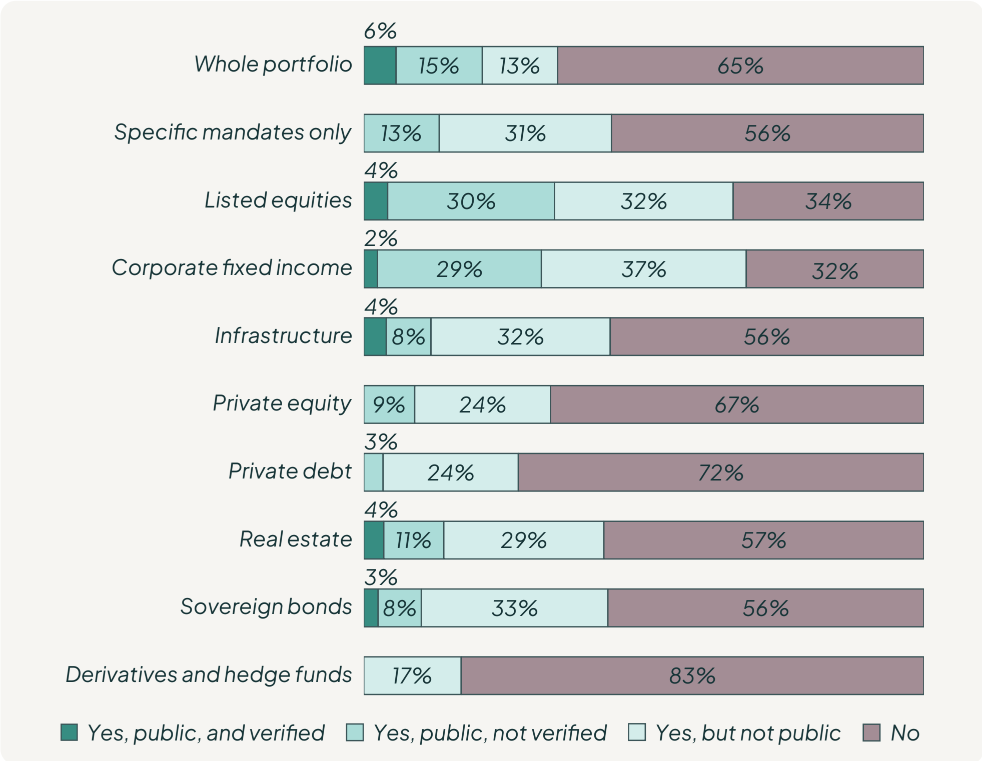


Figure 30. For which asset classes have you measured Scope 3 emissions?
Note. Investor AIGCC surveys N = 52 (9 Asset Owners, 43 Asset Managers).

From the results of a smaller subset of investors surveyed in theThe AIGCC Climate Investment Survey 2024, we looked at how investors measure portfolio Scope 3 emissions. Thirty-five per cent of investors have measured portfolio Scope 3 emissions across the whole portfolio, while 21% have published this data. For several asset classes, around 10% of investors disclose Scope 3 emissions.

Leading investors across Asia are moving ahead, publishing annual emissions across asset classes and jurisdictions, with the account of the analytical methodology and underlying data, and obtaining third-party verification where feasible. AIGCC will continue to support investors to measure and disclose portfolio emissions.

5.2. Importance of scenario analysis and stress testing for Investors in Australia is apparent

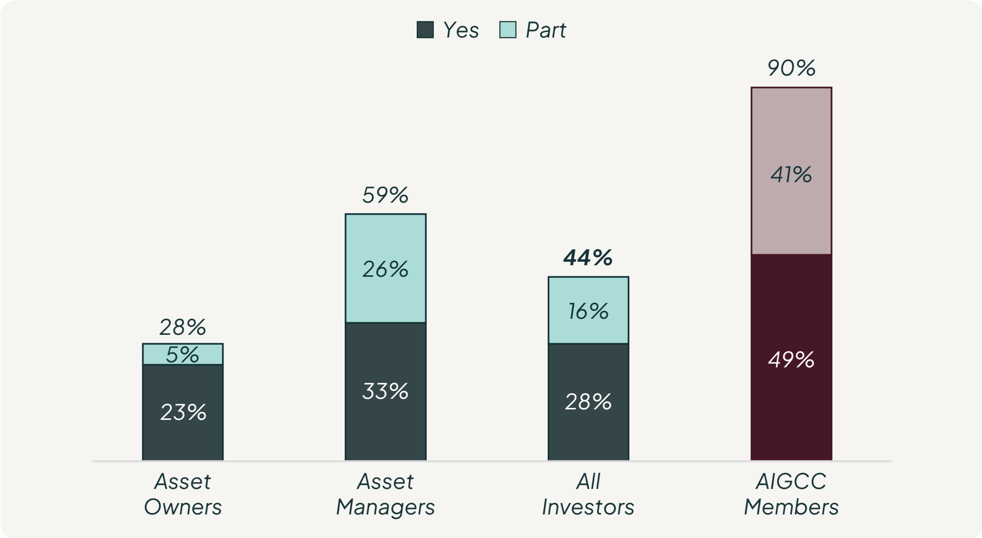


Figure 31. Investors who have published advanced scenario analysis (%)
Note. Investors reviewed N = 230 (113 Asset Owners, 117 Asset Managers, of which 62 AIGCC Members).

Investors test how portfolios will perform under different climate scenarios. However, we observe that use cases for scenario analysis results remain varied.

Twenty-eight per cent of the Asian investors (65 out of 230) have published climate scenario analyses across multiple scenarios. Another 16% of investors have conducted a more limited analysis, either focusing on a single scenario or covering only part of their portfolios. Asset managers lead the way, with 33% conducting robust scenario analysis across multiple climate scenarios, compared to 28% of asset owners.

Conducting and disclosing scenario analyses under multiple global warming trajectories is a critical step in helping investors understand and manage climate-related risks and opportunities. It provides a forward-looking view that supports more informed decision-making by understanding the potential impact on portfolios and building resilience to possible future climate outcomes.

The focus on scenario analysis has shifted from assessment to integration. The results of a smaller subset of investors surveyed in the AIGCC Climate Investment Survey 2024 that looked at use cases for scenario analysis showed more asset owners (89%) than managers (69%) use scenarios to assess physical risks. However, more asset managers (41%) than owners (22%) use scenarios to identify opportunities. Seventeen per cent of investors are still deciding how to best use scenario analysis. Clearly, opportunities exist to better link scenario analysis to investment decision-making and corporate engagement.

5.3. Publishing climate-related disclosures across Asian investors high and growing

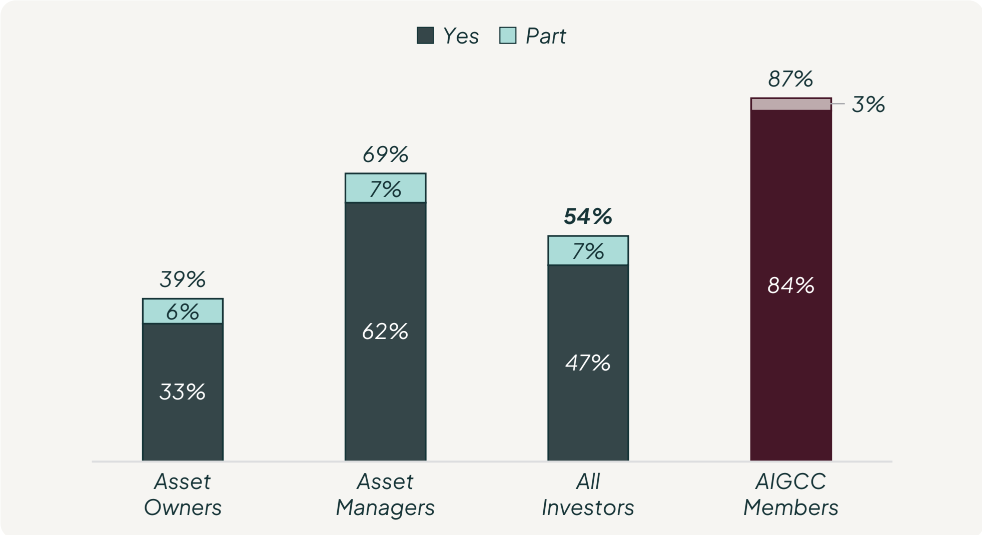


Figure 32. Investors having published climate disclosure information in line with TCFD recommendations (or related climate reporting framework, including ISSB)
Note. Investors reviewed N = 230 (113 Asset Owners, 117 Asset Managers, of which 62 AIGCC Members).

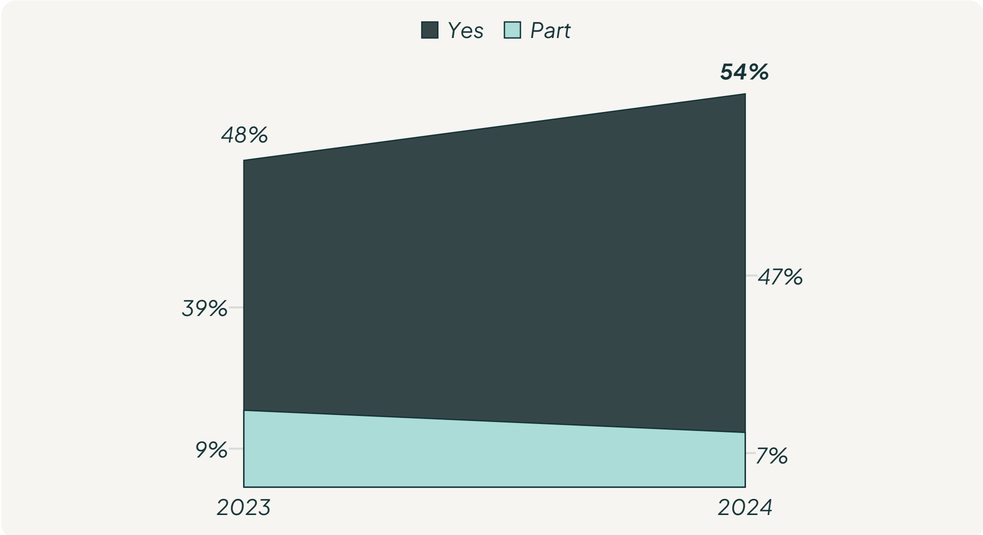


Figure 32a. Progress 2023 vs. 2024

Since last year, +6 pp more investors across Asia have made disclosures in line with ISSB/TCFD recommendations, highlighting an uptick in investor climate reporting.

Fifty-four per cent of investors in Asia (124 out of 230) have published climate disclosures in line with recommended frameworks. Asset managers lead the way, with 69% disclosing climate information, compared to 39% of asset owners.

Climate disclosures are critical for evaluating how well investors are aligning with global climate goals and managing the risks and opportunities associated with the low-carbon transition.

AIGCC will continue to encourage broader market adoption of robust climate disclosures, particularly among asset owners, to ensure comprehensive, consistent and actionable insights for investor decision-making. AIGCC has supported mandatory climate disclosures in line with ISSB across Asian markets to better help investors present and manage their risks associated with climate change.

5.4. Disclosure of physical risk exposures has improved +12 pp from last year

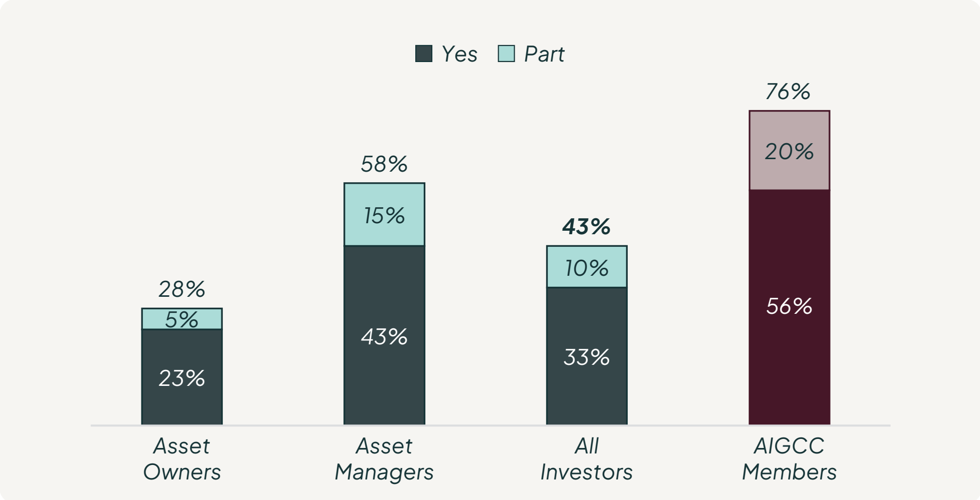


Figure 33. Investors who show considered disclosure on physical resilience/ adaptation to physical climate impacts risks and/or set out actions taken to increase portfolio resilience (%)

Note. Investors reviewed N = 230 (113 Asset Owners, 117 Asset Managers, of which 62 AIGCC Members).

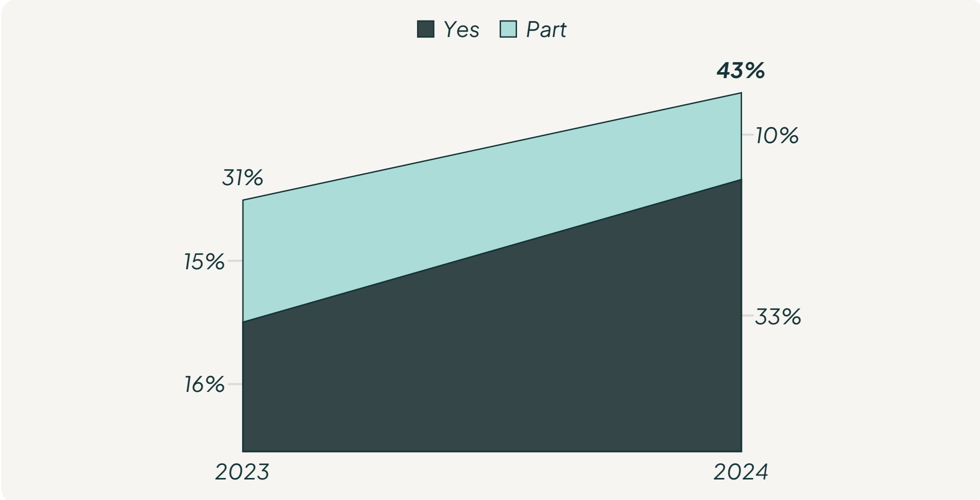


Figure 33a. Progress 2023 vs. 2024

Assessing and managing physical climate impacts remains a challenge for investors, but more investors are focusing on this as physical climate impacts materialise across economies in Asia.

Forty-three per cent of investors (100 out of 230) have now conducted and disclosed physical risk assessments across portfolios. Asset managers (58%) outperformed asset owners (28%) in addressing physical risk exposures within their portfolios. However, actual responses to build resilience and adaptation across portfolios remain nascent.

We have seen a clear and growing recognition from the investment community across Asia of the need to assess physical climate risks to understand portfolio vulnerabilities to extreme weather events and long-term climate impacts. For example, the Asian Development Bank estimates that climate change could reduce gross domestic product in developing Asia and the Pacific by 17% by 2070 under a high-end GHG emissions scenario, rising to 41% by 2100.[12]

12 Asia Development Bank, 2024; Asia-Pacific Climate Report, 2024.

AIGCC survey: Physical risk responses

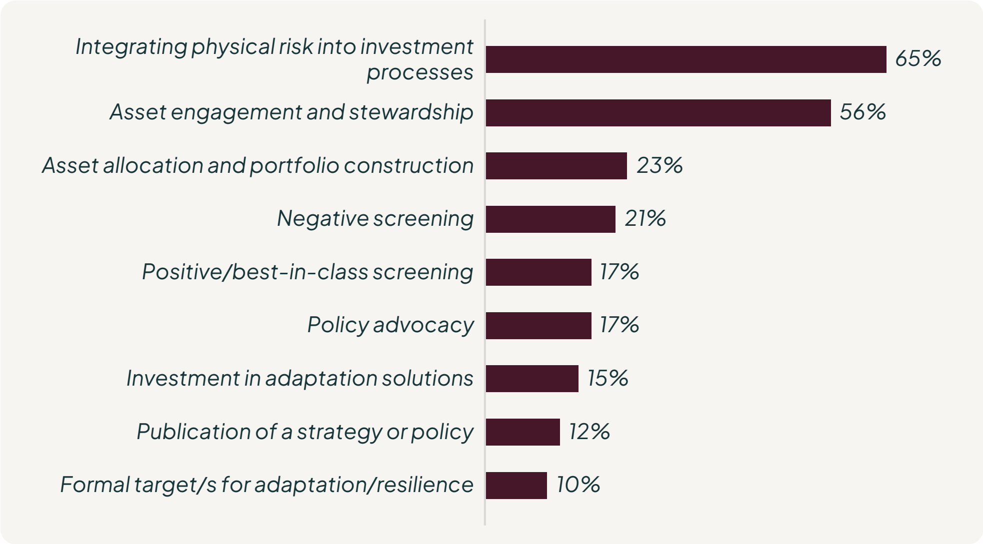


Figure 34. What type of response(s) to physical risk are you implementing to increase resilience?

Note. Investor survey responses N = 52 (9 Asset Owners, 43 Asset Managers).

From the results of a smaller subset of investors surveyed in the AIGCC Climate Investment Survey 2024, we looked at actions investors take to build resilience to portfolio physical climate risks. We saw that 65% of the investor responders integrate physical risks into their investment process. Further, 19% implement four or more of the strategic areas in Figure 34 to enhance portfolio resilience. This shows that leaders across Asia are progressing in this challenging area, but significant gaps remain. Investors within the AIGCC membership focus on strategic collaborations with policymakers and corporates alike to find low-cost, high-impact solutions to build resilience to portfolio vulnerabilities.

AIGCC continues to focus on capacity building and collaboration with government bodies across Asia to promote policies that will enhance economic resilience to worsening physical climate impacts. The work of AIGCC's Physical Risk and Resilience Working Group aims to address these challenges for investors to enable more climate adaptation planning and enhanced investment in climate resilience building.

Conclusion

This comprehensive review of 230 major Asian investors, with an approximate collective USD $100 trillion in AUM, shows a growing trend towards climate integration across Asia, though progress is uneven.

Investors are accelerating the implementation of comprehensive climate action and transition plans across the Asian investment landscape to manage significant financial risks and reassess their allocation of assets. This aims to properly address the risks and opportunities of climate change.

The report also highlights how leading investors are creating a gap between those effectively managing climate risks and capturing opportunities, showing what's possible for those investors further behind.

- **Governance:** While investors increasingly recognise climate risks and implement basic climate governance structures, like policies and board oversight, gaps remain in translating this awareness into formal plans supported by consistent and concrete action.
- **Investment:** Investment in climate solutions and transition finance is rising, but many investors grapple with mechanisms to reduce fossil fuel exposures. Short-term climate targets remain vital for investors to show commitment and progress.
- **Corporate engagement:** While corporate engagement is common across investors in Asia, impactful active ownership techniques and publications of investor case studies showing stewardship actions still have room to advance.
- **Policy advocacy:** While investor engagement and dialogue with policymakers is increasing, transparency around these efforts remains low.
- **Disclosure:** Finally, climate disclosures are more prevalent among Asia-based investors, driven by quickly evolving regulations and climate standards. But the quality and consistency of investor climate disclosures vary widely, particularly in assessing physical risks.

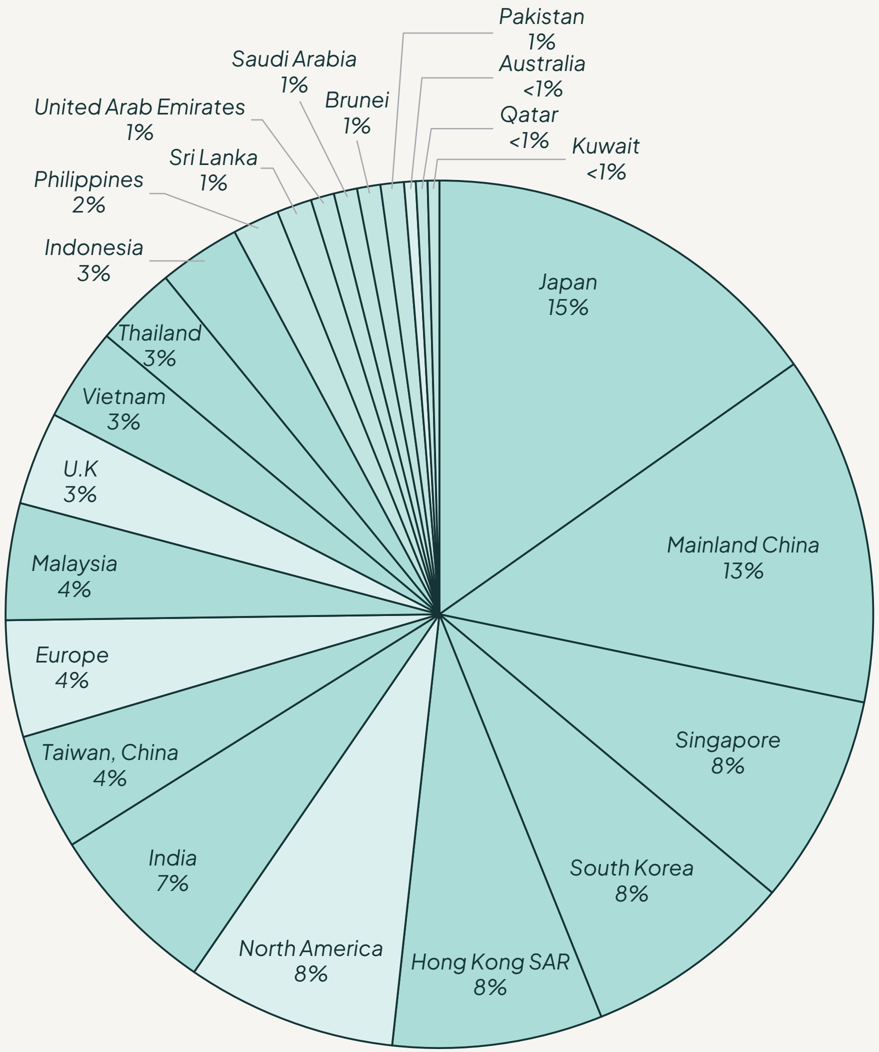
Appendix 1: Methodology

The results contained in this report are derived from two sources:

- Desktop review of 230 investors active in Asia
- AIGCC surveys from 52 investors.

The report clarifies when the analysis draws on one or the other source, with most data pertaining to the desktop review of 230 investors. More information on these cohorts and the data collection method is below.

Desktop Review of 230 Asia Investors



AIGCC reviewed publicly available information from:

- 113 Asset Owners (96% headquartered in Asia)
- 117 Asset Managers (72% headquartered in Asia).

Within this group were 62 AIGCC investor members.

These investors represent a range of markets, AUM sizes and ownership structures, with the most being of significant AUM or influence within their region or globally.[13]

AIGCC reviewed these investors' publicly available documents and climate disclosures against key elements from the Investor Climate Action Plan framework.

230 Asia investors reviewed

Approximately 80% headquartered in Asia. Coverage across 19 markets.[14]

13 Investors included in this review include the most significant (by AUM) and influential investors across the region. Investors were identified via lists including Willis Towers Watson's Thinking Ahead Institute The Asset Owner 100 – 2024; Thinking Ahead Institute 'The world's largest asset managers – 2024'; Caproasia 2022 Top 100 Asset Owners Ranking; SWFI Top 100 Largest Insurance Rankings by Total Assets; S&P Global Market Intelligence; Local investor market lists ranked on AUM size taken from regional websites; https://www.statista.com; https://www.asiaasset.com; other domestic websites to ensure a balance of geographic diversity, with a focus on including larger AUM or influential investors across each market.

14 Asset Owners: 113 (96% headquartered in Asia); Asset Managers: 117 (72% headquartered in Asia); AIGCC Members: 62 (56% headquartered in Asia).

AIGCC Net Zero Survey

The AIGCC Climate Investment Survey 2024 is sent to AIGCC members and non-members, asking several detailed questions about their climate integration and progress.

The survey had 52 investor responses: 43 Asset Managers (domestic and global) and 9 Asset Owners. Median AUM was US$229 billion.

The survey draws on best-practice structures in the NZIF and ICAPs.

Assessment Methodology for Desktop Review of 230 Asia Investors

Criteria for inclusion in the list of 230 Asia investors were:

- **AUM size:** The median AUM was around US$100 billion, and total assets were around US$100 trillion in AUM. This represents most total global AUM. The data on investors' AUM was sourced from a range of publications, prioritising larger and more significant investors across each Asian market/country.[15]
- **Type of Asset Owners and Asset Managers:** The sample contains mostly larger Asset Owners (sovereign wealth funds, pension funds, insurance companies, etc.) and larger Asset Managers (multi-asset managers and leading managers across equity, fixed income, private equity and infrastructure).
- **Geographic diversity:** Asset Owners and Asset Managers include a mix of regions covering 19 Asia markets.[16]

The 230 Asia Investors' disclosures and publications were reviewed against the ICAPs Ladder 'focus areas': 1. Governance, 2. Investment, 3. Corporate Engagement, 4. Policy Advocacy and 5. Investor Disclosure. For each focus area, a set of sub-criteria was chosen as an indicator of action, allowing AIGCC to form a high-level view of progress across each (See Appendix Box 1).

The review provides a high-level view of climate progress across and within areas, categorised as:

- **'Yes':** the criteria were disclosed/achieved.
- **'Part':** the criteria was partly achieved or partly disclosed. For example, the data may have been reported only at a high level, without the expected detail of disclosure, consideration or application.
- **'No':** there was no evidence that the investor had satisfied the criteria based on the public disclosures reviewed.

This desktop review includes data from publicly available reporting in English or website information able to be translated into English as of 30 September 2024.

15 This includes, but is not limited to, climate disclosures (TCFD reports, Sustainability/ ESG Reports, Annual Reports), climate action or transition plans, website pages, climate statements, responsible investment/ climate policies/ investment policies, proxy voting guidelines, stewardship reports, governance policies etc. All annual reporting reviewed covered data available as 30 September 2024, in English. Additionally, information was supplemented with self-reporting from investors who populated AIGCC's 2024 Annual Net Zero Survey

16 See above, n 11.

Appendix Box 1: Indicators

The indicators below were selected as a simple and best available proxy for assessing investor climate progress for the 230 Asia Investors. However, we recognise that mandatory climate disclosure regimes based on the international ISSB standard would help AIGCC and other stakeholders develop a more reliable system-wide understanding of investor progress and where risks and opportunities lie. For investors managing their own risks and opportunities, AIGCC recommends using the more comprehensive ICAPs Ladder and NZIF rather than this simplified set of criteria.

Focus area	Proxy used
Governance	1. The investor recognises climate change as a financial risk/opportunity[1] 2. The investor has established a policy on integrating climate into investments[2] 3. The investor has board-level oversight of climate 4. The investor explicitly links remuneration/incentives to climate-performance[3] 5. The investor has published an ICAP/transition plan[4]
Investments	6. The investor has committed to achieving net zero portfolio emissions[5] 7. The investor has set an interim/short-term target to reduce portfolio emissions[6] 8. The investor is part of an investor net zero initiative[7] 9. The investor has committed to increasing investments in climate solutions or transition finance assets[8] 10. The investor has set asset alignment ('bottom-up) targets'[9] 11. The investor has established a policy or strategy on fossil fuels (an energy investment policy) or other high-emitting sectors[10] 12. The investor has established a policy, position or strategy on deforestation[11] 13. The investor has comprehensive disclosures or strategies on biodiversity or nature[12]

Focus area	Proxy used
Corporate Engagement	14. **Stewardship reporting** – The investor produces an annual stewardship or active ownership report outlining activities and material issues on engagement with companies and proxy voting activities[13] 15. **Demonstrating meaningful stewardship action through climate case studies** – The investor reports bilateral engagements with specific investee companies by publishing annual case studies. These illustrate the objectives of their engagement, the related course of action and the associated outcomes. 16. **Proxy voting guidelines incorporate climate** – The investors' proxy voting guidelines incorporate climate considerations[14] 17. **Voting records** – The investor reports on voting decisions/activities for all portfolio companies[15] 18. **Stewardship initiatives and collaboration** – The investor is part of a climate corporate engagement initiative[16] 19. **Engagement targets** – The investor has a climate corporate engagement target[17]
Investor Disclosure	20. The investor discloses portfolio emissions[18] 21. The investor has published an advanced scenario analysis[19] The investor has published climate disclosure information in line with TCFD recommendations (or related climate reporting framework, including ISSB)[20] 22. The investor shows considered disclosure on physical risks and/or sets out actions to increase portfolio resilience/adaptation to physical climate impacts[21]
Policy Advocacy	23. The investor mentions climate policy advocacy/climate regulation advocacy 24. **Disclosure of climate-related policy advocacy** – The investor publicly discloses its climate-related policy advocacy engagements, position or plan[22] 25. **Support of climate-positive policy positions** – The investor has supported a collective, positive policy position or letter on climate/net zero[23]

Footnotes to indicators

[1]The investor publicly recognises climate change as a factor that does, or will, impact their portfolio (or has made stated they are, or intend to, take climate action). A 'Part' achieved rating for this category indicates the investor had a very high-level or vague statement on climate change (or, e.g., only climate ambitions for their banking division, not the asset management division). Thus, those investors appear to have taken no material climate change action over their investment portfolios.

[2]Establish a formal policy on integrating climate change or integrate climate change into existing policies (e.g., this may be a standalone policy that incorporates climate change into investment analysis, decision-making, investment manager selection and appointment, etc.). Alternatively, climate change may be referenced in Responsible Investment Policies or ESG Investing Policies. A 'Part' achieved rating indicates the investor had only mentioned climate change in their policy at a high level with no detail or clear recognition of acting in line with the Paris Agreement.

[3]The investor receives a 'Yes' if there is a clear linkage at the Board/Executive level. The investor receives a 'Partial' where the investor mentions business remuneration/incentives in the context of climate performance but lacks specific details or evidence.

[4]This includes an ICAP, transition plan or similar document, setting out the forward-looking actions and strategies the investor will take to get to net zero. This may be published as a standalone document, on the investor's website or with details on strategies and goals in TCFD-aligned disclosures. Investors received a 'Part' achieved rating for this category where the investor shows high-level or vague climate plans only, with no comprehensive or concrete steps or actions.

[5]An investor achieves a 'Yes' if they have a net zero ambition over the whole portfolio, aligning at least with the relevant NDC. The investor receives a 'Part' achieved rating for this category where the investor has only set a net zero goal for a small part of the portfolio and without a broader net zero portfolio commitment. Best practice is to align the portfolio emissions reduction target with 1.5 °C and global net zero emissions by 2050 or sooner. Target-setting is essential to jump-start action and inform strategic planning. Targets are also a tool to maintain accountability and to enable investors to monitor their progress.

[6]Whole portfolio short-term decarbonisation targets/ambition, for example, for 2030. The investor receives a 'Part' if they have made a net zero commitment over just some fund/assets but not the whole portfolio. Best practice is to set intermediate targets every five years using recognised methodologies and frameworks to set, assess, report and verify performance. Short-term targets are beneficial for aligning strategic planning and incentivising investment managers, asset owners and other stakeholders to track progress towards long-term targets and ensure that action is built into existing corporate governance systems.

[7]This includes the Net Zero Asset Managers, Paris-Aligned Asset Owners and UN Asset Owner Alliance. An investor who is part of the Net Zero Banking Alliance or Net Zero Insurance Alliance but not a signatory to an investor-specific net zero alliance received a 'Part' rating, as the asset management division is generally not included within the scope of these commitments.

[8]Commit to increasing investments in appropriate climate solutions, clean energy and low-carbon opportunities, or transition finance investments. An investor received a 'Yes' where a quantitative target has been set. The investor received a 'Part' rating if they have a qualitative target or strategy to increase climate solutions exposure or where they clearly mention or track annual investment exposure to climate solutions/ transition finance instruments for their investment division. A 'Part' rating would also be achieved where the green finance target is seen to relate to the banking or insurance division only. Best practice is to set a 10-year goal for allocation to climate solutions representing a percentage of revenues or capex from AUM (for example, based on taxonomy mitigation criteria), increasing over time.

[9]An investor receives a 'Yes' if they have detailed targets at the asset or sector level (e.g. NZIF asset alignment targets or proprietary asset alignment methodology). Investors received a 'Part' achieved rating for this category where they have measured alignment at the asset or sector level but not set targets; OR the investor noted that they had set an asset alignment target using NZIF or SBT-FI, etc, but there was no publicly available evidence of this. Asset alignment targets are the main driver for achieving portfolio emissions reductions. This target is to increase the alignment of assets within the portfolio with net zero pathways. Investors set asset alignment targets using the NZIF or using SBT-Fi or other bespoke approaches at the asset level.

[10]This includes integrating some form of formal fossil fuel policy, or energy investment policy, commitment to divest, screen or strategy relating to the investor's portfolio. It could include details of escalation strategies, exclusions, plans for engagement on the managed phase down or outs, screens, transition finance or commitments to exit or transition fossil fuel investments, etc. Best practice is to establish a formal investment policy or transition strategy on fossil fuels and other high-impact activities that align with a net zero target, including an explicit commitment to phase out exposure to fossil fuels and phase up exposure to renewable and clean energies in line with science-based net zero pathways and aligning with just transition principles. Investors received a 'Part' achieved rating for this category if they only had an exclusion, screen or divestment commitment over a small part of the portfolio, or if the policy only seemed to apply to banking or insurance divisions, or if there was some evidence of a fossil fuel policy but with insufficient information or detail.

[11]This includes a deforestation policy, commitment, strategy or integration of deforestation into existing policies, inclusion of deforestation in proxy voting policies, or statements by investors formally requiring a focus on ongoing stewardship with regard to deforestation. For example, it could include a commitment to a portfolio free from forest-risk agricultural commodity-driven deforestation activities. Investors received a 'Part' achieved rating for this category if they made a reference to having a deforestation position but without providing sufficient detail.

[12]This includes a clear nature action strategy, TNFD-aligned disclosures or deforestation-related disclosures/ actions to the extent they exist. Investors received a 'Part' achieved rating for this category where the investor only has very high level (e.g., generic) disclosures/ strategy or only reports at the group level (e.g., a bank) and has no specific disclosures related to the fund management or asset owner division.

[13]The investor receives a 'Yes' if they have standalone stewardship reporting, A ' Part' where the reporting is integrated reporting, 'No' where there is no evidence of meaningful reporting.

[14]The investor receives a 'Yes' where there is explicit integration of climate/net zero. A 'Part' rating is received where there is only general acknowledgement of environmental or ESG considerations. A 'No' is received where no mention of climate-related areas or no voting policy is found.

[15]The investor receives a 'Yes' when they publish reporting across all portfolio companies; A 'Part' rating is received when the investor does aggregate reporting only or reporting for some but not all companies (e.g., only equities in a certain market).

[16]The investor receives a 'Yes' when it participates in a climate corporate engagement initiative (e.g., CA100+ (Climate Action 100+); AUEP (AIGCC Asia Utilities Engagement Program); FAIRR (Farm Animal Investment Risk & Return Initiative; PRI SPRING (a PRI nature initiative); ARE (Asia Research and Engagement)); NA100 (Nature Action 100+), etc). A 'No' rating is received where there is no participation in such initiatives. See, for example, https://www.climateaction100.org.

[17]The investor receives a 'Yes' if they have an engagement threshold target or some other form of engagement target with investees. The investor receives a 'Part' if they track and disclose the current level of engagement but without a target.

[18]Financed emissions (Scope 3, category 15). The investor receives a 'Yes' if they evidence disclosure Scope 3 category 15 (Scope 1,2) for the whole portfolio or all material assets, or a 'Part' rating if emissions are only disclosed for some asset classes.

[19]The investor receives a 'Yes' where they have conducted and disclosed scenario analysis results/ risk assessments under a variety of global warming trajectories (e.g., 1.5 °C; 2 °C: 4C+). The investor receives a 'Part' if they have only conducted scenario analysis against one scenario or whether there is some evidence of scenario analysis but not with sufficient detail.

[20]Investors received a 'Part' achieved rating for this category where the investor only has very high level (e.g., generic) TCFD disclosures or only reports at the group level (e.g. a bank) and has no specific disclosures related to the fund management or asset owner division.

[21]This metric captures whether the investor publishes results of scenario analysis and stress testing to assess the impacts of physical risks on the portfolio and/ or whether they use this analysis to inform current and future investment decisions, stewardship or policy advocacy, etc. Investors received a 'Part' achieved rating for this category if they had either 1. only very high level/general info on physical risks, 2. only reported physical risks at a high level for one asset class or 3. only reported physical risk for the banking division level with no information specific to the investment portfolio.

[22]The investor receives a 'Part' if high-level disclosure only.

[23]Examples of collective positions that could be supported include signing the Global Investor Statement to Governments on the Climate Crisis in 2022 or 2023 or other collective climate-related statements from PRI, UNAOA, UNEPFI, etc). Investors are encouraged to support collaborative investor statements calling on governments to implement specific policy measures aiming at achieving net zero emissions to limit global warming to 1.5 °C. This may include calls for governments to scale up renewable investments, phase out coal, phase out fossil fuel subsidies, introduce carbon pricing, etc.

For media questions, policymaker discussions or for investors looking for net zero implementation support, please contact info@aigcc.net for more information.

About AIGCC

AIGCC is the leading network of institutional investors in Asia, mitigating climate risks and seizing net zero opportunities. Our members include some of Asia's largest pension funds, fund managers and other financial services providers.

We activate investors, encourage high-emission businesses to transition to net zero and advocate for policy that unlocks capital for climate solutions. AIGCC connects members to resources, networks and forums to accelerate their climate practice. We also advocate on their behalf to business and political decision-makers.

Report sponsor

MSCI is a leading provider of critical decision support tools and services for the global investment community. With over 50 years of expertise in research, data and technology, we seek to deliver integrated data, analytical tools, indexes and insights that untangle the complexity of the net zero transition. Our climate solutions harness the depth of our data and the collective insight of our analysts from across the globe to help institutional investors understand how to produce return, quantify risk and adapt their strategies accordingly. In Asia, we have dedicated Asset Managers supporting investor needs in integrating climate considerations into their investment process. From analysing and attributing portfolio emissions to capturing opportunities, sharpening one's views of climate-related risk, setting and monitoring progress towards targets, and benchmarking performance – investors can find the right tool at every stage.

AIGCC
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