



Net zero investment report Progress during 2024

Reporting against our commitments
made as a member of the Net Zero
Investment Consultants Initiative (NZICI)



Executive summary

Climate change continues to be a key focus of our advice as we want to ensure that our clients have a clear picture of the risks and opportunities available

Our investment advisory clients are predominantly long-term asset owners, so our activity is heavily focussed on encouraging actions that help to reduce climate risk in the real world and hence protect the integrity and stability of financial markets on which our clients' long-term investment objectives depend.

During 2024, we made significant progress in a range of areas including:

- driving change with investment managers across the spectrum of asset classes, including the significant area for pension schemes of Liability Driven Investments (LDI) and the bulk annuity market where impact can seem more limited;
- developing availability of investment opportunities in the energy transition; and
- policy advocacy with our well-supported [climate policy asks](#) campaign, which seeks to drive improvements through regulatory and policy change.

We continue to develop all of these areas to ensure our clients have access to the responsible investment opportunities available.



Zuhair Mohammed FFA C.Act
Head of Investment



This is LCP's third formal progress report as a signatory to the Net Zero Investment Consultants Initiative (NZICI). In this report, we have set out the progress we made during 2024.



Clients are starting to review their net zero goals to ensure they are in line with market progress as well as remaining stretching and achievable. We are taking this opportunity to help our clients focus on more impactful actions they can take and implementing them where possible.



Climate change can only be mitigated through collective action and policy change. LCP's climate policy asks (fully launched in 2024), enable clients to stand behind our requests of policymakers to drive change.

At LCP we fuse human expertise with powerful analytics to shape a more positive future.

Commitments 1 to 3

- 1** We will integrate advice on net zero alignment into all our investment consulting services as soon as practically possible and within two years of making this commitment.
- 2** We will work with our institutional asset owner clients to identify the investment risks from climate change, highlight the importance of net zero alignment and, where applicable, support our clients in developing policies that align their portfolios to a net zero pathway.
- 3** We will support efforts to decarbonise the global economy by helping our clients prioritise real economy emissions reductions, reflecting the target of 50% emissions reduction by 2030 or sooner using existing decarbonisation methodologies.

We are committed to integrating net zero alignment throughout our investment advice to clients. Indeed, we expect all our investment consultants to consider net zero when giving advice and encourage them to discuss setting a net zero ambition with clients depending on their specific circumstances.

To demonstrate our approach, we have set out in the following pages some tools we are using. We also covered details of our approach in our previous reports, much of which remains relevant.

Whilst we continue to focus strongly on climate change, we note that there has been significant backlash against ESG (environmental, social and governance) investing. Despite this backdrop, we seek to ensure that our advice continues to demonstrate the benefits and potential downsides of investing to manage climate risk, to allow our clients to make informed decisions about how they manage the risks and opportunities presented.

Case study: Driving effective engagement with fossil fuel companies

The background

A local government pension fund had been challenged about its engagement with the fossil fuel companies it invests in, suggesting engagements had been too open-ended and progress by the target companies too slow. It wanted to understand what it could do to make its engagement strategy more effective.

Our solution

We provided investment and financial analysis expertise, integrated with input from our specialist energy consultancy, to develop an escalation pathway for engagement with fossil fuel companies.

Through a collaborative approach, working closely with the fund's in-house team we helped them design an approach that accommodated its preferences and processes.

The results

An evidence-based framework for the fund to influence fossil fuel companies. This includes minimum expectations, underpinned by the threat of divestment.

A well-received public [report](#) which provides a rigorous evidence base for the agreed approach, that can also be adopted by other investors.

Stewardship priorities and engagement

The majority of our investment clients now include climate change as one of their stewardship priorities. Climate change forms a key part of our stewardship and engagement advice. More details of our stewardship approach are set out in our stewardship reports.

<https://www.lcp.com/en/insights/publications/stewardship-report>

Commitments 1 to 3

LCP Influence

In 2024 we developed a service to improve how our asset owner clients can assess the stewardship practices of their key asset managers and collaboratively drive change with those managers where it is most needed. Whilst net zero alignment is only one aspect of this work, the actions that asset managers are taking on Net Zero and more generally on climate change is a focus of our work in this area as it is the most prevalent stewardship priority of our clients.

RI assessment of bulk annuity insurers

In 2024 we conducted our fourth review of bulk annuity insurers' responsible investment practices, including their approach to climate change. This review serves a number of purposes:

1. Assessing each bulk annuity insurer's approach to sustainability against our view of best practice.
2. Understanding the key gaps in sustainability practices within the bulk annuity sector.
3. Engaging with insurers to encourage improvements in sustainability practices.

Our research helps our clients consider the net zero journey of insurers when they are going through a bulk annuity selection process, or after they have carried out a transaction. For those going through a transaction, it provides a way of differentiating the more climate-aware insurers, and for those who have already transacted, it gives them information they can use to encourage their chosen insurer to improve their practices.

Responses from clients and each insurer's own positioning in our survey is fed back to the insurers with clear indications of our views on how they can and should improve their practices.

Helping our clients invest in the energy transition

In 2024, we continued to develop our investment proposition around the energy transition, connecting the expertise of our investment department with the expertise and insights of our energy practice. We believe that the energy transition is a multi-decade megatrend. To invest successfully, investors must overcome several challenges, including: the complex landscape, the requirement for specialised knowledge, and the difficulty of accessing certain opportunities due to market fragmentation.

We intend to launch two innovative fund of funds that aim to help long-term investors allocate to the energy transition more effectively, using the specialist insights from our energy team and our investment team. This is aligned with our motivation to support the energy transition by facilitating the allocation of capital to a diverse range of sectors beyond the already established large generation projects.

Throughout the year we have provided educational support to a number of asset owners in the pension and corporate space, and have made substantial progress in our plans to provide investors with a simple and efficient way to access the opportunities that energy transition investing affords. We look forward to reporting on this further next year.

Commitments 1 to 3

Enhancements to our climate scenario advice to reflect client expectations and market developments

For several years, our approach to climate scenario analysis has been to focus on the narratives of the scenarios and use numerical analysis to help illustrate the potential outcomes, noting the limitations of the numerical modelling. During the year we have continued to evolve our advice to reflect the growing focus on narrative scenarios.

In particular, we have added material that goes deeper into the potential physical impacts of climate change (to go alongside illustrations of transition risks), and how these could feed through into the economy and the assets our clients invest in. This has led to better engagement from clients on the issues they face from the physical risks of climate change and a stronger drive to understand the potential actions they can take.

New manager research findings

During the year we completed some key research to support our clients across a range of areas. These included:

- Our assessment of Liability Driven Investment (LDI) managers' approaches to UK climate policy advocacy

Clients have been able to use this research to interrogate manager approaches and seek improvements where there is potential. During the year we fed back to those managers where we would like to see further improvements from them. This has led to managers reviewing their approaches and ensuring that what they are doing is more publicly visible.

- Our RI survey of investment managers – our seventh survey, focussing on ESG foundations, climate change, stewardship and systemic stewardship.

This survey helped our clients understand the approaches being taken by their investment managers as well as other managers, to help them compare and see what options are available. In particular, the climate change report looked at whether and how asset managers are helping investors achieve their climate goals. It is also a key tool we use to engage with managers and encourage continuous improvement in their approach to managing climate change risks and opportunities.

Training of the investment team and the wider business

Over 2024, our investment teams and, in some cases, the wider business have been provided with a range of training sessions including:

- **Progress towards net zero** – examining the UK's progress towards its net zero power targets and the likely impact of future scenarios.
- **Systemic risks** – focussing on how to integrate them into pension scheme clients' existing risk management frameworks, both generally and specifically to climate risk.
- **Mitigating climate risks** – discussion on how we can help our clients mitigate climate risks over the short, medium and long term, including stewardship of investments, policy engagement, and assessments of bulk annuity insurers.

Commitments 1 to 3

Case study: University looking for sustainable investment opportunities to support its net zero ambition

The background

A university endowment client committed to an integrated, whole-university approach to achieving net zero emissions by 2040. In common with many UK universities, it also committed to avoiding any meaningful investment exposure to fossil fuel companies and, when selecting new investments, to actively considering opportunities for increasing positive social or environmental impacts.

We helped them review the investment options available to support these ambitions on net zero and sustainability, all within the context of the university's financial objectives of achieving a total return of inflation +3.5% pa with good cashflow generation.

Our solution

Sustainable infrastructure was identified as a good option to meet both the university's financial objectives and its sustainability ambitions, while also providing diversification from its other more traditional investment holdings.

Given the university's limited governance capacity and internal resources, we sought an investment approach that was operationally efficient while prioritising net zero alignment, total return target and cashflow considerations.

To support this, we evaluated 17 infrastructure investment funds from a longer list of potential options. The requirements for both net zero alignment and avoidance of fossil fuels limited the field of options. We subsequently conducted detailed due diligence meetings with five investment managers who could fulfil these requirements.

The results

Ultimately, two infrastructure funds were selected, both investing in net zero aligned infrastructure, helping to drive the energy transition and expected to deliver strong financial performance and cashflow generation to support the university's operations.

Key Performance Indicators

The KPIs below are as at 31 December 2024 and are provided in line with the NZICI reporting requirements.

	Number of clients	% of AUM for LCP investment consulting clients
Number of clients, and their respective assets under management, who have received meaningful education on net zero alignment	200	94%
Number of clients, and their assets under management, who had access to baseline carbon emissions data on their portfolio	73	77%
Number of clients, and their respective assets under management, who had decided to incorporate a net zero ambition for 2050 or sooner into their policy	73	50%
Number of clients, and their respective assets under management, who had set a net zero target for 2050 or sooner along with interim target(s) and the intention to be Paris-aligned using appropriate methodology	16	38%
Number of clients, and their respective assets under management, who have agreed a formal goal to increase exposure to ' climate solutions ' however defined	14	39%

The table above provides insight into the number of clients we have advised on net zero over the last few years, against the metrics defined by NZICI. Asset under management (AUM) figures are approximate and not stated at a single date.

Data is taken from information available at 31 December 2024 and relates to over 250 clients with total assets under advice in excess of £180bn.

Commitment 4

We will assess and monitor asset managers on the integration of climate risks and opportunities in their investment decisions and stewardship and reflect this evaluation in our client recommendations.



Our assessment of asset managers

We grade all investment managers' products that we research on behalf of clients from 1 to 4 on responsible investment, based on ratings for four underlying pillars – ESG integration, voting & engagement, climate risk management, and net zero alignment.

In order to assess each of the four pillars, our researchers assess whether the product meets a series of “good practice” indicators within that pillar. Examples for each pillar are:

- “Has the investment team demonstrated strong ESG expertise (eg confident talking about a wide range of ESG-related topics relevant to their portfolio)?”
- “Have you seen evidence from the manager that it uses engagement (and voting where applicable) to encourage better ESG practices (ie not just greater disclosures)?”
- “Have you seen evidence that the manager considers physical climate factors as well as transition factors?”
- “Does this specific product have a formal net zero target?”

Following the completion of our research of a product, if we believe we have useful feedback for the investment manager, we will arrange a feedback call to discuss the conclusions of our research. This provides us with the opportunity to give feedback to the manager on areas of their processes that we feel could be improved, including on stewardship or other elements of RI. We do this both to improve outcomes for our clients and to raise standards within the investment industry as a whole.

Use of our RI grades

The grades that investment products are assigned by our investment researchers in respect of responsible investment have two key uses in helping our clients achieve their climate goals.

The first is when appointing investment managers to manage a specific allocation. When client consultants conduct manager selection exercises, there is a requirement in our process that the shortlisted managers' approaches to ESG, voting & engagement and climate change are considered.

There is a requirement for consultants to comment in any briefing document for a selection exercise (or direct recommendation advice paper) on these specific considerations and, if advising a UK pension scheme, how this compares to the policies in the client's Statement of Investment Principles. If this information is not included, client consultants must evidence where these issues have been raised and discussed with the client on a prior occasion.

The second key use of the output is in ongoing manager monitoring. Our client consultants share our RI grades for individual products with clients who are invested in them.

In addition, we have developed performance monitoring report templates that provide different means by which to display our RI grades and explain the context to clients.

Commitments 5 to 6



Commitment 5 is not applicable to our business.

With respect to our fully discretionary services, we will align with the Net Zero Asset Manager initiative as soon as practically possible and within two years of making this commitment.

Commitment 6

With respect to our own business operations, we will set emissions reduction targets across all our operational emissions in line with 1.5 degree C scenarios.

We have reported on this commitment over the year from 1 April 2024 to 31 March 2025, given that this is the reporting period for which we have collected data.

We have been operationally carbon neutral (through offsets) since 2021 (for scope 1 and 2 emissions), and source as much electricity as possible via renewable tariffs (currently over 90%). We measure our CO₂ emissions both with and without renewable tariffs, as we know that views of the impact of these tariffs can differ. However, we believe that irrespective of how CO₂ is accounted for, using renewable tariffs helps to drive and stimulate investment in the renewable energy sector.

Our scope 1 & 2 CO₂ emissions, on a location basis (ie not including the impact of renewable tariffs), have reduced by 39.6% since 2017/18. In the last year, we have reduced our scope 1 & 2 emissions by 4.2%. This demonstrates we have made significant strides in reducing our emissions, no matter how you account for electricity. We have also reduced our carbon intensity ratio per person by 64.9% since 2017/18.

Some of the recent actions we have taken include partnering with Octopus Electric Vehicles to offer Electric Dreams, a year-round available employee benefit, which enables our people to get an electric vehicle (EV). Our Winchester office solar panels generated 21.3MWh during the year which represents 6.3% of electricity consumption for this office. We are planning to introduce 78 additional solar panels which will generate at least an additional 20MWh plus per year. Our Edinburgh office also moved to a more energy efficient building to help reduce the impact of our growing team there.

We have also onboarded Sweep as a carbon monitoring and intelligence tool to enhance our ability to understand and report on Scope 3 emissions, to help us make more informed business decisions, and to enable us to set and achieve reduction targets across all scopes of emission.

KPI: Level of emissions across operations

Over the year to 31 March 2025, LCP LLP's location-based energy usage and carbon emissions were as follows:

	2024-2025		2023- 2024		2017-2018	
	MWh	tCO ₂ e	MWh	tCO ₂ e	MWh	tCO ₂ e
Gas	58.2	10.7	60.7	11.1	36.8	6.8
Total Scope 1	58.2	10.7	60.7	11.1	36.8	6.8
Electricity	626.9	125.3	631.6	130.8	621.1	218.4
Total Scope 2	626.9	125.3	631.6	130.8	621.1	218.4
Business travel in employee-owned cars	49.6	11.3	54.2	12.4	59.2	14.1
Other Scope 3 items	Not quantified					
Total Scope 3	49.6	11.3	54.2	12.4	59.2	14.1
Total	734.7	147.3	746.5	154.3	717.1	239.3
Intensity Ratio	0.640	0.128	0.707	0.146	1.093	0.365
– Per Person						

The figures above are in line with the 2019 UK Government environmental reporting guidance, Greenhouse Gas Protocol Corporate Accounting and Reporting Standard, Energy Saving Opportunity Scheme (ESOS) and have been converted into carbon emissions using the UK Government Conversion Factors.

For further details on our own approach to net zero for our operations, please see our impact report: **LCP's Impact 2025**

Commitments 7 to 8

Commitment 7

Within the wider financial community, where suitable net zero methodologies do not exist, we will work collaboratively for the benefit of our clients to address these challenges, seeking harmonised methodologies.

During 2024, we were part of a number of industry groups as well as NZICI, including the Investment Consultants Sustainability Working Group (ICSWG), the Institutional Investors Group on Climate Change (IIGCC) and Pensions for Purpose. As part of these groups, we have collaborated on climate-related topics that support our net zero advice to clients.

This work has included:

- Leading the ICSWG Influence Workstream, including identifying three policy areas of focus and developing position papers on them to guide its policy advocacy. These include identifying ways of simplifying and reducing regulatory burdens and facilitating sustainable investment. The workstream meets regularly with representatives from the Pensions Regulator (TPR), the Department for Work and Pensions (DWP) and the Financial Conduct Authority (FCA).
- Membership of the UK Policy Working Group of the IIGCC, providing input through quarterly meetings and also on an ad hoc basis. Over the reporting year, this included discussing the role of pension schemes in unlocking patient capital in connection with the Transition Finance Market Review.
- Providing feedback on the Net Zero Investor Framework (NZIF 2.0) published by the IIGCC in 2024, and participation in the External Fund Managers Working Group which was set up to develop net zero methodologies consistent with NZIF 2.0 for third party fund managers.
- As a Community Partner of Pensions for Purpose, we exchange views on market developments, barriers and opportunities through quarterly meetings for senior representatives from both organisations plus ad hoc discussions.

Commitment 8

Within the wider financial community, we will engage independently or as a group with regulators and policymakers to facilitate the transition to net zero carbon emissions, addressing any barriers to our clients adopting and achieving their net zero targets.

We engage regularly with policymakers and regulators. For example, through our role in ICSWG, we have regular discussions with TPR where we've shared our experiences from advising clients on climate governance and reporting, in line with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations, and the real-world actions that our clients can take.

We regularly take part in consultations that are relevant to ESG, climate change and net zero. During 2024, this included responding to:

- The Government's call for evidence on [the first phase of the Pensions Investment Review](#) looking at boosting investment, increasing pension pots and tackling waste in the pensions system.
- [DWP's consultation](#) to introduce reforms to the private DB pensions systems to benefit members, employers and the wider economy.
- The Work and Pensions Committee's [evidence session on fiduciary duty and climate change](#).

Our CEO has also spoken publicly on fiduciary duty and climate change at a number of conferences including the 2024 Law Debenture debate where he argued for the motion "This House believes that pension scheme trustees should now prioritise sustainability ahead of financial returns".

Commitment 8

LCP's climate policy asks have been developed to help give weight in our discussions with policymakers

At LCP, we want to use our influence to drive forward the best possible climate outcomes for our clients and the beneficiaries we ultimately serve. But we also know that our voice is so much more powerful when we have the support of others behind us, which is why we've invited asset owners to support the policy asks shown opposite.

We publicly launched our climate policy asks in 2024. We are using them to guide our discussions with policymakers and regulators, to consistently focus on what we believe are the most important policy changes to address climate risk on behalf of our clients and their beneficiaries. As at 31 March 2025, we had 58 asset owners with £187bn in assets signed up to show their support for some or all of these asks. The actions we have taken during the reporting year include:

- written to two new government ministers (one pensions, one energy) about our asks which are relevant to their roles;
- continued our engagement with civil servants and regulators on our climate policy asks, both representing LCP and in collaboration with the ICSWG;
- talked to Department for Business and Trade employees about the transfer of assets from UK defined benefit schemes to insurers and the barriers/opportunities this presents for investing in UK private market assets;
- promoted discussion and debate on fiduciary duty, with our CEO Aaron Punwani speaking at a ShareAction event, advocating for clarification that trustees can take account of longer-term considerations and real-world impact when making investment decisions;

- quoted relevant asks in our responses to HM Treasury's Call for Evidence on Pensions Investments and the FCA's Consultation on value for money;
- discussed our policy asks and highlighted why asset owners should do more to influence climate policy on a Pensions for Purpose podcast;
- encouraged clients to support the 2024 Global Investor Statement to Governments on the Climate Crisis, which relates to two of our asks; and
- highlighted investor support for climate policy action following the release of the UN emissions gap report.

Our policy asks are:

1. Climate regulations for investors should aim for real-world impact, not just disclosure
2. It should be easier for DB and DC pension schemes to invest in climate solutions, including growth and/or illiquid assets
3. Climate action needs to match the scale of the risk, removing the current disconnect between the levels of policy ambition and implementation.
4. Governments should set clear, credible, consistent net zero plans, which are nature-friendly and socially just, so investors can invest in the net zero transition with confidence
5. Pension trustees' fiduciary duty should be reinterpreted to have a longer time horizon and include macro (impact) as well as micro (risk) considerations

Clients started signing up to these in 2024. You can find more information [here](#), including how asset owners can sign up to support the policy asks.

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At LCP, our experts help to power possibility by navigating you through complexity to make decisions that matter to your business and to our wider society. We are powered by our desire to solve important problems to shape a more positive future. We have market leading capabilities across pensions and financial services, insurance, energy, health and analytics.

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