

Net zero emissions through investment management

LCP's views of best practice for investment managers

October 2026

At LCP, we firmly believe that achieving the goals of the [Paris Agreement](#) on climate change is in the best interests of our clients and their beneficiaries. We are committed to working with others throughout the investment system – including our clients and their investment managers – towards this goal.

This note sets out our current view of best practice for helping to achieve net zero emissions through investment management. It updates our previous notes on this topic.

We encourage our clients to use the full weight of their position as asset owners — through how they allocate capital, engage, contribute to policy, and signal to others the importance of addressing climate change — to make net zero global greenhouse gas emissions by 2050 more achievable. One of the ways we help them do this is through selecting investment managers, and investing in mandates, with credible approaches to net zero. Our research views include an assessment of each investment management product's climate risk management and net zero alignment.

Climate risk is financial risk

We expect managers to appropriately manage climate-related risks and opportunities for our clients' assets. This includes those arising from both the transition to a low carbon economy and the physical impacts of climate change. And it's not just about risks to individual assets; we also expect investment managers to play their part in mitigating systemic climate risk.

We recognise that the political and economic context in which investment managers operate has changed over the last few years. There are legitimate questions about the feasibility of achieving net zero global greenhouse gas emissions by 2050 and of limiting global average temperature rises to 1.5°C above pre-industrial levels. However, the imperative to manage financially-material climate-related risks over the short-, medium- and long-term remains. Our investment clients have fiduciary duties to invest in line with the best interests of their beneficiaries, and these are mostly long-term interests.

There is considerable evidence that continuing on the current trajectory of climate change will be detrimental to financial markets stability and the real value of financial assets.¹ This would impact the value of benefits received by the beneficiaries of our clients. We therefore believe it is consistent with our clients' fiduciary duties to actively support the Paris Agreement goal to limit global average temperature rises to well below 2°C and pursue efforts to limit them to 1.5°C; and the main way they can achieve this is through appointing a suitable investment manager and giving them an appropriate mandate.

Investment management levers for supporting the Paris Agreement goals

In our view, there are four main actions that investment managers can take to support the Paris Agreement goals and make net zero global greenhouse gas emissions by 2050 more achievable.

These actions are:

1. **allocating capital** to assets that are **better aligned with net zero pathways** (subject to this being consistent with their financial objectives), for example favouring companies that have credible emissions reduction targets and transition plans; investing in companies that are providing solutions to climate change; and not investing in

¹ For example, [Sixth Assessment Report — IPCC](#), [Climate transition and global financial stability: literature review - GOV.UK](#), [Emperor's New Climate Scenarios – a warning for financial services](#)

the expansion of fossil fuel production and infrastructure, except where low-carbon alternatives cannot viably meet the relevant energy demand within the required timeframe;

2. **encouraging** portfolio companies, or other investee entities, to **set and meet stretching emissions reduction targets**;
3. **advocating for system-level changes**, for example through engagement with policymakers, that increase the chances of reaching net zero global emissions by 2050; and
4. **signalling to others** the importance of addressing climate change, for example through thought leadership publications and contributions to industry groups.

Best practice for investment managers is **institutional alignment** for these actions. Managers should actively encourage their other clients to authorise them to take the same actions on behalf of those clients' capital.

To be clear here on two specific points:

- **The focus should be on real-world emissions reductions:** The aim is to rapidly reduce global net emissions. That means engaging with companies, leaseholders and other stakeholders to get real emission reductions; and seeking profitable investments in companies or other assets that assist with emissions reduction or removal.
- **Reductions in portfolio emissions is not the driving objective:** Selling portfolio assets (or companies selling emissions-intensive divisions) is unlikely to achieve a substantial real-world reduction in emissions. We recognise that approach may increase the cost of capital, thereby encouraging that business to change, but any effect is likely to be small. Therefore, greater focus and resources should be allocated to increasing investees' alignment with net zero pathways.

Our assessments of investment managers

Each investment product we research receives a responsible investment (RI) score that feeds into our overall assessment of the product and hence the likelihood of us recommending the product to our clients. This RI score is derived from an assessment of four underlying pillars – ESG integration, voting and engagement, climate risk management, and net zero alignment. Some clients may choose to set minimum requirements for the investment managers they appoint, for example a minimum RI score or being a signatory to a particular industry RI initiative.

Our research grading framework reflects our views of best practice for net zero emissions through investment management. Products that have a greater focus on engagement and real-world emissions reductions are likely to achieve higher grades. Our views of best practice are set out in more detail in the Appendix.

Of course, investment managers must always act consistently with their duties towards our mutual clients. We recognise that there could be conflicts between short-term and long-term interests which may constrain the actions that can be taken. However, we expect the actions outlined in this note to be in our clients' best interests over the longer term, and to help manage short-term and long-term financial risks.

We would welcome a discussion about tensions between shorter- and longer-term objectives and how these can be managed.

Contact us

If you would like to discuss the issues covered in this note, please get in touch with one of our team.

Claire Jones FIA C.Act
Partner

+44 (0)1962 873373
claire.jones@lcp.com



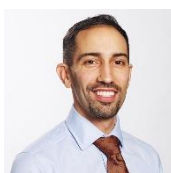
Matt Gibson FIA C.Act
Partner

+44 (0)20 3824 7255
matt.gibson@lcp.com



Shyam Gharial FIA C.Act
Senior Consultant

+44 (0)20 7432 7743
shyam.gharial@lcp.com



Ken Willis
Partner

+44 (0)20 7432 6701
ken.willis@lcp.com



Restrictions on use

This document is only appropriate for the purposes described and should not be used for anything else. It is subject to any stated limitations (eg regarding accuracy or completeness). Unless otherwise stated, it is confidential and is for your sole use. You may not provide this document, in whole or in part, to anyone else without first obtaining our permission in writing.

About Lane Clark & Peacock LLP

We are a limited liability partnership registered in England and Wales with registered number OC301436. LCP is a registered trademark in the UK and in the EU. All partners are members of Lane Clark & Peacock LLP. A list of members' names is available for inspection at 95 Wigmore Street, London, W1U 1DQ, the firm's principal place of business and registered office.

Lane Clark & Peacock LLP is authorised and regulated by the Financial Conduct Authority for some insurance mediation activities only and is licensed by the Institute and Faculty of Actuaries for a range of investment business activities.

© Lane Clark & Peacock LLP 2026

<https://www.lcp.com/en/important-information-about-us-and-the-use-of-our-work> contains important information about LCP (including our regulatory status and complaints procedure), and about this communication (including limitations as to its use).

Appendix - Investment managers supporting the Paris Agreement goals

To protect the long-term best interests of our clients, we encourage all investment managers to:

Publicly support the Paris Agreement goals and a rapid transition to net zero global emissions:

- **join the Net Zero Asset Managers initiative** to support investing aligned with the global goal of net zero greenhouse gas emissions;
- **speak out publicly in support of the Paris Agreement** and net zero, for example by publishing relevant research and thought leadership, calling on governments to provide a supportive policy and regulatory environment for investors and companies, and publicly disclosing actions taken on climate grounds (such as voting and divestment actions);
- **encourage all clients to give you the mandate to act** by educating them on the importance of achieving net zero emissions, offering products that are managed in line with this goal, and encouraging them to include a net zero target in segregated mandates;

Align investment holdings with net zero pathways to the extent consistent with clients' fiduciary duties:

- **seek rapid real-world reductions in emissions, focusing on alignment of holdings** with net zero pathways rather than overly focusing on reductions in portfolio emissions;
- **minimise, where possible, primary investments** in assets that are **expanding fossil fuel** production or infrastructure, or facilitating their expansion;
- **assess alignment of holdings** using the alignment maturity scale developed by the Paris Aligned Investment Initiative (PAII)²;
- seek to increase the proportion of assets under management which are **invested in climate solutions** (supporting both mitigation and adaptation goals), including these assets within individual mandates as appropriate;
- invest and engage in a way that supports a **just transition** and **nature-positive** outcomes;

Undertake high quality stewardship:

- use effective voting (where applicable) and **robust engagement with investee entities** to encourage achievement of net zero emissions³ (including through the use of appropriate incentive structures) and management of physical climate risks, and discourage anti-climate lobbying and fossil fuel lock-in;
- **set clear objectives for each engagement**, track progress, and follow a pre-agreed escalation process if you are not making sufficient progress with an engagement;
- **undertake policy advocacy** in support of net zero global emissions by 2050 and adapting effectively to temperature rises, advocating for system-level changes that increase the chances of achieving these goals;
- **collaborate with others to increase the effectiveness** of engagement and develop suitable net zero methodologies for use across the investment industry;

Adopt high reporting standards that support convergence across the industry:

- **provide high quality portfolio-level reporting** to all clients at least annually, that includes alignment of assets, investments in climate solutions, data on the portfolio's scope 1, 2 and 3 emissions intensity, attribution of changes in these portfolio emissions intensities over time⁴, progress of holdings against their individual emissions reduction targets, engagement examples, and progress against your engagement milestones;
- **work with investee entities** to improve the quality and coverage of climate-related data.

² Whereby holdings are categorised as achieving net zero, aligned, aligning, committed to aligning, or not aligned, as set out in the [Net Zero Investment Framework](#).

³ At a pace that is appropriate for the entity's sector and countries of operation.

⁴ For example, the split between changes in emissions intensity due to changes in emissions, changes in EVIC, new data coverage, trading in the portfolio.

Follow good practice for your own firm:

- **set net zero emissions targets for your firm's own operations.**
- keep any use of emissions **offsets to a minimum**, in relation to both assets under management and your firm's own operations, and follow high quality, recognised principles for any carbon offsetting;
- **publish and adhere to a climate action plan** for meeting the commitments made.