

# The Net Zero Investment Consultants Initiative – Frontier Advisors Annual Report

October 2025





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## Frontier – Description of services

Frontier has been advising Australian institutional investors as a full-service asset consultant since 1994. We provide advice on over A\$700 billion of assets across the superannuation, charity, public sector, insurance and higher education sectors. Frontier also has a proprietary investment technology offering.

The majority of our asset owner clients engage Frontier on a full-service, retainer basis, though we also regularly complete project assignments for a range of investors. Additionally, several investors subscribe to our technology platform with no other formal engagement with Frontier. All of Frontier's revenue is generated via the provision of investment consulting and technology subscription services. We do not offer discretionary asset management services or investment products.

Frontier's advisory services cover areas which include investment policy and related issues, strategic and dynamic asset allocation, capital markets updates, sector configuration reviews, investment manager research, policy and governance, responsible investment, regular reporting and other specialist services such as advice and due diligence for direct real assets. We also provide a technology platform that gives clients access to tools and research to guide their investment analysis and decision making.

## Frontier's progress toward commitments

### **Commitment 1. 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.**

We began integrating net zero considerations into our client advice before joining NZICI and continue to refine our approach with that commitment in mind. Responsibility for leading and overseeing this effort lies with our Responsible Investment Group, which consists of senior representatives across the business and determines the firm's responsible investment strategy. Execution of the strategy is the responsibility of all research and consulting personnel, with the Responsible Investment Team providing support and developing specialist services.

For the year ended 31 December 2024, there were a range of examples of net zero related activities undertaken across the firm as noted in the following:

- We continued to include considerations relating to net zero alignment in clients' annual sector configuration reviews, which build on prior efforts over time. Some examples are provided following:
  - Our property configuration review reiterated that real estate is a significant contributor to global emissions and that the recognition of embodied emissions as part of the dynamic was an area of focus for our manager research efforts in this asset class. Evidence continues to build that more climate resilient buildings are able to consistently attract improving rental yields relative to low rated comparables (e.g. based on GRESB scores and NABERs ratings etc.).
  - Our 2024 infrastructure configuration review reiterated the importance of climate considerations when assessing managers and direct opportunities. Our researchers emphasised how the growing share of renewables in Australia's energy system are supportive of investments associated with transmission and grid infrastructure beyond the existing network. Climate resiliency and adaptability was also emphasised as key positive markers when assessing infrastructure opportunities, noting that despite involving greater upfront costs, such characteristics are more attractive from a net value perspective over the longer term. On the risk side, we noted that retrospective risk assessments of assets are increasingly highlighting that climate risks have not been universally considered in as much depth as required for some brownfield opportunities.
  - Our listed equities configuration reviews noted that the number of asset owners setting net zero targets over recent prior years had led to an acceleration of low carbon/climate aligned product offerings by listed equity managers, certainly offshore, but also in Australia where the market has a significantly higher carbon intensity per dollar invested relative to global equities. The pros and cons of several approaches to decarbonisation were discussed, reflective of the

differing stages of experience with net zero across our client base. These included divestment/exclusions, low carbon passive equities, manager engagement and identifying managers with climate-focused strategies. Frontier noted that its equity team had plans to grow the number of climate-aligned product ratings going forward, which continued subsequent to the reporting period.

- The fixed interest and debt configuration reviews reflected on the improving market for climate aligned strategies in the fixed interest space, which had historically lagged meaningfully in terms of sophistication versus listed equities. It was emphasised that climate change ambition can be expressed effectively in the credit space in particular given improving data quality, opportunities to engage with corporates even as a bond holder, and a wide opportunity set. Green bonds remained an area for climate-focused investors to explore although access to this thematic may be best undertaken via diversified investment vehicles to ensure return/risk remain in line with objectives for the sector.
- In terms of internal review processes, as each sector team prepares to compose their annual sector configuration reviews, they engage with Frontier's Responsible Investment Group to ensure that the highest priority and material ESG considerations are flagged for discussion in the reviews. This includes considerations around climate change and net zero as a standing component of the configuration reviews.
- Led by the Responsible Investment Team, we continue to work on developing elements of what we hope will become a more wholistic net zero service framework for clients. Over time, this is expected to cover a comprehensive range of activities as identified by the more widely accepted net zero investment frameworks such as NZAOA and the PAII's NZIF, with a focus on those areas where we consider there is a strong complement with our existing advisory and research services.

As a general observation, the reporting period saw a decline in inbound client inquiries to Frontier around net zero alignment. Our view is that following a period we could reasonably label as optimistic, in the years immediately following COP26, particularly in terms of target setting and collectives, it has become apparent how involved a net zero strategy actually is. The previous optimism did dissipate somewhat and far fewer asset owners than had set targets were seen to take the steps required to establish and execute on transition strategies. Frontier fully appreciates that net zero is a significant undertaking for asset owners, especially those of smaller scale, and maintains its engagement with clients of this nature.

Key performance indicators representing progress metrics on our net zero journey are provided in Appendix A.

**Commitment 2. 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.**

Our client base includes different asset owner types with a wide range of assets under management, depth of internal investment teams, and resources. Our larger clients who have been addressing climate change for several years now are relatively well-progressed with establishing net zero commitments and implementing towards alignment. For small to medium sized clients, we have conducted education programs for a number of trustee boards and senior internal teams that progressed their understanding of climate change and in particular, what net zero entails. We have also been actively involved in reviewing and developing investment and responsible investment policies for this segment of clients that integrate net zero alignment or enable that alignment to occur.

To assist clients with identifying the investment risks from climate change, we have developed capital markets assumptions for specific asset classes that are aligned to a decarbonised economy. These complement the more traditional asset classes with respect to listed equities, unlisted property and unlisted infrastructure. We are also actively developing enhanced methodologies that are designed to quantify return impacts from decarbonisation scenarios that is applicable across a wide range of asset classes and is also applicable to client portfolios broadly.

In addition to broader support for our client base in aggregate, we have conducted bespoke research for individual clients to explore material and effective means for decarbonising their portfolio in the short to medium-term, while aligning with their stated investment objectives.

Mandatory climate reporting came into force in Australia on 1 January 2025, immediately following the NZICI reporting period for this report. The climate reporting standards were developed by the Australian Accounting Standards Board (AASB) as part of its Australian Sustainability Reporting Standards (ASRS), which currently consist of two parts: AASB S1, which are voluntary standards on general sustainability reporting, and AASB S2, which articulate mandatory climate reporting for certain entities (based on meeting prescribed thresholds).

Frontier recognises the importance of a functional and comprehensive climate reporting regime in enabling meaningful progress on net zero and driving positive real world change. As such, we have been supporting clients to meet their climate disclosure requirements in a range of ways, including the provision of carbon (and climate-related) reporting services. As noted in our prior report, Frontier has been working on expanding our capacity to offer carbon (and climate-related) reporting services to clients that would include unlisted asset classes such as property, infrastructure, private equity and private debt. While this remains a challenging area to develop, primarily due to the greater complexity and higher costs involved relative to listed asset classes, we have engaged with ESG data providers to identify solutions which enable a wider range of clients to access critical data of this nature.

In addition, we are also engaging with ESG data providers on potentially acquiring access to additional, related data sets on behalf of our clients which are expected to further support their decarbonisation and climate solutions efforts going forward. The Net Zero Investment Framework 2.0 (NZIF2.0), was published by Paris Aligned Asset Owners during the reporting period. Frontier recognised that the guidance provided by NZIF2.0 has evolved from prior iterations, in moderating the focus on emissions reduction as a primary objective of a net zero strategy, and increase investor emphasis on tracking measures of forward-looking alignment with the Paris goals. As such, we are exploring options to introduce such metrics into our carbon reporting suite. To date, a number of our larger clients have considered augmenting their transition approaches along these lines, although more broadly across our client base, we would categorise the level of engagement with this aspect of NZIF2.0 as nascent, and an area for Frontier to continue to promote further understanding in the near term.

**Commitment 3. Support efforts to decarbonise the global economy by helping our clients prioritise real economy emissions reductions, reflecting the target of 50% global emissions reduction by 2030 or sooner using existing decarbonisation methodologies.**

Frontier meets frequently with asset managers as part of our ongoing search for high quality investment products which meet the implementation needs of our clients. Our manager research program is structured to ensure that the resultant 'bench' of rated investment products enables clients access to a diverse universe of product types. Our equity, real assets and private markets teams have established strategic plans to identify products that explicitly take into account climate considerations, particularly decarbonisation and climate solutions, but increasingly climate adaptation. This work is ongoing and we have observed steady client interest in products which facilitate both climate alignment and suitable risk-adjusted returns. An area of specific focus over the reporting period was sectors which Frontier grouped as 'natural real assets' (Timber, Agriculture, and Water). Given the link between climate and nature from an investment perspective, this is an area of potential materiality for clients going forward.

We also have provided clients with research publications that addressed issues relating to net zero and decarbonisation. Over the reporting period, Frontier published a series of short papers on impact investing which provided guidance on how clients can incorporate the achievement of real world impacts into their headline investment objectives and strategy. We observe that for many asset owners, this is somewhat outside traditional mandates focused solely on investment performance. It is therefore helpful for asset owners considering net zero as a strategic initiative, to have a guide as to

how to uplift understanding amongst key stakeholders and decision-makers of what net zero entails and to socialise the 'why?' of the approach broadly across the organisation. With many of our clients facing pressure around short term performance outcomes, we believe a simplistic narrative around how a real world decarbonisation strategy will somehow necessarily have long term investment benefits is insufficient from a practical perspective to increase the number of asset owners participating in global net zero efforts.

Other relevant papers published over the reporting period included a piece from our real assets and private markets team titled "Facing the Climate Rubicon" which reflected on how asset managers are enhancing the sustainability and climate alignment characteristics of their underlying assets, and how the regulatory environment is influencing corporate and asset owner decisions in this area.

We continue to communicate internally, with clients, and publicly with the broader industry, that our 'house-view' definition of a net zero commitment is not premised on shorter-term, accounting-based, reductions in the emissions profile of the portfolio but should instead be focused on driving emission reductions in the real economy. We emphasise that this is a more complex and potentially challenging task than simply reducing one's 'footprint'.

**Commitment 4. 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.**

Climate change is a standing element in our ESG-related research and monitoring of asset managers, and it has been designated as one of the key assessment areas in our product rating process. While a standard consideration, our ESG assessment framework allows for individual flexibility in the climate change approach taken by managers given their investment strategies and objectives will vary widely. We also include in our manager questionnaires for listed equities and unlisted property and infrastructure, specific questions on emissions profile, target setting, use of offsets and revenue proportions linked to climate solutions. Our specialist sector research teams have primary responsibility for undertaking the analysis and determining our view on a given manager's approach on climate and decarbonisation, meaning that they can bring their full domain expertise to this process rather than ESG being a separate consideration.

As part of an NZICI working group, Frontier contributed to the development of a principles-led framework to support investment consultants assess the credibility of asset managers with respect to net zero alignment. Work on this framework occurred through the reporting period with the finalised framework targeted for completion towards the end of 2025. Frontier's Responsible Investment Group has committed to adopting the framework as the basis to augment its existing Manager ESG Assessment approach, specifically in relation to net zero.

The capability and credibility of asset managers with respect to climate change competency and net zero integration are meaningful drivers of an investment product's rating on ESG and rating overall. Clients should be readily able to compare asset managers across these dimensions when selecting investment products from our rated manager lists. This is articulated in a ESG scorecard which is a key element in the overall product rating that addresses climate change specifically. Individual clients have undertaken detailed reviews of these scorecards as an effective tool for engagement with their appointed managers.

**Commitment 5. Align with the Net Zero Asset Manager Initiative as soon as practically possible and within two years of making this commitment**

We do not offer discretionary services to clients, so this commitment is not directly applicable.

**Commitment 6. Set emissions reduction targets across all our operational emissions in line with 1.5°C scenarios.**

As a professional services firm, our carbon emissions from operational activities are relatively low in intensity compared to the broader economy. In terms of emissions from ongoing business activities,

these primarily relate to energy use from office occupancy and from air travel. We have been quantifying the Scope 1 to 3 emissions from these activities since July 2020. Our property manager has provided guidance on the emissions associated with office occupancy and we have referred to our travel services provider regarding the calculated emissions from air travel. We continue to explore options to offset current and ongoing emissions. We will consider actioning such options once we have assurance that such offsets are available with sufficient credibility and that are cost-effective, along with considering other actions to reduce emissions over time.

Our estimated operational emissions are provided in Appendix B.

**Commitment 7. Where suitable net zero methodologies do not exist, work collaboratively for the benefit of our clients to address these challenges, seeking harmonised methodologies.**

We are investigating methodologies for net zero alignment in asset classes that are more challenging such as private debt, cash and derivatives. We have been engaging with specialist third party providers and collective initiatives with a view to contributing to and adopting a standardised approach. This endeavour is at a preliminary stage while we focus on implementation for asset classes such as listed equities and real assets where the methodologies are more established.

As noted above, Frontier alongside other NZICI signatories, has been involved in the development of a framework to support consistency in the assessment of asset managers with respect to net zero alignment. By promoting a consistent approach in this area, Frontier seeks to promote better comparability for clients making investment decisions related to net zero.

**Commitment 8. 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.**

Frontier continues to regularly attend meetings and workshops with industry and collective groups, such as the IGCC (of which Frontier is an Associate member), to keep abreast of climate-related engagements on policy and regulations. The IGCC is actively involved in policy discussions with government and other key participants, on behalf of members. During the reporting period, Frontier participated in an IGCC-sponsored online Masterclass on the topic of climate scenario analysis to support broader understanding of how asset owners might approach the use of such tools. This has, in part, been prompted by requirements in the new sustainability reporting standards.

We provide further information on this topic in Appendix C.

**Commitment 9. Report progress by our firm against the commitments made here at least annually in public domain.**

The information contained in this report sets our progress on our NZICI commitments in line with the framework agreed to by its signatories. The report will be published annually on our company website.

## Appendix A – Summary of key performance indicators

We present the key performance indicators (KPI) that have been agreed to as part of the Reporting Framework obligations.

Metrics are presented as at 31 December 2024.

**Table 1 – Key performance indicators**

KPI	Description/type	Number of clients	Assets under management (\$bn AUD)
1.	Meaningful education	12	433.7
2.	Baseline carbon emissions data	17	588.1
3.	Net zero ambition	11	660.6
4.	Net zero target/intention to be Paris-aligned	9	287.5
5.	Climate solutions	6	130.2

Regarding KPI 1, we reiterate here that our larger clients are well progressed in developing policies and implementation programs to address climate change issues and achieving net zero alignment. These clients are sufficiently resourced to have organised for education on net zero alignment; there is not a direct need to assist these clients with meaningful education in this area.

We note that for the reporting period, there was no formal regulatory obligation for institutional asset owners to articulate and implement a climate change risk management approach, decarbonisation/net zero strategy, or report on climate-related financial risks. With mandatory climate reporting in force from 1 January 2025, it is expected that this will meaningfully drive the uptake of asset owner actions around climate change competency and decarbonisation.



## Appendix B – Estimated operational emissions

A summary of our operational emissions is set out in Table 2. While there are some activities that are not included in these estimates, those not covered below are marginal in terms of the quantum of carbon emissions. Hence, the estimates below cover the vast majority of our operational emissions footprint.

**Table 2 – Estimated operational emissions for the calendar year ended 31 December 2024**

Emissions category	Estimated emissions (kg CO <sub>2</sub> -equiv.)
Scope 1 + 2	92,983
Scope 3	63,850
<b>Total</b>	<b>156,833</b>

Note: The Scope 3 emissions are unadjusted estimates relating to flight activity. They do not include a loading factor for the intensified impacts of flight activity at higher altitudes, as recommended by the UK Department for Environment Food & Rural Affairs (DEFRA).

## Appendix C – Case study: Role of Climate Scenario Analysis

New Australian Sustainability Reporting Standards governing mandatory climate reporting for entities meeting certain thresholds are now in place. One of the requirements of reporting entities is the inclusion of climate scenario analysis. During and subsequent to the reporting period, Frontier has assisted an increasing number of clients seeking further information about climate scenario analysis more generally, what they are required to provide under the Standards, and how Frontier's climate change module (which was originally launched in 2015) fits into the overall picture.

While reporting entities face certain specific requirements relating to climate scenario analysis disclosure (for example, at least two temperature scenarios are required to be analysed and disclosed), in a more general sense they should demonstrate that they have applied scenario analysis in the effort to understand potentially material climate risks in a practical sense. A typical reader of their climate report should be able to grasp what the potentially material impacts are to the entity's operations and/or portfolios under different temperature scenarios. Frontier observes that this is not necessarily a straightforward undertaking, and when engaging with clients on the topic, we encourage them to approach climate scenario analysis in an authentic manner which aligns with the actual reasons for their inclusion in the Standards by the local regulator (to enable stakeholders to make informed decisions on the entity in relation to climate).

In our engagements with clients, we have provided information on how our climate change module works, the source data (e.g. GDP forecasts provided by Network for Greening the Financial System), how they might approach selecting different scenarios, and interpreting the forecasted impacts on portfolios. In some instances, we have engaged collectively with a client and their chosen provider of climate scenario analysis to discuss how scenarios might interact with Frontier's capital market assumptions.

Frontier is continuing to evolve and enhance our climate change module, as well as the way we engage with our clients on the topic. This is because we view this not simply as a compliance exercise under the new Standards (although this is often the starting point for client discussions), but as a key tool under which clients engage in a more authentic way with climate change as an investment risk and a catalyst to drive ambition in establishing net zero targets and strategies going forward.



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