The Net Zero Investment Consultants Initiative – Frontier Advisors Annual Report

September 2026



Frontier Advisors

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Frontier Advisors Pty Ltd

Level 17, 130 Lonsdale Street, Melbourne VIC 3000
Wurundjeri Woi Wurrung Country

Level 21, 83 Clarence Street, Sydney NSW 2000
Gadigal Country

Telephone: 03 8648 4300
ACN: 074 287 406
ABN: 21 074 287 406
AFSL: 241266

Frontier Advisors – Description of services

Frontier Advisors (Frontier) has been advising Australian institutional investors as a full-service asset consultant since 1994. We provide advice on A$900 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. For the reporting period ending 31 December 2025, we did not offer discretionary asset management services or investment products. In the subsequent reporting period, Frontier established a business line called Independent Chief Investment Officer (ICIO) which also offers advice-led investment execution services.

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, and other bespoke services such as advice and due diligence for direct real assets. Our technology platform 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 2025, 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 capital markets team publishes Frontier's Annual Secular Outlook towards the end of the reporting period each year. AI has been one of the key thematic areas of focus for our 2025 publication. As part of the team's research into the AI thematic, it is recognised that the rapid escalation in development of AI-related infrastructure, in particular data centres, has had a meaningful impact on net zero aspirations in a short amount of time. Such impacts have included technology companies revisiting and retreating from previous decarbonisation commitments in light of the high energy requirements for data centres. Our capital markets team also identified that over the medium term, AI is expected to support more effective decarbonisation efforts although the quantification of these benefits is currently difficult to undertake.
    - Our 2025 infrastructure configuration review highlighted that decarbonisation was one of Frontier's key investment themes for the sector during the reporting period. The infrastructure team undertook some focused research work into the rise of Battery Electric Storage Systems (BESS) noting an expectation of Australian BESS buildouts to follow patterns seen in California. While attractive from a thematic perspective, the investment case was noted to be predicated on fund managers successfully balancing merchant and contracted revenues to achieve optimal risk-adjusted returns.

  - Our private equity configuration review noted how private equity managers can continue to take a longer-term perspective in terms of driving positive change in investee companies, including in relation to climate change and decarbonisation. Over the reporting period, our private markets team rated several investment products in the private equity space which explicitly incorporated impact objectives related to climate resilience. Client demand for such strategies has been steady, if not overwhelming.

- 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 holistic 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 some clients increasingly wrestling with various investment-related challenges associated with the practical integration of net zero strategies (and other sustainability considerations more broadly) into portfolios. For some superannuation funds specifically, the Australian Treasury's 'Your Future, Your Super' legislation continued to represent a headwind to their net zero aspirations. For superannuation funds operating under this regime, it has proven difficult in some circumstances to take meaningful steps towards net zero alignment in portfolios due to the nature of the sector benchmarks against which their performance is tracked. Material investment in off-benchmark climate solutions or targeting a progressive reduction in financed GHG emissions at the portfolio level typically increases tracking error versus the Your Future, Your Super benchmarks, increasing the risk of underperformance in the context of the legislation's performance test.

A difficult investment backdrop over the reporting period (due in part to the narrowness of performance drivers in public equity markets) served to bring these investment-related challenges to light for some asset owners. Notably, one of the seeming effects of these challenges has been for clients to re-test the validity of their approaches to integrating net zero strategy from a real world impact perspective. For example, it still remains relatively common for Australian asset owners to have a portfolio-level, financed emissions reduction target as their primary net zero objective. The investment challenges have, in some circumstances, catalysed further discussions with Frontier about net zero integration which is more focused on engagement and advocacy. We discuss this in more detail as part of our case study.

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 had previously established net zero aspirations are now relatively well-progressed with establishing net zero commitments and implementing towards alignment. Frontier continues to engage with these clients to share insights although they typically have well-resourced internal responsible investment teams who develop and execute on their net zero strategies. Over the reporting period, we observed some of these larger clients undertaking formal reviews into how they could better achieve real world impact in relation to net zero going forward. Frontier expects that more sophisticated asset owners are likely to progressively rotate their resources on net zero towards system-level change, in line with comments made above. Our expectation is that this will require some level of re-training of trustees to socialise this shift in approach.

For small to medium sized clients, we observe that those with mandatory climate reporting requirements (as flagged in our previous report), have focused on this as a primary activity in relation to climate change. There was a tangible decline in inbound queries from smaller and medium sized clients in relation to establishing a net zero strategy over the reporting period.

To assist clients with identifying the investment risks from climate change, we continued to enhance our Climate Change Module, which is Frontier's temperature scenario tool, established in 2015. An area of focus over the reporting period was the updating of underlying scenarios (Network for the Greening of the Financial System or NGFS) to incorporate the latest Intergovernmental Panel on Climate Change (IPCC) assumptions around the impact of physical climate risks on economic activity (and therefore on asset values).

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.

We have continued to engage with ESG data providers on 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. These primarily relate to forward looking measures of climate risk, and metrics which track the degree to which higher emitting companies are aligning their future corporate strategy to net zero.

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 continued to execute on their 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.

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'.

At our annual client conference in June 2025, Frontier examined the impact that the so-called 'ESG backlash' (a political and corporate movement pushing back on sustainable practices) had on the willingness of institutional investors to pursue sustainability objectives (including a net zero strategy). We ran a panel entitled 'Trump 2.0 and the ESG backlash – how should responsible investors respond?'. Our panellists included voices from either end of the responsible investment spectrum such as Estelle Parker, co-CEO of the Responsible Investment Association of Australasia, and Chris Nicholson, Head of Research at Strive Asset Management (widely regarded as the poster child for 'anti-woke' investing). Despite this divergence, the panellists found common ground observing that the ESG backlash had not fundamentally altered the rationale for pursing sustainable investment objectives. It was also considered healthy to periodically test the rationale for ESG and reaffirm purpose.

Nonetheless, investors had become more cautious about how sustainable investment should be framed, communicated and justified. For example, political scrutiny and increasing debate on the meaning of 'ESG' encouraged some investors to shift away from traditional sustainability terminology such as 'climate change' and 'stranded assets' towards financially grounded concepts such as

insurability, asset continuation and energy security. While the panel saw such behaviour as understandable in the circumstances, the higher hurdle for investors to clearly articulate their purpose and align responsible investment activity with their mandate, was expected to slow progress on various sustainability aims. Subsequent to the panel, Frontier has observed ongoing reticence among some investors to increasingly pursue net zero outcomes, exacerbated by challenging conditions for investment performance.

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 approach taken by different managers to address financially-material climate-related risks given their investment strategies and objectives vary widely. In our manager questionnaires for listed equities and unlisted property and infrastructure we also include 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 toolkit to support investment consultants to assess the credibility of asset managers with respect to net zero alignment. Work on this toolkit was finalised during the course of the reporting period and the finalised version published through PRI in late 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. We expect this work to be undertaken over the next reporting period.

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

For the reporting period, we did not offer discretionary services to clients, so reporting on this commitment is not directly applicable.

Subsequent to the reporting period, Frontier established a new business line which we call Independent Chief Investment Officer (or ICIO). This capability will incorporate both investment advice, as well as execution for suitable clients although we will not be creating investment products per se. We intend to incorporate responsible investment advice and execution into mandates under ICIO which will include support for clients with net zero aspirations.

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 toolkit 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 attended the IGCC annual Summit in Sydney as well as the annual conference of the Responsible Investment Association of Australasia (RIAA)

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 out 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 2025.

Table 1 – Key performance indicators

KPI	Description/type	Number of clients	Assets under management ($bn AUD)
1.	Meaningful education	8	64.7
2.	Baseline carbon emissions data	19	737.3
3.	Net zero ambition	9	724.6
4.	Net zero target/intention to be Paris-aligned	6	297.2
5.	Climate solutions	6	247.4

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 typically not a direct need to assist these clients with meaningful education in this area.

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 2025

Emissions category	Estimated emissions (kg CO_2-equiv.)
Scope 1 + 2	93,073
Scope 3	42,235
Total	**135,308**

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: a re-focus on net zero's real world impact

The reporting period proved challenging for Australian institutional investors with respect to generation of outperformance versus market-cap benchmarks, including for Frontier's clients. The 'narrowness' of performance drivers, particularly from a listed equities perspective, meant that active management struggled to deliver consistent alpha. As a generalisation, asset owners with more substantial allocations to passive equity allocations performed relatively better. Unsurprisingly therefore, one of the more common points of inquiry from our clients during this period was whether the prospects for active management going forward had fundamentally changed.

Parallel to this line of inquiry was a general re-examination of any portfolio strategy which leads to material deviations from traditional benchmark indices. These included strategies which sought to reduce financed emissions in client portfolios relative to those benchmarks. In some instances, such approaches were (and still are) a primary expression of an investor's net zero aspiration.

The Paris Aligned Investor Initiative (PAII) Net Zero Investment Framework 2.0 (2024) emphasised that its Portfolio Decarbonisation Reference Objective was not intended to be used as a target setting tool to reduce financed emissions year-on-year. Further, PAII notes that such an approach is "not necessarily 'Paris Aligned' in so far as the Paris Agreement calls for financial flows towards low carbon and resilient development, not for attributed financial portfolio emissions to mirror climate scenarios". Frontier has sought to bring this messaging to life among clients however we may be seeing an additional catalyst arising due to the performance challenges noted above.

Discussions with several clients to date have sought to unpack this dynamic, which has the potential to address both the issues of structural tracking error from a 'low carbon tilt' impacting performance, and re-focusing their net zero approach to be more aligned with real world impact. In Frontier's view, this is a positive albeit serendipitous confluence of considerations which could see clients reviewing the rationale for financed emission reduction targets.

We do not expect the socialisation of such a rotation to be straightforward in all cases, however. In some instances, trustees of asset owners committed material resources and time to establish portfolio emission reduction targets in the first place. As such, Frontier is looking to support those clients in a holistic fashion, including helping them to socialise what moving away from such targets practically means.



Level 17, 130 Lonsdale Street
Melbourne, Victoria 3000
Wurundjeri Woi Wurrung Country

Level 21, 83 Clarence Street
Sydney NSW 2000
Gadigal Country

frontieradvisors.com.au
@frontier_adv
Tel: +61 3 8648 4300

Frontier Advisors Pty Ltd ABN 21 074 287 406. AFS Licence No. 241266.