The Institute and Faculty of Actuaries

Net Zero and the Implications for Investment Portfolios

Terms of Reference

Overarching aim of the WP:
1. **Educate** - collate information to provide actuaries with resources to improve their understanding of what net zero means for an investment portfolio, and the key mechanisms to achieve this, as well as key challenges to date and the future outlook for development. This will enable more actuaries who work in investments to play a role in the transition of investment portfolios to net zero.
2. **Thought leadership** - produce research to develop the profession's understanding of what net zero means for an investment portfolio, and how it can be executed. This will drive forward the net zero agenda and equip actuaries working in investment teams with the knowledge and understanding they need to drive the transition.

Research areas to be covered:
We have a number of different areas of interest for research. We would expect these to develop over time as we progress our research, but themes we intend to research include:
- Net zero investment metrics - how should the different metrics be understood and used to drive the transition to net zero?
- Asset classes - how can different asset classes drive the transition to net zero. For example:
    - Sovereigns - how should carbon emissions associated with sovereign debt be measured, and what would engagement / stewardship look like for that asset class?
    - Carbon removal / offsetting - should carbon offsets / removals play a role in a net zero investment portfolio, and what is that role if so? How should the emissions offset / removed be measured?
- Transition planning - how can transition plan guidance be applied to investment portfolios?
- Downside risk in net zero investment - how can investors manage downside risk across all climate scenarios in transitioning the portfolio?
- How does net zero investing differ between regions and sectors?

In the first instance, we are expecting to produce short reports / articles exploring the topics and questions above.