NET ZERO INVESTMENT CONSULTANTS INITIATIVE

PROGRESS REPORT
SEPTEMBER 2023

CAMBRIDGE ASSOCIATES

CONTENTS

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1

FOREWORD

Climate change is with us today. We are already experiencing its impacts while our response to it will determine the prospects for our economy, our species, and the whole natural world. It therefore goes without saying that to deliver long-term portfolio returns we must incorporate a broad and nuanced understanding of climate considerations into our investment decisions. We know that this is a complex and multifaceted problem, to which no one today has the perfect solution. That is why we are committed to use our leverage, scale, and experience to advance authentic approaches and implement them for our clients. Moreover, transition to a low carbon future offers a rich vein of new investment opportunities for those willing to look forward and imagine a different future.

But it is not enough solely to consider the impact of climate considerations on portfolios. After all, no investor, however smart, can diversify away such a systemic risk. In our role as good stewards of long-term capital, we must also be good stewards of the natural and socio-economic systems that ultimately drive long-term value creation. Therefore, it is important for us to support the growing number of our clients who also care about the impact of their portfolio on the climate; those that want to support the goal of net zero by 2050. We believe that clients do not have to choose between long-term portfolio returns and contributing to the collective goal of emissions reduction; rather, we believe that the two are aligned: For the economy as whole, net zero is not a cost, it is a benefit. This is why more and more investors are realizing their interests lie in playing a positive sum game and improving the economic opportunity set.

The interaction of climate change and investing is a complex field and one thing we have learned is that different approaches work for different investors. There is no 'right answer' to net zero and our role is to enable our clients to make their biggest contribution to climate outcomes while also meeting their long run return goals. This cannot happen without deep partnership and collaboration; we are awed by our clients' vision and grateful to the investors pushing the field forward. We're all in this together. Thank you for being a part of the future.

Samantha Davidson
President, Cambridge Associates

2

EXECUTIVE SUMMARY

2.1 WHO WE ARE

Cambridge Associates is a global investment firm with \$568.9 billion1[1] of assets under advisement. We aim to help private clients, endowments and foundations, and pension plans implement and manage custom investment portfolios implemented through third party managers. Most of these assets represent advisory mandates where we work in partnership with clients to meet and exceed their investment goals. \$72 billion of these assets of discretionary mandates where we operate under individually negotiated Investment Management Agreements that specify our mandate including if and how net zero goals may be incorporated.

2.2 THE IMPORTANCE OF NET ZERO

We believe long horizon investors such as many of our clients will benefit from staying ahead of the curve and building climate considerations into both their risk management and their search for investment opportunities. We also consider there to be no path to a prosperous and sustainable economy that doesn't involve tackling climate change, which is a systemic risk no investor can diversify away. This is why a growing number of investors consider it in their interests to shift the whole economic opportunity set in a better direction by actively contributing to economy-wide net zero goals and integrating net zero into their investment approach.

2.3 NET ZERO AS A JOURNEY

Integrating net zero across our firm is a journey, not an event. The way the investment world understands climate has been steadily evolving, and as the industry has developed its thinking, we have been evolving our processes and capabilities. For us, to align our work with net zero is fundamentally a forward-looking idea; it means understanding and influencing the path of real-world emissions over the next 30+ years without undermining our fiduciary duty to our clients. It doesn't mean reacting solely to backward-looking data such as portfolio emissions, even if they remain helpful for risk management. It is important to us to avoid getting bogged down in detail and process so our approach is to prioritize pragmatic action over perfectionism and to focus where interested clients can make the biggest difference most easily.

[1] As of June 30, 2023

To help us evaluate net zero progress in a pragmatic and flexible way across our organization, we devised a set of principles to guide us, including:

- Leverage existing frameworks
- Drive long-term returns
- Prioritize real-world emissions reductions
- Target portfolio transparency
- Embrace flexibility
- Lead with a core approach, which clients can then accept, customize, or reject
- Consider fossil fuel assets carefully
- Engage with the hard questions
- Focus where it matters

2.4 ADVICE TO CLIENTS

Since our first report on the topic in 2016 we have shared with our clients a number of research reports helping them understand the importance of the topic and how they might respond in their investment planning and implementation. More recently we have conducted internal education sessions across our firm and designed dedicated net zero client presentations to help all our investment teams navigate climate topics with their clients. Since our clients implement their portfolios through third party managers, both choice of manager and engagement with the manager community are the main ways to achieve net zero goals. Assessing managers for climate competence and net zero alignment is an indispensable component of net zero portfolio construction. For this reason, in 2022, we began working on a wholesale rebuilding and expansion of our approach to manager climate assessment, alongside other sustainability and diversity areas. This framework was finalized in June 2023 and roll out is commencing across our research groups with full coverage targeted by end 2024.

2.5 OUR DISCRETIONARY BUSINESS

As an investment manager, our approach to Net Zero is determined by distinctive features of our business model: Firstly, almost all the portfolios we manage are bespoke, for single clients. We cannot impose net zero goals, but we can educate clients on the potential approaches and benefits and enable them to implement should they make that decision. The second distinctive feature is that our clients' portfolios are almost entirely implemented through third-party investment managers and across a wide range of public and private asset classes. Our tools for net zero portfolio implementation are therefore primarily how we select manager mandates (asset class/strategy) and how we select managers to implement them. Our decision point is not whether to hold or not a certain security.

Given the bespoke nature of our client relationships, a net zero strategy may employ any of a range of different tools to achieve real world impact, and different tools will be most effective in different asset classes. At a high level we define a net zero portfolio as where a) the client has documented for our mandate the intention to align with net zero goals and b) the client has agreed a strategy which sets clear criteria for the way the portfolio is invested with a view to increasing the scale and pace of decarbonization in the world economy.

The proportion of assets we initially assess to be managed in line with net zero, as described above and below is 2.6% as of March 2023 and we have a five-year expectation of increasing this to 15% by March 2028, acknowledging that this is not within our legal discretion but an outcome we hope to reach or surpass as clients increasingly choose to adopt net zero approaches.

2.6 THE FUTURE

We have several important ongoing projects that will continue to broaden the scope and impact of our net zero work with clients. Principal among these is the roll-out of the upgraded manager assessment framework. Net zero goals are collective, and neither we nor our clients can achieve as much as we would like without progress from the investment management industry, as well as in regulation and standard setting. Integrating net zero across our firm is a journey, not an event. Nobody can say they have a perfect solution for net zero investing today; we are proud of how much we have achieved since 2021 but acknowledge that there is further to go.

3 WHO WE ARE AND WHAT NET ZERO MEANS TO US

3.1 OUR SERVICES AND CLIENTS

Cambridge Associates is a global investment firm that aims to help private clients, endowments and foundations, and pension plans implement and manage custom investment portfolios that generate out-performance so they can maximize their impact on the world1[2]. Today, we have specialized investment teams in private equity, hedge funds, real assets, credit, and co-investing and we serve more than 1,000[3] clients worldwide.

We are a hands-on investment partner, offering discretionary and non-discretionary portfolio management services to best support our clients' internal resources and expertise:

- **OUTSOURCED CIO.** For Investment Committees who want to fully delegate portfolio management, our discretionary OCIO model replicates the best practices of leading in-house investment offices. We are responsible for portfolio strategy, implementation, day-to-day management, and operations. The committee focuses its time on investment policy, spending, and other tasks where members can have the highest impact as fiduciaries.
- **NON-DISCRETIONARY PORTFOLIO MANAGEMENT.** For organizations with Investment Committees who need an investment team to provide daily portfolio oversight but wish to stay involved in portfolio management decisions, we provide directive recommendations on asset allocation, portfolio structure, and manager selection. The Committee approves portfolio changes.
- **STAFF EXTENSION SERVICES.** For organizations with significant investment staff, we augment their in-house resources with our extensive manager networks and deep portfolio construction and asset class expertise.
- **ALTERNATIVE ASSET MANAGEMENT.** We have five decades of experience providing specialized investment advice, cultivating deep manager networks, and analyzing robust data in private equity, hedge funds, real assets, private credit, secondaries, and co-investments. We manage specific alternative asset class mandates for clients. As with our total portfolio solutions, we can engage on either a discretionary or a directive non-discretionary basis.

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[2] The terms "CA" or "Cambridge Associates" may refer to any one or more of six investment affiliates that were established for the sole purpose of providing our investment services in various regulatory jurisdictions around the globe: Cambridge Associates LLC, Cambridge Associates Asia Pte Ltd., Cambridge Associates Investment Consultancy (Beijing) Ltd., Cambridge Associates Limited LLC, Cambridge Associates Limited, and Cambridge Associates GmbH. These entities serve our clients from our US, Singapore, Beijing, Sydney, London, and Munich office locations, respectively.
[3] Data is as of June 30, 2023.

Our assets under advisement[4] are more than $568.9 billion, broken down by client type here:

CLIENT TYPE	TOTAL ASSETS (NAV) (B)
Colleges & Universities	$63.1
Corporations & Insurance Companies	$59
Family Foundations	$11.3
Foundations	$66.7
Government Agencies & Unions	$113.5
Healthcare Systems	$61.7
Other Non-Profits	$67.7
Private Clients	$120
Total	$568.9

3.2 THE IMPORTANCE OF NET ZERO FOR OUR CLIENT BASE

As we wrote in our 2023 research report *From Policy to Implementation: A Net Zero Playbook for Investors*, the scientific community tells us that climate change is a threat to human well-being and that the window of opportunity to secure a livable and sustainable future for all is rapidly closing[5]. If societies fail to act, there may be catastrophic impacts on the global economy, asset values, and portfolio returns.

For us, acting can be summarized as reducing net greenhouse gas emissions to zero by around 2050, which would be consistent[6] with the goals of the 2015 Paris agreement, i.e. "Holding the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C"[7]. This in turn will require a large-scale transformation of the global economy, putting climate at the center of economic—and investment—outcomes for decades. We believe long horizon investors such as many of our clients will benefit from staying ahead of the curve and building climate considerations into both their risk management and their search for investment opportunities. This is why, as described later, we have been building and extending our capabilities in what we call 'climate competence' as a component of how we advise our clients, manage money and assess investment managers. Climate competence is about smart investing to maximize risk-adjusted returns in a changing world and we consider it in the best interests of all long horizon investors.

But climate competence is a different idea to net zero investing and it is important to make this distinction clear. The former is about is about winning a zero-sum game of relative performance and takes the path of the climate, good or bad, as a given. If, as we consider, there is no path to a prosperous and sustainable economy that doesn't involve tackling climate change, then absolute returns in this approach are left down to hope. And hope, we know, is not a strategy. Runaway climate change is a systemic risk that no investor, however smart, can diversify away. In that scenario, we are all going down with the ship. This is why a growing number of investors are adopting approaches that aim to support the goal of net zero by 2050. They consider it in their interests to play the positive sum game of shifting the whole economic opportunity set in a better direction. This is particularly pertinent for long or indefinite horizon investors.

A conceptual challenge is that net zero is a collective goal, wherein the benefits are shared and can be realized only by acting alongside other market participants. Since carbon today permeates every sector of the economy and we all share the same planet, a diversified investor cannot achieve net zero 'by themselves'; this requires broad economic decarbonization. Net zero investing entails using the way a portfolio is managed to encourage and finance climate-positive change in the real world, such as portfolio companies putting themselves on the path to net zero emissions. It is not axiomatic that this must be either positive or negative for relative returns, but we are clear that collective success will lead to substantial absolute financial and other benefits for all. This is an unfamiliar kind of goal in our industry and for this reason it is also clear to us that our clients need to make the decision themselves, with our help, and determine what net zero means to them and the most effective steps they can take. There is no one template we can, or have a right, to impose on them.

3.3 NET ZERO AS A JOURNEY

When we chose as in 2021 to become a signatory of the Net Zero Investment Consultants Initiative (NZICI) it was on the understanding that this represented the next stage of a journey towards net zero integration rather than an end point.

The way the investment world understands climate has been steadily evolving: The first large-scale manifestation was the movement to divest portfolios from fossil fuel companies. We now recognize that divestment is largely

[4] Data as of June 30, 2023."Assets under advisement" includes clients worldwide that utilize the firm for portfolio advice or management and receive performance reporting from Cambridge Associates. Some clients have multiple accounts overseen by CA; all accounts that meet the prior definition are included in AUA/AUM calculations. In some instances, clients may include assets for which Cambridge Associates reports performance but does not provide investment advice. For clients without final June 30, 2023 data available, assets from the prior quarter were substituted. "Regulatory Assets under Management," as reported in our Form ADV Part 2A, is based on a narrower set of criteria as defined by the US Securities and Exchange Commission; based on this definition, we report $284.8 billion for Cambridge Associates, LLC clients. Various industry surveys define "assets under advisement" differently, and we may report figures to such publications that are different than the numbers provided in this response. We are happy to provide further explanation and reconciliation of reported assets under advisement/management upon request.
[5] Intergovernmental Panel on Climate Change AR6 Synthesis Report C.1
[6] Intergovernmental panel on Climate Change AR6 Report Working Group 3 C.2
[7] Paris Agreement article 2

(though not entirely) a symbolic gesture and far from an adequate response by itself. The advent of widely available company GHG[8] emissions data prompted a focus on portfolio-financed emissions and managing them down until this was in turn recognized as a blind alley from the perspective of real-world change. More recently, investor initiatives such as the Net Zero Asset Owners Initiative or the Paris Aligned Investors Initiative have articulated all-encompassing frameworks for net zero investing, but each acknowledge there are asset classes where methodologies are lacking and that what they are really providing are toolkits, not templates.

To align our work with net zero is fundamentally a forward-looking idea; it means understanding and influencing the path of real-world emissions over the next 30+ years while not undermining our fiduciary duty to our clients. What it doesn't mean is reacting solely to backward looking data such as portfolio emissions, even if that remains helpful for risk management. As the investment industry has developed its thinking, we have been evolving our processes and capabilities and will continue to do so.

3.4 OUR NET ZERO PRINCIPLES

One of the challenges in a field as complex and dynamic as net zero investing is the danger of getting bogged down in detail and process. Our approach is to prioritize pragmatic action over perfectionism and to focus on identifying where interested clients can make the biggest difference most easily. We also need to wrestle with the knotty real-world challenges such as how net zero investors should treat currently high emission sectors that need to transition to different business or technology models. Ignoring these is equivalent to sitting on the side-lines of net zero. To help us evaluate net zero progress in a pragmatic and flexible way through our organization, we devised a set of principles to guide us, including:

— Leverage existing frameworks

— Drive long-term returns

— Prioritize real-world emissions reductions

— Target portfolio transparency

— Embrace flexibility

— Lead with a core approach, which clients can then accept, customize, or reject

— Consider fossil fuel assets carefully

— Engage with the hard questions

— Focus where it matters

[8] Greenhouse gases; principally CO_2, methane, and nitrous oxide.

3.5 GOVERNANCE ROLES & RESPONSIBILITIES

Following on from our net zero commitments and the formation of NZICI, Cambridge Associates appointed Simon Hallett, an experienced investor and Partner in the firm as its first 'head of climate strategy' (HCS), a role intended to coordinate delivery of the firm's commitment by integrating climate and net zero considerations throughout our investment work. To ensure diversity of thinking and foster buy-in across the firm, we simultaneously created a Net Zero Think Tank, chaired by the HCS and consisting of senior investment colleagues representing different asset classes and client groups. The Think Tank's role is to develop Cambridge Associates' approach to a) meeting the NZICI commitment and b) communicating key messages to colleagues, clients, and prospects. The Think Tank reviews and approves strategic proposals before escalating them as necessary for decision. A four-person Sustainability and Impact Investing (SII) executive team, which includes the HCS, coordinates and prioritizes execution of the strategy and passes projects to specialized working groups across the firm.

4 INTEGRATING CLIMATE CHANGE AND NET ZERO INTO OUR INVESTMENT PROCESS

4.1 ADVICE TO CLIENTS

Our first NZICI commitment is to integrate net zero alignment across our investment services. Our net zero journey didn't begin with NZICI, however. In 2015, we published our first research report distributed to all clients entitled *Risks and Opportunities from the Changing Climate: Playbook for the Truly Long-Term Investor.* This was followed in 2019 by *A summary of climate change science for investors* and then in July 2021 by *Investing for a net zero world*. Nevertheless, following our co-founding of NZICI in September 2021, we broadened and accelerated our work. Given our business model already described, where it is ultimately our clients' choice of whether and in what way to adopt net zero goals, education and enabling are the prime tools we can employ. Hence the research reports were followed up in January 2023 by a flagship report *From Policy to Implementation: A Net Zero Playbook for Investors*, which seeks to bridge the gap between aspirational policy targets and practical portfolio implementation. Here is an excerpt from the report's introduction:

> "We believe investors would benefit tremendously by staying ahead of the curve to build climate considerations into their risk management, as well as their search for opportunities. Climate aware-

> ness involves protecting the portfolio from the risks presented by climate change while investing in opportunities presented by a transition to a low-carbon economy. This approach is primarily focused on managing the impact of the world on the portfolio.
>
> Net zero investing, by contrast, reverses the causality and uses the portfolio to drive broad decarbonization in the real world. Importantly, both approaches seek to enhance returns by considering risk and reward in a transitioning world.
>
> Some investors' rationale for taking a net zero approach is to use the portfolio to support their values and accelerate their mission. But long-term investors can share another motivation to follow this path: they cannot diversify away a systematic risk such as climate change."

Contemporaneously to issuing the report, we created standard client presentations on climate and net zero that can be used and adapted by investment teams as appropriate for their clients. Education internally is just as critical, so in 2022, we started including climate and net zero modules in our initial and annual ongoing staff training program. Separate training was organized for the leadership group as well as individual training for our CEO and our President. We manage ongoing internal communication and professional development through a dedicated climate and net zero landing page on our corporate intranet, including blogs and a discussion forum.

But education and high-level policy advice will not achieve results unless clients have a desire and an implementation path to net zero alignment. For that we require the right data and tools. But more particularly, given our model of implementation through third-party managers, we need the ability to assess investment managers' potential contribution to net zero investment goals across a comprehensive set of dimensions. These two topics, data, and manager assessment, are the subject of the next two sub-sections:

4.2 DATA AND ANALYSIS

We gather climate-related data metrics for two reasons. Firstly, it enables clients to track climate characteristics such as portfolio alignment or emissions, Secondly, it helps identify and quantify climate-related risks and opportunities present in portfolios. Once quantified, investors can make decisions that maximize opportunities and manage risks. Climate-related benchmarks can be established, and targets can be set. Metrics are calculated at a whole-portfolio level to be tracked over time, but also at a fund-level to identify risk hotspots and to inform engagements with managers. Using either actual or proxy data, climate-related metrics that are quantified for client portfolios include:

— Absolute carbon emissions (tCO2e),

— Relative carbon emissions metrics including carbon intensity, weighted average carbon intensity, and tCO2e/$M Invested,

— Portfolio exposure to companies with science-based targets (SBTs),

— Portfolio implied temperature rise (ITR) and climate value-at-risk (CVAR),

— Portfolio exposure to 'green revenues', referring to areas such as alternative energy, energy efficiency, and sustainable agriculture.

These metrics represent both a snapshot 'point-in-time' assessment (carbon footprinting metrics and green revenues), and an assessment of a portfolio's future trajectory (SBT, ITR and CVAR exposure). Cambridge Associates use two main data sources for climate-related information. The first is to assess data provided by fund managers. The second is the use of an external data provider, currently MSCI. The firm has exposure to a broad range of asset classes across public and private securities with varied degrees of data availability. In public markets such as equity and credit, widespread security level data is available, albeit of varying quality that can be accessed through managers or through data platforms such as MSCI. In private markets, very few companies currently report climate data and, where they do, it is not centrally available. To assess climate characteristics of private investment program, we use public market proxies at the sector level. For example, we assume that a company's emissions characteristics are equivalent to the average of public companies in the same GICS sector. There is no equivalent way of proxying alignment data, however. We supplement publicly available quantitative data with qualitative information that is assessed during our due diligence process or acquired via an annual survey of managers.

4.3 INVESTMENT MANAGER SELECTION

Cambridge Associates has assessed climate risks and opportunities since at least 2019, however this work was not comprehensive and focused on certain manager types and work for specific clients. The early phases of our assessment consisted of qualitative opinions of a manger's climate awareness, informed through conversations with managers, and quantitative carbon footprint analysis described above, where available.

Improvements to this process are informed by our active involvement with climate and net zero investment industry groups, engagement with investment managers, and close partnership with our clients. This ensures we are incorporating the most up-to-date thinking in a continuous and collaborative process.

In 2022, we began working on a wholesale rebuilding and expansion of our approach to manager climate assessment, alongside other sustainability and diversity areas. This framework was finalized in June 2023 and roll out is commencing across our research groups with full coverage targeted by end 2024. As noted in 3.3, integrating net zero into our investment process is necessarily an ongoing task, and this new research framework should be seen as one component of a process of continuous improvement. The intended benefits focus on developing a consistent cross-asset-class view of investment managers' climate awareness (incorporation of climate risk and opportunity) and potential contribution to real-world net zero goals. We took the opportunity to ensure that our framework incorporated industry-leading guidance from the Paris Aligned Investment Initiative's Net Zero Investor Framework (NZIF) and the Supplementary Guidance on Target Setting, as well as the Institutional Limited Partners Association's ESG Assessment Framework.

Our climate assessment framework is effectively two separate modules. The first assesses how effectively an investment manager integrates climate risks and opportunities into the firm's policies and governance, communications and reporting, investment process, and portfolio construction. These are aggregated into a five-level integration assessment, from 'none' to 'industry leading'. The second module is an assessment of net zero alignment; its goal is to indicate how effective a manager might be as a component of a portfolio seeking to align with net zero, acknowledging that different managers or asset classes may play different roles. We take NZIF's approach of placing portfolio companies on a "maturity scale" of how they are aligning with net zero goals and adapts it to the practice of asset manager due diligence. The outputs are expressed in language (aligned, aligning etc.) that matches the scale proposed in the NZIF. Investment in climate solutions is incorporated flexibly, according to its importance to the strategy; for a manager where financing solutions is the primary role, this will obviously be given higher relative importance in the assessment than for one seeking broad market coverage.

Our approach allows for some flexibility in certain asset classes (e.g., risk managed strategies and other diversifiers) where there is no existing industry framework for assessing net zero alignment. The expectation is that we will incorporate these asset classes once industry guidance becomes available.

Over the course of this year, we have begun socializing the framework throughout our organization, and in 2024 we expect to implement the framework across the investment research platform. This dataset will support efforts to engage systematically with investment managers, track progress over time, and build net zero aligned portfolios.

Case study #1: public long-only equity manager

A public long-only equity manager has not made a public net zero commitment but has incorporated a price of carbon, based on a global average, to the discount rate for portfolio companies. The analysis is used to engage with company management on the highest risks to company assets. In one example, this manager identified material scope 3 risks and shared their analysis with the company. The company committed to collecting upstream carbon emissions data going forward. The manager reports these portfolio examples to investors on a case-by-case basis rather than systematically or consistently across the portfolio. Therefore, according to our manager assessment framework, this manager would qualify as "committed to aligning". Guidance in CA's framework suggests ways in which research professionals may engage with the manager to better understand how the practice of carbon pricing influences engagement across the portfolio and how increased transparency could merit an upgrade to "aligning" in the future.

Case study #2: public long-only equity manager

A public long-only equity manager has made a public net zero commitment and has integrated net zero alignment into the investment process, which results in investment selection that favors investments with net zero aligned plans. The highest-emitting companies held in the portfolio have plans to reduce emissions in line with net zero pathways and the manager conducts strong engagement with all investments to develop or maintain credible net zero plans. The manager actively participates in industry groups to advance net zero alignment. The manager discloses progress toward net zero with each portfolio company, as well as the portfolio's scope 1, scope 2, and material scope 3 emissions to investors.

4.4 OUR DISCRETIONARY SERVICES

Aligning with the Net Zero Asset Managers Initiative (NZAMI)

Clause 5 of our NZICI commitment says that in respect of our discretionary services we will align with the Net Zero Asset Manager Initiative as soon as practically possible and within two years of making the commitment. Cambridge Associates is not a NZAMI signatory, though there is substantial overlap between its commitments and those of

NZICI discussed earlier in this document. We understand aligning with NZAMI to mean we will set out targets using the NZAMI framework and hold ourselves accountable with annual public reporting. Below we set our out targets as well as the reasoning behind them.

Introduction

Net zero is a collective global goal that spans all countries and industries. No investor can achieve net zero 'by themselves', and neither can investors as a group achieve this outcome without contributions from supportive policy and regulation, science, technology, corporations, or behavior of consumers. Our role as investment managers is to help clients who wish to adopt a net zero approach determine the most effective actions we can take on their behalf to increase the pace and scale of decarbonization in the real economy, and then put those into practice in the most efficient way while meeting their respective risk and return requirements. As an investment manager, our approach to Net Zero is determined by distinctive features of our business model:

Firstly, almost all the portfolios we manage are for single clients: the investment guidelines of each portfolio —including NZ Commitments— are governed by a bespoke investment management agreement (IMA) negotiated with the client. We therefore cannot impose net zero goals, but we can educate clients on the potential approaches and benefits and enable them to implement should they make that decision. Given the bespoke nature of our client relationships, a net zero strategy may employ any of a range of different tools to achieve real world impact, and different tools will be most effective in different asset classes. Our clients have different beliefs, starting points, capabilities, and flexibility. Some clients have broadly diversified asset allocations while others are limited to a single asset class. So even if a decision to adopt Net Zero is taken, the approach with each client is likely to differ.

The second distinctive feature is that our clients' portfolios are almost entirely implemented through third-party investment managers and across a wide range of public and private asset classes. This means we delegate the appraisal and selection of individual securities. Our tools for net zero portfolio implementation are therefore primarily how we select manager mandates (asset class/strategy) and how we select managers to implement them. Our decision point is not whether to hold or not a certain security.

What we mean by a net zero portfolio

At a high level this means a portfolio where a) the client has documented for our mandate the intention to align with net zero goals (defined as net zero emissions by 2050 with appropriate[9] interim targets) and b) the client has agreed a strategy which sets clear criteria for the way the portfolio is invested with a view to increasing the scale and pace of decarbonization in the world economy. We can employ a range of tools to support this goal, including:

- Investing with managers who use proxy voting and engagement to encourage portfolio companies to adopt science-based targets and credible transition plans (climate alignment).
- Investing with managers who use net zero alignment as a material component of asset selection within their given sector.
- Investing in mandates focused on providing capital to climate solutions or support low carbon transition in less developed countries.
- Seeding new products or strategies that better support any of the above.
- Excluding or minimizing investments that rely on continued fossil fuel dependence or that perpetuate deforestation.

Our NZAMI framework targets:

The proportion of assets we initially assess to be managed in line with net zero, as described above and below is 2.6% as of March 2023 (see section 4.5 for data methodology) and we anticipate this will increase to 15% by March 2028, acknowledging that this is not within our legal discretion but an outcome we hope to reach or surpass as clients increasingly choose to adopt net zero approaches. We already have a potential 'pipeline' of a further 9% of AUM that have a stated net zero ambition but without full target setting and strategy. Below indicates the default target setting framework we use for individual client portfolios though in practice these may vary somewhat between clients for reasons detailed above.

Baseline	2019 is the preferred base date for emissions and climate solutions comparisons but individual portfolios may differ according to availability, recency of relationship.
Targets	2025 - 70% of portfolio emissions from in-scope[10] assets are from companies/assets aligned/aligning with net zero or held by managers whose voting and engagement policies support alignment. Rising to 90% in 2030. 2030 - Allocation to climate solutions either double from the base date or reach 10% of in-scope assets. 2030 - Portfolio decarbonization milestone: -50% emissions decline by 2030 from a 2019 base, net zero by 2050. Preferred measure tons CO_2e per $ AUM.
GHG scopes included	Scope 1 and 2 emissions currently included and Scope 3 for material sectors, where data is available. We will look to include Scope 3 emissions in our reporting and targets when data coverage and quality improve sufficiently.

[9] Appropriate meaning consistent with limiting temperature rise to significantly below 2 degrees and as close as possible to 1.5 degrees, as referenced in the 2015 Paris agreement.

[10] Assets are in scope where there is sufficient transparency, established methodology and relevance to incorporate in net zero strategy and target setting.

Methodology	We take the Net Zero Investment Framework as a benchmark of good practice for target setting and adapt as necessary for our business model and client needs. SBTi and TPI data are used to define corporate alignment, but more development is needed in this area.
Scenarios	IPCC Special Report on 1.5°C, P1/P2/P3 pathways interpreted as requiring 50% GHG reduction by 2030 from a 2019 base.
Fossil Fuels	Portfolio's designated as net zero will have no manager strategies wholly or largely focused on upstream oil, gas or coal production & exploration. No strategies with more than de minimis exposure to thermal coal production or coal fired power generation. Natural run-off allowed for legacy assets.
Additional Observations	Our approach to net zero focuses on contributing to real world decarbonization with the levers we and our clients directly control. Financed emissions are not directly in our control and are a backward-looking metric. We would not rebalance a portfolio solely to meet an emissions level in a specific year since this may undermine both real world climate goals, such as funding renewables, as well as a client's financial objectives.

4.5 RESULTS AND CASE STUDIES

We have been tracking a series of data points, consistent with our NZICI reporting obligations, that help us understand the progress we and our clients are making. To ensure as much of an apples-to-apples comparison as possible we have defined 'in-scope' clients where we have substantially engaged relationships, either discretionary or advisory, aiming to capture results from calendar 2022[11]. Out of the 713 in-scope client relationships we found the following:

— While all clients received our Net Zero Playbook for Investors research report, 120 ($96B/20% of AuA) additionally benefited from specific education in form of either at least one meeting with key client personnel where net zero was a specific agenda item, or in form of a tailored report to them.

— 162 ($95B/20% of AuA) had access to actual or proxy baseline carbon emissions data on their portfolio, for asset classes where it is available.

— 56 ($76B/16% of AuA) clients had decided to incorporate a net zero ambition of some form into their policy while 21 ($41B/8% of AuA) clients had gone beyond this to set a specific net zero target for 2050 or sooner along with interim target(s) and the intention to be aligned with the goals of the Paris Agreement.

— 121 ($112B/23% of AuA) clients have agreed a formal goal to increase exposure to 'climate solutions' however defined.

[11] These amounted to 713 out of a total of 960. While designed broadly to capture results from calendar 2022, there may be some crossover into 2023.

Net Zero adoption case study.

Lewis & Clark (L&C) is a liberal arts college in Portland, Oregon, committed to learning, innovation, and principled action on matters related to sustainability. Cambridge Associates has managed their endowment under a discretionary OCIO relationship since 2018, and prior to that provided non-discretionary advisory services since 2006. L&C was early in incorporating ESG factors into endowment management, establishing policy language in 2014. L&C was also an early adopter of fossil fuel divestment in 2018, acknowledging that this was an important step on a journey to increase their portfolio impact in accelerating decarbonization and supporting the goals of the Paris agreement. Since then, the firm has worked with the client to identify pragmatic steps forward through both engagement and capital allocation without compromising on return aspirations. This culminated in December 2022 with a decision to adopt a formal Paris-aligned net zero goal and strategy, including interim targets for alignment and emissions as well as a formal target to increase 'climate solutions' investments to 5% by 2025.

Net Zero adoption case study.

The UK's National Trust is Europe's largest conservation charity. Following their ambitious commitment to net zero across their operations by 2030, Cambridge Associates worked with them on a multifaceted approach to ensuring their investment portfolio was consistent with these ambitions. This involved:

— Recommending the Trust become a member of IIGCC[12] and supporting their target setting and reporting to that organization.

— Detailed mapping of the portfolio for carbon footprint as well as alignment via science-based targets and modeling the trajectory of investment in climate solutions.

— Reviewing all investment managers for both their incorporation of climate considerations and the quality of their voting and engagement process, upgrading managers as necessary.

— Allocating a portion of the Trust's private commitments to climate solutions in the form of both technology venture and renewable infrastructure.

— Developing and implementing a plan to offset residual portfolio emissions from 2030 via investments in degraded land re-forestation.

[12] The Institutional Investors Group on Climate Change.

5
ENGAGEMENT

5.1 WITH THE INVESTMENT INDUSTRY

We have long been engaged within the investment industry to improve practices and transparency around sustainability. Our commitment to net zero has enable us to continue that work and give more dedicated energy toward net zero specific engagement. Cambridge Associates is member and signatory to a number of initiatives and field building organizations that enable us to do this work more effectively at scale. Our participation ranges from founding members, board and steering committee involvement, working group members, signatories, and event speakers. A few examples of these organizations include Institutional Investors Group on Climate Change (IIGCC), Initiative Climat International (iCI), PRI, Confluence Philanthropy, Mission Investors Exchange, Intentional Endowments Network, UK Stewardship Code, ILPA ESG and DEI work, Investment Consultants Sustainability Working Group (ICSWG – US and UK), Gender Smart, Global Impact Investing Network (GIIN), Interfaith Center on Corporate Responsibility (ICCR).

As examples, in our work with the Intentional Endowments Network and Confluence Philanthropy, both field building organizations comprised of foundation, universities, and family offices focused on sustainable investing, we have over the last two years been active members of Net Zero focused working groups to help promote adoption of net zero targets among members. We have also led discussion and training sessions on net zero integration in investment portfolios, particularly for asset owners who rely on third party investment managers for implementation. This is an area for continued future engagement; bringing clarity on frameworks for institutional investors that have limited engagement opportunities with individual securities due to use of third-party managers. To drive better standardization of ESG metrics within the private investment space we signed onto the ESG Data Convergence Initiative (EDCI) in the inaugural year. Over the last year, we participated in a newly formed net zero working group which led to the introduction of three new metrics related to net zero in next year's EDCI reporting cycle.

5.2 WITH REGULATORS & POLICY MAKERS

Although policy advocacy is not a core component of our work as firm, we recognize net zero is a collective goal, wherein the benefits can be realized only by acting alongside other stakeholders. We have had the opportunity to engage with policymakers in several forms over the last few years and find these engagements to be most effective when we raise our voice alongside our peers. Specifically, we have found the Investment Consultants Sustainability Working Groups, both in the US and UK, thoughtful partners in this work. Both on our own and through our collective work in ICSWG US & UK and PRI we have had the opportunity to address specific rules and guidelines set out by the US Department of Labor, Securities and Exchange Commission, CFA Institution, and more general letters to government on climate issues. One further example of engagement with government is participation in a discussion with members of the US government and Department of Energy (DOE) at the White House to advance the energy transition and to provide feedback to the DOE on how to advance the transition in a sensible way to enable the best outcomes for all stakeholders. We aim to promote greater transparency on climate in all our advocacy work and provide constructive feedback where most applicable to our work with clients.

6
OUR OWN CLIMATE FOOTPRINT

In 2021 we set a goal to reduce our organizational carbon footprint by 33% by 2025 from its 2019 baseline, from 7.23 tCO_2 per employee to 4.85tCO_2 per employee. Since most of our emissions come from air travel combined with space heating/cooling these are the focus of our attention. New travel policies have been instituted which combined with increased hybrid/remote working will reduce our travel related emissions. In 2023, we moved our Boston headquarters to the Winthrop Center, the largest 'Passive House' office building in the world, which uses 65% less energy than the average commercial space in Boston. Firmwide CO_2 emissions for 2021 are estimated at 1.80 tCO_2 per employee (this number is artificially depressed by COVID-19 related travel restrictions and working from home; we expect it to increase to some degree in 2022 and 2023). Our 2022 data has been delayed by a vendor change but should be available before year-end while 2023 will be available by the end of the first quarter 2024.

7
THE FUTURE

We have several important ongoing projects that will continue to broaden the scope and impact of our net zero work with clients. Principal among these is the rollout of the upgraded manager assessment framework described in 4.3. With approximately 130 manager research professionals conducting around 5,000 manager meetings per year, we hope to complete this by the end of 2024. We are also planning more efficient ways of accessing emission and alignment data across portfolios, managers, and securities.

Net zero goals are collective, and neither we nor our clients can achieve as much as we would like without progress from the investment management industry, as well as in regulation and standard setting. We are advocating constructively for this progress. Given our longstanding reputation in private investing, this is where some of our most important engagements are happening, for example through ILPA[13] and iCI[14] where we are encouraging transparency of climate data and ambition from fund managers in what climate goals they expect from their portfolio companies.

As we noted in 3.3, integrating net zero across our firm is a journey, not an event. The field is dynamic, and the investment industry's understanding of best practice is evolving fast. Nobody can say they have a perfect solution for net zero investing today. This document is designed to describe the steps we have taken and where we still need to make progress. We are proud of how much we have achieved since 2021 but acknowledge that there is further to go.

[13] ILPA is the Institutional Limited Partners Association.
[14] iCI is Initiative Climat International.

8
APPENDIX 1: NZICI COMMITMENT MAPPED TO REPORT CONTENTS

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.
sections 4.1, 4.2, 4.3, 4.5

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.
sections 4.1, 4.2, 4.3, 4.5

COMMITMENT 3
Support efforts to decarbonize the global economy by helping our clients prioritize real economy emissions reductions, reflecting the target of 50% global emissions reduction by 2030 or sooner using existing decarbonization methodologies.
sections 3.2, 4.1, 4.2, 4.3, 4.5

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.
sections 4.2, 4.3

COMMITMENT 5
Align with the Net Zero Asset Manager Initiative as soon as practically possible and within two years of making this commitment.
section 4.4

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

COMMITMENT 7
Where suitable net zero methodologies do not exist, work collaboratively for the benefit of our clients to address these challenges, seeking harmonized methodologies.
sections 5, 7

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.
section 5

COMMITMENT 9
Report progress by our firm against the commitments made here at least annually in the public domain. This document represents our first progress report.