



Isio's Net Zero Investment Consultants Initiative Progress Report

Isio Group Limited | Year to 31 December 2025

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Executive summary

This is Isio's first progress report as a member of the Net Zero Investment Consultants Initiative (NZICI). Through NZICI, investment consultants commit to supporting the transition to a net zero economy across their advisory services, business operations, and industry collaboration and engagement.

This report sets out how Isio has approached the nine NZICI commitments during the reporting period and highlights the actions taken across our investment advice, manager research, industry engagement and own operations to support the transition to net zero.

Progress during the year

Over the year, we have:

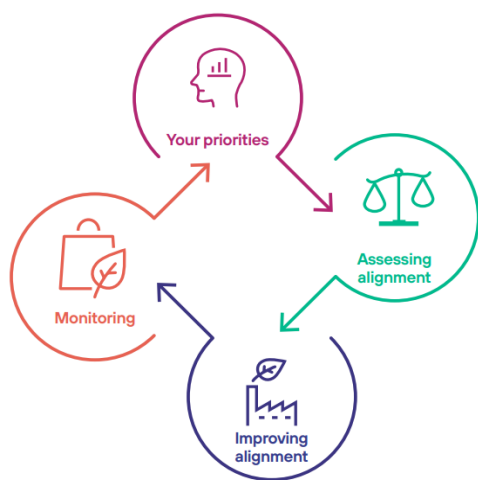
- Supported clients in developing sustainability beliefs, stewardship priorities, climate ambitions and net zero frameworks tailored to their objectives and governance arrangements.
- Helped clients translate those ambitions into action through climate-aware mandates, climate solutions investments and other sustainability-focused implementation opportunities.
- Continued to assess, monitor and engage investment managers through our Sustainability Integration Assessments, supporting improvements in ESG integration, stewardship and climate-related practices over time.
- Enhanced our climate analytics capabilities, including updated climate modelling and qualitative climate scenario analysis, helping clients assess climate-related risks and opportunities.
- Contributed to industry discussions on climate reporting, transition planning and sustainable investment practices through collaboration, research and thought leadership.
- Continued implementing our operational sustainability strategy, including emissions measurement, Scope 3 data development and initiatives to support lower-carbon ways of working.

The transition to a net zero economy presents both challenges and opportunities for investors. Through continued innovation, collaboration and client support, Isio remains committed to helping drive that transition while delivering strong long-term outcomes for clients and wider society.



Commitments 1-3: Our advice

Support clients in assessing climate risks and opportunities, understanding the net zero transition and pursuing meaningful real-world decarbonisation outcomes



We support clients in navigating the transition to net zero by embedding climate considerations throughout the investment decision-making process, including client education, investment beliefs, portfolio construction, manager research, stewardship and target setting. Our advice is tailored to each client's objectives, governance arrangements and level of ambition. To support this, we have developed Isio's Sustainable Client Journey (see graphic on the left), a structured framework that helps clients progress from awareness and education through to implementation, monitoring and ongoing evolution of their approach.

Our advice is underpinned by specialist sustainable investment expertise and a broad suite of analytical tools, research capabilities and assessment frameworks, including:

- Net zero target setting, review and progress monitoring
- Transition planning and portfolio alignment assessment
- Portfolio- and asset-level emissions and carbon metrics analysis
- Climate risk and opportunity assessments across asset classes
- Sustainability Integration Assessments of asset managers and strategies
- Stewardship and engagement assessments
- Sustainable investment beliefs and governance frameworks
- Qualitative and quantitative climate scenario analysis
- Climate and sustainability-related manager research and due diligence
- Proprietary research on climate, nature and wider sustainability themes

Together, these tools help clients assess climate-related risks and opportunities, understand the potential implications of different transition pathways, identify areas for engagement and investment action, and monitor progress over time. They also help us support clients in considering how investment strategy, stewardship and capital allocation can contribute in the transition to a net zero economy.



Progress example

Strengthening clients' understanding of climate risks and opportunities

During the reporting period, we updated our climate model to incorporate the latest Network for Greening the Financial System (NGFS) scenarios, enabling clients to assess a range of potential climate pathways. We considered different approaches to assessing physical climate risks, seeking to better reflect the potential scale of these impacts while recognising the wider industry challenges and uncertainties associated with modelling long-term physical damages. These insights were incorporated into client reporting, training sessions and strategic discussions, helping clients better understand the potential investment and funding implications of different climate pathways.

Alongside these quantitative enhancements, we continued to support clients through qualitative climate scenario analysis. Together, these tools helped clients explore how different transition pathways and physical climate risks could affect investment and funding outcomes, identify areas of risk and opportunity, and consider the consequences of a delayed or disorderly transition, or of failing to achieve net zero globally.

Developing this understanding can be a critical step in a client's net zero journey, providing an evidence base for setting climate objectives, developing transition plans and determining how their investment strategy may support the transition to a low carbon economy.

We continue to monitor emerging climate-related themes and developments in climate science, including considerations relating to the Just Transition. We also recognise that climate change cannot be considered in isolation and therefore continued to expand our research and advice into connected themes such as nature and biodiversity.

During the year, we supported clients in evaluating a range of nature-based and sustainable investment opportunities, including timberland, forestry, agriculture, and carbon-market approaches. We also researched and supported clients in assessing innovative sustainable infrastructure opportunities across areas including renewable energy, climate resilience, healthcare, digital infrastructure and other forms of social infrastructure.

Our climate and sustainable investment research and advice is supported by a dedicated 11-person Sustainable Investment ("SI") Team within Isio's wider research function. The team is led by Cadi Thomas, Head of Sustainable Investment, supported by Iona Young, Deputy Head of Sustainable Investment. The SI Team works closely with colleagues across the business and alongside each asset class research team to embed climate and sustainability considerations throughout our research and advice.

This structure helps ensure climate and net zero considerations are integrated consistently across research, manager selection and client advice. It is further supported by regular training and knowledge-sharing across the investment consulting team, covering areas such as climate and sustainable investment developments, labelled bonds, sustainability-linked private debt, artificial intelligence, geopolitical developments and relevant regulatory and market changes.

We look to partner with our clients to deliver bespoke research on the sustainability issues most important to them. Some examples of recent ways we have supported clients in their journey to net zero are below.

Case study: Translating ambition into action

We supported a Local Government Pension Scheme (LGPS) in implementing a nature-based investment allocation, focusing on a timberland mandate that demonstrated strong sustainability characteristics. As part of this work, we considered the role that carbon credits could play in supporting the client's net zero objectives and as a potential additional source of return. We also supported the same client in allocating to a renewable infrastructure mandate in line with its ESG investment beliefs and broader sustainability objectives.

These allocations formed part of the client's wider approach to supporting the transition to a lower-carbon economy, using capital allocation alongside stewardship to help align its investment strategy with long-term net zero ambitions.



Case study: Fossil fuel engagement or divestment

A Local Government Pension Scheme wanted to assess the role of engagement versus selective divestment in managing fossil fuel and defence-related exposures. Isio reviewed industry guidance, peer approaches and market developments, assessing how engagement and voting can be supported through a structured escalation framework, including selective divestment where companies remain unresponsive. We also considered the implications of broader exclusions for diversification, mandates and stewardship influence.

The review provided a clearer evidence base for the client's responsible investment approach. It highlighted that engagement remains the predominant approach among comparable pension funds, with selective divestment typically used as an escalation tool where material risks persist or engagement is unsuccessful. This helped the client evaluate the available options within a framework that balanced fiduciary responsibilities, investment risk and real-world outcomes.



Client progress indicators

We are continuing to enhance our ability to measure and track client progress towards net zero objectives. A significant proportion of our clients are already on this journey, and we currently capture a range of relevant activities and outcomes across our client base. However, we do not yet consider the underlying data to be sufficiently complete to support meaningful aggregate reporting. Our priority is to ensure that any reported metrics are robust. We are therefore continuing to develop our client-level data aggregation and reporting capabilities and expect to disclose client progress indicators in future reporting periods.

Commitment 4: Assessing and engaging asset managers

Assess, monitor and engage asset managers on net zero integration and reflect the evaluation in client recommendations

We conduct annual Sustainability Integration Assessments of all investment funds in which our clients invest using proprietary asset class-specific scorecards. These assessments evaluate how effectively investment managers are preparing portfolios for the transition to a net zero economy, including through the integration of climate considerations, formal net zero commitments, credible transition plans and participation in industry initiatives such as the Net Zero Asset Managers initiative.

Over the past year, we continued to enhance our assessment framework to reflect evolving climate-related best practice and raise expectations of investment managers over time.

Assessment outcomes help us identify areas of strength and improvement in managers' approaches to net zero integration. Where gaps are identified, we engage directly with managers on topics such as transition planning, climate risk management, stewardship and climate-related reporting, and monitor progress through future assessments.

The results of our assessments are clearly communicated to clients through regular reporting and form an important input into manager recommendations and selection decisions. This helps clients identify managers whose investment approaches are aligned with their climate ambitions and net zero objectives.

The example below demonstrates how assessment findings can be used to engage investment managers on net zero integration, monitor progress over time and support better client outcomes.

Case study: Using manager assessments to drive climate engagement

A Defined Benefit (DB) pension scheme identified concerns with an asset manager's climate progress through Isio's Sustainability Integration Assessment. With Isio's support, the Trustees initiated a formal engagement process to better understand how climate-related risks, opportunities and net zero considerations were being incorporated into the manager's investment approach.

The engagement resulted in a detailed response from the manager and a dedicated follow-up meeting to discuss both current practices and areas for enhancement. Following this process, the manager strengthened its sustainability risk assessment of counterparties and improved the availability of climate-related data for assets including the Scheme's Asset Backed Securities allocation. These improvements supported more informed monitoring of climate-related risks and opportunities, provided greater transparency to the client, and allowed more accurate assessment of progress towards the Scheme's net zero target. The manager continues to be monitored through Isio's manager oversight framework.



In addition to our Sustainability Integration Assessments, we engage with managers throughout the year on a range of climate-related topics. By combining structured assessments with ongoing dialogue, we seek to strengthen managers' approaches to climate risk management, stewardship and transition planning.

Case study: Building dedicated ESG capability through engagement

Isio's assessment of a private debt manager overseeing illiquid mezzanine debt mandates identified an opportunity to strengthen its ESG capability. Through ongoing engagement and challenge, Isio encouraged the manager to enhance its approach to ESG integration and oversight. The manager subsequently established a dedicated ESG team, which has since expanded to six professionals, strengthening its ability to identify, manage and monitor sustainability-related risks and opportunities.

In addition, the improvements supported enhanced climate-related reporting, including annual carbon disclosures aligned with TCFD, strengthening the manager's ability to identify and monitor climate-related risks and opportunities.



Commitment 5: Fully discretionary services

Set goals consistent with the Net Zero Asset Managers target-setting framework for fully discretionary services

Commitment 5 relates to fully discretionary investment mandates. No services provided by Isio Group Limited currently fall within the scope of Commitment 5 for the purposes of this NZICI report and therefore no progress is reported for the period.

Commitment 6: Our operations

Set operational emissions-reduction targets consistent with the goals of the Paris Agreement

Alongside supporting clients on their net zero journeys, we are committed to reducing the environmental impact of our own operations and making progress towards Isio's climate targets through emissions measurement, decarbonisation initiatives and employee engagement.

Targets

On 20 February 2024, we made public our long-term commitments as we progress towards net zero:

- an interim target of 40% reduction in calculated Scope 1, 2 and 3 emissions intensity (per £m revenue) by 2030 (from FY 2022 baseline) – demonstrating early progress in areas we can influence;
- a Net Zero target of 2045 - this requires that we decarbonise our emissions intensity (Scope 1, 2 and 3) as far as is practical (targeting 90% from baseline of FY 2022) before offsetting the residual emissions.

We continue to develop the details of our climate/sustainability strategy and will continue to provide updates in future reporting.

What we achieved during the year

- Delivered climate awareness sessions in partnership with Couch2Carbon Zero, covering a range of climate-related topics.
- Continued to support lower-carbon travel through promoting flexible working arrangements, facilitating and encouraging cycling through the Cycle2Work scheme, and prioritizing public transport usage, and a Green Car scheme, which facilitates staff access to full Electric Vehicles.
- Continued efforts to reduce paper consumption through increased use of digital documentation and workflows.
- Implemented and maintained a range of office efficiency measures, including energy-efficient equipment, motion-sensitive lighting and automatic power-down technology.
- Worked with external specialists to improve our understanding, measurement and reporting of Scope 3 emissions.
- Continued to enhance the data and processes supporting measurement of our operational emissions and progress against climate targets.

These actions form part of our broader approach to reducing operational emissions, improving sustainability data and embedding climate considerations across the business. Effective governance and external challenge remain important in ensuring these efforts are appropriately prioritised, measured and monitored over time.

Oversight and assurance

Oversight of Isio's operational sustainability strategy is provided by the Sustainability Action Group, led by Ed Wilson, Partner, and Charles Pringle, Sustainability Manager. Further supported by a network of regional Sustainability Champions implementing initiatives within our offices. The group is responsible for driving progress towards Isio's climate targets and broader sustainability objectives.

Recognising the importance of independent challenge and robust data, Isio works with an external sustainability consultant, Sustainable Advantage, to support the development of our climate strategy and the collection and verification of sustainability data, including emissions information used to inform target-setting and decision-making. While we do use high-quality offsets to maintain carbon neutrality since our inception and to address residual emissions where appropriate, our priority remains reducing emissions at source through ongoing decarbonisation efforts.

Our emissions

We measure and report Scope 1, Scope 2 and relevant Scope 3 greenhouse gas emissions to assess progress against our climate targets and identify opportunities to reduce our environmental footprint. Our operational emissions are reported below using Isio's financial year ending September 2025, which is the most recent data available during the NZICI reporting cycle.

10%

reduction in our
carbon intensity
over FY 2025



Metric	September 2025
Scope 1 emissions (tCO ₂ e)	0.2
Scope 2 emissions(tCO ₂ e)	74.9
Selected Scope 3 emissions (tCO ₂ e)*	33.6
Total location-based emissions (tCO ₂ e)	108.7
Emissions intensity per £m revenue	0.63

* These emissions reflect a sub-set of our Scope 3 emissions relating to business travel in rental cars or employee vehicles where we are responsible for purchasing the fuel. We are continuing to improve our assessment and measurement of wider Scope 3 emissions and look to report this in future years.

To learn more about how we are embedding sustainability across our business and progressing our net zero ambitions, please visit: [Sustainability - Isio](#).

Commitments 7-8: Engaging the wider system

Collaborate to address gaps in net zero methodologies and support harmonised approaches

We participate in industry initiatives and develop research and practical guidance to help clients navigate sustainable investment and the net zero transition.

We have identified, partnered and joined a number of industry initiatives and bodies which we believe drive improvements in specified areas that support the best interests of our clients and are aligned with their stewardship activities as well as promote continued functioning of financial markets. See below for the list and details of the initiatives and bodies to which we are members or signatories:



Since the inception of Isio in 2020, we have taken the opportunity to join a number of industry initiatives that we feel strongly about, and which support the best interests of our clients and their stewardship activities.

UN Principles of Responsible Investment (UNPRI) signatory

The UNPRI is a globally recognised body that sets out a best practice framework for responsible investment.

Being a signatory enables us to further develop our ESG approach via regular feedback from the UNPRI as well as to participate in collaborative initiatives held.



UK Stewardship Code signatory

We are a signatory to the UK Stewardship code, having displayed our alignment with the Code's 6 Principles for investment consultants.

This ensures that we have a strong stewardship framework in place and to continuously evolve our practices in this space.



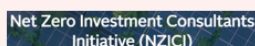
Investment Consultants Sustainability Working Group (ICSWG) member

The ICSWG brings together leading UK investment consulting firms with the aim of seeking to improve sustainable investment practices across the investment industry. We have led and participated in a number of ICSWG projects in order to drive industry best practice and improve consistency.



Net Zero Investment Consultants Initiative (NZICI) member

NZICI is a global collective of investment consultants committed to achieving Net Zero by 2050 or sooner. The associated commitments ensure that net zero considerations are integrated into our advice, business operations, and activities across the broader industry.



Taskforce on Nature-related Financial Disclosures (TNFD) observer

Whilst there's significant focus on climate change, an interlinked issue is our impact on nature and biodiversity. Being an observer of the TNFD working group ensures we feed into industry-leading thinking on nature and its importance to investors.



Investors for Purpose member

With a growing focus of our clients on impact investing, we are a member of Investors for Purpose to gain access to a wide range of impact investing information and to share our experiences with others via case studies, events and thought leadership papers. We are also supporters of the Impact Investing Principles.



Our involvement extends beyond membership of industry initiatives. We actively contribute to industry discussions, policy development and collaborative projects that seek to improve net zero implementation, climate-related investment practices and the quality of information available to investors. Examples of these activities and their outcomes are set out below.

Case study: Supporting the evolution of climate disclosure and transition planning

Through our participation in the Investment Consultants Sustainability Working Group (ICSWG), Isio contributed to industry discussions on climate-related reporting and transition planning. This included providing practical input to policymakers and regulators on how climate disclosures can better support investment decision-making and the transition to a net zero economy. Our focus was on helping ensure that reporting frameworks remain decision-useful, proportionate and focused on actions that improve real-world outcomes rather than disclosure for its own sake.



Case study: Developing industry understanding of climate innovation

As part of London Climate Action Week 2025, Isio co-hosted an event on climate innovation and the role of investment capital in supporting the transition to a net zero economy. The event explored practical opportunities for investors to support decarbonisation through climate solutions and included insights across: latest climate innovation development, top-down and bottom-up views on sustainable investments and thoughts from an asset owner who discussed the importance they place on the Paris Aligned Asset Owners initiative, even in the face of geopolitical headwinds.

By sharing research and market insights, Isio contributed to wider industry understanding of how investors can support real-world transition outcomes.



Commitment 9: Reporting

**Report progress against the NZICI commitments
at least annually**

This Progress Report is intended to provide a clear account of Isio's progress against each NZICI commitment for the 12 months ending 31 December 2025.

Priorities for the next reporting cycle

While we are encouraged by the progress made during the reporting period, we recognise that supporting the transition to a net zero economy requires continual development of our advice, research and reporting capabilities. Over the next year, we aim to:

- Strengthen outcome tracking from manager engagement and client implementation activities.
- Further develop climate analytics, scenario analysis and portfolio alignment assessments.
- Continue evolving climate target advice with an increased focus on real-economy transition outcomes.
- Expand the coverage, quality and consistency of sustainability-related data and reporting.
- Continue enhancing our approach to nature, climate resilience and wider systemic sustainability risks.
- Further reduce and monitor operational emissions, with particular focus on Scope 3 emissions.
- Continue contributing to industry initiatives, policy discussions and the development of market best practice.



Achieving a net zero future will require sustained action, collaboration and innovation across the investment industry. As a member of the Net Zero Investment Consultants Initiative, Isio remains committed to supporting clients on their net zero journeys.

We will continue to help investors understand climate-related risks and opportunities through our advice, research and engagement activities. We will also continue to work with clients, investment managers, policymakers and industry initiatives to support the transition to a more sustainable economy and contribute to positive long-term outcomes for clients, society and the wider environment.

isio.



Cadi Thomas

Head of Sustainable Investment
+44 (0)117 3746 467
cadi.thomas@isio.com



Ajith Nair

Head of Research
+44 (0)207 1236 003
ajith.nair@isio.com



Iona Young

Deputy Head of Sustainable Investment
+44 (0)208 154 5049
iona.young@isio.com

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