



# Guide for assessing climate competency of investment consultants

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INVESTMENT  
CONSULTANTS  
SUSTAINABILITY  
WORKING  
GROUP

# Overview



## What is the Guide?

The Guide sets out five themes against which asset owners should expect their investment consultants to demonstrate their climate competency. Examples of typical and leading indicators are included against each theme to help judge competency.

The original version of this document was established in 2021, at a time when the understanding of good practice was moving quickly and some indicators were intended to be stretching, with the aim of quickly raising investment consultants' standards.

In this updated version, several aspects that were previously aspirational are now generally considered a core part of investment consultants' offerings. The updated leading indicators aim to better reflect investment consultants' important roles in supporting asset owners in keeping abreast of the evolving landscape and the complex interplay of climate competency with related environmental/natural and social factors. Whilst the Guide remains focussed on climate, leading indicators reflect the understanding that overall sustainability competency has a wider definition (including broader environmental/natural and social factors).

The Guide identifies the following five themes:

1. Firmwide climate expertise and commitment
2. Individual consultant climate expertise
3. Tools and software
4. Thought leadership and policy advocacy
5. Assessment of investment managers and engagement with them

As with assessing asset managers, trustees can ask their investment consultants for evidence to support their reported competencies. Under each theme we provide examples of indicators that could be used, however it is important to note that these are **neither exhaustive nor listed in a specific priority order**.

# Overview (cont.)



## **How can the Guide be used?**

Asset owners can test the depth of application and integration of these climate competencies in the services they receive from their investment consultants. The Guide envisages a proportionate approach based on materiality. Materiality will be different for each asset owner, influenced by factors such as size, specific strategic and time horizon. For example, we would envisage a relatively more in-depth assessment by a large endowment fund, compared to a lighter-touch assessment by a well-funded pension scheme preparing for buy out in the short term.

For the avoidance of doubt, this framework is intended to be applicable to different service operating models (e.g. fiduciary managers and in-house teams that support asset owners with their investment related decision making) and could be used to inform any objectives set for the investment consultant. It is also noted that the themes identified are relevant to other types of advisers and could be a useful starting point in broader assessments, albeit with the indicators being tailored differently to the particular services provided.

## **Ongoing review**

This Guide has been prepared by the Investment Consultants Sustainability Working Group (ICSWG), with helpful input from independent parties including The Pensions Regulator, Pensions UK and the Trustee Sustainability Working Group (TSWG). Going forward, the TSWG expects to take a more active role in the periodic review and update of the Guide, to reflect evolving best practice.

# Theme 1: Firmwide climate expertise and commitment



## Examples of typical indicators

- Clear governance structure to ensure appropriate oversight of climate-related factors into client services.
- Assigned senior business leadership responsibility for the oversight of climate-related issues.
- Articulate the firm's climate-related beliefs clearly.
- Drive knowledge and education (e.g. with staff, clients or industry).
- Publicly available firmwide response to managing climate-related risks and opportunities and stewarding an orderly transition.
- Report regularly on firmwide progress against any targets set and climate initiatives undertaken (e.g. produce an annual sustainability report).
- Specialists with depth of climate expertise.
- Signatory to PRI and the UK Stewardship Code 2026 (and any subsequent updates).
- Inclusion of climate-related issues in client communications (e.g. updates on climate policy developments or the interplay between climate, social and broader environmental/natural factors like biodiversity).

## Examples of leading indicators

- Performance assessment of the firm's consultants and senior leaders is aligned with helping clients achieve their climate-related objectives.
- Internal expertise provides proactive guidance and challenge to wider firm.
- Signatory of (or affiliated to) other climate-related initiatives (e.g. the IIGCC).
- Produce thought pieces as market trends and emerging best practice continue to evolve.
- Demonstrate support for collective action – across client base and/or industry where appropriate.
- Supporting the development of industry knowledge and best practice (e.g. improved modelling of climate related impacts and better understanding of the interaction with wider environmental/natural factors like biodiversity).

# Theme 2: Individual consultant climate expertise



## Examples of typical indicators

- All investment consultant colleagues receive regular and appropriate climate-specific training by internal and/or external experts to ensure an understanding of the systemic nature of climate risk and the key issues relating to climate risks and opportunities.
- Seek to understand client needs and views on climate change, and where relevant educate clients on climate-related risks and opportunities, as appropriate to their investments.
- Able to effectively identify and assess climate-related risks and opportunities across all asset classes.
- A working understanding of the different components of climate related risk and opportunities e.g. physical, transition, etc, with uncertain sequencing and severity, including the interconnected nature of climate with broader environmental/natural and social risks.
- A working understanding of how to apply and disclose against the requirements of the latest climate-related regulation or recommendations of industrywide bodies, as required.
- Actively raise the relevance and materiality of climate change e.g. the financial impact on economies and therefore risk-adjusted returns in the short, medium and long term. Keep abreast of and meet regulatory expectations including climate related reporting as required, both in relation to the consultant's firm and their clients.
- Help clients shape their voting, stewardship and engagement policy to include climate-related stewardship.
- Help clients set climate-related policy frameworks that support effective investment decision making and meaningful action.
- Help clients integrate climate-related considerations across all asset classes and a range of plausible climate scenarios.
- Provide practical recommendations on implementing strategies which reduce climate-related risk, capitalise on potential opportunities and/or to better steward an orderly transition.

## Examples of leading indicators

- Demonstrable track record of helping clients:
  - develop climate-related targets (such as Paris alignment, decarbonisation and other targets) where this is not a regulatory requirement.
  - encourage measurement and reporting of real-world impacts (e.g. SDG, Paris alignment or quantitative improvements recorded).
  - think holistically about the interplay of climate with broader environmental/natural and/or social impacts.
  - assess the materiality of their decisions in respect of climate risk and opportunity management.
  - consider the systemic nature of these risks.
  - show support for systems change, e.g. section 172 of the UK Companies Act (2006) where businesses should work for the benefit of all stakeholders, aligning people, planet and profit in terms of climate risks and opportunities, within their strategy, and offer transparency of such in reporting.
  - establish and track progress against a formal Transition Plan.
  - test existing world views and approaches to managing climate-related risk and opportunity.

# Theme 3: Tools and software



## Examples of typical indicators

- Provide access to and support the sourcing of a wide range of climate metrics for investments, (e.g. carbon intensity, emissions, alignment with 2015 Paris climate agreement and exposure to 'green' revenues).
- Help clients collect, monitor and interpret climate-related metrics.
- Use tools such as [PACTA](#) or [PRA stress test data](#) (for example) to help clients assess climate risk.
- Explain the rationale for selection of any data providers used.
- Help clients set and monitor appropriate climate-related targets.
- Capability to conduct scenario analysis to help clients understand how climate change might affect investment returns and value at risk over the short, medium, and long-term.
- Consideration of a suitably wide range of scenarios (e.g. orderly, disorderly and failed transition) with their potentially associated direct transition, physical and systemic risks.
- Help clients understand risk of overreliance on quantitative data over qualitative consideration of complex, interrelated impacts.

## Examples of leading indicators

- Where relevant, help clients consider real-world impacts of their investment choices on climate change and how these could be measured.
- Facilitate qualitative scenario analysis and demonstrate capability to consider a wide range of climate-related scenarios in providing investment advice.
- Work with data providers to improve the range, nature or quality of data available.
- Support more holistic consideration, measuring and monitoring of broader environmental/natural and/or social factors alongside more narrowly defined climate-related factors.

# Theme 4: Thought leadership and policy advocacy



## Examples of typical indicators

- Encourage better standards of management of climate-related risks (e.g. through positive contributions to public consultations on guidance/regulation of climate-related risks for asset owners).
- Supportive of public policy initiatives on climate change.
- Collaboration as part of climate industry groups.
- Contribute to industry education.

## Examples of leading indicators

- Engage with regulators and policy makers on latest climate-related policies for asset owners, as industry practice and regulation evolves.
- Engage with climate model and reference scenario developers to refine methodologies and establish industry best practice.
- Contribute meaningfully to the broader understanding of systems change and system decarbonisation (e.g. supporting better alignment to emissions reduction pathways in client base).
- Facilitate industry initiatives and demonstrate general advocacy on specific topics driving real-world improvements on climate change.
- Active monitoring of and thought leadership on related topics and potential real-world implications for portfolios (e.g. nature-related financial risks such as biodiversity loss).
- Engaging with regulators and asset managers to help create more investible opportunities.

# Theme 5: Assessment of investment managers and engagement with them



## Examples of typical indicators

- Engage with managers about their climate practices (e.g. integration into investment decisions, voting and engagement) and encourage improvement in managers' climate competencies including on stewardship. Set expectations on good practice.
- Provide assessment of managers' firmwide and fund specific approaches to climate change risk and opportunity management, including (for example) through both asset allocation and stewardship.
- Disclose overview of relevant methodologies and frameworks used for assessing managers' approaches to managing climate-related risks and opportunities.
- Integrate managers' approaches to managing climate-related risks and opportunities into the consultant's ratings of managers.
- Fully integrate climate factors into selection and monitoring (subject to client requirements) and be prepared to exclude or remove strategies from recommendations based on sustainability criteria.
- Encourage investment managers to become signatories to the UK Stewardship Code 2026 or equivalent (as amended).

## Examples of leading indicators

- Draw out the distinction between funds seeking enhanced disclosures through their stewardship efforts vs those seeking real-world change and make an assessment of the quality of the engagements.
- Provide a range of manager options to meet different client-specific climate objectives or preferences (e.g. Paris aligned, GHG metric improvement, level of engagement or impact).
- Challenge managers to take a more active role in engaging investee firms.
- Encourage managers to explicitly incorporate broader relevant environmental/natural and/or social considerations alongside climate considerations (e.g. biodiversity loss, supporting a just transition).



## **Disclaimer**

This document has been prepared by the Investment Consultants Sustainability Working Group (ICSWG) as a resource for asset owners, investment consultants and other practitioners. It does not constitute legal or investment advice. Asset owners should consult with their investment consultant and/or legal advisers to ensure compliance with all applicable laws and regulations.

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This document was last updated in March 2026.

## **About the ICSWG**

The ICSWG is a group of UK investment consultancy firms focused on building consistency, enhancing standards, and supporting practical approaches to sustainable investment practices, on behalf of asset owners and the investment industry. The ICSWG also engages with regulators, policymakers, and others to represent the views of investment consultants.

For more information about the ICSWG, its Terms of Reference and its current membership, please refer to the ICSWG website which can be found at [www.icswg-uk.org](http://www.icswg-uk.org).