

BUILDING A NET ZERO FRAMEWORK FOR FUNDS

12 November 2021 | Insight
Guides

A joint publication from ISS ESG & Herbert Smith Freehills

With COP26 highlighting the complex challenges and investment opportunities related to achieving Net Zero, a new report, [Building A Net Zero Framework For Funds](#), combines ISS ESG's in-depth expertise in climate modeling, scenario analysis, data mining, data management and thematic collaborative engagement with Herbert Smith Freehills' legal and procedural knowhow with regard to ESG expertise and regulatory capabilities, to support fund managers in tackling this multi-faceted topic.

A multitude of Net Zero strategies are available for each type of player in the financial services industry. While it has become increasingly clear what a Net Zero fund will need to achieve, there is much less clarity on how the fund managers can reach this goal, including the procedural steps and organizational requirements that are essential to transform any climate ambition into real action.

The new report is focused on fund-level Net Zero implementation driven by asset managers (as opposed to asset owners). It provides a detailed examination of the implications of the [Paris Aligned Investment Initiative \(PAII\)](#)'s [Net Zero Investment \(NZI\) Framework](#) for fund management policies, governance and management systems. Framed around the four process criteria established by the [Race to Zero campaign](#) for Net Zero strategies, the report looks at how fund managers can set appropriate Net Zero targets, design a suitable Net Zero strategy on the basis of these targets, implement the strategy in the fund's governance and daily administration, and finally, disclose and report on the strategy and its achievement.

The report acknowledges that at present and with uncertainties around the Net Zero trajectories of many listed companies, there is no established transition pathway to Net Zero for the majority of corporations.

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