

# NZIF guidance for externally managed funds

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# Executive summary

The Net Zero Investment Framework (NZIF) supports investors to develop their own individual net zero targets, strategies and transition plans. NZIF 2.0, published in 2024, extended coverage to all major asset classes typically found in institutional portfolios.

This guide is an addendum to NZIF 2.0 and supports investors who have delegated or otherwise lack discretionary decision making over asset selection, management, or engagement. It supports when asset-level levers are unavailable, impractical, or less effective. It addresses specific challenges they might encounter (e.g. limited influence, resource constraints, and/or inconsistent data across externally managed funds).

Its guidance provides a multi-criteria maturity scale, enabling allocators to evaluate the alignment of externally managed funds with their own net zero objectives and prioritise engagement or selection strategies accordingly. Six high-level backward, current, and forward-looking criteria are identified (see [page 8](#) for full details):

- **Ambition:** The fund can articulate climate objectives representing the broad manner and extent it is seeking to identify and manage material climate-related financial risks and opportunities.<sup>1</sup>
- **Governance:** The fund can demonstrate it has the structures, policies, processes, and resources to pursue its climate objectives.
- **Target(s):** The fund can articulate short-medium term target(s) for improving its climate performance, if relevant.<sup>2</sup>
- **Decarbonisation plan:** The fund can articulate a clear plan for achieving climate objectives and/or targets.<sup>3,4</sup>

- **Disclosure:** The fund is measuring and disclosing progress and actions taken to implement its decarbonisation plan and meet its target(s).<sup>5</sup>
- **Climate performance:** The fund is on track to meet targets, or the funds' absolute or emissions intensity is at least equal to a net zero pathway.

As a guide, it has no requirements. It is at the discretion of the investor to determine which funds are in-scope, the ambition of any fund-level alignment or engagement targets set, the indicators used to operationalise recommended criteria, and actions undertaken to improve the alignment of externally managed funds. The focus is the alignment of externally managed funds and not the entity managing them.

By promoting consistent expectations and information exchange, this guidance aims to reduce transaction costs, enhance accountability, and accelerate adoption of net zero practices. Together, NZIF 2.0 and this addendum provide a practical roadmap for managing material climate-related risks and opportunities in the economic interests of their clients and beneficiaries while also contributing to global decarbonisation.

# The Net Zero Investment Framework

NZIF 2.0 outlines the key components that an investor – when managing material climate-related financial risks and opportunities – can consider in the construction of a net zero strategy and transition plan. NZIF focuses on two key objectives:

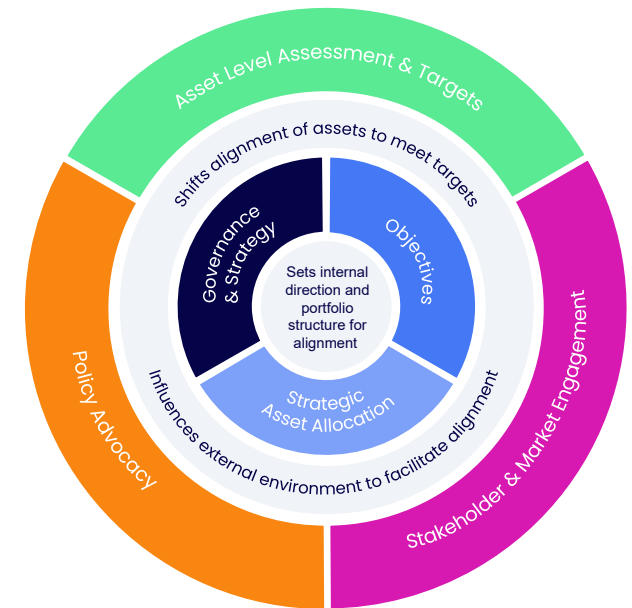
- Transitioning investment portfolios in a way that is consistent with the mitigation goals of the Paris Agreement, focusing on real economy decarbonisation.
- Increasing investment in the range of climate solutions to enable the transition.

The framework recognises that investors have a range of levers at their disposal, although many are indirect and their impacts not easily attributable to the specific actions of a single investor. These levers will have various levels of efficacy depending on the context. NZIF provides a suite of options for different types of investors, with different strategies, to manage material climate-related risks and opportunities in the economic interests of their clients and beneficiaries.

NZIF is designed to guide investors to consider and develop their own individual net zero strategies, targets, and transition plans (the latter is seen as equivalent to other terms such as ‘Investor Climate Action Plans’).

It is a guide, not a prescriptive protocol nor a standard. Additionally, it is not a reporting framework, thus the term “disclose” should be understood to refer to ‘relevant stakeholders’ and not ‘general public disclosure’. Investors should use it within the context of their own strategies, agendas, starting points, fiduciary duties, client mandates and regulatory considerations from which and with which they make their own unilateral decisions regarding the ways and means with which they will set and reach their own net zero goals.

## The NZIF wheel



# About this guide

## How it was developed

This guide has been developed in response to investor feedback<sup>6</sup> and NZIF's principle to be an iterative 'living document' based on implementation experience. This guide has been informed by meetings and working group discussions with investors and investment consultants across North America, Europe, Asia, and Oceania. It has integrated views received when appropriate but does not represent the views of all stakeholders, either individually or collectively.

This document has been produced under the aegis of the Paris Aligned Investment Initiative (PAII). PAII is delivered by four investor networks (IIGCC, AIGCC, Ceres, and IGCC), supporting investors globally to implement the Net Zero Investment Framework 2.0 (NZIF 2.0) in their individual contexts. The PAII follows five key principles to guide its work, and to assess methodologies and test conclusions.

- **Impact:** Maximise efforts to reduce real economy emissions, through unilateral and independent individual decision-making within the context of fiduciary duties owed to clients and beneficiaries.
- **Rigour:** Alignment based on sound evidence and data, and consistent with best available climate science.
- **Practicality:** Feasible for investors to implement, build on existing work, and be compatible with existing processes.
- **Accessibility:** Definitions, methodologies, and strategies should be clear and easily applied.
- **Accountability:** The framework should allow clients and stakeholders to assess portfolio/fund alignment.

## Who should use it

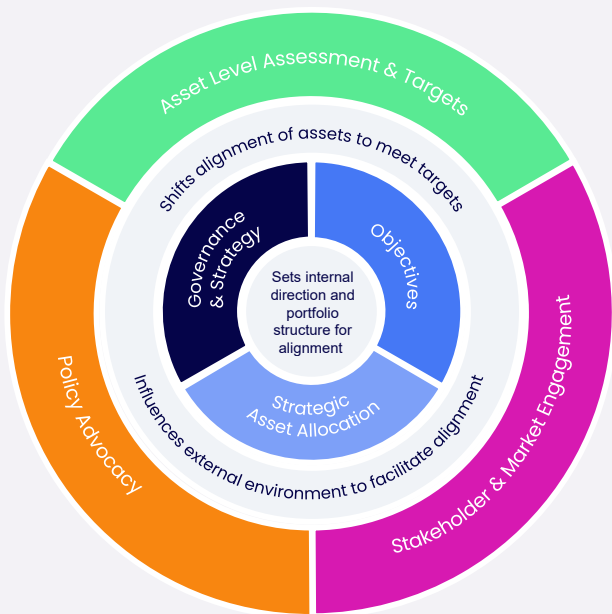
This guide is designed to support those who allocate some or all their capital to externally managed funds rather than managing assets directly. It is particularly relevant where the asset-level levers outlined in the Net Zero Investment Framework (NZIF) are unavailable, impractical, or less effective. The guidance supports investors who have delegated or otherwise lack discretionary decision making over asset selection, management,<sup>7</sup> or engagement. It is also intended for those facing constraints such as limited resources, insufficient disclosure, or inconsistent data across funds.<sup>8</sup>

It could feasibly be used to complement efforts by investors with discretionary decision-making when directly managing funds, such as communicating their products and services. However, it is not intended nor recommended for investors with these discretionary decision-making powers to substitute this guidance for the asset-level guidance outlined within NZIF 2.0.

## How it supports investors

This guide adds an additional section to the NZIF structure, entitled: “Fund Alignment”. It is an integral extension to NZIF, and its guidance contained across the NZIF wheel. This includes important principles such as maximising contributions to real economy decarbonisation and allowing flexible adoption relative to the context in which investors operate.

Intended to be used by allocators, it can either complement or substitute for NZIF’s asset-level guidance, depending on the context. This fund level guidance is generic across asset classes. Its foundation is NZIF’s multi-criteria maturity scale, providing a framework of alignment criteria and categories as a common basis to assess and improve the alignment of funds (relative to an allocators’ net zero objectives). It is recommended to be implemented in addition to the portfolio and entity level guidance outlined in the NZIF 2.0 document (see figure below).



<b>Governance &amp; Strategy</b>	Sets ambition towards global net zero emissions and provide direction and basis for action.
<b>Objectives</b>	Defines anticipated progress in emissions reduction and increasing investment in climate solutions
<b>Strategic Asset Allocation</b>	Defines asset allocation to support an individual investor to achieve net zero alignment goals alongside risk/return objectives.
<b>Fund Alignment</b>	Encourages real economy emission reductions by aligning investments through fund selection and engagement.
<b>Asset Alignment</b>	Encourages real economy emission reductions by aligning investments through asset selection, management (of real assets), and engagement.
<b>Policy Advocacy</b>	Encourages policy environment to support decarbonisation and climate solutions, increasing ability to implement a net zero strategy.
<b>Stakeholder &amp; Market Engagement</b>	Encourages the availability of data, mandates, and investment advice necessary to implement a net zero strategy.

# Fund-level alignment criteria

This guide identifies six high-level backward, current, and forward-looking criteria that investors may wish to consider when determining the alignment of each externally managed fund.

Criteria and description for externally managed funds	Rationale for clients with climate goals	Underlying concept
<b>Ambition:</b> The fund can articulate climate objectives representing the broad manner and extent it is seeking to identify and manage material climate-related financial risks and opportunities. <sup>9</sup>	If climate-related financial risks and opportunities are material, then the fund is recommended to articulate how these will be managed appropriately.	Materiality
<b>Governance:</b> The fund can demonstrate it has the structures, policies, processes, and resources to pursue its climate objectives.	If risks and opportunities are material, then it is recommended that the fund's governance is sufficient and relevant for their management.	Accountability
<b>Target(s):</b> The fund can articulate short-medium term target(s) for improving its climate performance, if relevant. <sup>10</sup>	Expected short-medium term progress is recommended to be articulated via targets, when relevant and expected to support the management of material risks and opportunities, with any limitations and dependencies articulated. <sup>11</sup>	Intentionality
<b>Decarbonisation plan:</b> The fund can articulate a clear plan for achieving climate objectives and/or targets. <sup>12,13</sup>	Decarbonisation efforts are recommended to be underpinned by a plan detailing any investment and/or stewardship approaches to be used, as well as any associated limitations and dependencies when relevant.	Contribution
<b>Disclosure:</b> The fund is measuring and disclosing progress and actions taken to implement its decarbonisation plan and meet its target(s). <sup>14</sup>	Any progress claimed is recommended to be demonstrable through adequate and relevant disclosures (including links to actions undertaken).	Transparency
<b>Climate performance:</b> The fund is on track to meet targets, or the funds' absolute or emissions intensity is at least equal to a net zero pathway.	Effective management of material financial risks and opportunities should result in sufficient performance, such as progress against targets.	Achievement

Determining whether these criteria have been successfully implemented depends on the preferences and needs of the allocator. It is not the intention of this guidance to imply any preference for formal or informal implementation.<sup>15</sup>

References within the criteria of this guidance to ‘managing material climate-related financial risks and opportunities’ should be interpreted with NZIF’s recommendation to maximise practical contributions towards real economy emission reductions.

## Client net zero objectives

The criteria outlined above offer a foundational approach for allocators to evaluate the alignment of externally managed funds with respect to their net zero goals. They are designed to help asset allocators assess whether a fund is likely contributing meaningfully to their own internal net zero objectives. Recognising that allocators have varied climate strategies and goals, the indicators are deliberately not prescribed. This flexibility allows allocators to apply indicators and select data sources that reflect their specific fiduciary duties, mandates and priorities. This includes the nature of the fund and the role and contribution it is expecting to make to the allocator’s net zero objectives. Wherever possible, assessments of fund alignment should be based on formal fund documentation to ensure consistency, transparency and accountability – rather than relying on informal or ad hoc communication.

## Alignment not financed emissions

Consistent with NZIF 2.0, this guide does not promote the use of financed emissions within portfolio optimisation, investment decision making, or as a target setting tool to reduce financed emissions through year-on-year reductions.<sup>16</sup> Instead, the target setting methodology promoted within this guide emphasises the use of backwards, current, and forward-looking considerations within a multi-criteria maturity scale.

## Real economy decarbonisation

NZIF guides investors in the management of their own individual portfolios. In doing so, it recommends investors use the levers at their disposal to support real economy emissions reductions to the maximum practical extent possible. It is considered that only through the reduction of GHG emissions in the real economy that the systemic financial risks posed by climate change can be mitigated. References within the criteria of this guidance to ‘managing material climate-related financial risks and opportunities’ should be interpreted with this recommendation in mind.

## Maximising practical contributions

The term “practical contributions” is used to recognise that investors ultimately lack complete agency over real economy emission reductions. As per NZIF 2.0, it is recognised that action by other stakeholders (e.g. governments) is crucial for the global economy to reach net zero emissions and that progress towards reducing real-economy emissions could be inhibited, such as by:

- The requirement to appropriately manage differing legal obligations and differing legal and regulatory environments.
- Available, reasonable, and supportable information without undue cost or uncertainty.
- Internal skills, operational and investment capabilities, and resources.
- Available methodologies and scenarios.
- The absence of policies that create an enabling environment.

Investors using this guidance must establish for themselves the maximum practical contributions that they can make on a case-by-case basis.

## **Facilitating information exchange**

It is recognised that both allocators and investment managers may benefit from consistency regarding expectations and information requirements. This guide and its fund-level criteria can support this process by highlighting areas of focus, leading to standardisation in the market and potentially reducing transaction costs and uncertainty of expectations.

## **Fund level alignment**

This methodology supports investors to assess the extent to which their own capital is being managed in accordance with alignment criteria, via specific funds to which they have made allocations.

For instance, it concerns itself with the stewardship plan that a specific fund uses as part of efforts to manage material climate-related financial risks and opportunities. However, it does not concern itself with entity level approaches to stewardship if these do not apply to the specific fund to which an investor has allocated capital. In summary, how other investors' capital is managed is not the focus of this addendum.<sup>17</sup>

# Fund level alignment methodology



## Core action points

The following actions are recommended for allocators using the framework and considers them as core:

- Set the scope for applying this methodology to externally managed funds across asset classes.
- Assess and disclose the baseline alignment of externally managed funds in scope, using the specified criteria with self-selected indicators.
- Set and disclose targets to improve alignment of externally managed funds.<sup>18</sup>
- Develop an implementation strategy and plan to improve alignment of externally managed funds over time (see section “Implementation guidance” for full details).<sup>19</sup>

## Advanced action points

The following advanced actions are recommended for allocators. These may initially be difficult when beginning to implement this guidance (when attention is likely to be placed on implementing core action points), but would likely prove beneficial over the long term:

- Incorporate expectations on the management of material climate-related financial risks and opportunities into Investment Management Agreements (IMA) and/or other relevant documents where feasible and appropriate.

- Disclose the science-based scenario(s) or pathway(s) used to guide target setting and assess the alignment of externally managed funds, including how scenarios meet key parameters, and critical assumptions used.
- Disclose why any AUM are not in scope of fund level targets, including any process, progress, and timeline for inclusion.
- Disclose alignment of funds and assets within funds, including those not in scope on a best effort basis.
- Disclose indicators used to assess and track alignment of funds, and the extent to which these are consistent with NZIF’s target setting methodology.
- Disclose fund selection and engagement approaches and actions implemented as part of efforts to manage the alignment of externally managed funds.

## Scope

- The guidance contained here is intended to be usable across asset classes, facilitating aggregation. Investors can determine the extent to which they apply it in support of the management of their individual portfolios, both immediately and over time.
- The guidance contained here is intended to be usable across fund types (e.g. segregated mandates and pooled funds).

## Determining in-scope funds

Allocators may wish to consider how the following factors – as well as others – influence how they determine which externally managed funds are in-scope of this guidance (including how these considerations might affect their speed of progression against the alignment criteria outlined in this guide):

- Materiality of climate-related financial risks and opportunities to the externally managed fund.
- Relative size of their allocation to the total capital managed by the externally managed fund.
- Relative size or reputation of the allocator.
- Extent and manner that management of material climate-related financial risks and opportunities is already addressed within fund prospectus material.
- Total number of clients being served by the externally managed fund, including whether the fund is a segregated or pooled account.
- The asset classes and liquidity of investments in which the fund invests.
- The role of the fund in contributing to the allocators' net zero strategy.
- The ability of the asset manager to collaborate with the allocator on alternative strategies.

## Determining out-of-scope funds

This guide is asset class neutral to support allocators to integrate externally managed funds into scope of their net zero targets. However, deciding which funds are in scope is at the discretion of the allocator. It is recognised that many considerations influence decisions regarding allocations to externally managed funds. Consequently, for allocators not all funds will necessarily be in scope and there is no requirement for net zero targets to include all externally managed funds.

### Segregated mandates versus pooled funds

This guide is agnostic as to whether allocators use segregated mandates or allocate towards funds with multiple clients (pooled vehicles). Investors may likely find segregated mandates provide more influence and communication over the investment process; as the investment management agreement can be tailored to the allocator's own beliefs, approaches, and climate objectives. However, it is also recognised that segregated mandates may be unsuitable for other allocators which need to rely upon multi-client funds and the support of investment consultants.

Allocators will need to consider how the structure of the funds to which they have made allocations may influence their own targets as set out in the core recommended action points of this guide. Allocators also may wish to consider how fund structures will affect the achievement of any targets they set and consequently progress made towards their own individual climate goals.

## Fund-level alignment target setting

- Fund alignment target: An increase in the %AUM in externally managed funds that are at least 'aligning' over a predefined time period.<sup>20 21</sup>
- Fund engagement threshold target: A minimum threshold of %AUM or financed emissions from externally managed funds assessed as either 'achieving net zero', 'aligned' or are subject to engagement.

### Minimum expectations within target setting methodology

The fund alignment target language above purposefully uses 'aligning' as the minimum expectation, rather than 'aligned' or 'achieving net zero.' This represents the idea that allocators can contribute practically to real economy emission reductions by selecting and engaging with their external fund managers on their managers' fund-level net zero ambition, governance, targets, and decarbonisation plans (along with relevant disclosures) to manage material climate-related financial risks and opportunities.

### Achieving alignment targets is not a requirement

Allocators using this guidance are recommended to maximise practical contributions towards meeting their own targets and should adopt an implement or explain approach (to relevant stakeholders) regarding the extent to which they are sufficiently progressing (see '[Core action points](#)' of this guide).

Achieving the fund alignment and fund engagement targets outlined above is not a requirement of this guidance as this document is designed to guide investors in the management of their individual portfolios, it is not an initiative or commitment. For the same reason it purposefully does not provide minimum progress expectations as investors will have different starting points, and progress may take time and is unlikely to be linear.

Finally, it is recognised that an allocator's performance against the fund alignment and fund engagement targets may fluctuate as the management of material climate-related financial risks and opportunities is one of many considerations in the selection and continued use of externally managed funds.

## Fund level multi-criteria maturity scale

The table below indicates where and how each criterion identified on [page 8](#) contributes to determining the alignment category of externally managed funds.<sup>22</sup> Starting at the bottom of the table, each proceeding alignment category is designed to build upon the preceding category. Users should choose indicators reflecting their own beliefs and circumstances and references to 'managing material climate-related financial risks and opportunities' are recommended to be interpreted with NZIF's recommendation to maximise practical contributions towards real economy emission reductions.

Investors may adapt this guide to meet their own investment beliefs and circumstances. For instance, if an allocator believes that the climate performance criterion has been fulfilled, then they have the discretion to decide if preceding alignment criteria also need to be fulfilled for the 'aligned' category to be assigned.

Criteria	Committed to aligning	Aligning	Aligned	Achieving net zero
Fund has climate performance required for 2050 and whose approach will maintain this performance. <sup>23</sup>				✓
<b>Climate performance:</b> The fund is on track to meet targets, or the funds' absolute or emissions intensity is at least equal to a net zero pathway.			✓	✓
<b>Disclosure:</b> The fund is measuring and disclosing progress and actions taken to implement its decarbonisation plan and meet any target(s). <sup>24</sup>		✓	✓	✓
<b>Decarbonisation plan:</b> The fund can articulate a clear plan for achieving climate objectives and/or targets. <sup>25, 26</sup>		✓	✓	✓
<b>Target(s):</b> The fund can articulate short-medium term target(s) for improving its climate performance, if relevant. <sup>27</sup>		✓	✓	✓
<b>Governance:</b> The fund can demonstrate it has the structures, policies, processes, and resources to pursue its climate objectives.	✓	✓	✓	✓
<b>Ambition:</b> The fund can articulate climate objectives representing the broad manner and extent it is seeking to identify and manage material climate-related financial risks and opportunities. <sup>28</sup>	✓	✓	✓	✓

## Implementation guidance

The following approaches are examples that allocators may wish to consider when undertaking efforts to improve the extent to which externally managed funds are likely to be making adequate contributions towards their own net zero objectives.

The following approaches are focused at the fund level. It is noted that some activities may be situated at the entity level, including stewardship and policy advocacy. While allocators may consider the alignment of these entity level activities with their own objectives, this guidance explores these activities only insofar as they impact on the fund level.<sup>29</sup>

## Fund selection

The following approaches refer to the selection of externally managed funds. They are presented agnostically regarding their efficacy and relevance, which will depend on the context an individual investor operates within.

- Assess potential externally managed funds against fund-level multi-criteria maturity scale.
- Consider the alignment category of potential externally managed funds against any fund-level 'alignment' and 'engagement threshold' targets set.
- Assess alignment of assets within externally managed funds, and the extent to which these are consistent with asset-level multi-criteria maturity scale.

- Consider allocation to funds which are credibly managing climate-related financial risks and opportunities according to fund-level multi-criteria maturity scale.
- Consider specialist products/funds (alignment/use of proceeds/climate solutions focused), that are consistent with regulatory labels when available.
- Integrate, where appropriate, performance expectations regarding fund-level multi-criteria maturity scale into fund prospectus, mandate agreements, and other legal documents; including provisions related to stewardship including the delegation of climate-related engagement activities of managers, EFM oversight, and reporting expectations.
- Balance the need for action with an understanding of the limits to investor action and anticipated uptake across developed and emerging markets.<sup>30</sup>

## Fund engagement

The following approaches refer to the engagement of externally managed funds. The term "engage" is used with respect to portfolio managers of existing externally managed funds and "advocate" is used with respect to prospective portfolio managers. They are presented agnostically regarding their efficacy and relevance, which will depend on the context an individual investor operates within.

- Assess relevant externally managed funds against fund-level multi-criteria maturity scale.

- Engage with portfolio managers of externally managed funds to make clear your own net zero objectives and targets, and how consideration of these will impact your asset allocation and fund selection decisions going forward.
- Engage with portfolio managers of externally managed funds to advocate that relevant funds are managed in line with net zero according to the fund-level multi-criteria maturity scale.
- Engage for disclosure of reasons for any assets not under coverage of fund level targets, including the process, progress, and timeline for inclusion.
- Engage on performance expectations regarding fund-level multi-criteria maturity scale and implications for investment performance".
- Engage on the integration of performance expectations regarding fund-level multi-criteria maturity scale into fund prospectus, mandate agreements, and other legal documents when relevant and appropriate.<sup>31</sup>
- Engage for disclosure of actions (in relation to investment policy and stewardship) undertaken as part of the fund-level decarbonisation plan to achieve net zero targets, and any key outcomes achieved.
- Engage for disclosure of utilisation of screening or exclusions, the rationale, and the extent to which this has been the means to achieve targets.
- Engage on the science-based scenario(s) or pathway(s) used by the external fund manager to guide their net zero efforts, including how scenarios meet key parameters, critical assumptions used and expected interactions with / impact on investment performance.

- Advocate publicly for investment industry to manage funds in line with net zero according to the fund-level multi-criteria maturity scale.
- Advocate publicly for investment industry to disclose information and methodology details necessary for fund-level assessment according to the multi-criteria maturity scale.
- Advocate publicly for investment industry to disclose information and methodology details to assess and track alignment of assets within externally managed funds, and the extent to which these are consistent with asset-level assessment according to the multi-criteria maturity scale.

## Endnotes

- 1 This articulation could be supported by the use of the 'Portfolio Decarbonisation Reference Objective' and/or the 'Allocations to Climate Solutions Objective' outlined within NZIF 2.0.
- 2 As per NZIF guidance, targets should be preferably set using its alignment and climate solutions methodology. However, but it could also be an emissions reduction target such as those used funds tracking 'Paris-aligned' and 'Climate transition' benchmarks.
- 3 Reference to "decarbonisation" here could refer to either emissions reduction, increase in asset alignment, or increases in climate solutions investment.
- 4 It is recommended that decarbonisation plans can articulate how fund-level targets are to be achieved. However, it is recognised that targets will not be a component of every fund's effort to manage material climate-related financial risks and opportunities. Consequently, it is not considered a requirement that decarbonisation plans achieve a fund-level target. Furthermore, it could be the case that entity-level targets can be used, depending on the preferences of the allocator.
- 5 Disclosure is used here with reference to the externally managed fund disclosing to the allocator.
- 6 This guide has been developed based on a series of individual and collecting meetings with investors, investment consultants, and wealth managers.
- 7 Management here refers to the management of real assets, whether real estate or infrastructure.
- 8 The issue of data scarcity and heterogeneity particularly affects investors implementing fund-of-fund approaches, which are an intended audience for this guide.
- 9 See Endnote 1.
- 10 See Endnote 2.
- 11 Reference here to 'targets' should not be construed as necessarily being 'public commitments' that must be achieved. NZIF recognises that short term progress could be inhibited by many reasons such as: legal obligations, fiduciary duties, and client mandates; available, reasonable, and supportable information without undue cost or uncertainty; internal skills, capabilities, and resources; available methodologies and scenarios; government policies that create an enabling environment; the importance of real economy emission reductions over paper decarbonisation; and finally that the alignment categorisation of underlying assets may fluctuate for various reasons (e.g. changes in economic denominators).
- 12 See Endnote 3.
- 13 See Endnote 4.
- 14 See Endnote 5.
- 15 Formal implementation could refer to integration within IMA or fund prospectus material, informal implementation could refer to non-binding communications between allocator and external fund manager.
- 16 For more information on this position please see NZIF 2.0.
- 17 It is recognised that to varying degrees the way in which funds are managed can be determined or influenced by entity wide structures, processes, policies, and practices. It is also recognised that these can be a concern for allocators, in particular systems stewardship components of net zero strategy. Guidance that investors may wish to consider when assessing the alignment of investment managers can be found across NZIF 2.0. Considerations relating to the internal direction, structures, and processes of investment managers can be found across its 'Governance and Strategy', 'Objectives', and 'Strategic Asset Allocation' sections. Considerations relating to the alignment of investments can be found within NZIF's 'Asset Level Assessment and Targets' section. Finally, considerations relating to influencing the external environment to facilitate alignment efforts can be found within its systems stewardship components of 'Policy Advocacy' and 'Stakeholder and Market Engagement'.
- 18 See Endnote 11.
- 19 Users are recommended to develop a strategy that suits their own priorities and circumstances. For instance, they could prioritise externally managed funds over which they feel they have sufficient influence or they could prioritise those which are the biggest size.
- 20 The time period covered by targets are recommended to be chosen by the allocator based on their circumstances and preferences.
- 21 See Endnote 11.
- 22 Externally managed funds deemed 'out of scope' do not need to be assessed against the multi-criteria maturity scale and therefore can be described as 'out of scope' by users when disclosing alignment of AUM.
- 23 The emissions intensity required will be determined by the net zero pathway used during assessment.
- 24 See Endnote 5.
- 25 See Endnote 3.
- 26 See Endnote 4.
- 27 See Endnote 2.
- 28 See Endnote 1.
- 29 Investors may wish to consider whether any misalignment between entity and fund-level stewardship may influence overall alignment progress.
- 30 For examples of investor limitations see section "Maximising practical contributions" on [page 9](#).
- 31 This could also include provisions related to stewardship such as the delegation of climate-related engagement activities of managers, entity-level oversight, and reporting expectations.

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