

ICI Board Statement on Financing the Transition to Net Zero

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UN Climate Change Secretariat Invites ICI to Attend COP26

Washington, DC; October 13, 2021—The Investment Company Institute (ICI) Board of Governors unanimously approved a statement on “[Financing the Transition to Net Zero](#),” identifying specific actions the industry can take to facilitate the economic transition to net zero emissions and meet investors’ objectives. The Board recognizes that private finance, including mutual funds and exchange-traded funds, will play an important role in funding this transition, as they manage \$42.5 trillion in assets worldwide and serve more than 100 million investors in the United States alone.

ICI is also announcing today that, in line with its work in recent years in leading the regulated fund industry conversation on environmental, social, and governance (ESG) issues, it has been granted official permission by the UN Climate Change Secretariat (UNFCCC) to attend the 26th session of the Conference of Parties (COP26). ICI President and CEO Eric J. Pan will lead a delegation to COP26 in Glasgow, Scotland, between October 31 and November 12, 2021, to represent the industry and its investors, sharing ICI’s perspective on the transition to net zero with government officials, nongovernmental organizations (NGOs), industry participants, and other leaders attending the conference.

“The world is transitioning to a net zero economy, and regulated funds will be an important part of that transition by providing investment opportunities for investors seeking a more sustainable economy,” said Pan. “This statement accurately depicts the role regulated funds and fund managers can play to facilitate achieving net zero. It provides a concrete list of initiatives that funds can take to empower investors to make investment choices to promote the transition. ICI is pleased to convene the leaders of the regulated investment fund industry to develop a common statement on this critical issue just as we did last year in calling for enhanced and timely ESG disclosure by corporate issuers.”

The ICI Board of Governors’ statement supports industry efforts in the following five areas to facilitate the transition to net zero:

- promoting transparent and useful climate disclosure that facilitates informed investment decisionmaking;
- incorporating climate-related factors into funds’ investment analyses based on their stated investment objectives and strategies;
- engaging in climate-related stewardship activities that are consistent with funds’ investment objectives and strategies and investors’ interests;
- creating and offering funds with climate-related objectives and strategies to meet investor demand for products that align with the goal of net zero emissions by 2050 or sooner; and
- for funds with climate-related objectives and strategies, periodically making available to investors information about the fund’s climate characteristics.

“Regulated funds are rising to the occasion, meeting the growing global demand from investors for sustainable investment opportunities,” said Yie-Hsin Hung, chair of the ICI Board of Governors and CEO of New York Life Investment Management. “The statement by ICI’s Board of Governors provides leadership and direction to help the industry in its efforts to create and offer funds to meet future demand and emphasizes the critical roles information, transparency, and stewardship will play in this effort.”

ICI’s Global Advocacy on Climate and Sustainable Finance Issues

Investment funds play a critical role in sustainable finance, and ICI is leading the industry conversation on climate and other ESG issues, including:

- *Supporting a US Securities and Exchange Commission (SEC) requirement for companies to disclose greenhouse emissions and*

workforce data. In June 2021, ICI called for the SEC to require companies to disclose direct and indirect greenhouse gas emissions data and demographic information about their workforces in a [letter](#) filed with the SEC.

- *Encouraging enhanced corporate ESG disclosure.* In December 2020, ICI's Board of Governors unanimously called for [enhanced ESG disclosure](#) by corporate issuers. Specifically, the Board requested that companies provide disclosure consistent with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) and the standards of the Sustainability Accounting Standards Board (SASB) to help improve the quality and quantity of comparable ESG data available to regulated funds and other investors.
- *Promoting consistent terminology for funds.* In July 2020, ICI's Board of Governors unanimously endorsed a fund industry ESG [roadmap](#)—an introduction to ESG investing strategies designed to encourage the use of consistent terminology when describing ESG integration and sustainable investing strategies.
- *Advocating for a global minimum standard.* Pan amplified the Institute's call for enhanced ESG disclosure with an op-ed in [MarketWatch](#), urging the Biden administration and the US SEC to lead work on a global disclosure reporting standard using TCFD and SASB standards as a starting point for international deliberations. Pan echoed this call in commentary published in [Le Monde](#), the [South China Morning Post](#), and [Nikkei](#), asking policymakers in Europe and Asia to work with the United States to achieve a global minimum standard for what sustainability information companies should disclose.
- *Prioritizing ESG issues in ICI's policy work.* In 2018, ICI established the ESG Task Force, and in 2020, the ESG Advisory Group, to draw on the expertise and experience of its members and pursue initiatives such as the workstreams identified above.