

# Green Finance Alliance

An initiative of the Austrian Green Finance Agenda

Executive summary

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# 1 Overview

## 1.1 Introduction

The financial system is a key leverage point for climate protection. According to the national energy and climate plan (NECP)<sup>1</sup> published in December 2019, investments of around € 17 billion per year are needed in Austria alone to reach the 2030 climate and energy targets currently in place. This amount will increase further with the European Climate Law adopted in Summer 2021 and the law's aim to reduce greenhouse gasses by at least 55 per cent by 2030 (based on 1990 levels). The government will take the necessary steps to reach these targets. However, investment, financing and insurance solutions on the part of the private sector will also be needed in order for the economy and infrastructure to be restructured in a climate-friendly way.

Proactively aligning core business with climate targets can create important business opportunities while reducing risk. The COVID-19 pandemic has been a stark example of how important it is to have a resilient economic and financial system. Once the tipping point is reached, it takes an enormous amount of effort to restore stability in the system – if stability can even be restored at all. Moreover, as the climate crisis worsens, greenhouse gas emissions are increasingly becoming a risk and cost factor.

The Green Finance Alliance (GF-Alliance) helps its members on their journey to a climate-friendly and sustainable future. Membership in the GF-Alliance offers value by securing a future for our children and future generations that is worth living in and helping companies align their own core business with resilient activities.

## 1.2 Background on the GF-Alliance

The Federal Ministry for Climate Action, Environment, Energy, Mobility, Innovation and Technology (BMK, previously BMNT) and the Federal Ministry of Finance (BMF) launched a

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<sup>1</sup> Federal Ministry for Sustainability and Tourism *National energy and climate plan*. 18 December 2019, [bmk.gv.at/themen/klima\\_umwelt/klimaschutz/nat\\_klimapolitik/energie\\_klimaplan.html](https://bmk.gv.at/themen/klima_umwelt/klimaschutz/nat_klimapolitik/energie_klimaplan.html)

stakeholder dialogue process in February 2019 to develop Austria's Green Finance Agenda. The Green Finance Agenda is one of the reform projects in the national Recovery and Resilience Plan<sup>2</sup>, which Austria submitted to the European Commission in April 2021 and which will be published in the first quarter of 2022. The "Focal Group Green Finance", which the BMK and BMF used as a consulting committee, provided active support during the process. This dialogue process laid the foundation for multiple initiatives, such as the Austrian Green Investment Hub and Green Investment Pioneers Programme<sup>3</sup>, Green Financial Literacy and climate risk management.

The Focal Group Green Finance identified the GF-Alliance, which focuses on aligning the financial sector with science-based climate and environmental targets, as another initiative that will pave the way for a sustainable financial system.

The core component of this initiative is to integrate climate into core business as a target dimension in combination with science-based targets. The GF-Alliance focuses on developing strategies, implementing measures in conjunction with those strategies, and on measuring, continuously developing, monitoring and disclosing the climate performance of core business.

The GF-Alliance helps participating financial companies with these tasks, brings pioneers into the limelight, and provides support for financial companies that have committed in writing to setting targets and implementing measures for their portfolio.

The members of the GF-Alliance have made a **voluntary yet binding pledge** to align their portfolio with the 1.5 °C climate target set by the Paris Agreement. In particular, this means supporting national and EU-wide climate targets through 2030 and the EU's long-term objective of becoming climate neutral by 2050 by reducing greenhouse gas emissions (GHG emissions) associated with companies' core business (investment and lending portfolio and underwriting portfolio). Because many Austrian financial companies have an international focus, with a particular focus on Central and Eastern Europe, the GF-Alliance uses the EU's target of becoming climate neutral by 2050 instead of Austria's target for climate neutrality by 2040. However, in light of the urgency of the climate crisis, we would welcome it if the target were met earlier. GF-Alliance members must commit to the Paris climate targets and

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<sup>2</sup> Federal Ministry of Finance. *Austrian Recovery and Resilience Plan 2020-2026*. 30 April 2021. [oesterreich.gv.at/nachrichten/allgemein/EU-Aufbauplan.html](https://oesterreich.gv.at/nachrichten/allgemein/EU-Aufbauplan.html)

<sup>3</sup> [bmk.gv.at/themen/klima\\_umwelt/klimaschutz/green\\_finance/klimaaktiv\\_agipp.html](https://bmk.gv.at/themen/klima_umwelt/klimaschutz/green_finance/klimaaktiv_agipp.html)

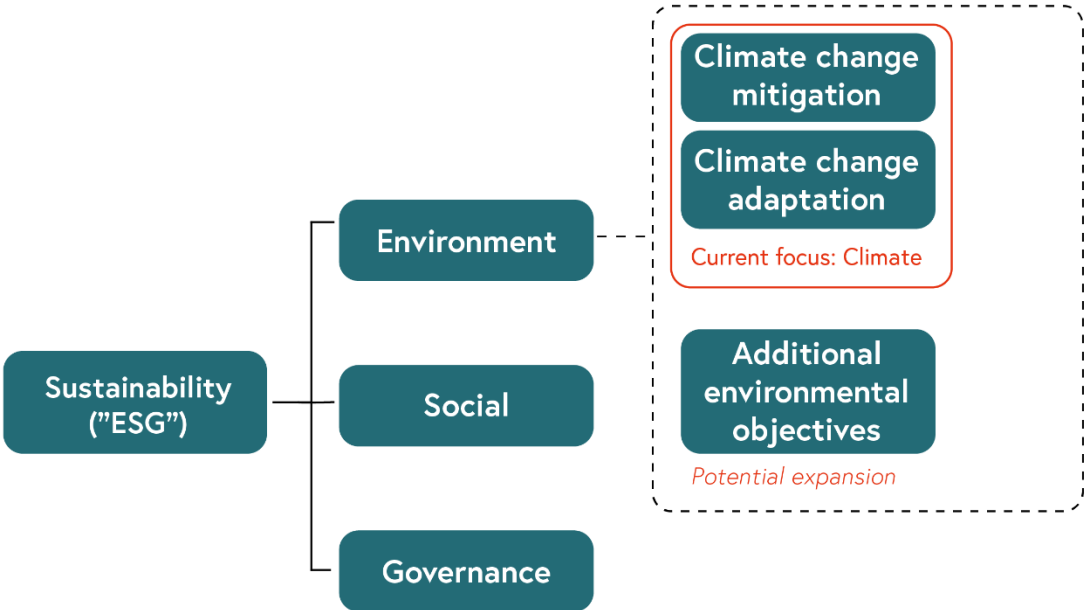
position themselves as pioneers in this transformation process in the financial industry. They must therefore align their analysable portfolio with the 1.5 °C target no later than 2040 in order to achieve climate neutrality by 2050.

By establishing the GF-Alliance, the Federal Ministry for Climate Action (BMK) has created an alliance of financial companies that want to systematically align their core business with climate targets. With the professional and technical support of the Environment Agency Austria and international experts, these companies will become visible role models and trailblazers of sustainable business that is compatible with climate protection.

### 1.3 What are the objectives of the GF-Alliance?

Non-financial factors – environmental, social and governance (ESG) – are increasingly being used to establish sustainability in the financial sector. The GF-Alliance focuses on the environmental dimension, which includes various environmental targets. Its first step is to focus on climate targets. In the medium term, the GF-Alliance will look into adding of additional environmental targets to the target dimension based on the EU Taxonomy Regulation.

Figure 1 Sustainability dimensions



A sustainable financial system that is viable for the future calls for new perspectives, tools and methods that account for climate aspects. Climate targets and measures must be integrated into existing and new processes. The GF-Alliance has identified **five target dimensions** for core business:

1. Aligning portfolios with the 1.5 °C target of the Paris Agreement
2. Creating greenhouse gas-neutral portfolios by 2050: Continuously reducing GHG emissions attributable to portfolio positions
3. Expanding green activities in core business, with the aim of encouraging a positive impact and mobilising capital to fund climate targets
4. Managing climate risk and encouraging resilience in the face of future climate and climate-induced change
5. Promoting climate governance and mainstreaming in all relevant areas of business

Each of these target dimensions is backed with appropriate measures and specific criteria (see Section 2.1).

In addition to core business, the GF-Alliance has also identified operational ecology as an action area for the future. The target dimension for operational ecology involves integrating climate-relevant aspects into operational areas and processes with corresponding criteria (see Section 2.2).

In order to implement these target dimensions, GF-Alliance members will need to **bring customers on board this shared journey through a proactive target-oriented dialogue.**

## 1.4 Who is eligible to join the GF-Alliance?

Financial companies that would like to set climate targets and implement measures for their core business that are compatible with the 1.5 °C target are invited to apply to become a member of the GF-Alliance.

The GF-Alliance is aimed at all financial companies that hold a pioneering role in climate protection and climate risk management and already have sustainable and climate-friendly business activities as well as all financial companies that do not yet have sustainable and climate-friendly business activities but want to work in earnest to make their activities sustainable and climate-friendly. Financial companies that are already sustainable and climate-

friendly can serve as role models (with good practices, encouragement and showing what's possible) and can continue to aim higher. Financial companies that are not yet sustainable are encouraged to follow the example of their peers and to align their core business with climate-friendly aspects. These financial companies can learn from the experience of their peers.

Membership in the GF-Alliance is open to financial companies with their headquarters in Austria, in other words, companies registered in Austria. The GF-Alliance has identified the following action areas for core business: investment and lending portfolio and underwriting portfolio. Every GF-Alliance member must include the portfolio activities in the action areas that are part of the company's core business. For example, the investment and lending portfolio would be relevant to investment fund management companies and banks,<sup>4</sup> while underwriting as well as investment and credit (for coverage funds) would generally be part of insurance companies' core business. Investment fund management companies would need to include the fund and portfolio business (hence, including discretionary portfolio management) that they actively manage and can influence directly. Special funds and fund wrappers do not need to be included due to the limited ability to influence the selection of positions. However, the engagement activities with these business partners should encourage them to integrate climate criteria. The pensions funds and corporate provision funds core business that is relevant to the GF-Alliance is investing assets managed for prospective beneficiaries that can be assigned to the investment and lending portfolio action area.

The GF-Alliance's first step will be to invite insurance companies, banks, pension funds, corporate provision funds and investment fund management companies to apply for membership. The second step will involve checking whether the GF-Alliance can be expanded to include other types of financial companies and areas of business.

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<sup>4</sup> Credit institutions



## **1.5 What is the added value of becoming a member of the GF-Alliance?**

Membership in the GF-Alliance offers added value by securing a future for our children and future generations that is worth living in and helping companies align their own core business with resilient activities.

GF-Alliance members benefit from the following in particular:

### **1.5.1 Taking advantage of opportunities**

Expanding green core business activities will create a forward-looking portfolio that will make growth markets accessible to the financial company.

### **1.5.2 Managing portfolio risk**

Implementing the GF-Alliance's target dimensions can help identify and reduce physical and transitory portfolio risk.

### **1.5.3 Facilitating guidance**

Implementing the target dimensions will help GF-Alliance members meet the requirements of current and future EU regulations. Sharing information and ideas with GF-Alliance stakeholders will enable a constructive dialogue with experts, which can help provide guidance to members as they implement EU regulations.

### **1.5.4 Improving perception**

By implementing a transparent strategy in line with the Paris Agreement, GF-Alliance members can position themselves with stakeholders as credible pioneers in green finance that are viable for the future.

## **1.6 What are the duties and responsibilities of GF-Alliance members?**

GF-Alliance members must commit to the following:

- The financial company shall undertake to comply with relevant measures and criteria set by the GF-Alliance in advance (see Section 2). Compliance with these criteria will be reviewed once a year.
- The financial company shall undertake to implement productive activities in all relevant action areas.
- The financial company shall contribute to the name recognition and good reputation of the GF-Alliance through its actions as a pioneer and by taking the necessary precautions to prevent greenwashing.
- The financial company shall undertake to help customers with the transformation process to achieve the necessary sustainable changes in the economy and in society.
- By communicating transparently, the financial company shall undertake to serve as a role model for other financial companies and stakeholders, thereby motivating them to take action.
- The financial company shall undertake to be a proactive member of the GF-Alliance in order to develop the methods and substance of the Alliance along with the other stakeholders.
- The financial company shall use the GF-Alliance logo in its public relations activities that are relevant to the GF-Alliance.
- The financial company shall pay annual membership dues on time and in full.
- The financial company shall undertake to complete and submit the annual questionnaire that the GF-Alliance will send out annually for monitoring and reporting purposes, to be available to answer any questions and to take any corrective action needed.
- The financial company shall undertake to provide sufficient financial and staffing resources to comply with the criteria set by the GF-Alliance. The scope needed depends on the financial company's specific situation. It is therefore essential for financial companies that are interested in membership to plan internal resources and have relevant internal committees approve these plans before submitting their application documents. The financial company shall confirm that it has planned resources sufficiently in a pledge, which the CEO<sup>5</sup> must sign in order for the company to become a GF-Alliance member.

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<sup>5</sup> This person must be a representative who is authorised to sign on behalf of and represent the financial company and make a legally valid and legally binding declaration on behalf of the financial company.

All of these duties and responsibilities can help companies meet regulatory requirements and bring their corporate strategy in line with efforts to protect the climate. The list of criteria will be evaluated and updated on a regular basis to account for expected regulatory and market-specific developments and to ensure the greatest possible efficiency. These updates will be communicated to GF-Alliance members in a timely manner, and there will be a transition period for members to implement the updates.

## **1.7 Rules**

Target attainment will be monitored once a year based on the list of criteria, which will serve as the basis for this evaluation. A standardised questionnaire will be used, which will be filled out by the GF-Alliance member and evaluated by the coordinating office. This standardised questionnaire will consist of a list of criteria with deadlines in the previous year (for example, monitoring will be conducted for the first time in 2023, and the questionnaire will list the criteria that were given a 2022 deadline). GF-Alliance members must prove that they meet each criterion (for example, by referring to the published document). Next, the steering committee will make a decision based on the results of the evaluation. Aside from a decision in favour of the company and a decision in favour with conditions (tied to improvements required for certain items), the steering committee can decide against a company if it does not comply with criteria.

## **1.8 Governance structure**

The Federal Ministry for Climate Action (BMK) is responsible for issuing a call for applications for the GF-Alliance. Department VI/3 (Green Finance and Sustainable Economy) at the ministry is responsible for the GF-Alliance.

The governance structure of the Austrian GF-Alliance provides for an advisory council to advise the steering committee (BMK) and coordinating office (Environment Agency Austria) on certain issues.

Figure 2 Governance structure



### 1.8.1 Steering committee

The BMK is responsible for strategic management of the GF-Alliance and will staff the steering committee established for this purpose. The steering committee is responsible for decisions relating to the following issues in particular:

- Assessing the evaluation results from the annual monitoring process
- Accepting new GF-Alliance members
- Determining the composition of the advisory council

### 1.8.2 Coordinating office

The coordinating office (Environment Agency Austria) is responsible for operational implementation, coordination and support for the help desk.

### 1.8.3 Advisory council

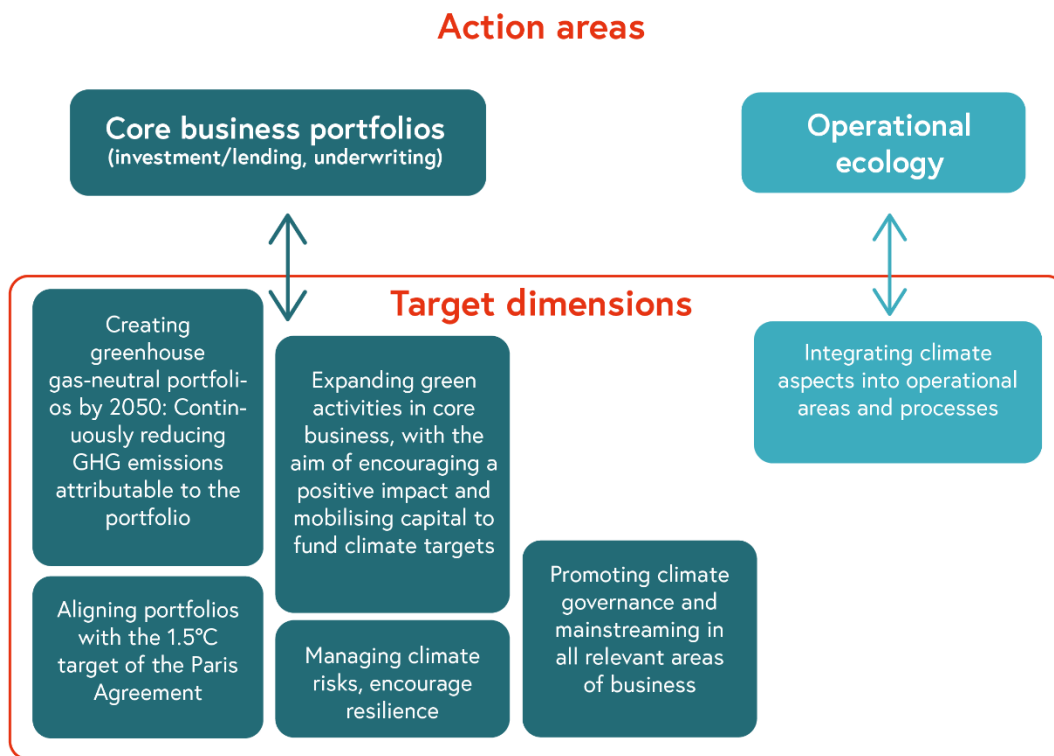
Austrian and international experts in green finance, such as experts at universities, other institutions and international initiatives, will be invited to serve on the advisory council. The

council will assist the steering committee and coordinating office in particular with the substantive and science-based development of the Green Finance Alliance and with questions about methods.

## 2 Measures and criteria

The GF-Alliance covers the following target dimensions:

Figure 3 Target dimensions of the GF-Alliance



Measures are planned in the following action areas to achieve the five target dimensions in core business:

- Investment and lending portfolio
- Underwriting portfolio

Measures that are relevant for both action areas as well as measures that are relevant only for one action area are planned. Which measures are relevant to GF-Alliance members will therefore depend on which action areas are part of a particular member's core business (see the explanations in Section 1.4).

Each measure will be assigned the target dimensions where it will play a key role in target attainment. As a general rule, measures have a multidimensional impact and can have a positive impact on other target dimensions.

In addition to the two action areas targeted at the company's core business, the GF-Alliance has identified a third action area: operational ecology. Measures in this action area aim to integrate climate-related aspects into operational areas and processes.

Each measure is backed with required criteria and a deadline. The criteria set out the specific action that is needed and serve as the basis for assessing target attainment. The deadline indicates the latest date by which the criterion must be met and is always the 31st of December of the specified year (unless otherwise indicated).

GF-Alliance members should note that the list of criteria will be reviewed on a regular basis and can be updated, if necessary, to account for changes in green finance. New criteria may be introduced, and existing criteria may be updated or removed from the list. Updates will be communicated to GF-Alliance members in a timely manner and will be given an appropriate deadline.

In certain exceptions, members can deviate from certain GF-Alliance criteria.

If the scope of an action area changes significantly (for example, due to a merger or acquisition), the actual area of application must be adapted to the financial company's new structure without undue delay. The GF-Alliance member shall undertake to communicate necessary adjustments to the public (in the annual climate report) and to the steering committee and coordinating office (for example, during annual monitoring).

Each measure has been assigned a two-digit ID number for organisational purposes and to provide orientation (for example, 1.1 for introducing and publishing a climate strategy). Criteria assigned to the measures have a three-digit ID number (for example, 1.1.5 for including KPIs and targets in the climate strategy).

## **2.1 Measures for core business**

Measures for core business are divided into general measures and action area-specific measures. General measures apply for both action areas (investment and lending portfolio

and underwriting portfolio), and action area-specific measures are relevant only to a certain portfolio.

**2.1.1 General measures**

The following measures are relevant for the selected target dimensions for both action areas and therefore for all GF-Alliance members:

Figure 4 Target dimensions and general measures for core business

		Target dimensions for core business				
		1,5°C alignment	GHG neutrality 2050	Expansion of green activities	Managing climate risks, encouraging resilience	Climate governance & mainstreaming
General measures for core business	1.1 Climate strategy	✓	✓	✓	✓	✓
	1.2 Climate report	✓	✓	✓	✓	✓
	1.3 Engagement strategy	✓	✓	✓	✓	✓
	1.4 Engagement report	✓	✓	✓	✓	✓
	1.5 Phase-out of coal	✓	✓		✓	
	1.6 Phase-out of oil	✓	✓		✓	
	1.7 Phase-out of natural gas	✓	✓		✓	

Note that every measure is primarily assigned to certain target dimensions but that it can in principle also have a positive impact on the other target dimensions.



### **2.1.2 Action area-specific measures**

Certain measures are relevant only for a specific action area. There can be various reasons for this, for example if certain science-based methods can currently only be used in a limited area. For example, certain methods are appropriate for investment and lending portfolios but not for underwriting activities. Alternative interim measures must therefore be identified for this action area until the gap is filled. Measures can also be action area-specific due to the characteristics and associated framework of the action area (such as regulatory specifications or market-specific standards).

Some action area-specific measures and criteria apply only to portfolio components that can be analysed. These criteria use science-based methods that do not cover all portfolio activities (such as asset classes or sectors) and therefore cannot be used for the entire portfolio. The measures and criteria therefore apply only to the components of GF-Alliance member portfolios that are covered by the methods. Note, however, that the methods used are evolving and the portfolio coverage and analysable portfolio can continuously be expanded. These additions will be communicated to GF-Alliance members by the steering committee or coordinating office and will generally need to be taken into account by GF-Alliance members when fulfilling measures and criteria in the following reporting year.

The range of scientific methods used in the GF-Alliance can change or be expanded over time due to the dynamic nature of existing and new market initiatives. Continuous market observation by the coordinating office and discussions with the Austrian and international experts on the advisory council and GF-Alliance members will serve as the basis for identifying and evaluating new methods.

Figure 5 Action area-specific measures and target dimensions for core business

		Target dimensions for core business				
		1,5°C alignment	GHG neutrality 2050	Expansion of green activities	Managing climate risk, encouraging resilience	Climate governance & mainstreaming
Action area-specific measures for core business	<b>2. Investment and lending portfolio</b>					
	2.1 The analysable investment and lending portfolio achieves to continuously reduce GHG emissions to reach the 1.5°C target alignment	✓	✓		✓	
	2.2 Annual calculation and disclosure of the GHG footprint of the analysable investment and lending portfolio				✓	
	<b>3. Underwriting portfolio</b>					
	3.1 The underwriting portfolio achieves to continuously reduce GHG emissions to reach the 1.5°C target alignment	✓	✓		✓	
	3.2 [Annual calculation and disclosure of the GHG footprint of the analysable underwriting portfolio]				✓	
	<b>4. Others</b>					
	4.1 [Target specifications based on EU regulations]			✓	✓	✓

The square brackets in measures 3.2 and 4.1 indicate that the criteria have not yet been defined for these measures, and regulatory and market-specific developments are expected.

## 2.2 Measures for operational ecology

GF-Alliance focuses on climate-friendly measures in the core business of financial companies to highlight their pioneering role in this area. Nevertheless, certain climate-relevant criteria relating to operational ecology are important foundations for ensuring the credibility of highly ambitious climate strategy efforts.

## **2.3 Additional measures**

The remaining measures refer to the phase-out of nuclear power and introduction of standards for minimum social safeguards.

# 3 Annex: Overview of the criteria

The following lists provide an overview of the measures and mandatory criteria of the GF-Alliance.

## Core business

Measures for core business are divided into general measures and action area-specific measures.

### General measures

#### Measure 1.1 Climate strategy: introduction of a publicly available integrated climate strategy

In terms of the content of the climate strategy, topic areas are specified as criteria, and GF-Alliance members are responsible for fleshing out the specific content. As the climate strategy is intended to be a framework, some items are included even though they are criteria assigned to other GF-Alliance measures. Table 1 therefore lists criteria directly assigned to Measure 1.1 (climate strategy) and mentions criteria assigned to other measures that need to be included in the climate strategy (beginning with ID number 1.3.1 in the table). The following table therefore provides an overview of the mandatory criteria and content:

Table 1 Overview of criteria for the climate strategy

ID	Criterion	Deadline
1.1.1	Introduction of a climate strategy whose essential components are publicly accessible on the GF-Alliance member's website. The structure of the climate strategy should follow the "Guidelines on reporting climate-related information" of the European Commission, which has specified the following five core elements of reporting: Business model; policies and due diligence processes; outcomes; principal risks and their management; key performance indicators	2022

ID	Criterion	Deadline
	The strategy should provide an overview of the priorities and objectives of the GF-Alliance member.	
	The climate strategy should include the following criteria:	
1.1.2	Climate mainstreaming Presentation of the planned priorities for internalising the climate strategy at the company (for example, governance, risk management and continued education).	2022
1.1.3	Expanding green activities Presentation of planned priorities for expanding green activities and mobilising capital for climate targets (as part of the product strategy or projects for example).	2022
1.1.4	Remuneration policy Presentation of how the climate strategy (in particular climate risks) are included in the remuneration policy of the GF-Alliance member.	2022
1.1.5	KPIs and targets Introduction of climate-relevant KPIs and short, medium and long-term company-specific objectives based on these KPIs. Achieving these targets should make a relevant contribution to aligning core business with the 1.5 °C target.  Measures to achieve the targets should be outlined.	2022
1.1.6	Transition plan Transition plans should reflect how the company intends to achieve the climate-relevant company-specific objectives. This includes planned measures and initiatives.	2022
1.1.7	Operational ecology The strategy for operational ecology must be presented separately from the strategy for core business to ensure that a clear distinction is obvious.	2022
1.3.1	Integration of or reference to the engagement strategy	2022
1.5.4	Integration of or reference to the guideline for coal	2022
1.6.5	Integration of or reference to the guideline for oil	2022
1.7.4	Integration of or reference to the guideline for natural gas	2022
2.1.2	Relevant only for investment and lending portfolios: Disclosure of the method used for aligning with the 1.5 °C target and details on implementation and outlook.	2022
2.1.5	Relevant only for investment and lending portfolios: Disclosure of five-year interim targets (2025, 2030 and 2035) for portfolio development.	2022
3.1.2	Relevant only for underwriting portfolios: Disclosure of measures (ideally divided into short, medium and long-term) that are planned to achieve alignment with the 1.5 °C target.	2022
3.1.4	Relevant only for underwriting portfolios: Disclosure of five-year interim targets (2025, 2030 and 2035) for portfolio development.	2022

Criteria that are assigned to other measures are sometimes shown in short form here. The detailed wording for the criteria is provided with the measures the criteria are assigned to.

### Measure 1.2 Climate report: Publication of an annual climate report

As climate reports are considered a primary tool for communicating progress, a few reporting requirements based on criteria assigned to other measures are included with the criteria set for this measure.

Table 2 therefore lists criteria directly assigned to Measure 1.2 (climate report) and mentions criteria assigned to other measures that need to be included in the climate strategy (beginning with ID number 1.4.1 in the table). The following table therefore provides an overview of the mandatory criteria and content:

Table 2 Overview of criteria for the climate report

ID	Criterion	Deadline
1.2.1	Annual publication of a climate report, which is publicly accessible on the GF-Alliance member's website.	2023
1.2.2	The structure of the climate report should follow the "Guidelines on reporting climate-related information" of the European Commission, which has specified the following five core elements of reporting: Business model; policies and due diligence processes; outcomes; principal risks and their management; key performance indicators  The climate report must include the following criteria:	2023
1.2.3	Climate mainstreaming Which activities specifically have been undertaken to promote internalisation of climate topics at relevant business units and in the product range of the GF-Alliance member (for example, governance, risk management and continuing education)?  Outlook: What activities are planned (for example in the next year)?	2023
1.2.4	Expanding green activities What measures specifically has the company taken to expand green activities and mobilise capital for climate targets (in the product strategy or KPIs for example)?  Outlook: What measures are planned (for example in the next year)?	2023
1.2.5	Remuneration policy What measures have been adopted to integrate climate-related aspects	2023

ID	Criterion	Deadline
	(primarily climate risks) into the remuneration policy, or what measures are planned?	
1.2.6	KPIs and targets Presentation of current KPIs specified in the climate strategy.  Progress compared with the targets set in the climate strategy should be shown.  Completed and planned priorities and measures for achieving the targets should be presented.	2023
1.2.7	Transition plan Presentation of the results of implementing the transition plan (for example, measures and initiatives conducted).	2023
1.2.8	Operational ecology Activities in the context of operational ecology must be presented separately from the strategy for core business to ensure that a clear distinction is obvious.	2023
1.4.1	Integration of or reference to the engagement report	2023
1.5.5	Reporting on progress in the phase-out of coal	2023
1.6.6	Reporting on progress in the phase-out of oil	2023
1.7.5	Reporting on progress in the phase-out of natural gas	2026
2.1.3	Relevant only for investment and lending portfolios: Reporting on continuous progress on target attainment annually using the method selected to determine the portfolio alignment.	2023
2.1.4	Relevant only for investment and lending portfolios: Annual publication of the current degree of portfolio coverage and strategy for further implementing the method used in terms of asset classes and sectors not yet covered, for example.	2023
2.1.6	Relevant only for investment and lending portfolios: Publication of progress compared with interim targets.	2023
2.2.3	Relevant only for investment and lending portfolios: Publication of the GHG footprint. The reporting recommendations and requirements of the PCAF standard should be followed.	2023
3.1.3	Relevant only for underwriting portfolios: Reporting on continuous progress on target attainment by calculating the portfolio alignment annually using specified KPIs.	2023
3.1.5	Relevant only for underwriting portfolios: Publication of progress compared with interim targets.	2023

Criteria that are assigned to other measures are sometimes shown in short form here. The detailed wording for the criteria is provided with the measures the criteria are assigned to.

## Measure 1.3 Engagement strategy: Implementation of a publicly available climate-related engagement strategy

Table 3 Overview of criteria for the climate-related engagement strategy

ID	Criterion	Deadline
1.3.1	Introduction of an engagement strategy whose essential components are publicly accessible on the GF-Alliance member's website. The engagement strategy can be integrated into the climate strategy or be published in another document or as a separate document.	2022
1.3.2	In accordance with the agenda of the Climate Action 100+ initiative, the climate-related engagement efforts of the GF-Alliance member should be aligned with the following "three asks" for the target orientation: <ul style="list-style-type: none"> <li>- Implementation of a strong governance framework which clearly articulates the board's accountability and oversight of climate change risk.</li> <li>- Action to reduce GHG emissions across the value chain, consistent with the Paris Agreement's climate targets.</li> <li>- Enhancement of corporate disclosure in line with the final recommendations of the TCFD and sector-specific Global Investor Coalition on Climate Change (GIC) guidelines.</li> </ul> <p>The engagement strategy should include the following criteria:</p>	2022
1.3.3	Disclosure of the climate-related engagement approach used and engagement activities, such as: Use of external service providers, participation in international initiatives, company meetings, statements specific to climate targets at annual general meetings, voting behaviour, and direct letters to the company	2022
1.3.4	Disclosure of the approach to prioritising companies to achieve climate engagement, such as: <ul style="list-style-type: none"> <li>- Prioritising companies with the highest GHG emissions</li> <li>- Prioritising certain GHG-intensive sectors and regions</li> <li>- Prioritising based on PACTA or SBTi evaluations</li> <li>- Prioritising based on the GHG footprint results based on the PCAF standard</li> </ul>	2022
1.3.5	Measurement of success: What qualitative and/or quantitative metrics are used to measure the success of climate engagement activities, for example: <ul style="list-style-type: none"> <li>- The company's governance framework, which clearly articulates the board's accountability and oversight of climate change risk, has improved.</li> <li>- The company has set climate targets compatible with the Paris Agreement and decided on a clear strategy for decarbonisation.</li> <li>- The company's climate reporting has improved.</li> <li>- The company discloses its GHG emissions in accordance with the GHG Protocol (including Scope 3, where relevant)</li> </ul>	2022
1.3.6	Consequences: What measures and escalation levels are used if climate engagement activities	2022



ID	Criterion	Deadline
	are not successful over a specific period of time (such as public letters, restricting customer relationships, voting behaviour or divestment)?	
1.3.7	<p>Additional criterion for equity positions in investment portfolios:</p> <p>Voting strategy:</p> <ul style="list-style-type: none"> <li>- Who is responsible for voting decisions? (Portfolio managers? Is there a central department?)</li> <li>- Are proxy-voting providers used? If so, who?</li> <li>- Disclosure of general principles and criteria that are crucial for voting behaviour.</li> <li>- Disclosure of specific principles and criteria that are relevant to voting behaviour in climate issues.</li> <li>- If external asset managers are contracted, does the voting strategy apply to them?</li> </ul>	2022

## Measure 1.4 Engagement report: Annual reporting on all essential climate activities

Table 4 Overview of criteria for the engagement report

ID	Criterion	Deadline
1.4.1	<p>Annual publication of an engagement report, which is publicly accessible on the GF-Alliance member's website. The engagement report can be integrated into the climate report or be published in another document or as a separate document.</p> <p>The engagement report must include the following criteria:</p>	2023
1.4.2	<p>What activity priorities were set in the reporting year to pursue climate engagement targets set in the engagement strategy? More information on the scope of these activities (such as regional or sectoral priorities).</p>	2023
1.4.3	<p>Measurement of success:</p> <p>To what extent are improvements relating to climate engagement targets already apparent in the companies invested in? (Example: Companies are beginning to disclose their GHG footprint and set targets consistent with the Paris Agreement)</p> <p>Disclosure of metrics specified in the engagement strategy.</p>	2023
1.4.4	<p>Disclosure of climate engagement approaches used and engagement activities at the aggregate level (ideally quantified) in the reporting year, such as:</p> <p>Use of external service providers, participation in international initiatives, company meetings, statements specific to climate targets at annual general meetings, voting behaviour, and direct letters to companies referring to the climate target</p>	2023

ID	Criterion	Deadline
1.4.5	<p>What companies did climate engagement activities focus on and what criteria did you use to select them? For example:</p> <ul style="list-style-type: none"> <li>- Prioritising companies with the highest GHG emissions</li> <li>- Prioritising certain GHG-intensive sectors and regions</li> <li>- Prioritising based on PACTA or SBTi evaluations</li> <li>- Prioritising based on the GHG footprint results based on the PCAF standard</li> </ul>	2023
1.4.6	<p>Consequences: Were measures taken (as part of a specified escalation process, for example) because climate engagement activities were not successful over a specific period of time? (Companies do not need to be named. Descriptions of the measures taken and reasons are sufficient.)</p>	2023
1.4.7	<p>Best practice examples: Specific companies that identified effective measures for one of the set engagement targets should be described as case examples to illustrate engagement activities.</p>	2023
1.4.8	<p>Participation in international initiatives: What international initiatives that promote climate engagement did you participate in and what activities did you implement as part of the initiatives in the reporting year?</p>	2023
1.4.9	<p>Additional criterion for positions in investment portfolios: Voting report:</p> <ul style="list-style-type: none"> <li>- Were proxy-voting providers used? If so, who?</li> <li>- Disclosure of specific principles and criteria that were relevant to voting behaviour in climate issues.</li> <li>- If available: Information and figures on climate-related shareholder resolutions (for example: How many climate-related resolutions were voted on?)</li> </ul>	2023

## Measure 1.5 Phase-out of coal

Table 5 Overview of criteria for the phase-out of coal

ID	Criterion	Deadline
1.5.1	<p>Members must make no new investments in or provide new funding for (investment and lending portfolio) or provide insurance for (underwriting portfolio) companies that generate more than 5 per cent of their turnover from activities in the coal sector (exploration, processing and production, distribution or conversion to electricity). Companies that do not invest in expanding their coal infrastructure are excluded. If the data needed to evaluate expansion is not available to the GF-Alliance member, companies must publicly commit to decarbonising their core business in line with the Paris Agreement.</p>	2022
1.5.2	<p>Members must make no new earmarked investments in or provide new earmarked funding for (investment and lending portfolio) or provide insurance</p>	2022

ID	Criterion	Deadline
	for (underwriting portfolio) new coal projects involving activities in the coal sector (exploration, processing and production, distribution or conversion to electricity) that aim to expand coal infrastructure.	
1.5.3	Phase-out of all portfolio positions that generate more than 5 per cent of their revenue from activities in the coal sector (exploration, processing and production, distribution or conversion to electricity) and of all coal projects. Companies that have set science-based climate targets (time horizon: 2050, including five-year interim targets) and that are working to decarbonise their core business in line with the Paris Agreement and projects that are in line with the Paris Agreement are excluded.	2030
1.5.4	Introduction of a guideline for coal, which includes a phase-out strategy disclosing the objective to phase out coal by 2030 (primarily in terms of existing portfolio positions). The guideline must include interim targets. The guideline can be integrated into the climate strategy or published in another document or as a separate document on the GF-Alliance member's website.	2022
1.5.5	Reporting on progress in the phase-out of coal in the annual climate report.	2023

The financial company knows how funds from earmarked investments and financing or insurance are being used. Examples include bonds with known use of proceeds or project financing. The primary purpose of the investment, lending or insurance determines whether the project is an activity in the coal sector. This also applies for Measure 1.6 Phase-out of and Measure 1.7 Phase-out of natural gas. The GF-Alliance criteria for phasing out fossil fuels allow members to continue to provide investment, financing and insurance for and support the efforts of companies that complete the transition away from fossil fuels in accordance with the Paris Agreement. Members must divest from companies that continue to expand investment in their fossil fuel infrastructure or do not commit to the Paris Agreement.

## Measure 1.6 Phase-out of oil

Table 6 Overview of criteria for the phase-out of oil

ID	Criterion	Deadline
1.6.1	Members must make no new investments in or provide new funding for (investment and lending portfolio) or provide insurance for (underwriting portfolio) companies that generate more than 30 per cent of their turnover from activities in the oil sector (exploration, processing and distribution). Companies that do not invest in expanding their oil infrastructure are excluded. If the data	2024

ID	Criterion	Deadline
	needed to evaluate expansion is not available to the GF-Alliance member, companies must publicly commit to decarbonising their core business in line with the Paris Agreement.	
1.6.2	Members must make no new earmarked investments in or provide new earmarked financing for (investment and lending portfolio) or provide insurance for (underwriting portfolio) new unconventional oil projects (shale oil, oil sands and Arctic oil) involving activities in the oil sector (exploration, processing and distribution). Business activities possibly in compliance with EU taxonomy are excluded.	2022
1.6.3	Members must make no new earmarked investments in or provide new earmarked financing for (investment and lending portfolio) or provide insurance for (underwriting portfolio) new conventional oil projects involving activities in the oil sector (exploration, processing and distribution) that aim to expand the oil infrastructure. Business activities possibly in compliance with EU taxonomy are excluded.	2024
1.6.4	Phase-out of all portfolio positions in companies that generate more than 5 per cent of their revenue from activities in the oil sector (exploration, processing and distribution) and of all oil projects. Business activities that possibly comply with EU taxonomy, projects in line with the Paris Agreement, and companies that have set science-based climate targets (time horizon: 2050, including five-year interim targets) and that are working to decarbonise their core business in line with the Paris Agreement are excluded.	2030
1.6.5	Introduction of a guideline for oil, which includes a phase-out strategy disclosing the objective to phase out oil by 2030 (primarily in terms of the decarbonisation strategy for existing portfolio positions in oil companies). The guideline must include interim targets with clear specifications. The guideline can be integrated into the climate strategy or published in another document or as a separate document on the GF-Alliance member's website.	2022
1.6.6	Reporting on progress in the phase-out of oil in the annual climate report.	2023

## Measure 1.7 Phase-out of natural gas

Table 7 Overview of criteria for the phase-out of natural gas

ID	Criterion	Deadline
1.7.1	Members must make no new investments in or provide new financing for (investment and lending portfolio) or provide insurance for (underwriting portfolio) companies that generate more than 30 per cent of their turnover from activities in the natural gas sector (exploration, processing, distribution and conversion to electricity). Companies that do not invest in expanding their natural gas infrastructure are excluded. If the data needed to evaluate expansion	2025

ID	Criterion	Deadline
	is not available to the GF-Alliance member, companies must publicly commit to decarbonising their core business in line with the Paris Agreement.	
1.7.2	Members must make no new earmarked investments in or provide new earmarked financing for (investment and lending portfolio) or provide insurance for (underwriting portfolio) new natural gas projects involving activities in the natural gas sector (exploration, processing, distribution and conversion to electricity) that aim to expand the natural gas infrastructure. Business activities possibly in compliance with EU taxonomy are excluded.	2025
1.7.3	Phase-out of all portfolio positions in companies that generate more than 5 per cent of their revenue from activities in the natural gas sector (exploration, processing, distribution and conversion to electricity) and of all natural gas projects. Business activities that possibly comply with EU taxonomy, projects in line with the Paris Agreement, and companies that have set science-based climate targets (time horizon: 2050, including five-year interim targets) and that are working to decarbonise their core business in line with the Paris Agreement are excluded.	2035
1.7.4	Introduction of a guideline for natural gas, which includes a phase-out strategy disclosing the objective to phase out natural gas by 2035 (primarily in terms of the decarbonisation strategy for existing portfolio positions in natural gas companies). The guideline must include interim targets with clear specifications. The guideline can be integrated into the climate strategy or published in another document or as a separate document on the GF-Alliance member's website.	2024
1.7.5	Reporting on progress in the phase-out of natural gas in the annual climate report.	2026

## Action area-specific measures

### Measure 2.1 The analysable investment and lending portfolio achieves to continuously reduce GHG emissions to reach the 1.5 °C target alignment

GF-Alliance members can choose between two approved methods: PACTA and SBTi. However, preferably, only one method should be used to analyse the portfolio's orientation to enable a consistent presentation.

If a GF-Alliance member wants to change methods, this is possible, and the member should communicate this in the climate strategy and/or climate report.

Both methods are among the world's leading approaches to evaluating the GHG alignment of financial portfolios and were developed in recent years. The areas where they can be

used are continuously being expanded. GF-Alliance members should therefore note the following:

**Portfolio coverage**

As mentioned in the introduction to Section 2.1.2, the methods do not cover all portfolio activities (such as asset classes and sectors). The criterion therefore refers to portfolio alignment only in terms of analysable portfolio activities, and therefore only those that the chosen method covers. Note, however, that the methods used are constantly evolving and the portfolio coverage and analysable portfolio can continue to be expanded. These additions will be communicated by the GF-Alliance to its members and will generally need to be included by members in the measures and criteria for the following reporting year.

**Climate scenarios**

Both methods make it possible to use different climate scenarios. If the selected method hasn't yet integrated climate scenarios for the 1.5 °C target, the scenario that comes closest to the 1.5 °C scenario should be used. Once a 1.5 °C scenario is available for the selected method, this will be communicated by the GF-Alliance to its members and the scenario will generally need to be included by members in the measures and criteria for the following reporting year.

In addition to the long-term target for aligning the portfolio by 2040, GF-Alliance members should also set interim targets for 2025, 2030 and 2035 to outline the pathway for short and medium-term targets.

Table 8 Overview of criteria for Measure 2.1

ID	Criterion	Deadline
2.1.1	The analysable investment and lending portfolio must be aligned with the 1.5 °C target. Target attainment is measured using a method for determining the portfolio alignment, which is determined by the GF-Alliance (currently PACTA or SBTi). For consistency, only one method should be preferably used for the portfolio.	2040
2.1.2	The climate strategy (1.1) should disclose the method used and include more details and an outlook for implementing the method.	2022

ID	Criterion	Deadline
2.1.3	Continuous progress on target attainment will be reviewed annually using the method selected and will be published in the annual climate report (1.2). The climate report for the 2022 financial year, which will be published in 2023, will be the first climate report to include this information.	2023
2.1.4	Annual publication of the current degree of portfolio coverage and strategy for further implementing the method used in terms of asset classes and sectors not yet covered, for example. This information should be published in the annual climate report (1.2).	2023
2.1.5	In addition to the long-term target dimension, five-year interim targets for portfolio coverage should also be set (2025, 2030 and 2035) and published in the climate strategy (1.1) as part of the presentation of KPIs and targets. Interim targets can be both qualitative and quantitative and can refer to individual areas of business or sectors. However, the interim targets should make a relevant contribution to continuous improvement of the portfolio alignment with the aim of reaching the 1.5 °C target.	2022
2.1.6	Progress made toward reaching interim targets should be calculated once a year and published in the climate report (1.2).	2023

## Measure 2.2 Annual calculation and disclosure of the GHG footprint of the analysable investment and lending portfolio

The Partnership for Carbon Accounting Financials (PCAF) developed a standard<sup>6</sup> that meets the requirements of the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard in order to create a transparent harmonised methodology for measuring and publishing GHG emissions financed by investments and credit.<sup>7</sup>

The Global GHG Accounting and Reporting Standard for the Financial Industry currently covers six asset classes. For this reason, only the portion of the portfolio that can be analysed using this standard is relevant for determining and disclosing the GHG footprint. Note, however, that the standard's coverage is being expanded. The portfolio coverage and analysable portfolio can continue to be expanded. These additions will be communicated by the GF-Alliance to its members and will generally need to be included by members in the measures and criteria for the following reporting year.

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<sup>6</sup> PCAF. *The Global GHG Accounting & Reporting Standard for the Financial Industry*. November 2020, [carbonaccountingfinancials.com/standard#the-global-ghg-accounting-and-reporting-standard-for-the-financial-industry](https://carbonaccountingfinancials.com/standard#the-global-ghg-accounting-and-reporting-standard-for-the-financial-industry)

<sup>7</sup> GHG Protocol. August 2021, [ghgprotocol.org/global-ghg-accounting-and-reporting-standard-financial-industry](https://ghgprotocol.org/global-ghg-accounting-and-reporting-standard-financial-industry)

Table 9 Overview of criteria for Measure 2.2

ID	Criterion	Deadline
2.2.1	The GHG footprint of the analysable investment and lending portfolio should be determined annually using the method given by the GF-Alliance. At this time, the Global GHG Accounting and Reporting Standard for the Financial Industry developed by the Partnership for Carbon Accounting Financials (PCAF) is the only method accepted.	2023
2.2.2	<p>If the GHG footprint is not calculated and published for all analysable components of the portfolio, this must be disclosed and justified in climate reporting.</p> <p>The PCAF standard allows the following reasons:</p> <ul style="list-style-type: none"> <li>- The portfolio position is not significant in terms of the total anticipated GHG emissions financed by the GF-Alliance member.</li> <li>- The GF-Alliance member does not have access to the data it needs. The member should disclose a schedule indicating when the position is expected to be included ("comply or explain").</li> </ul>	2023
2.2.3	This GHG footprint must be published in the annual climate report (1.2). The reporting recommendations and requirements of the PCAF Global GHG Accounting and Reporting Standard for the Financial Industry should be followed.	2023

**Measure 3.1 The underwriting portfolio achieves to continuously reduce GHG emissions to reach the 1.5 °C target alignment**

In contrast with the investment and lending portfolio, there are not yet any internationally recognised scientific approaches to evaluating compatibility with the Paris climate targets in underwriting. Despite this, the GF-Alliance has adopted preliminary target specifications in order to account for underwriting's significance as a core business in the insurance industry.

Once appropriate standards and methods are developed for underwriting, they will be used by the GF-Alliance. They will be communicated to members in a timely manner and will be given an appropriate deadline.



Table 10 Overview of criteria for Measure 3.1

ID	Criterion	Deadline
3.1.1	All insured companies subject to reporting in accordance with NFRD <sup>8</sup> have climate targets for their core business that are compatible with the 1.5 °C target.	2040
3.1.2	The climate strategy (1.1) discloses measures (ideally divided into short, medium and long-term) that are planned to align the underwriting portfolio with the 1.5 °C target.	2022
3.1.3	<p>Continuous progress on target attainment will be reviewed annually by calculating the underwriting portfolio alignment and published in the annual climate report (1.2).</p> <p>The alignment will be determined using the following KPIs:</p> <ul style="list-style-type: none"> <li>- Ratio of the number of insured companies subject to NFRD reporting with a 1.5 °C target for their core business to the total number of insured companies subject to NFRD reporting</li> <li>- Ratio of the annual gross premiums of insured companies subject to NFRD reporting with a 1.5 °C target for their core business to the gross premiums of all insured companies subject to NFRD reporting</li> </ul>	2023
3.1.4	In addition to the long-term target dimension, five-year interim targets for portfolio coverage should also be set (2025, 2030 and 2035) and published in the climate strategy (1.1) as part of the presentation of KPIs and targets. Interim targets can be both qualitative and quantitative and can refer to individual areas of business or sectors. However, the interim targets should make a relevant contribution to continuous improvement of the portfolio alignment with the aim of reaching the 1.5 °C target.	2022
3.1.5	Progress made toward reaching interim targets should be calculated once a year and published in the climate report (1.2).	2023

**Measure 3.2 [Annual calculation and disclosure of the GHG footprint of the analysable underwriting portfolio]**

Appropriate criteria are not yet developed.

**Measure 4.1 [Target specifications based on EU regulations]**

Appropriate criteria are not yet developed.

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<sup>8</sup> The CSRD will be revising NFRD reporting obligations in the future.

## Operational ecology

### Measures 5.1 Operational ecology

Table 11 Overview of criteria on the integration of climate aspects into operational areas and processes

ID	Criterion	Deadline
5.1.1	Introduction of a travel policy to account for climate aspects in business travel (avoiding, reducing and compensating for emissions)	2022
5.1.2	Procurement guideline: Criteria for the climate-friendly procurement of products and services	2023
5.1.3	Purchasing of UZ 46 <sup>9</sup> -certified green electricity for locations in Austria	2024
5.1.4	EMAS certification for an implemented operational environmental management system for locations in Austria	2025

## Additional measures

### Measure 6.1 Phase-out of nuclear power

Although the criteria to phase-out nuclear power do not directly contribute to the climate target dimensions of the GF-Alliance, including them should prevent the phase-out of fossil fuels from resulting in an expansion of nuclear power.

Table 12 Overview of criteria for the phase-out of nuclear power

ID	Criterion	Deadline
6.1.1	Members must make no new earmarked investments in or provide new earmarked funding for (investment and lending portfolio) or provide insurance for (underwriting portfolio) new projects involving activities in the energy sector	2024

<sup>9</sup> BMK. *Austrian Ecolabel*. April 2021, [umweltzeichen.at/de/produkte/gr%C3%BCne-energie#guideline=UZ46](https://umweltzeichen.at/de/produkte/gr%C3%BCne-energie#guideline=UZ46)

	<p>(electricity, heat and process energy) that use nuclear fission that aim to expand nuclear power infrastructure. These activities include:</p> <ul style="list-style-type: none"> <li>- Producing energy using nuclear fission and supplying this energy to grids (power and heat) or direct use for process energy (desalination of sea water, hydrogen production or direct supply)</li> <li>- Producing and trading uranium (for the purposes of producing energy from nuclear fission), plutonium, thorium and mixed oxides containing plutonium and uranium.</li> <li>- Manufacturing core components for power plants on the principle of nuclear fission.</li> <li>- Trading in core components for power plants on the principle of nuclear fission.</li> <li>- Rendering services directly related to energy production from nuclear fission.</li> </ul> <p>These exclusion criteria do not apply to investments and financing that aims to decommission nuclear facilities that have been taken out of service (nuclear power plants, enrichment plants, plants that produce nuclear fuel, reprocessing plants, research reactors, intermediate repositories for spent fuel elements or intermediate repositories for radioactive waste that are connected to the nuclear plants listed and are located on the same site as these plants) or investments in the safety and maintenance of existing plants and investments in and financing of permanent repositories (permanent disposal of conditioned radioactive waste with no intention of retrieving it). Activities possibly in compliance with EU taxonomy are excluded.</p>	
<b>6.1.2</b>	Phase-out of all portfolio positions in companies that generate more than 5 per cent of their turnover with activities listed in 6.1.1 and from all projects whose purpose is to produce energy from nuclear fission. Business activities that possibly comply with EU taxonomy, projects in line with the Paris Agreement, and companies that have set science-based climate targets (time horizon: 2050, including five-year interim targets) and that are working to decarbonise their core business in line with the Paris Agreement are excluded.	2035
<b>6.1.3</b>	Introduction of a guideline for energy production (electricity, heat and process energy) from nuclear fission, which includes a phase-out strategy as described in 6.1.2 disclosing the objective to phase out nuclear power by 2035 (including in terms of the phase-out strategy for existing portfolio positions in companies that operate in the areas described in 6.1.1). The guideline must include interim targets with clear specifications.	2022

## Measure 6.2 Compliance with standards on minimum social safeguards

Table 13 Overview of criteria on the compliance with standards on minimum social safeguards

<b>ID</b>	<b>Criterion</b>	<b>Deadline</b>
<b>6.2.1</b>	Introduction of a guideline relating to the compliance with standards on minimum social safeguards and establishment of the processes and measures needed to do so. The guideline can be published as a separate document or as	2022

ID	Criterion	Deadline
	part of another document and should be published on the GF-Alliance member's website.	

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