



Green Finance Alliance

Executive Summary (updated version: 3.0)

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Legal notice

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1 Overview

1.1 Introduction

The financial system is a key leverage point for climate protection. Investments required for the climate-friendly transformation of the economy will increase significantly compared to previous estimates due to the European Climate Law that was adopted in the summer of 2021 and its stipulated target of a greenhouse gas reduction (GHG reduction) of at least 55 per cent by 2030 (based on 1990 levels). The EU Effort Sharing Regulation¹ calls for Austria to reduce its national GHG emissions not covered by the EU emissions trading system by 48 per cent by 2030 (based on 2005 levels). Initial estimates by the Environment Agency Austria indicate that the average additional investment needs in Austria for the four sectors of energy, industry, buildings and mobility alone amount to EUR 16.2 billion per year between now and 2030 in order to advance on the path towards climate neutrality.² The public sector will have to take the necessary steps to reach these targets. However, a climate-friendly transformation of the economy and infrastructure also requires investment, financing and insurance solutions from the private sector.

Proactively aligning core business activities with climate targets can create important business opportunities while reducing risks simultaneously. This is highly important for a resilient economic and financial system. Once a certain ecological tipping point is reached, it will take an enormous amount of effort to restore stability in the system – if it can be restored at all. Moreover, as the climate crisis worsens, GHG 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 helping companies align their own core business with resilient activities and thereby contributes to securing a liveable future for generations coming.

¹ European Commission. *“Effort sharing 2021-2030: targets and flexibilities”*. August 2022, ec.europa.eu/clima/eu-action/effort-sharing-member-states-emission-targets/effort-sharing-2021-2030-targets-and-flexibilities_de

² Environment Agency Austria. *“Potenzialanalyse der Investitionskosten (bis 2030) für die Transformation zur Klimaneutralität”* (Potential Analysis of Investment Costs [until 2030] for the Transformation to Climate Neutrality). May 2022, umweltbundesamt.at/news220517

1.2 Background on the GF-Alliance

The Austrian Federal Ministry for Climate Action, Environment, Energy, Mobility, Innovation and Technology (BMK) and the Federal Ministry of Finance (BMF) launched a stakeholder dialogue in February 2019 to develop Austria's Green Finance Agenda. This process was accompanied by the Focal Group Green Finance, an advisory committee made up of over 25 organisations, including banking and insurance institutions, state-affiliated financial institutions, scientific institutions, associations, and private sector companies. The implementation of the Green Finance Agenda is outlined in the Austrian Government Program 2020-2024. The Green Finance Agenda was published in 2023 and is being implemented throughout various activities aimed at mobilising private capital for climate protection. Examples include the Austrian Green Investment Pioneers program³ and activities related to climate risk management as well as the topic of green financial literacy.

The GF-Alliance was identified by the Focal Group Green Finance as crucial initiative that will pave the way for a sustainable financial system. The initiative focuses on aligning the financial sector with science-based climate and environmental targets. Its main objective is integrating climate into the core business of financial institutions as a science-based target dimension. The GF-Alliance focuses on developing strategies, implementing measures in conjunction with those strategies as well as measuring, monitoring and disclosing the climate performance of participating institutions. The GF-Alliance supports its members with these tasks and brings pioneers into the spotlight.

By joining the GF-Alliance, members make a **voluntary yet binding pledge** to align their portfolio with the 1.5 °C climate target set by the Paris Agreement. 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 GHG emissions associated with companies' core businesses (investment and lending portfolio as well as underwriting portfolio). Yet, many Austrian financial companies have a particular focus on Central and Eastern Europe, therefore, 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, given the urgency of the climate crisis, we would welcome the targets were met earlier. GF-Alliance members shall commit

³ BMK. "Green project pipeline". 2023, bmk.gv.at/en/green-finance/finances/project-pipeline.html

to the Paris climate targets and position themselves as pioneers in this transformation process in the financial industry. They shall 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 BMK has created an alliance of financial companies that seek to align their core business with climate targets. With the professional and technical support of the Environment Agency Austria and other national 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 ecological targets. In the first step, the focus lies on climate targets. This will be followed by an evaluation of the expansion of the target dimensions to include additional environmental targets based on the EU Taxonomy Regulation. The decisive factors for the evaluation of a possible expansion are regulatory, scientific and market-driven developments that can be used as the basis for the development of criteria. It is intended to introduce a first set of criteria for biodiversity as an additional environmental target in the course of the criteria review process in 2024.

Figure 2: Target dimensions of the GF-Alliance



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 activities compatible with the 1.5 °C target are invited to apply for membership in the GF-Alliance.

The GF-Alliance is aimed at all financial companies that want to play a pioneering role in climate protection and climate risk management: This includes companies already employing sustainable and climate-friendly business practices as well as companies at the beginning of the process willing to implement dedicated measures. Financial companies that are already sustainable and climate-friendly can serve as role models. Membership is open to financial companies with their headquarters in Austria, i.e. companies registered in Austria.

For now, the GF-Alliance calls for insurance companies, banks⁴, pension funds, corporate provision funds and investment fund management companies to apply for membership. In the future, we will analyse whether membership can be expanded to other types of financial companies and areas of core business activities.

⁴ Credit institutions

1.5 What is the scope of the GF-Alliance?

The focus of the GF-Alliance lies on the core business of financial companies. In this context, its scope encompasses two action areas: the investment and lending portfolio as well as the underwriting portfolio. GF-Alliance members must consider those action areas that are part of their core business. The scope of application for the GF-Alliance's list of criteria includes the GF-Alliance member and all affiliated companies that are also financial companies as defined in Section 1.4, as of the date of the consolidation or control goes into effect.

1.5.1 Action area – Investment and lending portfolio

In general, the core business of all financial companies listed in Section 1.4 includes an investment and lending portfolio.

In the case of investment portfolios, the portfolio components to be considered are those over which the GF-Alliance member has direct material influence. For example, customer securities accounts, where banks only handle the administration of the accounts and customers make their own investment decisions, are not part of the analysable portfolio. In contrast, banks' own portfolios must be included because the decision-making authority lies with the financial company.

Investments in third-party funds (funds managed by an external investment firm) have a special status based on the partly limited influence that can be exerted. The deciding factor for determining whether the list of criteria shall be applied is whether the GF-Alliance member has direct material influence over the selection of individual securities or the investment strategy of the third-party fund. If this is the case (for example, in the case of tailored special funds for the GF-Alliance member), the list of criteria shall be applied. More detailed information on how to handle third-party funds over which a member has no direct influence (such as retail funds) is provided in Section 2.2 (engagement strategy).

1.5.2 Action area – Underwriting portfolio

This action area primarily pertains to underwriting in the course of insurance business with companies – including both primary insurance and reinsurance operations. The coverage of retail business will be phased-in starting with criteria relating to the disclosure of insurance-associated emissions (see measure 3.2).

1.5.3 Action area – Operational ecology

Although the focus of the GF-Alliance is on the core business activities of financial companies, climate-relevant operational ecology activities must be considered. With this in mind, operational ecology was defined as an additional action area with criteria that apply to all GF-Alliance members.

1.6 What is the added value of becoming a GF-Alliance member?

Membership in the GF-Alliance offers added value by helping companies to align their core business with resilient activities and by that support the transformation towards a climate-friendly future.

GF-Alliance members particularly benefit from the following:

- **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.
- **Managing portfolio risk:** Implementing the GF-Alliance's target dimensions can help identify and reduce physical and transition risks.
- **Facilitating guidance:** Implementing the target dimensions can help GF-Alliance members meet the requirements of current and future EU regulations. Sharing ideas with GF-Alliance stakeholders will enable a constructive dialogue with experts, which can help provide guidance to members as they implement EU regulations.
- **Improving perception:** By implementing a transparent strategy in line with the Paris Agreement, GF-Alliance members can position themselves as credible green finance pioneers.

1.7 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 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 further the methods and substance of the initiative. GF-Alliance members can fulfil this requirement by participating in the formats offered by the GF-Alliance (for example, webinars, workshops, help desk for individual issues), in which the GF-Alliance members provide feedback on method-related challenges and important outstanding issues.
- 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 sufficient resources in a commitment letter, which the CEO⁵ has to sign in order to become a GF-Alliance member.

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. Due to the

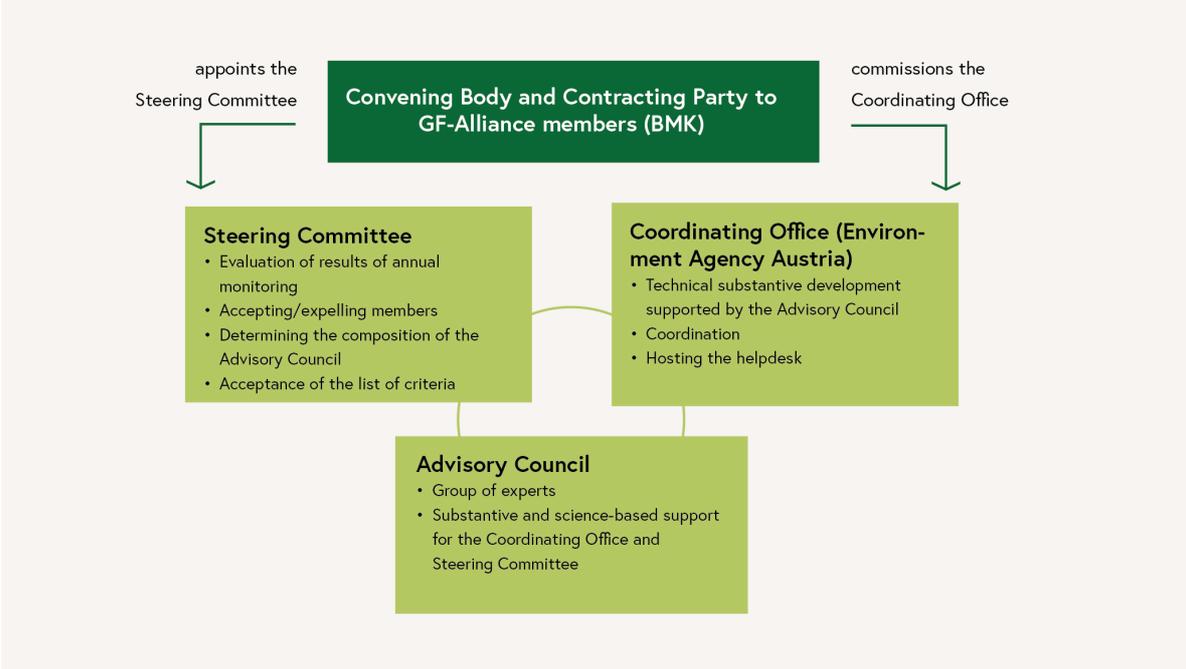
⁵ This person must be a representative who is authorised to sign on behalf of and represent the financial company and make a legally valid and legally binding declaration on behalf of the financial company.

dynamic development in the field of green finance, the list of criteria is regularly reviewed to ensure it is up to date. Adjustments are made when the need arises. As a result, new criteria may be introduced, existing criteria may be amended or removed from the list. Changes will be communicated to GF-Alliance members in a timely manner and will be given an appropriate implementation deadline.

1.8 Governance structure

The governance structure of the GF-Alliance is explained in detail in the graph below:

Figure 3: Governance structure



1.8.1 Convening Body

The BMK is responsible for issuing the call for applications for the GF-Alliance. Within the BMK, Department VI/3 Green Finance and Sustainable Economy is responsible for the Green Finance Alliance. The Convening Body is responsible for the strategic management of all activities taking place within the framework of the GF-Alliance as well as for the contractual handling.

1.8.2 Steering Committee

The BMK is responsible for the strategic management of the GF-Alliance and appoints the members of the Steering Committee. The Steering Committee is composed of staff members of the BMK and possibly third parties with expertise in the field (e.g. staff members from other federal ministries).

The steering committee is responsible for decisions relating to the following issues:

- Assessing the evaluation results from the annual monitoring process
- Acceptance of new members to the GF-Alliance
- Expelling members from the GF-Alliance
- Determining the composition of the Advisory Council
- Amendment and/or revision of the list of criteria

1.8.3 Coordinating Office

The Coordinating Office is responsible for the operational implementation, coordination, and the hosting of the help desk. The coordinating office is located at the Environment Agency Austria.

1.8.4 Advisory Council

The Advisory Council of the Green Finance Alliance is staffed with national and international experts in the field of Green Finance – for example from universities, non-university scientific institutions, international initiatives and interest groups. Employees from Green Finance Alliance member companies cannot be nominated to the Advisory Council. Its composition is the responsibility of the Steering Committee. The Advisory Council will assist the Steering Committee and the Coordinating Office particularly with the ambitious and science-based development of the GF-Alliance as well as with methodological questions. The Council has a purely advisory function and thus carries no decision-making authority.

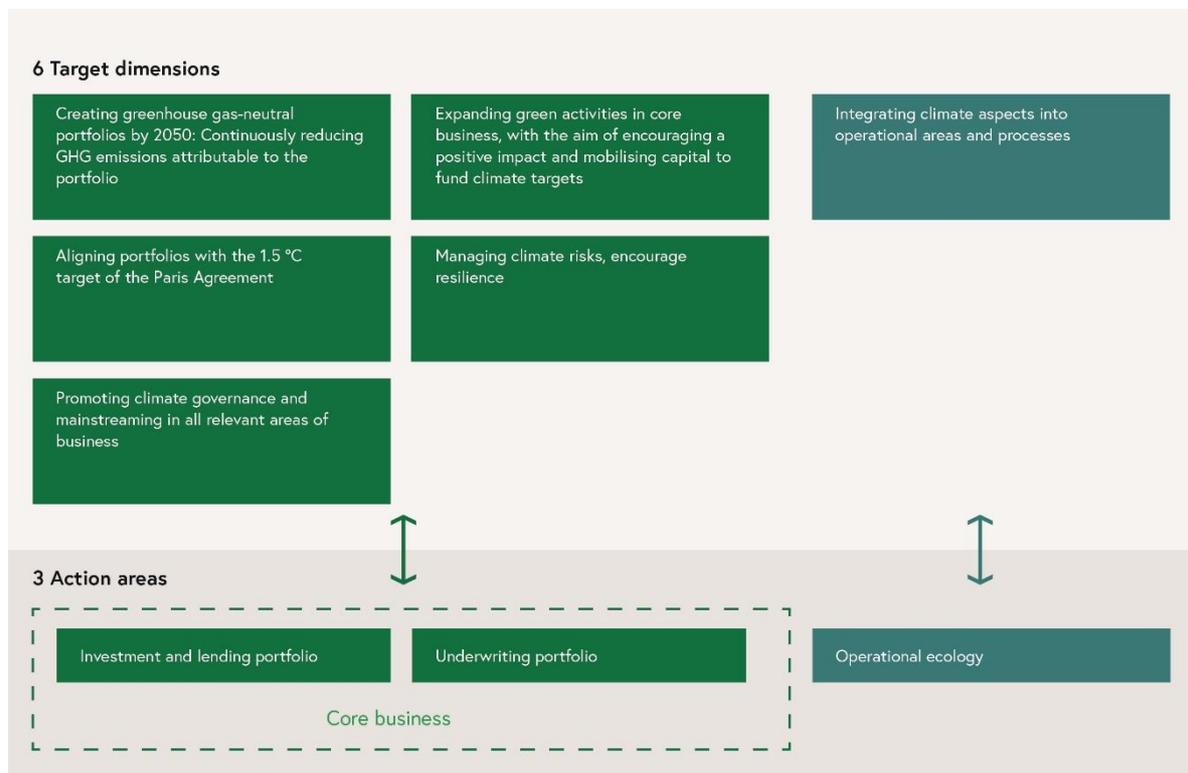
The current composition of the Steering Committee, Coordinating Office and the Advisory Council can be found on the [GF-Alliance website](#).

2 Measures and criteria

The activities of the GF-Alliance evolve around six target dimensions, five of which relate to the core business of the GF-Alliance members and one to operational ecology. Furthermore, core business and operational ecology constitute the two overall action areas having assigned specific measures and criteria to them. While operational ecology makes up its own action area, core business is divided into two action areas. Therefore, there are a total of three action areas:

- Investment and lending portfolio (core business)
- Underwriting portfolio (core business)
- Operational ecology

Figure 4: Target dimensions and action areas of the GF-Alliance



Based on the target dimensions, measures are defined for each action area. These measures are broken down into specific criteria that shall be implemented. For the core business, there are measures that are relevant for both action areas – i.e. for the investment and

lending portfolio as well as the underwriting portfolio – and measures that only apply to one of the action areas. Which measures shall be applied to the member therefore depends on the action areas that are relevant to its business model (see the explanations in section 1.5). The integration of climate aspects into operational areas and processes is defined as the target dimension for the third action area, operational ecology.

2.1 Rationale

Each measure is translated into mandatory criteria and comes with 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 shall be met and is always the 31st of December of the specified year (unless otherwise indicated). A comprehensive overview of all GF-Alliance criteria is provided in the annex and is available as an Excel spreadsheet on the GF-Alliance's [website](#) (only in German). The list of criteria is regularly reviewed to ensure that it is up to date.

In justified exceptional cases, members can deviate from the GF-Alliance criteria. This includes deviations that are necessary due to legal, official or regulatory requirements, without exception. These deviations shall be explained in the course of the annual monitoring ("comply or explain", see Section 3.2).

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 communicate necessary adjustments to the public (in the annual climate report) and to the Convening Body and Coordinating Office (e.g., 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). Recommendations for operational implementation are also listed for some measures and are marked in *italics*. In contrast to the criteria, these are not mandatory but should be considered as recommendations for action. Some examples for recommendations from the handbook are included in this summary. In addition, implementation guidelines are provided on the website, giving orientation on specific topics.

2.2 Measures for the 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.

2.2.1 General measures

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

Figure 5: Overview target dimensions and general measures for core business

| | | Target dimensions for core business | | | | |
|------------------------------------|------------------------------|---|-------------------------------|---------------------|--------------------|------------------------------------|
| | | Managing climate risk, encouraging resilience | Expansion of green activities | GHG neutrality 2050 | 1,5 °C - alignment | 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 it can in principle also have a positive impact on other target dimensions.

2.2.2 Action-area-specific measures

Certain measures are relevant only for a specific action area due to various reasons, e.g. if certain science-based methods can currently only be used in a certain area. For example, methods are appropriate for investment and lending portfolios but not for underwriting activities. Alternative interim measures shall 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 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.

Due to the dynamic nature of existing and new market initiatives, the range of scientific methods used in the GF-Alliance can change or be expanded over time. Continuous market observation by the Coordinating Office and discussions with the Austrian and international experts from the Advisory Council and GF-Alliance members will serve as the basis for identifying and evaluating new methods.

Figure 6: Action-area-specific measures and target dimensions for core business

| | | Target dimensions for core business | | | | |
|---|--|---|-------------------------------|---------------------|-------------------|------------------------------------|
| | | Managing climate risk, encouraging resilience | Expansion of green activities | GHG neutrality 2050 | 1,5 °C -alignment | Climate governance & mainstreaming |
| Action area-specific measures for core business | 2. Investment and lending portfolio | | | | | |
| | 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 | ✓ | | | | |
| | 3. Underwriting portfolio | | | | | |
| | 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 | ✓ | | | | |
| | 4. Others | | | | | |
| | 4.1 [Target specifications based on EU regulations] | ✓ | ✓ | | | ✓ |

The square brackets in measure 4.1 indicate that the criteria have not yet been defined for this measure.

2.3 Measures for operational ecology and additional measures

The 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. The remaining measures refer to the advisory business on lending/capital market transactions, the phase-out of nuclear power as well as the introduction of standards for minimum social safeguards.

2.4 Outlook: integration of biodiversity criteria

For the integration of biodiversity into the GF-Alliance, the development of biodiversity specific criteria will be taken into account as part of the revision of the list of criteria in 2024. For the development of criteria, the existence of international scientific initiatives, standards and methods is an essential prerequisite. In order to prepare for the integration of biodiversity, the GF-Alliance Advisory Council has been expanded by respective expertise. The development of know-how within the financial company and the commitment of individuals will play a key role in the successful integration of this topic. To support the GF-Alliance members' capacity building, biodiversity will play an increasing role in the dialogue formats (webinars, workshops).

3 Monitoring and reporting

GF-Alliance members agree to complete a standardized questionnaire on an annual basis and submit it to the Coordination Office for evaluation. The questionnaire is used to determine whether the criteria have been met. It is based on a reporting template (MS Excel) and is not intended for publication. The monitoring process takes place at the beginning of each calendar year. The criteria with a deadline ending in the previous year and any individual assignment for improvement (see 3.1) are evaluated. To this end, the Coordinating Office sends the questionnaire to the GF-Alliance members in January with a return deadline of roughly one month.

3.1 Evaluation and feedback

The Coordinating Office performs an evaluation based on the completed questionnaire and may submit further enquiries to the GF-Alliance member if necessary. The fulfillment level describes the degree to which the criterion is met with regard to the possible scope of action within the GF-Alliance member's area of responsibility (taking any regulatory, legal, methodological or other justifiable limitations into account). The fulfillment level of each criterion is assessed based on the following scale:

- **Fulfilled:** All requirements of the criterion were fulfilled.
- **Partially fulfilled:** The requirements of the criterion were partially fulfilled.
- **Not fulfilled:** None of the requirements of the criterion were fulfilled.

If criteria are only partially fulfilled or not fulfilled, an evaluation is performed regarding whether there are adequate suggestions for improvement by the GF-Alliance member. Such suggestions can either be submitted proactively by the GF-Alliance member in the completed questionnaire or in response to an enquiry by the Coordinating Office. In both cases, the suggestions for improvement are evaluated as to whether they adequately meet the relevant criterion in full and whether a reasonable period was specified for the implementation of the improvement. In order to be considered "reasonable", the period must be defined in accordance with the effort required to implement the necessary improvement and in line with the high level of ambition of the GF-Alliance. The following scale is used to classify suggestions for improvement:

- Adequate suggestion for improvement submitted: The suggested improvement is adequate to meet the criterion in full.
- Partially adequate suggestion for improvement submitted: The suggestion will lead to an improvement but not to meeting the criterion in full.
- Adequate suggestion for improvement not submitted: There is no suggestion or the suggestion will not lead to an improvement in the fulfilment level of the criterion.

If suggestions for improvement are only partially adequate or have not been submitted, the Coordinating Office defines suggestions for improvements in order to ensure the criteria are met in full.

The results of the evaluation including any suggestions for improvement are presented to the Steering Committee for decision making. The Steering Committee can issue a positive, conditionally positive or negative decision. Conditionally positive decisions are linked to respective assignments for improvement.

3.2 "Comply or explain" approach

There may be reasons limiting or preventing GF-Alliance members from meeting criteria in full (usually) on a temporary basis. These limitations should be communicated over the course of the annual monitoring process and (if possible) addressed with proactive suggestions for improvement.

3.3 Progress report and bilaterals

The BMK publishes an annual progress report containing aggregated and anonymised information on the criteria performance of the GF-Alliance members. In addition to the annual progress reports, bilateral meetings and calls are planned. These conversations should help GF-Alliance members to discuss their individual challenges and questions regarding the implementation of the initiative's requirements.

4 Annex

4.1 List of criteria

The following lists provide an overview of the measures and mandatory criteria of the GF-Alliance. The deadlines indicated relate to members, who joined the initiative in the founding year. New criteria and changes to existing criteria (vs. version 2.0 of the handbook/executive summary) have been **marked red**. Content-relevant changes to existing criteria with a deadline in 2022 have to be implemented by founding year members at the latest by end of 2024.

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 elaborating the specific content. As the climate strategy is intended to be a framework, some items are included in Table 1 even though they are criteria assigned to other GF-Alliance measures.

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 shall follow the "Guidelines on reporting climate-related information" of the European Commission, which has specified the following five core elements of reporting: | 2022 |

| ID | Criterion | Deadline |
|-------|---|----------|
| | <p>Business model; policies and due diligence processes; outcomes; principal risks and their management; key performance indicators</p> <p>The strategy shall provide an overview of the priorities and objectives of the GF-Alliance member.</p> <p>The climate strategy shall include the following criteria:</p> | |
| 1.1.2 | <p>Climate mainstreaming</p> <p>Presentation of the planned priorities for internalising the climate strategy at the company (for example, governance, risk management and continued education).</p> | 2022 |
| 1.1.3 | <p>Expanding green activities</p> <p>Presentation of planned priorities for expanding green activities and mobilising capital for climate targets (as part of the product strategy or projects for example).</p> | 2022 |
| 1.1.4 | <p>Remuneration policy</p> <p>Presentation of how the climate strategy (in particular climate risks) are included in the remuneration policy of the GF-Alliance member.</p> | 2022 |
| 1.1.5 | <p>KPIs and targets</p> <p>Introduction of climate-relevant KPIs and short, medium and long-term company-specific objectives based on these KPIs. Achieving these targets shall make a relevant contribution to aligning core business with the 1.5 °C target.</p> <p>If climate scenarios are used, they shall be aligned with a 1.5 °C scenario with no or low overshoot.</p> <p>Measures to achieve the targets shall be outlined.</p> | 2022 |
| 1.1.6 | <p>Transition plan</p> <p>Transition plans shall reflect how the company intends to achieve the climate-relevant company-specific objectives. This includes planned measures and initiatives.</p> | 2022 |
| 1.1.7 | <p>Operational ecology</p> <p>The strategy for operational ecology shall be presented separately from the strategy for core business to ensure that a clear distinction is obvious.</p> | 2022 |
| 1.3.1 | <p>Integration of or reference to the engagement strategy</p> | 2022 |
| 1.5.4 | <p>Integration of or reference to the guideline for coal</p> | 2022 |
| 1.6.5 | <p>Integration of or reference to the guideline for oil</p> | 2022 |
| 1.7.4 | <p>Integration of or reference to the guideline for natural gas</p> | 2022 |
| 2.1.2 | <p>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.</p> | 2022 |
| 2.1.5 | <p>Relevant only for investment and lending portfolios: Disclosure of five-year intermediate targets (2025, 2030 and 2035) for portfolio development.</p> | 2022 |

| ID | Criterion | Deadline |
|-------|--|----------|
| 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 intermediate targets (2025, 2030 and 2035) for portfolio development. | 2022 |
| 6.3.1 | Integration of or reference to the climate strategy for the advisory business on lending-/capital market transactions. | 2024 |
| 6.3.9 | Integration of or reference to a guideline for the advisory business on lending-/capital market transactions relating to the handling of fossil fuels. | 2024 |

Criteria assigned to other measures are sometimes shown in short form here. The detailed wording 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 report.

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 shall 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 shall 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 |

| ID | Criterion | Deadline |
|--------------------|---|----------|
| 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 (primarily climate risks) into the remuneration policy, or what measures are planned? | 2023 |
| 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 shall be shown. Completed and planned priorities and measures for achieving the targets shall 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 shall 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 ⁶ | 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 ⁶ | 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 intermediate targets. | 2023 |

⁶ The mandatory use of PACTA is temporarily suspended for those members that have opted to use PACTA according to criterion 2.1.2 (for more details see "Action-area-specific measures")

| ID | Criterion | Deadline |
|-------|--|----------|
| 2.2.3 | Relevant only for investment and lending portfolios: Publication of the GHG footprint. The reporting recommendations and requirements of the PCAF standard shall be followed. | 2023 |
| 2.2.4 | Relevant only for investment and lending portfolios: Mandatory reporting of KPIs when publishing the GHG footprint. | 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 intermediate targets. | 2023 |
| 3.2.3 | Relevant only for underwriting portfolios: Publication of the GHG footprint. The reporting recommendations and requirements of the PCAF Standard for Insurance-Associated-Emissions shall be followed. | 2024 |
| 6.3.2 | Integration of or reference to the climate report for the advisory business for lending-/capital market transactions | 2025 |

Criteria assigned to other measures are sometimes shown in short form here. The detailed wording 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 | The climate-related engagement efforts of the GF-Alliance member shall be based on the three key points highlighted by the Climate Action 100+ Initiative („The Three Goals“) for target orientation. The engagement strategy shall include the following criteria: | 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 |

| ID | Criterion | Deadline |
|-------|--|----------|
| 1.3.4 | <p>Disclosure of the approach to prioritising companies to achieve climate engagement, such as:</p> <ul style="list-style-type: none"> • Prioritising companies with the highest GHG emissions • Prioritising certain GHG-intensive sectors and regions • Prioritising based on PACTA⁷ or SBTi evaluations • Prioritising based on the GHG footprint results based on the PCAF standard | 2022 |
| 1.3.5 | <p>Measurement of success:</p> <p>What qualitative and/or quantitative metrics are used to measure the success of climate engagement activities, for example:</p> <ul style="list-style-type: none"> • The company's governance framework, which clearly articulates the board's accountability and oversight of climate change risk, has improved. • The company has set climate targets compatible with the Paris Agreement and decided on a clear strategy for decarbonisation. • The company's climate reporting has improved. • The company discloses its GHG emissions in accordance with the GHG Protocol (including Scope 3, where relevant) | 2022 |
| 1.3.6 | <p>Consequences:</p> <p>What measures and escalation levels are used if climate engagement activities are not successful over a specific period of time (such as public letters, restricting customer relationships, voting behaviour or divestment)?</p> | 2022 |
| 1.3.7 | <p>Additional criterion for equity positions in investment portfolios:</p> <p>Voting strategy:</p> <ul style="list-style-type: none"> • Who is responsible for voting decisions? (Portfolio managers? Is there a central department?) • Are proxy-voting providers used? If so, who? • Disclosure of general principles and criteria that are crucial for voting behaviour. • Disclosure of specific principles and criteria that are relevant to voting behaviour in climate issues. • If external asset managers are contracted, does the voting strategy apply to them? | 2022 |

⁷ The mandatory use of PACTA is temporarily suspended for those members that have opted to use PACTA according to criterion 2.1.2 (for more details see "Action-area-specific measures")

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 shall 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 |
| 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"> • Prioritising companies with the highest GHG emissions • Prioritising certain GHG-intensive sectors and regions • Prioritising based on PACTA⁸ or SBTi evaluations • Prioritising based on the GHG footprint results based on the PCAF standard | 2023 |
| 1.4.6 | <p>Consequences:</p> <p>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 |

⁸ The mandatory use of PACTA is temporarily suspended for those members that have opted to use PACTA according to criterion 2.1.2 (for more details see "Action-area-specific measures")

| ID | Criterion | Deadline |
|-------|---|----------|
| 1.4.7 | Best practice examples: Specific companies that identified effective measures for one of the set engagement targets shall be described as case examples to illustrate engagement activities. | 2023 |
| 1.4.8 | 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? | 2023 |
| 1.4.9 | Additional criterion for positions in investment portfolios: Voting report: <ul style="list-style-type: none"> • Were proxy-voting providers used? If so, who? • Disclosure of specific principles and criteria that were relevant to voting behaviour in climate issues. • If available: Information and figures on climate-related shareholder resolutions (for example: How many climate-related resolutions were voted on?) | 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 | Members shall not undertake any 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, conversion to electricity, heat production). Companies that (i) publicly commit to decarbonizing their core business in line with the Paris agreement and, if evaluable, (ii) do not invest in expanding their coal infrastructure are excluded. If, due to a lack of information, aspect (ii) cannot be evaluated, fulfillment of (i) is sufficient. | 2022 |
| 1.5.2 | Members shall not undertake any new earmarked investments in or provide new earmarked funding for (investment and lending portfolio) or provide insurance for (underwriting portfolio) new coal projects involving activities in the coal sector (exploration, processing and production, distribution, conversion to electricity, heat production) that aim to expand coal infrastructure. | 2022 |
| 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, conversion to electricity, heat production) and of all coal projects. Companies that have set science-based climate targets (time | 2030 |

| ID | Criterion | Deadline |
|-------|--|----------|
| | horizon: 2050, including five-year intermediate 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. | |
| 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 shall include intermediate 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 |

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 shall not undertake any 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, production, processing, distribution, conversion to electricity, heat production). Companies that (i) publicly commit to decarbonizing their core business in line with the Paris agreement and, if evaluable, (ii) do not invest in expanding their oil infrastructure are excluded. If, due to a lack of information, aspect (ii) cannot be evaluated, fulfillment of (i) is sufficient. | 2024 |
| 1.6.2 | Members shall not undertake any 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, production, processing, distribution, conversion to electricity, heat production) that aim to expand the oil infrastructure. Business activities possibly in compliance with EU taxonomy are excluded. | 2022 |
| 1.6.3 | Members shall not undertake any 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, production, processing, distribution, conversion to electricity, heat production) 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, production, processing, distribution, conversion to electricity, heat production) 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 | 2030 |

| ID | Criterion | Deadline |
|-------|--|----------|
| | climate targets (time horizon: 2050, including five-year intermediate targets) and that are working to decarbonise their core business in line with the Paris Agreement are excluded. | |
| 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 shall include intermediate 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 shall not undertake any 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, production, processing, distribution, conversion to electricity, heat production). Companies that (i) publicly commit to decarbonizing their core business in line with the Paris agreement and, if evaluable, (ii) do not invest in expanding their natural gas infrastructure are excluded. If, due to a lack of information, aspect (ii) cannot be evaluated, fulfillment of (i) is sufficient. | 2025 |
| 1.7.2 | Members shall not undertake any 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, production, processing, distribution, conversion to electricity, heat production) that aim to expand the natural gas infrastructure. Business activities (deleted: 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, production, processing, distribution, conversion to electricity, heat production) and of all natural gas projects. Business activities that (deleted: 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 intermediate 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 | 2024 |

| ID | Criterion | Deadline |
|-------|--|----------|
| | the decarbonisation strategy for existing portfolio positions in natural gas companies). The guideline shall include intermediate 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. | |
| 1.7.5 | Reporting on progress in the phase-out of natural gas in the annual climate report. | 2026 |

Additional explanations for the phase-out of fossil fuels (Measures 1.5, 1.6 and 1.7)

The scope of the criteria applies to economic activities along the entire direct value chain of the fossil fuel industry, thus from exploration, production and processing to distribution, conversion to electricity and heat production.

The phase-out criteria for electricity generation primarily pertain to the electricity suppliers' own electricity generation. The following applies to purchased electricity: If the utility company has data on the source of the purchased electricity, it shall also be taken into account for the specified phase-out criteria.

The GF-Alliance criteria for the phase-out of 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. However, members must divest from companies that continue to invest in the expansion of their fossil fuel infrastructure and do not commit to the Paris Agreement.

The financial company knows how the proceeds from earmarked investments, financing or insurance are used. Examples include earmarked loans or project financing. Therefore, the primary purpose of the earmarked investment, financing or insurance determines whether the project is being categorised as an activity in the fossil fuel sector and not the general business activities of the company. Therefore, corporate customers not directly included in the fossil-based energy sector are also subject to the criteria in the case of earmarked business activities in the coal, oil or natural gas sector.

Important note: GF-Alliance requires its members, if evaluable, to survey whether their financed, invested, or insured fossil fuel companies are investing in the expansion of their fossil fuel infrastructure. Due to the direct business customer relationship in both the lending and the insurance business, we assume that this evaluation is feasible in most of these cases.

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 alignment and to steer the portfolio to enable a consistent presentation.

GF-Alliance members should be aware of the different approaches of the two methods: PACTA is a tool that can be used to analyse the alignment of one's own portfolio compared to climate scenarios. In order to achieve adequate progress, GF-Alliance members referring to PACTA shall develop independent climate targets. For GF-Alliance members referring to PACTA as the method for the annual analysis of their portfolio alignment we recommend defining their target specifications on the basis of a combination of different types of emissions-based KPIs (absolute emission reduction targets and emission intensity targets).

GF-Alliance members who opt to use SBTi must define short- and medium-term targets in accordance with the SBTi guidance and have them validated by SBTi. SBTi has defined its own recommendations for the mandatory annual progress tracking (see SBTi guidance⁹).

It is possible for a GF-Alliance member to change methods. If this is the case, the member should communicate the change in the climate strategy and/or climate report. Both methods are among the world's leading approaches for analysing portfolio alignment and climate-related targets 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:** 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.
- **Climate scenarios:** Both methods make it possible to use different climate scenarios. If the selected method has not yet integrated climate scenarios for the 1.5 °C target, the

⁹ SBTi. "Financial Sector Science-Based Targets Guidance". August 2022, sciencebasedtargets.org/sectors/financial-institutions#resources

scenario closest to the 1.5 °C scenario shall be used. Once a 1.5 °C scenario is available for the selected method, it will be communicated to its members by the GF-Alliance 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 shall also set intermediate targets for 2025, 2030 and 2035 to outline the pathway for short and medium-term targets.

Important notice for PACTA users: Temporal suspension of PACTA relating to the application and monitoring requirements of criteria 2.1.3. and 2.1.4:

Due to still ongoing methodological discussions with RMI, the mandatory use of PACTA is temporarily suspended for those members that have opted to use PACTA according to criterion 2.1.2. This affects annual disclosures based on PACTA evaluations that would have to be made under criteria 2.1.3 and 2.1.4. Consequently, these criteria will not be evaluated for PACTA users as part of the monitoring process in 2023. A final decision on the future use of PACTA in the GF-Alliance will be announced with the next update of the handbook, scheduled for autumn 2024.

Table 8: Overview of criteria for measure 2.1

| ID | Criterion | Deadline |
|-------|---|----------|
| 2.1.1 | The analysable investment and lending portfolio shall 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 shall be preferably used for the portfolio. | 2040 |
| 2.1.2 | The climate strategy (1.1) shall disclose the method used and include more details and an outlook for implementing the method. | 2022 |

| ID | Criterion | Deadline |
|---------------------|---|----------|
| 2.1.3 ¹⁰ | 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 ¹⁰ | 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 shall be published in the annual climate report (1.2). | 2023 |
| 2.1.5 | In addition to the long-term target dimension, five-year intermediate targets for portfolio coverage shall also be set (2025, 2030 and 2035) and published in the climate strategy (1.1) as part of the presentation of KPIs and targets. Intermediate targets can be both qualitative and quantitative and can refer to individual areas of business or sectors. However, the intermediate targets shall make a relevant contribution to continuous improvement of the portfolio alignment with the aim of reaching the 1.5 °C target. If climate scenarios are used, they shall be aligned with a 1.5°C scenario with no or low overshoot. | 2022 |
| 2.1.6 | Progress made toward reaching intermediate targets shall 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 standard¹¹ 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 through investments and lending.¹²

The standard initially including six asset classes was updated at the end of 2022 and expanded to include sovereign bonds as additional asset class. Besides "Part A" of the standard, which deals with financed GHG emissions, the publication of "Part B" for facilitated emissions has been announced. "Part C" for insurance-related emissions has already been published in November 2022. It shall be noted that only the portion of the portfolio that

¹⁰ The mandatory use of PACTA is temporarily suspended for those members that have opted to use PACTA according to criterion 2.1.2

¹¹ PCAF. „*The Global GHG Accounting & Reporting Standard for the Financial Industry*“. Dezember 2022, carbonaccountingfinancials.com/en/standard

¹² GHG Protocol. „*The Global GHG Accounting and Reporting Standard for the Financial Industry*“ August 2021, ghgprotocol.org/global-ghg-accounting-and-reporting-standard-financial-industry

can be analysed using the standard is relevant for determining and disclosing the portfolio's GHG footprint. Arising changes in the standard's coverage and resulting requirements are communicated to the members in due time.

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 shall 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 shall be disclosed and justified in climate reporting.</p> <p>The PCAF standard allows the following reasons:</p> <ul style="list-style-type: none"> • The portfolio position is not significant in terms of the total anticipated GHG emissions financed by the GF-Alliance member. • The GF-Alliance member does not have access to the data it needs. The member shall disclose a schedule indicating when the position is expected to be included ("comply or explain"). | 2023 |
| 2.2.3 | This GHG footprint shall 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 shall be followed. | 2023 |
| 2.2.4 | <p>When publishing the GHG footprint in the annual climate report (1.2), particularly the following KPIs shall be reported:</p> <p>Aggregated at the portfolio level and disaggregated by section of the first NACE code level (sections):</p> <ul style="list-style-type: none"> • Total covered financing and investment volume (in euros) • Total absolute GHG emissions financed (in t CO₂e) • Data quality score according to PCAF <p>Aggregated at the portfolio level:</p> <p>Ratio between the total covered financing and investment volume and the</p> <ul style="list-style-type: none"> • total analysable financing and investment volume (in percent) • total financing and investment volume (in percent) | 2023 |

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

In contrast to the investment and lending portfolio, there are not yet any internationally recognised scientific approaches to evaluate the compatibility with the Paris climate targets in underwriting. Despite this, the GF-Alliance has adopted preliminary target specifications in order to account for the 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 also be communicated to members in a timely manner and be given an appropriate deadline for implementation.

Table 8: Overview of criteria for measure 3.1

| ID | Criterion | Deadline |
|-------|---|----------|
| 3.1.1 | All insured companies subject to reporting in accordance with NFRD ¹³ 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"> • 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 • 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 | 2023 |
| 3.1.4 | In addition to the long-term target dimension, five-year intermediate targets for portfolio coverage shall also be set (2025, 2030 and 2035) and published in the climate strategy (1.1) as part of the presentation of KPIs and targets. Intermediate targets can be both qualitative and quantitative and can refer to individual areas of business or sectors. However, the intermediate targets shall make a relevant contribution to continuous improvement of the portfolio alignment with the aim of reaching the 1.5 °C target. | 2022 |

¹³ It should be noted that the reporting obligations under the NFRD will be adapted in future by the Corporate Sustainability Reporting Directive (CSRD).

| ID | Criterion | Deadline |
|-------|---|----------|
| | If climate scenarios are used, they shall be aligned with a 1.5 °C scenario with no or low overshoot. | |
| 3.1.5 | Progress made toward reaching intermediate targets shall 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

In November 2022, PCAF published the standard for insurance-associated emissions.¹⁴ The structure of the standard is similar to the one for financed emissions and provides detailed guidance on the calculation and disclosure of insurance-associated emissions. It covers certain insurance lines with business customers ("commercial lines") and motor insurance lines with private customers ("personal motor lines").

For the calculation and disclosure according to measure 3.2, the portfolio covered (and therefore analysable) by the PCAF standard for insurance-associated emissions applies. Parts of the retail business (specifically motor vehicle insurance) are therefore also affected by these GF-Alliance criteria, even if the retail business as a whole is not yet included in the "underwriting portfolio" action area (see explanations in 1.5.2). As regards the disclosures, it is important that a clear separation is made between financed emissions and insurance-associated emissions and that no conclusions or statements are made based on a comparison between the absolute results. This is due to the very different approaches in allocating GHG emissions from companies to the financial portfolio.

Table 9: Overview of criteria for measure 3.2

| ID | Criterion | Deadline |
|-------|--|----------|
| 3.2.1 | The GHG footprint of the analysable underwriting portfolio shall be determined annually using the method given by the GF-Alliance. At this time, the Global GHG Accounting and Reporting Standard for Insurance-Associated Emissions developed by the Partnership for Carbon Accounting Financials (PCAF) is the only method accepted. | 2024 |

¹⁴ PCAF. "Insurance-Associated Emissions". November 2022, carbonaccountingfinancials.com/en/standard#the-global-ghg-accounting-and-reporting-standard-for-the-financial-industry

| ID | Criterion | Deadline |
|-------|--|----------|
| 3.2.2 | <p>If the GHG footprint is not calculated and published for all analysable components of the portfolio, this shall be disclosed and justified in climate reporting.</p> <p>The PCAF standard highlights several justifications, for example:</p> <ul style="list-style-type: none"> The GF-Alliance member does not have access to the data it needs. The member shall disclose a schedule indicating when the position is expected to be included ("comply or explain"). | 2024 |
| 3.2.3 | The GHG footprint shall be published in the annual climate report (1.2). The reporting recommendations and requirements of the PCAF Global GHG Accounting and Reporting Standard for Insurance-Associated-Emissions shall be followed. | 2024 |

Measure 4.1 [Target specifications based on EU regulations]

Appropriate criteria are not yet developed.

Operational ecology

Measures 5.1 Operational ecology

Table 10: Overview of criteria on measure 5.1

| ID | Criterion | Deadline |
|-------|--|----------|
| 5.1.1 | Introduction of a travel policy to account for climate aspects in business travel (avoiding and reducing of emissions (deleted: compensation)) | 2022 |
| 5.1.2 | Procurement guideline: Criteria for the climate-friendly procurement of products and services | 2023 |
| 5.1.3 | Purchasing of UZ 46 ¹⁵ -certified green electricity for locations in Austria | 2024 |
| 5.1.4 | EMAS certification for an implemented operational environmental management system for Austrian locations that shall be taken into account. | 2025 |

¹⁵ BMK. *Austrian Ecolabel*. April 2021, umweltzeichen.at/de/produkte/gr%C3%BCne-energie#guideline=UZ46

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 that the phase-out of fossil fuels results in an expansion of nuclear power.

Table 11: Overview of criteria on measure 6.1

| ID | Criterion | Deadline |
|-------|--|----------|
| 6.1.1 | <p>Members shall not undertake any 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 (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"> • 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) • Producing and trading uranium (for the purposes of producing energy from nuclear fission), plutonium, thorium and mixed oxides containing plutonium and uranium. • Manufacturing core components for power plants on the principle of nuclear fission. • Trading in core components for power plants on the principle of nuclear fission. • Rendering services directly related to energy production from nuclear fission. <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 (deleted: possibly) in compliance with EU taxonomy are excluded.</p> | 2024 |
| 6.1.2 | <p>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 (deleted: 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 intermediate targets) and that are working to decarbonise their core business in line with the Paris Agreement are excluded.</p> | 2035 |

| | | |
|--------------|--|------|
| 6.1.3 | 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 intermediate targets with clear specifications. | 2022 |
|--------------|--|------|

Measure 6.2 Compliance with standards on minimum social safeguards

Table 12: Overview of criteria on measure 6.2

| ID | Criterion | Deadline |
|--------------|--|----------|
| 6.2.1 | 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 part of another document and shall be published on the GF-Alliance member's website. | 2022 |

Measure 6.3 Advisory Business: integration and consideration of climate aspects into lending-/capital market transactions

When banks support companies in the preparation, execution and capital market communication of financial transactions, these activities might not end in long-term positions on the bank's balance sheet. Therefore, these activities might not be covered by the bank's portfolio-related climate targets. Yet, they can be a significant revenue driver of a bank and can substantially contribute to the business clients' climate ambitions. Hence, the GF-Alliance has introduced a first set of criteria covering the advisory business of banks relating to lending-/capital market transactions.

Table 13: Overview of criteria on measure 6.3

| ID | Criterion | Deadline |
|--------------|---|----------|
| 6.3.1 | Introduction of a climate strategy for the advisory business on lending-/capital market transactions based on criteria under measure 1.1. | 2024 |
| 6.3.2 | Annual publication of a climate report for the advisory business on lending-/capital market transactions based on criteria under measure 1.2. | 2025 |

| ID | Criterion | Deadline |
|-------|--|----------|
| 6.3.3 | <p data-bbox="347 277 544 309">Phase-out of coal</p> <p data-bbox="347 327 1235 584">Members shall not undertake any new advisory business on lending-/capital market transactions for companies that generate more than 5 per cent of their turnover from activities in the coal sector (exploration, processing and production, distribution, conversion to electricity, heat production). Companies that (i) publicly commit to decarbonizing their core business in line with the Paris agreement and, if evaluable, (ii) do not invest in expanding their coal infrastructure are excluded. If, due to lack of information, aspect (ii) can not be evaluated, fulfillment of (i) is sufficient.</p> | 2024 |
| 6.3.4 | <p data-bbox="347 613 544 645">Phase-out of coal</p> <p data-bbox="347 663 1225 790">Members shall not undertake any new advisory business on earmarked lending-/capital market transactions for new coal projects involving activities in the coal sector (exploration, processing and production, distribution, conversion to electricity, heat production) that aim to expand coal infrastructure.</p> | 2024 |
| 6.3.5 | <p data-bbox="347 815 528 846">Phase-out of oil</p> <p data-bbox="347 864 1225 1122">Members shall not undertake any new advisory business on lending-/capital market transactions for companies that generate more than 30 per cent of their turnover from activities in the oil sector (exploration, production, processing, distribution, conversion to electricity, heat production). Companies that (i) publicly commit to decarbonizing their core business in line with the Paris agreement and, if evaluable, (ii) do not invest in expanding their oil infrastructure are excluded. If, due to lack of information, aspect (ii) can not be evaluated, fulfillment of (i) is sufficient.</p> | 2024 |
| 6.3.6 | <p data-bbox="347 1151 528 1182">Phase-out of oil</p> <p data-bbox="347 1200 1225 1368">Members shall not undertake any new advisory business on earmarked lending-/capital market transactions for new oil projects involving activities in the oil sector (exploration, production, processing, distribution, conversion to electricity, heat production) that aim to expand oil infrastructure. Business activities possibly in compliance with EU taxonomy are excluded.</p> | 2024 |
| 6.3.7 | <p data-bbox="347 1397 619 1429">Phase-out of natural gas</p> <p data-bbox="347 1447 1235 1704">Members shall not undertake any new advisory business on lending-/capital market transactions for companies that generate more than 30 per cent of their turnover from activities in the natural gas sector (exploration, production, processing, distribution, conversion to electricity, heat production). Companies that (i) publicly commit to decarbonizing their core business in line with the Paris agreement and, if evaluable, (ii) do not invest in expanding their natural gas infrastructure are excluded. If, due to lack of information, aspect (ii) cannot be evaluated, fulfillment of (i) is sufficient.</p> | 2025 |
| 6.3.8 | <p data-bbox="347 1733 619 1765">Phase-out of natural gas</p> <p data-bbox="347 1783 1225 1939">Members shall not undertake any new advisory business on earmarked lending-/capital market transactions for new natural gas projects involving activities in the natural gas sector (exploration, production, processing, distribution, conversion to electricity, heat production) that aim to expand natural gas infrastructure. Business activities in compliance with EU taxonomy are excluded.</p> | 2025 |

| ID | Criterion | Deadline |
|-------|---|----------|
| 6.3.9 | Introduction of a guideline for advisory business on lending-/capital market transactions relating to the handling of fossil fuels based on GF-Alliance criteria 6.3.3-6.3.8. 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 |

4.2 Overview: deadlines for different member generations

Members who have joined the initiative after its launch in 2022 have adjusted deadlines for certain criteria. This is necessary to provide sufficient time for criteria implementation and to deal with criteria already due in the past. These members are splitted into two groups depending on when they joined the GF-Alliance.

Table 14: Overview of special rules for different member generations

| Measure | Criteria | Deadline (founding year members) | Deadline (new members until september 2023) | Deadline (new members after september 2023) |
|---------|---------------------|----------------------------------|---|---|
| 1.1 | All criteria | 2022 | 2023 | 2024 |
| 1.2 | All criteria | 2023 | 2024 | 2025 |
| 1.3 | All criteria | 2022 | 2023 | 2024 |
| 1.4 | All criteria | 2023 | 2024 | 2025 |
| 1.5 | 1.5.1, 1.5.2, 1.5.4 | 2022 | 2023 | 2024 |
| 1.5 | 1.5.5 | 2023 | 2024 | 2025 |
| 1.6 | 1.6.2, 1.6.5 | 2022 | 2023 | 2024 |
| 1.6 | 1.6.6 | 2023 | 2024 | 2025 |
| 2.1 | 2.1.2, 2.1.5 | 2022 | 2023 | 2024 |
| 2.1 | 2.1.3, 2.1.4, 2.1.6 | 2023 | 2024 | 2025 |
| 2.2 | All criteria | 2023 | 2024 | 2025 |
| 3.1 | 3.1.2, 3.1.4 | 2022 | 2023 | 2024 |
| 3.1 | 3.1.3, 3.1.5 | 2023 | 2024 | 2025 |

| Measure | Criteria | Deadline (founding year members) | Deadline (new members until september 2023) | Deadline (new members after september 2023) |
|---------|--------------|----------------------------------|---|---|
| 3.2 | All criteria | 2024 | 2024 | 2025 |
| 5.1 | 5.1.1 | 2022 | 2023 | 2024 |
| 5.1 | 5.1.2 | 2023 | 2023 | 2024 |
| 6.1 | 6.1.3 | 2022 | 2023 | 2024 |
| 6.2 | 6.2.1 | 2022 | 2023 | 2024 |

4.3 Overview on relevant documents

- [Annual report 2022](#)
- [Handbook 3.0](#) (in German)
- [List of criteria 3.0](#) (in German)
- [Brief presentation](#)
- [Progress report 2023](#)

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