



Investment
Leadership
Programme

UN-convened Net-Zero
Asset Owner Alliance

Call to Action to Private Market Asset Managers

November 2022

In partnership with:



Summary of requests

Members of the Net-Zero Asset Owner Alliance (the Alliance), who have all committed to transitioning their portfolios to net-zero greenhouse gas (GHG) emissions by 2050, call on asset managers in private markets to align their investments with a 1.5°C pathway and to address climate change across all their business activities. Driven by its net-zero commitment, the Alliance issues this call to action to support the acceleration of efforts in private markets, to outline requests from private asset managers, and to highlight existing initiatives that asset managers should consider joining.

The impacts of climate change are systemic risks that will affect investment portfolios across all asset classes, including private markets. In this context, commitments to 'net-zero portfolio alignment' are necessary tools for driving support for decarbonisation; however, deployed alone, they are not sufficient. Without the focus on real-economy decarbonisation, private markets will face the same risk from unmitigated climate change as other asset classes, even if their own portfolios decarbonise. All asset managers (irrespective of asset class) should, therefore, integrate climate change considerations within their investment decision-making and across all their business activities.

The Alliance calls on asset managers to support the transition to a net-zero economy through the following actions:

- a. Making a public commitment to set net-zero targets on financed Scope 1 and 2 emissions as soon as possible, no later than 2025;
- b. Offering products which reflect that ambition on a fund level;
- c. Creating a time-bound plan to set decarbonisation targets at a sector level for portfolio relevant sectors, no later than 2025;
- d. Taking additional asset-class-specific actions as outlined in the respective sections of Appendix 1.

The Alliance requests asset managers to measure their portfolio GHG emissions and to engage with all portfolio companies that are not reporting their emissions in a timely and standardised way. More specifically, the request is that asset managers:

- a. Disclose available data on financed GHG emissions (Scope 1 and 2) in the next annual reporting cycle and disclose comprehensive data on financed GHG emissions (Scope 1 and 2) for financial year 2023.
- b. Disclose the most relevant and material Scope 3 (Scope 3 of underlying companies) emissions for financial year 2024.
- c. Publish and implement a strategy for closing any potential data gaps, comprising a plan on how the asset manager intends to improve estimated data while pursuing measured data.

Alliance members request asset managers to publish their climate-related activities and governance through a structured approach aligned with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. The request is that these disclosures include information on asset managers' efforts in achieving the following:

- a. Clear oversight of net-zero strategy at the board level;
- b. Climate expertise across organisational structure, with clear explanation of function across climate roles;
- c. Organisational capacity and competence to implement net-zero commitments (ESG/climate function in all relevant business levels);
- d. Application of methods and tools to evaluate net-zero pathways with demonstrated understanding of sector and geographic considerations;
- e. Identification of climate data and key performance indicators to communicate progress and outcomes;
- f. Regular education and training on climate topics, methods or investment themes to colleagues across organisation and the highest governing body;
- g. Integration of portfolio decarbonisation performance into remuneration incentives for investment teams.

Finally, with respect to fossil fuel infrastructure, private market asset managers are requested to:

- a. Support the phase-out of fossil fuels as required by science-based 1.5°C scenarios.
- b. Not provide new financing to infrastructure assets whose purpose or emissions cannot be aligned with the Alliance net-zero ambitions, which are guided by IPCCs no/low overshoot scenarios, the OECM or the IEA's NZE2050.¹ This recommendation holds especially for investments in coal, oil, and gas:
 - For coal, asset managers should follow the Alliance's position paper regarding thermal coal.²
 - For oil, in line with the Alliance's Target Setting Protocol,³ asset managers should not finance assets which are not aligned with science-based or government-issued regional/national 1.5°C degree pathways, especially not finance upstream greenfield projects beyond those already committed by the end of 2021. Further guidance will be given in a forthcoming position paper on oil and gas.
 - For gas, in line with the Alliance's Target Setting Protocol, asset managers should not invest in assets which are not aligned with science-based or government-issued regional/national 1.5°C degree pathways. Further guidance will be given in a forthcoming position paper on oil and gas.

1 Models providing granular sectoral pathways: OECM: [unepfi.org/industries/investment/one-earth-climate-model-sectoral-pathways-to-net-zero-emissions/](https://www.unepfi.org/industries/investment/one-earth-climate-model-sectoral-pathways-to-net-zero-emissions/); IEA NZ2050: [iea.org/reports/net-zero-by-2050](https://www.iea.org/reports/net-zero-by-2050)

2 Net-Zero Asset Owner Alliance. (2020). Thermal Coal Position: [unepfi.org/publications/alliance-thermal-coal-position/](https://www.unepfi.org/publications/alliance-thermal-coal-position/)

3 Net-Zero Asset Owner Alliance (2022) Target Setting Protocol (Second Edition): [unepfi.org/industries/the-second-progress-report-of-the-net-zero-asset-owner-alliance-advancing-delivery-on-decarbonisation-targets/](https://www.unepfi.org/industries/the-second-progress-report-of-the-net-zero-asset-owner-alliance-advancing-delivery-on-decarbonisation-targets/)



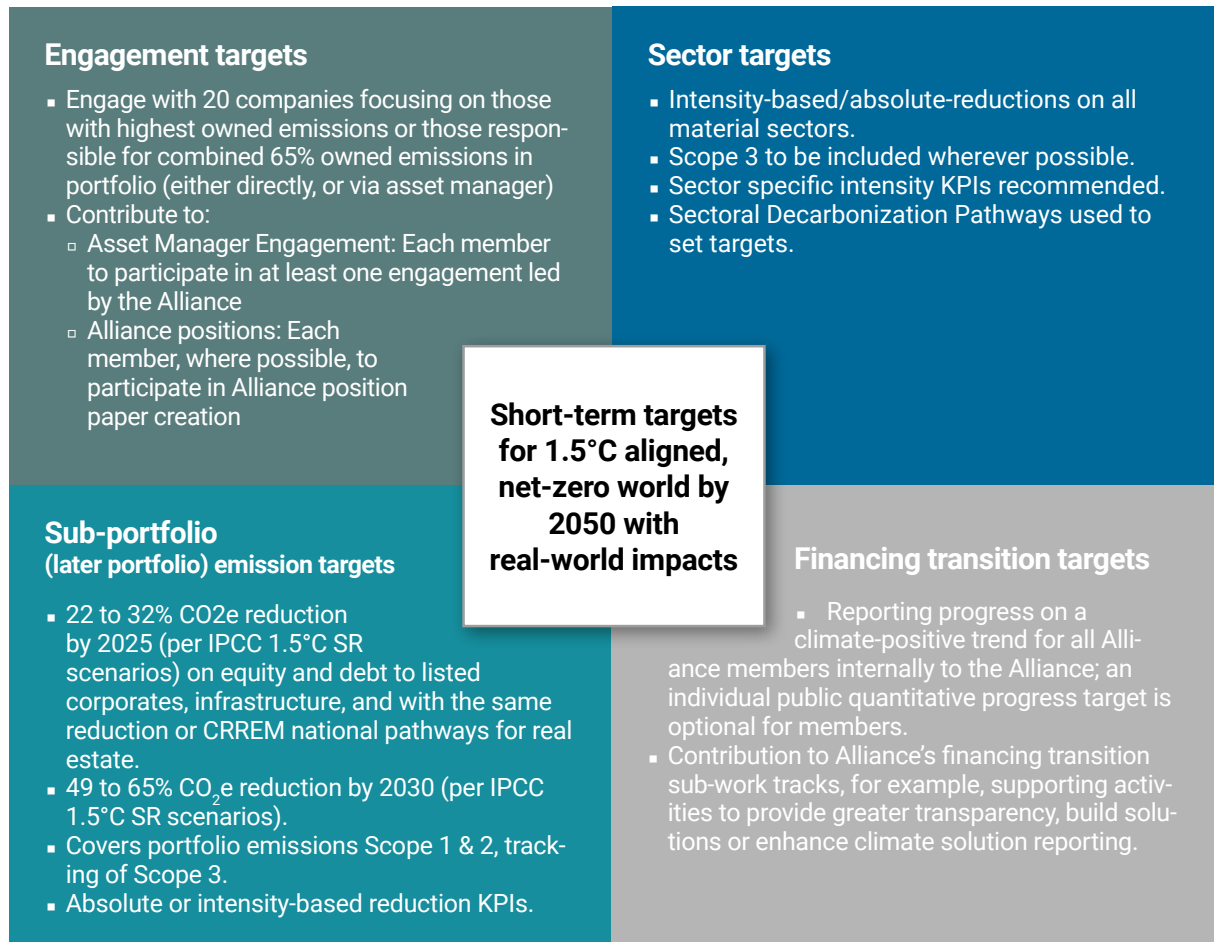
The Alliance's call on private market asset managers

Climate change does not only create financial and investment risks, but also existential risks to asset owners' core business (including providing secure retirements and comprehensive insurance offerings). Meanwhile, the transition to a net-zero economy poses significant opportunities. Climate solutions and all Alliance members have committed to set intermediate targets on a minimum of three out of four target areas (see Figure 1).

Systemic financial risks cannot be hedged or diversified away and must therefore be addressed in the real economy. Alliance members have taken decarbonisation actions for their own portfolios while also engaging with real-economy actors. The Alliance recognises that dedicated climate funds play an important role in financing the transition, but also that investments in high-emitting sectors offer an opportunity to transform those sectors. In areas of important decarbonisation actions and projects, the financial community—including asset managers in private markets—need to effectively work with all relevant stakeholders, including policymakers, to address regulatory or incentive-based hurdles.

The Alliance firmly believes that private markets are well positioned to contribute significantly to the solutions and management of risks. Therefore, this document outlines what members of the Alliance see as integral actions that private market asset managers should take to support and capitalise on members' net-zero commitments. This paper is intended to support ongoing initiatives and action on the topic, to provide motivation for those asset managers that are yet to sufficiently address climate risk, and to encourage all asset managers raise their level of climate ambition.

Figure 1: The Alliance’s four-part target-setting approach



Overarching requests of private asset managers

As discussed in the Alliance’s discussion paper, *The Future of Investor Engagement*,⁴ the movement of high-carbon assets across asset classes—due to an uneven focus on publicly listed companies and their strategies—is a risk that threatens the Alliance members’ portfolio-wide decarbonisation targets.

For private asset managers to meet net-zero objectives, they should have a systematic approach to align their portfolios and assets with transition pathways. While the Alliance recognises the associated challenges, it is clear that net-zero alignment will lead to more robust and resilient portfolios, investment outcomes, and societies.

To ensure that asset managers have the capacity, strategy and methods in place to execute an effective approach towards achieving a net-zero target, the Alliance outlines its key requests in Table 1. Further asset-class-specific actions are detailed in Appendix 1. The Alliance encourages managers to use the TCFD recommendations to report on these requests.

4 Net-Zero Asset Owner Alliance (2022). *The Future of Investor Engagement*: [unepfi.org/industries/investment/the-future-of-investor-engagement-a-call-for-systematic-stewardship-to-address-systemic-climate-risk/](https://www.unepfi.org/industries/investment/the-future-of-investor-engagement-a-call-for-systematic-stewardship-to-address-systemic-climate-risk/)

Table 1: Key requests towards private asset managers

| Key Request | Objectives | Specific Requests of Asset Managers |
|---|--|---|
| <p>Asset manager’s governance structure to support climate integration</p> | <p>Clearly communicate net-zero climate governance and disclosure approach.</p> | <ul style="list-style-type: none"> ▪ Clear oversight of net-zero strategy at the board level; ▪ Climate expertise across organisational structure, with clear explanation of function across climate roles; ▪ Organisational capacity and competence to implement net-zero commitments (ESG/ climate function in all relevant business levels); ▪ Application of methods and tools to evaluate net-zero pathways with demonstrated understanding of sector and geographic considerations; ▪ Identification of climate data and key performance indicators to communicate progress and outcomes; ▪ Regular education and training on climate topics, methods or investment themes to colleagues across organisation and the highest governing body; ▪ Integration of portfolio decarbonisation performance into remuneration incentives for investment teams. |
| <p>GHG transparency</p> | <p>Measure portfolio GHG emissions in a timely and standardised way and engage with investment entities that are not doing so.</p> | <ul style="list-style-type: none"> ▪ Disclose available data on financed GHG emissions (Scope 1 and 2) in the next reporting cycle and disclose comprehensive data on financed GHG emissions for financial year 2023 (Scope 1 and 2). ▪ Disclose material (financed) scope 3 emissions of underlying holdings for financial year 2024. ▪ Describe strategy for closing any potential data gaps, comprising a plan on improving estimated data while seeking out measured data. ▪ Disclose where estimates have been used. |

| | | |
|---------------------------------|--|---|
| Net-zero targets | Align to net-zero objectives. | <ul style="list-style-type: none"> ▪ Making a public commitment to set net-zero targets on financed Scope 1 and 2 emissions as soon as possible, no later than 2025; ▪ Offering products which reflect that ambition on a fund level; ▪ Creating a time-bound plan to set decarbonisation targets at a sector level for portfolio relevant sectors, no later than 2025; ▪ Setting intermediate emissions reduction and alignment targets for the underlying portfolio; ▪ Setting additional asset-class-specific targets; ▪ Becoming a signatory to a credible net-zero initiative. |
| | Affirm commitment to decarbonisation of managed investments in line with 1.5°C Scenarios. | |
| Financing the transition | Provide capital to projects and companies that contribute to climate solutions. ⁵ | <ul style="list-style-type: none"> ▪ Seeking out investments aligned with the climate taxonomies (e.g. EU taxonomy); ▪ Seeking out and contributing to the sourcing, financing and constructions of renewable and infrastructure projects. |

Table 1 shows best practices that Alliance members believe asset managers should adopt across asset classes. To deliver on the targets and commitments, asset managers in private markets have multiple levers; some cut across all asset classes, whereas others are specific. Table 2 shows the main levers across asset classes that asset managers should use, where applicable, to meet climate commitments.

Table 2: Asset managers' areas of engagement (irrespective of asset class)

| Engagement area | Explanation | Examples |
|-----------------------------------|---|---|
| Investments and allocation | A key lever to achieve a net-zero portfolio is the invest approach. | <ul style="list-style-type: none"> ▪ Integrating climate considerations across the due diligence process ▪ Shifting capital allocation to reward low or lower-carbon assets over high-emitting assets ▪ Investments in transitional companies/projects ▪ Investments in climate-taxonomy-aligned activities |

⁵ The working definition of the NZAOA was adopted by the Financing Transition Track and based heavily on the EU Taxonomy: "Climate solution investments are investments in economic activities considered to contribute to climate change mitigation (including transition enabling) and adaptation, in alignment with existing climate related sustainability taxonomies and other climate related frameworks."

| | | |
|--------------------------------------|--|--|
| Engagement with investments | <p>Engagement with investee companies and assets can serve to accelerate climate transition by: initiating companies into adopting targets and strategies for net zero; or strengthening climate accountability by following up on climate transition commitments.</p> | <ul style="list-style-type: none"> ▪ Engage with companies to ensure climate data disclosure and decarbonisation progress before investment ▪ Engage with existing investments to reduce their GHG emissions in line with no or limited overshoot 1.5°C scenarios. ▪ Engage with tenants to disclose and reduce GHG emissions. ▪ Set out clear timelines and requests of companies for phasing out both greenfield⁶ fossil fuel development and investments in fossil fuel assets, in line with no or limited overshoot 1.5°C scenarios. ▪ Use board seats to ensure corporate alignment with climate commitments. |
| Engagement with policy makers | <p>Asset managers can align their policy engagement with their climate commitments to push for regulators to reduce barriers for a low-carbon transition.</p> | <ul style="list-style-type: none"> ▪ Projecting a strong public voice in broad discourse that represents climate risk; ▪ Involvement in financing the transition topics, pointing to where regulation is needed to open financial flows and constructively contributing to solutions; ▪ Participating in calls to action and investor statements on net zero that are directed at regulators and policymakers; ▪ Setting the request that their own lobbying activities and association participation as well as that of investee companies must be in line with corporate-lobbying standards on climate. |
| Work with other stakeholders | <p>Engage with a broad set of stakeholders to mobilise action and develop methodologies.</p> | <ul style="list-style-type: none"> ▪ Sign up to pledges with a common ask to promote industry standardisation. ▪ Participate in asset class-, sector- or location-specific working groups to develop practical tools and methodologies. |
| Improved climate expertise | <p>Improve climate capabilities within the organisation.</p> | <ul style="list-style-type: none"> ▪ Training all investment staff on climate change; ▪ Training members in the highest governing body on climate change. |
| Transparency and reporting | <p>Collect and report climate data for underlying companies.</p> | <ul style="list-style-type: none"> ▪ Collect actual GHG emissions from companies/assets where available and engage with companies to improve availability ▪ Use estimates to fill the gaps (e.g. by hiring a consultant or data provider) |

6 Greenfield is defined as in the Alliance’s Target Setting Protocol Version (Second Edition), p.48: [unepfi.org/industries/the-second-progress-report-of-the-net-zero-asset-owner-alliance-advancing-delivery-on-decarbonisation-targets/](https://www.unepfi.org/industries/the-second-progress-report-of-the-net-zero-asset-owner-alliance-advancing-delivery-on-decarbonisation-targets/)

Organisations and initiatives for asset managers

Joining initiatives is an important way for asset managers to solidify their commitment to net zero and to contribute to accelerating the transition to a net-zero economy. The Alliance requests asset managers to commit to, or become members of, credible net-zero aligned initiatives, as good practice of being active agents of decarbonisation efforts. In addition, the Alliance members request asset managers to support the relevant organisations and initiatives listed in Appendix 2 after evaluating which best suit their strategies.

GHG transparency

Alliance members encourage asset managers to demonstrate GHG transparency by developing consistent and standardised reporting on Scope 1, 2 and 3 GHG emissions of their own business and all their assets, and publicly disclose their data sources (on-site measurements, proxies, etc). Reporting should be done on an at least an annual basis and in line with the GHG Protocol.⁷

⁷ Greenhouse Gas Protocol. A Corporate Accounting and Reporting Standard: ghgprotocol.org/sites/default/files/standards/ghg-protocol-revised.pdf

Appendix 1: requests for specific asset classes

This appendix has a section for each of the prominent private asset classes, to emphasise the critical role that they each play in addressing climate change. The sections include, from the Alliance's perspective, the role of the asset class, the requests for action and the specific areas for engagement.

Private equity

Role of asset class: private equity is a growing and heterogeneous asset class with very active corporate ownership that enables it to play a crucial role in combating climate change. Of the roughly US\$ 6.3 trillion⁸ in total AUM in private equity worldwide, US\$ 183 billion has been raised or is being raised for climate-focused private market strategies according to the research report '[Sustainable Investing Specialist Climate Strategies](#).'

Private equity's opportunity to hold board-level positions and directly influence the topics that a company's management addresses means that private equity investors can, and must, set climate topics on the agenda of all companies across all sectors. In addition, the level of control afforded to asset managers through their contractual rights is stronger and more direct in private equity than most other asset classes.

Requests: Alliance members request asset managers to consider climate change in their investment processes and strategies, reduce their carbon footprint, make net-zero commitments, and develop a strategy to meet the commitment. Asset managers should consider engaging with or joining organisations which contribute towards a standardisation of methodologies and tools as listed in Appendix 2.

8 McKinsey (2022). McKinsey's Private Markets Annual Review: mckinsey.com/industries/private-equity-and-principal-investors/our-insights/mckinseys-private-markets-annual-review

Table 3: Area of engagement for private equity asset managers

| Engagement area | Explanation | Examples |
|----------------------------------|--|--|
| Engagement with companies | Asset managers should use their unique position on boards or through other contractual rights to ensure their climate interests are heard and taken into account | <ul style="list-style-type: none"> ▪ Control investors and those with board seats are able to directly contribute to company strategies and should therefore use this opportunity. ▪ Minority ownership investors should seek out, and work with, other investors that have common climate commitments and goals. ▪ Strengthen capacity and understanding of climate change physical and transition risks through education and operational support for company management. ▪ Engage with management pre-investment to establish their willingness to set net-zero aligned targets. If management is resistant, the asset manager should consider passing on investing as a minority shareholder or think through how to enforce target-setting as a control investor. |

Real estate equity

Role of asset class: approximately 40% of global carbon emissions are related to the real estate sector, with 70% stemming from operations and powering of buildings and 30% stemming from building construction and materials.⁹ Therefore, decarbonising real estate is critical to achieving GHG reduction targets and, in turn, meeting global climate change mitigation goals. However, to do so successfully, significant long-term planning by asset managers and other stakeholders, as well as an acceleration toward implementing net-zero building codes through supportive policy and regulation, is required. Asset managers in real estate have an important voice in supporting this ambitious policy and regulatory change, including encouraging high-emitting suppliers (e.g. construction materials) to decarbonise.

Requests: Alliance members request real estate asset managers to integrate climate change considerations across their investment practices. This means making net-zero commitments; demonstrating that their investment processes and strategies are aligning with their commitments; reducing the carbon footprint of construction and operation, in line with 1.5°C; and constructively and ambitiously contributing to the public discourse, to close the gap between the ambition and implementation of 1.5°C pathways. In principle, every building in Alliance members’ real estate portfolios needs to decarbonise and arrive at net zero before 2050. This means that large parts of asset owners’ real estate holdings need to be ‘net-zero ready’ much earlier, with building codes also supporting this at latest by 2030.¹⁰

9 McKinsey (February 2022). Corporate real estate strategy in the COVID-19 era: [mckinsey.com/industries/real-estate/our-insights/climate-risk-and-the-opportunity-for-real-estate](https://www.mckinsey.com/industries/real-estate/our-insights/climate-risk-and-the-opportunity-for-real-estate)

10 IEA (2021). Net Zero by 2050—A Roadmap for the Global Energy Sector (windows.net), p.143: [iea.org/reports/net-zero-by-2050](https://www.iea.org/reports/net-zero-by-2050)

Table 4: Areas of engagement for real estate equity asset managers

| Engagement area | Explanation | Examples |
|----------------------------|--|---|
| Management levers | Put in place plans and strategies to move each asset towards net-zero alignment. | <ul style="list-style-type: none"> ▪ Establish and employ a systematic framework to measure, track and manage climate relevant KPIs. ▪ Develop and implement strategic/ decarbonisation plans (with demonstrated considerations of retrofit/refurbishment cycles and forecasted policy measures) for each asset to ensure achievement of targets. ▪ Use monitoring tools to measure climate-relevant performance against scenario pathways and asset managers' targets. |
| Operational levers | Operational control and influence can be used to improve buildings' energy efficiency and use of renewable energy. | <ul style="list-style-type: none"> ▪ Roll out environmental data management platforms or smart meter systems to monitor energy consumption and conduct energy audits. ▪ Implement energy efficiency solutions such as HVAC systems or energy efficient lighting where possible. ▪ Develop on-site renewable energy generation. ▪ Facilitate renewable energy procurement, including through engaging tenants to switch to green energy suppliers by providing convenient and seamless opportunities to do so. |
| Tenant engagement | Engagement with tenants can influence them to reduce their energy consumption, commit to meet decarbonisation KPIs and provide climate-relevant data needed for reporting. | <ul style="list-style-type: none"> ▪ Provide resources, materials, and training sessions for tenants to help them reduce their GHG emissions and raise sustainability practices. ▪ Adopt green leases to ensure collection of climate information and climate KPIs. ▪ Request data on energy use and GHG emissions from tenants. |
| Deep Refurbishments | Deep refurbishments are performed as part of the long-term life cycle management of buildings. | <ul style="list-style-type: none"> ▪ Conduct a lifecycle analysis for all GHG emissions, including embodied emissions. ▪ Seek to increase usage of low carbon building materials. ▪ Report systematically on usage of low carbon material for their refurbishments, including how they build requirements into their procurement and sourcing practices. ▪ Retrofit planning needs to reflect the long-term nature of the real-estate sector to ensure alignment with evolving net-zero building standards. ▪ Alliance members request that current retrofits are in line with long-term CRREM energy efficiency pathways where CRREM applies. |

Infrastructure equity

Role of asset class: infrastructure investment can, and already does, play a critical role in climate change mitigation efforts, most notably through investment in sectors such as: renewable energy generation, electricity transmission and distribution grids, and infrastructure facilitating accelerated timelines for electric mobility. However, a rapid shift in the way that more traditional assets—such as energy, transportation, telecommunication, water, and social infrastructure—are designed, constructed and operated, is also required to ensure a broad-based transition to net zero within the asset class. Further, infrastructure investors have a strong influence in high-emitting sectors (e.g. construction materials) through their procurement and design process, and can be critical supporters to decarbonise their value chain.

The fixed and long-term nature of infrastructure assets, similar to real estate, means that they are vulnerable to physical climate risks, but are also an important tool for managing it.

Oil and gas infrastructure: investment in oil and gas infrastructure carries the risk of lock-in effects that can directly impact the ability for the Alliance to meet its goal of net-zero emissions in the real economy. Investing in oil and gas infrastructure must come with a higher level of due diligence and scenario planning. Therefore, with respect to fossil fuel infrastructure, private market asset managers are requested to:

- a. Support the phase-out of fossil fuels as required by science-based 1.5°C scenarios.
- b. Not provide new financing to infrastructure assets whose purpose or emissions cannot be aligned with the Alliance net-zero ambitions, which are guided by IPCC's no or limited overshoot scenarios, the OECM or the IEA's NZE2050. This recommendation holds especially for investments in coal, oil, and gas:
 - For coal, asset managers should follow the Alliance's position paper regarding thermal coal.
 - For oil, in line with the Alliance's Target Setting Protocol, asset managers should not finance assets which are not aligned with science-based or government-issued regional/national 1.5°C degree pathways, especially not finance upstream greenfield projects beyond those already committed by the end of 2021. Further guidance will be given in a forthcoming position paper on oil and gas.
 - For gas, in line with the Alliance's Target Setting Protocol, Asset managers should not invest in assets which are not aligned with science-based or government-issued regional/national 1.5°C degree pathways. Further guidance will be given in a forthcoming position paper on oil and gas.

Table 5: Areas of engagement for infrastructure equity asset managers

| Engagement area | Explanation | Specific Measures/Examples |
|---|---|---|
| Asset selection | Infrastructure managers can increasingly make clear choices between investing in lower- or higher-emitting assets and climate solutions. | <ul style="list-style-type: none"> Investing into renewables vs. traditional energy generation assets; Infrastructure investors can invest directly in emerging climate solutions. |
| Effective management of higher-emitting or worse-performing assets | Some of the biggest 'gains' in relation to climate change can be made through changes to the way in which certain infrastructure assets are operated. | <ul style="list-style-type: none"> Upgrading power plants so that they can switch to cleaner fuels; Considering natural capital solutions to increase the resilience of certain assets to physical climate risks. |
| Engagement with assets | Investors should use their board seats and/or operational control of assets to ensure that climate risk considerations are fully assessed and managed at the asset level. | <ul style="list-style-type: none"> Supporting capacity building on climate issues at the asset level; Working with assets to define climate strategies and implementation plans; Ensuring that climate issues are discussed at board level on a regular basis. |

Private debt

Role of asset class: private debt has shown accelerated growth over the last decade,¹¹ mainly driven by the expanding opportunity for the managers, including those created by the complementary growth in alternative equity. We use private debt to describe the provision of debt financing solutions to privately owned businesses, as well as real estate properties and infrastructure assets.

Borrowers in the private debt market are smaller companies compared to other portfolio areas, which provides a unique chance for asset managers to reverberate the Alliance members' interests across the economy. Private debt also plays a crucial role in today's capital allocation and will account for a large part of the investment required to fund the net-zero transition.

Requests: members of the Alliance request asset managers to consider climate change in their investment processes and strategies, reduce their carbon footprint, make net-zero commitments, and develop a strategy to meet the commitment.

¹¹ Gunter, Latour & Maguire (2021). *Private Debt: A Lesser-Known Corner of Finance Finds the Spotlight*: spgglobal.com/en/research-insights/featured/special-editorial/private-debt

Table 6: Areas of engagement for private debt asset managers

| Engagement area | Explanation | Specific Measures/Examples |
|---|--|---|
| Borrower incentivisation to focus on decarbonisation | Loans that are linked to achieving carbon reduction targets effectively align interest between investors and companies. | <ul style="list-style-type: none"> ▪ Offer sustainability-linked loans with ambitious decarbonisation targets. ▪ Include decarbonisation linked ratchets for loans, even without a specific sustainability mandate. |
| Work with other investors | Engaging on material issues as part of lender’s due diligence process is an integral part of achieving commitments across the private markets. | <ul style="list-style-type: none"> ▪ Raise awareness among alternative equity sponsors, family offices, and company management to strengthen focus on climate. ▪ Reinforce the importance of climate change as a standing agenda item at Board meetings. ▪ Share best practices and lessons learned. |

Appendix 2: organisations and initiatives

Here below, the Alliance lists the organisations and initiatives that asset managers should consider supporting and/or participating in.

| Organisation or initiative | What is the initiative/organisation | Participation for the following Asset Class(es) |
|--|--|---|
| <u>Net Zero Asset Managers initiative (NZAMi)</u> | An international group of asset managers committed to supporting the goal of net-zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5°C; and to supporting investing aligned with net-zero emissions by 2050 or sooner. | Private Equity, Infrastructure Equity, Private Debt |
| <u>Initiative Climate International (iCI)</u> | A PRI-supported private equity climate initiative where one of the member commitments is to actively engage with portfolio companies to reduce their greenhouse gas emissions. The initiative develops practical guidance and tools for AMs to implement climate commitments. The network's information and resources are hosted on the PRI online Collaboration Platform. | Private Equity Private Debt |
| <u>ESG Data Convergence Project</u> | An investor-led initiative which has defined a number of ESG metrics that AMs can collect for portfolio companies and report to their LPs. In addition, the initiative will develop a benchmark of the collected data. The metrics include Scope 1 and 2 GHG emissions as mandatory and Scope 3 as optional as well as the share of renewable energy use. | Private Equity, Private Debt |
| <u>SBTi Private Equity Sector Guidance</u> | This guidance supports private equity firms' asset managers to set ambitious greenhouse gas (GHG) emissions reduction targets (SBTs) for their operations (Scope 1 and 2 emissions) and firm-level portfolio SBTs for their investment and lending activities (Scope 3, category 15). | Private Equity |
| <u>SBTi guidance for financial institutions and private equity</u> | The document presents the pilot version of the SBTi target validation criteria and recommendations for financial institutions. It can be used by investors across asset classes. | All asset classes |

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| <u>GHG Protocol</u> | GHG protocol is the central standard to define which emissions to measure and manage and how they are categorised. | All asset classes |
| <u>GHG Accounting & Reporting for the Private Equity Sector</u> | Recently launched guidance by iCI and ERM. The guidance combines industry knowledge and existing best practices to enable a consistent approach across the sector. It helps to find emission hotspots, within operations and value chains, to set targets aligned with climate science and to align financial flows with the goals of the Paris Agreement. | Private Equity |
| <u>Partnership for Carbon Accounting Financials (PCAF)</u> | An industry led partnership to facilitate transparency and accountability of the financial industry to the Paris Agreement. PCAF developed an open source global GHG accounting standard for financial institutions. | Private Equity, Real Estate Equity, Infrastructure Equity |
| <u>GRESB</u> | The Assessment evaluates performance against three ESG Components–Management, Performance, and Development. The methodology is consistent across different regions, investment vehicles and property types and aligns with international reporting frameworks, such as TCFD, GRI and PRI. | Real Estate Equity Infrastructure Equity |
| <u>Carbon Risk Real Estate Monitor (CRREM)</u> | The Carbon Risk Real Estate Monitor (CRREM) is a tool to assess the estimated decarbonisation path for individual properties and aggregate portfolios. | Real Estate Equity |
| <u>FAST-Infra</u> | Sustainability label for infrastructure assets, which includes alignment with the Paris Agreement. Fast Infra sets out requirements and guidance for market participants seeking to apply the Label for infrastructure assets. | Infrastructure Equity |
| <u>Net Zero Implementation Guide from the Institutional Investors Group on Climate Change (IIGCC)</u> | IIGCC recently launched a consultation on its new draft net-zero guidance for infrastructure. The Guide allows for commitments and steps that make a commitment credible. | Infrastructure Equity |
| <u>IIGCC Net Zero Guidance for LPs and GPs</u> | Private equity component for the Net Zero Investment Framework (NZIF) covering metrics, targets and implementation actions relevant to GPs and LPs | Private Equity |
| <u>PRI Investor Resource Guide for Incorporating Climate Change in Private Markets</u> | A resource aimed at direct and indirect private equity and real assets equity investors looking to identify publicly available resources and initiatives to help them incorporate climate change considerations throughout the investment process. | Private Equity, Real Estate Equity, Infrastructure Equity |
| <u>PRI's Climate Hub for Private Markets</u> | A hub of climate-specific private market resources. | All asset classes |

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|---|---|--|
| <u>AOA Target Setting Protocol</u> | <p>The document guides Alliance members in setting science-based targets on their financed emissions, clearly communicating the Alliances role/approach to portfolio decarbonization.</p> | <p>Real Estate Equity, Infrastructure Equity</p> |
| <u>Task Force on Climate Related Financial Disclosures (TCDF)</u> | <p>The Financial Stability Board created the Task Force on Climate-related Financial Disclosures (TCFD) to improve and increase reporting of climate-related financial information.</p> | <p>All asset classes</p> |



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