GREEN FINANCE ALLIANCE
Together towards climate neutrality

ENGAGING WITH ASSET MANAGERS

Statement on climate-related expectations of the Green Finance Alliance for asset managers



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Summary

This statement sets out the climate-related expectations that the Green Finance Alliance and its members have of asset managers. It is designed to guide a structured dialogue and foster a transparent approach to managing climate-related challenges.

BACKGROUND AND PURPOSE

The Green Finance Alliance (GFA), an initiative of the Austrian Ministry of Climate Protection (BMLUK), supports financial companies in aligning their core business activities with the transition to climate neutrality by 2050. As members of the GFA, financial companies make a voluntary yet binding commitment to align their core business activities with GFA's goal to achieve greenhouse gas (GHG) neutral portfolios by 2050.

Current members include insurance companies, banks, pension funds and corporate provision funds. As a substantial share of assets is often managed by external asset managers, these institutions play a critical role in helping asset owners deliver on their climate commitments. Effective implementation of ambitious climate strategies therefore depends on close collaboration between asset owners and their appointed asset managers.

The GFA Handbook[1] provides detailed guidance on the GFA's objectives, membership requirements and implementation framework. It also outlines requirements relating to investments through third-party funds, which GFA members are expected to address in their public engagement strategies and regular implementation reports.

To support constructive engagement between asset owners and asset managers, the GFA has developed the following climate-related expectations. They serve as practical orientation for dialogue, not mandatory requirements. Their purpose is to strengthen shared climate ambitions and support the ongoing climate-related transition of the Austrian financial sector.

[1] The GFA Handbook is available in German only. An English summary is provided in the GFA Executive Summary.

EXPECTATIONS FOR ASSET MANAGERS

The following expectations are intended to support the meaningful integration of climate considerations into investment processes, risk management practices and stewardship activities of asset managers.

Climate governance and mainstreaming

Effective management of climate-related issues (impacts, risks and opportunities) requires strong governance arrangements and accountability of the board's organisation. Asset managers are therefore expected to integrate climate considerations into governance structures, investment processes and risk-management frameworks. Responsibilities for climate-related matters should be clearly defined and supported by appropriate oversight at board or executive level.

In addition, asset managers should foster climate-related expertise and awareness throughout their organisation, ensuring that climate considerations are embedded in decision-making processes and reflected in day-to-day business practices. Adequate financial, organisational and human resources should be allocated to the implementation of climate and engagement strategies.

Public climate and stewardship strategy

To support the climate objectives of GFA members' investments in externally managed funds, asset managers are expected to maintain a publicly available climate and stewardship strategy.

The strategy should clearly articulate climate ambitions, implementation measures and the role of stewardship activities in supporting portfolio decarbonisation. It should also provide transparency regarding approaches to fossil fuels and other emission-intensive sectors.

A robust stewardship strategy should include:

- Clearly defined engagement targets aligned with the asset manager's broader climate ambitions;
- Planned engagement activities and milestones;
- A transparent approach to prioritising investee companies;
- Metrics used to measure progress;
- Consequences and escalation measures where engagement does not result in meaningful progress.

When defining engagement objectives, asset managers are encouraged to align with internationally recognised frameworks, such as the three goals of Climate Action 100+:

- Implement a strong climate governance framework within portfolio companies;

- Take action to reduce greenhouse-gas emissions across the value chain;
- Provide enhanced corporate disclosure and implement transition plans to deliver on robust targets.

Further information on these objectives can be found in the GFA Handbook and on the website of Climate Action 100+.

Transparent implementation and progress reporting

Asset managers appointed by GFA members should report publicly and regularly on the implementation of their climate and stewardship strategies, at least annually. Reporting should provide sufficient transparency regarding actions taken, progress achieved and challenges encountered in delivering stated climate objectives.

To facilitate consistent monitoring and accountability, asset managers should use and disclose relevant climate metrics. These indicators should capture both the expansion of green activities and the real-world decarbonisation progress of portfolio companies while being as robust as possible against methodological distortions. The Climate Navigation Cockpit described in the GFA Handbook and in the GFA Executive Summary may serve as a useful reference point for selecting appropriate indicators.

Supporting the transition to climate neutrality

Asset managers are expected to play an active role in accelerating the transition of the real economy. This includes conducting meaningful engagement with portfolio companies, exercising voting rights consistently with climate objectives, and supporting companies in developing and implementing credible transition pathways aligned with achieving climate neutrality by 2050.

Asset managers should also consider adopting clear expectations and time-bound phase-out criteria regarding fossil fuel activities. The GFA's science-based phase-out of fossil fuels may serve as a useful reference in this regard.

Recognising the interconnectedness of nature and climate

Asset managers should consider nature-related risks, impacts, dependencies and opportunities as part of their investment and risk-management processes. Integrating nature-related considerations can improve resilience, strengthen risk management and support long-term value creation. The guideline published by the GFA on integrating biodiversity into the core business of financial companies may provide a useful starting point.

The GFA views these expectations as the basis for an ongoing and constructive dialogue between asset owners and asset managers. By strengthening the integration of climate-related considerations into investment decision-making and stewardship practices, both parties can contribute to the achievement of climate goals.

ANNEX: CHECKLIST FOR ASSESSING ASSET MANAGERS

The following checklist is intended to support GFA members in assessing and discussing the climate-related practices of asset managers. It serves as guidance and should not be regarded as exhaustive.

Climate governance and mainstreaming

Board and executive oversight: Is responsibility for climate-related issues formally embedded at board or executive level?

☐ Yes – Climate oversight is clearly assigned and supported by relevant expertise.
☐ Mostly yes – Climate-related matters are regularly reviewed and considered in decision-making.
☐ Limited implementation – Board or executive involvement occurs only occasionally.
☐ No – Climate-related matters are not addressed at board or executive level.

Integration into investment and risk processes: Are climate considerations systematically integrated into governance, investment and risk-management processes?

☐ Yes – Climate considerations are comprehensively integrated across relevant processes.
☐ Mostly yes – Integration exists but is not yet fully systematically.
☐ Limited implementation – Climate considerations are addressed only in selected areas.
☐ No meaningful integration exists.

Internal capacities and awareness: Does the organisation actively build climate-related expertise and awareness?

☐ Yes – Structured training and capacity-building programs are in place.
☐ Mostly yes – Individual initiatives and measures have been implemented.
☐ Limited implementation – Measures are under development.
☐ No relevant initiatives exist or are planned.

Resources for climate-related activities: Are sufficient resources dedicated to climate-related activities?

☐ Yes – Dedicated personnel and adequate resources are available.
☐ Mostly yes – Resources are available but constrained.
☐ Limited implementation – Resources are insufficient.
☐ No dedicated resources are allocated.

Public climate and stewardship strategy

Climate and engagement strategy: Does the asset manager maintain a public climate and stewardship strategy?

☐ Yes – A comprehensive public strategy with clear objectives and implementation measures exists.
☐ Mostly yes – A strategy exists but remains incomplete.
☐ Limited implementation – A strategy is being developed.
☐ No strategy exists.

Fossil fuel approach: Does the strategy include a clearly defined approach to fossil fuels?

☐ Yes – Science-based targets and phase-out timelines are publicly disclosed.
☐ Mostly yes – Partial targets and timelines are in place.
☐ Limited implementation – Commitments exist but lack clear timelines.
☐ No relevant commitments are in place.

Stewardship framework: Does the stewardship strategy include objectives, activities, prioritisation criteria, metrics and escalation measures?

☐ Yes – All key elements are comprehensively addressed.
☐ Mostly yes – Most key elements are included.
☐ Limited implementation – Only selected elements are addressed.
☐ No formal stewardship framework exists.

Engagement objectives: Does engagement focus on recognised climate objectives, including governance, emissions reduction and transition planning?

☐ Yes – Engagement is clearly aligned with internationally recognised climate objectives.
☐ Mostly yes – Alignment exists but is not comprehensive.
☐ Limited implementation – Climate engagement occurs without clearly defined objectives.
☐ No climate-focused engagement is undertaken.

Transparent implementation and progress reporting

Climate reporting: Does the asset manager publish regular reports on climate-related activities and progress?

☐ Yes – Comprehensive reports are published at least annually.
☐ Mostly yes – Reporting is regular but limited in scope.
☐ Limited implementation – Reporting is irregular.
☐ No climate-related reports are published.

Climate metrics: Are appropriate indicators used to monitor and communicate progress?

☐ Yes – A comprehensive set of metrics is used and disclosed.
☐ Mostly yes – Relevant metrics exist but do not cover all material areas.
☐ Limited implementation – Metrics are used selectively.
☐ No meaningful metrics are disclosed.

Voting activities: Are voting rights exercised in a manner consistent with climate objectives?

☐ Yes – Voting practices demonstrably support net-zero objectives.
☐ Mostly yes – Climate considerations are regularly reflected in voting decisions.
☐ Limited implementation – Climate considerations are applied inconsistently.
☐ No – Climate considerations are not reflected in voting activities.

Supporting the transition to climate neutrality

Net-zero commitment: Has the asset manager adopted a climate neutrality target?

☐ Yes – A credible commitment to climate neutrality supported by implementation pathways exists.
☐ Mostly yes – A commitment exists but implementation plans remain limited.
☐ Limited implementation – A commitment is under consideration.
☐ No commitment to climate neutrality exists.

Engagement on transition pathways: Does the asset manager actively engage portfolio companies on transition planning and decarbonisation?

☐ Yes – Structured and ongoing engagement is undertaken.
☐ Mostly yes – Regular engagement takes place.
☐ Limited implementation – Engagement occurs only occasionally.
☐ No – No relevant engagement takes place.

Recognising the interconnectedness of nature and climate

Climate-nature nexus: Are interactions between climate and nature systematically considered?

☐ Yes – Fully integrated into strategy and stewardship activities.
☐ Mostly yes – Considered in selected areas.
☐ Limited implementation – Relevance is recognised with limited integration.
☐ No consideration is given to climate-nature linkages.

Nature-related activities: Are nature-related dependencies, risks and opportunities systematically analysed and considered?

☐ Yes – Fully integrated into investment and risk-management processes.
☐ Mostly yes – Partially integrated into relevant processes.
☐ Limited implementation – Assessed but not systematically incorporated.
☐ No meaningful assessment is undertaken.

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