



UN-convened Net-Zero
Asset Owner Alliance

Call to Action to Private Market Asset Managers

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In partnership with:



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Executive summary

Private markets investments¹ make up an important part of institutional portfolios and the economy, becoming critical to asset owners' investment performance needs and climate expectations. General Partners'² (GPs) investment approaches, capabilities and actions shape whether their asset owner clients can reduce portfolio financed emissions, manage transition and physical risks, and capture opportunities linked to decarbonization, resilience and other climate solutions.

Achieving net zero in portfolios and capitalizing on decarbonization in the real economy requires private market asset managers to be both disciplined allocators and effective stewards of assets. Shifting climate risk from one portfolio to another, or from one investor to another, can often be counterproductive to achieving real economy decarbonization.³ While avoiding some transition risks, these shifts do not address the underlying drivers of risks from climate change, do not support real economy decarbonization, do not reduce system level risk and have a limited impact on protecting long-term value. Asset owners' own teams also need credible information on managers' climate practices, risk assessments and transition-related capabilities to inform allocation decisions in line with their own commitments. Asset managers should therefore deploy their expertise and knowledge to inform Limited Partners (LPs) and other stakeholders on the investment risks that they see and to enable solutions that support investment returns from opportunities arising from climate action.

There has been important progress since the Net-Zero Asset Owner Alliance (NZAOA) published the inaugural Call to Action to Private Market Asset Managers in 2022. An increasing number of asset managers are improving their portfolio level data and reporting, communicating climate commitments, and opting to participate in market initiatives that promote peer learning, improve comparability and support execution. The industry deserves credit for that progress. However, significant gaps remain between stated ambition and integrating investment and stewardship levers available into day-to-day practices. Climate ambitions and targets are often still not sufficiently trickling through to how firms are structured, how stewardship and engagement strategies are designed and executed, how risks are priced, how portfolio companies are managed or how investment and management incentives are structured. A long-term horizon should be embedded within asset managers' strategies; their direction of travel should not be swayed by short-term economic trends and policy uncertainties.

1 Private markets, also known as private capital markets, involve transactions among non-listed businesses. These transactions include debt and equity investments in private companies or assets, and real assets such as infrastructure and real estate" ([Private Markets – A Growing, Alternative Asset Class](#), S&P Global, n.d.)

2 For purposes of this document and reflecting the typical private markets fund structure organized as a limited partnership, asset owners investing in a fund can be referred to as Limited Partners (LPs), and fund managers can be referred to as General Partners (GPs). In this structure, the GP is responsible for managing and operating the fund, while LPs are investors that commit capital and are not involved in the day-to-day management of the partnership.

3 [The Future of Investor Engagement: A Call for Systematic Stewardship to Address Systemic Climate Risk](#) (NZAOA, 2022)

Given this mixed ‘state of the market’ in meeting the needs of asset owners’ climate goals, NZAOA is reiterating and updating the Call to Action to encourage and support the drive for focus on where it is most needed. This paper has two purposes: first, it gives GPs a clearer view of what asset owners increasingly expect; second, it highlights the organizational and investment practices that can make private markets a more effective contributor to decarbonization and resilience across the real economy, while also capitalizing on market opportunities. Reflecting on the diverse nature of private market investments, the Call to Action is intended to be flexible regarding the implementation of its recommendations across strategies and asset classes, but not on the level of ambition.

Box 1: NZAOA’s recommendations to private market asset managers at a glance:

1. Align the firm with a credible net-zero or portfolio-transition strategy focused on value creation and preservation, with consistent governance, investment and management incentives, ownership and engagement activities, and public messaging.
2. Continue building decision-useful climate data, continuously improving financed emissions data coverage and quality, disclosing progress transparently and developing data frameworks that are integrated into investment activities
3. Leverage portfolio engagement channels, value-creation strategies and lender engagement tools to deliver decarbonization opportunities, future-proof portfolio companies and advance climate targets.
4. Integrate physical risk and adaptation analysis into investment decisions, management and resilience planning.
5. Manage exposure to high emitting assets with discipline and use fit-for-purpose tools to avoid stranding risk.
6. Evaluate opportunities to participate in and support transition finance credibly, with clear definitions and a focus on decarbonization of the real economy.
7. In line with the investment strategy, scale investments in climate solutions with clear criteria and impact reporting.



Introduction

What the NZAOA's commitments mean for managers in private markets

NZAOA signatories have committed to transitioning their investment portfolios to net-zero greenhouse gas (GHG) emissions by 2050, aligned with 1.5°C pathways and focused on real-economy outcomes. This is done with the expectation that governments will follow through with their own commitments, and in the pursuit of signatories' long-term interests of providing for and serving customers and relevant stakeholders. A key element of this commitment includes advocating for, and engaging on, actions by corporates, managers and other industry stakeholders to deliver a low-carbon transition of economic sectors in line with science.⁴

NZAOA calls on asset managers to support the transition to a net-zero economy and to commit to formally consider transition and physical risks in investment decisions with a goal to reduce carbon emissions. It also asks them to commit to setting targets that advance the transition to net zero, as well as to supporting the enabling environment that creates new opportunities to generate reliable investment returns. NZAOA signatories present these recommendations and principles as best practice, seeking to make investment partners aware of them and aiming to engage further on these matters. Managers are expected to be able to show how their climate approach supports NZAOA's long-term objectives. This includes demonstrating how transition plans are embedded into investment strategy, portfolio construction, engagement priorities and monitoring processes. NZAOA issues this Call to Action to encourage and inform all asset managers operating in private markets to deepen their practices in areas material to achieving global climate goals.

Why private asset decarbonization and climate-related value creation are critical to asset owners' interests

Private markets represent a significant and growing share of global capital. Over the past two decades, private equity, private credit, infrastructure, real estate and natural resources have moved from the margins of institutional portfolios to become core allocations.⁵ Institutional capital in alternative investments is projected to grow by 8 per cent annually over the next decade.⁶ As private markets account for a larger share of institutional portfolios, climate alignment within these investments becomes increasingly material to asset owners' ability to achieve emissions reduction goals, to protect long-term returns and to ensure that engagement and value-creation practices in private markets match the ambition and effectiveness expected across other asset classes, while capitalizing on the unique opportunities that private markets offer.

4 [NZAOA's Commitment Document for Participating Asset Owners](#) (2022)

5 [The Growth of Private Financial Markets](#) (Palladino and Karlewicz, 2024)

6 [Why Private Equity Is Targeting Individual Investors](#) (Bain, 2023)

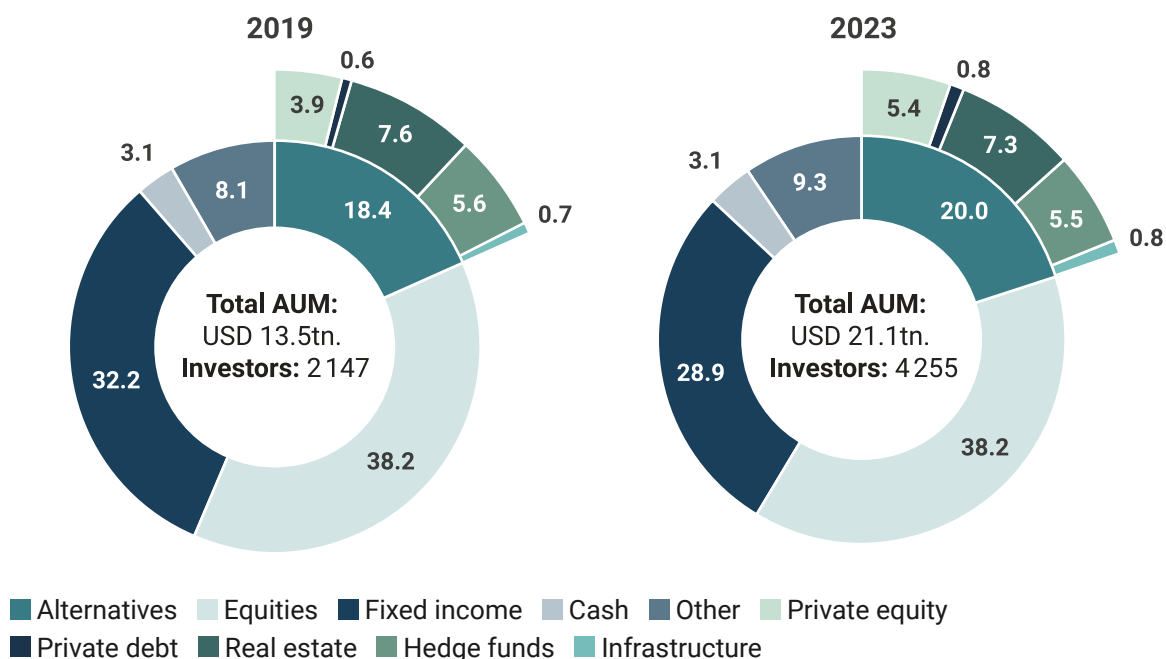


Figure 1: Institutional investor asset class allocation (percentage) over time 2019 and 2023 by Preqin, 2024⁷

Private markets matter not only because of the scale but also because of the degree of influence that GPs can exercise across the economy. This influence varies by asset class, strategy, ownership position, contractual rights and level of control. Concentrated ownership, board representation, contractual rights, debt covenants and long holding periods can give GPs investing in equity and debt varying degrees of insight into portfolio companies' strategies and operating environments. They can also give GPs meaningful opportunities to influence such strategies. When combined with their understanding of systemic barriers and intra- and inter-sector dynamics, private market investors can use these insights to support the transition effectively, where relevant and material. This could include actions such as measuring and managing emissions, embedding science-based emission targets, influencing capital-expenditure plans and applying appropriate sustainability-linked incentives.

Private markets also offer structural advantages for supporting transition outcomes. Concentrated governance can enable faster adoption of decarbonization measures and more effective escalation in areas where progress stalls. Redemption gates and lock-up periods position investors to capture economic value from transition-related improvements. Longer holding periods permit private markets buyers to underwrite decarbonization pathways that extend beyond the typical five-year fund cycle. In this way, they can integrate multi-year carbon budgets, forward-looking carbon costs, exit considerations and scenario-aligned terminal values into investment decisions. This can better align investments in private markets with the net-zero commitments of asset owners, thereby transforming capital expenditure into a source of competitive advantage and reducing the likelihood of stranded assets at disposition.

Asset owners are not protected when carbon-intensive assets simply move from one portfolio to another without proper transition plans. The aim is not portfolio reshuffling, but real-economy decarbonization and resilience that preserve and create long-term value.

⁷ [Institutional Allocation Study 2024](#) (Preqin, 2024)

Climate-related risks

Prudent private markets investors cannot overlook the financial consequences of climate change.

- **Physical risk:** extreme weather and climate shifts such as heatwaves, hurricanes, rainstorms, flooding and wildfires can disproportionately damage unhardened infrastructure and real-estate holdings, as well as raise operating costs and disrupt business activity.⁸
- **Transition risk:** stricter carbon pricing regimes and policy evolution (e.g. on scaling clean energy and phasing out deforestation) as well as rapid technological change can strand high-emitting assets, reduce exit multiples and impair fund valuations.⁹
- **Liquidity risk:** reduced buyer demand for carbon-intensive assets can extend holding periods and increase discount rates.
- **Reputational and legal risk:** failure to have a formal and systematic approach to mitigate climate change impacts exposes asset owners and asset managers to stakeholder scrutiny and litigation.

Illiquidity amplifies these challenges as prolonged holding periods mean an asset may only change hands a couple of times before major transition and physical risks come to bear, increasing and pulling forward discount rates. These considerations can affect both downside protection and upside expectations across private markets asset classes, with implications for required returns (e.g. internal rates of return, distributions or yields) and exit or refinancing assumptions.

Climate-related opportunities

The same market structure that magnifies risk also creates unique opportunities. Private markets channel large volumes of patient capital into companies and real assets that play a critical role in the transition to a net-zero economy.

- **First-mover advantage:** early investment in grid-edge and other new technologies, as well as nature-based solutions, enable investors to secure growth well before prices adjust in public markets.
- **Operational alpha:** value creation through energy-efficiency upgrades, electrification and circular-economy initiatives flows directly to earnings before interest, taxes, depreciation and amortization, thereby potentially enhancing valuations at exit.
- **Public policy incentives:** production tax credits and green-procurement schemes further improve underwriting assumptions.
- **Resilience value:** assets that are designed for climate adaptation, such as water-efficient agriculture and storm-resilient logistics hubs, command premium valuations as demand for resilience increases.¹⁰

8 [Addressing Climate Impacts: An overview of NZAOA asset owners' long-term interests and responsibilities](#) (NZAOA, 2025)

9 [Recommendations of the Task Force on Climate-related Financial Disclosures](#) (Bloomberg, 2017)

10 [Climate resilience technology: An inflection point for new investment](#) (McKinsey & Company, 2025)



How to read this paper



This paper is structured around seven headline recommendations that NZAOA signatories have of asset managers investing in private markets. Together, these cover why the issue matters to asset owners, what asset managers are expected to commit to, how those commitments can be translated into practice, and what asset managers are expected to disclose to their clients. Public ambition without implementation, not only harms credibility, but also reduces the ability to generate and capitalize on investment opportunities in line with the long-term interests of climate-committed asset owners. Implementation without transparency is difficult to assess and therefore difficult to evaluate when selecting and monitoring managers. Disclosure without linking efforts to clear and actionable strategies risks becoming a reporting exercise disconnected from investment activities and from growing or capturing opportunities.

These recommendations are intended to apply across private markets, but not as a one-size-fits-all prescription. We recognize that each different asset class—private equity, private credit, infrastructure and real estate—operates with its own distinct dynamics, tools and constraints. What is feasible in one may not translate seamlessly to another. Size, geography and strategies also inform the available possibilities and frame the limitations. Therefore, managers should interpret and adapt the recommendations that we propose after considering the underlying principles and needs, and after assessing how they are relevant to their own operations and approach. The recommendations outlined here are also intended to be used for the development of practical approaches to help managers address and capitalize on the energy transition and climate change mitigation and adaptation.

Guiding principles to integrate NZAOA recommendations into asset management approach:

- Climate ambition¹¹ is consistent across activities and integrated throughout the firm. Investment activity, ownership and engagement, advocacy, participation in trade associations and external messaging should be complementary to each other and pull towards the same outcome.
- Focus on real-economy outcomes in ownership, engagement and other investment activities, alongside reporting outputs.
- Act on the data and information that are available today to address material climate risks and opportunities, while striving to improve data reliability and consistency.
- Use disclosure to support accountability, public discourse and decision-making.
- Accept flexibility in implementation without weakening the overarching expectations of addressing risks, pursuing opportunities and expecting progress on climate strategies.
- Public discourse matters. Managers should use their public voice and market presence to support and help advance market norms and practices in line with the transition to a net-zero economy.

Private ownership and lending both have a role in supporting climate outcomes

Equity ownership and lending across private markets both have important roles in supporting real-economy decarbonization, but their influence operates through different channels and time horizons. In this document, private equity and private credit refer to these forms of investment and financing across underlying asset classes, including companies, infrastructure, real estate and other real assets.

Private equity managers often have ownership rights, board influence and the ability to shape value-creation plans, capital allocation, incentives and exit strategies. They should use these levers to embed

¹¹ In this document, the phrase ‘climate ambition’ is used as a broad term encompassing net-zero commitments, emissions reduction targets, transition plans, climate-related investment strategies, stewardship objectives, resilience measures, and related governance and disclosure practices.

the management of climate risks and opportunities into portfolio company strategy and operations, as well as underwriting and delivering transition-aligned value creation over the holding period.

Where private equity managers hold minority positions, influence may be more limited and is typically exercised through engagement with other shareholders and co-investors.

Private credit managers typically do not control companies, but they can influence outcomes through structuring and relationship-based mechanisms. These include due diligence, loan terms, covenants, information rights, borrower engagement, refinancing decisions and collaboration with sponsors or co-lenders. They should use these tools to assess climate risks, improve transparency and data availability, encourage credible transition plans, and protect credit quality and downside resilience.

Asset owners expect asset managers to apply the tools available to them, proportionate to their mandate and influence, in order to support credible transition strategies, reduce downside risks and identify climate-related value-creation opportunities.

Dimension	Private equity	Private credit
Relationship to the company	Owner or significant shareholder	Lender
Typical influence	Can often direct or shape strategy, governance, capital allocation and incentives	Can influence through lending terms, information rights, dialogue, monitoring and refinancing decisions
Holding period	Multi-year (typically 4–7 years)	Short (typically 2–3 years)
Main climate levers	Value-creation plans, board oversight, management incentives, capital expenditure (Capex) allocation, transition plans and exit readiness.	Due diligence, covenants, loan terms, borrower dialogue and collaboration with co-lenders
Level of influence	High—GPs can direct change	Limited—GPs can encourage and condition, not direct

A low-angle, upward-looking photograph of several modern skyscrapers with glass facades. The buildings are reflected in each other's windows, creating a complex geometric pattern. The sky is a deep blue with some white clouds. The overall tone is professional and architectural.

Asset owner recommendations to private market managers

1. Align the firm with a credible net-zero or portfolio-transition strategy focused on value creation and preservation, with consistent governance, investment and management incentives, ownership and engagement activities, and public messaging.

The activities, products and strategies of asset managers should be aligned in ambition and complementary in approach. Climate change and its implications on the real economy should be treated as strategic investment matters and reflected in the priorities of decision makers, the resourcing of investment teams and the incentives that shape day-to-day choices across the asset managers' activities. This ensures that asset owners' long-term interests are represented not only within the scope of a product but across the asset managers' broader activities, including their public discourse.

Asset managers in private markets should comprehensively and regularly review their activities and demonstrate how they are well-suited to support and capitalize on emerging business opportunities from decarbonization while balancing commercial considerations. This includes addressing the direct and indirect barriers that impede climate action. NZAOA expects that managers are advancing their clients' long-term interests in relation to underlying holdings, the wider business community and broader stakeholders.

- 1.1 Make a time-bound, credible net-zero commitment at the investment firm level that covers all material portfolio companies:** Asset managers should set science-based targets (including interim milestones), supported by a robust target-setting methodology. Clear governance and monitoring processes should be established to ensure that progress towards these targets is measurable and transparent. Asset managers that have not yet established such targets should be expected to demonstrate that they are actively working toward this objective, including through a structured assessment of feasibility and a defined timeline for progressing toward adoption.
- 1.2 Devote resources and establish governance for effective climate integration:** Asset managers should implement governance structures where climate oversight resides with executive or senior leadership. Senior leaders should be accountable for ensuring that the firm's net-zero or portfolio-transition strategy is embedded into its core priorities and macro investment views. Climate responsibilities must be clearly assigned across functions, including investment, asset management, risk and operations. Senior leadership should oversee processes to ensure alignment across the organization, fostering a culture of accountability and collaboration to embed climate priorities into decision-making and resource allocation.
- 1.3 Embed climate into operational processes, systems and decision-making workflows:** Durable processes, supported by well-resourced teams and advanced tools, are critical for effective climate integration. Climate data and analysis should be embedded into investment systems and workflows, including data validation, scenario analysis and portfolio monitoring. Key stages of investment review, particularly final decisions, should include clearly defined climate considerations and reviewers empowered to influence outcomes. Operational teams should have access to the necessary tools and training to ensure climate risks and opportunities are consistently integrated into day-to-day decision-making.

- 1.4 Provide regular education and training on climate topics and approach:** Staff at all levels, including governing bodies and investment teams, should receive ongoing education on climate risks, opportunities and investment themes, as well as instruction on how this knowledge is applied to the firm's strategic approach and decision-making processes. This ensures buy-in and effective integration of climate considerations into investment strategies.
- 1.5 Integrate decarbonization performance into remuneration incentives:** Linking decarbonization performance to remuneration ensures alignment of priorities, and encourages active identification of value-creation opportunities and, ultimately, the realization of net-zero objectives. Incentives should be consistent with investment objectives and with the firm's structure and practices.
- 1.6 Align strategies across the firm:** Actions taken by investment and portfolio management teams should be congruent with the firm's public discourse. Public statements should align with the firm's net-zero commitments and should demonstrate the opportunities and needs for addressing climate change. Regular reviews and reporting can help ensure consistency and alignment with the firm's climate commitments.
- 1.7 Provide visibility on governance structures, responsibilities and processes:** Disclosure should explain how teams and processes are structured and function in practice. Managers should outline any amendments to targets, methodologies or governance processes in the current reporting period as well as plans for the upcoming reporting period.

2. Continue building decision-useful climate data, continuously improving financed emissions data coverage and quality, disclosing progress transparently and developing data frameworks that are integrated into investment activities.

Financed emissions data is foundational for credible climate management, but remains a weakness in private markets, in part due to challenges around collecting data in a standardized way. Coverage is often incomplete, with company-reported estimates¹² and modelled estimates¹³ lacking, estimates being inconsistent, and data architecture fragmented across teams, funds and strategies. This hampers asset owners' portfolio monitoring, risk management and value-creation activities. NZAOA signatories need, and support, accelerated action on improving transparency, consistency and quality of financed emissions, and a robust build-out of the data capabilities of private market managers. Visibility on financed emissions across all three emissions scopes (i.e. Scope 1, 2 and 3) enables asset owners to assess transition risk exposure and opportunities for value creation.

At the same time, managers should not wait for perfect data (particularly on Scope 3 emissions) to take action on climate. Information to identify high emitters is already readily available and enables asking the right questions in due diligence, during engagement with boards and management teams, and when building sustainability frameworks. In the near term, managers should focus on improving data coverage and quality while using existing information more effectively. Climate data should be used not only for reporting, but also to inform transition plans, underwriting assumptions, portfolio monitoring and engagement priorities.

- 2.1 Establish the baseline:** Collection of Scope 1 and 2 emissions data currently available is the baseline expectation. Asset managers should understand which reporting standards are being used by investees and whether data is estimated. Even partial datasets can support better oversight, more informed due diligence, stronger board conversations and earlier identification of material high-emitting exposures. Managers should establish the mechanisms required to collect emissions data such as using shareholder agreements to set mandatory emissions collection and reporting. Asset managers should commit to measuring material Scope 3 emissions¹⁴ and explore reasons for missing data quality and availability. Taking a pragmatic and risk-based approach is appropriate. The asset manager may start with sectors where Scope 3 emissions are most material to total emissions.

12 **Company-reported estimates** (or **self-reported estimates**)—figures the company itself has calculated and disclosed, even if not third-party verified.

13 **Modelled estimates** (or **model-based estimates**)—figures derived by the asset manager or a third-party data provider using proxies like revenue, sector averages or physical intensity factors.

14 “The GHG Protocol does not set a threshold above which Scope 3 emissions should be included; instead, reporting companies should develop their own significance threshold based on their business goals. EEIO [Environmentally Extended Input-Output] data can be used to quickly estimate the relative size of Scope 3 emissions compared to Scope 1 and Scope 2 emissions for any sector” ([Scope 3 Calculation Guidance](#), Greenhouse Gas Protocol, 2013, p.140).

2.2 Develop a roadmap to improve financed emissions data coverage, consistency and quality:

Asset managers should assess the quality of reported and estimated data using a recognized framework such as Partnership for Carbon Accounting Financials (PCAF) quality scores, tracking limitations, assumptions and coverage gaps. Based on this, managers should commit to an action plan to address the most material data gaps on portfolio coverage and quality of Scope 1 and 2 emissions data. To improve data coverage, consistency and quality, managers should use recognized carbon accounting (e.g. PCAF) and reporting frameworks (e.g. ESG Data Convergence Initiative [EDCI]). The plan should describe how managers engage portfolio companies on emissions data provision, expected quality and coverage improvements, and the usage of estimates, as well as how managers support and/or work within industry groups or associations to standardize efforts, consolidate reporting and collection frameworks, and increase efficiency.

2.3 Establish tools and processes to achieve climate data and broader operational improvements:

Asset managers should establish centralized data systems that support portfolio level aggregation, fund level comparability and look-through capability for LPs. Managers should be able to demonstrate how financed emissions data informs investment and engagement and value-creation decisions. Managers should use available information to assess financially material or relevant transition risk, test assumptions in underwriting and valuation, and identify operational improvements across the portfolio.

2.4 Report on emissions, progress and climate-related goals:

Asset managers should disclose fund- and asset-level financed Scope 1 and 2 emissions, indicating data quality, sources (e.g. measured, estimated), coverage and limitations, as well as the most relevant Scope 3 emissions providing detail on materiality. Where possible, data should be broken down by scope, strategy, asset class, sector and geography. Managers should explain material exclusions or limitations and should report on progress of data coverage and quality over time. Managers should also report annual progress on quantitative indicators, such as portfolio and asset level emissions intensity, percentage reductions relative to baseline and proportion of portfolio companies with credible net-zero targets, using a recognized disclosure framework (e.g. Net Zero Investor Framework [NZIF], Private Markets Decarbonisation Roadmap [PMDR]). GPs should explain sectoral, geographic or market drivers that have influenced outcomes. They should also highlight key actions taken, such as portfolio company engagement, and changes in portfolio company strategies and portfolio allocation.

3. Leverage portfolio engagement channels, value-creation strategies and lender engagement tools to deliver decarbonization opportunities, future-proof portfolio companies and advance on climate targets.

For private markets, value creation is closely linked to the ability to influence real-economy decarbonization and resilience through active ownership. This goes beyond managing transition and physical risks. It also includes improving operational efficiency, better positioning companies for changes in regulation and demand, and enhancing exit readiness in a market where buyers are increasingly pressured to demonstrate portfolio alignment.

The tools available to managers will differ by asset class and strategy. Equity strategies may rely on ownership rights, board influence and value-creation plans, while credit strategies may rely on diligence, covenants, information rights, borrower engagement, monitoring, refinancing decisions and escalation through lender protections.

For these reasons, engagement with portfolio companies should be understood as a core element of a general partner's climate ambition. It is one of the main ways in which climate commitments are translated into business decisions, operational improvements and measurable outcomes at the portfolio level.

- 3.1 Embed climate-related value creation into ownership strategies:** Asset managers should adopt a strategy that sets out how they will systematically use the tools available to them to support decarbonization and strengthen resilience across portfolios. This should not be limited to high-emitting assets but should also consider where climate-related risks and opportunities are material across the full investment universe. The strategy should explain how the manager identifies, prioritizes and implements climate-related activities at the asset level, including through governance, operational improvements, capital allocation, transition planning and exit preparation. It should make clear how climate-related value creation is embedded in ownership from the outset and treated as a core part of investment value created instead of comprising a separate sustainability exercise.
- 3.2 Develop sector-level engagement guidelines:** Asset managers should use insights to produce sector-level viewpoints that inform engagement priorities, support more credible expectations for portfolio companies and help identify where policy, markets or operational conditions are slowing or supporting the decarbonization process.
- 3.3 Align incentives and accountability with climate-related value-creation priorities:** Asset managers should incorporate climate-related milestones into portfolio oversight, management objectives and remuneration structures at the company level. These should be designed to support real operational progress and align management focus with long-term value creation.

3.4 Engagement coverage, strategy and outcomes of climate engagement: Disclosure by asset managers should include how climate-related risks and opportunities are integrated into investment oversight, value creation and engagement activities. This should include their consideration in due diligence, ownership plans, Capex decisions, board oversight, performance monitoring and exit preparation, reflecting the manager's role, rights and degree of influence. Disclosure should describe the nature of engagement, including the number and percentage of portfolio companies engaged, key engagement priorities, key performance indicators (KPIs) used, outcomes achieved (where possible) and any escalation measures taken. Managers should also explain material changes to their approach during the reporting period as well as their forward-looking priorities, including any changes to related policies, escalation procedures, transition frameworks or resources.

4. Integrate physical risk and adaptation into investment decisions, management and resilience planning.

Physical climate risk refers to the direct impacts of climate change on assets and operations, including acute events such as floods, storms and wildfires, as well as chronic shifts like rising temperatures, sea-level rise and changing precipitation patterns. Adaptation refers to the actions taken to manage these risks and to enhance the resilience of assets, operations and value chains. Physical and transition risks are interlinked. Insufficient adaptation can amplify transition risks (e.g. by higher costs or stranded assets triggering policy, market and technological shifts), while delayed transition can increase the severity of physical risks.

For asset owners, physical risk can impair asset values, disrupt cash flows, increase operating and insurance costs, and ultimately affect long-term portfolio performance. This is particularly relevant in private markets where exposure to real assets is often concentrated and of long duration. As such, integrating physical risk assessments and adaptation (where physical risk has been assessed as material) into investment processes is essential not only to protect value, but also to enhance resilience and long-term returns in line with asset owners' net-zero and fiduciary objectives.

- 4.1 Assess physical climate risk across portfolios through risk identification and scenario analysis:** Asset managers should adopt an approach to assess physical risks across all asset classes, using current exposures and forward-looking climate scenarios during initial investment due diligence and ongoing investment reviews. These assessments should place particular focus on investments with identifiable locations, such as real assets in high-risk zones. They should also cover both acute risks, such as floods, storms and heatwaves, as well as chronic risks, such as sea level rise and temperature shifts. In addition, information on how these risks may compound, interact and intensify over time should be included.
- 4.2 Commit to adaptation and resilience building:** Where physical risk has been assessed as material, asset managers should commit to manage risks and build scenario-based climate resilience and adaptation strategies at the asset and portfolio levels.
- 4.3 Develop risk mitigation and adaptation planning strategies:** Asset managers should develop asset class specific adaptation strategies. These should be informed by sector and geographical considerations, identifying organizational risk appetite, potential risk transfer or mitigation solutions, including operational measures.
- 4.4 Implement mitigation measures on physical risk and adaptation across the investment lifecycle:** Asset managers should embed insights from physical risk and climate change adaptation as part of asset-level business and Capex planning, portfolio monitoring, risk management and exit strategies. For credit strategies, this may include assessing borrower exposure, reviewing resilience planning, incorporating relevant information rights or covenants, and monitoring material risks over the life of the loan.
- 4.5 Disclose portfolio exposure to current and future physical risks:** Asset managers should disclose exposure to current and future physical risks, including exposure to key hazards (e.g. percentage of assets in high-risk zones)¹⁵ and geographic concentration of risks, as well as potential financial implications in relation to overall portfolio value (materiality).

¹⁵ Investors may refer to resources such as [the Physical Climate Risk Assessment and Management investor playbook](#) for a compendium of potential indicators (UNEP FI, 2024).

4.6 Disclose methodologies, limitations and assumptions used to assess physical risk:

Asset managers should disclose scenarios, including warming pathways, time horizons, methodologies and data sources used in physical risk analysis.

4.7 Disclose adaptation actions and resilience measures taken at asset and portfolio levels: Asset managers should disclose adaptation measures implemented, such as Capex allocated to resilience and specific asset-level interventions where relevant.

5. Manage exposure to high-emitting assets with discipline and use fit-for-purpose tools to avoid stranding risk.

High-emitting assets are those associated with materially high GHG emissions or dependence on emissions-intensive activities, technologies, or value chains. They typically include assets in carbon-intensive sectors that rely heavily on fossil fuels, produce large volumes of GHG emissions or exhibit high emissions intensity, particularly where there is limited evidence of alignment with credible 1.5°C pathways.

While there is no universally agreed definition of a high-emitting asset, asset managers may draw on existing frameworks and tools, including Glasgow Financial Alliance for Net Zero (GFANZ) transition finance guidance, NZIF, PMDR and PCAF methodologies, as well as sector-specific pathways to support classification, assessment and portfolio monitoring.

High-emitting assets can represent significant transition risks as economies move toward lower-carbon development pathways. In some cases, even moderate levels of real-economy decarbonization and associated demand reduction can impair balance sheets, reduce asset values, increase financing costs and lead to stranded assets.¹⁶ A subset of high-emitting assets may qualify as transition assets when they operate within hard-to-abate sectors and demonstrate credible, science-based pathways toward decarbonization supported by governance, capital allocation alignment, technological deployment and measurable emissions reduction outcomes, as further described in the next section.

- 5.1 Adopt a clear strategy for evaluating high-emitting assets:** Asset managers should implement a systematic process to understand how high-emitting assets perform under different scenarios. This process should assess how managers' portfolios perform under a range of transition pathways, including net zero by 2050, and explain the implications for their assets. As well as include an analysis of the systemic hurdles that assets face in aligning operations with said scenarios, and the extent to which business models remain dependent on high-emitting activities across the value chain.
- 5.2 Identify and assess high-emitting assets:** Asset managers should establish and maintain a process for identifying and assessing such assets across their portfolios informed by credible pathways. This should include an assessment of whether high-emitting asset exposures are compatible with credible demand scenarios and policy assumptions.
- 5.3 Align with the phase-out of unabated thermal coal:** Asset managers are encouraged to align with the phase-out of unabated thermal coal by 2030 in OECD countries and by 2040 globally, consistent with 1.5°C pathways and aligned to the NZAOA's Position on Thermal Coal.¹⁷ Investment strategies that include new or misaligned coal activities are inconsistent with net-zero objectives. Coal remains the largest source of energy-related carbon emissions globally, and its rapid phase-out is a prerequisite for achieving climate targets. Continued exposure to coal presents significant financial risks, including asset stranding and value erosion, particularly as markets increasingly price in transition dynamics.

¹⁶ [World Energy Outlook 2025 – Net Zero Emissions by 2050](#) (IEA, 2025)

¹⁷ [Thermal Coal Position](#) (NZAOA, 2020)

- 5.4 Avoid stranding risk in oil and gas:** In line with NZAOA's Target-Setting Protocol and Position on the Oil and Gas Sector,¹⁸ asset managers are encouraged to avoid financing new assets which are not aligned with science-based or government-issued regional/national 1.5°C scenarios, particularly greenfield developments beyond those already committed. Asset managers are also encouraged to avoid investments in infrastructure that prolong fossil fuel dependency or lock in future emissions inconsistent with net-zero pathways. Clear exclusion policies and alignment assessments are expected. Achieving a 1.5°C scenario will require a large reallocation of capital away from fossil fuel expansion and towards clean energy and low-carbon technologies. Under such pathways, declining demand can largely be met by existing fields managed efficiently as the global economy transitions to cleaner energy sources.¹⁹
- 5.5 Avoid stranding risk in other high-emitting assets:** Asset managers should also assess and are encouraged to avoid financing new high-emitting assets in sectors such as cement, steel, aviation and other carbon-intensive industries such as agriculture and forestry²⁰ where investments risk locking in emissions that are incompatible with credible science-based pathways. Priority should be given to assets and industrial processes that are supported by credible decarbonization strategies, best available technologies and clear transition plans.
- 5.6 Disclose exposure to high-emitting assets across portfolios:** Asset managers should disclose exposure to high-emitting assets and, where possible, disaggregate that exposure by upstream, midstream, downstream, geography and asset type. This enables asset owners to better assess the risk concentration and alignment with decarbonization targets. Managers should also report on their strategy for managing, reducing or exiting high-emitting assets, including timelines and interim milestones.

¹⁸ [Position on the Oil and Gas Sector](#) (NZAOA, 2023)

¹⁹ [Fossil Fuels in Transition: Committing to the phase-down of all fossil fuels](#) (Energy Transitions Commission, 2023)

²⁰ Over one-fifth (22 per cent) of global GHG emissions are attributable to agriculture, forestry, and other land use (AFOLU), half of which originate from deforestation and land conversion ([Guidelines and Recommendations for Halting Deforestation, NZAOA, 2025](#)).

6. Evaluate opportunities to participate in, and support, transition finance credibly, with clear definitions and a focus on decarbonization of the real economy.

Transition finance addresses the financing of assets or activities in high-emitting, hard-to-abate sectors that plan to shift toward low-carbon business models. These assets, often described as moving from 'brown to green',²¹ are critical to achieving a 1.5°C aligned economy as they underpin value chains across the broader economy. This is especially relevant across private market strategies, especially infrastructure and venture capital, where investments can directly support technology shifts, process improvements and the transformation of business models in hard-to-abate sectors.

Transition finance's credibility depends on clear definitions, disciplined investment criteria and a consistent focus on real economy outcomes. Without that discipline, transition finance can become a label applied to assets that are high-emitting but not genuinely on a credible path to alignment with net zero.

NZAOA has introduced a principles-based approach. The principles for a credible transition plan are available in the Target-Setting Protocol.²² These principles, which can be used to assess the credibility of a company's transition plan, include: credible, time-bound, science-based interim and longer-term commitments; capital expenditure alignment; governance and accountability mechanisms; and transparent reporting, among other criteria.

- 6.1 Adopt robust transition finance strategies:** Asset managers that invest in high-emitting, hard-to-abate sectors should have a strategy for shifting these assets to low-carbon models. The strategy should prioritize allocation of capital toward decarbonization efforts, setting science-based emission reduction targets and aligning with recognized frameworks (e.g., NZIF and PMDR, among others).
- 6.2 Define transition investment criteria:** Asset managers should establish clear internal definitions and thresholds for transition finance. These definitions should be supported by measurable and time-bound decarbonization pathways, ensuring that capital is directed toward activities that demonstrate credible progress toward alignment with a 1.5°C trajectory. By formalizing these criteria, asset managers contribute to greater market clarity and reduce the risk of greenwashing and stranded assets.
- 6.3 Allocate capital to enable real-economy decarbonization:** Asset managers that invest in high-emitting, hard-to-abate sectors should deploy capital toward such investments to deliver material and measurable emissions reductions, emphasizing additionality by ensuring their investments accelerate decarbonization outcomes.

21 NZAOA observes that an emerging consensus is forming that transition finance is brown to green and, as such, separate from climate solutions, which is green at outset ([NZAOA Target-Setting Protocol Fifth Edition](#), 2026)

22 [NZAOA Target-Setting Protocol Fifth Edition](#), NZAOA, 2026, p.24

- 6.4 Integrate transition considerations across the full investment lifecycle:** Asset managers that invest in high-emitting, hard-to-abate sectors should embed transition finance considerations from pre-investment due diligence to exit. This includes assessing transition readiness and risks during due diligence, structuring investments to incentivize decarbonization, monitoring progress during the holding period and incorporating transition alignment into exit strategies so as to ensure the durability of outcomes beyond the investment horizon.
- 6.5 Enhance transparency on transition finance strategies:** Asset managers should disclose clear and consistent information regarding transition finance strategies, including transparency on portfolio exposure to transition assets. Disclosure should also cover emissions trajectories, progress against targets and the extent to which capital is allocated toward transition finance investments.

7. In line with the investment strategy, scale investments in climate solutions with clear criteria and impact reporting.

Climate solution investments are investments in economic activities considered to contribute to climate change mitigation (including transition enabling) and/or adaptation, in alignment with existing climate-related sustainability taxonomies and other generally acknowledged climate-related frameworks.²³ Private market managers can be well-positioned to invest in climate solutions given their ability to take a long-term, active-ownership approach to identifying and supporting innovative companies and projects that meet financial criteria. By directing capital towards climate solution investments, private market managers can help to provide scale and growth to investments that are essential to a net-zero economy. Doing so also enables asset owners to invest in these opportunities and to meet their own climate targets while achieving required investment objectives.

7.1 When consistent with the mandate, set a target for allocating capital to climate solutions:

Subject to their investment strategy and expertise, asset managers can consider targeting an allocation of a specific percentage or range of their total assets under management towards climate solution investments within a defined time frame. This could start with an initial target and increase over time as the opportunity set expands.

7.2 Establish clear investment criteria for identifying climate solutions: Asset managers should define clear investment criteria aligned with their mandate to identify and prioritize climate solution investments that have the greatest potential for emissions reductions, scalability and financial returns. This may include GHG abatement potential, technological innovation, market competitiveness and alignment with the manager's overall investment strategy and expertise. For guidance on best practice, managers should refer to PMDR.

7.3 Support portfolio companies in developing and scaling climate solutions: Asset managers should actively engage with portfolio companies to explore the development and scaling of their climate solution investments. This may involve providing strategic guidance, operational support and access to networks to accelerate growth.

7.4 Build the internal capability required for climate solutions investments: Asset managers that pursue climate solutions as part of their investment approach should ensure that they have the appropriate expertise and resources to identify, evaluate and manage those investments. This should include, as needed, hiring specialists, training investment teams and leveraging external advisory services.

7.5 Disclose the share of investment allocation to climate solutions and progress on targets: As applicable, asset managers should report on the volume and/or percentage of total assets under management allocated to climate solution investments, as well as the breakdown across different investment strategies, asset classes, geographies and sectors. Asset managers should also disclose environmental impact metrics, track progress towards investment targets, and detail the outcomes and future plans for portfolio company engagement activities. For guidance on best reporting practice, managers will refer to PMDR.

23 [NZAOA Target-Setting Protocol Fifth Edition](#), NZAOA, 2026, p.29



Annex 1: Case studies—asset owner engagement with private market managers

New York City Employees' Retirement System

The New York City Employees' Retirement System (NYCERS), a multiple-employer public employee retirement system, was founded by the New York State Legislature in 1920 with 13,331 members. NYCERS is now the largest municipal public employee retirement system in the United States.

NYCERS has committed to achieving net-zero emissions by 2040. In 2023, NYCERS launched its [Net Zero Implementation Plan](#) (NZIP) and is operationalizing it in partnership with its fund managers. The New York City Comptroller's Bureau of Asset Management (BAM) implements the plan on behalf of NYCERS as the System's delegated investment advisor.

What NYCERS asks of managers

To build a baseline, NYCERS asks managers of every private markets fund that is expected to close after 30 June 2025 to submit a summary of their written implementation plan explaining how the fund will align with NYCERS' net-zero expectations. The expectation applies to NYCERS' investments across private markets asset classes—private equity, infrastructure, real estate and private credit. NYCERS also asked existing public equity and fixed income managers to submit written plans by 30 June 2025.

The requirement is framed as an expectation, not a contractual obligation (e.g. in a side letter). Managers can evidence alignment via one of three pathways: (1) a formal net-zero goal; (2) Science Based Targets initiative (SBTi) targets; or (3) an appropriate alternative decarbonization approach to support the transition to a net-zero economy. NYCERS prioritizes an engagement-first approach through its portfolio and encourages managers to focus on emissions outcomes in the real economy rather than portfolio construction screens or exclusions.

How it works in practice

Once a manager is greenlit for due diligence, BAM sends the managers guidance on how to develop the plan. The guidance outlines expectations for how the manager should engage and monitor their underlying portfolio companies and assets. It also encourages the use of recognized maturity/alignment scales, such as the NZIF and PMDR tools.

BAM requests a plan to be submitted during the due diligence process. It typically provides targeted feedback in conjunction with the relevant BAM asset class investment team and invites resubmission if needed. Each manager's plan highlights are captured in Investment Committee memos. Where a plan is materially unsatisfactory, BAM reserves the right to escalate it for board consideration alongside the investment proposal. As these are policy expectations, the board may grant exceptions on a case-by-case basis.

NYCERS's results and next steps

NYCERS's approach has proved fruitful. From July 1, 2025 to December 31, 2025, NYCERS approved 21 funds across private markets asset classes. All of these private markets managers submitted plans that were sufficiently aligned with expectations, 38% of the managers have net-zero goals and 33% created or enhanced policies or practices to better meet the expectations.

Examples of positive engagements with private markets managers to date include managers in real estate and private credit initiating climate KPIs and a decarbonization engagement program. Another example saw a long-standing private equity manager commit to a long-term, net zero goal phased in over time.

In 2026, managers will be asked to provide annual progress reports against their plans, guided by a NYCERS' reporting format that standardizes data capture (including objectives, engagement coverage and interim outcomes). NYCERS is also deepening best practice for specific asset classes and plans to iterate expectations as market practice matures.

Allianz Investment Management

Allianz Investment Management SE (AIM) was founded in 2007 to manage the proprietary assets of the insurance premiums of the Allianz companies worldwide, covering property and casualty as well as life and health portfolios. AIM manages the Allianz portfolio which totals over US\$850 billion, of which over 30% is invested in non-traded, private market assets. AIM implements the Allianz SE transition plan and targets on climate change and integrates them into its investment strategy and stewardship activities—including via the selection, appointment and monitoring of the asset managers that AIM collaborates with.

AIM's sustainability program: elevating asset manager capabilities

In 2019, AIM identified a critical gap: its private market asset managers lagged behind public market counterparts in sustainability capabilities. This created portfolio-level risks misaligned with its responsible investment expectations and Allianz SE's climate transition plan, particularly as AIM expected climate risks and opportunities to intensify.

AIM designed and executed a six-year, two-phase program to elevate the capabilities of the asset managers working with it. This initiative, now fully implemented as of 2026, has transformed AIM's selection, appointment and monitoring activities of private market managers.²⁴

Phase one: establishing foundations

Recognizing that enduring sustainability initiatives require strong governance, strategic alignment, and operational capabilities, AIM introduced the 'Sustainability Integration' module. This framework set baseline expectations that AIM set for its assets managers, with minimum criteria across key sustainability factors. Asset managers falling below the threshold were engaged for improvement.

24 AIM's engagement approach is further detailed in [Allianz Investment Management Engagement Approach](#). The quantitative figures, including asset manager engagements conducted, are reported in the Sustainability Statement of the Allianz Group Annual Report.

Phase two: driving excellence

Building on this foundational module, AIM launched the more forward-looking 'Sustainability Excellence' module. This incorporates advanced climate objectives such as decarbonization, emissions reporting and transition planning. Managers are now benchmarked against peers and must meet stringent 'must haves' (that AIM have set for its managers) before due diligence begins.

Operational ownership and expertise

AIM's Sustainable Investing team serves as the global center of excellence, designing and piloting the modules while training sustainability champions within the Investment Strategy teams. These champions embed sustainability processes into daily deal management, ensuring operational ownership and in-house expertise.

Program evolution

- **Pre-2019:** Basic requirements introduced (e.g. policy on environment, social and governance issues, UNPRI membership).
- **2019:** Pilot of 'Sustainability Integration' module initiated.
- **2021:** Responsibility for assessments transitioned from Sustainable Investing team to Investment Strategy teams.
- **2022:** Minimum scoring threshold introduced; pilot of 'Sustainability Excellence' module launched.
- **2023:** Net-zero campaign initiated, urging GPs to unilaterally set portfolio targets and improve data reporting.
- **2024:** High-emitting asset investments required to have a credible net-zero business strategy.
- **2025:** Rollout of 'Sustainability Excellence' module, with deal teams being trained on assuming responsibility.
- **2026:** Both modules are fully owned and implemented by deal teams.

Three-phase engagement across the investment process

1. Screening

Sustainability and climate requirements are introduced early in pipeline discussions. AIM's 'must-have' and 'should-have' criteria are confirmed by asset managers upfront, reducing risks of delays or deal-breaking issues later in the process.

2. Due diligence

AIM assesses asset managers across the 13 dimensions within the two modules using the asset managers' official documents and policies. Custom materials made for AIM are not scored but are reviewed for alignment with firm-wide commitments. Inconsistencies are flagged, and managers are asked to update their official commitments.

Low scores trigger targeted engagement:

- **Single dimension weakness:** Addressed by the deal manager with a request for improvement.
- **Overall low score:** Deal team and Sustainable Investing team jointly address, if overall low score is from the Sustainability Integration module, asset manager is not considered for future business.

AIM emphasizes principle-based expectations tailored to each manager's organizational strengths, prioritizing strategic ownership over consultant-driven materials.

3. Lifecycle management

Annual reviews assess progress on engagement issues, overall sustainability approach, controversies, and data coverage. AIM expects asset managers to demonstrate how they use data for decision-making and risk management, rather than focusing on data collection alone.



Annex 2: Resources for private markets and alignment with net zero

This annex sets out a curated list of resources to support implementation of the expectations set out in this paper.

NZAOA resources

[Target-Setting Protocol—Fifth Edition](#) (NZAOA, 2026)

The Target-Setting Protocol (TSP) provides the foundational, science-based methodology for climate target-setting by NZAOA signatories. The TSP establishes a four-part target-setting structure covering engagement, sector and transition, sub-portfolio and climate solutions investment targets, with a phase-in schedule extending coverage across public and private asset classes.

[Addressing Climate Impacts: An Overview of NZAOA Asset Owners' Long-Term Interests and Responsibilities](#) (NZAOA, 2025)

This paper articulates the fiduciary and economic rationale for climate action by asset owners, framing climate risk as a system-level financial risk and its management as falling within the fiduciary duties of asset owners. Asset managers are expected to represent these long-term interests consistently across capital allocation, stewardship, products and public discourse, not in siloed mandates. The paper also highlights the exposure of private market managers to long-lived illiquid assets, and the unique position of GPs to influence the companies and sectors in which they invest.

[Elevating Asset Manager Net-Zero Engagement Strategies](#) (NZAOA, 2023)

Covering both public and private markets, this paper sets out NZAOA's expectations for how asset managers should design, implement and disclose their climate engagement strategies, structured around four principles covering governance, strategy, engagement practices and transparency. The paper invites asset owners to use the principles, requests and practices set out in this document to inform their selection, appointment, and monitoring (SAM) processes, including by making them an explicit expectation within the investment mandate for asset managers.

[The Future of Investor Engagement: A Call for Systematic Stewardship to Address Systemic Climate Risk](#) (NZAOA, 2022)

This paper frames climate stewardship as systemic risk management and sets out expectations for investors to expand their climate stewardship activities with a focus on sector, value chain engagement, policy engagement and, for asset owner-asset manager engagement. It further calls on asset managers to align their stewardship, public discourse and policy engagement with the long-term interests of their asset owner clients.

[Position on the Oil and Gas Sector](#) (NZAOA, 2023)

This position paper sets out NZAOA's expectations for companies, policymakers and investors. Includes specific guidance on private asset investment in oil and gas infrastructure (upstream, midstream and downstream) and asset owner-to-asset manager engagement on transition-related investment and stewardship activities.

[Alliance Thermal Coal Position](#) (NZAOA, 2020)

Sets out NZAOA's position on thermal coal, calling for no new thermal coal financing or development, immediate cancellation of new projects, and a phase-out of unabated coal-fired electricity generation in line with 1.5°C pathways.

[Guidelines and Recommendations for Halting Deforestation](#) (NZAOA, 2025)

These guidelines and recommendations set forth a four-step pathway for investors to phase out deforestation and forest conversion risk exposures, including via assessment of portfolio exposure, making commitments to phase out deforestation, engaging in stewardship activities and disclosure.

Private Markets Guidance and Resources

[Sustainability Value Creation in Private Markets](#) (PRI, Bain & Company, NYU Stern, 2025; PRI-signatory only)

This guide offers a holistic framework designed to help investors use sustainability to drive financial outcomes in private markets. The framework is accompanied by case studies covering sustainability value creation in different sectors and regions.

[Assessing Physical Climate Risk in Private Markets: A Technical Guide](#) (PRI, 2025)

This technical guide details how investors in private equity and real assets can develop a process to assess physical climate risk in their portfolios.

[Stewardship in Private Debt: A Guide for General and Limited Partners](#) (PRI, 2025)

This guide clarifies stewardship tools available in private debt, including ongoing dialogue, sustainability-linked covenants and collaborative engagement, to support borrower decarbonization and risk mitigation.

[Responsible investment DDQ for Private Equity Limited Partners](#) (PRI, 2025)

This due diligence questionnaire provides a set of questions to help LPs understand and evaluate a GP's approach to managing climate-related risks and opportunities. It aims to harmonize and streamline climate due diligence across the industry.

[Stewardship in Private Equity: A Guide for General Partners](#) (PRI, 2024)

This guide provides practical stewardship guidance for GPs on whom, when and how to engage portfolio companies on material ESG and climate issues across the investment lifecycle.

[Physical Climate Risk Assessment and Management: An Investor Playbook](#) (UNEP FI, 2024)

This playbook gives investors a step-by-step approach to integrating the identification, assessment and management of physical climate risks in the investment process.

[ESG incorporation in direct lending: A guide for private debt investors](#) (PRI, 2023)

This guide provides insights into the state of play regarding ESG incorporation, engagement and other practices by private debt market participants.

[Incorporating Climate Change in Private Markets: An Investor Resource Guide](#) (PRI, 2022)

This resource guide helps direct and indirect private equity and real assets equity investors to identify publicly available resources and initiatives to help them incorporate climate change considerations throughout the investment process.

[Achieving climate commitments in multi-asset portfolios](#) (PRI, 2022)

This report highlights key considerations and provides resources (including a toolbox) for investors implementing and monitoring climate commitments across multi-asset portfolios.

[Greenhouse Gas Accounting and Reporting for the Private Equity Sector](#) (ICI and ERM, 2022)

This guidance combines industry knowledge and existing best practices, in addition to practical examples, to enable a consistent approach to GHG accounting and reporting by private market GPs.

[Technical Guidance for Calculating Scope 3 Emissions](#) (GHG Protocol, 2013)

This guidance document serves as a companion to the foundational GHG Protocol Scope 3 Standard, which offers companies practical guidance on calculating their Scope 3 emissions (the most material for the majority of investors).

Frameworks and initiatives

[Private Markets Decarbonisation Roadmap \(PMDR\) 2.0](#) (ICI, Sustainable Markets Initiative, and Bain & Company, 2024)

The Private Markets Decarbonisation Roadmap 2.0 provides a common classification language and Alignment Scale enabling GPs across buyout, infrastructure, private credit, real estate and secondaries to disclose portfolio company decarbonization status to LPs.

[Net Zero Investment Framework 2.0](#) (IIGCC and Paris Aligned Investment Initiative, 2024)

The Net Zero Investment Framework (now in its second version) is a cross-asset-class framework enabling investors to develop their net-zero strategy, target-setting, asset alignment assessment and stewardship. It includes dedicated components for private equity, private debt, infrastructure and real estate.

[Net Zero Investment Framework Component for the Private Equity Industry](#) (IIGCC and Paris Aligned Investment Initiative, 2023)

This guidance is intended to support private equity investors who are active in buyout, growth and associated strategies. It provides a cohesive framework for target-setting, engagement and reporting between LPs, GPs and portfolio companies to support progress towards net zero at scale.

[Science Based Targets Initiative \(SBTi\)](#)

The Science Based Targets initiative is a corporate climate action organization that enables companies and financial institutions worldwide to play their part in combating the climate crisis. The initiative offers a Financial Institutions Net-Zero Standard and Financial Institutions Near-Term Criteria that enable financial institutions including LPs and GPs to set near- and long-term climate targets.

[Transition Plan Taskforce \(TPT\)](#)

The Transition Plan Taskforce, now absorbed under the International Sustainability Standards Board (ISSB), provides a set of disclosure recommendations and resources that an entity can use to prepare and report its transition plans.

[ESG Data Convergence Initiative \(EDCI\)](#)

The ESG Data Convergence Initiative provides an industry-led, standardized metric set and benchmark for sustainability data collection across private equity, infrastructure and private credit, including a Net Zero Commitment metric.

[Integrated Disclosure Project \(IDP\)](#)

The Integrated Disclosure Project is an industry initiative to improve harmonization and consistency of disclosure of key sustainability indicators in private credit and syndicated loan markets. IDP provides reporting tools designed to solicit a global baseline of information from private companies.

[GRESB](#)

GRESB is an investor-driven ESG benchmark for real estate and infrastructure funds and assets, used by LPs to monitor manager performance and then engage on climate, energy and resilience.

[Global GHG Accounting and Reporting Standard for the Financial Industry \(PCAF\)](#)

The Global GHG Accounting and Reporting Standard, developed by the Partnership for Carbon Accounting Financials (PCAF), is a set of guidelines to help financial institutions measure and report GHG emissions associated with their financial activities.

[Initiative Climat International \(iCI\)](#)

Initiative Climat International is an investor-led community of private markets investors offering guidance and peer learning opportunities on issues including climate risk analysis, GHG accounting, net-zero pathways, voluntary carbon markets and sector-specific decarbonization.



UN-convened Net-Zero Asset Owner Alliance

unepfi.org/net-zero-alliance/

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