

# NET ZERO FINANCIAL SERVICE PROVIDERS ALLIANCE (NZFSPA)

**TARGET-SETTING FRAMEWORK AND GUIDANCE**

*RESEARCH AND DATA PROVIDERS GROUP*

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# THE NET ZERO FINANCIAL SERVICE PROVIDERS ALLIANCE (NZFSPA)

## ABOUT NZFSPA

The Net Zero Financial Service Providers Alliance (NZFSPA) is a global group of financial service providers committed to supporting the goal of global net zero greenhouse gas emissions by 2050 or sooner, in line with the ambition to limit the global temperature increase to 1.5°C above pre-industrial levels.

# RESEARCH AND DATA PURPOSE AND THEORY OF CHANGE

Members of the Net Zero Financial Service Providers Alliance<sup>1</sup> (NZFSPA, or “Alliance”) have signed the following eight-point commitment statement. The group of Research & Data providers in this Alliance recognises that complete, comprehensive, and high-quality climate-related research and data is needed by all links in the investment chain in order to better inform net zero-aligned investment decision making.

In addition, research and data providers have opportunities to engage with and educate their clients, corporate issuers, and others on the importance and utility of net zero research and data. Therefore, the group has developed this guidance document to assist research and data service providers in their independent target-setting.

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<sup>1</sup> <https://www.unpri.org/net-zero-financial-service-providers-alliance>

# NZFSPA COMMITMENT

The commitment text below is as found on the [NZFSPA website](#).

In order to support the goal of net zero greenhouse gas emissions by 2050 or sooner, consistent with a maximum average global temperature rise of 1.5°C above pre-industrial levels, the NZFSPA has committed that its members will:

- 1. Align<sup>2</sup> all relevant services and products to achieve net zero greenhouse gas emissions by 2050 or sooner, scaling and mainstreaming Paris Agreement-alignment into the core of our business.*
- 2. Build internal capability to understand the risks and opportunities of the net zero transition using best-practice net zero methodologies<sup>3</sup> where they exist and, where methodologies or data are missing, proactively and collaboratively work to address those gaps.*
- 3. Set an interim target for relevant services and products offered to be aligned to the net zero transition which is consistent with a fair share of the 50% global reduction in carbon emissions needed by 2030. Review and update such targets at least every five years with a view to increasing the proportion of services and products to achieve full alignment.*
- 4. Address our own operational impacts by setting science-based emissions reduction targets across all operational emissions (Scopes 1 and 2 and, where material, 3) in line with 1.5°C emissions pathways. Set interim science-based reduction targets within 12 months of joining for no later than 2030 across all operational emissions.*
- 5. Consistently raise with our key stakeholders the importance and implications of setting net zero targets and strategies across Scopes 1, 2 and 3 emissions and understanding the impact businesses can have to help reduce greenhouse emissions.*
- 6. Work to ensure our relevant services and products take into account the best available climate science, including credible emissions reduction pathways to net zero. Support innovation and prioritise our efforts where we have, or can have, the most significant impact. Support the development of products and services supporting the net zero transition.*
- 7. Advance our efforts by proactively engaging with stakeholders and policymakers on corporate and industry action, as well as public policies, that support a net zero transition of economic sectors in line with science and with regard to social impacts. Contribute to Glasgow Financial Alliance for Net Zero (GFANZ) efforts within the financial services provider alliance, which will aim to bring together existing tools and alliances.*

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<sup>2</sup> The way in which a member aligns is up to the member at firm-level.

<sup>3</sup> Such as Science Based Targets initiative and alliance partners of Race to Zero and GFANZ. Best methodologies to incorporate scope 3 emissions as well as appropriate use of carbon offsetting should be incorporated.

8. *Report progress, individually as firms signing this Commitment, at least annually, including publishing disclosures aligned with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD)<sup>4</sup> and climate action plans.*

This [Commitment](#) must be read in the context of the [supplemental text](#), which provides interpretative guidance to the [Commitment](#) text.

## RACE TO ZERO

To demonstrate credibility in our approach, the Research & Data group of the NZFSPA aims to meet the criteria of the UN's Race to Zero campaign<sup>5</sup>. As service providers, group members recognise that much of the growing demand for research and data flows from the progress in other areas of the Race to Zero campaign and from the economy-wide transition to net zero.

## COMPETITION AND INDEPENDENCE

While each of the members of the group has independently determined to take steps toward achieving the goals of the Paris Agreement, each also recognises that robust competition amongst providers and product and service differentiation are just as critical to advancing those and other important goals. Thus, the targets set by members of the group do not in any way limit the number or types of offerings the group members will or may provide, in terms of products or services or otherwise, but should instead (1) assure investors and other users of products and services that members will be taking steps to meet the growing demand for net zero products and services, (2) demonstrate that each member understands the individual responsibility firms throughout the financial service industry and beyond have in combatting climate change.

Furthermore, members of the group recognise the importance of providing transparency around those net zero products and services. Doing so makes net zero investing easier because it ensures that users of the products and services have more choice, have greater confidence in the choices offered, and are better positioned to compare competing offerings. Requiring transparency, however, is not in any way intended to commoditise product or service offerings or eliminate differentiation among products and services, or in any way to limit innovation or curb individual professional judgment.

Where members seek to support existing alliances, each member will independently determine if and to what extent support is appropriate in accordance with relevant legal, regulatory or business model obligations.

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<sup>4</sup> As comprehensively as possible, while being cognisant that some sections do not directly apply to all signatories.

<sup>5</sup> [Race to Zero - Climate Champions \(unfccc.int\)](https://unfccc.int/race-to-zero-climate-champions)

# RESEARCH AND DATA PRINCIPLES

## DEFINING RESEARCH AND DATA

For purposes of this framework, **research** refers to products and services that incorporate data and add analysis by the signatory (for example, models, narrative reports about entities, profiles of client portfolios).

For the purposes of this framework, **data** refers to individual pieces of information (for example, greenhouse gas emissions, carbon intensity, ESG ratings, capital expenditures). Data providers within the NZFSPA play a vital role in collecting data and in transforming it to make it useful, for example through the amalgamation of data from varied and multiple reporting locations, the development of normalisation methodologies, and the use of estimation models to deal with large reporting gaps in climate-related information.

## GUIDING PRINCIPLES

The targets and guidance for the Research and Data group of the NZFSPA should be read within the context of the following key principles:

- **Impact:** as providers of key research and data to all investor types, providers are in a unique position to inform the market's understanding and approach towards investment. Targets should be framed with an awareness of how each research and data provider can individually contribute to real-world impact through the provision of research and data.
- **Ambition:** targets should challenge the research and data provider as well as its market, building on actions already being taken to promote climate resiliency in their market and going beyond them.
- **Transparency:** definitions, methodologies, and strategies should be as clearly disclosed as possible while protecting proprietary information, in order to ensure clear understanding of the products and services. Disclosure should focus first and foremost on helping end users understand the impact of key methodological choices, including any trade-offs or unavoidable limitations to accuracy or comprehensiveness. R&D providers will not disclose competitively sensitive information or information beyond what the provider would typically disclose publicly about their methodologies and strategies.
- **Accountability:** R&D providers shall publicly disclose their targets. It is understood that targets may or may not be quantifiable, but should in all cases be described with as much specificity as possible. In the case where a target cannot be met, an explanation in the published report is

required. R&D providers will not disclose material non-public information, trade secrets, customer or vendor details, pricing, and/or any other competitively sensitive information.

- **Urgency:** Targets shall be formulated with appropriate urgency, given that many users and potential users of the research and data are endeavouring to halve global carbon emissions by 2030.

## TIMING

- Members' initial individual firm-level targets shall be disclosed within one year of joining the Alliance.
- The initial set of targets disclosed shall include at least some targets with a date of no more than three years in the future at the time of disclosure.
- Subsequent updates to targets shall be made at least every two years (or sooner if all targets have been achieved).
- Members who joined before publication of the target-setting framework must set and publish their individual firm level targets within one year of publication of the target-setting framework.
- After one year of setting the individual firm-level targets, each member shall publicly disclose annually on a 'meet or explain basis'<sup>6</sup> how, and to what extent, they are reaching their individual firm-level targets.

*Note: In disclosing and reporting on individual firm-level targets, members will not disclose any competitively sensitive information. Please have a look at the Appendix for guidance on the timeline to achieve the targets.*

## TARGETS AND GUIDANCE

The Alliance uses the following terminology:

**'Shall'** means that a process is required for the purpose of the Alliance but remains subject to the unilateral decision of the member concerned. If the member concerned does not follow the guidance, an explanation in the member's public reporting is required.

**'Should'** means that a process is strongly recommended. If the member concerned does not follow the guidance, an explanation in the member's public reporting is required.

**'Align'** means the way in which a member aligns is up to the member at firm-level.

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<sup>6</sup> This means that members either report on how they've met the targets or explain the reasons why they haven't done so



**'Relevant'** means each firm is able to determine the relevancy of this framework to their own products and services, and should provide clear principles to their definition of relevancy in an accessible and transparent manner.

Firm-level metrics for targets will be determined by the individual firms, due to the variety and specificities of service provision.

In order to achieve transparency and add robustness to reporting of targets, members should, in their annual reporting, outline their work plans for delivering on their targets that they were not able to deliver within the timings in the first implementation phase to the secretariat.

Note: None of the above points require that a research and data provider disclose sensitive or confidential information. None of these commitments create an enforceable right for any third party or can result in any liability for the members.

## 1. PRODUCTS AND SERVICES

### OBJECTIVES AND RATIONALE

This target-setting pillar relates to items #1, #2, #3 and #6 of the NZFSPA commitments. Research and data providers should set targets for aligning their existing relevant products and services with net zero ambitions. Each should also endeavour to develop new products and services aligned with net zero ambitions. For both goals, it may be necessary to develop new internal capacities, including the ability to keep abreast of developments in climate science, and to develop new methodologies.

### IMPLEMENTATION GUIDANCE

- Net zero relevance will be defined with reference to each individual firm and with respect to the best available climate science, including scenarios for alignment with net zero global greenhouse gas emissions by 2050 or sooner, consistent with a maximum average global temperature rise of 1.5°C above pre-industrial levels with no or low overshoot.

It is understood that the impact of creating new products and services versus improving existing ones will vary widely across firms and at different times, as each member deems appropriate.

### TARGET 1.1 – EXISTING PRODUCTS & SERVICES

Each research and data provider should set targets for aligning its relevant existing products and services with net zero principles, as each member deems appropriate for itself.

## TARGET 1.2 – NEW PRODUCTS AND SERVICES

Each research and data provider should set targets for developing its own new products and services aligned with net zero principles, as each member deems appropriate for itself.

## 2. TRANSPARENCY TARGETS

### OBJECTIVES AND RATIONALE

This target-setting pillar relates to items #1 and #8 of the NZFSPA commitment. Research and data providers should clearly disclose their definition of their products and services that are relevant to net zero and to which their NZFSPA commitment pertains. They should also ensure that the methodologies used to create each net zero data set or product are published and kept updated as material changes to the methodologies are made. Providers will not disclose competitively sensitive or non-public information or other information beyond what the provider would typically disclose publicly about their methodologies. For the avoidance of doubt, a provider may determine when and how to disclose its methodologies or any portions thereof.

### IMPLEMENTATION GUIDANCE

- Net zero relevance will be defined with reference to each individual firm with respect to the best available climate science, including scenarios for alignment with net zero global greenhouse gas emissions by 2050 or sooner, consistent with a maximum average global temperature rise of 1.5°C above pre-industrial levels with no or low overshoot.
- Methodologies will be disclosed to allow users to fully understand and utilise them for net zero alignment. Providers will not disclose competitively sensitive or non-public information or other information beyond what the provider would typically disclose about their methodologies.

### TARGET 2.1

Research and data providers should make annual disclosures<sup>7</sup> aligned with the recommendations of the Taskforce on Climate-related Financial Disclosures, including climate action plans. These disclosures should define members' products and services that are relevant to net zero, and how this determination was made, and should reflect a plan to transition to net zero<sup>8</sup>. They should also include disclosure of the targets set in sections 1, 3, and 4 of this target-setting framework.

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<sup>7</sup> Such disclosures may be included in parent or group disclosures, where appropriate.

<sup>8</sup> For more on transition plans see [Recommendations-and-Guidance-on-Financial-Institution-Net-zero-Transition-Plans-November-2022.pdf \(bbhub.io\)](#)

## TARGET 2.2

Research and data providers should publish clear and informative methodologies for their net zero-related products and services, and should clarify how these products and services are aligned with net zero. Providers will not disclose competitively sensitive or non-public information or other information beyond what the provider would typically disclose about their methodologies.

## 3. ENGAGEMENT AND EDUCATION

### OBJECTIVES AND RATIONALE

This target-setting pillar relates to #5 and #7 of the NZFSPA commitment. Firms should build their own capacity to continuously improve their ability to support clients' net zero-related research and data needs, and should educate clients on net zero definitions, data, research, tools, and methods. Firms may also support regulators in developing effective climate disclosure regulations.

### IMPLEMENTATION GUIDANCE

- The scope and detail of guidance and education produced by research and data providers concerning net zero alignment will vary depending on individual firms' strengths but will be intended to advance the Alliance's efforts by providing information to stakeholders and policymakers on corporate and industry action, as well as public policies, that support a net zero transition of economic sectors in line with science and with regard to social impacts.
- Research and data providers may fulfil this commitment through activities including webinars, events, and publications covering topics such as disclosure, regulation, methodologies, and variations by asset class, sector, or region.

## TARGET 3.1

Research and data providers should actively promote the availability of high-quality climate information by producing guidance for issuers, education for investors and information for policymakers to support climate-related disclosure including transition plans, and understanding relevant to net zero.

## TARGET 3.2

Research and data providers should advance efforts to educate stakeholders on climate and net zero, including the use of net zero-related information. This education may take place through initiatives such as GFANZ efforts involving the Alliance.

## 4. FIRMS' OPERATIONS

### OBJECTIVES AND RATIONALE

This target-setting pillar relates to commitment #4 of NZFSPA commitment. Research and data providers (who may be part of a group entity) should track, report, and set targets for the reduction of their own operational emissions.

### IMPLEMENTATION GUIDANCE

- Operational targets will be aligned with the target of reducing emissions by 50% by 2030 in order to achieve net zero by 2050, subject to possible limitations related to third party emissions.
- Targets will cover Scope 1 and 2 and where material, Scope 3 emissions.
- Emissions may be reported at group level for research and data providers that are part of larger organisations, if necessary.

### TARGET 4.1

Research and data providers (as part of a broader group entity if relevant) should address their own operational impacts by setting science-based emissions reduction targets across all operational emissions (Scopes 1 and 2 and, where material, 3) in line with 1.5°C emissions pathways. Firms will set interim science-based reduction targets within 12 months of joining for no later than 2030 across all operational emissions.

# APPENDIX

## Guidance for setting targets and measuring progress

| Commitment   | Year 0                | Year 1   | Year 2  | 2026-2030   | 2050  |
|--|-----------------------|--|---|---|---|
| <i>Each research and data provider should set targets for aligning its relevant existing products and services with net zero principles, as each member deems appropriate for itself (1.1)</i> | Join NZFSPA R&D group | Publicly disclose individual firm level targets to align relevant existing products and services with net zero | Disclose progress against individual firm level targets   | Continue to offer products and services aligned with net zero principles, as each member deems appropriate for itself<br><br>Ongoing cycles of review every three years | Continue to offer products and services aligned with net zero principles, as each member deems appropriate for itself |
| <i>Each research and data provider should set targets for developing its own new products and services aligned with net zero principles, as each member deems appropriate for itself (1.2)</i> |                       | Publicly disclose individual firm level targets to align relevant existing products and services with net zero | Disclose progress against individual firm level targets<br><br>Set interim targets about developing new products and services aligned with net zero | Continue to offer products and services aligned with net zero principles, as each member deems appropriate for itself<br><br>Ongoing cycles of review every three years | Continue to offer products and services aligned with net zero principles, as each member deems appropriate for itself |
| <i>Research and data providers should make annual disclosures aligned with the recommendations of the TCFD, including climate action plans. (2.1)</i>  |                       | Publicly disclose alignment with TCFD recommendations including climate action plans                           | Ensure methodologies used to create net zero data sets or product are published in sufficient detail and updated                                    | Continue alignment and annual public disclosure with TCFD recommendations   |   |
| <i>Research and data providers should publish clear and informative methodologies for their net zero-related products and services (2.2)</i>   |                       |  |   |   |   |
| <i>Research and data providers should actively promote the availability of high quality climate information. (3.1)</i>   |                       | Publicly disclose individual firm level targets on plans to promote high quality climate information           |   | Produce guidance for issuers, education for investors and information for policymakers to support climate-related disclosure and understanding relevant to net zero     |   |

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|---|--|--|--|--|--|
| <p><i>Research and data providers should advance efforts to educate stakeholders on climate and net zero. (3.2)</i></p>   |  | <p>Publicly disclose individual firm level targets about educating stakeholders on climate and net zero</p>  |  | <p>Ongoing work with other stakeholders in the financial industry or GFANZ on using net zero-related information</p> |  |
| <p><i>Research and data providers should address their own operational impacts by setting science-based emissions reduction targets across all operational emissions - scopes 1 and 2 and, where material 3 (4.1)</i></p> |  | <p>Publicly disclose individual firm-level targets on operational emissions</p> <p>Set interim science-based reduction targets for no later than 2030 across all operational emissions</p> |  |  |  |