

# GLASGOW FINANCIAL ALLIANCE FOR NET ZERO

**Private Finance Hub**



**UN CLIMATE  
CHANGE  
CONFERENCE  
UK 2021**

**RACE TO ZERO**

# Race to Zero and GFANZ

## RACE TO ZERO

Regions

Cities

Universities

Businesses

Finance

Net Zero  
Asset Owner  
Alliance

Net Zero  
Asset Managers  
Initiative

Net Zero  
Banking  
Alliance

Paris Aligned  
Investment  
Initiative

Committed to  
join: Net Zero  
Insurance  
Alliance

Financial  
Professional  
Services  
Providers

## GFANZ

# Race to Zero criteria

- **Pledge**
  - to reach (net) zero GHGs as soon as possible, and by 2050 at the latest, in line with global efforts to limit warming to 1.5C.
- **Plan:**
  - Within 12 months of joining, explain what actions will be taken toward achieving both interim and longer-term pledges
- **Proceed:**
  - Take immediate action toward achieving (net) zero, consistent with delivering interim targets specified.
- **Publish:**
  - Report publicly progress against interim and long-term targets
- **Scope**
  - Cover all emissions, including Scope 3 for businesses and investors
- **Sinks and credits**
  - Transition to limiting offsets to neutralize “residual” emissions.
- **Empowerment and equity**
  - Seek to enable all actors to contribute to the global transition toward (net) zero through engagement, information sharing, access to finance, and capacity building.

# GFANZ Objectives

**BROADEN** participation of financial actors

**RAISE AMBITION** by ensuring that commitments are backed by robust targets and transition plans.

**COORDINATE** commitments and actions across the sector to support the economy-wide transition

**SUPPORT** technical collaboration on substantive and cross-cutting issues that will accelerate the alignment of investment and lending with net zero

**SHOWCASE** the collective efforts and achievements of the sector and of individual firms taking the most ambitious climate actions

# Financial Services Providers Alliance



- Vehicle to join GFANZ and RtZ
- Aiming to launch at NYCAW
- Currently 8 founding members
- Alliance will be headed by a Steering Group with own workplan; will also feed in to wider GFANZ work and collaborate with other alliances

# How a commitment could apply to exchanges

Align all relevant services and products to achieve net zero by 2050 or sooner

Build internal capability to understand the risks and opportunities of the transition using best-practice net zero methodologies

Set an interim target for proportion of relevant services and products to be aligned to net zero; Review and update at least every five years

Address operational impacts: set science-based emissions reduction targets; including interim targets within 12 months

Raise net zero and the importance of setting targets with key stakeholders

Ensure services/products take into account the best available climate science; support innovation and development of products/services supporting net zero

Engaging with stakeholders and policy-makers; contribute to GFANZ efforts within the financial services provider alliance

Report progress at least annually

Disclosure, market participation, listing interventions or requirements and issuer tools and support.

Identify where existing best practice methodologies can be applied and where there are gaps or new methodologies required for specific provider type; proactively working to address these requirements

Build a framework for target-setting with other providers; use this to decide what a pertinent target would be; how to measure progress

Set emissions reduction targets across Scopes 1 and 2 and, where material, 3, in line with 1.5°C emissions pathways.

Listing companies and issuers

Consider credible climate scenarios and pathways; and how these affect the business; develop green products and services or their visibility

Engage with corporate/industry/public policies, that support net zero transition

In line with frameworks, and including publishing disclosures aligned with the TCFD recommendation.

# **Annex**

# Race to Zero criteria

- **Pledge:** Pledge at the head-of-organization level to **reach (net) zero GHGs as soon as possible**, and by midcentury at the latest, in line with global efforts to limit warming to 1.5C. Set an **interim target to achieve in the next decade**, which reflects maximum effort toward or beyond a **fair share of the 50% global reduction in CO2 by 2030** identified in the IPCC Special Report on Global Warming of 1.5C
  - **Plan:** Within 12 months of joining, explain what actions will be taken toward achieving both interim and longer-term pledges, especially in the short- to medium-term.
  - **Proceed:** Take immediate action toward achieving (net) zero, consistent with delivering interim targets specified.
  - **Publish:** Commit to report publicly both progress against interim and long-term targets, as well as the actions being taken, at least annually. To the extent possible, report via platforms that feed into the UNFCCC Global Climate Action Portal.
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- **Scope** Cover all emissions, including Scope 3 for businesses and investors where they are material to total emissions and where data availability allows them to be reliably measured, and all territorial emissions for cities and regions. Leading targets may also include: cumulative emissions (for all actors), and consumption emissions (for cities, states and regions)
  - **Sinks and credits** Alongside immediate abatement measures, potentially including external opportunities, transition to limiting offsets to neutralize “residual” emissions. Offsets portfolios should transition to permanent removals by the time net zero is achieved. Ensure that all offsets meet robust standards for additionally, permanence, accounting, etc
  - **Empowerment and equity** Seek to enable all actors to contribute to the global transition toward (net) zero through engagement, information sharing, access to finance, and capacity building.

# Full commitment text

- 1) **Align 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** where they exist and, where methodologies or data are missing, proactively and collaboratively work to address those gaps.
- 3) **Set an interim target** specifying a proportion of relevant services and products offered to be aligned to the net zero transition which reflect 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 GHG 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 policy-makers** 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 GFANZ efforts within the financial services provider alliance**, which will aim to bring together existing tools and alliances.
- 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) and climate action plans.



# Governance

## Net Zero Financial Services Providers Alliance

Potential sub-sector chapters

Credit ratings agencies

Exchanges

Index providers

Investment advisers

ESG research, data and proxy research advisers

Auditors

- **Nominated lead panel and members**
- Provider types will be represented on the Steering Group, with ideally one from each type and no more than two from each type
- **MSCI will also provide administrative support** →
- **At least quarterly meetings**
- **Decisions made by consensus/votes as necessary**

### Service Provider Steering Group

- **Overall oversight of initiative** including workplan and workstreams
- **Strategic coordination**, including with other RtZ/GFANZ alliances
- Decisions on approval of **new members** and membership composition
- Make decisions where appropriate e.g. how to progress deliverables under the workplan, endorse or publish materials or recommendations
- **Monitor progress** e.g. of workstreams
- **Demonstrate leadership action** e.g. on target-setting, transition strategies

### Advice and support from PRI

- PRI scoping inclusion within 2023 PRI reporting framework

### Secretariat support

- Staffed part-time by volunteer service providers
- Assist with objectives set by Steering Group; make operational decisions
- Support Steering Group and any workstreams;
- Prepare and administrate meetings of the working group(s)
- Coordinate comms
- Monitor and review progress of work annually

# **Deliverables agreed by the GFANZ Principals Group**

**Driving recruitment into existing and new GFANZ alliances, and encouraging interim targets**

**Sectoral net zero pathways to guide financing decisions**

**Best practice transition plans for the financial sector, including cross-cutting challenges**

**Portfolio alignment metrics**

**GFANZ communique: policy advocacy and supporting actions**

**Call to real economy clients and investees to align with net zero through credible transition plans**

**Mobilisation of capital to climate solutions in emerging markets and low income economies**