

NET ZERO FINANCIAL SERVICE PROVIDERS ALLIANCE (NZFSPA)

TARGET-SETTING FRAMEWORK AND GUIDANCE

INDEX 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.

INTRODUCTION

Achieving the objectives agreed in the Paris Agreement to limit global temperature increases to well below 2°C from pre-industrial levels, while striving for 1.5°C, will require ambitious actions from all parts of the economy and the financial services ecosystem.

Alongside governmental policy commitments and corporate action, financial institutions will need to adjust their business models in the short and long term and develop realistic strategies to reach net zero underpinned by robust, science-based targets and action plans including transition plans¹.

The window for action is small. To achieve the goals of the Paris Agreement, emissions must now halve every decade. A growing number of financial institutions, including the world's largest financial service providers, investment managers, banks, and asset owners are each making individual commitments to set Paris Agreement-aligned targets. Consistent with that trend, members of the NZFSPA², (or "Alliance") have signed an eight-point commitment and agreed to set independently meaningful interim targets, relevant to their business operations and activities.

The role of index providers within this broader financial services ecosystem in tackling this challenge is important, in particular to meet the needs and demands of end users, including asset owners and asset managers. Financial professionals and institutional investors worldwide depend upon indices for real-time information about market performance, to develop passive investment products, such as Exchange Traded Funds (ETFs) and active investment fund strategies. They also depend upon performance benchmarks and they use index data as inputs for investment decisions. Thus, as investors turn to net zero investment opportunities, there is a growing marketplace demand for net zero indices.

¹ For more on transition plans see [Recommendations and Guidance on Financial Institution Net-zero Transition Plans- November-2022.pdf \(bbhub.io\)](#)

² <https://www.unpri.org/net-zero-financial-service-providers-alliance>

To meet this growing demand, and in accordance with their own NZFSPA eight-point commitment, the members of the Index Providers group each resolve themselves to invest further in the development of net zero indices, pledge to set for themselves interim and final targets, and engage to work to improve the quality and accessibility of net zero indices. The ultimate goal is to meet the rapidly growing market demand for net zero indices by providing investors with more choice, more quickly, and with greater transparency.

This document sets out the following:

- commitment and guiding principles
- a target-setting framework for index providers, and
- guidance for setting targets and measuring progress³

³ See table in Appendix

THE COMMITMENT

We begin by reiterating the individual commitment each member of NZFSPA has made, as set forth on the [NZFSPA website](#):

Based on the best available science, including the findings of the IPCC, on the drivers and impacts of climate change, we believe there is an urgent need to accelerate the transition towards global net zero greenhouse gas (GHG) emissions and for service providers to play our part to help deliver the goals of the Paris Agreement and ensure a just transition to a low carbon economy.

Alliance members have committed 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 parties making this Commitment do so subject to any legal, regulatory, professional standards and professional or ethical obligations that apply to them.

In order to fulfil this Commitment the members will:

1. Align⁴ all relevant services and products⁵ to achieve net zero greenhouse gas emissions by 2050 or sooner, scaling and mainstreaming Paris Agreement-alignment into the core of their business.
2. Build internal capability to understand the risks and opportunities of the net zero transition using best-practice net zero methodologies⁶ 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 GHG emissions.

⁴ The way in which a member aligns is up to the member at firm-level.

⁵ Each firm can define the meaning of relevant services and products according to their firm.

⁶ 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.

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.
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)⁷ and climate action plans.

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

⁷ As comprehensively as possible, while being cognisant that some sections do not directly apply to all signatories.

GUIDING PRINCIPLES

To demonstrate credibility in our approach, the Index Providers group of the NZFSPA seeks approval of this framework from the UN's Race to Zero campaign⁸. As service providers, group members recognise that much of the growing demand for net zero indices 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 member of the index group has independently determined to take steps toward achieving the goals of the Paris Agreement, each also recognises that robust competition among index providers and product 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 group members may provide, in terms of net zero indices or otherwise, but should instead (1) assure investors and other users of indices that index providers will be taking steps to meet the growing demand for net zero indices, and (2) demonstrate that each member understands the individual responsibility that 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. Doing so makes net zero investing easier because it ensures that users of the indices 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 offerings or eliminate differentiation among products, 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.

PROPORTIONALITY AND INCREMENTALITY

The target-setting framework set forth below refers to the individual, independent commitments by each member of the index group to expand the availability and accessibility of net zero indices, in furtherance of each member's desire to serve the growing marketplace demand for such indices. These targets, however, are voluntary and not conditioned on other members' performance. The reporting requirements contained herein are nevertheless important to track overall industry performance in supporting the growing marketplace demand, and to provide ongoing visibility to the various constituencies affected by the creation and development of net zero indices.

⁸ [Race to Zero - Climate Champions \(unfccc.int\)](https://unfccc.int/race-to-zero)

It is also important to note that index providers are a wide set of companies ranging from large global entities to smaller, niche businesses. In applying the reporting requirements against the targets outlined in this document, a principle of proportionality needs to be used. This proportional approach recognises that each target entails a number of actions and processes, some of which will be more logistically complex and resource-intensive to implement than others.

The Index Providers group within the NZFSPA therefore proposes to adopt a phased, proportional, and incremental process whereby the members of the group:

- Commit themselves to fulfilling the targets each member sets with respect to its own business, unless a legal or regulatory hurdle appears in the implementation process.
- Commit themselves to invest in their infrastructure and resourcing in an effort to achieve one or more of the member's targets as quickly as possible.
- Will reassess the member's individual targets every two years:
 - with the view of increasing the probability of attaining more of the targets;
 - considering any intervening changes to the Framework;
 - in light of and incorporating relevant new information, including review of progress of the GFANZ index investing workstream; and
 - to adapt targets to any new regulatory requirements.
- Will aim to independently implement all targets set by the member no later than 2032.
- Will apply proportionality in reviewing the yearly reporting against these targets.

The application of proportionality asks members of the group to report publicly on a 'meet or explain' basis⁹. In the event that a member faces challenges to report on its targets in a timely manner, for example due to resource constraints, it is permissible so long as that member explains why.

In addition, this document will be reviewed by the Index Provider group (together with the secretariat), at least every two years up to 2030 and thereafter every five years, or sooner when required.

The aim of this approach is to factor in opportunities to adjust targets and reporting based on individual circumstances members face as well as intermittent and transparent engagement with other NZFSPA groups and alliances, regulators and policymakers regarding the related financial stability risks. On the latter point, it is acknowledged that some of these targets might not be achievable without actions from regulators and policymakers.

⁹ This means that members either report on how they've met the targets or explain the reasons why they haven't done so within their report.

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 shall set and publish their individual firm level targets within one year of publication of the target-setting framework.
- After one year of setting individual firm-level targets, each member shall publicly disclose annually on a 'meet or explain' basis 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, non-public information. Please see the Appendix section at the end of the document for alignment of targets with timelines.

SPHERES OF INTERACTION AND RATIONALE

The specific targets that Index Providers individually set will be influenced by a range of factors such as business models, regulatory environment and type of products and services offered.

The activities of index providers broadly interact with the following three groups:

- Users of indices: such as asset owners, asset managers and other financial institutions, who use indices to create investable financial products (such as ETFs, index strategies and passive funds); for strategic or tactical allocations; to assess fund performance or as a reference point for pricing and risk management in underlying contracts; and/or to conduct research and analysis.
- Constituents of indices: that is, the issuers of equity securities (corporates) and the issuers of debt securities (corporates, agencies and governments). There are certain regulatory restrictions that govern the nature and extent of engagement with constituents. Where feasible, index providers should strive to provide public information for all stakeholders on their net zero index offerings, including how the index is constructed and the datasets used for capturing net zero targets and strategies across Scopes 1, 2 and 3 emissions. Index providers will not disclose any competitively sensitive, non-public information.
- Industry stakeholders: such as policymakers, regulators, financial service provider peers, shareholders, civil society and other stakeholders. Similarly, there are restrictions which govern content and liaison with certain stakeholders, but where feasible, legally possible and consistent with their independent role, index providers should work generally to educate stakeholders on net zero indices and to provide information to better enable those stakeholders to use net zero indices to achieve their goals and policy initiatives.¹⁰

With these spheres of interaction in mind, the following focus areas have been identified for purposes of index providers' target-setting and aligning with the Alliance Commitment.

¹⁰ See point 7, [Commitment - Net Zero Financial Service Providers Alliance \(netzeroserviceproviders.com\)](https://www.netzeroserviceproviders.com)

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.
- In order to achieve transparency and add robustness to reporting of targets, members should, in their annual reporting, outline their work plans for delivering 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 an index 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 TARGETS

This target-setting pillar relates to items #1, #2 and #8 of the NZFSPA commitment. Index providers can support the ongoing net zero transition by developing additional products and services that align with the net zero transition and stakeholder needs.

A significant and growing proportion of global investments are managed using passive vehicles (such as ETFs, passive funds) that replicate a financial index. To help the financial community (including members of the respective GFANZ alliances¹¹) to reach their own net zero goals, relevant index products and services should be offered that align with those goals.

This journey can start with developing index methodologies and objective criteria to build net zero indices and applying criteria to produce net zero index versions of all relevant¹² indices, with a focus on the most widely used indices across as many regions and asset classes¹³ as possible, supported by the best available climate science and data.¹⁴

Going further, net zero methodologies and criteria should inform the construction of new net zero indices that demonstrate relevant consideration, sophistication and maturity in the integration of the best available climate science and data in constituent selection. As net zero index offerings increase,

¹¹ <https://www.gfanzero.com/membership/>

¹² Relevant will be defined by each index provider depending on their suite of products.

¹³ An asset class is a grouping of investments that exhibit similar characteristics and are subject to the same laws and regulations for e.g equities (e.g., stocks), fixed income (e.g., bonds), cash and cash equivalents, real estate.

¹⁴ The best available climate science and data may include, for example, the findings of latest Intergovernmental Panel on Climate Change report.

investors may have a wider variety to choose from, which will improve the standard to assess investment risk/returns.¹⁵

In all the below, for purposes of the individual targets, the terminology “net zero index” means an index that represents a level aligned with a decarbonisation pathway incorporating the most recent findings from the Intergovernmental Panel for Climate Change, which currently seeks to limit global warming to 1.5°C by reducing CO2 emissions to net zero by 2050, with no or limited overshoot pathways – noting that these findings change over time so there may be a lag in regulatory requirements and/or adjustments to decarbonisation pathways. It is also acknowledged that, at the time of writing, there is a lack of consensus in financial markets on which specific types of indices and/or index-related products represent appropriate alignment to the IPCC scenarios. Therefore, it is at the discretion of each index provider to determine net zero alignment and the range of indices/index products to be considered in accordance with this commitment.

For the avoidance of doubt, none of the targets discussed herein are intended to suggest that any index provider should cease providing or offering any service or product. Rather, the targets discussed herein are focused on the introduction of additional indices and/or the enhancement of existing indices, to provide the market additional choices.

Target 1.1

Index providers shall aim to provide net zero indices for relevant index products by the end of 2026 or sooner

GUIDANCE AND TIMING

- Alliance members should aim to identify and include relevant indices where a net zero option can be applied.¹⁶ Where feasible, this includes indices aligned with net zero for all relevant asset classes, themes and regions in a first phase. Members will independently develop and maintain relevant indices.
- Alliance members should review the publicly reported outputs from other net zero alliances where they relate to index provisions.¹⁷
- Alliance members should review index methodologies, including net zero index methodologies, to ensure each index continues to meet its stated objective.

¹⁵ <https://www.unpri.org/net-zero-financial-service-providers-alliance/qanda>

¹⁶ Relevant will be defined by each index provider depending on their suite of products. p

¹⁷ Significant outputs from other Net Zero alliances that are likely to impact the Net Zero index group will be communicated to members by the Secretariat.

Target 1.2

Index providers shall take into account climate risks, real-world emissions and forward-looking constituent information in identifying opportunities, undertaking research and product development where provider deems such factors relevant and appropriate

GUIDANCE AND TIMING

- Index providers, where possible, shall work to ensure their net zero indices use the best available climate science. In general, this means index providers should use—subject to their professional judgment—forward-looking information on credible real world emissions reduction pathways to net zero by corporates and governments (for all jurisdictions for which information is available).
- Index providers may, as part of their individual efforts, and consistent with their professional judgment, develop net zero indices that include incremental emissions reductions targets (i.e. ratcheting up to net zero over an interim period); and/or indices targeting industries and sectors poised to achieve climate risk mitigation or just transition through auxiliary means.
- Index providers shall strive to use best-practice and market-recognised net zero data¹⁸ where they exist, subject to their professional judgment. Where data is missing, index providers should proactively work with data and service providers to help address those gaps.
- Index providers may choose to design and develop indices for sectors they deem relevant to the net zero transition for example renewables-related indices or sustainable commodities indices.¹⁹

Target 1.3

Index providers should demonstrate progress towards the integration of climate disclosure criteria in constituent inclusion methodology for net zero-aligned indices by 2026

¹⁸ The best available climate science and data may include, for example, the findings of latest Intergovernmental Panel on Climate Change report.

¹⁹ Examples provided are not intended to encourage or discourage inclusion/exclusion of particular sectors but for demonstrative purposes only.

GUIDANCE AND TIMING

- Index providers should progressively explore the feasibility of integrating climate disclosure criteria into index design for net zero indices.

2. TRANSPARENCY TARGETS

This target-setting pillar relates to items #2 and #8 of the NZFSPA commitment. Index providers can help clients, constituents and wider industry stakeholders understand the risks and opportunities of the net zero transition using best-practice disclosure and transparency approaches, aligned with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD) and/or other globally recognised climate and net zero target disclosure frameworks.

Target 2.1

Index providers shall provide index-level disclosure of climate and net zero transition metrics by 2026 or sooner for applicable net zero indices

GUIDANCE AND TIMING

- Index providers shall ensure transparency regarding the index methodology and design of net zero indices.
- Index providers shall publish index-level climate and net zero-relevant metrics including, where possible, consideration of forward-looking information, for relevant²⁰ indices by 2026 or sooner.
- Index-level climate and net zero transition metrics should, where possible, be based on the best available climate science and any best-practice net zero data. Where data is missing, index providers should proactively work to help address those gaps.
- Where possible, the alliance may consider other efforts aimed at increasing transparency in the financial market around GHG emissions (examples of this include the Net Zero Data Public Utility, CDP and other sources).

Target 2.2

Index providers should track adoption and usage of climate and net zero indices and index-related products by 2026 or sooner

²⁰ Relevant will be defined by each index provider depending on their suite of products.

GUIDANCE AND TIMING

- Index providers should track usage of net zero indices and, where feasible, publish information concerning the use and adoption of net zero indices and index-related products offered by the index provider.
- Any information shared in furtherance of this target should not include competitively sensitive information.
- Any information shared in furtherance of this target should also be made publicly available.

3. COMMUNICATION, EDUCATION AND ADVOCACY TARGETS

This target-setting pillar relates to items #1, #6 of the NZFSPA commitment. Index providers will not communicate competitively sensitive, non-public information. The targets and guidance in this section are organised according to index providers' spheres of influence (as outlined above).

Target 3.1

Index providers should support index user engagement with constituents through transparent index rules, eligibility criteria, and methodology

GUIDANCE AND TIMING

Communication with the users of indices:

- Index providers shall provide documentation and information with respect to their net zero indices to users of the indices.
- The methodology for net zero indices should be clear, transparent, and substantiated, in particular concerning eligibility rules, rebalancing frequency and regular reviews including those in line with EU benchmark regulations.
- Index providers should clearly and transparently communicate to stakeholders about the index methodologies and data sources used in index construction, in particular eligibility rules, rebalancing frequency, and data sources used.
- Index providers will not disclose competitively sensitive, non-public information, or other information beyond what the provider would typically disclose about their methodologies. This target shall not require index providers to divulge commercially acquired climate metrics.

Target 3.2

Index providers should provide support for clients interested in addressing climate risks in their portfolios, and in adopting net zero products, where legally possible

GUIDANCE AND TIMING

Engagement with clients:

- Where appropriate for each member, providers should refer to the latest IPCC findings and to the material impacts of climate risk on financial markets in a firm's own statements²¹ on climate risk, responsible investment and sustainability.
- Index providers should provide at least one event/webinar and/or publication for clients covering one net zero topic in depth. Through each provider the Alliance can collectively cover different aspects including, for example, disclosure, regulation, methodologies, climate risk or climate solutions.
- Index providers should consider one or more of the following client engagement approaches.
 - Providing or supporting education or training programmes for clients, investment managers, legal advisers or other investment organisations on net zero topics, including best practices for net zero investment.
 - Speaking publicly at events and conferences to explain net zero indices.
 - Making publicly available in-house research papers on net zero indices. Competitively sensitive information will be removed or redacted prior to publication.
 - Writing and publishing articles on net zero indices in the media and across internal platforms.

Target 3.3

Index providers should consider engaging with policymakers, regulators and other stakeholders to support the adoption of climate disclosure and net zero strategies, where legally possible and appropriate for the firm

GUIDANCE AND TIMING

Engagement of industry stakeholders (for example, policymakers, regulators, financial service provider peers, civil society other stakeholders):

- index providers should administer their own engagement policies and are invited to support the Alliance in conveying best net zero practice and research in language accessible to multiple audiences across transparency, engagement, and transition targets;
- information should be conveyed in a clear and accessible way across all regions/audiences;
- index providers should also actively engage with policymakers and regulators to seek that they provide clarification or to remove perceived inconsistencies.

²¹ Reference in a firm's parent company statements is also acceptable.

Examples include:

- publication of case studies covering the spectrum of net zero index methodologies/approaches/products offered by index provider members;
- an event at a suitable location preferably during Climate Week, PRI in Person or at the UN's climate change Conference of the Parties;
- providers with exposure to emerging and developing markets should strive to inform relevant audiences on net zero indices through webinars/events in local languages.

4. OWN OPERATION AND DISCLOSURE TARGETS

This target-setting pillar relates to items #4, #5 and #6 of the NZFSPA commitment. To provide a good example to clients and other key stakeholders, index providers should have set a net zero target and disclose progress at least annually.²²

Furthermore, index providers should report on their climate actions at least annually which includes building internal capability and understanding of net zero risks and opportunities through training and the development of best practice based on the best available climate science, data and net zero methodologies. Index providers will not disclose competitively sensitive, non-public information, or other information beyond what the provider would typically disclose about their methodologies.

Target 4.1

Index providers (or the relevant group entity) shall set net zero targets encompassing Scope 1, 2 and (where material) 3 emissions annually

This target is around index providers' disclosures regarding their own operations (which may be part of a group entity if relevant).

GUIDANCE AND TIMING

- Index providers (as part of a broader group entity if relevant) should have an own operation net zero target and measure and disclose Scope 1, 2 and, where material, 3.
- Any targets and progress should be disclosed at least annually, including publishing disclosures aligned with the recommendations of the TCFD.

²² Reference in a firm's parent company statements is also acceptable.

- Index providers should apply science-based targets in determining appropriate emission reductions by 2030.²³

²³ This could include commitments to engage with suppliers to ensure that these actors have science based emissions reductions targets in place. Targets are considered 'science-based' if they are in line with what the latest climate science deems necessary to meet the goals of the Paris Agreement – limiting global warming to well-below 2°C above preindustrial levels and pursuing efforts to limit warming to 1.5°, with no or low overshoot. [R2Z Lexicon 2.0 \(unfccc.int\)](#)

REPORTING GUIDELINES

- Disclosure shall cover all targets and key performance indicators (KPIs) identified by the member. Where members do not provide this disclosure, an explanation should be published.
- Index providers may choose to disclose additional voluntary targets alongside the disclosure of the targets recommended above.
- Index providers (as part of a broader group entity if relevant) shall disclose progress aligned with the TCFD recommendations and against targets and/or KPIs set in the previous cycle and set new goals and ambitions for the coming reporting year.
- Where index providers can go beyond the targets and guidance text, the application of stretch goals and ratchet mechanisms are strongly encouraged.
- Disclosure shall be publicly available and easily accessible, for example as part of the index provider (or its group's) annual, integrated or sustainability report, or on the website (where it should be clearly marked) and/or published on the NZFSPA website or PRI websites where feasible and in due course.
- Where index providers are part of a larger group which has committed at group level to the NZFSPA commitment, it is expected that the index provider service within that group will report on the targets included in this document.

APPENDIX

Guidance for setting targets and measuring progress

Commitment	Year 0	Year 1	Year 2	2026	2030	2032
<i>Index providers shall aim to provide net zero indices for relevant index products by the end of 2026 or sooner. (1.1)</i>	Join NZFSPA Index Providers group and participate in development and review of Target-Setting Framework	Net zero indices across relevant asset classes being developed and/or available	Net zero indices across relevant asset classes being developed and/or available	Net zero indices provided across relevant asset classes First Target Setting Framework Review	Ongoing cycles of review every two years.	Ongoing implementation of each provider's independent targets and their underlying processes, while aiming to align with revised versions of this document and subject to the principles of 'Proportionality and Incrementality' above
<i>Index providers shall take into account climate risks, real-world emissions and forward-looking constituent information in identifying opportunities, undertaking research and product development where provider deems such factors relevant and appropriate. (1.2)</i>		Ongoing climate risks, real world emissions and forward-looking constituent information accounted for in undertaking research and product development where provider deems such factors relevant and appropriate				
<i>Index providers should demonstrate progress towards the integration of climate disclosure criteria in constituent inclusion methodology for net zero aligned indices by 2026. (1.3)</i>			Members free to voluntarily demonstrate progress towards integration of climate disclosure criteria in inclusion methodology for net zero indices	Demonstrate progress in integration of climate disclosure criteria in inclusion methodology for net zero indices	Ongoing demonstration of progress in integration of climate disclosure criteria in inclusion methodology for net zero indices (in line with most recently updated review of Target-Setting Framework)	
<i>Provide index-level disclosure²⁴ of climate and net zero transition metrics</i>		Members free to voluntarily	Members free to voluntarily provide	Index-level disclosure of climate and net zero transition metrics	Ongoing disclosure of index-level climate and net zero transition (in line with most recently updated review of	

²⁴ Throughout this appendix, with respect to any reference to a "disclosure," providers will not disclose competitively sensitive, non-public information, or any other information a provider would not typically disclose.

<i>by 2026 or sooner for applicable net zero indices (2.1)</i>		provide index-level disclosure of climate and net zero transition metrics by 2026 for applicable net zero indices	index-level disclosure of climate and net zero transition metrics by 2026 for applicable net zero indices	by 2026 for applicable net zero indices	Target-Setting Framework)
<i>Track adoption and usage of climate and net zero indices and index-related products by 2026 or sooner (2.2)</i>		Members free to voluntarily track adoption and usage of climate and net zero indices and index-related products	Members free to voluntarily track adoption and usage of climate and net zero indices and index-related products	Where feasible, assets tracking climate and net zero indices and index-related products are published	Ongoing tracking of assets tracking climate and net zero indices and index-related products are published (in line with most recently updated review of Target-Setting Framework)
<i>Index providers should support index user engagement with constituents through transparent index rules, eligibility criteria, and methodology (3.1)</i>		Ongoing support for user engagement with net zero index constituents. Through transparent index rules, eligibility criteria, and methodology			
<i>Index providers should provide support for clients interested in addressing climate risks in their portfolios, and in adopting net zero products, where legally possible. (3.2)</i>		Ongoing engagement with, and enabling of, clients to address climate risks in their portfolios and adopt net zero products where legally possible			
<i>Index providers should consider engaging with policymakers, regulators and other stakeholders to support the adoption of climate disclosure and net zero strategies, where legally possible and appropriate for the firm. (3.3)</i>		Ongoing engagement with policymakers, regulators and other stakeholders to support the adoption of climate disclosure and net zero strategies, where legally possible and appropriate for the firm			
<i>Index providers (or the relevant group entity) shall set net zero targets encompassing Scope 1, 2 and (where material) 3 emissions annually (4.1)</i>		Annual setting of net zero targets encompassing Scope 1, 2 and (where material) 3 emissions by index providers or the relevant group entity. Members will set and implement targets independently at the firm-level			