

# UN SSE: Communication to Stakeholders



**LSEG**

Having joined the UN Sustainable Stock Exchanges (SSE) initiative in 2014, LSEG has committed to report to SSE stakeholders on an annual basis. The report provided below is in line with the template and structure developed by the SSE. This is LSEG's ninth report on progress.

<b>Business strategy</b>		
1	How does your exchange define and view the rationale for corporate sustainability and the exchange's role in promoting it?	Our CEO's message, sustainability strategy and materiality review on pages 4 and 5 of our Sustainability Report 2023 demonstrate our rationale for sustainability and our role in promoting it.
2	How does your exchange's senior leadership and organisational structure support the promotion of corporate sustainability in its market(s)?	<p>The Sustainability Committee is a senior-level committee chaired by the Chief Risk Officer. The Committee is responsible for providing strategic direction on the Group's sustainability ambition and the strategy, approving sustainability KPIs and targets and monitoring progress against strategy.</p> <ul style="list-style-type: none"> <li>– We support the promotion of sustainability across financial markets and are committed to resourcing sustainability sufficiently. The Sustainable Finance team is a cross-divisional team across Capital Markets and Post Trade that is responsible for sustainability in the exchange business. The team is responsible for running, operating and growing our sustainability offering across the Green Economy Mark (equity), Sustainable Bond Market (fixed income) and Voluntary Carbon Market (funds/equity). The team is also responsible for the development of our sustainable finance products and services and the advocacy work to ensure that we maintain the London Stock Exchange's position as a trusted and leading sustainable stock exchange.</li> </ul>
3	What goals/objectives does your exchange have in regards to advancing sustainability in your market?	<p>LSEG's overarching objective related to advancing sustainability is to become a strategic enabler of sustainable economic growth. We have a key role in enabling sustainable economic development, which demands a balance of economic progress, social inclusion and environmental protection. Our sustainability strategy has three strategic priorities:</p> <ul style="list-style-type: none"> <li>– Accelerate the just transition to net zero – enable more companies and issuers to access the capital needed to finance the transition to a low-carbon economy. Improve transparency and understanding of risks associated with the transition by promoting clear, comparable and comprehensive data</li> <li>– Enable the growth of the green economy – provide the market infrastructure to support the growth in green capital channelled towards sustainability solutions, clean growth and sustainable economic activity. Leverage our research capabilities and promote market collaboration to support the growth of the green economy</li> <li>– Create inclusive economic opportunity – we aim to empower economies, communities and individuals by championing inclusion and access to economic opportunity</li> </ul>
<b>Transparency and issuer reporting</b>		
4	Describe your exchange's approach to promoting sustainability disclosure by companies.	<p>We advocate for best-practice disclosure on all elements of ESG, including climate-related risks and opportunities, according to the TCFD recommendations.</p> <p>We played a pivotal role as Co-Chair to the development of the UN SSE Model Guidance on Climate-related Disclosures. We subsequently published our own version of the guidance which is specific to the UK regulatory landscape and designed to educate the market on which climate-related information is material to investors.</p> <p>In ESG reporting, we provide ESG Reporting Guidance document to help companies understand leading global frameworks, reporting formats and recommended disclosures per industry. Applying FTSE Russell's data and the Transition Pathway Initiative's (TPI) Management Quality methodology, we provide companies with an assessment of their carbon management practices through a 'Climate Governance Score'. This helps to identify areas for improvement in their climate disclosure and integration of climate risks and opportunities into business strategy. Our accompanying online tool enables companies to receive private personalised recommendations on how to improve their carbon management practices and progress through the TPI levels.</p> <p>We were delighted to host the launch of the International Sustainability Standards Body standards and the final Transition Plan Taskforce Framework in 2023. LSEG welcomes the launch of both initiatives and has been advocating for economy-wide adoption of these initiatives which will bring about more consistent, comparable and forward-looking information to inform sustainable investment decisions. The Exchange has hosted training sessions to inform stakeholders on IFRS S1 and IFRS S2.</p>

5	What is your exchange's process for reviewing listing standards in general? Are there opportunities for stakeholders to comment during the process?	<p>The UK's Financial Conduct Authority (FCA), not the London Stock Exchange, is responsible for setting listing standards in the UK.</p> <p>The London Stock Exchange is a stakeholder in the policies set by the FCA and therefore contributes during consultations on listing rules. The London Stock Exchange is responsible for the Admission and Disclosure Standards and where there are proposed changes, we consult with the market for comments. For example, ahead of launching our Voluntary Carbon Market and publishing Schedule 8 of the Admission and Disclosure Standards, we launched a public consultation and and, as a result, refined the rules to include operating companies.</p> <p>The London Stock Exchange is responsible for the rules and regulation of AIM. The rulebooks are updated via a consultation between the Exchange and the AIM community to ensure they remain appropriate and pragmatic for growing companies.</p>
6	How do you track sustainability reporting of your listed companies?	<p>The London Stock Exchange reviews the data comprising its Climate Governance Score to assess how well public companies are integrating climate change considerations into their business strategies. We assess this on an annual basis to track how disclosure is improving market wide.</p> <p>Issuers on our Sustainable Bond Market must comply with mandatory annual post-issuance reporting requirements to demonstrate continued eligibility for the Sustainable Bond Market over the lifetime of the issuance.</p> <p>Listed companies can track how their sustainability performance compares to their peers' through access to Refinitiv ESG data on the Issuer Services platform.</p>
7	What incentives (i.e., public recognition/ awards) and sanctions do you have in place to encourage disclosure and discourage non-compliance/lower levels of transparency?	<p>LSEG offers one of the most comprehensive ESG databases in the industry. Issuers have access to LSEG ESG Data and Scores through the Issuer Services platform which provides more than 600 metrics from 15,000 companies globally. Issuers are encouraged to use this feature to assess their performance against peers' and identify areas for improvement.</p> <p>The London Stock Exchange provides access to an online Climate Governance Tool which helps companies understand their climate disclosure and carbon management practices.</p>
8	What connections have you made between national sustainable development frameworks and goals, and your exchange's existing standards and norms?	<p>Our ESG Reporting Guidance builds on disclosure standards across the UK.</p> <p>In 2021, the FCA mandated TCFD-aligned disclosures by some public companies. The London Stock Exchange's Climate Reporting Guidance aids companies' understanding of the disclosure requirements and regulatory landscape with the intention of improving disclosure standards in our markets.</p> <p>FTSE Russell assesses ESG and green revenues disclosure and performance of companies globally and provides this analysis to investors around the world. This data is also used to construct the FTSE ESG Index Series, which highlights companies that meet good practice standards. The Green Economy Mark cohort must disclose their green revenues. Sustainable Bond Market issuers are required to provide annual disclosures and failure to do so may result in their instrument being removed from the platform.</p> <p>We have representatives that are members of the UK Voluntary Carbon Markets Forum and interact with the Integrity Council for Voluntary Carbon Markets (ICVCM) and the Voluntary Carbon Markets Initiative (VCMI), which are all focused on scaling the global voluntary carbon market. We responded to the need to scale voluntary carbon markets by launching a Voluntary Carbon Market to increase the flow of capital into new climate mitigation projects worldwide.</p> <p>LSEG also has representatives that are members of the Green Taxonomy Advisory Group (GTAG) which is contributing to the development of a UK green taxonomy, a common framework for sustainable investment.</p> <p>The exchange participates in several ICMA working groups that are responsible for establishing and reviewing frameworks in the fixed income market. These ICMA principles form some of the international principles to which we require issuers to adhere if they are to list on our SBM.</p> <p>Through our membership and engagement with GFANZ and the Net Zero Financial Service Providers Alliance we are contributing to this transformative step in embedding net zero across the whole financial system. We have committed to aligning all relevant services and products to net zero by 2050.</p>

<b>Issuer capacity building</b>		
9	If your exchange offers sustainability guidance for companies, please provide a description of the process for its creation.	<p>During the development phase for our Climate Reporting Guidance, which was published in 2021, we consulted market participants who reviewed the document to ensure it met the needs of a broad range of issuers.</p> <p>Our guidance was based on the UN SSE Model Guidance on Climate Disclosure, in addition to incorporating UK regulatory considerations and practical examples. We continue to monitor global policy and regulatory developments to ensure the guidance remains relevant.</p> <p>We engaged with a number of companies, financial market participants and advisory groups to inform the creation our Climate Transition Offering (which comprises data, guidance and training) during its development phase.</p> <p>Our established Sustainable Bond Market Advisory Group participated in the development of the criteria for the Transition Bond Segment.</p> <p>After we announced our intention at COP26 to develop a Voluntary Carbon Market, we convened an external delivery group of experts from across the financial sector and carbon markets including lawyers, fund managers, project developers and companies. These participants were instrumental in shaping and refining the product ahead of launch in October 2022.</p>
10	Do you and/or your regulator provide guidance on externally assuring ESG disclosures? In your market, how common is external assurance of ESG disclosures?	LSEG's recommends enhancing the credibility of ESG information through internal and/or external assurance (see 'Investment Grade Data' chapter of the guidance).
<b>Collaboration and engagement</b>		
11	Who does your exchange view as its key stakeholders and how does it engage and collaborate (or plan to do so) with these and potentially other stakeholders?	<p>As a stock exchange which sits at the centre of financial markets we have several stakeholders, and we believe it is important to communicate and collaborate with them. These include private companies, public companies (across asset classes), advisers, brokers and investors, as well as regulators, policy makers and national government organisations.</p> <p>We do this in a range of ways including:</p> <ul style="list-style-type: none"> <li>– Engaging with other exchanges around the world through the UN SSE to share best practice.</li> <li>– Responding to regulator consultations and to those related to non-financial disclosure.</li> <li>– Hosting events for public companies and prospective issuers which cover key sustainability and climate-related topics.</li> <li>– Actively participating in industry initiatives and external working groups.</li> <li>– Providing LSEG's ESG Data and Scores to our London-listed issuers to enable them to assess their performance against peers and identify areas for improvement.</li> <li>– Working in a range of ways to support the growth and development of sustainable finance: LSEG is a partner of the Climate Bonds Initiative, part of ICMA's Green Bond Principles and Social Bond Principles Advisory Council, and has created a forum in the Sustainable Bond Market Advisory Group.</li> </ul>

## Sustainable products

12	How has your exchange supported the development of financial products that address sustainability-related issues (e.g., ESG Indices, carbon markets, social/environmental bonds, sustainable development funds, etc)?	<p>From the pioneers who are leading the green economy to the more carbon-intensive industry sectors making the transition to lower-carbon operating models, the London Stock Exchange is committed to supporting issuers with access to capital and sustainable finance products and services across a range of asset classes.</p> <p>In October 2022, we launched our Voluntary Carbon Market. This is a designation for funds or operating companies on AIM or Main Market that are focused on financing climate change mitigation projects which are expected to yield carbon credits. This provides an alternative solution to procurement for corporates seeking access to a supply of carbon credits to augment their decarbonisation strategies.</p> <p>Our Green Economy Mark recognises companies and funds on our markets deriving 50% or more of their revenues from products and services that contribute to the global green economy. It helps to increase the visibility of issuers on London's markets that are contributing to achieving positive environmental objectives. More than 100 companies and funds with a combined market cap of £150bn+ currently hold the Green Economy Mark.</p> <p>The Sustainable Bond Market allows issuers of qualifying sustainable debt instruments to display bonds on the platform, providing access to the largest, most sophisticated and long-term oriented investor base for sustainable debt finance.</p> <p>Through our Issuer Services platform, London-listed companies can access the ESG data and scores of LSEG. Through this database, issuers can gain a global view of ESG performance in their sector and understand best practice ESG disclosure.</p> <p>Our Climate Transition Offering helps companies to prepare for the transition to low-carbon through access to tools, resources and education. Our Climate Governance Score and Tool help companies to assess their carbon management practices. The Climate Reporting Guidance and complimentary training videos help companies discover best practice climate reporting and TCFD implementation.</p> <p>The Transition Bond Segment offers a solution for companies requiring access to capital to mobilise transition plans.</p> <p>FTSE Russell, an LSEG business, provides more than 180 ESG and sustainable indices, including its established FTSE4GOOD index series which measures the performance of companies demonstrating strong ESG credentials and the FTSE TPI Climate Transition Index Series which incorporates five key climate data inputs from the TPI core assessments and FTSE Russell's climate framework.</p> <p>There are more than 400 ESG ETF listings in London.</p>
----	-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

## Exchange needs

13	Are there any specific resources that you would like from the SSE or other relevant groups to help you in your sustainability work?	<p>The UN SSE should support exchanges to mobilise strategies in relation to achieving their commitments made under the Net Zero Financial Services Providers Alliance. The UN SSE can also use its convening power to promote engagement between exchanges around other important topics including social impact, diversity and the carbon markets. In addition to resources for the exchanges to engage with exchange teams, it would be beneficial to target the materials to issuers directly, e.g., best practice and disclosure and new environmental assets including carbon. The UN SSE should support regional carbon market engagement and education to maximise success in the global south, e.g., Africa and South Africa.</p>
14	Are there any specific requests you have of investors, issuers and regulators in terms of their role in advancing sustainability in the market?	<p>LSEG looks forward to continuing to collaborate with investors, issuers and regulators on the sustainable finance and investment agenda.</p> <p>It is key to the continued success of ESG disclosure that issuers understand how investors are transitioning capital allocations in response to ESG considerations. Therefore, we will keep placing emphasis on the importance of investor-issuer dialogue on ESG issues, as a complement to high-quality ESG data flows.</p> <p>We recognise the importance of data and disclosure in directing capital towards sustainable economic activity and our policy advocacy asks that policymakers introduce mandatory disclosures that align with ISSB and are consistent across private and public companies. We are also calling for greater disclosure of green revenues data and mandatory transition plans.</p>