

# UN SSE: communication to stakeholders 2024

## UN SSE: communication to stakeholders 2024

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 tenth report on progress.

### Business strategy

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, 10 and 11 of our <a href="#">2024 Sustainability Report</a> , 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 sub-committee of the Executive Committee, chaired by the Chief Risk Officer. The Committee is responsible for providing direction and oversight of the Group's overall sustainability strategy and programmes and is responsible for approving the Group's sustainability reporting on the Group's sustainability ambition and the strategy, approving sustainability KPIs and targets and monitoring progress against strategy.</p> <p>— The Sustainable Finance team is a cross divisional team that is responsible for embedding sustainability across Capital Markets and Post Trade. The team is responsible for running, operating and growing our multi-asset class sustainability offering across equities, fixed income and ETPs. The team is also responsible for the development of tools and services to support issuers develop, execute sustainability strategies and lead advocacy work to ensure that we maintain the London Stock Exchange's position as a trusted and leading sustainable stock exchange.</p>
3	What goals/objectives does your exchange have in regard to advancing sustainability in your market?	<p>LSEG's overarching sustainability objective is to become a strategic enabler and steward 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.</p> <p>We have identified three long-term macro trends, critical for sustainable development, which are highly relevant to the creation of a sustainable economy:</p> <ol style="list-style-type: none"><li>1) Climate transition</li><li>2) Growth of the green economy</li><li>3) Inclusive economic opportunity</li></ol> <p>We deliver on our objective to be a strategic enabler and steward of sustainable economic growth in four key ways:</p> <ul style="list-style-type: none"><li>— <b>Sustainable finance products and solutions:</b> we partner with our customers, providing market data, insights and infrastructure, to help them adapt, manage and benefit from the transition to a sustainable economy.</li><li>— <b>Sustainable finance market engagement and policy advocacy:</b> we engage with market participants and policymakers to support the development of standards, practices and policy that enable sustainable finance and investment.</li><li>— <b>Transforming our own operations:</b> we are embedding sustainability into our business operations, managing sustainability risk, reducing our environmental footprint and supporting diversity, equity and inclusion.</li><li>— <b>Empowering communities:</b> we engage with communities across the world helping to create economic opportunity through education, enterprise and employment.</li></ul>

## Transparency and issuer reporting

4	Describe your exchange's approach to promoting sustainability disclosure by companies.	<p>We advocate for best practice sustainability-related disclosure and maintain an updated <a href="#">Sustainability Reporting Guidance</a> document to help companies understand leading global frameworks, the key principles of best practice reporting and how to maximise business value from reporting. This guidance was updated in Q4 2024 to reflect recent sustainability reporting developments e.g. ISSB, TPT and CSRD.</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 what climate-related information is material to investors. This continues to be applicable to many London-listed issuers who are in scope of either FCA Main Market listing rule which require TCFD reporting on a comply or explain basis, or the UK Government's Climate Financial Disclosure requirement which is embedded into company law. We will continue to support issuers with climate disclosures in line with any evolution in the UK's requirements, such as the adoption of the ISSB standards.</p> <p>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 not covered in FTSE Russell's research universe to receive similar insights on how to improve their carbon management practices.</p> <p>In 2024, LSEG worked with the UN PRI and UN Sustainable Stock Exchanges on a call to action for commitment from relevant authorities across jurisdictions to adopt the ISSB standards – IFRS S1 and IFRS S2 – on an economy-wide basis by 2025; a document that was signed by 120 organisations. LSEG continues to work with policymakers and other stakeholders to advocate for the global adoption of these standards which will bring about more consistent, comparable, and forward-looking information to inform sustainable investment decisions. The Exchange, in partnership with the UN SSE, has hosted webinar sessions and in-person workshops to inform stakeholders on IFRS S1 and IFRS S2 implementation.</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), rather than the London Stock Exchange, is responsible for setting listing standards in the UK for the Main Market.</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 would 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 refined the rules to include operating companies as a result.</p> <p>The London Stock Exchange is responsible for the rules and regulation of AIM, our growth market. 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 publishes an annual review of its issuers' Climate Governance Score performance. The Climate Governance Score, utilising TPI's Management Quality methodology, assesses how well public companies are integrating climate change considerations into their business strategies and provides a practical measure of how far a company has progressed towards the core elements of climate reporting as defined by TCFD.</p> <p>Issuers on the Sustainable Bond Market must comply with mandatory annual post-issuance reporting requirements to demonstrate that they continue to meet the Sustainable Bond Market criteria over the lifetime of the issuance.</p> <p>Listed companies can track how their sustainability performance compares to their peers through access to LSEG 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 D&amp;A offers one of the most comprehensive ESG databases in the industry, drawing from publicly available sources only. Through the Issuer Services platform, issuers have access to LSEG's ESG Data and Scores which provides more than 800 metrics from 15,000 companies globally, representing over 90% of the global market cap. Issuers may use this feature to assess their performance against peers and identify areas for improvement. Issuers may also use the LSEG Contributions Channel to ensure their sustainability disclosures in the public domain are captured and interpreted accurately. Corporates not yet in the LSEG ESG data universe can obtain an ESG Score by accessing the LSEG Contributions Channel and pointing to relevant disclosures, this in turn will increase the visibility of their ESG performance with global financial services professionals.</p> <p>The London Stock Exchange provides a climate governance score to approximately 500 issuers privately on the Issuers Services platform. The Climate Governance Score is an assessment of governance which can enable companies to set credible targets rather than an assessment of climate performance or the quality of targets that a company has set. Those not included within the FTSE universe have access to an online Climate Governance Tool which utilises the same methodology.</p> <p>The Green Economy Mark is provided to companies and funds that demonstrate that at least 50% of their revenues are generated from green activities as defined by the FTSE Russell Green Revenues Classification System. Failure to provide sufficient public green revenue disclosures may result in companies being removed from the cohort.</p> <p>Sustainable Bond Market issuers are required to provide annual disclosures and failure to do so would result in the instrument being tagged as unreported and then ultimately removed from the Sustainable Bond Market after a defined period of time.</p>

## Transparency and issuer reporting

8	What connections have you made between national sustainable development frameworks and goals, and your exchange's existing Standard and norms?	<p>The <a href="#">'Guide to Sustainability Reporting'</a> builds on various global disclosure standards, recognising that London issuers may fall into scope of various reporting requirements, the guidance focusses on best practice reporting rather than specific frameworks.</p> <p>Under the FCA's listing rules, Main Market companies are subject to mandatory TCFD reporting on a comply or explain basis. The UK Government also formally endorsed the TCFD framework, which led to the introduction of mandatory Climate-related Financial Disclosures (CFD) set out in the Companies Act. These disclosure requirements have been in place since April 2022 and align with the TCFD recommendations but do not mirror them entirely. UK registered AIM companies with more than 500 employees are in-scope of this company law and are required to prepare a statement relating to the way in which it governs, measures and manages risks and opportunities it is exposed to due to climate change. The London Stock Exchange's TCFD Climate Reporting Guidance aids companies understanding of the climate disclosure requirements and how to engage effectively with stakeholders on climate-related risks and opportunities.</p> <p>We have representatives that are members of the UK 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 the voluntary carbon markets by launching a Voluntary Carbon Market Designation to increase the flow of capital into new climate mitigation projects worldwide.</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 we require issuers to adhere to display securities on our SBM. In April 2024, ICMA, IsDB and LSEG published guidance on green, social, and sustainability sukuk in the form of a practitioners' guide on the issuance of Sukuk (Islamic bonds) in line with the Green Bond Principles and Sustainability Bond Guidelines.</p>
---	--	--

## Issuer capacity building

9	If your exchange offers sustainability guidance for companies, please provide a description of the process for its creation.	<p>To produce our updated <a href="#">'Guide to Sustainability Reporting'</a> in 2024, we collaborated with a specialist third party consultant who supported in drawing from existing frameworks to summarise how to approach sustainability reporting in a way that meets reporting requirements whilst bringing value to a company, its investors and other stakeholders. Given that London-listed issuers may be captured by different reporting requirements, the guidance was centred around principles of best practice that apply across sustainability reporting frameworks.</p> <p>During the development phase for the 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-related 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>During the development phase for our Climate Transition Offering (which comprises data, guidance and training), we consulted with market participants who reviewed the document to ensure it met the needs of a broad range of issuers.</p> <p>When appropriate we convene the established Sustainable Bond Market Advisory Group to discuss the development of the London Stock Exchange's Sustainable Bond Market e.g. when adding new segments or changing the criteria.</p> <p>After we announced our intention at COP26 to develop a Voluntary Carbon Market solution, 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	<p>Within the <a href="#">'Guide to Sustainability Reporting'</a> the London Stock Exchange recommends enhancing the credibility of ESG information through external assurance (see 'Processing Sustainability data for investment decisions' chapter of the guidance).</p>

## Collaboration and engagement

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>– We engage with other exchanges around the world through the UN SSE to share best practice. Through our involvement with the UN SSE, we previously co-chaired (alongside the Johannesburg Stock Exchange) the development of the UN SSE Model Guidance on Climate-related Disclosure. We are currently co-chair of the UN SSE's Transition Plan Advisory Group.</li><li>– Worked with the UN PRI and UN Sustainable Stock Exchanges on a call to action for global economy-wide adoption of the International Sustainability Standards Board's standards by the end of 2025.</li><li>– We respond to regulator consultations, both UK and globally, and have responded positively to consultations related to non-financial disclosure.</li><li>– We provide a variety of thought leadership content covering key sustainability and climate related topics e.g. webinars, events and research.</li><li>– We have established, and convene on a quarterly basis, LSEG's Chief Sustainability Officer (CSO) Network, to create and foster a dedicated community for CSOs to share sustainability best practice.</li><li>– We provide LSEG's ESG Data and Scores to our London-listed issuers to enable them to assess their performance against peers and identify areas of improvement in their disclosure and performance.</li><li>– We are 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, contributed to the UK Transition Finance Market Review, represented on the UK Carbon Markets Forum 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>The London Stock Exchange's Green Economy Mark, first launched in 2019, identifies companies and funds listed on our markets that derive at least 50% of their total revenues from products and services that contribute to the global green economy, as defined by the FTSE Russell Green Revenues Classification System. 99 companies and funds with a combined market cap of £165bn+ held the Green Economy Mark (as of end of 2024).</p> <p>The London Stock Exchange's Sustainable Bond Market champions innovative issuers in sustainable finance, and improves access, flexibility and transparency for investors. We have continued to expand our sustainable bond market which offers a wide range of opportunities for green, sustainable and social bonds, sustainability-linked bonds and issuer-level bonds from green economy issuers. The Transition Bond Segment offers a solution for companies requiring access to capital to mobilise transition plans, although issuers may also choose to issue Sustainability-linked bonds to finance their transition to low carbon business models.</p> <p>London Stock Exchange has established a partnership with TreasurySpring, combining TreasurySpring's infrastructure and technology with the London Stock Exchange's issuer services and sustainability expertise, to provide a "Sustainability Identifier" to issuers on TreasurySpring's platform. The identifier is provided to issuers who display certain ESG metrics or are contributing to the green and sustainable economy through their business activity and funding frameworks. Before this launch, sustainable finance has concentrated on longer-dated financing without addressing the short-term needs of borrowers and lenders.</p> <p>Through our Issuer Services platform, London-listed companies can access LSEG ESG Data, one of the industry's most comprehensive ESG databases covering over 15,000 companies. 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 helps companies to assess their carbon management practices. The Climate Reporting Guidance and complementary training videos help companies in scope of mandatory climate disclosures discover best practice climate reporting which aligns with TCFD recommendations.</p> <p>There are more than 500 ESG ETP listings in London, following 82 new listings in 2024.</p> <p>FTSE Russell, an LSEG business, provides more than 180 ESG and sustainable indices to meet investors' diverse sustainability needs and objectives across asset classes. Flagship index solutions include the FTSE TPI Climate Transition Index Series, the FTSE4Good Index Series, the FTSE EU Climate Benchmark Index Series, the FTSE Environmental Markets Index Series, FTSE Climate Risk-Adjusted Government Bond Index Series and the FTSE Impact Bond Index Series.</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?	The Exchange would be keen to work with the UN SSE to deliver dedicated training on the publication of best practice transition plans. 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. Support with regional carbon market engagement and education to maximise the success in the global south e.g. Africa and South Africa.
14	Are there any specific requests you have of investors, issuers and regulators in terms of their role in advancing sustainability in the market?	LSEG looks forward to continuing to assist investors, issuers, and regulators to meet their sustainable finance and investment objectives. It is key to the continued success of sustainability disclosure that issuers understand how investors are integrating sustainability considerations into capital allocation decisions. Therefore, we'll keep placing emphasis on the importance of investor-issuer dialogue on sustainability issues, as a complement to high-quality sustainability data flows. We recognise the importance of data and disclosure in making capital allocation decision and our policy advocacy asks that policymakers introduce disclosure requirements that align or are interoperable with ISSB and are consistent across private and public companies of the same size. We are also calling for greater disclosure of green revenues data and climate transition plans.