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Mastering Transparency: Navigating Disclosure and Strategic Reporting

J3C Journey to Zero Conference, 24 October 2023

LSEG

Our purpose is driving **financial stability**,
empowering economies and enabling
customers to create **sustainable growth**.

Three strategic pillars of our sustainability approach:



Accelerate the just transition to net zero

Decarbonising the whole global economy is critical to minimise the worst consequences of climate change. We are leveraging LSEG's unique market position, capabilities, products, and services to support a global reallocation of capital which shares the costs and benefits of reaching net zero fairly between and within countries.



Enable growth of the green economy

To deliver sustainable economic growth, more economic activity must focus on creating, scaling, and delivering solutions to the world's environmental and social challenges. LSEG has a pivotal role in helping those solutions to thrive by enabling more capital to flow towards sustainable economic activity.



Create inclusive economic opportunity

Inclusive economies enable more people to participate in, and benefit from, economic growth, regardless of their gender, ethnicity, social background, political or religious beliefs. We aim to empower economies, communities and individuals by championing inclusion and opening up economic opportunity.

Sustainability Disclosures: The new company fundamentals?

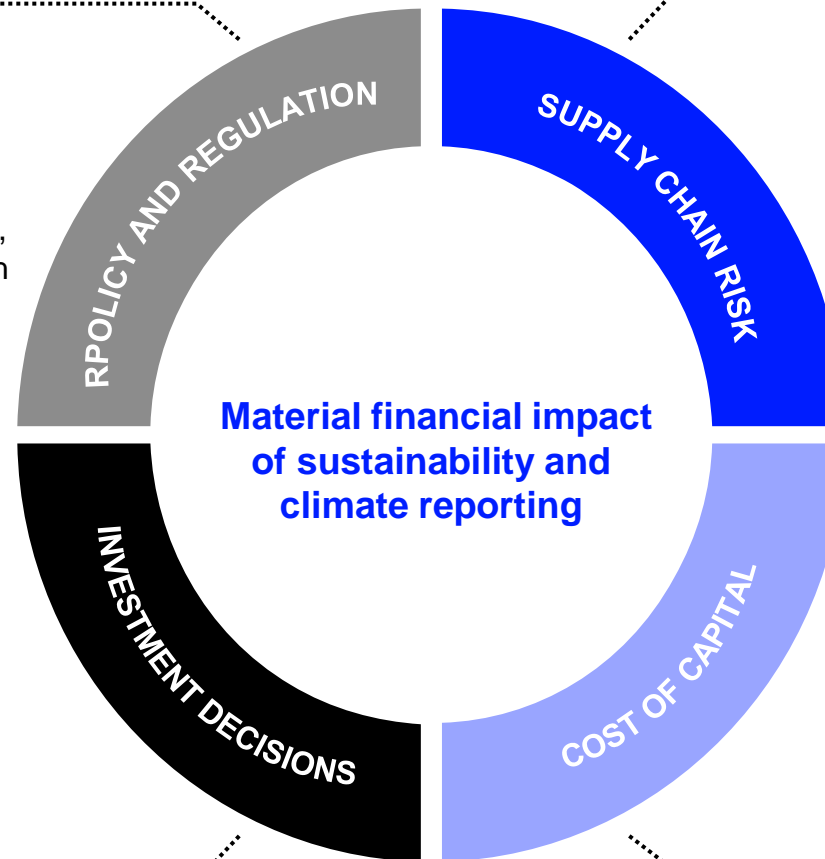
ISSB brings corporate sustainability disclosures in line with financial materiality

REGULATORY DRIVERS

- Climate is becoming a driver of central bank policy: e.g., stress testing and FI environmental risk policy requirements.
- Stock exchanges, as front-line regulators, require climate reporting in alignment with TCFD (now ISSB).
- Securities regulators scrutinising product labelling and reporting for greenwashing.

INVESTMENT ALLOCATIONS

- Institutional investors are increasingly engaged with climate performance, particularly in hard to abate sectors.
- Measurement and impact along with credible transition planning and scenario analysis play a critical role in investment decision making.



CORPORATE CLIMATE COMMITMENTS

- Net Zero and SBTI commitments are leading corporates to engage with their suppliers on climate and requiring them to set and report on their own targets.
- Supply chain risk from disruption due to physical risk, policy and consumer risk: large corporates demanding ESG, climate and controversies data on their suppliers

FINANCIAL AND INSURANCE RISK

- Transparent, auditable ESG data used as an input to risk and compliance assessment.
- Cost of capital therefore reflects the level of assessed risk with sustainability measures as an input.
- Insurance cost and availability

Enabling sustainability at scale: supporting action through disclosure standards

A significant uplift in capital market requirements and ESG policies in Asia in the past five years is driving climate action amongst financial institutions and in the real economy sector which requires increasing transparency.

Standardised climate metrics and convergence around ISSB S2

- Strong convergence in support of **international baseline reporting standards for climate** related financial disclosures, to be implemented for all companies. .
- ISSB replaces TCFD, established under the FSB, as the main climate standard setter, **aligning climate and financial disclosures**.
- Lack of **standardised disclosure and data** presents a major barrier for comparability across markets impacting investment decisions and effectiveness of regulation (e.g., climate stress testing).

Green Taxonomies and solving for cross-regional interoperability

- To mobilize investment at scale green business activities must be **systematically identified, categorized, and measured across diverse sectors**, supply chains and asset classes.
- **Taxonomies developing on regional and multi-national basis**: market participants face challenges in implementation.
- Availability of **data is critical to the implementation of taxonomies** and needs to be part of disclosure practices to scale investment in climate solutions.

Shift in allocation of financial assets towards climate objectives

- **Significant momentum in financial sector**: banks, asset managers and pension funds committing to Net Zero in portfolios and managing financed carbon emissions.
- Industrial revolution to achieve Net Zero, alongside the digital revolution, is **one the biggest investment opportunities of the century** and signifies a transformative economy wide opportunity.
- Significant **socio-economic benefits for Asian economies**: costs of early energy transition outweighed by net positive impact on GDP over all time frames.

Market developments – challenges and opportunities in the climate space

Trends and policy instruments taking shape internationally lend to opportunities for cross border capital flows. Asian economies are taking note of global developments and are shaping their own policy responses.

Scaling reporting solutions and capacity building for SMEs

- New technologies and digitisation can **reduce costs for sustainability reporting**, increasing adoption at scale and achieving greater decarbonization
- Potential to **support financial flows to developing economies**: cross border trade can provide a market for greener supply chains.
- Supports objectives beyond carbon abatement: increased competitiveness, **job creation and enhanced resilience**

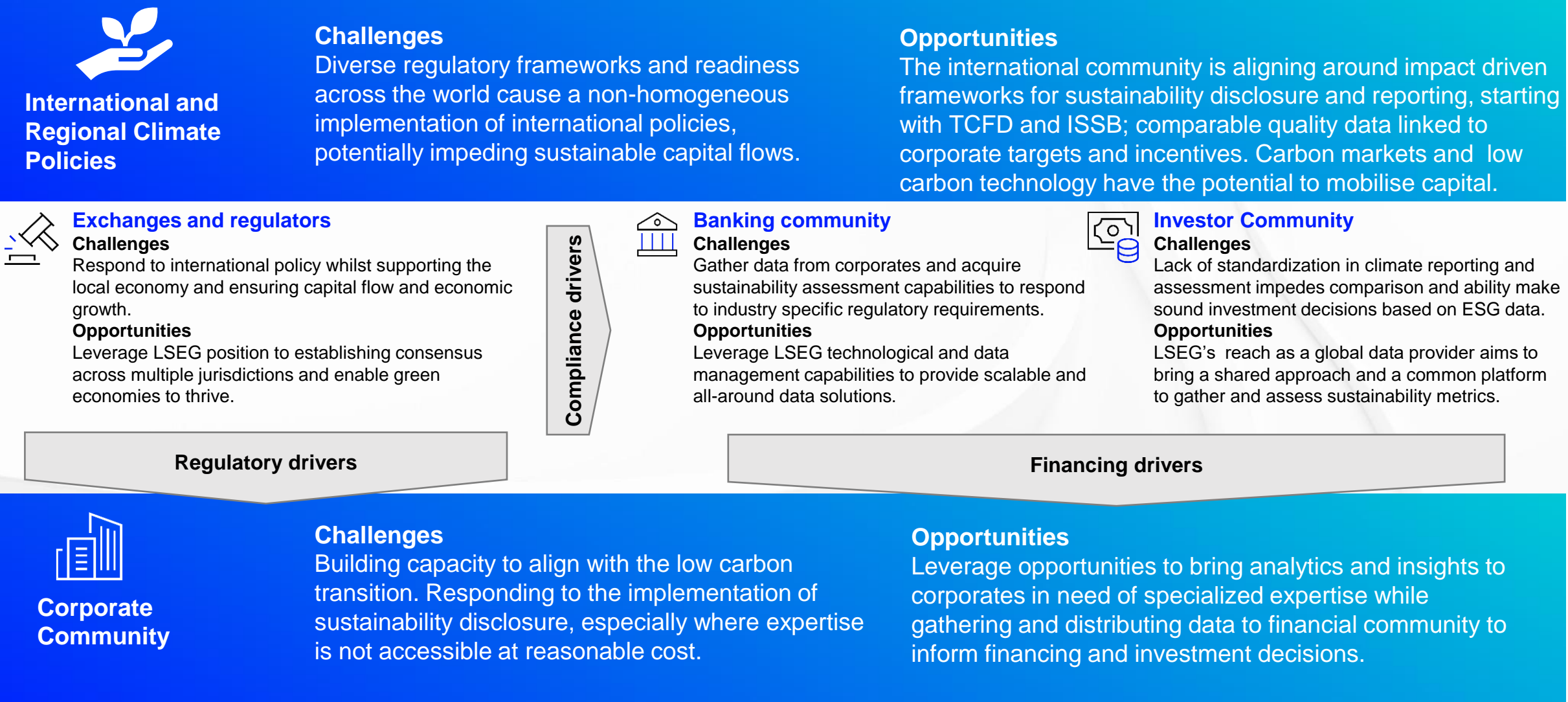
Net zero transition plans for FIs and the real economy sector

- Focus on sectoral pathways and on **reducing financed emissions**; financing or enabling activities aligned to a 1.5° pathway
- Globally, early moves towards **mandatory climate transition plans** for hard to abate sectors
- Enabling climate financing and the net zero transition includes a carefully **managed phase out of high-emitting assets** as part of an orderly or just transition

Physical and macroeconomic risk modelling for climate adaptation

- **Granular asset level physical climate risk data** with analysis of the macroeconomic implications of climate change needed for pricing and portfolio adjustments.
- Financial Institutions need to deepen understanding of **climate change impact of prices and growth**, both over the economic cycle and longer time horizons.
- Central banks and financial institutions developing tools to assess **macroeconomic effects of climate risk**.

Businesses globally are under pressure to respond to the low carbon transition; particularly in the APAC region



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Key approaches to sustainable investment data



Quantitative

Robust data collection practices provide a basis for quantitative as well as qualitative reporting to demonstrate performance over time.

- Companies should report qualitative and quantitative data on all areas they identify as material using quantitative methodologies and tested ESG & climate frameworks
- Increasing focus on forward-looking metrics and datasets (e.g. temperature pathways and scenario analysis).
- Actionable insights to measure and quantify the financial materiality of ESG and climate factors



Material

Measure and quantify the materiality of ESG and climate issues based on deep analysis of the sustainability challenges

- Demonstrable, clear strategic direction on material sustainability challenges facing the business.
- Integration of Environment, Social and Governance criteria and climate in the risk assessment and across the entire value chain.
- Transparency on climate transition activities and managing risk and opportunity.



Consistent

Globally consistent baseline disclosures aim to increase comparability and transparency of disclosures, increasing the availability of reliable, investment ready data.

- Reporting should reference leading standards and provide a consistent understanding of how sustainability factors affect companies' prospects.
- Changes to quantitative methodologies, such as carbon accounting, should be clearly disclosed.
- Aligned with emerging climate standards and regulatory requirements (TCFD, SFDR, EU Taxonomy)

Questions?

