

# Enhancing Transparency, Facilitating Sustainable Operations

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**LSEG**

# Overview

- **Brief introduction** to sustainability at LSEG and FTSE Russell
- **Sustainable Investment ESG** assessment: FTSE4Good TIP Taiwan Index
- **Focus on climate risk:** TCFD and Transition Pathway Initiative (TPI)
- **The Importance of Green:** Green taxonomies and disclosures

# Sustainable Investment Overview

We enable consistent cross-asset class SI integration through benchmarks and data that cater to investment, stewardship and risk management needs.

DATA	INDEXES	ANALYTICS
14,000+ Companies 175 countries 300+ Metrics	132+ Bn USD Passive AUM* 44+ Fund*	ESG data platform Yield Book – Sovereign FI

Heritage

Global presence

**19** Dedicated sustainable investment expertise for over 19 years

**180+** Combined team of 180+ FTE dedicated to Sustainable Investment

Signatory of:

Data partner for:

Members of:




*\*FTSE Russell is reporting the total assets invested in passive index tracking funds which are based on FTSE and Russell indexes as of December 31, 2020, with the exception of FTSE TPI Climate Transition AUM which is as of February 2020 and the FTSE Low Carbon Index AUM which is as of January 2020. These assets include separate accounts, commingled funds, retail and institutional mutual funds and ETFs as reported directly from index licensed passive and ETF clients and their websites; third party data sources such as Morningstar are used in cases when clients did not report assets.*


“Financial markets infrastructure must play a core role in enabling the transition to a net-zero economy. The focus on incorporating sustainable investment strategies has only increased during Covid-19 and LSEG is committed to playing a leading role”

David Schwimmer, CEO


Our commitment to Net Zero, and action on climate change, covers our own carbon emissions, and also our influence across the marketplace, through our business and how we support clients.

## Taking action on our own carbon emissions


 **Setting Science based targets** - one of the first companies in the financial services sector to commit to long-term science-based carbon reduction targets, which have been approved by the Science Based Targets initiative (SBTi).

 **Supporters of the Task Force for Climate-related Financial Disclosures (TCFD)** since its launch in 2017. We not only encourage issuers to report against TCFD through our reporting guidance but aims to go further each year in embedding these standards into our own financial reporting.

## Taking action to catalyse decarbonisation across the marketplace

 **Data and disclosure** - catalysing consistent, comparable and reliable global climate data

 **Growth of the green economy** - enabling the growth and development of green industries

 **Climate transition across all sectors** - supporting investment and capital flows to achieve climate transition and resilience

# FTSE Russell Sustainable Investment

**ESG assessment criteria:**  
FTSE4Good TIP Taiwan Index

# ESG integration into Taiwan's passive investments

## CHALLENGE

With the growing demand, both in Asia and globally, for asset owners to integrate ESG considerations into their investment strategies, FTSE4Good provides a domestic Taiwanese solution that meets globally recognised standards.

## SOLUTION

The FTSE4Good TIP Taiwan ESG Index is constructed in partnership with Taiwan Index Plus Corp. (TIP), using FTSE Russell's ESG ratings data model, with selection criteria covering ESG Ratings as well as financial performance criteria

## RESULT

The **Taiwan Bureau of Labor Funds (BLF)** selected the index as a core ESG benchmark and issued a 5-year passive mandate with an initial total size of US\$1.4 billion

Subsequently, the first ESG-focused ETF on the Taiwan Stock Exchange, was launched tracking the FTSE4Good TIP Taiwan ESG Index.



FTSE4Good  
TIP Taiwan ESG Index

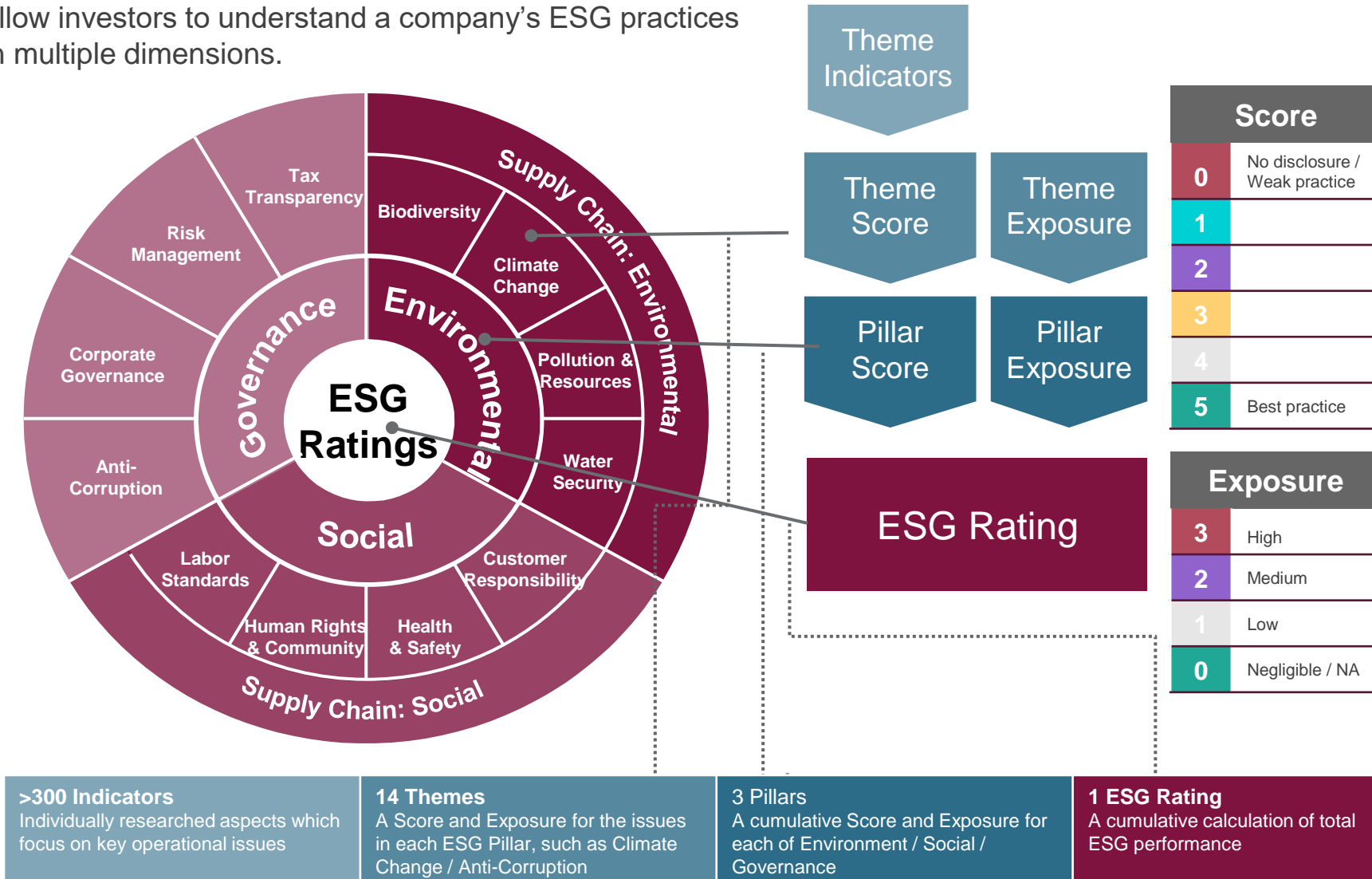


## The FTSE4Good TIP Taiwan ESG Index:

- Facilitates ESG integration into passive investment strategies.
- Provides a performance benchmark and tool for the creation of index-tracking investments
- Is designed to measure the performance of companies on the Taiwan Stock Exchange that meet the globally recognised ESG inclusion standards used by the FTSE4Good Index Series
- Includes companies meeting clear and transparent standards with respect to ESG practices, while meeting financial performance criteria.
- Provides an established reference as a transparent and evolving global ESG standard which investors can use for stewardship and corporate engagement.

# Q. What is the basic structure of the ESG Ratings?

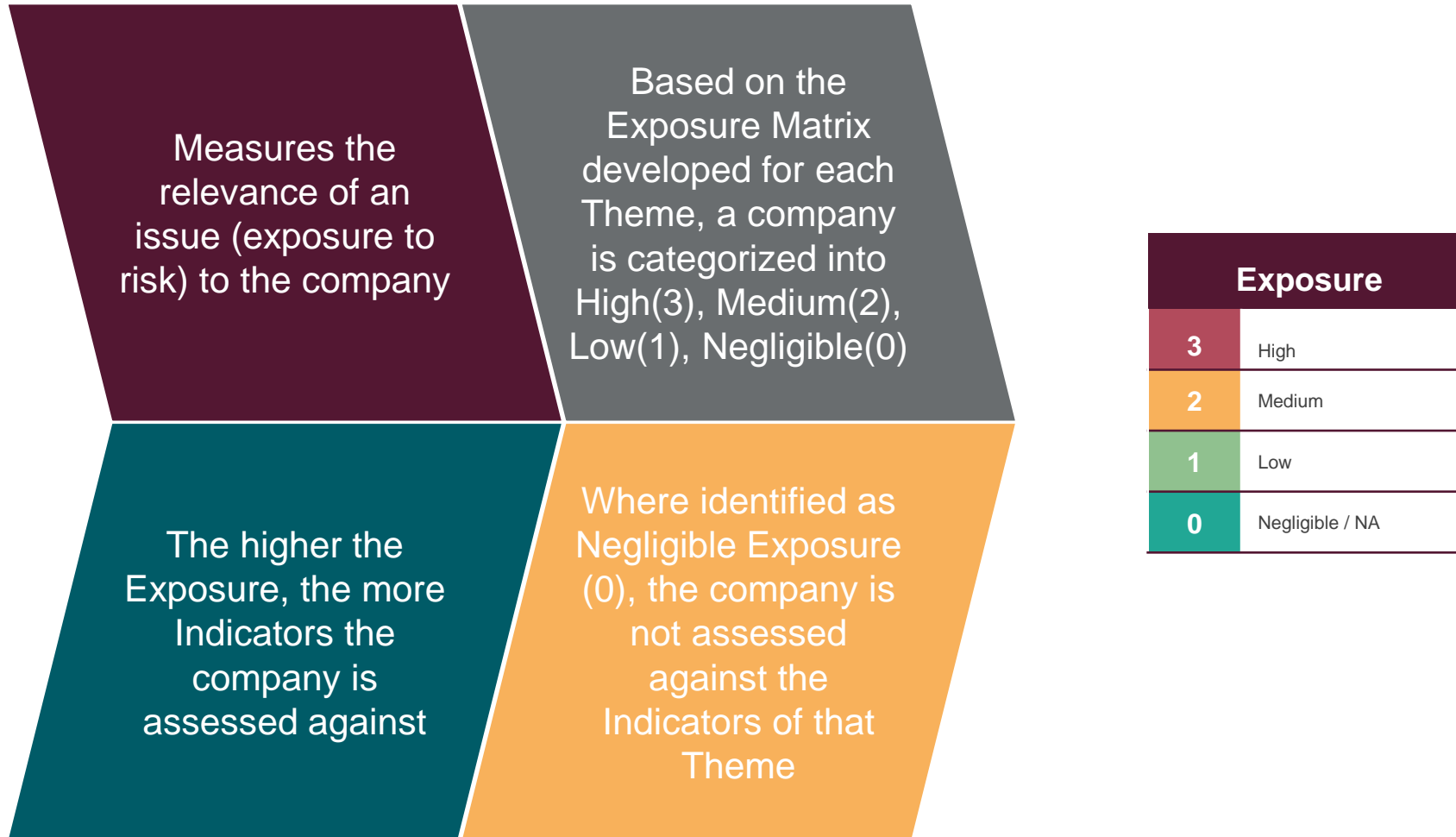
The ESG Ratings use a company's Theme Exposure and Theme Score to calculate a range of assessments that allow investors to understand a company's ESG practices in multiple dimensions.



<p><b>&gt;300 Indicators</b> Individually researched aspects which focus on key operational issues</p>	<p><b>14 Themes</b> A Score and Exposure for the issues in each ESG Pillar, such as Climate Change / Anti-Corruption</p>	<p><b>3 Pillars</b> A cumulative Score and Exposure for each of Environment / Social / Governance</p>	<p><b>1 ESG Rating</b> A cumulative calculation of total ESG performance</p>
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# Q. How is the Theme Exposure level determined?



**Focus on climate risk:**

TCFD and Transition Pathway Initiative (TPI)

# Evolving Climate Change requirements

- Since its inception, FTSE4Good has made regular, incremental enhancements to methodologies and standards
- FTSE Russell continues to respond to greater investor focus on climate risks
- Taskforce on Climate-related Financial Disclosures (TCFD) has been a key catalyst in this journey

**2014**  
**Climate theme augmented**

- New, more stretching indicators
- Focus on disclosure of policies, processes and some performance

**2018**  
**TCFD-aligned indicators introduced**

- Additional, TCFD-aligned indicators introduced
- Alignment with both the letter and the spirit of TCFD disclosures

**2021**  
**Streamlined-TCFD focus**

- Assessing disclosure → assessing quality of climate management
- Increased focus on TCFD-aligned indicators and most salient climate KPIs **in alignment with TPI**

# The Transition Pathway Initiative (TPI) Incorporating climate transition alignment

- The TPI assesses companies based on:

## Management Quality

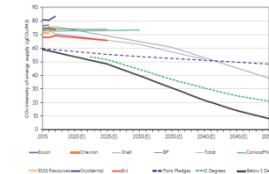
- Management of carbon emissions and risks / opportunities related to the low-carbon transition



TPI uses data from FTSE Russell ESG indicators\* – including those developed to align with the TCFD recommendations

## Carbon Performance

- Quantitative benchmarking of companies' emissions pathways



Compared against the international targets and national pledges made as part of the 2015 UN Paris Agreement on climate change

# FTSE Russell indicators used to calculate Climate Change scores

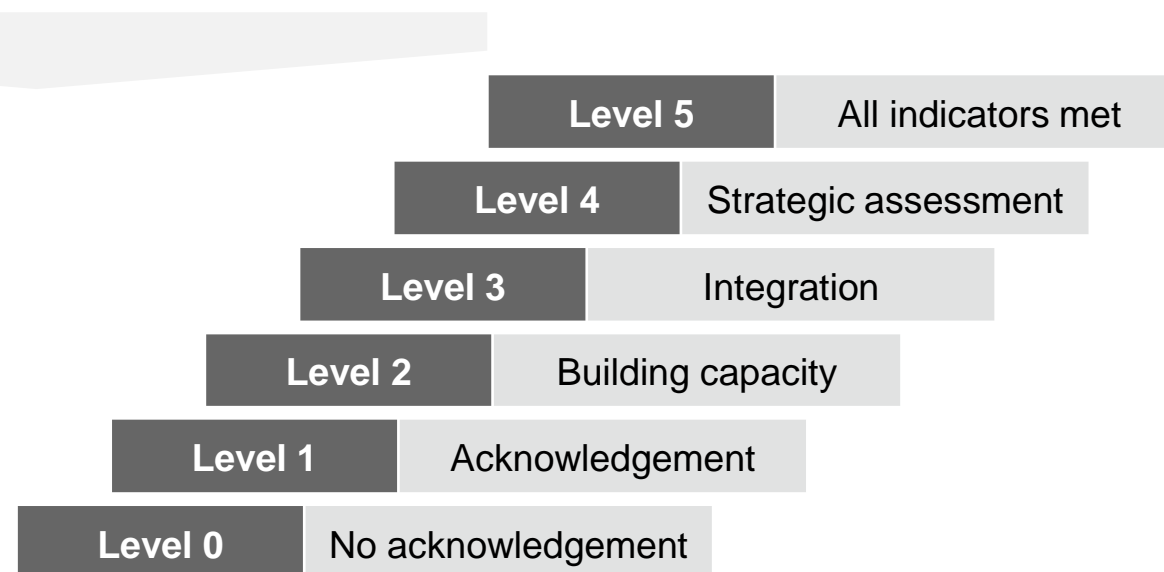
ECC01	Commitment to address, reduce or avoid climate impact	ECC08	Board oversight of climate change risk management	ECC44	Climate risks and opportunities included in strategy, financial planning
ECC43	Recognition of climate as a relevant risk and/or opportunity	ECC41	Independent verification of operational GHG emissions data	ECC45	Climate scenario planning undertaken, findings disclosed
ECC38	Short term GHG emissions reduction targets	ECC49	Scope 3 GHG emissions	ECC51	Internal carbon price adopted and disclosed
ECC39	Long term GHG emissions reduction targets	ECC03	Membership of trade associations and public policy position	ECC74	Consistency of trade association positions with company policy
ECC14	Three years of operational GHG emissions data (Scope 1 & 2)	ECC73	Involvement in corporate initiatives dedicated to climate-related issues	ECC75	Remuneration for senior execs incorporates climate performance
		ECC50	Climate-related risk management procedures		

## Enhanced Scores

Draws on 16 existing core indicators

Scoring based on a 5 level “staircase”

Equivalent to Transition Pathway Initiative’s Management Quality (MQ) score



# Green taxonomies and disclosures

# Taxonomies for sustainable environmental development



Objective: provide market clarity on definition of 'green' and mobilise capital

Intended for use across asset classes and with upcoming regulation on green investment products

EU taxonomy of green activities to achieve six environmental objectives

Existing draft criteria covers climate change mitigation and adaptation activities

“We all know that the green economy is the future.”

Antonio Guterres,  
UN Secretary-General  
28/03/19

# FTSE Russell Green Revenues

- Measures the revenue exposure of public companies engaged in the transition to the green economy



Multiple sub sector allocation  
No minimum revenue threshold

- 10** Sectors
- 64** Subsectors
- 133** Microsectors

## Summary

A unique data model that identifies and quantifies company revenues generated in the green economy.

The green economy is substantial and growing, representing 6% of the market capitalization of global listed companies and a significant investment opportunity of almost US \$4 trillion\*

Mapped to the EU Taxonomy for Sustainable Activities; also aligns with Malaysian Principles Based Taxonomy and developing regional approaches.

Source: FTSE Russell paper, as of 2018 - [Investing in the global green economy: Busting common myths](#)

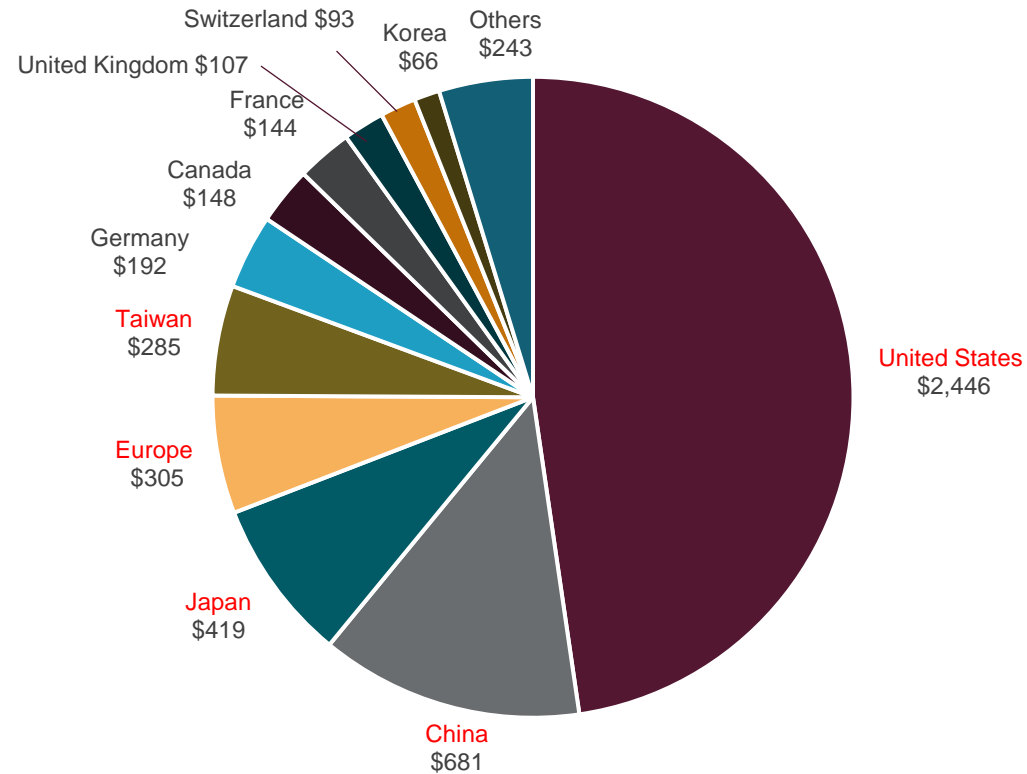


# Green Exposure by Country

## 各國綠色經濟產值

Green Economy by Country (with European Countries Combined)

各國綠色經濟產值(合併歐洲國家), in billion USD



Data as of DECEMBER 31, 2020. Source: FTSE Russell

# Green Exposure by Country

## 各國綠色經濟比重

Proportions of Green Economy in Major Countries (with European Countries Combined & Market Capitalization Filtered)  
各國綠色經濟產值占總產值比重(合併歐洲國家)

