



**LSEG**

# Task Force Climate-Related Financial Disclosures (TCFD) Report 2021

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# Our Group

## Who we are

LSEG is a leading global financial markets infrastructure and data provider. We play a vital social and economic role in the world's financial system. With our trusted expertise and global scale, we enable the sustainable growth and stability of our customers and their communities.

We are leaders in data and analytics, capital formation and trade execution, and clearing and risk management.

## Our purpose

Driving financial stability, empowering economies and enabling customers to create sustainable growth.

## Our vision

We are a leading global financial markets infrastructure and data provider. We want to shape the future of our industry to serve our customers and markets better.

## Where we operate

LSEG is headquartered in the United Kingdom, with operations in 70 countries across EMEA, North America, Latin America and Asia Pacific. We employ 23,000 people globally, more than half of whom are located in Asia Pacific.



## Overview of Group activities

Our diversified business is built on an Open Model approach – identifying opportunities and creating value for financial markets across the globe in three main areas:

Data & Analytics	Capital Markets	Post Trade
<p>Provides high-value data, indices, workflow solutions and data management capabilities.</p> <p>The Division is split into five areas to address the needs of customers:</p> <ul style="list-style-type: none"> <li>– Trading &amp; Banking solutions</li> <li>– Enterprise Data solutions</li> <li>– Investment solutions</li> <li>– Wealth Management solutions</li> <li>– Customer &amp; Third-Party Risk solutions</li> </ul>	<p>Provides businesses with access to capital through issuance and offers secondary market trading for equities, fixed income and Forex.</p> <p>The Division is split into three areas by asset class:</p> <ul style="list-style-type: none"> <li>– Equity</li> <li>– Forex</li> <li>– Fixed Income, Derivatives and Other</li> </ul>	<p>Provides clearing, risk management, capital optimisation, and regulatory reporting solutions.</p> <p>This Division is split into four areas by type of business and income:</p> <ul style="list-style-type: none"> <li>– Over-the-counter (OTC)</li> <li>– Securities &amp; Reporting</li> <li>– Non-cash Collateral</li> <li>– Net Treasury Income</li> </ul>



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## About TCFD



The Task Force on Climate-Related Financial Disclosures (TCFD) was created by the Financial Stability Board in December 2015 to improve and increase reporting of climate-related financial information.

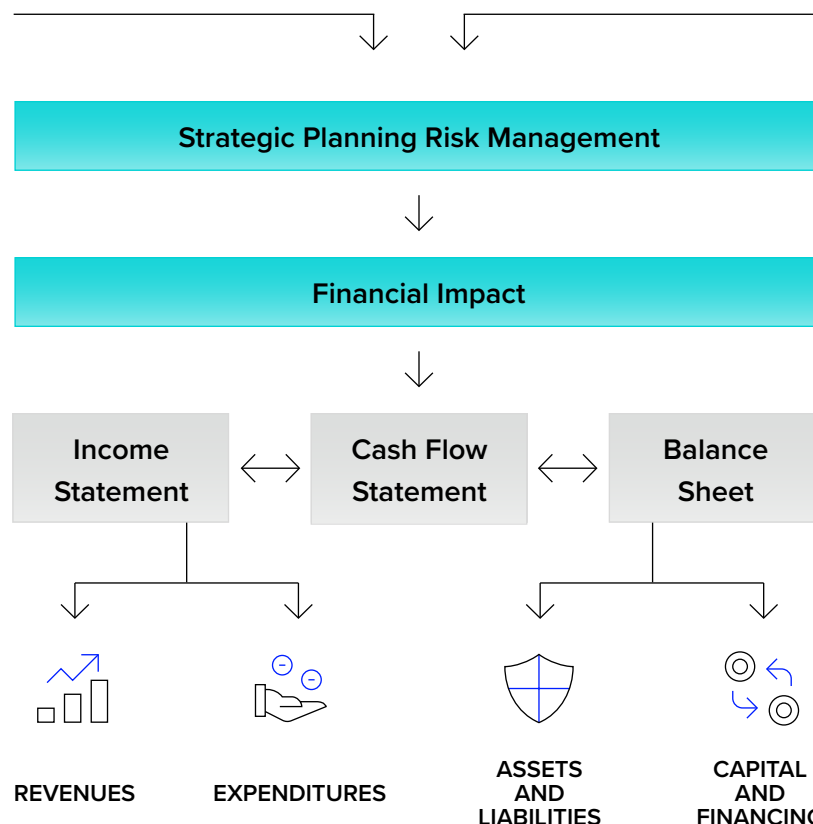
The aim of more effective climate-related disclosures is to enable more informed investment, credit, and insurance-underwriting decisions and, in turn, enable stakeholders to understand the concentrations of carbon-related assets in the financial sector and the financial system's exposures to climate-related risks.






The TCFD published its original climate-related financial disclosure recommendations in 2017. These recommendations are designed to help companies provide better information to support informed capital allocation. The recommendations apply to all organisations across all sectors and jurisdictions. The disclosure recommendations are structured in four thematic areas that represent the core elements of how an organisation operates: governance, strategy, risk, and metrics and targets.

## Climate-related risks and opportunities

The Task Force identifies several categories of climate-related risks and opportunities that may give rise to financial impacts on revenues, expenditures, assets and liabilities, and capital and financing.

Risks	
<b>Transition</b> 	<b>Policy and Legal</b> <ul style="list-style-type: none"> <li>Carbon pricing and reporting obligations</li> <li>Mandates on and regulation of existing products and services</li> <li>Exposure to litigation</li> </ul> <b>Technology</b> <ul style="list-style-type: none"> <li>Substitution of existing products and services with lower emissions options</li> <li>Unsuccessful investment in new technologies</li> </ul> <b>Market</b> <ul style="list-style-type: none"> <li>Changing customer behaviour</li> <li>Uncertainty in market signals</li> <li>Increased cost of raw materials</li> </ul> <b>Reputation</b> <ul style="list-style-type: none"> <li>Shift in consumer preferences</li> <li>Increased stakeholder concern/negative feedback</li> <li>Stigmatisation of sector</li> </ul>
<b>Physical</b> 	<ul style="list-style-type: none"> <li>Acute: Extreme weather events</li> <li>Chronic: Changing weather patterns and rising mean temperature and sea levels</li> </ul>



Opportunities	
<b>Resource Efficiency</b> 	<ul style="list-style-type: none"> <li>Use of more efficient modes of transport and production and distribution processes</li> <li>Use of recycling</li> <li>Move to more efficient buildings</li> <li>Reduced water usage and consumption</li> </ul>
<b>Energy Source</b> 	<ul style="list-style-type: none"> <li>Use of lower-emission sources of energy</li> <li>Use of supportive policy incentives</li> <li>Use of new technologies</li> <li>Participation in carbon market</li> </ul>
<b>Products and Services</b> 	<ul style="list-style-type: none"> <li>Development and/or expansion of low emission goods and services</li> <li>Development of climate adaption and insurance risk solutions</li> <li>Development of new products or services through R&amp;D and innovation</li> </ul>
<b>Markets</b> 	<ul style="list-style-type: none"> <li>Access to new markets</li> <li>Use of public-sector incentives</li> <li>Access to new assets and locations needing insurance coverage</li> </ul>
<b>Resilience</b> 	<ul style="list-style-type: none"> <li>Participation in renewable energy programs and adoption of energy-efficiency measures</li> <li>Resource substitutes/diversification</li> </ul>

Source: [TCFD\\_Booklet\\_FNL\\_Digital\\_March-2021.pdf](#)

# TCFD Recommendations

Governance	Strategy	Risk Management	Metrics and Targets
Disclose the organisation's governance around climate-related risks and opportunities.	Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.	Disclose how the organisation identifies, assesses and manages climate-related risks.	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

## Recommended Disclosures

a) Describe the board's oversight of climate-related risks and opportunities.	a) Describe the climate-related risks and opportunities the organisation has identified in the short, medium and long term.	a) Describe the organisation's processes for identifying and assessing climate-related risks.	a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk-management process.
b) Describe management's role in assessing and managing climate-related risks and opportunities.	b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.	b) Describe the organisation's processes for managing climate-related risks.	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and related risks.
	c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C-or-lower scenario.	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	c) Describe the targets used by the organisation to manage climate-related risks, opportunities and performance against targets.

Source: [FINAL-2017-TCFD-Report.pdf](#)

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## LSEG and TCFD

Sustainability is a key priority for LSEG as we aim to be a strategic enabler of sustainable economic growth.

Using our unique position at the centre of financial markets, we help to enable the transition to a low-carbon sustainable economy. This is core to our sustainability strategy.

We are committed to improving transparency and understanding of environmental, social and financial risks associated with the transition to a economy.

We do this by providing clear, comparable and comprehensive data, analytical tools and research to inform investment decisions, deeper engagement between companies and investors, and market-wide collaboration.

We also promote the development and adoption of global disclosure standards on climate risk and sustainability more broadly; we were members of the EU High Level Expert Group and the Technical Expert Group on Sustainable Finance, shaping consistent disclosure standards. We are members of the FCA/PRA Climate Financial Risk Forum and the Green Technical Advisory Group (GTAG) advising the UK Government on green taxonomy.

LSEG has been a supporter of TCFD since its launch in 2017 and has disclosed climate change as an emerging risk in both our annual and sustainability reports since 2019. We disclose information on our greenhouse gas (GHG) emissions, our emission-reduction targets and how we plan to achieve these (see our Climate Transition Plan).

In this TCFD report, we disclose how we expect climate change, and the transition to a low-carbon economy, to impact our business in the near to long-term future. We will continue to evolve and enhance our management and disclosure of climate-related risks, aligned with TCFD's recommendations.

We also submit our environmental progress through various disclosure frameworks, including our annual CDP climate disclosure where we have achieved an A- for six consecutive years.





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## 2021 Approach and Evolution of TCFD

Since the publication of our last TCFD report, LSEG completed its acquisition of Refinitiv.

This report reflects our first steps in incorporating the new business into our analysis, using the TCFD recommendations to outline our approach and activities.

We have developed and enhanced our models for both physical and transition risks to reflect the newly combined organisation, in line with increased disclosure requirements for corporations and financial market participants. Going forward, we will evolve and enhance our approach, including the use of additional scenarios that are appropriate for our business and address both physical and transition risks. We will also enhance our disclosure of financial impacts associated with climate-related risks.

The aim is to reinforce the Group's resilience to physical risks today and in the future; to address transition risks and opportunities; to meet existing mandatory reporting requirements and prepare for future ones; and to protect the Group's reputation.

# LSEG's Climate Targets

In January 2021, LSEG joined the United Nations Climate Change 'Race to Zero', thereby becoming the first global exchange group to commit to net zero. We aim to halve our carbon emissions by 2030, against a 2019 baseline, and will work towards net zero by 2040. We have set science-based targets (SBTi) aligned to 1.5°C.

Having combined the targets of the heritage organisations, we have set new science-based targets covering the whole enlarged Group:

- **Carbon-reduction target:** we commit to reducing our absolute Scope 1, Scope 2 & Scope 3 (Fuel and Energy Related Activities, Business Travel & Employee Commuting) GHG emissions 50% by 2030.
- **Supplier-engagement target:** we commit that 67% of our suppliers, by emissions, covering our Scope 3 Purchased Goods & Services, will have set science-based targets by 2026.



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# TCFD Disclosures





# Disclose the organisation's governance around climate-related risks and opportunities

## Governance

### **The Board's oversight of climate-related risks and opportunities**

The LSEG Board has ultimate oversight of the organisation's sustainability strategy, including its management of climate-related risks and opportunities. The Board is responsible for the long-term success of the company and ensuring that the interests of stakeholders are considered and their expectations of us are understood and met.

Sustainability, including climate, is considered by the Board at least twice a year. Topics covered will vary, but include both our sustainable finance and investment products and services as well as our progress against our near-term science-based targets across our operations and supply chain. In February 2021, following the acquisition of Refinitiv, the LSEG Board approved our new Sustainability Policy in February 2021.

The Board Risk Committee has oversight of the Group's Risk Framework and risk appetite. Sustainability risks, including those related to climate change, are embedded in and raised through this forum.

The CEO is responsible for, and reports to the Board on, sustainability matters. The CEO chairs the Executive Committee, which is responsible for setting the strategic ambition for the Group regarding sustainability.

## Management's role in assessing and managing climate-related risks and opportunities

The Executive Committee, chaired by the CEO, is responsible for setting the strategic ambition for the Group regarding sustainability and has overall accountability for LSEG's sustainability strategy and performance, including climate-related performance.

The Executive Risk Committee is responsible for the Group's overall approach to risk, defining risk management processes, policy frameworks and defining the Group risk appetite for Board approval.

The Sustainability Committee reports to the Executive Committee and is chaired by the Chief Corporate Affairs and Marketing Officer. This Committee oversees and directs the Group's overall sustainability strategy and programme, which incorporates strategic input from the Executive Committee.

It helps coordinate the work undertaken across the Group to ensure the Group's Sustainability objectives are achieved. While the Sustainability Committee oversees climate-related risks and opportunities, at a Group level, these are managed day-to-day in the businesses and functions.

For example, products and services associated with climate transition, such as climate indices, are managed by the Data and Analytics division.

The Environmental Management Group (EMG) reports into the Sustainability Committee and is chaired by LSEG's Chief Operating Officer. The role of the EMG is to oversee and manage LSEG's environmental commitments and performance, most notably its near-term emissions-reduction targets.

Both the Sustainability Committee and EMG's terms of reference were updated in 2021 to reflect LSEG's business model.

The composition of both Committees was also reviewed to ensure there is appropriate senior executive representation. In addition to these changes, we also bolstered our sustainability expertise in 2021 and created a new Group-level sustainability function following the acquisition of Refinitiv.

Sustainability-related risks and opportunities, including those arising from climate change, are embedded within our risk taxonomy and Enterprise Risk Management (ERM) framework. Following the acquisition of Refinitiv, a new risk taxonomy was developed, giving sustainability risk greater visibility by elevating it to a strategic risk.

In addition, Risk and Control Owners have direct access to the Sustainability Risk team and are provided with a dedicated climate and sustainability-risk-training pack, updated at least annually and available within the risk register database for reference and support.

The Group Risk function is represented in every tier of our sustainability governance structure, which ensures that risks and opportunities identified in these forums are duly assessed for their relevance and materiality in a timely manner.

One of the Group's six strategic objectives for 2022 is focused on sustainability. This means that all functions and business divisions must adopt an appropriate divisional strategic objective on sustainability.

The Group Sustainability team, lead by the Group Head of Sustainability, is responsible for shaping and managing LSEG's climate strategy.

Other functions involved in the day-to-day management of climate-related activities include the property team, the travel team and the procurement team. The Group Risk function is involved in the oversight of climate risk management.

## Roles and responsibilities related to sustainability and climate

<b>LSEG Board</b>	Oversees LSEG’s sustainability agenda in context of Directors Duties on promoting the long-term success of the Company (s172 companies Act). Ensures LSEG’s sustainability strategy meets shareholder expectations and approves the risk strategy and appetite; reviews the effectiveness of the risk management system; and reviews any significant issues that are raised to it.
<b>Board Risk Committee</b>	Advises the Board on the Company’s overall risk appetite, tolerance and strategy; the current risk exposure of the Company, emerging risks and future risk strategy; reviews the Company’s risk assessment processes; and considers and approves the remit of the Risk Management function.
<b>Executive Committee</b>	The Executive Committee, chaired by the CEO, is responsible for setting the strategic ambition for the Group regarding sustainability and has overall accountability for LSEG’s sustainability strategy and performance, including climate-related performance.
<b>Executive Risk Committee</b>	Chaired by Chief Risk Officer with representation from Executive Committee with oversight of Group’s risk taxonomy and enterprise-risk framework.
<b>Sustainability Committee</b>	Senior executive committee providing strategic direction and approval to the Group’s overall sustainability strategy and programme. Chaired by the Chief Corporate Affairs and Marketing Officer. Supports and reports to the Executive Committee.
<b>Sustainability Working Committee</b>	Comprises sustainability subject matter experts from across LSEG who work together to design, shape and deliver the Group’s sustainability strategy. Chaired by the Group Head of Sustainability. Supports the Sustainability Committee with reports on progress and areas for further development.
<b>Environmental Management Group</b>	This group oversees and manages LSEG’s environmental performance, most notably its commitment to reduce GHG emissions by 50% by 2030 and achieve Net Zero by 2040 or sooner. Chaired by the Chief Operating Officer.
<b>Environmental Operating Group</b>	The Environmental Operating Group is responsible for the programmatic delivery of environmental targets through project delivery plans. EOG members lead coordination of required actions within their functions to meet the deliverables set out by the group strategy. The EOG reports to the EMG.

# Strategy

## Climate-related risks and opportunities identified over the short, medium and long term

Understanding climate-related risks and opportunities is essential to effective management of the business and our strategic objective to enable sustainable economic growth.

Taking into account the target dates of our near-term science-based targets approved with 2026 and 2030 and our long-term net zero target by 2040, we have used the following time horizons in our analysis:

- **Short term:** 1-3 years
- **Medium term:** 3-10 years
- **Long-term:** 10-30 years

We have gathered and assessed qualitative and quantitative information to identify potential climate-related risks and opportunities that may impact LSEG. All information gathered has been validated using publicly available data which includes emerging policy aligned with the scenarios and timeframes selected.

Building on the identification and assessment of risks and opportunities, we have developed quantitative scenario analysis models to test the inherent climate-related risks and opportunities to our operational and commercial long-term strategy.



Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning where such information is material.



In 2022, we will explore the use of additional scenarios (such as those promoted by the Network for Greening the Financial System - NGFS) to identify potential transition risks and opportunities which will enhance our risk assessment and strategic decision making.

Our consideration of both physical and transition risks and opportunities encompasses the following:

#### **Transition risks:**

These risks arise from the transition to a low-carbon economy. These encompass changes to policy and legal frameworks, technology, the market and reputational impacts. The transition risks which are most relevant for LSEG include:

- Policy and legal: such as changes to carbon pricing, reporting requirements and regulation of products and services.
- Market risk: such as changing customer needs and expectations with respect to sustainable finance and investment products.
- Reputational risk: potential risks arising from increased scrutiny over corporate sustainability performance and greater focus on the quality, credibility and marketing of sustainable finance and investment products and services.





### Physical risks:

These risks arise from the physical impacts of climate change and include both the impact of acute weather events and the longer-term shifts in climate patterns. Financial impacts could arise from direct damage to property and other company assets, business interruption, changes to insurance and indirect impacts from supply chain disruption.

The financial impacts arising from physical risks that are most relevant for LSEG include:

- Physical risks that may impact our offices and data centres or local infrastructure such as power and transport, which could lead to business disruption for LSEG as well as disruption of the customer services LSEG provides, which in turn could lead to loss of revenues.
- As the physical impacts of climate change become more severe, it is possible that the cost of insurance may rise for some risks. If this were to occur, the business could experience increased expenditure for insurance premiums.
- Potential for some physical climate-related risks to become uninsurable. In this instance, the business would need to meet the cost of related repairs to offices, data centres or other company assets.



## Climate-related opportunities

LSEG is a leading provider of sustainable finance and investment products and services. These include a wide range of sustainability-related research, data and ratings, covering public and private companies, funds, sovereigns and carbon markets.

We also help companies raise capital to fund environmental and social projects and fund climate-transition activity via the London Stock Exchange Sustainable Bond Market.

A key area in which we support investors is the provision of climate and ESG-related indices, enabling investors to allocate capital in line with their sustainable investment strategy.

Over the short, medium and long term, we expect customer demand to increase for sustainable finance and investment products and services. There is an opportunity for us to enhance revenues from these products and services going forward if we are effective at innovating to anticipate and meet customer needs.



Impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning



LSEG's purpose is driving financial stability, empowering economies and enabling customers to create sustainable growth. Climate-related risks and opportunities, particularly those related to transition, have a direct bearing on our purpose and our business strategy, as climate change directly affects financial stability and economic growth.

## Products, services and partnerships

Our business strategy is influenced by climate-related risks and opportunities due to increasing policy and regulation and awareness and demand for sustainable finance and investment products and services.

Examples of some climate-related developments in 2021 that affect our business strategy include:

### **Glasgow Financial Alliance for Net Zero (GFANZ)**

LSEG was a founding member of GFANZ, launched in April 2021 and led by Mark Carney, UN Special Envoy on Climate Action and Finance. GFANZ is a global coalition of leading financial institutions committed to accelerating the decarbonisation of the economy. Collectively, signatories commit to achieving the objective of the Paris Agreement to limit global temperature increases to 1.5°C. LSEG CEO David Schwimmer is a member of the GFANZ CEO Principals Group.

### **Net Zero Service Provider Alliance (NZSPA)**

Under the GFANZ umbrella, the NZSPA is a global group of service providers committed to 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. Alliance members have committed to align all relevant products and services to achieve net zero by 2050, scaling and mainstreaming Paris Agreement-alignment into the core of business.

### **Transition Bond Market**

In February 2021, London Stock Exchange launched the Transition Bond Segment within its Sustainable Bond Market, supporting issuers with robust and credible transition strategies to raise capital. The Transition Segment joins Green, Social, Sustainability and Sustainability-linked segments which make up the London Stock Exchange's Sustainable Bond Market.

## **FTSE EU Climate Benchmarks Index Series**

To help investors allocate capital in line with the transition to a low-carbon economy, FTSE Russell launched the FTSE EU Climate Benchmarks Index Series in July 2021. The series covers developed and emerging equity markets, including FTSE All-World, FTSE Developed, FTSE Emerging, Russell 1000, FTSE All-Share and FTSE Australia 200.

The index series applies the FTSE Target Exposure Framework, which includes a transparent tilt exposure towards and away from index constituents according to several exposure objectives, such as fossil fuel reserves, carbon reserves and green revenues to achieve Paris-alignment.

## **Japan Climate Index**

LSEG and the Japan Exchange Group (JPX) announced the launch of net-zero climate indices in November for Japan's equity market, to enable investors to reallocate capital based on the climate credentials and carbon performance of the constituent companies in the index.

## **Voluntary Carbon Markets**

In November 2021, the London Stock Exchange announced its intention to develop a new market solution for voluntary carbon markets to accelerate the availability of financing for projects that support the just transition to a low-carbon economy.

The solution aims to address two major challenges inherent in the scaling up of the voluntary carbon markets: access to capital at scale for the development of new climate projects worldwide; and primary market access to a long-term supply of high-quality carbon credits for corporates and investors. This will enable companies and investors to confidently augment credible net-zero transition strategies, by financing additional projects to offset unavoidable carbon emissions during their path to net zero.

## **Model Guidance for Climate Disclosure**

LSEG is a member of the United Nations Sustainable Stock Exchange (UNSSE) initiative and contributed to the creation of its model TCFD reporting guidance in June 2021. This provides a template for stock exchanges to guide issuers on TCFD implementation.

The London Stock Exchange was the first to issue guidance based on the UNSSE's model and is tailored to the UK's regulatory and policy environment for public companies. The guidance helps companies to integrate climate risks and opportunities into operational decision making and report carbon performance.

## **Climate Transition Centre**

In October 2021, LSEG committed to help fund the creation of the Transition Pathway Initiative

(TPI) Global Climate Transition Centre at the London School of Economics. It will dramatically scale publicly available research on the climate transition pathways of 10,000 businesses, covering global equity markets, fixed-income and private markets. This builds on our existing relationship as FTSE Russell is TPI's data partner.

## **Climate Governance Scores**

To strengthen its support for issuers, the London Stock Exchange introduced Climate Governance Scores for more than 400 issuers. This provides a private educational resource to help companies understand their current progress on climate reporting and transition planning, discover best practice and areas for improvement, and ultimately mobilise credible transition plans.

The scores will help to drive improved disclosure on climate-related risks and opportunities to support more informed investment decision making.

FTSE Russell created the Climate Governance Score which is based on the methodology it uses to create the Transition Pathway Initiative's Management Quality Score.

The assessments take into account a company's carbon-management practices and how they incorporate climate-change considerations into their business strategy.




## Operations

LSEG's commitment to net zero is supported by near-term science-based targets to 2030.

Following the acquisition of Refinitiv, we have strengthened our emissions data and targets, and identified different paths to achieve them as set out in our climate transition plan. The Environmental Management Group coordinates workstreams with representatives from the business units and functions such as Group Procurement, Group Risk Property, Travel, People and Communications. We have established several working groups to integrate these targets into departmental strategic objectives.

For example, the procurement of low-carbon energy is essential to achieving our goals; however, the volatility of the market is a significant financial risk if not integrated into our business planning. We have assessed how we can switch to renewable tariffs, reduce our reliance on Energy Attribute Certificates (EACs) and are exploring a possible shift to power-purchase agreements or virtual power-purchase agreements in future.

The majority of our emissions arise from our purchased goods and services. As a result, we have set a target to engage with two-thirds of our suppliers (by scope 3 purchased goods and services emissions) to set science-based targets by 2026. This presents an opportunity to support the transition to net zero more broadly through external collaboration, and we will begin a proactive engagement campaign with our suppliers in 2022.



Resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C-or-lower scenario

In order to assess inherent climate-related risks we have used different scenarios to define and model the potential financial impacts of physical and transitional risks and opportunities.

Scenario	Intergovernmental Panel on Climate Change (IPCC) SSP 126	IEA Sustainable Development scenario	Intergovernmental Panel on Climate Change (IPCC) SSP 245	Intergovernmental Panel on Climate Change (IPCC) SSP 585
Description	Very low GHG emissions with minimal challenges to mitigation and adaptation	Assumes a surge in clean energy policies and investment and that all current net zero pledges are achieved to realise near-term emissions reductions	GHG emissions broadly consistent with current levels with high challenges to mitigation and adaptation	Very high GHG emissions with high challenges to mitigation and low challenges to adaptation
Outcome	1.5°C warming	2°C warming	2°C warming	4°C warming
Risk category	Physical	Transition	Physical	Physical
Timeframes	2030 & 2050	2030 & 2050	2030 & 2050	2030 & 2050

For each highly significant risk, we developed impact pathways. This helped us to understand and establish the causal links between changes in climate and weather patterns, related national and global policies and the impacts on the business in terms of costs and revenue.



The NGFS Scenarios have been developed to provide a common starting point for analysing climate risks to the economy and financial system. Reaching net-zero emissions by 2050 on a global basis will require an ambitious transition across all sectors of the economy. The NGFS scenarios highlight a few important themes: rapid decarbonisation of electricity, increasing electrification, more efficient uses of resources, and a spectrum of new technologies to tackle remaining hard-to-abate emissions. There are three main scenario groupings:

- 1. Orderly scenarios** assume climate policies are introduced early and become gradually more stringent. Both physical and transition risks are relatively subdued.
- 2. Disorderly scenarios** explore higher transition risk due to policies being delayed or divergent across countries and sectors. For example, carbon prices would have to increase abruptly after a period of delay.
- 3. Hothouse world scenarios** assume that some climate policies are implemented in some jurisdictions, but globally efforts are insufficient to halt significant global warming. The scenarios result in severe physical risk, including irreversible impacts like sea-level rise.



## Transition Risk

In 2021, LSEG progressed further with the development of business unit-specific transition risk models, producing preliminary models for two out of three business units - Capital Markets and Data & Analytics - which were formed following the acquisition of Refinitiv. We plan to build on these preliminary models by improving data quality and refining assumptions and business impacts. In time, we intend to apply the same analysis to the third business unit, Post Trade, as well as to the overall Group.

## Data & Analytics

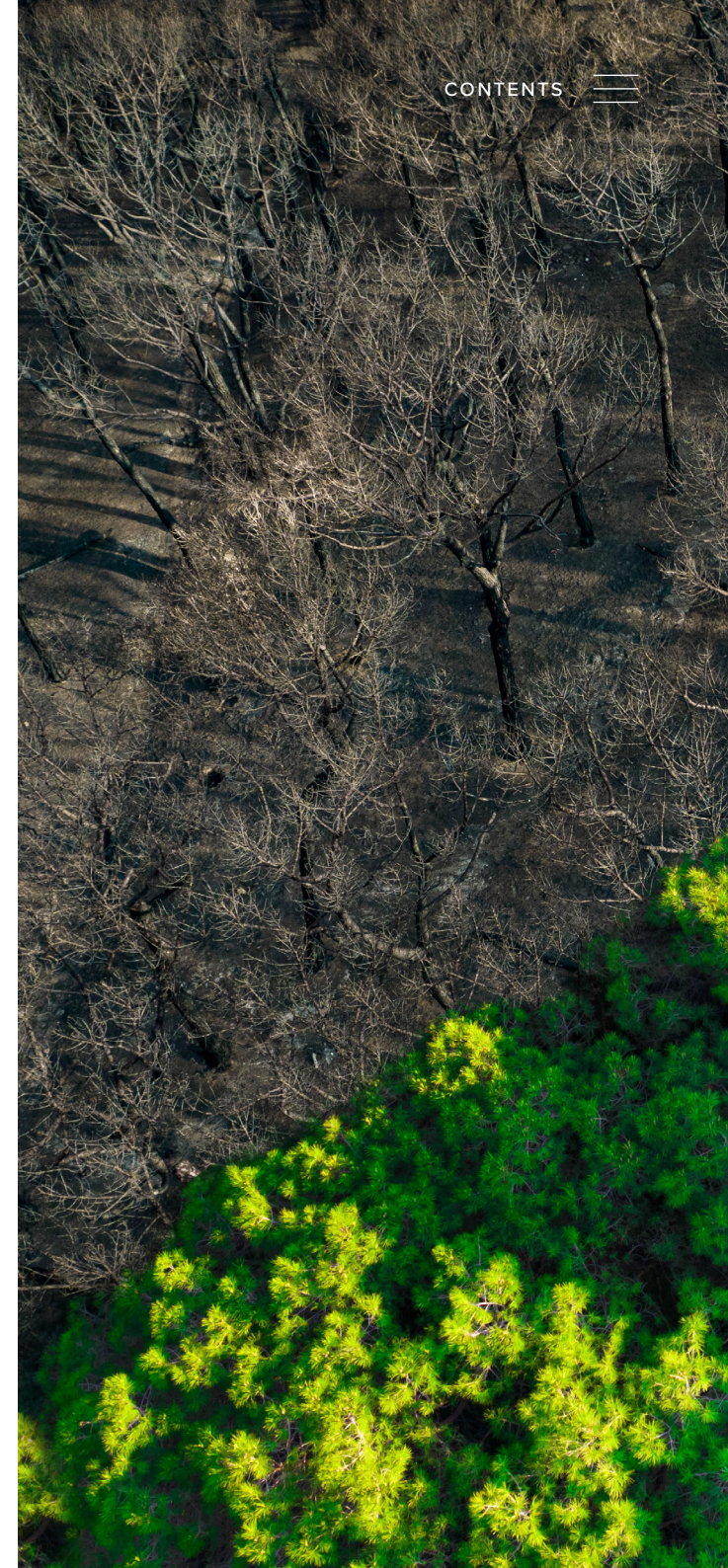
Our models show that both risks and opportunities associated with increased demand for sustainable finance and investment products and services will grow from 2025 to 2035 under the IEA Sustainable Development Scenario. The potential growth in revenue from seizing this opportunity is balanced with the risk of not maintaining a competitive offer for sustainable

finance and investment products and services. The modelling shows that the likely rate of growth of the opportunity is much greater than the growth in the impact of associated risks up to 2035. This means that the upside from climate opportunities could outweigh the risks. However, this is primarily dependent on LSEG's ability to effectively capture the opportunity.

## Capital Markets

Under the IEA Sustainable Development Scenario, green revenues are predicted to increase between 2025 to 2035.

This means there is potential opportunity for revenue growth for LSEG. For the purposes of the Capital Markets modelling exercise, green revenues included revenues associated with the Green Economy Mark and the Sustainable Bond Market.







## Physical risk to operations

Following the acquisition of Refinitiv in 2021, we expanded our physical climate-risk model to incorporate the enlarged footprint of the organisation. This new model focuses on three main impact pathways:

- Physical impacts on our offices, data centres and local infrastructure such as power and transport which could lead to additional expenditure or cause business disruption and loss of customer service and revenue.
- Potential physical impacts resulting in increased insurance premiums.
- Potential physical impacts being uninsurable, leading to the business meeting the cost of any repairs to offices, data centres or other company assets.

We analysed the following climate-related hazards to assess the potential impacts on the business:

- Floods
- Extreme wind speeds
- Hail probability
- Thunderstorm probability
- Wildfire risk

The analysis highlighted that scenarios associated with higher temperatures would result in higher potential losses. For all scenarios, the most significant potential financial loss due to physical risks lies in incurred repair costs for sites exposed to physical climate risks that could become uninsurable. Flooding represents the highest financial loss potential, followed by thunderstorms and hail.

## Risk Management

### Processes for identifying and assessing climate-related risks

Climate and other sustainability-related risks and opportunities are embedded within our risk taxonomy and our enterprise risk-management (ERM) framework.

All business functions within the Group are responsible for identifying risks for inclusion in LSEG's risk register and these may be sustainability related, including climate risks.

Risks and opportunities with a potentially substantial impact will be raised and factored into business strategy and operations. Principal risks are those considered to have highest potential financial or strategic impact and are defined based on magnitude of financial costs to the Group as well as reputational impact.



Disclose how  
the organisation  
identifies, assesses  
and manages  
climate-related risks.

## Processes for managing climate-related risks

Responsibility for management, mitigation and adaptation of climate-related risks rests with the business units.

This process is supported by the Group Risk function and by the governance groups which provide oversight, independent assessment and, as appropriate, challenge back to the business. LSEG's risk appetite is cascaded through each business unit and strategic function, ensuring that risk limits are set and managed appropriately.

The uncertainty of many aspects of climate change means we need to have an adaptive risk approach to monitor, prepare for and minimise LSEG's exposure to climate risks. Our approach is presently aligned with our existing risk process for non-financial risks. We recognise that residual risks could always be present due to climate uncertainty, thus ongoing climate risk monitoring through scenario analysis will be essential as the climate changes, to allow for a continually adaptive response.

## Integration of climate-related risks into overall risk management

Sustainability-related risks are incorporated into risk-management processes and procedures, including the ERMF. The Group Risk function is represented at every level of our sustainability governance structure.

Looking ahead, we will continue to integrate climate risk into our risk management frameworks and will enhance our use of scenarios to inform future strategic decisions.

This will help us with decisions related to our property footprint and the development of products and services, which will inform our financial planning and strategic decision making for the medium to long term.



Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

## Metrics and Targets

### **Metrics to assess climate-related risks and opportunities**

Using our scenario analysis, we have explored the potential financial impacts of climate-related risks and opportunities to determine if these are substantial or not. This analysis will be further expanded in 2022 with consultation across the business.

Capturing and measuring our operational emissions data was a high priority in 2021; we enhanced our data-collection processes and expanded them to cover the enlarged property footprint. This supports the timely collection of data and has been expanded to include metrics on water, energy and waste at a site level across our whole property portfolio. In 2022, further training will be provided to teams responsible for internal reporting against our public commitments.

We expect to begin measuring additional metrics associated with products and services due to our membership of the Net Zero Service Providers Alliance, which commits members to align all relevant services and products to net-zero by 2050 or sooner, scaling and mainstreaming Paris Agreement-alignment into the core of the business. In 2022, the Alliance members will agree and publish metrics to track the alignment of products and services with net zero.

## Disclosure of scope 1, scope 2, and scope 3 greenhouse gas (GHG) emissions and the related risks

In 2021, we established baseline environmental data to reflect the combined organisation. We disclose our emissions through LSEG's Annual Report and Accounts, our Sustainability Report and through our CDP climate-change submission. Additional details on our emissions and methodology can be found in our 2021 Sustainability Report.

Overall performance	2021	2020 <sup>8</sup>	2019 <sup>8</sup>	Change <sup>9</sup>
Total group carbon footprint (tCO <sub>2</sub> e) <sup>1, 5</sup>	571,885	640,693	657,008	-13%
per m <sup>2</sup>	1.35	1.50	1.54	-12%
per FTE	24	27	27	-10%
per £m revenue <sup>11</sup>	80	90	96	-17%
Scope 1 <sup>2</sup>	1,000	1,960	2,163	-54%
Scope 2 Market based <sup>3</sup>	3,138	6,492	10,189	-69%
Scope 2 Location based	106,566	111,644	143,206	-26%
Renewable electricity (%) <sup>7</sup>	100%	98%	96%	4%
Scope 3 <sup>4, 5, 6</sup>	567,747	634,175	646,569	-12%
1. Purchased Goods & Services	550,861	603,613	564,107	-2%
3. Fuel-and energy-related activities (FERA)	5,659	6,371	9,082	-38%
5. Waste	185	369	1,879	-90%
5. Water	80	1,166	1,282	-94%
6. Business travel	3,169	9,593	42,662	-93%
7. Employee commuting	1,907	4,745	27,422	-93%
7. Home working	5,805	8,236	55	10,455%
8. Upstream leased assets	81	81	80	1%
Exclusions (market-based) <sup>10</sup>	767	1,933	1,914	-17%
Exclusions (location-based) <sup>10</sup>	1,886	4,264	4,829	-60%



## Footnotes

1. All Group totals and electricity breakdowns use market-based Scope 2 emission factors. Group carbon footprint includes tenant consumption, excludes client-based workers.
2. Scope 1 Emissions Combustion of fuel and operation of facilities – includes Natural Gas, Diesel, LPG, Fugitive Emissions and Fleet Vehicles.
3. Scope 2 Emissions purchase of electricity and heat by the Group for its own use. Market-based emissions use supplier-based emission factors, and energy attribute certificates for where 100% renewable supplier tariffs are not in place.
4. Scope 3 includes emissions from Purchased goods and services, Fuel-and-Energy Related Emissions, Air Travel, Rail Travel, Taxis, Hotels and Ground Transfers, Waste, Water, Employee Commuting (including home working) and Upstream leased assets.
5. DEFRA UK Government GHG Conversion Factors are used for our UK sites, and all business travel, water, waste, upstream leased assets and extrapolated data. US EPA factors are used for United States electricity and employee commute factors. IEA and GHG Protocol emissions factors are used to calculate Scope 1, 2 and Scope 3 fuel-and-energy-related emissions for international sites where available. Defra IO factors have been adjusted to reflect reporting year consumer index pricing to estimate emissions related to purchased goods and services. US and UK National Travel Surveys have been used to inform our estimations for employee commuting. Emissions related to working from home have been based on EcoAct's 'Homeworking emissions whitepaper' (2020).
6. Scope 3 emissions are not separately reported by UK and Rest of Group, due to the collection of travel, purchased goods and services and other data at the Group level.
7. Energy attribute certificates have been purchased to claim renewable electricity consumption for all sites where 100% renewable supplier tariffs are not in place. These certificates have been sourced from an internationally recognised trader who is an IETA member and gold partner of CDP.
8. 2019 and 2020 total carbon emissions have been restated to reflect the acquisition of Refinitiv.
9. % Change is calculated between 2021 and 2019, the Group's target baseline year.
10. Emissions from sites not included within the reporting boundary relate to the divestment of Borsa Italiana and have been published for transparency.
11. The revenue figures for 2019, 2020 and 2021 are based on a 'pro-forma' approach to align with our global GHG inventory.



## Targets used by the organisation to manage climate-related risks and opportunities and performance against targets

Following the establishment of the new combined data inventory, we now use 2019 as our baseline year for all environmental reporting and targets. One of our first priorities was to set new near-term targets to reduce our overall emissions.

In December 2021, we received approval from the Science Based Targets initiative for the following targets, aligned with a 1.5°C trajectory:

- **Carbon-reduction target:** we commit to reducing our absolute Scope 1, Scope 2 and Scope 3 (Fuel and Energy Related Activities, Business Travel & Employee Commuting) GHG emissions by 50% by 2030.
- **Supplier-engagement target:** we commit that 67% of our suppliers, by emissions, covering our Scope 3 Purchased Goods & Services, will have set science-based targets by 2026.

In 2021, we established an Environmental Operating Group to support the delivery of our near-term science-based targets across the following areas: climate risk, travel, property data centres, supply chain, renewable energy, neutralisation and removals. With delivery owners and subject matter experts from across the business, we have been able to identify clear levers and deliverables to help achieve these targets by 2030.

We are members of UN Race to Zero and are committed to achieving net zero by 2040.

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## Next Steps and Action

In 2021, we focused on reviewing the climate approaches of Refinitiv and LSEG and created a unified data inventory, set new targets and established an Environmental Management Group and plan to achieve our targets.

Going forward, we will enhance our approach further, by for example, expanding our scenario analysis to reflect our business better and encompass all three business units – Capital Markets, Data & Analytics and Post Trade. We also aim to disclose further quantitative data associated with our climate-risk models.

Furthermore, we are exploring setting an internal carbon price to drive ownership and accountability, particularly considering the increasing role of voluntary carbon markets to achieve global targets.

We will continue to provide customers with sustainable finance and investment products and services, and will evolve these to meet customers' changing needs.

We will also continue to champion transparency and disclosure of high-quality climate data. We will continue to collaborate with leading partners, including the Transition Pathway Initiative, to increase the availability of robust sustainability-related metrics.

Our strategic partnerships with the Climate Transition Centre, Glasgow Financial Alliance for Net Zero and the Net Zero Service Providers Alliance will provide key outputs in 2022 for global businesses.



LSEG is more than a diversified global financial markets infrastructure and data business.

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