Quarterly Webinar
Net Zero, TNFD and SDG Impact

Date: 27 June    Time: 9AM and 4PM CET (Geneva)

SSE Team

▪ Anthony Miller, Chief Coordinator
▪ Lisa Remke, Deputy Coordinator
▪ Tiffany Grabski, Head of SSE Academy
▪ Vanina Vegezzi, Project Officer
▪ Corli Le Roux, Senior Specialist
Agenda

1. Welcome & Housekeeping instructions

2. SSE update on Gender Equality Training

3. Launch of the Net Zero Target Setting Guidance for Exchanges

4. TNFD: Introduction and advance look at the upcoming framework
   - Nathalie Borgeaud, Financial Markets Engagement Lead, TNFD
   - Felipe Arango, Technical Advisor and Pilots Lead, TNFD

5. UNDP: SDG Impact Standards
   - Fabienne Michaux, Director of UNDP SFH SDG Impact, UNDP

6. Q&A
Housekeeping

- During the presentations, you can ask questions and provide comments at any time by using the chat function.

  We will ensure that questions get answered during the Open Floor discussion.

- Please use the hand symbol to indicate that you wish to speak during the Open Floor discussion.

  The team will allow you to enable your video function while you speak.
Register now for SSE Gender Equality Pilot

Part 1: Sustainable Performance
Using finance for gender equality

- Thursday 29 June (9-11am or 4-6pm GVA)
- Unit 1 - Strengthening performance on gender equality
- Unit 2 – Communicating progress to markets

Part 2: Sustainable Finance
Investing in gender equality

- Thursday 13 July (9-11am or 4-6pm GVA)
- Unit 1 – The gender-finance connection
- Unit 2 – Gender-lens financial products

Contact academy@sseinitiative.org for more information

www.SSEinitiative.org | info@SSEinitiative.org | @SSEInitiative
Launch of the Net Zero Targets

Congratulations to the NZFSPA Exchange Group on getting approved as a Race to Zero Partner
The net zero movement - Background

What does net zero mean?

- Net zero means that the balance between greenhouse gas (GHG) produced and removed from the atmosphere is zero; it looks at emissions minus carbon sink efforts.

- Over the past decade, global emissions have risen steadily.

- To have any hope of keeping temperature rise to 1.5°C we need to halve emissions by 2030 and reach net zero by 2050.

- Doing this requires us to reduce emissions by about 7% per year. Business as usual is not an option.
Six exchanges joined the NZFSPA for COP26. 2 more joined for COP27. Current members are:

- Bolsa Mexicana
- Cboe Global Markets
- Deutsche Börse Group
- HKEx
- LSE
- Luxembourg Stock Exchange
- London Stock Exchange
- SGX

As members of the NZFSPA the exchanges committed to set their own individual targets to support the net zero movement.

The UN SSE, as part of the NZFSPA secretariat, assisted the 8 exchanges to create a guidance on how targets should be set.
The Exchange target-setting guidance

Drafting and Approval

- **50 experts from 33 organisations across 26 countries** provided input into the first edition of the guidance (incl. 25 organisations from the SSE comment group on net zero).

- The drafting consisted of: **4 consultation rounds; 1 legal review by a US law firm; 2 feedback rounds with Race to Zero, over 350 detailed comments; 4 Group calls and 1 webinar.**

- Target-setting guidance was submitted to the Race to Zero’s Expert Peer Review Group (EPRG) in October 2022. EPRG recommended approval to the Race to Zero High-level Climate Champions, which was granted in June 2023.
Target-setting guidance - Context

Global context

- With due consideration of the needs of emerging markets and developing countries and the principles of a just transition

Exchange-specific context

- Operational capability
- Boundaries of jurisdiction and authority vary
- Exchanges have differing business models
- National and regional priorities vary

Implementation approach

- Distinction between baseline and progressive targets
- Proportionate and phased implementation possible
## Target-setting guidance - Content

### Category 1. Lead by example: Exchange-focused targets

<table>
<thead>
<tr>
<th>Focus Area</th>
<th>Target</th>
<th>NZFSPA Commitment</th>
<th>Timeline</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1 Governance</td>
<td>1.1 Exchanges should put appropriate governance structures in place to ensure accountability for and oversight of the development and execution of the NZFSPA commitments.</td>
<td>2</td>
<td>As soon as possible after joining the NZFSPA, but no longer than one year.</td>
</tr>
<tr>
<td></td>
<td>1.1.2 Exchanges should ensure that relevant policies, procedures and training are implemented to support its efforts.</td>
<td>2</td>
<td>As soon as possible after joining the NZFSPA, but no longer than one year.</td>
</tr>
<tr>
<td>1.2 Emissions Reduction &amp; Disclosure</td>
<td>1.2.1 Exchanges should publicly disclose their climate actions annually as part of a transition plan.</td>
<td>8</td>
<td>- First disclosure as soon as possible after joining the NZFSPA, but at least within one year.</td>
</tr>
<tr>
<td></td>
<td>1.2.2 Exchanges should measure and disclose their Scope 1, 2 and (where material) 3 emissions annually.</td>
<td>4</td>
<td>- Within two years, apply a broadly accepted climate disclosure instrument.</td>
</tr>
<tr>
<td></td>
<td>1.2.3 Exchanges should commit to Scope 1, 2 and (where material) 3 emission reductions for their own operations.</td>
<td>4</td>
<td>Interim science-based reduction targets across all operational emissions should be set within one year of joining the NZFSPA, for no later than 2030.</td>
</tr>
</tbody>
</table>
# Target-setting guidance - Content

<table>
<thead>
<tr>
<th>Focus Area</th>
<th>Target</th>
<th>NZFSPA Commitment</th>
<th>Timeline</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Category 2. Exercise influence: Market-focused targets</strong></td>
<td><strong>2.1 Transparency &amp; Education</strong>&lt;br&gt;2.1.1 Exchanges should actively promote availability of high-quality climate information by producing guidance for issuers or undertaking initiatives that encourage climate-related disclosure (as may be relevant to the market).&lt;br&gt;2.1.2 Exchanges should offer climate disclosure training at least annually.</td>
<td>5</td>
<td>Within two years from joining the NZFSPA</td>
</tr>
<tr>
<td></td>
<td><strong>2.2 Products &amp; Services</strong>&lt;br&gt;2.2.1 Exchanges should work to raise visibility for climate-themed products.</td>
<td>3 and 6</td>
<td>Within one year from joining the NZFSPA&lt;br&gt;Bond exchanges should pursue internationally or locally accepted instruments for listing of climate-themed bonds within three years from joining the NZFSPA</td>
</tr>
<tr>
<td></td>
<td><strong>2.2.2 Exchanges should incorporate climate-related considerations into the development processes for products and services.</strong></td>
<td>6</td>
<td>Within three years from joining the NZFSPA</td>
</tr>
<tr>
<td></td>
<td><strong>2.3 Policy, Persuasion &amp; Engagement</strong>&lt;br&gt;2.3.1 Exchanges should actively engage with local and global policymakers and standard setters to stay informed of and promote net zero aligned policies.&lt;br&gt;2.3.2 Exchanges should work towards mandatory climate-related disclosure in their markets.&lt;br&gt;2.3.3 Exchanges should proactively engage with market participants, including through market awareness programmes, to promote the adoption of net zero commitments and transition plans among market participants.</td>
<td>5 and 7</td>
<td>First disclosure regarding engagement must be made within two years from joining the NZFSPA&lt;br&gt;Within one year from joining the NZFSPA&lt;br&gt;Within two years from joining the NZFSPA</td>
</tr>
</tbody>
</table>
The Exchange target-setting guidance

What’s next?

- Exchanges have one year to create their own individual company-level targets based on the guidance. Afterwards, they will implement their targets and report against them in June 2025.

- The Target-setting guidance will get reviewed and ambitions will increase.

How can I join?

- Joining the NZFSPA is possible every 6 months: next possible occasions at WIF and COP28.

- You can check out the first iteration of the guidance on the SSE website and reach out to the SSE team for more details.

We are available for an exploratory call!
TNFD: Intro & Framework Advance Look

Taskforce on Nature-related Financial Disclosures

Lead, Financial Markets
Engagement
Nathalie Borgeaud

Task Force on Nature-related Financial Disclosures
Technical Advisor and Pilots Lead
Felipe Arango
TNFD update before September 2023 launch

UN Sustainable Stock Exchanges Initiative
Nathalie Borgeaud, TNFD Financial Markets Lead

June 2023
Policy makers global momentum

Montréal-Kunming 2022 – Target 15

Take legal, administrative or policy measures to encourage and enable business, and in particular to ensure that large and transnational companies and financial institutions:

(a) Regularly monitor, assess, and transparently disclose their risks, dependencies and impacts on biodiversity, including with requirements for all large as well as transnational companies and financial institutions along their operations, supply and value chains and portfolios;

(b) …in order to progressively reduce negative impacts on biodiversity, increase positive impacts, reduce biodiversity-related risks to business and financial institutions, and promote actions to ensure sustainable patterns of production.

“We look forward to the publication of the final TNFD Framework in September 2023 and urge market participants, governments and regulators to support its development, which can play a key role in achieving the GBF Target 15.”

G7 Climate, Energy and Environment Ministers’ Communiqué
Sapporo, Hokkaido, April 16, 2023
Clear signals to business and finance

The declining health and resilience of the earth’s systems...

... is clearly reflected in the risk perceptions of global executives...

... and among market regulators

“Climate change and biodiversity are inextricably linked, creating the potential for risks to compound and create systemic dislocations: an integrated approach to these twin threats is essential”.

NGFS, March 2022
Clear signals to business and finance

The declining health and resilience of the earth’s systems... ...is clearly reflected in the risk perceptions of global executives... ...and among market regulators

“Climate change and biodiversity are inextricably linked, creating the potential for risks to compound and create systemic dislocations: an integrated approach to these twin threats is essential”.

NGFS, March 2022
Our Approach: Aligned to Global Policy Goals & Emerging Regulation
About the TNFD risk management & disclosure framework

Our mission: support the shift of financial flows from nature-negative to nature-positive outcomes

A market led initiative with 40 Taskforce members, over USD 20 tr AuM

Government-supported
Endorsed by the G7 & G20

Science-based
18 World’s leading scientific and standards bodies as partners

© 2023 | tnfd.global | 5
Market Engagement in the TNFD
beta v0.1 – v0.4

Over the past 18 months the TNFD’s open innovation approach has ensured extensive market feedback and testing to inform the development of the TNFD’s recommendations.

- 40 Taskforce Members leading market development
- 18 Science-based Knowledge Partners
- 11 regional consultation groups
- 200+ pilot tests
- 1,050+ TNFD Forum Member organisations
- 130+ data providers in the Data Catalys
- Engagement of Indigenous leaders and civil society organisations
- 23 TNFD Forum Webinars and Piloting Clinics
- Consultations with regulators and market intermediaries
- 750,000+ views of the Framework
- 3,400+ pieces of feedback analysed
- 60+ Formal comment letters published
- 45 countries provided substantive feedback
- 150+ industry and stakeholder briefing events
A suite of tools & guidance to support market action

1. Nature-related Issues Assessment (LEAP)

2. Recommended Disclosures

3. Additional Guidance
The New Conversation about Business and Nature

Nature
- Environmental Assets
- Ecosystem Services

Dependencies
Impacts

Risks
Opportunities

Business
- Material flows
- Business Processes
- Revenues
- Cashflows

© 2023 | tnfd.global | 8
Not just about Agribusiness

Percentage of direct and supply chain GVA with high, medium and low nature dependency, by industry

Direct
- Forestry
- Agriculture
- Fishery and aquaculture
- Food, beverages and tobacco
- Heat utilities
- Construction
- Electricity
- Water utilities
- Supply chain and transport
- Chemical and materials industry
- Aviation, travel and tourism
- Real estate
- Mining and metals
- Retail, consumer goods and lifestyle
- Oil and gas
- Automotive
- Healthcare delivery
- Electronics
- Information technology
- Insurance and asset management
- Banking and capital markets
- Digital communications

Supply chain
- High
- Medium
- Low

Source: PwC
Investor Stewardship Signaling

"As a long-term financial investor, we may be exposed to portfolio risks and lost investment opportunities as biodiversity and ecosystems become degraded. The fund holds a diversified portfolio across industries and markets, and over time externalities from unsustainable use of natural ecosystems may affect its long-term performance."

Biodiversity and ecosystems
Expectations of companies
Norges Bank Investment Management

"Accordingly, we expect all companies to begin reporting within a reasonable timeframe against the Taskforce on Nature-related Financial Disclosures (TNFD) framework due to be finalised in 2023. In preparation for reporting against the framework, companies should undertake the TNFD recommended business model assessment process, referred to as LEAP..."

Annual letter to company chairpersons
Mark Versey, Chief Executive Officer
Aviva Investors

"Many are expecting the Task Force on Climate-Related Financial Disclosures (TCFD) to be the framework of choice for climate-specific disclosures. New for 2023, BlackRock has also noted that recommendations from the Taskforce for Nature-related Financial Disclosures (TNFD) may prove useful to some companies."

BlackRock Investment Stewardship
Global Principles, 2023
BlackRock
Financial Institutions Reporting
Corporate Reporting

CLIMATE-RELATED AND NATURE-RELATED DIRECTIVE GUIDE

EVALUATE: Company Impact Assessment and Dependencies

ASSESS: Risk Drivers

Transmission Channels

Business Impacts

© 2023 | tnfd.global | 13
“While TCFD reporting took around five years to become widely adopted, we expect the timeline for nature-related disclosures could be accelerated, given sustainability infrastructure already in place.”

Exhibit 4: 10 Core Indicators for Nature Exposure for all companies

<table>
<thead>
<tr>
<th>Driver of Nature Change</th>
<th>Indicator</th>
<th>Metric</th>
</tr>
</thead>
<tbody>
<tr>
<td>Climate Change</td>
<td>GHG emissions</td>
<td>Scope 1, 2 and 3 GHG emissions</td>
</tr>
<tr>
<td>Land, freshwater,</td>
<td>Total extent of land, freshwater, and ocean-use change</td>
<td>Extent of change, in sq km, by type of ecosystem and business activity (absolute and change from previous year)</td>
</tr>
<tr>
<td>ocean-use change</td>
<td>Land, freshwater, ocean-use change in prioritized ecosystems</td>
<td>Extent of change, in sq km, by type of ecosystem and business activity, for prioritized ecosystems</td>
</tr>
<tr>
<td>Pollution and pollution removal</td>
<td>Total pollutants released to soil split by type</td>
<td>Total pollutants released to soil split by type, in tonnes</td>
</tr>
<tr>
<td></td>
<td>Volume of wastewater discharged, concentrations of key pollutants in wastewater discharged</td>
<td>Volume of water discharged (total, freshwater, other), in cubic metres, and concentrations of key pollutants in the wastewater discharged by type</td>
</tr>
<tr>
<td></td>
<td>Total amount of hazardous waste generated</td>
<td>Total amount of hazardous waste generated by type, in tonnes</td>
</tr>
<tr>
<td></td>
<td>Total non-GHG air pollutants</td>
<td>Total non-GHG air pollutants by type, including particulate matter, nitrogen oxides, volatile organic compounds, sulphur oxides, ammonia</td>
</tr>
</tbody>
</table>

Global Biodiversity Framework targets are provided in more detail in the Appendix.
Global exchanges and nature-related financial risk

SGX  Introduced phased approach to mandatory climate reporting
      TNFD Taskforce Member

JSE  Development of Sustainability Disclosure and Climate Change Disclosure Guidance, for South African context

SEBI BRSR (Business Responsibility and Sustainability Report) now mandatory for top 1,000 listed companies

Bursa Malaysia  Sustainability reporting platform, allowing disclosure of ESG and climate data

NYSE Partnership with Intrinsic Exchange Group to pioneer “a new class of listed company based on nature and...ecosystem services”

LSEG Sustainable investing solution through ESG and company indices and data; identification of companies contributing to ‘green economy’

HGEX Plans for mandatory climate-related disclosures

Reporting instruments referenced in stock exchange guidance documents

<table>
<thead>
<tr>
<th>Instrument</th>
<th>Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>GRI</td>
<td>96%</td>
</tr>
<tr>
<td>SASB</td>
<td>79%</td>
</tr>
<tr>
<td>IIRC</td>
<td>76%</td>
</tr>
<tr>
<td>CDP</td>
<td>70%</td>
</tr>
<tr>
<td>TCFD</td>
<td>63%</td>
</tr>
<tr>
<td>CDSB</td>
<td>36%</td>
</tr>
</tbody>
</table>

© 2023 | tnfd.global | 15
Timeline: launch September 2023

Rapid prototyping and feedback with the market, for the market

Feedback closed June 1st
https://framework.tnfd.global
Join the TNFD Forum:

https://tnfd.global/about/the-tnfd-forum/
SDG Investment Standards
SDG Impact

Fabienne Michaux, Director SDG Impact
UNDP Sustainable Finance Hub

June 26th, 2023
About SDG Impact

Managing for Impact

A means to integrating sustainability, the SDGs and managing for impact at the core of organizational purpose and management decision-making

- SDG Impact Standards
- SDG Impact Assurance & Seal

SDG enabling market intelligence

Producing data and insights needed for increasing financial flows to the SDGs

- SDG Investor Maps
- SDG Investor Platform

Strengthening the enabling environment

Investor convenings, policy dialogues, post map activation activities
Capacity building: training and education; communities of practice

Our vision is for a world where sustainability and the SDGs are at the heart of private sector value creation – no longer an add on to what business gets done but how all business is done.

Good for people and the planet. Good for business.
What we do

TRAINING/EDUCATION/ CAPACITY BUILDING

UNDP-DUKE IMM for the SDGs - free Coursera online self-directed training course

Training on the SDG Impact Standards led by accredited trainers

Train-the-Trainer Program
Training, accreditation and regular CPD events

Assurer Training and Accreditation Program

ASSURANCE & SEAL

Assurance framework (forthcoming)

SDG Impact Seal (forthcoming)

MANAGEMENT STANDARDS

SDG INVESTOR MAPS

Identification of potential policy "white spaces"

SDG Investor Platform

FACILITATION AND PIPELINE BUILDING

Post-map activation activities

Policy dialogue, including exploring policy "white-spaces"
Why what we do is important for exchanges and markets

- Increased demands on organizations for transparency and accountability from regulators and other stakeholders
- Increased scrutiny/concerns about green/impact/SDG washing
- Increased importance of sustainability and achieving the SDGs to future business resilience and performance
- Organizations struggling to move from commitment to action/results
- Disconnect between current approaches and sustainability/SDG performance
Evolving landscape
Global trends in sustainability related reporting

Lay of the land:

Increase in sustainability disclosure/reporting standards
- European Financial Reporting Advisory Group (EFRAG)
- United States Securities Exchange Commission
- International Sustainability Standards Board
- Taskforce on Climate-Related Financial Disclosures (TCFD)

Building of Sustainability Focused industrial taxonomies/classifications
- European Union
- SASB (Sustainability Accounting Standards Board)
- ASEAN
- China SDG Finance Taxonomy

These shifts are likely to lead to:
- Increased accountability, transparency
- A red line under impact-washing related challenges
- Scrutiny on board oversight and governance issues
- Increase in ESG related litigation

Strengthening of government policy and legislation
- Government policies: net-zero targets, subsidies, tax rebates
- Carbon markets and taxes
- Legislation and ESG litigation support

Despite increasing number of reporting frameworks based on retrospective performance, what is the guidance to improve future performance and optimize impact?
Internal management and decision-making complements (and precedes) external reporting

**INTERNAL MANAGEMENT AND DECISION-MAKING**

- **Forward-looking** – collects data that is used for business and investment strategy i.e., measure, create insights and generate alternative courses of action
- Purpose is to inform internal decision-makers e.g., management
- Ownership and accountability focus
- Emphasis on both risk and opportunities

**EXTERNAL REPORTING**

- **Backward-looking** – collects data to measure and report on past actions
- Purpose is to inform external stakeholders e.g., investors
- Compliance focus
- Emphasis on risk
A new normal - recognising

- Importance and centrality of sustainability and impact management to private sector
- Impacts as being changes in well-being of people or planet
- Trade-offs in decisions between positive and negative impacts, with implicit valuation in those decisions, and implications for strategy and governance
- Need for an approach to mitigating and compensating for negative impacts
- Risk in making decisions, especially at rate required
- Thresholds as basis for determining positive or negative impacts
- Comparisons as basis for creating insights that lead to options to increase net impact
SDG Impact Standards: Are we optimizing our impacts and long-term organizational performance?

4 sets of SDG Impact Standards that:
- create a shared language and approach to sustainability and managing for impact
- serve as an organizing framework to complement and strengthen existing initiatives
- Fill gaps that are undermining progress towards sustainability and achievement of the SDGs

Developed as a public good, the SDG Impact Standards provides a unified management approach to the advancement of sustainability and the SDGs amongst businesses, investors and policy makers
An over-arching internal decision-making framework to help organizations be sustainable, resilient and prosperous for the long-term
The 12 SDG Impact Enterprise Actions

1. Commit
to operating sustainably and making a positive contribution to the SDGs

2. Understand
the sustainability context and map current and future potential material impacts

3. Integrate
sustainability and the SDGs into purpose and strategy

4. Set goals
in line with now integrated purpose and strategy

5. Adjust
strategy and goals as needed to optimize impact

6. Align
culture, structure and skills with purpose and strategy

7. Develop
impact measurement and management (IMM) framework

8. Integrate
IMM framework into management systems and decision-making

9. Embed
continuous improvement

10. Disclose
how sustainability and the SDGs are integrated into decision-making, and report on performance

11. Integrate
Sustainability and managing for impact into governance framework

12. Ensure
governing body leads by example
The SDG Impact Self-Assessment tool helps organizations prioritize actions and prepare for assurance

For each of the 12 actions....

What is your organization doing?
What could make it better?
What is missing?

www.SSEinitiative.org | info@SSEinitiative.org | @SSEinitiative
How to use the SDG Impact Standards

- Perform a self assessment and gap analysis against the standards
- Prioritize actions and develop an action plan
- Fill gaps and strengthen management practice and decision-making over time
- Work towards independent assurance and the SDG Impact Seal

Resources:
- SDG Impact Standards Glossary
- SDG Impact Standards 12 enterprise actions
- SDG Impact Standards Self Assessment Tool for enterprises
- SDG Impact Standards Guidance documents for enterprises
- UNDP/DUKE on-line coursera course on IMM for the SDGs
- Examples and case studies will progressively be added
Thank-you!

Contacts:
fabienne.michaux@undp.org

Website: sdgimpact.undp.org
Twitter: @sdgimpact
Open Floor Discussion

Please ask your questions using the chat function.

How to participate in the discussion:

You can ask questions and provide comments at any time by using the chat function.

Please use the hand symbol to indicate that you wish to speak during the discussion.

The team will allow you to enable your video function while you speak.
SSE Workstream Updates

5. Gender Equality
New gender equality training pilot to start this week. Reach out to the SSE team if you would like to join.

12. Responsible Consumption and Production
Online ESG guidance database: [SSEinitiative.org/esg-guidance-database](http://SSEinitiative.org/esg-guidance-database). We are continually updating the database, so please do share with us any new ESG guidance documents.

13. Climate Action
Exchanges can join the Net Zero Alliance ahead of WIF in Oct or COP28 in Dec.
SSE Academy to pivot from TCFD to ISSB training.

17. Partnerships for the Goals
The World Investment Forum 16-20 October; Abu Dhabi: the SSE Global Dialogue our flagship CEO event.
COP28 ***tentatively*** scheduled 9 Dec Finance Day. SSE and IOSCO joint session.
SSE Official Supporters

THANK YOU!!!

Become an SSE Official Supporters! Contact us to learn how.

Supporting the SSE’s mission is one of the Actions you can take to be an “Active” member.
Thank you!