As part of the methodology development process for the 2024 CSA, we kindly invite you to review a draft proposal for new and updated questions impacting your industry.

Please review this document and provide your feedback by completing the online survey.

The question texts and methodology presented may be subject to change at any time before the end of March 2024. In addition, questions may look different in the Online Assessment Tool in terms of question structure and layout.
Introduction

Criterion Rationale

Financial institutions have an essential role to play in addressing sustainability challenges, facilitating the transition to a low-carbon economy and in stimulating sustainable development. In identifying and addressing growing environmental challenges and the associated risks, financial institutions can benefit by leveraging their expertise in financial innovation. The opportunity to offer new financial instruments allows financial institutions to develop new revenue streams and build trust amongst stakeholders.

The principal focus of the criterion is to look at the approaches companies are taking to integrate ESG in each of the business segments and to look at which innovative offerings across all business operations (Retail Banking, Wholesale / Corporate / Investment Banking, Asset Management, Wealth Management, Security Exchanges, Insurance Underwriting) are available.

Reason for update and summary of changes

This document contains the proposed changes to the existing questions ‘Integration of ESG Criteria in Stock Exchanges’ and ‘ESG Products & Services for Stock Exchanges/Index Providers’. Please note that in the following section, new content added to the questions has been framed in red.

Sustainable Finance has been an existing criterion within the CSA, with recent updates for the majority of the criterion to improve transparency and alignment with current standards. Given recent developments in here is a need to address the current questions, ‘Integration of ESG Criteria in Stock Exchanges’ and ‘ESG Products & Services for Stock Exchanges/Index Providers,’ to align with the latest developments in disclosure standards and forward-looking initiatives in the Financial Exchange and Data sub-industry.

The ‘Integration of ESG Criteria in Stock Exchanges’ is currently aligned to the Sustainable Stock Exchange (SSE) Initiative’s disclosure recommendations, available within the SSE Database. This question has been updated to reflect the latest updates in disclosure requirements, as well as a recommendation from the Net-Zero Financial Service Providers’ Alliance on climate disclosure. Changes have been made to include segments such as SME (Small and Medium sized Enterprises) Listing and Sustainable Debt Listing, as well as voluntary carbon markets. This question will be
applicable to the Financial Exchanges & Data sub-industry, specifically to stock and derivative exchanges.

The current ‘ESG Products & Services for Stock Exchanges/Index Providers’ expects companies to provide products and market relevant values relevant to the product. This question has now been updated to ‘Sustainable Indices,’ which focuses on the sustainable index offering from companies. The section on sustainable bond listing has been moved to the ‘Sustainable Exchange Program’ question. The updated question targets companies’ index offering and seeks to capture the level of sustainability approaches employed in the construction of sustainable equity and fixed income indices. This question will be applicable to the Financial Exchanges & Data sub-industry, specifically to data providers and stock exchanges that are active in index construction activities.
Updated Question

Sustainable Exchange Programs

INDUSTRIES IMPACTED:
FBN (Diversified Financial Services and Capital Markets)

QUESTION RATIONALE

Stock and Derivative exchanges have an essential role to play in addressing sustainability challenges by facilitating the transition to a more sustainable economy. The mission statement of the Sustainable Stock Exchanges Initiative (SSE) is to ‘build capacity of stock exchanges and securities market regulators to promote responsible investment in Sustainable Development and advance corporate performance on Environmental, Social, and Governance issues.

By leveraging their role in the market, stock exchanges have an important role to play in driving awareness amongst listed companies on sustainability issues, and thereby have a direct influence on the contribution of listed companies to Sustainable Development Goals (SDG). In addition, they are able to provide new financial instruments (listing green bonds or providing a platform for voluntary carbon markets and sustainable derivatives) thereby developing new revenue streams, but also further stimulating the path toward a sustainable economy. Stock exchanges also play a key role in driving improved sustainability integration for small and medium-sized enterprises (SMEs), through capacity building programs and improving access to capital through SME listing platforms.

This question aims to find out the sustainability initiatives that stock exchanges offer, and whether stock exchanges are aligned with leading industry initiatives that advance sustainability for stock exchanges, such as the Sustainable Stock Exchange (SSE) Initiative and the Net-Zero Financial Service Providers’ Alliance.

KEY DEFINITIONS

**Sustainability Reporting as a Listing Rule:** A requirement, be it mandatory or voluntary (comply or explain principle) that outlines the sustainability topics on which companies listed at the stock exchange should report on to remain listed at the exchange.

**Written Guidance:** Detailed guidance providing additional insight into the sustainability reporting framework which listed companies are expected to comply with.

**Sustainability Related Training:** Providing training sessions to listed companies on sustainability issues.
**Climate disclosure training:** Trainings to improve market participants' disclosure of climate-related information, following reporting frameworks such as the Taskforce on Climate-related Financial Disclosures (TCFD).

**SME Listing Platform:** Platform for SMEs who would normally not qualify for an IPO (Initial Public Offering) to raise capital.

**Sustainable debt Listing:** Developing the rules and regulations allowing for sustainability bonds to be listed and provides a separate segment for listing making the bonds easy to find and identify. (SSE Initiative)

**Voluntary carbon markets:** A platform to enable market participants to buy and sell carbon offsets that are not used for compliance purposes. Voluntary markets rely on verification or certification of projects to provide prospective buyers with confidence about the claimed amount of carbon emissions to be avoided, decreased or removed. (SSE Initiative)

**Sustainable derivatives:** The company offers a platform for sustainable derivatives. The segments accepted are sustainable equities, such as equity index derivatives catering to sustainable investments, or sustainable commodities, such as water futures to mitigate climate risk, or responsible sourcing requirements for metals. (SSE Initiative)

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**DATA REQUIREMENTS**

Please only answer this question if your company is a Stock or Derivative Exchange. If your company is not a Stock or Derivative Exchange, please mark ‘Not applicable’.

This question requires supporting evidence from the public domain. The information provided has to be included in your public reporting (e.g., annual report, sustainability report, integrated report, company publications, separate fuel efficiency strategy document) or corporate website.

Any response that cannot be verified in the attached public document(s) will not be accepted.

Stock exchanges based in jurisdictions where sustainability reporting is mandatory and subject to regulation (e.g.: The European Union) should mark ‘Yes, and sustainability reporting is mandatory.’

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**REFERENCES**

- Sustainable Stock Exchange (SSE) Initiative
- Net Zero: Target Setting Guidance for Exchanges
Does your company have measures in place to advance sustainability in your activities as a stock or derivative exchange?

- Yes, the company has the following measures in place:
  
  Please specify where this information is available in your public reporting with reference to the description of selected options.

<table>
<thead>
<tr>
<th>Communication to stakeholders</th>
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</thead>
<tbody>
<tr>
<td>Has your company prepared SSE communication to stakeholders? Please indicate where in the public domain you report this information.</td>
</tr>
<tr>
<td>Yes, we have prepared SSE communication to stakeholders.</td>
</tr>
<tr>
<td>No, we have not.</td>
</tr>
</tbody>
</table>

**Initiatives**

- The company has sustainability reporting as a listing rule.
  - Sustainability reporting is a mandatory requirement.
  - Sustainability reporting is voluntary, based on the comply or explain principle.
- The company offers sustainability reporting guidance for listed companies
- The company offers sustainability training and/or advisory services to listed companies
- The company offers climate disclosure training and/or advisory services.
- The company offers programs to help identify sustainable equities/commodities.
  - The company discloses the process through which they identify equities/commodities as sustainable.
**Segments**

Does the company have segments or listing platforms for the following categories?

- Small and Medium-sized Enterprises
- Sustainable debt
- Voluntary carbon markets

- No, the company does not have any of the above measures in place.
- Not applicable. The company is not active in the exchange business.

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**Updated Question**

**Sustainable Indices**

**INDUSTRIES IMPACTED:**
FBN (Diversified Financial Services and Capital Markets)

**QUESTION RATIONALE**

Stock exchanges, financial data providers, and other financial institutions that offer index product solutions have an important role to play in addressing sustainability challenges by facilitating the transition to a low-carbon economy and stimulating sustainable development. By leveraging their expertise in financial innovation, these institutions can provide a platform or offer new financial products thereby developing new revenue streams, advancing future risks, and building trust amongst stakeholders.

With this question, we aim to find out which sustainability indices are offered by stock exchanges, data providers, or other financial institutions active in the index business.

**KEY DEFINITIONS**

**Equity:** Indices based on equities.

**Fixed income:** Indices based on fixed income products, such as green/sustainability bond indices.
**Sustainability-related Indices:** An index or benchmark whose securities have been selected or weighted following the consideration of sustainability factors. Sustainability-related indices may include Environmental or Social Indices or ESG indices. This could include specific themes, such as impact indices, net-zero/Paris-aligned indices, climate transition indices, thematic indices under acceptable sustainability themes such as renewable energy, social responsibility, and gender equality, best-in-class indices, and ESG Integrated indices.

**ESG Integrated and/or exclusion-based Index:** Indices that implement negative screening to exclude entities with poor performance on sustainability factors, relative to industry peers or specific environmental, social, or governance criteria. This may include excluding particular business practices.

**Best-in-class index:** Indices designed to include entities with the best sustainability performance. Indices are acceptable for best-in-class category if they only include the best performers within a designated sustainability framework.

**Thematic index:** Indices that focus on sustainability trends rather than specific companies and sectors. This may include water indices, green economy indices, gender diversity indices.

**Transition index:** Indices that qualify for the EU Climate Transition Benchmark. The minimum relative decarbonization is set at 30%. ([EU Climate Transition Benchmarks](#))

**Paris-aligned index:** Indices that qualify for the EU Paris-Aligned Benchmark. We expect this index to have 50% minimum reduction relative to the parent index. ([EU Paris-aligned Benchmarks](#))

**Impact index:** Indices constructed with an aim to include companies that achieve positive and measurable sustainability (environmental and social) outcomes.

**DATA REQUIREMENTS**

The question is not applicable to financial institutions that do not offer index products. Stock exchanges that do not construct their own indices should mark the question as not applicable.

The question aims to address indices offered by financial institutions active in the index business.

Companies are expected to develop sustainability indices in the respective categories and will be evaluated on their ability to disclose several products in the separate categories.

**REFERENCES**

Does the company offer sustainability-related indices?

- Yes, the company offers sustainability-related indices. Please indicate where this information is available in public reporting or on the corporate website.

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Index category</th>
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</thead>
<tbody>
<tr>
<td>Equity Indices</td>
<td>□ ESG Integrated and/or negative screening indices</td>
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<td></td>
<td>□ Best-in-class indices</td>
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<td>□ Thematic indices</td>
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<td>□ Climate transition indices</td>
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<td></td>
<td>□ Paris-aligned indices</td>
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<td>□ Impact indices</td>
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<tr>
<td>Fixed Income Indices</td>
<td>□ ESG Integrated and/or negative screening indices</td>
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<td>□ Paris-aligned indices</td>
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<td>□ Impact indices</td>
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</tbody>
</table>

- No, the company does not offer sustainable equity indices.
- No, the company does not offer sustainable fixed income indices.
- Not applicable. The company is not active in this asset class.

- No, we do not offer sustainability-related indices.
- Not applicable. We are not active in the index business.
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