

S&P Global Sustainable1

Investor Client Council

APAC Middle East Investor Client Council

H1 2023 – Virtual

1 June 2023



Agenda



18.00-18.10: Welcoming Remarks

Richard Mattison, President of S&P Global Sustainable1

18.10-18.20: Purpose & Objectives

Mona Naqvi, Chair of the Investor Client Council

18.20-19.35: Sustainable Investing Today

Examining the shifting market dynamics, evolving frameworks, and increased scrutiny of sustainable investments and tools today

19.35-19.50: Break

19.50-20.35: Biodiversity & Nature: A New Frontier

Exploring future of the landscape and the role of investments in mitigating biodiversity and nature loss as a new sustainable frontier

20.35-20.50: The Next Horizon

Brainstorming ideas for further innovation and the development of new sustainable solutions

20.50-21.00: Concluding Remarks

Mona Naqvi, Chair of the Investor Client Council

Welcome Remarks

Richard Mattison, President of S&P Global Sustainable1

Purpose & Objectives

Mona Naqvi, Chair of the Investor Client Council

Permitted	Not Permitted
<p>✓ Discuss public or non-commercial matters:</p> <ul style="list-style-type: none"> - market trends; - perspectives on ESG regulation; - industry studies - best practices - high-level product development evolution thought processes and concepts 	<p>☐ Discuss non-public:</p> <ul style="list-style-type: none"> - Pricing/commercial policy - Marketing efforts - Specific or granular cost information - Particular customers or vendors - No discussion on specificities of scores or methodologies except to the extent already publicly disclosed
<p>✓ S&P Product launches or expansions, including standardized models and analytics, to the extent presented by S&P Global Sustainable in connection with the Investor Council</p>	<p>☐ Discuss specifics of how market trends affect each company or examples of customers</p>
<p>✓ Set an agenda for each meeting and review with Legal if any questions.</p>	<p>☐ Discuss product pipeline ideas, methodology changes, specific business strategies, specific intended developments, trade secrets, or know-how</p>
<p>✓ Raise any concerns about discussion topics at a meeting. If discussions continue, leave the meeting and ensure that your departure is recorded in writing. Report any concerns to Legal.</p>	<p>☐ Allow any departures or deviations from the stated agenda.</p>
<p>✓ Remember all written communications (including emails and notebooks) may be disclosable to a regulatory or legal authority (including without limitation a competition authority).</p>	<p>☐ Allow analytical employees to attend without appropriate legal and compliance review and approval</p>
<p>✓ Ensure the legitimate professional objective behind discussions is clear in any written communications.</p>	<p>☐ Apply different standards of behaviour to information sharing in a less formal or social setting.</p>
<p>✓ Ensure discussions are accurately recorded.</p>	<p>☐ Use language which could be misinterpreted.</p> <p>☐ Use language that is factually incorrect</p>

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S&P Global Sustainable1

Investor Client Council

The Future of Sustainability Data

Sonia Kim
Global Head of Product

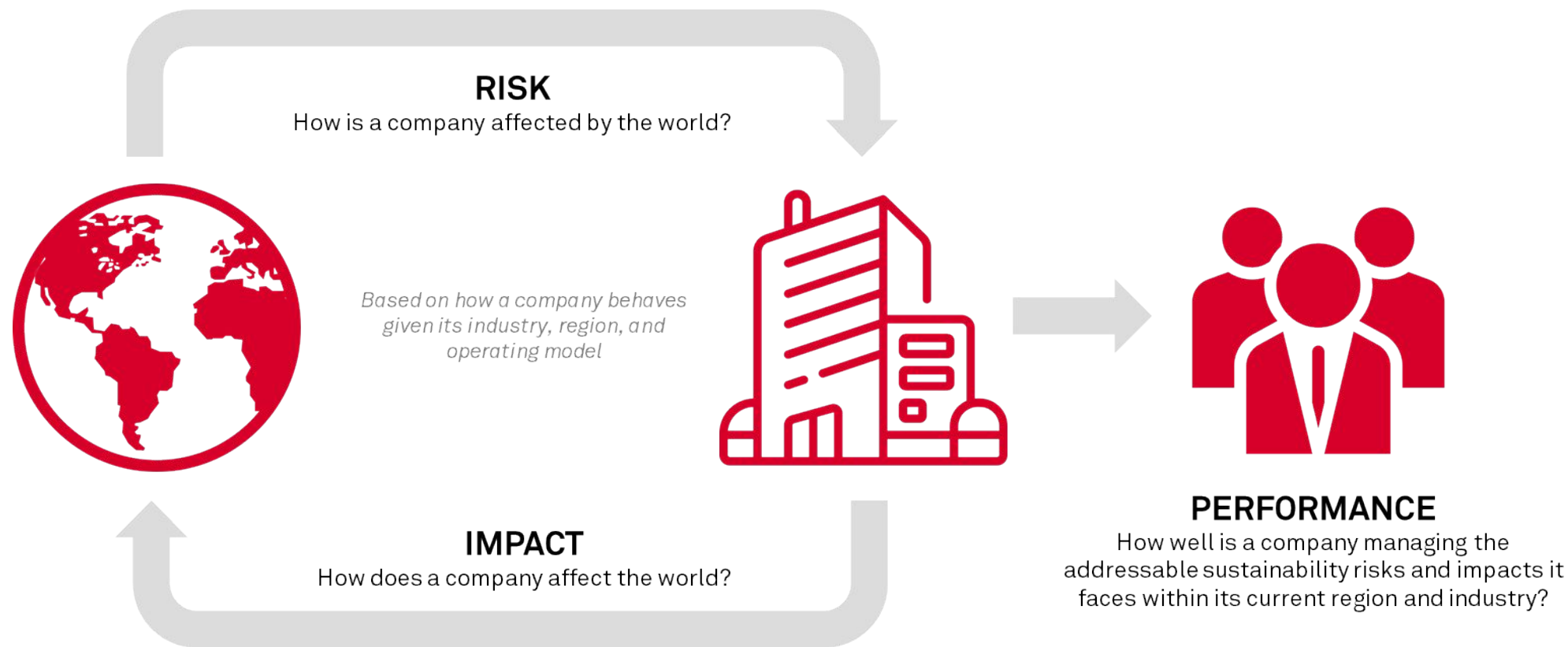
Steven Bullock
Global Head of Research

1 June 2023



A Multipronged Approach to ESG Assessments

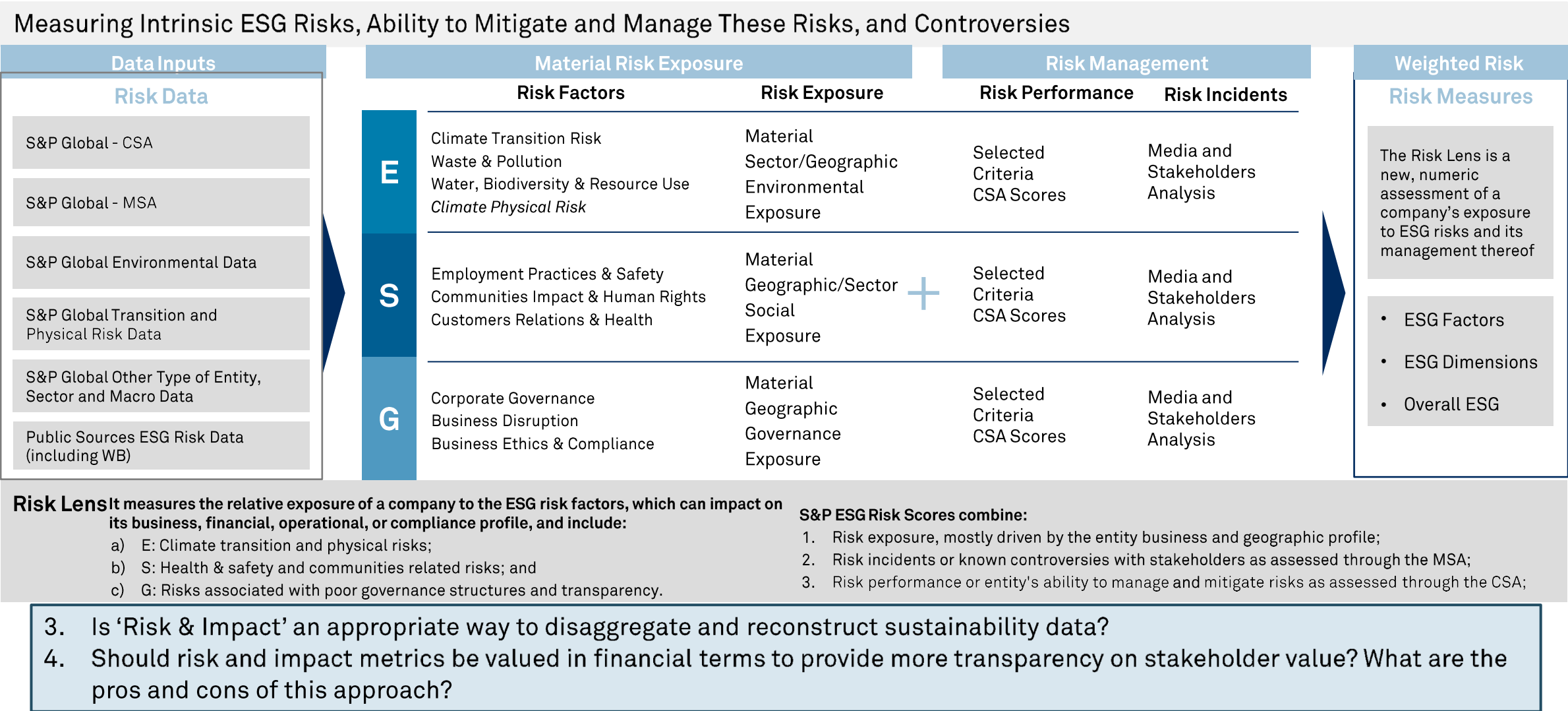
Because every question deserves an answer



1. Do you agree with our assessment of market factors contributing to ESG score confusion?
2. Do you believe calculated ESG scores (current or improved) can continue to be useful as access to raw data increases?
If so, for what specific workflows and why?

Our Evolving Approach to Risk

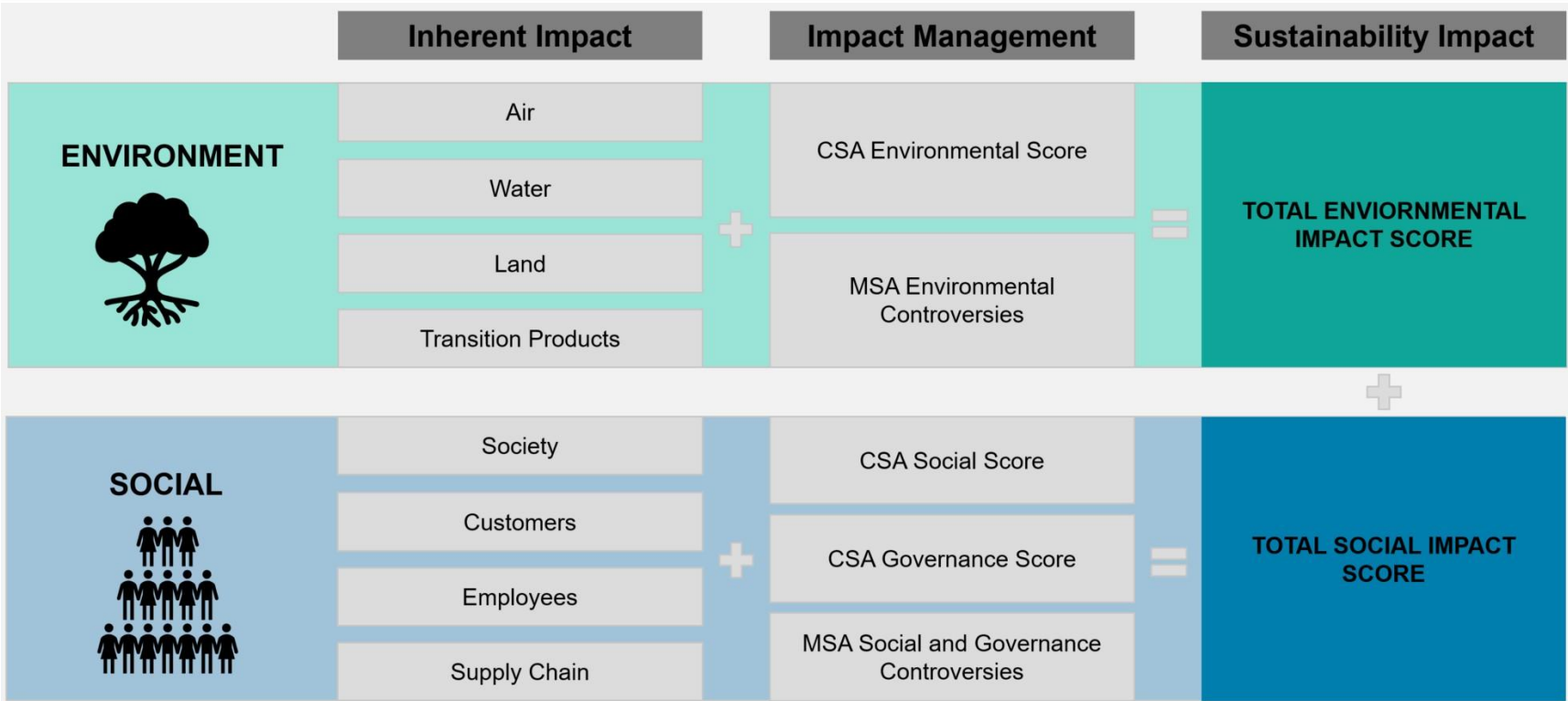
Key features



Our Evolving Approach to Impact

Key features

Impact scores provide a global, cross-industry view of the **positive and negative environmental and social impact** generated by companies. A company's performance is assessed based on the inherent impact caused by its operations, business activities, products/ services and operating markets as well as its preparedness and ability in managing the external impact.



How is impact measured?

A company's **inherent environmental and social impact** is measured through a combination of quantitative and qualitative indicators to assess its impact across eight modules, each reflecting a key stakeholder group or impact area:

An entity's **management impact** is measured through its sustainability performance as evaluated by the CSA using its environmental, social and governance scores, including controversies.

5. What is the best approach to organizing and communicating a score's objective (for example, pertaining to the measurement of risks, impacts, or both?) Can there ever be a 'pure' risk or impact metric, or are such concepts inextricably linked?

S&P Global ESG Scores: Evolved Approach

3 key pillars to evaluate performance, risk & impact

S&P Global ESG Score

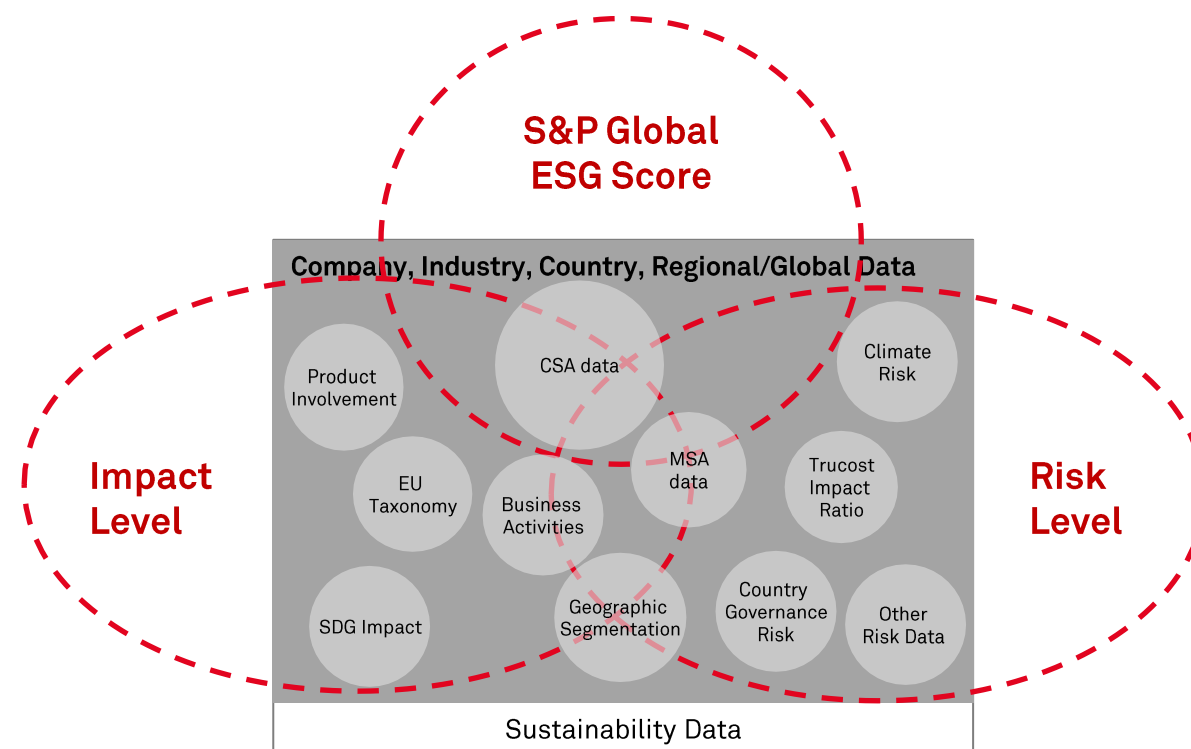
- **Disclosure Analysis**
Assess data from disclosures > Disclosure – based score
- **Imputation**
Fill gaps with estimated inputs for all companies
- **S&P Global ESG Score**
Headline score, default “house view”

Risk Level

- **ESG Score raw data points + select scores**
Assess data from disclosures > Disclosure – based score
- **Additional internal and external company, industry and global datasets**
- **Risk Level**
Assess company exposure to key ESG risks and management performance

Impact Level

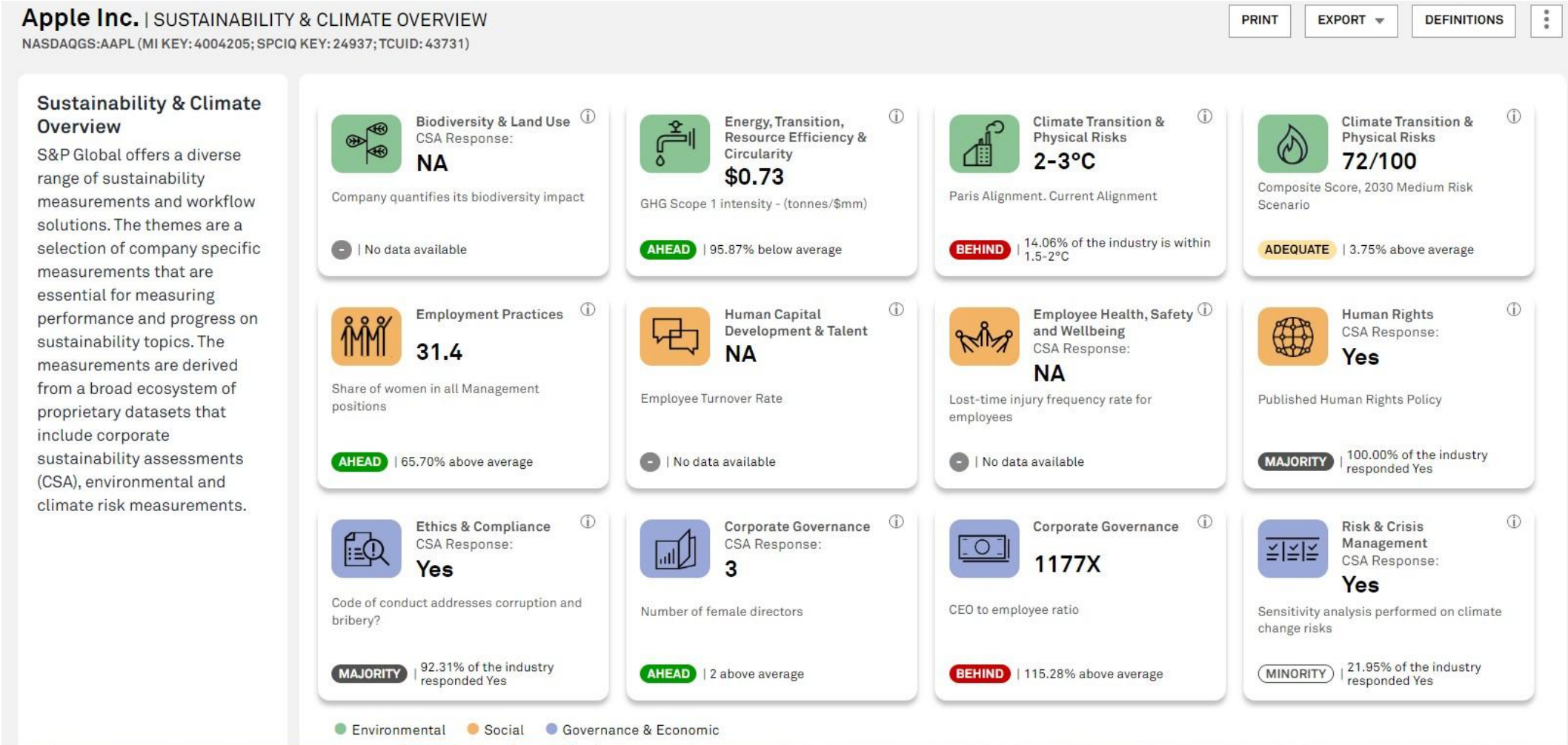
- **ESG Score raw data points + select scores**
Assess data from disclosures > Disclosure – based score
- **Additional internal and external company, industry and global datasets**
Assess data from disclosures > Disclosure – based score
- **Impact Level**
Assess company exposure to key ESG impacts and management performance



6. Would aggregate ‘scores’ along risk & impact dimensions be useful, or is raw data sufficient?

Sustainability Overview: Thematic Framework

A more granular lens on sustainability performance



7. Would flexible scoring with built-in scenarios be useful or perhaps only add to the confusion?

SI Framework: Alignment with Article 2 (17) of SFDR

Defining sustainable investment

Article 2 (17) of SFDR states that:

‘Sustainable investment’ means an investment in an **economic activity** that **contributes to an environmental objective**, as measured, for example, by key resource efficiency indicators on the use of energy, renewable energy, raw materials, water and land, on the production of waste, and greenhouse gas emissions, or on its impact on biodiversity and the circular economy, or an investment in an economic activity that **contributes to a social objective**, in particular an investment that contributes to tackling inequality or that fosters social cohesion, social integration and labor relations, or an investment in human capital or economically or socially disadvantaged communities, provided that such investments **do not significantly harm any of those objectives** and that *the investee companies* follow **good governance** practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance

Good Governance
Screening

DNSH Screening

Positive Contribution
Assessment

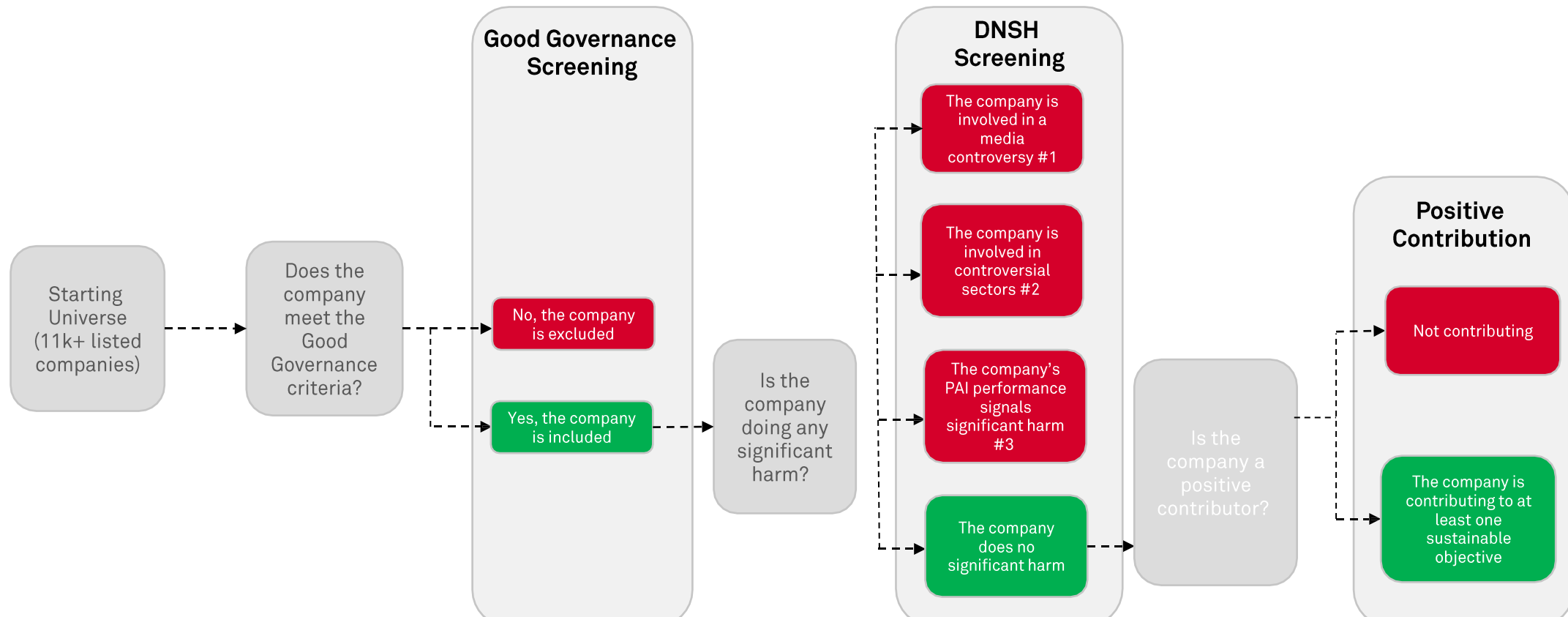
Objective: Define a set of company- and/or activity-level data points which address these building blocks, and can be aggregated and applied at the index/benchmark level

8. How do concepts such as DNSH and positive contribution help investors understand a company’s impact on sustainability objectives and identify sustainable investments?

SI Framework: Building Blocks

SI framework decision tree

The flow chart presents the screening process for the identification of sustainable investments in the SI Framework



9. How can these concepts be assessed at scale? Can they truly help quantify a company's impact on sustainability objectives/outcomes or are they limited to negative screening?

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S&P Global Sustainable1

Investor Client Council

Framing the Future for Nature

Sonia Kim
Global Head of Product

Steven Bullock
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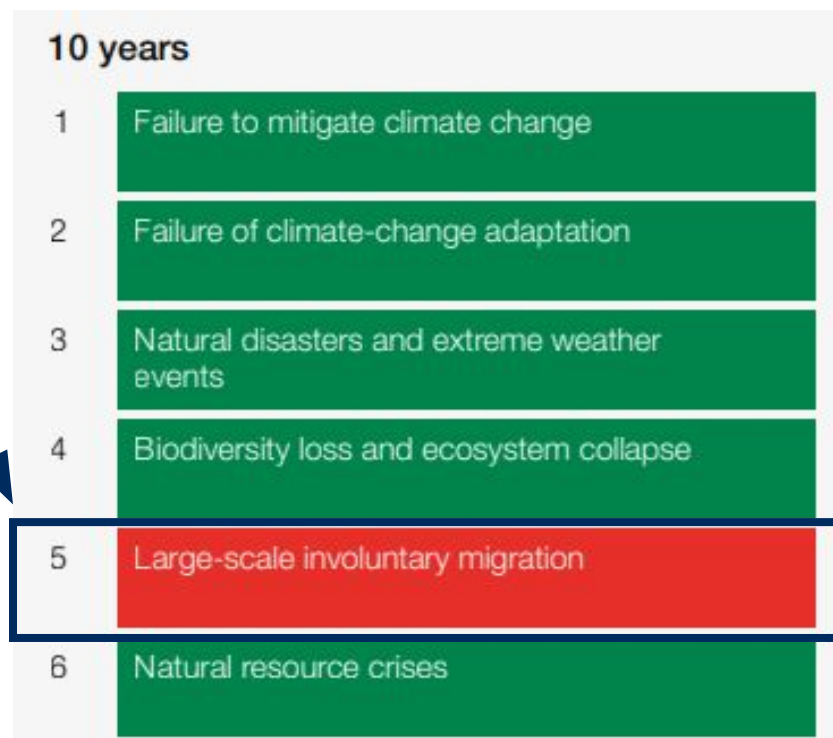
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Biodiversity Loss & Ecosystem Degradation

Currently occurring at the greatest speed and scale in history

Nature loss is the fourth most severe global risk over the next ten years

55% of the world's GDP - equivalent to \$58 trillion - is exposed to material nature risk without immediate action (PwC, 2023)

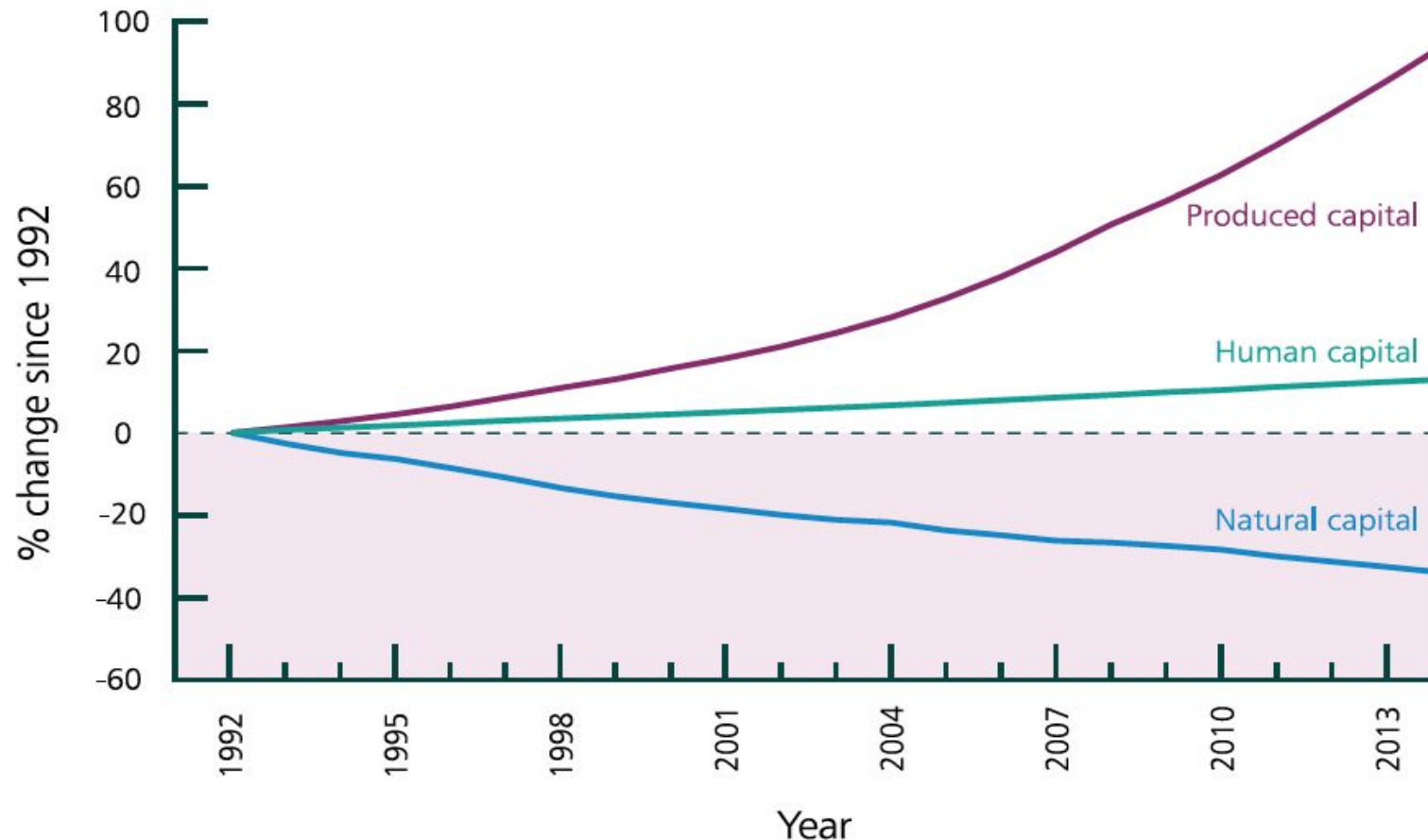


Source: World Economic Forum Global Risks. Perception Survey 2022-2023.

1. To what extent do you believe nature risk presents a financially material risk for investors?

The Dasgupta Review

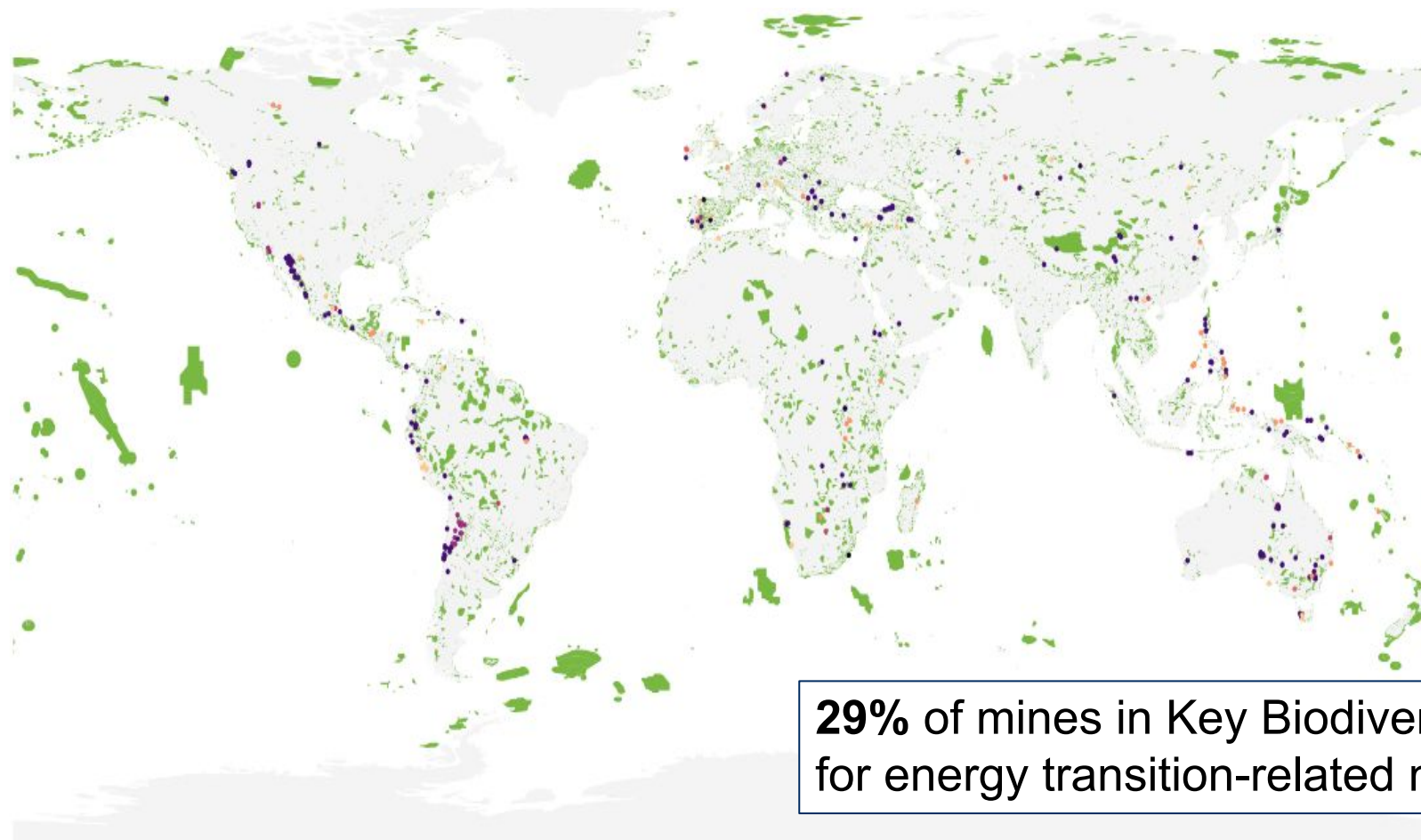
The link between economic growth and the decline in nature



2. What are the right metrics for valuing a company's dependency on nature? Does placing a 'value' on nature, in financial terms, potentially risk further commodification?

Geospatial Analysis Example

Comparing the locations of mines relevant to the energy transition with the positions of biodiverse areas



29% of mines in Key Biodiversity Areas are for energy transition-related minerals

Source: Key Biodiversity Area data downloaded from the Integrated Biodiversity Assessment Tool (IBAT) (<http://www.ibat-alliance.org>). Provided by BirdLife International, Conservation International, IUCN and UNEP-WCMC. Please contact ibat@ibat-alliance.org for further information. Downloaded March 2022

Task Force on Nature-related Financial Disclosures

Disclosure recommendations

Governance	Strategy	Risk & Impact Management	Metrics & Targets
Disclose the organisation's governance around nature-related dependencies, impacts, risks and opportunities.	Disclose the actual and potential impacts of nature-related dependencies, impacts, 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 nature-related dependencies, impacts, risks and opportunities.	Disclose the metrics and targets used to assess and manage relevant nature-related dependencies, impacts, risks and opportunities where such information is material.
Recommended Disclosures	Recommended Disclosures	Recommended Disclosures	Recommended Disclosures
<p>A. Describe the board's oversight of nature-related dependencies, impacts, risks and opportunities.</p> <p>B. Describe management's role in assessing and managing nature-related dependencies, impacts, risks and opportunities.</p>	<p>A. Describe the nature-related dependencies, impacts, risks and opportunities the organisation has identified over the short, medium, and long term.</p> <p>B. Describe the effect nature-related risks and opportunities have had and may have on the organisation's businesses, strategy, and financial planning.</p> <p>C. Describe the resilience of the organisation's strategy to nature-related risks and opportunities, taking into consideration different scenarios.</p> <p>D. Disclose the locations where there are assets and/or activities in the organisation's direct operations, and upstream and/or downstream and/or financed, where relevant, that are in: high integrity ecosystems; and/or areas of rapid decline in ecosystem integrity; and/or areas of high biodiversity importance; and/or areas of water stress; and/or areas where the organisation is likely to have significant potential dependencies and/or impacts.</p>	<p>A. (i) Describe the organisation's processes for identifying and assessing nature-related dependencies, impacts, risks and opportunities in its direct operations.</p> <p>A. (ii) Describe the organisation's approach to identifying nature-related dependencies, impacts, risks and opportunities in its upstream and downstream value chain(s) and financed activities and assets for assessment.</p> <p>B. Describe the organisation's processes for managing nature-related dependencies, impacts, risks and opportunities and actions taken in light of these processes.</p> <p>C. Describe how processes for identifying, assessing and managing nature-related risks are integrated into the organisation's overall risk management.</p> <p>D. Describe how affected stakeholders are engaged by the organisation in its assessment of, and response to, nature-related dependencies, impacts, risks and opportunities.</p>	<p>A. Disclose the metrics used by the organisation to assess and manage material nature-related risks and opportunities in line with its strategy and risk management process.</p> <p>B. Disclose the metrics used by the organisation to assess and manage dependencies and impacts on nature.</p> <p>C. Describe the targets and goals used by the organisation to manage nature-related dependencies, impacts, risks and opportunities and its performance against these.</p>

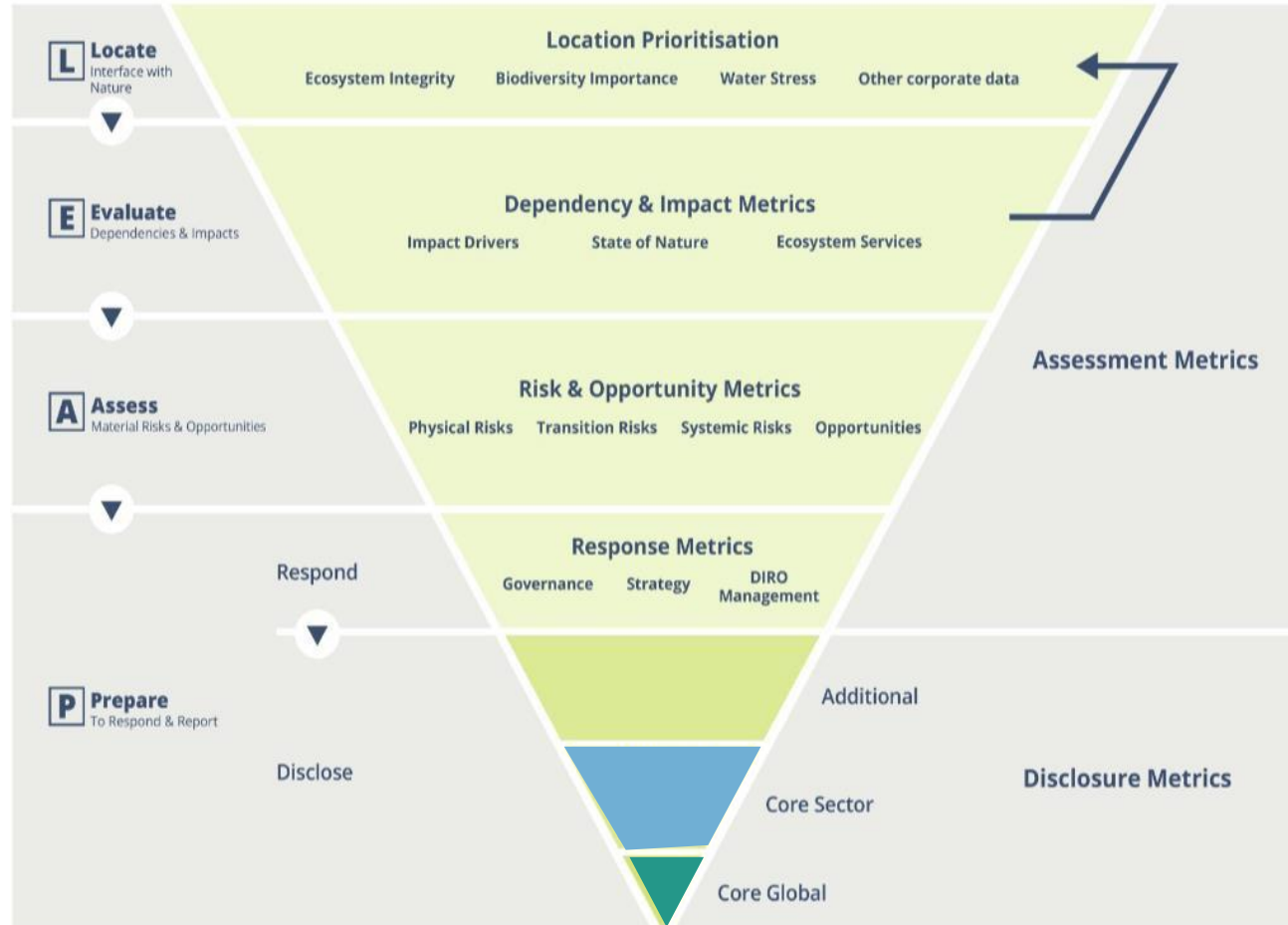
Source: TNFD (2023)

TNFD new vs. TCFD

- What will ultimately drive broad acceptance and implementation of quantifying nature risk for investors? Is standardized nature dependency analysis from corporates a prerequisite?
- What is the relationship between nature risk and traditional climate risk concepts (i.e., physical vs. transition risks)? Does this type of conceptual framing still apply?

Task Force on Nature-related Financial Disclosures

Indicator and metric types



Source: TNFD (2023)

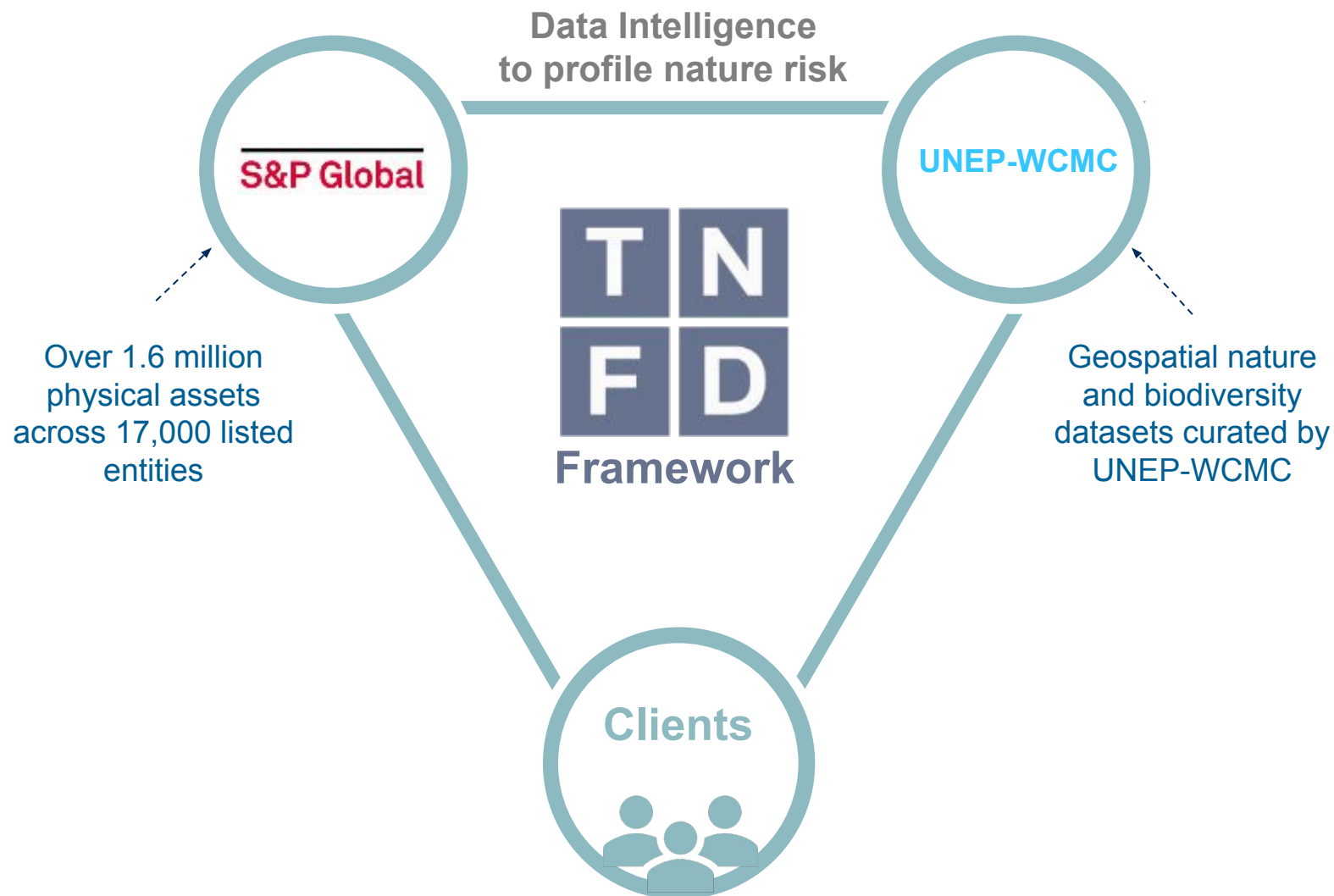
5. Would investors benefit from nature and biodiversity risk scores? If so, what can we learn from the market for ESG scores? How should data providers balance precision (and inherent complexity) with accessibility for ease of understanding to the broader market?

UNEP-WCMC and S&P Global

Combining **essential sustainability intelligence on corporate entities** and their assets with **geospatial datasets on nature and biodiversity**.

Aim to learn from and guide clients towards a **better understanding of nature-related risks and opportunities** while test-driving the TNFD's Beta Framework

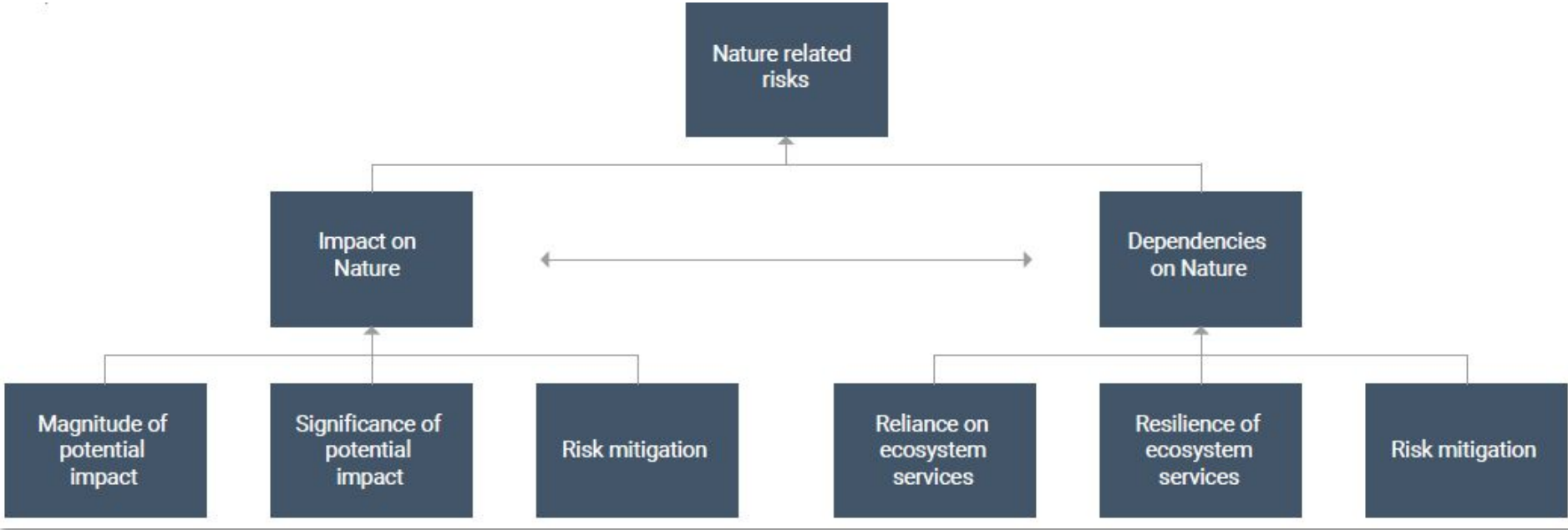
Partnership to develop an open-source public methodology "The Nature Risk Profile"



Nature Risk Profile: Integrating Dependencies and Impact of Nature

Building Blocks of a Risk Profile

The building blocks presented here align with the draft TNFD Framework, where the assessment of physical, transition and systemic risks are underpinned by the spatially explicit evaluation of impacts and dependencies on nature.



Note: Key elements forming the building blocks for the methodology under development to profile nature related risks. Readers should note that a company can not only impact on nature that other groups depend on, but also impact on nature that it depends on for its activities. This is represented in the figure by the double arrow between impacts on nature and dependencies on nature.

Source: UNEP (2023), Nature Risk Profile: A methodology for profiling nature related dependencies and impacts. Cambridge, United Kingdom

6. How do you anticipate investors will incorporate nature risk and mitigation plans into their investment decisions?

S&P Global's Nature Risk Profile

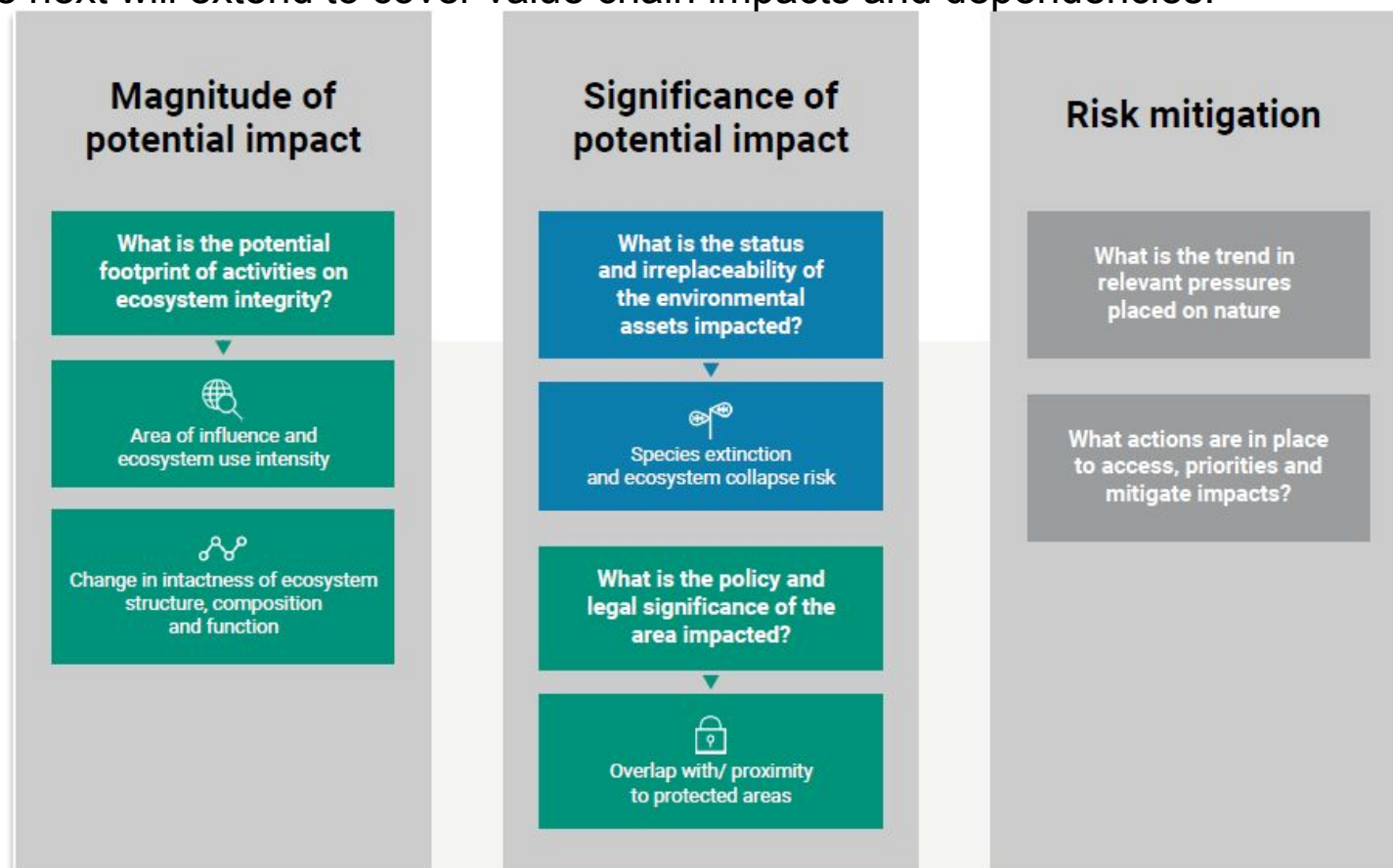


Impact (TNFD): Changes in the state of nature, which may result in changes to the capacity of nature to provide social and economic functions.



Businesses negatively impact nature through pressures (Impact Drivers). Impacts can be direct, indirect or cumulative.

The first iteration of this methodology captures direct dependencies and impacts. The next will extend to cover value chain impacts and dependencies.



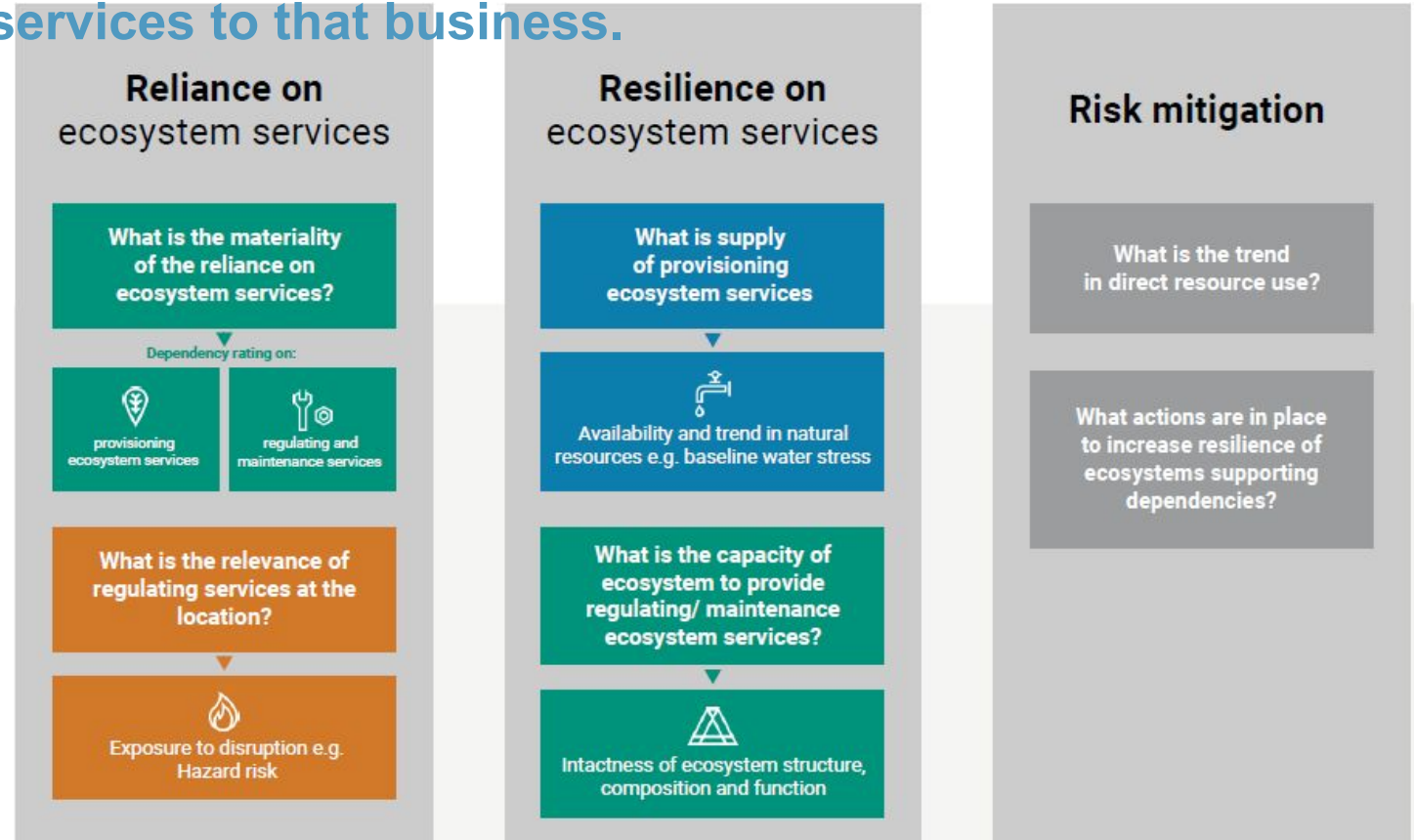
Nature-related risks:

Dependencies (TNFD):

Aspects of ecosystem services that an organisation or other actor relies on to function.



Business dependencies on nature will hinge on the interaction between the level of reliance on ecosystem services and the ability of the ecosystems within which a business operates to sustain a continued flow of those services to that business.



7. Beyond corporate disclosures, are there any other data gaps? What are the most critical areas to address next in the data and analytics you expect to see from providers?

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A photograph of a gravel path leading through a dense canopy of green trees. In the distance, a large, ornate, light-colored stone archway stands as a focal point, with more trees visible through its opening. The overall scene is bright and verdant.

The Next Horizon: Discussion

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