



**LONDON
STOCK
EXCHANGE**
An LSEG Business

CLIMATE GOVERNANCE SCORE

Why has it been created?

Climate-related risks and opportunities are increasingly recognised as material to many companies across the globe, therefore investors may consider how companies are addressing climate risks and are implementing clear transition plans when making capital allocation decisions.

Many investors are also making commitments to align their portfolios with net-zero¹. They do this using a wide variety of climate and ESG data, indices, and ratings providers that collect publicly disclosed company information.

Companies are increasingly working to effectively disclose and communicate their approach to climate change, their strategies, and how they are managing associated risks and opportunities.



COMPANIES ARE FACING RISKS AND OPPORTUNITIES RELATED TO CLIMATE CHANGE TO SOME DEGREE

Many companies are facing risks and opportunities related to climate change to some degree. They are also increasingly being asked to report on greenhouse gas emissions, whether directly in their operations, or indirectly from the energy they purchase or the emissions produced in their supply chain. Companies are increasingly aware that investors, regulators, clients, and employees are asking them to decarbonise their businesses and be transparent in the climate-related data they provide.

What is the Climate Governance Score?

The London Stock Exchange's Climate Governance Score is an assessment of companies' carbon management practices and their incorporation of climate change considerations into business strategies.

It is a practical measure of how far a company has progressed towards the core elements of climate reporting defined by the Task Force on Climate-Related Financial Disclosures (TCFD). The FCA requires Main Market listed companies to report on their climate performance against the TCFD recommendations.

The Climate Governance Score is an educational resource to help companies assess their performance, compare against industry peers, and identify areas for improvement; in turn this may enable them to access capital from sustainability-led investors and help facilitate clear communication between investors and businesses. By integrating climate change into business strategies, companies can also prepare themselves for the low-carbon transition and contribute to positive climate assessments from investors and rating agencies.

The Climate Governance Score is an assessment of governance which can enable companies to set credible targets rather than an assessment of climate performance or the quality of targets that a company has set. Based on publicly available information, but provided privately to issuers on the Issuer Services platform (the score is not distributed beyond the issuer), the Climate Governance

¹ PRI Signatories: <https://www.unpri.org/signatories/signatory-resources/quarterly-signatory-update>

Score provides a measure of whether there is credible governance around climate and a seriousness of approach which enables a company to set appropriate targets and strive to achieve strong emissions reduction performance (see Exclusions for more detail).

How does it work?

The underlying methodology for the Climate Governance Score is that of the Transition Pathway Initiative's (TPI) Management Quality Score (MQ). TPI is a global initiative led by asset owners and supported by asset managers which aims to empower asset owners to support action on climate change and the low-carbon transition. Using the climate framework from FTSE Russell's ESG data model, which uses publicly disclosed information, TPI assesses the progress that companies are making on the transition to a low-carbon economy in line with TCFD recommendations. The TPI methodology has academic and data rigour, working in partnership with the Grantham Research Institute on Climate Change and the Environment at the London School of Economics and Political Science and FTSE Russell (see Governance for more detail).

The Climate Governance Score expands the use of the TPI MQ methodology to all London-listed companies in the FTSE Russell research universe. Eligible companies will be provided with a score between 0 and 5 as well as their industry average, all from within the Issuer Services platform on a confidential basis.

The Climate Governance Score can help a company to understand how investors may assess their integration of climate change considerations into business strategy.



Benefits

- The Climate Governance Scores provide credibility, since they build on corporate climate action benchmarks with both academic rigour and large-scale institutional support
- Using recognised industry reporting standards, companies can identify what information related to climate is considered material to investors and is informing their investment decision making
- Companies can understand which metrics to focus on to help improve their climate disclosure
- Companies can compare performance to industry peers
- The scores are provided privately to issuers as an educational resource

Governance

Recognised standards alignment

Task Force on Climate-Related Financial Disclosures (TCFD)

The recommendations of TCFD have become one of the global industry standards for reporting on climate change risk and opportunities. In some jurisdictions, including in the UK, it has become mandatory for some companies to report against them on a comply or explain basis.

Its recommendations are helping companies to provide better information to support informed capital allocation and more broadly to help financial markets appropriately price climate-related risks and opportunities. It is structured around four thematic areas comprised of governance, strategy, risk management, and metrics and targets.

The Transition Pathway Initiative (TPI)

TPI's assessment comprises two parts:

- Management Quality Score – the quality of companies' management of their greenhouse gas emissions and of risks and opportunities related to the low-carbon transition.
- Carbon Performance Score – how companies' carbon performance now and in the future might compare to the international targets and national pledges made as part of the Paris Agreement.



**LONDON
STOCK
EXCHANGE**
An LSEG Business

The TPI MQ assessment criteria is aligned to and modelled on TCFD recommendations and based on 23 indicators. It places companies at one of six levels ranging from Level 0 – Unaware to Level 5 – Transition planning and implementation. The International Sustainability Standards Board (ISSB) Standards Framework is also shaped around the same pillars.

Companies progress through the assessment by answering yes to every question at each level. A company needs to answer yes on all of the questions pertaining to a level before they can advance to the next level.

Eligibility

FTSE Russell assesses companies based on the TPI MQ methodology on an annual basis and the London Stock Exchange will update the Climate Governance Score of companies shown on the Issuer Services platform in Q4 annually.

Exclusions

Managing greenhouse gas emissions and integrating climate change into business strategy is one element of preparing for the low-carbon transition. Of equal importance is actual emissions, their trajectory, and how this compares to international targets as part of the UN Paris Agreement aimed at drastically reducing carbon emissions to limit global warming to two degrees above the pre-industrial level.

Though there is a general trend that good carbon management systems can lead to lower future emissions, carbon management is not an indication of current emissions.

The London Stock Exchange's Climate Governance Score is therefore not an assessment of a company's carbon emissions, current or predicted, and should be seen as an isolated assessment of a company's management of climate change considerations and integration into business strategy rather than a recognition of a companies' carbon performance.

Contact

For any queries in relation to your Climate Governance Score please contact sustainablefinanceenquiries@lseg.com.

The Climate Governance Score and this document is provided by the London Stock Exchange and its group companies (LSEG) for information only. While all information contained in this document is obtained from sources believed to be accurate and reliable, LSEG does not accept responsibility for any errors, omissions, or inaccurate information or any decisions made in reliance on the Climate Governance Score or this document. Any inaccuracies can be reported in writing to [HYPERLINK "mailto:sustainablebusiness@lseg.com"](mailto:sustainablebusiness@lseg.com) but LSEG shall not be responsible for such inaccuracies as a result of them being reported.

This publication does not constitute an offer to buy or sell, or a solicitation of an offer to sell, any securities, or the solicitation of a proxy, by any person in any jurisdiction in which such an offer or solicitation is not authorised, or in which the person making such an offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such an offer or solicitation.

Neither the Climate Governance Score nor this document are offered as advice on any particular matter and must not be treated as a substitute for specific advice. In particular, information in this document does not constitute legal, professional, financial or investment advice or an endorsement of any particular reporting standard or framework in relation to Environmental, Social and Governmental (ESG) factors. Advice from a suitably qualified professional should always be sought in relation to any particular matter or circumstances.

"FTSE Russell", "London Stock Exchange" and other related service marks and trademarks are trademarks of LSEG. No part of these trademarks or any other trademark owned by LSEG can be used, reproduced or transmitted in any form without express written consent by the owner of the trademark.

© 2025



**LONDON
STOCK
EXCHANGE**
An LSEG Business